



A Little Could Go a Long Way: Better Returns and the Impact on Retirement Savings

Unlike passive investment managers, active managers aren't tied to an index. They're free to go after returns that outpace the market. And T. Rowe Price Retirement Funds did just that—delivered higher returns than passive peers, time and time again.

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Retirement investors often focus on fees as they try to find the best funds to fit in with their portfolios. But with so much attention placed on costs, it's easy to lose sight of arguably the most important part of successful investing—strong, long-term performance.

While passive index funds offer low expenses, beating an index by even a small amount can make a meaningful difference in how much money people can save over time, even after fees are calculated.

This is crucial for investors to keep in mind as they look to accumulate enough money to last through their retirement years and support their standard of living while retired. An investor who falls short in their savings goal may find themselves delaying retirement, outliving their money, or cutting back on spending.

It's possible to retire comfortably by investing in passive index funds, which are designed to generate returns that track the overall market. But some passive investors may still find themselves falling short of their goals.

Our analysis shows that if active management is able to generate even a small amount of better return, it may result in higher balances over time.

Higher retirement balances may provide investors benefits like:



Freedom to retire according to plan.



Flexibility to maintain a preferred lifestyle in retirement.



Savings that last through retirement years.

“...beating an index by even a small amount can make a meaningful difference in how much money people can save....”

Retirement Can Last Decades—Investors' Savings Should, Too

To help protect against a potential retirement shortfall, financial experts advise that people save and invest as much as they can and as early as possible. But with retirements now lasting 30 to 40 years or more, it's also important to find investments with the potential for strong, long-term performance.

Why Better Returns Matter Over Time

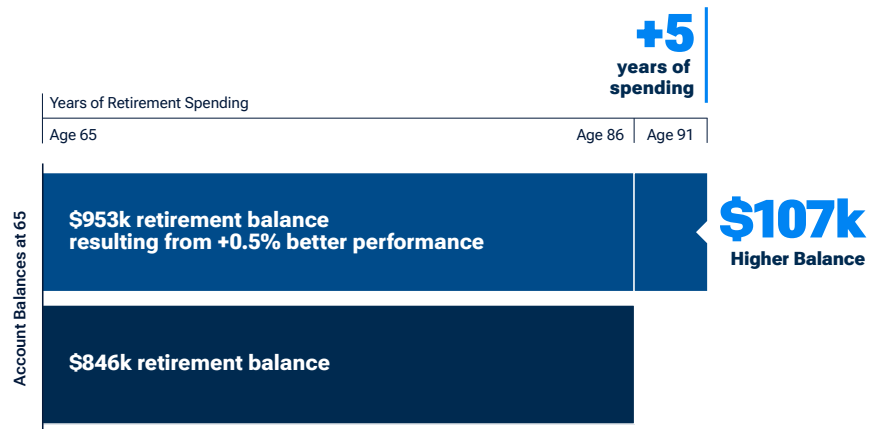
To illustrate the difference that additional long-term performance can make, let's imagine a hypothetical 25-year-old who is just starting to invest. She begins with a \$30,000 annual salary that increases by 3% each year. She also saves 9% of her money and invests it. If her investments increase in value by an average of 7% each year until retirement (age 65), she'll have a balance of \$846,000.¹

But now let's imagine an additional 0.5% of return each year.

On the surface, that may seem like a small amount. The figure below shows how that level of return annually could turn \$846,000 into \$953,000 at retirement. That's \$107,000 in additional funds that could represent five more years of retirement spending—potentially enough to ensure she will not outlive her nest egg. For those investors not concerned about outliving their money, this better return could mean more money for an earlier retirement date, a higher standard of living in retirement, or a combination of the two.

“...better return could mean more money for an earlier retirement date, a higher standard of living in retirement, or a combination of the two.”

Even 0.5% better performance can lead to higher retirement balances and additional years of spending



¹Assumes investment growth of 5% annually after age 65. Also assumes withdrawal of 50% of ending salary (\$48,931) in first year of retirement, with withdrawals then increasing by 3% annually until portfolio exhaustion.

Demographic assumptions, contributions, and investment returns are shown for illustrative purposes only and are not intended to provide any assurance of actual returns and outcomes.

T. Rowe Price Retirement Funds Delivered Higher Returns Than Passive Funds

Investors looking to save for retirement can consider T. Rowe Price Retirement Funds, which have a track record of generating better long-term returns than comparable passive funds.*

Since their inceptions, our Retirement Funds outperformed passive funds by

an average of 1.28% annually, based on our analysis of 10-year rolling monthly periods. And as the graphic on the following page shows, they delivered better returns in every rolling monthly period we analyzed.

This better performance has allowed us to maintain our goal of helping people close the gap between what they have and what they need for retirement.

*The Retirement 2005 Fund was excluded from the study, as it had a limited number of passive peer constituents in the Morningstar universe; the Retirement 2060 and 2065 Funds were excluded due to lack of a 10-year track record.

Our Retirement Funds beat passive peers 100% of the time.

Compared with combined portfolios of passive target date funds over 10-year rolling monthly periods since Retirement Fund inceptions through December 31, 2023.

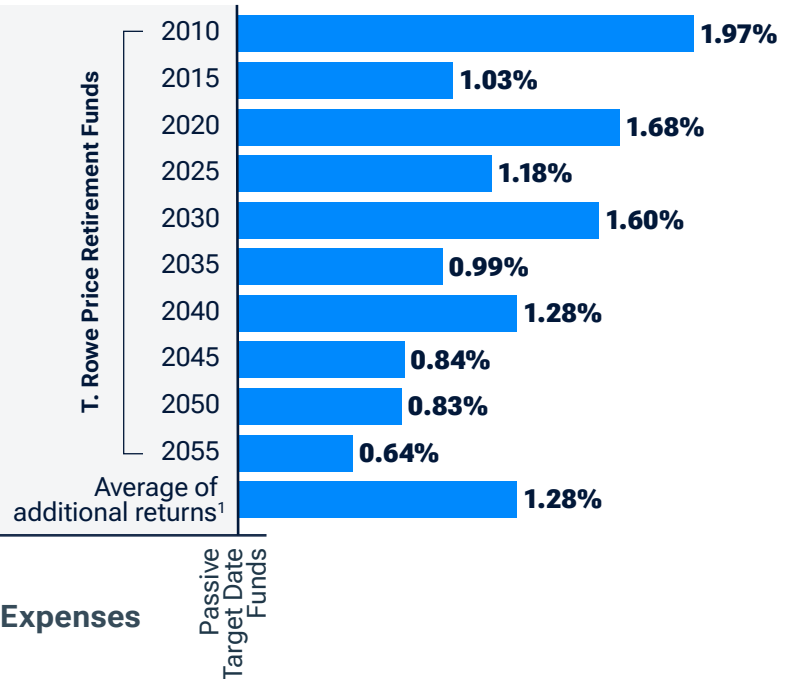
Frequency of Better Returns

Percentage of periods with better returns than passive peer funds



Amount of Better Returns

Average additional return over passive peer funds across all periods analyzed



Results Shown After Fees and Expenses

See standardized returns and other information about the funds in the analysis on page 4.

View more information on the [methodology](#) of this analysis.

Performance data quoted represent past performance and are 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](#).

¹ Average was time weighted based on the percentage of total rolling performance periods provided by each Retirement Fund.

Our Retirement Funds have shown to be a powerful tool for long-term investors, as they have a goal of generating strong returns up to and beyond an investor's retirement year, gradually getting more conservative over time. These funds are designed to bring the full value of our active management approach, with a focus on delivering the highest total return over time and supporting lifetime income.

Like all funds in our Target Date suite, our Retirement Funds are thoughtfully constructed and managed by investment professionals who are committed to deep research and who understand evolving markets, demographics, and investor actions. They uncover insights that enable them to continually evolve their thinking with investors' best retirement outcomes in mind.

We have a history of delivering innovative solutions to our retirement investors. And our Retirement Funds have generated more returns, more often, offering the potential for higher account balances for our clients in retirement.

[Learn more about our Retirement and Target Funds.](#)



Standardized Performance: T. Rowe Price Retirement Funds

Annualized total returns for periods ended December 31, 2023

Fund	Inception Date	Gross Expense Ratio ¹	1 Year	3 Years	5 Years	10 Years	20 Years or Since Inception
TRP Retirement 2010 Fund (NAV)	(9/30/2002)	0.49%	12.46%	1.70%	6.45%	5.08%	5.85%
S&P Target Date 2010 Index			10.78	1.49	5.61	4.50	4.98
TRP Retirement 2015 Fund (NAV)	(2/27/2004)	0.50	12.97	2.03	7.02	5.54	6.18
S&P Target Date 2015 Index			11.38	1.86	6.10	4.94	5.32*
TRP Retirement 2020 Fund (NAV)	(9/30/2002)	0.53	13.45	2.27	7.64	6.04	6.70
S&P Target Date 2020 Index			12.32	2.12	6.47	5.28	5.77
TRP Retirement 2025 Fund (NAV)	(2/27/2004)	0.54	14.57	2.63	8.44	6.59	6.99
S&P Target Date 2025 Index			12.99	2.80	7.42	5.85	6.08*
TRP Retirement 2030 Fund (NAV)	(9/30/2002)	0.57	16.30	3.11	9.25	7.12	7.50
S&P Target Date 2030 Index			14.80	3.61	8.42	6.44	6.59
TRP Retirement 2035 Fund (NAV)	(2/27/2004)	0.59	18.08	3.66	10.03	7.57	7.63
S&P Target Date 2035 Index			16.63	4.45	9.44	7.04	6.81*
TRP Retirement 2040 Fund (NAV)	(9/30/2002)	0.60	19.53	4.11	10.69	7.96	8.00
S&P Target Date 2040 Index			18.16	5.16	10.22	7.49	7.22
TRP Retirement 2045 Fund (NAV)	(5/31/2005)	0.62	20.46	4.53	11.18	8.21	8.08
S&P Target Date 2045 Index			19.14	5.62	10.68	7.76	7.27*
TRP Retirement 2050 Fund (NAV)	(12/29/2006)	0.63	20.78	4.64	11.25	8.25	7.35
S&P Target Date 2050 Index			19.59	5.84	10.92	7.92	6.72*
TRP Retirement 2055 Fund (NAV)	(12/29/2006)	0.64	20.82	4.60	11.21	8.22	7.33
S&P Target Date 2055 Index			19.62	5.91	10.98	7.99	6.82*

¹Expense ratios are based on the most recent prospectus.

TRP = T. Rowe Price

*Since inception.

The performance data shown is past performance and cannot guarantee future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original value. Current performance may be higher or lower than the performance data quoted. To obtain the most recent month-end performance, visit troweprice.com. It is not possible to invest directly in an index.

Average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions.

Call 1-800-225-5132 to request a prospectus or summary prospectus; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.

All investments are subject to risk, including the possible loss of principal.

T. Rowe Price Investment Services, Inc., distributor, T. Rowe Price mutual funds.

T. Rowe Price identifies and actively invests in opportunities to help people thrive in an evolving world, bringing our dynamic perspective and meaningful partnership to clients so they can feel more confident.

Important Information

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All investments are subject to risk, including the possible loss of principal. Active investing may have higher costs than passive investing and may underperform the broad market or passive peers with similar objectives. Passive investing may lag the performance of actively managed peers as holdings are not reallocated based on changes in market conditions or outlooks on specific securities.

Although in the same category, there may be material differences among target date funds, including fees, expenses, and the portfolio mix of investments. Results for other time periods will differ.

Analysis by T. Rowe Price. Source: Morningstar. The target date funds included in the combined portfolios were (1) defined as passive by Morningstar in its most recent annual Target-Date Strategy Landscape report, (2) open and available to investors as of December 31, 2023, and (3) within the Morningstar universe sharing the same target date as each Retirement Fund. Combined portfolios were equally weighted and based on the oldest share class of each competing passive target date fund.

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.

Each fund's overall level of risk will directly correspond to the risks of the underlying funds in which it invests. By investing in many underlying funds, the fund has exposure to the risks of different areas of the market, such as the inherent volatility of the equity markets, which may be increased to the extent that the fund invests in small- and mid-cap stocks. Fixed income securities involve interest rate (as rates rise the price of a fixed income security generally falls), credit, and prepayment risks. International investments are subject to special risks, including currency fluctuations and social, economic, and political uncertainties, which could increase volatility. These risks are magnified in emerging markets. No target date fund is considered a complete retirement program, and there is no guarantee of principal invested or that any single fund will provide sufficient retirement income at or through retirement.

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