Vanguard Flagship Services®

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Diversification does not ensure a profit or protect against a loss. There is no guarantee that any particular asset allocation or mix of funds will meet your investment objectives or provide you with a given level of income.

Investments in stocks or bonds issued by non-U.S. companies are subject to risks including country/regional risk and currency risk.

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Foundations for successful investing

Your personal guide

As you start to accumulate assets and begin discussions with your family about wealth, you probably feel a strong sense of responsibility to balance your family's needs with your own. It's only natural to feel some uncertainty about how to handle this. Depending on your level of investment knowledge, you may not even know where to start.

Relax.

Even if you know only the basics about investing right now, you can learn enough through this guide to help you fulfill the purpose of your family's wealth, carry on the family legacy, and establish your own.

Our goal is to give you the best chance for investment success.

Let us help you reach your goals

Vanguard was founded on a simple but revolutionary idea that an investment company should be run for the sole benefit of its investors. Because of our investor-owned structure, Vanguard's success can only be measured by your success.*

Low costs, a long-term orientation, and our focus on your goals are at the core of Vanguard's investing philosophy, and not just because these principles sound good. They're essential to our approach because they're essential to what really matters to you: the opportunity for investment success.

Let us help you plan, invest, and build your future.

Visit us online at vanguard.com or call our Vanguard team at 800-860-8392.

*Vanguard is client-owned, meaning the company is owned by its funds, which in turn are owned by their shareholders.

Contents

Before you begin

Before you begin your investment journey, determine what you are saving for.

Make a plan to reach your goal

Studies show that people are more successful when they set goals for themselves. Making a plan is as easy as asking yourself 4 questions.

How much do I need?

You'll want to have an amount to work toward, so do some research to figure out what your goal will cost.

When do I need it?

Most savings goals will have some flexibility, but it's still a good idea to have a target date in mind. This will hold you accountable—and give you the motivation to stay on track.

How should I invest my money?

You can earn money on your savings while they're invested, which will help you reach your goal amount even faster. But which investments you choose depends on your particular situation.

Common goals & their average costs

Down payment on a home: $28,000

Wedding: $30,000

New car: $48,681

Sources: National Association of Realtors as of first-quarter 2022, theknot.com as of 2022, and Kelley Blue Book as of December 2022, respectively.

What will it take to meet my deadline?

It's easy to estimate how much you'll need to put away to reach your goal by your target date. Just take the total amount you want to save and divide it by the number of months (or weeks, or years—however often you plan to contribute money) between now and your deadline.

What are your savings goals?

Most goals will have some flexibility, but it's still important to set a realistic target date for each. This will hold you accountable—and give you the motivation to stay on track.

My short-term goals 5 years or less

Goal	Total amount needed	Target date	Amount saved so far	Remaining amount needed	How I'm saving
Buy a house	*$450,000 ($90,000 down)*	*June 1, 2028*	*$25,000*	*$65,000*	*Making automatic contributions to money market account, saving trust distributions*

My long-term goals More than 5 years

Goal	Total amount needed	Target date	Amount saved so far	Remaining amount needed	How I'm saving
Save for retirement	*$5 million*	*January 1, 2050*	*$1 million*	*$4 million*	*Maxing out SEP-IRA and Roth IRA contributions, saving 25% of each trust distribution.*

An introduction to investing

Many people look to the markets to help them reach their savings goals. But unlike simple interest-bearing accounts such as money markets and bank checking accounts, the value of stocks, bonds, and other securities fluctuates with market conditions.

Therefore, it's important to get at least a basic understanding of the investing process, so you'll be prepared to handle the inevitable ups and downs.

While investing in the markets may seem risky and complicated, it's really one of the best ways to reach your financial goals.

The first step is to learn the principles that will help you achieve success. Then you'll be ready to narrow down your investment choices.

To get started, follow these three steps:

1. Start with your asset allocation.
2. Protect yourself through diversification.
3. Choose your investments.

1. Start with your asset allocation

Of all the decisions you make, your asset allocation (the way you divide your portfolio among the different asset classes) will have the greatest impact on the performance and risk of your investments.

It may sound surprising, but only 9% of investment success is based on selecting the right stock or timing the market. History shows that 91% of the volatility you encounter and the returns you earn can be traced back to your asset allocation.* In other words, your experience will be very consistent with that of any other diversified investor with the same asset allocation, no matter which specific investments you choose.

What are the asset classes?

Before you determine your asset allocation, it pays to get a basic understanding of the three asset classes—cash, bonds, and stocks—and how they're used.

	Types of investments	Benefits	Considerations
Cash	• Money market funds • Certificates of deposit (CDs) • Bank accounts (checking and savings) • Treasury bills	• Stability and safety • Peace of mind • Short-term investing	• Liquidity with some opportunity for income • Low risk • Short-term time horizon
Bonds	• Individual bonds • Bond mutual funds • Bond ETFs	• Income stream • Balance out volatility from stocks in your portfolio • Offset returns from dividends and interest	• Income and stability • Medium risk • Time horizon varies from short/intermediate terms (2–10 years) to long terms (>10 years)
Stocks	• Individual stocks • Stock mutual funds • Stock ETFs	• Opportunity for growth from expanding companies • Opportunity for dividends from value companies • Potential for high returns	• Growth and some income • High volatility and risk • Long-term time horizon

*Calculations are based on monthly returns for 709 U.S. balanced funds from January 1990 to September 2015. For details of the methodology, see the Vanguard research paper, The Global Case for Strategic Asset Allocation and an Examination of Home Bias (Scott et al., 2017).
Source: Vanguard calculations using data from Morningstar, Inc.

How can you choose the right asset allocation?

Your asset allocation is based on a number of factors, including your investment objectives and experience, time horizon, risk tolerance, and financial situation. At Vanguard, we make it easy for you to find your right allocation using our Investor Questionnaire.

1. Grab your phone & go to vanguard.com
2. Search "investor questionnaire" on the website
3. Complete the questionnaire to determine your target allocation
4. Document your target asset allocation for future reference

Cash ____ %

Bonds ____ %

Stocks ____ %

What do you think about your results from the Investor Questionnaire?

How do your target allocations compare to your family's?

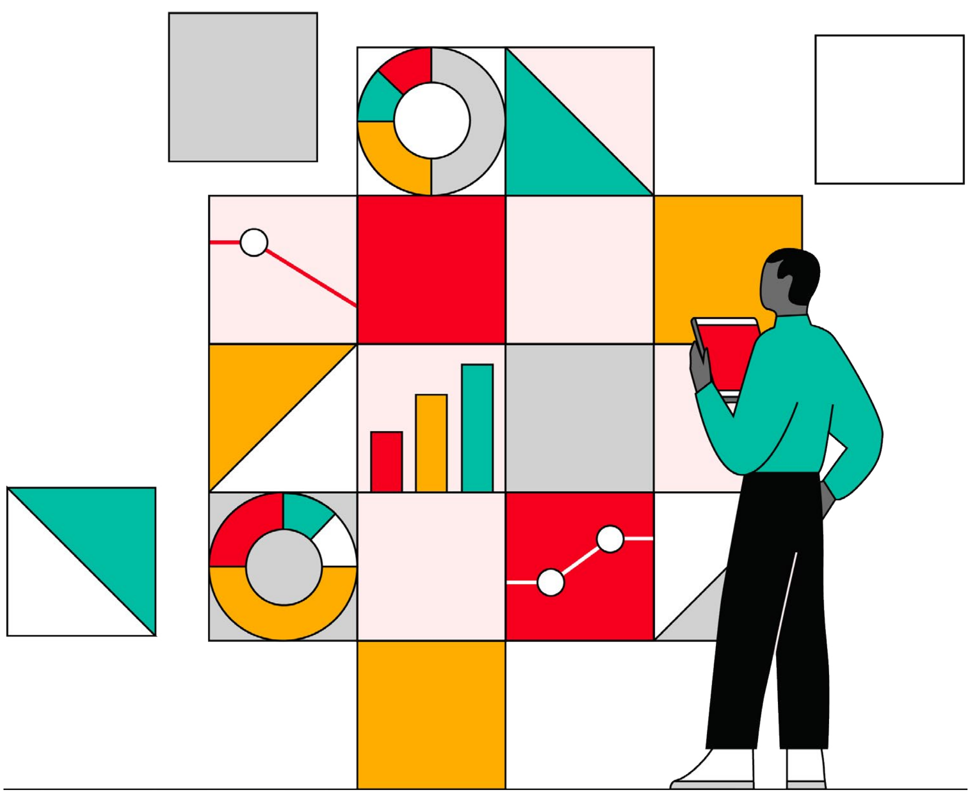
Do some quick math

Now that you know your target allocation, take a few moments to apply the percentages to your current savings. For example, if you have $500,000 in tax-deferred savings and your target allocations are 20% cash, 30% bonds, and 50% stocks, you'll need to allocate about $100,000 to cash, $150,000 to bonds, and $250,000 to stocks.

Current savings	**Your target allocation (from questionnaire)**		
$	Cash (%)	Bonds (%)	Stocks (%)
	$	$	$

Your target allocation will change over time

Keep in mind that the allocation that works best for you now will change at different times in your life, depending on how long you have to invest and your ability to tolerate risk. Also, short-term and long-term goals should have different allocations. Why do you think this is so?



2. Protect yourself through diversification

Diversification means spreading your assets across a variety of investments to lower your overall investment risk. The more bonds and stocks you own, the less risk to your portfolio.

Of course, no one has a crystal ball. That's why it may make sense for you to get your diversification through mutual funds and ETFs. In fact, diversification works best when you invest in multiple industries and include companies of different sizes, because this variety helps even out market ups and downs.

What about international investing?

Much of the world's investing takes place outside of the U.S. By adding international stocks and bonds to your portfolio, you can diversify even more. International markets don't always rise and fall at the same time as the U.S. market, so owning pieces of both can also help lower volatility.

You may not be as familiar with the names of companies outside the U.S.—which might make you feel like the stocks and bonds they issue are overly risky. But if you invest through international mutual funds or ETFs, you can actually lower the risk in your portfolio, because it's just another means of diversification. Also, you won't have to worry about the costs and timing considerations associated with trading individual securities on international exchanges.

To get the full diversification benefits, we recommend that you consider investing about 40% of your stock allocation in international stocks and about 30% of your bond allocation in international bonds.
Let's do those calculations now.

Your U.S. and international allocations

Total amount allocated to bonds		Total amount allocated to stocks	
(Include the amount you calculated on page 7.)		(Include the amount you calculated page 7.)	
$		$	
International portion	U.S. portion	International portion	U.S. portion
Amount above x 30%	Amount above x 70%	Amount above x 40%	Amount above x 60%
$	$	$	$

3. Choose your investments

So now that you know your personal target allocations and understand how diversifying among asset classes as well as U.S. and international markets limits your risk, it's time to select your investments.

How do individual securities, mutual funds, and ETFs compare?

If you're an experienced investor, you can begin selecting the individual stocks and bonds for the stock and bond portions of your portfolio. However, you'll likely find that choosing mutual funds or ETFs rather than individual securities makes investing a lot easier and less time-consuming.

	Advantages	**Disadvantages**
Mutual funds	• Cost-effective • Professionally managed portfolio • Ability to build a diversified portfolio • Hold hundreds or thousands of stocks, bonds, or both	• Priced only once per day after market close—no control over the transaction price
ETFs	• Professionally managed portfolio • Highly tax-efficient • Ability to build a diversified portfolio • Trade throughout the day, allowing some control over the transaction price	• May be bought or sold at a premium to the net asset value (NAV) • Investor responsible for determining when to buy or sell
Individual securities	• Direct ownership of a company • Ability to focus on specific companies or sectors • Can complement an already-diversified portfolio • Trade throughout the day, allowing some control over the transaction price	• Increased risk due to lack of diversification • Higher costs from paying commissions to purchase hundreds of individual securities • Investor responsible for determining when to buy or sell

Always keep your asset allocation in mind

Because your target allocations will change over time, you may want to look into target-date funds, which provide a complete portfolio in an all-in-one fund and automatically adjust their allocations over time.

Whether you choose a single target-date fund or multiple investments for your portfolio, the total percentage of stocks, bonds, and cash you own should continue to match your target asset allocation for your risk tolerance and time horizon.

Understanding costs

Every investment has a cost, even if you don't realize you're paying it. There are many different kinds of costs, but they all have one thing in common: If the money is going somewhere else, it's not going to you.

Here are some potential costs to consider when choosing your investments.

Mutual funds	Expense ratios. All funds charge these fees to pay for management and administrative expenses. You won't see them listed on your statement, but they're deducted from your returns before they get to you. They include multiple fees, such as 12b-1 fees, which cover the costs of marketing and distributing the fund. Purchase and redemption fees. Some funds charge a percentage of the transaction amount every time you buy or sell shares. These fees go back to the fund to offset trading costs. Loads. Funds may also charge loads, which are similar to purchase and redemption fees except that they're paid to the investment company rather than the fund. Commissions. These may be charged when you buy or sell securities. They go directly to the broker.
ETFs	Expense ratios Bid-ask spreads. This is another hidden cost. It's the difference between the highest price a buyer is willing to pay and the lowest price a seller is willing to accept for an investment. Commissions
Individual securities	Bid-ask spreads Commissions

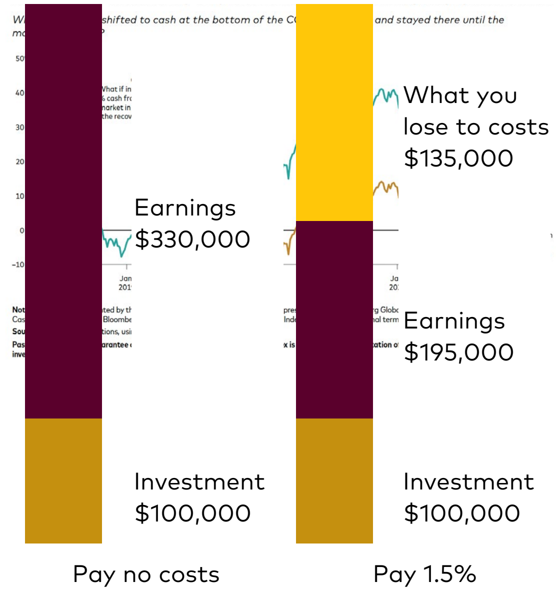
Keep in mind that the more you move money around, the more it can cost you. Frequent stock, bond, and ETF trading can increase not only your commissions, but also your capital gains and other taxable returns.

Investment costs may not seem like a big deal, but they add up, compounding along with your investment returns.

Imagine you have $100,000 invested. If the account earned 6% a year for the next 25 years and had no costs or fees, you'd end up with about $430,000.

But if you paid 1.5% a year in costs, after 25 years you'd have only about $295,000.

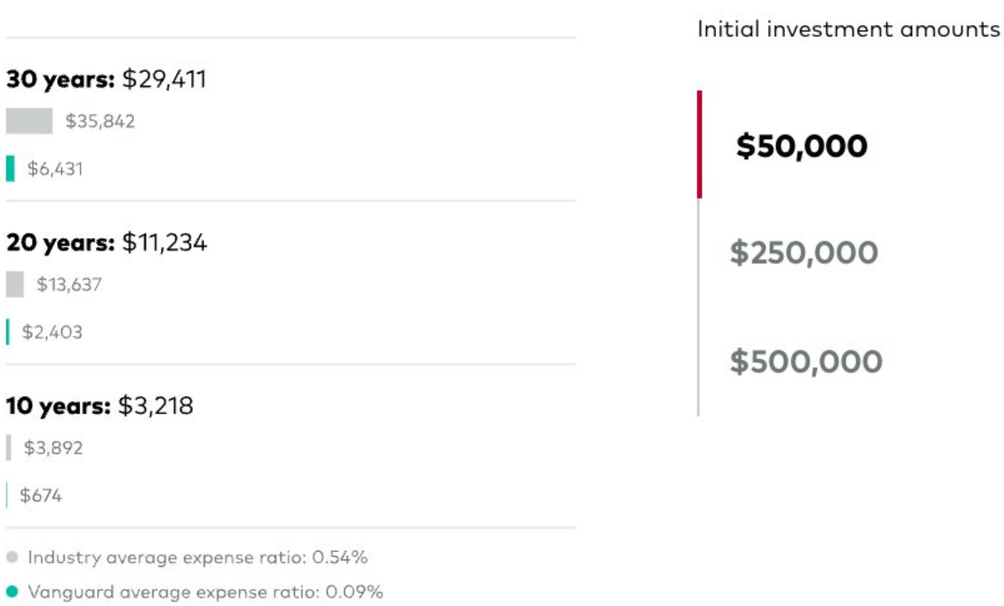
That's right: The 1.5% you paid every year would wipe out over 30% of your final account value. 1.5% doesn't sound so small anymore, does it?



This hypothetical illustration assumes a 6% return for all examples and an initial investment of $500,000. Rate is not guaranteed. If the rate of return were altered, results would vary from those shown. The final balance shown is after costs. This example doesn't represent any particular investment and doesn't account for inflation. There may be other material differences between investment products that must be considered prior to investing.

* Vanguard average expense ratio: 0.09%. Industry average expense ratio: 0.49%. All averages are asset-weighted. Industry averages exclude Vanguard. Sources: Vanguard and Morningstar, Inc., as of December 31, 2021.

Costs can also vary greatly across providers. The average Vanguard mutual fund and ETF expense ratio is 82% less than the industry average.* See the difference lower costs can have on your savings.



*Sources: Sources: Vanguard and Morningstar, Inc., as of December 31, 2022.

Why you should stay the course

When you're in the midst of a crisis, it's hard to sit still and wait it out. You wouldn't just stand around on a sinking ship, right?

Of course you wouldn't. But when it comes to investing, you may need to reframe your thinking and remember that market volatility isn't a crisis. It's simply a fact of life.

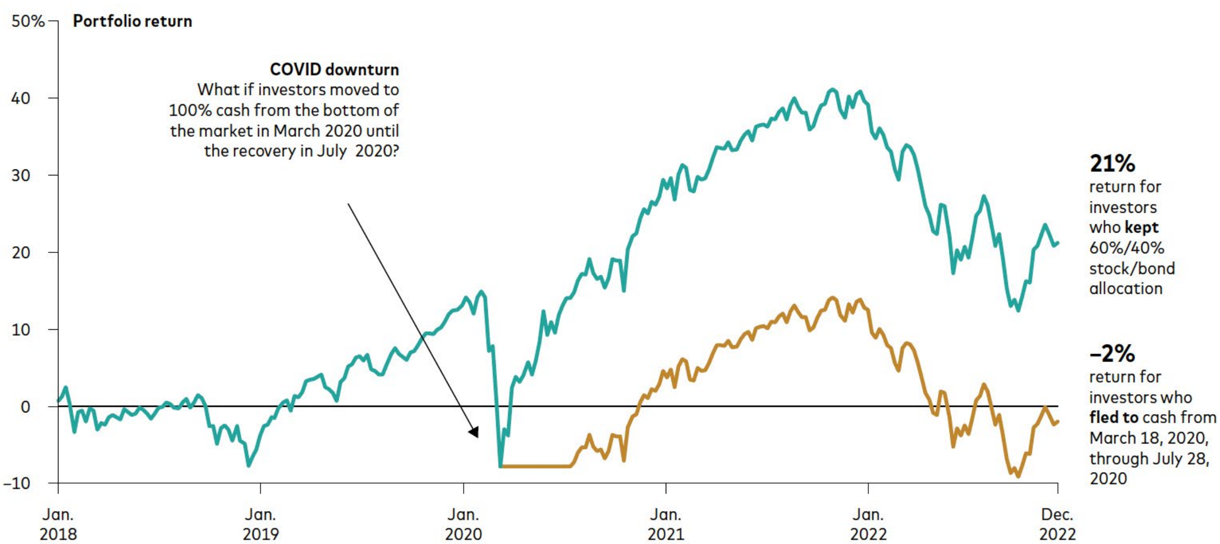
You might be wondering whether it's possible to take advantage of the good times and avoid the bad times by pulling money out of your investments—and then putting it back—at just the right moments.

In theory, it's a great idea. Unfortunately, it's pretty much impossible. (Many investors have tried.) And missing just a few good days in the markets can have a huge impact on your long-term returns.

That's why it pays to be disciplined and ride out the storm knowing that your asset allocation can help minimize disruption.

The Importance of Maintaining Discipline: Reacting to market volatility can jeopardize returns.

What if investors shifted to cash at the bottom of the COVID downturn and stayed there until the market recovered?



Notes: Stocks are represented by the MSCI All Country World Index; bonds are represented by the Bloomberg Global Aggregate Bond Index (USD Hedged). Cash is represented by the Bloomberg U.S. Treasury 1–3 Month U.S. Treasury Bill Index. Returns are in nominal terms.

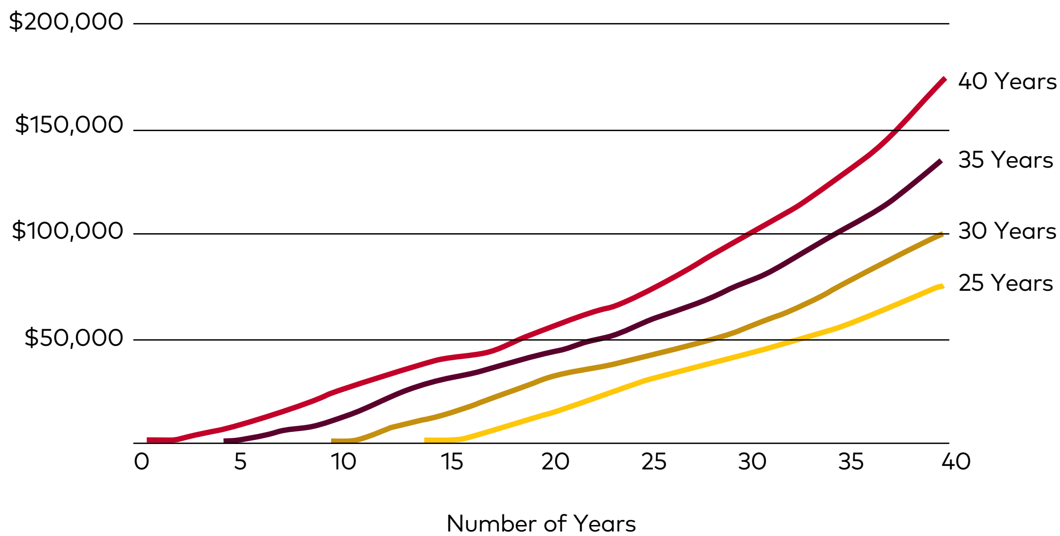
Sources: Vanguard calculations, using data from Morningstar, Inc.

Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Experience the power of compounding

By far, the biggest force powering long-term investing is the magic of compounding. As you reinvest your returns, those returns generate their own returns, and so on. The more years you keep reinvesting, the more dramatic the effects.

For example, suppose you make an initial investment of $2,000, and then contribute another $2,000 at the start of each of the next 10 years. The chart below shows the potential value of your investment after 25, 30, 35, and 40 years assuming a rate of return of 6% a year before taxes.



Note: This hypothetical illustration doesn't represent any particular investment, nor does it account for inflation. The rate of return is not guaranteed.

Don't lose your balance

Over time, your portfolio's risk level can change even if you don't change your investments. For example, stocks may outperform bonds, or vice versa, which can throw off your asset allocation. That's why you should rebalance your portfolio from time to time to go back to your plan. Be sure to check your portfolio at least annually and consider rebalancing when your mix has strayed at least 5% from your target.

Having a larger-than-planned allocation to stocks may seem harmless when stock prices are up. But no market rally lasts forever, and when the tide turns, you'll be overexposed to the drop.

Your target asset mix may also need to change, so remember to go back and take the Investor Questionnaire when your goals, time horizon, or life circumstances change.

Additional resources

For more information on how to invest and plan for successful wealth transfer, be sure to visit these resources:

The basics of investing
vanguard.com/investingbasics

Vanguard's principles for investment success
corporate.vanguard.com/content/dam/corp/research/pdf/vanguards_principles_for_investing_success.pdf

Investing in a stock, bond, ETF or mutual fund
investor.vanguard.com/investor-resources-education/article/investing-in-a-stock-bond-etf-or-mutual-fund

Vanguard Mutual funds
investor.vanguard.com/investment-products/mutual-funds

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Vanguard investment advice services

investor.vanguard.com/advice/compare-investment-advice

Learn more about Family Legacy Planning
investor.vanguard.com/wealth-management/family-legacy-services

Next steps

By now, you should feel a lot more comfortable with your investing and have a clearer path in mind. To help you move forward, use the table below to list tasks to complete over the coming weeks and months.

Step	Why do this?	Date needed
Update my asset allocation goals on vanguard.com	To begin aligning my investments with my risk tolerance	June 1
1.		
2.		
3.		
4.		

Ready to do it on your own, or do you want help?

Lots of Vanguard clients are managing their money on their own and doing great, and that's terrific.

If you feel you need more help, Vanguard Personal Advisor Services could be the help you're looking for. Our advisors have access to a whole team of experts to deal with things like estate planning, tax planning, and how to successfully move wealth from one generation to the next. For more information, call 855-275-8966 Monday through Friday from 8 a.m. to 8 p.m., EST.

Glossary

Asset allocation. The way an investment portfolio is divided among various asset classes, such as cash investments, bonds, and stocks. Also known as investment mix.

Bond. A loan to a company or government that yields a fixed rate of return. It's a safer investment than stocks, but still has risks.

Certificate of deposit. A federally insured savings account with a fixed interest rate and fixed date of withdrawal, known as the maturity date.

Commission. A service charge assessed by a broker or investment advisor for providing investment advice or handling purchases and sales of securities for a client.

Compounding. Earnings generated by an asset, then reinvested to generate additional earnings. The result is a snowball effect of earnings on earnings over time.

Diversification. The strategy of investing in multiple asset classes and many securities as a way to lower overall investment risk.

ETF (exchange-traded fund). A mutual fund made up of stocks, bonds, or commodities that's traded at fluctuating prices throughout the day, just like stocks.

Expense ratio. The annual fee that all funds and ETFs charge their shareholders. It represents the percentage of assets deducted each fiscal year for fund expenses, including 12b-1 (marketing and distribution) fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund.

Money market fund. A mutual fund that invests in high-quality, short-term debt instruments, cash, and cash equivalents.

Mutual fund. A type of investment that pools shareholder money and invests it in a variety of securities. Each investor owns shares of the fund and can buy or sell these shares at any time. Mutual funds are typically more diversified, low-cost, and convenient than investing in individual securities, and they're professionally managed.

NAV (net asset value). The value of all securities and other assets held in an ETF or a mutual fund, minus its liabilities, divided by the number of outstanding shares. Unlike an ETF's market price—which can be expected to change throughout the day—an ETF's or a mutual fund's NAV is calculated only once daily, at the end of the trading day.

Rebalancing. The process of realigning the proportionate shares of a portfolio's assets. Rebalancing involves periodically buying or selling assets in your portfolio to maintain your original or desired asset allocation.

Stock. A security that represents part ownership, or equity, in a corporation. Each share of stock is a proportionate stake in the corporation's assets and profits, some of which could be paid out as dividends.

Target-date fund. A class of mutual funds that rebalance asset allocation over time so that it's more heavily weighted in stocks when you're younger and heavier in bonds as you age.

Treasury bill. A short-term U.S. government debt obligation backed by the Treasury Department and with a maturity of one year or less.

Volatility. The degree of fluctuation in the value of a security, mutual fund, or index. Volatility is often expressed as a mathematical measure such as a standard deviation or beta. The greater a fund's volatility, the wider the fluctuations between its high and low prices.