

## IRA Insights

# Is your IRA a globe-trotter?

Vanguard research | October 2015

### More Vanguard IRA® investors are taking a ‘worldview’

“Home bias” refers to the tendency of investors to favor investments from their own country. However, like investors the world over who can benefit from owning stocks outside their country of residence, most U.S. stock investors should take advantage of the diversification benefits of holding foreign-company stocks.

More and more Vanguard IRA investors own at least a small position in non-U.S. stocks. Today, about three in four of these stock investors hold non-U.S. stocks.

### Proportion of Vanguard IRA stock investors who own international stocks is growing



Notes: Data as of June 30, 2015.

Sources: Vanguard, with data from Morningstar, Inc., which were used to determine whether funds had international allocations. Investments with no explicit international allocation were considered a source of exposure if they had at least 10% of their stock holdings in non-U.S. stocks at each year’s end.

### Most international IRA stock investors are not using explicitly foreign funds

One way U.S. investors can own international stocks is to buy “global” funds (which hold both U.S. and foreign stocks) or “international” funds (explicitly designed for non-U.S. exposure). Another way is to invest in target-date funds that own international stocks as part of an all-in-one portfolio. However, investors are getting international exposure most frequently as the result of fund managers owning foreign stocks in funds not explicitly devoted to non-U.S. investing.

### Sources of international exposure to equities are changing



Notes: Total percentages in each year slightly exceed 100% because 1% to 3% of Vanguard investors owned both international funds and target-date funds in their IRAs.

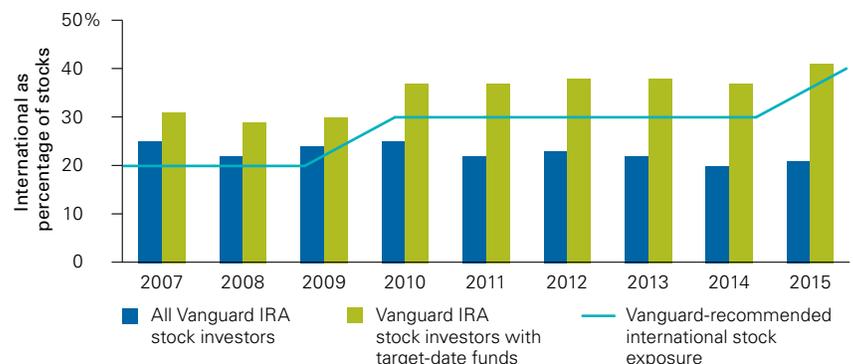
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### Vanguard increased international allocations, but most IRA investors did not

As the relative market capitalization of international stocks has expanded, and costs of international investing have declined, Vanguard has recommended increased international exposure. Target-date fund investors have seen their international allocations rise accordingly.

As a group, however, Vanguard IRA investors have been more cautious about upping their international stock allocations. Investor inertia, coupled with the outperformance of U.S. stocks compared to international stocks in recent years, may account for much of this difference relative to target-date fund investors’ accounts.

### Target-date fund investors automatically follow best practices for international exposure



Note: Data as of year-end, except for 2015, which is as of June 30.

Sources: Vanguard, based on data from Morningstar, Inc., which were used to determine international allocations.

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Note: A special thank-you to Maria Bruno, CFP, a retirement specialist in Vanguard Investment Strategy Group, for her ongoing consultation and support of the IRA Insights series. The authors also acknowledge John Rykaczewski, of Vanguard's Client Insight group, for his ongoing support providing the Vanguard data used in the series.

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

Investments in target-date 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-date fund is not guaranteed at any time, including on or after the target date.

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ISGIRA13 102015