Vanguard portfolio allocation models

Income

An income-oriented investor seeks current income with minimal risk to principal, is comfortable with only modest long-term growth of principal, and has a short- to mid-range investment time horizon.

100% bonds

Historical Risk/Return (1926–2012)	
Average annual return	5.5%
Best year (1982)	32.6%
Worst year (1969)	–8.1%
Years with a loss	13 of 87

20% stocks/ 80% bonds

Historical Risk/Return (1926–2012)	
Average annual return	6.7%
Best year (1982)	29.8%
Worst year (1931)	–10.1%
Years with a loss	12 of 87

30% stocks/ 70% bonds

Historical Risk/Return (1926–2012)	
Average annual return	7.3%
Best year (1982)	28.4%
Worst year (1931)	–14.2%
Years with a loss	14 of 87

Balanced

A balanced-oriented investor seeks to reduce potential volatility by including income-generating investments in his or her portfolio and accepting moderate growth of principal, is willing to tolerate short-term price fluctuations, and has a mid- to long-range investment time horizon.

40% stocks / 60% bonds

Historical Risk/Return (1926–2012)	
Average annual return	7.8%
Best year (1933)	27.9%
Worst year (1931)	–18.4%
Years with a loss	16 of 87

50% stocks / 50% bonds

Historical Risk/Return (1926–2012)	
Average annual return	8.3%
Best year (1933)	32.3%
Worst year (1931)	–22.5%
Years with a loss	17 of 87

60% stocks / 40% bonds

Historical Risk/Return (1926–2012)	
Average annual return	8.7%
Best year (1933)	36.7%
Worst year (1931)	–26.6%
Years with a loss	21 of 87

Growth

A growth-oriented investor seeks to maximize the long-term potential for growth of principal, is willing to tolerate potentially large short-term price fluctuations, and has a long-term investment time horizon. Generating current income is not a primary goal.

70% stocks / 30% bonds

Historical Risk/Return (1926–2012)	
Average annual return	9.1%
Best year (1933)	41.1%
Worst year (1931)	–30.7%
Years with a loss	22 of 87

80% stocks / 20% bonds

Historical Risk/Return (1926–2012)	
Average annual return	9.4%
Best year (1933)	45.4%
Worst year (1931)	–34.9%
Years with a loss	23 of 87

100% stocks

Historical Risk/Return (1926–2012)	
Average annual return	10.0%
Best year (1933)	54.2%
Worst year (1931)	–43.1%
Years with a loss	25 of 87

When determining which index to use and for what period, we selected the index that we deemed to be a fair representation of the characteristics of the referenced market, given the information currently available. For U.S. stock market returns, we use the Standard & Poor's 90 from 1926 through March 3, 1957; the Standard & Poor's 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.

For U.S. bond market returns, we use the Standard & Poor's High Grade Corporate Index from 1926 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 Barclays U.S. Aggregate Bond Index thereafter.

For U.S. short-term reserve returns, we used the Ibbotson 1-Month Treasury Bill Index from 1926 through 1977 and the Citigroup 3-Month Treasury Bill Index thereafter.

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