Vanguard Personal Advisor Services®

# Your financial plan

Prepared for Alexander Molis College Trust
by Gregory L. Houp, CFP®

November 30, 2016

Vanguard®

# About the plan I've created for you

- I'll provide ongoing administration of the assets for this portfolio, including periodic rebalancing (as needed) and quarterly updates.
- We'll revisit this plan if there are changes affecting the objectives of this portfolio.

## Gregory L. Houp, CFP®

Senior Financial Advisor, Vanguard Personal Advisor Services
Phone: 800-345-1344
Email: personaladvisor@vanguard.com

# Contents

# Portfolio analysis

## Overview

- Vanguard National Trust Company serves as investment manager for the trustee(s).
- This portfolio is invested for capital growth, with income as a secondary objective.

## Investment strategy

- I'll analyze your current asset mix and recommend an allocation that best balances risk and return.
- Next, I'll recommend appropriate exposure to specific market segments.
- To support your asset mix, I'll identify specific investments to buy and hold.
- I'll work on managing costs and taking advantage of tax efficiencies to maximize returns.

## Supporting assets

| | |
|---|---|
| Vanguard managed assets | $787,673 |

# Portfolio analysis: Alexander Molis College Trust

## Key actions

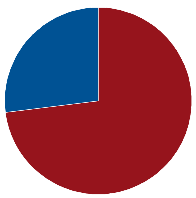
| Recommended action | Why we're recommending this |
|---|---|
| Because the trust's current asset allocation is within 5% of the target allocation of 70% stocks and 30% bonds, there's no need to adjust the portfolio at this time. Going forward, the trust's target allocation will remain fixed at the target. | Given the trust's objectives, we don't anticipate a need to change the target asset mix at this time. If the trust's objectives and the needs of its beneficiaries change, we'll discuss whether we need to adjust the investment strategy. |

# Portfolio analysis: Alexander Molis College Trust

## How we'll diversify your investments

### Current asset mix (managed only)

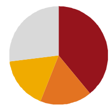
**Total**



- 73% Stocks
- 27% Bonds

| | |
|---|---|
| Average annual return | 9.24% |
| Recent bear market (2008 - 2009) | -32.52% |
| Years with a loss | 22 of 90 |

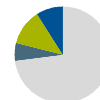
**Stocks**



- 39% U.S. large-cap stock
- 17% U.S. mid/small-cap stock
- 17% International stock

73%

**Bonds and short-term reserves**

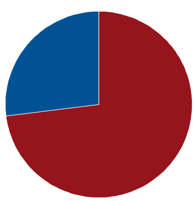


- 6% U.S. short-term bond
- 12% U.S. intermediate-term bond
- 9% U.S. long-term bond

27%

### Recommended asset mix

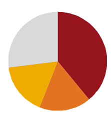
**Total**



- 73% Stocks
- 27% Bonds

| | |
|---|---|
| Average annual return | 9.24% |
| Recent bear market (2008 - 2009) | -32.52% |
| Years with a loss | 22 of 90 |

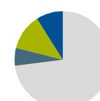
**Stocks**



- 39% U.S. large-cap stock
- 17% U.S. mid/small-cap stock
- 17% International stock

73%

**Bonds and short-term reserves**



- 6% U.S. short-term bond
- 12% U.S. intermediate-term bond
- 9% U.S. long-term bond

27%

The average historical return data provide past performance and aren't a guarantee of future results. See page 13 for benchmarks used for historical data.

# Portfolio analysis: Alexander Molis College Trust

## Holdings by asset class (managed only)

| Asset class | Current | | Recommended | |
|---|---|---|---|---|
| **U.S. large-cap stock** | | | | |
| Vanguard Total Stock Market Index Fund Admiral Shares | $312,641 | | $312,641 | |
| | **$312,641** | **39%** | **$312,641** | **39%** |
| **U.S. mid/small-cap stock** | | | | |
| Vanguard Total Stock Market Index Fund Admiral Shares | $133,989 | | $133,989 | |
| | **$133,989** | **17%** | **$133,989** | **17%** |
| **International stock** | | | | |
| Vanguard Total International Stock Index Fund Admiral Shares | $130,305 | | $130,305 | |
| | **$130,305** | **17%** | **$130,305** | **17%** |
| **Tax-exempt short-term bond** | | | | |
| Vanguard Limited-Term Tax-Exempt Fund Admiral Shares | $45,902 | | $45,902 | |
| | **$45,902** | **6%** | **$45,902** | **6%** |
| **Tax-exempt intermediate-term bond** | | | | |
| Vanguard Intermediate-Term Tax-Exempt Fund Admiral Shares | $94,653 | | $94,653 | |
| | **$94,653** | **12%** | **$94,653** | **12%** |

# Portfolio analysis: Alexander Molis College Trust

## Holdings by asset class (managed only)—continued

| Asset class | Current | | Recommended | |
|---|---|---|---|---|
| Tax-exempt long-term bond | | | | |
| Vanguard Long-Term Tax-Exempt Fund Admiral Shares | $70,183 | | $70,183 | |
| | $70,183 | 9% | $70,183 | 9% |
| **Total in managed holdings** | **$787,673** | **100%** | **$787,673** | **100%** |

# Portfolio analysis: Alexander Molis College Trust

## Accounts and holdings

### Accounts supporting this portfolio

| Account | Owner | Managed assets | Self-managed assets |
|---|---|---|---|
| Molis & Molis & Bilodeau, UA 10-29-2002 Alexander Molis College Trust—Trust - 1 | Alexander Molis College Trust | $787,673 | — |
| Total | | $787,673 | $0 |

### Holdings by account (managed only)

| Account | Current | Recommended |
|---|---|---|
| **Molis & Molis & Bilodeau, UA 10-29-2002 Alexander Molis College Trust—Trust - 1** | | |
| Vanguard Intermediate-Term Tax-Exempt Fund Admiral Shares | $94,652 | $94,652 |
| Vanguard Limited-Term Tax-Exempt Fund Admiral Shares | $45,902 | $45,902 |
| Vanguard Long-Term Tax-Exempt Fund Admiral Shares | $70,182 | $70,182 |
| Vanguard Total International Stock Index Fund Admiral Shares | $130,304 | $130,304 |
| Vanguard Total Stock Market Index Fund Admiral Shares | $446,630 | $446,630 |
| | **$787,673** | **$787,673** |
| **Total in managed accounts** | **$787,673** | **$787,673** |

# Profile

## Plan details

| | |
|---|---|
| Planning horizon | 30 years |
| State | MASSACHUSETTS |
| Exempt from taxes | No |
| RMDs included in income | No |
| Bond type used in projections | Municipal |

All profile data is based on information you've provided to Vanguard, unless otherwise noted in the assumptions section of our disclosures on page 13. Contact us if these assumptions need to be changed.

# Our methodology

## Portfolio distributions, expenses, and non-portfolio income

In order to assess the ability of the portfolio to meet its objectives, we project cash flows—inflows from income and other sources, and outflows from distributions and expenses. We evaluate many factors in assessing the portfolio's current and future cash flows, such as:

- The impact of variables, such as inflation and income taxes.
- The impact of different market scenarios on its accounts' rates of return.
- Any distributions or expenses that are planned in advance, as included in this plan.
- Income from investments as well as non-portfolio income.

## Projected ending balance for various market conditions

It's important that the portfolio's supporting accounts be able to endure a variety of market conditions. To assess the portfolio's ability to support its goals while accounting for variable market conditions, our cash-flow analysis shows how the accounts would perform under various hypothetical scenarios.

To cover a broad range of outcomes, Vanguard Personal Advisor Services® generates 10,000 scenarios. 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. The projections are forecasted returns for stocks, bonds, and short-term reserves using Monte Carlo simulations to determine the projection for the portfolio's goal. These forecasted returns, as well as inflation rates, are provided through the Vanguard Capital Markets Model® ("VCMM"), developed by the Vanguard Investment Strategy Group, which is discussed in more detail below. Although Vanguard Personal Advisor Services believes that the forecasts may reasonably project the future possibilities of the portfolio as supported by accounts invested in a diversified portfolio of Vanguard funds, such projections may not correlate well to other assets held in "Non-portfolio" accounts (accounts included in the goal analysis but that aren't enrolled in our service, such as those listed as "Outside assets" or "Self-managed assets"). Accordingly, the portfolio's actual investment results may vary significantly from our projections. Please see the *Vanguard Personal Advisor Services Brochure* for further details regarding the use of "Portfolio" and "Non-portfolio" accounts in the "Goals forecasting" section.

We simulate the portfolio's expected inflows and outflows each year through the portfolio's planning horizon and, using each individual scenario's unique forecasted return and inflation assumptions, we project the portfolio's ending balance. The projected ending balance charts illustrate the range of outcomes of the 10,000 scenarios and associated probability of each individual outcome that fell within the upper and lower boundaries of that respective range. "Best markets" are those that yielded the highest market returns of the 10,000 scenarios, while "worst markets" are those that yielded the lowest market returns.

The VCMM is a proprietary, state-of-the-art, financial simulation tool that 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 global market data as far back as 1926 for the equity markets and 1960 for the fixed income markets through the most recent year-end. The forecast provided by the VCMM will be

# Our methodology

updated annually, although we may update the data more frequently in cases of major market events. Once these updates are made and the analysis is recalculated with new scenario data, the new results could differ from those in earlier analyses.

## Limitations of the analysis

Projections generated by the VCMM are based on estimated historical relationships and on assumptions about the risk characteristics of various asset classes. As a result, the accuracy of VCMM forecasts depends heavily on the relevance of the historical sample in simulating future events. The projections are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.

## Asset allocation and return assumptions

Vanguard Personal Advisor Services' forecasting model uses index returns to represent asset classes. Index returns are reduced by 0.50% 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 then simulated going forward.

## Benchmarks used in this calculation

The returns used in the simulations are based on data for the appropriate market indexes.

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 Barclays U.S. Aggregate Bond Index thereafter.

We calculate U.S. short-term reserve returns on the basis of 3-month constant-maturity yields dating back to 1960, also provided in the Federal Reserve's Statistical Release H.15.

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, through1974; the Wilshire 5000 Index from 1975 through April 22, 2005; and the MSCI US Broad Market Index thereafter. 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.

## Managing assets over time

Porfolios operate under a static asset allocation determined by the advisor and based on the objectives of the portfolio. If enrolled in the ongoing service, Vanguard will review the portfolio quarterly, with timing determined by the contract anniversary date, as indicated in the *Vanguard Personal Advisor Services Brochure*.

Additionally, when enrolled in the service, if during a quarterly review the portfolio is found to deviate from the target asset allocation by more than 5% in any asset class, Vanguard Personal Advisor Services will rebalance the portfolio. The overweighted asset classes will be sold and the proceeds invested in the underweighted asset classes according to the investment plan, as more fully described in the *Vanguard Personal Advisor Services Brochure.*

Vanguard®

# Disclosures

## About our service

Advice services are provided by Vanguard National Trust Company, a federally chartered, limited-purpose trust company. Eligibility restrictions may apply. All investing is subject to risk, including the possible loss of money you invest.

The observations and recommendations contained in this report are based on information provided to us. Although Vanguard National Trust Company ("VNTC") believes that we can reasonably project and forecast the future state of accounts invested in a diversified portfolio of Vanguard funds, such projections may not correlate well to other assets held in the account. Accordingly, the portfolio's actual investment results may vary significantly from our projections. Projections for any accounts that aren't enrolled in the ongoing service (including other Vanguard accounts) are calculated based solely on the information provided with respect to the dollar amount of assets held in those accounts and the income, distributions, and expenses pertaining to those accounts. Vanguard Personal Advisor Services® will continue to rely on the information provided for as long as the portfolio is supported by such accounts, and VNTC may not independently verify this information. Material changes to the entity's financial situation, investment objectives, or reasonable restrictions may impact the portfolio's objectives or investment plan. If there have been any changes to the entity's financial situation, other assets or sources of income, investment time horizon, investment objectives, planned distributions and expenses from enrolled accounts, or desired reasonable restrictions since the last review with an advisor, it is important that those changes be communicated to VNTC. The inaccuracy or incompleteness of any information could have a material effect on our conclusions and recommendations.

## Our assumptions for the portfolio's profile

**Our assumptions are generally based on information provided to us or obtained through our forecasting models. Departures or differences in our assumptions could mean that our projections may vary significantly from actual results for the portfolio.**

**Projected balances over time:** We start with the current balance of the accounts aligned to the portfolio's objectives, portfolio and non-portfolio as applicable. We increase that amount each year by the expected rate of return (based on Vanguard Capital Markets Model® ("VCMM") forecasted returns) on the accounts (less 0.50% to account for hypothetical investment expenses and advisory fees). We increase the value of the portfolio by the amount in any given year when total income is expected to exceed total expenses, or we decrease it by the amount when total expenses are expected to exceed total income. When withdrawals from the portfolio are required to meet expenses, we assume assets are taken in the following order, as applicable: required minimum distributions, taxable assets, tax-deferred accounts and, lastly, tax-free (Roth) accounts. The distribution method selected by the portfolio (described below) will also impact the portfolio's ability to meet yearly expenses.

**Portfolio distribution method:** Based on information provided, the portfolio projections may include planned distributions from the account(s). These distributions can be in the form of a dollar amount, a percentage of the portfolio's assets, a percentage of the income generated by the portfolio each year, or a combination of these distribution methods. Our projection of whether the portfolio will meet its expenses is influenced by the selected distribution method.

# Disclosures

**Required minimum distributions (RMDs):** If the portfolio contains inherited IRAs, we calculate any RMDs for purposes of our cash flow projections based on a five-year period of depletion beginning with the start of the analysis. The RMDs are calculated as follows: 20% of the balance the first year, 25% of the balance the second year, 33.33% of the balance the third year, 50% of the balance the fourth year, and 100% of the balance the fifth year. This five-year distribution applies to inherited traditional and Roth IRAs.

We assume that if the RMDs are greater than the portfolio's spending needs, any surplus income is reinvested in an after-tax account in accordance with the portfolio's asset allocation.

If the RMDs are not enough to satisfy the portfolio's distribution and expenses, we'll assume that after the portfolio spends RMDs, it will spend from its after-tax investments, if applicable, before making additional withdrawals from tax-deferred retirement accounts.

For *trust portfolios*, based on the trustee's interpretation of the trust document, RMDs may be treated as "income" for purposes of meeting the trust's distributions, in which case the RMD would be taxable to the trust only to the extent that it is not distributed to beneficiaries. Alternatively, if the RMD is not to be treated as "income," it will be reinvested in the trust account. For the purposes of this analysis, we assume that RMDs also apply to any Roth 401(k)s or Roth IRAs that the trust is the beneficiary of, and that distributions will occur over the same five-year period as outlined above.

**Asset allocation:** We assume the accounts supporting this goal are rebalanced annually to the static target asset allocation over the portfolio's planning horizon. However, we do not calculate the tax consequences of rebalancing the accounts each year to maintain the target asset allocation. We assume that each account in the portfolio is invested at the target asset allocation. For modeling stock market returns, we assume 60% of the equity portion of the portfolio is invested in U.S. equities and 40% is invested in international equities. For modeling bond market returns, we assume 70% of the bond portion of the portfolio is invested in U.S. bonds and 30% is invested in international bonds.

**Inflation:** We assume any distributions or inflows included as dollar amounts will increase with inflation each year, unless an override rate of increase is specified. In other words, rather than assuming the portfolio will simply distribute a constant dollar amount every year, we assume it will keep total purchasing power constant over time by increasing the dollar amount of after-tax spending each year at the consumer price inflation rate (based on VCMM forecasted inflation figures) unless specified otherwise.

**Income taxes:** We estimate federal and state income taxes that would be due each year based on internally developed rules. We assume RMD distributions designated as "income," distributions from tax-deferred accounts (which are assumed to be 100% taxable unless the withdrawals are from an annuity account, in which case 50% of the withdrawal amount is assumed to be taxable), and any retained income (after tax-exempt and nontaxable income are removed) are taxed at the highest applicable ordinary income rate. We assume that 50% of any sale of taxable accounts is considered capital gains income.

All taxable income generated by taxable accounts, including estimated taxable investment income (e.g., dividends), is assumed to be taxable at capital gains tax rates. Any projected income generated by the portfolio and distributed is not considered taxable to the portfolio. For capital returns calculated on the portfolio balances, we assume that 10% of the capital returns are realized each year and taxed at capital gains rates. We assume all non-portfolio income items are 100% taxable unless otherwise indicated.

The total estimated federal and state income taxes are added to projected expenses each year to determine the portfolio's total distributions. Thus, the portfolio's distribution amount is an after-tax amount. Note that these tax calculations are merely general estimates and are not meant to represent the portfolio's actual federal or state income liability in any given year.

# Disclosures

## Note on assumptions and projections

Because the projections are based in part on information provided to Vanguard Personal Advisor Services at the time of enrollment, it is important that the authorized signers on the account notify their advisor of any changes in the entity's financial situation that could impact the analysis. The forecasts are hypothetical projections, based on statistical modeling of current and historical data, and are not a guarantee of future returns or of the success of the current allocations or recommendations.

## Benchmarks and performance data

The historical performance provided is for illustrative purposes only. The performance is based on benchmark returns and does not reflect the actual performance of the recommended funds. The returns shown include the reinvestment of income dividends; they do not reflect the effects of investment expenses and taxes. Past performance is not a guarantee of future results. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

For U.S. stock market returns, we use the Standard & Poor's 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; the MSCI US Broad Market Index from April 23, 2005, through June 2, 2013; and the CRSP US Total Market Index thereafter.

For U.S. bond market returns, we use the S&P 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; the Barclays U.S. Aggregate Bond Index from 1976 through 2009; and the Spliced Barclays U.S. Aggregate Float Adjusted Bond Index thereafter.

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

While the recommendations provided may contain an allocation to international exposure, the returns provided for illustration do not because of the lack of long-term international benchmark data.

The "recent bear market" performance was calculated using the period from December 31, 2007, through March 31, 2009.

## Transactions of taxable assets

Repositioning the portfolio may have tax consequences. We believe the long-term benefits of a financial plan make such taxable events worthwhile. If the portfolio is enrolled in our managed service and we sell assets in its portfolio, we'll use the average cost method to calculate capital gains and/or losses based on available cost basis information. The actual cost basis method used when reporting the portfolio's gains or losses to the IRS may differ.

## Account values and percentages

The values of the assets on the portfolio analysis overview page are rounded down to the nearest dollar. They may differ slightly from the actual values of the accounts at the time this plan was created. The values displayed on the "Accounts and holdings" pages are also rounded down to the nearest dollar. The totals displayed on the "Accounts and holdings" pages are calculated using both dollars and cents, but we display dollars only. For this reason, some displayed values may differ from section to section in this plan.

# Disclosures

The percentages of the portfolio's current and recommended asset classes (such as U.S. large-cap stocks and U.S. intermediate-term bonds) may differ slightly from the percentages of the portfolio's total mix of stocks, bonds, and short-term reserves because we add only whole percentages, excluding any decimal point values. Because of this variance in rounding, percentages listed next to the pie charts may vary from those displayed in other sections of this plan.

## Data from third-party sources

We determine the asset classes of the portfolio's Vanguard and non-Vanguard mutual funds using long market value only. Short positions are excluded. We rely on Vanguard's asset classification assessment based on information received from third-party data providers in order to categorize investments into their respective asset or sub-asset classes. For information on the strategies or holdings of non-Vanguard funds, please refer to the fund's prospectus.

## Vanguard National Trust Company (for trust portfolios)

Vanguard National Trust Company (VNTC) may be named as a trustee on the trust. VNTC is a federally chartered, limited-purpose trust company operated under the supervision of the Office of the Comptroller of the Currency. VNTC is a wholly owned subsidiary of The Vanguard Group, Inc. In situations where VNTC serves as the trustee, details related to trust distribution methods, asset allocation, and treatment of "income" could be derived by information provided by a combination of other trustees and/or governing trust documents.

© 2016 The Vanguard Group, Inc. All rights reserved.