



**T.Rowe Price**

# **T. Rowe Price® Retirement Fund Recommendation Service Methodology**

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The T. ROWE PRICE® Retirement Fund Recommendation Service is a non-discretionary advice service provided by T. Rowe Price Advisory Services, Inc., a registered investment adviser under the Investment Advisers Act of 1940.

## T. Rowe Price Retirement Fund Recommendation Service Overview

The T. Rowe Price Retirement Fund Recommendation Service (“Retirement Fund Recommendation Service” or “RFR Service”) is a non-discretionary advice service leveraging T. Rowe Price investment expertise to provide a point-in-time recommendation for a T. Rowe Price Retirement Fund (Retirement Fund). Clients can access this service through the online IRA new account setup process.

### Investor Requirements

The RFR Service is designed for individual investors who have decided to establish an IRA with T. Rowe Price and want a recommendation for a Retirement Fund before funding the new account.

To receive a recommendation for a specific Retirement Fund, a client must:

- Provide their age (18 through 115) and intended investment amount;
- Meet the \$1,000 minimum investment amount for IRAs; and
- Attest, through their use of the RFR Service, that they plan to:
  - Use the assets identified as part of the online new account setup process for a retirement goal;
  - Retire at or near age 65; and
  - Withdraw the assets over a long-term retirement horizon.

T. Rowe Price Advisory Services, Inc. (“TRP Advisory Services”), makes Retirement Fund Recommendations solely based on a client’s age (used to determine the year the client will reach age 65 and the client’s birth year), the investment amount (used to determine for which share class the client is eligible), and the client’s attestations listed above. In recommending a specific Retirement Fund, TRP Advisory Services assumes that the client’s risk tolerance is consistent with the age-appropriate assumptions for the Retirement Funds, meaning that it changes over time from a primary preference for growth potential (via a higher exposure to equities) and greater tolerance of the accompanying volatility to a preference for greater stability (through a lower exposure to equities) in light of the need to withdraw assets to generate replacement income. The RFR Service will account for a client’s intended investment amount by recommending the lowest-cost share class of the Retirement Fund available to the client. The Retirement Fund Recommendation addresses only those assets clients identify as available for investment through the online new account setup process and does not consider a client’s retirement income needs, the client’s financial circumstances, or any information the client may have provided to T. Rowe Price outside of this service. (The RFR Service does not include recommendations for the T. Rowe Price Retirement Balanced Fund because this fund maintains a static allocation of approximately 60% equities and 40% fixed income.) T. Rowe Price also offers other series of target date funds, including: (1) the T. Rowe Price Retirement Blend Funds, with identical overall equity allocations as the Retirement Funds but with a higher allocation to passive investment strategies; (2) the T. Rowe Price Target Funds, which have lower overall equity allocations than the Retirement Funds that are designed for investors with lower risk tolerances and/or higher savings rates; and (3) the T. Rowe Price Retirement Income Funds, which employ a managed payout program generally designed to make 12 equal monthly dividend payments that are expected to produce an annual payout of approximately 5% of the fund’s trailing average 5-year net asset value. The RFR Service does not include recommendations for the other series of T. Rowe Price target date funds.

Clients are under no obligation to accept the Retirement Fund Recommendation. TRP Advisory Services will not monitor or manage any investments made or accounts opened by the client, whether at T. Rowe Price or elsewhere, to implement a Retirement Fund Recommendation. If clients choose to implement the Retirement Fund Recommendation, they are responsible for monitoring their asset allocation and making adjustments to it as their financial situation changes.

TRP Advisory Services will recommend the same Retirement Funds to different clients with substantially the same retirement savings profile (as described in the attestations listed above), investment amount, and age. Because a client’s age is a primary factor underlying the Retirement Fund Recommendation, reusing the RFR Service within the same year generally will not yield a different recommendation.

It is important to note that, when making a Retirement Fund Recommendation, TRP Advisory Services does not take into account the amount or size of withdrawals or whether withdrawals will be sustainable over a particular time horizon.

**Table 1—Retirement Fund Recommendation Matrix**

Client's Birth Year	Recommended Retirement Fund
1942 and earlier	Retirement 2005
1943 through 1947	Retirement 2010
1948 through 1952	Retirement 2015
1953 through 1957	Retirement 2020
1958 through 1962	Retirement 2025
1963 through 1967	Retirement 2030
1968 through 1972	Retirement 2035
1973 through 1977	Retirement 2040
1978 through 1982	Retirement 2045
1983 through 1987	Retirement 2050
1988 through 1992	Retirement 2055
1993 through 1997	Retirement 2060
1998 through 2002	Retirement 2065
2003 and later	Retirement 2070

## The T. Rowe Price Approach to Portfolio Design

TRP Advisory Services believes that strong asset allocation planning is essential to long-term investing. A diversified and properly allocated fund or portfolio combines a variety of asset classes that can achieve an appropriate return over time for a given level of risk.

### Diversification and Why It Matters

First, it helps to understand an important principle behind asset allocation: diversification. Diversifying assets is an effective way to reduce risk for all investors, from those aggressively seeking higher returns to those seeking to preserve accumulated wealth. Among the two major asset classes—equities and fixed income—performance varies widely over time and is impossible to predict. Fortunately, certain asset classes and sub-asset classes tend to complement each other's risk and return behavior. This is generally true of equities and fixed income. For example, corporate earnings may affect equities more, while interest rate changes may affect fixed income more. Different asset classes may behave differently in similar market conditions, which can help to diversify an overall portfolio. However, diversification cannot assure a profit or protect against loss in a declining market.

### Retirement Funds Portfolio Design

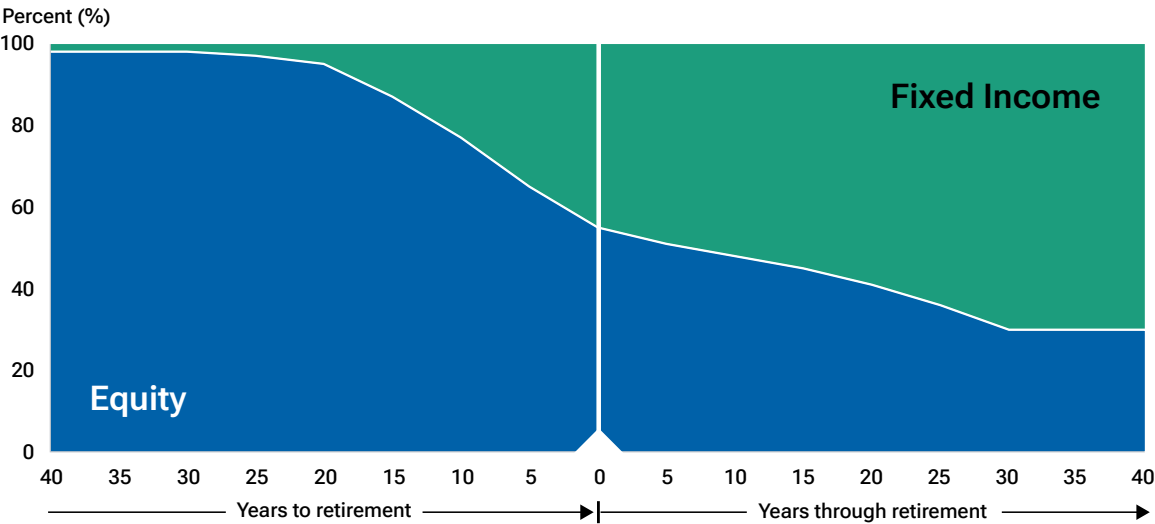
The Retirement Funds are designed as prepackaged, age-based investment solutions for investors saving for and in retirement. The funds are managed based on a specific target date included in their names and assume a retirement age of 65. The target date refers to the approximate year an investor in the fund would plan to retire and likely stop making new investments in the fund. The funds are primarily designed for an investor who anticipates retiring at or about the target date and who plans to withdraw the value of the account in the fund gradually after retirement. However, if an investor retires significantly earlier or later than age 65, the funds may not be an appropriate investment even if the investor retires on or near a specific fund's target date.

The Retirement Funds consist of a diversified long-term asset allocation strategy combined with a simplified financial plan for adjusting the investor's exposure to risk over time. This is accomplished through the use of a predetermined "glide path" in which the allocation between equities and fixed income securities is adjusted to become more conservative—both prior to and after retirement—as time elapses. Although the glide path is meant to dampen the fund's potential volatility as retirement approaches, the fund is not designed for lump-sum redemption at the retirement date.

In constructing the glide path for the Retirement Funds, T. Rowe Price accounted for risk tolerance at different ages. In the early years of investing for retirement, the glide path allocates a higher proportion of assets to equities to primarily address longevity risk (the risk of not having sufficient assets to last throughout retirement). As shown by the glide path on the next page, this focus gradually changes over time. As investors near retirement, the glide path increases the allocation to fixed income in an effort to reduce market risk and increase the stability of the portfolio. During retirement, the glide path allocates assets among equities and fixed income to address both longevity risk and market risk and to increase the sustainability of a desired income stream.

The Retirement Funds are intended to serve as a post-retirement investment vehicle with allocations designed to support an income stream made up of regular withdrawals throughout retirement along with some portfolio growth that exceeds inflation. The Retirement Funds do not guarantee a particular level of income.

The Retirement Funds implement their asset allocation strategy by investing in a diversified portfolio of T. Rowe Price equity funds and fixed income funds. Equity fund allocations include U.S., international, and real assets. The fixed income component includes a broadly diversified allocation to funds that invest in domestic investment-grade bonds, high yield bonds, emerging market bonds, and non-U.S. dollar bonds. This diversification seeks to dampen overall portfolio volatility and utilize sources of potential return that can help offset inflation.



Please see the [prospectus](#) for additional details.

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