

## IRA Insights

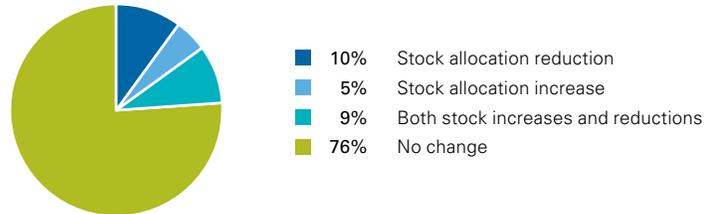
# IRA investors avoiding the panic button

Vanguard research | January 2016

### Most Vanguard IRA® investors don't make drastic portfolio allocation changes

Fewer than 1 in 4 investors who owned Vanguard IRAs continuously from 2007 through September 2015 ever made a change that altered the stock allocation in the IRA by more than 20 percentage points in a single month. Of those who did make a change, fewer than half made more than one change.

### Large asset allocation changes are rare: Changes among Vanguard IRA investors (2007–2015)



Notes: Sample includes approximately 1.8 million IRA owners who had a balance in Vanguard mutual funds in every month from December 31, 2006, through September 2015. For this chart, a major asset allocation change is a 20 percentage-point or greater change in the IRA stock allocation in a single month.

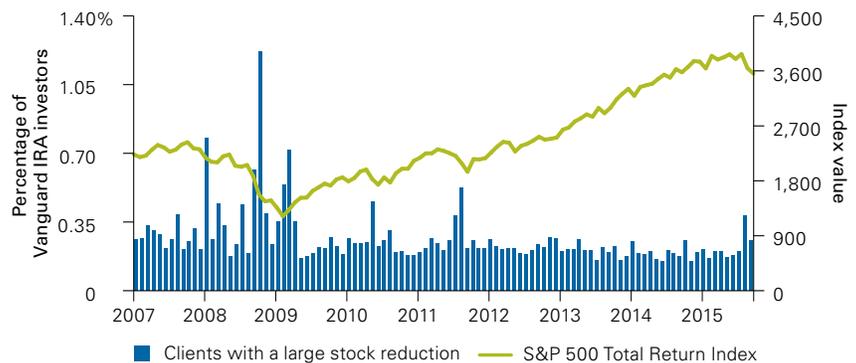
Source: Vanguard.

### Investors generally stick to their plan

In a typical month, 0.2% of Vanguard IRA investors made a large move out of stocks, although such moves are more frequent after stock market drops. But even in the worst month, clients were only about 1 percentage point more likely to make a major stock sale.

Even over the entire period of January 2008 through April 2009—which includes the global financial crisis—only about 1 in 15 Vanguard IRA investors made a large reduction in their stock allocation in any month.

### Down markets spur some selling, but not for most investors



Notes: "Large stock reduction" is defined as a 20 percentage-point or more decrease in stock allocation in a single month.

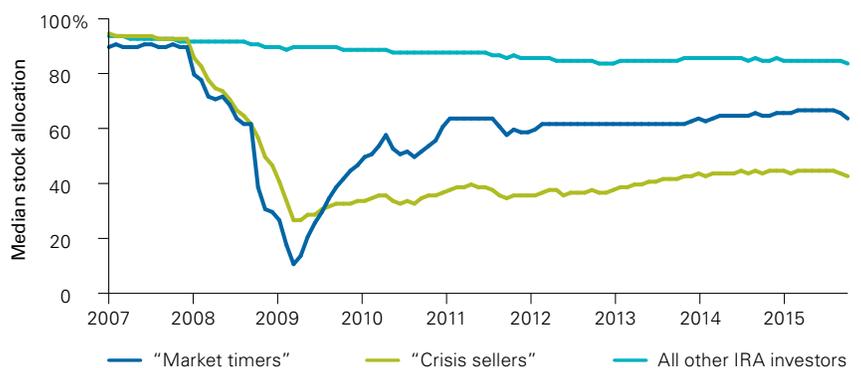
Source: Vanguard.

### Did 'panic sellers' learn a lesson?

Investors who sold out in 2008 must have felt relieved at their decision while they watched the market plummet through the financial crisis. But when you time the market, you also have to figure out when to get back in.

About 40% of those who sold out of stocks during the crisis never made a large purchase back into stocks. Perhaps the crisis simply made these investors reassess their risk tolerance. However, even the "market timers" never returned to their previous stock allocations.

### Getting out, and staying out



Notes: "Crisis sellers" are Vanguard IRA investors who reduced the equity allocation in their Vanguard IRA by 20 percentage points or more in a single month between January 2008 and April 2009 and never made a large purchase back into stocks. "Market timers" reduced their equity allocation by 20 percentage points, but also increased their equity allocation by at least 20 percentage points in a subsequent month.

Source: Vanguard.

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