



Homestead Funds'

helpful tips

Managing your Savings in Retirement

You have nurtured your retirement nest egg over the years by saving and investing. To make it last, you'll need to periodically review your investment mix, practice tax-friendly withdrawal strategies and understand your beneficiary choices. If you are nearing retirement, use the timeline inside to help keep track of the recommended steps to take.

Investing to meet your changing needs

Your retirement investment strategy should factor in your anticipated life expectancy and your tolerance for risk. The average life expectancy for Americans is 78. However, as you age, you prove your ability to live longer and your life expectancy increases. For example, the life expectancy for those who reach age 65 is 83—five years above the average age.

Taking charge of your investments in retirement is just as important as the steps you took to build your savings during your working years.

This information can help you understand some of the key decisions you may face and ways you can help **make your money last.**



Kara Gardner, Homestead Funds' Client Service Associate

Since you may spend 20 years or more in retirement, you may need to keep some of your money in long-term, growth-oriented investments, while income for daily living expenses should be allocated to less risky, shorter-term investments. As your retirement continues, you'll need to make periodic adjustments to your investments as part of this shift from a long-term time horizon to a short-term time horizon.

Plan your distributions for tax efficiency*

Identify strategies and wealth-transfer options that will keep more of your hard-earned money working for you and your loved ones—not siphoned off to taxes. For example, try to avoid taking a distribution from your Traditional IRA before age 59½ because you may face a 10% premature distribution penalty in addition to paying income tax on the distribution.

However, you will have to pay tax on your retirement accounts eventually because of the Required Minimum Distribution (RMD) rule. Shortly after you reach age 70½, you are required to start withdrawing

Timeline for those about to retire

A YEAR BEFORE RETIRING

*For information specific to your situation, consult a tax professional.

▶ Prepare your retirement budget

▶ Discuss with your

benefits administrator:

- Your optimal retirement date
- Pension distribution options and the income each will generate
- Spousal pension benefits in the event of your death
- Procedures for rolling over any retirement plan accounts
- Options for retaining employer-provided benefits and your estimated costs

▶ Discuss with an NRECA investment advisor:

- Your financial plan
- Company pensions and benefits
- When to start your Social Security benefits
- Investing rollovers and distributions
- Minimizing taxes, maximizing tax-deferred portfolio growth
- Whether your current investment asset allocation is appropriate for retirement

▶ Review health and prescription drug coverage:

- Evaluate whether you need a Medigap policy
- Take care of dental and medical procedures while still covered under your employer's health plan

from any Traditional and Rollover IRAs and 401(k) accounts (but not Roth IRAs). Each time you take a withdrawal, you will have to pay tax on all or a portion of the amount. It is important that you take the RMD because if you withdraw too little—and therefore pay too little tax—the IRS penalty can be hefty.

Check your beneficiary designations

Select your retirement account beneficiaries with an understanding of the distribution requirements and tax consequences they will face. Taking these steps can save your loved ones anxiety during a difficult time.

First, you should be aware of certain “default” beneficiary decisions. For example, if you are married, your spouse is automatically the beneficiary for your 401(k) account, unless he or she waives that right.

Need more help?

Call one of our friendly client service associates at 1-800-258-3030 between the hours of 8:30 a.m. and 5:00 p.m. ET, Monday through Friday.

3 MONTHS BEFORE RETIRING

- ▶ **Contact the local Social Security office:**
 - Set up date on which benefits, including Medicare, will start
- ▶ **Review long-term care, life, home and auto insurance:**
 - Determine if appropriate for retirement

AT RETIREMENT

- ▶ **Initiate rollover paperwork for retirement plans**
- ▶ **Double-check that paperwork for your pension and health benefits is complete**

With an IRA, you have more flexibility in naming a beneficiary. However, if you want your spouse to have immediate access to your IRA account after you die, you must name him or her as your beneficiary. This designation is not automatic, as it is with a 401(k) account. If you do not name a beneficiary, your account will be settled through your estate, which can take a considerable amount of time.

To view the named beneficiaries for any of your Homestead Funds' IRAs, log on to your account at www.homesteadfunds.com. You can update this information by completing an Account Services Form, which is also available on the Homestead Funds website.

Spousal and non-spousal beneficiaries also face different distribution requirements. Generally, spousal beneficiaries have more flexibility to defer distributions from retirement accounts, which can lessen the tax bite. For questions about the specific tax ramifications your beneficiaries will face, consult your tax professional.

Are you ready to take a distribution?

When you're ready to start tapping your Homestead Funds' IRA, we can help you meet your cash flow needs. We make it easy and convenient. For example, you can have your money moved directly from your IRA account with Homestead Funds to your bank account. Or, we can set up a program of regular redemptions for you. Daily Income Fund shareholders age 59½ and older can even write checks against their IRA accounts.

Just call us at 1-800-258-3030 to speak with one of our friendly client service associates and to request a prospectus. Investors are advised to consider fund objectives, risks, charges and expenses before investing. The prospectus contains this and other information. Read the prospectus carefully before you invest or send money.

We have helpful tips on **other investment topics, too!**

Download a complimentary fact sheet about any of the following topics from our website at www.homesteadfunds.com or call one of our friendly associates at **1-800-258-3030**:

- ▶ Building your retirement savings
- ▶ Saving for education
- ▶ Simplifying account management
- ▶ Understanding mutual fund costs
- ▶ Handling investment risk
- ▶ Simplifying tax time for investors
- ▶ Deciding what to do with your 401(k)
- ▶ Taking your required minimum distribution