T. Rowe Price

Don't Trade Tomorrow For Today

Target Date Investing Through Volatility

The coronavirus pandemic unsettled markets and investors around the world. Through times of uncertainty, our experienced target date team stayed grounded and focused on delivering successful retirement outcomes. Taking a long-term approach is critical, especially for investors in target date portfolios, which are meant to help prepare for and achieve an important long-term goal: a secure retirement.

Short-term focus comes at a high long-term price

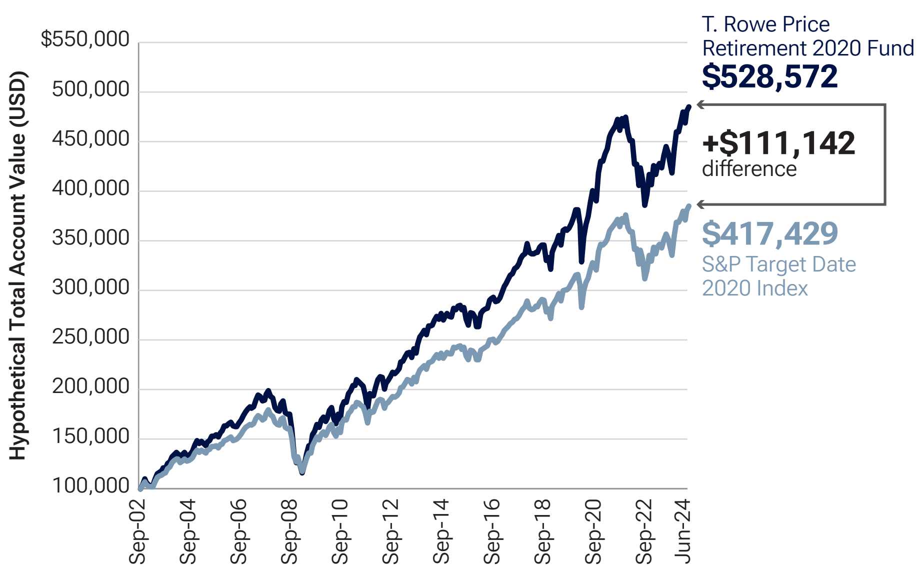
Our target date strategic design and investment process have led to strong outcomes over the long term, inclusive of the impact of short-term market disruptions such as the 2008–2009 global financial crisis and the coronavirus pandemic. That success was predicated, in part, upon a balanced view of the myriad risk factors—both short and long term—impacting retirement investors. And while reducing volatility can potentially mitigate a short-term downside experience, it can also lead to lower expected returns over time and elevated longer-term risk to sustainable retirement income.

To illustrate this point, consider the experience of two plan participants who invested $100,000 within target date solutions in 2002 (Figure 1). The first participant invested in the T. Rowe Price Retirement 2020 Fund and the second in an investment designed to track the S&P Target Date 2020 Index. As of June 30, 2024, the participant invested in the T. Rowe Price Retirement 2020 Fund would have accumulated over $111,000 more.

Figure 1
Despite Recent and Historic Periods of Volatility, Our Approach Has Led to a Better Outcome

Growth of $100k Invested in the T. Rowe Price Retirement 2020 Fund and S&P Target Date 2020 Index on September 30, 2002

As of June 30, 2024



Following market downturns, a participant invested in the T. Rowe Price approach would have seen their balance fall from a higher peak. As the market recovered, the T. Rowe Price investor would have had over $111,000 more in the account.

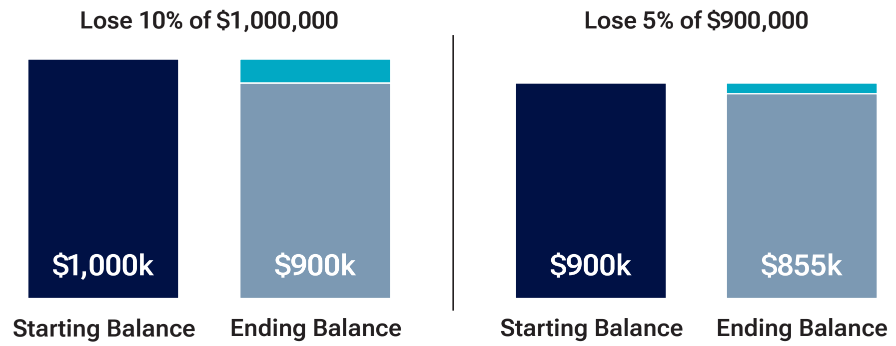
Performance data quoted represents past performance and is not a reliable indicator of future performance. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. To obtain the most recent month-end performance, visit troweprice.com.

Source: S&P Dow Jones Indices LLC

The case for a consistent, long-term orientation to target date investing is further illustrated by a simple question with a powerful answer: Would you rather lose 10% of $1,000,000 or 5% of $900,000 (Figure 2)?

The math makes the answer clear. And that answer is broadly understood by plan sponsors, 60% of whom agree that the cost of mitigating downside risk and portfolio volatility is a reduced expected withdrawal amount (e.g., income) throughout retirement.

Figure 2
Putting Loss Into Perspective



For illustrative purposes only and does not represent the performance of any product.

60%

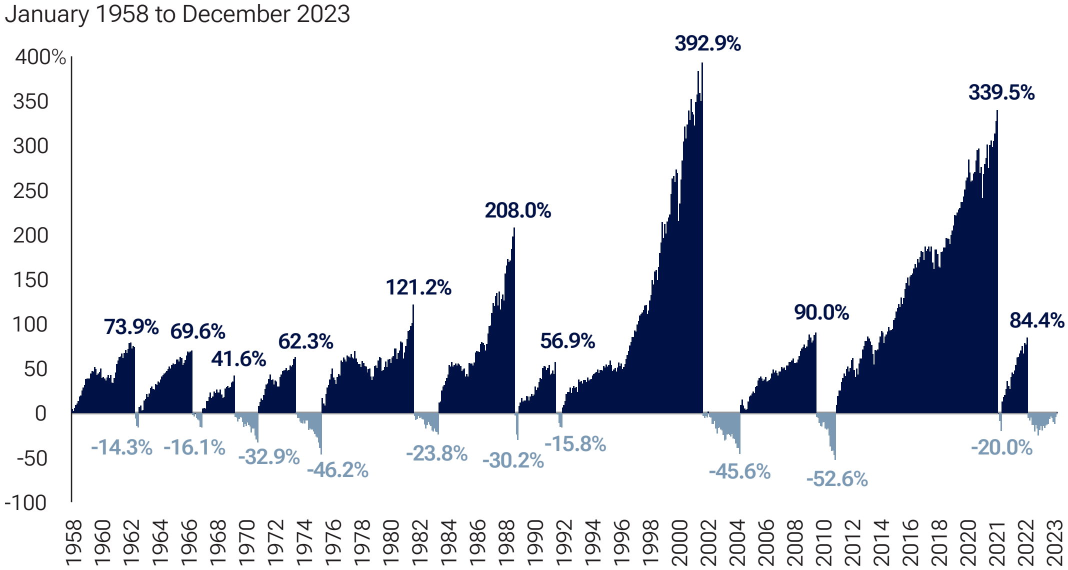
of plan sponsors agree that the cost of mitigating downside risk and portfolio volatility is a reduced expected withdrawal amount (e.g., income) throughout retirement.

Source: T. Rowe Price-sponsored Retirement Pulse survey, 2018.

The prudence of a long-term focus is also accentuated by the relative duration of bull and bear markets. Since 1958, the average monthly duration of bull markets is four times longer than that of bear markets (Figure 3). The average price appreciation of 156% for the S&P 500 Index during those bull markets also exceeds the average price depreciation of -28% for the S&P 500 Index during the applicable bear markets.

Figure 3
S&P 500 Cumulative Price Return in Bull and Bear Markets

January 1958 to December 2023



Bull Market Average Duration = 50 months

Bear Market Average Duration = 17 months

Past performance is not a reliable indicator of future performance.

Sources: T. Rowe Price analysis using data from FactSet Research Systems Inc. All rights reserved, Standard & Poor's. Copyright ©2023

For this chart, a bear market is defined as a drop of more than 15% in the S&P 500 Index.

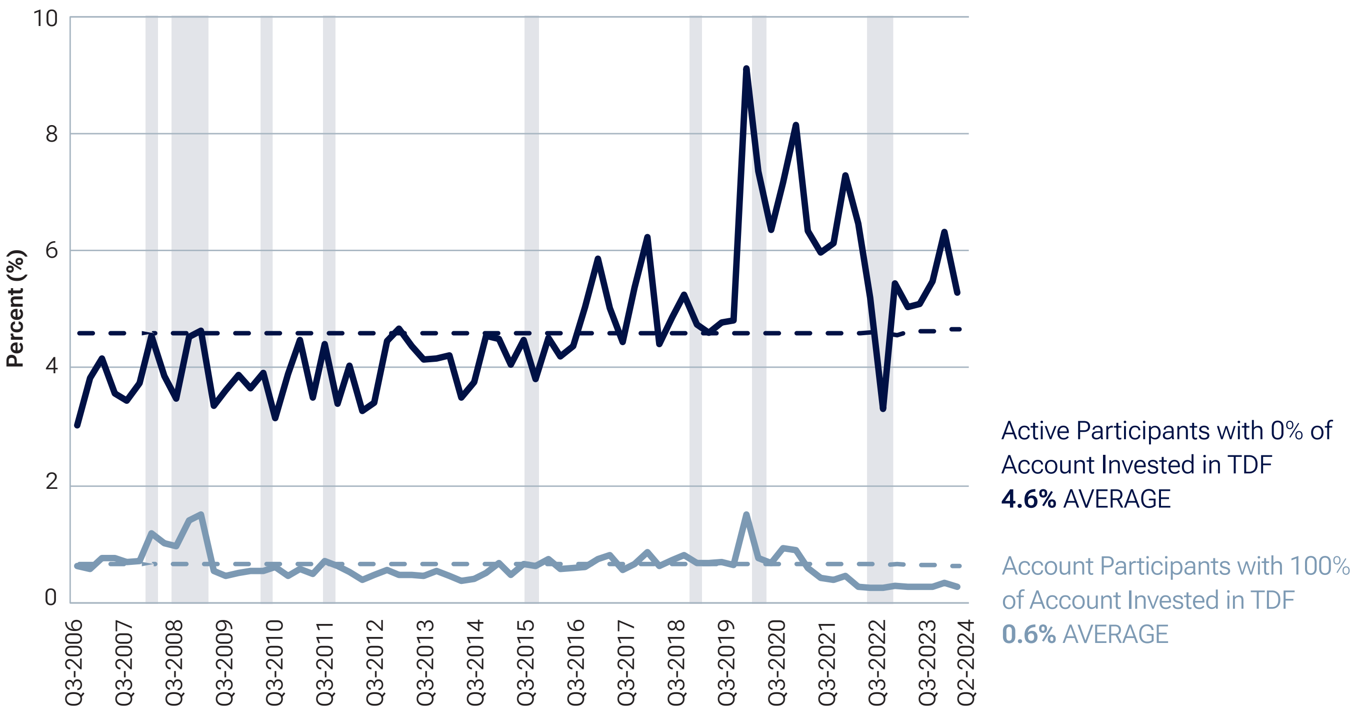
Retirement Plan Participants Stay the Course

The behavior of target date investors continues to align with our long-term approach. During the opening weeks of the coronavirus-related market downturn, over 99% of the target date investors within a T. Rowe Price-administered retirement plan stayed the course and did not make changes to their investments.[1] As Figure 4 demonstrates, this behavior is consistent with low target date transaction volumes exhibited in past periods of volatility.

Figure 4
Target Date Funds (TDF): Lower Exchange Activity During Market Volatility

Percent of Investors That Made an Allocation Change
September 30, 2006 through June 30, 2024

Gray shaded areas represent periods when the S&P 500 Index dropped by more than 5%



Source: T. Rowe Price Retirement Plan Services.

99.8%

of Target Date Investors **did not make an exchange** in their accounts during the most recent period of volatility.

At T. Rowe Price, we believe retirement investors should remain focused on their long-term goals. Investing in T. Rowe Price target date portfolios offers a disciplined strategy designed to help investors reach their destination in the long run, despite short-term market volatility along the way. For more information on how we can help investors remain focused on their long-term goals, please contact your T. Rowe Price representative.

[1] Based on analysis of T. Rowe Price recordkeeping data as of June 30, 2024.

Standardized Performance

As of June 30, 2024

Annualized Performance	1 year	3 year	5 year	10 year	15 year	20 year	Since Inception (9/30/2002)
Retirement 2020 Fund	11.33%	1.62%	6.26%	6.03%	8.75%	6.80%	7.96%
S&P Target Date 2020 Index	9.84%	1.83%	5.28%	5.22%	7.52%	5.83%	6.79%

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As of October 1, 2023, the gross expense ratio for the T. Rowe Price Retirement 2020 Fund is 0.53%. The fund's total return figures reflect the reinvestment of dividends and capital gains, if any.

Important Information:

This material is provided for general and educational purposes only and not intended to provide legal, tax, or investment advice. This material does not provide recommendations concerning investments, investment strategies, or account types; it is not individualized to the needs of any specific investor and not intended to suggest any particular investment action is appropriate for you, nor is it intended to serve as the primary basis for investment decision-making.

S&P Target Date 2020 Index is designed to represent asset class exposure for glide path products with target dates up to 2020. Investors cannot invest directly in an index.

The fund may have other share classes available that offer different investment minimums and fees. See the prospectus for details. Data shown are for the T. Rowe Price Retirement Date 2020 Fund, Investor Class. The 2020 vintage is shown for illustrative purposes to represent a portfolio at target retirement.

The principal value of the Retirement Funds is not guaranteed at any time, including at or after the target date, which is the approximate year an investor plans to retire (assumed to be age 65) and likely stop making new investments in the fund. If an investor plans to retire significantly earlier or later than age 65, the funds may not be an appropriate investment even if the investor is retiring on or near the target date. The funds' allocations among a broad range of underlying T. Rowe Price stock and bond funds will change over time. The funds emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus on supporting an income stream over a long-term postretirement withdrawal horizon. The funds are not designed for a lump-sum redemption at the target date and do not guarantee a particular level of income. The funds maintain a substantial allocation to equities both prior to and after the target date, which can result in greater volatility over shorter time horizons.

Retirement Pulse survey conducted by P&I Content Solutions Group and statistical analysis conducted by Signet Research Inc. in early 2018. Survey population includes 289 corporate, nonprofit, and government plan sponsors with assets: 49% less than $500M, 15% between $500M and $1B, 32% between $1B and $15B, and 4% more than $15B.

Consider the investment objectives, risks, and charges and expenses carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, call 1-800-564-6958. Read it carefully.

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