

# Vanguard Personal Advisor Wealth Management Brochure for Vanguard National Trust Company

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## **Vanguard National Trust Company**

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This brochure provides information about the qualifications and business practices of Vanguard Personal Advisor Wealth Management®, an advisory service offered through Vanguard National Trust Company (“VNTC”) (also referred to herein as “we,” “us,” and “our”). This brochure also describes how VNTC 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”), the Office of the Comptroller of the Currency (“OCC”), or by any state securities or banking authority.

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## Advisory business

VNTC is a federally chartered, limited-purpose trust company regulated by the OCC that provides investment advisory services and corporate trustee services to a wide variety of clients. As a national bank, VNTC has a fiduciary duty to act in its clients' best interests and to abide by the duties of care and loyalty.

VNTC was chartered in 2001, but its business has been in operation since 1996. VNTC is a wholly owned subsidiary of The Vanguard Group, Inc. ("Vanguard"), the sponsor and manager of the family of mutual funds and ETFs (exchange-traded funds) comprising The Vanguard Group of Investment Companies ("Vanguard® Funds"), which VNTC typically recommends as investments. Please see the section titled "Other financial industry activities and affiliations" for more information.

## Vanguard Personal Advisor Wealth Management

Vanguard Personal Advisor Wealth Management was launched by VNTC's affiliate, Vanguard Advisers, Inc. ("VAI"), a registered investment advisor, in 2015. Since the launch of Vanguard Personal Advisor Services, VNTC has strategically rebranded its advisory service and adopted VAI's advice platform to continue providing ongoing advised account services for Vanguard Personal Investor ("Personal Investor") clients ("Personal Investor Clients") who enroll in Personal Advisor Wealth Management. The service also provides point-in-time cash management account recommendations for Personal Investor Clients enrolled in Vanguard Personal Advisor Wealth Management.

VNTC's investment professionals include sales professionals who help you select the advisory service that best meets your needs. These sales professionals dually serve as advisors for VNTC and as Representatives of our affiliated broker-dealer, Vanguard Marketing Corporation, doing business as Vanguard Brokerage Services. During the course of your discussion with one of our sales professionals, you might be referred to one of Vanguard's advisory services based on your expressed needs. When a sales professional refers you to one of Vanguard's advisory services, they do so as an associated person of VNTC. Advice referrals, however, are made in response to your expressed needs and do not constitute fiduciary advice. For more information concerning potential conflicts of interest related to these sales professionals, please see the "Sales professional compensation" section of this brochure.

### Ongoing advised account services

VNTC offers clients an ongoing advised service that includes a personalized financial plan as an affordable portfolio for the accounts you enroll in the ongoing advised service (the "Service"). To engage Vanguard Personal Advisor Wealth Management, you'll provide us with information relating to your financial situation, investment objectives, and willingness and ability to take risk. The client relationship in the Service begins when you enter into the Service Agreement for Personal Advisor Wealth Management ("Service Agreement") and the scope of our fiduciary relationship is defined in the Service Agreement. A financial plan will then be formulated for you that will recommend an asset allocation, and investments will be maintained in your account(s) to meet that allocation. In order to enroll, Personal Investor Clients are required to open a new account, or enroll an eligible existing account, that is a Vanguard brokerage account ("Vanguard Brokerage Account") established with Vanguard Marketing Corporation ("VMC"). In order to remain in the Service, Personal Investor Clients will be required to proactively transition any accounts held on our legacy mutual fund investment platform to a Vanguard Brokerage Account. Vanguard will provide notice to any Personal Investor Clients holding accounts on the legacy platform of the need to transition them to Vanguard Brokerage Accounts. If you do not proactively take action to transition your legacy accounts, you will be terminated from the Service by the end of October 2025. You will be provided with notice of such termination. Once you take the appropriate steps required to transition your accounts and remove any potential restrictions on your new Vanguard Brokerage Account(s), you are free to re-enroll in the Service.

For Personal Investor Clients, our lead investment recommendations will normally be limited to allocations in certain Vanguard Funds, based on their low cost and broad diversification, and won't include recommendations to purchase individual securities or bonds, CDs (certificates of deposit), options, derivatives, annuities, third-party mutual funds, closed-end funds, unit investment trusts, partnerships, or other non-Vanguard securities.

In particular, we'll recommend varying combinations of Vanguard Total Stock Market Index Fund, Vanguard Total International Stock Index Fund, Vanguard Total Bond Market Index Fund, and Vanguard Total International Bond Index Fund, or their respective ETF share classes (collectively referred to as the "Four Totals") for clients who select our lead investment methodology for passive index investing.

You will also be presented an active risk assessment tool to determine if active investing is an appropriate complement to a passive allocation. The assessment will evaluate a Personal Investor Client's cost sensitivity, investing patience, and active risk tolerance, which are important characteristics in determining the suitability of including active equity in a Portfolio. The results of the active risk assessment are an input into the proprietary Vanguard Asset Allocation Model ("VAAM") which allows Personal Advisor Wealth Management to access a Personal Investor Client's risk tolerance, inclusive of active versus passive preference, and map those preferences to an appropriate model-driven equity allocation target.

After receiving an active equity allocation target, select Personal Investor Clients will be analyzed for eligibility and suitability with respect to a private equity allocation within that target. Personal Investor Clients identified as eligible and suitable will be presented with the option to invest in the Vanguard HarbourVest Funds, a private equity fund offered exclusively to Vanguard Clients. The Vanguard HarbourVest Funds are offered by HarbourVest Partners L.P. and HarbourVest Partners, LLC acts as a general partner of HarbourVest Partners L.P. ("HarbourVest") as a series of annual vintage funds, intended to invest across a broad range of investment sectors through primary, secondary, and direct co-investments.

Any such private equity offers may be made only to Personal Investor Clients who meet the definition of accredited investors and qualified purchasers under federal law and by means of delivery of a confidential Private Placement Memorandum or similar materials that contain a description of the material terms of such investment. More information about the methodology used to generate a private equity recommendation can be found under the heading "Methods of analysis, investment strategies, and risk of loss" below. No sale will be made in any jurisdiction in which the offer, solicitation, or sale is not authorized or to any person to whom it is unlawful to make the offer, solicitation, or sale.

Private equity investments involve a high degree of risk. More information about the risks associated with private equity investments can be found under the heading "Investment risks" below.

Personal Investor Clients are also able to impose reasonable restrictions on our investment strategy, which may include the ability to accommodate non-Vanguard securities in their financial plans (read the section of this brochure titled "Reasonable restrictions" for more information).

In certain circumstances, the recommended Portfolio for a client who selected our lead investment methodology for passive index investing will contain identical allocations to the Four Totals that would've been used as the underlying investments in a Vanguard single-fund solution purchased by that investor. Each of the Four Totals is a mutual fund share class used or substantially similar to the mutual funds used to meet the allocations underlying certain Vanguard single-fund solutions, such as Vanguard Target Retirement Funds. When deciding whether to enroll in the Service versus a single-fund solution, you should consider that you will pay both the advisory fee and any Vanguard Fund expense ratios in exchange for receiving access to an advisor, personalized features, and additional services offered to Personal Advisor Wealth Management clients. In comparison, an investor who decides to not enroll would have access to many of the same Vanguard funds without the payment of the advisory fee, but would also not have access to an advisor, personalized features, and additional services offered to Personal Advisor Wealth Management clients.

We recognize Personal Investor Clients may experience costs and tax consequences associated with selling their existing securities positions to implement our lead advice recommendations. As such, we'll weigh the costs to transition the securities held before enrolling in the Service using a break-even cost analysis. If the securities you hold before enrolling in the Service pass the break-even cost analysis, we'll recommend a Personal Investor Client continue to hold all or a portion of such securities, subject to our portfolio construction guidelines. If they fail the break-even cost analysis, we'll recommend a Personal Investor Client sell those positions and implement our lead advice recommendations. We rely on cost information provided by third-party data providers when performing our break-even analysis. In its discretion, VNTC may change data providers and may revise the methodology used to perform our break-even analysis based on, among other things, data availability, our judgments about data quality, and to ensure that portfolios are constructed in accordance with our investment philosophy. A change of third-party data providers can result in changes to the costs and tax consequences experienced when selling existing securities. If a Personal Investor Client wants to retain some or all of the positions that fail the break-even cost analysis, we can accommodate such requests provided they don't violate our portfolio construction guidelines. See the section below entitled "Reasonable restrictions" for additional information about imposing restrictions on our investment strategy. Even in situations where a Portfolio (as defined below) continues to hold securities purchased before enrolling in the Service, we'll recommend any additional purchases in a Personal Investor Client's advised Portfolio be made into Vanguard Funds.

A financial plan for a Personal Investor Client will be finalized after consultation with an experienced Personal Advisor Wealth Management advisor. If you have any questions throughout the process, you'll always have the option to speak with an advisor. We'll also give you the opportunity to preview our initial financial plan to determine whether to enroll in the Service. Be aware, however, that we may not have an opportunity to appropriately refine and tailor the initial financial plan if you decline to enroll in the Service, and the initial financial plan's suitability to your financial situation may be limited thereby. Within five business days of you accepting the terms of the financial plan and enrolling in the Service, we'll initiate the transactions necessary to create the mix of Vanguard Funds or other securities recommended to meet the asset allocation selected for your account(s) under your financial plan. Changes to the investment strategy set forth in the financial plan will be made only with your input and consent, which makes it extremely important that you immediately notify us of material changes to your financial situation, investment objectives, and willingness and ability to take risk. Collectively, the accounts enrolled in the Service where we make recommendations to maintain your target allocation will be referred to herein as the "Portfolio." Once you've agreed to ongoing advisement of the Portfolio, we'll provide regular monitoring and quarterly review of the financial plan and rebalancing, if needed, of the Portfolio pursuant to the standing instructions you approve in the financial plan.

By enrolling in the Service, you're granting us authority to purchase and sell the securities identified in your financial plan on your behalf. Accordingly, we may recommend changes to the investments used to effect the investment strategy set forth in the financial plan, including changing the investments used for purposes of rebalancing the Portfolio or substituting a particular investment for another investment you previously approved. If we recommend such a change, we'll notify you at least 30 days before the change is implemented. Any notice of a proposed change in investments will include the effective timeline for the proposed change, instructions you can follow to avoid the proposed change, and a reminder that your failure to respond by a specified date will be deemed your consent to the proposed change in investments.

Within the financial plan, we'll also use the information you provide 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. Your financial plan can include multiple investing goals that meet your particular financial situation, such as planning for college, saving for a home, establishing a rainy-day fund, saving for retirement, or managing assets in a trust or for an organization.

Your goals may be supported by your Portfolio as well as accounts held outside the Portfolio. 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.

The Service also offers a web experience that includes content based on your goals and provides personalized reporting. You can access the web experience by logging in to your Vanguard account. Certain account registrations, such as certain types of trusts or entity-type registrations, may prevent you from using the web experience. For clients enrolled in the Service, we'll contact you, at least annually, to validate your financial planning needs and the strategy chosen for the Portfolio for the purposes of determining whether there have been any changes in your financial situation, risk tolerance, tax situation, investment time horizon, investment objectives, or desired reasonable restrictions that may require a new financial plan for your review and approval. Again, it's critical that you interact with us during these attempts to validate your financial planning needs and the strategy chosen for the Portfolio, or whenever you believe that you may have experienced material changes to your financial situation, investment objectives, and willingness and ability to take risk, to ensure your financial plan is appropriately tailored. If you fail to validate your current investor profile or respond to our attempts to schedule and conduct an annual review, we'll assume there have been no changes, and we'll continue in accordance with your approved financial plan.

In connection with the Service, you'll retain the right to (i) withdraw securities and take sales proceeds as cash from the Portfolio; (ii) vote on shareholder proposals of beneficially owned securities or delegate the authority to vote on such proposals to another person; (iii) be provided, in a timely manner, with a confirmation or other notification of each securities transaction in the Portfolio and all other documents required by law to be provided to security holders; and (iv) proceed directly as a security holder against the issuer of any security in the Portfolio and not be obligated to join any person involved in the operation of the service, or any other client of the service, as a condition precedent to initiating such proceeding.

#### **Point-in-time account recommendations**

The Service also provides point-in-time brokerage account type recommendations, including cash management account recommendations, for Personal Investor Clients enrolled in Personal Advisor Wealth Management. Effectively managing short-term cash needs is a fundamental aspect of financial planning, and Personal Advisor Wealth Management financial advisors may recommend that you open a Vanguard Cash Plus Account ("Cash Plus Account") where you have expressed the need: (i) for an ongoing spending account; (ii) to accumulate and hold an emergency savings fund to cover potential spending shocks; or (iii) to accumulate and hold funds required for anticipated near-term expenditures. Any Cash Plus Account opened by you will not be part of your advised Portfolio, which means that you will be solely responsible for the initial and ongoing funding of such account, and for directing any funding sent to the account to either the bank sweep feature or the Vanguard money market funds made available for purchase in Cash Plus Accounts.

Keep in mind that the point-in-time nature of the Cash Plus Account recommendation means that Vanguard Personal Advisor Wealth Management is not required to update any previously provided Cash Plus Account recommendations and will not monitor any such recommendation made to you, or the investments held in your Cash Plus Account. The Cash Plus Account is a self-managed brokerage account offered by VMC, and you are solely responsible for the ongoing review and monitoring of the investments held in your Cash Plus Account. VMC will receive a fee from program banks that accept bank sweep deposits that (i) is set by VMC, (ii) may vary from program bank to program bank, (iii) may be changed by VMC at any time, and (iv) will affect the yield clients receive from the bank sweep service. Personal Investor Clients who enroll in the bank sweep receive a lower yield on deposits under the bank sweep than if VMC had not earned this fee, because program banks reduce the amount of interest they are willing to pay depositors by the amount of the fee they pay to VMC. If you invest in any of the Vanguard money market funds available in Cash Plus Accounts, you will also be subject to the applicable expense ratios and to any purchase and redemption fees assessed by those funds. This compensation is separate from, and in addition to, the advisory fees payable to us. However, since any Cash Plus Account opened by you will not be part of your advised Portfolio, you will not be assessed any advisory fees by us for balances maintained in a Cash Plus Account. Read the sections titled "Account Fees," "Vanguard Fund Fees," and "Brokerage practices" for more information about brokerage charges and other fees and expenses you may pay as a result opening and maintaining a Cash Plus Account.

Your Cash Plus Account may be subject to various restrictions to reduce the risk of fraud. Generally, new accounts and all checks will be subject to a 60-day holding period for cash deposits. Your deposits may also be subject to a 7-day holding period and daily transaction limits. Hold times and transaction limits will vary based on a variety of factors, including the type of account, originating institution, type of transfer and the amount you are transferring. During this time, you can trade and invest but any withdrawals will be subject to applicable holding periods. Cash deposits into your Vanguard account may be returned only to the bank from which the cash was withdrawn. After the holding period is complete, your funds will be fully available to transfer or withdraw.

### **Spending Fund**

The Service will recommend that Personal Investor Clients establish a new money market fund, or designate an existing money market fund, to facilitate cash flow into and out of the Portfolio, herein defined as a "Spending Fund." If a Personal Investor Client establishes a Spending Fund, any additional cash added to a Portfolio will remain in the Spending Fund until the total amount of assets in the Spending Fund exceeds an agreed-upon maximum limit (the "Upper Threshold"). When the Upper Threshold is exceeded, the Spending Fund balance will be reduced to the agreed-upon target amount (the "Target Balance"), and the additional assets will be invested according to the terms of the current financial plan. A Personal Investor Client can also establish an agreed-upon minimum limit for the Spending Fund (the "Lower Threshold"). When the balance of the Spending Fund falls below the Lower Threshold, an advisor will act in accordance with the current financial plan to rebalance and/or sell securities to meet the Target Balance in the Spending Fund.

Personal Investor Clients who hold a private equity position will experience capital calls over several years to fund their investments. More information about the risks associated with capital calls can be found under the heading "Investment risks" below. These capital calls will be funded with assets in the Spending Fund unless clients otherwise designate assets outside the portfolio as the funding source. Maintaining a Spending Fund balance may help mitigate the tax consequences associated with liquidating positions to fund the capital calls. Prior to the first capital call, clients will work with their advisor to determine the appropriate amount to add to their Spending Fund balance and determine the appropriate additional Spending Fund amounts needed in order to meet future capital call requirements. Capital calls will occur over several years and may also be funded from a partial portfolio rebalance to generate capital call proceeds if a client's Spending Fund does not have sufficient proceeds to satisfy a capital call. Partial portfolio rebalances will seek to raise cash while optimizing for tax efficiency in a manner consistent with a client's recommended asset allocation.

### **Automated tax loss harvesting**

Personal Investor Clients enrolled in the Service can choose to implement our automated tax loss harvesting ("TLH") service ("TLH Service") in advised taxable accounts. Depending on a Personal Investor Client's personal circumstances, a TLH strategy can add value in the form of reduced taxes when harvested losses are used to lower a tax bill and potentially grow savings if those tax savings are reinvested. However, before electing the TLH Service, a Personal Investor Client should consult with a tax advisor to discuss any concerns related to participation in the TLH Service in light of their particular circumstances and their impact on their individual tax return. In order to elect the TLH Service, you must consent to the Tax Loss Harvesting Addendum to the Service Agreement ("Addendum"). A Personal Investor Client should carefully consider the TLH Service description and the related disclosures in the Addendum, including the TLH Service's risks and limitations, prior to electing the TLH Service.

### **Portfolio transactions**

While enrolled in the Service, Personal Investor Clients can transfer cash or securities to and from the Portfolio at any time, and can add or remove accounts at any time, provided they give us prior notice by contacting their advisor by phone. Transfers of cash out of a Portfolio typically take two business days to occur (subject to the settlement of securities transactions in a Portfolio). Market closures will delay the settlement of securities transactions, which will, in turn, delay the transfer of cash out of an account.

For Personal Investor Clients, cash transferred to the Portfolio will be deposited into their Spending Fund, an existing money market fund, bank sweep service, or a money market or settlement fund in a Vanguard Brokerage Account where a Spending Fund has not been established. If a Personal Investor Client doesn't have a Spending Fund, existing money market fund, bank sweep service, or a money market or settlement fund in a Vanguard Brokerage Account, they hereby agree to establish, at the time of transfer, an account in Vanguard Federal Money Market Fund for the purpose of accepting their transfer of cash into the Portfolio. Within two business days of cash being deposited (except for deposits resulting from automated account services or cash less than \$100) by a Personal Investor Client, the advisor will be notified of the available cash and will take steps to begin investing the cash within five days in accordance with the financial plan and our procedures for rebalancing unless the Portfolio consists of accounts established on behalf of a trust or corporate entity. See the section of this brochure entitled "Rebalancing the Portfolio" for details. If the Portfolio consists of accounts established on behalf of a trust or corporate entity, the cash transferred will be invested in accordance with VNTC's policies and procedures within the time prescribed by applicable law. When cash is transferred to the Portfolio as a result of automated account services (such as an automatic investment plan), distributions from a private equity investment, or investment earnings (such as interest or dividend payments), the cash may be used to offset future private equity investment capital calls, allocated in accordance with the Personal Investor Client's financial plan upon their next

rebalancing opportunity, immediately if the size of the distribution would otherwise normally trigger an off- cycle rebalance, or allocated as otherwise agreed upon with an advisor.

For purchases into Vanguard Funds in the Portfolio and other transfers of securities worth more than \$100 by Personal Investor Clients, we'll initiate steps to begin investing within five business days of the purchase or transfer, according to the terms of the current financial plan and our procedures for rebalancing. See the section of this brochure entitled "Rebalancing the Portfolio" for details. If securities are transferred that aren't part of the established financial plan or haven't been authorized through Attachment A to the Service Agreement for Vanguard Personal Advisor Wealth Management, an advisor will initiate steps within five business days to contact you about the handling of these securities. The advisor won't sell or move these securities without your consent.

Any transfers of securities worth less than \$100, except for cash transfers deposited into a Spending Fund, will be allocated in accordance with the Personal Investor Client's financial plan upon their next rebalancing opportunity.

If you haven't established a financial plan, securities will be held in kind until you establish a financial plan for such assets. We reserve the right to reject the transfer of certain securities. Personal Investor Clients can work with an advisor to establish an alternate timing for the investment of additional cash, Vanguard Funds, or other securities transferred to your Portfolio. The transfer processes for cash and securities to and from the Portfolio don't apply to those clients who only receive a financial plan and decide not to enroll in the Service.

If a Personal Investor Client processes a transaction in a Vanguard Brokerage Account enrolled in the Service and doesn't have sufficient funds to settle the transaction, an advisor will raise settlement proceeds by selling a portion of the largest position in the impacted account based on our withdrawal hierarchy methodology discussed below.

When selling securities from the Portfolio during rebalancing or a Spending Fund replenishment, or when raising cash for a onetime withdrawal, securities will be sold according to the following drawdown hierarchy, as applicable: securities held in IRAs subject to required minimum distributions (RMDs) up to the RMD limit, securities held in taxable accounts, securities held in tax-deferred accounts, and then securities held in tax-free (Roth) accounts. You can work with your advisor to customize your drawdown hierarchy for each goal when you need to sell securities. The client designated as the "Primary Advice Client" under the Service Agreement for Vanguard Personal Advisor Wealth Management will be able to accept or customize the drawdown hierarchy for each goal and direct withholding elections for all accounts in the Portfolio, including for accounts owned solely by the Secondary Advice Client. The drawdown hierarchy aims to be tax-efficient but may not be equitable in relation to the accounts owned by a Primary Advice Client compared with those owned by a Secondary Advice Client, meaning one individual's account could be depleted before securities are sold from the other's account. Security selection will vary depending on the type of account from which it's being withdrawn.

Personal Investor Clients will be notified within 45 days of an identified goal's targeted end date. Once the goal end date has been reached, we will initiate steps to remove the goal from the Portfolio and unenroll any accounts supporting that goal from the Service unless an adjustment is agreed upon with an advisor. Accounts supporting retirement goals will be the only exception; they will not be removed from the Portfolio or unenrolled from the Service once the targeted retirement date is reached.

#### **Tax-efficient trading**

We will perform certain Vanguard fund transactions in your Portfolio in a manner that attempts to reduce the number of wash sales you may experience. A wash sale results from selling a security at a loss in a taxable account and repurchasing it, or one the IRS considers "substantially identical," in the same or another account within 30 days before or after the sale is effected.

Since the IRS won't allow a taxpayer to claim the loss generated by the sale on that year's tax return, it's important to limit these transactions.

The effects of a purchase in a taxable account that leads to a wash sale may only be temporary, as you are permitted to add the loss from the sale to the cost basis of the security purchased, and the holding period of the security sold will also be added to the holding period of the purchased security. A purchase in a tax-advantaged account leading to a wash sale, though, will cause you to permanently lose the ability to claim the original loss.

Where you previously sold a Vanguard Fund at a loss in an advised taxable account in the Portfolio within the prior 30 days, we will, where necessary and appropriate, recommend the purchase of an alternate Vanguard Fund (a "surrogate Vanguard Fund") if such purchase is planned to take place in an advised taxable account or advised IRA in the Portfolio and if the Service would have otherwise recommended a repurchase of the same Vanguard fund that was originally sold at a loss. By recommending the purchase of a surrogate Vanguard Fund, we are attempting to mitigate the circumstances when you will experience a wash sale in your Portfolio.

Where you previously purchased a Vanguard Fund in an advised taxable account or advised IRA in the Portfolio and we recommend the sale of a security within the same asset or sub-asset class within 30 days of such purchase, we will, where necessary and appropriate, attempt to sell another holding in lieu of selling the recently purchased Vanguard fund if such

sale is planned to take place in an advised taxable account and would result in a loss. By attempting to avoid the sale of the recently purchased Vanguard Funds, we are attempting to mitigate the circumstances when you will experience a wash sale in your Portfolio.

There are several limitations on our ability to perform Vanguard Fund transactions in a Portfolio in a manner that attempts to reduce the number of wash sales. First, we will only monitor for wash sale compliance in advised taxable accounts and advised IRA that are part of a Portfolio governed by the same Service Agreement for Personal Advisor Wealth Management. Second, we will not seek to avoid wash sales in situations where you previously instructed us to sell a particular Vanguard fund. Third, we will not seek to avoid wash sales when we are attempting to locate investments in account types that are appropriate for that security type (see the section entitled "Rebalancing the Portfolio" for more information). Fourth, we will not seek to avoid wash sales in situations where the only alternative to a wash sale is to sell another holding at a taxable gain. Finally, we will not seek to avoid wash sales in situations where we are required to transact to maintain your recommended asset allocation and the only Vanguard Fund available for sale will cause a wash sale.

While the avoidance of wash sales provides tax benefits for you, some of the surrogate Vanguard funds have higher expense ratios than the lead Vanguard funds we normally recommend. Further, the underlying securities owned by the surrogate Vanguard funds are different from the holdings of the lead Vanguard funds which introduces some tracking error into your Portfolio.

### **Restrictions on Portfolio accounts**

While enrolled in the Service, you shouldn't purchase or sell securities in your Portfolio without prior assistance from an advisor, and you may be restricted from such activity until you terminate the Service. When you terminate the Service, we'll initiate steps to begin restoring full access to your accounts. During such transition back to a self-directed portfolio, you can contact a Vanguard representative at any time to place orders.

Transactions performed in a Portfolio enrolled in the Service without prior notice to us may be reversed or unwound by us to maintain your recommended Portfolio allocation. Other account transactions or services, like automatic trading services (such as automatic investment/withdrawal), will be restricted or unavailable through the web experience but can be processed or enabled with an advisor's assistance. Other actions requiring advisor help include cost basis provisioning, dividend and capital gains distribution elections, and setting RMD payments.

You won't receive third-party discretionary advice on securities held in the Portfolio under the Service. If you want to receive third-party discretionary advice on certain securities in the Portfolio, we can assist you in transferring those securities to an account outside the Portfolio, or you can terminate the Service. You can arrange separately for the provision of advice by another provider that has no material affiliation with, and receives no compensation in connection with, the securities held in your account(s).

As part of the Service, VNTC may from time to time provide ancillary financial planning and other related consulting services to Personal Investor Clients. These services may include but aren't limited to family legacy planning, business succession planning, cash flow planning, charitable planning, college planning, estate planning, insurance planning, retirement planning, tax planning, fiduciary services, and estate administration support.

### **Estimated capital gains and MinTax cost basis method**

For Personal Investor Clients, we'll provide an estimate of the capital gains and/or losses you may realize if you implement the recommendations in your financial plan. If the cost basis of a particular security is unknown, we'll assume the entire position is held at a gain (meaning we'll assume the cost basis for that security is zero). Actual capital gains and/or losses may differ from the estimates because they're based on the price of the security at the time of sale. While the Service will weigh the tax effect of potential Portfolio changes, transitioning the Portfolio based on our portfolio construction guidelines could result in realized taxable gains or losses, or the generation of taxable dividend income or tax-preference items that are taxable under the alternative minimum tax. Neither VNTC nor any affiliated entity will have any responsibility to pay these taxes.

Our initial financial plan for a Personal Investor Client will use average cost as its cost basis method to estimate gains and losses potentially realized due to implementation. Once a Personal Investor Client accepts the financial plan and enrolls in the Service, we'll use the MinTax cost basis method to perform the necessary transactions within their taxable accounts to construct their Portfolio and on an ongoing basis for all transactions in securities held in their taxable accounts in the Portfolio unless you affirmatively opt out of such method. If a Personal Investor Client affirmatively opts out of MinTax, we'll revert to using average cost as the cost basis method to calculate estimated gains and losses and for implementing the Portfolio and performing transactions in securities held in taxable accounts in the Portfolio.

The MinTax cost basis method is generally designed to minimize tax impact and lower an individual's tax burden by identifying selective units or quantities, also referred to as "lots," of securities to sell in any sale transaction (including rebalancing) based on specific ordering rules. In many cases, the MinTax cost basis method will minimize the tax impact of a transaction, but it may not do so in every case. For example, if the taxable accounts within a Portfolio have a position held with a small short-term capital

loss and a large long-term capital loss, the MinTax cost basis method will choose to sell the position held at a small short-term capital loss first. The method's effectiveness at minimizing taxes will vary depending on individual circumstances. Personal Investor Clients should consult a tax advisor to discuss whether the MinTax cost basis method is appropriate given their individual circumstances. Please refer to the Service Agreement for Vanguard Personal Advisor Wealth Management for more information about the MinTax cost basis method.

VNTC doesn't provide tax advice, nor does the Service's use of the MinTax cost basis method constitute tax advice.

#### **Additional information for Vanguard individual retirement account ("IRA") holders**

VNTC intends Vanguard Personal Advisor Wealth Management 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 4975(d)(17) and (f)(8) of the Internal Revenue Code (the "Code"). In providing advice for assets held in IRAs, VNTC will act as a fiduciary advisor as defined under Section 4975(f) (8) (J) of the Code, and, therefore, VNTC must act prudently and only with clients' interests in mind when providing clients recommendations about investing those assets. The Service will be audited annually by an independent auditor for compliance with the requirements of the statutory level-fee exemption and related regulation. Clients who have received our advice with respect to securities held in IRAs during a calendar year will receive a copy of the most recent version of the auditor's findings published in the next calendar year within 30 days of our receipt of the report.

### **Fees and compensation**

#### **Advisory fee**

The annual advisory service fee paid to VNTC for clients enrolled in the Service will be tiered as follows (unless otherwise agreed to by the parties):

0.30% on Portfolio assets below \$5 million  
0.20% on Portfolio assets between \$5 million and \$10 million  
0.10% on Portfolio assets between \$10 million and \$25 million  
0.05% on Portfolio assets above \$25 million

For example, consider a client with \$15 million in a Portfolio of advised assets under the Service. The client would generally experience the following fee:

0.30% on the first \$5 million = \$15,000  
0.20% on the next \$5 million = \$10,000  
0.10% on the next \$5 million = \$5,000  
For a total advisory fee of \$30,000 annually.

The advisory fee will be calculated on a rolling 90-day period based on your average daily balance in the Portfolio across the entire fee period and will begin accruing on your plan implementation date (the first day after enrollment in the Service when we begin processing trades in your Portfolio).

The advisory fee for each fee period will be assessed on the first business day (a list of observed U.S. holidays is available on the New York Stock Exchange's website, available at [nyse.com/markets/hours-calendars](http://nyse.com/markets/hours-calendars)) after the last calendar day within each fee period and will generally be deducted within two weeks of assessment.

A total advisory fee will be calculated across all securities in the Portfolio, with the exception of money market fund positions or deposits in a bank sweep service, or any Cash Plus Accounts opened by you. VNTC won't assess an advisory fee on the balance of money market fund securities or deposits in a bank sweep service held within the Portfolio, or any Cash Plus Accounts opened by you. For Personal Investor Clients who have a private equity allocation in their portfolio, the advisory fee calculation will include the periodic valuation of private equity assets held at HarbourVest. The periodic valuations will be provided by HarbourVest on a quarterly basis or whenever a material event occurs for the fund. These valuations will reflect a delay commensurate with the time it takes HarbourVest to diligently price the private equity fund's underlying assets, typically a 3-to-4-month delay, but extending a few months longer for the year-end valuation. These valuations remain static throughout the fee period until such time as an updated valuation is reported by HarbourVest. More information about the valuation risks of private equity can be found under the heading "Investment Risks" below.

Unless you speak with an advisor about setting up a customized method for withdrawing the advisory fee from your Portfolio, VNTC will select the designated fee account(s) of the Portfolio from which the advisory fee will be deducted and then will systematically determine which securities to sell to raise proceeds sufficient to cover the advisory fee. When we choose to withdraw the advisory fee from your taxable accounts, we'll first sell any money market funds or deposits in a bank sweep service held in those accounts. If we still need to raise proceeds, we'll next sell any securities held in your Portfolio at a loss. When we look for securities held at a loss, we'll prioritize the sale of any nondiversified securities held in your taxable accounts before the sale of diversified holdings. We'll continue to sell securities held at a loss until the advisory fee is covered, until you no longer hold

any securities at a loss, or if additional sales of such securities held at a loss will cause a sub-asset class of securities to become underweighted relative to the other sub-asset classes of the Portfolio (e.g., if we sell too many domestic equity securities, causing your Portfolio to become out of balance). In either case, if we need to raise additional proceeds, we'll next sell any securities held in your Portfolio at a taxable gain.

If we're unable to systematically remove the advisory fee from your taxable accounts, we'll employ a manual process for determining which securities to sell. Our manual process is based on a fee withdrawal hierarchy of expected fund volatility from least to most volatile. The fee withdrawal hierarchy prioritizes the sale of mutual funds with relatively low volatility and expected tax consequences over funds with higher volatility and potential embedded gains.

Please be advised that our systematic and manual advisory fee withdrawal hierarchies for taxable accounts aren't designed to withdraw fees proportionally from the accounts in your Portfolio; in some circumstances, our fee logic will cause the entirety of the Portfolio's advisory fee to be withdrawn from a single taxable account. When a Portfolio comprises accounts owned by different advice clients, it may mean the account or accounts of one advice client will bear the advisory fee for the entire Portfolio. Unless the only account in the Portfolio is an IRA, or you speak with an advisor about setting up a customized methodology for withdrawing the advisory fee from your Portfolio, we won't select the IRA as the account from which the advisory fee should be deducted.

In the case of multiple IRAs only in the Portfolio, the advisory fee will be taken proportionally from all IRAs in the Portfolio. When we choose to withdraw the advisory fee from your IRAs, we'll sell any securities held in an overweight sub-asset class, prioritizing the sale of any nondiversified securities held in your IRAs before the sale of diversified holdings.

During the fee collection process, if the designated fee account has been depleted, we will attempt collection from an alternative eligible account. This will also result in each account previously covered by the designated fee account covering its own fees until such time as you contact us to reestablish a funded designated fee account.

We reserve the right to change the annual service fee or charge additional fees for removal of an account, or for other services, upon 30 days' written notice to you. Upon removal of an account or termination of the Service, we'll require payment of any accrued fees from the time of the last quarterly payment until the termination date.

We may offer a negotiated fee schedule to clients solely at our discretion, including fee structures based on combined assets of related clients. In these cases, clients will be notified in writing if they qualify for a lower fee tier. Clients using a lower fee tier will still follow the same calculation and fee assessment processes outlined above. The Service reserves the right to provide periodic fee waivers when deemed appropriate.

There may be periods when rebalancing isn't needed because the Portfolio is appropriately allocated. The Service will continue to monitor your Portfolio and goals to help keep you on track to meet your investment objectives and you'll maintain access to your advisor and tools and will therefore continue to charge all applicable fees during these times of inactivity.

Advisory fees for the Service are supplemental to any Vanguard Fund fees, account-related fees and compensation, and non-Vanguard fund fees described in the paragraphs below. If a Personal Investor Client holds a private equity investment, additional servicing fees may apply and will be separately disclosed in a private equity fee agreement. You should review this information and carefully consider the impact of these advisory fees before approving your financial plan or implementing any recommendations provided through the Service.

## **Vanguard Fund fees**

The advice provided by VNTC will include recommendations to sell, hold, or purchase Vanguard Funds. Where we transact to implement your financial plan or you act in accordance with our advice and invest in Vanguard Funds, it will result in the payment of fees to the Vanguard Funds and to The Vanguard Group, Inc. ("Vanguard"), an affiliate of VNTC. 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 assets. The advisory, administrative, custodial, and other costs make up the Vanguard Funds' expense ratios. Also, some Vanguard Funds impose purchase and redemption fees. Clients who invest in Vanguard Funds are subject to the applicable expense ratios and to any purchase and redemption fees. Please consult the prospectus for information about a specific Vanguard Fund's expense ratio and any fees assessed by that Fund.

## **Account fees**

You may also incur account service fees, commission charges, other account charges, and processing fees in connection with establishing accounts with VNTC's affiliates. See the current [Brokerage services commission & fee schedules](#) for details. 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.

Vanguard Marketing Corporation (“VMC”), doing business as Vanguard Brokerage Services®, a registered broker- dealer and wholly owned subsidiary of Vanguard, and an affiliate of VNTC, offers commission- free transactions in Vanguard Funds, and commission-free online trading for most other ETFs, no-transaction-fee (NTF) mutual funds, stocks, and options (a per- contract fee applies to options transactions) to clients who open Vanguard Brokerage Accounts. Clients with qualified assets of \$1 million or more also receive a limited number of commission-free transactions on transactions that normally carry a commission cost and are eligible for additional service-level benefits. If you’re an eligible Personal Investor Client currently enrolled in one of these services, transactions performed by the Service will be eligible for the commission- free benefit, but any such executed transactions will reduce the number of commission- free transactions available to you in your self-directed accounts held outside your Portfolio. If a Personal Investor Client holds deposits in a bank sweep service in the Portfolio, then VMC will receive a fee from program banks that accept bank sweep deposits that (i) is set by VMC, (ii) may vary from program bank to program bank, (iii) may be changed by VMC at any time, and (iv) will affect the yield clients receive from the bank sweep service. Personal Investor Clients who enroll in the bank sweep receive a lower yield on deposits under the bank sweep than if VMC had not earned this fee, because program banks reduce the amount of interest they are willing to pay depositors by the amount of the fee they pay to VMC.

### **Non-Vanguard fund fees**

Mutual fund trades in a Vanguard Brokerage Account held through VMC are limited to those fund families with which VMC has entered into a selling agreement. VMC receives transaction fees, front- and back- end loads, sales charges, and 12b-1 fees in connection with certain transactions in third- party mutual funds through VMC’s FundAccess® program. VMC will also receive fees for the provisioning of various shareholder services in connection with the participation of certain mutual funds in the FundAccess program. These fees may be considered revenue sharing and represent a significant source of revenue for VMC. Determined in accordance with an asset- based formula, these payments may equal up to 0.40% of a mutual fund’s advised assets under management at VMC on an annual basis. VMC will also receive operational payments from mutual funds in the form of networking or per-position fees of up to \$20 for each customer position in a mutual fund on an annual basis. These fees are reimbursed to VMC for the work it performs on behalf of the funds, which may include, but isn’t limited to, subaccounting services, dividend calculation and posting, accounting, reconciliation, client confirmation and statement preparation and mailing, and tax statement preparation and mailing. Certain funds offered through the FundAccess program assess purchase and redemption fees. If the Portfolio transacts in a fund that assesses such fees or pays the aforementioned forms of compensation to VMC, those fees will be imposed on your transaction(s) and the compensation will be paid to VMC separate and apart from the advisory fees we assess. Notwithstanding, any transaction fee charged by VMC in connection with a non-Vanguard fund transaction will not apply to Personal Investor Client accounts enrolled in advice.

### **Advisor and sales professional compensation**

The advice provided by our Personal Advisor Wealth Management advisors and by sales professionals who refer prospects to Personal Advisor Wealth Management does not vary based on whether Vanguard or any of its affiliates or subsidiaries will receive fees from any recommendation to purchase, hold, or sell Vanguard Funds or non-Vanguard investments. Advisory fees received by Personal Advisor Wealth Management don’t vary on the basis of any investment options recommended to clients. Personal Advisor Wealth Management advisors and sales professionals who refer prospects to Personal Advisor Wealth Management are not compensated for, or on the basis of, any recommendation or sales of specific securities. We reserve the right, at our discretion and without prior notice, to change the methods by which we compensate our advisors and sales professionals.

### **Advisor compensation**

Advisors who deliver advice to Personal Advisor Wealth Management clients are paid base compensation (either salary/exempt or hourly/non-exempt wages) and are eligible for an annual payment from an enterprise-wide compensation plan. This plan is made available to qualifying employees of Vanguard, not just to Personal Advisor Wealth Management advisors. Payments from the plan are determined based on an employee’s level in the organization as well as a multiplier based on the overall company performance of Vanguard during the prior three years. Accordingly, payments from the plan do not create a conflict of interest between you and Personal Advisor Wealth Management or its advisors.

For executive level advisors, the annual enterprise-wide payment described above is replaced by eligibility to participate in an incentive compensation plan. Incentive compensation is directly tied to future company success and the long-term outcomes that Vanguard drives for its clients, therefore, grants are issued to executive level advisors on a deferred basis and vest after three years, tying the value of each award to the future performance of the company. The size of an award granted to an executive level advisor is determined using factors such as the advisor’s contribution to the firm, their experience, and the competitive market for their role. These factors may create a conflict of interest for executive level advisors as they seek to demonstrate their contributions to the firm.

Personal Advisor Wealth Management advisors who are exempt employees of Vanguard are also eligible to receive an annual discretionary bonus. The annual discretionary bonus program is based on both Vanguard’s company performance over the prior

year and an employee's performance over the prior year. It is also based on an employee's level and position in the organization. In assessing the performance of a Personal Advisor Wealth Management advisor, Vanguard considers discretionary and nondiscretionary factors including, but not limited to: (i) client satisfaction (client surveys, complaints), (ii) risk measures (such as adherence to supervisory, security and privacy procedures, compliance with regulatory standards and avoidance of trading errors), (iii) implementation of key team and department level business initiatives, (iv) various subjective criteria, such as corporate citizenship, subject matter proficiency and expertise, and contributions to the advisor's team and Vanguard, (v) contributions towards the department's asset consolidation goal, (vi) the number and rate of clients the advisor implements into Personal Advisor Wealth Management, (vii) the number of initial consultations with prospective clients, (viii) the percentage of Personal Advisor Wealth Management clients the advisor retained in the service, (ix) reviewing methodology features, such as private equity methodology and wealth planning services capabilities with clients for whom those options may be suitable, and, at times, (x) the amount of assets that existing clients retain in the service, new assets that existing clients bring under advice, and the overall size of an advisor's book measured by assets and clients. Additionally, Personal Advisor Wealth Management advisors who are both exempt and non-exempt employees are eligible for annual merit increases to their base compensation based, in part, on the same factors listed above.

Some of these factors create conflicts of interest due to the incentives they create for both the advisor and VNTC. Specifically, factors (v) through (x) in the paragraph above give an advisor and VNTC an incentive to recommend Personal Advisor Wealth Management to clients and to seek to retain clients in Personal Advisor Wealth Management over other advisory programs and services offered by Vanguard. In addition, VNTC and its affiliates benefit through receipt of additional compensation when clients enroll or remain enrolled in Personal Advisor Wealth Management or adopt certain features such as private equity methodology.

VNTC addresses these conflicts of interest arising from its compensation practices by maintaining policies and procedures requiring that our Personal Advisor Wealth Management advisors act in your best interest, reasonably supervising their activities, providing advisors with training and disclosing these conflicts so that you can make informed decisions. Additionally, Personal Advisor Wealth Management advisors are provided with qualified leads to prospects who have previously expressed an interest in learning more about the service before scheduling an appointment with the advisor to consider enrollment.

Finally, the annual discretionary bonus program includes performance measures designed to mitigate the conflicts of interest caused by the program, including requirements for Personal Advisor Wealth Management advisors to identify and elevate client complaints and feedback on the service and abide by risk measures (such as adherence to supervisory, security and privacy procedures, compliance with regulatory standards and avoidance of trading errors). The annual discretionary bonus and enterprise-wide compensation plan payments to advisors do not increase the advisory fees paid by clients.

### **Sales professional compensation**

Personal Advisor Wealth Management relies on various referral sources, including from Vanguard sales professionals, to introduce prospects to the offer. These sales professionals have a compensation structure that includes financial incentives to have clients enroll in our proprietary advice services. The term "sales professional" is meant to apply broadly to include all Vanguard employees who have this financial incentive, regardless of their role or title.

Vanguard addresses the conflicts of interest arising from our compensation practices by maintaining supervisory policies and procedures requiring that our sales professionals who provide you with recommendations act in your best interest, reasonably supervising their activities, providing sales professionals with training, and disclosing these conflicts so that you can make informed decisions.

All sales professionals receive base compensation (either salary/exempt or hourly/non-exempt wages) and are eligible to receive annual increases to those wages based on some combination of discretionary performance factors laid out below. All sales professionals are also eligible for an annual payment from the enterprise-wide compensation plan, which is based on company performance and detailed in the Advisor compensation subsection above. Salaried sales professionals are also eligible for either the corporate bonus plan based on a mix of discretionary performance factors or the sales incentive plan based on a mix of discretionary and non-discretionary performance factors.

All sales professionals will have their performance measured on the basis of some mix of the following factors, some of which will create conflicts of interest: (i) number of Vanguard advice service implementations, (ii) the amount of client assets invested through any of Vanguard's proprietary advice offerings, (iii) amount of new client assets transferred to Vanguard that are attributable to the sales professional, (iv) the percentage of client interactions that lead to aligning prospects and clients to certain product, account and service solutions offered by or through VBS, (v) the number of certain VBS product, account and retail service solutions positioned to clients, (vi) the number of needs assessments conducted, (vii) cultivation of referral networks such as through estate planning attorneys or CPAs that can lead to new Vanguard prospects, (viii) the ability to educate prospects and clients with regard to account types, services or securities offered by or through Vanguard, VBS, and Vanguard Charitable, (ix) various client engagement factors such as the number of quality engagements, breadth and depth of client engagements across the sales professional's book of business, and percent of personalized outreach to the sales professional's book of

business, (x) enabling a full transition of any transfer agent accounts remaining in the sales professional's book of business to the VBA platform; (xi) professional sales skills, (xii) implementation of key business initiatives, (xiii) client satisfaction, (xiv) the sales professional's demonstration of employee competencies as established by Human Resources, and (xv), compliance with supervisory, security and privacy procedures as well as regulatory standards. To learn more about the specific mix of factors impacting a particular sales professional's compensation, the conflicts created by those factors, and the capacity in which the sales professionals are acting, please refer to the detailed role-based compensation descriptions located in the [VMC Form CRS Conversation Starters](#).

## Performance-based fees and side-by-side management

VNTC 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

Vanguard Personal Advisor Wealth Management is primarily made available to Personal Investor Clients and prospects with a minimum of \$5,000,000 of investable cash or securities in the Portfolio. Eligible account types for Personal Investor Clients include individual accounts (including IRAs and Roth IRAs), joint accounts, trust accounts, and organization accounts. Other account types may be considered for purposes of goals forecasting, but VNTC won't invest or reallocate assets in those other accounts unless you agreed under a separate written agreement. In order to enroll, Personal Investor Clients will be required to open a new account, or enroll an eligible existing account, that is a Vanguard brokerage account ("Vanguard Brokerage Account") established with Vanguard Marketing Corporation ("VMC").

Clients of Vanguard Digital Advisor, Vanguard Personal Advisor, and Vanguard Personal Advisor Select aren't eligible to be enrolled in two programs simultaneously. If a client of Vanguard Digital Advisor is eligible and chooses to move to Personal Advisor Wealth Management, an advisor can help them with enrollment.

Clients are generally required to maintain permanent residence in one of the 50 states, the District of Columbia, or the U.S. Virgin Islands. Clients that are temporarily abroad, such as those in the military or on government duty, may be eligible under consideration of additional information.

If a Client's assets fall below the minimum eligibility requirements, taking market volatility into consideration, the Client will have the option to i) add more assets to the Portfolio to meet the minimum eligibility requirement, ii) transition to another advisory service offered by our affiliate Vanguard Advisers, Inc., if eligible, or iii) decide to terminate the advisory relationship. Clients will be contacted if action needs to be taken.

## Methods of analysis, investment strategies, and risk of loss

The VNTC 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, both 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, VNTC believes it can provide the best opportunity for success by maintaining a broadly diversified Portfolio, including investments from a variety of market sectors and asset classes. If, as a result of its periodic review, VNTC makes material changes to its methodology that affect your financial plan, we'll inform you of the changes and then give you the opportunity to approve them.

## Investment strategy for the Portfolio

VNTC's investment strategies are designed using 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 then designed to recommend specific investments for your Portfolio.

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, portfolio withdrawals, tax rates, taxable capital gains and losses, college costs, 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 active risk assessment tool, an investor profile, and consultation with an advisor to understand the factors that affect your financial situation. We'll gather information such

as your age, risk tolerance, specific financial goals, investment time horizon, current investments, tax status, sources of wealth, other assets and sources of income, investment preferences, and planned spending from the Portfolio or accounts covered by the financial plan. For trust and organization accounts within the Portfolio, we'll gather additional information such as the number and types of beneficiaries and distribution requirements or the organization's spending requirements.

A proprietary algorithm uses this data to recommend a particular investing track and, where applicable, a corresponding glide path (unless you select a static glide path where the asset allocation will remain fixed throughout the life of the advised relationship) that embodies the risk tolerance, asset allocation, and time horizon suitable for your goals. The investing tracks range from very conservative, conservative, moderate, aggressive, to 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 (except for the static glide path where the asset allocation will remain fixed throughout the life of the advised relationship). You have the option to discuss your investing track and glide path with your advisor at any time, and the advisor will have the ability to adjust your investing track to be more conservative or aggressive if you both deem such change appropriate. Your investment strategy may include separate asset allocation strategies tailored to each of your financial goals. When multiple accounts are used 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. In some cases, VNTC may consider the assets you own outside the Portfolio as part of the assessment of your investment situation to identify an appropriate asset mix. We'll rely on the information you provide in formulating the financial plan for your Portfolio. Inaccuracies in the information you provide us could affect our recommendations, your financial plan, and/or your Portfolio.

When recommending, setting, and adjusting your asset allocation, we weigh "shortfall risk"—the possibility that a financial plan or Portfolio will fail to meet longer-term financial goals—against "market risk," or the chance that a financial plan or Portfolio'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.

We acknowledge there's a segment of clients and trust clients that may require flexibility in our methodology and would prefer a static allocation rather than an allocation along a glide path. While we reaffirm that our best advice is to maintain an asset allocation based on your goals, time horizon, and risk tolerance, we will permit certain static allocations as a client accommodation. For example, retiree and pre-retiree clients with a retirement goal and a desire to modify their investment objective to preserve their wealth may decide on a shift in their bond allocation towards a cash allocation. A static allocation may also be appropriate in the case of a legacy goal, charitable distribution, or discretionary expense that is constant with no set investment horizon. We will not permit static allocations for clients attempting to tactically choose an asset class they believe will outperform the current market or remove themselves temporarily from a market. These accommodations for static allocations will remain constant until the client directs a change. All cash flow projections will reflect the static asset allocation over the entire lifetime of the goal, if a lifetime has been identified. The unique risk involved with setting a static allocation is that the tradeoff between shortfall risk and market risk is measured at a distinct point in time when the asset allocation is chosen; unless you periodically reassess your static allocation with an advisor, the chosen trade-off decision may not best reflect future changes to your (i) ability to bear risk, (ii) investment time horizon, or (iii) financial situation or overall investment objectives.

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. We may propose the addition, removal, or adjustment of sub-asset class exposures based on continuing portfolio construction research performed by Vanguard Investment Strategy Group or based on changes to your financial situation or investment objectives.

Our equity methodology seeks to diversify across different market segments (e.g., domestic and international; large-, mid-, and small-capitalization; growth and value; passive and active; and private and public investments). 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 Portfolio will generally diversify the domestic and international stock positions across market capitalization 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 Portfolio. We examine the industry segments represented in the Portfolio to ensure the Portfolio isn't too heavily concentrated in one or more industry sectors, countries, or market segments. See the "Investment risks" section below for more information about risks.

VNTC believes that private equity can be an important diversifier for appropriate investors with a long time horizon and substantial tolerance for illiquidity since they can provide exposure to investment strategies not available through traditional capital markets. More companies are private today than 10 years ago, and they are staying private longer. As a result, the private equity market

represents a large and growing proportion of the broader equity market, and structural forces, such as the regulatory burden for public companies, may cause this trend to continue. Historically, private equity markets have provided excess return over the public markets principally via liquidity premium and alpha. Due to the growth of investor interest in the private equity space and corresponding competition of greater numbers of investors for the opportunities in this space, the excess return available through private equity may be less going forward than it has been in the past.

When private equity investments are recommended for a Personal Investor Client's portfolio, they will be characterized as diversified equity investments because our private equity investment solution is intentionally designed to provide broadly diversified exposure spread across geography, stage, and strategy. Our suitability framework takes into account, among other things, a client's active management risk appetite, comfort with the long-term commitment required with private equity investments, greater tax complexity, portfolio illiquidity, and ability to meet spending needs and capital calls even in a stressed market environment. To maximize the probability of private equity investing success, eligible and suitable clients are best served to think of private equity as a 10-year+ program, not a singular fund or sporadic investment. Our methodology will consider vintage diversification strategies when making private equity investment recommendations.

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 financial plans and Portfolios diversified across short-, intermediate-, and long-maturity bond funds and seeks to maintain an intermediate-term duration. An intermediate-term duration generally means your Portfolio 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 Portfolio 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 Portfolio isn't concentrated in a single segment, which could expose the Portfolio to a higher level of risk. See the "Securities recommendations and risk," "Risks associated with usage of an algorithm," and "Investment risks" sections below for further discussion of risks.

#### **Diverse investments, primarily consisting of low-cost Vanguard Funds and ETFs**

After determining the overall asset mix and your stock and bond sub-allocations, our algorithm will then recommend appropriate investments for your Portfolio. We approach fund selection with a long-term, buy-and-hold approach and discourage switching strategies based solely on recent performance. However, we may recommend reallocating holdings among different Vanguard Funds as we periodically reassess the most appropriate investments to achieve the targeted asset allocation and sub-allocations. When analyzing the targeted asset allocation and sub-allocations of securities that may be held in a Portfolio (including any securities held as a result of a reasonable restriction), we will rely on Vanguard's asset classification assessments based on information received from third-party data providers to categorize these investments. In its discretion, VNTC may change data providers and may revise the methodologies used to determine the asset classification assessments of securities based on, among other things, data availability, our judgments about data quality, and to ensure that portfolios are constructed in accordance with our investment philosophy. A change of third-party data providers or methodologies can result in changes to the asset classification assessments of securities in your portfolio, which could contribute to the need to rebalance your Portfolio.

#### **Considering tax efficiency in allocating assets across multiple Portfolio accounts**

For Personal Investor Client Portfolios containing both taxable and tax-advantaged accounts, the Service will aim to optimize the tax efficiency of the Portfolio by recommending or allocating investments strategically among taxable and tax-advantaged accounts. The objective of this "asset location" approach is to hold relatively tax-efficient investments, such as broad-market stock index products, in taxable accounts while keeping relatively tax-inefficient investments, such as taxable bonds and active equity funds, in tax-advantaged accounts. This tax-efficient asset location methodology is demonstrated through the following tiered approach: First, the Service will attempt to construct your Portfolio to fulfill your fixed income allocation in tax-advantaged accounts, unless you already hold individual bond positions that align with our portfolio construction methodology but are held in the wrong asset location. If it becomes necessary to hold bonds in a taxable account, we may use tax-exempt municipal bond funds. Second, the Service will recommend holding any active equity funds in your Portfolio in your tax-advantaged accounts, subject to remaining capacity after your Portfolio's target bond allocation has been fulfilled in those accounts.

We'll modify our approach to tax-efficient investing based on continuing portfolio construction research performed by Vanguard Investment Strategy Group or changes in tax laws.

### **Reasonable restrictions**

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

#### **Personal Investor Clients can request:**

- A variance in the percentages of equity allocation invested in domestic versus international funds (subject to our allowable variance ranges).
- A variance in the percentages of international equity allocation invested in developed versus emerging markets (subject to our allowable variance ranges).
- A variance in the percentages of bond allocation invested in domestic versus international funds (subject to our allowable variance ranges).
- An active domestic bond allocation instead of an indexed approach (subject to available shelf space in tax- advantaged accounts, such as IRAs).
- A variance in the domestic bond sub-asset allocation to accommodate a greater percentage investment in corporate bond funds (subject to available shelf space in tax- advantaged accounts, such as IRAs).

If you request reasonable restrictions in the Portfolio, we'll analyze whether the requested securities fit into the overall stock or bond allocations recommended for the Portfolio.

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 Portfolio will remain diversified by asset class and within each asset class to ensure no single security or class of securities will impose an unreasonable level of risk. We won't be responsible, however, for performing due diligence on any non-Vanguard security included in your Portfolio as a result of a requested restriction, including assessing share class eligibility and appropriateness. 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 securities from the Portfolio, remove particular accounts from the Portfolio of the Service, or terminate the Service.

Certain investments you may request to be held as part of the Portfolio, such as individual stocks and bonds, stock- sector funds, and other non-Vanguard funds, may not offer the same degree of diversification, liquidity, or performance consistency that may be available with the Vanguard Funds we normally recommend.

### **Adjusting the Portfolio asset allocation**

Each quarter (with timing determined by your contract anniversary date or as otherwise agreed upon with your advisor), the Service will review your target allocation as illustrated in the asset allocation schedule found in your financial plan in relation to your investment time horizon to determine if any changes in the target asset allocation you approved as part of your financial plan are recommended. If the Service recommends changes to the Portfolio's target allocation, recommendations may also be made with respect to the purchase or sale of securities in the Portfolio to meet the new target asset allocation and reflect your progress along the asset allocation schedule. If you have selected a static asset allocation for a particular goal, however, then we will not perform a review to see if changes to your target allocation are warranted for this goal as the target allocation is fixed to a set proportion of equity, bonds and cash throughout the life of your advised relationship.

If your ability to bear risk, your investment time horizon, your financial situation, or your overall investment objectives change, you should notify your advisor or update your information so the Service can take these considerations into account when reviewing your asset allocation target. We won't change the recommended asset allocation based on current or prevailing market conditions but may recommend a different asset allocation based on changes to your financial situation or investment objectives. If we recommend a different asset allocation, you'll receive a new financial plan for your review and approval.

In its discretion, VNTC may change data providers and may revise the methodologies used to determine the asset classification assessments of securities based on, among other things, data availability, our judgments about data quality, and to ensure that portfolios are constructed in accordance with our investment philosophy. A change of third-party data providers or methodologies can result in changes to the asset classification assessments of securities in your portfolio, which could contribute to the need to rebalance your Portfolio. This section about adjustments to the Portfolio asset allocation doesn't apply to participants of employer-sponsored retirement plans or those clients who decide not to enroll in the Service.

### **Goals forecasting**

We'll also provide projections to help you assess your ability to achieve your personalized financial goals. To cover a broad range of outcomes, our forecasts will generate 10,000 scenarios to measure your likelihood of success in reaching your goals. 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 or Portfolio. These forecasted index returns and 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 in the Portfolio or on accounts held outside the Portfolio. 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 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 0.20% 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 projections forecast for your goals don'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 the likelihood of reaching your goals as supported by accounts invested in a diversified portfolio of Vanguard Funds, such projections may not correlate well to other assets you hold in any accounts not invested in accordance with our lead advice methodology. Accordingly, your actual investment results may vary significantly from our projections.

#### **Outside accounts and cost assumptions used in goals forecasting**

For any accounts held outside the Portfolio, we'll assume the asset allocation held in those outside accounts is the same as the accounts held in the Portfolio. Accordingly, we'll use the same index returns noted in the section above entitled "Goals forecasting" for the forecasting model to project your likelihood of success based on both outside accounts and accounts held in the Portfolio. However, any Cash Plus Accounts are assumed to be invested 100% in cash and associated balances will be projected using VCMM cash rates of return. If your outside accounts aren't invested in a similar manner as the accounts in your Portfolio, your actual investment results may vary significantly from what our likelihood-of-success projections. A variance in the actual asset allocation of your accounts held outside the Portfolio could significantly affect your likelihood of reaching a goal within the indicated time frame. The projections for any goals forecasted using accounts held outside the Portfolio (including other Vanguard accounts, such as Cash Plus Accounts) are calculated based solely on the information you provide with respect to the dollar amount of securities held in those accounts and your rate of contributions to those accounts. You may provide us with such information manually or by using certain third-party financial data aggregation services. We'll continue to rely on the information you provide for as long as your goals are supported by such accounts. We won't independently verify or update this information. You can update the dollar amount of securities in accounts held outside the Portfolio and your rate of contributions by contacting us or by authorizing a third-party financial data aggregation service to refresh the data.

#### **Index benchmarks used in the calculations**

The returns used in the likelihood-of-success calculations contained in your financial plan for each type of goal are based on the following:

- We use historical index data for U.S. bond market returns to forecast your bond allocation when calculating your likelihood of success. 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 use historical data for U.S. short-term reserve returns to forecast your short-term reserves allocation when calculating your likelihood of success. 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 Statistical Release H.15.
- We use historical index data for U.S. stock market returns to forecast your equity allocation when calculating your likelihood of success. 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.
- We use historical index data for international stock market returns to forecast your equity allocation when calculating your likelihood of success. 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.

While we may recommend that you invest a portion of your equity and bond allocations in securities with international exposure, we do not use historical index data for international bond market returns when calculating your likelihood of success because of the lack of long-term international benchmark data. Additionally, the historical index data we use for the stock and bond markets may not correlate well to other assets you hold in accounts held outside of the financial plan or Portfolio or in Portfolio accounts invested in securities other than Vanguard's registered index funds.

## Retirement goals forecasting

We project your lifetime cash flows—infows 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 investment income.
- 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 in 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.

There are certain variables that we're unable to take into account in the cash flow analysis, including some retirement plan design considerations, such as a plan's implementation of the 401(a)(17) limit, payroll deferral limits, and certain nonelective employer contributions.

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 either a "dollar plus inflation" approach or our Dynamic Spending model. "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. Dynamic Spending considers hypothetical fluctuations in the three-year annualized balance of the accounts supporting your retirement goal and is bound by annual increase and decrease thresholds you establish with an advisor. Dynamic Spending is one factor in determining your forecast and doesn't cause an advisor to take any action in your Portfolio. If you elect to use Dynamic Spending, we assume you'll adjust your spending to match the new annual living expense allowance you'll be provided with at the beginning of each year.

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

## Goals forecasting for custom goals

A custom goal, including a goal that is set using a static allocation, is one in which you're currently saving for a future event. Custom goals can focus on saving for a single lump-sum distribution (e.g., a home purchase) or on saving a sum to draw 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 have accumulated 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 may 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 entitled "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'll allow you to meet your spending needs in 85% of the Monte Carlo simulations (which means 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. For us to model the accumulation phase, you must provide us with the amount of assets you currently 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. The ability to meet a goal will be quantified using a success rate. A successful outcome is defined as one in which the projected ending account balance, without considering 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.

### **Trust and organization goals forecasting**

For Personal Investor Clients, we can provide investment recommendations and advised account services for certain entity accounts. We'll collect information about the trust or organization, such as any investment restrictions, information about beneficiaries, and current and future income and distributions from the entity. We consider future inflows and distributions throughout the projected duration of the entity- planning horizon. We'll assess cash flows—-inflows from investment income and other sources and outflows from distributions—to assess whether the entity investments can adequately support the entity needs over the intended duration.

We evaluate many factors in assessing the entity's current cash flow and in creating future cash flow projections, including:

- Projected and known distributions from the trust or organization, as a percentage of the income of a portfolio, or a fixed dollar amount, as provided by the trustee(s) or organization's agent(s).
- Projected inflows to the entity from investment and noninvestment income sources, as identified by the trustee(s) or organization's agent(s).
- The effect of variables such as inflation and income taxes. The entity cash flow model, if applicable, will factor into entity-specific income tax considerations.
- The effect of different market scenarios on the rates of return of entity assets.

The validity of these assumptions is based exclusively on the information the trustee(s) or organization's agent(s) have provided.

It's important that the accounts supporting the trust's or organization's goal be able to endure a variety of market conditions. To assess the ability of the entity to meet future distribution goals through a variety of market conditions, our cash flow analysis, as applicable, projects how the entity assets would perform under various hypothetical scenarios.

We simulate the entity's expected inflows and outflows each year through its expected planning horizon and, using each individual scenario's unique forecasted return and inflation assumptions, we project the entity Portfolio's ending balance. The entity's estimated success rate is simply the percentage of these scenarios in which the entity balance is at least \$1 at the end of its planning horizon.

### **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 forecasts provided by the VCMM 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 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**

VNTC has no material legal or disciplinary information to disclose.

## Other financial industry activities and affiliations

### The Vanguard Group, Inc.

VNTC is wholly owned by The Vanguard Group, Inc. (“Vanguard”). Vanguard, a registered investment advisor, provides a range of investment advisory and administrative services to the Vanguard family of mutual funds (“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 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, VNTC will recommend the purchase of Vanguard Funds distributed by VNTC’s 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 VNTC’s affiliation with VMC in its role as distributor of the Vanguard Funds are mitigated. However, to the extent that you maintain a brokerage account with VMC as part of the Portfolio, VMC may receive compensation from you that’s separate from, and in addition to, the fees payable under the Service. Read the section entitled “Brokerage practices” for more information about brokerage charges and other fees and expenses you may pay as a result of enrolling your Vanguard Brokerage Account in our service.

Certain members of VNTC’s management responsible for the Service may be registered representatives of, or are affiliated with, VMC.

### 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 trusts services 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 relating to VFTC’s fees and services provided.

### Vanguard Advisers, Inc.

VAI, a federally registered investment advisor, is 100% owned by Goliath, Inc., a Delaware corporation, which is wholly owned by Vanguard. VAI may provide or may have provided onetime advice or other advisory services to eligible investors, including VNTC clients, under a separate agreement using the same or similar investment methodology and systems as VNTC. When appropriate, VNTC may rely on advice provided by VAI to a VNTC client or information provided to VAI by a VNTC client. VAI acts as limited partner representative to the Vanguard HarbourVest Funds and may exercise certain administrative rights on behalf of all limited partners, including VNTC clients, invested in the funds. More information about the risks associated with an affiliate acting as limited partner representative can be found under the heading “Investment risks” below.

## Code of ethics, participation or interest in client transactions, and personal trading

VNTC operates under a code of ethics that complies with Rule 17j-1 of the Investment Company Act of 1940 and Part 9.12 of Title 12 of the Code of Federal Regulations applicable to national banks.

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 benefit.

Vanguard will provide a copy of its code of ethics to any client or prospective client upon request at no charge. Please see the previous section entitled "Other financial industry activities and affiliations" for a discussion of VNTC's affiliations with other Vanguard entities and how those affiliations may affect VNTC clients.

## **Brokerage practices**

VNTC may execute securities transactions for Personal Investor Clients through VMC when VNTC believes VMC will provide best execution. If VMC isn't chosen to execute securities transactions for clients, VNTC will arrange for the transactions to be executed through one or more brokers, dealers, or banks that VNTC reasonably believes will provide best execution. In choosing a broker, dealer, or bank, VNTC will consider execution capability, reputation, and access to the markets for the securities being traded. VNTC doesn't adhere to any rigid formulas when selecting brokers but weighs a combination of the preceding criteria. VNTC will seek competitive commission rates but won't necessarily attempt to obtain the lowest possible commission for clients. Any fees or commissions charged by VMC or any other broker, dealer, or bank for brokerage services will be in addition to VNTC's fees.

You'll be required to establish or use an existing brokerage account held through our affiliated broker-dealer, VMC, and you'll agree in the Service Agreement for Vanguard Personal Advisor Wealth Management to execute all Portfolio brokerage transactions through VMC. Transactions executed in a Vanguard Brokerage Account will be subject to VMC's usual and customary fees, markups, commissions, and charges, as well as bid-ask spreads separate and apart from the advisory fees we assess. If a Personal Investor Client holds deposits in a bank sweep service in the Portfolio, then VMC will receive a fee from program banks that accept bank sweep deposits that (i) is set by VMC, (ii) may vary from program bank to program bank, (iii) may be changed by VMC at any time, and (iv) will affect the yield clients receive from the bank sweep service. Personal Investor Clients who enroll in the bank sweep receive a lower yield on deposits under the bank sweep than if VMC had not earned this fee, because the program banks reduce the amount of interest they are willing to pay depositors by the amount of the fee they pay to VMC.

For manually processed brokerage trading, it's our practice to transmit orders to the secondary markets during normal market hours on any business day the markets are open for trading.

For automated brokerage trading, we typically transmit orders to the secondary markets beginning at or near 10 a.m., Eastern time, through the close of trading on any business day the markets are open for trading. To limit the adverse price effects you could experience if we submitted our automated brokerage trades in bulk to the secondary markets at a single point in time, we've designed a fair and equitable system for handling automated brokerage trades that doesn't systematically disadvantage any client. Automated trades we generate between the hours of 3:45 p.m., Eastern time, on a business day through 10 a.m., Eastern time, on the next business day are sent out to the secondary markets in timed batches during that second business day. When automated trades recommend the purchase or sale of Vanguard ETFs on behalf of VNTC's advised clients, those trades may be aggregated along with trades recommended for clients of VAI, an affiliate of VNTC. This means the individual Vanguard ETF® trades of certain clients may be combined for execution in the secondary market.

## **Trade aggregation and cross trading**

We aggregate trades in Vanguard ETFs, where possible, for the purpose of minimizing transaction costs while seeking to obtain best execution on behalf of our clients. Where we aggregate trades, we first seek to reduce transaction costs by employing cross trading among the advised accounts of VNTC and VAI clients who are buying or selling a particular Vanguard ETF capable of being cross-traded on that business day. To do so, we determine the net amount of our clients' buys and sells that can be aggregated for a particular Vanguard ETF on that business day and match the trades of as many of those buyers and sellers as possible on a pro rata basis across all clients participating in the aggregate trade. With this practice, individual advised clients are selling their Vanguard ETFs to other advised clients and thereby avoiding sending those trades to the secondary markets for execution. We'll price all crossed trades at the then-prevailing market price as determined by the midpoint between the national best bid and offer ("NBBO"). Any portion of the aggregate trade unable to be executed through cross trading will be submitted as a residual aggregate trade to the secondary markets in an attempt to complete any unfilled orders for that Vanguard ETF.

Where we aggregate trades, we'll calculate an average price for all the Vanguard ETFs bought or sold together, and clients who participated in the aggregated trade will receive that average price for the securities traded for them. The average price we assign to individual trades may be greater or less than the price an individual client's order would've received if not traded using aggregation and cross trading.

Further, if we're unable to completely fill the residual aggregate trade, we'll distribute the Vanguard ETFs purchased or the proceeds received from such aggregate transaction to the clients who participated in the residual aggregate trade on a pro rata basis. We'll initiate or pause automated trading, trade aggregation, and/or crossing at our discretion at any time and for any reason, including pausing trading when we believe continuing trading may pose undue risk of harm to your Portfolio.

Aggregation and cross trading isn't available to all account types, security types, or order types. You'll only be able to participate in aggregation and cross trading in certain automated trades of Vanguard ETFs submitted on your behalf from your Vanguard Brokerage Account. Accounts governed by ERISA aren't permitted to engage in cross trading.

Additionally, you won't participate in aggregation and cross-trading where:

- Your advisor, at their discretion, has opted out of aggregation by submitting trades manually, or as market orders. Generally, the advisor might opt-out of aggregation due to time sensitive direction from you, a manual tax loss harvesting opportunity, or dollar cost average trading, among other reasons.
- Automated Vanguard ETF trades are submitted for an individual advised client along with an order to transact in securities ineligible for aggregation and cross trading, such as the sale of an individual bond.
- Automated Vanguard ETF trades are submitted for an individual advised client along with an order to transact in securities held in a legacy transfer agent account or legacy Vanguard Brokerage Services account.

Clients who don't participate in aggregation and cross trading might receive a different, possibly worse, price for the securities bought and sold on their behalf.

If VNTC is directing the sale of an entire position in stocks or ETFs and the position includes fractional shares, the fractional shares liquidate automatically on the settlement date at no additional cost to the client. VMC will purchase the fractional shares from the client on a principal basis at the same price at which the whole shares executed.

### **Fractional share trading**

Starting in June 2025, the Service will seek to utilize fractional share trading for automated trading in Vanguard ETFs. Clients may also hold fractional shares in Vanguard Brokerage Accounts as a result of self-directed dollar-based transactions prior to enrolling their brokerage account in the Service. The potential benefits of fractional share trading include, but are not limited to, allowing for greater portfolio diversification by enabling Vanguard Brokerage Accounts to be allocated more closely to their target asset allocation; participating in fractional dividend distribution; and the opportunity to reduce cash holdings. Fractional shares typically do not trade directly in the market. When trading in fractional shares, VNTC will "trade along" with Client's fractional shares in order to facilitate the trading (alternatively, fractional share recommendations may be offset through the aggregation and cross trading practices described above). This means that VNTC will complete a fractional order from VNTC's facilitation account inventory by adding the proportional shares or dollars needed to make a whole share market order. In this case, the order will be routed for execution in an agency capacity, and VNTC will not be trading these orders as principal.

Orders will be prioritized to fill Client orders and VNTC will absorb any residual shares or proceeds from the sale of residual shares in its facilitation account. It is not the intent of VNTC to profit while trading along with its Clients; however, VNTC might realize a profit or loss in connection with trading fractional shares.

VNTC's facilitation account will be held with VMC, its affiliated broker-dealer. VMC will receive no commissions or other compensation in connection with the trading of fractional shares.

In the event trades are processed manually, if VNTC is directing the sale of your entire position in stocks or ETFs and the position includes fractional shares, then fractional shares liquidate automatically on the settlement date at no additional cost to you. In this case, VMC will purchase the fractional shares from you on a principal basis at the same price at which the whole shares executed without obtaining your positive consent prior to automatic liquidation. In the event of an operational contingency during which the trade along process above is unavailable, your consent may be required for this type of manual trade and rebalancing your account, or withdrawals could be delayed or paused until consent is obtained.

Fractional shares cannot be transferred to another brokerage firm. In situations where a fractional share cannot be transferred, it would need to be sold, and a taxable gain or loss incurred if such sale occurs in a taxable account. Clients are entitled to receive any dividends paid on their fractional share positions. The dividends payable in respect of their fractional share position will be an amount proportionate to their ownership interests. Fractional shares will be eligible to participate in both mandatory corporate actions (e.g., stock splits, mergers) as well as voluntary corporate actions (e.g., tender offers). However, clients may not have voting rights for any of the fractional shares held in their accounts depending on the issuer or tabulator. Clients will only be permitted to vote in respect of their whole share positions. Upon termination of an advisory service, fractional share positions will remain in your Vanguard Brokerage Account until the positions are fully liquidated.

We reserve the right, at any time in our sole discretion, and without prior notice to clients, to limit or stop trading fractional shares or to change our policies and procedures governing fractional share trading, including, without limitation, allocation and trade along procedures. Certain securities may be or may become ineligible for fractional share investing, as determined by us in our discretion. If previously eligible securities become ineligible for fractional share investing, we will process a liquidation of such fractional share positions and credit the proceeds to your account.

Periodically, we conduct due diligence to review the execution quality of any transaction services VMC provides for clients' Portfolios, primarily to oversee VMC's compliance with its best execution practices. VMC routes equity and options orders to various markets. VMC uses a top-down approach in selecting market participants with which VMC will establish relationships. This approach includes a review of system availability and service quality, as well as financial and regulatory standing. The designated market participants to which orders are routed are selected based on the consistent high quality of their executions in one or more market segments. In analyzing quality of executions, VMC considers factors such as liquidity enhancement, price improvement, execution speed, and overall effective price compared with the NBBO. VMC regularly conducts analysis and reviews reports to evaluate execution quality.

Other investment advisors may not require you to direct brokerage transactions through a specified broker-dealer. By directing brokerage transactions to VMC, we may be unable to achieve most favorable execution of your transactions, and this practice may cost you more money.

### **Review of accounts**

Clients of the Service will have continuous access to their Portfolio information through our online web experience. We'll periodically evaluate and monitor the Portfolio through investment reviews and analyses. Each quarter, with timing determined by your contract anniversary date, or otherwise agreed upon with an advisor, we'll check your Portfolio to make sure it's in line with your target allocation.

We don't perform rebalancing services for clients who only receive a financial plan and do not enroll in the Service.

### **Adjusting the asset allocation**

We may recommend adjusting your asset allocation as your ability to bear risk changes or to account for changes to your investment time horizon, but it won't change the asset allocation based on market conditions. Quarterly, we'll review your target allocation in relation to your investment time horizon to determine whether allocation changes are necessary, unless you have selected a static asset allocation where the target allocation will remain fixed throughout the life of your advised relationship.

The Portfolio's target allocation may also change based on changes to your financial situation and investment objectives. Changes to your asset allocation may cause us to recommend and effect the purchase or sale of securities in your Portfolio to meet the new target asset allocation.

We don't perform rebalancing services for clients who only receive a financial plan and do not enroll in the Service.

### **Rebalancing the Portfolio**

If during a quarterly review your Portfolio is found to deviate from the target asset allocation by more than 5% in any asset class, we'll initiate steps to begin rebalancing your Portfolio within the five-day review period using investment methodologies and strategies consistent with those employed during the implementation of your Portfolio. Securities contributing to overweighted sub-asset classes will be sold and the proceeds invested in underweighted sub-asset classes in accordance with your financial plan.

We'll attempt to minimize the tax costs associated with rebalancing your Portfolio. If the Portfolio consists of both taxable and tax-advantaged registrations, we'll first attempt to rebalance within the tax-advantaged accounts to limit tax costs. In addition, we'll follow a tax-efficient "asset location" strategy to consider the tax implications of repositioning investments within the taxable accounts and among the taxable and tax- advantaged accounts. This strategy will follow similar practices as those used during implementation of your Portfolio to hold relatively tax-efficient investments, such as broad-market stock index products, in taxable accounts while keeping relatively tax-inefficient investments, such as taxable bonds or active funds, in tax-advantaged accounts. If your Portfolio deviates from the target asset allocation by 5% or less in all asset classes, we may still review the individual investments and sell them, unless a client-directed hold exists. Additionally, we'll use cash flows as an opportunity to adjust your holdings to your target allocation. That is, we'll invest your contributions or liquidate your withdrawals to adjust your overall allocation back to your target allocation, to minimize transaction and tax costs.

If during a rebalance the proceeds resulting from the sale of securities are designated to purchase a new Vanguard fund not already held in a Vanguard Brokerage Account and the amount of the purchase is less than 0.50% of the total value of your Portfolio (not to exceed \$10,000), then the proceeds will be used to instead purchase additional shares of the largest existing holding of any one of the Four Totals, or a surrogate Vanguard fund, or another diversified Vanguard Fund already held in the account for which the purchase recommendation was generated. If the account for which the purchase recommendation was generated does not contain an existing holding of any one of the Four Totals, or a surrogate Vanguard Fund, or another diversified Vanguard Fund, then the proceeds will be invested in the settlement fund or bank sweep established for the account.

If, during a rebalance, the proceeds resulting from the sale of securities are designated to purchase additional shares of a Vanguard ETF in a Vanguard Brokerage Account, the amount of the recommended purchase will be set at a minimum of \$40 of

such Vanguard ETF. If the amount of the recommended purchase is less than \$40, we will instead purchase additional shares of the largest existing holding of any one of the Four Totals, or a surrogate Vanguard Fund, or another diversified Vanguard Fund already held in the account for which the purchase recommendation was generated. If the account for which the purchase recommendation was generated does not contain an existing holding of any one of the Four Totals, or a surrogate Vanguard Fund, or another diversified Vanguard Fund, or if the proceeds are insufficient to purchase additional shares of such existing holdings, then the proceeds will be invested in the settlement fund or bank sweep established for the account.

Sale instructions during a rebalance will be reviewed systematically in order to facilitate efficient trade execution when there are minimal order amounts. During any rebalance, if there is an instruction to sell 95% or more of a position in a Vanguard ETF, the instruction will be converted to a sell-all order unless the remaining value of the ETF position is \$25,000 or more. During a full or periodic rebalance, any sales of a Vanguard ETF for less than \$50 will be cancelled and the position will be maintained until the next rebalance opportunity. During a rebalance due to fee collection or a one-time withdrawal, any sales of a security less than \$1 will be rounded up to \$1 if the shares remaining will be at least \$1, or the sale will be converted to a sell-all order.

If, during a rebalance, the proceeds resulting from the sale of securities are designated to purchase securities worth less than one dollar (\$1.00) in a Vanguard Brokerage Account, then the proceeds will instead be invested in the settlement fund or bank sweep established for the account.

Notwithstanding the ability to place reasonable restrictions on your Portfolio, individual investments will be evaluated during a quarterly review and sold in certain cases if we deem it appropriate. For example, we may sell an individual security held at a loss in taxable accounts if the only other option to properly rebalance the Portfolio is to sell another security held at a gain, even if the security we intend to sell is subject to a reasonable restriction imposed by you. Additionally, individual securities that initially satisfied our portfolio construction and diversification standards and were, therefore, retained in your Portfolio at the time of initial implementation may thereafter violate those standards, which could cause us to sell the individual security during a later rebalance. If we recommend a full liquidation with respect to securities held in a Vanguard IRA® and the security being liquidated i) isn't held in any other account, ii) hasn't been authorized through Attachment A to the Service Agreement for Vanguard Personal Advisor Wealth Management, or iii) was held as a client-directed hold, we'll notify you at least 30 days before the change is implemented.

We don't perform rebalancing services for clients who only receive a financial plan and do not enroll in the Service.

### Error Correction Practices

Errors, including trade errors and operational errors, may occur in connection with our transacting in client accounts. We maintain policies and procedures that address the identification and correction of errors consistent with applicable standards of care. In the event an error occurs, we will seek to correct the error in a fair, timely and reasonable manner and we will make an appropriate correction or otherwise refund losses to your Portfolio resulting from the correction of errors.

We determine whether an error has occurred on a case-by-case basis, in our discretion, taking into consideration factors we deem reasonable, including, without limitation, applicable legal and regulatory requirements, our contractual obligations to clients and the applicable standard of care. Not all incidents will be considered errors and not all errors will have a financial impact on your Portfolio.

When we determine that there is an error, we may, in accordance with our policies and procedures, cancel or modify trades prior to settlement or reallocate to our error account. Where it is not permissible or practicable to correct an error prior to settlement, we will engage in such transactions as may be necessary to correct the error. When we determine that compensation is appropriate, we will determine the amount in good faith and in accordance with our error correction policies and procedures. If an error, after correction, results in a gain to a client's account, the client account will retain the gain. Unless prohibited by applicable laws, we may choose to net a Portfolio's gains and losses arising from a single incident, or if there are a series of related errors stemming from the same root cause. If an error, after correction, results in a gain to our error account, the error account will retain the gain to net against other Vanguard losses sustained in the error account. The error account is most likely to experience a gain because of a correction where the market has moved positively while the trades made to satisfy the correction are settling or when a client chooses to engage in the correction process even though the share price of the security sold in error has decreased.

Reimbursement is limited to direct losses and does not include any amounts we determine to be speculative or uncertain, including potential opportunity losses. In calculating any reimbursement amount, we may but are not required to consider tax implications for, or the tax status of, any affected client.

## **Client referrals and other compensation**

We don't receive compensation or other economic benefits for providing investment advice or advisory services to persons other than 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 fees nor do they incur any additional costs for us to run 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 and certain VAI supervised persons are eligible for variable compensation as discussed in the "Fees and compensation" section above.

## **Custody**

As owners of Vanguard Funds, VNTC clients will receive or have access to communications with respect to those securities. These communications include transaction confirmations, quarterly account statements, prospectus updates, annual and semiannual reports, and proxy statements relating to their holdings (as appropriate), as well as general Vanguard newsletters, emails, and other communications.

If you hold a mutual fund account directly with Vanguard, you will receive quarterly or more frequent account statements from Vanguard, the transfer agent of the Vanguard Funds, in lieu of a qualified custodian. Vanguard will also transmit transaction confirmations to you in connection with purchases and sales made in your Vanguard mutual fund account.

If you maintain a Vanguard Brokerage Account, VMC serves as qualified custodian and will send quarterly or more frequent account statements directly to you. VMC will also transmit transaction confirmations to you in connection with purchases and sales made in your Vanguard Brokerage Account (provided that VMC may furnish periodic statements of account activity in lieu of transaction confirmations in compliance with Rule 10b-10 of the Securities Exchange Act of 1934).

You should carefully review and compare all account statements and reports from Vanguard and VMC with account information we make available and contact the appropriate entity with questions.

## **Investment discretion**

This service is a nondiscretionary service. In connection with the Service, you must approve your financial plan and direct us to implement the recommended investment strategy for your Portfolio either verbally or in writing (including email and similar electronic communications). We'll construct and invest your Portfolio in accordance with your approved Financial Plan, including any reasonable restrictions you may want to impose on our investment of the Portfolio. Changes to the investment strategy set forth in the Financial Plan will be made only with your consent. Until you approve the Financial Plan and direct its implementation, we'll take no action with respect to the assets held in the Portfolio. Within five business days after you approve the Financial Plan, we'll initiate steps to begin implementing your investment strategy as specified in the Financial Plan, unless you direct us to implement the Financial Plan over time.

In implementing the Financial Plan, we'll have the authority, on your behalf, to purchase, sell, exchange, or transfer assets; rebalance and reallocate assets; and execute other necessary and appropriate transactions, including transmitting verbal, written, or online instructions to effect transactions, at the times and according to the terms established in the Financial Plan. We may recommend a change to the investments used to effect the investment strategy set forth in the Financial Plan, including changing the investments used for purposes of rebalancing the Portfolio or substituting a particular investment for another investment you previously approved. If we recommend such a change to the investment strategy, we'll notify you at least 30 days before the change is implemented. Any notice of a proposed change in investments will include the effective date of the proposed change, instructions you can follow to avoid the proposed change, and a reminder that your failure to respond by a specified date will be deemed your consent to the proposed change in investments. Your Financial Plan will also contain a standing instruction to reassess your asset allocation or rebalance the Portfolio on a predetermined basis if and to the extent set forth in the Financial Plan.

In the Service Agreement for Vanguard Personal Advisor Wealth Management with us, you'll grant us the authority to open new accounts, except for new brokerage accounts, with our affiliates for you with identical registrations to transfer and segregate Portfolio securities. We'll exercise this authority to fulfill your stated needs for the Portfolio or your goals-based reporting, such as when you only want to enroll a portion of your funds or securities in the Service or if we need to segregate your investments to support various goals you've selected.

## **Voting client securities**

Upon request, an advisor may provide additional information about proxy votes and corporate actions to clients enrolled in the Service. The information may include details on the security itself, effect on the client's Portfolio, recommended voting by Vanguard or third parties, and the advisor's recommendation.

We won't vote or exercise similar rights for your securities. The exercise of all voting rights associated with any security or other property you hold shall be your responsibility. We won't advise or act for you in any legal proceedings, including bankruptcies or class actions involving securities you hold or previously held or the issuers of those securities. Proxies 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 our contractual commitments to you.

## **Investment risks**

### **Securities recommendations and risk**

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 of 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 <https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins-45>.

#### **Data risk**

Data risk is the chance that the Service receives inaccurate, incomplete, or outdated data. The Service relies on data provided by vendors and 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 in real time, and there will be a delay in incorporating significant events into models.

#### **Vendor risk**

The Service uses a number of vendors to provide capabilities, data, and other information that are required by VNTC to deliver the Service. An outage or interruption of, or defect in, capabilities, data, or other information provided by these vendors could adversely impact VNTC's ability to deliver the Service. VNTC's technology and vendor oversight, management and controls may not identify these issues that could adversely impact VNTC's ability to deliver the Service. Third-party vendors may limit their liability to Clients.

#### **Cybersecurity risks**

The increased use of technology to conduct business could subject VAI and its third-party service providers to risks associated with cybersecurity. In general, a cybersecurity incident can occur as a result of a deliberate attack designed to gain unauthorized access to digital systems. If the attack is successful, an unauthorized person or persons could misappropriate assets or sensitive information, corrupt data, or cause operational disruption. A cybersecurity incident could also occur unintentionally if, for example, an authorized person inadvertently released proprietary or confidential information. Vanguard has developed robust technological safeguards and business continuity plans to prevent, or reduce the impact of, potential

cybersecurity incidents. Additionally, Vanguard has a process for assessing the information security and/or cybersecurity programs implemented by third-party service providers, which helps minimize the risk of potential incidents. Despite these measures, a cybersecurity incident still has the potential to disrupt business operations, which could negatively impact VAI and/or the Service's Clients (including prospective Clients).

*The following summarizes the risks associated with the Vanguard Funds and collective investment trusts and other pooled investments investing in the Vanguard Funds:*

## **Ownership limitations**

As the assets managed by Vanguard and its external advisors continue to grow, the securities held by Vanguard funds increasingly are impacted by ownership limitations. Ownership limitations restrict the amount that funds can invest in certain securities, due to either regulatory limits that apply to certain industries (for example, banking and utilities) or mechanisms that some issuers have in place to deter takeover attempts (for example, poison pills). These restrictions can have negative impacts on funds, including the inability of an index fund to track its index, the inability of a fund to meet its investment objectives, negative performance impacts, and unanticipated tax consequences. The impact of a particular ownership limitation on a Vanguard fund will vary based on several factors, including, but not limited to, the industry to which the limitation applies, the country or region of a particular issuer, and the regulatory body imposing the limitation. In addition to the impacts of specific ownership limitations, Vanguard is also subject to the risk of multiple ownership limitations applying at one time, which could increase the likelihood of a fund experiencing the negative impacts listed above. Vanguard attempts to mitigate the impacts of ownership limitations on the Vanguard funds through the various methods discussed below in Methods to Address Ownership Limits. However, it is possible that these methods will be unsuccessful.

### **Impacts of ownership limitations**

When an ownership limitation applies, Vanguard may need to tell the Vanguard funds how much of impacted securities each fund can buy and hold. When this occurs, a fund may not be able to buy additional securities or continue to hold existing securities above its allocated amounts. For index funds, this can result in tracking error if a fund cannot buy or hold the securities it needs in order to replicate or sample its target index. For active funds, this can result in a fund's advisor not being able to take advantage of favorable opportunities to invest in securities that are subject to limitations. For both index and active funds, the inability to buy or hold securities could prevent a fund from being able to meet its investment objective or invest in accordance with its investment strategy, and/or could negatively impact the fund's performance. In addition, the steps Vanguard and the Vanguard funds take to address ownership limitations could result in additional costs and/or unanticipated tax consequences to a fund that affect the amount, timing, and character of distributions to the fund's shareholders. The more assets Vanguard and its third-party advisors manage, the more likely it is that ownership limitations could affect the Vanguard funds negatively.

### **Methods to address ownership limitations**

Vanguard and the Vanguard funds try to manage the negative impacts that ownership limitations could have on the Vanguard funds by seeking permission (relief) from regulators and/or issuers to purchase or hold more securities than the amount allowed by ownership limitations. However, it is not always possible to secure relief, and there is an increasing amount of uncertainty around how much ownership limitations relief regulators will grant to asset managers like Vanguard. Given this uncertainty, there is no guarantee that Vanguard or the Vanguard funds will be able to obtain additional relief from ownership limitations in the future. In addition, the relief upon which Vanguard and the Vanguard funds currently rely, which has allowed Vanguard to exceed certain ownership limitations, could be reduced or revoked, forcing the Vanguard funds to sell down one or more securities to comply with the ownership limitations. If a fund has to sell securities, there could be negative impacts to fund performance as well as unanticipated tax consequences that could impact the amount, timing, and character of distributions to the fund's shareholders.

When a Vanguard fund cannot buy or hold securities directly due to ownership limitations, the fund will typically try to get indirect exposure to impacted securities. The fund does this so that it can replicate as closely as possible the returns the fund would get if it directly owned the impacted securities. Indirect exposure can be accomplished through the use of derivatives, such as total return swaps, or by investing in wholly-owned subsidiaries that hold the impacted securities. Both of these methods of obtaining indirect exposure increase fund costs, and, depending on the extent to which these alternatives are used by a fund to avoid exceeding ownership limits, the added costs could have a negative impact on the fund's performance. The risks of derivatives use are discussed elsewhere in the prospectus.

### **Additional risks associated with investing in private equity funds**

In addition to the above general investment risks, clients that are invested in private equity are subject to a number of additional risks, or the risks described above may be materially greater in a private equity fund. Investing in private equity requires substantial tolerance for illiquidity and substantial risk of loss, and therefore should only be elected by investors capable of evaluating and tolerating such risks. While, as noted above, private equity investing has provided excess return over public markets historically, there is no guarantee that this outperformance will continue or that investors will earn a return on their capital.

Clients should read carefully the offering documents, including any prospectus, private placement memorandum, partnership and subscription agreements, and any other materials they may receive in connection with a private equity investment, and consult their legal counsel or tax professionals if they have any questions.

### **Liquidity**

Private equity investing is generally suitable only for investors able to make long-term commitments, often a decade or more, because they have cash flow or other sources of liquid capital sufficient to meet their near-term spending needs, or do not otherwise expect to need access to the funds committed to private equity for the life of such an investment. Investors should not expect private equity funds to provide significant, or even any, cash flow, particularly in the early years of an investment.

Unlike publicly traded investments, clients should not expect to be able to exit any private equity fund they have committed to during the term of the private equity fund. Private equity funds are themselves subject to substantial restrictions on their ability to exit deals or otherwise realize value from them. There are also substantial legal and contractual restrictions on transferring private equity interests that limit a client's ability to sell a private equity fund position to another eligible investor in a private sale, and such sales are also generally subject to the approval of the general partner of the private equity fund. The illiquidity of private equity investments also means that an investor may experience a substantial loss on the sale of such investments even if the investor is able to find a buyer and obtains the necessary approvals to sell the investments.

### **Diversification**

Although the type of private equity fund that VNTC will typically recommend will seek to diversify its investments across industries, deal structures, and geographies, there is no guarantee that the fund will be able to obtain its target diversification. The intense competition for investment opportunities in the private equity sector means that there can be no guarantee any private equity fund recommended by VNTC will be able to obtain access to any of the investment opportunities it targets or be able to invest the amount of funds desired in such opportunities.

Private equity investing is highly competitive and involves a high degree of uncertainty due to the absence of public information and disclosure about many investment and deal opportunities. These funds typically do not have prescriptive guidelines, but rather have "expected" or broadly defined allocations. They may vary considerably from these expected allocations due to market conditions or the available investment opportunities, however. There may be a limited number of available investment opportunities in certain or all industries, deal types and structures, and locations, that may lead the general partner of the fund to take more limited or more concentrated positions based on the opportunities that the general partner identifies in the marketplace. The general partner may also be unable to invest all committed capital due to the absence of attractive investment opportunities.

### **Client capacity**

Private equity funds often limit the numbers and types of investors they accept for business and regulatory reasons. As a result, not all VNTC clients desiring exposure to private equity investments may be able to obtain it either at all or at the desired level of investment.

### **Disclosure**

VNTC and its clients will not have the opportunity to evaluate for themselves the investments that the private equity funds make on their behalf. Such investments are generally subject to confidentiality restrictions imposed on the private equity fund by their investment counterparties as a condition of deal participation. As a result, VNTC and its clients must depend solely on the ability of the general partner and its advisors to manage the fund.

In addition, in a fund-of-funds private equity fund, the private equity fund manager itself will be largely reliant on the investment performance of the managers of the underlying portfolio partnerships in which the fund invests. The private equity fund of funds manager will not have any active role in the management of the underlying portfolio partnerships or otherwise have any ability to influence the investment decisions or other operations of the underlying funds.

### **Valuations**

VNTC and its clients will not have visibility to the underlying investments of a private equity fund and must rely on the private equity fund for valuation of the investments it holds. Many companies in which private equity funds invest are new or at an early stage of development. As such, they may have little or even no operating or earnings history on which to evaluate them. Other companies may be operating at a loss or have a need for substantial cash infusions to support their growth. In addition, in the case of a private equity fund of funds, the underlying partnerships and their general partners may themselves be newly formed entities with little or no operating history on which to evaluate them.

Market quotations or other third-party public sources of valuations usually are not available with respect to these investments. Even when market quotations are available for an underlying investment, it might not represent the value an investor would realize in a sale. The valuations of investments by the private equity fund are largely based on the manager's good-faith determination of the fair value of the assets based on a variety of financial and other metrics. As a result, the fund's reported valuations over time may vary significantly from the value, if any, that investors will ultimately realize from their investments in the fund.

VNTC will be making its investment decisions with respect to a client's portfolio and charging related advisory fees based on the private equity fund(s) valuations reported to it. Similarly, any performance reporting it provides to clients with respect to private equity fund holdings will reflect the valuations provided to it by the private equity fund. To the extent HarbourVest reports a negative private equity valuation, VNTC will utilize a \$0 balance for the position for purposes of managing total portfolio asset allocation, rebalance recommendations, and other related impacts to the investment strategy and financial planning tools and calculators. VNTC will not apply any negative private equity valuation to the total advised portfolio value for purposes of calculating the VNTC advisory fee or VQA.

#### **Capital calls**

VNTC generally recommends that clients' portfolios be invested as fully as possible in their long-term allocations at all times. When a client has uncalled capital commitments to a private equity fund, VNTC will recommend that such uncalled commitments be invested in publicly traded or otherwise liquid investment funds in the same or similar asset class rather than cash. This will enable the client to most closely execute their long-term investment strategy but may result in withdrawals from an investor's liquid funds at a loss or otherwise at an inopportune time. Taxable investors in particular should be aware that such liquidations may also have negative tax consequences for the investor.

Failure to pay capital calls when due can subject an investor to a range of remedies under the private equity fund's governing documents, which may include significant financial penalties, such as reductions in the investor's capital account balance.

Defaults by other investors may also result in accelerated capital calls on other nondefaulting investors, up to their commitment level, to enable the fund to meet its own capital commitments or other funding obligations.

#### **Tax**

Private equity funds are generally treated as partnerships for U.S. federal income tax purposes. For both tax-exempt and taxable investors, partnerships and partners are subject to a complex regime of federal, state, local, and non-U.S. taxes. An investor in a fund treated as a partnership for U.S. federal income tax purposes, including a tax-exempt investor not investing through a blocker fund (see below), may be taxed on income from a partnership regardless of whether the partnership actually distributes any cash, and therefore should have significant liquid funds available to satisfy any tax obligations. Investors may also be required to file a significant number of state, local, and non-U.S. tax returns in addition to a federal tax return as a result of participation in a private equity fund and may be subject to significant costs and administrative burdens in connection with preparing such necessary returns. Also, due to the complexity of many investment partnerships, VNTC clients should not expect to receive a final Schedule K-1 from a private fund before the due date for their tax returns and should expect to obtain any available extensions. Extension requests may require a cash payment with respect to an investor's estimated tax liabilities based on information available as of the date such extension request is filed. To the extent that amounts paid in connection with an extension request are insufficient to meet an investor's tax liabilities for a given tax year, as finally determined, including as a result of an investment in a fund treated as a partnership for U.S. federal income tax purposes generating income that is taxable to an investor, such investor will need to pay the additional amount due in connection with filing a final tax return for such tax year and may incur additional interest and penalties with respect to any taxes ultimately shown as due on such final return.

U.S. tax-exempt organizations, including certain pension plans, foundations, and endowments, are subject to tax on unrelated business taxable income, often referred to as "UBTI." Certain investment strategies and investments selected by private equity funds may result in some or all of the income generated by a private equity fund to be considered UBTI. For an investment in a private equity fund treated as a partnership for U.S. federal income tax, this may occur as a result of receiving trade or business income through such fund or as a result of such fund's use of leverage to make investments, which may result in debt-financed income that is UBTI.

Some private equity funds may offer "blocker" structures that will seek to mitigate or eliminate UBTI for tax-exempt investors, but selecting a blocker structure may adversely affect the returns received by a tax-exempt investor due to taxes incurred by a blocker structure and/or additional costs that may be associated with the maintenance of a blocker structure. VNTC may seek out private equity funds that offer their clients a blocker structure option to mitigate or eliminate UBTI, but cannot guarantee that every private equity fund it recommends will offer a blocker structure. In addition, future changes in the tax laws may eliminate or limit the ability to use a blocker structure to address UBTI, and a blocker structure might not eliminate all tax obligations and tax filing requirements with respect to every jurisdiction where a private equity fund invests.

Because incurring UBTI may create significant internal administrative burdens and costs for tax-exempt clients through the preparation of federal, state, local, and non-U.S. tax filings that are outside of VNTC's services, VNTC will generally defer to a client's preference on whether to invest in private equity through a blocked or unblocked structure.

#### **HarbourVest-specific risks**

In addition to the general private equity investing risks described above, there are certain risks specific to VNTC's relationship with HarbourVest. HarbourVest and its affiliates are not affiliated with VNTC. As described above, VAI, an affiliate of VNTC, acts as

limited partner representative under the Vanguard HarbourVest Funds. In this role, VAI may execute certain decisions on behalf of all limited partners invested in the Vanguard HarbourVest Funds where the approval of the Vanguard HarbourVest Funds' limited partners, including VNTC clients, is requested or required.

Many of these rights pertain to administrative matters with respect to the operations of the funds, but may also involve decisions pertaining to more significant matters, including conflicts that HarbourVest and/or its affiliates may have with respect to the management of the funds and valuation policies, which impact HarbourVest's compensation and, indirectly, VNTC's compensation to the extent of a client's investment in the Vanguard HarbourVest Funds. VNTC believes that most clients would expect VNTC to exercise such rights in any case, consistent with its role as the client's investment advisor, but VAI's decisions may differ from those that VNTC clients may have made for themselves. Since neither VAI nor other Vanguard affiliates receive compensation from HarbourVest, VAI does not have a financial interest in the Vanguard HarbourVest Funds that would lead it to favor HarbourVest.

To the extent a decision relates to HarbourVest's valuation policies, which could indirectly benefit VNTC, VNTC believes these are substantially mitigated because the Vanguard HarbourVest Funds are subject to an annual independent audit and because the Vanguard HarbourVest Funds are intended principally to be funds-of-funds and, as such, HarbourVest is largely reliant on the valuations provided by the underlying fund managers in valuing the Vanguard HarbourVest Funds.

