

HOW **AMERICA** INVESTS 2020
INVESTOR ACTION GUIDE

A closer look at Vanguard investor behavior
and what it can mean for you



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At Vanguard, our mission is to give investors the best chance for investment success—to help our clients become better investors. We believe that by understanding our investors’ behaviors and sharing key insights with you, we can help you achieve your goals.

Below are highlights from *How America Invests 2020*, which underscores key trends we discovered by studying more than 5 million Vanguard investor households from 2015 to 2019. Along with each trend, we offer actions you may want to consider as you manage your portfolio.

Make sure your risk level aligns with your goals

At every age, investors exhibit a wide variation of equity exposure. Equities introduce risk but also offer a greater opportunity for return over the long term. However, some investors may have too much invested in equities while others may have too little. These extreme allocations may prevent these investors from achieving their goals.



Investor action

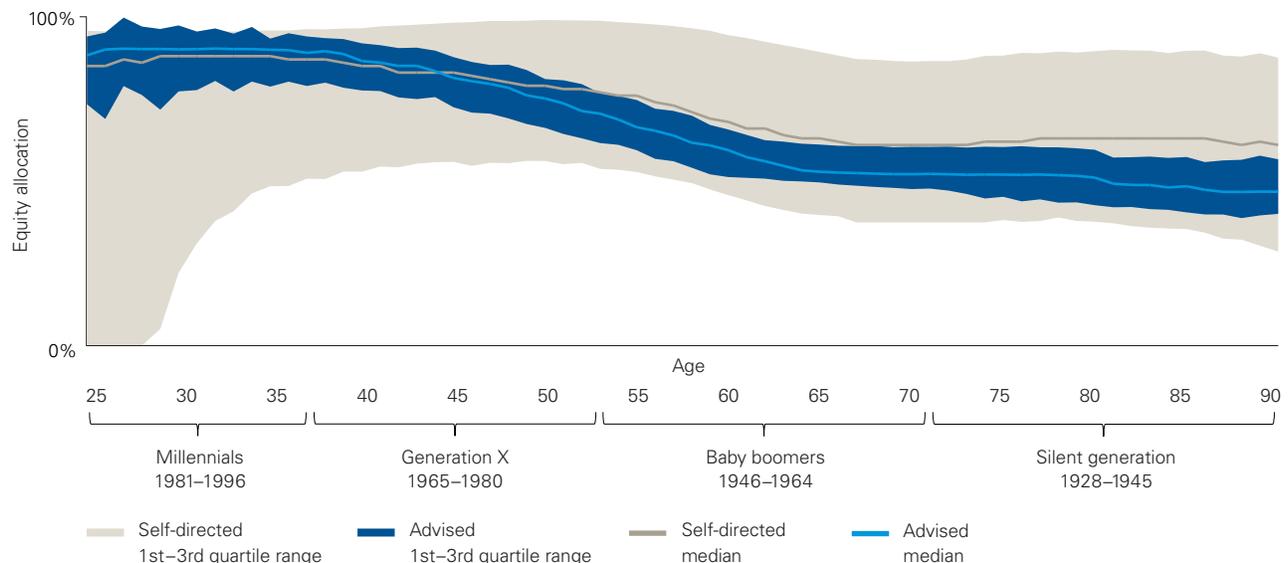
Look at your portfolio and consider your goals.

Make sure you aren’t taking on too much or too little risk. Your exposure to equity risk should be dictated by your goals, your tolerance for risk, and your investing time horizon. In general, older investors tend to have more conservative portfolios. Younger investors typically have around 90% of their portfolios in equities, whereas retirement-age investors typically have equity allocations closer to 60%.

If you need help, explore your advice options.

This may include seeking guidance from a professional advisor or working with an advisory service. Advice can help you balance risk and return in your portfolio as well as support you in addressing more complex needs and tax issues related to investing.

Age-based equity allocations of Vanguard investors



Data on advised clients represents only those households enrolled in Vanguard Personal Advisor Services® (PAS). The other households may also have financial advisors outside of Vanguard.

Diversify your portfolio

Vanguard investors generally hold a diversified mix of investments in their portfolios, and maintain a diversified buy-and-hold approach year over year.

Holding a mix of equities, fixed income, and cash generally offers better risk-adjusted performance over the long term.



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Your asset mix should align with your personal situation. The mix of assets in a portfolio should reflect why you're investing. If you're saving for a short-term goal, like a down payment on a home, a more conservative allocation may be appropriate. Conversely, a heavily weighted equity allocation may be right if you want to grow your investments to achieve a bigger goal in the future.

Balance your use of index and active strategies

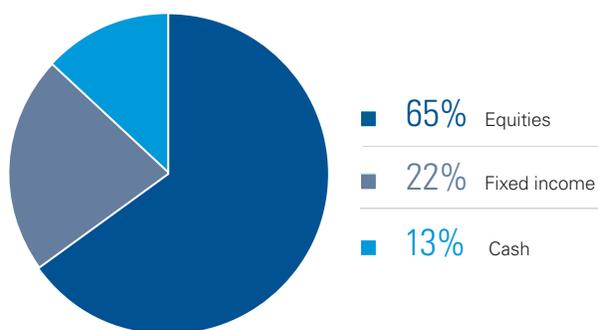
Over the last five years, use of active strategies has declined, reflecting larger trends in the industry that show the shift to index strategies. Newer investors are more likely to embrace an all-index approach which can help them create cost- and tax-efficient portfolios, but may reduce the potential for outperformance.



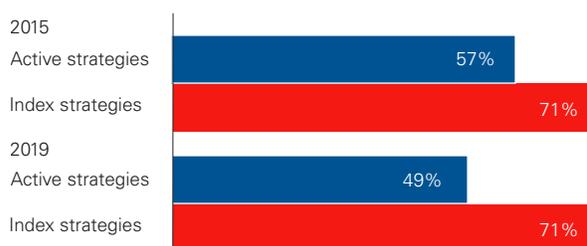
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Low-cost active investing can help you diversify. Consider complementing index holdings with low-cost active strategies to further diversify your portfolio. They may even offer the potential for outperformance. By using active and index strategies, you may be able to create a portfolio more aligned to your goals.

Allocation of all retail assets at Vanguard in 2019



Percentage of Vanguard investors using active and index strategies in 2015 & 2019*



*An active strategy is one that seeks to beat market returns with investments handpicked and traded regularly by professional portfolio managers. An index strategy involves less buying and selling, with a buy-and-hold approach that seeks to mirror certain markets or market segments. An investor can choose both strategies or neither strategy.

Disciplined rebalancing is crucial, especially in volatile times

Each year, Vanguard investors maintain relatively consistent allocations, and their most common trading activity is typically focused on rebalancing, while keeping their investments aligned with their goals. In 2019, some investors did make significant changes to their holdings, shifting their equity allocation by 10 percentage points or more.

Investors who maintain investment discipline and stay diversified are more likely to achieve investment success over the long term. For most investors, short-term market movements have a small impact on their ability to achieve their goals.



Investor action

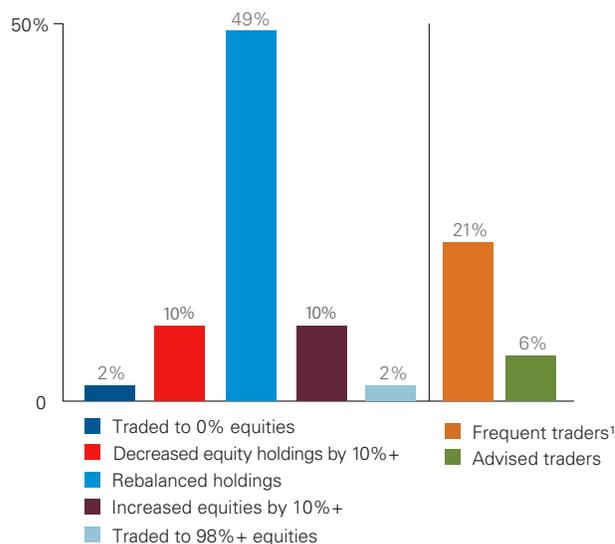
Staying on track doesn't mean standing still.

Market shifts or changes in your goals may mean you need to make portfolio adjustments. Vanguard recommends checking your asset allocation every six months and making adjustments if it's shifted 5% or more from its target, to help stay aligned with your goals.

Maintain focus on your long-term goals, not short-term market movements. Investors should trade based on the headlines of their lives, not the headlines in the news.

You may also want to explore how advice can offer you behavioral coaching, additional support, and validation to help you weather times of heightened volatility.

Percentage of Vanguard investor households who traded in their accounts in 2019



Vanguard has been helping investors reach their goals since 1975. Learn more about how we can help you invest toward your goals.

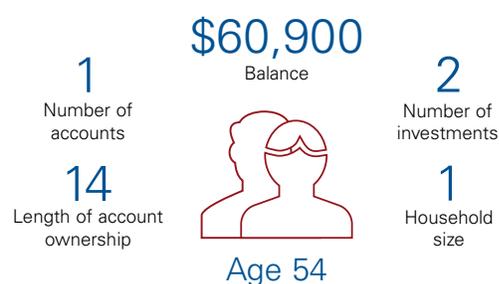
¹Frequent traders are defined as investors who execute trades on seven or more days of the year.

About the data

5 million retail households. Households include accounts controlled by individuals and exclude those accounts controlled by corporate or other entities. In addition, we use data from Morningstar and Vanguard for certain characteristics of investments held by households.

Characteristics of Vanguard retail households

Vanguard retail households as of December 31, 2019



Source: Vanguard, 2020.

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global.vanguard.com (non-U.S. investors)

All data representative of Vanguard retail households (taxable accounts and/or IRAs) as of December 31, 2019.

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

Diversification does not ensure a profit or protect against a loss.

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited. For performance data current to the most recent month-end, visit our website at vanguard.com/performance.

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.

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