Homestead
Advisers | Funds

Smart Habits for Long-Term Success

Success in investing isn't about getting lucky — it's about building good habits.

- ✔ **Get started!** Start small if needed, but start now.
- ✔ **Make it automatic.** Set up regular transfers to your investment accounts.
- ✔ **Keep some savings easily accessible** for emergencies.
- ✔ **Think long term.** Don't panic when markets go up and down.

Essential Guide for Investors: Starting Your Investment Journey

An investment strategy doesn't have to be complicated — the best strategy is the one you'll actually stick with. Start where you are, use what you have and do what you can. This guide walks you through the essential principles, we believe every investor should understand, from basic concepts to practical strategies to work towards long-term success.

1 Pay Yourself First

Your first step is to make investing a priority. Rather than assuming you don't have enough money to start investing, take matters into your own hands by adding investing to your budget. Instead of waiting to see what money remains at the end of the month, commit to paying yourself first.

2 Start Early and Be Consistent

Here's a secret successful investors know: Time is your superpower. Thanks to compound interest (think of it as your money making more money), starting early — even with small amounts — can make a difference over time. By investing just $25 per paycheck, you can harness the magic of compound interest! Compound interest is the interest earned on both the initial investment and the interest accumulated in previous periods.

3 Follow the 20/50/30 Budget Rule

Before diving into investments, you need a solid foundation for managing your money. The 20/50/30 rule provides a practical framework for balancing current needs with future goals.

20% goes to savings and investing
50% goes to necessities (housing, food, utilities)
30% goes to discretionary spending

*For that **20%** aimed at your future, try splitting it like this:*

- **10%** *toward retirement (401[k] or IRA accounts)*
- **10%** *toward other goals (emergency fund, home down payment)*

4 Understand Mutual Funds

Mutual funds pool money from many investors to purchase a diversified portfolio of investments. They offer a practical way to invest in markets without needing to select and manage individual securities.

Types of Mutual Funds

Different mutual funds serve different investment goals and risk tolerances. The main types include:

Equity Funds

- Invest primarily in stocks
- Aim for long-term capital growth
- Higher risk but potential for higher returns
- Typically for long-term investors comfortable with market fluctuations

Bond Funds

- Invest in government and corporate debt
- Focus on generating regular income
- Generally lower risk than equity funds
- Suitable for conservative investors or those nearing retirement

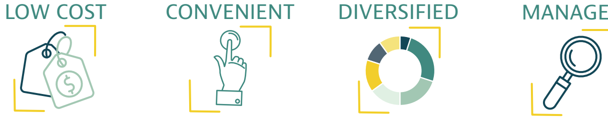
Money Market Funds

- Invest in short-term, high-quality debt
- Emphasize stability and liquidity
- Lowest risk among mutual funds
- Ideal for short-term savings or emergency funds

Why Invest in Mutual Funds?

Mutual funds are popular because they are:

LOW COST | CONVENIENT | DIVERSIFIED | PROFESSIONALLY MANAGED



Before investing in a mutual fund, it is important to consider fund performance, expenses, and tax implications to ensure they align with your financial goals.

5 Choose the Right Accounts

Think of investment accounts like different piggy banks, each with its own purpose. Understanding these differences can help you choose the right accounts for your specific goals.

KEY Suggested for this goal · Could also work for this goal · Not typically used for this goal

GOAL	Taxable Account	Retirement Accounts	Education Savings Account	UGMA/ UTMA Account	Trust Account
Emergency Savings	Suggested for this goal	Not typically used for this goal	Not typically used for this goal	Not typically used for this goal	Not typically used for this goal
Retirement	Suggested for this goal	Suggested for this goal	Not typically used for this goal	Not typically used for this goal	Suggested for this goal
Higher Education	Not typically used for this goal	Could also work for this goal	Suggested for this goal	Suggested for this goal	Not typically used for this goal
Down Payment	Suggested for this goal	Could also work for this goal	Not typically used for this goal	Not typically used for this goal	Not typically used for this goal
Giving	Suggested for this goal	Suggested for this goal	Suggested for this goal	Suggested for this goal	Suggested for this goal
Celebrations	Suggested for this goal	Not typically used for this goal	Not typically used for this goal	Not typically used for this goal	Not typically used for this goal
Big-Ticket Item or Trips	Suggested for this goal	Not typically used for this goal	Not typically used for this goal	Not typically used for this goal	Not typically used for this goal

Taxable Account (Individual or Joint)

- Flexible distributions
- No annual contribution limit
- Allows for in-kind transfers to eligible recipients for potential tax/estate benefits

Retirement Accounts (Traditional or Roth IRAs)

- Offer tax benefits
- Best for long-term savings
- May have contribution limits and withdrawal rules

Education Savings Account (ESA)

- Tax-deferred growth, tax-free withdrawals for eligible expenses
- Beneficiary changeable to family member under 30
- Anyone can contribute until the child is 18

Uniform Gift/Transfer to Minor Account (UGMA/UTMA)

- Tax advantaged earnings up to certain thresholds
- Anyone can contribute until trust termination age
- No contribution limits (federal gift tax rules apply)

Trust Account

- May be helpful with estate planning

Our team is available to help by phone or email.
Call us at 800.258.3030
Monday — Friday, 8:30 a.m. to 5 p.m. ET
or email us at invest@homesteadfunds.com.

Let's Build Your Brighter Future, Together.

Homestead Funds does not offer legal or tax advice. Please consult the appropriate professional regarding your individual circumstance.

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, among other factors, 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. The market price of equity securities may go up or down, sometimes rapidly or unpredictably. Equity securities may decline in value due to factors affecting the issuer or equity securities markets generally.

Diversification does not ensure a profit or protect against loss. It is a method used to help manage investment risk.

Investing involves risk, including the possible loss of principal. An investment in a mutual fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. **Past performance does not guarantee future results.**

Before investing in any Homestead Fund, you should carefully consider the fund's investment objectives, risks, charges and expenses. The prospectus contains this and other information about each of the Homestead Funds and should be read carefully before investing. To obtain a prospectus call 800.258.3030 or visit homesteadadvisers.com.

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NRECA America's Electric Cooperatives