

Our Perspectives: The Financial Journey, On Your Terms



Homestead
Funds

We Americans often like to do things on our own terms. Perhaps it comes from our roots as frontiersmen, or maybe it's connected to our earliest drive for independence. Whatever the reason, to be self-made is quintessentially American.

That may explain why our system of financial security has become a do-it-yourself enterprise. There are positive aspects to this modern state, to be sure. Investing is more accessible than ever before. It's also far cheaper, in terms of things like management fees or trading commissions, and it's more transparent, making it easier to access good information. A little know-how can get you far.

In this issue, we offer some guidance for navigating your financial journey on your own terms. We look at the simple method of goals-based planning. Individualism may be the value that drove us to this do-it-yourself financial system, but Americans are also known for enjoying a good journey.

Goals-based planning can be a truly do-it-yourself approach to managing your money. But we can also help. Call us anytime at 800.258.3030 if you'd like to talk through the options that best suit your goals.

How to Match Your Investments to Your Goals

Your financial life is on your terms, but what if you don't know where to start, especially in a world with literally thousands of mutual funds and other investment choices?

Think of the way that your retirement plan is set up: You have a goal (retirement) where you can generally pinpoint the timeline and characteristics, and the investments are matched accordingly. Well, you can use the same simple approach to tackle other financial goals in your life. And there's good news: The first step has nothing to do with picking investments.

What Is Goals-Based Financial Planning?

Goals-based planning is a process where you first outline your goals, determine some core features about them (like amount, timing, and balance of growth or protection), then align your investment choices to support each goal.

For instance, a goal to save money for a down payment on a house is a short-term goal with little wiggle room for losses. Retirement, on the other hand, is a long-term goal where growth of your savings is the main priority.

How to Do Goals-Based Planning

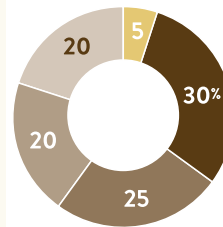
Get out a sheet of paper and a pen, and grab a cup of coffee. The best planning sessions are often a non-digital, manual exercise.

- Brainstorm all the financial goals you have for yourself, big and small. Paying off debt, an emergency fund, a special trip, retirement, a college fund, a new home — everything. You won't be able to work toward all goals at once, so don't get overwhelmed by the brainstorm. You just need to see them all in writing.
- Assign a dollar value, timeline and core characteristic for each goal (i.e., protection of savings, ongoing income, moderate growth or high growth).
- Rank your goals. If you don't have any emergency savings, that's number one no matter what! The main benefit of this step is to help you consider goals that may be conflicting. Say you picture your retirement with lots of travel and you want to maintain a bigger home to welcome grandkids. Can you prioritize one over the other?
- Choose two or three goals to start with. It's better to make good progress on a few goals than it is to try tackling everything at once. In fact, it can be a mental relief to have a written priority list and know that some goals are shelved until a later date.
- Select an investment mix to suit the goal. This is where you'll use the core characteristic of the goal and match your investments accordingly. (See figure)

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Goal-Based Portfolios

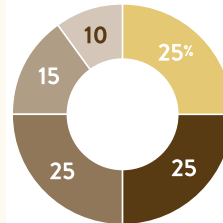
- Money Market
- Short-Term Bonds
- Large-Company Value Stocks
- Large-Company Growth Stocks
- Small-Company Stocks
- International Stocks



The Maximum Accumulator (Aggressive)

Core characteristic: High growth

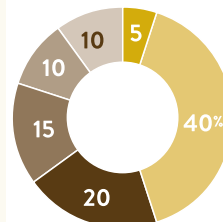
Best for: The longest-term, highest-aspiration goals, such as retirement, college funds, or other goals with 10 years or more to grow.



The Builder (Moderately Aggressive)

Core characteristic: Moderate growth

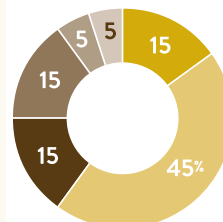
Best for: Longer-term goals that have a little more sensitivity to losses, such as retirement or college funds that will be needed sooner than 10 years.



The Moderate (Balanced)

Core characteristic: Ongoing income

Best for: Medium-term goals typically in the 10- to five-year range with some flexibility: a new boat or a wedding contribution.



The Preserver (Conservative)

Core characteristic: Protection of savings

Best for: Short-term goals or anything that needs protection over growth, such as your emergency fund or savings for a home down payment.

Our Perspectives: A Reasonable Retirement Goal

We Can Help

Small enough for average investors to monitor on their own, yet large enough to be included on leading intermediary platforms, the Homestead Family of Funds has much to offer. Through our family of eight no-load mutual funds, Homestead can help you meet a single

financial need or build a comprehensive investment program according to your personal goals.

Goals-based planning can be a truly do-it-yourself approach to managing your money. But we can also help. Call us anytime at **800.258.3030** if you'd like to talk through the **options that best suit your goals**.

Overview of Homestead Funds

Investment Types and Their Traits	Homestead Funds	Investment Objective
MONEY MARKETS Generally carry lower risk, but typically also give you a lower reward	Daily Income Fund	Seeks maximum current income, consistent with preservation of capital and liquidity by investing in high-quality money market securities.
BONDS Generally carry more risk than money market investments but, in turn, may deliver a higher reward	Short-Term Government Securities Fund	Seeks a high level of current income from investments in a portfolio of securities backed by the full faith and credit of the U.S. government.
	Short-Term Bond Fund	Seeks a high level of income consistent with maintaining minimum fluctuation of principal by investing in high-quality, short-term debt securities.
STOCKS Generally carry higher risk, but over long periods have delivered a higher reward	Stock Index Fund	Seeks to match, as closely as possible, before expenses, the performance of the Standard & Poor's 500 Stock Index (the "Index"), which emphasizes stocks of large U.S. companies.
	Value Fund	Seeks long-term growth of capital and income for the long-term investor. Current income is a secondary objective.
	Growth Fund	Seeks to provide long-term capital appreciation through investments in common stocks of growth companies.
	Small-Company Stock Fund	Seeks long-term growth of capital for the long-term investor.
	International Equity Fund	Seeks long-term capital appreciation through investments in equity securities of companies based outside the U.S.

Homestead Funds client services team would be happy to talk with you about your goals and current investment program. Give us a call at 800.258.3030.

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.

As a money market fund, the Daily Income Fund has limited potential for income production. You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

Debt securities are subject to interest rate risk, credit risk, extension risk, income risk, issuer risk and market risk. The value of U.S. Government securities can decrease due to changes in interest rates or changes to the financial condition or credit rating of the U.S. Government. Investments in asset-backed and mortgage-backed securities are also subject to prepayment risk as well as increased susceptibility to adverse economic developments. High-yield, lower-rated, securities involve greater risk than higher-rated securities.

Equity securities generally have greater price volatility than fixed-income securities and are subject to issuer risk and market risk. The Stock Index Fund pursues its objective by investing substantially all of its assets in another pooled investment vehicle (a "master fund"). The ability of the Stock Index Fund to meet its investment objective is directly related to the ability of the master fund to meet its investment objective. Index funds may hold securities of companies that present risks that an investment adviser researching individual securities might otherwise seek to avoid and are subject to tracking error risk. Value stocks are subject to the risk that returns on stocks within the style category will trail returns of stocks representing other styles or the market overall. Growth stocks are subject to the risk that returns on stocks within the style category will trail returns of stocks representing other styles or the market overall. Securities of small and medium-sized companies tend to be riskier than those of larger companies. International investing involves currency, economic and political risks, which may be greater for investments in emerging and frontier markets.

The sample portfolios shown in the pie charts on page 2 are hypothetical examples and do not represent a recommendation for any investment.

Homestead Funds' investment advisor and/or administrator, RE Advisers Corporation, and distributor, RE Investment Corporation, are indirect wholly owned subsidiaries of NRECA. RE Investment Corporation, Distributor 10/18

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