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Manage Your Money Like a College Endowment

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If you've ever wanted your retirement money managed like a college endowment, but didn't quite have the billions of dollars necessary to hire your own manager, you could be in luck.

Mutual fund giant [Vanguard](#) has just offered three new funds offering to replicate just what the folks over at places such as [Yale](#), [Cornell](#) and [Stanford](#) do, but for much smaller-scale investors.

The three, **Managed Payout Growth Focus Fund**VPGF, **Managed Payout Growth and Distribution Fund**VPGD and the **Managed Payout Distribution Focus Fund**VPDF, all aim to provide investors with predictable income, while still preserving and adding to the underlying capital -- just like a college endowment would.

"The idea really came from people's desire to have a systematic way of spending money in retirement and that was put together all in one package," says John Ameriks, economist and product designer at Vanguard's Investment Counseling and Research Group in Valley Forge, Pa.

Investors make a trade-off between higher monthly cash payments and higher potential for growth.

The minimum investment is \$25,000, and investors can find out how big a payment they would get from each of the three funds by visiting the [fund calculator](#) on the Vanguard Web site.

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Ameriks says the funds with higher growth potential have higher benchmark exposure to stocks, but that all are actively managed, so the asset allocation will vary over time. He notes that the funds will have exposure to commodities, an unusual feature for retirement income planning.

The funds are expected to have annual expenses of around 0.58%.

The Vanguard product comes as millions of Baby Boomers get ready to retire and try to find ways to stretch their retirement dollars. In that sense, they are a welcome addition to the small-investor tool kit, along with other products now coming to market.

But some personal finance experts caution that it's important to do research before jumping into any such investment products.

"You have to read the fine print and really know what you are getting into," says Paul Winter, president of [Five Seasons Financial Planning](#) in Salt Lake City."In some funds the investor sets the payout rates, in others the firm sets the rate."

He also points out that some funds are designed to have the principal (or initial investment) disappear at a fixed point in the future. That might work better for some people than the Vanguard funds, but neither would seem to be a "one-size-fits-all solution," he says.

Last fall, [Fidelity Investments](#) unveiled offerings similar to those of the Vanguard funds. It launched a suite of 11 funds, each with a fixed end date. The products are specifically designed to end with a zero balance at a fixed date in the future, and they achieve that goal by distributing a preset portion of the assets every year based on the beginning balance at the start of each

January.

"We are trying to give shareholders a tool for converting a part of their savings into a predictable series of payments," says Dan Beckman, vice president of product management at Fidelity in Boston. "That's really what our funds are all about."

Such regular payments might help bridge a gap -- for example, if someone plans to retire early and wants to set aside money to pay for health-care expenses during the time before he or she is eligible for [Medicare](#), that type of Fidelity fund could do the trick.

Since launching, the product offering has expanded to include three more funds, for a total of 14. The funds in the series have fixed dates of termination, starting in 2016 with the **Fidelity Income Replacement 2016 Fund**FIRJX and ending out to 2042, with the **Fidelity Income Replacement 2042 Fund**FIXRX.

So far, the Fidelity series has attracted only \$38 million, well below the \$165 million raised by Vanguard's offerings in a much shorter period.

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IDC calculates the Market Cap for the basic symbol to include common shares only. Year-to-date mutual fund returns are calculated on a monthly basis by Value Line and posted mid-month.

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