



# Glide path: An important tool in retirement planning



## From the Field

### Key Insights

- The concept of the “glide path” has gained prominence in retirement planning in recent years. We examine its key features and potential benefits.
- A glide path systematically adjusts strategic asset allocation between equity and fixed income in the retirement portfolio to match an investor’s changing risk tolerance and investment horizon.
- At the heart of the glide path is a gradual shift in the portfolio over time away from higher-risk assets like equities toward lower-risk ones like bonds.



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**R**etirement planning is an essential aspect of a household’s lifetime financial management. Sound retirement planning enables individuals and their families to secure their future and enjoy their post-working years in relative comfort, free from undue financial worry.

Among the key concepts employed in retirement planning, “glide path” has continued to gain prominence in recent years. This article aims to briefly explain and demystify glide path, shedding light on its structures, potential benefits, and other considerations.

### What is a ‘glide path?’

A glide path is a retirement investment framework that guides the strategic asset

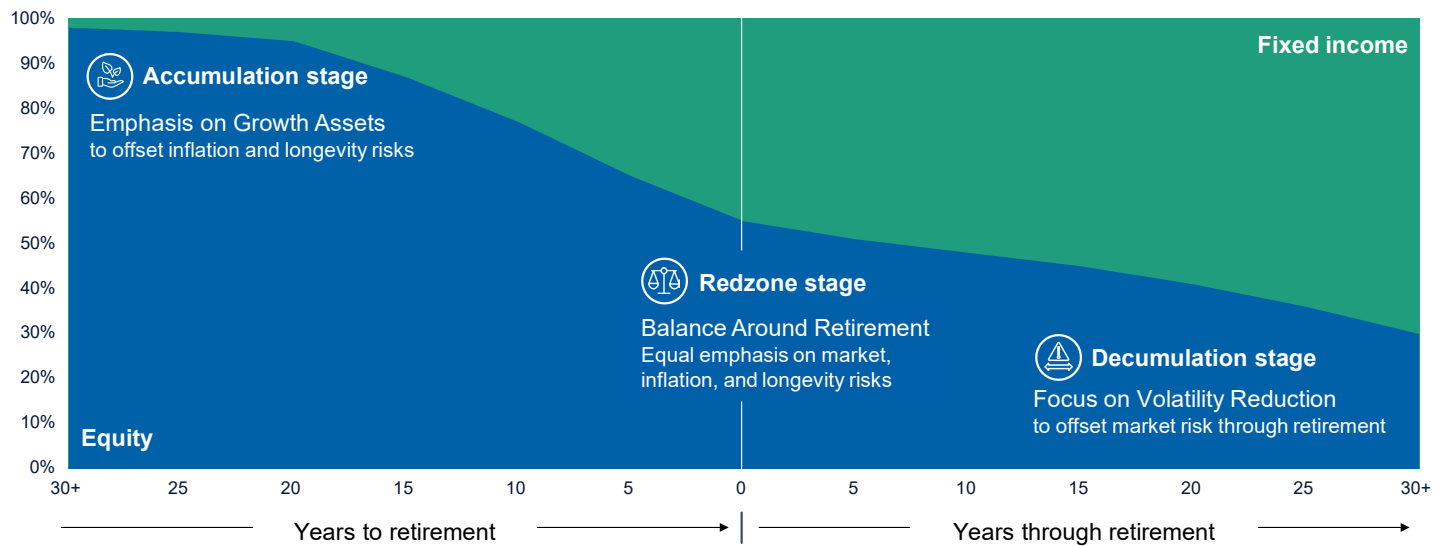
allocation shifts within an individual’s portfolio over time. Essentially, a glide path framework aims to gradually reduce portfolio risk as the investor approaches retirement and beyond into older age, when income from employment is no longer earned. It is a strategic, systematic approach to adjusting asset allocation in a retirement portfolio over the years to match an investor’s changing risk tolerance and investment horizon.

At the heart of the glide path is a gradual shift in the portfolio over time away from higher-risk equity investments toward lower-risk fixed income ones (Figure 1). We can envisage this process taking place in three stages:

**“** The glide path is a dynamic asset allocation framework designed for retirement planning that adjusts asset allocation as the individual ages.

## T. Rowe Price glide path gradually reduces the portfolio's equity exposure over time

(Fig. 1)



For illustrative purposes only.  
Source: T. Rowe Price, August 2025.

- 1. Accumulation stage:** In the initial stage of a glide path, the portfolio is heavily weighted towards equities and other risk assets. This allocation is based on the premise that younger investors have a longer time horizon and so can afford to bear the higher volatility associated with stocks relative to bonds. Equity investments offer higher potential returns, which can be the main accelerator for wealth accumulation over the longer term.
- 2. Redzone stage:** As investors get closer to retirement age, the glide path reduces the equity exposure more quickly, increasing the allocation to

fixed income. This shift is driven by an equal consideration to market, inflation, and longevity risks.

- 3. Decumulation stage:** Once retirement is reached, the portfolio becomes more conservative, focusing on preserving capital and generating income. However, the portfolio should maintain a meaningful allocation to equities at retirement and continue to glide down in retirement. This is because life does not stop at retirement and we need higher returns from the equity investment to support 30-40 years of post-retirement life, reducing the risk of outliving our retirement savings.

### Potential benefits

Glide path can offer several key advantages for retirement investors, summarized in Figure 2 below:

#### Optimized Asset Allocation

**Automatic adjustments:** For individual investors, managing their portfolio's asset allocation can be a daunting task. Glide path serves as a roadmap, helping to simplify this process, offering a pre-determined framework implemented by the portfolio manager that gradually reduces equity risk exposure over time.

## Potential benefits of T. Rowe Price glide path approach

(Fig. 2)



### Optimized asset allocation

- Broad diversification between equities and fixed income is optimized over time to manage risk while seeking growth
- Seeking to drive better retirement outcomes for investors over time



### Holistic risk management

- Integrate capital market insights with behavioral factors
- Addressing retirement concerns more holistically



### Gradual volatility reduction

- Gliding into retirement, the portfolio becomes more conservative
- Delivering a smoother investment experience with reduced volatility

Source: T. Rowe Price, August 2025

“As investors get closer to retirement age, the glide path reduces the equity exposure more quickly...”

Investors can relax more knowing that as they grow older, the manager of their retirement investments will be making systematic adjustments to lower the overall risk of their portfolio.

T. Rowe Price's glide path design stems from robust modeling of market environments, investor behavior and preferences, all informed by our extensive research and proprietary recordkeeping data of over 2 million users. This approach enables us to optimize portfolio allocations to meet investors' needs.

**Diversification:** While the glide path defines the overall allocation between equities and fixed income, the underlying multi-asset strategy can enhance diversification within both asset classes. Retirement investments will typically be spread across a broad range of sub-asset classes to identify global opportunities

that aim to enhance returns while helping to reduce overall portfolio volatility.

 **Holistic Risk Management**

**Risk mitigation**

A glide path is designed for retirement planning and it addresses a wide spectrum of risks encountered in the retirement journey (Figure 3). By gradually reducing exposure to equities, the glide path can help reduce the potential impact of cyclical market downturns. This can be crucial for mitigating risks to the investors' wealth nearing and in retirement, as it may not have enough time to recover from a market downcycle. What is worth highlighting is that beside market risks, the glide path design also considers behavioral and longevity risks, which may not be fully addressed by traditional multi-asset strategies in the marketplace.

— **Behavioral risk:** Investors often succumb to emotional decision-making during market turbulence, as we experienced in April this year due to U.S. tariff uncertainties. Glide path can offer the individual a more disciplined approach by focusing on longer-term retirement goals, aiding in reducing the temptation to make impulsive changes based on short-term market movements, which often leads to “buy

high and sell low”. This is a feature which other multi-asset funds might lack.

— **Longevity risk:** Careful planning is required to ensure that retirees have sufficient funds for potentially longer-than-expected lifespans. Addressing longevity risk requires a combination of planning, diversified investments, and potentially revising traditional retirement age expectations to help individuals sustain their standard of living throughout their retirement years.

A well-designed glide path can help to manage longevity risk by providing a balanced approach to the growth and preservation of capital. In the early years, a more aggressive asset allocation seeks higher returns to grow retirement investments significantly. This early wealth accumulation can later be crucial for funding a longer retirement, where life expectancy continues to increase with advances in medical science and new treatments. Overall, the glide path is an essential component in retirement planning to help mitigate longevity risk by strategically adjusting investment allocations over time.

 **Gradual Volatility Reduction**

As investors near retirement age, the glide path gradually shifts the portfolio toward more conservative investments, such as bonds, as shown in Figure 1. This transition helps to preserve investors' accumulated wealth from market volatility and unexpected large drawdowns in value, when investors have less time to wait for market recovery. This structural portfolio shift aims to provide more stable returns, aligning with the individual's need for both income generation and preservation of capital.

**Our glide path considers a wide spectrum of risks**

(Fig. 3)



Source: T. Rowe Price, August 2025.

**Conclusions**

Glide path is a robust tool in retirement planning, offering a structured approach to help investors manage risk and align

their investments with financial goals. Understanding the basics of glide path and its role in retirement funds can lead to more informed financial decisions, supporting the goal of achieving a more secure and comfortable retirement.

At T. Rowe Price, we manage over USD 1.1 trillion<sup>1</sup> in retirement-related assets and bring more than 20 years of experience in managing retirement solutions, along with over 30 years of multi-asset investment expertise. Drawing on these strengths, our robust glide path works behind the scenes to help investors navigate their financial future and retirement with greater confidence.

<sup>1</sup>As of 30 June 2025. Firmwide assets under management includes assets managed by T. Rowe Price Associates, Inc. and its investment advisory affiliates.

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### Risks Disclosure

While glide path strategies aim to systematically adjust risk exposure as investors approach retirement, they do not guarantee against market losses or ensure sufficient savings for retirement. Actual outcomes may vary depending on the prevailing market conditions and personal financial circumstances.

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