VLFAlert

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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.

How the CARES Act May Impact Retirement Planning

By now, you know about the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, that the U.S. Congress and Administration passed in March 2020 in an effort to help provide relief to American businesses and individuals amidst the COVID-19-induced economic turmoil. But what you might not realize is that among its 1,000+ pages, the CARES Act includes several provisions that may impact your retirement planning strategies. Here are the main retirement-related areas of the CARES Act and how each might affect you.

Suspension of Required Minimum Distributions (RMDs) for 2020. Before, individuals over the age of 70½ (for those born prior to July 1, 1949) or 72 (for those born after July 1, 1949) were required to take a minimum distribution from their tax-deferred retirement accounts each year. In addition to retirees, most non-spousal heirs who inherited tax-deferred accounts, no matter their age, were also required to take an annual RMD. Now, RMDs from 401(k)s, 403(b)s, 457(b)s and IRAs, inherited or otherwise, have been suspended for 2020, meaning retirees can leave their retirement accounts alone for another year and can also enjoy some tax savings. You still have the flexibility to withdraw money from your retirement account in 2020, but you just are not required to do so. Importantly, the CARES Act provision is not a postponement to 2021—you will not have to take two RMDs next year.

Expanded Borrowing Limits on Defined Contribution Plan Loans. The CARES Act increased both the dollar amount and repayment time on loans you may take on your 401(k) or other defined contribution plan. Many of these plans allowed participants to take out a plan loan of up to $50,000 or 50%, whichever is less, of your own vested account balance and then to repay the loan over five years through payroll deductions. Now, through the CARES Act, you may borrow up to $100,000 or 100% of your vested account balance, whichever is less—and you get an extra year to pay back your loan if 2020 was one of the five years for your outstanding loan repayment, in effect giving you six years to repay the loan with no more payments due in 2020. These expanded limits only apply to loans made from March 27 to September 23, 2020, but they may provide meaningful relief if you did need to borrow money from your retirement plan during this crisis.

Postponed Payment of Social Security Taxes. The CARES Act allows self-employed individuals and employers to postpone payment of the employer-side liability of federal Social Security taxes—usually a 6.2% tax—owed on employee wages from March 27 through December 31, 2020. Now, both the self-employed and employers can defer the employer-side payment until December 31, 2021 when 50% is owed and the remaining half until December 31, 2022. While this provision is of welcome near-term relief to those paying the 6.2% tax, the potential for broad declines in revenue in 2020 and dramatically higher unemployment likely means less money is going into the Social Security trust funds, potentially accelerating their depletion date.

Enabling of COVID-19-Related Distribution Exceptions. A COVID-19-related distribution from an IRA or other retirement plan is one made during calendar year 2020, retroactive to January 1, 2020, for those who meet certain criteria. Specifically, either you, your spouse or a dependent has been diagnosed with COVID-19 or has experienced adverse financial consequences caused by the pandemic, including, but not limited to, a layoff, furlough, quarantine, reduction in hours, lack of child care, or having had a job offer rescinded or a job start date delayed. You may withdraw up to $100,000 from your eligible retirement plan until December 30, 2020 without paying the usual 10% penalty tax if the distribution is taken before age 59½. In addition, the mandatory 20% tax withholding requirement that normally applies to early distributions from a 401(k) or other workplace retirement plan is suspended. The added good news is a retirement plan can rely on a participant's self-certified written statement that you meet the conditions. The distribution will be automatically spread out over the next three years from a tax perspective or you can opt to treat the entire distribution

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as taxable in 2020—your choice. Alternatively, the CARES Act gives you three years to redeposit the withdrawn money into a retirement account to avoid some or all of the taxes—normally you would have only 60 days. As IRAs usually do not allow for loans, this opportunity is a way to get much-needed short-term money and then repay it to your own plan so you still have your long-term retirement savings.

Enhanced Charitable Giving Choices. The CARES Act includes three major provisions related to charitable giving. First, you can still take a qualified charitable deduction of up to $100,000 from your IRA and direct it to a qualified charity in 2020, but since RMDs are suspended for 2020, the distribution won't offset any RMDs. This means you might choose to not give via a qualified charitable distribution in 2020 and wait until 2021 when it will offset RMDs. Second, there is a new above-the-line deduction of $300 for charitable contributions. This allows the many of you who do not itemize your tax deductions to still receive a small deduction for a donation. Third, you can now make cash gifts to most public charities of up to 100% of your adjusted gross income in 2020, previously limited to 60% of adjusted gross income. This provision could be useful if you do itemize and/or if you have a large taxable event in 2020, like the sale of a business.

Reimbursement Changes to Medicare. The CARES Act includes several reforms to Medicare, such as a 20% increase for professional services for COVID-19 patients, advanced payments, sequester relief, the elimination of reduced payments for clinical laboratory tests and additional flexibility for providing telehealth services, to name a few. There are also provisions impacting Medicaid and Health Savings Accounts, temporarily broadening their use for certain types of health care products and services, which could affect your current retirement strategies.

Consider Your Options Before Acting

Not surprisingly, while the CARES Act is meant to provide relief via some financial flexibility when needed most, there are some key matters to keep in mind.

- The CARES Act does not require retirement plans to adopt its new provisions. While it is widely expected most will, you should check with your plan sponsor or administrator before implementing any changes in your retirement strategies.
- Just because you may be eligible to access these CARES Act provisions does not mean you should. You need to evaluate whether it is best for you, given your near-term needs and long-term goals, or whether other options for short-term cash needs may be available to you.
- The CARES Act is complex, so it is a good idea to contact your financial and/or tax advisor to help determine how your individual situation may or may not benefit from its provisions and to avoid any unanticipated tax consequences down the road.

In the meantime, it is also important to maintain both a long-term perspective and a well-diversified investment portfolio. To read more about how the Value Line Funds can be part of helping you build and maintain a diversified investment portfolio, we invite you to contact your investment representative or visit us at www.vlfunds.com.

Take A Few Minutes to Do An Investment Review

Before borrowing from your defined contribution plan or taking a COVID-19-related distribution from your retirement plan, take the time to do an investment review to determine from where, more specifically, you are withdrawing. For example, with the Fed intending to keep interest rates near zero for some time, your cash is now earning very little, so you may want to dip into there first. This may also be a good time to rebalance your investment portfolio if recent market run-ups have skewed your asset allocation beyond your ideal risk/reward profile. Finally, be sure to maintain those investments that are performing well for you and have a strong track record over time. As always, consult your advisors before making any final decision.

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

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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