

Homestead Funds' Helpful Tips

## Simplifying Account Management



We want to make it easy for you to manage your investments with us. Our client services associates are here to answer your questions and process transactions by phone. You can also make transactions online anytime. In addition, we have some special services that you can use to execute transactions on a regular basis, without lifting a finger. These include automatic investment, exchange and redemption programs. Besides the convenience these programs offer, committing to a regular transaction cycle can help you reduce the emotional anxiety that sometimes accompanies investment decision-making.

### Scheduled transactions mean less paperwork, less guesswork

*The Automatic Investing Program*

*The Automatic Exchange Program*

*The Automatic Redemption Program*

#### The Automatic Investing Program

This service saves you the time and hassle of remembering to send in a check regularly. But there's a monetary benefit, too. With the Automatic Investing Program, you invest the same amount at each interval

no matter what is happening in the market. This enforced discipline results in your money buying more shares when the price is lower and fewer shares when the price is higher. This is called dollar-cost averaging and, while it cannot guarantee a gain or protect against a loss, it can be better than trying to guess when the ideal time to invest might be and making a single lump-sum purchase.

Before you begin this program, consider your ability to stick with it. While you may discontinue the program at any time, sudden stops and starts defeat the purpose of systematic investing.



*“Homestead Funds offers investment services that make investing, keeping track of your account and handling your money easier.”*

– John Scott, Registered Representative

## The Automatic Exchange Program

The Automatic Exchange Program is an easy way to diversify your portfolio. Instead of moving to your target allocations all at once, make the move in a series of steps over time. For example, if you opened your account with Homestead Funds by investing in the Value Fund, but now you want to include less risky money market and short-term bond funds in your lineup, you can use the Automatic Exchange Program to authorize us to redeem and reinvest in a different Homestead Fund at regular intervals of your choice.

Investors in taxable accounts should keep in mind that an exchange is a sale followed by a purchase. When you exchange shares, you may realize a capital gain or loss to be reported on your tax return.

## The Automatic Redemption Program

The Automatic Redemption Program allows you to set up periodic withdrawals from your Homestead Funds account. This program may be especially convenient for retirees looking to draw down their accounts to meet monthly cash flow needs. You can have your money directly transferred from the fund to your bank account, which provides you with easy access to your money. This service eliminates the need to make a special trip to the bank to deposit or cash a check. (IRA account holders must be 59 ½ to participate.)



*If you need a fast-track answer to a financial planning question or a plain-English explanation of your investment options, call one of our friendly client services associates at 800.258.3030 during business hours. There's no charge for this service.*

## Averaging the cost of your shares

When you commit to a program of investing the same amount of money at specified intervals, you are using a strategy called “dollar-cost averaging.” Here’s how it works.

|          | Investment Amount                  | Share Price | Number of Shares Purchased      |
|----------|------------------------------------|-------------|---------------------------------|
| January  | \$200                              | \$26.50     | 7.547                           |
| February | \$200                              | \$23.53     | 8.499                           |
| March    | \$200                              | \$23.38     | 8.554                           |
| April    | \$200                              | \$25.50     | 7.843                           |
| May      | \$200                              | \$22.24     | 8.992                           |
| June     | \$200                              | \$27.52     | 7.267                           |
|          | <b>\$1,200</b><br>(total invested) | ÷           | <b>48.702</b><br>(total shares) |

**\$24.64 (average share price paid)**

As you can see in the above table, by investing the same amount of money regardless of the fund’s share price, you automatically buy more shares when the price is lower and fewer shares when the price is higher. Dollar-cost averaging effectively “averages” the cost of your shares.

In this example, the average price for all shares acquired was \$24.64 (the total invested divided by the number

of shares acquired). But if you had made the full investment in any single month, you might have paid as much as \$27.52 per share or as little as \$22.24 per share.

This is a hypothetical example that does not represent the share price performance of any Homestead Fund. Dollar-cost averaging does not guarantee a gain or protect against a loss in a declining market.



*If you tend to second-guess the timing of your purchases, dollar-cost averaging might be a more comfortable way for you to invest. It can potentially help you achieve a lower average cost per share.*

## Write checks against your Daily Income Fund account

If you are invested in a regular, taxable account or if you have an IRA account and you are age 59 ½ or older, you may write checks against your Daily Income Fund account. This gives you the convenience of having immediate access to your money. You can use checks for large purchases, for down payments or to pay off credit card balances. Checks must be written for a minimum of \$100.

## Are you ready to sign up for automatic services?

To begin making automatic investments to an existing Homestead Funds account or automatic exchanges or redemptions, complete an Automatic Transactions Sign-Up Form, which you will find online at [homesteadfunds.com](http://homesteadfunds.com). Or call us during business hours at 800.258.3030 and we'll mail you the form.

To open a new account, call 800.258.3030 and 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 [homesteadfunds.com](http://homesteadfunds.com), or call one of our friendly associates at 800.258.3030.**

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

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### **Mutual funds are subject to market risk, including the potential loss of principal invested.**

The information provided herein is not directed at any investor or category of investors and is provided solely as general information about our products and services and to otherwise provide general investment education. No information contained herein should be regarded as a suggestion to engage in or refrain from any investment-related course of action as none of Homestead Funds, RE Advisers, nor any of its affiliates is undertaking to provide investment advice, act as an adviser to any plan or entity subject to the Employee Retirement Income Security Act of 1974, as amended, individual retirement account or individual retirement annuity, or give advice in a fiduciary capacity with respect to the materials presented herein. If you are an individual retirement investor, contact your financial advisor or other fiduciary about whether any given investment idea, strategy, product or service described herein may be appropriate for your circumstances.

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