Your future.
Dream it.
Plan it. Live it.

A planning guide for investors nearing retirement.

PNC FUNDS

Build Toward Your Optimal Retirement

Retirement isn't what it used to be; it's better. The possibilities are vast, and you are in charge. Will you take an Alaskan cruise? Open a bed and breakfast? Go back to school? For some people, retirement is about living out dreams they didn't have time for during their working years. For others, it's a time to scale back activities and live a more relaxed life. Whatever your vision of the future is, following this simple, three-step planning strategy may help you get there.

STEP 1: BUDGET

CALCULATE THE COSTS

Whether you plan to be adventurous, restful, or some combination of the two, it is important to anticipate your expenses ahead of time and budget accordingly. Remember to factor in taxes and inflation. A Retirement Budgeting Worksheet is included with this guide to get you started, and you may consider meeting with a financial advisor to help with the calculations.

Essential vs. nonessential expenses — be realistic

Make a list of your anticipated expenses, both essential and nonessential. Costs that are not optional — your mortgage, car and other loan payments, and food, to name a few — are essential expenses. Also included on this list are homeowners and life insurance premiums, taxes, and long-term care and health care. When planning for retirement, consider your essential expenses first, but be realistic about your lifestyle expectations too. Planning now to have some "fun money" at your disposal may help ensure that you get the most enjoyment out of your future. Essential expenses should be weighed more heavily in your planning process, but be realistic about your lifestyle expectations too; planning now to have some "fun money" at your disposal will help ensure that you get the most enjoyment out of your future.

When Should You Sign Up for Medicare?

If you are already receiving Social Security when you turn 65, you are automatically enrolled in Medicare. If you are not already receiving Social Security three months prior to your 65th birthday you should contact Medicare at that time. More information is available at *ssa.gov*.

Make sure your health is covered

If you or your spouse paid Medicare taxes while working, typically you will not pay a monthly premium for Medicare Part A coverage (hospital insurance). This is sometimes called "premium-free Part A." If you aren't eligible for premium-free Part A, you still may choose to buy Part A coverage. Keep in mind that if you don't buy it when you are first eligible, you may pay more for the insurance.

In most cases, if you choose to buy Part A, you must also have Part B (medical insurance) and pay monthly premiums for both. As with Part A, if you sign up for Part B at a later date than when you are first eligible, you may pay an enrollment penalty.

Please visit *medicare.gov* for more information.

Your prescriptions are covered

Medicare offers prescription drug coverage to everyone with Medicare. If you decide not to join a Medicare Prescription Drug Plan when you're first eligible, and you don't have other creditable prescription drug coverage, you'll likely pay a late enrollment penalty.

To get Medicare drug coverage, you must join a plan run by an insurance company or other private company approved by Medicare. Each plan can vary in cost and drugs covered. The two categories of coverage are 1) Medicare Prescription Drug Plan (Medicare Part D), which basically adds drug coverage to original Medicare, and 2) Medicare Advantage Plan (Medicare Part C), which is like an HMO or PPO, or another Medicare health plan, that offers Medicare prescription drug coverage. More information is available at *medicare.gov*.

Fill in the gaps with Medigap

Medicare alone may not pay for some of your basic medical bills, including routine physical exams, copayments, deductibles, and dental and eye care, and the program rarely covers long-term care, such as nursing home expenses and home health aides. As a general rule, Medicare may be expected to pay for approximately half your medical expenses during retirement.

How will you cover the rest? You may have retiree medical coverage through your former employer, but in today's economy many companies are cutting back on benefits to former employees. Investigate this possibility long before you actually need the coverage. With or without supplemental coverage, you may consider enrolling in Medigap. Medigap is an insurance policy that covers certain costs that Medicare won't, but it does have limitations. You may also be interested in long-term care insurance. Do your research to find out what type of insurance is right for you.

FUND YOUR VISION

You will likely need at least three-quarters of your pre-retirement income to maintain your pre-retirement lifestyle. With your retirement date in mind, review your savings and investment portfolio to make sure you are on track to reach your financial goals.

Social "Security"

Experts say retirees today can only count on Social Security to cover about 40% of their average working income. And since many predict that Social Security will begin running at a deficit in the near future, experts encourage today's investors to carefully consider other sources of retirement income.

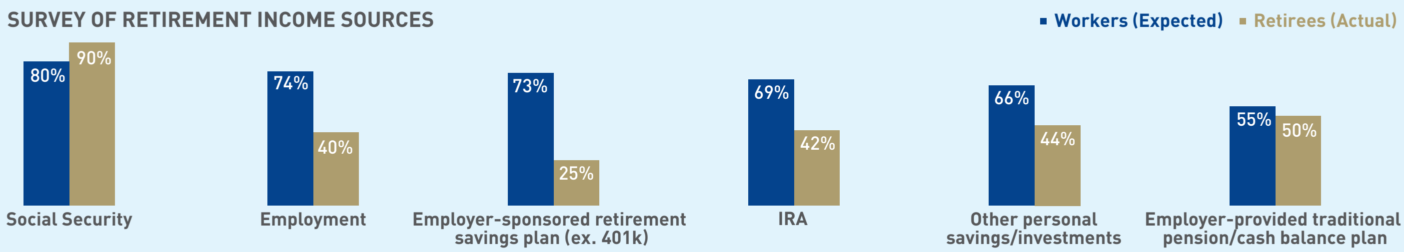
When Should You Sign Up for Social Security?

Apply at least three months before you want your benefits to begin. If you were born before 1938, your full retirement age is 65. Full retirement age is the age at which a person may first become entitled to full or unreduced retirement benefits. You may begin receiving Social Security at 62, but your monthly benefits will be lower than if you had waited until you turned 65.

If you were born in 1938 or later, your full retirement age is between 65-67. (Go to *ssa.gov* for the official retirement age table and other helpful hints regarding Social Security.) Remember, regardless of your year of birth, you are required to start receiving Social Security benefits by age 70.

Personal Savings Expected to Play a Larger Role in Retirement

SURVEY OF RETIREMENT INCOME SOURCES



Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey. All Rights Reserved.

The sources from which current workers expect to receive their income during retirement differ from the sources from which current retirees actually receive their income.

The graphs illustrate that while only 44% of current retirees utilize their personal savings for retirement income, 66% of current workers anticipate personal savings to play a role during retirement. 73% of workers expect to receive retirement income from an employer-sponsored retirement savings plan, such as a 401k, while only 40% of those already retired actually receive income from such a source. A whopping 74% of current workers expect to receive some income from employment in retirement, as opposed to only 40% of retirees who rely on this source.

Traditionally, Social Security and company pension plans were primarily depended on to fund an individual's retirement. As the retirement income gap grows larger, however, the current belief is that these established retirement income sources will no longer play as prominent a role. Personal savings, as well as employment during retirement, are expected to play a much larger role funding future retirement needs.

Source: Employee Benefit Research Institute and Greenwald & Associates, 2015 Retirement Confidence Survey. All Rights Reserved.

If you have a financial advisor, he or she may not be aware of all your savings and investments. Make an appointment with your advisor — or sit down with your spouse, children, or attorney — to review your entire investment portfolio, savings accounts, and any other sources of retirement income. Tallying up your total retirement fund picture in advance may help to ensure a stress-free future.

The Retirement Budgeting Worksheet included with this brochure may be helpful as you begin to assess your sources of retirement income.

INCOME SOURCE	WHAT TO KNOW
Employer-Sponsored Retirement Plans	Many retirees are invested in at least one defined contribution plan, such as a 401(k), 403(b) or other employer-sponsored plan upon retirement. Consider your distribution options: 1) Roll over the assets into an IRA, keeping your investments tax-deferred and providing you a wider variety of investment choices. Remember to select a direct rollover to avoid taxes and penalties. 2) Opt for installation distributions, if your plan allows it. 3) Take a lump-sum payment, but carefully consider the tax consequences. 4) Leave your money in the plan, tax-deferred, but remember that your investment choices remain limited to what is available in the plan.
Pensions	Every pension plan is different, so check on the distribution options available to you. The regular income of a monthly pension payment is a unique feature few other retirement savings plans can provide.
Annuities	An income annuity is purchased with a one-time lump-sum and subsequently provides the retiree with guaranteed periodic income for the rest of his or her (and his or her spouse's) life. If you own an annuity, you have several distribution options: 1) Withdraw the money in one lump sum. 2) Withdraw the money over a period of time through regular or irregular withdrawals. This option turns your annuity into something similar to a bank savings account. You can withdraw only earnings (interest) from the account, or you can withdraw both the principal and the interest. 3) Opt for annuitization, whereby the value of the annuity is converted into a stream of payments, providing you guaranteed periodic income.
Other Income	Remember to factor in any income you may receive from real estate investments, veterans' benefits, dividends and interest. If you are considering working part time during retirement, don't forget to list that potential income as well.

STEP 2: STRATEGIZE

A financial advisor can help you determine how much you need to withdraw each month during retirement and when to withdraw from your various investments. However, there is no magic number that suits everyone, so you should consider many factors, including your time horizon and your asset allocation mix, to establish a withdrawal rate that is right for you.

Set dollar vs. set percentage

When planning your withdrawal strategy, you have two basic options for receiving your systematic withdrawals: 1) withdraw a set dollar amount; or 2) withdraw a percentage of your account value. You may receive these payments monthly, quarterly, semiannually or annually.

The choice is yours.

Each approach has a significant pro and con. Consider each one carefully before making a decision:

Dollar amount approach	Percentage approach
Withdrawals are predictable, which is helpful for budgeting.	Withdrawals fluctuate with the market, making it difficult to budget.
You may deplete your funds too quickly if the value of your account falls and you end up withdrawing too much each period.	You may have more control over the rate at which you use your retirement savings.

Order of withdrawals

Regardless of which method you choose, the order in which you withdraw retirement assets is key to your financial outlook. If you are at least 70½, you may consider following the steps outlined below.

1. **Take your required minimum distributions (RMDs) —** Once you reach the age of 70½, you are required to take minimum distributions from many retirement accounts, including 401(k) and 403(b) plans, profit-sharing plans, and traditional, SIMPLE and SEP IRAs. (RMDs do not apply to Roth IRAs until after the death of the account owner.) Find out which of your accounts qualify and how much you are required to withdraw, and make those required minimum withdrawals first. Use the Required Minimum Distributions Worksheet included with this brochure to get started.

2. **Draw on your taxable accounts —** Liquidate loss positions in your taxable accounts to offset capital gains elsewhere, as well as ordinary income from wages or interest. Then sell assets in taxable accounts such as money markets funds that will generate neither capital gains nor capital losses. Withdrawing from your taxable accounts early will allow your tax-deferred and tax-exempt investments to continue growing and working for you longer.

3. **Move on to tax-deferred saving vehicles —** You should withdraw from your tax-deferred accounts, such as variable annuities, 401(k) plans and traditional IRAs, only after you've withdrawn from your taxable investments.

4. **Finally, withdraw from tax-exempt accounts —** Your Roth IRAs should be your last resort, since those assets come out tax-free and you have the option of passing them on to your heirs without income tax penalties.

Bear in mind that no one strategy is right for everyone. We encourage you to discuss the tax ramifications of the strategy above, in conjunction with your personal investment portfolio, with a financial advisor or a qualified tax advisor.

Withdrawal Rate You Can Sustain May Be Lower Than You Think

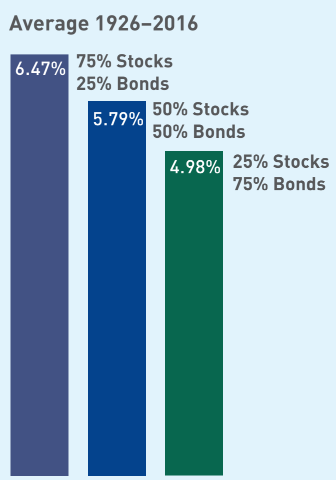
Historically, as shown in the image, withdrawal rates that could support an investor over a typical 30-year retirement have varied from 4.98% to 6.47%, depending on the asset allocation of the portfolio. Initial starting values for the three portfolios were assumed to be $500,000. Of course, if you lived longer than 30 years, these withdrawal rates would need to be lower.

Unfortunately, there is no magical formula or simple solution. The optimal withdrawal rate will vary from investor to investor, and may vary over time. Many financial planners consider a withdrawal rate of 4%–5% as being reasonable and sustainable over a long retirement horizon. Your withdrawal rate can have a profound impact on how much money you need to accumulate before retiring and even on when you can retire.

Stocks are not guaranteed and have been more volatile than other asset classes. Government bonds are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest, while stocks are not guaranteed and have been more volatile than bonds.

In this graph, stocks are represented by the Ibbotson® Large Company Stock Index. Bonds are represented by the five-year U.S. government bond. Annual fees of 0.69% for stocks and 0.57% for bonds were assumed. An investment cannot be made directly in an index.

Source: PNC Capital Advisors. Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment.



Offset the Costs

When strategizing your retirement, there are several bold moves you can make to offset some of the costs:

1. Reduce your nonessential spending.
2. Consider maintaining a small percentage of stocks in your portfolio. They may be riskier, but over the long term they have provided higher returns than bonds.[1]
3. Pay off your mortgage or downsize your home.
4. Choose to keep working part or full time, at least for a few extra years.
5. Save, save, save, right up until you retire.

1 Past performance is no guarantee of future results.

STEP 3: EVALUATE

Before you retire, conduct a thorough assessment of your individual investments, insurance policies and estate plans. Review your entire portfolio to ensure that your investments are properly diversified, given your age, the number of years you may live into retirement and your risk tolerance, and to establish whether you have enough saved. Consider also reviewing your insurance policies to determine if there are any gaps or if you have more than you need (life insurance, for example), as well as to confirm beneficiary designations. Finally, make sure your will, living will and power of attorney authorizations are up to date.

Are Your Investments Set Up to Provide the Most Benefit to You?

Stay on target

Everyone's target asset allocation is unique, depending on personal investment philosophies, financial circumstances, age and risk tolerance. Typically, as we age, our mix becomes more conservative. However, depending on how long you may live in retirement, you may want to maintain some higher risk investments in your portfolio, to continue to capitalize on strong market swings. Now is a good time to review your holdings and make adjustments to ensure that your asset mix is still on track. Continue rebalancing your portfolio periodically throughout retirement, to reflect any changes in your appetite for risk and in the market, with the goal of preserving and growing the assets you have so they will sustain you for many years to come.

Consolidate holdings

If your investments are spread among various asset managers, it may make sense for you to merge your accounts under one roof. This will make it easier to monitor your investments, and it will simplify things for you and your family in the long run. If you still own 401(k) or other employer-sponsored plans, consider consolidating them into a rollover IRA.

Prepare for the unexpected

Do you have an emergency savings account? Consider setting up a liquid account with easy and immediate access, so you're prepared if and when something unexpected happens. If you already have such a fund set up, think about increasing it before you retire.

Catch up

If you're an active investor, you've probably heard of catch-up contributions for people age 50 and older. Catch-up contributions allow you to contribute an extra $1,000 per year into your traditional or Roth IRA. If you are eligible and financially able, consider taking advantage of this benefit.

Dust Off Those Old Policies

DO YOU STILL NEED LIFE INSURANCE?

Many people nearing retirement have at least one life insurance policy. But do you need life insurance now that you are about to retire? For some retirees, the expense of the annual premiums outweighs the benefit of the policy. Carefully evaluate the pros and cons of discontinuing your life insurance payments before you make a decision.

WHO ARE YOUR BENEFICIARIES?

Do you know that the beneficiary designations on your insurance policies take precedence over whatever you have written in your will upon your death? Think about the various benefits you have set up for your loved ones, some of which probably date back several decades. Though you've updated your will, it's possible that you've neglected to update the beneficiary designations on pensions, life insurance policies, long-term care insurance policies, etc. Be sure to update those documents now, and consult a tax advisor or attorney as necessary.

YOU HAVE A WILL...RIGHT?

If you don't have a will, now is the time to write one. In addition to a traditional will, you should also have a living will in place to provide guidance to your family and doctors in case of emergency. And designate a power of attorney, someone authorized to make decisions on your behalf when necessary. Once your wills are recorded, discuss the contents of each one with your spouse, children, and any other named heirs. It will give you peace of mind and prepare them to cope with whatever may happen in the future.

At PNC Funds, we are committed to producing consistently strong performance and providing top-tier service for our clients.

The strength of our structure enables portfolio managers to function as independent investment teams. They are backed by centralized support teams such as trading, compliance and risk management, enabling them to concentrate on their primary goal — delivering strong performance.

Our family of mutual funds consists of domestic and international equity, taxable and tax-exempt fixed income, target date, and money market portfolios — a broad range of choices to match your investment goals.

To learn how PNC Funds can make a difference for your investment portfolio:

- Consult your financial advisor
- Visit pncfunds.com
- Call 800-622-FUND (3863)

You should consider the investment objectives, risks, charges, and expenses of PNC Funds carefully before investing. A prospectus or summary prospectus with this and other information about the Funds may be obtained at 800-622-FUND (3863) or pncfunds.com. Please read the prospectus carefully before investing.

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