

**American Funds Insurance Series®**

Target Date Series



**CAPITAL  
GROUP®**

**AMERICAN  
FUNDS®**



**Target date funds &  
variable annuities:  
A new road to  
retirement income**

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

# A smart choice for retirement investing

## What are target date funds?

Investments in target date funds are allocated among a diversified portfolio of mutual funds comprising stocks and bonds. Investors select a target date fund, typically the one nearest their anticipated retirement date. Over time, that fund's mix of stocks and bonds will shift toward more conservative investments. This gradual shift over time is called a "glide path." These professionally managed solutions make up a growing asset class, widely used in workplace retirement savings plans.

**\$2 trillion**

Target date assets have nearly doubled since 2015, totaling more than \$2 trillion as of June 30, 2019.<sup>1</sup>

**82%**

of new retirement plan contributions are projected to flow into target date solutions by the end of 2023.<sup>2</sup>

**\$2.9 trillion**

in assets are projected to be held in target date solutions by the end of 2023.<sup>2</sup>

## Why investors use target date funds

**Easy**

**Easy selection**

Simplifies choosing and managing retirement investments

**Diverse**

**Broad asset allocation**

Diversifies investments among various asset classes

**Oversight**

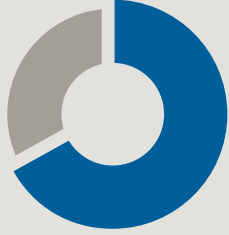
**Professionally managed**

Professional managers oversee asset allocation and glide path decisions

<sup>1</sup> Source: Mercer - Quarterly Target Date Fund Survey, as of second quarter 2019.

<sup>2</sup> Cerulli Associates, Inc., The Cerulli Report – U.S. Defined Contribution Distribution 2018: An Update on Managed Accounts in DC Plans.

# Why protected income?



**67%** of Americans

highly value protected lifetime income in addition to Social Security.<sup>3</sup>



**63%** of Americans

have no guaranteed source of retirement income other than Social Security.<sup>4</sup>

## Retirement income that can't be outlived

As people prepare for and transition to living in retirement, their needs and priorities change. Generating income and protecting what they've worked hard to save are top-of-mind – but Social Security and pensions may not cover the needs of many retirees.

## A closer look at the benefits

At Capital Group, we believe protected income from variable annuities can play a strategic role in retirement income plans, among other investments.

Annuities can be an important part of a diversified retirement portfolio because they can ensure that your retirement income is protected even when there are downturns in the market that might affect your retirement portfolio. So no matter how your other retirement investments perform, annuities can provide you with a source of protected lifetime income that few other financial products can offer.

## Other considerations

Be careful not to over-insure your client's retirement income plan. Things to consider:

**Higher potential fees** – Variable annuities may impose a variety of fees that may affect the growth of your client's portfolio.

**Lower flexibility/liquidity** – Variable annuities have investment and/or withdrawal limitation requirements. Early withdrawals may incur a fee. About the guarantee: Guarantees are subject to the claims paying ability of the issuing insurance company.

<sup>3</sup> Source: Greenwald & Associates and CANNEX, Fifth Annual Guaranteed Lifetime Income Study (GLIS), 2019.

<sup>4</sup> Source: Alliance for Lifetime Income, Protected Lifetime Income Index Study, 2019.

# Target date funds + protected income: A powerful combination

## Capital Group

- Since 1931, Capital Group, home of American Funds, has been singularly focused on delivering superior outcomes for long-term investors using high-conviction portfolios, rigorous research and individual accountability.
- One of the largest target date providers, with \$137 billion of assets under management.<sup>5</sup>
- The number one fastest-growing target date fund family.<sup>6</sup>

Target date funds and variable annuities are a pairing that is intended to bring retirement savings and protected retirement income together. For investors, that means helping them achieve an outcome many of them need – retirement income – with an investment solution they may already be comfortable with – a target date fund.

### Introducing

### **American Funds Insurance Series® – Target Date Series**

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Investors have had access to target date funds in workplace sponsored plans as they save for retirement.

Now, target date funds are available within variable annuities, which can provide protected income. The American Funds Insurance Series – Target Date Series funds are designed to meet investors' changing needs to and through retirement.

<sup>5</sup> As of 9/30/19

<sup>6</sup> Source: Morningstar. Based on 5-year assets under management compound annual growth rate, ending 6/30/19.

# Capital Group: An industry leader in target date investing



## "Terrific" strategies

Six underlying equity strategies were recognized on the Morningstar® "The Terrific 28" list.<sup>7</sup>

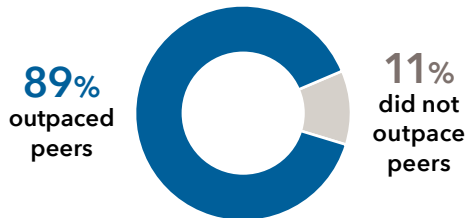
## Advisors recommend

American Funds was the #1 choice of retirement plan advisors as the most recommended target date fund provider, according to a recent Cogent report.<sup>8</sup>

## Our underlying funds have provided a strong foundation.

### Results vs. peers

Our underlying funds have outpaced their respective Lipper peer indexes/averages in 89% of rolling 10-year periods.<sup>9</sup>



### Results vs. benchmarks

Over their lifetime, 76% of our underlying funds have outpaced their respective benchmarks.<sup>10</sup>



<sup>7</sup> Source: Morningstar, "FundInvestor: The Terrific 28," by Russel Kinnel, May 2019. Morningstar's criteria for the "Terrific" list include expense ratio in the cheapest quintile, manager investment of more than \$1 million in the fund, Morningstar Risk rating below the High level, Morningstar Analyst Rating of Bronze or higher, Parent rating of Positive, returns above the fund's benchmark over the manager's tenure for a minimum of five years, must be a share class accessible to individual investors, and no funds of funds. Each fund's results were evaluated based on share classes that were accessible to individual investors. Morningstar evaluated American Funds' Class A shares because they are most widely held by individual investors. American Funds Insurance Series - Target Date Series invests in Class R-6 shares of the underlying American Funds. According to Kinnel's report, American Funds' "institutional and clean share classes would have gotten more funds through the tests." Not all six American Funds strategies are in each target date fund. Underlying funds may change over time. The list's criteria have changed over the years.

<sup>8</sup> Source: Cogent Syndicated, Retirement Plans Advisor Trends, October 2019. Methodology: There were 534 respondents to a web survey conducted August 15 to August 23, 2019. The respondents consisted of financial advisors managing defined contribution plans.

<sup>9</sup> Based on Class R-6 share results for rolling periods through December 31, 2018. Periods covered are the shorter of the fund's lifetime or since the inception date of the comparable Lipper index or average (except Capital Income Builder and SMALLCAP World Fund, for which the Lipper average was used). Equity funds outpaced Lipper indexes/averages in 93% of rolling periods. Fixed income funds outpaced Lipper indexes in 72% of rolling periods. Lipper source: Refinitiv.

<sup>10</sup> Based on Class R-6 share results through December 31, 2018. Fourteen out of 14 equity funds had lifetime returns that outpaced their respective benchmarks. Two out of seven fixed-income funds had lifetime returns that outpaced their respective benchmarks.



# American Funds Insurance Series – Target Date Series:

## The series shares important characteristics with Capital Group’s target date retirement strategy.

1. The same portfolio management team of veteran investment professionals, with an average of 30 years of investment experience.<sup>11</sup>
2. Identical allocations to underlying funds in the American Funds family.
3. Identical glide paths designed to build and preserve wealth.

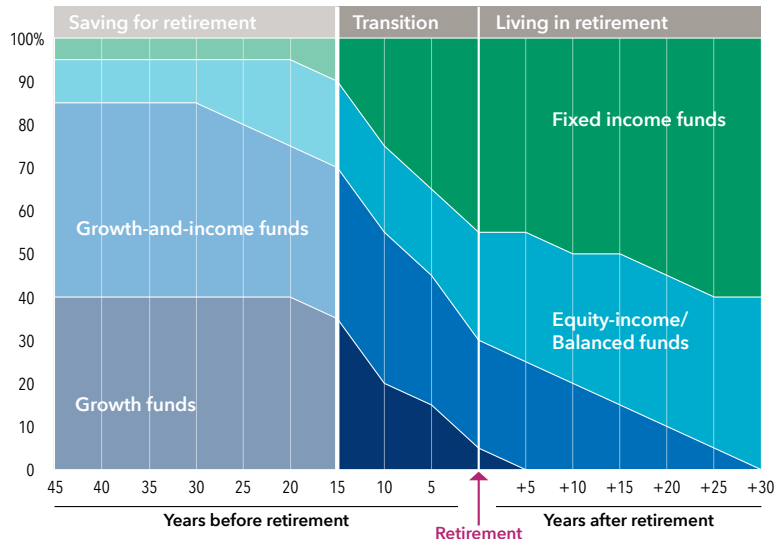
The fund’s investment adviser anticipates that the funds will invest their assets within a range that deviates no more than 10% above or below these allocations.

Although the target date portfolios are managed for investors on a projected retirement date time frame, the allocation strategy does not guarantee that investors’ retirement goals will be met. Investment professionals manage the portfolio, moving it from a more growth-oriented strategy to a more income-oriented focus as the target date gets closer. The target date is the year that corresponds roughly to the year in which an investor is assumed to retire and begin making withdrawals. Investment professionals continue to manage each portfolio for approximately 30 years after it reaches its target date.

## The distinguishing characteristics of our glide path:

- Managed for approximately 30 years past retirement so investors could feasibly use a single fund for decades.
- Meaningful equity exposure throughout retirement to help manage the risk of outliving savings.
- Emphasizes dividends with the intent of providing more equity exposure without increasing volatility.

## A well designed glide path<sup>12</sup>



<sup>11</sup> As of the prospectus dated 12/6/19.

<sup>12</sup> Unshaded area on glide path indicates funds available in the American Funds Insurance Series – Target Date Series.

# A suite of six target date funds

Advisors and investors should carefully consider the target date fund they select. Generally, investors and advisors pick a fund with the year closest to the date they plan to retire. A 45-year-old investor who wishes to retire at age 65 might choose a target date fund with a date close to 20 years in the future. Similarly, a 55-year-old planning to retire at age 70 might choose a fund with a date around 15 years in the future.

The American Funds Insurance Series – Target Date Series funds are designed to gradually reduce risk within the fund through retirement. To provide protected lifetime income benefits, insurers may limit access to some funds in the series that investors normally may have selected to match their retirement date.

Underlying funds	Target date funds					
	2035	2030	2025	2020	2015	2010
<b>Growth allocation (%)</b>	<b>35.2</b>	<b>20.2</b>	<b>15.2</b>	<b>5.1</b>	<b>–</b>	<b>–</b>
The New Economy Fund®	3.0	–	–	–	–	–
New World Fund®	3.0	1.0	–	–	–	–
SMALLCAP World Fund®	6.0	3.0	–	–	–	–
EuroPacific Growth Fund®	4.0	3.0	3.0	–	–	–
The Growth Fund of America® ✓	6.0	4.0	3.0	1.0	–	–
AMCAP Fund® ✓	6.0	4.0	4.0	2.0	–	–
New Perspective Fund® ✓	7.1	5.1	5.1	2.0	–	–
<b>Growth-and-income allocation (%)</b>	<b>35.1</b>	<b>35.3</b>	<b>30.3</b>	<b>25.3</b>	<b>25.3</b>	<b>20.3</b>
International Growth and Income Fund <sup>SM</sup>	3.1	3.1	2.1	1.0	1.0	–
Fundamental Investors®	6.0	6.1	5.1	4.1	4.1	3.1
The Investment Company of America®	7.0	7.1	6.1	5.1	5.1	4.1
Capital World Growth and Income Fund® ✓	5.0	5.1	5.1	4.1	4.1	4.1
Washington Mutual Investors Fund <sup>SM</sup>	8.0	8.0	6.0	5.0	5.0	4.0
American Mutual Fund® ✓	6.0	6.0	6.0	6.0	6.0	5.0
<b>Equity-income/balanced allocation (%)</b>	<b>19.9</b>	<b>20.0</b>	<b>20.1</b>	<b>25.1</b>	<b>30.2</b>	<b>30.2</b>
American Funds Global Balanced Fund <sup>SM</sup>	6.0	6.0	6.0	3.0	3.0	3.0
American Balanced Fund®	6.0	6.0	6.0	4.0	3.0	3.0
Capital Income Builder® ✓	4.0	4.0	4.0	9.1	12.1	12.1
The Income Fund of America®	4.0	4.0	4.0	9.0	12.1	12.1
<b>Fixed income allocation (%)</b>	<b>9.8</b>	<b>24.5</b>	<b>34.4</b>	<b>44.5</b>	<b>44.5</b>	<b>49.5</b>
U.S. Government Securities Fund®	7.8	6.8	5.9	4.9	4.9	–
American Funds Inflation Linked Bond Fund®	2.0	3.9	4.9	6.9	6.9	6.9
American Funds Mortgage Fund®	–	4.9	4.9	5.9	5.9	5.9
Capital World Bond Fund®	–	4.9	5.0	5.0	5.0	5.0
American High-Income Trust®	–	–	–	5.0	5.0	5.0
The Bond Fund of America®	–	–	4.9	7.9	7.9	7.9
Intermediate Bond Fund of America®	–	3.9	8.8	8.9	8.9	13.8
Short-Term Bond Fund of America®	–	–	–	–	–	4.9

Totals may not reconcile due to rounding.

The target allocations shown are as of December 31, 2019, and are subject to the Target Date Solutions Committee's discretion. The fund's investment adviser anticipates that the funds will invest their assets within a range that deviates no more than 10% above or below these allocations. Underlying funds may be added or removed during the year. Changes in the equity allocation within the underlying equity-income and balanced funds may affect the overall equity exposure in the target date funds. For quarterly updates of fund allocations, visit [capitalgroup.com](http://capitalgroup.com).

**Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.**

Each target date fund is composed of a mix of American Funds and is subject to the risks and returns of the underlying funds. Investing outside the United States involves risks such as currency fluctuations, periods of illiquidity and price volatility, as more fully described in the funds' prospectuses. These risks may be heightened in connection with investments in developing countries. Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks. The return of principal for bond funds and for funds with significant underlying bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Higher yielding, higher risk bonds can fluctuate in price more than investment-grade bonds, so investors should maintain a long-term perspective. While not directly correlated to changes in interest rates, the values of inflation-linked bonds generally fluctuate in response to changes in real interest rates and may experience greater losses than other debt securities with similar durations. Investments in mortgage-related securities involve additional risks, such as prepayment risk, as more fully described in the prospectus. Bond prices and a bond fund's share price will generally move in the opposite direction of interest rates. Fund shares of U.S. Government Securities Fund are not guaranteed by the U.S. government.

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