

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-efficient withdrawal strategies and understand your beneficiary choices. If you are nearing retirement, use the timeline inside to help keep track of the proposed 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 79.* 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 86** — seven years beyond the average life expectancy.

*Source: World Bank

**Source: IRS Publication 590-B, Appendix B, single life expectancy

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.



“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, Registered Representative

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 59 ½ 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. In the year you reach age 72,

you are required to start withdrawing 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.

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

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. 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 homesteadfunds.com. You can update this information by completing the IRA and ESA Beneficiary Designation 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. Homestead Funds does not offer legal or tax advice. For questions about the specific tax ramifications your beneficiaries will face, consult your tax professional.

Sample timeline for those considering retirement decisions

<p>A year before retirement</p>	<p>Discuss with your benefits administrator:</p> <ul style="list-style-type: none">• 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 <p>Discuss your Homestead Funds IRA with a Homestead Funds representative:</p> <ul style="list-style-type: none">• Investing account balances and distribution options• Whether your current investment mix is appropriate for retirement <p>Review health and prescription drug coverage:</p> <ul style="list-style-type: none">• Evaluate whether you need a Medigap policy• Take care of dental and medical procedures while still covered under your employer's health plan
<p>Three months before retirement</p>	<p>Contact the local Social Security office to confirm benefits and timelines:</p> <ul style="list-style-type: none">• Decide when to take your Social Security and Medicare benefits. <p>Review long-term care, life, home and auto insurance:</p> <ul style="list-style-type: none">• Determine if appropriate for retirement
<p>At retirement</p>	<ul style="list-style-type: none">• Initiate paperwork for retirement plans• Double-check that paperwork for your pension and health benefits is complete

The sample timeline is provided for educational purposes only. You should discuss your individual situation with your financial advisor before making any decisions about the timing to meet your needs in retirement.



Need more help? Call one of our friendly client services associates at 800.258.3030 between the hours of 8:30 a.m. and 5:00 p.m. ET, Monday through Friday.

Are you ready to take a distribution from your Homestead IRA?

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 can even write checks against their IRA accounts.

Add to or exchange shares by phone, online or by mail. Transactions within your IRA are not taxable, so you are able to reinvest dividends and capital gains, and exchange between mutual funds in your account without tax impact. You can redeem shares by phone, online or by mail. Spousal consent is not required for account transactions, including distributions.

Just call us at 800.258.3030 to speak with one of our friendly client services associates and to request a prospectus.

We have helpful tips on other investment topics, too!

Download a complimentary fact sheet about any of the following topics from our website at homesteadfunds.com, or call one of our friendly associates at 800.258.3030 to request any by mail.

- Building Your Retirement Savings
- Deciding What to Do with Your 401(k)
- Handling Investment Risk
- Saving for Education
- Simplifying Tax Time for Investors
- Taking Your Required Minimum Distribution
- Understanding Mutual Fund Costs

Investing in mutual funds involves risk, including the possible loss of principal. **Past performance does not guarantee future results.**

Investors should carefully consider fund objectives, risks, charges and expenses before investing. The prospectus contains this and other information about the funds and should be read carefully before investing. To obtain a prospectus, call 800.258.3030 or visit homesteadfunds.com.

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