Investor comprehension and usage of target-date funds: 2010 survey

Vanguard research — January 2011

Executive summary. Vanguard conducted an online survey of target-date fund (TDF) investors in January 2010. The survey was motivated by our ongoing interest in investor behavior and intentions, the continued prominence of TDFs in the retirement landscape, and the 2008–2009 financial crisis, which spurred widespread discussion about TDF usage and comprehension among investors.

The survey finds that investors who are aware of target-date funds generally possess a solid understanding of the basic design of TDFs, as well as the investment risk involved. These investors also report sound reasoning in their decision-making as it pertains to TDFs and their overall retirement portfolio. We found that a significant number of TDF investors in employer-sponsored plans are "unaware": they had never heard of such funds. Unaware investors are presumably uninformed about TDFs, but there is no basis for assuming they are misinformed.

For those target-date shareholders who are aware of what they own, the survey does reveal opportunities for plan and fund sponsors to improve understanding about how TDFs work and how they may be used. In particular, more education may be warranted about fund mechanics at and around the target date and about the implications of combining TDFs with other assets.

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In January 2010, Vanguard worked with an independent market research firm to survey Vanguard investors on their understanding and usage of TDFs. The online survey targeted both individual retirement account (IRA) owners and participants in defined-contribution (DC) employer plans.[1] We separated these groups in the survey results because of possible differences in motivation: IRA owners actively chose to invest at Vanguard and in a particular TDF, whereas plan sponsors chose Vanguard for their participants. Plan participants may have been automatically enrolled or defaulted into their TDF investment. In this paper we refer to the two investor groups as "IRA owners" and "plan participants." The survey drew 4,747 respondents, including 1,191 IRA owners and 1,843 plan participants who invested in a Vanguard Target Retirement Fund.

In designing this survey we also explicitly attempted to distinguish among individuals who used TDFs in different ways—those who held the TDF alone in their retirement account, and those who held other funds along with the TDF. (The latter were a slight majority.) We wanted to explore the differences in their motivations and behaviors, as well as the differences between TDF owners and non-owners. We therefore broke down the population of Vanguard IRA owners and plan participants into three subgroups, which we sampled independently:

- "Pure" TDF owners, who owned only one target-date fund at Vanguard.
- "Mixed" TDF owners, who owned a target-date fund plus at least one other investment at Vanguard.
- Non-TDF owners, who did not own a target-date fund at Vanguard.

Although the sampling was necessarily based on what investors owned at Vanguard, the survey responses gave us information about what they held elsewhere. Then we could re-categorize investors on the basis of whether they reported pure, mixed, or non-ownership of TDFs in their overall portfolios—not just their accounts at Vanguard. After the section below on "Awareness," all results in this summary reflect what investors reported for their overall holdings, both at Vanguard and elsewhere.

Survey respondents who held a TDF were typically men in their 40s, married, and earning more than $75,000 a year. Among TDF shareholders, the IRA owners typically had a larger household investable asset base; for example, 43% of IRA owners had more than $250,000 in investable assets compared with only 24% of plan participants. The vast majority of plan participants (90%) were currently working full-time. IRA owners' employment situations were more dispersed, with a larger percentage of people who were self-employed, working part-time, or retired.

In the reporting of aggregate statistics, we weighted the survey responses to reflect Vanguard's investor population, which we view as broadly representative because of its large size. Within each subsample, responses were weighted using age and assets held at Vanguard, and then in proportion to the size of the sampled sub-populations. The Appendix provides additional information on the demographics of the survey respondents.

We report our survey findings in four main sections. First we analyze the extent to which our respondents are aware of TDFs. We then focus on TDF owners, examining their comprehension of overall fund design, whether they believe in any guarantees, and how they perceive risk exposure. Next we evaluate the decision-making process of TDF owners, including why they chose a target-date fund, why many of them mix a TDF with other investments, and why a small number chose to invest in more than one TDF. Finally, we shift to investors' expectations about retirement: primary sources of income, equity allocations, and plans for spending TDF assets.

1 Investors who hold only taxable accounts at Vanguard were not targeted in this survey.

Key findings

- **Awareness.** IRA investors are significantly more aware of TDFs than are participants in employer-sponsored plans. This is not surprising, given the much higher level of engagement required of IRA investors. Many participants who own TDFs are not aware of them; however, it is important to note that this finding provides no basis for concluding that they *misunderstand* TDFs. All that can be said of unaware investors is that they do not know what they own. The need for all participants—aware and unaware—to have a reasonable investment portfolio is in fact the main challenge that TDFs are designed to address.

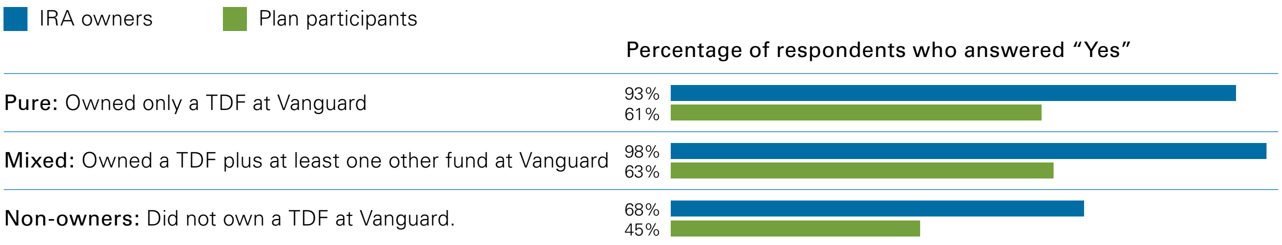
- **Comprehension.** A vast majority of investors who are aware of target-date funds understand the overall design of the funds, acknowledge that TDFs involve at least moderate risk, and accurately report that TDFs offer no guarantees, even at the target date. An opportunity exists to improve investor understanding of the significance of the target date and of how fund assets are managed beyond that point.

- **Decision-making.** Most aware TDF shareholders exercise at least a moderate degree of judgment in selecting their retirement investments and that a vast majority do not select their funds at random. Investors use TDFs both as a single-fund option and as part of a mixed retirement portfolio. In many cases, they report sound reasoning for adding other investments to a TDF; for example, to customize their portfolio, or to move up or down along the risk spectrum. That said, some investors cite "diversification" among their reasons for such additions. This behavior requires more research, but likely highlights a need to better educate investors about the meaning and purpose of financial diversification—what it is, and what it is not.

- **TDFs and retirement.** The design of TDFs—including an equity allocation at and beyond the target date—is well matched to investors' retirement expectations. Many investors consider their IRA or DC employer-plan assets a primary source of retirement income, and few plan to take a lump sum or annuitize their TDF assets. Further, a majority of investors plan to stay invested in stocks to some degree after they retire. Although specific equity allocations will continue to be debated, the survey confirms that investors are generally comfortable with equity exposure during their retirement years.

Notes on risk: All investments are subject to risk. Investments in target-date funds are subject to the risks of their underlying funds. The year in the fund name refers to the approximate year (the target date) when an investor in the fund would retire and leave the work force. The fund will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. An investment in a target-date fund is not guaranteed at any time, including on or after the target date. Although target-date funds can simplify investment selection, they are subject to the risks associated with the underlying funds. Diversification does not ensure a profit or protect against a loss in a declining market. Investments in bond funds are subject to interest rate, credit, and inflation risk.

Figure 1. Have you ever heard of a target-date fund?



Note: In this chart, ownership status reflects only Vanguard retirement accounts. Other charts include data provided by respondents about their retirement accounts elsewhere.

Awareness of TDFs

To gauge awareness of TDFs at the highest level, we started by asking our respondents: "Have you ever heard of a target-date fund?"[2] An affirmative response was a prerequisite for most of what followed in the survey, as investors who have not heard of TDFs are unable to answer questions about them.

A striking finding at this early stage was that more than a third of participants who own TDFs said they had never heard of such funds. We discuss the implications of this result below.[3] Note that in this section of the paper—but not elsewhere—the terms "pure" and "mixed" refer to TDF ownership in Vanguard accounts only.

As **Figure 1** shows, awareness of TDFs was substantially higher among IRA owners than among plan participants. This was true for both pure and mixed TDF investors. For those who were aware of TDFs, we asked how they heard about the funds **(Figure 2)**. Among plan participants, the most common answer was, unsurprisingly, via their plan. However, even among IRA owners, the largest fraction reported hearing about TDFs in the context of an employer plan. Another commonly mentioned source of awareness, particularly among IRA owners, is marketing by TDF providers.

The disparity between IRA owners and plan participants in awareness of TDFs is not surprising, given that large numbers of DC plan participants do not actively make investment decisions in their plans.[4] The need for an appropriate default investment for these participants is perhaps the chief factor

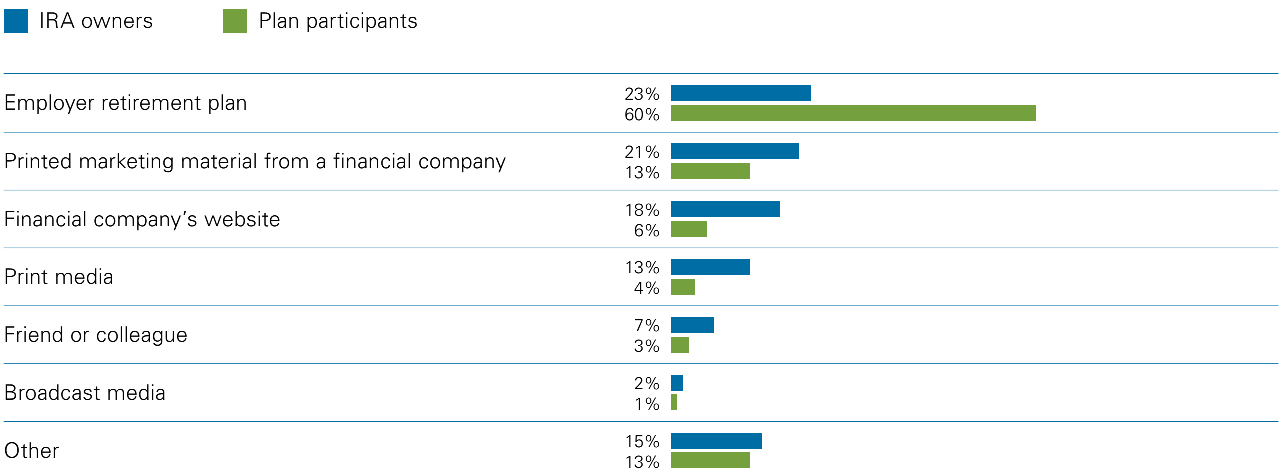
2 The following definition was provided to survey respondents: "A target-date fund is a mutual fund that is structured to provide an appropriate investment for some date in the future, such as retirement. Examples of target-date funds are Vanguard's 'Target Retirement Funds,' Fidelity's 'Freedom Funds,' or a 'T. Rowe Price Retirement Fund' at T. Rowe Price."

3 Only a few IRA owners who held TDFs were unaware of such funds. In these cases, the reasons are likely idiosyncratic; for example, assets inherited from a spouse, or a rollover from a plan account to which the investor had been defaulted.

4 For further discussion, see Choi, Laibson, and Madrian (2007).

Figure 2. How did you first become aware of target-date funds?

TDF shareholders only



driving the widespread adoption of TDFs. Following passage of the 2006 Pension Protection Act, TDFs quickly became the dominant Qualified Default Investment Alternative (QDIA) in defined-contribution plans. Among plans for which Vanguard acts as recordkeeper, 80% of those with a QDIA designate a suite of TDFs (Vanguard, 2010).

This trend, together with the growing use of automatic enrollment (43% of large plans at Vanguard have an automatic enrollment feature),[5] means that an increasing number of plan participants have been defaulted into a TDF. The welfare of these participants drew considerable attention in the wake of the 2008–2009 financial crisis, as policymakers and the press questioned whether defaulted participants understood their investment—in particular, whether they recognized the level of stock-market exposure in TDFs, especially funds with target dates of 2010 or earlier. Much of the controversy missed a key issue that our survey reveals: A sizable fraction of plan participants who own TDFs are *entirely unaware that such funds exist* and therefore could have no idea what risks are—or are not—involved. These participants rely entirely on the fiduciary decisions of the plan sponsor.[6] Any debate about the proper design of TDFs should involve a careful assessment of the needs of this very important constituency.

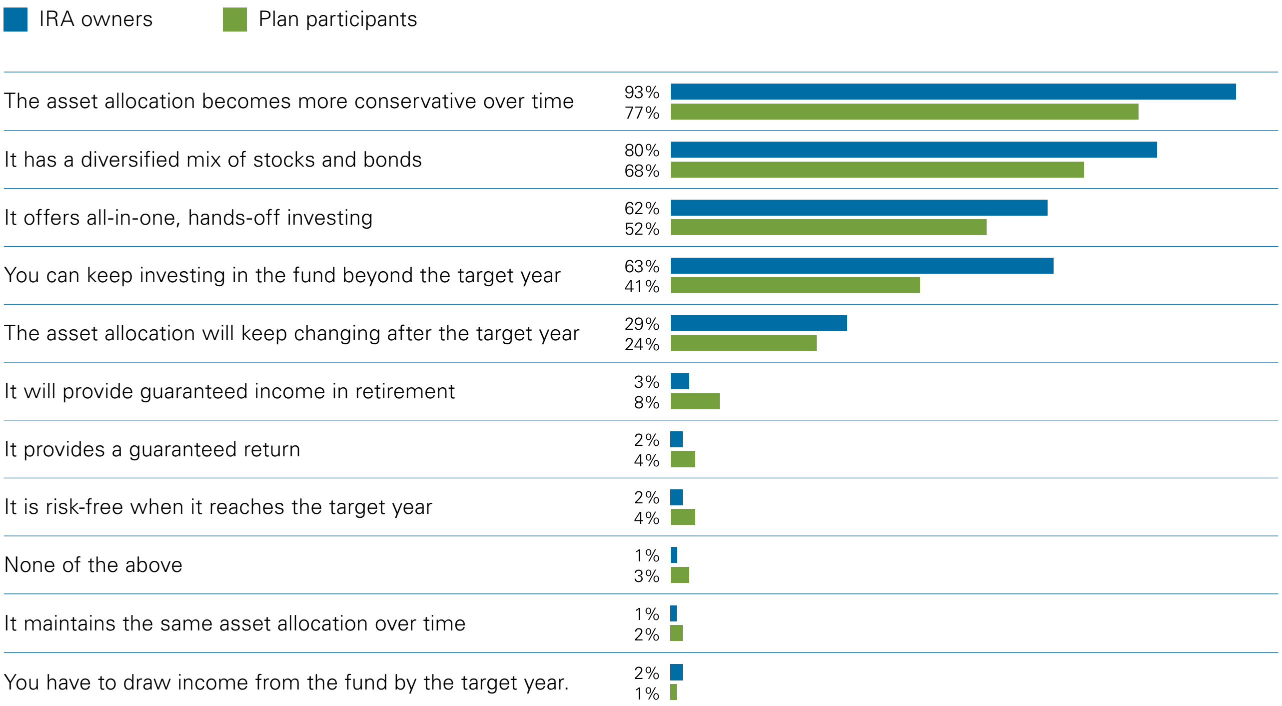
For our goal of dissecting investors' understanding of TDFs, there was nothing to be gained by questioning those who had never heard of such funds, even if they happened to own one. We therefore focus most of the following analysis on the large group of respondents who claim to have at least heard of TDFs, and may therefore have either correct or incorrect impressions about them.

5 For further discussion, see *How America Saves 2010: A Report on Vanguard 2009 Defined Contribution Plan Data* (Vanguard, 2010).

6 These participants also may not have clear impressions of the other investment options available to them in their plans.

Figure 3. Which of these are true about target-date funds? (Select all that apply)

TDF shareholders only



Comprehension

Most investors who are aware of target-date funds appear to grasp the most fundamental TDF objectives and design features. To gauge the knowledge of TDF shareholders, we offered a series of statements about TDFs and asked them to select all the ones they believed to be true. **Figure 3** shows the responses categorized in three broad groups: basic construction, belief in guarantees, and significance of the target date. In general, responses of IRA owners and plan participants were much alike; there were small differences that varied from question to question with no apparent pattern. Among the plan participants, we saw small, statistically insignificant differences in responses among age groups.[7]

Basic construction

TDF owners overwhelmingly appear to understand that they are invested in a balanced mix of stocks and bonds that becomes more conservative as the target year approaches. One of the often-cited benefits of TDFs is that they offer an all-in-one, hands-off approach to investing (this does not imply that investors should not periodically monitor their portfolios). Although many respondents believe this description applies to TDFs, three-eighths of IRA owners and almost half of plan participants did not (38% and 48%, respectively).

Less than 2% of respondents believed, incorrectly, that the funds maintain the same asset allocation over time.

Belief in guarantees

The data clearly show that very few investors hold the incorrect belief that TDFs provide a guaranteed return (see **Figure 3**). In addition, only 3% of IRA owners and less than 8% of plan participants believed the false statement that a TDF would provide guaranteed income in retirement.

7 Plan participants were split into two age groups: investors younger than 55 and those who were 55 or older.

Figure 4. **When a TDF reaches its target date, which one of these happens to the assets in that fund?**

TDF shareholders only

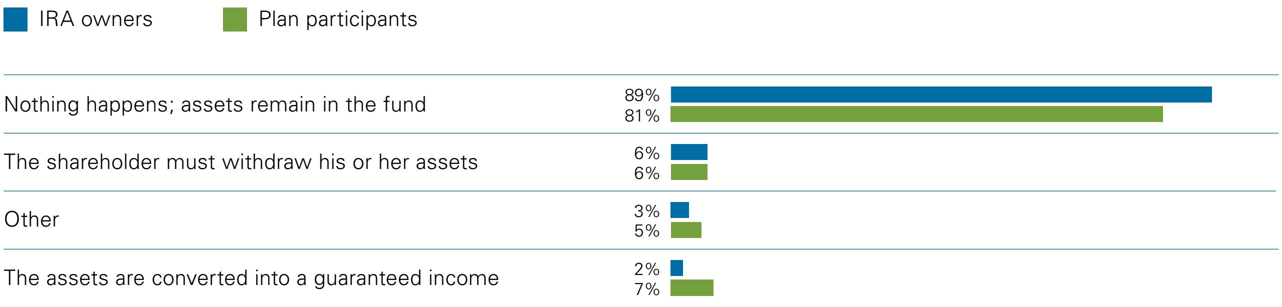
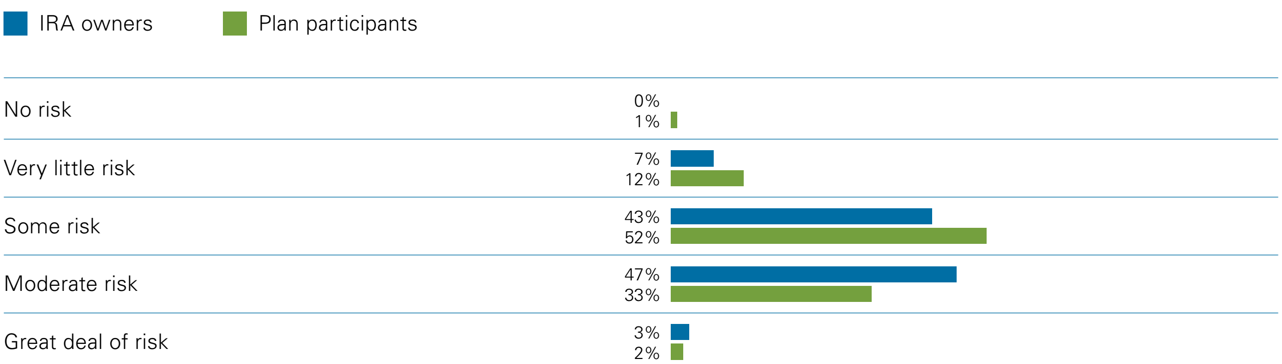


Figure 5. **In regard to overall risk, how would you describe a target-date fund to a friend?**

TDF shareholders only



The significance of the target date

Less than 4% of TDF shareholders believed, incorrectly, that a target-date fund would be risk-free by the time it reaches its target year. However, other aspects of fund mechanics at and after the target date do not appear widely understood: For example, less than one-third of respondents believed that the fund's allocation will continue to change after the target year.[8]

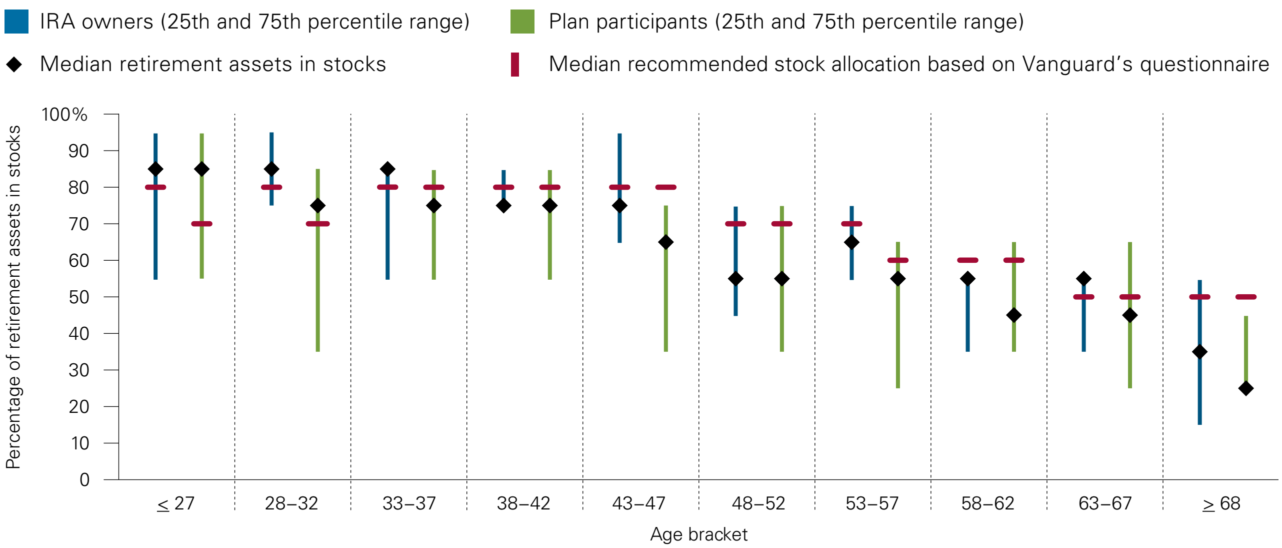
Despite this apparent lack of knowledge, when TDF owners were given mutually exclusive choices regarding fund assets at the target year, their responses reflected significantly better understanding. As **Figure 4** shows, the vast majority correctly responded that the fund would continue to hold investors' assets beyond its target year. Only a small fraction of TDF owners believed wrongly that fund assets would be converted into a guaranteed source of income at the target date.

Risk

Investors' awareness of risk is of keen interest to both the industry and regulators. The survey responses indicate that most investors who own TDFs do know that the funds involve risk. Furthermore, nearly 90% of IRA owners and 85% of plan participants would describe TDFs as having at least "some" or "moderate" risk (see **Figure 5**). Less than 1% of IRA owners and plan participants believed that TDFs have no risk at all.

8 Most providers of target-date funds continue to change their asset allocation through the target year.

Figure 6. What fraction of your retirement assets are in stocks?



Source: Vanguard.

Stock market exposure

The survey went beyond measuring simple, broad awareness of risk. We asked respondents who owned TDFs—including the "unaware" owners—what they believed to be true about the overall stock exposure of their retirement portfolios.

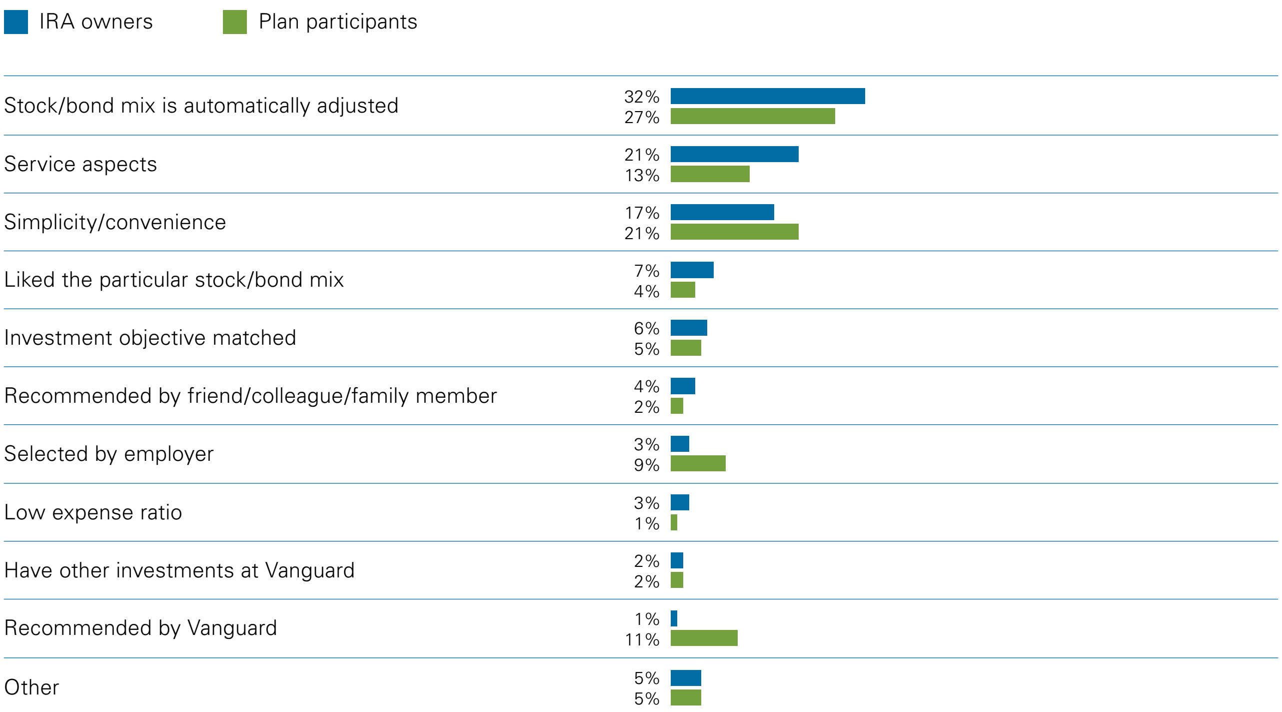
As shown in **Figure 6**, at the median IRA owners aged 47 or less reported that slightly more than 70% of their retirement assets were in stocks; those aged 68 or above reported about 30% in stocks. Plan participants showed similar patterns, with slightly lower overall exposure to stocks; investors in the oldest group reported overall stock exposure of 20%–30% at the median. Although we cannot gauge the accuracy of our respondents' estimates, these data do suggest broad awareness of stock market exposure throughout the investing lifecycle, including the years up to and through retirement.

Figure 6 also shows the levels of stock exposure that Vanguard might propose based on the median data for different age groups in our sample. To obtain this data, the survey included Vanguard's Investor Questionnaire,[9] an online tool that suggests an overall stock/bond allocation to individuals on the basis of their answers to questions about risk tolerance and other key characteristics and attitudes. For each age group, we took the median recommended stock allocation. As shown in the figure, these allocations varied across the groups but include significant amounts of equity exposure at all ages.[10] Furthermore, the data show broad consistency among TDF glidepath design, individuals' risk tolerance, and current stock exposure in retirement accounts.

9 Available at vanguard.com/iqoverview.

10 The only large differences between the IRA owner and plan participant populations appear among the youngest age groups; however, we caution that the sample sizes are smallest for these groups.

Figure 7. What is the main reason you decided to invest in a target-date fund?



As would be expected, an individual's age significantly affects allocation results from the online Investor Questionnaire. Once we controlled for age differences, the recommended equity allocations were quite similar across all groups surveyed. We also did additional analysis that found very similar levels of risk tolerance among TDF holders and nonholders among our groups of IRA owners and plan participants. The data are consistent with the notion that there is no dramatic difference in the average risk tolerance of TDF investors relative to other investors.

The decision-making process

The survey also allows us to explore why investors chose TDFs and how they view the role of TDFs in their portfolios, including why they may "mix" a target-date fund with other investments or hold multiple TDFs.

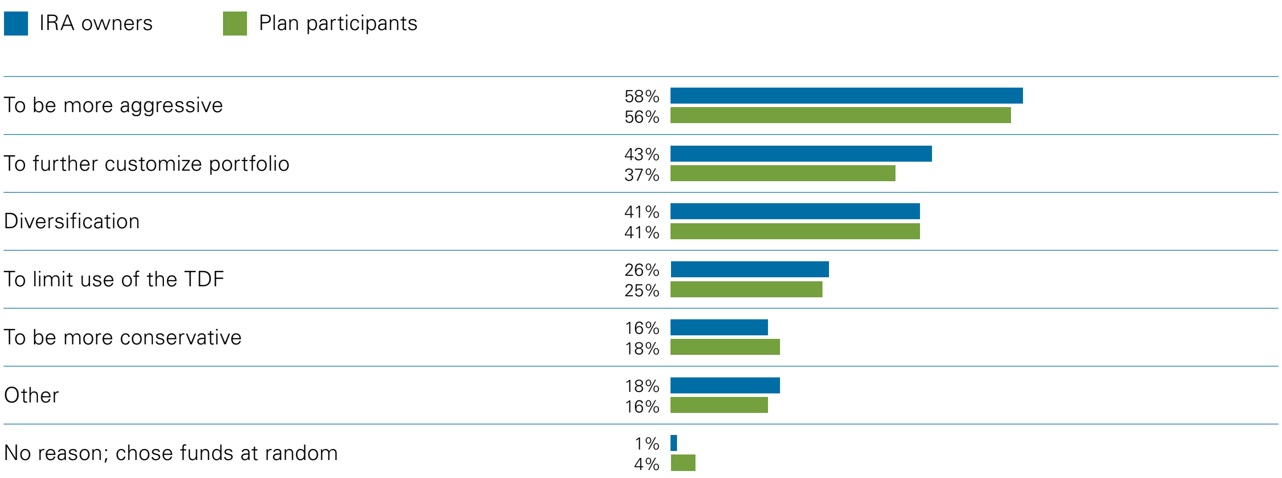
Why investors choose TDFs

When asked their main reason for investing in a target date fund, more than 70% of IRA owners and 61% of participants chose service-related answers, including the automatic rebalancing and reallocation, simplicity, and convenience (**Figure 7**). A minority selected a TDF on the basis of a recommendation or because of an employer's selection—although these reasons were cited by a higher percentage of plan participants, highlighting once again the influential role of plan sponsors.

"Mixed" investors

TDFs are generally designed to serve as an all-in-one portfolio containing broadly diversified exposure to major asset classes. Nevertheless, there are sound reasons why investors might mix other assets with a TDF in their retirement accounts, and many do. Among plan participants with accounts at Vanguard,

Figure 8. Why do you own other funds along with the target-date fund? (Select all that apply)



at the end of 2009, 54% of those who held a TDF in their account also held either another type of investment or another TDF (Vanguard, 2010).

Our survey did ask why investors would *choose* to be mixed TDF owners, but it is important to recognize that such situations often do not arise from choice in the context of a DC plan. Recent research at Vanguard has shown that in 45% of cases, plan participants hold mixed portfolios as a result of the plan's design or an action on the part of the plan sponsor (Pagliaro and Utkus, 2010).

Figure 8 presents reasons that our respondents—both IRA owners and plan participants—gave for holding mixed portfolios. Large percentages reported that they held other assets to be more conservative or more aggressive in their portfolio allocation. Many said they wanted to customize their portfolios beyond what TDFs provided. Only a tiny minority—1% of IRA owners and 4% of plan participants—reported (or were willing to admit) that they "chose at random."

About 40% cited "diversification" as a motive for adding one or more other investments to a TDF. This thinking warrants further research. Given that target-date funds are broadly diversified by nature, there is probably little diversification benefit to be gained from additional fund exposure. It may be that many TDF owners equate "diversification" with risk reduction, as opposed to the stricter meaning of obtaining the highest return for a given level of risk (or the lowest level of risk for a given return). They may believe that adding a bond, stable value, or money market fund "diversifies" the risk of the target date fund, when in reality this action, in general, merely lowers expected return and risk. For others, "diversification" may simply mean investing in products from more than one provider. Further probing investors' understanding of diversification and, perhaps, learning how it might be clarified is an important topic for further research.

A small number of survey respondents owned more than one TDF in their retirement portfolios. Such investors are also a small part of the overall TDF-owning population: at Vanguard, only 8% of plan participants who own a TDF have more than one of them (Vanguard, 2010). In our survey, within the small group of multi-TDF-owning participants, a relatively high percentage said they believed holding two TDFs would provide them with diversification benefits (**Figure 9**)—raising the same concerns discussed above.

Figure 9. Why did you decide to invest in more than one target-date fund?

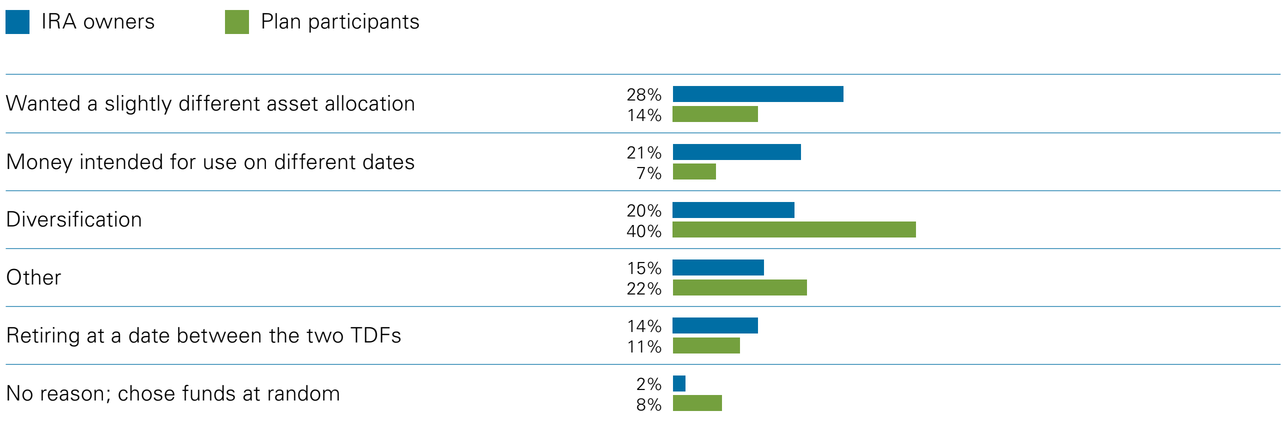
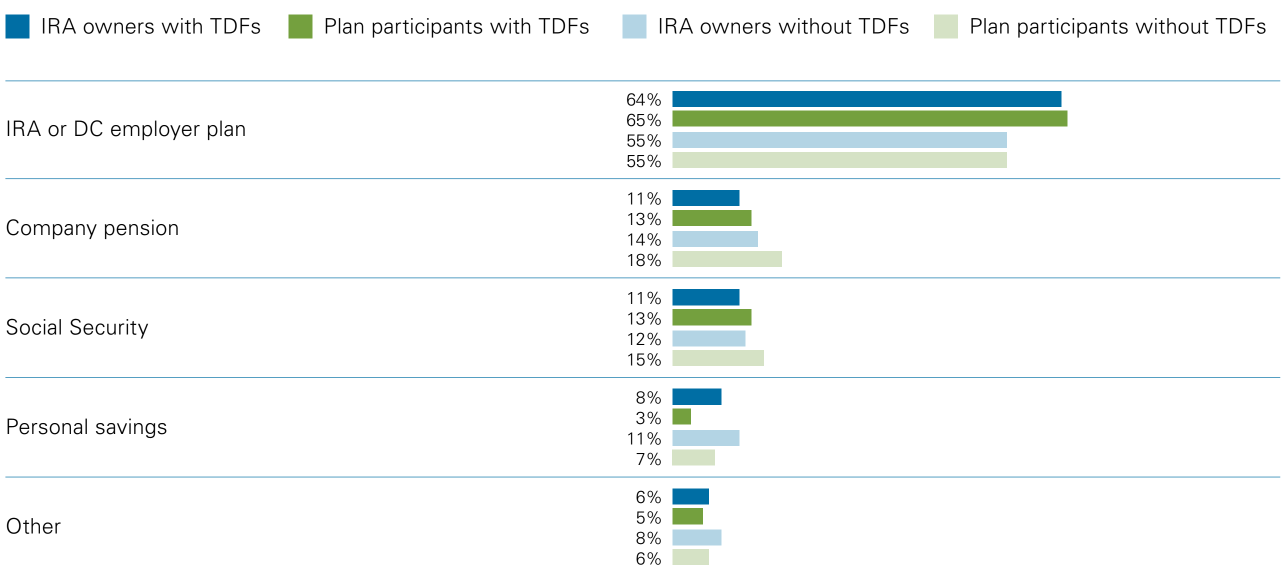


Figure 10. What do you expect to be your primary source of retirement income?



TDFs and retirement

It is well known that the retirement landscape has been gradually shifting as many companies move away from defined benefit plans and gravitate toward defined contribution plans. As shown in **Figure 10**, most respondents believe that their IRA or 401(k) will be their primary source of retirement income. In fact, among the TDF shareholders in our survey, 64% of IRA owners and 65% of plan participants expect to fund their retirement primarily from their IRA or DC plan accounts. Most non-TDF owners also plan to rely on these accounts, but a relatively higher percentage of non-owners expect a pension plan to be their primary source of retirement income. In addition, respondents who did not own TDFs were more likely than the others to plan to tap their personal savings to fund their retirement.

Figure 11. When you retire, which of these will you most likely do with your target-date fund assets?

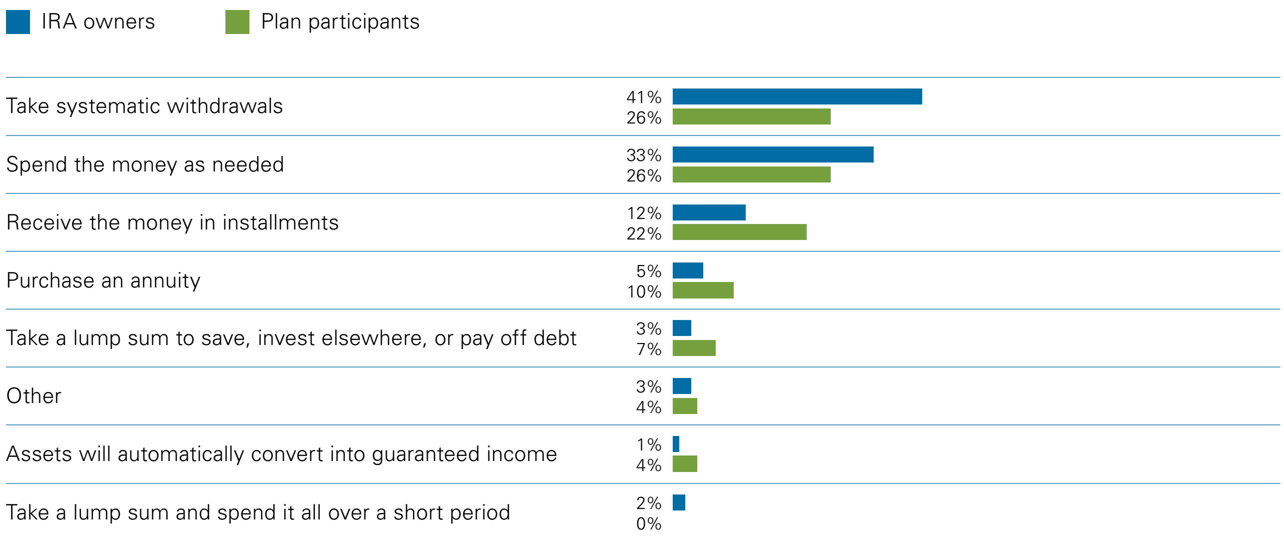
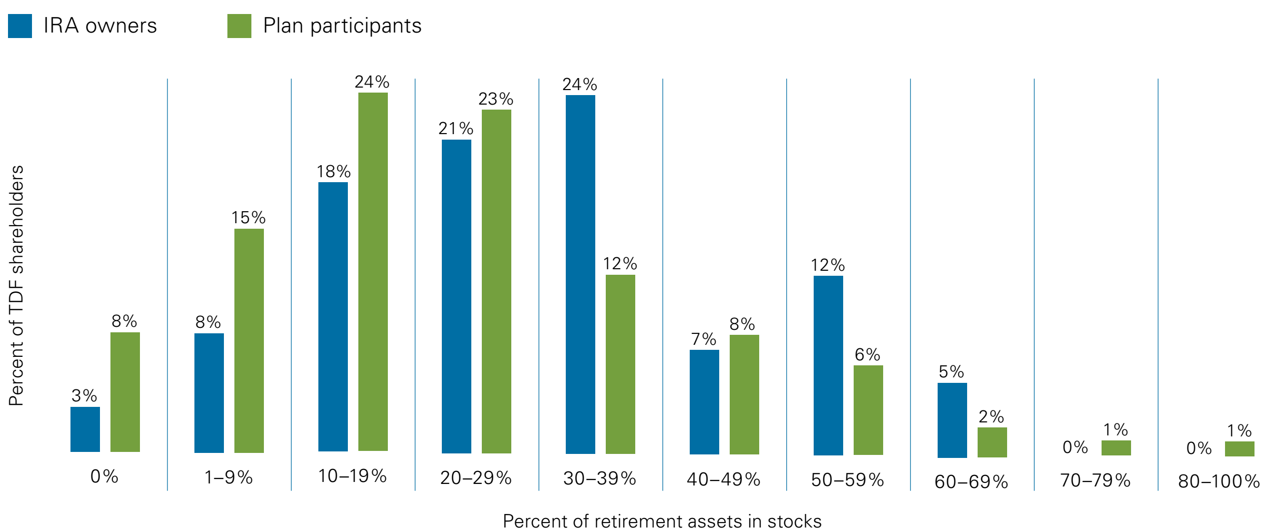


Figure 12. What fraction of your retirement assets do you plan to invest in stocks when you reach retirement?

TDF shareholders only



What do investors plan to do with their TDF assets at retirement? As **Figure 11** shows, most of the TDF shareholders in our survey appeared comfortable with making their own asset withdrawal decisions once they retire, saying they would take systematic withdrawals, "spend it as needed," or "receive in installments." Most respondents do not plan to use their TDF money to purchase an annuity; only about 10% of plan participants and 5% of IRA owners reported such an intention.[11]

Consistent with an intention to remain invested after retirement, the survey showed that most TDF investors expect to retain at least some exposure to equities when they retire (**Figure 12**). This is also consistent with the design of most TDFs.

Conclusion

The findings of our 2010 survey of Vanguard investors help improve our understanding of investors' knowledge and usage of TDFs.

We found that among aware TDF owners, the overall objective and basic design of the funds are well understood; however, an opportunity exists to improve understanding of the significance of the target date and the mechanics of the funds as they reach and move beyond the target date.

The survey also finds that aware investors generally exercise at least a moderate degree of judgment in selecting their retirement investments, and that a vast majority do not select their funds at random. However, as is the case with TDF comprehension, it is incumbent on providers and plan sponsors to help deepen investor knowledge regarding portfolio construction.

Finally, the survey validates that the design of TDFs—including an equity allocation at and beyond the target date—is generally well matched to investors' retirement expectations. While specific equity allocations have been—and will continue to be—debated, the survey finds that investors are indeed comfortable with, and expect to hold, equities at retirement.

Taken together, these results provide a solid, empirically founded basis for sponsors and providers to further enhance education and communication materials and strategies in order to improve both investor comprehension and the overall effectiveness of target-date funds.

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11 These responses appear to be consistent with investor behavior with respect to rollovers at retirement and investor withdrawal patterns from IRAs. For further discussion, see Investment Company Institute IRA Owners Survey, 2009.

Figure A-1. Respondent demographics: "Pure" and "mixed" TDF shareholders

	IRA owners		Plan participants	
	Pure	Mixed	Pure	Mixed
Number of respondents	505	686	841	1,002
Percentage male	61%	68%	53%	62%
Average age	42	48	40	44
Number of people under the age of 18 living in household	0.63	0.48	0.65	0.78
Percentage of respondents who are married	66%	69%	58%	67%
Percentage who have never been married	21%	17%	21%	16%
Percentage who are retired (*)	10%	15%	2%	2%
For retirees, average age at retirement	59	59	58	60
For nonretirees, average planned retirement age	63	63	63	63
Percentage of respondents who never want to retire	2%	3%	2%	3%
Percentage who will never be able to retire	3%	1%	7%	6%
Percentage who do not know when they will be able to retire	32%	24%	40%	31%
Income bracket				
< $39,999	12%	8%	20%	12%
$40,000–$59,999	16%	12%	24%	16%
$60,000–$74,999	13%	11%	14%	12%
$75,000–$99,999	17%	16%	14%	21%
$100,000–$199,999	29%	34%	20%	28%
> $200,000	7%	8%	3%	5%
Decline to answer	6%	11%	4%	6%
Household's total investable assets				
<$49,999	24%	8%	45%	27%
$50,000–$99,999	13%	9%	15%	15%
$100,000–$149,999	9%	10%	8%	12%
$150,000–$249,999	12%	13%	8%	10%
$250,000–$499,999	14%	19%	8%	11%
$500,000–$999,999	7%	17%	2%	9%
>$1,000,000	8%	10%	2%	5%
Decline to answer	12%	15%	12%	12%
Employment situation				
Full-time	61%	63%	89%	89%
Part-time	9%	5%	5%	2%
Self-employed	11%	10%	1%	1%
Retired (*)	7%	11%	1%	2%
Not employed	2%	4%	2%	5%
Disabled, student, or stay-at-home spouse/partner	10%	6%	1%	1%
Sources of retirement income				
Social Security	75%	86%	78%	80%
Company pension or other defined benefit plan	40%	43%	39%	47%
401(k), 403(b) or a similar employer-sponsored retirement account	72%	76%	92%	95%
Individual retirement accounts (IRAs)	91%	91%	39%	43%
Personal savings	72%	75%	57%	59%
Cash payout from an insurance policy	3%	3%	3%	4%
Money from the sale of a home or business	14%	16%	11%	14%
Inheritance	15%	18%	12%	13%
Annuity	10%	11%	8%	8%
Other source	8%	9%	10%	13%

*The same question is asked twice in two different contexts.

Note: Data based on Vanguard account holdings at the time of the survey.

Source: Vanguard.

Figure A-2. Respondent demographics: TDF shareholders and nonshareholders

	IRA owners		Plan participants	
	Shareholders	Nonshareholders	Shareholders	Nonshareholders
Number of respondents	1,141	363	1,083	573
Percentage male	61%	74%	65%	70%
Average age	46	54	42	47
Number of people under the age of 18 living in household	0.63	0.52	0.70	0.71
Percentage of respondents who are married	74%	78%	66%	71%
Percentage who have never been married	15%	12%	20%	16%
Percentage who are retired (*)	13%	35%	2%	7%
For retirees, average age at retirement	59	59	60	59
For nonretirees, average planned retirement age	63	63	63	63
Percentage of respondents who never want to retire	2%	2%	3%	4%
Percentage who will never be able to retire	3%	2%	3%	4%
Percentage who do not know when they will be able to retire	25%	19%	29%	30%
Income bracket				
< $39,999	5%	7%	10%	7%
$40,000–$59,999	14%	12%	17%	17%
$60,000–$74,999	13%	12%	12%	11%
$75,000–$99,999	17%	15%	20%	18%
$100,000–$199,999	35%	32%	28%	30%
> $200,000	7%	11%	6%	9%
Decline to answer	8%	11%	6%	8%
Household's total investable assets				
<$49,999	17%	8%	29%	16%
$50,000–$99,999	6%	7%	14%	12%
$100,000–$149,999	6%	6%	11%	9%
$150,000–$249,999	15%	7%	12%	11%
$250,000–$499,999	18%	18%	12%	18%
$500,000–$999,999	17%	20%	8%	11%
>$1,000,000	8%	21%	4%	8%
Decline to answer	14%	13%	10%	14%
Employment situation				
Full-time	59%	47%	90%	85%
Part-time	11%	5%	3%	3%
Self-employed	9%	8%	1%	2%
Retired (*)	8%	28%	2%	5%
Not employed	7%	5%	2%	3%
Disabled, student, or stay-at-home spouse/partner	7%	6%	2%	1%
Sources of retirement income				
Social Security	85%	86%	80%	85%
Company pension or other defined benefit plan	56%	49%	47%	55%
401(k), 403(b) or a similar employer-sponsored retirement account	80%	67%	96%	95%
Individual retirement accounts (IRAs)	94%	91%	51%	49%
Personal savings	76%	83%	67%	63%
Cash payout from an insurance policy	1%	3%	3%	4%
Money from the sale of a home or business	12%	13%	13%	14%
Inheritance	16%	19%	13%	14%
Annuity	10%	13%	8%	10%
Other source	6%	11%	10%	11%

*The same question is asked twice in two different contexts.

Note: Data based on respondents' overall portfolio.

Source: Vanguard, 2010.

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