

# Vanguard Interactive Advice Tools

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Vanguard Advisers, Inc.

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This brochure provides information about the qualifications and business practices of Vanguard's Interactive Advice Tools offered through Vanguard Advisers, Inc. ("VAI"). If you have any questions about the contents of this brochure, please contact us at 610-669-1000. 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 [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

## MATERIAL CHANGES:

There have been no material changes in the advisory business, fees and compensation, methodology, disciplinary information, or other practices.

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## ADVISORY BUSINESS

VAI is a Pennsylvania corporation that provides investment advisory services to a wide variety of clients.

These advisory services include:

- **Stable Value:** discretionary investment advisory services to separate accounts that are offered as investment options in state sponsored education savings plans (“529 Plans”);
- **Vanguard Institutional Advisory Services:** discretionary and nondiscretionary advisory services and administrative services to institutional clients such as endowments, foundations, employee benefit plans and trusts, and family offices;
- **Vanguard ETF Strategic Model Portfolios:** model portfolios composed of Vanguard Funds and exchange traded funds (ETFs) as well as mutual funds and ETFs managed by third party asset managers that are accessed by third party intermediaries through third party platforms;
- **Interactive Advice Tools:** Personal Online Advisor (“POA”) is a nondiscretionary advisory service previously offered to certain retail clients and currently to participants of eligible employer-sponsored retirement plans. POA is sub-advised by Financial Engines Advisors L.L.C. (“FE”), an independent investment advisor unaffiliated with VAI;
- **Vanguard Personal Advisor Select** (formerly branded Vanguard Personal Advisor Services): ongoing advised account services for certain retail clients and point-in-time advice services for participants in eligible employer-sponsored retirement plans;

- **Vanguard Digital Advisor:** discretionary advisory service offered to retail clients and to participants of eligible employer-sponsored retirement plans; and

- **Vanguard Personal Advisor:** discretionary advisory service, with access to an advisor, offered to retail clients and to participants of eligible employer-sponsored retirement plans;

- **Vanguard Situational Advisor:** point-in-time, nondiscretionary advice services and financial planning offered to participants in certain employer-sponsored retirement plans; and

- **Vanguard Managed Account Program (“VMAP”) and POA:** VMAP is a discretionary advisory service offered to participants of eligible employer-sponsored retirement plans. POA is a nondiscretionary advisory service offered to participants of eligible employer-sponsored retirement plans. VMAP and POA are sub-advised by FE.

As an SEC-registered advisor, VAI has a fiduciary duty to act in its clients’ best interests and to abide by the duties of care and loyalty. VAI was incorporated in and has been in business since 1995. VAI is 100% owned by Goliath, Inc., a Delaware corporation. Goliath is 100% owned by The Vanguard Group, Inc. (“Vanguard”). As such, VAI is an indirect, wholly owned subsidiary of Vanguard, the sponsor and manager of the family of mutual funds and ETFs (exchange-traded funds) comprising The Vanguard Group of Investment Companies (“Vanguard® Funds”), which VAI typically recommends as investments. Please see the section of this brochure entitled “Other financial industry activities and affiliations” for more information.

### **Personal Online Advisor**

VAI offers POA to clients who want access to online investment advice. In order to provide investment recommendations through POA, VAI relies exclusively on the proprietary software, systems, and methodology developed and maintained by FE, an independent investment advisor unaffiliated with VAI.

### **Financial goal forecasting**

POA generates a forecast, or estimate, of the client's chance of reaching his or her financial goals. Forecasts are based on information in our systems including:

- Current account balance(s).
- Current savings or contribution rates.
- Time horizon (i.e., years until goal).
- Investment goals (i.e., desired account balance at the end of the time horizon).

The forecasts generated by POA are reasonable estimates based on information supplied by clients and are not guarantees of future results. Reliance on historical and current data necessarily involves certain inherent limitations.

### **Investment recommendations**

POA provides specific buy-and-sell recommendations to help allocate assets among a limited selection of investments (generally, Vanguard Funds and other investment company securities) available for investment. In the case of eligible retirement plans, the plan's sponsor selects the investments available to accounts using the POA service.

### **Account reviews and monitoring**

POA enables clients to review their accounts, monitor progress toward their financial goals, receive forecasts and investment recommendations, and access educational materials. Although POA updates the values of most mutual funds and stocks in a client's accounts daily, it is the client's responsibility to review and update accounts to adjust for significant changes in investments or personal circumstances.

POA does not recommend allocations of individual stocks, even if they are available for investment in a client's account. POA does not select the investment alternatives available for investment in a participant's account. By recommending allocations among the available investments, POA does not endorse the selection of particular investments as available investments for a client's account.

VAI only offers nondiscretionary investment advice through POA. Clients have no obligation to accept any suggestions provided by POA and neither VAI, Vanguard, nor FE is authorized to make decisions regarding clients' accounts or investments.

As of December 31, 2023, Vanguard Advisers, Inc. ("VAI"), had a total of \$143,801,600,000 in discretionary client assets under management and \$189,265,900,000 in non-discretionary client assets under management.

### **FEES and COMPENSATION**

Vanguard clients do not pay a fee to use the POA service.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

VAI does not receive performance based fees for use of interactive advisory tools by clients.

## **TYPES OF CLIENTS**

POA is a complimentary service to investors with \$50,000 or more in assets at Vanguard that have an existing relationship with POA. POA no longer accepts new retail clients.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

VAI generally recommends investments in mutual funds and investment company securities. Although VAI will recommend investment strategies designed to be prudent and diversified, please remember that all investments, including mutual funds and investment company securities, involve some risk, including possible loss of principal. 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. Diversification does not ensure a profit or protect against a loss in a declining market. There is no assurance that you will achieve positive investment results by using VAI services. VAI cannot guarantee the future performance of your investments. Please consult the funds' prospectuses for more information about fund-specific risks.

POA offers investment advice based on an investment methodology developed by FE. POA uses FE's proprietary software to analyze historical and current returns, volatility, cross-correlations, and other factors to develop individualized target allocation

recommendations. The FE's software employs returns-based style analysis and optimization, among other techniques, to develop its target allocation recommendations. The main sources of information analyzed include historical returns for mutual funds, individual securities, and broad asset categories (e.g., large-capitalization U.S. equity returns, money market returns, foreign equity returns, etc.), security-specific information (such as mutual fund expense ratios), and current market data and information.

POA generates a forecast through the use of simulations, which are hypothetical economic scenarios based on analysis of historical and current returns, volatility, cross-correlations, and other factors. POA creates thousands of hypothetical future economic scenarios to evaluate how account investments might perform under a variety of circumstances, including changing interest rates, inflation, and market conditions. The forecast is a percentage figure representing the number of scenarios in which the clients' accounts would be sufficient to meet or exceed their investment goals at the end of the time horizon. POA also can include information about stock options in a financial goal forecast.

For more detailed information on FE and its investment methodology, please go to [www.edelmanfinancialengines.com](http://www.edelmanfinancialengines.com) for a copy of its brochure.

## **DISCIPLINARY INFORMATION**

VAI has no disciplinary information to disclose.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**The Vanguard Group, Inc. (Vanguard)**

VAI is 100% owned by Goliath, Inc., a Delaware corporation, which is wholly owned by The Vanguard Group, Inc. (Vanguard). Vanguard, also a registered investment adviser, provides a range of investment advisory and administrative services to the Vanguard family of mutual funds (Vanguard Funds). 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 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. 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. Clients may separately arrange for the provision of advice by another provider that has no material affiliation with and receives no compensation in connection with the mutual funds, securities, or other property that is the subject of the advice.

#### **Vanguard Marketing Corporation (VMC)**

Shares of the Vanguard Funds are marketed and distributed by Vanguard Marketing Corporation (VMC). VMC's marketing and distribution services are conducted in accordance with the terms and conditions of a 1981 exemptive order from the Securities and Exchange Commission, which 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 with

multiple share classes) pays its allocated share of VMC's marketing costs. VMC does not receive transaction-based compensation in connection with the distribution of the Vanguard Funds. When giving advice to clients under this Service, VAI may recommend the purchase of Vanguard Funds distributed by VAI's affiliate, VMC. Since VMC does not receive transaction-based compensation in connection with the distribution of the Vanguard Funds, the competing interests that arise from VAI's affiliation with VMC in its role as distributor of Vanguard Funds and ETFs are mitigated.

#### **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 funds and collective investment trusts offered by Vanguard as eligible investment options by some retirement plans. POA may recommend the purchase of Vanguard collective investment trusts serviced by VAI's affiliate, VFTC.

#### **Edelman Financial Engines Advisors, LLC**

The Vanguard Group has engaged Financial Engines Advisors L.L.C. to provide sub advisory services to POA. Financial Engines is an independent, third-party, federally registered investment advisor that does not sell investments or receive commission for the investments it recommends.

## **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 that have access to information about Vanguard Fund trading activity or Vanguard client trading activity and are designed to ensure that Vanguard employees do not misuse fund and/or client information for their own benefit.

Vanguard will provide a copy of its Code of Ethics to any client or prospective client upon request at no charge.

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**

POA does not provide recommendations on individual securities. VAI does not select or recommend broker dealers for client transactions in connection with these services.

## **REVIEW OF ACCOUNTS**

POA reviews accounts in accordance with the forecasting and monitoring services mentioned above.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

VAI receives no economic benefits from persons that are not clients for providing investment advice or advisory services to its clients. VAI does not directly or indirectly compensate any person who is not a supervised person for client referrals to the services provided herein.

## **CUSTODY**

The POA service is a non-discretionary offering. Neither VAI, nor its affiliates, have custody of client funds or securities. The Vanguard Group, Inc., in its capacity as the transfer agent for Vanguard Funds, sends quarterly, or more frequent, account statements to clients.

## **INVESTMENT DISCRETION**

The interactive advice tools are intended to be point-in-time advisory services that provide recommendations to users based on user input. These tools do not exercise discretion over user accounts. POA does not have discretion over clients' accounts.

## **VOTING CLIENT SECURITIES**

VAI will not vote client securities through this service. The exercise of all voting rights associated with any security or other property held by a client shall be the responsibility of the client. VAI will not advise or act for the client in any legal proceedings, including bankruptcies or class actions, involving



securities held or previously held by the client or the issuers of those securities. Proxies will be delivered to the client through the issuer, by its custodian or its agent.

### **FINANCIAL INFORMATION**

VAI is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

### **REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

VAI is a federally registered investment adviser.

### **INVESTMENT RISKS**

The following summarizes the risks associated with the mutual funds, collective investment trusts, ETFs, and other pooled investments (these investments are collectively referred to herein as “funds”) recommended by the Service:

#### **DISCRETIONARY MANAGER RISK**

It is possible that poor security selection or focus on securities in a particular sector, category, or group of companies will cause one or more of the funds or underlying funds—and, thus, the fund—to underperform relevant benchmarks or other funds with a similar investment objective.

#### **INDEX SAMPLING RISK**

There is the chance that the securities selected for a fund in the aggregate won't provide investment performance matching the fund's target index.

#### **ETF RISK**

Vanguard ETF shares are not redeemable directly with the issuing fund other than in

very large aggregations worth millions of dollars. ETFs are subject to market volatility. When buying or selling an ETF, you will pay or receive the current market price, which may be more or less than net asset value.

### **STOCK MARKET RISK**

Funds that invest in stocks are subject to the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Asset concentration risk. Funds that invest a high percentage of their assets in a few companies are subject to the chance that their performance may be hurt disproportionately by the poor performance of relatively few investments.

### **SECTOR RISK**

Funds that invest all or substantially all of their assets in a particular sector are subject to the chance that significant problems will affect a particular sector or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market. If a fund invests all, or substantially all, of its assets in a particular sector, the fund's performance largely depends—for better or for worse—on the general condition of that sector.

### **COMPANY STOCK FUNDS**

Funds that are invested exclusively in a single stock are concentrated and therefore considered riskier than diversified stock funds.

### **INVESTMENT-STYLE RISK**

Funds that invest in companies based on their level of capitalization are subject to the chance that returns from large-, mid-, and small capitalization stocks will trail returns from the overall stock market. Large- and mid-cap stocks each tend to go through cycles of doing better—or worse—than other segments of the stock market or the stock market in general. These periods have, in the past,



lasted for as long as several years. Historically, mid- and small-cap stocks have been more volatile in price than large-cap stocks. The stock prices of mid and small-size companies tend to experience greater volatility because, among other things, these companies tend to be more sensitive to changing economic conditions.

### **INTERNATIONAL RISK OR COUNTRY/ REGIONAL RISK**

Funds that invest in international securities are subject to the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries or regions. If a fund invests a large portion of its assets in securities of companies located in any one country or region, including emerging markets, its performance may be hurt disproportionately by the poor performance of its investments in that area. Country/regional risk is especially high in emerging markets.

### **EMERGING MARKETS RISK**

Funds that invest in securities of companies that are located in developing nations are subject to the chance that the prices of these securities will be substantially more volatile, and substantially less liquid, than the securities of companies located in more developed foreign markets.

### **CURRENCY RISK**

Funds that invest in international securities are subject to the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates. Currency risk is especially high in emerging markets.

### **CALL RISK**

Funds that invest in bonds are subject to the chance that during periods of falling interest rates, issuers of callable bonds may call (redeem) securities with higher coupons or interest rates before their maturity dates.

The fund would then lose any potential price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the fund's income. Call risk is generally low for short-term bond funds, moderate for intermediate-term bond funds, high for long-term bond funds, and high for high-yield bond funds.

### **PREPAYMENT RISK**

Funds that invest in bonds are subject to the chance that during periods of falling interest rates, homeowners will refinance their mortgages before their maturity dates, resulting in prepayment of mortgage backed securities held by the fund. The fund would then lose any price appreciation above the mortgage's principal and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the fund's income.

### **EXTENSION RISK**

Funds that invest in bonds are subject to the chance that, during periods of rising interest rates, certain debt securities will be paid off substantially more slowly than originally anticipated, and the value of those securities may fall. This will lengthen the duration or average life of those securities and delay a fund's ability to reinvest proceeds at higher interest rates, making a fund more sensitive to changes in interest rates. For funds that invest in mortgage-backed securities, extension risk is the chance that, during periods of rising interest rates, homeowners will repay their mortgages at slower rates.

### **CREDIT RISK**

Funds that invest in bonds are subject to the chance that the issuer of a convertible security will fail to pay interest or dividends and principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the price of the security to decline.

## INCOME RISK

Funds that invest in bonds are subject to the chance that the fund's income will decline because of falling interest rates. Income risk is generally high for short-term bond funds, low for long-term bond funds, and high for limited-term bond funds.

## INTEREST RATE RISK

Funds that invest in bonds are subject to the chance that bond and loan prices overall will decline because of rising interest rates.

## STATE-SPECIFIC RISK

Funds that invest in bonds from a specific state or municipality are subject to the chance that developments in that state or municipality will adversely affect the securities held by the fund. Because the fund invests primarily in securities issued by the state and its municipalities, it's more vulnerable to unfavorable developments in the state than are funds that invest in municipal securities of many states. Unfavorable developments in any economic sector may have far-reaching ramifications on the overall state municipal market.

## LIQUIDITY RISK

Funds that invest in bonds are subject to the chance that the fund may not be able to sell a security in a timely manner at a desired price. Liquidity risk is generally low for short-term bond funds, moderate for intermediate-term bond funds, and high for long-term bond funds.

## CURRENCY HEDGING RISK

Funds that invest in bonds are subject to the risk that the currency hedging transactions entered into by a fund may not perfectly offset the fund's foreign currency exposure.

## OWNERSHIP LIMITATIONS AND REGULATORY RELIEF

The ability of Vanguard and external advisors to purchase or dispose of certain fund investments, or to exercise rights on behalf of a fund, is or may be restricted or impaired because of limitations imposed by law, regulation, or by certain regulators or issuers. As a result, Vanguard and external advisors,

on behalf of certain funds currently and other funds potentially in the future, are required to limit purchases, sell existing investments, or otherwise limit the exercise of shareholder rights by a fund, including voting rights. These ownership restrictions and limitations can impact a fund's performance. For index funds, this impact generally takes the form of tracking error, which can arise when a fund is not able to acquire its desired amount of a security. For actively managed funds, this impact can result, for example, in missed investment opportunities otherwise desired by a fund's investment advisor. If a fund is required to limit its investment in a particular issuer, then a fund may seek to obtain regulatory or corporate consents or ownership waivers. Other options a fund may pursue include seeking to obtain economic exposure to that issuer through alternative means, such as through a derivative or through investment in a wholly owned subsidiary, both of which may be more costly than owning securities of the issuer directly. In the event a derivative, such as a swap, is used as an alternative means of exposure, Vanguard and external advisors on behalf of a fund are not able to guarantee the availability of derivatives necessary to allow economic exposure to the security, sector, or industry. This limited availability may have additional impacts to fund performance. Additionally, use of derivatives as an alternative means of exposure subjects a fund to derivatives-related risks. Ownership restrictions and limitations could result in unanticipated tax consequences to a fund that may affect the amount, timing, and character of distributions to shareholders.