

Your Vanguard Brokerage Account

Disclosure statement

Effective July 2016



Vanguard[®]

What's the new Vanguard account structure?

Our new account structure offers a simple way to organize all your investments. You'll no longer need an account for Vanguard mutual funds and a separate one for brokerage products, such as ETFs (exchange-traded funds) and stocks. You'll simply have an account that can hold the investments you choose.*

No matter what types of investments you own, this change to our account structure will make managing your investments easier for you, while enabling us to streamline our operating systems.

*Vanguard funds not held in a brokerage account are held by The Vanguard Group, Inc., and aren't protected by SIPC. Brokerage assets are held by Vanguard Brokerage Services, a division of Vanguard Marketing Corporation, member FINRA and SIPC.

How will I benefit?

More flexibility

You'll have more investment choices in the new Vanguard Brokerage Account, but if you want to hold just Vanguard mutual funds, you still can.

No costs

There are no costs, fees, or tax implications to move to the new account structure.

Fund trades remain commission-free

As before, there are no commissions to buy or sell Vanguard mutual funds and ETFs.*

*Trading limits, fund expenses, and minimum investments may apply. See the Vanguard Brokerage Services commission and fee schedules at vanguard.com/commissions for full details.

What will happen to my accounts?

I only have Vanguard mutual fund accounts.

Your investments won't change. For each registration, we'll open a new brokerage account with a new account number and move your Vanguard fund assets into it. Your transaction history, tax forms, personal performance information, and other data will carry over to your brokerage account.

In addition, your new brokerage account will have a money market settlement fund (which will be opened with a zero balance) to pay for and receive proceeds from any trades you make.

Before



After



Before



After



Ready to get started?

Simply go here and click **Start**:
vanguard.com/accountupgrade

If you'd like to speak with
an investment professional,
call **888-306-3387**.

Questions and answers

Why doesn't Vanguard automatically switch my mutual fund accounts to the new account structure?

We must have your consent before moving your Vanguard mutual funds into brokerage accounts.

Are there any costs to make this change?

There are no costs, fees, or tax implications.

When do I need to act?

While you're not required to move your assets at this time, we're asking you to act now so that you can join the thousands who are enjoying the benefits of the new account structure.

How long will it take for my Vanguard mutual funds to move?

If you consent to move your Vanguard mutual fund assets before the market closes (typically 4 p.m., Eastern time), the move will generally be complete as soon as the next business day. If you consent to move your Vanguard mutual fund assets after the market closes, your Vanguard fund assets will generally appear in your brokerage account as soon as the second business day.

Can I use my accounts during the process?

During the night of the move, you'll be unable to access your accounts from approximately midnight to 6 a.m., Eastern time.

Brokerage accounts. Your assets will remain invested throughout the process. You can continue to trade in your account until the process begins (see above).

Vanguard mutual fund accounts. On the day of the move, you'll be able to transact on your Vanguard mutual fund assets as usual until the market closes. You won't be able to view your Vanguard mutual fund assets during the overnight transfer. Once the process is complete (generally the next business day), you'll see a thank-you message the next time you log on to vanguard.com.

Will I be able to view my Vanguard mutual fund account transaction history after the upgrade?

Yes. Your transaction history will carry over to your brokerage account.

How will I be able to access my account information?

You can continue to access your account information anytime at vanguard.com or by calling an investment professional during normal business hours. Please note that Tele-Account® (the automated phone service for Vanguard mutual fund owners) and AutoBroker® (the automated phone service for stock and FundAccess® fund owners) will no longer be available to you.

Will my agent still have access to my accounts?

If you've granted an agent or other third party authority to transact only on your Vanguard mutual fund accounts and want the agent to also have access to your brokerage accounts, you'll need to establish that access on your Vanguard Brokerage Account after the transfer. To change your third-party access:

- Log on to vanguard.com.
- Select the **Forms** link at the top of the page.
- Under **Grant access to your accounts**, choose from the options available.

If you have any questions, call us.

How will the change affect my cost basis information?

The cost basis of your fund investments, including your calculation method, will be the same once transitioned to your identically registered Vanguard Brokerage Account. However, there are a few important considerations, depending on the calculation method you've elected for sales of fund shares acquired on or after January 1, 2012.

If you're currently using the average cost method (AvgCost). When you consent to move your mutual fund assets, you'll need to agree to a condition that instructs Vanguard to temporarily switch your cost basis method to first in, first out (FIFO). This switch will preserve your flexibility to choose a different cost basis method for these shares in the future. Once the fund assets are in your brokerage account, they'll be defaulted back to AvgCost.

If you're currently using the FIFO or specific identification (SpecID) method. When you consent to move your assets, you'll need to agree to a condition that instructs Vanguard to continue to apply the FIFO or SpecID election to any sales of your fund investments after they're transferred to your brokerage account. This will ensure that your cost basis method doesn't default to AvgCost.

Will there be any change in how I buy and sell Vanguard mutual funds?

You won't notice any difference in how you buy or sell Vanguard funds. And you can still move money between your bank account and your Vanguard funds electronically and by check.

Where can I find information about my settlement fund?

When you log on to your account, your **Balances and holdings** page offers more information about your settlement fund, such as credits and debits, funds available to trade, and funds available to withdraw. For additional information, click **Account balance detail** on the right-hand side of the page.

Will I be able to keep my current settlement fund?

Vanguard Federal Money Market Fund is the only money market fund you can use as a settlement fund. Most investors can buy or continue to hold other money market funds; however, these funds can't be used as a settlement fund.

What about dividends and capital gains paid on my brokerage account holdings?

For all your brokerage holdings, you'll have two options:

- Reinvest them in additional shares of the distributing holding.
- Distribute them in cash to your money market settlement fund.

Once your Vanguard mutual funds are in your brokerage account, you'll have two additional options for distributions paid on the funds:

- Have them sent by electronic transfer to your bank.
- Have them sent by check to your address of record.

What happens to dividends and capital gains paid on the date my funds transfer into my brokerage account?

If this occurs, the dividends and capital gains will be distributed in the method you've chosen, unless you originally elected to have them paid to another Vanguard mutual fund. In that case, they'll be reinvested in the funds that paid them.

In the future, these dividends and capital gains on Vanguard mutual funds will be paid to your settlement fund, unless you elect to have them reinvested, electronically transferred to your bank, or paid by check.

Will my Vanguard mutual funds be covered by SIPC after the transfer to my brokerage account?

Yes, up to certain limits. The securities, including Vanguard mutual funds, in your brokerage account will be held in custody by Vanguard Brokerage Services®, a division of Vanguard Marketing Corporation. Vanguard Marketing Corporation is a member of SIPC, which protects securities customers of its members for up to \$500,000 (including \$250,000 for claims for cash). An explanatory brochure is available upon request from Vanguard or at sipc.org.

What if I'm enrolled in Vanguard Personal Advisor Services®?

If you're a Vanguard Personal Advisor client and you upgrade to our new account structure, some attributes from your mutual fund account (such as goal selection, managed account status, cash flow analysis, and fee account selection) will be carried over to your new Vanguard Brokerage Account provided that your brokerage account doesn't have a balance at the time of the transition.

Account overview

The following table provides a summary of current and new account features.

	Before the move	After the move
Account structure	<p>Mutual fund accounts: Vanguard mutual funds are held directly with The Vanguard Group, Inc., the funds' transfer agent.</p> <p>Brokerage account: Vanguard ETFs®, stocks, bonds, and CDs (certificates of deposit), as well as ETFs and funds from other companies, are held by Vanguard Marketing Corporation (VMC), a registered broker-dealer.</p>	All assets in your Vanguard Brokerage Account, including Vanguard mutual funds, will be held by VMC.
Processing time to buy Vanguard funds with proceeds from the sale of brokerage assets	At least four days.	Same day.
Account number	You have separate account numbers for each mutual fund and brokerage account.	You'll have one account number—your brokerage account number. You'll no longer have separate account numbers for your Vanguard mutual fund holdings.
E-delivery/Online statements	Available.	Available.
Tax forms	The quantity of forms varies based on the number and types of accounts.	For the tax year of your upgrade, you'll receive separate tax forms for your mutual fund accounts and brokerage accounts. Starting the first full tax year after you upgrade, you'll receive a single tax form for each brokerage account. Note: Brokerage account tax forms are distributed later than mutual fund account tax forms.
SIPC coverage	<p>Mutual fund accounts: not covered.</p> <p>Brokerage account: securities covered up to SIPC limits.</p>	All holdings, including Vanguard mutual funds, are covered up to SIPC limits.
Account service fee	<p>Mutual fund accounts: Each Vanguard fund charges a \$20 annual fee on accounts with balances of less than \$10,000.*</p> <p>Brokerage account: Vanguard Brokerage Services charges a \$20 annual fee on each account.**</p>	<p>A \$20 annual fee applies to each of your upgraded brokerage accounts.**</p> <p>You'll have no new or increased fees as a result of switching to the new account structure.</p>

*The mutual fund account fee is waived for Voyager, Voyager Select, Flagship, and Flagship Select clients, as well as for any client who signs up for our e-service package. See vanguard.com for more information.

**We don't charge the fee to: 1) Voyager, Voyager Select, Flagship, and Flagship Select clients; 2) clients who hold at least \$10,000 in Vanguard funds and ETFs; or 3) clients who have elected e-delivery of statements, our annual privacy policy notice, and brokerage and mutual fund confirmations, reports, prospectuses, and proxy materials.

Services

Most services you've established on your Vanguard mutual fund holdings will be carried over. Some services—such as checkwriting and direct deposit—won't, so you'll need to reestablish them on the receiving brokerage account.

	Before the move	After the move
Dividends and capital gains distributions	<p>Mutual fund accounts:</p> <ul style="list-style-type: none"> • Cash: distributed by check or by electronic transfer to your bank, or transferred to purchase shares of another fund. • Reinvest: to buy additional shares of the same fund. <p>Brokerage account:</p> <ul style="list-style-type: none"> • Cash: paid to your settlement fund. • Reinvest: to buy additional shares of the same holding. 	<p>Vanguard Brokerage Account:</p> <ul style="list-style-type: none"> • Cash: to your settlement fund. Dividends and capital gains paid on Vanguard mutual funds can also be sent by check or electronic transfer to your bank. • Reinvest: to buy additional shares of the same holding. <p>Note: If dividends or capital gains are paid on the date your funds transfer into your brokerage account, they'll be distributed in the method you've chosen, unless you originally elected to have them paid to another Vanguard mutual fund. In that case, they'll be reinvested in the funds that paid them. In the future, these dividends and capital gains on Vanguard mutual funds will be paid to your settlement fund, unless you elect to have them reinvested, electronically transferred to your bank, or paid by check.</p>
Electronic bank transfers	<p>Mutual fund accounts: available.</p> <p>Brokerage account: not available.</p>	Available. You can establish electronic bank transfers online or by submitting our Bank Transfer Service Form (available by going to vanguard.com and selecting Forms at the top of the page.)
Automatic investment/withdrawal plan	<p>Mutual fund accounts: available.</p> <p>Brokerage account: not available.</p>	Available for Vanguard mutual funds and the settlement fund.
Checkwriting	<p>Mutual fund accounts: separate checkbooks offered for each eligible money market and bond mutual fund.</p> <p>Brokerage account: available only with the Vanguard <i>Advantage</i>[®] account option.</p>	<p>A single checkbook will be offered for each brokerage account. To obtain a new checkbook, you'll need to submit the Vanguard Brokerage Account Checkwriting Form, which we'll send you based on your mailing preferences. When you receive your new checkbook, please destroy your old mutual fund account checks.</p> <p>We'll do our best to honor any outstanding checks written on a Vanguard mutual fund that are presented for payment within 45 days after you've transferred your Vanguard funds into a brokerage account. For details, see the Vanguard Brokerage Account Agreement.</p>
Direct deposit	<p>Mutual fund accounts: available.</p> <p>Brokerage account: not available.</p>	Available. You can establish direct deposit online or by contacting us. Deposits will go to your settlement fund.
Investing by mail	<p>Mutual fund accounts: available.</p> <p>Brokerage account: not available.</p>	You can purchase Vanguard mutual funds by mailing us a check along with one of our purchase forms.



Vanguard[®]

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All investing is subject to risk, including the possible loss of the money you invest.

For more information about Vanguard funds, Vanguard ETFs, or non-Vanguard funds offered through Vanguard Brokerage Services, visit vanguard.com or call 888-306-3387 to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information are contained in the prospectus; read and consider it carefully before investing.

You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

You must buy and sell Vanguard ETF Shares through Vanguard Brokerage Services (we offer them commission-free) or through another broker (who may charge commissions). See the Vanguard Brokerage Services commission and fee schedules on vanguard.com for limits. Vanguard ETF Shares aren't 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'll pay or receive the current market price, which may be more or less than net asset value.

Advice services are provided by Vanguard Advisers, Inc., a registered investment advisor, or by Vanguard National Trust Company, a federally chartered, limited-purpose trust company.

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