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PRESS RELEASE

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Maryland Enters \$106 Million Multistate Settlement with Vanguard over Big Tax Bills, Remediation to Investors

BALTIMORE, MD (January 22, 2025) – Attorney General Anthony G. Brown today announced that his Office’s Securities Division joined a taskforce of state securities regulators and the United States Securities and Exchange Commission (SEC) to secure a \$106 million settlement with Vanguard Marketing Corporation (VMC) and The Vanguard Group, Inc. (Vanguard).

The settlement resolves allegations that Vanguard failed to supervise certain registered employees – among them, stockbrokers – and failed to disclose potential tax consequences to investors following a change in investment minimums for certain target date retirement funds. The settlement funds will be used to provide remediation payments to harmed investors and will be administered through the SEC’s Fair Fund.

The settlement stems from a three-year multistate task force investigation coordinated through the North American Securities Administrators Association’s Enforcement Section Committee, to investigate Vanguard, parallel to an investigation by the SEC.

The investigation revealed that in 2020, Vanguard lowered the investment minimums for its Institutional Target Retirement Funds (TRFs) mutual fund, which had historically been purchased by entities that make large investments on their own behalf or on behalf of other people – also known as institutional investors. As a result of the lowered investment minimums, a large number of retirement plan investors redeemed their Investor TRF shares to purchase Institutional TRF shares. The large number of redemptions caused Vanguard to sell highly appreciated assets in the Investor TRF, which triggered significant capital gains taxes for hundreds of thousands of retail/household investors who remained invested in the Investor TRF. Vanguard did not disclose the potential capital gains and tax implications to Investor TRF shareholders, which was a consequence of the migration of shareholders from the Investor TRF to the Institutional TRF.

“Marylanders who entrust their hard-earned money to investment firms deserve transparency and fairness—not surprises that cost them thousands in unexpected taxes,” **said Attorney General**

Brown. “This settlement sends a clear message: we will hold companies accountable when they put profits over the interests of everyday investors.”

The Vanguard Group, Inc. is the parent company of Vanguard Marketing Corporation, a FINRA- and state-registered broker-dealer. Vanguard markets and sells target retirement funds to investors who hold shares in qualified accounts that offer special tax treatment, including deferred taxes, as well as to investors who hold shares in taxable accounts. Historically, the amount of capital gains distributions and resulting tax liability for shareholders in Investor TRFs has been modest. The SEC will notify the investors that were impacted by this action and will administer the remediation payments, through its Fair Fund program, to compensate investors for the capital gains taxes.

If you have questions or concerns about your investments or financial professional, please contact the Office of the Attorney General’s Securities Division at securities@oag.state.md.us or 410-576-6300.

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