VLFAlert

ValueLine*funds*

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Mitchell Appel
President
Value Line Funds

Dear Fellow Shareholder,

Thank you for choosing Value Line Funds as a part of your diversified investment portfolio. For over half a century, Value Line Funds has championed sound investment principles and helped thousands of investors accomplish their financial goals with our actively managed family of mutual funds.

We hope you enjoy this edition of the VLFAlert and thank you for your continued support.

It's a Great Kind of Problem to Have: How to Plan for Your Biggest Retirement Risks

You've worked hard, carefully planned for your retirement years and should be in a position to enjoy doing whatever it is you were picturing you would do. But there are a variety of risks that threaten to derail the goals you have worked so hard to achieve. Perhaps the most significant and most often overlooked threat to a fulfilling and successful retirement is a great kind of problem to have—longevity risk. Here's a brief view of how you can plan for these risks whether you are nearing or already well into your retirement.

Preparing for Common Retirement Risks

- **Market Risk** – unexpected changes in investment returns based on market variables. Prepare by making sure your asset allocation is appropriate for your retirement spending goals, your time horizon and your risk tolerance. Keep in mind that asset allocation earmarked for your retirement assets in the "decumulation phase" may differ from what you have been comfortable with in your asset-building "accumulation phase" years.
- **Interest Rate Risk** – the potential for investment losses that result from a change in interest rates. Remember, there is an inverse relationship between bond prices and interest rate movements, so that bond prices decline when interest rates increase and vice versa. Because longer-term bonds have a greater price sensitivity to rate changes, prepare through diversification, or laddering, of bond maturities, or durations.
- **Purchasing Power Risk** – changes in consumer prices that will diminish your real investment return—that is, inflation risk. Payments on fixed income securities are set at the time of issue and don't change regardless of the inflation rate. Interest paid on savings accounts also typically does not keep up with inflation. Prepare by diversifying among asset classes and building a hedge against inflation into your portfolio, with, for example, a portion allocated to Treasury inflation protected securities.
- **Event Risk** – an unforeseen event that has a significant impact on your investment portfolio. Prepare by building flexibility into your retirement spending pattern to give you a balance of both predictability and "wiggle room" that may help cushion most types of unpredictable external shocks.
- **Health Risk** – not being able to pay your health care costs. Prepare by establishing a realistic and personalized estimate of your expected expenses and choosing the Medicare plan, supplemental health insurance and/or long-term care insurance that best suit your individualized needs.
- **Tax and Policy Risk** – based on changes in governmental rules regarding factors that may affect your retirement portfolio, including retirement plans, retirement benefits, estate planning and health coverage. Prepare by making sure your retirement portfolio holds different account types, so you can nimbly shift strategies if needed.

Managing Your Greatest Retirement Risk

The biggest risk of all—longevity risk—is actually a great problem to have. The risk is outliving your assets. But it also means you have lived longer than you—or the actuarial tables—anticipated! Now, while you are still able, do yourself and your loved ones a huge favor by making longevity risk a key part of your planning ahead. After all, with the virtual disappearance of pensions in the U.S. and the very real possibility of Social Security trust fund depletion within the decade, the oft-mentioned "three-legged stool" of our parents' retirement is barely standing on two legs. The responsibility for addressing longevity risk has increasingly shifted to us as individuals and our own savings.

- **Estimate how long your money needs to last.** Of course no one can know how long you will live, but you can make an educated guess, based on genetics, health history, lifestyle and more. On average, a 65-year-old today has a life expectancy of 18.8 years. But the older you get, the longer you can expect to live! So, if you are already 75, the average life expectancy is another 12 years—and even longer for women.[1] One out of every four 65-year-olds today will live past age 90.[2] But approximately 28% of Americans underestimate their life expectancy by five or more years[3], thus facing a greater risk of outliving their financial assets and experiencing financial stress in retirement. You don't want to be one of them.
- **Be aware of the key issues.** Health care expenses—even with Medicare—is probably the biggest piece of any retirement budget. A 65-year-old couple who retired in 2021 can expect to

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spend a combined $300,000 on health care costs in retirement.[4] Also, more than 70% of Americans over the age of 65 will need long-term care services at some point in their lives.[5] Add inflation on top of that. The good news is that Social Security benefits are expected to see a cost of living adjustment of 5.9% in 2022,[6] but you can't count on an increase every year.

- **Think about working part time.** Taking a part-time job as you transition out of full-time work could help you stretch your money a little longer. For some, it is easier to stay in the workforce for a few more years than to re-enter the workforce later in retirement if there is a shortfall.

- **Choose a sustainable withdrawal rate.** If you withdraw 10% from your retirement accounts each year to fund living expenses, you may deplete your investments sooner than later. But the general recommendation of a 3% to 5% withdrawal rate can mean your money could last exponentially more years.

- **Consider the Spend Safely in Retirement Strategy.**[7] This approach involves two key steps for more strategic retirement spending. 1) Optimize expected Social Security benefits through a careful delay strategy. 2) Generate retirement income from savings using the IRS required minimum distribution rules, coupled with investments in, for example, a balanced fund that may enable a portion of your savings to keep growing.

- **Develop a diverse income strategy.** In addition to investing in a balanced fund for potential growth, a combination of interest-bearing savings accounts (especially when interest rates are rising), a laddered bond investment and dividend-paying equities may help provide an income stream during retirement.

- **Adjust.** This is critically important. Taking a long-term view of your retirement is indeed prudent, but change is the only constant—changes in your health, your spouse's health, your marital status, your own risk tolerance and more may mean reviewing your plan over time is a wise path to take.

Wishing You a Healthy and Safe 2022

The past two years have been challenging on levels no one could have predicted. But that's exactly why effective risk management for each of the Value Line Funds—and for you—is so important. Value Line Funds have been serving investors' needs since 1950, through all kinds of market conditions and all scenarios of good times and hard times. Know that our long-term commitment to our Fund shareholders remains unchanged.

We thank you for trusting us to be a part of your investment strategy. At this extra-special time of year, we take this moment to express our gratitude to you, our shareholders, for your confidence. We look forward to continuing to serve your investment needs just as we have been helping to secure generations' financial futures for more than 70 years now—based on solid fundamentals, sound investment principles and the power of disciplined and rigorous analytics. Just as we manage for the long term, please take this time to consider how more broadly diversifying your retirement assets by including additional Value Line Funds in your investment portfolio may help you manage your longevity risk.

We send our best wishes to you and your families for a healthy, safe and prosperous 2022! We also wish you a full, vibrant and well-deserved retirement for decades to come.

Check out our News & Commentary at vlfunds.com for the latest on the Value Line Funds.

For more mutual fund information, call today: 800.243.2729 or visit our website at www.vlfunds.com

[1]Centers for Disease Control; https://www.cdc.gov/nchs/data/vsrr/vsrr015-508.pdf

[2]American Psychological Association; https://www.apa.org/pi/aging/resources/guides/older

[3]Society of Actuaries; https://www.soa.org/globalassets/assets/files/resources/research-report/2020/longevity-perceptions-drivers.pdf

[4]Fidelity Investments; https://money.com/health-care-costs-retirement-fidelity-2021-study/

[5]U.S. Department of Health and Human Services; https://www.wsj.com/ad/article/longtermcare-future

[6]Social Security Administration; https://www.ssa.gov/news/press/factsheets/colafacts2022.pdf

[7]Stanford Center on Longevity; https://longevity.stanford.edu/wp-content/uploads/2019/07/Viability%20SSiRS%20Final%20SCL.pdf

Past performance is no guarantee of future results. You should carefully consider investment objectives, risks, charges and expenses of Value Line Mutual Funds before investing. This and other information can be found in the fund's prospectus, which can be obtained from your investment representative or by calling 800.243.2729. Please read it carefully before you invest or send money.

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