TIAA Institute

IMPROVING RETIREMENT OUTCOMES

THE IMPACT OF TIAA TRADITIONAL IN QUALIFIED DEFAULT TARGET-DATE GLIDEPATHS

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2025 UPDATE

Updated research continues to find that replacing some of the bond fund allocation with TIAA Traditional tends to produce greater asset balances in retirement compared to a standard target date fund.

A 2025 update to research sponsored by the TIAA Institute and conducted by Charles River Associates examined a critical question for retirement plan design: Does replacing part of the fixed income bond allocation with a fully liquid TIAA Traditional, a guaranteed product, within a qualified default target-date glidepath improve retirement outcomes?

The original 2024 study analyzed 27 different scenarios using 49 years of historical data (1973-2021), comparing standard target-date glidepaths with those that replaced a portion of bond funds with TIAA Traditional. The 2025 update extended this analysis with three additional years of data (2022-2024), focusing specifically on retirement outcomes during a period of significant interest rate volatility.

Results

Significantly Improved Outcomes

- TIAA Traditional improved retirement outcomes in 93% of scenarios (up from 89% in the original study)
- The average residual balance was $78,327 higher with TIAA Traditional - a 16% increase from the 2024 study findings
- In winning scenarios, portfolios with TIAA Traditional averaged $88,879 more in residual balances

Performance Throughout the Retirement Journey

- To Retirement: Higher account balances at retirement in 63% of scenarios
- Through Retirement: Consistent positive returns, eliminating the interest rate risk experienced by traditional bond funds
- End of Retirement: Substantially higher estate values, providing greater legacy planning opportunities

Impact on Retirement During Market Volatility (2022-2024)

- Rising interest rates put pressure on those holding bond funds, for example the Bloomberg Aggregate Bond Index returned -7.1% during rising interest rates over this time period. But those who had annuitized TIAA Traditional received 5% and 3% income increases in 2022 and 2023.

- Standard portfolios needed to annuitize more assets (31% vs. 26%) to achieve the same guaranteed income level throughout retirement.

Improved Residual Balance Results Across Risk Profiles

- Conservative portfolios: Improved from 5.6% to 6.7% higher residual balances
- Moderate portfolios: Improved from 4.6% to 5.6% higher residual balances
- Aggressive portfolios: Showed the greatest relative improvement, increasing from 2.7% to 3.3% higher residual balances

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Why this matters

This research demonstrates that including TIAA Traditional in target-date glidepaths can be particularly valuable during periods of interest rate volatility. The research demonstrates improved outcomes from:

- Enhanced retirement security through guaranteed positive returns and lifetime income
- Reduced interest rate risk compared to traditional bond portfolios
- Higher lifetime income for long-term contributors through loyalty bonuses and raises to annuitants
- Greater asset preservation for estate planning purposes
- Improved risk-return profile across all portfolio types

Call to action

For plan sponsors and retirement professionals seeking to enhance participant outcomes, now is the time to evaluate how incorporating guaranteed income solutions like TIAA Traditional can strengthen qualified default investment options. By allocating a portion of fixed income investments to TIAA Traditional, plans can provide participants with more stable returns, reliable income, and greater estate preservation.

> Overall, the research found that replacing some bond allocation with TIAA Traditional in a glide path more often resulted in a higher accumulation at retirement and a larger estate value, with lower risk to the participant.

To learn more about how TIAA Traditional improved outcomes to and through retirement, visit the **TIAA Institute** website to read the executive summary.

Disclosures

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The **Bloomberg U.S. Aggregate Bond Index** reflects the average experience (including expenses) of only the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. Over the long-term, the credited interest rates of TIAA Traditional have been similar to returns of this Index, with less volatility due to the diversified investments of TIAA's large general account which support TIAA's fixed annuity credited rate, and which invests in nearly every type of portfolio asset available in the market, not just the bond market. You cannot invest in an index; nor can you invest in TIAA's general account.

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