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Dear Fellow Shareholder,

As we begin a new year, we would like to the Value Line Funds' shareholders a healthy and prosperous 2017. We understand that you have many investment choices and thank you for entrusting Value Line Funds with a portion of your overall investment strategy.

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

The Importance of Setting Specific Goals for Required Distributions

As the new year begins, about one-third of resolutions will be money related. But did you know that only 8% of us will be successful in achieving our resolutions? In fact, people who explicitly make resolutions are 10 times more likely to attain their goals than people who don't.¹ For example, is one of your resolutions, "spend less, save more?" It would be more helpful to include a dollar amount and a time frame. It's easier to reach a goal when you know exactly what it will take to get there. This is especially useful advice for those planning for or already in retirement. One particularly important area to set specific goals for is your retirement plan's required minimum distributions.

Many of you are saving for or have saved for your retirement, contributing to a 401(k), 403(b) or IRA. Once you turn age 70½, the IRS says that you must take required minimum distributions (RMDs), even if you don't really need to. It's important to know how those RMDs fit into your retirement income plan...and here are some questions and some strategies to consider.

Do you need the money to cover living expenses?

- **Start on Time:** You must take your first RMD by April 1st of the year after you turn 70½ and subsequent distributions are due by December 31st each year. The IRS penalty tax for not taking an RMD is a stiff one—50% of the amount you should have withdrawn, but didn't.
- **Avoid Two Distributions in the Same Year:** Retirees who delay their first RMD until April 1 of the year following the year when they turn 70½ will need to take two distributions in the same year because the second distribution is due December 31. This could significantly increase your income tax bill if the second distribution puts you in a higher tax bracket. So plan ahead and consider taking your first RMD during the year in which you turn 70½.
- **Consider Annual Recalculations:** Generally, RMD amounts are calculated based on your life expectancy,

but you can choose annual recalculations if you anticipate changing personal circumstances and you can choose each year if you would like to receive the monies monthly, annually or otherwise.

Do you plan to reinvest the money?

- **Take RMDs from the Worst Performing Account:** If you have more than one IRA or 403(b), you must calculate the RMD for each account, but you don't have to take a separate withdrawal from every account you own. You can add up your account RMDs and take it all out of one account or a combination of any accounts you choose. If your accounts are paying different percentage returns, consider taking your RMDs from the one paying the least. Those with more than one 401(k) must take a withdrawal from each account.

Value Line Funds' Automatic Investing Plan

Looking for an easy and convenient way to invest with Value Line Funds? Consider enrolling in the Valu-Matic® Investment Program. For as little as \$25 per month you can purchase shares of any Value Line Fund and the money is automatically deducted from your checking account. Please call 800.243.2729 for more information.

- **Deposit RMDs in a Tax-Efficient, Non-Retirement Account:** By doing so, you can then invest the money based on your own financial situation, goals, time horizon and risk tolerance. The Value Line Funds, which offer a spectrum of equity, taxable and tax-exempt fixed income, alternative and hybrid mutual funds, are potentially attractive investment opportunities for your RMDs. We encourage you to explore the entire family of Value Line Funds at www.vlfunds.com.

Do you plan to pass the money on to your beneficiaries?

- **Convert to a Roth IRA:** There are no RMDs for Roth IRAs, so you can leave the money in place for as long as you live, with the potential to generate tax-free growth, and then pass it on to your heirs. You will have to pay taxes on the amount converted, but consider the tax rate your heirs will pay on inherited assets. If your heirs will be in a higher tax bracket than you, this might be a good strategy to discuss with your tax advisor. One important note—if you are already past age 70½, you will have to take an RMD before you can convert to a Roth IRA.
- **Provide for Your Loved Ones Sooner:** Another option is to reinvest your RMD proceeds into a 529 college savings plan to help your loved ones with their education while you are still here to watch and enjoy.

Do you want to make charitable donations?

- **Look into a Qualified Charitable Distribution:** Once you've reached age 70½, you can designate up to \$100,000 of your RMDs per year as qualified charitable distributions, or direct transfers of monies from your IRA to a qualified charity. This is a particularly attractive strategy for high income earners that would rather see their money go for good than to the government.
- **Make a Charity Your IRA Beneficiary:** Typically, the most tax-efficient account to leave to charity at death is a traditional IRA because the charity does not pay income tax and the bequest is deductible against an investor's taxable estate.

There is more flexibility than most realize in how and when to take those RMDs. Admittedly, some of these strategies can be complex, but using RMDs in the most effective way for you can help you reach important goals. We recommend consulting with your tax advisor before implementing any of these strategies or making any final decisions, as it can help you avoid costly mistakes.

Read Our Latest White Paper:

**Alternative Investments:
Incorporating a Turnkey Solution**

at vlfunds.com



Value Line Funds Include:
Equity Funds
Premier Growth Fund
Larger Companies Focused Fund
Value Line Mid Cap Focused Fund
Small Cap Opportunities Fund
Hybrid Funds
Asset Allocation Fund
Income and Growth Fund
Alternative Funds
Defensive Strategies Fund
Fixed Income Funds
Tax Exempt Fund
Core Bond Fund

For more information, call 800.243.2729 or visit www.vlfunds.com.

¹University of Scranton, Journal of Clinical Psychology.

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.

There are risks associated with investing in small and mid cap stocks, which tend to be more volatile and less liquid than stocks of large companies, including the risk of price fluctuations.

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