Principles for investing success
Vanguard’s principles for investing success.
How would you rate your driving?
Above average
Average
Below average
Focus on the things you can control.
Create clear, appropriate investment goals.
1. HOW MUCH?

2. HOW LONG?
Develop a suitable investment mix using broadly diversified funds.
Why your mix matters

Investment return a result of:

- **Asset allocation**: 88%
- **Investment selection and market timing**: 12%

This hypothetical illustration does not represent the return on any particular investment.
Source: Vanguard calculations using data from Morningstar.
- Emerging market international stocks (MSCI Emerging)
- Developed market international stocks (MSCI EAFE)
- Small-Cap U.S. value stocks (Russell 2000 Value)
- Large-Cap U.S. value stocks (S&P 500/Citigroup Value)
- Noninvestment-grade U.S. bonds (Barclays High Yield)
- Mid-Cap U.S. value stocks (Russell Midcap Value)
- Investment-grade international bonds (Barclays Global Aggregate ex USD Hedged)
- Small-Cap U.S. growth stocks (Russell 2000 Growth)
- Mid-Cap U.S. growth stocks (Russell Midcap Growth)
- Investment-grade U.S. bonds (Barclays Aggregate)
- Short-term U.S. Treasury bills (Citigroup 3-Month T-Bill)
- Large-Cap U.S. growth stocks (S&P 500/Citigroup Growth)

Source: Vanguard.
EMERGING MARKETS
Source: Vanguard.
Source: Vanguard.
DIVERSIFICATION
This hypothetical illustration does not represent the return on any particular investment. Diversification does not ensure a profit or protect against a loss.

Minimize cost.
EXPENSE RATIO
Long-term impact of investment cost

This example is hypothetical and does not represent the return of a particular investment.
This example is hypothetical and does not represent the return of a particular investment.
Actively managed

$10.40

Sources: Vanguard and Lipper, a Thomson Reuters Company, as of December 31, 2015.
Actively managed: $10.40

Vanguard index funds: $1.30

Sources: Vanguard and Lipper, a Thomson Reuters Company, as of December 31, 2015.
DISCIPLINE

Maintain perspective and long-term discipline.
60% STOCKS

40% BONDS
75% STOCKS

25% BONDS
Returns 2003–2013

68.8%

Source: Vanguard, using data provided by Thomson Reuters Datastream.
This illustration is hypothetical and does not represent the return of a particular investment.
Rebalanced every six months

Returns 2003–2013

68.8%

151.4%

Source: Vanguard, using data provided by Thomson Reuters Datastream. This illustration is hypothetical and does not represent the return of a particular investment.
Following the principles in your portfolio
Target Retirement Funds: Asset Allocation Funds for a ready-made portfolio.

Core Funds: to build your own portfolio.

Other Funds for the experienced investor.
Portfolioca	

Early Retirement

Pre-retirement

Late Young Transition

Years to target date Years beyond target date

U.S. stocks 60%

International stocks 40%

International nominal bonds 30%

U.S. nominal bonds 70%

Short-term TIPS 0–24% of total fixed income

Target date*

*Target date is the year stated in the investment name and assumes retirement at age 65.

Source: Vanguard.
All investing is subject to risk, including the possible loss of the money you invest. Investments in Target Retirement Funds are subject to the risks of their underlying funds. The year in the fund name refers to the approximate year (the target date) when an investor in the fund would retire and leave the workforce. The fund will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. An investment in a Target Retirement Fund is not guaranteed at any time, including on or after the target date.
All investing is subject to risk, including the possible loss of the money you invest. Investments in Target Retirement Trusts are subject to the risks of their underlying funds. The year in the trust name refers to the approximate year (the target date) when an investor in the trust would retire and leave the workforce. The trust will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. An investment in a Target Retirement Trust is not guaranteed at any time, including on or after the target date.

Vanguard Target Retirement Trusts are not mutual funds. They are collective trusts available only to tax-qualified plans and their eligible participants. Investment objectives, risks, charges, expenses, and other important information should be considered carefully before investing. The collective trust mandates are managed by Vanguard Fiduciary Trust Company, a subsidiary of The Vanguard Group, Inc.
All investing is subject to risk, including the possible loss of the money you invest. Target-date investments are subject to the risks of their underlying funds. The year in the investment name refers to the approximate year (the target date) when an investor would retire and leave the workforce. The investment will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. Target-date investments are not guaranteed at any time, including on or after the target date.
Investor Questionnaire

Answer the questions on the following pages with one specific financial goal in mind, such as retirement. Don’t use this questionnaire for goals that require you to spend all of your money for the goal within the next two years. Savings for short-term objectives should be invested in more stable investments—primarily short-term reserves.

To determine your investment approach for other goals, fill out the questionnaire as many times as you like, with a different goal in mind each time.

Terms and Conditions of Use for Vanguard’s Investor Questionnaire

Before using Vanguard’s Investor Questionnaire, please read the assumptions and limitations and accept the terms and conditions of use.

This questionnaire is designed to help you decide how to allocate the assets in your retirement plan among different asset classes (stocks, bonds, and short-term reserves) and among different funds available through your plan. You are under no obligation to accept the suggestions provided by the questionnaire.

The suggestions provided are based on generally accepted investment principles. There is no guarantee, however, that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of retirement income. All investing is subject to risk, and fluctuations in the financial markets and other factors may cause the value of your plan account to decline. Investments in bond funds are subject to interest rate, credit, and inflation risk.
I plan to begin taking money from my investments in . . .

A. Less than 1 year
B. 1–2 years
C. 3–5 years
D. 6–10 years
E. 11–15 years
F. More than 15 years
As I withdraw money from these investments, I plan to spend it over a period of . . .

A. 2 years or less
B. 3–5 years
C. 6–10 years
D. 11–15 years
E. More than 15 years
Q3

When making a long-term investment, I plan to keep the money invested for . . .

A. 1–2 years
B. 3–4 years
C. 5–6 years
D. 7–8 years
E. More than 8 years
From September 2008 through November 2008, stocks lost more than 31% of their value. If I owned a stock investment that lost about 31% of its value in three months, I would... 

A. Sell all of the remaining investment  
B. Sell some of the remaining investment  
C. Hold on to the investment and sell nothing  
D. Buy more of the investment
Generally, I prefer an investment with little or no ups or downs in value, and I am willing to accept the lower returns these investments may generate.

A. I strongly disagree
B. I disagree
C. I somewhat agree
D. I agree
E. I strongly agree
When the market goes down, I tend to sell some of my riskier investments and put the money in safer investments.

A. I strongly disagree
B. I disagree
C. I somewhat agree
D. I agree
E. I strongly agree
Based only on a brief conversation with a friend, coworker, or relative, I would invest in a mutual fund.

A. I strongly disagree
B. I disagree
C. I somewhat agree
D. I agree
E. I strongly agree
From September 2008 through October 2008, bonds lost nearly 4% of their value. If I owned a bond investment that lost almost 4% of its value in two months, I would . . .

A. Sell all of the remaining investment
B. Sell some of the remaining investment
C. Hold on to the investment and sell nothing
D. Buy more of the investment
This chart shows the highest one-year loss and the highest one-year gain on three different hypothetical investments of $10,000.* Given the potential gain or loss in any one year, I would invest my money in . . .

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
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</thead>
<tbody>
<tr>
<td>Loss</td>
<td>$164</td>
<td>$1,020</td>
<td>$3,639</td>
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<tr>
<td>Gain</td>
<td>$593</td>
<td>$1,921</td>
<td>$4,229</td>
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</tbody>
</table>

*A. Investment A  
B. Investment B  
C. Investment C

*The maximum gain or loss on an investment is impossible to predict. The ranges shown in the chart are hypothetical and are designed solely to gauge an investor’s risk tolerance.
Q10

My current and future income sources (such as salary, Social Security, pension) are . . .

A. Very unstable
B. Unstable
C. Somewhat stable
D. Stable
E. Very stable
When it comes to investing in stock or bond mutual funds (or individual stocks or bonds), I would describe myself as . . .

A. Very inexperienced
B. Somewhat inexperienced
C. Somewhat experienced
D. Experienced
E. Very experienced
**Answer key**
Use the following answer key to score your questionnaire. For example, if you answered “C” to question 1, give yourself 4 points. Use your score to find your suggested mix on the enclosed insert.

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>Points</th>
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<td>7</td>
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<td>5</td>
<td>6</td>
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<td>3</td>
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<tr>
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<td>3</td>
<td>2</td>
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</tr>
<tr>
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<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
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<td></td>
</tr>
<tr>
<td>8.</td>
<td>1</td>
<td>3</td>
<td>5</td>
<td>6</td>
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</tr>
<tr>
<td>9.</td>
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<td>4</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Add up your score and enter the total here: _______
<table>
<thead>
<tr>
<th>Overall score</th>
<th>Suggested mix</th>
<th>Sub-asset allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>7–22 points</td>
<td>100% bonds</td>
<td>100% bonds 90% U.S. bonds 20% hedged international bonds</td>
</tr>
<tr>
<td>23–28</td>
<td>20% stocks</td>
<td>20% U.S. large-cap stocks 10% U.S. mid- or small-cap stocks 6% international stocks</td>
</tr>
<tr>
<td></td>
<td>80% bonds</td>
<td>80% U.S. bonds 64% U.S. bonds 16% hedged international bonds</td>
</tr>
<tr>
<td>29–35</td>
<td>30% stocks</td>
<td>30% U.S. large-cap stocks 15% U.S. mid- or small-cap stocks 9% international stocks</td>
</tr>
<tr>
<td></td>
<td>70% bonds</td>
<td>70% U.S. bonds 56% U.S. bonds 14% hedged international bonds</td>
</tr>
<tr>
<td>36–41</td>
<td>40% stocks</td>
<td>40% U.S. large-cap stocks 20% U.S. mid- or small-cap stocks 12% international stocks</td>
</tr>
<tr>
<td></td>
<td>60% bonds</td>
<td>60% U.S. bonds 48% U.S. bonds 12% hedged international bonds</td>
</tr>
<tr>
<td>42–48</td>
<td>50% stocks</td>
<td>50% U.S. large-cap stocks 25% U.S. mid- or small-cap stocks 15% international stocks</td>
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<tr>
<td></td>
<td>50% bonds</td>
<td>50% U.S. bonds 40% U.S. bonds 10% hedged international bonds</td>
</tr>
<tr>
<td>49–54</td>
<td>60% stocks</td>
<td>60% U.S. large-cap stocks 30% U.S. mid- or small-cap stocks 12% international stocks</td>
</tr>
<tr>
<td></td>
<td>40% bonds</td>
<td>40% U.S. bonds 32% U.S. bonds 8% hedged international bonds</td>
</tr>
<tr>
<td>55–61</td>
<td>70% stocks</td>
<td>70% U.S. large-cap stocks 35% U.S. large-cap stocks 20% U.S. mid- or small-cap stocks 18% international stocks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40% U.S. bonds 32% U.S. bonds 8% hedged international bonds</td>
</tr>
</tbody>
</table>
Welcome, John Doe

Last logon: 07-23-2014 3:35 PM EDT
You have 3 unread messages

$173,716.43 Savings plan assets

Overview

Review my performance

Manage my money

My history, statements, & forms
Your current investment mix
How existing money in your account is mixed

- 91.0% Stocks
- 7.9% Bonds
- 1.1% Short-term reserves

Your paycheck investment mix
Where money from your paycheck goes

- 75% Stocks
- 25% Bonds
Learn more about how we determine your asset mix

See a more detailed asset mix analysis

Are you on track?

Here’s your recommended investment mix:

- 61.1% Stocks
- 38.9% Bonds
- 0.0% Short-term reserves
Asset Mix

Asset mix is how you spread your dollars. Your asset mix should match your long-term financial goals. Learn more about how we determine your asset mix.

View current and suggested asset mixes »

Investments

Download
<table>
<thead>
<tr>
<th>Fund name</th>
<th>Symbol/Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanguard Target Retirement 2015</td>
<td>VTXVX 0303</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2025</td>
<td>VTTVX 0304</td>
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</table>

**Core Investments**

<table>
<thead>
<tr>
<th>Fund name</th>
<th>Symbol/Number</th>
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<tbody>
<tr>
<td>Vanguard Target Retirement Income</td>
<td>VTINX 0308</td>
</tr>
<tr>
<td>Vanguard Federal Money Mkt Fund [CLOSED]</td>
<td>VMFX 0033</td>
</tr>
<tr>
<td>Vanguard Prime Money Mkt Fund [CLOSED]</td>
<td>VMMXX 0030</td>
</tr>
<tr>
<td>Vanguard Retirement Savings Trust</td>
<td></td>
</tr>
</tbody>
</table>
Manage my money

Change my investments
Move money between investments.

Roll over or leave the plan
Move money after switching jobs or retiring.

Change my paycheck deduction
Adjust my contributions from each paycheck.
All investing is subject to risk, including the possible loss of the money you invest. Diversification does not ensure a profit or protect against a loss. Bond funds are subject to the risk that an issuer will fail to make payments on time, and that bond prices will decline because of rising interest rates or negative perceptions of an issuer’s ability to make payments.

While U.S. Treasury or government agency securities provide substantial protection against credit risk, they do not protect investors against price changes due to changing interest rates. Although the market values of government securities are not guaranteed and may fluctuate, these securities are guaranteed as to the timely payment of principal and interest.

Prices of mid- and small-cap stocks often fluctuate more than those of large-company stocks. Investments in stocks or bonds issued by non-U.S. companies are subject to risks including country/regional risk and currency risk. These risks are especially high in emerging markets.

For more information about any fund, including investment objectives, risks, charges, and expenses, call Vanguard at 800-523-1188 to obtain a prospectus or, if available, a summary prospectus. The prospectus contains this and other important information about the fund. Read and consider the prospectus information carefully before you invest. You can also download Vanguard fund prospectuses at vanguard.com.