VLFAlert

ValueLine*funds*

2nd Quarter 2020 Volume IX, Issue II

00242603

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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.

10 Ways to Help Protect Retirement Income: Making Your Money Last

If you are approaching the off-ramp to retirement—or already there—you might assume it's time for the careful financial planning you did during all those years of hard work to finally pay off. Now is the time to reap the rewards of that hard work with minimal money worries. Right? Well, even the most diligent investor needs to protect what you have spent a lifetime saving and plan ways to help ensure you will have enough income to last through a fulfilling and financially comfortable retirement. Here are 10 ways to help keep your retirement income on track.

1. **Plan for Health Insurance Costs** – The average 65-year-old couple who retired in 2019 will need an estimated $285,000 to cover health care costs during retirement.[1] This estimate includes the Medicare income-related monthly adjustment amount surcharge, which for 2020 is triggered when modified adjusted gross income—based on your tax returns from two years prior!—exceeds $174,000 for married taxpayers filing jointly or $87,000 for individuals.[2] You can appeal the surcharge by calling the Social Security Administration.

2. **Watch Your Tax Bracket** – You thought you would have lower taxes as a retiree. But you find yourself paying a bigger tax bill as you begin to tap your tax-deferred retirement accounts, which, combined with income from other sources, put you in a higher tax bracket. It's also possible you forgot that a portion of your Social Security benefits could be taxed. Consider using a charitable distribution strategy that enables you to donate IRA money directly to a qualified charity, lowering your taxable income. Maybe give up the part-time job. But definitely be sure to alter your spending to cover your tax bills.

3. **Be Sure Downsizing Really Pays** – Many believe a guaranteed way to build savings and lower expenses is to move to a smaller home, perhaps in a community that takes care of upkeep. But before you do that, be sure you calculate in renovations needed to sell, moving costs and real estate commissions and then property tax bills and monthly maintenance fees. If you've done the math and can save significantly each month—and are emotionally committed to a change in lifestyle, then making the move makes sense.

4. **Plan for Unexpected Expenses** – You calculated; you used spending-needs apps; you even canceled that subscription you no longer use to cut your monthly costs. Yet, somehow you are tapping into your nest egg more than expected with unanticipated expenses that make you lose sleep in what are supposed to be your pressure-free years. Creating a retirement spending budget and factoring in a cushion of 10% of all monthly expenses for emergency needs may well offer some cash flow peace of mind.

5. **Take Inflation into Account** – Inflation has a particularly negative effect on retirees because it both increases the costs of goods and services over time and erodes the value of those monies set aside to cover those costs, impacting real purchasing power. And essentials such as food, energy and medical expenses have been going up higher and faster than the broad inflation rate. Even Social Security cost-of-living adjustments are not guaranteed! Consider investing a portion of your retirement portfolio in equity mutual funds or Treasury inflation-protected securities with the potential to keep pace with inflation.

6. **Don't Be Afraid of Investing for Growth** – Positioning investments for growth is not taboo just because you are nearing or in retirement. Indeed, being too conservative will find you falling short of your financial goals just as quickly as being too aggressive. However, if you calculate, say, two to four years' worth of the money you need from your portfolio and invest that conservatively, and invest the remainder in a hybrid mix of stocks and bonds, based on your longer-term time horizon, then you may be in fine shape to enjoy a fulfilling and financially comfortable retirement with the potential for growth you need without surpassing your own personal risk tolerance.

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7. **Make Your Income Last Longer** – Statistically, half of the population will live longer than the actuarial life expectancy[3]—with many retirees healthy and active, so you need to be careful not to underestimate how long you need your savings to last. With approximately 62% of your retirement income needing to come from sources outside of Social Security and pensions,[4] it would be prudent to establish a thoughtful retirement income plan, comprised of investments and earned income, to last as long as your retirement.

8. **Discuss Long-Term Care** – Someone turning age 65 today will have almost a 70% chance of requiring some type of long-term care services[5]—and, in most cases, that's not covered by Medicare. Have the discussion now, before care is needed. See if extended family is willing to pitch in for care. If not feasible, consider having your children purchase a life insurance policy with a long-term care rider for you and them as the beneficiaries. Or, if self-dependent, long-term care insurance may be a key consideration.

9. **Manage Your Savings Withdrawals** – To make sure your savings last, consider using conservative withdrawal rates, usually no more than 4% in the first several years of retirement and then adjusting as makes sense in subsequent years. By using a sustainable percentage rather than a dollar amount, you can extend the life of your retirement portfolio, regardless of market moves.

10. **Stay Informed** – Your retirement portfolio is not—and shouldn't be—a static pile of money. Rather, it should continue to be an investment carefully tended to amidst ongoing market volatility, interest rate movements and more. Continue to read the newspaper, your shareholder reports and these VLF*Alert* articles to stay on top of current events and find useful ideas to protect your savings and make your money last longer. As always, information is one of your very best investment tools!

Consider Allocating Retirement Savings with a Hybrid Fund

For virtually any investor of any age, but especially if you are near or in retirement, one of the best ways to allocate a portion of your retirement savings may be with a hybrid fund that invests in multiple asset classes and has the flexibility to adjust allocations among those asset classes. That would be in addition, of course, to having a portion of your money invested even more conservatively. So, if you haven't already, take a look at the Value Line Asset Allocation Fund or the Value Line Capital Appreciation Fund, each of which offer a hybrid mix of stock and bond investments.

Both of the Value Line hybrid funds primarily contain a flexible allocation of growth-oriented stocks and fixed income securities. Typically, many hybrid funds have a mandate to hold 60% in stocks and 40% in bonds. However, the Value Line hybrid funds have the flexibility to adjust the allocation and dynamically overweight equities or fixed income based on the relative opportunity.

To read more about the Value Line Funds and how we can be part of helping you build and maintain your retirement portfolio, we invite you to contact your investment representative or visit us at www.vlfunds.com.

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]*Fidelity, April 2019. Using average life expectancy data*

[2]*MedicareAdvantage.com.*

[3]*Society of Actuaries.*

[4]*Social Security Administration.*

[5]*LongTermCare.gov, U.S. Department of Health and Human Services.*

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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