

Vanguard Road Fund Survey – June 29, 2026

Dear Association Members,

We are requesting your input regarding the investment strategy for our Vanguard Road Fund. Please review the information below and submit your vote by **July 8, 2026**.

Current Investment Status

The Vanguard Road Fund is presently invested in a Federal Money Market Fund. Over the past 10 years, this fund has earned an average interest rate of **2.28%**, and its current year-to-date return is **1.49%**.

In previous years, quarterly capital gains taxes were paid directly from the road fund. However, per **Florida Statute 720.303 (6)(h)**, these taxes must be paid from the Association's general fund unless Association Members vote—by a minimum of **51% approval**—to pay them from the Vanguard Road Fund annually.

Financial Advisor Recommendations

Two financial advisors have reviewed our current strategy and concluded that the fund is not earning enough to keep pace with inflation. To grow the fund at a more sustainable rate, they recommend moving to a mutual fund with either a **50% Stocks / 50% Bonds** or **60% Stocks / 40% Bonds** allocation. Historically, these funds average approximately **10% annual returns** with conservative risk.

They also advised that paying taxes from the road fund reduces compound growth and slows long-term performance.

Road Replacement Outlook

Our roads are projected to last a **minimum of five more years**. If we do not grow the road fund appropriately, homeowners may face a substantial assessment when repaving becomes necessary. Current research indicates that resurfacing **3 miles of 16-ft-wide roads** with **1–2 inches of asphalt** could cost between **\$1,000,000 and \$1,500,000**, depending on crude oil and labor prices.

Tax Considerations

If we change our investment strategy and the fund begins generating **\$40,000–\$72,000** in annual capital gains, our tax burden will increase. At our current **30% tax rate**, taxes would range from **\$12,000 to \$21,600** annually.

Last year, the fund generated **\$14,851** in capital gains, and **\$4,425** in taxes were paid directly from the road fund—without the required member vote—resulting in a violation of Florida Statute.

To ensure adequate tax coverage under a higher-yield investment strategy, HOA annual fees would need to increase. The increase would allow the road fund to grow uninterrupted through compound interest.

Road Fund Underfunding

It has been stated repeatedly that the road fund is underfunded. Without increasing contributions now, homeowners may face significant assessments in the future. Paying taxes through HOA fees rather than the road fund will help preserve and grow the fund.

Voting Options

Investment Strategy

Option 1: Keep the Vanguard Road Fund invested in the Federal Money Market Fund, earning approximately **3% annually** based on historical data.

Option 2: Move the Vanguard Road Fund to a mutual fund with a **50/50 or 60/40 stock-bond split**, earning approximately **10% annually** based on historical data.

Tax Payment Method

Option 1: Increase HOA annual fees to pay capital gains taxes, allowing the road fund to grow through compound interest.

Option 2: Pay capital gains taxes directly from the road fund. This option must be voted on **every year** and approved by **51% of Association Members**.

Future Considerations

In two years, we will re-evaluate the road fund to determine whether the annual contribution should increase.—This initiative-taking approach helps avoid large future assessments.

Please participate in the survey listed below – your information will remain confidential!

Thanks!

Pickett Downs Homeowner's Association

Board of Directors