



IRA Insights

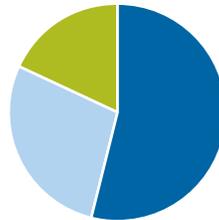
Location, location, location

Most investors should try to put their bonds in tax-advantaged accounts

To maximize IRAs, investors should consider “asset location.” This means holding tax-inefficient investments in IRAs, while keeping tax-efficient investments in taxable accounts.

Bonds (and balanced funds) are generally better held in IRAs, because their return is almost entirely income. Also, investors are generally wise to own taxable bonds in a tax-advantaged account before owning tax-free bonds in a taxable account, to capture the extra return afforded by the spread between taxable and municipal bonds.

Over half of investors with a choice own bonds in taxable accounts



- 54% Bonds/balanced holdings are in taxable accounts, with stock holdings in IRAs
- 28% Bonds/balanced holdings are in taxable accounts, but no stock holdings in IRAs
- 18% All bonds/balanced funds are held in IRAs

Notes: Based on an analysis of almost 700,000 Vanguard IRA® account owners who also have taxable investments at Vanguard and who own at least some bond investments. Data are as of December 31, 2014.

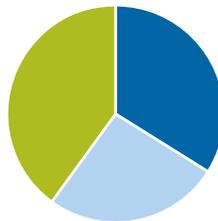
Source: Vanguard.

Active equity funds are also a good choice to include in IRAs

Many active equity funds can be less tax-efficient, because their higher turnover can lead to substantial capital gains distributions on a frequent basis.

Index funds tend to be more tax-efficient and are a good choice for taxable accounts. Individual stocks can be another tax-savvy option for investors who wish to own them long-term.

A third of investors with a choice put active equity funds in taxable accounts



- 34% Active equity funds are in taxable accounts, with index funds or individual stocks held in IRAs
- 26% Active equity funds are in taxable accounts, but no index funds or individual stocks are held in IRAs
- 40% All active equity funds are held in IRAs

Notes: Based on an analysis of approximately 580,000 Vanguard IRA owners who also have taxable investments at Vanguard and who own active equity funds. Data are as of December 31, 2014.

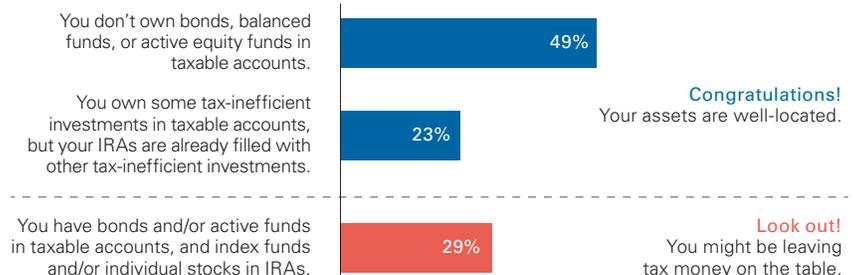
Source: Vanguard.

Some IRA investors may have opportunities for tax savings

More than 70% of Vanguard investors with both IRAs and taxable accounts have located their investments tax-efficiently. And some of the remaining investors have good reasons not to follow these asset-location guidelines. For example, some investments have a low cost basis that would create a taxable gain when sold.

However, many investors have opportunities for better asset location. These investors may be paying more in taxes than they need to.

Could you make better use of your tax-advantaged accounts?



Note: Based on an analysis of approximately 1.1 million Vanguard IRA owners who also have taxable investments at Vanguard. Data are as of December 31, 2014.

Source: Vanguard.

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All investing is subject to risk, including the possible loss of the money you invest.

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.

Please remember that all investments involve some risk. Be aware that fluctuations in the financial markets and other factors may cause declines in the value of your account. 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.

We recommend that you consult a tax or financial advisor about your individual situation.



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