



Research & Commentary » Vanguard adds 2055 target-date fund

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Vanguard | 08/18/2010

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Vanguard today launched Vanguard Target Retirement 2055 Fund, a broadly diversified fund designed to meet the needs of investors whose time horizon to retirement is approximately 45 years.

The 2055 Fund expands Vanguard's target-date fund series to 12 offerings. Its expense ratio is expected to be 0.19%, compared with the fund industry's average expense ratio of 1.17% for a target-date fund in the 2055 Fund's peer group, according to Lipper Inc.¹

As with Vanguard's other Target Retirement Funds, the 2055 Fund offers asset allocations that will automatically shift from aggressive to more conservative over time in keeping with the investor's changing investment horizon. The new fund is especially intended for investors who today are 18 to 22 years old and who plan to retire and leave the workforce in or within a few years of 2055.

"We must encourage younger investors to participate in the financial markets at an early age, save at aggressive levels, keep an eye on investment costs, and maintain a long-term focus," said Vanguard Chairman and CEO Bill McNabb. "Target-date funds may be an ideal vehicle for many of these investors to help position their retirement savings for the long run."

The fund's "glide path," or change in asset allocation mix, will start with an allocation of approximately 90% stocks and 10% bonds. It will gradually shift to mostly bonds over time, reaching a mix of 50% stocks and 50% bonds by 2055 and a final allocation of 30% stocks and 70% bonds seven years later.

The 2055 Fund invests in low-cost Vanguard index funds and provides exposure to U.S. stocks and bonds, as well as developed and emerging market international stocks. The fund's underlying funds invest in about 6,000-plus U.S. stocks and bonds and 2,000-plus international stocks.

Projected initial asset allocation of Vanguard Target Retirement 2055 Fund (VFFVX)

Underlying fund	Initial allocation (%)
Vanguard Total Stock Market Index Fund	71.8%
Vanguard Total Bond Market II Index Fund	10.1%
Vanguard European Stock Index Fund	8.6%
Vanguard Pacific Stock Index Fund	4.8%
Vanguard Emerging Markets Stock Index Fund	4.7%

To hear John Ameriks, principal and head of Vanguard Investment Counseling & Research, discuss the role the 2055 Fund can play in defined contribution plans, watch a webcast.


¹ Lipper expense ratio data through July 2010.

Notes:

Target-date funds are broadly diversified, professionally managed funds. The year in the fund name refers to the approximate year (the target date) that an investor would expect to retire and leave the workforce. The fund will gradually shift its emphasis from more aggressive investments to more conservative ones over the life of the fund. Investments in target-date funds such as Vanguard Target Retirement Funds are subject to the risks of their underlying funds. An investment in a Target Retirement Fund is not guaranteed at any time, including on or after the target date.

Investments are subject to risk. Diversification does not ensure a profit or protect against a loss in a declining market.

Investments in bonds are subject to interest rate, credit, and inflation risk. Foreign investing involves additional risks including currency fluctuations and political uncertainty. Stocks of companies in emerging markets are generally more risky than stocks of companies in developed countries.

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MUTUAL FUNDS

YTD %RET	FUND	NAV	NET CHG	YTD %RET	FUND	NAV	NET CHG	YTD %RET	FUND	NAV	NET CHG	YTD %RET
-5.0					AIAsset	12.31	-0.01	9.5	MuLtdAdml	11.18	...	2.8
6.7					CommodityRR	7.85	-0.05	-0.2	MuShAdml	15.97	...	1.2
-1.8					HFYld	9.10	...	8.7	PrncAdml r	59.01	-0.97	-4.3
-4.6	Invesco Funds A				LowDur	10.58	...	4.0	STIGradeAdml	10.84	+0.01	4.7
6.8	CmStA	13.46	-0.23	-1.8	RealRtnl	11.34	+0.01	6.8	TotBAdml	10.88	+0.03	7.6
-8.5	EqInrA	7.66	-0.10	-0.7	ShortT	9.91	+0.01	1.5	TotStAdml	26.71	-0.47	-1.8
8.2	Ivy Funds				TotRt	11.52	+0.02	8.7	WdrIllAdml	39.56	-0.71	-4.8
7.7	AssetStrp A	21.77	-0.01	-2.3	PIMCO Funds A				WellsAdml	51.44	-0.17	6.3
-4.7	AssetStrCt	21.17	-0.01	-2.8	TotRtA	11.52	+0.02	8.4	WellnAdml	49.70	-0.49	1.3
0.8					PIMCO Funds C				VANGUARD FDS			
-6.9					TotRtCt	11.52	+0.02	7.9	AssetA	22.02	-0.23	3.2
-1.2					PIMCO Funds D				Energy r	53.88	-0.90	-9.7
6.2	JPMorgan Select Cls				TRtn p	11.52	+0.02	8.5	Explr	57.47	-1.17	0.3
-5.1	CoreBond	11.65	+0.02	7.3	PIMCO Funds P				GNMA	11.06	+0.02	6.5
-10.0	HighYld	7.92	...	7.4	TotRtP	11.52	+0.02	8.7	HthCarer	114.02	-1.60	-4.2
0.8	ShtDurBnd	11.02	...	2.7	Perm Port Funds				HYCorr	5.59	...	7.3
3.4	USLgCpCorPls	17.49	-0.32	-3.8	Permanent	40.91	-0.16	5.8	InfraPro	13.10	+0.02	5.3
7.0	Janus T Shrs				Price Funds				IntlGr	16.57	-0.17	-2.5
8.0	Overseas Tr	44.18	-0.31	4.0	B/Chp	31.28	-0.59	-4.5	IntVal	28.68	-0.30	-6.3
7.3	PrkMdcVpAlt	19.51	-0.25	-1.5	CapApp	18.33	-0.20	0.9	ITIGrade	10.32	+0.03	11.0
0.4	John Hancock Class 1				EqInr	20.51	-0.39	-1.4	LifeCon	15.51	-0.09	3.6
-2.3	LSBalncd	11.85	-0.10	1.5	EqIndex	29.05	-0.50	-2.5	LifeGro	19.47	-0.25	0.2
-6.3	LS6wth	11.40	-0.13	-0.4	Growth	26.41	-0.49	-4.0	LifeMod	17.93	-0.16	2.2
-1.7					HYield	6.57	-0.01	7.4	Morg	14.81	-0.22	-3.0
-2.3					IntlStk	12.47	-0.08	-1.0	Multnt	13.90	+0.01	5.6
1.9	Lazard Instl				MCapGro	48.91	-0.58	3.0	Prncp r	56.85	-0.94	-4.4
7.2	EmgMkt	19.13	-0.04	6.6	MCapVal	20.36	-0.34	-1.7	STAR	17.51	-0.13	0.8
5.6	Longleaf Partners				Nlac	9.74	+0.03	7.6	STIGrade	10.84	+0.01	4.6
-1.3	Partners	24.25	-0.29	0.7	New Era	41.09	-0.69	-5.8	TgtRz2015	11.52	+0.10	1.9
4.3	Loomis Sayles Fds				N Horiz	26.30	-0.56	2.8	TgtRz2020	20.18	-0.20	1.1
5.8	LSBondl	13.98	-0.02	8.5	R2030	14.67	-0.17	0.5	TgtRz2025	11.36	-0.13	0.4
7.8	LSBondRp	13.93	-0.02	8.4	RZ026	15.03	-0.20	-0.6	TgtRz2030	19.23	-0.24	0.4
5.5	LSStrncA p	14.43	-0.03	8.1	SmCapStk	27.71	-0.71	2.9	TgtRz2035	11.48	-0.17	-1.2
4.3	LSStrncCt	14.50	-0.03	7.6	SmCapVal	29.28	-0.78	-0.7	Wellsi	21.23	-0.07	-6.2
5.8	Lord Abbett A				Specnc	12.16	-0.02	5.8	Wellsn	28.78	-0.28	1.2
3.4	Afflrd p	9.76	-0.19	-4.1	Value	20.16	-0.40	-1.6	Windsr	11.36	-0.22	-4.0
-0.9					Putnam Funds Class A				Wdrsil	22.29	-0.40	-4.9
8.3					-Grlnp	11.50	-0.22	-3.7	VANGUARD INDEX FDS			
-6.7									500	99.32	-1.71	-2.4
-6.3									DevMktInst	8.93	-0.11	N5
8.4									EmerMkt r	26.32	-0.16	1.6
8.0									Europe	23.89	-0.41	-7.9
-6.6									Growth	26.39	-0.41	-2.9
-4.4									MidCp	16.72	-0.27	2.2
									SmCap	27.57	-0.68	0.3
									STBond	10.69	+0.01	4.1
									TotBd	10.88	+0.03	7.5
									TotIntl	13.84	-0.15	-4.0
									TotSt	26.70	-0.47	-1.9
									VANGUARD INSTL FDS			
									InPrSein	10.48	+0.01	5.4
									Instdix	98.68	-1.70	-2.3
									InstPlus	98.69	-1.70	-2.3
									InstStPlus	-24.13	-0.43	-1.9
									MidCpInst	16.78	-0.27	2.3
									SmCapInst	27.62	-0.67	0.5
									TotBdInst	10.88	+0.03	7.6
									TotStInst	26.71	-0.48	-1.9
									VANGUARD SIGNAL FDS			
									500Sgl	82.06	-1.41	-2.3
									STBdIdx	10.69	+0.01	4.2
									TotBdSgl	10.88	+0.03	7.6
									W			
									Western Asset			
									CorPlus	10.94	+0.03	11.4

FUND TRACK | By Daisy Maxey

Vanguard's New Fund Targets 2055 Retirees

'Little Bit of a Statement' to Investors

Vanguard Group is joining a small group of fund companies that offer "target date" funds geared to investors with a distant retirement horizon: those 18 to 22 years old who plan to retire around 2055.

Vanguard Target Retirement 2055 Fund (trading symbol VFFVX), launched on Wednesday, is a broadly diversified fund with an expense ratio that is lower than average for target-date funds in its peer group, according to Lipper Inc.

Vanguard decided to launch the fund now in part because of interest expressed by parents, grandparents, and younger investors themselves, Vanguard's chairman and chief executive, Bill McNabb, said in an interview. It also is meant as "a little bit of a statement about starting to invest as soon as possible and doing so in a diversified manner."

Target-date funds were meant to be a one-stop investment vehicle for retirement savers who don't want to research or monitor their investments. They typically invest guided by a "glide path" as they move assets to more conservative investments as an investor nears retirement.

Investment-research firm Morningstar Inc. tracks only about six distinct 2055 target-date funds, though there are quite a few 2050 target-date funds, which can be quite similar, according to Christopher Davis, a senior mutual-fund analyst at Morningstar. Among the 2055 offerings are **AllianceBernstein 2055 Retirement Strategy** (LTWAX), **American Funds Target Date Retirement 2055** (AAMTX), **Principal LifeTime 2055** (PPEAX) and **T. Rowe Price Retirement 2055 Fund** (TRRNX).

The new Vanguard fund will initially invest 90% of its assets in stocks and 10% in bonds, reflecting that age group's ability to assume more risk because they have so much time before retirement, the company said. It will gradually move its assets to 50% stocks and 50% bonds by

2055, the retirement date. In 2062, it is expected to have 70% in bonds and 30% in stocks.

Target-date funds generally were criticized after some had large losses in the market downturn, and it became clear that some had taken on more risk than investors anticipated. The

Securities and Exchange Commission is taking comments on its proposal for additional disclosures from the funds.

Vanguard's target-date funds overall initially had a "pretty conservative glide path," but it was changed to become "a little more stock-heavy" in 2006, Mr. Davis said. While more bond-heavy assets



Bill McNabb

Mutual-Fund Group Hits Broker Practices

Several practices used by large broker-dealers related to the use of consolidated, or omnibus, accounts are imposing billions of dollars in hidden costs on mutual-fund investors, said an advocacy group, the Coalition of Mutual Fund Investors.

Regulatory action should be taken "to protect individual investors from these unnecessary costs," the coalition said.

The Securities Industry and Financial Markets Association, or Sifma, Wall Street's main lobbying group, had no comment. **Bank of America Corp.**'s Merrill Lynch, a brokerage giant, declined to comment.

Many investors buy fund shares through financial intermediaries; it is common practice for some brokers to aggregate these requests into a consolidated order for each fund daily.

DEBTS & STOCK MARKETS

Percentage Losers

1-800-Flowers

13% \$2.00 ▼ 17.36%

65-day moving average

Daily close

School Specialty

\$14.63 ▼ 16.40%

NL Industries

\$9.13 ▼ 11.19%

chg	Company	Symbol	Volume (in 000s)	Close	Net chg	% chg	52-WEEK		
							High	Low	% chg
2.7	BSD Medical	BSDM	9,441	2.38	-0.59	-19.87	4.77	0.86	11.2
...	1-800-FLOWERS	FLWS	520	2.00	-0.42	-17.36	4.88	1.78	-30.6