

Vanguard Situational Advisor Brochure

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This brochure provides information about the qualifications and business practices of Vanguard Situational Advisor, an advisory service offered through Vanguard Advisers, Inc. (“VAI”), (also referred to herein as “we,” “us,” and “our”). This brochure also describes how VAI is compensated for the service provided to you. You should carefully consider this information in your evaluation of the Service. If you have any questions about the contents of this brochure, please call us at the phone number above. The information in this brochure hasn’t been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about VAI is available on the SEC’s website at adviserinfo.sec.gov.

VAI is a registered investment advisor with the SEC. Registration doesn’t imply a certain level of skill or training.

Material changes: This is the initial filing for the Vanguard Situational Advisor Brochure (“Brochure”).

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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 ETFs (exchange-traded funds), as defined below, and 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 subadvised by Financial Engines Advisors, LLC ("FE"), an independent investment advisory unaffiliated with VAI;
- **Vanguard Personal Advisor Services ("PAS"):** ongoing advised account services and point-in-time advice services for retail clients and participants in eligible employer-sponsored retirement plans;
- **Vanguard Digital Advisor®:** discretionary advisory service offered to retail clients and to participants in 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:** discretionary advisory service offered to participants in eligible employer-sponsored retirement plans. POA is a nondiscretionary advisory service offered to participants in eligible employer-sponsored retirement plans. VMAP and POA are subadvised 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 comprising The Vanguard Group of Investment Companies ("Vanguard Funds"), which VAI typically recommends as investments. Please see the section of this brochure titled "Other financial industry activities and affiliations" for more information.

Vanguard Situational Advisor

Vanguard Situational Advisor (the "Service") is an advisory service offered through Vanguard Advisers, Inc. The Service provides participants with a point-in-time financial wellness evaluation with a Vanguard Advisor which may include: nondiscretionary investment strategies for their retirement accounts based on personalized financial plans created by VAI, advice and guidance for navigating life events while planning for achieving retirement success, and/or information that addresses specific investment-related questions or topics. In choosing to receive a financial plan, you'll provide us with information relating to your financial situation, investment objectives, and willingness and ability to tolerate risk. VAI will then formulate a financial plan for you that will recommend an asset allocation and specific investments you can maintain in your retirement account to meet that allocation. Financial plans generated for participants will recommend an allocation from among the investment options selected by the plan fiduciary that make up the plan's lineup and will typically recommend a combination of specific Vanguard Funds or collective trusts based on their low cost and broad diversification unless the plan lineup only includes company stock or third-party mutual funds or lacks the necessary Vanguard Funds or collective trusts needed to complete the recommended asset allocation. You'll be able to impose reasonable restrictions on our investment strategy, which may include the ability to accommodate non-Vanguard investments in your financial plan (read the section of this brochure titled "Reasonable restrictions" for more information). The Service won't consider additional limits or restrictions due to securities law or company policies on company stock ownership, and you should consult your plan rules prior to implementing the financial plan. Within the financial plan, we'll also use the information you provided to us to provide goals-based forecasting and recommendations on how to better meet your investing goals, based on your situation and goals at the time you engage the Service. Your financial plan will be finalized after your consultation with an advisor. More information about the methodology used to create the financial plan is provided in the sections of this brochure that follow the heading "Methods of analysis, investment strategies, and risk of loss" below.

Keep in mind that if you use the Service, you'll need to implement transactions and rebalance your retirement account on an ongoing basis in accordance with the financial plan. We won't monitor your retirement account or financial plan; seek to determine whether you may have experienced material changes to your financial situation, investment objectives, and willingness and ability to take risk; or initiate transactions in your retirement account. You'll be solely responsible for initiating all transactions and implementing the other recommendations provided in the financial plan.

Our investment recommendations for 401(k) accounts will be based on the investment options selected by the plan fiduciary as the plan's core lineup and will normally be limited to allocations in certain Vanguard and non-Vanguard products, including mutual funds, collective investment trusts, or stable

value funds, but excludes any investments held through any self-directed brokerage accounts. Plans and participants will have the opportunity to provide us with additional information about the desired allocation to company stock investments if the participant's account is invested in, or eligible to invest in, such assets.

When considering whether to engage the Service, clients should consider the Service advisory fees and investment product fees or expense ratios they'll incur upon engaging the Service in light of the availability of an advisor, personalized features, and additional services offered to clients of the Service in comparison to the lower costs and absence of such services if they instead choose to purchase a single-fund solution, like a Vanguard Target Retirement Fund.

Read the section below titled "Reasonable restrictions" for additional information about imposing restrictions on our investment strategy. Even in situations where your Portfolio (as defined below) contains investments you hold before engaging the Service, we could recommend that any additional purchases in your advised Portfolio (as defined below) be made into Vanguard Funds or other investments based on your plan's investment lineup.

Within the financial plan, we'll also use the information you provided to us to create goals-based forecasting and recommendations on how to better meet your investing goals, based on your situation at the time you engage the Service. More information about the methodology used in creating the financial plan is provided in the sections of this brochure under the heading "Methods of analysis, investment strategies, and risk of loss" below.

Your financial plan will be finalized after a consultation with an advisor from Vanguard Situational Advisor.

When engaging the advised service, you're receiving point-in-time advice and aren't granting us authority to purchase or sell investments on your behalf. This means that when using the Service, you'll be solely responsible for implementing transactions and rebalancing your retirement account on an ongoing basis in accordance with the financial plan. We won't (i) monitor your retirement account or financial plan, (ii) seek to determine whether you may have experienced material changes to your financial situation, investment objectives, and willingness and ability to take risk, or (iii) initiate transactions in your retirement account.

Your financial plan will focus on saving for retirement. The objective of the retirement goal is to build sufficient wealth to cover expected income needs through retirement. Your goal may be supported by your Portfolio as well as accounts held outside of the Portfolio.

Additional information

VAI intends the Service to be a level-fee-eligible investment advice arrangement and to comply with the conditions of the statutory exemption for eligible investment advice arrangements under Sections 408(b)(14) and (g) of the Employee Retirement Income Security Act ("ERISA") and

Sections 4975(d)(17) and (f)(8) of the Internal Revenue Code (the "Code"). In providing advice for assets held in eligible employer-sponsored retirement plans as defined in Section 3(2) of ERISA, VAI will act as a fiduciary advisor as defined under Section 408(g)(11) of ERISA and Section 4975(f)(8)(J) of the Code and, therefore, VAI must act prudently and only with clients' interests in mind when providing clients recommendations about investment of those assets. Additionally, Vanguard Situational Advisor will be audited annually by an independent auditor for compliance with the requirements of the statutory level-fee exemption and related regulation. Sponsors of eligible employer-sponsored retirement plans that make the Service available to participants during a calendar year will also receive a copy of the most recent version of the auditor's findings published in the next calendar year within 60 days of our receipt of the report.

Fees and compensation

Advisory fee

Legacy model

Participants receiving onetime advice, as authorized by their plan sponsor, will be charged a fee for the financial plan as outlined below, unless they're eligible for a fee waiver. Fee waivers will be applied for participants who have more than \$500,000 in total Vanguard assets or are over age 55. The financial plan fees are as follows:

- \$50,000 to \$500,000: \$250.
- Less than \$50,000: \$1,000.

If payment is required, participants may pay by check.

New model

Participants receiving onetime advice or a financial plan, as authorized by their plan sponsor, will be charged a fee of \$250 for the consultation.

Payment will be collected in one of three ways, as determined by your plan sponsor and disclosed to you prior to utilizing the Service. Payment will be made either:

- 100% paid directly by the participant from their employer plan account upon completion of the engagement with the Vanguard Advisor; or
- 100% paid directly by the plan sponsor; or
- A combination of participant and plan sponsor payment.

Note: Enrollment in a particular model is dependent on approval from your plan sponsor. Participants can log in to their account at vanguard.com for more information or contact Participant Services at 800-523-1188 to confirm which fee applies to them.

Fees for the consultation are in addition to the underlying fund expenses that all fund shareholders pay (including Vanguard Funds, third-party funds, and collective trusts). You should review this information and carefully consider the impact of these fees and compensation when evaluating the onetime advice offer before implementing any recommendations provided through the financial plan or onetime advice offer.

Advisory fees for the financial plan are in addition to the Vanguard Fund fees, non-Vanguard fund fees, and retirement plan fees described in the paragraphs below. You should review this information and carefully consider the effect of our advisory fees before you implement any recommendations provided through a financial plan.

Mutual fund fees

The advice provided by Vanguard Advisers, Inc. ("VAI"), will include recommendations to sell, hold, or purchase Vanguard Funds.

Where you act in accordance with our advice and invest in Vanguard Funds, it'll result in the payment of fees to the Vanguard Funds and to The Vanguard Group, Inc. ("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 it pays out of its own assets. The advisory, administrative, custodial, and other costs make up the Vanguard Funds' expense ratios. Also, some Vanguard Funds and third-party funds impose purchase and redemption fees.

Participants who invest in Vanguard Funds and third-party funds are subject to the applicable expense ratios and to any purchase and redemption fees. Please consult the prospectus for information about a specific fund's expense ratio and any fees assessed by that fund.

Account fees

You may also incur account service fees, commission charges, and other account charges and processing fees in connection with establishing accounts with Vanguard Advisers, Inc. ("VAI"), affiliates. You should review the terms of your account-opening documents or any plan fee disclosure notices for details about fees that may be assessed in connection with these accounts.

Retirement plan fees

Participants in employer-sponsored retirement plans may also directly or indirectly bear the fees assessed by The Vanguard Group, Inc. ("Vanguard"), for recordkeeping services provided by Vanguard to a retirement plan. In connection with its services, Vanguard receives fees separate from, and in addition to, any advisory fees assessed by Vanguard Advisers, Inc. ("VAI"). Thus, retirement plan participants who receive advice from VAI may directly or indirectly bear the fees assessed by Vanguard in connection with its services to the plan, in addition to any advisory fees assessed by VAI. You should review any plan fee disclosure notices for details about fees that may be assessed on your plan account. Participants in employer-sponsored retirement plans for which Vanguard provides recordkeeping or investment services may be permitted to invest in collective trusts, company stock funds, or certain customized investment options for which Vanguard Fiduciary Trust Company, an affiliate of VAI, provides services and receives compensation. Because advice provided by VAI may include recommendations to hold or purchase these investment

options, acting in accordance with such advice may result in the payment of fees to Vanguard Fiduciary Trust Company.

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 VAI 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 or subsidiaries 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 or an affiliate, by the plan sponsor, by the participants investing in the non-Vanguard mutual fund, or by some combination thereof.

Advice not affected by fees

The advice provided by our advisors won't take into consideration whether Vanguard or any of its affiliates or subsidiaries will receive fees from its recommendation to purchase, hold, or sell Vanguard Funds or non-Vanguard investments. Advisory fees received by VAI and compensation paid to its employees, agents, and registered advisors doesn't vary on the basis of any investment options selected, and the advisors who deliver advice aren't compensated for or on the basis of any recommendation or sales of specific securities.

Performance-based fees and side-by-side management

Vanguard Advisers, Inc. ("VAI"), and its advisors don't receive any fees for advisory services provided to you based on a share of capital gains on or capital appreciation of your investments.

Types of clients

Legacy model

Participants in eligible employer-sponsored retirement plans whose employers have approved the Service are eligible to receive advice or a onetime financial plan. Additionally, certain officers, directors, and substantial shareholders, including any employees subject to Rule 144 of the Securities Act of 1933, as amended, or Section 16 of the Securities Exchange Act of 1934, as amended ("Control Persons"), or that are otherwise identified as company insiders, aren't eligible under this model. Clients are required to have a permanent residence in the 50 states, the District of Columbia, the U.S. Virgin Islands, or Puerto Rico, or have an APO/FPO/DPO mailing address.

New model

Participants in eligible employer-sponsored retirement plans whose employers have approved the Service are eligible to receive advice. Control Persons may receive advice or a onetime financial plan; however, such advice or plan won't take into consideration the Control Person's status or restrictions that may apply to their security trading. Clients are required to have a permanent residence in the 50 states, the District of Columbia, the U.S. Virgin Islands, or Puerto Rico, or have an APO/FPO/DPO mailing address.

Note: Under both models, participants in Puerto Rico or Puerto Rico-based plans may receive onetime financial plans, but those financial plans won't be formulated with considerations to Puerto Rico tax code.

Methods of analysis, investment strategies, and risk of loss

Vanguard Advisers, Inc.'s ("VAI"), investment methodology incorporates our investment philosophies and beliefs, such as the benefits of low costs, diversification, and indexing. Our methodology, which is approved and periodically reviewed by senior Vanguard management, is based on Vanguard's fundamental research, as well as research obtained from a wide variety of external sources, public and private. Our methodology is driven by long-term financial goals, not by market-timing or short-term investment performance. Rather than attempting to predict which investments will provide superior performance at any given time, VAI believes it can provide the best opportunity for success by maintaining a broadly diversified financial plan—including investments from a variety of market sectors and asset classes. If, as a result of its periodic review, VAI makes material changes to our methodology that affect your financial plan, you'll be informed of the changes and then given the opportunity to approve them.

Investment strategy for the financial plan

Vanguard Advisers, Inc.'s ("VAI's"), investment strategies are designed with a disciplined, long-term approach focused on managing risk through appropriate asset allocation and diversification. Our methodology uses a strategic approach by first focusing on the mix of asset classes (i.e., stocks, bonds, and cash) that align with your willingness and ability to take risk and are appropriate to meet your financial goals over time. The methodology is designed then to recommend specific investments for your financial plan.

We rely on information you provide and on certain assumptions based on our analysis about future financial factors, such as rates of return on certain types of investments, inflation rates, client rate of savings, percentage of income needed in retirement, withdrawals, tax rates, taxable capital gains and losses, and market returns, to develop an investment strategy for you. All assumptions are estimates based on historical data and proprietary forecasts that, in our opinion, serve as a useful and reasonable foundation on which to develop financial strategies.

Developing an asset allocation

First, we'll gather information through the use of a risk quiz or risk questionnaire, an investor profile, and consultation with an advisor (unless you choose to forego scheduling an advisor consultation) to understand your financial objectives, such as your age, risk tolerance, specific financial goals, investment time horizon, current investments, tax status, other assets and sources of income, investment preferences, and planned spending from the accounts covered by the financial plan. A proprietary algorithm uses this data to recommend a particular investing track and corresponding glide path that embodies the

risk tolerance, asset allocation, and time horizon suitable for your goals. The investing tracks range from very conservative to conservative, moderate, aggressive, and very aggressive, and the glide paths within each track are designed to change over time to adjust your risk exposure and asset allocation to match the time remaining for each of your specified goals. Your investment strategy may include separate asset allocation strategies tailored to each of your financial goals. If you use multiple accounts to support a goal, the asset mix of any single account may vary, but collectively the accounts will achieve the target asset allocation for the goal. We'll rely on the information you provide to formulate the financial plan. Inaccuracies in the information you provide us could affect our recommendations and your financial plan.

When recommending, setting, and adjusting your asset allocation, we weigh "shortfall risk"—the possibility that a financial plan will fail to meet longer-term financial goals—against "market risk," or the chance that a financial plan's value will fluctuate based on the market's ups and downs. An investment strategy that's too conservative raises the risk that inflation will erode the purchasing power of a long-term portfolio. Appropriate asset allocations may range from 100% stock to 100% short-term reserves based on the risk tolerance and remaining investment time horizon for a particular financial goal. Investment strategies for different goals may reflect different trade-offs between shortfall and market risk.

Diversifying the Portfolio asset allocation across a variety of sub-asset classes

We seek to provide adequate diversification within each asset class. We recommend investing across different market segments to ensure sub-asset class diversification. We'll establish allowable sub-asset class ranges. The Service will adjust your Portfolio to position sub-asset classes within our allowable ranges.

Our equity methodology seeks to diversify across different market segments (e.g., domestic and international; large-, mid-, and small-capitalization; and growth and value). While investing in equity securities can help grow your wealth over the long term, stock markets are also volatile, and you may lose money in a sharp downturn that can occur without warning. The financial plan will generally diversify the domestic and international stock positions across market capitalizations within those segments in similar proportion to their long-term market weight. In addition, we seek to balance growth and value investment styles when constructing a financial plan. We examine the industry segments represented in the financial plan to ensure the financial plan isn't too heavily concentrated in one or more industry sectors, countries, or market segments. Read the "Investment risks" section of this brochure below for further discussion of risks.

Our bond methodology emphasizes broad diversification across the bond market, both domestic and international, and maintains an interest rate risk exposure in line with the broad bond market. Investments in bonds are subject to multiple risks, including interest rate, credit, and inflation

risk. Diversification across the domestic and global bond markets, as well as across market segments, issuers, and the yield curve, helps mitigate these risks. Our lead bond recommendation builds diversified financial plans across short-, intermediate-, and long-maturity bond funds and seeks to maintain an intermediate-term duration. An intermediate-term duration generally means your financial plan stays in the middle of the spectrum when measuring its sensitivity to interest rate changes while maintaining exposure to all areas of the maturity range. We also recommend a broad exposure to investment-grade bond funds (both corporate and Treasury bonds). We'll seek to build a high-credit-quality financial plan of bond funds, including funds that hold corporate, Treasury, agency, and mortgage-backed bonds. Depending on your tax bracket, we may recommend tax-exempt bond funds for your taxable account(s). Bond portfolios may incorporate a mix of domestic and foreign bond funds. As with equities, we examine bond sector exposure to ensure a financial plan isn't concentrated in a single segment, which could expose the financial plan to a higher level of risk. Read the "Investment recommendations and risk," "Risks associated with algorithm usage," and "Investment risks" sections of this brochure below for further discussion of risks.

Diverse investments, primarily consisting of low-cost Vanguard Funds and collective trusts

After determining the overall asset mix and your stock and bond sub-allocations, our algorithm will then recommend appropriate investments for your financial plan. We approach fund selection with a long-term, buy-and-hold approach and discourage switching strategies based solely on recent performance.

Reasonable restrictions

When requesting a financial plan, you'll have the ability to impose reasonable restrictions on the investments recommended for the financial plan. Specifically, you can request that certain alternate Vanguard Funds and certain non-Vanguard funds be held as part of the financial plan, provided those investments meet certain standards imposed by VAI, including our portfolio construction and diversification standards established by us for such holdings. You will also have the ability to designate certain investments that shouldn't be recommended for the financial plan or that shouldn't be sold if held in the account.

If you request reasonable restrictions in the financial plan, we'll analyze whether the requested investments fit into the overall stock or bond allocations recommended for the financial plan. When analyzing investments, we'll rely on Vanguard's asset classification assessments based on information received from third-party data providers to categorize these investments.

Any restriction you want to impose is subject to our review and approval. Restrictions will be allowed as long as they aren't inconsistent with our methodology. The financial plan will remain diversified by asset class and within each asset class to ensure no class of investments will impose an unreasonable level of risk. We won't be responsible, however, for performing due diligence on any investment included in your financial

plan as a result of a requested restriction. If your desired restrictions are unreasonable or if we believe the restrictions are inappropriate for you, we'll notify you that, unless the instructions are modified, we'll remove particular investments from the financial plan.

Certain investments you may request, and other Vanguard or non-Vanguard funds, may not offer the same degree of diversification, liquidity, or performance consistency available with the Vanguard Funds we normally recommend.

Investment recommendations and risk

Our lead advice approach recommends investments in Vanguard Funds or collective trusts. Although we'll recommend prudent and diversified investment strategies, please remember that all investments, including mutual funds, involve some risk, including 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(s). 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. We make investment recommendations using historical information. There's no guarantee that an investment strategy based on historical information will meet your investment objectives, provide you with a given level of income, or protect against loss, particularly when future market conditions are drastically different from the information used to create your strategy. Diversification doesn't ensure a profit or protect against a loss. There's no assurance that you'll achieve positive investment results by using our service. We can't guarantee the future performance of your investments. Please consult a fund's prospectus for more information about fund-specific risks. You should carefully consider all your options before acting on any advice you receive.

Risks associated with algorithm usage

Our proprietary algorithms are based on Vanguard's market assumptions and analysis. The algorithms don't consider prevailing market conditions when making recommendations to you. While we have standards governing the development, testing, and monitoring of our algorithms, there's a risk the algorithms and associated software may not perform as intended for various reasons, including unintended consequences due to modifying the algorithms or underlying software code. The SEC has provided further information for investors to consider when engaging digital advice services. The guidance can be found at [investor.gov/additional-resources/news-alerts/alerts-bulletins/investor-bulletin-robo-advisers](https://www.investor.gov/additional-resources/news-alerts/alerts-bulletins/investor-bulletin-robo-advisers).

Goals forecasting

We'll also provide you a projection to help you assess your ability to achieve your personalized financial goals. To cover a broad range of outcomes, our forecast will generate 10,000 scenarios to measure your likelihood of success of reaching your goal. The projections use forecasted index returns for equities, bonds, and cash, which are used to represent the hypothetical returns of the asset classes in your financial plan. These forecasted index returns as well as inflation rates are provided through the Vanguard Capital Markets Model®

("VCMM"), developed by Vanguard Investment Strategy Group, which is discussed in more detail later.

Projections may be based on accounts included within the financial plan or on accounts held outside of the financial plan. Our goals-forecasting model uses the same index returns to represent the returns of the asset classes in all your accounts supporting your goals in your financial plan or Portfolio. Index returns for fixed income and equity products are reduced by 0.50% annually, and index returns for money market/cash/short-term reserves are reduced by 0.30% annually to account for hypothetical expenses and advisory fees. Inflation is modeled based on historical data from 1960 through the most recent year-end and simulated going forward.

The likelihood-of-success projection forecast for your goal doesn't attempt to predict or portray the future performance of any securities held in accounts supporting your goals. The forecasts are hypothetical projections based on statistical modeling of current and historical data. They aren't a guarantee of future results or a guarantee of the success rate of the simulated outcomes. Although we believe the forecasts may reasonably project your likelihood of reaching your goal as supported by accounts invested in a diversified portfolio of Vanguard Funds or collective trusts, such projection may not correlate well to other assets you hold in any accounts that aren't invested in accordance with our lead advice methodology. Accordingly, your actual investment results may vary significantly from our projection.

Outside accounts and cost assumptions used in goal forecasting

For any accounts held outside of the financial plan, we'll assume the asset allocation held in those outside accounts is the same as in the accounts held within the financial plan. Accordingly, we'll use the same index returns noted in the section above titled "Goals forecasting" for the forecasting model to project your likelihood of success based on both outside accounts and accounts held in the financial plan or Portfolio. If your outside accounts aren't invested in a similar manner as the accounts in your financial plan, your actual investment results may vary significantly from our likelihood-of-success projections. A variance in the actual asset allocation of your accounts held outside of the financial plan could significantly affect your likelihood of reaching a goal within the indicated time frame.

Any forecasted goals using accounts held outside of the financial plan (including other Vanguard accounts) are calculated based solely on the information you provide us with respect to the dollar amount of securities held in those accounts and your rate of contributions to those accounts.

Index benchmarks used in the calculations

The returns used in the simulations for each type of goal are based on the following:

- For U.S. bond market returns, we use the Standard & Poor's High Grade Corporate Index from 1960 through 1968; the Citigroup High Grade Index from 1969 through 1972; the

Lehman Brothers U.S. Long Credit AA Index from 1973 through 1975; and the Bloomberg Barclays U.S. Aggregate Bond Index thereafter.

- We calculate U.S. short-term reserves returns on the basis of 3-month constant-maturity yields dating back to 1960, also provided in the Federal Reserve's Statistical Release H.15.
- For U.S. stock market returns, we use the S&P 90 Index from 1926 through March 3, 1957; the S&P 500 Index from March 4, 1957, through 1974; the Wilshire 5000 Index from 1975 through April 22, 2005; and the MSCI US Broad Market Index thereafter.
- For international stock market returns, we use the MSCI EAFE Index from 1970 through 1988 and a blend of 75% MSCI EAFE Index/25% MSCI Emerging Markets Index thereafter.

Retirement goals forecasting

We project your lifetime cash flows—inflows from investment income and other sources and outflows from spending—to assess whether your investments can adequately support your retirement income needs over your lifetime. We evaluate many factors in assessing your current and future cash flows, including:

- Projected and known expenses, including annual living expenses and other periodic expenses you identify.
- The effect of adjusting your annual living expenses based on inflation or our dynamic spending model (discussed below).
- Projected income, including employment, Social Security, pension, and income from investments.
- The effect of variables, such as inflation and income taxes.
- The effect of different market scenarios on the rates of return used to project the likelihood of success of reaching your retirement goal.

It's important that the accounts supporting your retirement goal be able to endure a variety of market conditions. To assess your ability to meet your expenses throughout retirement and through variable market conditions, our cash flow analysis shows how your accounts supporting this goal would perform under various hypothetical scenarios.

We simulate your expected inflows and outflows each year through your expected planning horizon, and, using each individual scenario's unique forecasted return and inflation assumptions, we project your likelihood of reaching your retirement goal.

As part of your outflows, your annual expenses are projected each year using a "dollar plus inflation" approach. "Dollar plus inflation" means that each year we'll take your projected annual expenses in dollars and adjust that value to account for expected inflation in each year.

The overall likelihood-of-success measure for your retirement goal represents the percentage of the 10,000 hypothetical scenarios in which the balance in your retirement accounts is at least \$1 at the end of your planning horizon, which is usually set to age 100 as our default.

Goals forecasting for accumulator goals

An accumulator goal is one in which you're currently saving for a future event. Accumulator goals can focus on saving for a single lump-sum distribution (such as saving for a home) or on saving a sum to be drawn down over an extended period (such as saving for retirement). We'll illustrate the process using an accumulator goal with an extended drawdown.

The first step involves estimating the amount of assets you'll need to accumulate at the beginning of the spending phase. To do so, you'll need to inform us of the annual amount you expect to spend, the year in which you expect spending to begin, the number of years during which you expect to spend, and any sources of income you'll have during the spending phase. After adjusting for inflation, we'll arrive at the estimated sum needed at the beginning of the spending phase by running the VCMM Monte Carlo simulations using the underlying asset allocation assumption for the goal. Read the section below titled "Vanguard Capital Markets Model" for more information about the Monte Carlo simulations. The calculations will be performed with the aim of estimating a sum that will allow you to meet your spending needs in 85% of the Monte Carlo simulations (meaning we estimate that in 85% of the hypothetical scenarios projected, you'll have at least \$1 left at the end of the spending phase).

The second step involves determining whether you're on track in the accumulation phase to meet your overall goal of arriving at the sum needed at the outset of the drawdown phase. To model the accumulation phase, you must provide us with the current amount of assets you have in support of the goal and the amount you intend to save annually until the start of the drawdown phase. Using the underlying asset allocation for the goal, we'll run the VCMM Monte Carlo simulations and calculate what percentage of scenarios had an ending balance, without considering any taxes, greater than or equal to your target amount at the outset of the spending phase. We'll quantify the ability to meet a goal using a success rate. A successful outcome is defined as one in which the projected ending account balance, without considering any taxes, either meets or exceeds the target balance by the target goal year. For example, if a goal has a success rate of 80%, then 80% of the simulations resulted in a projected ending balance that met or exceeded the target goal amount.

Clients who engaged the Service before October 2020 as accumulators with a retirement goal experienced retirement goal forecasting in a two-step process similar to the illustration demonstrated above. After October 2020, the Service forecasting model converted to the forecasting model described in the previous section titled "Retirement goals forecasting." After conversion, clients in the retirement goal accumulation stage will assess the ability of savings and income to meet their future expenses throughout retirement by projecting lifetime cash flows. Clients with nonretirement accumulator goals, like college, saving for a home, or establishing a rainy day fund, will continue under the current accumulator goals forecasting.

Vanguard Capital Markets Model ("VCMM")

VCMM is a proprietary, state-of-the-art financial simulation tool developed and maintained by Vanguard Investment Strategy Group. The VCMM uses a statistical analysis of historical data for interest rates, inflation, and other risk factors for global equities, fixed income, and commodity markets to generate forward-looking distributions of expected long-term returns. The asset return distributions used in the goals-forecasting models are drawn from 10,000 VCMM simulations based on market data from 1926 for the equity markets and from 1960 for the fixed income markets through the most recent year-end. The VCMM forecasts are updated annually to incorporate the most recent market data, though we may update the data more frequently in cases of major market events.

The VCMM is grounded on the empirical view that the returns of various asset classes reflect the compensation investors receive for bearing different types of systematic risk, a measure of the volatility of a security or a portfolio relative to a benchmark, also known as beta. Using a long span of historical monthly data, the VCMM estimates a dynamic statistical relationship among global risk factors and asset returns. Based on these calculations, the model uses regression-based Monte Carlo simulation methods to project relationships in the future. A regression-based Monte Carlo framework incorporates the uncertainty of any asset class produced by basic Monte Carlo simulation and also captures the dynamic relationships among certain assets and risk factors. By incorporating a variety of macroeconomic and financial risk factors into the return-generating process, a regression-based Monte Carlo framework generates financial simulations that are responsive to changes in the economy. By explicitly accounting for important initial market conditions when generating its return distributions, the VCMM framework departs fundamentally from more basic Monte Carlo simulation techniques.

Limitations of the quantitative analysis

Projections generated by the VCMM are based both on estimated historical relationships and on assumptions about the risk characteristics of various asset classes. As a result, the accuracy of VCMM forecasts depends on the relevance of the historical sample in simulating future events. The projections are hypothetical in nature, don't reflect actual investment results, and aren't guarantees of future results.

Disciplinary information

VAI has no material legal or disciplinary information to disclose.

Other financial industry activities and affiliations

The Vanguard Group, Inc.

Vanguard Advisers, Inc. ("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 advisor, provides a range of investment advisory and administrative services to the Vanguard Funds.

When giving advice to clients, we'll recommend the purchase of Vanguard Funds serviced by our corporate parent, Vanguard. We address 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. We disclose to prospective clients that we recommend Vanguard Funds prior to, or at the establishment of, the advisory relationship. Acting in accordance with our advice to purchase Vanguard's proprietary funds will result in the payment of fees to the Vanguard Funds that are separate from, and in addition to, any advisory fees assessed by us.

Vanguard Marketing Corporation

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 SEC, 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 doesn't receive transaction-based compensation in connection with the distribution of the Vanguard Funds.

When giving advice to clients, we'll recommend the purchase of Vanguard Funds distributed by our affiliate, VMC. Since VMC doesn't receive transaction-based compensation in connection with the distribution of the Vanguard Funds, the competing interests that arise from our affiliation with VMC in its role as distributor of the Vanguard Funds are mitigated.

Certain members of our management and our advisors are registered representatives of, or are affiliated with, VMC. Please refer to the Supplement to the Vanguard Situational Advisor Brochure for further information.

Vanguard Fiduciary Trust Company

We're 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. We may recommend the purchase of Vanguard collective investment trusts serviced by VFTC. Additionally, VFTC serves as directed trustee for certain employer-sponsored retirement plans covering participants. VFTC also serves as custodian for traditional IRAs, SEP-IRAs, and Roth IRAs (collectively referred to as "Vanguard IRAs"). VFTC may charge reasonable custodial fees with respect to the establishment and maintenance of your Vanguard IRAs at any time during the calendar year. You should consult the Disclosure Statement and Custodial Account Agreement governing your Vanguard IRAs, or your Annual Plan Fee Disclosure Notice, for more information about VFTC's fees and services provided.

Vanguard National Trust Company

Vanguard National Trust Company ("VNTC") is a federally chartered, limited-purpose trust company regulated by the Office of the Comptroller of the Currency, which provides corporate trustee services and investment advisory services to its high-net-worth client base. VNTC's investment advisory services use the Vanguard Personal Advisor Services brand but are provided separately from VAI's Personal Advisor Services. VNTC was chartered in 2001, but its business has been in operation since 1996. VNTC is a wholly owned subsidiary of Vanguard.

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 with access to information about Vanguard Fund trading activity or Vanguard client trading activity and are designed to ensure Vanguard employees don't misuse fund 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.

Read the previous section titled "Other financial industry activities and affiliations" for a discussion of VAI's affiliations with other Vanguard entities and how those affiliations may affect VAI clients.

Brokerage practices

This Service doesn't generally recommend transactions in individual securities and has no discretion over individual security accounts. Where a recommendation might be provided involving individual securities, the Service won't select or recommend a broker-dealer through which such transactions should be executed.

Review of accounts

This Service is a point-in-time advice service and doesn't provide ongoing monitoring, review, or rebalancing of the Portfolio. You should revisit your risk tolerance and financial situation at least annually.

Client referrals and other compensation

We don't receive compensation or other economic benefits from persons other than clients for providing investment advice or advisory services to our clients. We'll run prospecting and promotional campaigns from time to time to attract new clients to the Service ("Referral Programs"). These Referral

Programs may include compensating affiliates, strategic partners, or third-party solicitors for referring the Service to prospects. Compensation will include flat fees or payments based on certain performance triggers, like scheduling an appointment with an advisor or enrolling in the Service. Clients aren't charged any fee nor do they incur any additional costs for us running these Referral Programs. We have oversight of third parties involved in the Referral Programs, and prospects will be informed of any such Referral Programs receiving compensation prior to becoming a client.

Note that Vanguard affiliates will also receive compensation in the form of expense ratios from Vanguard Funds and revenue sharing with third-party funds as discussed in the "Fees and compensation" section above.

Custody

Under the Service, we don't have custody of your securities nor do we have discretion.

The Vanguard Group, Inc., the transfer agent of the Vanguard Funds, acts in the capacity of a qualified custodian for those funds and sends quarterly, or more frequent, account statements directly to VAI clients. For participants in employer-sponsored retirement plans for which Vanguard provides recordkeeping services and VFTC provides trustee services, custody services are provided through VFTC and participants receive quarterly, or more frequent, plan account statements from Vanguard.

Investment discretion

Vanguard Situational Advisor doesn't have investment discretion over client accounts.

Voting client securities

The responsibility for the exercise of all voting or similar rights associated with any investment held in your plan account will be outlined by your plan. Proxies related to plan holdings will be delivered directly by the security's issuer, the custodian, or its agent.

Financial information

We aren't aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to you.

Requirements for state-registered advisors

VAI is a federally registered investment advisor.

Investment risks

Data risk is the chance that the Service receives inaccurate, incomplete, or outdated data. The Service relies on data provided by clients or authorized by clients to be provided by third-party vendors. We don't independently verify the accuracy or completeness of provided data. If a client decides to aggregate or integrate external accounts, there's no guarantee that information provided by the third-party vendor regarding non-Vanguard accounts will be accurate

or complete. Additionally, to the extent our projections and calculations are based on historical market data, labor statistics, or other historical economic data, models aren't updated real-time, and there will be a delay in incorporating significant events into models.

Equity-specific risks:

Stock market risk is 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.

Nondiversification risk is the chance that a fund's performance may be hurt disproportionately by the poor performance of relatively few securities. A fund is considered nondiversified if it may invest a greater percentage of its assets in the securities of particular issuers as compared with other mutual funds.

Industry concentration risk is the chance that there will be overall problems affecting a particular industry.

Manager risk is the chance that poor security selection or focus on securities in a particular sector, category, or group of companies will cause a fund to underperform relevant benchmarks or other funds with a similar investment objective.

Sector risk is 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. Because 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.

Funds of funds are also subject to **manager risk**, which is the chance that poor security selection or focus on securities in a particular sector, category, or group of companies will cause one or more of the fund's underlying funds—and, thus, the fund itself—to underperform relevant benchmarks or other funds with a similar investment objective.

Company stock funds concentrate on a single stock and are therefore considered riskier than diversified stock funds.

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

Investment-style risk is the chance that:

- Returns from large-capitalization stocks will trail returns from the overall stock market. Large-cap stocks tend to go through cycles of doing better—or worse—than other segments of the stock market or the stock market in general.
- Returns from small- and mid-capitalization stocks will trail returns from the overall stock market. Historically, small- and mid-cap stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently.

International risk or **country/regional risk** is 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. Because a fund may invest 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 is the chance that the stocks of companies located in emerging markets will be substantially more volatile, and substantially less liquid, than the stocks of companies located in more developed foreign markets.

Currency risk is 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.

Bond-specific risks:

Call risk is 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 is 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.

Manager risk is the chance that poor security selection will cause a fund to underperform relevant benchmarks or other funds with a similar investment objective.

Credit risk is 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 that security to decline.

Income risk is 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 is the chance that bond and loan prices overall will decline because of rising interest rates.

State-specific risk is the chance that developments in specific states 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 is 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 is the risk that the currency hedging transactions entered into by a fund may not perfectly offset the fund's foreign currency exposure.

