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Kentucky's official supplemental retirement plan for over 50 years
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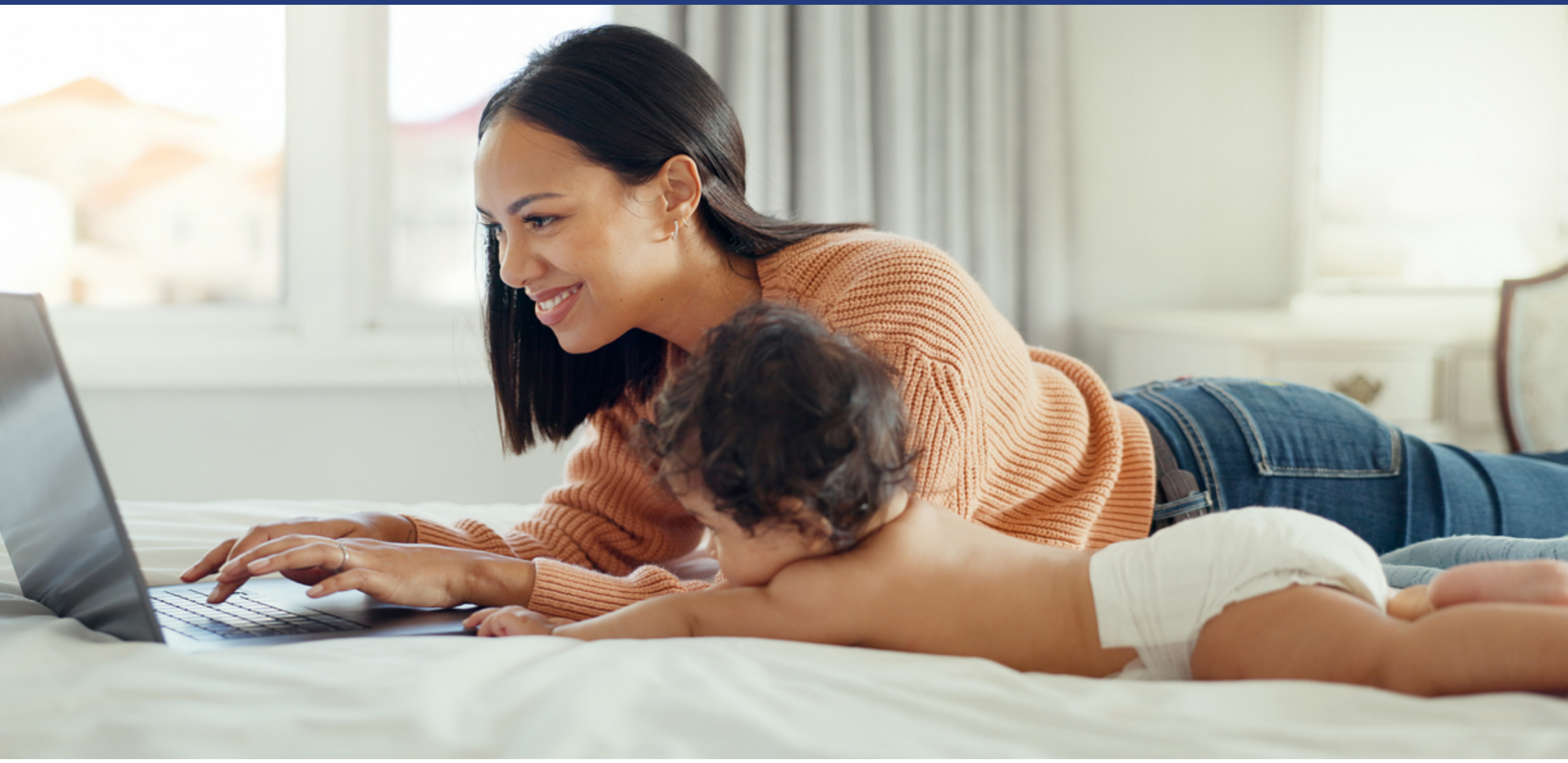
KDConnection

SECOND QUARTER 2025



Focus on long-term objectives during short-term market swings

The first half of 2025 has been marked with sudden movements in the investment markets. This activity, called market volatility, can trigger emotional responses in investors. But acting too quickly may lead to making choices that don't align with your goals — and may even keep you from reaching them.

You can avoid making impulsive changes by taking a step back, reviewing your long-term goals and remembering that stocks have typically risen over the long term despite short-term retreats. As the chart below illustrates, history has shown that periods of market turbulence are fleeting and that the market has gone up over time. For example, the S&P 500® Index is up around 170% since the lowest point during COVID.

Here are tips to help you keep emotions in check as you make investment decisions.

- **Observe long-term trends rather than daily fluctuations.** You want to make informed decisions in line with your goals without getting overwhelmed by short-term noise.
- **Stick to your plan.** A well-thought-out investment plan is designed to weather market ups and downs.
- **Diversify your portfolio.** Spreading your investments among a wide range of options helps protect your assets during volatile markets. Consider using My Investment Planner℠ to help you develop your diversification strategy.[1]
- **Regularly review your portfolio.** Account reviews help ensure that your investments remain aligned with your goals and risk tolerance.

[1] Diversification does not assure a profit or guarantee against loss in a declining market.

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- **Remember that market downturns are often followed by recoveries.** In March and April 2020, many investors missed the sharpest part of the Covid-19 market recovery because they had sold their investments rather than sticking to their strategy.[2]
- **Trust your long-term strategy.** Pulling out of the market during downturns can lock in losses and miss out on potential recoveries.
- **Seek professional guidance.** A financial professional can provide valuable insights and help you navigate market volatility with confidence.

When the news influenced the S&P 500® Index

Sharpen the precision of your retirement and financial planning with My Income & Retirement Planner℠, a personalized, guided experience to help you take control of your future with confidence. You can find the Planner on your plan's website.

Learn more.

Review a short video. If you would like to discuss how to avoid emotional investing as you manage your account, contact your local Retirement Specialist.

[2] Past performance does not guarantee future results.

Roth or traditional: Which is better for you?

That's a question that only you can answer and to do that, you need to understand the benefits and trade-offs of each. The key difference between Roth and traditional retirement accounts lies in the timing of their tax advantages.

When you choose to make traditional contributions, you elect to defer federal income taxes until you begin taking withdrawals. Those withdrawals will be taxed at your income tax rate when you take them.

Roth contributions, on the other hand, are made with after-tax income and, if you meet certain requirements, your withdrawals will not be taxed. Contributions can always be withdrawn tax-free because they've already been taxed. Account earnings, if any, can also be withdrawn tax-free if the withdrawal meets plan distribution requirements, the account has been open for at least 5 years and at least one of the following conditions is met: age 59½ or older, disability or death.

There are no required minimum distributions (RMDs) on Roth assets during the original account holder's lifetime. For traditional retirement accounts, required minimum distributions (RMDs) begin at age 73 for individuals born between 1951 and 1959, and at age 75 for those born in 1960 or later.

Even if you've been participating in your retirement plan for years, you can designate future contributions as Roth. You can even decide to split future contributions between traditional and Roth.

Whether you think your annual income and tax bracket will be lower or higher in retirement is another factor to consider. You may want to explore that topic with your tax or financial professional.

To further consider the benefits and features of Roth vs. traditional contributions, review a short video or schedule an appointment with your Kentucky Retirement Specialist.

Optimize your retirement contributions in 2025

Whether you're nearing retirement, changing jobs, or experiencing a significant life event, it's important that your retirement contributions keep pace with your retirement goals. Fortunately, the federal government has made it easy to contribute more to your KDC retirement account.

First off, the annual maximum contribution limit is $23,500 for 457(b) and 401(k) plans.

If you contribute to both plans, you could defer as much as $47,000 into your KDC account. The limit for IRAs is $7,000. And thanks to various catch-up options, you could contribute significantly more.

To learn how you could optimize your KDC contributions, visit this webpage.

KDC offers free financial planning

Visit our financial planning webpage to learn how to get the most out of your access to this no-cost financial planning service conducted by CERTIFIED FINANCIAL PLANNER™ professionals.

Staying in the plan after you retire can provide important advantages

You'll experience many changes once you retire, but by continuing your KDC participation you'll continue to get the same free support and lower fees you had before you retired.

Your account will stay open after your retirement date unless you withdraw all of your funds. You can withdraw funds as you need them and get help from knowledgeable professionals.

You'll also allow your money to potentially keep growing, which could help overcome the effects of inflation over time.

As you prepare for retirement, you should consider:

- Consolidating retirement assets into your plan account for easier investment management[3]
- Reviewing your account at least once a year to make sure your investment strategy continues to line up with your goals
- Using My Income & Retirement Planner℠ to help you create a withdrawal strategy that complements other income sources and addresses tax and other considerations

Learn more.

Review a short video. Then, contact your local Retirement Specialist to learn more about managing your account beyond retirement.

You heard it here first

Participating in KDC webinars can significantly boost your readiness for retirement. Visit the webinars page on our website to learn about an upcoming live event led by a Kentucky Retirement Specialist or watch on-demand at your convenience.

Achieving financial success often requires guidance and a strategic approach rather than a set of rigid rules. Nationwide GrowForth® empowers you to save according to your preferences. Visit the GrowForth webpage to start your financial wellness journey.

Our fee holiday continues through December 31, 2025, and is projected to save participants approximately $5.25 million in mutual funds asset fees this year.

[3] Qualified retirement plans, deferred compensation plans and individual retirement accounts are all different, including fees and when you can access funds. Assets rolled over from your account(s) may be subject to surrender charges, other fees and/or an additional 10% early withdrawal tax if withdrawn before age 59½.

Actions of the Board of Trustees

At the regularly scheduled quarterly meeting on June 20, 2025, the Authority Board of Trustees (Board) took the following actions:

- Approved minutes of the March 28, 2025, regular meeting, as submitted
- Reviewed Staff reports
- Voted in the adoption of the updated Watchlist Policy to replace the 2016 version, effective July 1, 2025
- Set the next quarterly meeting date for Friday, September 19, 2025, at 10:00 a.m. as a virtual meeting with the physical location in the Edgar C. Ross Boardroom at the State Office Building, 501 High Street, Frankfort, Kentucky.

For further information on these items, please call William C. Biddle, Executive Director, at 800-542-2667.

Holidays: KDC offices closed

FRIDAY, JULY 4, 2025
INDEPENDENCE DAY

MONDAY, SEPTEMBER 1, 2025
LABOR DAY

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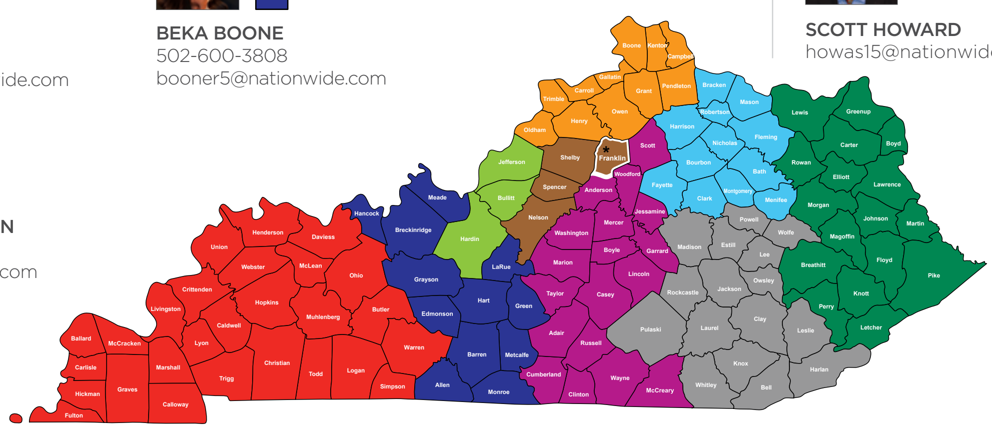

Frankfort-based Internal Retirement Specialists

1-800-542-2667, option 4
We are available to assist you by phone or in person Monday through Friday, 8 a.m. to 4:30 p.m.

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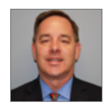

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This material is not a recommendation to buy or sell a financial product or to adopt an investment strategy. Investors should discuss their specific situation with their financial professional.

Investing involves market risk, including possible loss of principal. No investment program or strategy — including asset allocation and diversification — can guarantee to make a profit or avoid loss, nor can it eliminate risk. Actual results will vary depending on your investing and market experience.

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