

**A peek into Vanguard:**

# Putting the “you” in value

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Methodology

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Behavioral Economist

“To take a stand for all investors,  
to treat them fairly, and  
to give them the best chance  
for investment success.”

**Vanguard's core purpose**

# Vanguard's *Principles for Investing Success*



## Goals

Create clear, appropriate investment goals.



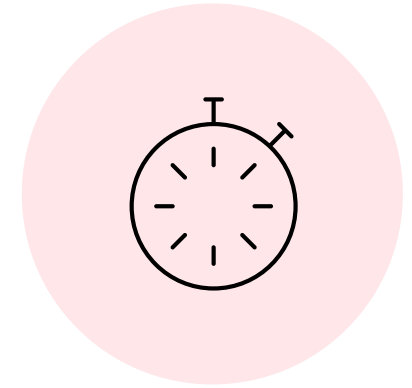
## Balance

Develop a suitable asset allocation using broadly diversified funds.



## Cost

Minimize cost.



## Discipline

Maintain perspective and long-term discipline.

# Financial wellness

Small steps can make a big difference in achieving your goals.

# The financial health of American households

**40%**

of families do not save money.

**36%**

of households cannot cover  
an emergency of \$400.

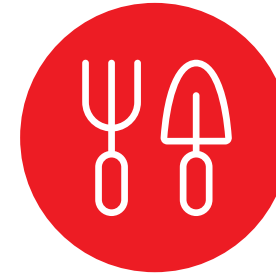
**45%**

of families carry credit card  
debt, with the average debt  
being \$6,300.

 **These facts deter investors from having the best chance for investment success.**

# Financial wellness

Financial wellness is the objective financial situation of a person or household. It is the ability to meet current and near-term financial obligation and be on track to meet future goals.



**Step 1**

**Take control of  
your finances**



**Step 2**

**Prepare for the  
unexpected**

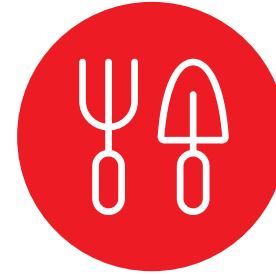


**Step 3**

**Make progress  
toward your goals**

# Take control of your finances

- Create a budget that works for you.
- Pay at least the minimum on all your debt.
- Maximize employer match savings opportunities.
- Pay down high-interest debt.



**Step 1**

**Take control of your finances**



**Step 2**

**Prepare for the unexpected**

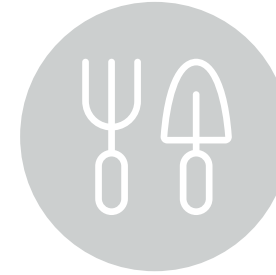


**Step 3**

**Make progress toward your goals**

# Prepare for the unexpected

- Set up emergency savings for unexpected expenses.
- Build a reserve of 3–6 months in case of job loss.
- Evaluate your insurance needs, coverage, and costs.
- Get your legal documents in order to ensure that your wishes are realized.



Step 1  
**Take control of  
your finances**



Step 2  
**Prepare for the  
unexpected**

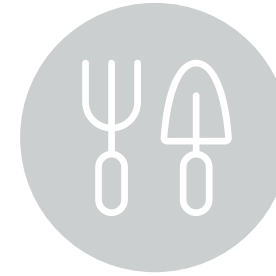


Step 3  
**Make progress  
toward your goals**



# Make progress toward your goals

- Increase your savings and make the most of tax-advantaged accounts:
  - Retirement
  - Health
  - Education
- Flex with taxable accounts.
- Consider paying off lower-interest debt.
- Set a strategy for your charitable giving.



Step 1  
**Take control of  
your finances**



Step 2  
**Prepare for the  
unexpected**



Step 3  
**Make progress  
toward your goals**

# The benefits of financial wellness

**65% of Americans say money**  
is a significant source of stress.

Financial wellness can help alleviate some personal issues such as:



**Mental health**



**Self-esteem**



**Sleep**



**Productivity**



**Relationships  
at home**



**Attendance  
at work**

**Source:** Carrell and Zinman (2014), PwC (2022).

## My Financial Wellness

Our financial wellness resources can help you take charge of your finances, so it's easier to reach your short— and long—term goals.

[See what financial wellness can do for you](#)

Welcome back, Paulo. What do you want to focus on next?

### Take control of your finances



Pay off debt, manage student loans, and boost your savings.

### Be ready for the unexpected



Build emergency savings and make sure you're covered.

### Make progress toward your goals



Increase your savings and get ready for retirement.

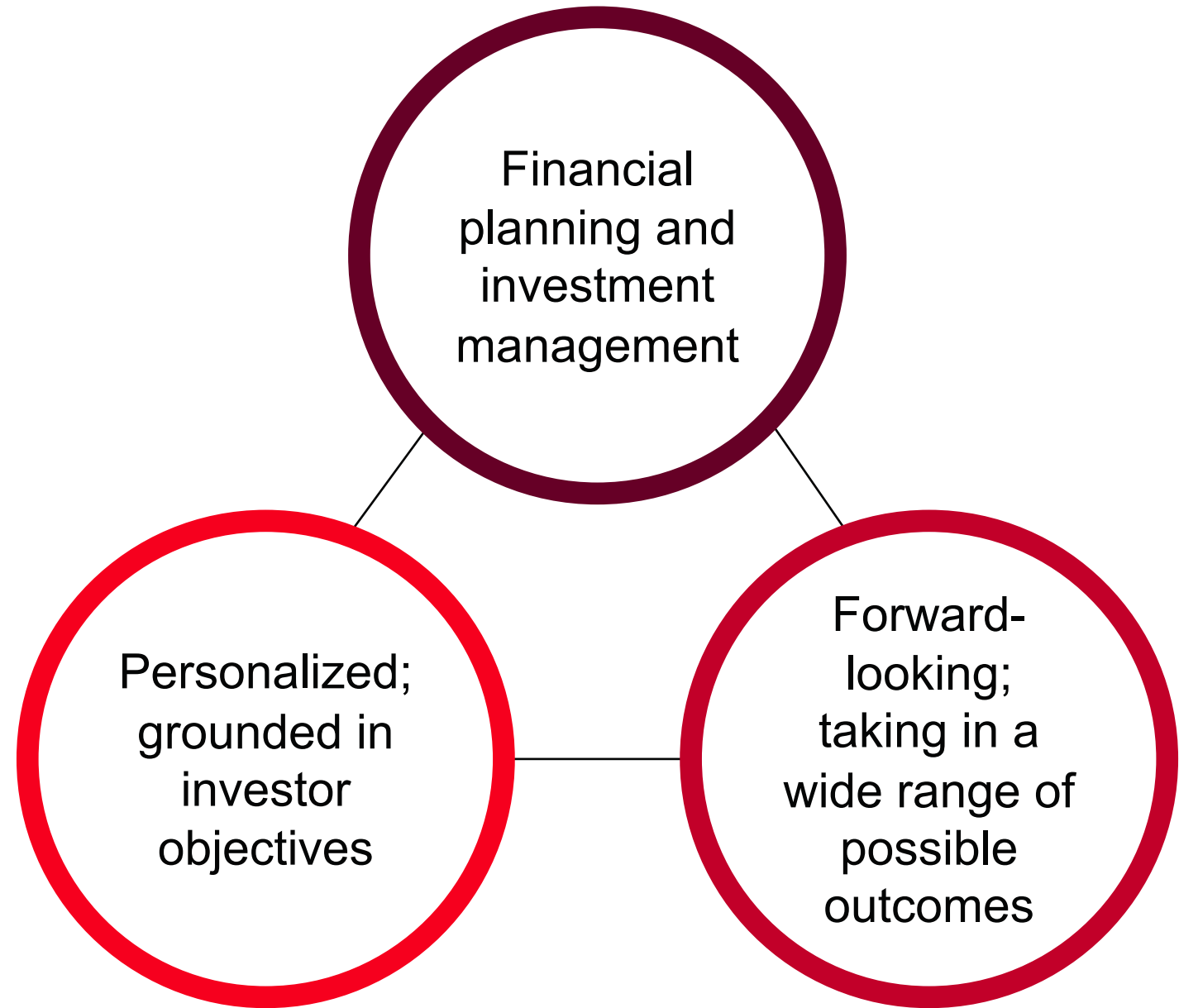
### Take control of your finances

Pay off debt, manage student loans, and boost your savings.

GUIDE

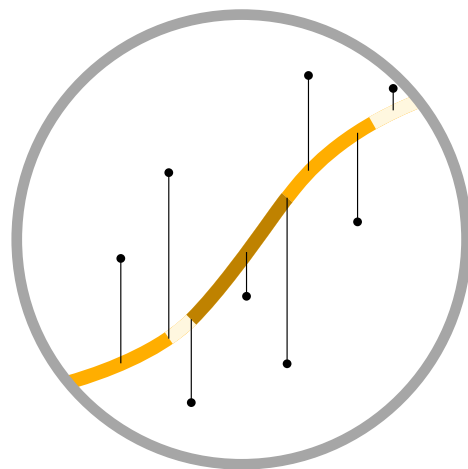
# The value of personalized advice

**Value of personalized advice** underscores aspects of client value that extends beyond investment performance.



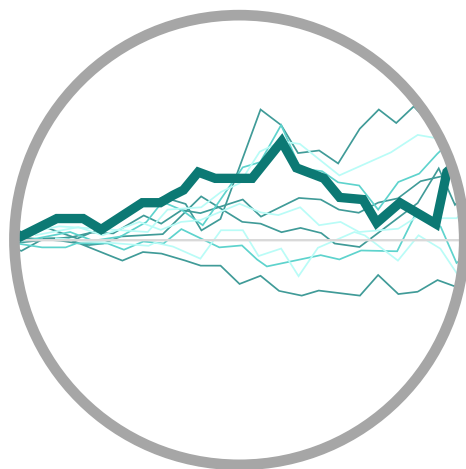


# Measurement using Vanguard Financial Advice Model



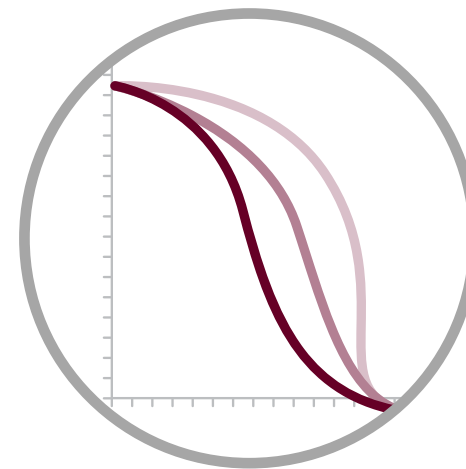
## Cash flow simulation

Highly personalized,  
tax-aware foundation



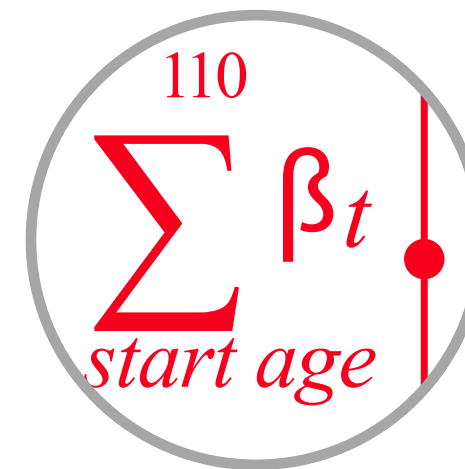
## Return simulations

10,000 market return  
and inflation scenarios



## Life expectancy variability

“True success rates,”  
including survivor  
scenarios



## Preference-based scoring

Focus on the entire  
range of outcomes with  
emphasis on mitigating  
tail risks

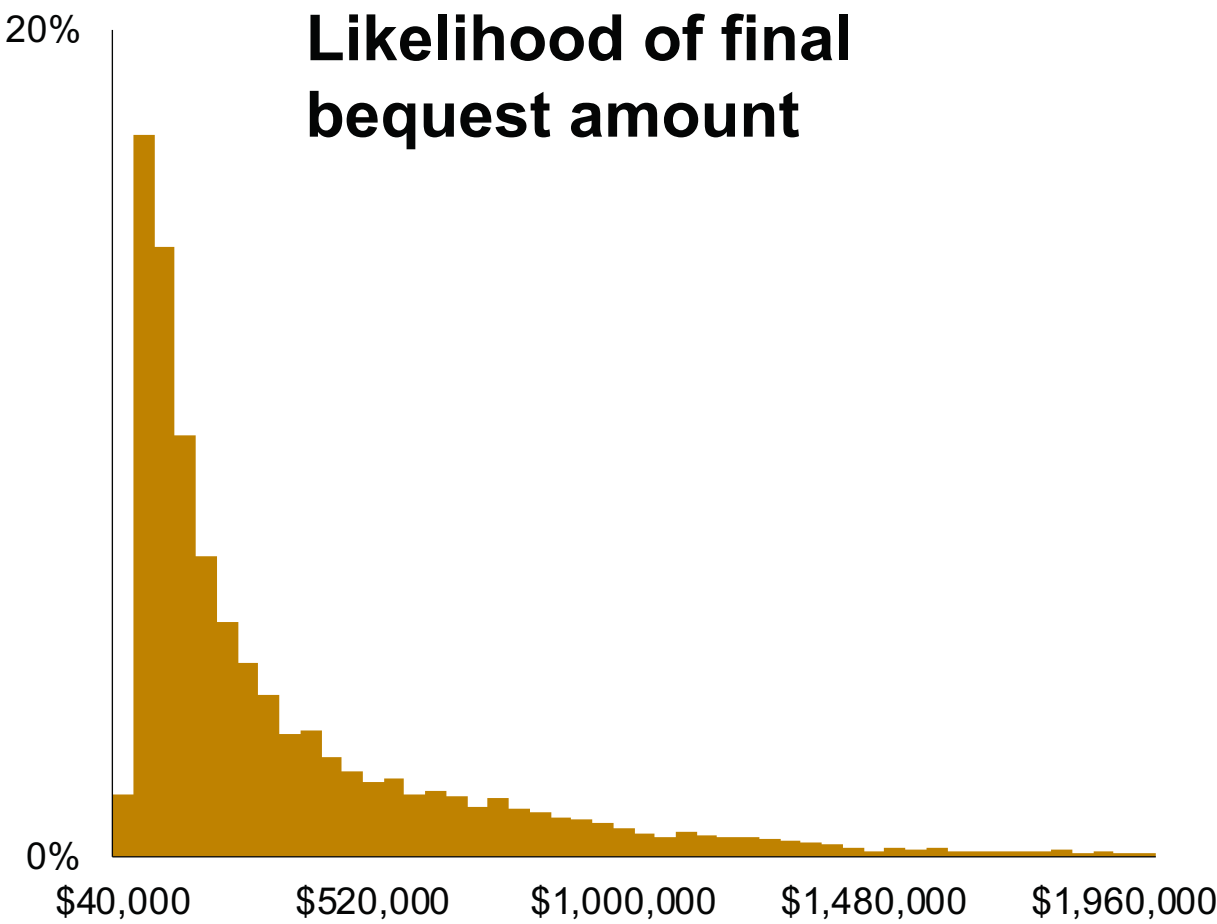
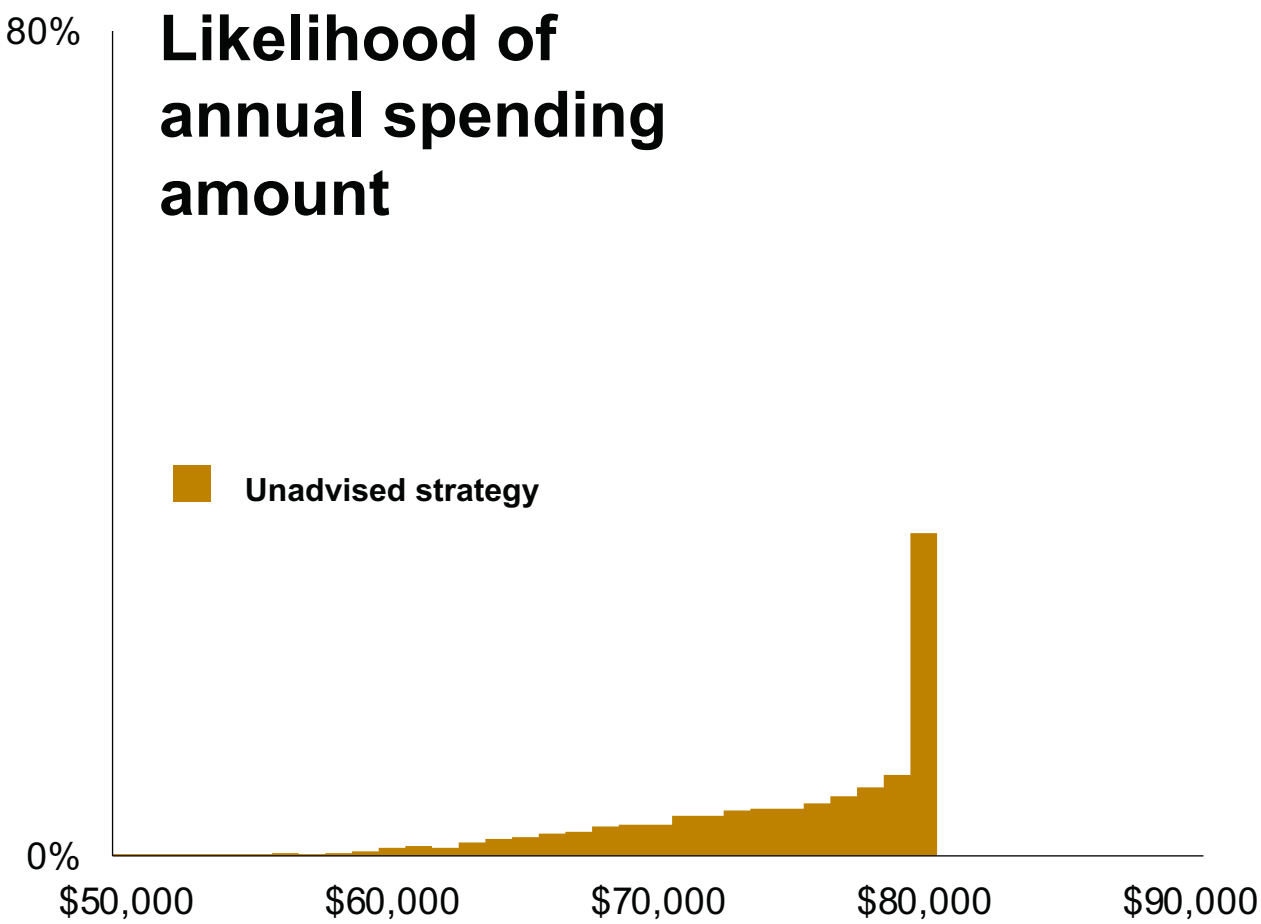
**IMPORTANT:** The projections and other information generated by the Vanguard Capital Markets Model® regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Distribution of return outcomes from VCMM are derived from 10,000 simulations for each modeled asset class. Simulations as of December 31, 2020. Results from the model may vary with each use and over time. For more information, see Important Information slide.

Source: Vanguard.

**CASE STUDY**

	Pete	Kim
Age	59	64
Tax status	Married, joint	
Retirement age	60	Retired
Annual salary	\$110,000	\$0
Annual living expense	\$80,000	
Risk tolerance	Moderate	
Current stock allocation	60% (0% international)	
Current bond allocation	25%	
Current cash allocation	15%	
<b>Joint investments</b> <i>Taxable balance</i>	\$400,000	
<b>Individual investments</b> <i>Tax-deferred balance</i>	\$420,000	\$320,000
Roth balance	\$50,000	\$0
<b>Estimated Social Security</b> <i>Estimated full retirement age (FRA) benefit</i>	\$36,000	\$0
Current annual benefit	\$0	\$6,880

# Pete and Kim's baseline



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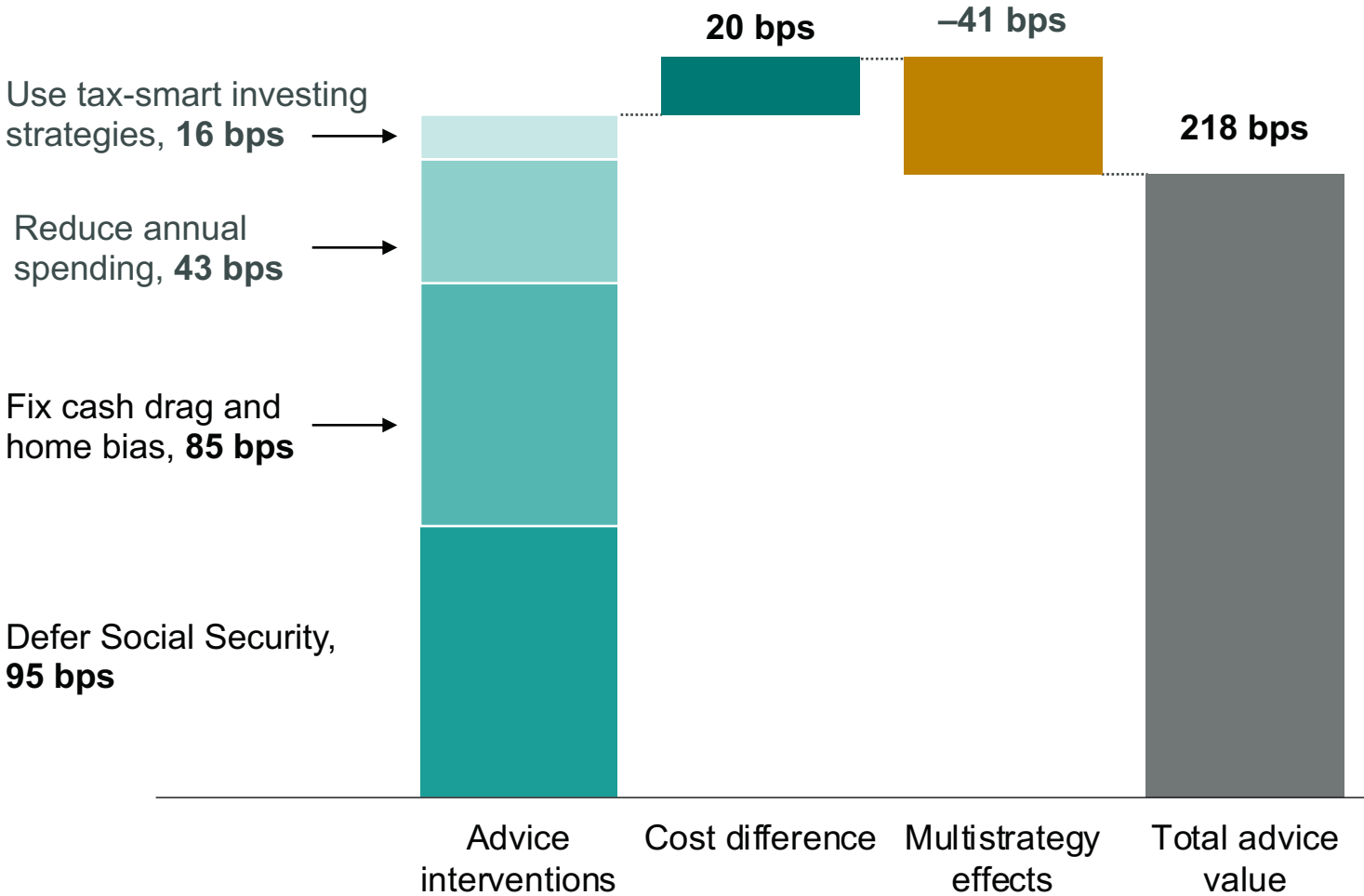
Source: Vanguard.



# Pete and Kim with advice

**\$644,000**  
of additional cash windfall

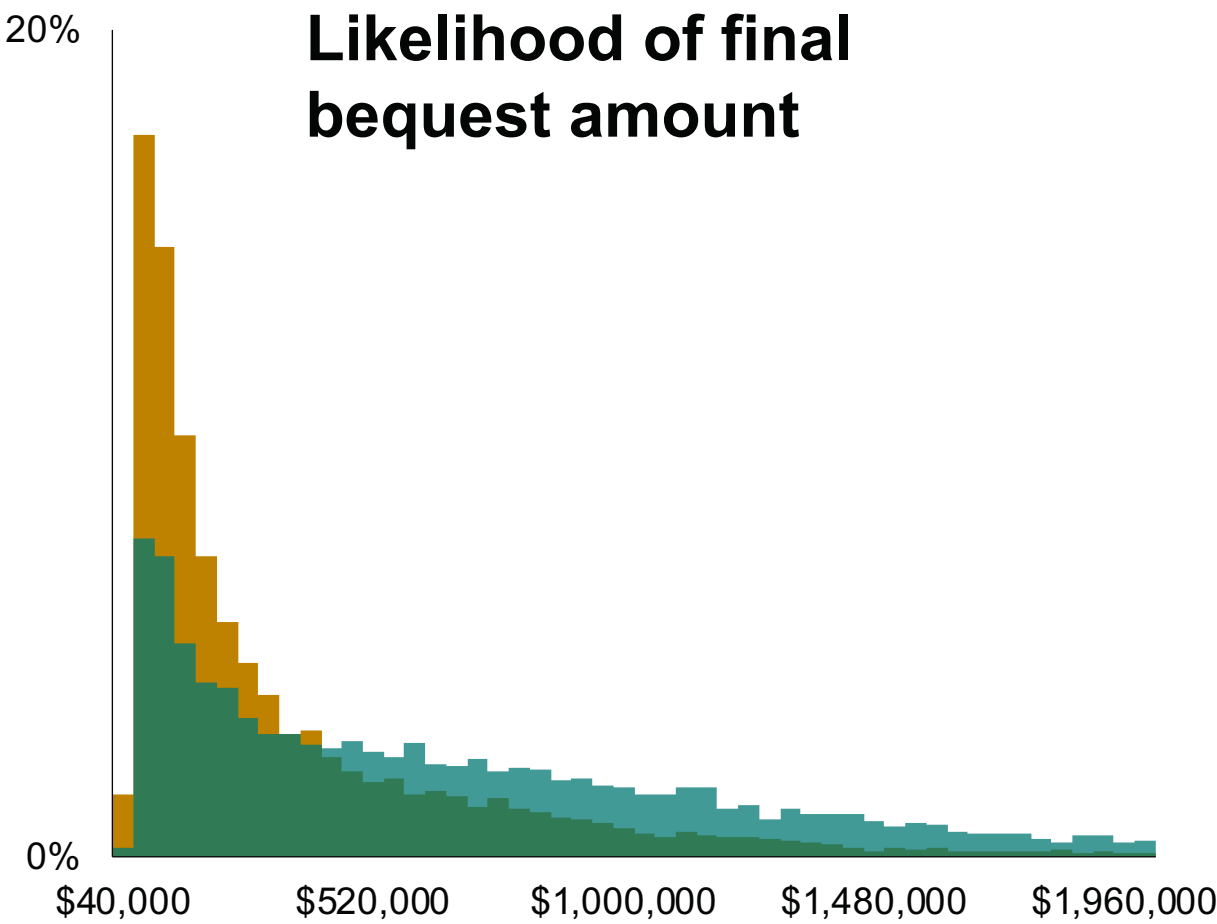
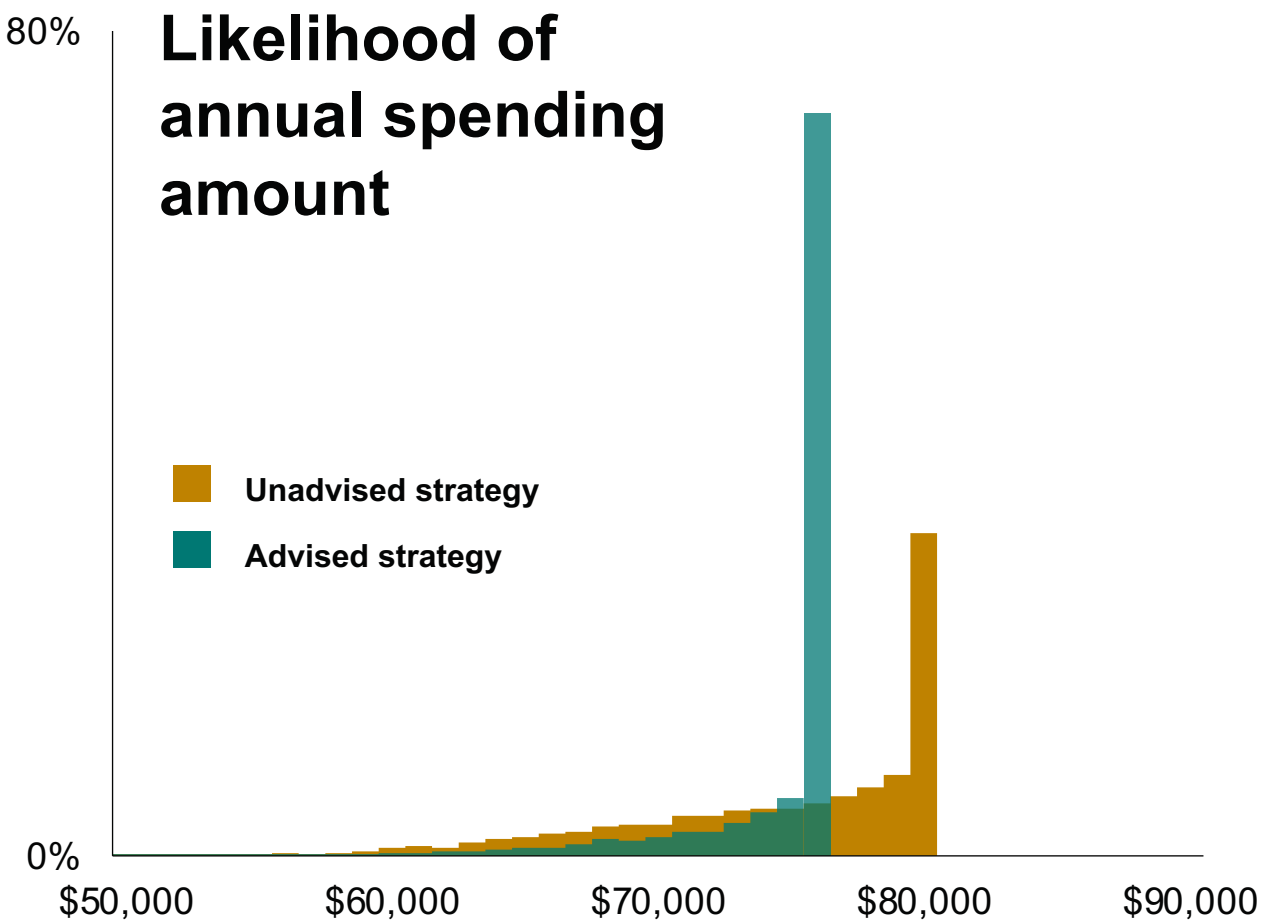
or



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Source: Vanguard.

# Pete and Kim with advice



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Source: Vanguard.

# Key takeaways

- 1 Vanguard will help clients make high-value life decisions.
- 2 Investment performance is important, but financial planning can provide even better investor outcomes.
- 3 Personalization highly affects the value you get.

# Important information



**IMPORTANT: The projections and other information generated by the Vanguard Capital Markets Model regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. VCMM results will vary with each use and over time.**

The VCMM projections are based on a statistical analysis of historical data. Future returns may behave differently from the historical patterns captured in the VCMM. More important, the VCMM may be underestimating extreme negative scenarios unobserved in the historical period on which the model estimation is based.

The Vanguard Capital Markets Model® is a proprietary financial simulation tool developed and maintained by Vanguard's primary investment research and advice teams. The model forecasts distributions of future returns for a wide array of broad asset classes. Those asset classes include U.S. and international equity markets, several maturities of the U.S. Treasury and corporate fixed income markets, international fixed income markets, U.S. money markets, commodities, and certain alternative investment strategies. The theoretical and empirical foundation for the Vanguard Capital Markets Model is that the returns of various asset classes reflect the compensation investors require for bearing different types of systematic risk (beta). At the core of the model are estimates of the dynamic statistical relationship between risk factors and asset returns, obtained from statistical analysis based on available monthly financial and economic data from as early as 1960. Using a system of estimated equations, the model then applies a Monte Carlo simulation method to project the estimated interrelationships among risk factors and asset classes as well as uncertainty and randomness over time. The model generates a large set of simulated outcomes for each asset class over several time horizons. Forecasts are obtained by computing measures of central tendency in these simulations. Results produced by the tool will vary with each use and over time.

All investing is subject to risk, which may result in 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.

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