Vanguard® Target Retirement Income Fund

Balanced Fund (Stocks and Bonds)

balanced
cash investments
stocks
BONDS

Investment Objective

Vanguard Target Retirement Income Fund seeks to provide current income and some capital appreciation.

Investment Strategy

Vanguard Target Retirement Income Fund invests in other Vanguard® mutual funds according to an asset allocation strategy designed for investors currently in retirement. The percentages of the fund's assets allocated to each of the funds are: Vanguard® Total Bond Market Index Fund, 50%; Vanguard® Inflation-Protected Securities Fund, 25%; Vanguard® Total Stock Market Index Fund, 20%; and Vanguard® Prime Money Market Fund, 5%.

The fund's indirect bond holdings are a diversified mix of short-, intermediate-, and long-term investment-grade, taxable U.S. government, U.S. agency, and corporate bonds; inflation-indexed bonds issued by the U.S. government; and mortgage-backed securities. The indirect stock holdings consist substantially of large-capitalization U.S. stocks and, to a lesser extent, of mid- and small-cap U.S. stocks.

The fund's indirect money market holdings consist of high-quality, short-term money market instruments.

See reverse side for Fund Profile.

Who Should Invest

- Investors seeking a high level of income.
- Investors seeking a simple way to achieve a broadly diversified holding of stocks and fixed income investments.
- Investors with an intermediate-term investment horizon (at least three to five years).

Who Should Not Invest

- Investors seeking significant growth of capital.
- Investors unwilling to accept fluctuations in share price.
- Investors expecting a guaranteed sum or level of income.

Assets: $223,886,235

Expenses: 0.22%*

Ticker Symbol: VTINX

Inception: October 27, 2003

Overall Risk Level:

Conservative — Moderate — Aggressive

1 **2** 3 4 5

Total Returns for Periods Ended June 30, 2004**	Year to Date	Since Inception
Target Retirement Income Fund	1.37%	3.91%
Target Income Composite Index	1.37%	4.01%

The performance data shown represent past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate, so investors' shares, when sold, may be worth more or less than their original cost. For performance data current to the most recent month-end, which may be higher or lower than that cited, visit our website at www.vanguard.com.

*Average weighted expense ratio, based on expenses incurred by Vanguard funds in each Vanguard Target Retirement Fund.

**Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns.

THE Vanguard GROUP®

Vanguard
Target Retirement Income Fund

Fund Profile

Target Allocation of Underlying Vanguard Funds*

Vanguard® Total Bond Market Index Fund	50.0%
Vanguard® Inflation-Protected Securities Fund	25.0
Vanguard® Total Stock Market Index Fund	20.0
Vanguard® Prime Money Market Fund	5.0

**Fund holdings are subject to change.*

A Few Words About Risk

When investing in balanced funds, short-term losses (or gains) are common, largely as a result of sudden movements in the prices of stocks and bonds as interest rates fluctuate and economic conditions change. However, over extended periods the market's ups have tended to outweigh its downs. There is no guarantee this will continue. Usually, the longer you hold your investments, the lower your chances of losing money.

Also, because stock and bond prices often (but not always) move in opposite directions, a fund that holds both stocks and bonds can help to lessen its volatility.

Balanced fund investors should also consider credit risk, the possibility that a bond issuer may be unable to make timely payments of interest or principal. Bonds issued by the U.S. government and its agencies carry the highest level of credit protection.

One final risk to consider is inflation risk, the possibility that, over time, the returns on an investment will fail to keep up with the rising cost of living. For example, a 4% rate of inflation reduces a 6% return to a 2% real return.

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Conservative — Moderate — Aggressive

1 **2** 3 4 5

Investment Terms

Bond: An investment in which you lend money to a company, a government, or a government agency. The bond issuer agrees to pay back the loan by a certain date and to pay interest during that period.

Dividends: Payments made by companies to investors in their stock. The payments typically depend on economic conditions and the company's financial health.

Expenses: The costs of running a fund, expressed as a percentage of the fund's assets. For example, a fund may have expenses that total 0.30% (less than half of 1%) of its assets.

Interest: Payments made by a company, a government, or a government agency to investors who lend them money. For example, an investor buys a bond from a company, which agrees to pay back the loan by a certain date at a set rate.

Market Risk: The chance that the value of an investment will change because of rising (or falling) stock or bond prices.

Mutual Fund: An investment company that combines the money of thousands of people and invests it in a number of securities (stocks, bonds, short-term reserves) to achieve a specific objective over time.

Short-Term Reserves: Investments in which you lend money for short periods to banks, governments, or insurance companies, which pay you interest in return. Examples: bank deposits, certificates of deposit, U.S. Treasury bills.

Total Return: The change in the value of an investment, plus any income from interest or dividends. The standard measure of a mutual fund's performance.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at $1 per share, it is possible to lose money by investing in the fund.

For more information about Vanguard funds, visit www.vanguard.com, or call 800-523-1188, to obtain a prospectus. Investment objectives, risks, charges, expenses, and other important information about a fund are contained in the prospectus; read and consider it carefully before investing.

F0308_062004