



DIMENSIONAL MANAGED DC

An introduction to Dimensional Retirement's
Managed DC solution

By ROBERT BRAZIER, senior editor, Dimensional Fund Advisors



Dimensional Managed DC is a personalized, risk-managed retirement solution designed to help participants

achieve inflation-protected income throughout retirement. The solution is fully integrated, incorporating a retirement income planning process, asset allocation strategies that are personalized for each participant, and ongoing investment management. At each step of the process, the focus is to maximize the probability that each participant will reach

his or her desired retirement income goals and to minimize the risk of ending up below a certain minimum income.

Works with Default Options or It's Customizable

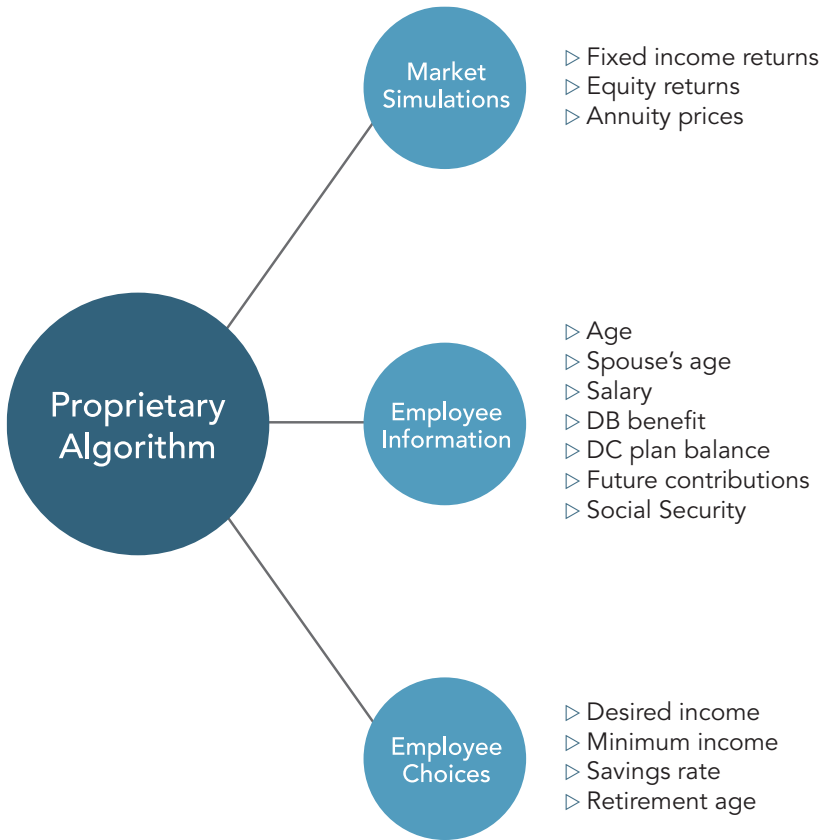
For those participants who never engage in the process, pre-defined, default settings are employed. For those who choose to take a more hands-on approach, they may opt to customize their settings. Portfolio allocation and investment execution are then handled "under the hood" without requiring the employee's involvement. A patented, science-based algorithm is used to dynamically manage

interest rate, market, and inflation risks, and to reflect changes in assets, market conditions, and personal circumstances.

Creates Unique Implementation Plan for Each Participant

Unlike target date funds that use a simple calculation based on one variable—the participant's age—to decide the equity/fixed income split, Dimensional Managed DC creates a customized, dynamically managed solution based on each participant's goals, life situation, current assets, expected future contributions, and desired outcomes.

FIGURE 1 INPUTS TO THE ALGORITHM



Manages Risks with an Assets-and-Liabilities Driven Strategy

Most retirement solutions only focus on the allocation of what is currently in the participant's retirement account. Dimensional Managed DC also considers future savings in order to create a unique plan that better addresses each participant's goals and life situation. For each participant, we create a retirement planning balance sheet—with the ability to include government-provided benefits, legacy defined benefit (DB) plan benefits, current defined contribution (DC) plan balance, and expected future contributions

(human capital) on the "asset" side and the participant's retirement income requirement on the "liability" side.

FIGURE 2 BALANCE SHEET FOR AN INDIVIDUAL PARTICIPANT

ASSETS	LIABILITIES
Social Security income	Retirement income requirement
DB plan benefit	
DC plan balance	
Future contributions	

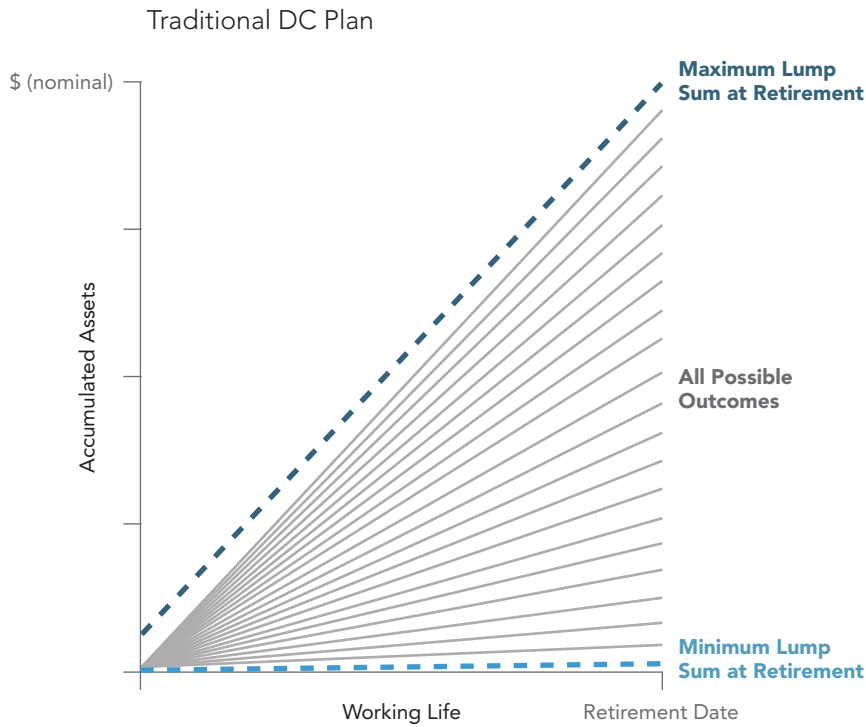
How Assets Are Invested

Within each participant's customized plan, two portfolios are employed from specially engineered fixed income and equity strategies managed by Dimensional Fund Advisors. First, a low-risk, hedged approach invested in fixed income securities is used to minimize the expected probability of not achieving the participant's minimum income requirement. Second, the remaining assets are invested in a broad equity, dynamically optimized strategy designed to target higher expected returns and maximize the probability of reaching the participant's higher desired income target.

Risk Management Decreases Uncertainty

Traditional DC solutions seek to maximize the growth of assets as their primary goal. Dimensional's solution seeks specific retirement income targets. The primary goal is to minimize the probability of not achieving an income level necessary to maintain a comfortable standard of living in retirement—a real concern and risk facing participants. By narrowing potential outcomes while increasing the probability of achieving the desired income target, Dimensional's Managed DC solution seeks to address the uncertainty faced by many investors saving for retirement.

FIGURE 3 RISK INCREASED BY AIMING SIMPLY FOR "GROWTH"

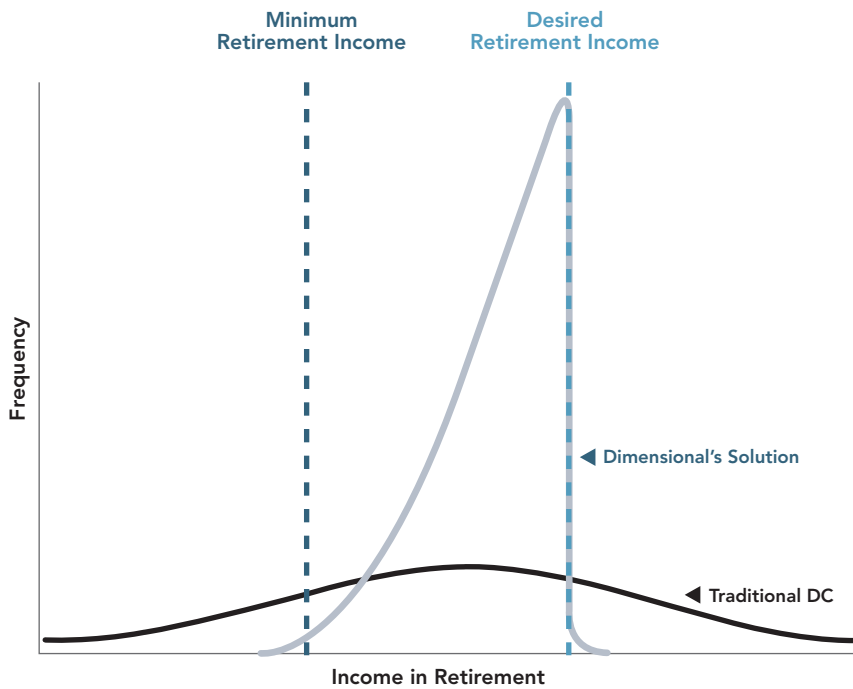


Transforming Theory into Practice

Dimensional Managed DC seeks to better address what participants really need—the means to achieve a consistent source of income in retirement. To this end, Dimensional’s Managed DC solution has taken the best thinking from advances in managing risks relative to investors’ goals and combined this revolutionary approach with Dimensional’s low-cost, value-added investment strategies. ■

The underlying investments in Dimensional Managed DC (fixed income and/or equity securities) are subject to market risks and may fluctuate in value over time. There is no guarantee of achieving the target income payout during retirement.

FIGURE 4 RISK MANAGED BY AIMING FOR SPECIFIC OUTCOMES



For Illustrative Purposes Only.

Reprinted from Dimensional's inaugural July 2011 *DC Dimensions* magazine. To read other articles from the magazine or for more information about Dimensional's DC services, please visit us at <http://dfaus/u/3ds>.

© 2011 Dimensional Fund Advisors.

Reprinted with Permission.

Dimensional Retirement (an affiliate of Dimensional Fund Advisors LP) is an investment advisor registered with the Securities and Exchange Commission. Dimensional Managed DC is available through Dimensional Retirement.

The views and opinions of the third-party authors do not necessarily represent the views of Dimensional Fund Advisors.

The articles are distributed for informational purposes only and should not be considered investment, tax, or legal advice or an offer of any security for sale.

DC Dimensions is published for institutional and registered investment advisor use only. Not for public use. Dimensional Fund Advisors LP is an investment advisor registered with the Securities and Exchange Commission.