



# IRA Insights

## Finding balance

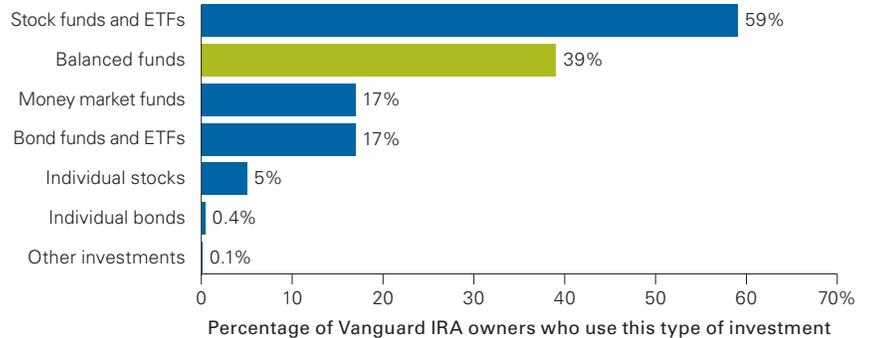
Vanguard research | January 2015

### Nearly 40% of Vanguard IRA® investors own a balanced fund in their IRA

Target-date funds and other balanced funds that invest in a mix of stocks and bonds are an important investment option for IRA investors.

Among Vanguard IRA investors who invest in balanced funds, 55% choose target-allocation funds, 39% choose target-date funds, and 6% use both types of investments.

### Balanced funds are popular with Vanguard IRA owners



Notes: "Use this type of investment" is defined as owning the positions as specified that represent at least 10% of the total IRA balance. All balances are as of December 31, 2013.

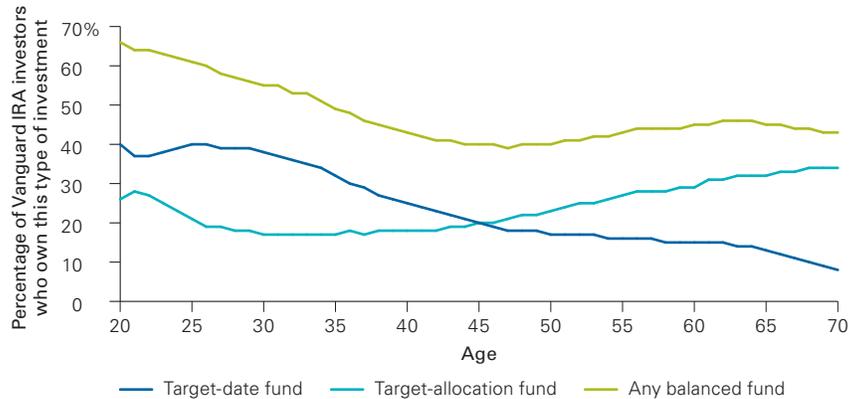
Source: Vanguard.

### Younger investors, especially, are drawn to balanced funds

Greater ownership of balanced funds by younger investors is fueled by their use of target-date funds. Investors aged 35 or younger are more than twice as likely to own a target-date fund as to own a target-allocation fund. The reverse holds for investors 55 and older.

Since target-date funds are a relative newcomer on the market, investor inertia may be a big reason target-allocation funds are more widely held by the older cohort. But target-date funds have gained popularity in 401(k) plans. Plan design, especially auto-enrollment, may make younger investors more comfortable with target-date funds.

### Younger Vanguard IRA investors are more likely to own balanced funds



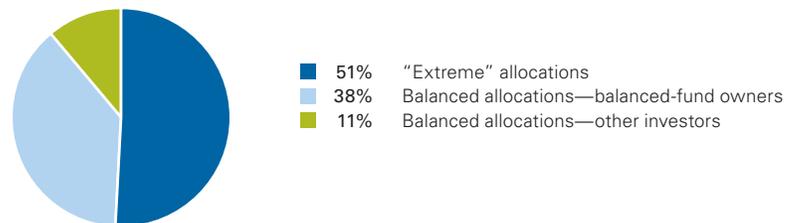
Source: Vanguard.

### Balanced funds help investors avoid the trap of 'extreme' allocations

Just over half of Vanguard IRA investors hold "extreme" portfolios that don't contain a mix of stocks and bonds. Of the portion of investors who own both stocks and bonds in their IRA, nearly 4 in 5 are balanced-fund owners. Only about 1 in 10 investors maintain a balanced portfolio without using balanced funds as an important piece of their IRA portfolio.

We believe more investors could benefit from the simple investment sophistication of target-date and target-allocation balanced funds.

### Vanguard IRA owners without balanced funds often have 'extreme' portfolios



Note: In the figure, an "extreme" allocation is one that is not balanced—that is, it does not contain at least 5% each in stocks and bonds; a "balanced allocation" is defined as a portfolio allocated at least 5% each to stock and bond investments.

Source: Vanguard.

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