Horizons

A QUARTERLY NEWSLETTER
FROM HOMESTEAD

Retirement's Blind Spots

Ask someone what they're looking forward to in retirement, and you'll rarely hear them talk about money. They may tell you about the trip they've always wanted to take, the grandchildren they want to spend more time with, and the leisurely mornings filled with coffee and conversation. That's what retirement means to most people, and it's worth the effort it takes to get there.

What tends to get less attention is the preparation needed to achieve those goals with confidence and ease. Most people spend decades focused on saving and investing, and that focus is well placed. But the financial experience of being retired is different from the experience of preparing for it, and that difference catches more people off guard than it should.

Some of it comes down to the simple fact that retirement is a longer chapter than it used to be. A generation ago, planning for 15 years felt reasonable. Today, 20 years or more is not just possible — it's likely.[1] That changes the math. The decisions you make in the years immediately before and after retirement can have a greater impact on your financial future than any single decade of saving that preceded them.

In this issue of *Horizons*, we explore some topics that aren't always covered in the typical retirement conversation, including some risks that may fly below the radar. ■

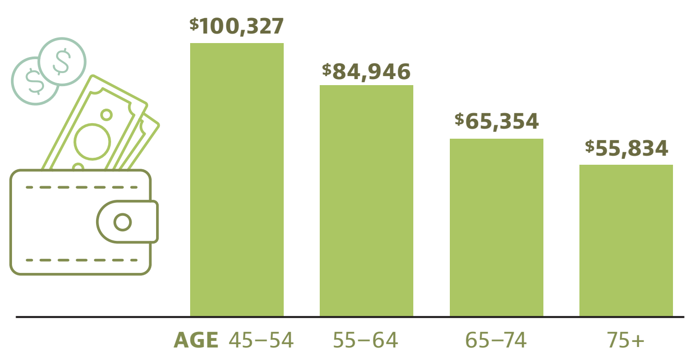
[1] Social Security Administration, "Actuarial Life Table" (2023 period life table, as used in the 2026 Trustees Report). Retrieved July 17, 2026.

Five Risks to Consider Before You Retire

The saving years get a lot of attention. But the spending years have their own surprises in store. From how long your money needs to last to costs many people don't see coming, here are five risks worth thinking through before the transition begins.

Continued on page 2

SPENDING ERAS: A LOOK AT AVERAGE ANNUAL HOUSEHOLD SPENDING BY AGE GROUP



Source: U.S. Bureau of Labor Statistics, "Consumer Expenditure Surveys (2024)," published December 19, 2025.

Five Risks to Consider Before You Retire *continued from page 1*

Longevity and Inflation: The Quiet Pair

How long do you expect to live in retirement?

For most of us, the honest answer is: longer than we might think. A retirement that begins at 65 could potentially last 25, 30, or even 35 years. That's a big ask of your retirement savings, and it means that longevity, as welcome as it is, deserves a thoughtful place in your financial planning.

A longer retirement also means your savings will be exposed to inflation longer. Assuming an average annual inflation rate of 3%, the cost of everyday goods will roughly double every 24 years. The grocery store trips, the utility bills, and the prescription copays that feel manageable today can look quite different 15 years from now. That's a change worth planning for, and planning for it isn't only about how much you save — it's also about how you invest.

The Bucket Approach to Balancing Growth with Risk Management

One way retirees can try to keep pace with inflation while managing market uncertainty is by dividing retirement savings into buckets based on when the money will be needed, rather than treating the entire portfolio as a single pool.

The idea is straightforward: Money needed soon is kept in more accessible, stable holdings. Money needed further out can be invested with more time to recover if markets have a difficult stretch. The benefit is that a market downturn doesn't force you to sell investments at a loss to cover near-term expenses. You draw from the more stable portion of your portfolio and give the longer-term portion time to recover before you need to touch it.

Your individual bucket strategy should be structured based on your unique combination of income sources, time horizon, and risk appetite — there's no one-size-fits-all breakdown that works for everyone.

Two Costs Many People Underestimate

Healthcare is the retirement cost that tends to surprise people most — not because it's hidden, but because it's easy to assume Medicare has it covered. In reality, Medicare does not typically cover dental, vision, hearing, or long-term care, and the out-of-pocket costs can add up more than most people expect. According to research from the Employee Benefit Research Institute (EBRI), a 65-year-old individual today would need between $212,000 and $252,000 in savings to have a 90% chance of meeting their healthcare spending needs in retirement.[1]

Taxes are another cost that you should plan for. Many people assume their tax bill will shrink in retirement, and for some it does. But withdrawals from traditional 401(k)s and IRAs are taxed as ordinary income. Social Security benefits may be taxable (up to 85%) depending on total income, and beginning at age 73, required minimum distributions (RMDs) can push retirees into higher tax brackets than expected. Understanding your overall tax situation before retirement can help inform your retirement planning decisions.

A Strategy, Not Just a Plan

Knowing about these risks is useful if it leads somewhere. That means reviewing your plan regularly, keeping your portfolio balanced in a way that reflects where you are in life, and being thoughtful about how and when you draw on your savings. Consider speaking with a financial professional before retirement begins. ■

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[1] Employee Benefit Research Institute (EBRI), "Projected Savings Medicare Beneficiaries Need for Health Expenses in Retirement up Again in 2025," published March 5, 2026.

BUCKET 3
(10+ years)

Long-Term
Has the longest time horizon, invested for growth, because it isn't expected to be touched for several years.

BUCKET 2
(3–10 years)

Medium-Term
Holds medium-term money in more conservative investments, to develop steady, low-volatility retirement income.

BUCKET 1
(0–2 years)

Near-Term
Covers near-term spending needs. Stays out of the market entirely so a downturn doesn't have to force a sale.

The above graphic is provided for informational purposes only and does not constitute legal, tax or accounting advice. Please consult your own financial advisor and other professional advisors regarding your specific circumstances.

4 Common Retirement Myths

The stories we tell ourselves about retirement planning aren't always true.

MYTH 1 "I'll spend less in retirement."

Retirement spending does decline at each stage of life, but not as sharply or as soon as many assume. Households in early retirement spend around $65,000 a year on average, down from roughly $85,000 in the final working years.[1] That's a noticeable difference, but early retirement still comes with real costs. Travel, hobbies, and the other activities that working life left little time for have a way of filling both the calendar and the budget in retirement. A plan that assumes an immediate drop may leave less room than you need right when you want it most.

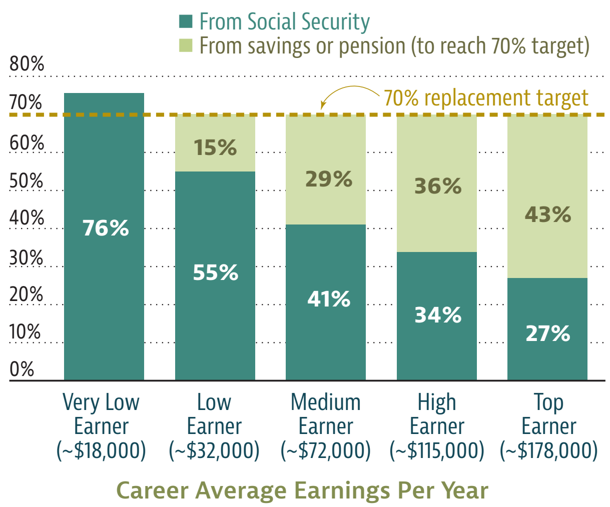
MYTH 2 "Social Security will cover most of my expenses."

Social Security is a large part of retirement income for most households, but for many, it's not the whole picture. How much of your budget it covers depends on what you earned during your working years. Often, the gap between what Social Security provides and what you actually need is larger than expected.

Timing matters too. The age at which you claim Social Security has a permanent effect on your monthly benefit, and it's one of the more important decisions you will make in retirement.

THE GAP SOCIAL SECURITY DOESN'T FILL

Retirement plans often target 70% of pre-retirement income, and higher earners need more personal savings to get there.



For illustrative purposes only. Estimated replacement rates are based on Social Security Administration published data for workers born in 1960 claiming at Normal Retirement Age (67). Savings contribution is estimated to reach a 70% income replacement target. Individual results will vary based on earnings history, retirement age, and personal savings.

Source: Social Security Administration, "Actuarial Note 2026.9 (June 2026)."

MYTH 3 "I should move everything to cash when I retire."

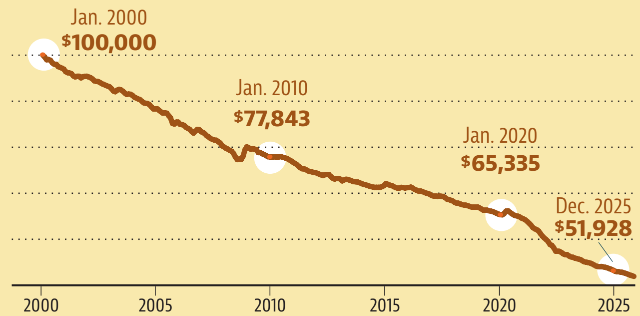
The instinct is completely understandable. You've spent decades saving for retirement, and wanting to protect it is a very human response.

But keeping retirement savings in cash carries its own quiet risk. Your purchasing power erodes a little bit each year as prices rise due to inflation. Over a retirement that could last two or three decades, that gradual erosion adds up in ways that are easy to underestimate at the start.

Maintaining some growth in your portfolio is often what keeps purchasing power from gradually slipping away.

WHAT $100,000 IN CASH IS ACTUALLY WORTH OVER TIME

A dollar held in cash since 2000 has quietly lost about half its buying power.



Source: U.S. Bureau of Labor Statistics via FRED®, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average [CPIAUCSL], retrieved July 17, 2026.

MYTH 4 "I'll just work longer if I need to."

That can feel less like a plan and more like a safety net — but retirement doesn't always arrive on your timeline.

More than half of retirees leave the workforce earlier than planned, often due to a health event, job loss, or caregiving responsibility. The median retirement age has held steady at 61 for nearly two decades — five years earlier than most people expect.[2] Planning to work longer is reasonable, but it's risky to build your retirement plan around this assumption.

None of these myths are foolish. They've persisted because they contain just enough truth to feel reliable. Revisiting them before retirement arrives — with fresh eyes and an honest look at your own situation — is one of the more valuable things you can do while there's still time to adjust. ■

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[1] U.S. Bureau of Labor Statistics, "Consumer Expenditure Surveys (2024)," published December 19, 2025.

[2] Boldin, "Average Retirement Age: Americans Retire Earlier Than Planned," published May 31, 2026.

Wisdom from Willie Wiredhand

Welcome to Wisdom from Willie Wiredhand, a series featuring NRECA's beloved mascot who offers electrifying financial guidance.

Dear Willie,

I'm a few years from retirement and feeling pretty good about where I stand. I have a pension, I've been contributing to my 401(k) for years, and I'll have Social Security. But someone recently mentioned something about a "retirement tax time bomb," and now I'm not so sure I have the full picture. What am I missing? — CAUTIOUSLY OPTIMISTIC IN COLORADO

Dear Cautiously Optimistic,

Your instincts are good, and so is your question. The retirement tax time bomb is one of those concepts that catches people off guard precisely because it tends to affect people who have been diligent savers.

The conventional wisdom in retirement planning is that you'll be in a lower tax bracket once you stop working, so it makes sense to contribute to traditional tax-deferred accounts such as a 401(k) or IRA now and pay taxes later. For many people, that logic holds. But for people with a pension, the picture is more nuanced.

If you receive both a pension and Social Security, your retirement income may not drop as much as you expect. Layer in RMDs — the mandatory annual withdrawals the IRS requires from tax-deferred accounts beginning at age 73 for those born before 1960 and at age 75 for those born in 1960 or later — and your taxable income can end up higher than anticipated. Those RMDs can push you into a higher tax bracket, increase your Medicare premiums, and make up to 85% of your Social Security benefits taxable.

I suggest exploring retirement tax strategies with a qualified financial and tax professional. Many view the years between retiring and starting Social Security or RMDs as an ideal window to consider such options as converting tax-deferred funds to a Roth IRA or adjusting future contributions. What makes sense depends on your income, tax situation, and timeline — but it's best to have that conversation before retirement begins, not after.

—Willie

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