Kiplinger's

PERSONAL FINANCE

Money Moves to Make Now

Get your finances on track before New Year's!

- Lower your taxes
- Boost your retirement savings
- Fine-tune your portfolio
- Give to charity
- And much more! p 40

DECEMBER 2020

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PHOTO BY NICK HAGEN

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ONLINE SHOPPING DISCOUNTS

Save every time you shop online with coupon codes, free-shipping deals and price comparisons from these 16 deal sites and browser extensions.

kiplinger.com/kpf/dealsites

TAX TIPS FOR SNOWBIRDS

The goal for folks who spend their winters in Florida is to be taxed as a Florida resident and pay no state income tax. Here are 17 ways to make your case.

kiplinger.com/kpf/snowbirds

MEDICARE MISTAKES TO AVOID

Missing Medicare sign-up deadlines and selecting the wrong coverage can lead to penalties and higher premiums and out-of-pocket costs.

kiplinger.com/kpf/mistakes

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A Paycheck for Life

Your October cover story spent a lot of attention on annuities and had a surprising number of positive things to say about them ("How to Create Income for Life"). There was little mention of the paltry returns annuities receive in the current low-interest-rate environment, and virtually no exposition was given on the high fees and expenses annuities have when including equities and other alternatives within them. I believe that if most people realized they could just put their retirement savings in stable balanced mutual funds, and take a monthly distribution based on selling shares, they would not pay so much of their hard-earned retirement savings to an insurance company just to have a level, guaranteed monthly check. If people realized that the stock market downturns that annuity companies use in their advertising (to create fear of stocks) are always reversed in a matter of months, then the tactics they use would not work as much as they do today. There are any number of fine mutual funds that have been around for decades that would serve retirees much better, keeping the initial investment growing and available to heirs after death.

RICHARD HATTON
SANTA MONICA, CALIF.

Editor's note: Our story focused on noncontroversial, single-premium immediate annuities and strategies to integrate them into a diversified retirement portfolio now that fixed-income investments are yielding so little. As for annuities that incorporate stock performance, we have not weighed in on such products for several years. But we would note that many fee-only, fiduciary financial advisers now recommend commission-free equity-oriented annuities for a portion of assets for clients who want guaranteed income in retirement without the risk of stocks or bonds.

You talk about making sure you have enough cash on hand so that "when stocks fall, you can put withdrawals on pause until prices recover" ("From the Editor," Oct.). You follow the same pattern as others who write about retirement that I have read or listened to on podcasts, in that you only talk about "younger" retirees, who have the option of forgoing withdrawals. You overlook a large segment of your audience who must take their required minimum distribution amount from their retirement accounts regardless of what the stock market is doing. I wish you would take us into consideration when you write about strategies to minimize the "hit" to our retirement accounts.

ROBERT L. COLE
JACKSON, MICH.

Bond fund allocation. Kudos on your article discussing how to allocate bond funds in this low-interest-rate world ("Get the Right Mix of Bonds," Oct.). My observation is that few advisers understand the "four key roles" of bonds in a diversified portfolio. However, yields have gone negative on funds investing in TIPS, and there might be a better approach. I'm not a big fan of TIPS, mostly because as a measure of inflation, the consumer price index is deceiving. If the CPI were measured with the same methodology as it was in 1990 or 1980, it would be much higher. Also, CPI components do not accurately include all the relevant categories of consumer spending, such as home prices. The Fed is motivated to keep interest rates low to continue financing the exploding federal debt at low rates. For these reasons, investors might instead consider convertible bond strategies. They are designed to hedge against rising rates. For example, Calamos Investments has a long history of providing such strategies.

DIMITRIS P. MAGEMENEAS
WEALTH MANAGER,
KINGSVIEW PARTNERS
MARCOS, CALIF.

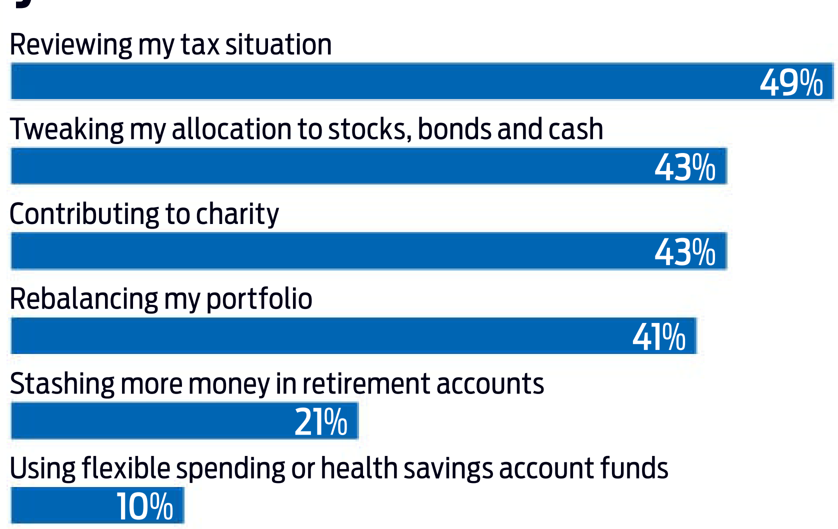
Editor's note: For Kiplinger's take on convertible funds, see "Take Convertibles for a Spin" in our November issue.

Savings on wireless plans. Both Verizon and T-Mobile may offer rewards, but Consumer Cellular may offer a lower price ("Rewards for Cell Phone Customers," Sept.). I had AT&T for decades, but after seeing constant ads in AARP, I decided to check out Consumer Cellular. Saved about 50%, and saving 50% is better than a reward.

WAYSON LEE
HUNTSVILLE, ALA.

READER POLL

Are you making any year-end financial moves?



For our advice on smart year-end financial moves, turn to page 40.

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Reader Feedback may be edited for clarity and space, and initials will be used on request only if you include your name. Send to Kiplinger's Personal Finance, 1100 13th St., N.W., Suite 1000, Washington, DC 20005, or e-mail to feedback@kiplinger.com. Please include your name, address and daytime telephone number.

Mark Solheim

Getting Good Service

While we were in Michigan over the summer, our Washington, D.C., house was undergoing a serious makeover. When we embarked on this project, friends and family warned us about the delays and disappointments we were likely to face with the contractor. It wouldn't matter who, they said. It's just the nature of the business. After we negotiated and signed the contract, I steeled myself for uncomfortable interactions and veiled threats to keep the work flowing and the quality high—from 800 miles away.

But our contractor turned out to be a different, perhaps old-fashioned, breed. We chose Randy because unlike the other contractors we interviewed, he runs a family operation, with two sons working alongside him, and his wife in charge of the bookkeeping and billing. He would be there every day to supervise the work, instead of delegating the task to an employee who would have less of a stake in doing a first-rate job. He took ownership of the project and made repairs on our 80-year-old house that other contractors probably would have let slide. Another winning attribute: He returned our texts and e-mails promptly.

Best customer service for you. While Randy was belying the rap on contractors, the staff at Kiplinger and I began to brainstorm how we could translate the universal desire for good service into rankings that served our readers. The result, "Financial Service Firms That Treat You Like a Star," appears on page 64.

Most of us have trusted financial professionals in our corner. But the pandemic has accelerated a shift in customer service from the up-close-and-personal to the distant-and-digital. (Even bank lobbies were shuttered for a while.) So we decided to focus on four categories of personal finance services that operate mostly from a distance: credit card issuers, mortgage lenders, auto and home insurers, and banks.

We rated the customer service of large financial service firms for accessibility, reliability, responsiveness and knowledgeable answers.

We whittled the firms to 10 or so in each category, then we conducted a national survey to see how customers rated them on customer service attributes: accessibility, reliability, responsiveness and knowledgeable answers to typical questions. We also checked complaints, evaluated the websites, called the customer service phone numbers and put the apps through their paces. Contributing editor Lisa Gerstner, who has earned her stripes rating rewards credit cards and banks, did the heavy lifting, with a bit of help from summer intern Spencer Philps.

As we were putting the finishing touches on this months-long project, Lisa had her own struggle with a customer service issue. She and her husband, Tom, bought a house in early August, and they chose a large, D.C.-based credit union as their mortgage lender because it offered a lower interest rate than the other lenders they checked with.

Their purchase contract stated that by about two weeks before the closing date, they had to deliver to the seller a letter from the lender stating conditional or outright approval of the loan. The letter finally came, but it was nearly 48 hours late and it pushed them out of contract on the house. The sellers could have backed out, Lisa says, but she and Tom decided to switch to a local bank that their real estate agent referred them to, and the mortgage team wrapped up the loan in two weeks.

Our survey is not about prices—just service. If you are in the market for a mortgage or a credit card from a company that respects its customers, or a bank or insurance company that will respond quickly and efficiently if you have a problem, check out our winners.

"We're paying a slightly higher interest rate, but the peace of mind has been 100% worth it," says Lisa. "Sometimes you really do get what you pay for." ■

Mark Solheim

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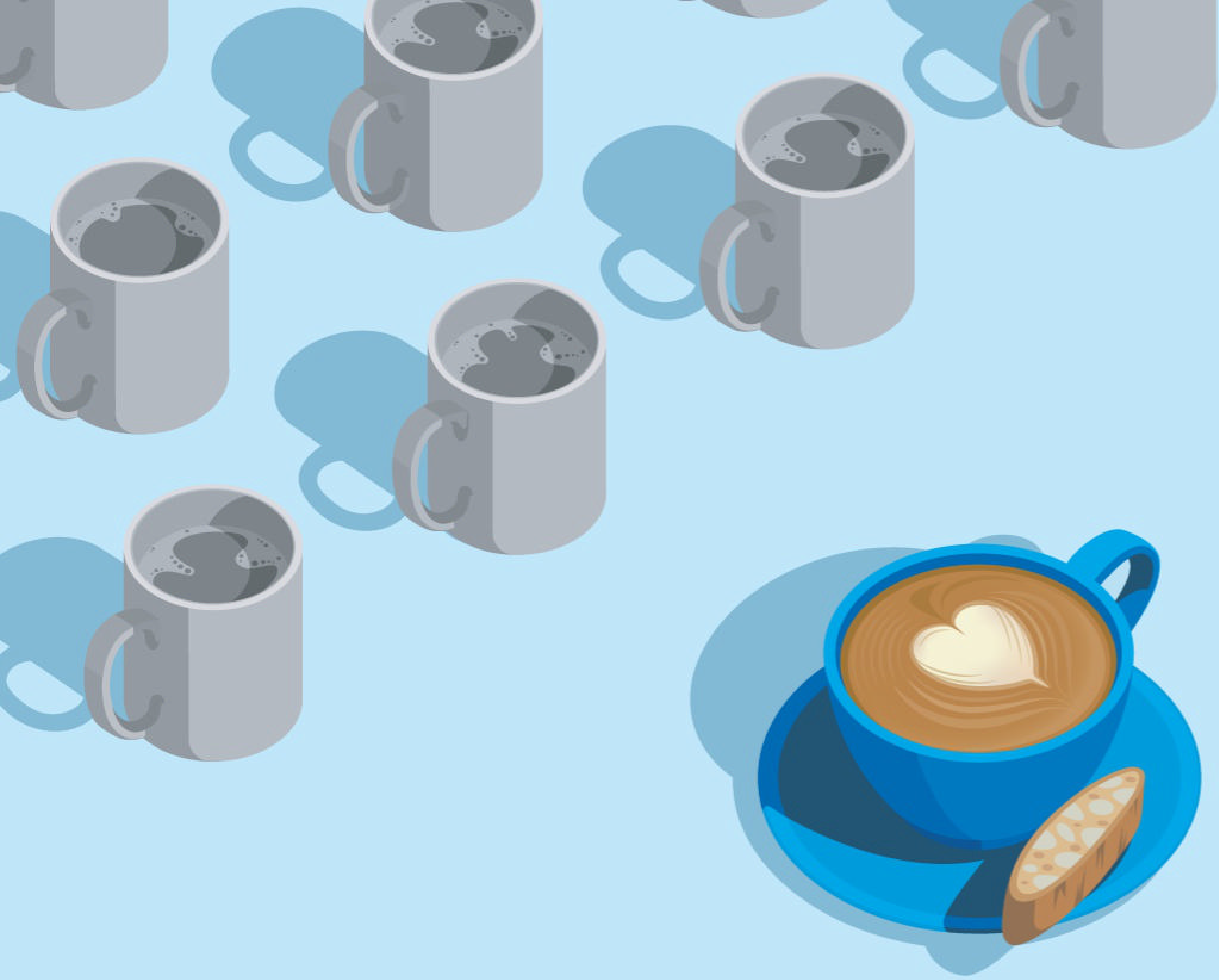
POON WATCHARA-AMPHAIWAN



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Total paid print distribution	722,388	610,730
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Free or nominal rate print distribution outside the mail (by carriers and other means)	10	10
Total free or nominal rate print distribution	69,062	405,241
Total print distribution	791,450	1,015,971
Print copies not distributed	58,326	35,268
Total print copies	849,776	1,051,239
Percent paid (print)	91.27%	60.11%
Paid electronic copies	10,736	10,500
Total paid print + paid electronic	733,124	621,230
Total print distribution + paid electronic	802,186	1,026,471
Percent paid (both print and electronic)	91.39%	60.52%

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AHEAD

TOPIC A

THE HOLIDAYS WON'T BE CANCELED

Malls will be quieter, but consumers will still go shopping.

BY SANDRA BLOCK

IN A YEAR THAT COMPELLED US to revamp the way we work, where our children go to school and what we do for fun, the 2020 holiday shopping season will look markedly different, too. With a COVID-19 vaccine still months away from broad availability, many people are reluctant to go to stores and malls, so perhaps it's not surprising that

ILLUSTRATION BY IKER AYESTARAN

more than two out of three shoppers surveyed by CreditCards.com said they plan to do most of their seasonal shopping online this year. *The Kiplinger Letter* forecasts that online sales will jump by 28% this year as Americans continue to use their phones and tablets to buy holiday gifts.

But the pandemic isn't the only factor driving this trend. Nearly 70% of shoppers said that convenience was the main reason they plan to shop online.

But the surge in online shopping may have been affected by the pandemic, which compelled consumers who were sheltering at home to buy everything from groceries to lawn mowers online. "During the lockdown, people got used to purchasing things in ways they might not have done before," says Stacy Berek, managing director of GfK, a consumer products consultant. Older Americans who didn't shop much online in the past have become more comfortable buying over the internet now, she adds, and that trend will likely continue even after the pandemic is over.

The economic downturn will dampen spending, as many families have been hit by furloughs, unemployment and high medical costs. But Deloitte predicts that holiday spending will still rise by 1% to 1.5%. Consumers who haven't been spending much money lately on travel, dining out, gym memberships and other services because of the pandemic have more to spend on physical merchandise, provided they have been able to hold on to their jobs, according to *The Kiplinger Letter*. Guilt will be a powerful motivator, too, says Marshal Cohen, chief industry adviser, retail, for market research firm NPD Group. For example, toy sales will be strong, he says, because "Mom and Dad feel really bad that their kids had to endure this terrible year."

Deals, deals, deals. With the coronavirus still a threat, even the most die-hard bargain shoppers may be disinclined to storm their favorite retailers in search of Black Friday discounts. Many big stores, including Walmart, Target and Best Buy, have announced that they'll be closed on Thanksgiving Day. But you'll be able to find plenty of deals without leaving the safety and comfort of your home. And you won't have to do all of your shopping at once, either, because for many retailers, every day will be Black Friday. For example, Home Depot says it will offer its Black Friday discounts throughout the holiday season.

Shoppers who procrastinate could face shortages of popular items, along with shipping delays. UPS says items sent via ground delivery should be shipped by December 16 to arrive in time for Christmas. The deadline for packages sent via ground delivery through FedEx and the U.S. Postal Service is December 15.

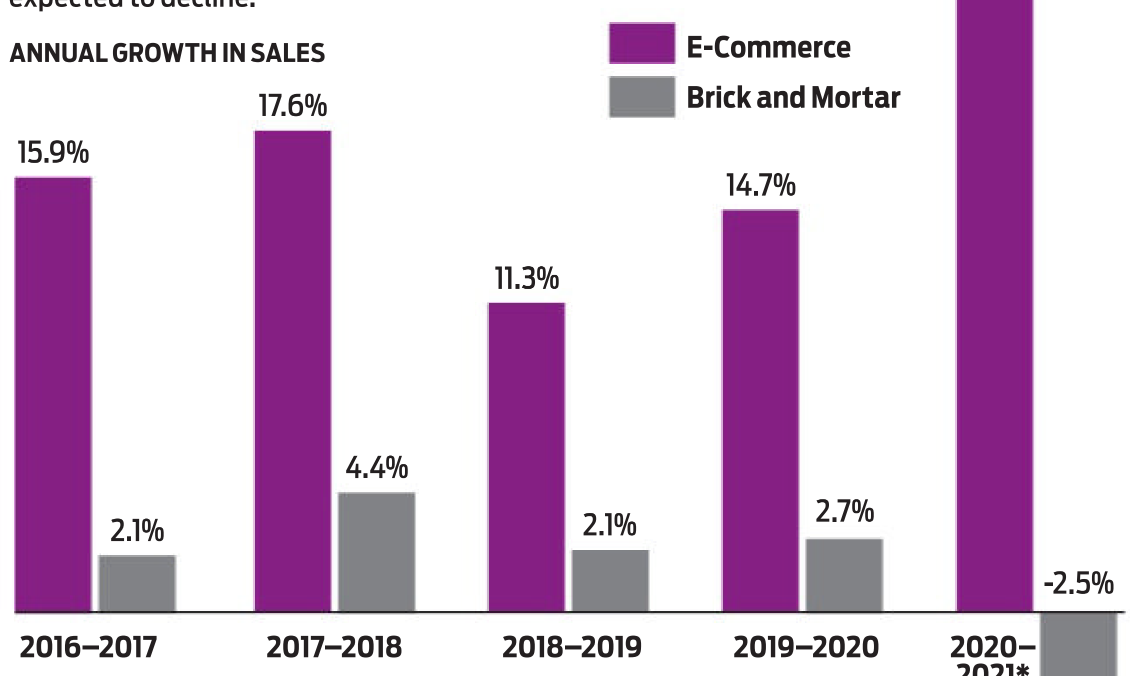
One way to avoid shipping delays (not to mention unappreciated presents) is to give gift cards, which can be delivered electronically. But be careful. In recent months, several major retailers, including Lord & Taylor, Pier 1 and Modell's Sporting Goods, have filed for bankruptcy, and more retailers are likely to disappear if the economic downturn stretches into 2021. When a retailer files for bankruptcy, gift card holders often have only a few weeks to redeem their cards before they become worthless. Gift cards for local businesses could also lose their value if the retailer fails, says Ted Rossman, industry analyst for CreditCards.com. Although a check or general-purpose gift card is less personal, it's a safer choice, he says.

How to pay. The CreditCards.com survey found that debit cards were the most popular form of payment for holiday shopping this year. Forty-six percent of those surveyed said they planned to pay with debit cards, while 39% said they planned to use credit cards.

That may reflect consumers' reluctance to run up debt at a time of economic uncertainty, Rossman says. But when you forgo credit cards, you give up numerous benefits, including the ability to dispute the charge if an item is damaged or stolen. In addition, many credit cards offer rewards that can save you money. For more on cards that offer the best rewards during the holidays, turn to page 51.

SHOPPING IN YOUR PAJAMAS

Holiday sales online are expected to increase by 25% to 35% between November and January, while sales at brick-and-mortar stores are expected to decline.



*Projected. SOURCE: Deloitte

INTERVIEW

R.I.P. 60-40 PORTFOLIO

The old standby allocation of 60% stocks and 40% government bonds might not work for buy-and-hold investors anymore.

Jared Woodard is head of the Research Investment Committee at BofA Securities.

What is the 60-40 portfolio, and why has it been the go-to model for many investors? In a 60-40 portfolio, 60% of assets are invested in stocks and 40% in bonds—often government bonds. The reason it has been popular over the years is that traditionally, in a bear market, the government bond portion of a portfolio has functioned as insurance by providing income to cushion stock losses. In addition, bonds tend to rise in price as stock prices fall.

Why do you say that the 60-40 portfolio is dead? The problem is that as yields on bonds head lower and lower—the 10-year Treasury note pays 0.7% per year—there's less return in fixed-income securities for buy-and-hold investors. So that insurance works less well over time. Plus, the prospect of government policies to boost economic growth increases the risk of inflation. Treasuries could become more risky as interest rates start to rise and prices, which move in the opposite direction, fall.

But don't bonds limit volatility in your portfolio? Bonds can become very volatile. Look back at 2013, after the Federal Reserve said it would reduce purchases of Treasuries and mortgage-backed securities. There was a period of incredible volatility for bonds—known as the taper tantrum—as investors adjusted. Our argument is that as the prospects increase for more government intervention in the markets to support economic growth, the risk goes up that Treasuries will become a source of volatility.

What's a better portfolio allocation now? There are two parts to that question. First, who is the investor? Older investors with specific income needs may find that their overall allocation to fixed income might not need to change much—but the kind of fixed income investments they own might need to be very different. Younger investors might find that they can tolerate the volatility of the stock market over the course of an entire investing career, given the difference in return from stocks over bonds.

And the second part? That's the economic outlook. If we were at the end of an expansion, it would make sense to be more cautious. But we're coming out of a recession, and prospects for corporate earnings and economic growth are much higher next year. At the start of a business cycle and new bull market, being too cautious means you miss out on the full returns of that cycle.

What fixed-income holdings do you prefer now, and why? Think in terms of sources of risk. Treasury bonds won't default, but inflation and higher interest rates are big risks. Other bonds yield more, but they have credit risk, or the risk of not being paid back in full. Our contention is that the fixed-income portion of your portfolio should feature more credit and stock market risk and less interest rate risk.

We think the credit risk is worth taking in corporate bonds rated triple B, or even in higher-rated slices of the high-yield market. We also like preferred stocks and convertible bonds, which have characteristics of both stocks and bonds. These four categories can yield 2.5% to 4.5% today. Real estate investment trusts that invest in mortgages yield about 8% and pose less risk than REITs investing in commercial real estate. Finally, some 80% or more of S&P 500 companies pay dividends that are higher than the yield of 10-year Treasuries. **ANNE KATES SMITH**

PHOTOGRAPH BY COLIN MILLER

SMALL CHANGE

SENIORS WILL GET A MODEST RAISE IN 2021

SOCIAL SECURITY BENEFICIARIES WILL GET a cost-of-living increase in 2021, but it won't be sufficient to keep up with the rising cost of health care.

The Social Security Administration says seniors will receive a 1.3% cost-of-living increase in 2021, or about $20 a month for the average beneficiary. The annual adjustment was based on changes in the consumer price index in the third quarter.

Low inflation has depressed annual cost-of-living increases in Social Security benefits in recent years. The COLA hasn't risen by more than 3% since 2012, and it was flat in 2010, 2011 and 2016. "People who have been receiving benefits for 12 years or longer have experienced an unprecedented series of extremely low cost-of-living adjustments," Mary Johnson, Social Security policy analyst for the Senior Citizens League, an advocacy group for seniors, said in a statement.

The Senior Citizens League and other advocacy groups say the index used to calculate the annual cost-of-living increase gives too much weight to items purchased by younger people, such as gas and electronics. They'd like Social Security to use a "seniors index" that gives greater weight to the cost of health care.

The annual adjustment will also affect the maximum amount of earnings that will be subject to Social Security taxes. In 2021, the cutoff will be $142,800, up from $137,700 in 2020. **SANDRA BLOCK**

CALENDAR
12/2020

FRIDAY, DECEMBER 4

If you still have money left in a health care flexible spending account, make a plan to spend it before the end of the year. Unless your employer provides a grace period, you'll forfeit any funds remaining in the account. Thanks to the coronavirus stimulus bill enacted earlier this year, you can use the money for over-the-counter drugs, even if you don't have a prescription.

MONDAY, DECEMBER 14

Still shopping online for holiday gifts? Hit the stores (virtually) today so you can take advantage of free shipping. Retailers that participate in Free Shipping Day, first introduced in 2008, will ship your online purchases for free by Christmas Eve. Go to www.freeshippingday.com to find participating stores (along with year-round coupons).

TUESDAY, DECEMBER 15

Today is the last day of open enrollment for those who need to buy an individual health insurance policy on their state's health insurance exchange. To find a link to your state's plan, go to www.healthcare.gov/get-coverage. (The last day of open enrollment for Medicare is December 7.)

▲ THURSDAY, DECEMBER 31

You have until midnight to make a charitable contribution that will be deductible on your 2020 tax return. And this year, even non-itemizers are eligible to deduct contributions of up to $300. For more information about charitable donations and other year-end money moves, turn to page 40.

EMMA PATCH

DEAL OF THE MONTH

Look for deep, post-holiday discounts on games and toys, with card games on sale for as little as $3, says Julie Ramhold, consumer analyst with DealNews.com. You can also find puzzles and Play-Doh sets for $6.

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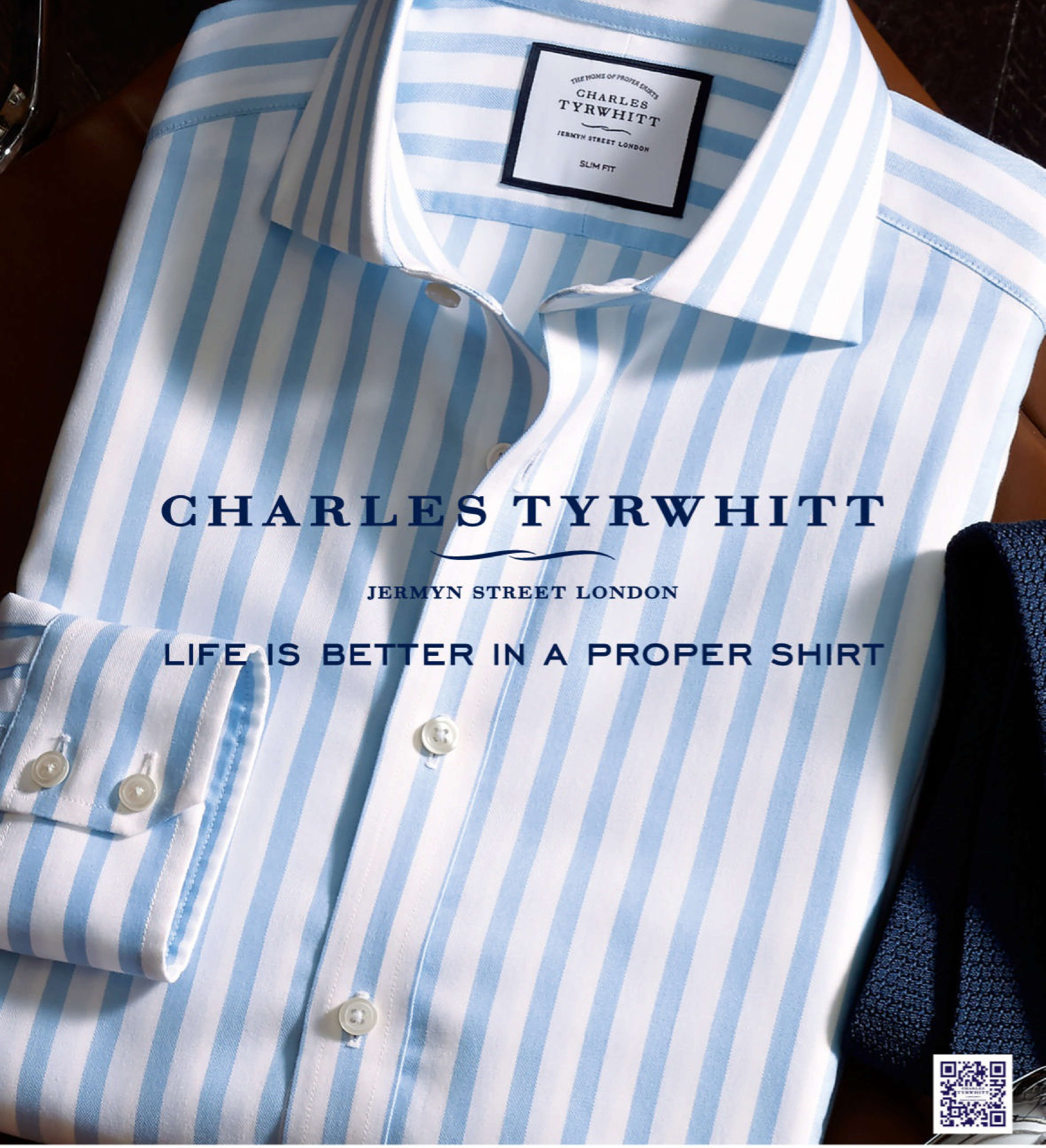
THE HOME OF PROPER SHIRTS
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LIFE IS BETTER IN A PROPER SHIRT

BRIEFING

INFORMATION ABOUT THE MARKETS AND YOUR MONEY.

ELECTION TURMOIL COULD RATTLE STOCKS

The stock market shrugged off President Trump's bout with coronavirus. Whether it can shrug off a contested election—if it comes to that—remains to be seen. "The uncertainty has the potential to create some churn," says Phil Orlando, chief stock strategist at investment firm Federated Hermes. "We could see a 10% to 15% decline in the last couple of months of the year."

That's what happened in 2000, when Al Gore and George Bush fought it out. Although the stock market had already peaked in March of that year, the S&P 500 fell 6% from election night through the day following Gore's concession, losing a total of nearly 9% through late December.

Moreover, says David Kelly, chief global strategist at JPMorgan Funds, "The election drama of 2000 does appear to have contributed to the recession of 2001." Consumer confidence fell sharply after the election, leading to a slump in spending.

The results this year are unlikely to be as close as in 2000, says Kelly. Nonetheless, a contested election could distract lawmakers from efforts to aid workers, businesses, and state and local governments, he says. "The economic recovery already looks set to slow sharply in the fourth quarter, he says. "This would be a particularly inopportune time for a prolonged bout of political uncertainty."

The stock market will muddle through in all but the worst-case scenario, says Burt White, chief investment officer at LPL Financial. The impact of a delay in the results would be negligible, he says, and a recount might cause a 5% to 10% pullback. A legal or legislative battle—in White's view, the least likely election outcome—could result in a correction of 10% or more, he says.

INSURERS CUT TELEHEALTH BENEFITS

Some insurers are rolling back the more-generous telehealth benefits they extended to policyholders this spring (see "Rx for Your Health Insurance," July).

Many insurers have been waiving co-payments or requirements to meet a deductible for virtual visits. But UnitedHealthGroup and Anthem customers were set to face out-of-pocket charges on certain telehealth visits starting October 1.

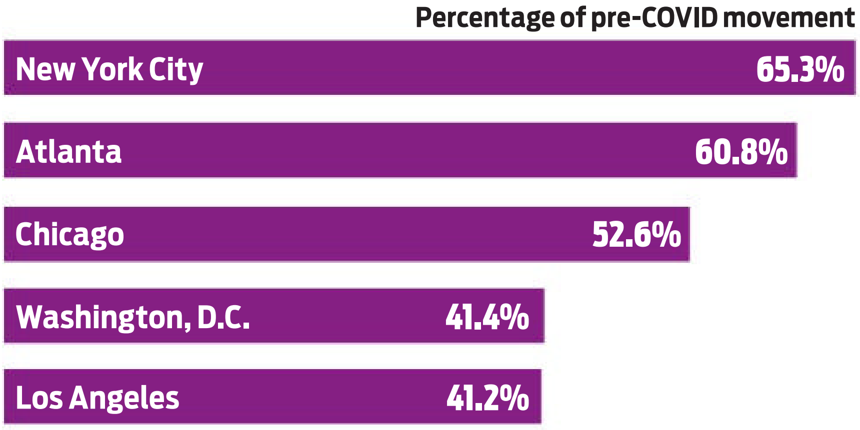
Insurers are using an array of deadlines, reimbursement strategies and charges, depending on factors such as the type of plan or the purpose of the medical visit. Doctors and hospitals say the complex rules are leading to confusion, and the cost-sharing charges are creating concern that patients who must pay more for telehealth might delay or avoid visits.

24%

Percentage of investors who sold all of their stock at the beginning of the pandemic, according to a survey by financial site MagnifyMoney. Another 19% said they sold some stock. Men were more likely than women to sell at least some of their stock—56% versus 19%.

EVERY DAY IS SUNDAY IN BIG CITIES

Among large cities, New York has the highest percentage of renewed movement in and around town compared with pre-coronavirus levels, according to INRIX, a transportation research firm.



From *The Kiplinger Letter*

NEW-HOME SALES ARE BOOMING

Low mortgage rates are enticing buyers, and pent-up demand from the lost spring selling season is boosting sales, too. August sales hit a 14-year high, topping 1 million at an annualized pace for the first time since November 2006. Several of the nation's hottest markets are in the South, including areas such as Austin, Tampa, Nashville, Raleigh and Charlotte. The South saw about 63% of all new-home sales in August. Minneapolis, San Jose, Sacramento, Indianapolis, Baltimore and Chicago are also seeing strong sales this year, as are smaller cities, such as Colorado Springs, Colo.; Stockton, Calif.; Charleston, S.C.; and Reno, Nev. Builders are selling homes faster than they can build them. The jump in sales took inventory to a historical low—3.3 months' worth of demand at the current sales pace.

USED CAR SALES ARE PICKING UP

Used-car prices are up 23% from a year ago, and SUVs and trucks are up 17%. Demand shot up because so many consumers have switched from public transportation, ride-sharing, trains and planes to personal vehicles to avoid exposure to the COVID-19 virus. Government stimulus checks and the inability to spend much money on things like dining out have also goosed vehicle spending. Prices of used cars have climbed by larger percentages than prices of trucks and SUVs because cars tend to be cheaper—which makes them more attractive to low-income workers, who have suffered the most economically during the pandemic. Also, inventories of used cars were very low to begin with, because most new-vehicle buyers are choosing pickups and SUVs.

The strong demand will likely last until a viable vaccine gets widely distributed and the public's health fears subside. When that happens, used prices may slide again. And it appears that prices may have already peaked; weekly transaction data show them edging down slightly since mid August. But for now, they'll remain elevated. So if you're thinking about buying a new ride and trading in your current car, you should still have some room to negotiate a higher price on your trade-in.

DISCOUNTS ON USED VEHICLES

TrueCar looked at popular used vehicles that experienced a significant month-over-month drop in list price in September, indicating a good deal.

Brand/Model	Drop in list price
Chevrolet Bolt EV	–5.5%
Nissan LEAF	–4.4
Chevrolet Volt	–4.3
Toyota Corolla	–3.6
Toyota Prius	–3.5
Dodge Journey	–3.3
Hyundai Santa Fe	–3.2
Mitsubishi Outlander	–3.2

$2,150

The average annual amount teens are spending, according to the latest semiannual survey of Generation Z by money management firm Piper Sandler. Teen spending is 9% less than in fall 2019 and falls below the previous all-time low, recorded in fall 2011.

PROFESSIONAL INSIGHT FROM T. ROWE PRICE

Financial Balancing Act

How to square your needs with those of your children or aging parents

If you're feeling pulled in different directions while raising children and caring for aging parents, you're not alone. A recent T. Rowe Price survey found that as many as one-third of parents with school-age children are facing the same situation.[1] As part of the "sandwich generation," they find themselves wedged between competing priorities across multiple generations.

Being part of the sandwich generation can directly affect your finances. The survey also found that nearly a third of those caring for an aging relative spend $3,000 a month or more to do so. "The reality is that your resources are limited," says Judith Ward, CFP®, a senior financial planner with T. Rowe Price. "Remember to first focus on taking care of yourself, which will better position you to help your loved ones."

Take Care of Your Financial Needs Before You Help Others

- Aim to contribute 15% of your income to your retirement savings, including any company match.
- Have a sufficient emergency fund in place that can cover three to six months of expenses.
- Consider supplementing your retirement or other savings with a T. Rowe Price general investing account, which can provide you with flexibility and growth potential.
- If you are just getting started, look for ways to automate your savings and investments to help you reach your goals.

Start with yourself

The most important step is to make sure you are investing enough to support yourself in retirement. T. Rowe Price research shows that dual caregivers are more than three times as likely as others to take early distributions from retirement savings. "Not preparing adequately for your future may mean your children will have to provide care and financial assistance to you decades from now," Ward says.

To accumulate enough retirement savings, most investors will need to save at least 15% of their gross salary, including any company match. If you're short of that target, there are several ways to get there. Start by making sure you are taking advantage of your workplace plan, especially if your company offers matching contributions. Outside of a workplace plan, you can save for retirement with tax advantages in a Roth or Traditional IRA. No matter how you choose to save, consider increasing your contributions gradually over time to reach 15%.

Also, be sure you have an emergency fund in place. T. Rowe Price recommends starting with $1,000, then building up to an amount that can cover three to six months of expenses. Your emergency fund can be held as cash in a savings account, or in a general investing account where you have the flexibility to make withdrawals as needed.

Once your finances are in place, you can prioritize the needs of your parents and children.

Consider your parents' needs

Talk to your parents to gather information about their finances. Ask about assets, such as their home, their retirement and pension plans, as well as Social Security income, and their insurance policies. Find out about any liabilities, including a mortgage or credit card balances.

Additionally, discuss establishing a durable power of attorney well ahead of when it will become necessary. "If for some reason one or both of your parents can no longer provide for themselves, a durable power of attorney will give you the legal authority to act on their behalf," says Roger Young, CFP®, a senior financial planner with T. Rowe Price. "And you don't want to wait until they become incapacitated; they need to be competent to set one up."

Young suggests keeping track of your parents' records—documents related to banking, investing, insurance, health, and estate planning—along with any account passwords and contact information for their doctors and other professionals.

Provide for your children

In addition to the time and money spent on day-to-day activities, one of the largest expenses you might have for your children is their college education. It's important to start saving for this as early as possible. Ward recommends that parents look first at 529 college savings plans. Any growth in these accounts will be tax-deferred, and withdrawals used to pay for qualified educational expenses are exempt from federal and, in most cases, state taxes.[2] Talk to older children about expectations for college, including what level of financial support you can afford and what other funding—such as scholarships, grants, or student loans—might be available to make up any shortfall.

Some parents may find themselves supporting adult children as well. For those in this situation, it's important to set clear expectations. Be explicit about how much support you can offer, such as health insurance, family cellphone plans and food, along with how much you expect the child to contribute to the household.

For more than 80 years, T. Rowe Price has guided millions of clients through all kinds of markets and life changes, helping them achieve their personal financial goals. Whether you're investing for retirement, education, or something else, T. Rowe Price's distinctive approach can help you invest confidently for the future you envision. Learn more at **troweprice.com**.

[1]T. Rowe Price 2019 Parents, Kids & Money Survey. [2]Earnings on a distribution not used for qualified expenses may be subject to income taxes and a 10% federal penalty. This material has been prepared by T. Rowe Price for general and educational purposes only. This material does not provide fiduciary recommendations concerning investments, nor is it intended to serve as the primary basis for investment decision-making. T. Rowe Price, its affiliates, and its associates do not provide legal or tax advice. Any tax-related discussion contained in this material, including any attachments/links, is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding any tax penalties or (ii) promoting, marketing, or recommending to any other party any transaction or matter addressed herein. Please consult your independent legal counsel and/or professional tax advisor regarding any legal or tax issues raised in this material.

INVESTING

HOW TO INVEST FOR A WEAKER DOLLAR

The greenback is fading—but that doesn't mean your portfolio has to. BY NELLIE S. HUANG

NIKE HAS 758 STORES OUTSIDE THE U.S. SELLING SHOES BEARING THE NIKE AND CONVERSE BRANDS.

We rarely worry about whether the dollar is strong or weak relative to other foreign currencies, unless we have plans to travel abroad and need euros, yen or pesos (although we're not doing much of that lately). Even so, moves in the dollar can affect your portfolio in surprising ways. // After a decade of nearly uninterrupted gains, the dollar sank precipitously all summer against a basket of foreign currencies. The greenback stabilized in September, however. Overall, since the start of the year, the dollar is lower by only 3%. // But many strategists expect the U.S. currency to fall into a more persistent decline over the medium-to-long term, thanks in part to low interest rates that the Federal Reserve has signaled will stay low for at least three years. "Mounting budget deficits, an expanded Federal Reserve balance sheet and an increased money supply" are weighing on the dollar, too, says Chao Ma, a global strategist at Wells Fargo Investment Institute. "We expect the U.S. dollar to stay in a structural bear market." // A weakening dollar can be good for certain investments. U.S.

companies that generate a significant chunk of revenues abroad will get a boost from the weaker dollar as money made overseas is converted into greenbacks. When the buck is weaker relative to the euro, for example, the profits that sporting goods giant Nike makes in Europe will translate into more dollars when the firm repatriates those earnings. U.S. firms that export products overseas gain from a weaker dollar, too, because their goods become relatively less expensive for customers overseas.

Other kinds of investments can profit as well. U.S. investors in foreign stock funds benefit because when a foreign stock rises in price or pays a dividend in its local currency, that investment gain gets translated into dollars. Consider the performance of the MSCI EAFE index during the recent dollar decline. Over the nearly three-month period this summer when the dollar was weakening most, the index, which tracks stocks in foreign developed countries, gained 5.8% priced in local currencies. Converted into U.S. dollars, the index gained 10.9%.

And then there are commodities, whose prices tend to move inversely to the dollar. Because many are priced in dollars, a weak greenback typically means higher relative commodity prices. A lower dollar also fuels demand overseas, says Katie Nixon, chief investment officer at Northern Trust Asset Management. “Foreign buyers purchase U.S. commodities such as corn, soybeans, wheat and oil with dollars. When the value of the dollar drops, they have more buying power.”


ABBOTT LABS' HAND-HELD BLOOD ANALYZER DELIVERS TEST RESULTS IN MINUTES.

COURTESY ABBOTT LABORATORIES. PREVIOUS PAGE: COURTESY NIKE

On the following pages, we home in on investments we think will benefit best from a lower dollar. Bear in mind that these are not meant to be wholesale changes you make to your portfolio. Rather, they are small, tactical bets to consider given the outlook for a weaker buck. Returns and data are through October 9.

U.S. MULTINATIONALS

U.S. companies that have substantial global operations will get a boost from the currency exchange when the dollar is weaker. Sales from foreign countries made up 43% of revenues for companies in the S&P 500 index in 2018, according to the latest data available from S&P Global. The following firms earn a high percentage of their revenues abroad, and they boast strong balance sheets and solid growth prospects, too.

ABBOTT LABORATORIES (SYMBOL ABT, $110). Abbott pulls in 64% of sales from overseas. For years now, this maker of medical devices, generic drugs and nutritional drinks has focused on building a presence in emerging markets, where sales are growing fast.

The company’s acquisitions of Alere and St. Jude Medical in 2017 were key to beefing up its global business. Alere gave Abbott a top spot in point-of-care diagnostic tests (the ones administered in your doctor’s office, such as the test for the flu). And with St. Jude Medical, Abbott now dominates the worldwide cardiovascular device market. The purchases helped to drive the company’s overall growth in revenues in recent years, according to Abbott, particularly in emerging markets, which represent 40% of total sales.

Of course, the firm has other pluses. Its continuous glucose monitoring system, Freestyle Libre, is a top choice among diabetes patients—instead of finger sticks, a sensor worn on the body tracks glucose levels constantly. Sales of Freestyle Libre increased 40% in 2019 from the year before; more than 2 million patients worldwide use the device.

Based on analysts’ earnings expectations over the next four quarters, the stock currently trades at a price-earnings multiple of 27—just a little higher than the average multiple of 28 in relation to expected earnings at which the stock has traded over the past three years. The firm’s rapid-result COVID diagnostic test has propelled the shares higher this year. Even so, Credit Suisse analysts Matt Miksic and Vik Chopra expect significant share-price gains over the next 12 months.

ACTIVISION BLIZZARD (ATVI, $78). Just over half of annual revenues at Activision Blizzard come from abroad. In the future, overseas sales may make up even more of total revenues. For starters, the growing shift of gaming to mobile devices (from consoles and computers) has expanded the potential market across the globe, and Activision hopes to pounce on it.

In fact, it already has. In late 2019, Activision launched a mobile-device version of Call of Duty, its

hugely successful war game. Since then, the game has tripled its reach, according to the company, topping the charts for installments in more than 150 countries.

Activision's e-sports leagues are also extending the company's global reach. This year, Activision started a professional league for Call of Duty that now plays in nine U.S. cities and London, Paris and Toronto. It follows the format of the league for the firm's game Overwatch, a team-based shooting game set in the future, that plays in multiple cities in China, Korea, Europe and, of course, the U.S.

Activision has racked up bonus points from a boost in gaming during the pandemic-related lockdown. And the November–December release of two next-gen gaming consoles, Microsoft's Xbox Series X and Sony's PlayStation 5, may gin up another wave of enthusiasm in the months to come.

Analysts expect 16% average annual earnings growth over the next three years, according to Zacks Investment Research, and shares trade at 27 times expected earnings for the next four quarters—below the typical multiple of 32 for the hobby and games subindustry.

FANS OF ACTIVISION'S CALL OF DUTY SPAN MORE THAN 150 COUNTRIES.

AUTODESK (ADSK, $238). The world of computer-aided design software is borderless, which is why 66% of annual sales at Autodesk, the software company best known for its architecture, engineering and construction software, come from outside the U.S. The company translates its software into dozens of languages, including German, French, Russian, Japanese, Korean and Chinese. Research and product-development work is global, too, conducted in the U.S., China, Singapore and the U.K.

The firm's revenues from recurring software subscriptions—more than 90% of total sales and growing fast—provides a cushion in difficult times. Customers are sticky—once comfortable with a software program, they're less likely to switch to another. And the potential market is growing. "Autodesk is well positioned to benefit from the ongoing digital transformation of business," says Goldman Sachs analyst Heather Bellini, who rates the stock a "buy" and predicts annual sales growth of 16% over the next five years.

Earnings are growing even faster. Analysts expect 32% average annual growth in profits over the next three years. Such high-octane growth can be pricey. Shares currently trade at 84 times expected earnings for the next four quarters. Plan to invest for the long term, and either buy on dips or buy shares at regular intervals over time to lower your average cost per share.

ESTÉE LAUDER (EL, $225). More than 70% of revenues at skin care and cosmetics company Estée Lauder come from outside the U.S. And business in China, home to 17% of company revenues, is booming. In the quarter that ended in June, sales in China increased 50%—thanks to robust growth in online transactions—compared with the same period the year before. And the company continues to gain share in China's high-end beauty market, says Stifel analyst Mark Astrachan. He rates the stock a "buy" and expects a 9% climb in annual revenues for the fiscal year that ends in June 2021, along with a 21% jump in earnings.

Founder Estée Lauder started the company 74 years ago. Today, the firm owns two dozen brands, including Aveda, Bobbi Brown, Clinique, Origins and La Mer, and its products are sold in more than 150 countries.

Like the promise it makes to its customers, Estée Lauder (the company) is looking good for its age. In August, it announced a two-year plan to emphasize high-growth areas, including e-commerce, skin-care lines and China sales. The company will shutter 10% to 15% of its physical stores, pare down its distribution network and pull out of department stores with underperforming counters. Astrachan says these moves could yield $300 million to $400 million in savings over the next two years.

LAM RESEARCH (LRCX, $363). A surge in demand is coming for memory chips, and that's good for Lam Research, a leader in the processes critical to making them. The firm makes equipment that

COURTESY ACTIVISION

chip manufacturers need to produce the increasingly tiny and complex integrated circuits we use in our cell phones and computing devices. Chipmakers are able to engineer wafers—thin chip slices—at a microscopic level using Lam Research's etching, cleaning and film-depositing systems.

The company's international edge comes courtesy of the industry it sells to: Most semiconductor chips are made overseas. According to the U.S. International Trade Commission, 84% of all U.S. chip manufacturing equipment sales take place overseas. That's why Lam Research has multiple sales offices throughout Asia (including China, Japan, Malaysia and Korea) and Europe. The company consistently logs more than 90% of its annual revenues from outside the U.S.

Analysts expect earnings at the company to increase an average of 13% per year over the next three years—roughly in line with its industry—according to Zacks. And the stock trades at 17 times expected earnings for the next four quarters. That's a discount to the broad U.S. market, which trades at 22 times expected earnings, as well as to the chip-equipment wafer fabrication industry (Lam's peer group), which trades at an average price-earnings multiple of 28.

■ BUSINESS IS BOOMING IN CHINA FOR COSMETICS FIRM ESTEE LAUDER.

ZHANG CHANG/CHINA NEWS SERVICE VIA GETTY IMAGES

NIKE (NKE, $131). Nike's foreign footprint is growing. In its last fiscal year, which ended in May, non-U.S. sales accounted for 61% of revenues at the sporting goods and apparel company, up from 59% and 58% in the previous two years. The firm has e-commerce platforms in 45 countries, and 758 stores (Nike- and Converse-branded shops) outside the U.S. It has offices and subsidiaries in dozens of developed and emerging countries, from Argentina and Australia to the U.K., Uruguay and Vietnam. In other words, Nike is everywhere.

The pandemic took a bite out of sales in the first half of 2020, but the company expects business to rebound by early 2021. Wedbush Securities analysts Christopher Svezia and Paul Nawalany, who recommend the stock, expect a recovery even earlier—before the end of 2020, thanks to brisk sales online and in stores worldwide, as well as a robust wholesale business in China. The company should emerge from the pandemic stronger, they say.

All that muscle will cost you. But even though analysts expect a 49% jump in earnings for the fiscal year that ends next May and a 41% jump the year after, shares currently trade at 43 times projected earnings for the next four quarters. That's lofty, but not out of line considering the company's strong earnings profile.

NVIDIA (NVDA, $551). Like Lam Research, Nvidia conducts most of its business overseas. The company is best known for its PC-gaming chips, which deliver high-definition graphics. In the fiscal year that ended January 2020, Nvidia raked in 92% of sales from abroad.

The stock is richly priced. Shares have soared in recent months and currently trade at 73 times projected earnings for the next four quarters. That said, analysts expect 20% average annual earnings growth over the next three years, ahead of the 9% three-year earnings growth rate for Nvidia's peers. What's more, Nvidia's latest acquisition may enhance the firm's profit-growth prospects.

Nvidia announced in September it plans to acquire ARM, a U.K.-based computer chip and software design company. BofA Securities analyst Vivek Arya says the $40 billion deal—the chip industry's biggest ever—has the potential to "reshape the landscape" of high-performance cloud computing, artificial intelligence, 5G and the Internet of Things, with Nvidia at the center. Arya says the acquisition could boost his long-term earnings estimates by 10% to 15%.

But the deal will require regulatory approval from the U.K., the European Union, the U.S. and China. Arya expects the transaction will face tough scrutiny because of its size, which could put pressure on the stock. Wait for the inevitable dips to buy in.

PAYPAL HOLDINGS (PYPL, $197). Just under half of PayPal's revenues are generated outside the U.S. But the company is expanding its foreign operations. In 2019, PayPal bought stakes in Chinese online payment company GoPay and Argentinian e-commerce firm MercadoLibre. In May, it partnered with Gojek, a Southeast Asian online payment firm based in Jakarta.

Business overall is humming. In 2019, the number of active PayPal accounts increased 14% compared with the year before, the number of payment transactions climbed 25%, and the company's total payment volume—the value of payments made through the platform—increased 23%.

The pandemic has turbocharged growth in e-commerce, and PayPal is in a sweet spot to benefit. Analysts expect average annual earnings growth of 21% over the next three years. Shares are expensive, at 65 times expected earnings for the next four quarters. Look to buy on dips and hold for the long haul.

PAYPAL BENEFITS FROM TURBOCHARGED E-COMMERCE GROWTH.

FOREIGN FUNDS

When you own shares in a foreign-stock fund, you essentially own stocks denominated in different foreign currencies. Most foreign-stock funds don't hedge against the dollar, meaning that as the dollar weakens, their stocks become worth more in U.S. dollars. But some funds, such as FMI International and Tweedy, Browne Global Value, make it a policy to hedge against the dollar so that their fund returns reflect the performance of their investment decisions, not currency swings.

Assuming comparable performance, however, unhedged foreign-stock funds will do better with a weakening dollar. "The currency exchange is working in your favor, so you should take advantage of it," says Christine Benz, director of personal finance at research firm Morningstar.

FIDELITY INTERNATIONAL GROWTH (FIGFX, EXPENSE RATIO 0.99%) has beaten the EAFE index with less volatility over time, and without a hedge. Manager Jed Weiss focuses on high-quality, growing companies that dominate their industries and can maintain or raise prices, even in troubled times. Over the past decade, the fund's 8.7% annualized return beat 81% of its peers (funds that invest in large, growing foreign companies) and the MSCI EAFE index. Nestlé, Roche Holding and SAP, the German software company, are top holdings.

Another one of our favorite funds is **VANGUARD INTERNATIONAL GROWTH** (VWIGX, 0.43%). Two firms manage the fund with slightly different approaches. Baillie Gifford, which runs roughly 60% of the fund's assets, is willing to pay up for stocks with explosive growth. At Schroder Investment Management, the ideal stock is underappreciated but growing fast. The team-up works well. Over the past three years, the fund's 17.1% annualized return beat all but three foreign large-cap stock funds. The annualized return of the MSCI EAFE index over that time: 0.8%.

The dollar-conversion math works for investors in emerging-markets stocks, too. Over the past 12 months, those shares have blown past developed-country shares. The MSCI Emerging Markets index is up 10.5% over the past year; the EAFE, only 1.6%.

A weaker dollar is a boon to emerging economies. Emerging-markets countries are big buyers of commodities, which are usually priced in greenbacks. Such countries also tend to carry loads of debt denominated in U.S. dollars. So a weak dollar means that Thailand, for example, can spend less in baht to buy goods or to service its debt. **BARON EMERGING MARKETS** (BEXFX, 1.35%) is our choice in this category. A member of the Kiplinger 25, the list of our favorite no-load funds, Baron Emerging Markets has beaten the MSCI Emerging Markets index by more than six percentage points over the past year, returning 22.2%.

COMMODITIES

Most commodities—oil, soybeans, gold—are bought and sold in dollars. A weaker dollar means it takes less foreign cash to buy a dollar's worth of any commodity. This drives demand, pushing prices of commodities higher. Over the past six dollar-weakening periods, according to Wells Fargo Investment Institute, commodities outperformed U.S. and foreign stocks in developed countries, on average.

But over longer stretches, an investment in commodities can be volatile. Despite decent years in 2019, 2017 and 2016, the typical broad-basket commodities fund lost an annualized 2.8% over the past five years. In that time, the S&P 500 gained 13.8% annualized. Commodities can be great portfolio diversifiers, but we'd limit them to 1% to 2% of your overall investments.

FIRST TRUST ALTERNATIVE ABSOLUTE RETURN STRATEGY ETF (FAAR, $27, 0.95%), which is actively managed, has been the steadiest in its peer group over the past three years. That has helped relative performance. The ETF has a three-year annualized return that beats 76% of its peers, albeit with an annualized loss of 1.3%. Its record over the past 12 months is more encouraging: The fund is up 2.1%, while the typical broad-based commodities fund has lost 5.9%.

Alternatively, gold funds have been less volatile than broad-based commodity ETFs in recent years. Over the past 12 months, **ISHARES GOLD TRUST** (IAU, $18, 0.25%) has gained 27.3%, in part because of the weaker dollar. But uncertainty about the global economy and the pandemic has fueled price gains as well. The fund seeks to track the performance of the price of gold. Each share represents 0.01 ounce of gold and is backed by physical gold bullion stored in vaults. ■

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KIPLINGER DIVIDEND 15

Our Favorite Dividend Stocks

In a wacky year, payouts from our income picks held steady.

BY NELLIE S. HUANG

THE PAST YEAR WASN'T A GREAT ONE FOR dividends, but in the end, it wasn't horrible, either. Early on, when the pandemic shut down the economy and uncertainty reigned, a slew of companies suspended or trimmed their dividends. So far this year, 42 firms in the S&P 500 index have suspended dividends and 25 have trimmed payouts.

As the economy reopened, albeit in fits and starts, some companies reinstated their dividends—either in part or level with previous payout amounts—including Foot Locker and La-Z-Boy. "I'm not losing sleep about something terrible happening to dividends," says John Buckingham, editor of the investment newsletter *The Prudent Speculator.* In fact, Buckingham predicts that the total dividend payout in 2020 for the S&P 500 will come in at $58.78, slightly ahead of the benchmark's payout of $58.69 in 2019. "We just went through Armageddon, and for the S&P 500, there was no reduction in dividends," Buckingham says.

Not one of the Kiplinger Dividend 15, our favorite dividend stocks, suspended or cut its payout this year, though the pandemic posed challenges for some of the firms. In fact, nearly all of our companies increased their payouts over the past 12 months. And, as a group, the Dividend 15 stocks yield an average of 3.4%—roughly double the yield of the S&P 500.

On a total-return basis, however, the stocks were a mixed bag. Over the past 12 months, the Dividend 15 returned 13.5%, on average, compared with a 21.4% gain in the S&P 500. Air Products & Chemicals, Home Depot and AbbVie, among others, beat the broad market. Enterprise Products Partners and Realty Income were major drags.

Read on for details on each of the Dividend 15. The group is organized into three categories: stocks with long histories of payout increases, stocks with potential for sizable hikes in dividend payments, and high yielders. Returns and data are through October 9.

Dividend stalwarts. The litmus test for this group of dividend stocks is a minimum of 20 years of consecutive increases. Our seven steady payers have hiked disbursements an average of 53 years in a row.

3M (SYMBOL MMM, $169) stands out with 62 years of consecutive dividend increases. Its latest step-up came earlier this year, when the maker of Post-it Notes and personal protective equipment, among many other things, declared a 2% increase. That's short of the previous year's 6% bump, but business has been wobbly of late. Weakness in its auto and semiconductor markets and a slowdown in sales in China weighed on revenues. And a blitz of lawsuits over two products—military earplugs and a class of chemicals that allegedly harmed the environment—were big worries. But 3M may be turning a corner. Analysts

■ JOHNSON & JOHNSON'S ROBUST PIPELINE OF NEW DRUGS INCLUDES A POTENTIAL COVID VACCINE.

■ SALES AT WALMART ARE STRONG BOTH IN-STORE AND ONLINE.

COURTESY JOHNSON & JOHNSON, WALMART

expect sales to climb 5% in 2021, after two years of declines. Plus, the company throws off billions in cash a year, which is good news for its dividend.

The stock of **AIR PRODUCTS & CHEMICALS** (APD, $301) gained 45% over the past 12 months. Business has been good, and the industrial gas company—the world's largest producer of hydrogen and helium—hiked its payout a whopping 16% earlier this year. Its business is nearly recession-proof: The firm's customers—chemical, electronics and manufacturing firms, among others—can't operate without its gases. Morningstar analyst Krzysztof Smalec sees a "long runway" of growth for years to come, thanks to a solid executive team, as well as two new projects—a $2 billion project to make methanol from coal in Indonesia and a $5 billion plan to build a green hydrogen plant in Saudi Arabia, powered only by wind and solar energy—and expectations for more projects like these to come. So future dividends look to be in good shape.

EMERSON ELECTRIC (EMR, $70) makes climate-control systems and automation products that help industrial plants work more efficiently and safely. Business has been in a slump. Some of Emerson's customers—energy and automotive firms, for instance—are in a cyclical low. And the stock has yet to recover to pre-COVID levels. Even so, in 2019, Emerson generated $2.4 billion in free cash flow (cash profits left over after capital expenditures) and raised payouts by 2%. Dividends accounted for 50% of free cash flow that year—four percentage points lower than in previous years—which bodes well for future payout increases. Analysts expect 8% average annual earnings growth over the next three years.

JOHNSON & JOHNSON (JNJ, $151) is a long-time market favorite for its best-in-class balance sheet, blockbuster drug lineup and fat research pipeline. JNJ even has a COVID vaccine in the works, though it had to pause late-stage clinical trials for the drug recently after suffering a setback. Earlier this year, the company raised its dividend 6%, its 58th consecutive annual increase. COVID hurt business earlier this year, so analysts expect flat-ish revenues in 2020, with sales off 1% from 2019. But next year, analysts project a 14% jump in sales.

MCDONALD'S (MCD, $225) joined the Dividend 15 this summer, replacing ExxonMobil (see "Running Out of Gas" Aug.). Sales at the quick-service restaurant sank 24% earlier this year, due to the COVID lockdown. But by late July, sales had rebounded to 90% of historical business volumes. Long lines at its restaurant drive-through lanes have helped. Despite a difficult year, McDonald's, which has raised its payout every year since 1976, hiked its dividend 3.2% in October.

Stacked next to its fellow Dividend 15 stocks, **PROCTER & GAMBLE** (PG, $143) shines. The company, which has been paying a dividend for 130 years, declared its 64th consecutive annual payout hike earlier this year (a 6% increase). These days, it can afford it. A retooling at the household products (Tide, Mr. Clean) and personal care (Pantene shampoo and Pampers) company is still paying off six years later. In its latest fiscal year, which ended in June, the company generated $14 billion in free cash flow, a 17% increase from the year before. Months into the pandemic,the company's products are still in high demand, and company chief financial officer Jon Moeller says consumer consumption of health and cleaning products may be forever altered. Argus analysts project P&G will raise its dividend 3% in 2021.

WALMART (WMT, $143) is a rock star in the old-school retail world. Its investment in the video-sharing app TikTok, albeit odd, is an example of how this 58-year-old company is transforming itself. Its free-delivery subscription service, Walmart+, pits the company against Amazon.com's Prime. But Stifel analyst Mark Astrachan says many Prime members may double up with Walmart+ because Walmart dominates the grocery business and offers same-day delivery in 48 states. Earnings in Walmart's latest fiscal year, which ended in January, doubled from the previous year, and the retailer hiked its payout 2% in early 2020. CFRA analyst Garrett Nelson expects the payout increases to continue, given his expectations for 8% revenue growth and 7% earnings growth for the fiscal year that ends in January 2021.

Dividend growth. A record of robust increases matters most with this group. Our four dividend-growth stocks have raised payouts 17.5%, on average, over each of the past five years.

ABBVIE (ABBV, $88) raised its dividend 10% in early 2020. And despite a 26% climb in price over the past 12 months, AbbVie's stock is still cheap. The drug company's shares currently trade at less than eight times expected earnings over the next four quarters; its peers trade at 16. Critics say the company is too reliant on Humira, AbbVie's blockbuster immunology drug. It accounts for 70% of earnings, and the company's patent on the drug ends in 2023. But Allergan, which AbbVie officially acquired in May, adds new growth opportunities in eye care, neuroscience and aesthetics (Botox). It also improves AbbVie's free cash flow (some $13 billion in 2019) by nearly $7 billion, which should support fat future payout increases.

The coronavirus lockdown has been a boon to home buying and remodeling, which has propelled sales at **HOME DEPOT** (HD, $286). Morningstar analyst Jaime Katz says the company is on track to deliver $125 billion in revenues for the fiscal year that ends in January 2021. That's a 13% jump from the previous year, and double the average growth rate in recent years. Analysts expect earnings to climb 10% year over year. Over the past five years, Home Depot raised dividends 21% annually, on average. The tempo is slowing, but it's still robust. In its current fiscal year, Home Depot hiked payouts by 10%. Argus analysts expect another 10% hike next fiscal year.

Defense contracts can last decades. For instance, **LOCKHEED MARTIN** (LMT, $386) has funding that runs through 2070 from the U.S. and other countries, including Japan, the U.K. and Norway, for the F-35, its in-demand combat aircraft, according to Morningstar analyst Burkett Huey. (The company is also behind the Sikorsky helicopters that transport President Trump.) That gives Lockheed a cushion in economic downturns. Although COVID supply-chain worries and concerns about defense-spending cuts have weighed on shares, the company's revenues and earnings results have been solid so far this year. The aerospace defense contractor is on track to deliver an 8% increase in revenues in 2020, compared with the previous year, and a 10% hike in earnings per share. Lockheed recently boosted dividends 8%, a sign of its resiliency in a tough economic year. But that's a tad below the firm's five-year annualized dividend growth rate of nearly 10%.

TEXAS INSTRUMENTS (TXN, $151) recently declared a healthy 13% hike in its dividend in the most recent quarter, the biggest increase among our dividend growers over the past 12 months. TI also boasts the best five-year annualized dividend-growth rate (22%) of all the Dividend 15. The company makes analog chips that convert real-world signals, such as sound and temperature, into digital signals to be processed by other chips. It dominates its industry and has a reputation for turning out high-quality products, says Morningstar analyst Brian Colello.

THE KIPLINGER DIVIDEND 15: BY THE NUMBERS

Picking some stocks from each of the groups below will give you a mix of dividend income and growth.

Company (Symbol)	Share price	Dividend yield	Annual dividend*	Consecutive years of increases	5-year dividend growth rate†	1-year total return
DIVIDEND STALWARTS Companies in this category have raised dividends for at least 20 straight years.						
3M (MMM)	$169	3.5%	$5.88	62	7.5%	16.0%
Air Products & Chemicals (APD)	301	1.8	5.36	38	12.6	45.1
Emerson Electric (EMR)	70	2.9	2.00	63	1.3	13.3
Johnson & Johnson (JNJ)	151	2.7	4.04	58	6.1	20.0
McDonald's (MCD)	225	2.3	5.16	44	8.7	8.4
Procter & Gamble (PG)	143	2.2	3.16	64	3.6	20.2
Walmart (WMT)	143	1.5	2.16	47	2.0	22.2
DIVIDEND GROWTH Companies in this category should continue a history of robust dividend increases.						
AbbVie (ABBV)	$88	5.4%	$4.72	7	18.3%	26.3%
Home Depot (HD)	286	2.1	6.00	11	20.5	28.0
Lockheed Martin (LMT)	386	2.7	10.40	18	9.5	2.9
Texas Instruments (TXN)	151	2.7	4.08	17	21.8	22.0
HIGH YIELD Companies in this category have a five-year average yield of 4% or more.						
Blackstone Group (BX)	$55	2.7%	$1.48	1	–12.9%	21.8%
Enterprise Products Ptnrs (EPD)	17	10.5	1.78	22	3.2	–32.4
Realty Income (O)	63	4.4	2.81	26	4.2	–15.7
Verizon Communications (VZ)	59	4.2	2.51	14	2.1	4.6
INDEX						
S&P 500 INDEX		**1.7%**	**$52.68‡**	**12**	**3.7%**	**21.4%**

As of October 9. *Annualized based on the most recent dividend. †Annualized. ‡The weighted sum of dividends paid by companies in the index. SOURCES: Company websites, Morningstar, S&P Dow Jones Indices, Yahoo Finance.

DRUGMAKER ABBVIE IS FINDING NEW GROWTH OPPORTUNITIES.

SOME DRIVER-ASSIST TECHNOLOGIES USE TEXAS INSTRUMENTS CHIPS.

COURTESY ABBVIE, TEXAS INSTRUMENTS

In recent years, TI has improved gross profit margins to 63% of sales, from 50% a decade ago, by shedding less-profitable units and cutting costs.

High yield. These companies boast a five-year average yield of 4% or more.

The payouts of asset manager **BLACKSTONE GROUP** (BX, $55) vary from quarter to quarter because they hinge on what the company earns. It's been a challenging year so far, given the rocky financial markets, but in the first half of 2020, Blackstone's dividends were (more or less) on track. The firm's three quarterly payouts so far in 2020, for instance, total $1.37, compared with the $1.43 in dividends paid over the same period the previous year. Because of the quirkiness of its quarterly payments, the stock yields 2.7% annualized based on its most recent payout. But over the past five years, the stock has averaged a 7.2% yield.

ENTERPRISE PRODUCTS PARTNERS (EPD, $17) provides natural gas and natural gas liquids services, including processing, storage and transportation. It's also a master limited partnership, which means investors receive a tax-complicating K-1 form. Falling prices for oil and natural gas have been a drag this year for Enterprise, and the stock, down 32% over the past 12 months, is the Dividend 15's worst performer. That's boosted the yield to 10.5%, the highest ratio on our list. But analysts believe the company will be a primary beneficiary of rising exports of U.S. natural gas over the coming years, so for now, we are being patient with the stock.

During the COVID shutdown, some tenants of **REALTY INCOME** (O, $63) stopped paying rent. The real estate investment trust owns and manages 6,500 properties (mostly retail) in the U.S., Puerto Rico and the U.K. In April, Realty Income collected just 88% of the rent it was due; in May, collections dropped to 85%. By July, however, it had recovered to a 92% collection rate. Even so, shares are down 16% over the past 12 months as investors wait to see how long the impact of the pandemic lingers. Realty Income's monthly dividend payouts continue apace, however. The company typically increases the payout every three months, albeit by a fraction of a penny. In September, it didn't miss a beat, raising the monthly dividend by the typical 0.02%. Earlier this year, Realty Income joined the Dividend Aristocrats, companies in the S&P 500 index that have increased dividends for at least 25 consecutive years.

We don't expect a lot of growth from **VERIZON COMMUNICATIONS** (VZ, $59). It is the country's largest wireless carrier, and we like it for the monopoly-like hold it has on its business, which includes landline, mobile, internet and fiber-optic TV services. The stock's 4.2% dividend yield is also a plus. Verizon had $7.9 billion in cash in mid 2020 and generated $17.8 billion in free cash flow over the previous 12 months—up 5% from the previous year, according to Argus analysts. "Its dividend is safe," they say. The company recently announced a plan to acquire prepaid mobile phone provider Tracfone, which will make Verizon the country's top prepaid cell-phone provider. Analysts expect 3.4% average annual growth in earnings over the next three years. ■

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STREET SMART | James K. Glassman

Investing in Uncertain Times

At last, 2020—a year of horrifying events and wild markets—is coming to an end. Mainly because of COVID-19, the worst epidemic to hit the United States in 101 years, gross domestic product in the second quarter fell by an incredible 31.4%, and unemployment soared 10 percentage points in April, to 14.7%. That's the highest rate since official records began.

In the stock market, the Dow Jones industrial average, which reached a record of 29,551 on February 12, fell nearly 11,000 points in just 40 days. By September, however, the Dow had regained nearly all its losses, and both the Nasdaq Composite and the S&P 500 hit new highs, creating the fastest rebound from a bear market in history. The lesson of 2020 is that we live in an era characterized by uncertainty, and investors need to adjust.

I use the word *uncertainty* in a particular way. Frank H. Knight is a name most people don't know. But in his time (he received his PhD in 1916 and taught for 50 years), he was an enormously influential economist, the mentor of three Nobel Prize winners. Knight grew up in poverty, one of 11 children, on a farm in Illinois. Perhaps because of the vagaries of an agricultural life, he devised a theory that held, "Uncertainty must be taken in a sense radically different from risk."

Although risk is something that can be quantified (such as in the case of the 50-50 odds on the results of a coin flip), Knight's uncertainty refers to a bolt from the blue—something utterly unpredictable. John Maynard Keynes, an economist who borrowed from Knight, wrote: "About these matters, there is no scientific basis to form any calculable probability whatever. We simply do not know!"

To determine the risk in stocks, we can look to history. We know, for example, that the average annual return, including dividends, of the S&P 500 since 1926 is about 10%. If stocks returned 10% every year, there would be no risk at all. Instead, stocks are volatile. The S&P returned between 5% and 15% in just 21 out of the past 92 years—and in 29 of those 92 years, the market fell.

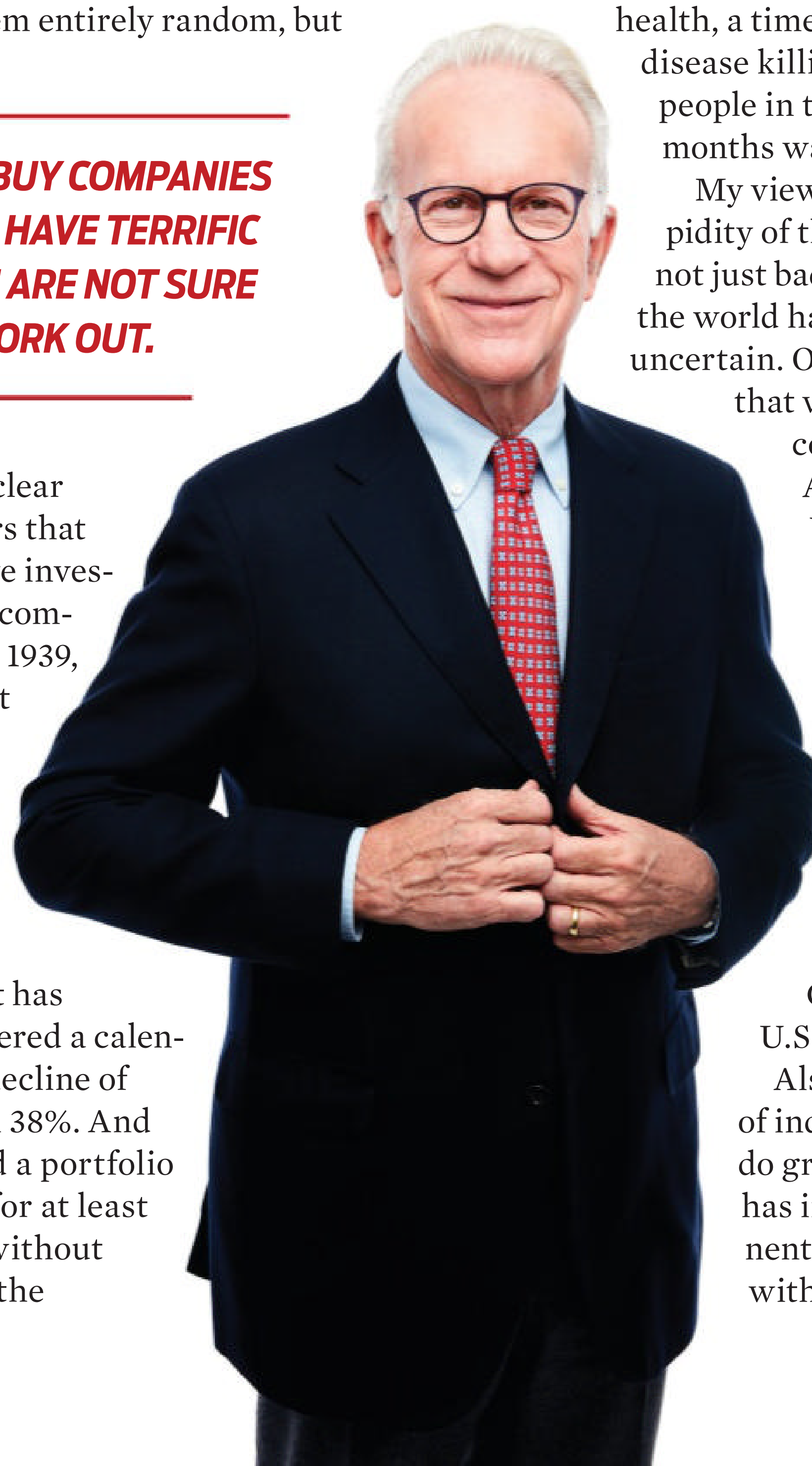
TRUST YOUR GUT. BUY COMPANIES THAT YOU BELIEVE HAVE TERRIFIC IDEAS EVEN IF YOU ARE NOT SURE HOW THEY WILL WORK OUT.

A comforting history. Periods of ups and downs seem entirely random, but there are clear parameters that should give investors some comfort. Since 1939, the market has never fallen more than three years in a row, and it has never suffered a calendar-year decline of more than 38%. And if you hold a portfolio of stocks for at least 20 years without selling it, the chances of your losing money are nil.

Past patterns may not predict the future, but at least markets give us *something* to go on. Uncertainty, in the Knightian sense, is very different. It is an unmeasurable risk, something that has never happened before—for example, the sudden decline of the stock market on Black Monday, 1987, when the Dow lost 23% in a day; the attacks on the World Trade Center in 2001; the financial meltdown of 2008; or the coronavirus pandemic. The Spanish Flu of 1918–19 may have been more virulent, but COVID occurred in an era of advanced medicine and public health, a time when a new disease killing 200,000 people in the U.S. in six months was unthinkable.

My view is that the rapidity of these events is not just bad luck. Rather, the world has grown more uncertain. One reason is that we are more connected. A disease in Wuhan can travel to New York in a few hours. A computer virus launched in Moscow can shut down the electric grid on the East Coast of the U.S. in seconds.

Also, the power of individuals to do great damage has increased exponentially. A person with a gun can kill



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one or two or maybe 100 people. A few terrorists commandeering planes can kill thousands—with nuclear weapons, millions.

So how should we deal with uncertainty as investors? Not by running from it. Markets, by their very nature, reward investors for taking risks. In fact, Knight's contribution to economics was to show that entrepreneurs reaped profits because they were willing to challenge a world of uncertainty. Uncertainty, I believe, is a major reason that stock returns are so high today. We're getting paid extra because the world is extra-uncertain.

In their new book, *Radical Uncertainty,* British authors John Kay and Mervyn King write that "good strategies for a radically uncertain world avoid the pretense of knowledge." Kay, an Oxford University economist, and King, the former governor of the Bank of England, are establishment figures turned radical innovators. Their first lesson for investors: Trust your gut.

BE A LONG-TERM INVESTOR. AND COLLECT THE CASH WHILE YOU CAN—THAT IS, BUY STOCKS THAT PAY GOOD DIVIDENDS.

Buy companies that you believe have terrific ideas even if you are not sure how they will work out in the future. Good examples are **UBER TECHNOLOGIES** (SYMBOL UBER, $37), which, despite a COVID setback, is creating a transportation revolution; **WALMART** (WMT, $143), which is figuring out how to blend traditional and online retailing; and fintech firms such as Netherlands-based **ADYEN** (ADYYF, $1,992), a booming global payments platform. (Stocks I like are in bold; prices are as of October 9.)

The second lesson is to be a long-term stock investor. The recovery of the stock market from its COVID crash in February and March was unusually dramatic, but markets do always come back. The Dow fell by about half from its September 2007 high to its March 2009 low, but it regained its 2007 level in less than four years and then doubled by 2019. Governments today have the tools to revive economies: zero interest rates, central bank bond purchases and cash dropped into the markets as if by helicopter. Someday, perhaps, we will pay for these actions, but so far, so good.

Pocket the cash. The third lesson is to collect the cash while you can—that is, buy stocks that pay good dividends. They abound these days in diverse sectors, and it is not hard to find companies that yield twice what 30-year Treasury bonds pay. Some examples: **PRINCIPAL FINANCIAL GROUP** (PFG, $42), the insurer and asset manager, yielding 5.3%; **INTERNATIONAL BUSINESS MACHINES** (IBM, $128, 5.1%); utility **SOUTHERN CO.** (SO, $59, 4.4%); pharmaceutical firm **MERCK** (MRK, $80, 3.0%); **M&T BANK** (MTB, $101, 4.3%); **CHEVRON** (CVX, $74, 7.0%); and **COCA-COLA** (KO, $51, 3.2%).

Also consider **ISHARES SELECT DIVIDEND INDEX** (DVY, $87), an exchange-traded fund whose portfolio consists of stocks that have increased their payouts in each of the past five years; **VANGUARD HIGH DIVIDEND YIELD** (VYM, $84), an ETF with a portfolio yielding 3.6% and an expense ratio of just 0.06%; or **T. ROWE PRICE DIVIDEND GROWTH** (PRDGX), a mutual fund that has returned an annual average of 13.3% over the past five years.

Knight realized that to succeed as an entrepreneur, you have to take a chance on the unknown. The same is true for investors. Ignorance is a necessary companion for any investor. The good news, however, is that markets pay you handsomely for your courage in facing uncertainty. ■

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Take a Leap

GOOD BETS, NO GUARANTEES

Some of the investments below are executing big ideas; others are paying big dividends.

COMPANY	Symbol	Share price	Price-earnings ratio*	Yield	1-year return
Adyen	ADYYF	$1,992	NA	0.0%	197.0%
Chevron	CVX	74	NM	7.0	–30.1
Coca-Cola	KO	51	26	3.2	–2.6
International Business Machines	IBM	128	11	5.1	–3.9
M&T Bank	MTB	101	10	4.3	–30.6
Merck	MRK	80	14	3.0	–1.6
Principal Financial Group	PFG	42	7	5.3	–16.1
Southern Co.	SO	59	19	4.4	–1.0
Uber Technologies	UBER	37	NM	0.0	28.2
Walmart	WMT	143	26	1.5	21.9
MUTUAL FUND/ETF	**Symbol**	**Share price**	**Expense ratio**	**Yield**	**1-year return**
iShares Select Dividend Index ETF	DVY	$87	0.39%	4.7%	–8.7%
T. Rowe Price Div. Growth Fund	PRDGX	—	0.62	2.1	14.8
Vanguard High Dividend Yield ETF	VYM	84	0.06	3.6	2.3
S&P 500 INDEX				**1.7%**	**21.4%**

As of October 9. *Based on estimated earnings for the next four quarters. NA Not available. —Not applicable. NM Not meaningful. SOURCES: Morningstar Inc., Yahoo Finance, Zacks Investment Research.

THE KIPLINGER ETF 20 UPDATE

Our ESG Fund Rocks

FUNDS THAT FOCUS ON SUSTAINABLE stocks are killing it this year. Consider **ISHARES MSCI USA ESG SELECT**, one of the Kiplinger ETF 20, the list of our favorite exchange-traded funds. Over the past 12 months, the ETF has gained 28.8%, which beat the 21.4% return of the S&P 500 index. It outpaced 84% of all ETFs that invest in large companies, too.

The MSCI USA ESG Select ETF holds stocks in companies that win the highest marks for environmental, social and governance factors. Scoring well involves much more than tree-hugging. Firms that shine in ESG terms tend to be mindful of their environmental impact, but they also treat employees, customers and their community well, and they have a diverse pool of ethical managers who are aligned with shareholder interests.

Over time, the thinking goes, these firms will perform well because such characteristics point to businesses that are well managed. MSCI USA ESG Select, the oldest ESG-focused ETF in the country, has a 15-year annualized return of 9.3%. That narrowly missed beating the S&P 500, by an average of 0.3 percentage point per year. (The fund has a 0.25% annual expense ratio.)

But what's noteworthy is that MSCI USA ESG Select held up better than the broad market during the recent bear-market sell-off, and the fund has rebounded faster since the market bottomed, too. "We found a resilience and a stability in ESG funds and indexes this year," says Sarah Kjellberg, head of iShares U.S. sustainable ETFs.

The ETF, which holds 157 stocks, is designed to stay roughly in line with the sector allocation of its benchmark, the MSCI USA index. But the fund has some wiggle room, and that's one reason it has done so well this year.

The ETF holds more of its assets in tech stocks than the broad market, for starters. Nearly 29% of the ETF's assets are devoted to technology, compared with 25% in the S&P 500. The fund's hefty stakes in Apple (4.8% of assets), cloud-based software company Salesforce.com (3.2% of assets) and graphics-chip designer Nvidia (2.0% of assets), all of which have soared recently, have boosted the fund's performance. MSCI USA ESG Select holds fewer financial stocks than the benchmark, too, which also helped. Those shares have been among the worst performers—second only to energy shares—in the broad market this year.

Interest in ESG funds is increasing. Kjellberg says the firm has seen record inflows of assets globally into its ESG funds over the past two years. Now more than ever, "investors consider ESG funds as core positions for their portfolio," she says, instead of as a satellite position that focuses, say, on clean-energy stocks. "This is something new we're seeing in terms of how investors are embracing ESG."

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Returns/Fees

KIPLINGER ETF 20: VITAL STATISTICS

		Share	Annualized total return				Expense
Core Stock Funds	Symbol	price	1 yr.	3 yrs.	5 yrs.	Yield	ratio
iShares Core S&P Small-Cap	IJR	$76	2.8%	2.1%	7.7%	2.4%	0.06%
iShares Core S&P 500	IVV	348	21.4	13.1	13.8	2.3	0.03
iShares Core S&P Mid-Cap	IJH	199	8.4	5.0	8.4	2.3	0.05
Vanguard Total International Stock	VXUS	54	8.9	2.3	5.6	—	0.08
Vanguard Total Stock Market	VTI	177	22.0	12.7	13.5	1.6	0.03
Dividend Stock Funds							
Schwab US Dividend Equity	SCHD	$58	13.8%	10.7%	12.4%	4.0%	0.06%
Vanguard Dividend Appreciation	VIG	133	16.0	14.0	13.8	1.7	0.06
WisdomTree Global ex-US Qual Div Gr	DNL	69	22.1	9.0	10.3	2.0	0.58
Strategic Stock Funds							
ARK Innovation	ARKK	$103	151.3%	45.8%	41.0%	—	0.75%
Fidelity MSCI Industrials	FIDU	42	12.0	6.5	10.9	1.5%	0.08
Invesco Financial Preferred	PGF	19	6.4	5.8	6.3	4.9	0.61
Invesco S&P 500 Equal Wt Hlth Care	RYH	244	28.3	12.2	11.6	0.5	0.40
Invesco WilderHill Clean Energy	PBW	71	150.8	45.7	26.7	—	0.70
iShares MSCI USA ESG Select	SUSA	153	29.0	14.9	14.8	1.9	0.25
Core Bond Funds							
PIMCO Active Bond	BOND	$112	5.6%	5.0%	4.4%	1.7%	0.55%
SPDR DoubleLine Total Ret Tact	TOTL	49	3.0	3.4	3.2	2.0	0.55
Vanguard Interm-Term Bond	BIV	93	8.1	6.2	4.8	1.1	0.05
Opportunistic Bond Funds							
PIMCO Active Bond	BOND	$112	5.6%	5.0%	4.4%	1.7%	0.55%
SPDR DoubleLine Total Ret Tact	TOTL	49	3.0	3.4	3.2	2.0	0.55
Vanguard Interm-Term Bond	BIV	93	8.1	6.2	4.8	1.1	0.05
Indexes							
S&P 500 STOCK INDEX (LARGE U.S. STOCKS)			**21.4%**	**13.2%**	**13.8%**	**1.7%**	
MSCI EAFE INDEX (FOREIGN STOCKS)			**5.5**	**1.6**	**4.5**	**2.7**	
BLOOMBERG BARCLAYS U.S. AGGREGATE BOND INDEX			**6.3**	**5.2**	**4.1**	**1.2**	

As of October 9. —Not available. SOURCES: Dow Jones, fund companies, Morningstar, MSCI, YCharts.

INCOME INVESTING | Jeffrey R. Kosnett

Make the Bank Pay You More

This brutal year has been horrendous for those who hold stock in banks and related financial companies. But just as daily life shall improve for society, the same is true for bank shares.

Months after the markets forgave industrials, tech, drugs and many other sectors, judging them to be temporary victims of a natural disaster instead of total roadkill, investors still largely shun banks. **INVESCO KBW BANK (SYMBOL KBWB, $41)**, an exchange-traded fund that owns shares of 24 giant U.S. banks, lost 50% from January 2 through March 23—but from then to October 9 regained less than half that loss. **INVESCO KBW REGIONAL BANKING (KBWR, $36)**, a sibling ETF of 50 midsize and regional banks, is even bloodier. It lost 48% at one point but has barely reclaimed one-third of that damage. (Investments I like are in bold; prices are as of October 9.)

I'm aware that banking is a proxy for the economy and that the cascade of unemployment, business failures and real estate distress hits lenders more directly than it does, say, a fee-collecting money-management business or Apple and Microsoft. And low long-term interest rates are to banks what weak corn prices are to Illinois farmers; the net margin between what banks pay on deposit and earn from their investments is thin.

But common sense suggests that the market's punishment of bank securities, including bonds and preferred shares, is overdone. Even junk bonds now yield much less than the common shares of many of America's largest financial institutions. With respect to banks, the stock market has departed from apparent reality.

COMMON SENSE SUGGESTS THAT THE MARKET'S PUNISHMENT OF BANK STOCKS IS OVERDONE.

Better times ahead. Indeed, the word *turnaround* has started leaking out. That Invesco KBW Bank ETF's net asset value set a low of $36 late in September; now it is $41. But the NAV was almost $60 before the pandemic. Traders may rotate from overbought big techs to financial wrecks. Regional banks might be takeover targets, a possibility reflected in share prices that are creeping higher. Since the third week of September, shares of **FIFTH THIRD BANCORP (FITB, $23)**, **REGIONS FINANCIAL (RF, $13)** and **TRUIST FINANCIAL (TFC, $43)**, which was formed by the merger of BB&T and SunTrust, have each rallied more than 20%; each still yields more than 4%.

The men and women who run these banks are big believers in dividends; they have a huge small-investor base. And although the Federal Reserve has ordered big banks to freeze dividends, this is, if anything, reassuring. "Banks are like utilities—completely regulated, with [the Fed] as a shock absorber," says portfolio manager Aaron Clark at GW&K Investment Management. He sees strong dividend growth resuming post-pandemic. Bank earnings are currently weak, but nobody expects any of the top banks to ask to be rescued. The industry has built up too many defenses since 2009. Loan delinquencies are not out of control, as they were during the financial crisis. And the Fed is standing by with massive aid, if needed.

Another reason for optimism is that yields are creeping up a bit even as the Fed is freezing short-term rates for three years. Numerous analysts assert that by 2021 and 2022, the net interest margin for banks will expand, and the dividend cap will be gone.

Anytime you see a sound bank trading below 1 times book value, it is a bargain. Truist trades at 0.92 times book. **PEOPLE'S UNITED FINANCIAL (PBCT, $11)** trades at 0.62 times book and yields 6.7%. Last spring, it had $7 billion of loans in forbearance. By September, that was down to $1.6 billion. Even in a down year, profits cover the dividends.

The time to invest in anything out of favor is when the news is still bad but improving from ugly. It just takes patience. At least with banks, you get paid to be patient. ■

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THE KIPLINGER 25 UPDATE

This Junk Bond Fund Delivers

THE BOND MARKET WAS "utter chaos" during the sell-off early this year, says Michael Hong, manager of **VANGUARD HIGH-YIELD CORPORATE** fund. Prices cratered over eight trading days, and liquidity—the ability to buy or sell securities at efficient prices—dried up. "This was as challenging a market as I've ever lived through," says Hong, who joined Wellington Management, the fund's subadviser, in 1997.

But Hong found order amid the madness. Over the past 12 months, he steered High-Yield Corporate, which invests in bonds with below-investment-grade credit ratings (double-B to triple-C), to a 4.0% return, outpacing 69% of high-yield bond funds and the ICE BofA US High Yield index. Hong typically favors the highest-quality junk bonds (debt rated double-B), which fared much better over the past year than lower-quality debt. The fund holds nearly 55% of its assets in double-B-rated debt; the typical high-yield fund holds 38%.

Hong was on the defensive when the year began. In late 2019, he saw signs of weakness in the economy—downgrades in company credit ratings were outstripping upgrades, for instance—and he bolstered the fund with short-term junk bonds and debt that had recently been upgraded to investment grade. Such bonds tend to suffer less than other IOUs when the market cracks, and they're easier to unload in a market crisis than traditional high-yield debt. The fund typically holds 6% of assets in cash and Treasuries, so all told, it held 12% of assets in securities that could be quickly converted to cash heading into March.

These days, Hong is focused on companies benefiting from COVID-related trends that may be long-lasting. Homebuilders, he says, are gaining from what may be a permanent shift to suburban life. Movie theaters, on the other hand, are "long-term secular losers," he says. "It's all about credit selection here. We want to keep the risk profile on the conservative side."

Hong's keen eye on risk has helped the fund consistently deliver above-average returns with below-average risk. Over the past decade, the fund's 6.1% annualized return beat 85% of its peers. The fund yields 3.9%. **NELLIE S. HUANG**
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KEY DATA FOR OUR MUTUAL FUND PICKS

Kiplinger 25 funds are no-load; you can buy them without sales charges. For more about the funds, visit kiplinger.com/links/kip25.

U.S. Stock Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
DF Dent Midcap Growth	DFDMX	26.1%	17.2%	—	0.4%	0.98%
Dodge & Cox Stock	DODGX	6.5	8.9	11.3%	3.3	0.52
Mairs & Power Growth	MPGFX	19.2	12.2	12.8	2.1	0.65
Parnassus Mid-Cap	PARMX	10.1	10.9	12.3	1.5	0.99
T. Rowe Price Blue Chip Growth	TRBCX	43.2	20.0	18.3	0.5	0.69
T. Rowe Price Dividend Growth	PRDGX	14.8	13.3	13.5	2.1	0.62
T. Rowe Price QM US Sm-Cp Gro‡	PRDSX	19.9	12.6	14.5	0.7	0.79
T. Rowe Price Small-Cap Value	PRSVX	3.8	8.5	10.0	2.0	0.83
Primecap Odyssey Growth	POGRX	22.6	13.4	14.0	1.3	0.65
Vanguard Equity-Income	VEIPX	3.6	9.2	11.5	3.7	0.27
Wasatch Small Cap Value	WMCVX	2.8	7.7	10.9	2.3	1.20

International Stock Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
AMG TimesSquare Intl Sm-Cap	TCMPX	12.5%	6.5%	—	2.5%	1.23%
Baron Emerging Markets	BEXFX	22.2	8.8	—	1.4	1.35
Fidelity International Growth	FIGFX	22.0	10.2	8.7%	1.5	0.99
Janus Henderson Glbl Eq Inc	HFQTX	2.0	—	—	5.1	0.97

Specialized Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Fidelity Select Health Care	FSPHX	50.2%	15.1%	19.7%	0.9%	0.70%
Vanguard Wellington‡	VWELX	7.7	9.6	9.8	1.6	0.25

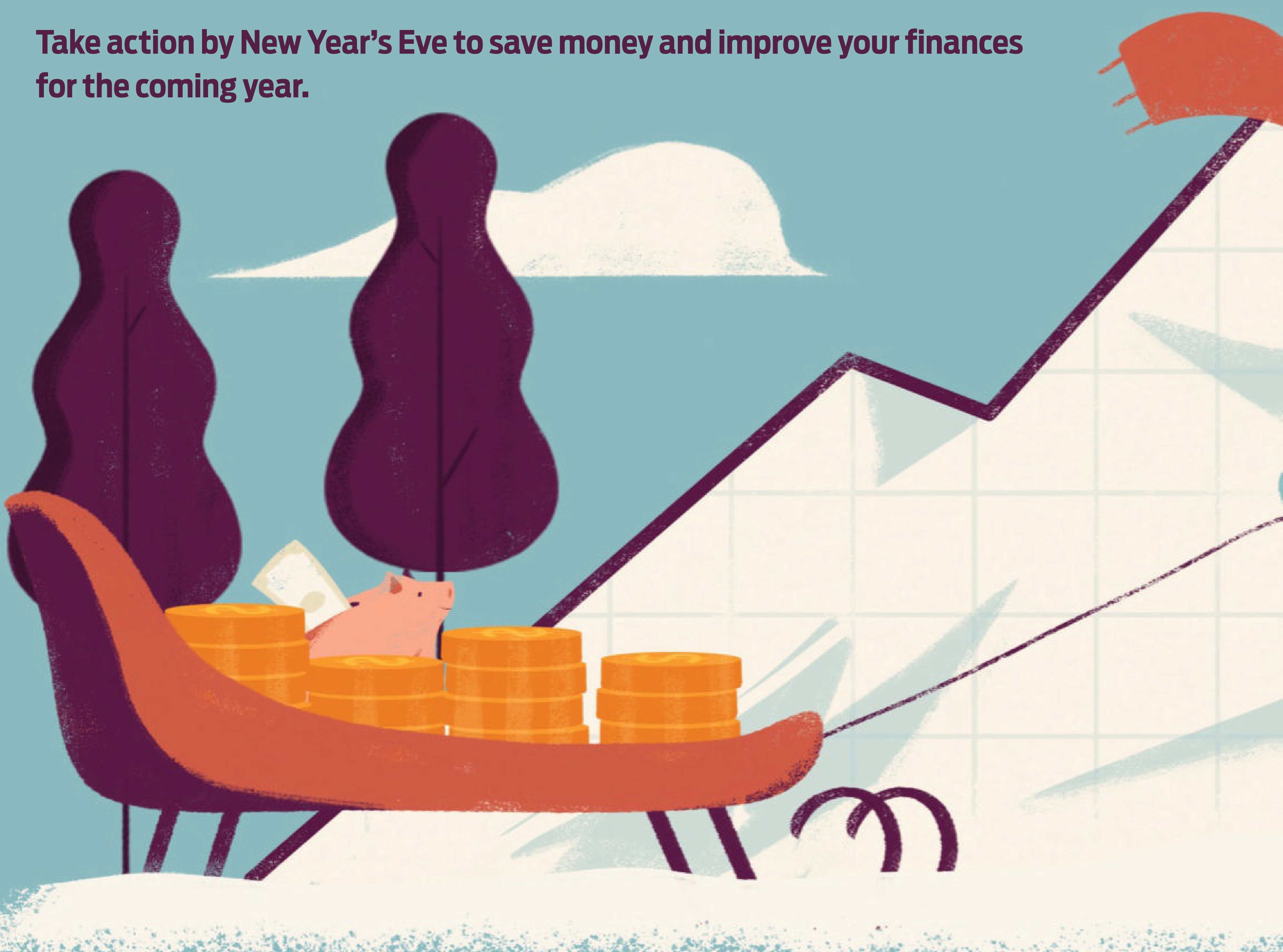
Bond Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
DoubleLine Total Return Bond	DLTNX	2.5%	3.0%	4.3%	2.7%	0.73%
Fidelity Adv Strategic Income	FADMX	5.1	5.3	4.5	2.9	0.68
Fidelity Intermed Muni Income	FLTMX	2.4	3.1	3.2	0.9	0.35
Fidelity New Markets Income	FNMIX	2.0	4.7	4.6	4.8	0.82
Met West Total Return Bond M	MWTRX	7.2	4.2	4.3	1.2	0.68
TIAA-CREF Core Impact Bond	TSBRX	5.1	4.1	—	1.3	0.64
Vanguard High-Yield Corporate	VWEHX	4.0	5.6	6.3	3.9	0.23
Vanguard Sh-Tm Inv-Grade	VFSTX	4.6	3.0	2.5	1.0	0.20

Indexes	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield
S&P 500 INDEX	**21.4%**	**13.8%**	**13.9%**	**1.7%**
RUSSELL 2000 INDEX*	**12.3**	**8.6**	**10.5**	**1.5**
MSCI EAFE INDEX†	**5.5**	**4.5**	**4.6**	**2.7**
MSCI EMERGING MARKETS INDEX	**15.6**	**8.0**	**2.6**	**2.4**
BLOOMBERG BARCLAYS AGG BND IDX#	**6.3**	**4.1**	**3.6**	**1.2**

As of October 9. ‡Open to new investors if purchased directly through the fund company. *Small-company U.S. stocks. †Foreign stocks. #High-grade U.S. bonds. —Fund not in existence for the entire period. SOURCES: Fund companies, FTSE Russell, Morningstar Inc., MSCI, S&P Dow Jones Indices. Yields listed for bond funds are SEC yields, which are net of fees; for stock funds, yields are weighted average portfolio yields, which are not net of fees.

MONEY MOVES TO MAKE NOW

Take action by New Year's Eve to save money and improve your finances for the coming year.



Illustrations by Frelly (Enrico Focarelli Barone)

Fine-Tune Your Portfolio

The past year has been a volatile, hot-cold-hot stretch for the stock market. Many investors are realizing that they hold more in stocks than their risk tolerance dictates; others are finding their portfolio pushed off track by big market moves. You can solve either problem by rebalancing your portfolio.

Start by figuring out how much you hold—in taxable and retirement accounts combined (be sure to include your spouse's accounts, too, if you're married)—in three types of broad asset categories: stocks, bonds, and cash or other securities. If you own a target-date fund or any other fund that invests in a mix of stocks and bonds, you'll have to look up the most recent fund report to get a breakdown of how much it holds in stocks, bonds and cash. Once you've totaled your holdings in each of the three asset categories, calculate the percentages of each relative to your whole portfolio. Online tools at advisory services such as Personal Capital, at Morningstar.com and at many online brokerages can do some of this work for you.

Depending on your results, you may need to reset your portfolio. Your calculations may show that you hold 70% of your portfolio in stocks, for instance, when your target is closer to 60%. In that case, sell your best-performing stocks first and redistribute the money into bonds or cash. In a taxable account, consider offsetting potential gains by selling some losers, too.

BOOST YOUR YIELD

Short-term interest rates will be zero-bound until at least 2023, says the Federal Reserve, and long-term rates are struggling to gain ground in a slow-growth economy with inflation only starting to stir. That makes it a challenge to find yield without taking on too much risk.

The typical corporate bond fund yields 1.78% but has an average credit quality of double-B, which falls just below investment grade (securities rated between triple-A and triple-B). **FIDELITY CORPORATE BOND ETF** (SYMBOL FCOR, $56, EXPENSE RATIO 0.36%) holds higher-quality securities and ekes out a 1.80% yield. **DOUBLELINE TOTAL RETURN BOND** (DLTNX, 0.73%) keeps volatility at bay by balancing high-quality government mortgage bonds with mortgage-backed debt that isn't government-guaranteed. It yields 2.43%.

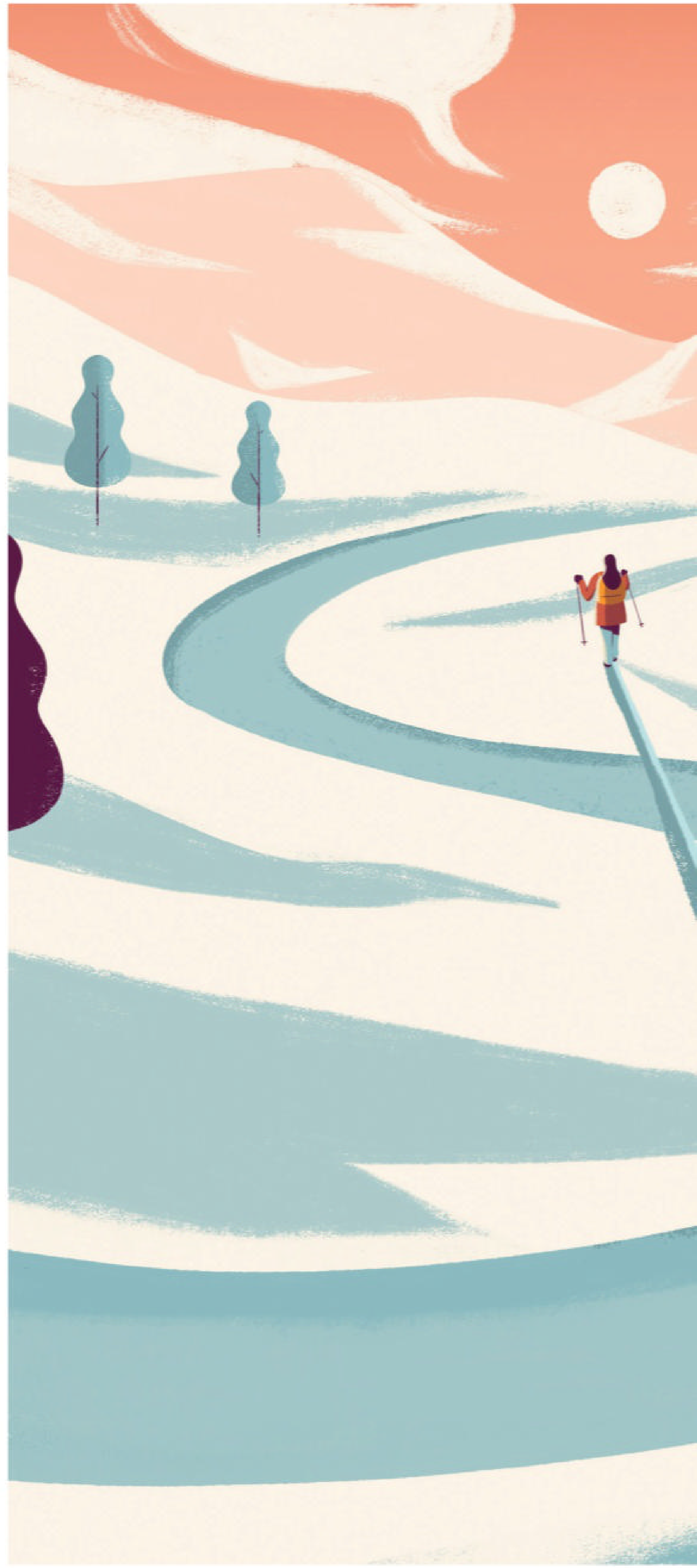
Funds that focus on high-yield debt—bonds issued by companies with ratings of double-B down to triple-C—yield an average of 4.5%. We like **VANGUARD HIGH-YIELD CORPORATE** (VWEHX, 0.23%) because manager Michael Hong favors the higher-quality end of the high-yield bond world. Nearly half of the fund's assets are invested in debt rated double-B. It currently yields 3.9%. (For more about the fund, see "The Kiplinger 25 Update," on page 39.)

Investors in taxable accounts should consider municipal bonds, which generate interest income that is free from federal taxes (and sometimes from state and local taxes, too). For investors in the 35% tax bracket, for instance, **FIDELITY INTERMEDIATE MUNICIPAL INCOME** (FLTMX, 0.35%) offers a taxable-equivalent yield of 1.35%.

TRY OUT THE NEXT TECH LEADERS

Intermittent collapses in the big tech stocks that have led the market for years have prompted some investors to diversify away from these index-dominating behemoths. To find the next tech leaders, look for firms that you can depend on for double-digit sales growth, says Goldman Sachs. Among the stocks the firm sees as future stars: **INTUITIVE SURGICAL** (ISRG, $738), the global leader in the fast-growing market for robot-assisted surgery. Goldman expects the stock to trade at $778 within 12 months. Software firm **SERVICENOW** (NOW, $509) is well positioned to benefit from a wave of digital transformations as companies look to modernize their businesses. Goldman forecasts sales growth of more than 25% annually through 2023. **VERTEX PHARMACEUTICALS** (VRTX, $270) leads the $10 billion market for cystic fibrosis treatments, with patent protection through 2037. But Goldman says the company also has a promising pipeline of new drugs, and it has been investing in cutting-edge research, such as gene editing, which can be used in a variety of potential treatment areas.

Or try a fund with a knack for discovering the next big tech stocks when they're still small fry, such as **DF DENT SMALL CAP GROWTH** (DFDSX), with an expense ratio of 1.05%. Exchange-traded fund **ARK INNOVATION** (ARKK, $103), charging 0.75%, is a member of the Kiplinger ETF 20. It packs its portfolio with companies that will best benefit from disruptive innovation in five broad areas: genome sequencing, robotics, artificial intelligence, energy storage and block-chain technology.



Trim Your Tax Bill

REAP REWARDS FOR GIVING TO CHARITY

Since the 2017 tax overhaul doubled the standard deduction, the vast majority of taxpayers no longer get a tax break for charitable contributions. But if you make a contribution before December 31, you may be eligible for a modest deduction, even if you don't itemize.

The CARES Act stimulus bill enacted earlier this year included a one-time, $300 "above the line" deduction for cash contributions to charity. The provision was designed to encourage taxpayers to help charities, many of which are struggling to fulfill their mission during the coronavirus pandemic. The deduction is tied to tax returns, not individuals, so the maximum a married couple who files jointly can deduct is $300, says Lisa Greene-Lewis, tax expert for TurboTax.

The deduction is limited to cash contributions—contributions of clothing and household goods to your local Goodwill aren't eligible. Donations to donor-advised funds aren't eligible, either. Keep a record of your contribution with your tax documents. For donations less than $250, you need a bank record, such as a canceled check or credit card statement. For donations that exceed $250, you should obtain a written acknowledgement from the charity that shows the date of the contribution and the amount and states whether you received any goods or services in exchange for your donation.

If you still itemize, you can deduct charitable contributions made before year-end on Schedule A of your 2020 tax return. You can also deduct contributions to donor-advised funds made before New Year's Eve. If you plan to make a major contribution, perhaps as part of your estate plan (see "Estate Planning During the Pandemic," on page 52), note that a separate provision in the CARES Act permits taxpayers to deduct donations of up to 100% of their adjusted gross income. Ordinarily, the cut-off is 60% of AGI. As is the case with the above-the-line deduction, donations to donor-advised funds aren't eligible for the higher limits.

AVOID AN APRIL SURPRISE

Millions of Americans filed for unemployment benefits this year. While these benefits provide an important lifeline during tough times, they could also produce an unexpected tax bill.

Unemployment benefits are taxable at the federal level, and most states tax them, too, says Andy Phillips, of H&R Block's Tax Institute. The CARES Act expanded benefits to include an additional $600 per week through July—and that's taxable too.

If you're still receiving benefits, you may want to have taxes withheld on your last few benefit checks, Phillips says. For federal taxes, you can have up to 10% of your benefits withheld by filing W-4V. Contact your state for the appropriate form if you want money withheld for state taxes.

Another option is to make an estimated tax payment on the amount you expect to owe, Phillips says. The deadline for fourth-quarter estimated taxes is January 15, 2021. Paying estimated taxes will help you avoid sticker shock—and a balance you can't pay—when you file your 2020 tax return.

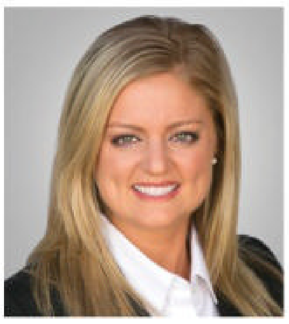
REDUCE THE TAX BILL ON INVESTMENTS

If you sold some of the winners in your taxable accounts this year, the IRS will want its share, and your state may tax your gains, too. Investments held for less than a year will be taxed at your ordinary income tax rate, which ranges from 10% to 37%. Investments you've held longer are taxed at the long-term capital gains rate, which ranges from 0% to 23.8%.

The most effective way to reduce your tax bill is to ditch some of your underperformers. If you sell investments that have fallen below their purchase price before December 31, you can use those losses to offset your gains. After matching short-term losses against short-term gains, and long term losses against long-term gains, any excess losses can be used to offset the opposite kind of gain. If you still have unused losses, you can use up to $3,000 to

PROFESSIONAL INSIGHT FROM PERSONAL CAPITAL

Is It Time to Ditch These 5 Retirement 'Rules'?



By Lacey Cobb, CFA, CFP®, Director of Advice Solutions

Retirement "rules of thumb" are meant to guide you when you're unsure of how to begin saving or investing. They can offer a rough target for how much to save for retirement, for example, or provide guidance about the right asset allocation based on your stage of life.

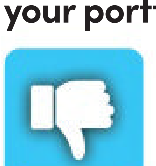
Over the decades, these rules have helped many people, but they have been severely tested in 2020 with wild swings in the market and the economy. And now that this tumultuous year is almost over, it's a good time to review whether some of the most popular rules still make sense.

1. Withdraw 4% of your nest egg in the first year of retirement, increasing that dollar amount in future years by the annual rate of inflation.

Four percent is still a good rule of thumb for someone planning for a long retirement, assuming your portfolio is appropriately diversified. If your main concern is depleting your nest egg, running a basic retirement plan that incorporates a Monte Carlo analysis can provide peace of mind. This can help quantify the risk in terms of the probability of meeting retirement spending goals. It is also a good way to monitor progress and stay on track.

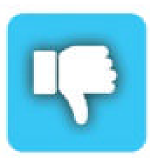
An easier option: Personal Capital clients have access to the **Smart Withdrawal**™ tool that helps an individual tailor a withdrawal rate based on their unique finances and goals.

2. The right percentage of stock in your portfolio is 100 minus your age.



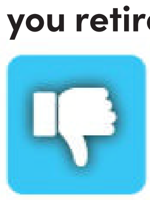
For a DIY type who is new to investing, this age-old rule is a good starting point because it is a simple way to estimate time horizon. But the reality is, this equation is not sufficient for most people. Instead, your asset allocation should be consistent with your risk profile, which means you should consider your willingness, ability and need to take risks. You should customize your allocation based on your goals and whether you'll be able to stick with it through periods of market volatility.

3. You will need 70% to 80% of your pre-retirement income to live on after you retire.



A better way to determine retirement needs is to look at a percentage of current spending instead of income because people earn, save, and spend very differently. As a guide, we suggest you will need about 85% of current spending in retirement. Spending generally tends to decrease during retirement. Some recurring bills go away, such as mortgage payments and tuition for the kids, although other expenses such as health care could increase. Also, travel and other activities decline later in retirement. It will vary, but for most people 85% to 100% of current spending is generally a good target.

4. You need 8 to 10 times your ending salary saved by the time you retire in your mid-60s.



Everyone wants to know the magic number: The amount of money needed to retire. Unfortunately, there is no one-size-fits-all rule because it depends on your personal financial goals. Running a customized retirement plan that models out spending targets will give a better gauge of how much money you will need to save by retirement. Thinking in salary terms is less useful because it only looks at the top line without considering the underlying mechanisms related to cash-flow analysis and planning. This is an outdated rule that can be tossed out now that financial planning tools are readily available to everyone at little to no cost.

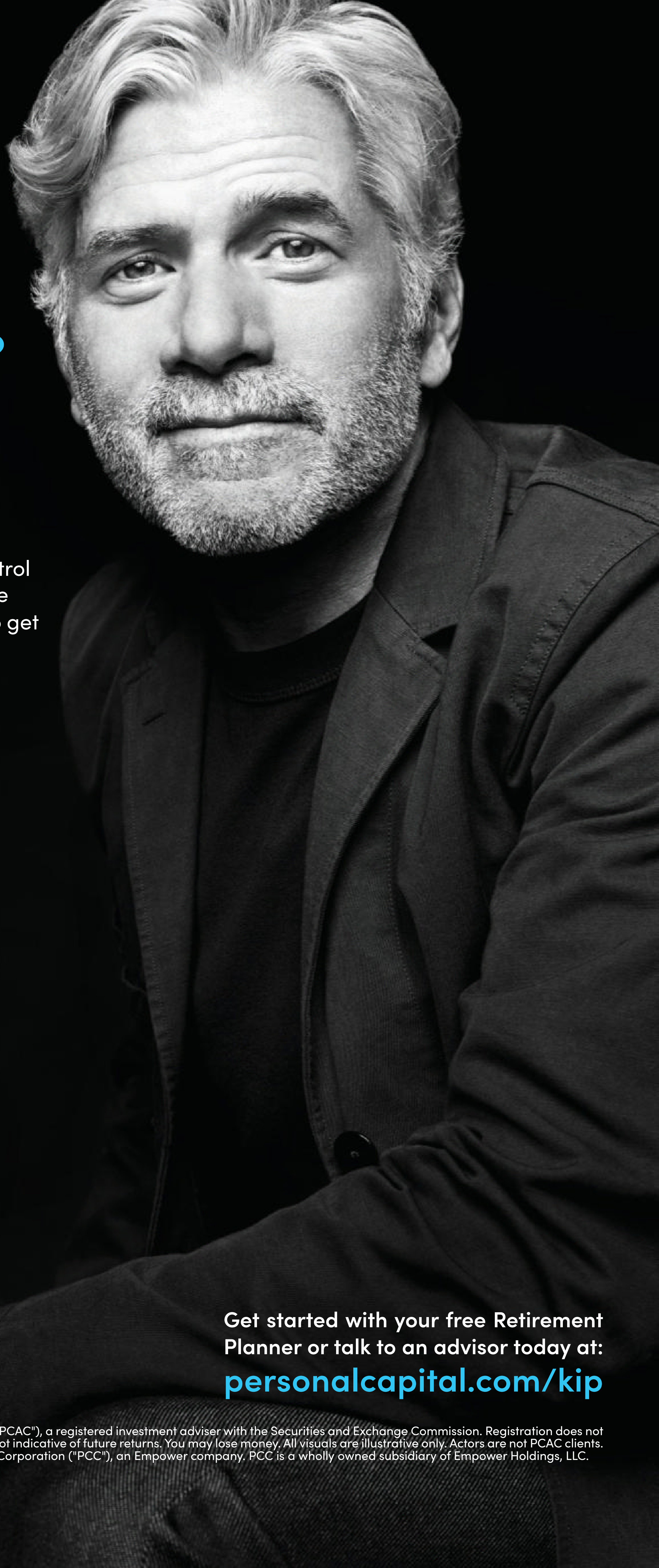
5. Save 10% of your gross income each year for retirement.

Nowadays, 15% is the new 10%. This includes any employer match, making it easier to achieve. If you start early, saving 15% of gross pay each year should put you on target for retirement. However, if you're getting a late start, you'll likely need to boost your savings rate even more to make up for lost time.

For many, the first step is to contribute enough to a workplace retirement plan to get the full employer match — that's free money. After that, if you have high-interest debt, such as credit cards, consider eliminating it before squirreling away more for retirement. Once that debt is erased, increase your contributions to your retirement plan. You can do so all at once or gradually raise your contribution by, say, 2 percentage points a year until you reach your target savings rate. The bottom line: The earlier you start saving and investing, the less you have to save — and the sooner you can retire.

Check if you are on target to meet your retirement goals by using Personal Capital's free **Retirement Planner** tool.

Personal Capital offers free online financial tools, a mobile app, an FDIC-insured cash account, Private Client services, Socially Responsible Investing strategies, and other personal wealth management services. Learn more at **www.personalcapital.com**.



offset ordinary income, and you can roll any leftover losses to the following year. Once you sell an investment at a loss, you must wait 30 days before reinvesting in it or buying a substantially identical investment.

Ordinarily, it's not a good idea to let taxes determine whether you buy or sell an investment. But taxpayers who are eligible for the 0% capital gains rate may want to make some strategic sales—perhaps as part of an overall portfolio rebalancing—before year-end. For 2020, the 0% rate applies to taxable income of up to $40,000 on single returns, $53,600 for head-of-household filers and $80,000 for joint filers.

Keep in mind that your gains could boost your income above the 0% threshold, so you may want to consult a tax professional and calculate the amount of gains you can take before your income exceeds the cutoff. And if you're retired, capital gains could also increase taxes on your Social Security benefits.

Working Remotely?

If you telecommuted during the pandemic, you could be required to file more than one state tax return next spring—and you could end up with a higher tax bill, too.

Most states that impose an income tax require people to pay taxes on income earned while they were working in their jurisdictions—in some cases, for as little as one day. That means if you moved out of state for a few months during the pandemic—to a family member's home in a rural area, for example—you may have to file a tax return for that state. There's a good chance you'll get a credit from your home state for taxes paid to the state in which you decamped, but it makes the task of filing your returns more complex, says Jared Walczak, vice president of state tax projects at the Tax Foundation.

A separate problem awaits some teleworkers whose home is located in a different state than their employer. Six states (Arkansas, Connecticut, Delaware, Nebraska, New York and Pennsylvania) have some version of a "convenience rule" that requires workers to pay state taxes if their employer is located in those states, even if the worker lives and works elsewhere—unless their employer requires them to telecommute. If you live in a state that doesn't offer a credit for taxes paid to another state, you could end up paying double taxes on the same income. "A lot of people working from home will be very surprised to be hit by two separate state income taxes," Walczak says.

Legislation has been introduced in Congress that would limit states' ability to tax nonresidents, and it has bipartisan support. But in the meantime, if you worked in more than one state last year, or telecommuted for a company located elsewhere, keep a record of where and when you worked, says Eileen Sheer, senior manager for the American Institute of Certified Public Accountants. Make sure your employer knows where you worked during the year so it can adjust your withholding if necessary, she says.

Boost Your Retirement Savings

MAX OUT YOUR RETIREMENT SAVINGS PLANS

Despite the economic downturn, many Americans are saving more than ever. If you're sitting on a lot of cash and have put aside enough for emergencies, consider moving some of that money into your retirement savings plans before year-end.

In 2020, you can contribute up to $19,500 in a 401(k), 403(b), federal Thrift Savings Plan or other employer-provided retirement plan, plus $6,500 in catch-up contributions if you're 50 or older. Depending on how often you get paid, you may be able to increase the amount of money withheld from your paycheck before year-end. If you receive a year-end bonus, ask your employer if you can contribute it to your retirement savings plan.

If you don't have a retirement plan at work, you can deduct up to $6,000 in contributions to an IRA, or $7,000 if you're 50 or older. Single taxpayers who are covered by a workplace retirement plan can deduct traditional IRA contributions if their income is less than $65,000, with the deductible amount gradually phasing out until their income reaches $75,000. For married couples filing jointly, if the spouse making the IRA contribution is covered by a workplace retirement plan, the income phaseout is $104,000 to $124,000. You have until April 15, 2021, to contribute to an IRA for 2020, but if you invest the money now, your savings will have that much more time to grow.

If you were self-employed in 2020 or had a side hustle, you can stash even more money in a tax-advantaged account. In 2020, you can contribute up to $57,000 ($63,500 if you're 50 or older) to a solo 401(k) plan, which is available to anyone with self-employment or freelance income. Your contributions can't exceed your self-employment income for the year. You have until April 15, 2021, to contribute to a solo 401(k) and deduct your 2020 contributions, but you must open the account by December 31.

PREPARE FOR 2021 RMDs

The CARES Act allowed retirees to skip required minimum distributions from IRAs and other tax-deferred plans in 2020. But it's highly unlikely that Congress will waive RMDs in 2021, so retirees 72 and older will be required to take them next year. There are a couple of moves you can make between now and year-end that will reduce the amount you'll have to withdraw:

Convert to a Roth. Ordinarily, you can't convert money in your IRA to a Roth until after you've taken your RMD. But with the RMD requirement waived this year, you can convert any amount of money to a Roth, says Ed Slott, founder of IRAHelp.com. You'll pay taxes on the amount you convert, but once the money is in a Roth, you can take tax-free withdrawals of the amount you converted, and after five years, withdrawals of earnings will be tax-free, too. Better yet, you don't have to take RMDs from a Roth.

Transfer some of your funds to charity. IRA owners who are 70½ or older can contribute up to $100,000 directly to charity, and the contribution counts toward your RMD. While that's not an issue this year, your contribution will reduce the size of your IRA, which will lower the amount of future required distributions. "If you're going to give to charity anyway, this is a good deal," says Slott.

To qualify for this tax break, the money from your IRA must be transferred directly to the charity. You can't deduct the contribution, but it will reduce your adjusted gross income, which could make you eligible for tax breaks tied to your AGI, lower the taxes on your Social Security benefits and reduce Medicare premiums.

Give Yourself Some Credit

USE YOUR REWARDS POINTS

Your travel rewards points or airline miles may be sitting idle if you're not traveling, but many credit cards have been offering a variety of alternative ways to redeem your points. For example, the **CHASE SAPPHIRE PREFERRED** and **RESERVE** rewards programs recently announced the extension of the pandemic-era promotion allowing the bonuses you can redeem in the travel portal also to be used for statement credit in categories such as groceries, dining and home improvement through April 2021. **CAPITAL ONE** extended a program that allows cardholders to redeem Capital One miles for food delivery and streaming services through December 2020. Benét Wilson, of ThePointsGuy.com, says you're going to get the biggest bang for your buck if you use your points for travel. So consider banking your rewards points and using them for travel in 2021.

REVISIT CREDIT LIMITS AND ANNUAL FEES

If your card issuer has cut your credit limit as a precaution during the pandemic, consider asking to have a higher limit reinstated. That will help your credit-utilization ratio—the percentage of your credit limit you've used each month—and improve your credit score.

To ask for a reinstatement of credit, call the number on the back of your card and ask to speak to the reconsideration department, says Wilson. Then ask for an explanation of the change in credit limit and make your case for raising the limit.

Credit card companies have also been canceling cards, especially ones that have seen little action lately. "A credit card issuer may cut your credit if you're not using it," says Wilson. If you have a credit card sitting in a sock drawer, take it out and connect an automatic payment to it.

Are you paying an annual fee for a rewards card? "Sometimes these fees are well worth it if you're getting free upgrades, free checked bags and access to airport lounges while traveling," says Ted Rossman, of CreditCards.com. But when your fee comes up for renewal, if you haven't used many of the card benefits because of the pandemic, ask for the fee to be waived or lowered, he says.

WATCH OUT FOR ID THEFT

This year has seen a substantial rise in identity theft. But there are a number of things you can do to avoid becoming a victim.

Be careful sharing personal information, especially your birth date and Social Security number, which may be the only information, along with your address, that an ID thief needs to open an account in your name.

Keep tabs on your mail. You can sign up for USPS Informed Delivery, which sends daily alerts of mail being delivered, at USPS.com. If bills or financial statements don't reach your mailbox, contact the sender.

Create complex passwords to help prevent identity thieves from guessing your log-in credentials. Consider using password-management tool LastPass (LastPass.com; free for the basic version, or $3 per month for encrypted storage) to generate strong passwords and store them safely.

Review your credit card and bank account statements. Match receipts with account statements, and be on the lookout for unauthorized transactions. You can usually set up alerts in your card issuer's mobile app to be notified about transactions or a low balance.

Freeze your credit with the major credit bureaus to prevent someone from applying for a credit account or utility services in your name. Placing a credit freeze at Equifax (800-685-1111), Experian (888-397-3742) and TransUnion (888-909-8872) is free and restricts access to your credit report, which makes it more difficult for identity thieves to open new accounts in your name.

Review your credit reports. Usually, you can order one free report from each of the three national credit reporting agencies once a year at www.annualcreditreport.com. But now all three are giving people free weekly access to monitor their credit report through April 2021. When you review the reports, make sure they do not list accounts you have not opened. And consider signing up for free credit report monitoring with services such as Credit Karma and FreeCreditScore.com. ■

FOR QUESTIONS OR COMMENTS, PLEASE E-MAIL FEEDBACK@KIPLINGER.COM.

Don't Forget to Tip

The rules for holiday tipping are a little different this year. Delivery drivers are working double-time, and service industry workers are putting their health on the line. A little something extra could go a long way. At the same time, you may have had a hiatus from a housekeeper, hair stylist or day care provider who could use a bonus this time of the year. For tips on holiday tipping in the time of coronavirus, see kiplinger.com/kpf/tipping.

Manage Your Health Benefits

Use up FSA funds. If you have a flexible spending account, you may have a December 31 deadline to use the balance for qualified medical expenses. (Your employer may offer a grace period until March 15, or it may permit you to roll over up to $550 to next year.) Especially if you delayed medical appointments or procedures because of the pandemic, you may wind up with more money left over than expected in your FSA. Thanks to a change in the law, feminine-hygiene products and over-the-counter drugs purchased January 1, 2020, or later are reimbursable from an FSA or health savings account without a prescription, so you could stock up on medications such as cough suppressants, pain relievers and antihistamines. See a list of eligible items at www.fsastore.com/fsa-eligibility-list.aspx.

If you have a dependent-care FSA, coronavirus-related closures of day cares, summer camps and other child-care services may have thrown off your plans for spending the funds. Keep in mind that you can use them for a babysitter or nanny who cares for your children while you work—even if you work from home. But you cannot use the money for educational expenses, such as tuition or homeschooling, says David Speier, managing director of benefits accounts for consultant Willis Towers Watson.

Manage HSA contributions and withdrawals. You have until April 15, 2021, to make a 2020 contribution to a health savings account. But now is a good time to plan how much you'll stash. The 2020 maximum contribution is $3,550 for those with self-only coverage or $7,100 for those with family coverage (plus an additional $1,000 if you are 55 or older by the end of 2020).

Unlike FSA funds, HSA savings are yours to use for qualified medical expenses at any time in the future—no reimbursement deadline applies, and the balance doesn't expire. Even if you don't plan to tap your HSA anytime soon, round up this year's receipts for HSA-eligible expenses and keep them in a safe place in case you decide to submit them for reimbursement down the road (see "The Power of an HSA," April).

Squeeze in medical appointments. If you have met your health plan deductible for 2020, scheduling any needed medical appointments before the end of the year could save you money. If you wait until 2021 for the doctor visits, you may have to pay the full cost until you meet your deductible. Rather avoid an in-person appointment? See whether your physician offers telehealth visits—which allow you to consult clinicians on a video chat or phone call—and check how your insurance plan covers such appointments (see "Briefing," on page 16). Virtual visits may be sufficient for, say, sessions with a mental-health therapist or for regular check-ins to manage a chronic condition.

GUEST COMMENTARY | Doug Glanville

How We Lose When We Overlook Black Talent

Comments from the Wells Fargo CEO reflect a culture that tramples on clients' trust and limits opportunities for people of color.

■ WELLS FARGO CEO CHARLES SCHARF APOLOGIZED FOR COMMENTS HE ADMITTED REFLECTED "UNCONSCIOUS BIAS."

One of my early memories is when my dad taught me how to interpret the share price tables in the business section of the newspaper. My main task was to look up prices of Oppenheimer Funds and write them down in a ledger. I learned to appreciate the simplicity of how the numbers told a story about value. Yet of deeper importance was learning how to consider patience and timing to match the funds' performance with a life plan.

So when I was drafted by the Chicago Cubs in 1991, I had a plan for my signing bonus. First and foremost was my parents' recommendation that I retain a broker. Soon after, I would work with an adviser at Butcher & Singer, which through many mergers became Wells Fargo Advisors. My broker was, and still is, outstanding.

But there has been some troubling news about Wells Fargo, the main home for my financial life. This news revealed a track record of deceptive dealings with its customers, including settlements for both racially driven, exploitative lending and discriminatory hiring practices. Then came insensitive comments from Wells Fargo CEO Charles Scharf that he made on a call with employees this summer, which he reiterated in a memo: "While it might sound like an excuse, the unfortunate reality is that there is a very limited pool of black talent to recruit from."

Reaching for a future. This comment hit me hard, because wealth depends on trust in those who take care of my money. Money is not simply of quantifiable value; it has immeasurable qualitative value. It holds a future.

As a Black man, I seek more depth to leadership's understanding of what reaching for a future truly means to a man of color. The "unfortunate reality" Scharf should have been speaking of is our nation's legacy of systemic racism and how it has shaped opportunity.

It should matter if the returns we enjoy are reaped by discriminating against a people or if the culture that provided those returns views Black talent as charity, regardless of their qualifications.

Wells Fargo and other giants of the financial world are supposed to shun such destructive biases to allow the color of green to prevail over the color of skin. Yet they often do not. This explains the report by Citigroup that estimated that our economy lost $16 trillion over the past two decades due to discriminatory practices and sanctioned racial inequity.

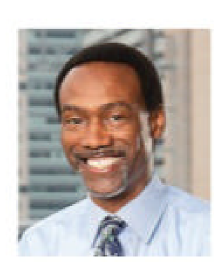
We often forget that those who have power create what defines the word *qualified*—a word that is highly subjective, laced with nepotistic practices, and rife with compounding advantage for those of privilege. Like the success of *Hamilton: An American Musical,* there are countless examples of how candidates of color can be successful inside the talent blind spot of corporate hiring templates.

The real danger is having algorithms of predictive success and not understanding how much they drip with bias. This often occurs because leadership is not representative of all, and many of those in the room who represent the diversity have no real power.

We also must not assume that representation means welcoming inclusion. It is nice to get the job, but the culture around the job is more consequential to making sure that people advance fairly and are not harassed, ignored or treated as if they do not deserve that opportunity in the first place.

Scharf has apologized, saying he made an "insensitive comment reflecting my own unconscious bias." He expressed a commitment to work for more diverse leadership. Yet I still feel compelled to consider other options for my family's money, even with our nearly 30-year relationship. I hope Wells Fargo decides to define talent differently, not just in one image but in all of our images.

My father passed away on the day I got the 1,000th hit of my Major League career—a career that was critical to building wealth. I came to understand that inside those share prices in my portfolio are people, many of whom are people of color reflecting the dream that brought my father to the U.S. from Trinidad and my mother out of the Jim Crow South. Their legacies are important to preserve, too. And to do so, we must face some unfortunate truths about the role of racism, truths that have nothing to do with talent and everything to do with opportunity. ■



DOUG GLANVILLE IS A BASEBALL COMMENTATOR AND FORMER PLAYER WHO TEACHES A COURSE ON SPORTS AND SOCIETY AT THE UNIVERSITY OF CONNECTICUT.

WIN MCNAMEE / GETTY IMAGES; DOUG GLANVILLE PHOTO BY CHRISTOPHER BEAUCHAMP

CREDIT

GREAT CARDS FOR HOLIDAY SHOPPING

AS YOU DIVE INTO HOLIDAY shopping, get some extra *oomph* from your spending by using a rewards credit card that provides additional cash back or points at the retailers—or retailer websites—you visit most.

The **DISCOVER IT** card, for example, provides 5% cash back on up to $1,500 in combined purchases at Amazon .com, Target.com and Walmart.com in the fourth quarter of 2020 (1% on all other spending). Quarterly categories for 2021 hadn't been announced at press time, but bonus categories in 2020 included grocery stores, gas stations, wholesale clubs and restaurants. For rewards on a broader variety of online purchases, consider the **BANK OF AMERICA CASH REWARDS VISA**. You choose one of six categories that earn 3% cash back, including online shopping, gas, dining, travel, drugstores, and home improvement and furnishings—and each calendar month you can change the category. The card also offers 2% back at grocery stores and wholesale clubs. After you spend $2,500 combined in the 2% and 3% categories each quarter, you get 1% back on purchases in both categories. All other spending earns 1% back.

The branded card of a retailer you are loyal to may have strong rewards. The **AMAZON REWARDS VISA** offers 3% cash back on Amazon purchases (5% if you're a Prime member), and the **CAPITAL ONE WALMART REWARDS MASTERCARD** provides 5% back at Walmart.com and 2% at Walmart stores (5% in-store the first 12 months if you use Walmart's mobile-payment app). Both cards offer rewards in other spending categories, too. The **TARGET REDCARD** offers a 5% discount on in-store and online Target purchases.

Rake in a big bonus. The holiday season may be a good time to open a card that offers a bonus of cash back, points or miles if you charge a certain amount in the first few months. The **CHASE SAPPHIRE PREFERRED VISA** ($95 annual fee) card offers 80,000 points—worth $1,000 in travel bookings or $800 in cash—if you spend $4,000 in the first three months. Or consider the Bank of America card mentioned above. It provides $200 for spending $1,000 in the first 90 days. **LISA GERSTNER**
Lisa_Gerstner@kiplinger.com

RATE UPDATES

For the latest savings yields and loan rates, visit **kiplinger .com/links/rates**. For our top rewards cards, go to **kiplinger .com/links/rewards**.

TOP-YIELDING SAVINGS

Taxable Money Market Mutual Funds	30-day yield as of Sept. 29	Minimum investment	Website (www.)
Transamerica Govt MMF (IATXX)*	0.07%	$1,000	transamerica.com
Gabelli US Treas AAA (GABXX)	0.05	10,000	gabelli.com
Ivy Cash Management (IAAXX)*	0.02	750	ivyinvestments.com
Meeder Prime MMF (FFMXX)*	0.02	2,500	meederinvestment.com

Tax-Free Money Market Mutual Funds	30-day yield as of Sept. 28	Tax eq. yield 24%/35% bracket	Minimum investment	Website (www.)
Fidelity Muni MMF (FTEXX)	0.01%	0.01%/0.02%	$1	fidelity.com
Fidelity Tax-Exempt (FMOXX)*	0.01	0.01/0.02	1	fidelity.com
Amer Cent T-F MMF (BNTXX)	0.01	0.01/0.02	2,500	americancentury.com
T. Rowe Price Tax-Ex (PTEXX)*	0.01	0.01/0.02	2,500	troweprice.com

Savings and Money Market Deposit Accounts	Annual yield as of Oct. 9	Minimum amount	Website (www.)
Affinity Plus FCU (Minn.)&#	2.02%^	none	affinityplus.org
Affirm (N.J.)†$	1.00	none	affirm.com
First Foundation Bank (Calif.)†	1.00	$1,000	firstfoundationinc.com
Ntl Cooperative Bank (Ohio)#†	0.91	100	www.ncb.coop

Certificates of Deposit 1-Year	Annual yield as of Oct. 9	Minimum amount	Website (www.)
INSBANK (Tenn.)†	1.00%	$2,500	online.insbank.com
CommunityWide FCU (Ind.)&	0.95	1,000	comwide.com
Hiway FCU (Minn.)&	0.95	25,000	hiway.org
State Bank of Texas (Texas)†	0.95	25,000	statebnk.com

Certificates of Deposit 5-Year	Annual yield as of Oct. 9	Minimum amount	Website (www.)
Service CU (N.H.)&	1.50%	$500	servicecu.org
The Federal Savings Bank (Ill.)†	1.50	10,000	thefederalsavingsbank.com
Wings Financial CU (Minn.)&	1.41	10,000	wingsfinancial.com
Pen Air FCU (Fla.)&‡	1.35	500	penair.org

*Fund is waiving all or a portion of its expenses. &Must be a member; to become a member, see website. #Money market deposit account. ^Must receive electronic statements and have a $500 monthly direct deposit into an Affinity Plus deposit account. †Internet only. $Must open and manage the account through a mobile app. ‡Hiway FCU and Zeal CU offer a similar yield. SOURCES: Bankrate, DepositAccounts, Money Fund Report (iMoneyNet).

TOP CHECKING ACCOUNTS

Must meet activity requirements*

High-Yield Checking	Annual yield as of Oct. 9	Balance range†	Website (www.)
La Capitol FCU (La.)&	4.25%	$0–$3,000	lacapfcu.org
Consumers Credit Union (Ill.)&	4.09‡	0–10,000	myconsumers.org
Evansville Teachers FCU (Ind.)&	3.30	0–20,000	etfcu.org
Western Vista CU (Wyo.)&	3.25	0–15,000	wvista.com

*To earn the maximum rate, you must meet requirements such as using your debit card several times monthly and receiving electronic statements. †Portion of the balance higher than the listed range earns a lower rate or no interest. &Must be a member; to become a member, see website. ‡Requires spending $1,000 or more in CCU Visa credit card purchases. SOURCE: DepositAccounts.

YIELD BENCHMARKS	Yield	Month-ago	Year-ago
U.S. Series EE savings bonds	0.10%	0.10%	0.10%
U.S. Series I savings bonds	1.06	1.06	1.90
Six-month Treasury bills	0.12	0.14	1.69
Five-year Treasury notes	0.34	0.28	1.40
Ten-year Treasury notes	0.79	0.71	1.59

SOURCE FOR TREASURIES: U.S. Treasury

As of October 9, 2020.

- EE savings bonds purchased after May 1, 2005, have a fixed rate of interest.
- Bonds purchased before May 1, 1995, earn a minimum of 4% or a market-based rate from date of purchase.
- Bonds bought between May 1, 1995, and May 1, 2005, earn a market-based rate from date of purchase.

■ KIP RUPPLE AND RONI KRAMER DREW UP AN ESTATE PLAN AFTER THE WIFE OF ONE OF HIS BEST FRIENDS DIED UNEXPECTEDLY.

PHOTOGRAPH BY NARAYAN MAHON

ESTATE PLANNING *DURING THE PANDEMIC*

Here's how to prepare for the worst in this terrible, horrible, no good, very bad year.

BY STACY RAPACON

Kip Rupple, 62, of Muskego, Wis., plays guitar in a classic rock band on the weekends. He and his wife, Roni Kramer, 56, ride Harleys. They know how to have a good time, but they've lived enough to know when to take life seriously.

Last year, Rupple saw the wife of one his best friends get sick and die. "I remember how painful it was for them while she was on her deathbed, having attorneys in there doing estate plans for the two of them," he says. "I would never want that, and now the situation with COVID made me realize it's probably a good time to get ahead of that sort of thing."

The COVID-19 pandemic has made 2020 a nightmare for many people around the world, and inadequate estate planning can exacerbate the pain. Certified financial planner Stacy Francis, president and chief executive of Francis Financial, in New York City, recently helped a client whose husband passed away in the hospital due to COVID complications. "She came to us with screenshots of his last texts to her that were frantically sent and trying to outline their investment accounts, where their money was and what she needed to do," Francis says.

Since then, Francis and the widow have worked together to take control of her financial situation and update her own estate plan. That's the thin silver lining Francis hopes people take away from her client's story. "While there's been so much heartache due to COVID, use this as an opportunity to get your estate plan in order, get your life insurance in order, get your financial ducks in order," she says.

Having a will and estate plan is important for everyone, but it's crucial as you approach retirement. You'll probably have more assets at this stage of your life, and it's important to consider who you would like to inherit them. You'll also want to be certain that your spouse and family will be well taken care of if anything happens to you.

TRY A TRUST

For many people, family is the point of estate planning. "Preparing your estate is a real act of love—not for you, but for your family," says Chas Rampenthal, general counsel for LegalZoom. "You're telling them straight up, 'I'm not going to put that burden on you to figure out what I wanted. I'm going to tell you what I want, so you don't have to worry about it.'"

Without a will or estate plan, state law dictates how your assets are distributed after you die. "Not only can this be a costly process in many cases, but it can also be a giant burden on your heirs during a time of grieving and sadness," says Taylor Schulte, a CFP and host of the podcast Stay Wealthy.

Even with a will, going through probate (the court-supervised process of passing assets through a will or, in the absence of a will, through state law) can be time-consuming and expensive. You can avoid it by setting up a trust, the most common of which is a revocable living trust. (*Revocable* means you can change the terms of the trust if your wishes or circumstances change.) A revocable living trust "is a really powerful tool," says Samuel Nuxoll, an Ann Arbor–based estate-planning attorney with Miller Canfield. "It sort of has this mystique about it as being only for the rich and famous, but that's just not true."

To the contrary, he suggests that most people—especially anyone who has children or owns real estate—could benefit from setting up a trust. Not only does having a trust let you avoid probate and help ensure that your money goes to the people you choose, but it also lets you control exactly how the money can be used and appoint a person to take control when you're not available.

"With a will, the executor is really just kind of an administrator who transfers assets from one person to another.

BRIAN AND MARISA PILARSKI DREW UP A TRUST TO PROVIDE FOR THEIR SON, FRANKLIN, IN CASE SOMETHING HAPPENS TO THEM.

Family Money

How to Talk to Your Parents

Consider talking to your parents about their own estate plan, including all the documents you need access to (see the box on page 58). Broaching the subject of money and death might seem difficult. But being prepared for the inevitable can help you avoid extra pain later when you are grieving. "If your parents don't have these essential estate-planning documents, then certainly it's going to be much more difficult for you, your siblings and your loved ones," says Cameron Huddleston, former Kiplinger.com columnist and author of *Mom and Dad, We Need to Talk.* She notes that many people might fear coming off as greedy, requesting an inheritance that may or may not exist. So she suggests approaching the subject carefully. "Maybe you say, 'Do you have something in writing that spells out your wishes?' " she says. "It's very important to make clear you are looking out for your parents' best interest, and not yours."

But a trustee is more of a decision-maker," he says. "They're standing in your shoes and making decisions you would want to make if you were still around to make them."

FAMILY MATTERS

Nuxoll sold the idea of a trust to Brian and Marisa Pilarski, of Chesterfield, Mich. When they had met with him, they were just hoping to outline what would happen to their 1-year-old son, Franklin, if they were both to pass away. But Nuxoll explained that if they were to die while Franklin was still a minor, simply leaving him all their assets wouldn't work out the way they wanted. "He guided us to think about, in the event of an emergency, who things will go to, how things will be spent, how we want to allocate those funds," Brian, 33, says.

Like many new parents, the Pilarskis had intended to square this all away for Franklin at some point. "But quarantine put a little fire under us to get us moving," says Marisa, 35.

That's in part because they both worked on the front lines of the pandemic in the Detroit area. Marisa is a family nurse practitioner, and Brian is a registered nurse (and working on his master's to also become a nurse practitioner). "Marisa, at the urgent care, was getting a lot of patients that they were diagnosing, and then I was on the other end as far as taking care of them in the more acute phase of the illness," Brian says.

Given that situation, and with day cares being closed, they made the difficult decision to send Franklin away for about a month and a half, splitting the time between both sets of grandparents. That gave them the motivation and child-free time they needed to get organized and create their estate plan. And their family is growing: "We're

PHOTOGRAPH BY NICK HAGEN

pregnant again, with our own quarantine baby," Brian says.

A growing family is a common reason to create or update your estate plan. Another is to give back to the family you grew up with. For Varadaraj and Sita Elango, both 65, one goal for their estate plan was to ensure they could continue providing for his mother and brother in India. Varadaraj came to the U.S. for graduate school in 1979 with $125 in his pocket. He went on to earn his PhD in chemistry from Penn State University and is now a senior sales director at Albany Molecular Research, in Basking Ridge, N.J. He and Sita married in India in 1986. She joined him in the U.S. in 1987 for residency training, and she is now an anesthesiologist.

Having achieved the American dream, he feels an obligation to help take care of family in his home country. "There, people don't have a lot of savings, and most people live day to day," Varadaraj says. "And a lot of times, there's an expectation that your parents helped you get into school and a job, and when you get a job, you help your parents as they get old. That is the culture. And we are fortunate being in this country and able to do that."

Their investment adviser, Ke Dao, of Rivertan Financial Group, in Raritan, N.J., helped them realize that plan. "To do a proper estate plan, you really have to get into the heart of the client—what their values are, what they look to accomplish, how they view each child or family member," he says.

Dao was able to guide the Elangos through an honest conversation about what they each hoped to do with their wealth and helped them come up with a strategy that made them both happy. "You could see a great relief on both their faces," he says.

BLUE-WAVE WORRIES

After you set up your estate plan, you need to review it periodically—at least every year—for the rest of your life. "A will, a trust, an estate plan should be a living document," says Rampenthal. "When doing New Year's resolutions, that's when I go back and take a look. Has anything changed? Should I be looking to update my will and my estate plan?"

Sometimes, those changes are headline news. Ahead of the 2020 U.S. presidential election, high levels of uncertainty moved some well-heeled individuals to make estate-planning moves. The Tax Cuts and Jobs Act of 2017 doubled estate-tax exemption levels, to $10 million, indexed for inflation to equal $11.58 million per individual in 2020. But unless Congress extends a sunset provision in the tax-reform bill, it's set to automatically drop back down to $5 million (indexed for inflation) in 2026.

During the presidential campaign, former vice president Joe Biden proposed lowering the estate-tax exemption as early as 2021 (such a proposal would need to be approved by Congress). Other tax policy changes in his platform included raising certain tax rates for wealthy individuals (who he has generally defined as households earning $400,000 or more) and nixing the step-up in basis rule. The rule allows you to inherit assets at their current market value, rather than at their original basis—the value at which they were first purchased. That means if you were to sell an inherited asset immediately, you'd pay no capital gains tax on it. So changing that rule would increase your tax bill and generate more revenue for Uncle Sam.

In addition, 12 states and the District of Columbia still impose their own estate taxes, and six impose an inheritance tax, which is paid by beneficiaries of the estate. Some state estate-tax exemptions are much lower than the federal cutoff. For example, Oregon and Massachusetts exempt just $1 million; residents with estates larger than that pay estate taxes at rates ranging from 0.8% to 16%. And although some states have increased their estate-tax exemptions in recent years, the economic losses caused by the pandemic could slow that trend.

Plus, the SECURE Act raised wealth-transfer concerns by eliminating the allowance for nonspouse beneficiaries to stretch required minimum distributions from an inherited IRA over their own lifetimes. Instead, heirs typically must now distribute all funds from an inherited IRA (or 401(k) or other defined contribution plan) within 10 years of the original account holder's death.

Legal Logistics

Social Distancing

Social distancing has created new challenges for those who need to create an estate plan. Pre-COVID, most states required estate-planning documents to be signed and notarized in front of witnesses. But in-person meetings pose a risk these days, especially for seniors, and shelter-in-place orders made many such legal proceedings illegal. So some rules had to change. (Be sure to check the current rules for your own state.)

In New York, for example, Gov. Andrew Cuomo issued executive orders that temporarily allow for virtual notarizations and electronic signatures on wills and trusts. "With remote authorization, it works really well," says Stacy Francis, president and chief executive of Francis Financial, in New York City, who reports seeing an uptick in estate-plan inquiries starting in April. "So even though the courts were not necessarily in session, people could move forward and do their estate planning."

Another strategy: outdoor, socially distanced signings. It works for Samuel Nuxoll, an Ann Arbor–based estate-planning attorney with Miller Canfield. He has even been able to safely consult with clients outside. "In Michigan, in the summer, the weather is often beautiful, so we can sit on somebody's back porch, and I feel safe, and they feel safe," he says. "Although . . . winters in Michigan are not so beautiful."

Nuxoll has also been working with clients via video conferencing and good, old-fashioned phone calls.

GRATs, SLATs AND ALL THAT

Clearly, while death and taxes are inevitable, the details around each are uncertain. So how do you plan for changes that may or may not come? By staying flexible.

One strategy Ani Hovanessian, an attorney and partner at law firm Venable and chair of the New York Tax and Wealth Planning Group, suggests is using a grantor retained annuity trust. You can transfer assets to a GRAT for a certain number of years, removing the appreciation from your estate without triggering any gift tax or having the assets count toward exemption limits.

Each year, you get a distribution, plus interest—the rate of which is set by the federal government and stood at a historic low of 0.4% as of October. Meanwhile, however, the assets in the GRAT continue to make money. For example, you can invest those funds in stocks and bonds and ideally earn a higher rate than 0.4%. Whatever is left at the end of the term, you can give tax-free to beneficiaries, typically into a child's trust. "It's virtually risk-free," Hovanessian says. "You know your kids are going to get appreciation out of the GRAT that's gift-tax-free to you."

Another strategy for married couples to consider: using a spousal limited access trust. SLATs, like GRATs, let you move assets out of your estate, but assets moved into SLATs count toward exemption limits. If you find you need that money back, a SLAT allows for distributions to your spouse, but leaving the assets untouched preserves the value for future heirs.

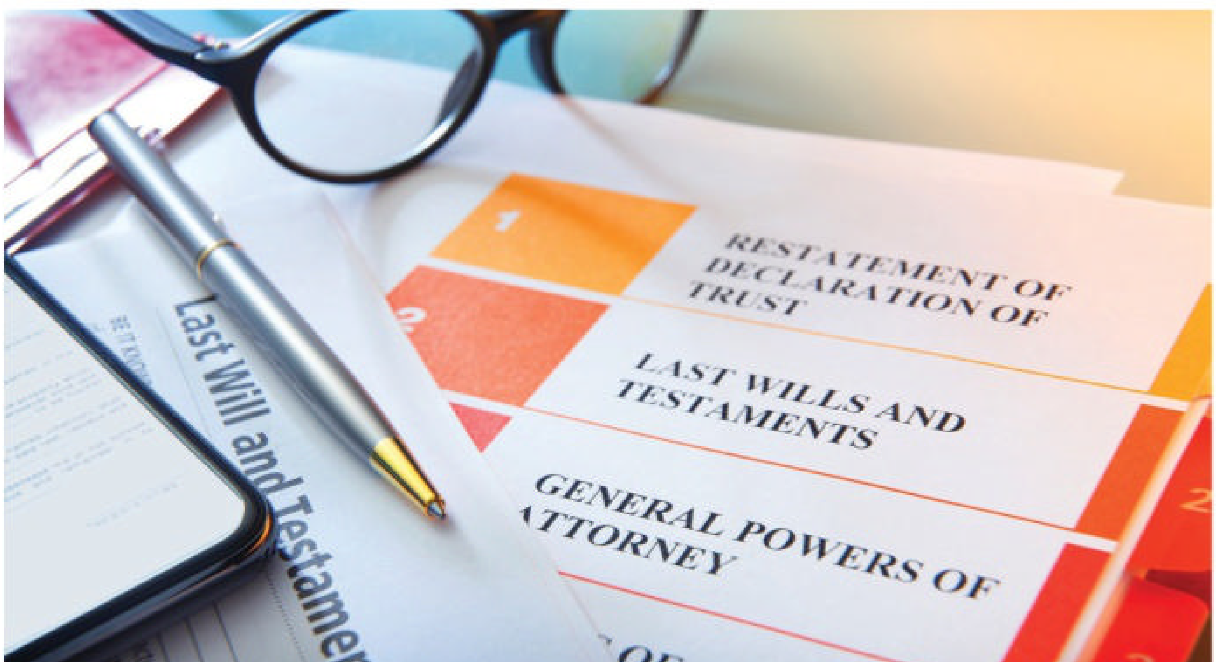
You can also give away your money while you're alive, which will decrease the value of your estate. In 2020, gifts of $15,000 per person are exempt from gift tax. But make sure you have enough in savings to pay your expenses in retirement, particularly the costs of long-term care. "Giving these assets away could leave you financially vulnerable, and this is so important to consider—especially now, in the time of COVID, when there is so much uncertainty," says financial planner Francis. "While saving on taxes is extremely important, it's not the sole reason to give money away to charity or family members."

Ultimately, Hovanessian notes, your estate-planning strategy must fit your unique situation. "There are trusts, and there are options out there, but really, individuals should speak to their advisers to create a personalized, well-thought-out plan of action," she says. Whatever plan you come up with, the most important thing is that you get it done.

In contrast to the situation when his friend's wife passed, Rupple's father died unexpectedly a couple of years ago with his estate plan already established. "Everything was all set up, it was all paid for, all his wishes were there," he says. "He had that out of the way long before that happened."

And now so do Rupple and Kramer. With their estate plan complete, they can be sure their wishes in life to provide for their loved ones—even in death—will be known and carried out. ■

FOR QUESTIONS OR COMMENTS ABOUT THIS ARTICLE, PLEASE SEND AN E-MAIL TO FEEDBACK@KIPLINGER.COM.



Important Documents

Estate-Planning Must-Haves

If you're drawing up an estate plan, be sure to check these documents off your list.

Last will and testament: A comprehensive outline of all your assets and your wishes for how they're to be handled after your death. It should also include details on how to handle your digital assets inventory (see below) and guardianship designations, if you have dependents.

Durable power of attorney: Gives a person of your choosing the authority to manage your finances if you become incapacitated. (Some financial institutions may require you to use their own forms or meet certain additional conditions.)

Health care proxy: Allows your spouse or other selected family member to view your health records and make medical decisions, such as whether to accept blood transfusions or life support, on your behalf.

Digital assets inventory: A complete collection of your online accounts, electronic files, and physical computers and other devices, along with usernames, passwords, security question answers and any other information necessary to access each digital asset.

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HEALTH CARE

What You'll Pay for Medicare in 2021

Look for modest increases in premiums and out-of-pocket costs. BY CATHERINE SISKOS

THE NEW YEAR WILL USHER IN A HOST of adjustments to Medicare that both new enrollees and existing beneficiaries will need to navigate. In order to get the most from your plan, it's important to understand your out-of-pocket costs, which will vary depending on your income and the type of plan you choose. Here's a rundown of what you can expect in 2021.

Medicare Part B. Although Part A, which pays for hospital care, is free for most beneficiaries, you'll pay a monthly premium for Part B, which covers doctor visits and outpatient services. In 2021, the standard monthly premium is projected to be $148.50, up from $144.60 in 2020.

But if you're a high earner, you'll pay more. Surcharges for high earners are based on adjusted gross income from two years earlier. In 2020, beneficiaries with 2018 AGI of more than $87,000 ($174,000 for married couples filing jointly) paid $202.40 to $491.60 per month for Part B. Premiums for 2021 weren't available at press time.

Medicare Part D. The average premium for Part D, which covers drug costs, will be about $30 a month in 2021. Seniors with high drug costs may run into a coverage gap, although it has been shrinking. For 2021, the gap begins when the total your plan has paid reaches $4,130, up from $4,020 in 2020. At that point, you'll receive a 75% discount on brand-name and generic drugs. Drug manufacturers will pick up 70% of the tab, insurers will pay 5% and you'll pay 25%. Medicare picks up most of the cost, after a small co-pay, once your out-of-pocket spending hits $6,550 (including whatever drug manufacturers paid on your behalf in the coverage gap), up from $6,350 in 2020.

Mind the gap. If you're new to Medicare, you may be surprised to discover what it doesn't cover. Part B pays for only 80% of doctor's visits and other outpatient services. In addition, Medicare doesn't cover dental care, eye appointments or hearing aids.

There are two ways to address your uncovered expenses. Medicare supplemental insurance, or medigap, policies are offered by private insurers and cover deductibles and co-payments. Medigap policies are identified by letters A through N. Each policy that goes by the same letter must offer the same basic benefits, and usually the only difference is the cost.

Plan F is the most popular policy because of its comprehensive coverage, but as of 2020, Plan F (as well as Plan C) is unavailable for new enrollees. The closest substitute for Plan F is Plan G, which pays for everything that Plan F did except the Medicare Part B deductible. Monthly premiums for Plan G in 2020 ranged from $90 to $170, depending on your age and state, according to MedicareFAQ, an insurance agency that sells supplemental Medicare plans. Anyone enrolled in Medicare before 2020 can still sign up for plans F and C.

An alternative to having both traditional Medicare and a medigap plan is to enroll in a Medicare Advantage plan. Such plans provide medical and prescription drug coverage through private insurance companies. The monthly premium, in addition to Part B, varies depending on which plan you choose. The Center for Medicare and Medicaid Services estimates that the average monthly premium will be $21 in 2021, down from $23.63 in 2020. Advantage policies charge lower premiums than medigap plans but have higher deductibles and co-payments, and your choice of providers may be more limited than with traditional Medicare. ■

FOR QUESTIONS OR COMMENTS, PLEASE E-MAIL FEEDBACK@KIPLINGER.COM.

PRACTICAL PORTFOLIO | Anne Kates Smith

Keeping an Eye on Future Returns

Here's what experts see ahead—and way ahead—for the performance of stocks and bonds.

FINANCIAL MARKETS HAVE been good to investors for the past decade. But today, the consensus of expert opinion is to expect returns that are lower than we've been used to, over the next several years. Of course, such forecasts can be way off the mark. But you need to assume *some* future return in order to estimate whether your investment mix will support the future life you want within the time frame you've allotted.

Long-term forecasts don't necessarily have a long shelf life. They're revised regularly as market conditions change, producing ripples of change in future returns. And you should beware of making apples-to-apples comparisons using forecasts from different sources, as the market proxies and assumptions that firms use to make forecasts often vary. With those caveats in mind, here's a sampling of what experts expect from financial markets over the coming half-decade and beyond.

Next five years. The soothsayers on the Capital Market Assumptions team at Northern Trust Asset Management expect moderate U.S. economic growth of 2.1%, on average, over the next five years, while interest rates remain low and inflationary forces are checked by productivity-boosting technology and automation. They expect stocks to deliver mid-single-digit returns. A mix of elevated valuations, modest global growth, lower profit margins and a growing focus on corporate stakeholders who are not shareholders (think employees, communities and even the environment) will subdue returns, according to the bank. The forecast calls for U.S. stocks to return 4.7% annualized, including dividends. You might get 5.4% annualized in European shares and the same from emerging-markets stocks, says Northern Trust.

A big risk to the forecast is a resurgence in inflation, says chief investment strategist Jim McDonald. "That could upset the low-rate environment underpinning the stock market," he says. For now, he sees an annual inflation rate of 2% over the next five years.

Fixed-income returns overall will barely beat inflation, with investment-grade bonds in the U.S. likely to deliver an annual-

ILLUSTRATION BY IKER AYESTARAN

ized return of 2.3% over the next five years, according to Northern Trust. U.S. investment-grade bonds returned 4.3% over the past five years, so going forward, "you're losing half the return out of a bond portfolio," says McDonald. Ten-year Treasuries will pay an annual interest rate of 1% over the period, with short-term rates at zero or below. Investors who can tolerate the risk might earn an annualized 5.5% return in U.S. high-yield bonds, according to Northern Trust.

Next seven years. Return forecasts from investment management firm GMO have perennially been among the most bearish. The seven-year forecasts predict what markets will deliver if they wind up trading at historical valuations over the coming time frame. Today, "the risk-reward trade-off in the U.S. looks unattractive for stocks and bonds," says John Thorndike, a member of GMO's asset-allocation team.

GMO's forecasts are adjusted for inflation. But adding in the firm's prediction of a 2.2% U.S. inflation rate approximates the so-called nominal returns that most other firms publish. GMO's expected nominal return for U.S. large-company stocks is negative 4.3% annualized over the seven-year period, and minus 2.3% for small-cap stocks. Your best bet, according to GMO? Emerging-markets stocks, with expected returns in the high-single-digit percentages. "Often, investors have too much home bias," says Thorndike. "The need to diversify is especially true now." GMO sees flat returns for emerging-markets bonds, beating a negative 1.1% annualized return for the broad U.S. bond market.

GMO's gloom is a counterweight to the burgeoning euphoria the firm detects in the U.S. market today. "One thing that feels different now than it has for perhaps 20 years is the amount of enthusiasm," says Thorndike. A surge in short-dated options trading by individual investors, increased trading in shares of bankrupt companies, and the rise of financial "personalities" on social media recall the stock market bubble of the late 1990s and early 2000s, Thorndike says.

Next 10 years. Once you start looking 10 years out, the view improves, especially for stocks, say strategists at BofA Securities. Ten-year returns for the S&P 500 index have been negative just 6% of the time, going back to 1929. Compare that, for example, with commodities, which have suffered 10-year losses 30% of the time.

BofA is neutral-to-negative on stocks over the short term. But even figuring in today's elevated valuations, the firm's expectations for corporate earnings growth suggest an annualized price gain of 3% to 4% for the S&P 500 index over the next decade. Adding in two percentage points of dividend yield gives you a 5% to 6% annualized total return over the period, says BofA.

Strategists at Goldman Sachs are on roughly the same page. Their baseline forecast calls for the S&P 500 to return 6% annualized through 2030, including dividends. But the range of plausible returns is wide. A more-optimistic set of assumptions from Goldman Sachs indicates a prospective annualized return of 11% for the S&P 500; more-pessimistic inputs produce a 2% annualized return scenario. "Our analysis implies an investor has a 90% probability of generating a superior return from stocks compared with holding a 10-year U.S Treasury note through its maturity in 2030," say the analysts.

BofA recommends high-quality stocks with strong balance sheets and consistent earnings, especially if the rising tide of low interest rates, easy money and federal stimulus starts to ebb. "After a 20-plus-year period of risky investments having been buoyed by monetary and fiscal policy, we could see a protracted period in which high-quality stocks trade at a premium," say BofA analysts.

Next 30 years. Jean Boivin, head of the BlackRock Investment Institute, admits it's "pretty heroic" to estimate market returns so far in advance, and says the exercise comes with "a great amount of uncertainty and a huge amount of humility." Nonetheless, investors with a long view need an anchor—a starting point from which they adjust their portfolio over time, he says.

BlackRock sees large-company stocks returning an annualized 7.2% over the next three decades. But given the uncertainties of such a long-range forecast, returns as high as 10.5% and as low as 4.0% fall within a reasonable band of probability. "We're looking at a chunk of time ahead" during which economic growth will face pressure from aging demographics, subdued productivity and "the elephant in the room—significant debt accumulated globally," says Boivin. "It makes sense to expect less from U.S. large-cap stocks."

U.S. small-cap stocks should edge their bigger brethren, with an expected annualized return of 7.5% through 2050. The top-performing stock groups: Chinese shares (10% annualized return), followed by large-cap emerging-markets stocks (8.9%) and European large caps (7.6%). The U.S. bond market in aggregate could deliver 2.5%, according to the 30-year forecast. ■

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Good Old Days

LONG-TERM AVERAGES

Stocks have delivered double-digit returns over the long haul but could take a breather from here.

Asset Class	Total return*
Small stocks	11.6%
Large stocks	10.2
U.S. govt. bonds	5.7
U.S. Treasury bills	3.3
Inflation	2.9

From January 1926 through July 2020. *Annualized. SOURCE: Morningstar

MILLENNIAL MONEY | Rivan Stinson

How to Negotiate a Break on Rent

It's the first of the month, and you know what that means: The rent is due. But if the cost of your rent gives you sticker shock each month (as mine does), you may be able to get relief.

The fallout from the COVID-19 pandemic has led to a decline in rents in Washington, D.C., New York City, San Francisco and other major metro areas, as folks either leave city life for the less-dense suburbs or move because they can't afford their existing rent. And although I don't plan to abandon the D.C. area and return to the Michigan suburbs, the downward trend in rents has me thinking it's time to start negotiating with my apartment manager.

Know your market. Before I moved to my most recent place in the summer of 2018, I tried to negotiate a lower rate with my old apartment manager. I liked where I was living, and I thought I had a good case for a break. I was never late with the rent, and management rarely heard from me unless it was a real emergency. (My electricity went out a couple of times during the winter, and I woke up without heat.) I was unsuccessful, however, in part because I didn't research the rental market around me.

"Tenants should look around when their lease is up for renewal and see what rent prices are in comparable communities to get an idea of the market," says Amy Hedgecock, owner of Fowler & Fowler Realtors, in High Point, N.C. Knowing the rates in your area will help you set realistic expectations when you ask for a break, or let you know if you're already paying a below-market rate, she says.

THE DOWNWARD TREND IN RENTS HAS ME THINKING IT'S TIME TO ASK MY APARTMENT MANAGER TO REDUCE MY RENT.

If you've lost your job or encountered other financial difficulties, provide your landlord with as much documentation as you can to show why you deserve a break. For example, provide pay stubs to show your hours have been cut, or your unemployment benefits check if you've lost your job. You should also provide photos to show how well you've maintained your unit. Rent negotiations won't go far if you're always late paying your rent or don't keep your apartment clean.

The type of landlord you have also matters. A large apartment management corporation may have more flexibility to lower your rent than a mom-and-pop landlord who relies on your rent to pay the mortgage and property taxes.

Tenants who are able to move when the lease is up have more leverage, Hedgecock says. Landlords typically don't want to lose out on rent payments while they fix up the unit and find a new tenant.

Post-negotiation checklist. If your talks are successful, get everything in writing. All parties need to know how long the rent reduction will last and any other stipulations, such as an agreement to stay longer than your lease requires.

If your negotiations are unsuccessful, don't pack up and leave if there's still time on your lease. Breaking a lease could make it more difficult for you to find another apartment. If you've found cheaper apartments in your area, your best bet is to wait until your lease is up and then move.

In the event that unemployment or another financial crisis leaves you with no choice but to break your lease, tell your landlord you're having money issues and need to move out. Then, clean the apartment and "sweep yourself out the door," says Hedgecock. It will help the landlord turn over the apartment and make your departure more amicable.

Even though my last attempt at negotiations left a sour taste in my mouth, I'm going to give it another try when my lease is up for renewal next summer. I'll research comparable rents in my area before I ask for a lower rate. My big landlord may not play ball, but nothing ventured means nothing gained. ■

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POON WATCHARA-AMPHAIWAN

BASICS

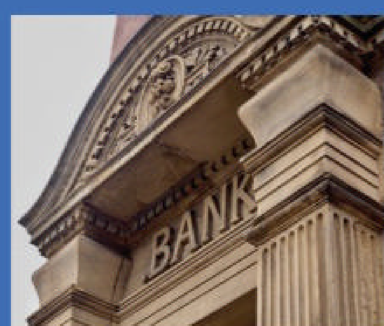
PROTECTION FOR YOUR ASSETS

At a time when Americans are saving more than ever, you need to know how your money is insured.

THE FEDERAL DEPOSIT Insurance Corp. covers bank deposits. The Securities Investor Protection Corp. protects brokerage accounts. But in December 2018, Robinhood, the brokerage firm and mobile app, announced that it was offering a high-interest checking and savings account insured by SIPC, and SIPC promptly challenged the claim. A day later, Robinhood said it would re-brand and rename the product.

Robinhood has since introduced a cash-management account that sweeps customers' uninvested money into bank accounts insured by the FDIC. But the incident reflects the lingering confusion about the difference between the FDIC and SIPC.

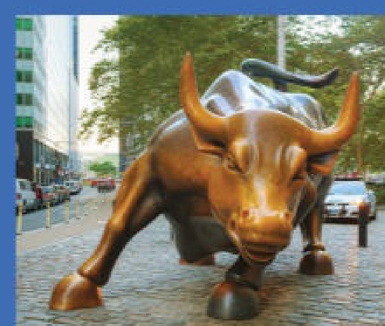
KNOW YOUR LIMITS



Federal Deposit Insurance Corp. (FDIC)

Insures $250,000 per depositor, per bank, for each account ownership category.

What it covers: checking, savings and money market deposit accounts, certificates of deposit, cashier's checks, money orders.



Securities Investor Protection Corp. (SIPC)

Guarantees up to $500,000 per brokerage account (with a limit of $250,000 in cash).

What it covers: stocks, bonds, mutual funds and cash that's on deposit to purchase securities.

Savings protection. Established during the Great Depression, the FDIC ensures that bank deposits are safe, even if the bank goes under. The FDIC, which is funded by premiums paid by banks and savings associations, protects up to $250,000 in individual deposit accounts and up to $250,000 for each person's share of joint accounts. FDIC insurance covers money in checking, savings and money market deposit accounts, along with certificates of deposit and official items issued by a bank, such as cashier's checks and money orders. The coverage extends to depositors' accounts at each insured bank, including IRAs, living trust accounts and payable-on-death accounts. To determine whether a bank is FDIC insured, look for the FDIC sign at the bank, go to www.fdic.gov or call 877-275-3342. You can find out if your accounts are fully covered with the FDIC's Electronic Deposit Insurance Estimator at https://edie.fdic.gov.

The FDIC doesn't insure money invested in stocks, bonds, mutual funds, life insurance policies or annuities, even if these investments are purchased at an insured bank.

Investment protection. SIPC, meanwhile, protects brokerage accounts. Brokerages are required by law to keep customers' investments separate from their own funds, but if the firm fails and customers' assets go missing—due to theft, fraud or unauthorized trading, for example—SIPC can replace customers' cash and securities. It doesn't get involved until the firm has exhausted all other options, such as merging with another brokerage firm. (Look for the SIPC disclosure on a brokerage firm's website, or check the membership directory at www.sipc.org.)

SIPC isn't a government agency and doesn't have the authority to investigate fraud at brokerage firms. That's up to Finra, the industry's self-regulatory organization, and the Securities and Exchange Commission, which refers brokerage failures to SIPC. After that, SIPC will file an application in federal district court, which will notify customers.

SIPC first divides up the broker's remaining assets among investors, then uses its own funds—up to $500,000 per account, with a limit of $250,000 in cash—to buy the same number of shares you originally owned and replace your cash. Depending on the amount of property the brokerage is able to recover, you may receive more than $500,000, says Josephine Wang, CEO of SIPC. SIPC has been successful in making most customers whole, Wang says.

If your bank fails, you don't have to do anything—the FDIC will mail you a check. But if your brokerage fails, you must file a claim, and you should do it as soon as possible. If your securities decline in value after you file your claim, you won't be reimbursed for losses that occur while your account is in limbo. **EMMA PATCH**

Emma_Patch@kiplinger.com

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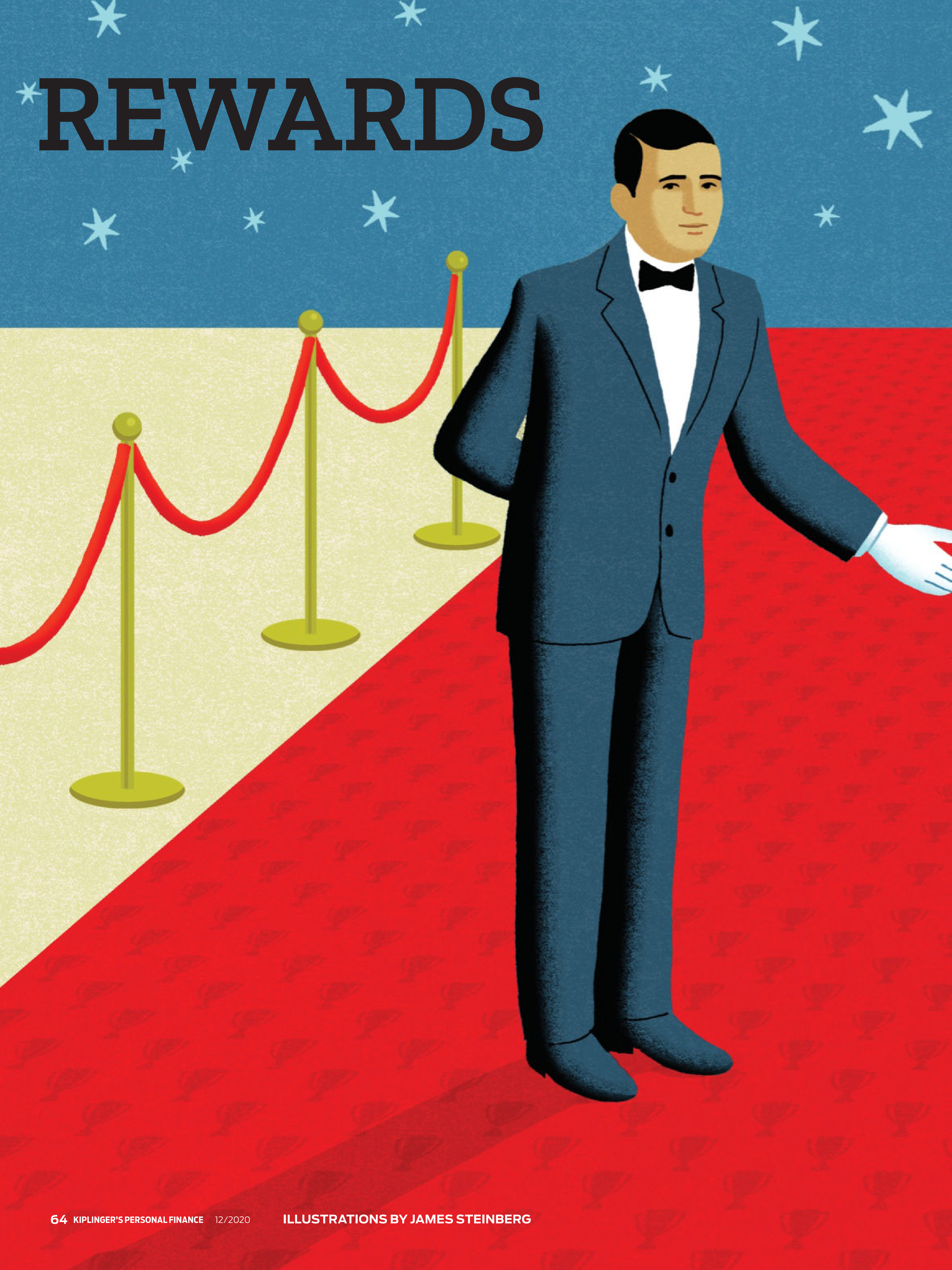
REWARDS



 ILLUSTRATIONS BY JAMES STEINBERG

Financial Service Firms That Treat You Like a Star

BY LISA GERSTNER

As a personal finance publication, we spend a lot of time evaluating the numbers when we recommend financial institutions and their products. We spotlight banks that offer high interest rates and low fees on checking and savings accounts, and we note credit card issuers that provide ample cash back or points on everyday spending. When you're in the market for a mortgage, we encourage you to shop for a low interest rate, and we advise you to regularly compare premiums on home and auto insurance policies. // But many would argue that exceptional customer service is just as important as low fees or competitive interest rates. An insurance company is worth its weight in gold if its agents are responsive and fair when you're dealing with a damaged car or home. A mortgage lender that helps pave the way to a smooth close on a home purchase can save you a lot of headaches. And banks and credit card issuers with strong customer service teams can quickly put a lid on fraudulent activity or other problems with your accounts.

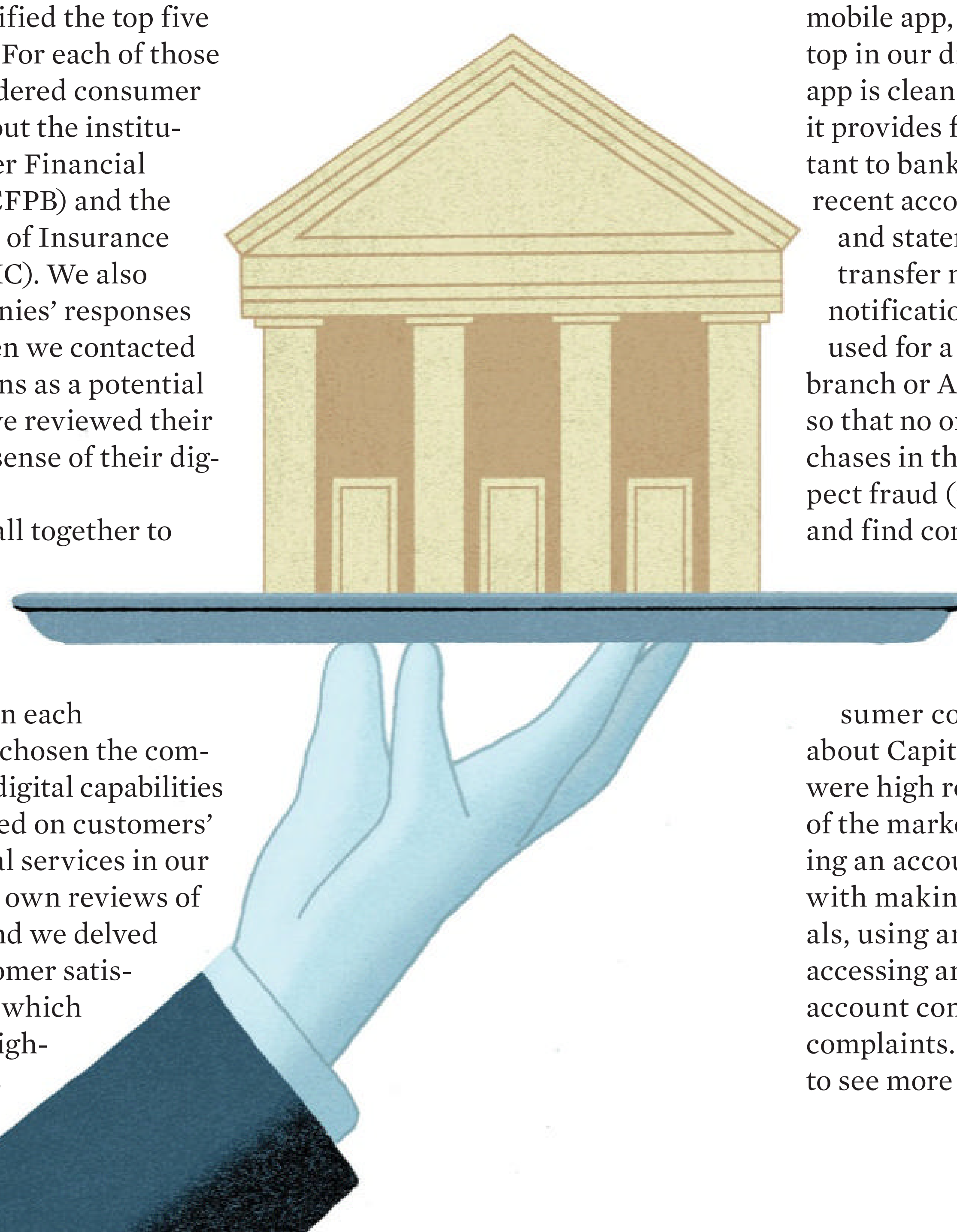
That's why we're introducing our rankings of large companies with the best customer service in four categories: banking, credit cards, mortgages, and home and auto insurance. We started with 10 large companies in each of those categories, then crunched a lot of numbers to determine the champions. We conducted a national survey of current customers to gauge their experiences with the companies and identified the top five based on the results. For each of those businesses, we considered consumer complaints made about the institutions to the Consumer Financial Protection Bureau (CFPB) and the National Association of Insurance Commissioners (NAIC). We also evaluated the companies' responses (or lack thereof) when we contacted them to pose questions as a potential new customer, and we reviewed their mobile apps to get a sense of their digital prowess.

Then we pulled it all together to give each company a score and award medals to the overall first, second and third place winners in each category. We've also chosen the companies with the best digital capabilities in each category, based on customers' ratings of their digital services in our survey as well as our own reviews of their mobile apps. And we delved deeper into our customer satisfaction survey to see which firms stand out for high-net-worth customers as well as those in certain age groups. (For more details on how we made our selections, see the box on page 70.)

BANKS

GOLD: Capital One
SILVER: TD Bank
BRONZE: Chase
Best Digital Tools: Capital One

Whether you have a checking account, savings account, certificate of deposit or line of credit with a bank, you want its customer service department to come through when you need help. For example, if you suspect that a criminal has unauthorized access to your bank account—which can cause serious and urgent complications, especially if funds you need for everyday expenses disappear—quick and decisive action is a must. Banks with great service should readily assist with any other issues or questions that you have, too—say, arranging transfers or resolving difficulties with deposits or withdrawals.



Capital One, which has increasingly shifted its focus to its online banking segment in recent years, clinches first place in our bank ranking. It was a top scorer in our customer service survey, and it far outperformed many of the other finalists when we phoned the company to pose questions as a potential new banking customer. Some other banks had no apparent contact numbers for new customers or directed callers to visit their website or a branch to open an account. Capital One, however, had friendly, knowledgeable agents available both times we called.

Survey respondents scored Capital One's digital capabilities more highly than those of other banks, and that, combined with our own review of its mobile app, pushes Capital One to the top in our digital category, too. The app is clean and uncomplicated, and it provides features and details important to bank customers. You can view recent account balances, transactions and statements; deposit checks; transfer money; receive an instant notification when your debit card is used for a purchase; find a nearby branch or ATM; lock your debit card so that no one can use it to make purchases in the event you lose it or suspect fraud (you can later unlock it); and find contact information to call Capital One's customer service line.

On the downside, the volume of consumer complaints to the CFPB about Capital One's banking services were high relative to the bank's share of the market. Problems with managing an account (such as difficulties with making deposits and withdrawals, using an ATM or debit card, or accessing an account) and closing an account composed the majority of complaints. And we would have liked to see more options for ways to contact

MORE RESULTS FROM OUR SURVEY

TOP-RATED BANKS AMONG...

High-net-worth respondents:* Capital One

Age 50 and over: Capital One

Younger than 50: Chase

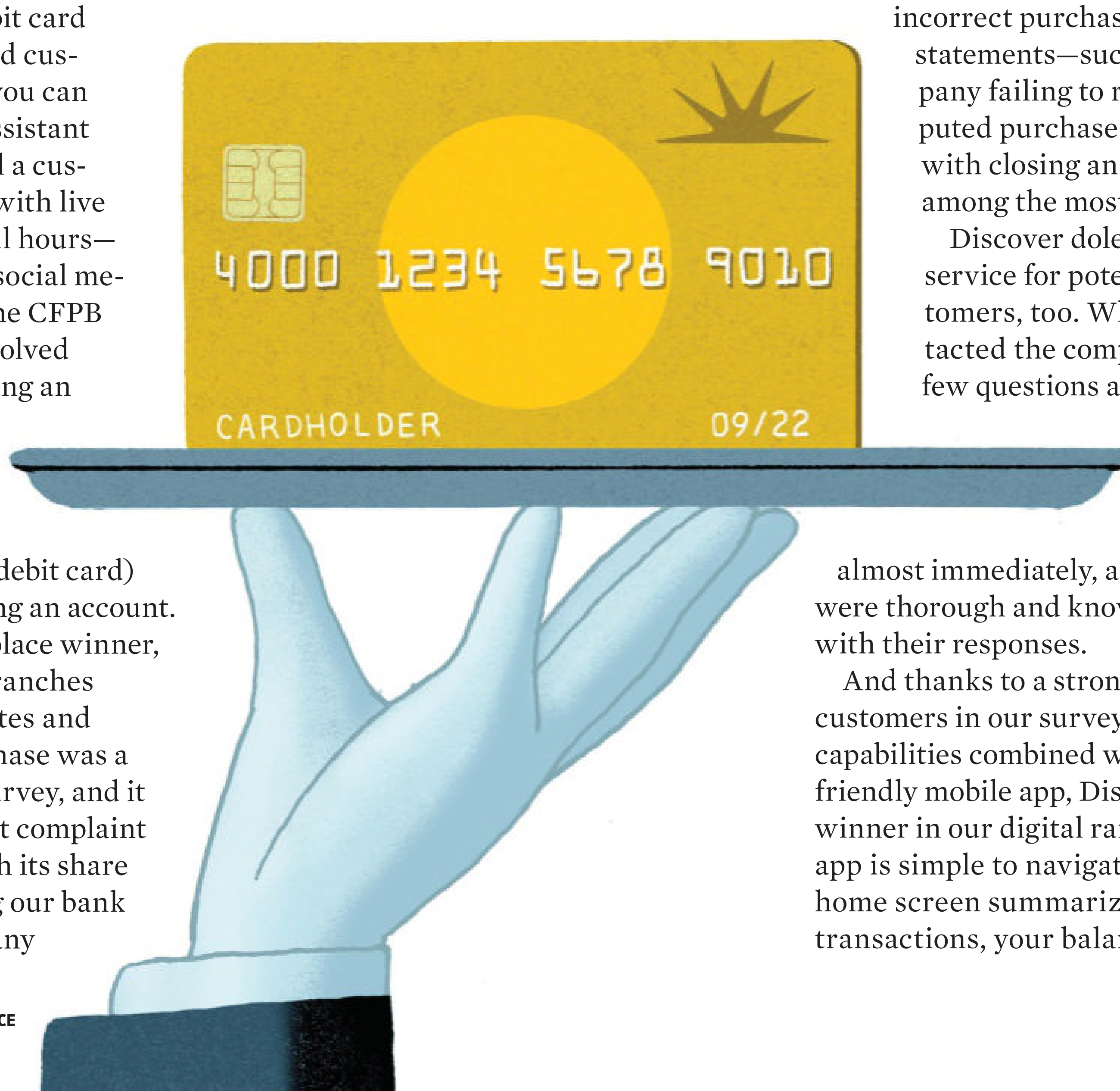
*Household assets of $250,000 or more

the company within the app.

TD Bank, which has branches in 15 eastern states and Washington, D.C., takes second place. It performed well in our survey, and it was one of a handful of banks for which we were able to get a customer service representative on the phone at least once when we called with a few questions as a potential new customer. Its mobile app can be a bit difficult to navigate—for example, from some screens, you have to go to the menu and then hit the home link to get back to the opening screen—but it has a clean interface and packs in plenty of features for bank customers, who can check their balances and recent transactions, deposit checks, set account activity alerts, lock and unlock their debit card and more. If you need customer service help, you can try using a virtual assistant through the app, call a customer service line—with live agents available at all hours—or connect through social media. Complaints to the CFPB about TD mostly involved trouble with managing an account (including difficulties with making deposits and withdrawals or using an ATM or debit card) and problems opening an account.

Chase, our third-place winner, is a big bank with branches spread across 38 states and Washington, D.C. Chase was a high scorer in our survey, and it had one of the lowest complaint levels compared with its share of the market among our bank finalists. As with many other banks, problems with deposits and withdrawals and using an ATM or debit card were major causes of complaints. We docked some points from Chase because we were unable to reach a representative on the phone when we wanted to ask questions as a potential new customer.

Current customers who responded to our survey were mostly happy with Chase's digital capabilities, and our review of its mobile app revealed a decent range of features, including options to see your available account balance and recent transactions; set activity alerts; transfer money; lock and unlock your debit card or order a replacement card; and use budgeting tools that help you see your cash flow, estimate how much you have to save or invest, and review the amounts you've recently spent in certain spending categories. You can get customer service phone numbers through the app, but it recently came with a disclaimer that call centers have "extremely long wait times" because of COVID-19 impacts.



CREDIT CARD ISSUERS

GOLD: Discover
SILVER: American Express
BRONZE: Chase
Best Digital Tools: Discover

If you find an unauthorized transaction on your credit card account, having tools available or representatives on hand to swiftly remove the charge and issue you a new card number is essential. You'll also appreciate great service if you have a problem involving your card's interest rate, fees, rewards or any other terms, and a feature-rich mobile app makes it a snap to manage your account on the go.

Discover stood out in every area we evaluated, handily boosting it to the number-one spot. It scored more highly than any other card issuer in our survey, and the number of complaints about Discover in the CFPB database were reasonably low in comparison to Discover's share of the credit card market. Among the complaints consumers lodged about Discover, problems with suspect or incorrect purchases on card statements—such as the company failing to resolve a disputed purchase—and issues with closing an account were among the most common.

Discover doled out great service for potential new customers, too. When we contacted the company to ask a few questions about card features, we reached a human on the phone almost immediately, and the reps were thorough and knowledgeable with their responses.

And thanks to a strong rating by customers in our survey for digital capabilities combined with a user-friendly mobile app, Discover is the winner in our digital ranking. The app is simple to navigate, and the home screen summarizes recent transactions, your balance, the amount of credit available to you and your cash-back bonus balance. The app also packs in several useful features: You can set up activity alerts (to notify you when a payment is due or paid, for example); freeze your card so that no one can make charges to it in case you lose it (you can unfreeze it if you later find the card); and order a replacement card if yours is lost or compromised.

Cardholders can also view their FICO credit scores and get fraud-monitoring alerts—for example, notifying you if your Social Security number shows up on internet black markets or if a new inquiry appears on your credit report. And the app makes it easy to contact customer service, listing phone numbers and social media information as well as offering the option to message representatives through a chat feature.

American Express, landing in second place, also rose in our rankings thanks to a solid all-around performance. Our survey respondents gave it high scores, and complaints to the CFPB were fairly low relative to Amex's share of the market. Common complaints included problems with purchases shown on a billing statement, trouble using a card, advertising and marketing issues (such as consumers not receiving advertised or promotional terms), and other difficulties with features and terms, such as problems involving rewards.

MORE RESULTS FROM OUR SURVEY

TOP-RATED CREDIT CARD ISSUERS AMONG...

High-net-worth respondents:* **Chase**

Age 50 and over: **American Express and Discover (tie)**

Younger than 50: **Chase**

*Household assets of $250,000 or more

Like Discover, American Express was one of the few issuers that were friendly and responsive when we posed as a potential new customer with questions; phone wait times to reach knowledgeable representatives were mercifully short. Amex's mobile app is capable, and then some. You can view statements and balances, make payments, receive activity alerts, see your FICO score, switch your account off or on in case you lose your card, and order a replacement card. A couple of other nice features: You can split purchases with users of peer-to-peer payment apps PayPal or Venmo through the app, and it's easy to find customer service contact information by tapping a box that appears in the upper right corner of the app no matter what page you're on.

Chase takes third place, with a strong survey score and an especially low number of complaints compared with its share of the market among our credit card finalists. As with our other winners, complaints about purchases shown on a statement were common. Customers also had problems with closing an account and with other features and terms. Chase lost some points because we were unable to contact a customer representative when acting as a potential new customer. But its mobile app has some appealing features. As with apps of many other major issuers, you can check your card balances and recent transactions on the go, set up activity alerts, manage payments, order a replacement card and switch your card off and on. Plus, you can see a free VantageScore credit score and check the "Daily Snapshot" feature to see charts that show recent card transactions and the amounts you've spent in categories such as travel and food and drink.

MORTGAGE LENDERS

GOLD: **Quicken Loans**
SILVER: **U.S. Bank**
BRONZE: **Chase**
Best Digital Tools: **U.S. Bank**

Because buying a home may be the biggest financial transaction you ever undertake—and securing a home loan and getting to settlement can be stressful and time-consuming—working with a mortgage lender who is knowledgeable and available when you need help makes the process go a lot smoother. And once you have the house keys in hand and start making mortgage payments, solid customer service continues to be valuable. (The lender that originated your mortgage may sell the loan or transfer servicing of it to a different institution, but the loan terms will not change.)

Our winner, Quicken Loans, took the top spot with a commanding lead. Quicken is a nonbank lender and the largest issuer of residential mortgages in the U.S., funding $124 billion in loan volume in the first six months of 2020, according to Inside Mortgage Finance, an industry research firm. Despite its behemoth status, its CFPB complaint tally regarding mortgages in the one-year period we studied was just slightly more than 400, compared with complaint counts approaching or topping 1,000 for some of its competitors. Among complaints about the company, nearly 40% involved applying for or refinancing a mortgage.

Quicken also performed well in our customer service survey, and we were able to reach a representative on the phone who could answer our questions as a potential new customer. We like the handy online calculators Quicken provides to help you calculate your potential mortgage payment, the maximum home price you can afford, whether renting or buying makes sense, and more. Through Quicken's Rocket Mortgage website and app, you can get a rate quote and apply for a home purchase loan or a refinance.

U.S. Bank earns second place overall, receiving high marks in our survey. Its CFPB complaint count was below the expected level based on the lender's size, with most complaints involving trouble during the payment process, difficulties for customers struggling to pay their mortgage, and problems applying for or refinancing a mortgage. A large national bank with branches in 27 states, U.S. Bank is a good choice if you prefer in-person service. But we also had a pretty good experience when we called the bank as a potential new customer with a few questions.

U.S. Bank is the leader in our digital category, too, earning the highest score among mortgage lenders in our survey for digital capabilities and offering an impressive array of tools within its app and website. You can check your mortgage balance, make payments, download statements and set alerts for when statements and tax documents become available. Soon, you'll be able to use the app to track your home's estimated value. Plus, the app has tools to show you how quickly you could retire your mortgage by adding money to your monthly payment. Another helpful feature: If you want to call customer service, you can see estimated phone wait times on the app and request a call back rather than wait on hold. You can also use a voice-activated virtual assistant to get information on balances and payment due dates.

Rounding out the top three mortgage lenders is Chase. It performed respectably in our survey, and the proportion of complaints about Chase to the CFPB is about on par with the lender's share of the mortgage market, with most complaints involving customers who had trouble during the payment process or were struggling to pay their mortgage. Along with using Chase's mobile app to view account balances and statements, make payments and set activity alerts, customers can use the MyHome feature to view their home's value and get information about sales and value trends in their neighborhood.

MORE RESULTS FROM OUR SURVEY

TOP-RATED MORTGAGE LENDERS AMONG...

High-net-worth respondents:* **Bank of America**

Ages 18 to 34:† **U.S. Bank**

*Household assets of $250,000 or more

†Too few respondents in other age groups to name winners among older customers.

HOW WE CHOSE THE WINNERS

We started by identifying 10 of the largest companies in each category. For banks, we used Federal Reserve data regarding the institutions' domestic assets. For credit card issuers, we examined information from industry publication *Nilson Report* about issuers' total credit card purchase volume. For mortgages, we checked lending volumes for residential properties, using data from industry research firm Inside Mortgage Finance. And for home and auto insurers, we used data from the National Association of Insurance Commissioners on the dollar value of premiums written.

Then we scored our finalists in four areas. Half of the total score is based on responses to a September 2020 nationwide survey of current customers, conducted by Brown Oak Audience Insights, regarding their experiences with the companies. We asked respondents to rate representatives' availability to provide assistance, timeliness of the companies' response to questions and concerns, how satisfactory the companies' actions to resolve questions and concerns were, and how knowledgeable representatives were. We also asked respondents to rate the companies' digital capabilities as well as their overall satisfaction with the firms.

To determine 30% of the score, we checked volumes of complaints about the companies to regulators and analyzed how the complaint totals for each company compared to the firm's share of the market. For banks, credit card issuers and mortgage lenders, we evaluated complaint submissions in the Consumer Financial Protection Bureau's complaint database between July 1, 2019, and June 30, 2020. For home and auto insurers, we checked 2019 complaint data from the National Association of Insurance Commissioners.

For 10% of the score, we rated the success of our attempts to contact each company by phone and online, how quickly representatives were reachable, and how thorough and helpful their responses were. For the final 10% of the score, we judged the features and user-friendliness of our finalists' mobile apps. To name digital winners in each category, we added our app review score to the digital-capability ratings that survey respondents provided.

AUTO AND HOME INSURERS

GOLD: Farmers Insurance
SILVER: Geico
BRONZE: USAA
Best Digital Tools: Geico

Auto and home insurance are vital services that you hope you never have to use. When you do need to file a claim for damage or theft involving your home or vehicle, working with an insurer that can efficiently process claims and employs representatives who are knowledgeable and quick to respond helps offset the inconvenience that comes with dealing with home or car repairs.

Farmers Insurance takes the top spot in our ranking of insurers, thanks in large part to an exceptionally low number of complaints relative to the company's share of the market. Complaint volumes were especially small for homeowners insurance policyholders, but complaints about auto insurance were also well under the amount expected for a company of its size. Farmers did not score quite as high overall in our survey as Geico or USAA, but it earned a good rating and got high marks for agents' knowledge and availability.

When we called the company posing as a potential new customer, we had the same positive experience, with agents providing thorough answers to our questions. The mobile app includes many features that customers have come to expect from major insurers, including the ability to view coverages and deductibles; make payments; pull up digital versions of auto insurance ID cards; file claims and submit photos of damage to your home or car; and find contact information for your agent.

Geico, sliding into second place, is owned by Warren Buffett's Berkshire Hathaway and is one of the country's largest auto insurers. It doesn't write homeowners policies, but you can buy home insurance through Geico's agency and get a discount for bundling it with auto insurance. Geico fared well with customers in our survey, and its agents proved helpful when we called to pose a few questions as a potential new customer. Complaints about Geico to insurance regulators were below the expected level based on the company's market share.

Geico's mobile app is a highlight and helps boost the company to the top of our digital ranking among insurers. The app is attractive and easy to navigate, and it hosts an appealing array of features, from digital insurance ID cards to claim filing and tracking to a tool that provides an estimate of vehicle damage based on photos you submit. It also has a gas station locator to steer you to the cheapest gas nearby and provides several avenues to contact customer service—through a virtual assistant for answers to basic questions, via e-mail or by phone (you're directed to the right phone number based on your needs).

USAA, which offers insurance to military servicemembers and their families, posted a close third-place finish. It scored the highest among respondents in our survey and maintained a decently small number of complaints relative to its market share, though not low enough to push the company to the top of the overall ranking. Survey respondents were highly satisfied with USAA's digital capabilities, and, as with the other top contenders in the insurance category, its mobile app is easy to use and runs the gamut of features, including digital auto insurance ID cards, access to details about your policies, and multiple avenues to contact customer service. You can use the "automated agent" to get answers to basic questions or connect with a live agent through a phone call or web chat. However, USAA's app isn't as robust as Geico's, which allowed Geico to edge out USAA for second place. ■

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MORE RESULTS FROM OUR SURVEY

TOP-RATED HOME AND AUTO INSURERS AMONG...

High-net-worth respondents:* Geico

Ages 50 and over: Geico

Younger than 50: USAA

*Household assets of $250,000 or more

MAKING IT WORK

COVID Clipped This Pilot's Wings

American Airlines furloughed him on November 1. Now his career track is cloudy.

PROFILE

WHO: David Hodas, 39

WHAT: First Officer, American Airlines (on furlough)

WHERE: Kinnelon, N.J.

What was your day-to-day routine like before the pandemic hit? I joined American Airlines in December 2018, but I've been flying for about 12 years. And because I'm based in the New York area, I fly out of all three New York airports, usually on a 737 International. On a typical day, I'd wake up, drive to JFK, fly down to Antigua, spend the day there and then fly back the next day. It was actually pretty great.

How did the coronavirus affect your work? At first, no one really knew what was going on. At the end of March, we had just taken off from Antigua and had about four hours to go to JFK when they tried to turn us around. Someone working in the air traffic control center at JFK had tested positive for COVID-19, and they had to shut down the whole facility. Luckily, we were able to work our way through other facilities. But after that, people just stopped flying.

How did American Airlines respond to the pandemic? Unfortunately, they've had to cut more than 50% of the flights, so they're just bleeding money. The company has been trying to cut costs as much as possible. Some of the larger planes have become only cargo flights. And they've been working with the pilot unions to figure out ways to reduce costs.

How so? There was an early-retirement option for pilots older than 62, a voluntary short-term paid leave of absence, and a voluntary unpaid extended leave. I took the short-term paid leave of absence. I was completely off the schedule, but they still paid me for a reduced number of hours. The first CARES Act gave airlines money they needed desperately, and in turn they had to promise not to furlough anybody until after September. That gave the employees extra time to plan. Then October 1 hit.

Do you know when your furlough will end? No, but your job is still waiting for you when you're on furlough. Once the airline is in a secure financial position, they'll start offering furloughed pilots their jobs back.

How has being a pilot during the pandemic affected your personal life and your family? It has been the longest I haven't flown in quite some time. We have a third grader, a first grader and preschooler, so I became a stay-at-home dad. I would have made more money not taking the paid leave and finding a way to keep flying. But then we would have had to pay for child care. It has been really beneficial for us to have me be at home with the kids.

How are you surviving financially? We've had a pretty good emergency fund for quite some time, and we've been paying down our small amount of credit card debt little by little. Now we've cut our spending and expenses substantially, putting away a lot more in savings each month. Also, my wife just started a new job. For a while, she was working as a freelance writer. Having me home meant she could focus more on grabbing extra assignments. With her new job, and with me on furlough, we'll be switching to her health insurance.

How optimistic are you about the future of the travel industry? Before this happened, passenger numbers and revenues were great. We can get back to that point, but I think it's going to take a while. A lot of it is public perception. It's actually very safe to fly. But just getting people to be comfortable in an airplane for a few hours—that's the hard part. A vaccine will be a huge game changer. I hope the industry will be leaner and more efficient when we do come back. EMMA PATCH

PHOTOGRAPH BY COLIN MILLER