

Vanguard Financial Plan Brochure

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This brochure provides information about the qualifications and business practices of the Vanguard Financial Plan ("VFP"), an advisory service provided by Vanguard Advisers, Inc. ("VAI"). If you have any questions about the contents of this brochure, please contact us at the number above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about VAI also is available on the SEC's website at adviserinfo.sec.gov.

VAI is a registered investment advisor with the SEC. Registration does not imply a certain level of skill or training.

Material changes:

There have been no material changes in VFP's advisory business, fees and compensation, disciplinary information, or other practices.

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Advisory business

Vanguard Advisers, Inc. ("VAI") is a Pennsylvania corporation that provides investment advisory services to a wide variety of clients. VAI was incorporated in, and has been in business since, 1995. VAI is 100% owned by Goliath, Inc., a Delaware corporation. As such, VAI is an indirect, wholly owned subsidiary of The Vanguard Group, Inc. ("Vanguard"), the sponsor and manager of the family of mutual funds comprising The Vanguard Group of Investment Companies (the "Vanguard Funds"), which VAI typically recommends as investments.

The Vanguard Financial Plan (VFP)

VAI offers the Vanguard Financial Plan ("VFP"), a sophisticated analysis and set of recommendations designed to meet the financial planning needs of its clients. VFP's goal is to help investors determine the most effective and practical solutions for their investment, retirement, college, and tax-planning needs.

To develop a financial plan, the client completes a questionnaire that's designed to obtain key financial data and other relevant information about the client and his or her investment goals. Additional information may be requested, if necessary, for more in-depth analysis. Answers may include information about all of the assets and accounts—including those held by a spouse or domestic partner—that the client wants to include in the financial plan. VFP will take into account the client's entire portfolio as disclosed by the client in the questionnaire, including retirement and nonretirement assets and assets at Vanguard and other financial institutions. At the client's discretion, VFP can exclude specific investments from consideration. This ensures that the advice is consistent with the overall investment strategy.

VAI's methodology doesn't incorporate certain assets, such as those in irrevocable trusts, corporate accounts, and partnerships. Additionally, the methodology won't consider retirement plan assets unless the plan sponsor authorizes the VFP service, in accordance with the requirements of the Pension Protection Act of 2006.

A financial planner will work with each client. Based on the information provided in the questionnaire and VAI's methodology, Vanguard will prepare a plan that contains investment advice appropriate to the client's then-current financial circumstances, as well as an explanation of the necessary steps to act on the plan's investment recommendations.

The financial plan will also assess current retirement status and provide:

- (1) If saving for retirement, a measure of how much the client will need to save and a strategy for accumulating those assets; or
- (2) If nearing or in retirement, a projection of approximately how likely the client will be able to meet spending needs.

Also, based on required minimum distribution or defined spending needs, the client may receive guidance on how to rebalance assets to help meet retirement income needs. Upon request, the financial plan can also provide calculations of how much the client would need to save for college expenses.

Finally, the financial plan will identify specific investments that the client should buy or sell, and the amounts, to act on the investment recommendations. Where investment-specific cost basis information is included in the questionnaire, the plan will also provide an overview of the potential tax consequences (capital gains or losses) of the recommended transactions.

The financial plan will be sent to the client for review, and the client will have an opportunity to consult by telephone with a financial planner to discuss any questions or make appropriate adjustments. After the investment strategy is finalized, a final plan may be produced (if necessary). If the client chooses to implement the financial plan, Vanguard will help execute the plan, based on the recommendations. It remains the client's responsibility to initiate any transaction(s). Neither VAI nor Vanguard is authorized to make decisions or enter into any transactions regarding the client's investments.

This isn't an ongoing advisory service. Once the investment strategy is finalized, the service ends. VAI is under no obligation to implement the plan, to review or monitor the client's financial situation on an ongoing basis, or to update any advice included in the financial plan or given during the telephone consultation.

The questionnaire

The in-depth questionnaire is used as the basis for the design of a financial plan. To access the questionnaire online, a client must be a Vanguard shareholder and registered user of vanguard.com.

Clients who are currently enrolled in Vanguard Flagship Services® or Vanguard Voyager Select Services® may choose to complete the print version of the questionnaire. Certain retirement plan participants may not be eligible to complete a print version.

Taxes

This service doesn't provide tax advice. Clients should consult with a tax advisor to discuss tax-related concerns. VFP's recommendations may result in taxable gains or losses, or the generation of taxable dividend income or tax-preference items that are taxable under the alternative minimum tax. VFP may provide an overview of the potential tax consequences of the investment recommendations; however, neither VAI nor any affiliated or related party or person shall have any responsibility to pay these taxes, and any tax information provided isn't a substitute for the advice of a qualified tax advisor.

Nonresident aliens may be subject to withholding taxes on income or capital gains.

A client may separately arrange for advice from another provider that has no material affiliation—and receives no compensation in connection with the mutual funds, securities, or other property that are the subject of the advice.

VAI only offers nondiscretionary investment advice through VFP. Clients have no obligation to accept any suggestions VFP provides, and VAI isn't authorized to make decisions regarding client accounts or investments. Since VAI doesn't provide ongoing discretionary or nondiscretionary account management services through the VFP service, it doesn't track its assets under management.

Fees and compensation

None of VFP's fees are commission-based. In other words, neither the financial planner nor any other Vanguard associate receives a commission for recommending specific mutual funds or other investment products to act on a financial plan.

Note: VFP reserves the right to apply additional discounts and fee waivers to certain clients or groups of clients. All pricing is subject to change without notice.

The following table describes the VFP fee structure in detail.

Fee schedule

Your fee is waived if you're:

- A current Vanguard Flagship Services client.
- A current Vanguard Voyager Select Services client.
- A participant in an employer-sponsored retirement plan administered by Vanguard with a balance of \$500,000 or more.
- Age 55 or older and a participant in a retirement plan for which the plan sponsor has authorized the provision of investment advice through Vanguard Financial Planning Services.

Note: Fee waiver applies to one financial plan per household for a 12-month period.

Your fee is \$250 if you're:

- A current Vanguard Voyager Services client.
 - A participant in an employer-sponsored retirement plan administered by Vanguard with a balance between \$50,000 and \$500,000.
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Your fee is \$1,000 if you're:

- Not eligible for any of the services mentioned above.
 - A participant in an employer-sponsored retirement plan administered by Vanguard with a balance of less than \$50,000.
-

Eligibility is based on total household assets held at Vanguard, with a minimum of \$50,000 to qualify for Vanguard Voyager Services®, \$500,000 for Vanguard Voyager Select Services, and \$1 million for Vanguard Flagship Services. We determine eligibility by aggregating assets of all qualifying accounts held by the investor and his or her immediate family members who reside at the same address, including investments in Vanguard Funds, Vanguard ETFs®, certain annuities through Vanguard, The Vanguard 529 Plan, and certain small-business accounts. Assets in employer-sponsored retirement plans for which Vanguard provides recordkeeping services may be included in determining eligibility if the investor also has a personal account holding Vanguard Funds. Note that assets held in a Vanguard Brokerage Services account (other than Vanguard ETFs) aren't included when determining a household's eligibility.

Payment

If payment is required, clients may pay by check or may include instructions in good order directing VFP to deduct the fee from an existing Vanguard mutual fund account. VFP may deduct the appropriate fee from any nonretirement assets that an investor owns through Vanguard if payment isn't sent upon request.

The advice that VFP provides may include recommendations to sell, hold, or purchase Vanguard Funds. Acting in accordance with such advice will result in the payment of fees to the Vanguard Funds and to Vanguard, an affiliate of VAI. A purchase or sale of Vanguard Fund shares isn't subject to a load, sales charge, or commission. However, each Vanguard Fund incurs advisory, administrative, and custodial fees, as well as other fees and expenses that it pays out of its own assets. The advisory, administrative, custodial, and other costs make up the fund's "expense ratio." Some Vanguard Funds may also impose purchase and redemption fees. Clients who invest in Vanguard Funds are indirectly subject to the applicable expense ratios and directly subject to any purchase and redemption fees. VFP fees paid by participants are in addition to the underlying mutual fund expenses (including the fund's expense ratio) that all fund shareholders pay. Please consult the prospectus for information about a specific fund's expense ratio. Clients may also directly incur transaction or brokerage charges when transacting in non-Vanguard securities.

Participants in employer-sponsored retirement plans may also indirectly bear the fees assessed by Vanguard for recordkeeping services provided by Vanguard to a retirement plan. In connection with its services, Vanguard receives fees that are separate from, and in addition to, any fees assessed by VAI. Thus, retirement plan participants who receive advice from VAI may indirectly bear the fees assessed by Vanguard in connection with its services to the plan, in addition to any fees assessed by VAI.

Participants in employer-sponsored retirement plans for which Vanguard provides recordkeeping services may be permitted to invest in collective trusts, company stock funds, or certain customized investment options for which an affiliate of VAI provides services and receives compensation. Because advice provided by VFP may include recommendations to hold or purchase these investment options, acting in accordance with such advice may result in the payment of fees to an affiliate of VAI.

Participants in employer-sponsored retirement plans for which Vanguard provides recordkeeping services are often permitted to invest in non-Vanguard mutual funds. Because the advice provided by VFP may include recommendations to transact in non-Vanguard mutual funds, acting in accordance with such advice may result in payments to Vanguard or one of its affiliates as compensation for participant-level recordkeeping and administrative services provided by Vanguard for such funds. This payment may be made by the fund company sponsoring the non-Vanguard mutual fund, by the plan sponsor, by the participant investing in the non-Vanguard mutual fund, or some combination thereof.

The purchase or sale of third-party fund shares through Vanguard or its affiliates may be subject to a load or sales charge, although VAI generally recommends the purchase of no-load mutual funds. Additionally, client account assets that are invested in third-party mutual funds indirectly bear the annual fund operating expenses charged by those mutual funds. A fund's expenses are detailed in its prospectus. In the event that VFP recommends that clients transact in non-Vanguard investments, clients may incur additional fees, including transaction fees, brokerage charges, sales charges, expense ratios, commissions, markups, or other fees or expenses. In addition, Vanguard or its affiliates may receive other compensation, including asset-based sales charges, service fees, revenue-sharing payments, 12b-1 fees, or other fees, in connection with such investments. VFP doesn't take into consideration whether Vanguard or any of its affiliates would receive fees from its recommendation to purchase, hold, or sell non-Vanguard investments.

Special note for retirement plan participants

The fees received by VAI and by its agents and registered representatives for the advice provided by VFP don't vary depending on the basis of any investment option selected.

Performance-based fees and side-by-side management

Neither VAI nor financial planners receive performance-based fees for advisory services they provide to clients.

Types of clients

VFP is available to all clients and prospective clients of Vanguard, including retirement plan participants.

Methods of analysis, investment strategies, and risk of loss

VFP will recommend an allocation among various asset classes. Within each asset class, a financial planner will suggest an allocation among different market segments.

Building on the asset allocation analysis, the result will be a choice of two proposed portfolios appropriate for the client's then-current circumstances: an Integrated Portfolio and a Consolidated Portfolio. Each portfolio will incorporate Vanguard's investment philosophy, including a commitment to maintain broad diversification using Vanguard Funds and potentially other investments.

- The Integrated Portfolio will maintain current holdings (where possible), while integrating them into a diversified portfolio.
- The Consolidated Portfolio will typically involve moving more assets into Vanguard Funds to potentially achieve lower annual costs, greater tax efficiency (where applicable), and simplicity.

Both portfolios will strive to match the client's target asset mix within acceptable ranges. Depending on the client's objectives, one portfolio may be more suitable. As appropriate, recommendations may include other investment products from Vanguard. During the consultation, the financial planner will review both approaches in more detail to help determine which may be more suitable for reaching the target allocation.

Methodology

VFP provides advice based on Vanguard's fundamental research, as well as research obtained from a wide variety of external sources, both public and private. Key features of the VFP methodology include:

- **Goals-based approach.** The asset allocation strategy and investment choices that VAI will recommend are based on the client's long-term financial goals—customized according to VAI's evaluation of factors such as objectives, risk tolerance, time horizon, and tax status—not on short-term investment performance.
- **Broad diversification of assets.** VAI doesn't attempt to predict which investments will provide superior performance at any given time. VAI seeks to control risk, without sacrificing expected return, through broad diversification among asset classes and a choice of investments that reflects a variety of market segments. To do so, VAI evaluates a stock portfolio's mix of actively managed and index funds; large-, mid-, and small-capitalization stocks; growth and value stocks; and domestic and international stocks. For bond portfolios, VAI evaluates the mix of short-, intermediate-, and long-term bonds, and the mix of U.S. Treasury, government agency, and corporate securities.

- **Reasonable assumptions.** VAI relies on certain assumptions about future financial factors, such as rates of return on certain types of investments, inflation rates, client rate of savings, portfolio withdrawals, taxable capital gains and losses, college costs, and market returns. All assumptions are estimates based on historical data that, in VAI's opinion, serve as a useful and reasonable foundation on which to develop financial strategies.
- **Estimating capital gains and losses.** When estimating capital gains or losses for investments in taxable accounts, VAI relies on the information the client provides and uses the average cost method. If no cost basis is provided for a stock investment, VAI will count the entire transaction amount as a capital gain. If no cost basis is provided for a bond investment, VAI will assume there's no capital gain or loss associated with the transaction.
- **Focus on adequacy of savings.** VAI will project and analyze cash flows—based on estimates of client income, expenses, and saving rates—to determine whether the investment portfolio can sufficiently fund retirement and any college savings needs. VAI will recommend a financial strategy designed to help reach retirement financing goals. At the client's request, VAI can recommend how much the client will need to save to pay for each child's education expenses.

Investment risk

All investments involve risk, including possible loss of principal. Fluctuations in the financial markets and other factors may cause declines in the value of your account. There's 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 in a declining market. As with any investment, you could lose money.

Disciplinary information

VAI has no disciplinary information to disclose.

Other financial industry activities and affiliations

The Vanguard Group, Inc. (Vanguard)

Through an intermediary entity, VAI is 100% owned by The Vanguard Group, Inc. (Vanguard). Vanguard, also a registered investment advisor, provides a range of investment advisory and administrative services to the Vanguard Funds. Vanguard is truly a *mutual* mutual fund company. It's owned jointly by the funds it services and thus indirectly by the shareholders in those funds. Most other mutual funds are operated by management companies that may be owned by one person, a private group of individuals, or public investors who own the management company's stock. The management fees these companies charge include a profit component over and above the companies' cost of providing these services. By contrast, Vanguard provides services to its member funds on an at-cost basis, with no profit component, which helps to keep the funds' expenses low.

When giving advice to clients, VAI will recommend the purchase of Vanguard Funds serviced by VAI's corporate parent, Vanguard. VAI addresses the competing interests that could arise between us and our clients as a result of recommending proprietary funds by relying on our time-tested investment philosophies and beliefs, such as the benefits of low costs, diversification, and indexing when formulating target allocations for clients. VAI discloses to prospective clients that it recommends Vanguard Funds prior to, or at the establishment of, the advisory relationship. Although acting in accordance with VAI's advice to purchase Vanguard's proprietary funds will result in the payment of fees to the Vanguard Funds and ETFs that are separate from, and in addition to, any fees assessed by VAI, any competing interests that could arise are mitigated by the at-cost nature of Vanguard's services to the funds.

Vanguard Marketing Corporation (VMC)

Shares of the Vanguard Funds are marketed and distributed by Vanguard Marketing Corporation (VMC), a registered broker-dealer that's a wholly owned subsidiary of Vanguard, and an affiliate of VAI. VMC's marketing and distribution services are conducted on an at-cost basis in accordance with the terms and conditions of a 1981 exemptive order from the Securities and Exchange Commission that permits Vanguard Funds to internalize and jointly finance such activities. Each Vanguard Fund (other than a fund of funds) or each share class of a fund (in the case of a fund that has multiple share classes) pays its allocated share of VMC's marketing costs. VMC doesn't receive transaction-based compensation in connection with the distribution of the Vanguard Funds.

When giving advice to clients, VAI will recommend the purchase of Vanguard Funds distributed by VAI's affiliate, VMC. Since VMC performs its marketing and distribution services on an at-cost basis and doesn't receive transaction-based compensation in connection with the distribution of the Vanguard Funds, no competing interests arise from VAI's affiliation with VMC. Certain members of VAI's management and staff are registered representatives of, or are affiliated with, VMC. Please refer to the *Supplement to the Ask a CFP® Professional and Vanguard Financial Plan Brochures* for further information.

Vanguard Fiduciary Trust Company (VFTC)

VAI is also affiliated with Vanguard Fiduciary Trust Company (VFTC), a limited-purpose trust company incorporated under the banking laws of the Commonwealth of Pennsylvania and a wholly owned subsidiary of Vanguard. VFTC serves as trustee and investment advisor for certain collective investment trusts offered by Vanguard as eligible investment options by some retirement plans.

Code of ethics, participation or interest in client transactions, and personal trading

VAI operates under a code of ethics that complies with Rule 17j-1 of the Investment Company Act of 1940 and Rule 204A-1 of the Investment Advisers Act of 1940.

The code sets forth fiduciary standards that apply to all employees, incorporates Vanguard's insider trading policy, and governs outside employment and receipt of gifts. Additionally, the code imposes restrictions on the personal securities trading of Vanguard employees, as well as reporting requirements. The trading restrictions and reporting requirements are more involved for employees who have access to information about Vanguard Fund trading activity or Vanguard client trading activity. These restrictions are designed to ensure that Vanguard employees don't misuse fund and/or client information for their own benefit.

Vanguard will provide, free upon request, a copy of its code of ethics to any client or prospective client.

Please see the section of this brochure entitled "Other financial industry activities and affiliations" for a discussion of VAI's affiliations with other Vanguard entities and how those affiliations may impact clients of VAI.

Brokerage practices

VAI doesn't recommend broker-dealers in connection with client transactions arising out of VAI's advice, as VAI generally recommends the purchase of Vanguard investments. However, if clients are interested in receiving brokerage services apart from the advisory services provided by VAI, VAI may inform clients of the availability of such services through Vanguard Brokerage Services® (VBS®). VBS is a division of Vanguard Marketing Corporation. VAI's clients decide whether they want to trade through VBS or not. Clients may open a VBS account for the purposes of (1) consolidating assets or (2) transferring and liquidating assets previously held through another institution in advance of implementing VAI's recommended allocation of Vanguard investments. VBS will receive brokerage fees and commissions if a client opens a VBS account and executes trades.

Review of accounts

Under the VFP program, VAI, Vanguard, and their affiliates aren't under any obligation to review or monitor a client's financial situation on an ongoing basis, or update any advice given to a client with the original Plan.

As owners of Vanguard Fund shares, VAI clients will receive or have access to communications with respect to those funds. These communications include transaction confirmations, quarterly account statements, prospectus updates, annual and semiannual reports, and proxy statements relating to their fund holdings (as appropriate), as well as general Vanguard newsletters, e-mails, and other communications.

Client referrals and other compensation

VAI receives no economic benefits from persons who aren't clients for providing investment advice or advisory services to its clients.

VAI doesn't directly or indirectly compensate any person who isn't a supervised person for client referrals.

Custody

VAI doesn't have custody of client funds or securities through the Vanguard Financial Plan. The Vanguard Group, Inc., acting in its capacity as transfer agent of the Vanguard Funds, sends quarterly or more frequent account statements to clients. Clients should carefully review these account statements and contact Vanguard with any questions.

Investment discretion

VFP provides a point-in-time consultation and doesn't exercise discretion over client assets.

Voting client securities

VAI won't vote or exercise similar rights for client securities. The exercise of all voting rights associated with any security or other property held in the portfolio shall be the responsibility of the client. VAI won't advise or act for the client in any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by the portfolio or the issuers of those securities. Proxies will be delivered to clients by the issuer of the security, the custodian, or its agent.

Financial information

The possible prepayment of fees to be charged for this service doesn't exceed \$1,200 nor does VAI have discretion over client accounts through the program. VAI isn't aware of any financial condition that's reasonably likely to impair its ability to meet contractual commitments to clients.

Requirements for state-registered advisors

VAI is a federally registered investment advisor.



Vanguard Advice Services

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The Vanguard Financial Plan is provided by Vanguard Advisers, Inc., a registered investment advisor.

Vanguard Brokerage Services is a division of Vanguard Marketing Corporation, member FINRA.

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