American Funds Target Date Retirement Series®

CAPITAL GROUP® | AMERICAN FUNDS®

Planning for retirement income

American Funds Target Date Retirement Series

Focused on allowing for consistent withdrawals

Seeks to support a range of withdrawals over a 30-year distribution period

Managed by investment professionals

The Series and its underlying American Funds investments are managed by teams of portfolio managers, all of whom are actively pursuing superior returns while seeking to manage risk

Thoughtful income generation

Income derived from both dividends and interest as well as the potential growth of the portfolio

Congratulations! You've worked hard to save for retirement and now, as you approach retirement, you may be wondering how to make those savings last. There's no single, surefire answer, but we can help you identify some common considerations.

Some good news: *The same fund you used to save for retirement can help support an income stream in retirement.*

You have been invested in the American Funds Target Date Retirement Series, in a fund aligned to your approximate retirement year. We designed the Series based on deep research into the needs, wants and behaviors of investors like you.

The Series' changing focus

At retirement	15 years post-retirement	30 years post-retirement
Invests for growth and income potential	Seeks to balance lower risk with growth and income potential	Strives to preserve your balance and generate income

What is a target date fund?

Target date funds are made up of many kinds of underlying investments intended to achieve different objectives, which then shift over time. For example, further from retirement, each fund's investments seek to grow your account balance, while nearer retirement, investments are designed to be more conservative to help you generate income and preserve your account balance.

We continue managing each fund **30 years after the designated retirement year**, increasing the emphasis on income opportunities to help extend the life of your investment with consideration for different spending needs as you age.

In short, our target date series is designed to support your retirement with income potential over the long term.

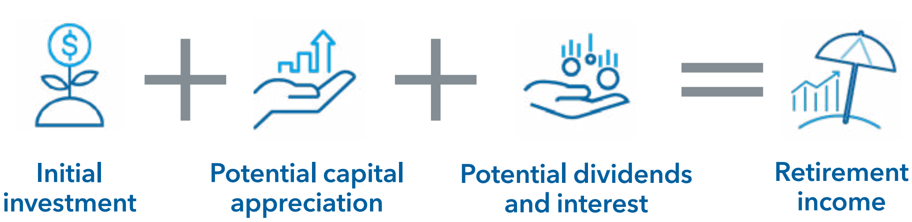
What do we mean by income?

Income from funds in the Series can come from three main sources:

Initial investment
Also known as principal. The money you invested in the target date fund can be withdrawn.

Capital appreciation
Any increases in value of the underlying investments, driven by market movements, help increase the value of the fund. These potential gains can be used to meet income needs when you redeem shares of the fund.

Dividends and interest
Any payments made to underlying investments in the fund from companies or bond issuers to shareholders or bondholders on a regular schedule (e.g., every quarter, half-year or year)



Keep in mind that while the funds are designed to serve you throughout your retirement, you don't have to stay invested in the fund past the designated target date. You may move money into other investments of your choosing. Although the target date portfolios are managed for investors on a projected retirement date time frame, the fund's allocation strategy does not guarantee that investors' retirement goals will be met.

Glossary

Annuities: Financial products, typically from insurance companies, that provide regular payments during retirement, often for the rest of your life. Subject to the claims-paying ability of the provider.

Capital appreciation: The increase in value of a fund's investments over time.

Capital gains: When underlying fund managers sell stocks that have increased in value, the surplus over the purchase value is the capital gain.

Dividends: Payments made by some companies to shareholders, one or more times per year.

Interest: Earned on bond investments, paid out to bondholders. Can be distributed as income or reinvested.

Principal: Initial investment or base amount of accumulated contributions before fees, interest, profits or other returns are calculated.

Reinvestment: When capital gains, dividends and interest are used to purchase more fund shares, they are added to the principal balance.

Withdrawal rate: The amount of money withdrawn from your retirement account, expressed as a percentage of the overall balance.

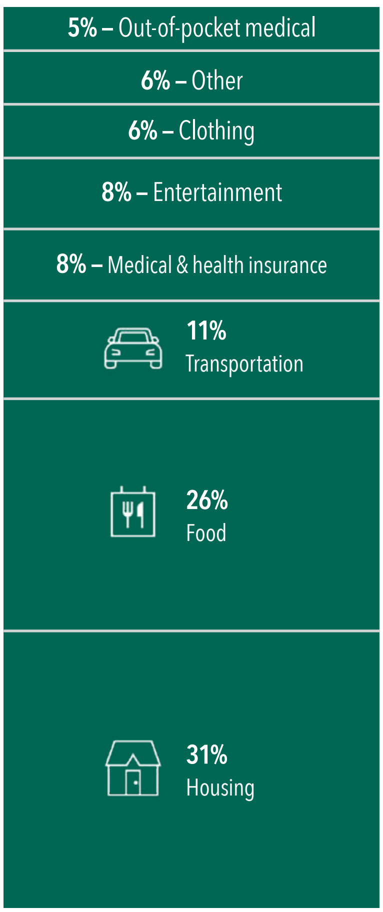
How much will you need in retirement?

If you're confused by where to start, you're not alone! Start by considering how you might balance your total income against total expenses, plus any longer term goals you have like leaving a legacy for your children or to a cause you support.

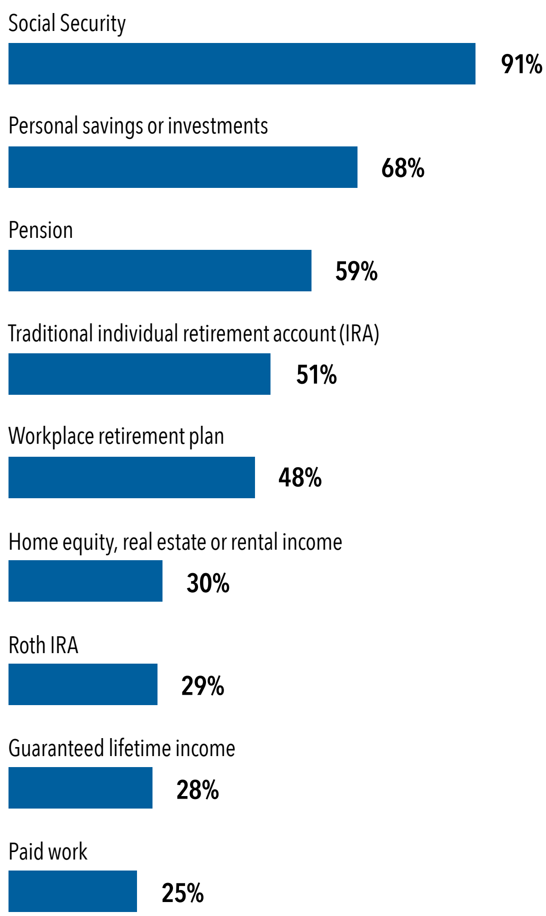
Your workplace retirement account will likely be supplemented by other sources like Social Security and, perhaps, pensions or annuities and other savings.

Balancing potential spending and income in retirement

Average monthly spending in retirement by category*



Sources of income in retirement**



*Source: 2024 Employee Benefit Research Institute (EBRI) Spending in Retirement Survey. American Funds/Capital Group participated in the funding of research conducted. Totals may not reconcile due to rounding. Survey of approximately 3,600 American retirees between the ages of 62 and 75.

**Sources: Employee Benefit Research Institute, Greenwald Research. 2024 Retirement confidence survey. The 2024 survey of 2,521 Americans was conducted online January 2 through January 31, 2024. The survey included 1,266 retirees and 1,255 workers. Percentages of income reported are shown only for the retiree group. The margin of error would be +/- 2.8%. Additional sources of income reported by retirees in the sample were for veterans disability benefits (21% out of a sample of 502) and financial support from family or friends (19%). Capital Group was a financial sponsor of the survey.

How much should you withdraw?

Deciding how much to withdraw each month in retirement depends on your individual finances, other expected income sources, expenses and how long you want your savings to last.

One strategy is to withdraw a small percentage of your total account balance at retirement and then increase that amount by 2% to 3% annually to cover inflation. Ideally, this would help cover costs without depleting savings too quickly.

Here's how that could look with a $250,000 retirement account value, at different withdrawal rates over time, adjusted by 2.5% for inflation every year.

Monthly withdrawals for $250,000 starting value

	Annual withdrawal rate	3%	4%	5%
Equivalent monthly withdrawal amount	Year 1	$625	$833	$1,042
	Year 10	$781	$1,041	$1,301
	Year 20	$975	$1,300	$1,625
	Year 30	$1,279	$1,705	$2,132

The tradeoff

The higher your withdrawal rate, the shorter the potential lifespan of your savings.

Source: Capital Group. Examples are hypothetical and do not reflect the results of any particular investment, which may differ. Monthly withdrawal amounts are calculated from the annual withdrawal rate, which is the relevant percentage of the total starting balance. Example assumes the account balance will not be depleted prior to the specified year. Withdrawals amounts are before the impact of taxes.

Three questions about Social Security

When can you start receiving benefits?

You can first start receiving benefits at age 62 (the calendar month after your birthday). You can apply as early as 61 years and 9 months.

How much will your Social Security benefit be?

That depends on what age you are when applying for benefits. You will receive a smaller benefit if you apply before the "full retirement age" (FRA), which is set by the federal government. To claim 100% of your basic benefit, you must wait until you reach FRA. Regardless of FRA, your benefit payment will be higher the longer you wait to apply, up to age 70.

What about spousal benefits?

Social Security may also provide benefits for the spouses, ex-spouses, widowed spouses and other dependents of the retired worker's family (as well as disability benefits for workers of any age who are in need). So if you didn't work, but a spouse or ex-spouse did, you might also be eligible for some amount of benefit.

The rules for Social Security benefits including spousal benefits depend on several factors. For help, talk to your financial professional.

At the time of this writing, the FRA was 67 for those born in 1960 or later. For more information and to get the latest FRA, visit the Social Security Administration's website at www.ssa.gov.

How long will your savings last?

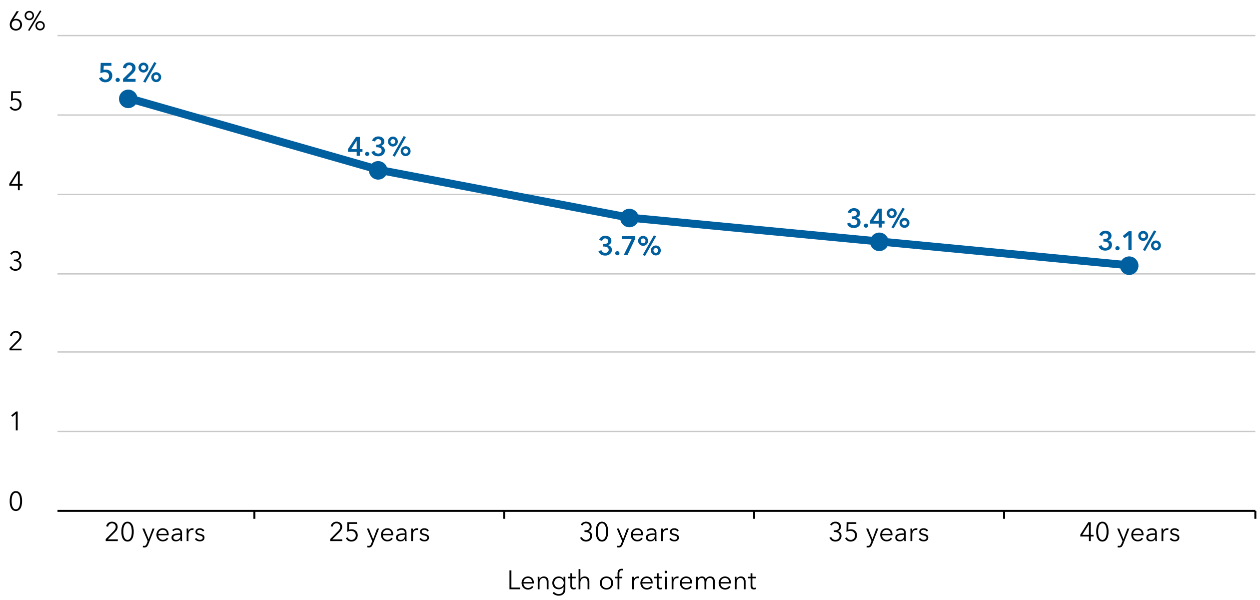
The next chart illustrates the **withdrawal-longevity tradeoff** by showing how long a hypothetical retirement portfolio of 40% stocks and 60% bonds might last depending on the withdrawal rate used.

The chart is based on calculations by Morningstar, an investment research firm. For each time horizon, Morningstar ran hypothetical simulations to determine the highest withdrawal rate that would sustain repeated withdrawals (the balance would not deplete to zero) at least 90% of the time. The hypothetical portfolio in this example could last 30 years with a starting withdrawal rate of 3.7% (adjusted annually by 2.32% for inflation), versus 20 years with a starting withdrawal rate of 5.2%.

It's important to note that this example is illustrative and hypothetical. The chart makes assumptions about market returns that may not come to pass because investing always involves risk. And these withdrawal rates may or may not be right for you, depending on your individual circumstances and legacy goals. Still, it illustrates the potential tradeoffs a retiree faces. Depending on your personal circumstances, you might want to consider a smaller monthly withdrawal rate to help make your savings last — and budget accordingly.

Starting withdrawal rates and fund longevity at 90% confidence

Based on hypothetical simulations assuming a portfolio with 60% bonds and 40% stocks



Source: Morningstar, The State of Retirement Income: 2024. Data as of September 30, 2024. Morningstar assumed the investment portfolio would be made up of a diversified basket of investments within each asset class, using their proprietary categories as proxies. The stock portion of the portfolio consisted of 30% in the U.S. Large Growth category, 30% in the U.S. Large Value category, 20% in the Foreign Equity category, 10% in U.S. Small Growth and 10% in U.S. Small Value. For the fixed income portfolio, 80% consisted of the U.S. Investment Grade Bond category and 20% in the Foreign Bond category. There was also assumed to be 10% in U.S. Treasury Bills. Morningstar estimated expected returns and volatility of the asset mix, then used Monte Carlo simulations to approximate 1,000 hypothetical return scenarios. A Monte Carlo simulation is a statistical technique that uses forward-looking hypothetical returns to estimate a range of potential outcomes associated with different probabilities. These return patterns were used to seek the highest possible withdrawal rate, with a 90% success rate being where at least 900 of the 1,000 trials would have supported the specified withdrawal rate throughout the time period. Withdrawals were assumed to be taken on a fixed basis that increased annually for inflation, and were drawn from the principal when income alone could not fund the payments. The data are hypothetical and do not represent any real investment. The exhibit is provided for illustrative purposes only, is not a projection of returns and does not reflect any fees or taxes.

Actual withdrawal rates should be determined on an individual basis by a financial professional and retiree and should be adjusted to maintain sustainability in various market conditions. Withdrawal rates may include part of an investor's principal, to the extent the income earned by the portfolio (in dividends and bond income) is less than the withdrawal amount. There is no guarantee the portfolios will support a given withdrawal rate in all market environments. Withdrawal rates should be determined by individual investors as one part of their total retirement income picture, including Social Security or other sources of guaranteed or interest income.

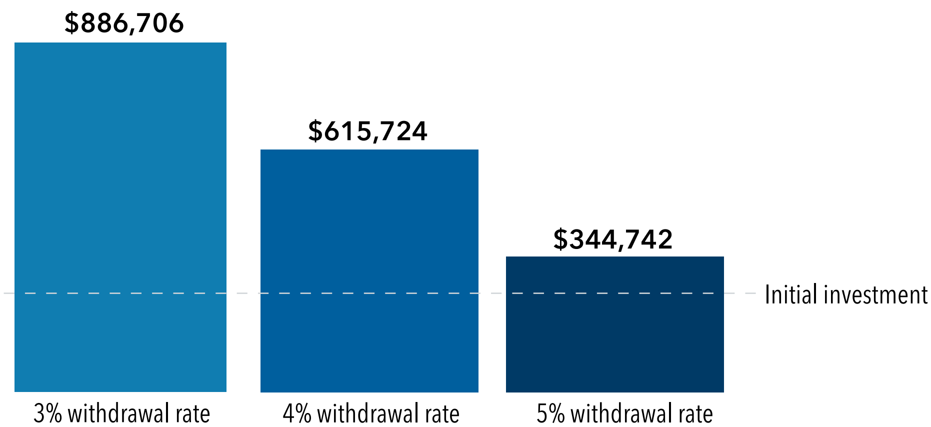
Historical market example

We can't predict the future, but we can look at the past to see how any particular investment might have done and how withdrawals could affect an account balance today.

That's what the next chart shows: ending balances at different withdrawal rates of a hypothetical $250,000 portfolio in 1995, assuming 40% of a portfolio is in stocks, with the remainder in bonds. In each case, the withdrawal amount was increased by 2.5% per year to account for inflation.

While the example is based on real market data and can give you an idea about investment longevity, it is still hypothetical and cannot be used to predict future returns. Those future returns are unknown and will affect the ultimate ending balance and longevity of your savings.

Ending value of a hypothetical initial $250,000 investment after 30 years
Based on historical market returns (1995-2025)



Sources: Capital Group, S&P Dow Jones Indices LLC, MSCI, Bloomberg Index Services Limited. Ending values based on a hypothetical $250,000 starting balance on June 30, 1995, ending on June 30, 2025, with 30% invested in U.S. stocks, as represented by the S&P 500 Index; 10% in non-U.S. stocks, as represented by the MSCI All Country World Index (ACWI) ex USA; and 60% in U.S. bonds, as represented by the Bloomberg U.S. Aggregate Index. Initial withdrawal amounts were increased by 2.5% every year to adjust for inflation. Indexes are unmanaged and therefore have no expenses. Investors cannot invest directly in an index. Past results are not predictive of results in future periods.

Common withdrawal strategies

Fixed amount

Involves regularly withdrawing a set amount from investments – often adjusted for inflation – regardless of market conditions. There is a chance of underspending if markets rise, or overspending if markets fall – possibly to the point of early depletion unless withdrawals are reduced.

Variable amount

Withdrawals change based on overall account value over time, increasing when the balance rises and shrinking when it falls. This can help preserve the principal balance but can also make income less predictable.

Natural income

Earnings such as dividends and interest are withdrawn while the principal is left untouched. This approach can help preserve the underlying balance, but income may be low or unpredictable.

Also consider taxes and required minimum distributions (RMDs): After a certain age (generally age 73), you need to withdraw a minimum amount annually from tax-deferred retirement investment accounts to avoid penalties. In most cases, RMDs will be included in your taxable income. A tax specialist or financial professional can help you with these details.

Putting it all together

While your individual situation will vary, here are five steps to help you get started.

1

Estimate how much you will spend in retirement

Ask: Have you considered current and potential expenses, as well as the lifestyle goals you'd like to set money aside for monthly?

Categories	$ per month	% monthly expenses
Needs (e.g., home, food, utilities, health care, insurance)		
Wants (e.g., travel, dining, hobbies, entertainment)		
Emergencies (e.g., accidents, repairs)		
Total		

2

Identify sources of retirement income

Ask: Do you or your spouse have other sources of income in retirement, like Social Security or a pension plan? How about IRAs or income from other savings or investments?

Categories	$ per month
Workplace retirement account (e.g., 401(k), 403(b))	
IRAs	
Social Security	
Annuities or pension	
Personal savings (or long-term / legacy investments)	
Other	
Total	

3

Calculate your withdrawal rate percentage

Ask: How much do you expect to withdraw from your retirement savings annually?

$ ____________ expected annual withdrawals.

Next, divide this amount by your total retirement savings to find the withdrawal rate percentage.

E.g., $10,000 ÷ $250,000 = 0.04 (or 4% withdrawal rate)

You may consider other sources of income when determining how much to withdraw from your retirement savings. For example, if you receive Social Security payments, you may be able to lower the withdrawal amounts needed to cover expenses.

4

Balance your budget

Sum your listed income and expenses to identify the size of any gaps.

Ask: Will your income cover your expected expenses? If not, consider how you will cover the gap by reducing spending or supplementing your income.

5

Refine

Consider how sustainable your anticipated withdrawal rate is and for how many years you could expect the withdrawals to last.

Ask: Which withdrawal strategy is right for you? Is your withdrawal rate at a level that can be expected to last as long as you want it to? If not, what changes could you make?

This might be a great time to seek guidance from a financial professional who could take a comprehensive look at your personal financial and tax situation, your legacy and lifestyle goals and your overall investment portfolio.

Important investment disclosures

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.

This content, developed by Capital Group, home of American Funds, should not be used as a primary basis for investment decisions and is not intended to serve as impartial investment or fiduciary advice.

Although the target date portfolios are managed for investors on a projected retirement date time frame, the allocation strategy does not guarantee that investors' retirement goals will be met. Investment professionals manage the portfolio, moving it from a more growth-oriented strategy to a more income-oriented focus as the target date gets closer. The target date is the year that corresponds roughly to the year in which an investor is assumed to retire and begin taking withdrawals. Investment professionals continue to manage each portfolio for approximately 30 years after it reaches its target date.

We offer a range of share classes designed to meet the needs of retirement plan sponsors and participants. The different share classes incorporate varying levels of advisor compensation and service provider payments.

S&P 500 Index is a market capitalization-weighted index based on the results of approximately 500 widely held common stocks. **MSCI All Country World Index ex USA** is a free-float-adjusted market-capitalization-weighted index that is designed to measure equity market results in the global developed and emerging markets, excluding the United States. The index consists of more than 40 developed- and emerging-market country indexes. When applicable, results through December 31, 2000, reflect dividends gross of withholding taxes, and dividends net of withholding taxes thereafter. **Bloomberg U.S. Aggregate Index** represents the U.S. investment-grade fixed-rate bond market. This index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. Indexes are unmanaged and results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes.

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