

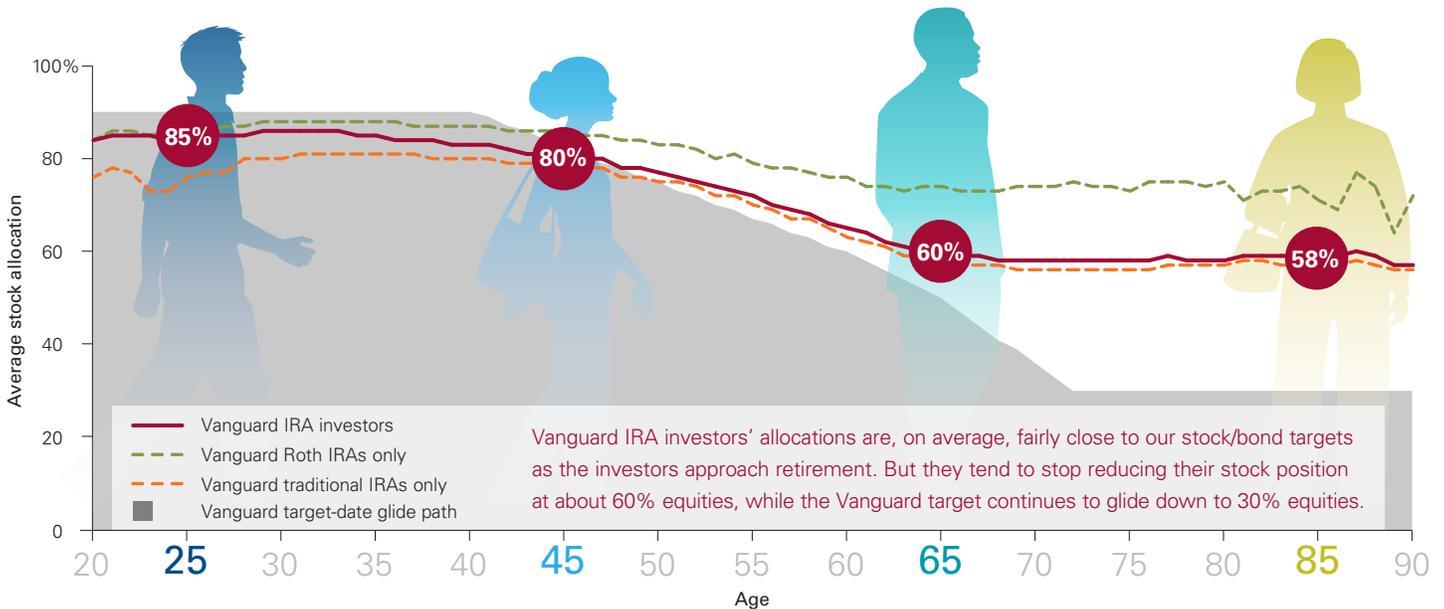
IRA Insights

Theory versus reality: Gliding into retirement

Vanguard research | July 2015

The concept of a retirement “glide path” refers to a set of asset allocations followed by investors over a lifetime to try to reach their goals. On the path, an investor generally moves from allocations focused primarily on stocks to those focused more on bonds. The idea of moving from more risky to less risky assets as one approaches retirement is a key principle of Vanguard Target Retirement Funds. But how do actual IRA investors “glide” to retirement? To find out, we studied the allocations of more than 3.3 million Vanguard IRA® investors.

Stock allocation of Vanguard IRA investors versus Vanguard Target Retirement Funds’ glide path

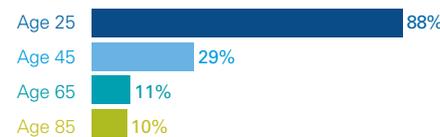


Source: Vanguard.

The glide path—under the surface in Vanguard IRAs

Only young investors have most of their money in Roth IRAs; older investors tend to hold traditional IRAs. Equity allocations are high in Roth IRAs regardless of age.

Percentage of assets in Roth IRAs.

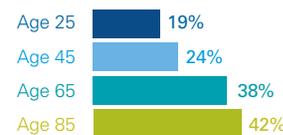


Equity allocation in Roth IRAs.

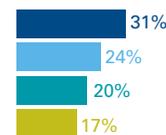


Cash is not appropriate for a long-term investment portfolio like an IRA. Older investors are more likely to own cash, but when they hold cash, they hold less of it.

Percentage of investors who own cash.



Cash allocation among cash owners.

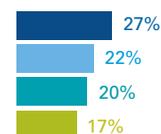


Vanguard Target Retirement Funds hold 40% of their stocks internationally. Vanguard IRA owners hold less, if they hold international stocks at all.

Percentage of investors with international stocks.



Non-U.S. stocks as a percentage of stocks among international stock owners.



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Vanguard research authors

Stephen M. Weber, CFP®

Maria A. Bruno, CFP®

David T. Kwon, CFA

The authors acknowledge John Rykaczewski of Vanguard's Client Insight group for providing the data used in this analysis.

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.

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

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in such a fund.

For more information about Vanguard funds, visit vanguard.com or call 800-662-2739 to obtain a prospectus. Investment objectives, risks, charges, expenses, and other important information about a fund are contained in the prospectus; read and consider it carefully before investing.



Vanguard Research

P.O. Box 2600
Valley Forge, PA 19482-2600

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ISGIRA12 072015