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ANNUAL FORECAST ISSUE

Kiplinger's PERSONAL FINANCE

MONEY SMART LIVING

WHERE TO INVEST IN 2020

- 8 trends moving the market p18
- 10 best stocks of the past decade and 10 more for the future p25

PLUS
Your 2020 Financial To-Do List p47

"I believe the bull market will reach its 11th birthday in March."
Lindsey Bell
Chief Investment Strategist,
Ally Invest
p21

JANUARY 2020

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FOUNDED 1947

VOL. 74 NO. 1

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IN EVERY ISSUE

ON THE COVER: Photo by Natalia Weedy, Styled by Robbie Forrest

COURTESY KATHY TRAN FOR DELEGATE CAMPAIGN

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CAN YOU FLY WITH THAT?

Take our new quiz to avoid last-minute hassles at the airport's security checkpoint.

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RETIREE TAX MAP

Updated for 2019, our guide to taxes in all 50 states on retirement income, property and your estate helps you pick a tax-friendly retirement destination.

kiplinger.com/links/retireetaxmap

DIVIDEND STOCKS FOR THE 4% RULE

The strategy: Withdraw 4% from your nest egg each year in retirement, and your money should last as long as you do. These stocks will help.

kiplinger.com/links/4percent

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Mark Solheim

100 Years of Advice

Every January, we gaze into our crystal ball and try to predict what's ahead for your money in the coming year. On page 18, executive editor Anne Smith tackles the markets and your investments. And on page 47, contributing editor Lisa Gerstner has compiled a month-by-month financial to-do list designed to improve your bottom line. We make a nod toward the new decade, too, with a roundup of the 10 best-performing stocks in Standard & Poor's 500-stock index over the past 10 years (see page 25), as well as a list of 10 promising stocks for the coming 10 years (on page 28).

Celebrating our roots. The year 2020 is also a significant anniversary for the Kiplinger Washington Editors: our centennial. One hundred years is a long time for a media company to survive, especially in an era when publishers are trying to reinvent themselves to rely less on advertising, and print is an endangered species.

THE YEAR 2020 IS A SIGNIFICANT ANNIVERSARY FOR THE KIPLINGER WASHINGTON EDITORS: OUR CENTENNIAL.

In 1920, the U.S. economy was entering a nearly decade-long boom, powered by rapid growth in industry and technology, the mass production of consumer goods (including the Model T automobile), and access to easy credit.

Willard M. Kiplinger formed the Kiplinger Washington Agency that year, with the mission to provide information about government and the economy to business clients. "Kip," who had covered the U.S. Treasury for the Associated Press during World War I, also began sending his clients occasional bulletins with judgments and forecasts on a variety of Washington topics. In 1923, these letters morphed into the weekly *Kiplinger Washington Letter.*

As Kip's son Austin Kiplinger wrote in his 2011 memoir, "A new style of journalism and publishing was born: straight to the point, no frills, unvarnished, written the way people talked." Other publications followed: the *Tax Letter* in 1925, the *Agriculture Letter* in 1929 and, much later, state letters and even a short-lived Europe-based letter.

After WWII, Kiplinger introduced another innovative publication: a magazine that would counsel readers on how to deal with financial issues in their personal lives, with the same no-frills, to-the-point writing style. It would also routinely employ the pronoun "you," leading to the birth of second-person journalism. Cost of an annual subscription: $6, or the equivalent of $77 in today's dollars.

The Kiplinger Magazine soon changed its name to *Changing Times.* (That is what the magazine was called when I joined the staff fresh out of college four decades ago.) The magazine accepted advertising for the first time in 1981, then changed its name again in 1991, to *Kiplinger's Personal Finance.*

Today, the newsletter and tax letter are still going strong, and we have added *Kiplinger's Retirement Report* and *Investing for Income* to the stable of publications—as well as our website, Kiplinger.com, and a weekly podcast.

We entered a new chapter in February 2019. After 99 years of family ownership, Kip's grandson, Knight Kiplinger, sold the business to Dennis Publishing, a British media company. Dennis has its own rich history. It was founded in 1973 by Felix Dennis, a colorful personality who was friends with John Lennon and had a knack for creating popular, successful magazines. (Felix died five years ago.)

Dennis is expanding and introducing innovations across its brands. The company is investing in Kiplinger and supporting all our publications, including this print magazine. That means we will continue to provide the same trustworthy, valuable advice we've been delivering for 100 years. ■

POON WATCHARA-AMPHAIWAN

MARK SOLHEIM, EDITOR
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The unique character of the U.S. insurance-based payment system would be hard to dismantle and replace without enormous social and economic disruption ("From the Editor," Nov.). The partially for-profit system in the U.S. generates a lot of progress, jobs and economic wealth for this country (while also distorting international comparisons). Pricing regulation is not the answer. Better to take small bites at resolving the cost issues. Perhaps private industry should be asked for its solutions for various subsets of problems, especially for those who develop serious costly illnesses, whether insured or not. It will be interesting to see what develops from the JP Morgan, Amazon, Berkshire Hathaway consortium trying to address these issues.

FRANCIS LEDWIDGE
WESTHAMPTON BEACH, N.Y.

Our doctors and other health care professionals are trapped in a system that puts them in a secondary position of providing health care. Unfortunately, quite often it's some insurance company employee who decides who will get the health care services people need. The tide in America is changing. People are fed up with being denied basic health care because their government refuses to put an end to the free-wheeling, take-it-or-leave-it policies of our health care industry.

ED FUNAI
DUNNSVILLE, VA.

My family and I lived in Canada for four-plus years. Though usually referred to as Canadian health care, it is in fact province-by-province health care. We lived in Ontario and routinely used our Ontario Health Insurance Plan. For routine care and services, it is a terrific system. But wait times for a routine diagnostic procedure, such as an MRI, can be months. Need to see a specialist? You only have access through your family physician, and sometimes it can be very difficult to find a family physician accepting new patients.

DON WALLACE
PLANO, TEXAS

Agree 100% that health care is too expensive. But tying obesity and mortality rates to our current system? Americans are obese because they choose to ignore good health. It's personal behavior, not high costs. Mortality rates? I'd like to see how drug and alcohol abuse as well as parent neglect impacts those numbers.

FRANK WOODS
BUFFALO, N.Y.

FIRE for all. When I saw FIRE in your title, I was prepared to read yet another millennial-shaming article about 20-somethings buying avocado toast while living in their parents' basement ("Rethinking Retirement," Nov.). Instead, your article clearly articulated the benefits of increasing your savings and minimizing expenses, all while benefiting from low-cost index funds. After a year of mentioning FIRE to my parents and grandparents, this is the first time they actually saw why this movement is becoming popular.

PETER BROWN
BROOKLYN, N.Y.

Credit card rewards. Please help your readers understand the difference between points and miles ("The Best Rewards Cards for You," June 2019). Airline-branded cards earn miles on that particular airline, while unbranded cards, like the Capital One Venture Visa, earn points that are redeemable for travel on various airlines. The non-branded cards are trying to make it sound as if you earn airline miles for your purchases. This is confusing to a lot of people, at least the ones I have talked to. Ask your friends to explain the two and see what you get.

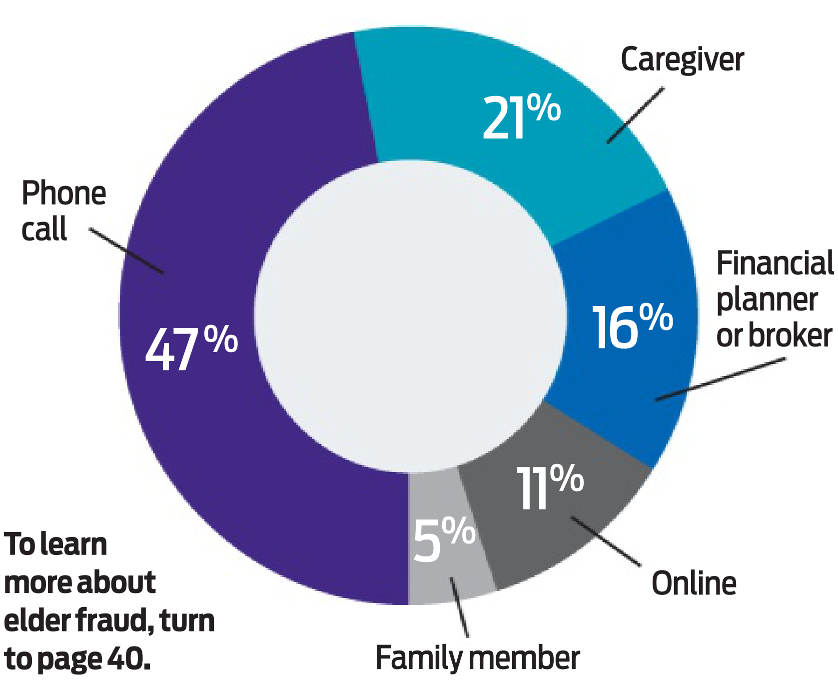
PETER NEUHAUS
VIA E-MAIL

Deflation behavior. Whether he expected inflation or deflation, no investor would agree to negative interest ("Ahead," Nov.). He'd rather put his money in his safe-deposit box or cookie jar.

JAMES KELLER
OAKLAND TOWNSHIP, MICH.

Q READER POLL

If you or someone in your family has been a victim of elder fraud, where did it originate?



To learn more about elder fraud, turn to page 40.

CONTACT US

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., Washington, DC 20005, or e-mail to feedback@kiplinger.com. Please include your name, address and daytime telephone number.

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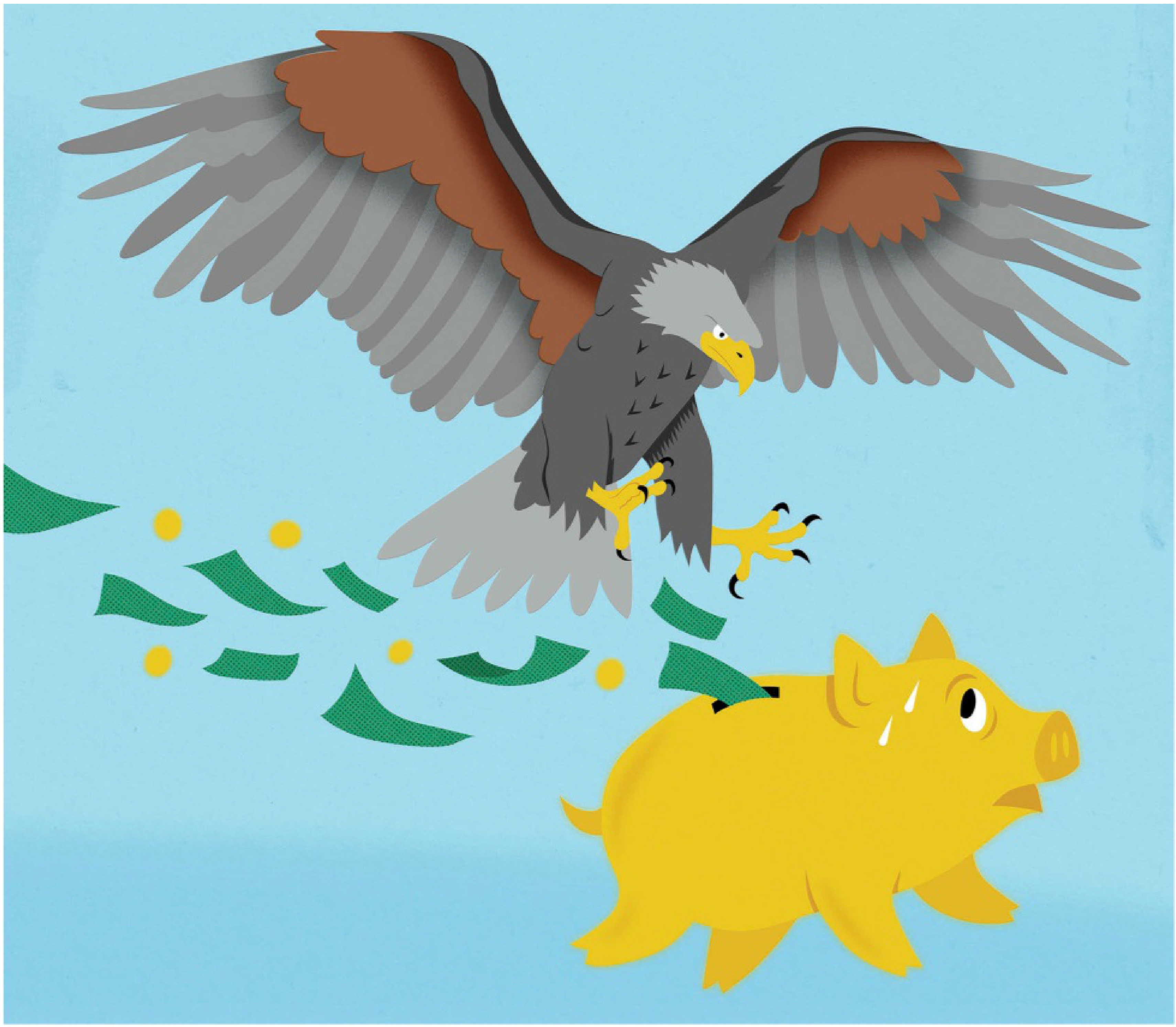
AHEAD



TOPIC A

ESTATE TAXES COULD HIT THE NOT-SO-WEALTHY

Democratic candidates are talking about raising the death tax to fund their proposed initiatives.

BY SANDRA BLOCK

DEMOCRATIC PRESIDENTIAL candidates Elizabeth Warren and Bernie Sanders have unveiled ambitious plans to fund universal health care and other programs by hiking taxes on the wealthiest Americans. But lurking beneath proposed tax hikes on the super rich are measures that could affect a broader swath of taxpayers.

ILLUSTRATION BY MITCH BLUNT

Both Warren and Sanders want to lower the amount of assets exempt from federal estate taxes—$11.58 million per person in 2020—to $3.5 million. Sanders has also proposed increasing the estate tax rate, which now tops out at 40%, to 45% to 77%, depending on the size of the estate.

If either candidate is elected president, "there will be a pretty strong push to increase estate taxes by raising rates or lowering exemptions or both," says Howard Gleckman, senior fellow at the Urban-Brookings Tax Policy Center.

Democratic presidential candidates have also expressed an interest in narrowing or eliminating a provision in the tax code that benefits heirs who inherit assets that have appreciated in value. Now, when you inherit securities or other assets, the cost basis of those assets is "stepped up" to their value on the date of the original owner's death. If you turn around and sell the securities, you won't owe any capital gains, even if they've increased significantly in value since they were purchased. Former vice president Joe Biden has proposed eliminating the step-up to help pay his higher-education initiatives.

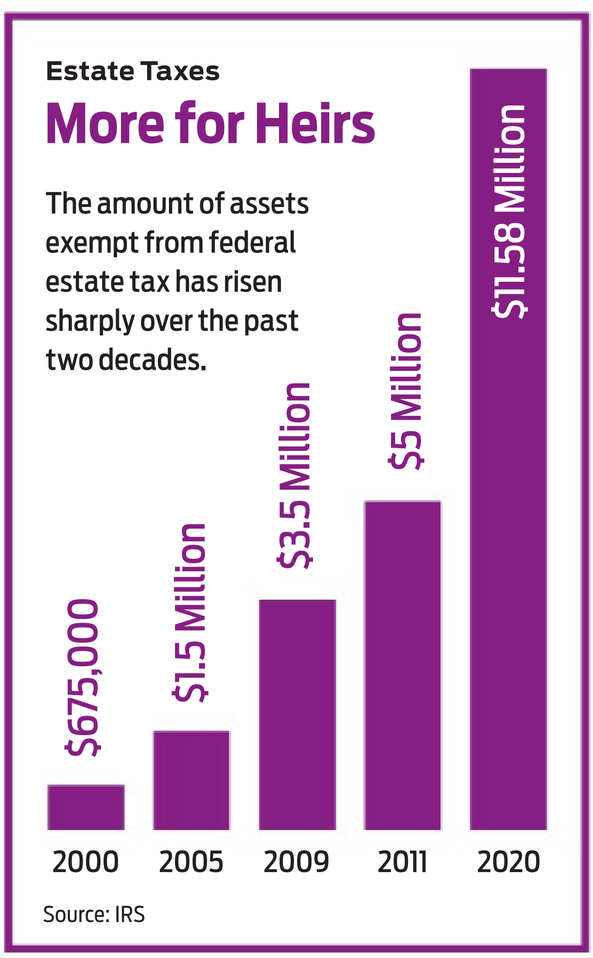
Presidential candidates—and future presidents—who want to increase revenue from estate taxes face some strong headwinds. While the idea of a wealth tax on plutocrats has a lot of support, estate taxes are widely unpopular, even among people who will never have to pay them, says Joseph Thorndike, director of the Tax History Project at Tax Analysts, which publishes information for tax professionals. Many people believe it's fundamentally unfair to tax inherited wealth, he says. "Lowering the exemption might exacerbate the problem of the tax's unpopularity."

The clock is ticking. No matter who is elected president, the generous federal estate tax threshold is living on borrowed time. Under sunset provisions in the 2017 tax overhaul, the current exemption is scheduled to revert to about $5.5 million in 2026 unless Congress moves to increase it.

Ryan Losi, a certified public accountant with Piascik in Glen Allen, Va., says he's advising clients whose estates exceed that threshold to start planning now. "November will be an indicator of whether it drops down earlier than the sunset," he says.

If you're concerned that lower exemptions could reduce the amount you'll leave to your heirs, there are numerous ways to avoid estate taxes. The easiest strategy is to give away assets while you're still alive. In 2020, you can give $15,000 to as many people as you want without filing a federal gift tax return. As long as your gifts remain below the limit, they won't eat into your exemption from federal estate taxes.

If you have a significant amount of appreciated stock or mutual funds in taxable accounts, you can reduce the size of your estate and lower your current tax bill by giving the securities to charity. If you've owned the securities for at least a year, you can deduct the fair market value of the securities when you donate them. You won't have to pay taxes on the capital gains, and the charity won't, either. If you're not sure which charities you want to support, a donor-advised fund provides a tax-savvy way to make regular gifts to your favorite causes. These funds, offered by Schwab, Fidelity, Vanguard and other financial firms, allow you to make a large deductible contribution in one year and decide later how to dole out the money.



State estate taxes. These strategies could also help you avoid state estate taxes. Eighteen states have an estate or inheritance tax—which is paid by heirs, rather than by the estate—and in some of these states, the threshold is much lower than the federal exemption is.

Oregon and Massachusetts tax estates valued at $1 million or more, with a top tax rate of 16%. Rhode Island taxes estates valued at $1.56 million or more, at rates ranging from 0.8% to 16%. Washington taxes estates valued at $2.2 million or more at a top rate of 20%. (For more on estate and other state taxes that affect retirees, see "Moving to Another State? Check Out Taxes First," on page 56.)

President Donald Trump recently changed his residency from New York, which taxes estates valued at $5.74 million or more, to Florida, which has no estate tax (or income tax, either). Other well-off individuals have made a similar move. A recent study published by the National Bureau of Economic Research found that as wealthy individuals age, they're less likely to live in a state with an estate tax.

Some states have sought to stem the migration by gradually increasing the amount of assets exempt from their estate taxes. But don't look for states to abandon their estate taxes entirely. The NBER study also found that the loss of revenue from people who moved to other states was more than offset by estate tax revenue from wealthy residents who stayed put.

PAY TO PLAY

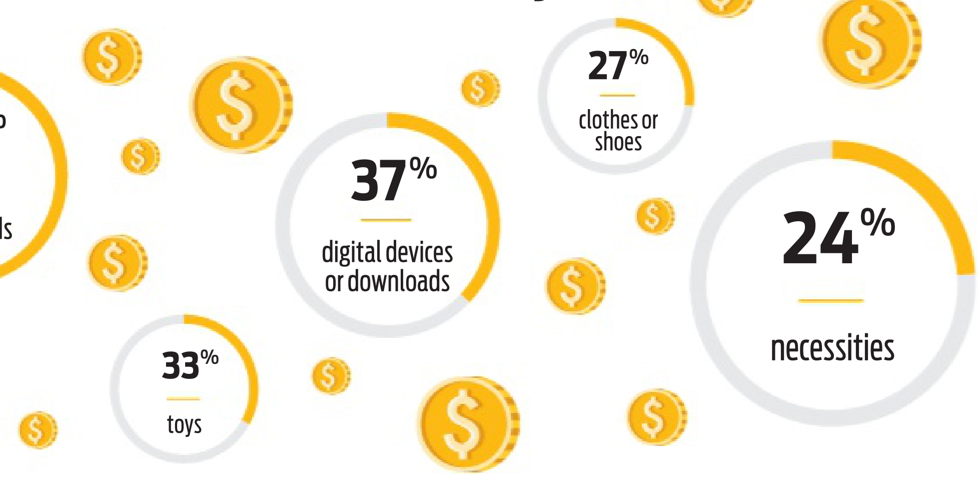
TEACHING KIDS TO MANAGE THEIR MONEY

A weekly allowance can be an important tool.

THE AVERAGE WEEKLY allowance is now $30, according to a recent survey by the American Institute of Certified Public Accountants. If they saved it, kids would have enough cash to buy a used car within a few years. But kids aren't banking most of their allowance. They're spending most of it on outings with friends, digital devices and downloads, and toys, AICPA says.

Whether your child's allowance is above or below the average, the lessons delivered with the money are more important than the amount. If you require your kids to perform chores to collect an allowance, they will understand that they must put forth an effort to earn a paycheck, says David Almonte, a member of the AICPA Financial Literacy Commission. If you increase your child's allowance each year, you can use it as an opportunity to talk about inflation. Even if you can't afford an allowance, take advantage of everyday activities, such as buying groceries, to impart financial lessons. Rather than set hard parameters on the amounts that your kids should spend and save, let them come up with a budget with some guidance from you. If they blow their allowance and fail to save enough for bigger items that they want, they may figure out how to delay gratification while the stakes are low. "Let them make some mistakes while they're young and can learn from them," says Roger Young, senior financial planner for T. Rowe Price. **LISA GERSTNER**

Where Does the Money Go?



AIR MAIL

HERE COME THE DRONES

Drones aren't just for hobbyists anymore. Companies are racing to be among the first to use these lightweight, unmanned aircraft to deliver everything from medical supplies to food and electronics.

In the fall, United Parcel Service was the first to receive broad approval from the Federal Aviation Administration to operate a fleet of drones to deliver packages. UPS is using drones to deliver medical supplies within two hospital campuses—in Raleigh and Salt Lake City—and the company has partnered with CVS Health to develop a drone delivery service, recently running tests in Cary, N.C. Walgreens, which partnered with Alphabet's Wing Aviation, is testing drone delivery for food, beverages and some medical supplies in Christiansburg, Va. Amazon, DHL, FedEx and Uber, as well as delivery companies like Flytrex and Zipline, are also working on plans to make drone deliveries.

For now, drones are being used primarily to deliver medical supplies and medications—which don't weigh much and are often time-sensitive—as companies work to prove they can make deliveries safely. Small, lightweight household items will be next, says Jacob Reed, director of the unmanned systems degree program at Lewis University, in Romeoville, Ill. He predicts that large companies will start making regular drone deliveries within five years.

KAITLIN PITSKER

INTERVIEW

SCHWAB IS BULLISH ON 0% COMMISSIONS

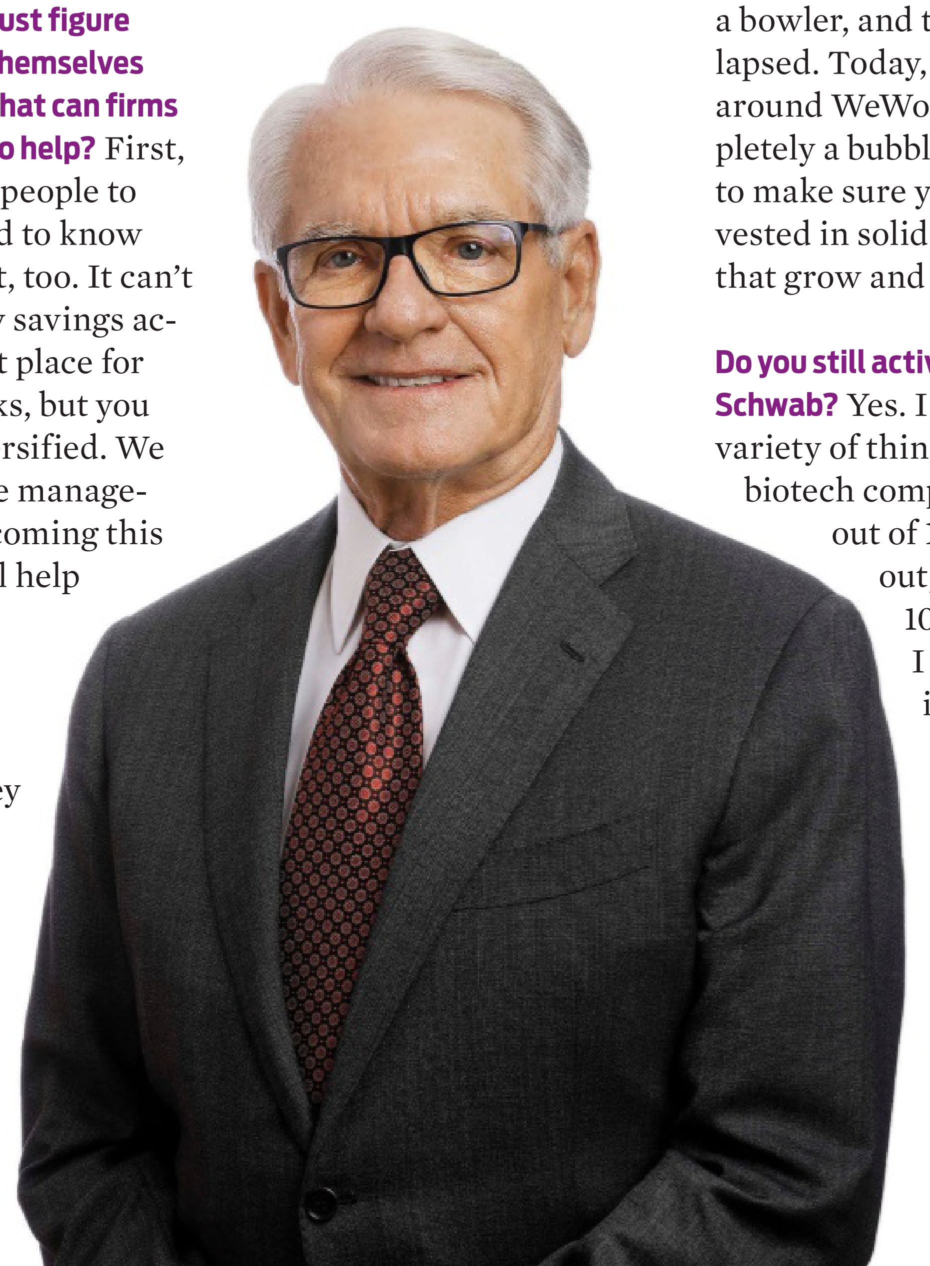
The discount brokerage founder also wants to boost financial literacy.

Charles Schwab's latest book, Invested, *is part memoir and part ode to the brokerage firm he founded that in many ways changed how Americans invest. He chronicled the firm's beginnings for Schwab employees, he says, so they would never "lose their compass" for the company's mission: To come up with new ways to make investing easier and cheaper. We recently interviewed Schwab at the Kiplinger offices in Washington, D.C.*

Most Americans don't have a pension and must figure out how to pay themselves in retirement. What can firms like Schwab do to help? First, we need to get people to save. They need to know how to invest it, too. It can't go into a sleepy savings account. The best place for growth is stocks, but you need to be diversified. We have an income management account coming this spring that will help people figure out how much to withdraw in retirement so that their money will last.

Does the firm have anything in the works for younger investors? Index funds are good investments, but they're boring. We want to get kids into buying stocks. We're launching fractional ownership, so customers can buy one-tenth of a share in a company. Ten shares of Amazon.com today would cost $17,000. Who has that kind of money? That's coming in the spring, too.

Schwab led the way with zero commissions. Will that encourage risky trading? If I could start Schwab over again, I'd have no commissions. I've always been down on commissions—it's the wrong way to deal with people in a fiduciary relationship. A $0 commission shouldn't change how investors behave, but it will let us talk about other things and help people figure out simple, low-cost ways to invest and accumulate assets.



Given the long bull market, have investors forgotten what a downturn looks like? There will always be bear markets. A stock can lose half its value in those periods. It's harsh at times. Recent bear markets have been marked by bubbles. It reminds me of an early lesson I learned in 1961. Back then, everybody was going to be a bowler. So all of the bowling stocks, bowling shoe and ball makers, they all had incredible valuations. Well, guess what? Not everybody was a bowler, and the stocks collapsed. Today, the concept around WeWork was completely a bubble. You want to make sure you are invested in solid companies that grow and innovate.

Do you still actively trade at Schwab? Yes. I invest in a variety of things, including biotech companies. One out of 10 might work out; others are 100% losses. I also have index funds, mutual funds and one large position in a single stock. I watch it very carefully.

NELLIE S. HUANG

COURTESY CHARLES SCHWAB

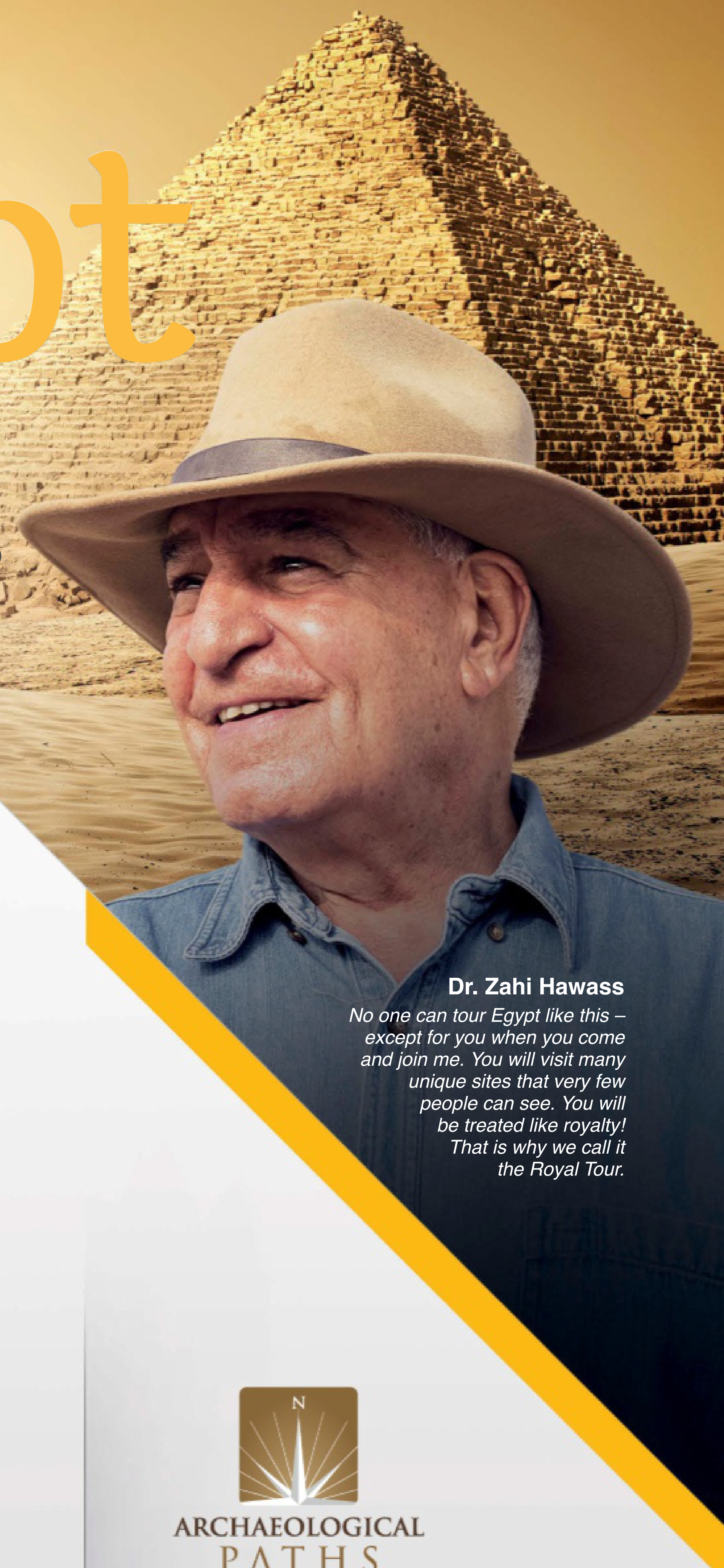
THE ROYAL TOUR TO

Egypt

with

Dr. Zahi Hawass

the Legendary Archaeologist



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Dr. Zahi Hawass

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A TOOL FOR CONSUMERS IS HERE TO STAY

AFTER DELIBERATING SINCE EARLY 2018, the Consumer Financial Protection Bureau has announced that its online collection of consumer complaints about financial services will remain publicly accessible. In response to claims from banks and other financial companies that the complaints are unverified and unreliable, the CFPB has added disclosures, such as one that notes the complaints don't represent a statistical sample of consumer experience.

Even with those caveats, the database can be a valuable tool. You can use the database to check up on a bank, lender or other financial firm before you do business with it. If you've filed a grievance with a credit-reporting bureau or financial firm and are dissatisfied with its response, you can submit your complaint at www.cfpb.gov/complaint. The CFPB will forward it to the company in question, and most reply within 15 days. On the same web page, you'll find a link to the database of published complaints, which allows you to search by date, company name and key words.

If you're preparing to complain directly to a company and the database shows that other customers are having issues similar to your own, mention it when you make contact—it may gain you leverage, says Ed Mierzwinski, of the U.S. Public Interest Research Group. **LISA GERSTNER**

CALENDAR
01/2020

WEDNESDAY, JANUARY 1

Starting today, American Express is shuffling its credit card benefits. Travel accident insurance and roadside assistance are being eliminated, extended warranties will last one year instead of two, and cardholders will have 90 days from the date of purchase—rather than the previous 120 days—to claim purchase-protection coverage for damaged or stolen items. Certain high-end cards, including Amex Platinum ($550 annual fee), will add trip delay insurance, as well as trip cancellation insurance.

▲ WEDNESDAY, JANUARY 15

If you received gift cards over the holidays, it's time to go shopping. The longer your gift cards go unused, the greater the risk that criminals will steal your card or PIN. Websites such as GiftCardGranny.com allow you to sell unwanted gift cards for cash or trade them for cards you'll actually use.

WEDNESDAY, JANUARY 22

Were you affected by the 2017 Equifax data breach? Today is the deadline to file your claim for four years of free monitoring of your Equifax, Experian and TransUnion credit reports at www.equifaxbreachsettlement.com. (If you already have credit monitoring, you can request a cash payment, but the amount will likely be disappointing.) You can also claim reimbursement for time or money spent recovering from the breach.

FRIDAY, JANUARY 31

Today is the deadline for employers to mail out W-2 forms to their employees. Once you get your W-2, you can start working on your taxes. Filing early is one of the most effective ways to prevent identity thieves from pocketing your tax refund.

DEAL OF THE MONTH

January is a great time to stock up on holiday decorations, according to DealNews.com. The selection won't be as broad as it was in December, but ornaments, lights and other items may be discounted up to 75%.

ISTOCKPHOTO.COM (2)

BRIEFING

INFORMATION ABOUT THE MARKETS AND YOUR MONEY.

BLOOMBERG

IMPEACHMENT: INVESTORS SHRUG

The market buckled briefly on news of a congressional inquiry into the possible impeachment of President Trump, but it bounced right back to new highs. There have been only two comparable situations. Standard & Poor's 500-stock index plunged nearly 30% between the so-called Saturday Night Massacre in October 1973, when Richard Nixon fired the Watergate special prosecutor, and Nixon's resignation in August 1974, precluding almost-certain impeachment. But stocks were already in a bear market brought on by an oil crisis and soaring inflation, and the economy was headed toward recession.

The ramp-up to Bill Clinton's impeachment in 1998 was marked by a 19% plunge in stock prices, but the blame went to a global currency crisis and the near-collapse of a prominent hedge fund. By the time Clinton was impeached, the market had rebounded 24% and the bull market had resumed, with investors focused on a growing economy, low inflation and low unemployment—similar to today's environment. "To the extent that President Trump is impeached but not removed from office, we believe the market will look past these political headlines," says Chris Zaccarelli, chief investment officer for the Independent Advisor Alliance.

IS THE BROKER CHECK-UP BROKEN?

Investors should no longer rely on the Financial Industry Regulatory Authority (Finra) BrokerCheck background disclosure system to investigate the background of brokers, according to a new report from the nonprofit PIABA Foundation, an association of lawyers who represent investors in securities cases. A review of the handling of 1,078 Finra arbitration cases from 2015 to 2018, in which brokers sought to expunge investor complaints from their record, shows that the process is being "systematically gamed, exploited and abused" by brokers and brokerage firms, the report says. Meanwhile, Finra is advancing a proposal that would create a roster of arbitrators who have enhanced training and experience to judge expungement cases.

17%

Percentage of employers who are very confident that their employees will be able to achieve a financially secure retirement.

SOURCE: TRANSAMERICA CENTER FOR RETIREMENT STUDIES

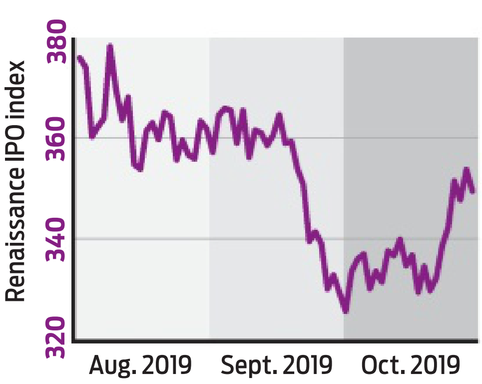
A BUMPY MARKET FOR IPOs

After peaking in July, the market for initial public offerings took a hard turn south in the third quarter, starting with a derailed debut for WeWork's parent company. The reason: lack of demand for the shares of a company that was once valued at $47 billion. The IPO market turned around in October but remains well below summer highs.

The speed bump showed "a rational lack of exuberance" for overpriced IPOs, says Northern Trust strategist Katie Nixon, proving investors are still paying attention to fundamentals. The Renaissance IPO index, reflecting the returns of a basket of the largest, most-liquid newly issued stocks, is up 28% for 2019 through October 31. That beats the S&P 500, up 23%.

IPO Ups and Downs

Investors are taking a harder look at dicey stock offerings.



REALITY SHOWS ARE TACKLING STUDENT DEBT

Ashton Kutcher's show *Going From Broke*, which launched on Crackle last October, approaches student debt repayment a bit like a "makeover" with budget reviews, information about refinance/repayment plans and discussion about the emotional toll of student debt. *Til Debt Do Us Part* (available on Amazon Prime and Tubi) tackles similar issues, while *Paid Off* (shown above; available on YouTubeTV, Amazon Prime, GooglePlay and Vudu) is a game show that awards winning contestants the exact amount of their student loan debt.

$4.72

The average combined ATM fee from your own bank as well as the ATM operator. That's from Bankrate's 2019 survey of bank fees, and it's a record high. Other findings: Monthly fees for interest-bearing checking accounts rose to $15.05, the average minimum balance required rose to $7,123, and interest paid was only 0.06%.

From *The Kiplinger Letter*

RECESSION ISN'T ON THE HORIZON

Worried about the possibility of a recession? Watch the unemployment rate...the only data point that has reliably determined the presence of a recession. Historically, if the three-month average of the rate moves 0.4 percentage points higher than the prior low, for reasons other than a labor strike, a recession is likely starting. The jobless rate rising above 4.0% would likely signal a recession is starting, since the current three-month average is 3.6%. Note that smaller moves often occur and don't signal a recession is near. We expect any recession in the near future to be shallow and short-lived. The recipe for a long, deep recession...major economic imbalances...isn't present.

UBER RIDERS ARE UBER CHEAPSKATES

Uber customers tip on about 16% of rides, and nearly 60% never tip, according to a study published by the Becker Friedman Institute for Economics at the University of Chicago. Men tip slightly more often than women—and tip higher amounts, as well—and female drivers receive tips slightly more often than male drivers. Lower tips are also associated with quick accelerations, hard braking and speeding.

FUND RATINGS GET A TWEAK

Morningstar recently changed the methodology behind its analyst ratings, making it harder for mutual funds to earn a gold, silver or bronze rating, and assigning more importance to fees.

COURTESY GOING FROM BROKE, PAID OFF

WHERE TO INVEST

Eight trends point to what we think is a modestly bullish outlook for stocks.

BY ANNE KATES SMITH

ILLUSTRATION BY THE PROJECT TWINS

Every bull market has its quirks, but this one, in its old age, has developed a split personality. After a near-death experience at the end of 2018, the bull recovered in 2019 and the stock market hit new highs, returning an incredible 23% by the end of October, as measured by Standard & Poor's 500-stock index. **//** And yet, this is no charging bull. It's more like a Ferdinand, the old children's book character who refuses to fight. What's so strange is that the march to record highs has been

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led by investments favored by the timid—big, U.S. blue chips, low-volatility stocks and defensive sectors more in demand during bear markets than in powerful upturns. Money flowing out of stock funds has belied the index gains. "We have a 20% run in the stock market led by all the bearish assets," says Jim Paulsen, chief investment strategist at the Leuthold Group. "All this reflects the weirdness of this recovery," he says. "It's truly a bull market led by bears."

We think the bull can manage a more modest run in 2020, with a good chance that market leadership will come from sectors more traditionally, well, bullish. The familiar litany of risks hasn't disappeared. But rather than obsessing about lurking bears and an imminent recession (at least for a while), it will make sense to mix a little offense with the defense in your portfolio. For some ideas on what to do with your money now, read about the trends we think will shape the market in 2020. Prices and other data are as of October 31.

1. STOCKS KEEP CLIMBING

The stock market has defied the odds by continuing to rise well into its 11th year, despite softening earnings growth, recession fears and a huge cloud of tariff-induced uncertainty. Some of those odds will shift a bit more in the bull's favor in 2020 as central bank stimulus works through the economy, earnings growth picks up, and investors regain an appetite for risk while at least a partial trade deal with China seems doable.

To be clear, we're not saying to go all-in on stocks at this late stage in the economic recovery and the bull market. Paulsen thinks an appropriate portfolio weighting now might be about halfway between whatever your maximum exposure is and your average stock exposure. And this is no time for complacency, says Terri Spath, chief investment officer at Sierra Funds. "You have to be tactical and have a plan for how you're going to manage volatility," she says.

It seems reasonable to expect the S&P 500 to reach a level somewhere between 3200 and 3300 in 2020. The conservative, low end of the range implies a price gain of just over 5% and, adding dividends, a total return of just over 7%. That translates to a Dow Jones industrial average of around the 28,500 mark. Whether our call is wide of the mark, and whether the peak in 2020 comes at midyear or year-end, depends largely on how much the U.S. presidential election roils the market. We'll also note that in 2020, a U.S. blue-chip barometer like the S&P 500 might not be your only gauge of success, as small-company stocks and foreign holdings may shine as well.

2. RECESSION FEARS RECEDE

U.S. manufacturing contracted in October for the third straight month, as global trade tensions continued to weigh on the sector. But the report was an improvement from the previous month, and similar indexes are showing more of an inflection. "You're seeing early green shoots that the manufacturing recession is bottoming," says Lindsey Bell, chief investment strategist at Ally Invest. (For more from Bell, see the interview at right.)

For the U.S. economy overall, Kiplinger expects growth of 1.8% in 2020, compared with an expected 2.3% in 2019 and 2.9% in 2018. Business spending in the U.S. has been subdued by uncertainty about a trade deal, the fallout from Brexit and angst over the presidential election. But with unemployment at decades-long lows, consumers, who account for the bulk of the U.S. economy, remain a strong underpinning. So does the Federal Reserve, which has cut short-term rates three times since June.

Kiplinger expects the unemployment rate to inch up to 3.8% in 2020 from 3.6% in 2019, and the Fed to cut rates at least once early in 2020. "The economy is in a tug-of-war between geopolitical risk and the underlying resilience of the American household, plus the Fed," says Mike Pyle, global chief investment strategist at investment giant BlackRock. He is betting on the side that has U.S. consumers and central bankers on it.

3. EARNINGS PICK UP

To say 2019 was a disappointing year for corporate earnings is an understatement. Wall Street analysts expect tepid profit growth of 1.3% for 2019, according to earnings tracker Refinitiv. But context is key: It's no surprise that 2019 earnings were flat compared with profits in 2018 that were supercharged by corporate tax cuts.

For 2020, analysts expect robust earnings growth of just over 10%. Those rosy projections are no doubt high—consider that a year ago, analysts predicted earnings growth of 10% for 2019, too. A more realistic expectation for earnings growth in 2020 is roughly half the consensus estimate, or 5% to 6%, says Alec Young, managing director of FTSE Russell Global Markets Research. Still, "that's sufficient to keep the market moving higher," he says.

Reversing 2019 trends, the strongest profit growth is expected from the energy, industrials and materials sectors—the three biggest laggards in 2019. Based on earnings estimates for the next four quarters, the S&P 500 is trading at 17.5 times earnings—higher than the five-year average P/E of 16.6 and the 10-year average of 14.9, but far from outlandish levels.

4. THE ELECTION TRUMPS EVERYTHING

Before worrying about the 2020 presidential election, investors must first parse the potential fallout from a presidential impeachment—or not. The view on Wall Street is that even if President Trump is impeached, his removal from office is unlikely, and the exercise will turn out to be neutral for stocks. "The whole impeachment process is more political theater than anything else," says Phil Orlando, chief

Expect a Year of Moderate Gains

LINDSEY BELL *is Chief Investment Strategist at Ally Invest*

Kiplinger: What do you see ahead for stocks in 2020?
Bell: I believe the bull market will reach its 11th birthday in March, but the magnitude of the gains will be keenly dependent on trade policy. For businesses to feel more confident and keep spending, we need a clear path to a resolution there. I don't think 2020 will be another double-digit year for returns. But I think stocks could still see a price increase in the low- to mid-single-digit percentages.

What's supporting stocks? I believe economic growth will improve throughout the year. The pickup will come from lower rates. They'll stay low for quite a while, even if there is a tick up by a quarter point or so late in the year. That will be a benefit to an already strong consumer. Corporations have been dealing with tariffs for more than a year—this is becoming a new normal. Because of that, companies are spending money to reroute supply chains all around the world, and that will be a benefit in 2020.

Where should investors put their money now? Value-priced stocks have taken the reins from growth-oriented stocks. While investors recalibrate and truly come to believe that economic growth will accelerate, they'll take advantage of value stocks—which are often the ones that see the biggest boost from an improved economy. Later in the year, however, you could see growth retake the reins.

Why is that? Economic uncertainty due to the election could drive investors to the old standby. Plus, look around the world. It's becoming more digitally connected, especially in the U.S. Not just iPhones or computers and laptops, but your car, your house, industrial and health care companies—everyone is moving in that wave. This is leading to greater earnings increases in growth sectors than in value, making it difficult for investors to avoid those greater growth opportunities. I believe you'll see growth return to favor by the second quarter or so.

So, you recommend technology stocks? Yes, tech and communication services.

What else do you like? I still feel confident in the U.S. consumer. We're getting to a point where employers are complaining about their ability to find qualified workers. Employers will have to either pay up or offer programs to train and educate the current workforce to fill those jobs. In a period of consumer strength, I see another leg up for consumer discretionary—stocks of companies that make nonessential consumer goods. But you have to dig in and look at where consumers are actually spending money. I like homebuilders, restaurants, certain hotel and travel companies, and some retailers.

How will the election impact the market? Political risk is going to be heightened in 2020. You might see some trends that are not normal, historically. A key factor is who the Democratic candidate will be—that's going to drive a lot of angst in the market. If it's a very liberal nominee, you could see the financial, health care or energy sectors underperform going into the election—usually, energy and financials are among the better performers. Consumer staples and utilities should maintain their historic trend of outperforming. I think that tech and communication services stocks (which have historically underperformed, pre-election) can do well, even with the threat of regulation hanging over them. I'd be surprised if any regulatory legislation got through Congress in an election year.

What other portfolio moves should people be thinking about? Small- and mid-cap stocks may perform better in 2020. Lower interest rates and improving economic growth will benefit those sectors, as will an increased appetite for risk from investors in an improving economic environment. You still want significant exposure to the domestic economy, but having some exposure to emerging markets could benefit your portfolio in 2020. I would consider a broad indexed approach.

What are the big risks in 2020? One risk factor that doesn't get talked about enough is government debt. National debt in the U.S. just keeps rising, and the government continues to increase budget deficits without focusing on cutting spending. We haven't been fiscally responsible.

PHOTOGRAPH BY NATALIA WEEDY

stock strategist at Federated Investors.

And although the election promises to be a nail-biting affair, consider that, dating back to 1833, stocks have returned an average of 6% in presidential election years, according to the *Stock Trader's Almanac*. In terms of election outcomes, the worst for stocks historically has been a Republican president with a split Congress, according to RBC Capital Markets (with 2019 being a glaring contradiction). Going back to 1933, whenever that leadership configuration has been in place, the S&P 500 has returned just 4% annualized (see the chart, below). The best returns, 14% annualized, come under a Democratic president and a split Congress.

No sector is more in the policy crosshairs than health care, with insurers and drug makers buffeted by proposals to curb prescription prices and expand Medicare. These are variations on familiar themes, and health care stocks often lag ahead of U.S. elections, reports Goldman Sachs, falling behind the S&P 500 by a median of seven percentage points in the 12 months preceding the 11 presidential elections since 1976. As a result, Goldman recommends that investors tilt away from health care stocks. Investors should tread carefully with other sectors most at risk of potential policy changes, including energy (climate risk disclosures, carbon emissions regulations, fracking bans) and financials (more regulation, caps on credit card interest, student debt forgiveness).

5. OFFENSE BEATS DEFENSE

It may seem counterintuitive at this late stage, but the market in 2020 could reward a little more risk-taking, especially when it comes to betting on cyclical stocks (those that are more sensitive to swings in the economy). "It has been rewarding to be defensively aligned over the past 18 months," says Mark Luschini, chief investment strategist at Janney Capital Management. "We're beginning to detect a subtle, but we think persistent, shift to cyclical sectors. We think that's where we want to be positioned in 2020."

Consider consumer discretionary stocks (those of companies that make nonessential consumer goods). Investors can take a broad-based approach with **CONSUMER DISCRETIONARY SELECT SECTOR SPDR** (SYMBOL XLY, $121), an exchange-traded fund whose top holdings are Amazon.com (AMZN) and The Home Depot (HD). Sam Stovall, chief strategist at research firm CFRA, says the firm's favorite discretionary stocks include automotive retailers **CARMAX** (KMX, $93) and **O'REILLY AUTOMOTIVE** (ORLY, $436). Bank of America Merrill Lynch recently recommended Mid-Atlantic homebuilder **NVR** (NVR, $3,637) in the wake of a pullback in the shares in mid October.

BofA also likes shares of industrial bellwether **CATERPILLAR** (CAT, $138), and it has raised its 12-month price target on the stock from $154 to $165 a share. Within financials, UBS Investment Bank recommends insurance giant **AMERICAN INTERNATIONAL GROUP** (AIG, $53) based on its outlook for improved underwriting results and increasing profit margins.

Tech is another promising sector for 2020, but with a twist, says Paulsen. "The large caps are over-owned and over-loved," he says. "Smaller names have done just as well, they have faster growth rates, and they're not in the crosshairs of regulators," he adds. Stocks in the S&P SmallCap 600 Information Technology index trade at close to the same P/E as stocks in the S&P 500 infotech index, Paulsen notes, when the former typically command an 18% premium. Worth exploring: **INVESCO S&P SMALLCAP INFORMATION TECHNOLOGY ETF** (PSCT, $91). Top holdings include Cabot Microelectronics (CCMP), Viavi Solutions (VIAV) and Brooks Automation (BRKS).

Don't abandon defensive holdings, such as consumer staples, utilities or low-volatility stocks. But you'll want to scout for the less-pricey names. For example, Credit Suisse has come up with a list of low-volatility stocks with what the firm considers more-reasonable valuations, including advertising firm **OMNICOM** (OMC, $77) and tech company **CITRIX SYSTEMS** (CTXS, $109).

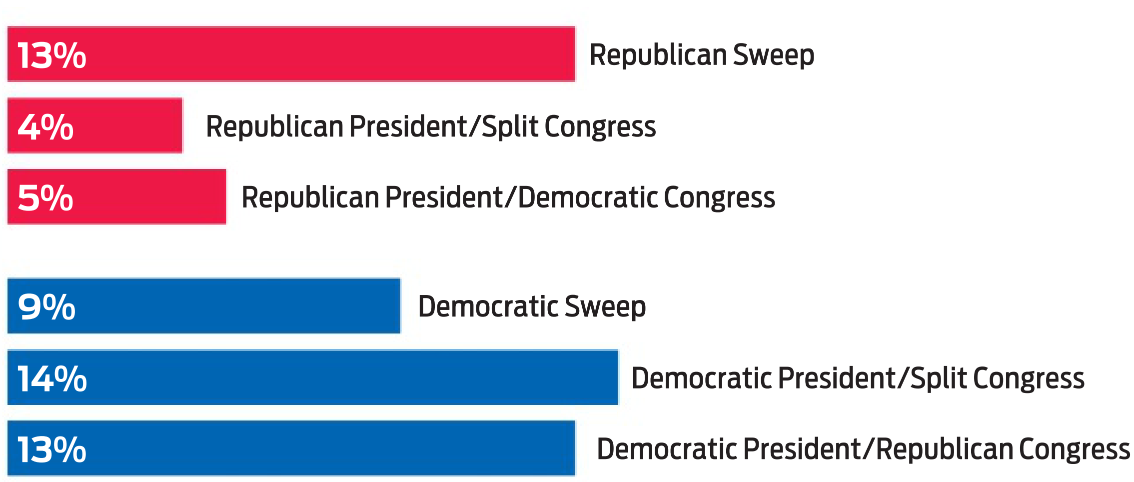
6. VALUE TAKES OFF

For years, value stocks (those that are bargains based on corporate measures such as earnings or sales) have not kept pace with growth stocks (those boosting earnings and sales faster than their peers). The S&P 500 Value

Voting Booth

ELECTIONS AND MARKET RETURNS

Average annual returns going back to 1933, shown below, have been strongest under a Democratic White House and split Congress.



SOURCES: RBC US EQUITY STRATEGY, HAVER. INCLUDES YEARS SINCE 1933.

index has trailed its growth counterpart by more than five percentage points over the past three years. Since September, however, the value index has trounced growth, returning 6.5%, compared with 2%. We've seen such head fakes before. But analysts at Bank of America Merrill Lynch see "a convergence of signs for a sustained value run." Among them: Value stocks, which tend to overlap with industries that are sensitive to economic swings, typically outperform when economic data start to perk up and when corporate profit growth accelerates.

Moreover, according to BofA, value stocks have been shunned by fund managers, leaving them both inexpensive and with lots of room to run. The S&P 500 Growth index recently traded at 22 times estimated earnings for the year ahead, compared with 15 for its value counterpart. Consider adding some value to your portfolio with two funds from the Kiplinger 25, the list of our favorite no-load funds: **DODGE & COX STOCK** (DODGX) and **T. ROWE PRICE VALUE** (TRVLX).

7. RATES BOTTOM OUT

Yields on 10-year Treasuries sank as low as 1.47% this past summer as recession fears reached a crescendo. Since then, the Fed has pushed short-term rates lower, and 10-year Treasury yields inched back up to 1.7% by the end of October—once again higher than shorter-term yields, thereby negating the dreaded recession harbinger of the so-called inverted yield curve. Still, Kiplinger doesn't expect 10-year Treasury yields to climb above 2% as long as the trade war lasts, which poses challenges for income investors. "You need the ballast of Treasuries in your portfolio when there's volatility," says Young, at FTSE Russell. "But with rates at crazy-low levels, it's important to get income from other sources as well."

High-yield bonds (avoid the oil patch), emerging-markets bonds and dividend-paying stocks such as real estate investment trusts and utilities are good places to hunt for yield. Funds to consider include **VANGUARD HIGH YIELD CORPORATE** (VWEHX), yielding 4.5%, and **TCW EMERGING MARKETS BOND** (TGEIX), yielding 5.1%. **SCHWAB US DIVIDEND EQUITY** (SCHD, $56), a member of the Kiplinger ETF 20 list of our favorite ETFs, invests in high-quality dividend payers and yields just over 3%. Spath, at Sierra Funds, is bullish on preferred stocks. **ISHARES PREFERRED AND INCOME SECURITIES ETF** (PFF, $37) yields 5.5% (For more ideas, see "Income Investing," on page 36).

8. OVERSEAS MARKETS REVIVE

A combination of low valuations and fewer headwinds could make international markets worth exploring in 2020. A comparison of MSCI market indexes in relation to expected earnings shows the U.S. recently trading at a P/E approaching 18, compared with almost 14 for the Eurozone and just 12 for emerging markets.

Meanwhile, the European Central Bank launched another round of monetary stimulus in October, and the Fed easing rates in the U.S. should help lift currencies and financial markets in emerging countries. Global trade tensions could de-escalate as the U.S. election approaches, and Britain's divorce from the EU has taken on a more civil tone.

"The good news on the policy front is recent and may take a few months to boost the global economy," says market strategist Ed Yardeni, of Yardeni Research. But in terms of portfolio strategies, he says, "the bottom line is that Stay Home has outperformed Go Global during most of the current bull market, but Stay Home could lag over the next six to 12 months."

A worthy choice for investors considering adding some international exposure is **DODGE & COX INTERNATIONAL STOCK** (DODFX), with an expense ratio of 0.63%. The fund, which reopened to investors this past spring, has a value tilt and at last report had nearly 20% of assets invested in emerging markets. Top holdings include two French firms, drug maker Sanofi and banker BNP Paribas. ■

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2019 Update

HOW WE DID

Last year's January outlook called for Standard & Poor's 500-stock index to finish between 2950 and 3000. We tempered our expectations in July, adjusting the target down to 2850, but it turns out we just about got it right the first time. Between last January's issue and this one, the S&P 500 returned 11.4%, including dividends, and sits at 3038 as of October 31. We called for heightened volatility, and investors got it in spades in a year that contained two short but sharp pullbacks and several new highs. We said the top risks for 2019 would be trade tensions and higher interest rates—the Federal Reserve put the kibosh on the latter, but the former continues to plague the market.

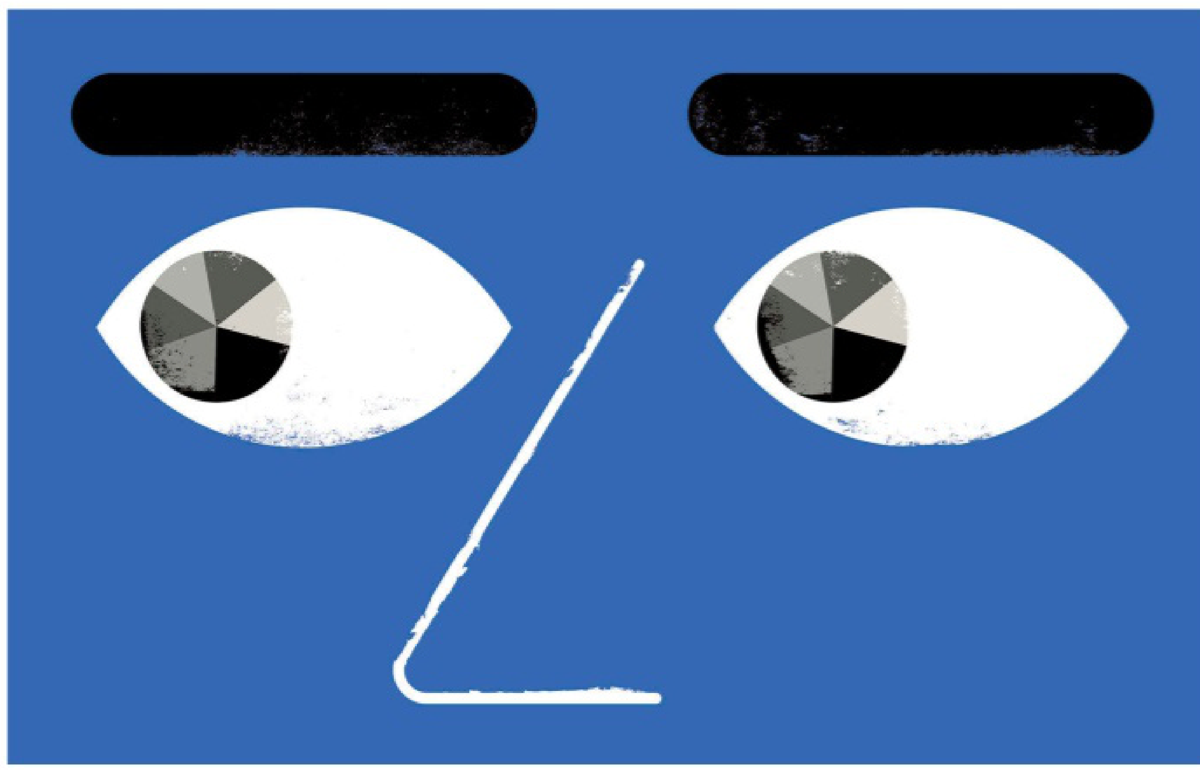
Our individual stock calls were a mixed bag. The eight stocks we recommended for 2019 returned 9.6%, on average. Biotech firm Celgene led the way, returning 46.0%. Alternative asset manager Brookfield Asset Management chipped in a 29.4% return, with medical lab equipment maker Thermo-Fisher rounding out the big winners, having returned 24.4%. Chip maker Intel and JPMorgan Chase rose 19.8% and 15.8%, respectively. Discount retailer Ollie's Bargain Outlet was the biggest dud, surrendering 30.0% thanks to huge sell-offs in December and August. Dow-Dupont and IT consulting firm Cognizant Technology also posted losses.

Among our five stocks to sell, only two lagged the broad stock market, and only one of those, Under Armour, fell in price. We were particularly foolish to diss Shake Shack, which returned an eye-watering 61.5%.

WINNERS

10 Best Stocks of the Past 10 Years

These companies powered through the past decade. Can they keep it up? BY NELLIE S. HUANG



AT THE CLOSE OF ANY DECADE, WE'RE OFTEN compelled to look back—especially at investment returns. Below, we highlight the 10 stocks in Standard & Poor's 500-stock index with the best 10-year records. The list has a few surprises, as well as some household names. Read on to learn why they soared and whether the good times will continue. Stocks are listed in order of total return; returns and other data are through October 31.

Netflix

10-year cumulative return: 3,522%

Netflix started streaming video in 2007, and the rest is history. Today, more than 158 million subscribers in 190 countries pay a monthly fee to watch its content, providing Netflix with a steady revenue stream. Although we still like the stock for patient investors with a speculative bent, they should definitely buckle up for a bumpy ride. Competition is getting stiff, with traditional media heavies, such as Disney and NBC, entering the business with their own streaming services.

MarketAxess Holdings

10-year cumulative return: 2,972%

Bonds are one of the last major asset classes to shift to electronic trading, and MarketAxess Holdings is a leader in this change. The company commands 80% of electronically executed trades of investment-grade corporate bonds and has stakes in high-yield, European and emerging-markets bond trading, too. A boost came from post-recession regulations that squeezed bond-trading volume at big banks. A focus on lower trading fees helped, too. MarketAxess is on track to report its 11th straight year of record revenue, operating income and bond-trading volume. Yet, "it's still early days," says Gary Robinson, a comanager of Baillie Gifford U.S. Equity Growth fund, who recommends the stock for the long term. The firm "is as strong as ever."

Abiomed

10-year cumulative return: 2,278%

Abiomed makes a temporary heart pump that improves blood flow and lets the heart rest, which lowers risk during heart procedures. Shares were flying high until a Food and Drug Administration letter in early 2019 warned that the pumps posed a risk for certain patients. In May, the FDA issued a second letter, stating that Abiomed's products were safe to use, but the damage was done. Sales fell short of analysts' expectations in the two most recent quarters, and the firm lowered its expectations for revenue and earnings for the current fiscal year, which ends in March. Shares are down 51% from their 52-week high. But overseas sales of pumps are rising fast, a sign the stock still has some room to run. Consider buying on further dips.

TransDigm Group

10-year cumulative return: 1,929%

Whether it's a Boeing or Airbus airliner or a Gulfstream jet, chances are, TransDigm Group made many of the plane's parts—seatbelts, pumps in the mechanical system and door locks. Growth in air traffic and defense spending fueled the stock's rise, as did the firm's purchase of some smaller companies. Aftermarket demand for its parts provides an annuity-like revenue stream, considering planes fly for decades. TransDigm stock is up 64% since the start of 2019, in part because of a one-time special $30-a-share dividend it paid in August. But the firm's

ILLUSTRATION BY THE PROJECT TWINS

acquisition strategy may be tapped out. TransDigm sports a high, 110% long-term-debt-to-capital ratio and a below-investment-grade single-B credit rating. We'd pause before buying shares.

Broadcom

10-year cumulative return: 1,809%

Broadcom makes chips for computer networks, data storage, smartphones, smart home devices and more. It has grown through acquisition of other chip firms, such as Bell Labs and Brocade. But Charles Lemonides, chief investment officer of hedge fund ValueWorks, sees little internally generated revenue growth and says the recent purchase of CA Technologies, for $18.9 billion in cash, was too pricey. Slumping demand for Broadcom's chips has hurt sales, and higher tariffs have weighed on the stock. Analysts expect average earnings of 12% annualized over the next three years, just par for the industry. Lemonides sees Broadcom shares heading lower, and he has sold the stock short.

Align Technology

10-year cumulative return: 1,316%

If Align Technology gets its way, braces will go the way of the VCR. The company makes Invisalign, those orthodontic trays called clear aligners that have spawned a dozen copycats. Align shares are down 36% from a high of $391 in 2018 thanks to increased competition, a slowdown in sales in China and a disappointing third quarter. Even so, trading at 49 times expected earnings over the next 12 months, the shares are still expensive based on historical measures and compared with peers. Align is growing fast, but we'd wait for a lower entry point to buy shares.

United Rentals

10-year cumulative return: 1,262%

These days, many industrial and construction firms would rather rent an earthmover or power tool than buy their own. United Rentals, which rents thousands of types of equipment at 1,172 locations in North America, provides "the right piece of equipment at the right time for the right company," says Brian Sponheimer, a portfolio manager at Gabelli Funds. United, the biggest player in its business, has lately been investing in technology to track its equipment—how often each item is used and when service is needed. Recession fears and slower growth at the firm have weighed on the stock since 2018, making it compellingly cheap.

Rearview Mirror

THE BEST OF THE S&P 500

The top stocks range from retailers to tech giants to industrials.

Company (Symbol)	Price*	Market value (billions)	Cumulative return for the decade†	Value of $1,000 invested 10 years ago
Netflix (NLFX)	$287	$126.0	3,522%	$36,520
MarketAxess Hlds (MKTX)	369	13.9	2,972	30,725
Abiomed (ABMD)	208	9.4	2,278	23,778
TransDigm Group (TDG)	526	28.1	1,929	20,286
Broadcom (AVGO)	293	116.2	1,809	19,090
Align Technology (ALGN)	252	20.2	1,316	14,158
United Rentals (URI)	134	10.0	1,262	13,616
Extra Space Storage (EXR)	112	14.5	1,237	13,365
Amazon.com (AMZN)	1,777	880.9	1,221	13,207
Ulta Beauty (ULTA)	233	13.7	1,198	12,982
S&P 500-STOCK INDEX			**234%**	**$3,341**

*October 31. †Dec. 31, 2009–Oct. 31, 2019. SOURCE: S&P Global Market Intelligence.

Extra Space Storage

10-year cumulative return: 1,237%

Extra Space Storage is one of the biggest operators of self-storage facilities. Dividends helped lift shares in this real estate investment trust, but there were other boosts, too. A dearth of new facilities, thanks to a post-recession squeeze in building loans, helped the firm log double-digit annual gains in revenue and funds from operations (a profitability measure for REITs) between 2011 and 2015. Deft management, high operating margins and low capital expenses helped, too. But growth expectations have dimmed. Value Line analyst Sharif Abdou expects annual revenue growth of just 7% to 9% over the next three years, and an average gain in FFO of 5% to 7%. There are better growth opportunities in REIT-land.

Amazon.com

10-year cumulative return: 1,221%

Now that Amazon.com has revolutionized the way Americans shop, the firm is eyeing shoppers overseas. Its U.K. and German businesses are already profitable, says Ramiz Chelat, a portfolio manager at Vontobel Asset Management. Amazon is No. 1 in e-commerce in Japan and is gaining ground in India. Meanwhile, Amazon's cloud computing business continues to thrive. Analysts expect 27.5% annual earnings growth over the next three years. Amazon's future, in other words, is rosy, says Chelat, who deems the stock an attractive opportunity.

Ulta Beauty

10-year cumulative return: 1,198%

Vanity sells. At Ulta Beauty, which offers cosmetics, skin and hair-care products at 1,213 stores nationwide and online, sales increased 20% or more every year between 2010 and 2016. But competition from Amazon and others is rising, and sales growth is slowing. In late summer, the company trimmed its expectations for this fiscal year, which ends in January. The stock fell 28% and has not yet recovered. Analysts forecast 17% annualized earnings growth over the next three years—less than the glittery, 28% pace of the past five years. Although shares trade at a lower price-earnings multiple than the stock has commanded historically, we'd wait for more of a share-price markdown before buying. ■

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HOT PROSPECTS

10 Stocks for the Next 10 Years

These firms are positioned to deliver robust returns for years to come. BY RYAN ERMEY

PICKING *THE* 10 BEST STOCKS FOR THE next decade out of thousands of companies would require psychic powers that we do not possess. But you don't need a crystal ball to see that the stocks below are positioned, for reasons we describe, to deliver robust returns for years to come. Some are established firms, others are small, potentially meteoric growers. We think all could beat the broad stock market by the end of 2029. Prices and other data are through October 31.

II-VI (SYMBOL IIVI, $33)
II-VI (pronounced "two-six") develops and manufactures materials and products such as lasers, crystals and fiber-optic equipment; industrial, defense and semiconductor companies are among its customers. The stock has languished since late 2018, when the firm announced plans to acquire Finisar, an optical-communications firm that creates components such as the one that helps iPhones perform facial recognition. The $3.2 billion deal closed in September, and II-VI management says it should produce $150 million in annual cost savings within three years. Execs say the companies' combined technologies give II-VI solid footing in fast-growing businesses such as self-driving cars and biometric security. That could boost the potential market for the firm's products to $22 billion a year by 2022, a 20% annualized growth rate from today's levels. Needham Growth fund comanager Chris Retzler says the firm "will continue to evolve and produce cutting-edge products" for the next several years. Wall Street analysts expect the firm to boost earnings 12% this fiscal year, which ends in June 2020.

Bayer AG ADR (BAYRY, $19)
Pharmaceutical and agricultural technology firm Bayer acquired fellow agricultural giant Monsanto in 2018, and in doing so opened itself to legal risks related to weed killer Roundup. As plaintiffs alleged health side effects for users, investors dumped Bayer's stock, which is now dirt-cheap. The shares (which trade in the U.S. as American depositary receipts) trade at only 10 times estimated earnings for the year ahead, a significant discount to their five-year average price-earnings ratio of 23. The firm is likely to settle the lawsuits for less than investors first anticipated, says Oakmark International fund manager David Herro. In the meantime, investors have a bargain-priced entry point into a business with best-in-class agricultural technology—producing seeds, pesticides and digital monitoring systems that enable farmers to yield more from their crops using fewer resources. "The growing population is going to continue to consume, arable land will continue to shrink, and technology is what is needed to feed a hungry world," says Herro. The firm's health care business (48% of sales) should continue to grow as well, he says, with a strong pipeline of meds to back current blockbusters such as blood thinner Xarelto and macular degeneration treatment Eylea.

Boeing (BA, $340)
It's no secret why Boeing stock is trading 24% below its 52-week high: The firm's 737 Max aircraft, which suffered two fatal crashes over the course of five months, is still grounded. The snafu has taken a bite out of Boeing's 2019 earnings. But a fix is in the works, and it's only "a matter of time" before the aircraft receives approval to begin flying again, says Monetta Fund co-manager Bob Bacarella. In the meantime, Boeing has a backlog of more than 5,500 commercial aircraft orders—contracts worth nearly $500 billion—that Morningstar analyst Joshua Aguilar expects will boost sales and expand margins through the next

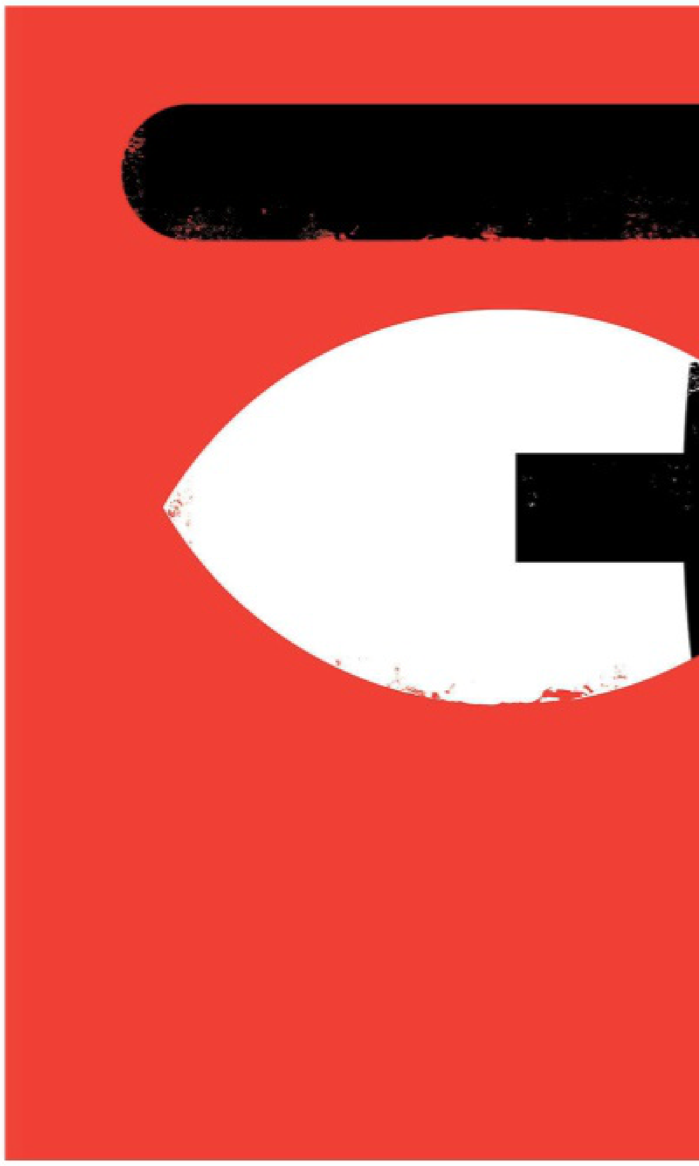

ILLUSTRATION BY THE PROJECT TWINS

decade. The firm's aerospace division will also benefit from continued increases in U.S. military spending, Aguilar says. Plus, Boeing is expanding its services business, which provides support, spare parts, modifications and data analytics, among other things, for existing aircraft. Boeing expects that segment to generate $50 billion per year in sales by 2027, up from $17 billion in 2018.

Burlington Stores (BURL, $192)
Burlington dropped "Coat Factory" from its name in 2015 and now sells discounted brand-name clothing, home goods, gifts, beauty products and toys at its nearly 700 stores. "Burlington is following the Ross Stores and T.J. Maxx playbook, and so far, it has been very successful," says T. Rowe Price Diversified Mid-Cap Growth fund comanager Don Easley. That Burlington trades at a slight premium to other discount retailers is warranted, given that the firm is opening more stores and posting faster growth in same-store sales (sales at stores open for more than one year) than its peers. Analysts at investment research firm William Blair expect the retailer to boost earnings per share by 13% in 2020—more than its competition.

Floor & Decor Holdings (FND, $46)
Retailer Floor & Decor sells flooring, including tile, wood and laminate surfaces, at 113 stores nationwide. The firm disrupts the flooring business on two fronts, says Baron Discovery fund manager Laird Bieger: It sidesteps distributors and buys its materials straight from producers, so it typically offers lower prices than its competition, he says. And the big-box size of Floor & Decor's stores allows them to keep more inventory in stock than competitors. That's especially important to flooring professionals, who account for 60% of the retailer's sales and don't want to wait for orders to ship from a distributor, says Bieger. Floor & Decor has been buying out mom-and-pop shops and expanding its store locations at a 20% annual rate over the past three years. Overall revenues have grown at an average annual rate of 30% over the same period. Trading at 37 times estimated earnings, the stock isn't cheap. But analysts at investment firm Wedbush say the premium is justified given prospects for 20% annualized growth in new stores long-term, as well as "major" profit margin expansion.

Fox (FOXA, $32)
This isn't the big, old Fox. Disney bought 74% of the firm in 2019, including the film studio, the FX channel and Fox's stake in streaming service Hulu. What remains is "New Fox": Fox News, Fox Sports, Fox Business, affiliate news stations, a share in the streaming platform Roku and the Fox studio lot, currently leased to Disney. Like most TV and cable companies, Fox makes money from advertising, distribution and licensing fees for its programs. Fox is betting that its news and sports programs, which viewers tend to watch live, will be less affected by the trend of viewers cutting the cord and streaming content digitally. The stripped-down Fox boasts "all-star" executives, says Yacktman fund comanager Jason Subotky. The firm is financially healthy and small enough—with a $20 billion market value—for smart investments to impact returns. Fox recently invested $236 million in a partnership with the Stars Group, a Canadian gambling firm, to launch Fox Bet, an online sports betting service that will operate in 13 states where sports gambling is legal. Should sports gambling become legal nationwide, the business could take off. Wall Street expects a dip in earnings this fiscal year, which ends in June 2020, followed by a 23% boost next year.

Huntsman (HUN, $22)
Chemical producer Huntsman is in the midst of a transformation. The company is ditching bulk sales of

commodity chemicals (widely available compounds), a business prone to boom-and-bust cycles, in favor of its more predictable, higher-profit specialty chemical operation. The company recently inked a deal to off-load two commodity chemicals units for $2 billion in cash—a major influx for a company with $5 billion in market value. Company execs have shed unprofitable businesses and paid down debt to improve the firm's balance sheet. This year, credit-rating agencies upgraded Huntsman to an investment-grade, triple-B rating after years in junk territory, citing the firm's commitment to keep debt levels manageable, among other reasons. With shares trading at 13 times estimated year-ahead earnings, investors have yet to appreciate the changes at the firm, says Royce Specialty Equity fund comanager Charlie Dreifus. Following an expected dip in earnings growth in 2019, analysts at investment bank UBS expect the firm to boost earnings at an annualized 24% clip through 2023. The shares yield 2.9%.

Medallia (MDLA, $29)
Investors will need a speculative bent to take a chance on Medallia, a tech firm fresh off its July 2019 initial public offering. The firm isn't expected to produce profits for at least another two years. But Medallia is a leader in the "experience management" market, which represents $68 billion in potential revenues overall. Only 1% of that market is currently being served, according to investment research firm Stifel. Medallia sells subscriptions to its cloud-based software platform, which uses artificial intelligence to help insurance, hotel, auto and media firms assess customer and employee satisfaction. To gather feedback, its technology culls language from sources such as social media, travel blogs and interactions with the internet of things. This form of aggregating opinions is rapidly replacing the old method of asking users to fill out surveys. Baron Funds' Bieger, whose fund owns the stock, says the firm is investing heavily in sales and marketing, and he expects Medallia to boost revenues at an annualized percentage rate in the mid to high 20s for the next five years.

Systemax (SYX, $22)
Systemax is a direct marketer of industrial and business equipment and supplies, selling everything from personal computers to pallet jacks (used in warehouses to lift and move wooden pallets). In recent years, the company has sold off its struggling overseas businesses in order to focus on its core of U.S. distribution, unearthing "a gem of a business," says Grandeur Peak Contrarian fund comanager Keefer Babbitt. He says Systemax's well-trained sales staff, easy-to-use website and efficient warehouses allow the firm to offer superior service to small and midsize businesses. And CEO Barry Litwin, who took over in January 2019, has energized the firm with new initiatives, among them efforts to streamline the firm's distribution network. Systemax carries $96 million in cash on its debt-free balance sheet, money that Babbitt says the firm could use to make an acquisition or invest in growth projects. He expects Systemax to boost sales at an annualized rate in the double-digit percentages over the next five years.

Tyson Foods (TSN, $83)
Tyson, one of the world's largest suppliers of beef, pork and chicken, stands to benefit from misfortune on the other side of the globe. African swine fever has killed more than 20% of China's pork herd and may force an even greater cull. It's an unfortunate development, but CFRA analysts say it could kick off a multiyear boost in Tyson's pork sales starting in 2020. The company's meat business already stands to gain over the next decade from the growing global middle class, which will drive exponential increases in protein demand, says T. Rowe Price Value fund manager Mark Finn. Meanwhile, Tyson is also expanding its prepared-foods business (currently 21% of sales), which comes with higher profit margins and is less susceptible than the meat business to swings in commodity prices. The shares trade at 13 times year-ahead earnings, below the average multiple of 17 for the food and meat products sector. ■

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Looking Ahead

OUR PICKS FOR THE 2020s

These stocks span a range of industries. Some are established firms, others are newbies.

Company	Symbol	Price	Market value (billions)	Price to earnings ratio*	Sector
II-VI	IIVI	$33	$3.0	18	Technology
Bayer	BAYRY	19	72.4	10	Health care
Boeing	BA	340	191.3	19	Industrials
Burlington Stores	BURL	192	12.7	26	Consumer discretionary
Floor & Decor Holdings	FND	46	4.6	37	Consumer discretionary
Fox	FOXA	32	19.7	14	Communication services
Huntsman	HUN	22	5.0	13	Basic materials
Medallia	MDLA	29	3.7	NM	Technology
Systemax	SYX	22	0.8	16	Industrials
Tyson Foods	TSN	83	30.2	13	Consumer staples
S&P 500-STOCK INDEX				**18**	

As of October 31, 2019. *Based on expected earnings for the next four quarters. NM=Not meaningful.
SOURCES: Morningstar, Zacks Investment Research.


Retirement Plan Fee Analysis
FEE ANALYSIS: YOUR 401K PLAN
YOUR ACCOUNT BALANCE: $83,665
You are paying $1,094 in annual fees in your retirement plan. Learn more
You may be able to grow your investments faster by reducing your fees when you roll over your old plan to an IRA from TD Ameritrade.
Do Nothing
$271,601
Rollover IRA with Similar funds
$335,935
Rollover IRA with Lower cost funds
$376,002
Compare the impact of fees
Similar portfolio
Lower cost portfolio
We compared the existing holdings in your plan to the funds available in an IRA from TD Ameritrade.
Here is the most similar match:
YOUR EXISTING PLAN
ROLLOVER IRA
$271,601
Estimated balance in 30 years
$335,935
Estimated balance in 30 years
Additional growth potential from fee savings in an IRA
$64,334
Estimated over 30 years

STREET SMART | James K. Glassman

My Top Stock Picks for 2020

My annual stock choices beat Standard & Poor's 500-stock index for the fourth year in a row in 2019, and the margin was pretty spectacular, if I do say so myself. For the 12 months ending October 31, 2019, my picks returned, on average, 30.0%, compared with 14.3% for the S&P. But as I reminded readers last year, don't get too excited about my forecasting ability. No one beats the market consistently.

Since 1993, I have drawn nine selections for the year ahead from experts and added a choice of my own. The big winner for 2019, returning 112.1%, was Coupa Software (symbol COUP), which connects businesses with suppliers. It was the choice of Terry Tillman, an analyst with a golden touch at SunTrust Robinson Humphrey. His picks on my list have beaten the S&P for eight years in a row. Among his recent recommendations, I like **OKTA**, whose software verifies and manages the identity of people seeking online access to company websites—a valuable corporate defense against hacking. Okta went public in 2017 and now has a market value of $13 billion. The company still hasn't turned a profit, but revenues are soaring.

Another successful regular on the list is Jerome Dodson, founder of Parnassus Endeavor (PARWX), my favorite fund in the socially responsible investing category. The Dodson pick for 2019 was Starbucks (SBUX), up 47.6%. A year ago, Dodson took advantage of a big price drop and began acquiring shares of **NVIDIA**, the giant maker of processors for applications that include PC gaming and artificial intelligence. In fact, Nvidia may be *the* best AI play. The stock has bounced more than 50% off its June low, but it still offers excellent value.

NVIDIA MAY BE THE BEST ARTIFICIAL INTELLIGENCE PLAY. THE STOCK HAS BOUNCED OFF ITS JUNE LOW BUT STILL OFFERS EXCELLENT VALUE.

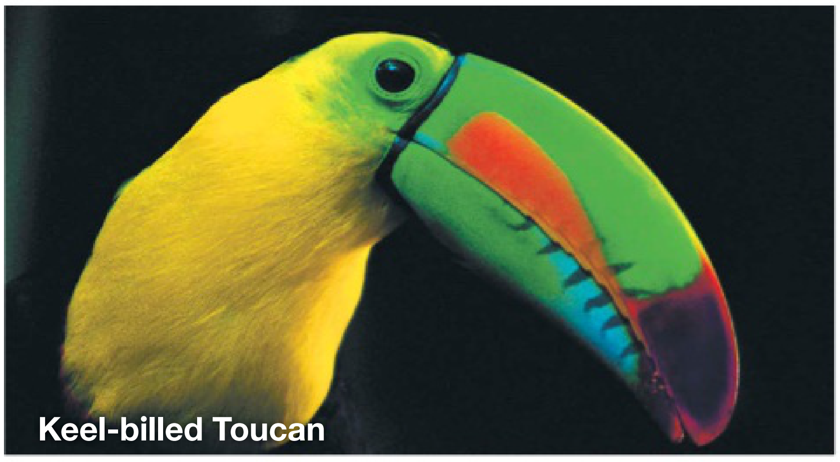
Despite China's tariff strife with the U.S., I remain an advocate of Chinese stocks—especially those that don't depend on selling manufactured goods abroad, such as **TRIP.COM GROUP**, the company formerly known as Ctrip .com International that is called the "Expedia of China." It serves a nation crazy for travel. The stock is trading well below its 2017 highs, with a price-earnings ratio, based on estimated 2020 earnings, of 21—lower than its historically high P/E levels. Trip.com is one of the top 25 holdings of my favorite Asian stock mutual fund, Matthews China (MCHFX).

Daniel Abramowitz, of Hillson Financial Management, in Rockville, Md., is my go-to guy for small-capitalization value stocks. For the year ahead, he likes **THE CHEMOURS CO.**, a chemical manufacturer that DuPont spun off in 2015. Major products include titanium dioxides, which give brightness and hardness to porcelain enamels, and Opteon, a refrigerant with environmental advantages over Freon. Chemours soared in price the first few years after the spin-off, then ran into operating problems that Abramowitz believes are temporary. Chemours, he says, "is a well-run, shareholder-friendly business, and the stock is unreasonably depressed after a sharp sell-off." It's certainly cheap. The P/E is just 5.

Last year, I highlighted Artisan Thematic Investor (ARTTX), barely a year old, as "a mutual fund worth watching." My selection from its portfolio, IHS Markit (INFO), returned a delightful 33.3%. **LINDE**, a major supplier of industrial gases including nitrogen and oxygen, is a recent acquisition and the fund's seventh-largest portfolio holding. The company was formed in 2018 through a merger of the German firm Linde AG, and the U.S. giant Praxair. Since then, it has performed exceptionally—with more to come.

The *Value Line Investment Survey* is an invaluable resource that packs tons of information into a small space. Last year's highly rated choice from *Value Line* was Home Depot (HD), which returned 36.3%. For 2020, I looked at

POON WATCHARA-AMPHAIWAN



Keel-billed Toucan

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Day 2 Sarchi, Coffee Plantation
Visit the artisan village of Sarchi, nestled on the slopes of the Central Mountain Range. Shop for colorful handicrafts and see traditional oxcart painting. Then, tour a coffee plantation.

Day 3 Wildlife Rescue, Fortuna
Visit a wildlife rescue center where injured animals are rehabilitated for release back into the wild. Then, to Fortuna in the San Carlos Valley for a two night stay.

Day 4 Caño Negro, Hot Springs
Cruise on the Rio Frio, gateway to the Caño Negro wildlife refuge. Watch for water-walking lizards, caimans, and howler monkeys. Soak in the volcanic hot springs.

Day 5 Hanging Bridges
Hike on the Hanging Bridges, view majestic Arenal Volcano, and take a scenic drive around Lake Arenal. Continue to the Pacific Coast for a relaxing two night stay.

Day 6 Turtle Park, Guanacaste
Visit Leatherback Turtle National Park. These marine reptiles are the largest in the world, weighing over 1,500 pounds. Free time at the J.W. Marriott Resort and Spa.

Day 7 Cruise, Manuel Antonio
Cruise on the Tarcoles River. Enjoy bird watching and crocodile spotting. Stay in Manuel Antonio, directly next to the park entrance.

Day 8 Manuel Antonio
Visit Manuel Antonio National Park, a natural habitat for the three-toed sloth and the rare squirrel monkey. Look for toucans and parrots. Hike the rainforest and beach coves. Enjoy a farewell dinner tonight.

Day 9 San José
Tour ends after breakfast. Caravan provides airport transfers. Thanks for vacationing with Caravan!

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Hotels - listed by day

1, 2 **San José** Barcelo Palacio
3, 4 **Fortuna** Magic Mountain
5, 6 **Guanacaste** J.W. Marriott
7 **Manuel Antonio** San Bada
8 **San José** Real InterContinental

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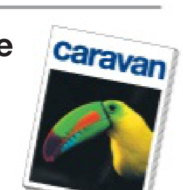


caravan

FULLY GUIDED TOURS SINCE 1952

Value Line's 20-stock model portfolio for aggressive investors and found a single stock with the top ranking for both timeliness and safety. That stock is **MEDTRONIC**, which makes cardiac pacemakers and other medical devices. Medtronic's earnings have increased year over year for more than a decade in what I call a beautiful line. This stock is as solid as it gets.

Whatever your religion, pay attention to a mutual fund called Ave Maria Growth (AVEGX), which, according to its website, is part of the largest Catholic mutual fund family in the U.S. and places "equal emphasis on investment performance and moral criteria in selecting securities." Whatever Ave Maria is doing, it's working. The fund has returned an annual average of 12.7% over the past five years, compared with 10.8% for the S&P 500. The largest holding, as of September 30, was **COPART**, which runs online vehicle auctions, mainly selling damaged cars on behalf of insurance companies. It's a great business; *Value Line* projects earnings will rise at an annual average of 17.5% for the next five years. The stock has more than quadrupled in three years, but even with a P/E of 32, based on estimated earnings for the next four quarters, it doesn't appear overpriced to me.

THE WORST SECTOR FOR 2019 HAS BEEN ENERGY, ESPECIALLY OIL AND GAS DRILLERS. WITH SHARES AT THESE PRICES, DIAMOND OFFSHORE DRILLING LOOKS LIKE A VERY GOOD BET.

My usual modus operandi is to let the previous year's big winners be this year's pickers, but for 2020, I'm giving Warren Buffett, chairman of Berkshire Hathaway (BRK-B), a second chance. His choice for 2019 was **U.S. BANCORP**, which returned a mediocre 12.0%. Buffett has been adding to his holdings of USB and now owns 8% of America's fifth-largest bank (more than any other shareholder), so I'm putting it down here as a 2020 pick, too. Earnings have been rising consistently for the broadly diversified bank, and the stock is yielding nearly 3%, or roughly twice the yield of a five-year Treasury note.

T. Rowe Price New Horizons (PRNHX), one of the original small-cap and (now mostly) mid-cap growth funds, celebrates its 60th anniversary next June. It beat the Russell Midcap Growth index, Morningstar's benchmark for the fund, in nine of the past 10 years (including 2019 through October 31). The fund is currently closed to new investors, and a new manager arrived last March, but you can check out the portfolio for investing ideas. The top holding as of September 30 was, appropriately, **BRIGHT HORIZONS FAMILY SOLUTIONS**, which runs child care and early education centers as well as providing college-entrance advisory services. It's an impressive business, and, though the stock is not cheap, it's down from its highs of last summer.

My personal pick for 2019 was The New York Times Co. (NYT), which returned 17.8%. I still like it. But for 2020, I have decided to search for bargains by checking out market strategist Ed Yardeni's regular sector review. The worst category for 2019 has been energy, especially oil and gas drillers such as **DIAMOND OFFSHORE DRILLING**, which was trading above $25 a share in 2016. But Diamond's majority shareholder is Loew's (L), which is flush with cash and run by the savvy Tisch family. I am willing to wait for the inevitable rebound in energy prices. With shares trading at these prices, Diamond looks like a very good bet.

Here are my usual warnings: These 10 stocks vary in size and industry, but they are not meant to be a diversified portfolio. I expect they will beat the market in the year ahead, but I do not advise holding shares for less than five years, so consider these long-term investments. And most of all: I am just offering suggestions here. The choices are yours. ■

The List

WHAT'S IN FOR 2020

Glassman's 10 stocks represent a diverse group of sectors, from medical device makers to oil and gas drillers to education centers.

Company	Symbol	Share price	Market value (billions)	Price-earnings ratio*	Yield
Bright Horizons Family Solutions	BFAM	$149	$8.6	39	—
The Chemours Co.	CC	16	2.7	5#	6.1%
Copart	CPRT	83	19.2	32	—
Diamond Offshore Drilling	DO	5	0.7	NM	—
Linde	LIN	198	107.2	27	—
Medtronic	MDT	109	146.1	19	2.0
Nvidia	NVDA	201	122.4	39	0.3
Okta	OKTA	109	13.1	NM	—
Trip.com Group ADR	CTRP	33	21.7	21#	—
U.S. Bancorp	USB	57	89.9	13	2.9

As of October 31, 2019. *Based on estimated earnings for the next four quarters. #Based on estimated earnings for 2020. NM = Not meaningful. SOURCES: Morningstar, Zacks Investment Research.

JAMES K. GLASSMAN CHAIRS GLASSMAN ADVISORY, A PUBLIC-AFFAIRS CONSULTING FIRM. HE DOES NOT WRITE ABOUT HIS CLIENTS. OF THE STOCKS NAMED IN THIS COLUMN, HE OWNS NEW YORK TIMES (NYT). HIS MOST RECENT BOOK IS *SAFETY NET: THE STRATEGY FOR DE-RISKING YOUR INVESTMENTS IN A TIME OF TURBULENCE*. REACH HIM AT JAMES_GLASSMAN@KIPLINGER.COM.

INCOME INVESTING | Jeffrey R. Kosnett

Stand By Your Bonds

I'm expecting another good year for bond and bond-style investments in 2020. Not as spectacular as 2019, but rewarding enough to feel confident about sticking with what's working.

A year ago, my plea to stand by your bonds in 2019 appeared stubborn if not reckless. Late in 2018, long-term Treasury and other interest rates were surging (with prices moving in the opposite direction), the Federal Reserve was tightening short-term credit, and economic growth was running closer to 3% than the tame 2% that's the sweet spot for fixed-income portfolio returns. Popular and expertly managed funds such as Baird Aggregate Bond, Dodge & Cox Income, Loomis Sayles Bond and Vanguard Total Bond Market finished 2018 with rare and unexpected losses—slim, bearable ones, but losses nonetheless—while banks were ratcheting rates on insured savings accounts to beyond 2% with the Fed as their partner.

I'D BE SCARED IF I THOUGHT THAT INTEREST RATES WOULD SHOOT UP ACROSS THE BOARD AND THAT THE CREDITWORTHINESS OF BORROWERS IS WILTING. BUT I JUST DON'T SEE IT.

But my reasons for ignoring the naysayers in 2019 remain the same for 2020. Extended bull markets don't go over a cliff. They transition and wither away over months, often years. I'd be scared if I thought that U.S. interest rates are finally set to shoot up across the board and that the creditworthiness of borrowers is wilting. But I just don't see it. The globalized "lower for longer" rate argument I've embraced for 10 years lives on.

Where to reach for yield. That means it's safe and effective to stretch for yield, whether with high-dividend stocks, such as AT&T and real estate investment trusts, or with high-interest, BBB-rated corporate bonds, municipals and preferred stocks. (Technically, preferreds pay dividends, but as a practical matter they are senior fixed-rate debt.)

The headache for income investors in 2020 is not likely to come from accelerating losses, but from the challenge of finding fewer worthy choices for new investments. Rates are low—but remember, most of the rest of the world is dealing with negative yields.

Investors can still find fresh high-yield (so-called junk) bonds yielding 4% and bank preferreds delivering 4.75%. Knee-jerk thinking holds that such yields are risky and a sign that the end of the boom is nigh. My interpretation is that Toll Brothers, Fifth Third Bank and the like have no trouble placing such borrowings, and if you happen to be one of their investors, you'll get paid in full and on time.

Fixed-income fundamentals are still positive, says Doug Baker, who manages various closed-end funds for Nuveen, including **NUVEEN PREFERRED AND INCOME TERM FUND** (SYMBOL JPI), which has a 2019 total return through October 31 of 30.7%. Baker says tight or tighter bond supplies, continuing high demand and constant refinancing of higher-rate debt are all positives.

Risk is mainly sector-specific. An indicator called the junk-bond distress ratio is at a three-year high. But exclude energy and the ratio (the proportion of junk bonds trading at inflated interest-rate spreads over Treasuries) falls below where it ended 2018. The average junk fund returned over 10% in 2019. Don't count on a 10% return again in 2020, but don't rule it out.

This happy talk doesn't mean to abandon all discipline. A rule of thumb is to look for bonds or funds with a yield that is greater than their duration, which measures interest-rate sensitivity. The lower the duration, the smaller the loss if rates rise. **OSTERWEIS STRATEGIC INCOME** (OSTIX) and **PGIM SHORT DURATION HIGH YIELD** (HYSAX) both have durations of less than 2, yields pushing 4% to 5%, and long records of success. I also think tax-exempt bonds will continue to rock the world in 2020—more on munis in a future column. ■

POON WATCHARA-AMPHAIWAN

JEFF KOSNETT IS EDITOR OF *KIPLINGER'S INVESTING FOR INCOME*. REACH HIM AT JEFF_KOSNETT@KIPLINGER.COM.

A New Year Awaits

What are you hoping to accomplish?

You have goals for the upcoming year—and one of the best ways to achieve them is to turn those aspirations into a concrete financial plan. Our monthly guide gives you tips and ideas that can help you take action throughout 2020. “Having a plan in place will make it easier for you to track your progress during the year,” says Roger Young, CFP®, a senior financial planner with T. Rowe Price. “The most successful plans aren’t one-and-done; they’re revisited and adjusted regularly. Things can change throughout the year, but charting a course of action will help you stay focused.”

PHOTOGRAPH BY JAG_CZ

YOUR 2020

JANUARY
Set your intentions

- **Prioritize your goals.** Start categorizing by what's urgent, what's important, and what can wait.
- **Draft a 2020 budget.** Look at last year's income and expenses and set your plan.
- **Make your 2020 IRA contribution.** You have the potential to earn thousands more over the long term by making contributions earlier in the year.

FEBRUARY
Prepare for tax time

- **Get organized.** Gather last year's forms and records. Make sure you have access to all documents needed.
- **File your taxes.** Submit your return as soon as you're ready but no later than April 15, 2020.
- **Invest your tax refund.** You may be able to have your refund deposited directly into an investment account. Check with your providers for more information.

MARCH
Simplify your investments

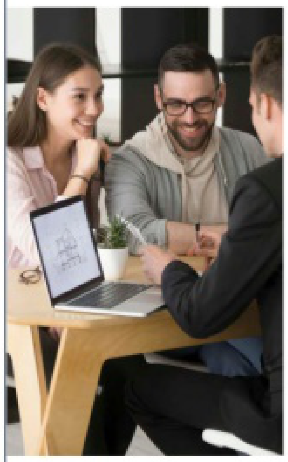
- **Don't forget your old 401(k).** You have a few options.* Consider factors like tax benefits, investment choices, and costs to determine what's right for you.
- **Streamline holdings.** Asset allocation portfolios provide a single, diversified investment that is rebalanced regularly.
- **Automate investing.** Contribute a set amount regularly to a tax-advantaged or taxable investment account.

APRIL
Improve your financial standing

- **Check your credit report.** You can access one free report from each major credit bureau per year. Request yours and resolve any issues.
- **Review your debt.** Prioritize your debt repayments (e.g., credit card, car loan). Target high-interest debt first.
- **Make your 2019 IRA contribution.** You have until April 15, 2020, to make a 2019 IRA contribution (and to file your taxes if you haven't done so already).

MAY
Invest in education

- **Open a 529 account.** Saving for college, graduate school, or vocation training can be more attainable with a 529 plan.
- **Help children succeed financially.** Engage the children in your life in activities to help them become regular savers and conscientious spenders.
- **Educate yourself.** Find a book, podcast, or blog to learn more about financial topics that interest you.



JUNE
Do a midyear checkup

- **Check your budget.** Are you sticking to your targets? If priorities have shifted, adjust accordingly.
- **Review your asset allocation.** The mix of stocks and bonds in your portfolio depends on your risk tolerance and investment time horizon.
- **Fund your emergency account.** Assess whether you are targeting an appropriate funding level (typically three to six months of expenses for most households).

PHOTOGRAPHS BY THOMAS VOGEL; FIZKES

*Consider all available options, which include remaining with your current retirement plan, moving your assets into your new employer's plan, rolling over your assets to an IRA, or cashing out the account value.

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PLAN

A monthly guide from **T. Rowe Price**

JULY

Commit to your financial health

- **Be aware of lifestyle inflation.** Also known as "lifestyle creep," this is the tendency to spend more on discretionary purchases when your standard of living improves.
- **Practice mindful spending.** Pause before you purchase anything deemed as a "want." Waiting a self-assigned period, such as 30 days, before you buy will help make sure you really want a particular item.

AUGUST

Reassess your choices

- **Evaluate your insurance coverage.** Review your coverage levels including life, health, disability, liability, auto, and property. Research and pursue any discounts you might qualify for.
- **Review your memberships.** Are you using the memberships you have to their full advantage (e.g., subscription and streaming services, gym membership)? If not, reevaluate if you really need them.

SEPTEMBER

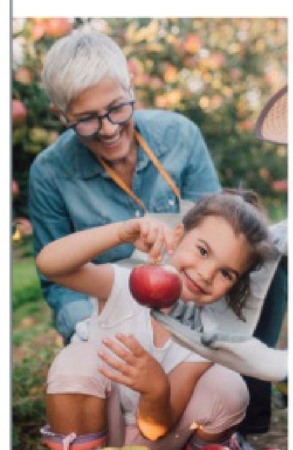
Organize and give back

- **Get yourself organized.** Gather important documents, including tax returns, legal and estate planning documents, statements, bills of sale, and store them as appropriate—electronically or as hard copies.
- **Make charitable contributions and donations.** Consider different ways to make charitable contributions, such as through a donor-advised fund. Additionally, you can donate any items you no longer need.

OCTOBER

Be vigilant with cybersecurity

- **Protect your passwords.** The most effective passwords contain uppercase and lowercase letters, numbers, and symbols and do not contain words found in a dictionary.
- **Use multifactor authentication (MFA).** If offered, MFAs provide an extra layer of security to prevent someone from logging in to your online accounts. Once set up, in addition to your password, you will enter a one-time security code sent to your multifactor method.



NOVEMBER

Focus on family matters

- **Talk with adult children about money.** As you prepare for the later years of your life, you may want to involve your grown children in the conversation. Your plans can impact their futures, too.
- **Update your estate plan.** Take into consideration the tax consequences on your estate and your heirs' income needs. Review and update beneficiary designations on your various policies and accounts.

DECEMBER

Prioritize your retirement

- **Prepare for your retirement.** Aim to save at least 15% of your salary (including any employer plan contributions) across your retirement accounts.
- **Take required minimum distributions (RMDs).** Whether you're working or retired, at age 70½, you must start taking withdrawals from your Traditional, Rollover, SEP, and SIMPLE IRAs. Pay special attention to the provisions of any Inherited IRAs.

A 529 college savings plan's disclosure document includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing. You should review the 529 plan offered by your home state or your beneficiary's home state and consider, before investing, any state tax or other state benefits, such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's 529 plan.

MUTUAL FUND SPOTLIGHT

An Eye for Disruption

This fund invests in small firms intent on wiping out the competition.

INVESTING IN SMALL, FAST-growing firms isn't for the faint of heart. Over the past 10 years, the Russell 2000 Growth index, which tracks stocks in small, growing firms, has been 42% more volatile than the broad market benchmark, Standard & Poor's 500-stock index. Finding a winning firm still in its infancy can provide a huge payoff, but investors hoping to get in on the ground floor with the next Amazon.com or Netflix are in for bumpy ride.

Those two firms are disruptors—companies with products or services that make other firms in their industries obsolete. When building his portfolio of small-company stocks, **WASATCH ULTRA GROWTH** manager John Malooly considers a firm's potential to disrupt its industry—as well as the likelihood of it being disrupted itself. The portfolio holds 70 to 90 stocks, and prospective holdings must have a market value of less than $5 billion at the time of purchase. But Malooly isn't afraid to let his winners run. Veeva Systems stock, which the fund purchased in 2017, now sports a $21 billion market value.

The fund dedicates about 20% of assets to what Malooly calls ballast stocks—growing firms, such as discount retailer Five Below, that are unlikely to be roiled by competition—to add stability to the portfolio's returns.

But the bulk of the portfolio is dedicated to companies that have the potential to unseat the competition. These firms have business models that incumbent firms can't compete with, or they offer lower price points that competitors can't match. Medical Systems, for instance, makes a sleep apnea treatment for patients who don't want to wear a mask; and Wayfair sells furniture online at low costs. Malooly particularly favors firms with hefty recurring revenues, which he says makes growth in the business more predictable. Firms in Ultra Growth's portfolio boost revenues at a 21%-to-23% annualized clip, on average, says Malooly.

Since Malooly took the helm in early 2012, Ultra Growth has posted an annualized return of 14.8%, an average of 3.3 percentage points per year ahead of the Russell 2000 Growth index. The fund's 1.25% expense ratio isn't a bargain, but it's in line with the typical fund that invests in small, growing firms. **RYAN ERMEY**
Ryan_Ermey@kiplinger.com

SMALL-COMPANY STOCK GROWTH FUNDS

Ranked by five-year return

Rank/Name	Symbol	Annualized total return 1 yr.	5 yrs.	Max. sales charge	Exp. ratio
1. Virtus KAR Small-Cap Growth A**	PSGAX	30.6%	**21.0%**	5.75%	1.41%
2. Federated Kaufmann Small Cap A	FKASX	17.9	**15.9**	5.50	1.37
3. Wasatch Ultra Growth@	WAMCX	13.7	**15.3**	2.00r	1.25
4. Columbia Small Cap Growth I A	CGOAX	20.1	**14.7**	5.75	1.35
5. Wasatch Micro Cap@	WMICX	14.3	**14.6**	2.00r	1.65
6. Alger Small Cap Focus A**	AOFAX	6.6	**14.0**	5.25	1.18
7. Fidelity Small Cap Growth**	FCPGX	10.7	**13.6**	none	1.05
8. Nationwide Small Company Gr A**	NWSAX	11.3	**13.5**	5.75	1.32
9. Brown Capital Mgmt Small Co Inv**	BCSIX	10.9	**13.3**	none	1.26
10. Conestoga Small Cap Investors**	CCASX	7.2	**13.2**	none	1.10
CATEGORY AVERAGE		**7.5%**	**9.0%**		

20 LARGEST STOCK AND BOND MUTUAL FUNDS

Ranked by size. See returns for thousands of funds at kiplinger.com/tools/fundfinder.

STOCK MUTUAL FUNDS

Rank/Name	Symbol	Assets† (billions)	Annualized total return 1 yr.	5 yrs.	Max. sales charge
1. Vanguard Total Stock Market Idx Adm	VTSAX	**$717.9**	13.4%	10.3%	none
2. Vanguard Total Intl Stock Idx Adm	VTIAX	**381.0**	11.1	3.9	none
3. Vanguard 500 Index Adm	VFIAX	**380.1**	14.3	10.7	none
4. Fidelity 500 Index Inv	FXAIX	**214.9**	14.3	10.8	none
5. American Growth Fund of America A	AGTHX	**191.1**	11.6	10.9	5.75%
6. American EuroPacific Growth A	AEPGX	**163.7**	14.8	5.3	5.75
7. American Balanced A	ABALX	**153.5**	11.4	7.6	5.75
8. American Washington Mutual A	AWSHX	**122.3**	13.0	9.7	5.75
9. Fidelity Contrafund	FCNTX	**116.3**	12.4	11.9	none
10. American Income Fund of America A	AMECX	**112.4**	11.3	6.1	5.75
S&P 500-STOCK INDEX			**14.3%**	**10.8%**	
MSCI EAFE INDEX			**11.0%**	**4.3%**	

BOND MUTUAL FUNDS

Rank/Name	Symbol	Assets† (billions)	1-year total return	Current yield	Max. sales charge
1. Vanguard Total Bond Market Idx Adm	VBTLX	**$197.2**	11.5%	2.2%	none
2. Pimco Income A	PONAX	**131.2**	6.6	2.8	3.75%
3. Vanguard Total Intl Bd Idx Adm	VTABX	**116.0**	10.4	0.4	none
4. Metropolitan West Total Return Bd M	MWTRX	**79.9**	11.6	2.0	none
5. Vanguard Interm-Term Tax-Ex Inv	VWITX	**71.3**	8.7	1.5	none
6. Pimco Total Return A	PTTAX	**67.9**	10.4	2.0	3.75
7. Dodge & Cox Income@	DODIX	**62.9**	10.4	2.7	none
8. Vanguard Short-Term Inv-Grade Inv	VFSTX	**61.3**	6.3	2.2	none
9. DoubleLine Total Return Bond N	DLTNX	**54.7**	8.2	3.2	none
10. Lord Abbett Short Duration Income A	LALDX	**54.5**	5.3	2.4	2.25
BLOOMBERG BARCLAYS US AGGREGATE BOND INDEX			**11.5%**	**2.2%**	
B OF A MERRILL LYNCH MUNICIPAL MASTER INDEX			**9.6%**	**1.9%**	

As of October 31. ** Closed to new investors. @Only share class. Unless otherwise indicated, funds come in multiple share classes; we list the share class that is best suited for individual investors. r Maximum redemption fee. †For all mutual fund share classes combined. MSCI EAFE tracks stocks in developed foreign markets. SOURCES: Bank of America Merrill Lynch, Morningstar, Vanguard.

THE KIPLINGER 25 UPDATE

Investing in a Tepid Economy

THE BOND MARKET HAS BEEN perplexing of late. When Treasuries do well, higher-risk bonds, such as corporate debt, typically lag. Not this year. Both bond sectors have rallied recently. Cuts in U.S. short-term interest rates propelled Treasuries (interest rates and bond prices move inversely), while a low simmer in the U.S. economy drove corporate bonds higher.

The Bloomberg Barclays U.S. Aggregate Bond index, which is loaded with Treasuries and high-quality corporate debt, gained a whopping 11.5% over the past 12 months through October 31. Unfortunately, that makes it tough for many bond funds to look good by comparison. **FIDELITY ADVISOR STRATEGIC INCOME** delivered an 8.4% return, which in any other year would be considered a banner performance.

The multisector fund balances government securities with junkier, higher-yielding debt to deliver a fatter income stream than the Agg index. The fund currently yields 3.21%, compared with a 2.29% yield for the Agg. "It's rare for a fund with a yield in the mid threes to generate 8% to 9% returns," says Ford O'Neil, who, with Adam Kramer, makes the broad calls on which sectors of the bond market to emphasize or underplay. Specialists within each sector do the bond picking.

These days, the managers have positioned the fund to do well in a moderately growing U.S. economy. O'Neil and Kramer start with a target of 40% of assets in high-yield bonds; 25% in U.S. government securities; 15% each in foreign-developed and emerging-markets debt; and 5% in floating-rate loans. Then they tweak the proportions depending on their big-picture view. Currently, the fund is tilted toward high-yield debt (42% of assets) and floating-rate loans (nearly 9%). "If we can grow at 1.5% to 2%, that's good news for the bonds that we favor today," says O'Neil.

The fund, which recently celebrated its 25-year anniversary, has evolved a bit over time. O'Neil added a sliver of stocks to the high-yield portion of the fund seven years ago to reduce overall volatility. Shares in Air Canada, the fund's largest stock holding, have climbed 47% over the past six months. **NELLIE 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
D.F. Dent Midcap Growth	DFDMX	24.9%	13.1%	—	0.0%	0.98%
Dodge & Cox Stock	DODGX	6.5	8.6	12.6%	2.6	0.52
Mairs & Power Growth	MPGFX	14.0	9.0	13.2	1.9	0.64
Parnassus Mid Cap	PARMX	16.5	9.6	13.2	1.4	0.99
T. Rowe Price Blue Chip Growth	TRBCX	14.4	13.8	16.2	0.7	0.70
T. Rowe Price Dividend Growth	PRDGX	18.2	11.6	13.4	2.0	0.64
T. Rowe Price QM US Sm-Cp Gro	PRDSX	11.9	10.4	15.7	0.6	0.80
T. Rowe Price Sm-Cap Value	PRSVX	7.6	8.3	12.3	1.4	0.85
T. Rowe Price Value	TRVLX	13.0	7.7	12.4	2.1	0.78
Primecap Odyssey Growth	POGRX	5.8	11.3	14.3	1.3	0.65
Vanguard Equity-Income	VEIPX	13.1	9.4	13.1	3.1	0.27
Wasatch Small Cap Value	WMCVX	6.2	8.7	13.2	2.2	1.20

International Stock Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
AMG TimesSquare Intl Sm-Cap	TCMPX	10.2%	7.4%	—	2.6%	1.23%
Baron Emerging Markets	BEXFX	12.7	3.0	—	2.4	1.36
Fidelity International Growth	FIGFX	21.7	7.4	9.0%	1.8	0.95
Oakmark International	OAKIX	9.3	4.1	7.3	4.3	0.96

Specialized/ Go-Anywhere Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Vanguard Health Care	VGHCX	8.2%	7.4%	14.3%	1.6%	0.34%
Vanguard Wellington‡	VWELX	14.6	8.1	10.0	2.8	0.25

Bond Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
DoubleLine Total Return N	DLTNX	8.2%	3.1%	—	3.2%	0.73%
Fidelity Adv. Strategic Income	FADMX	8.4	3.8	5.0%	3.2	0.69
Fidelity Intermed Muni	FLTMX	8.3	2.9	3.5	1.4	0.37
Fidelity New Markets Income	FNMIX	7.7	3.8	5.9	5.0	0.84
Met West Total Return Bond M	MWTRX	11.5	3.0	4.8	2.3	0.67
Vanguard High-Yield Corporate	VWEHX	10.4	5.1	7.3	4.6	0.23
Vanguard Sh-Tm Inv-Grade	VFSTX	6.3	2.4	2.7	2.2	0.20

Indexes	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield
S&P 500-STOCK INDEX	**14.3%**	**10.8%**	**13.7%**	**1.9%**
RUSSELL 2000 INDEX*	**4.9**	**7.4**	**12.3**	**1.5**
MSCI EAFE INDEX†	**11.0**	**4.3**	**5.4**	**3.3**
MSCI EMERGING MARKETS INDEX	**11.9**	**2.9**	**3.8**	**2.9**
BLOOMBERG BARCLAYS AGG BND IDX#	**11.5**	**3.2**	**3.7**	**2.3**

As of October 31, 2019. ‡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: FTSE Russell, Morningstar Inc., MSCI, S&P Dow Jones Indices. Yields listed are SEC yields for bond funds; weighted average portfolio yields for stock funds.

MONEY

SPECIAL REPORT

Watch Out for the Elder Fraud Web

Scams range from petty theft to embezzlement. Your parents may need your help.

BY MIRIAM CROSS

ILLUSTRATIONS BY BENEDETTO CRISTOFANI

There were warning signs: A constantly ringing phone. Bank accounts in disarray after an apparent hack. Messages from her family that went unreturned for days because she was extremely busy. A new man in her life, with whom she talked over the phone but never in person. Rochelle, an active, social, independent 86-year-old resident of Los Angeles, was being exploited by an international fraudster. But it was only months after those signs first appeared that the people who cared about her made sense of them.

Concerned friends and neighbors refrained from asking too many questions out of respect for Rochelle's privacy. It was only when Rochelle's son Brad and daughter-in-law Nancy, who live in Sacramento, visited her last September that they realized something sinister was at play. (Last names are withheld to protect their privacy.) Rochelle was in such a deep state of depression that she ended up in the hospital, where the couple found out that she was also experiencing cognitive decline. When they entered her condo, they found scraps of paper with a mysterious name and phone number, a FedEx receipt to Jamaica, and stacks of unpaid bills.

Nancy and Brad are still trying to piece together how Rochelle fell under the spell of a seductive caller, who manipulated her into opening credit cards and lines of credit, as well as buying expensive watches they couldn't subsequently trace, over the course of several months in 2019. "I think the root of the problem is that she was lonely living by herself, even though she was surrounded by lovely neighbors and good friends," says Nancy. After talking to Rochelle as she recovered, they found out that she had tried to resist the caller's demands, but the pressure and the threats became too much to bear.

Financial exploitation is one of the most vicious kinds of abuse inflicted on seniors. It can range from petty financial crimes, such as stealing cash or forging checks, to more-elaborate deceptions in which the perpetrator manipulates an older adult into handing over money or control. Only one in 44 cases of elder financial abuse are reported, according to the New York State Elder Abuse Prevalence Study from 2011. Victims are hesitant to speak up because they are embarrassed, fear losing their independence or are reluctant to sever ties if the perpetrator is a loved one.

Financial abuse and elder fraud can do more than devastate an adult's savings, credit or ability to pay for long-term care. Many victims suffer medical and psychological harm, and they experience higher mortality rates than seniors who are not abused.

"Older adults make great targets because they have accumulated assets over time and are living off their savings," says Larry Santucci, who coauthored a report about elder financial victimization for the Federal Reserve Bank of Philadelphia. "Some are also very lonely or socially isolated, which makes them susceptible to exploitation." Moreover, cognitive decline—which hampers your ability to gauge risk or sense that something is awry—starts seeping in as early as your 50s. It may lead to diminished financial capacity, compromising your ability to handle your own money. "When you lose the ability to manage your day-to-day finances and make good banking and investing decisions, you are your own worst enemy," says Santucci. "You start to make financial mistakes before you even realize it."

Whether you are concerned for your aging family members or want to protect yourself, it's vital to fortify your finances from crooks before you become a target.

HOW IT HAPPENS

As much as 90% of elder abuse is committed by a family member or someone the victim knows and trusts. Ted Halpern, president of Halpern Financial, in the Washington, D.C. area, discovered a ruse by his father's caregiver to acquire $5,000 from him, purportedly to pay for her child's surgery. "This nurse had cared for my mother in her final days, and we trusted her implicitly," he says. But "these caretakers are with your family members all day long, and their influence is significant." The caregiver had convinced Halpern's father to keep his gift a secret, so even after Halpern sat down with him to address the strange transaction, his father was reluctant to share the truth. "It's frightening for people to think that the person who is in their home every day and making their meals is taking advantage of them," says Halpern.

Scams by strangers are less common, but could also involve a larger amount of money. Many older adults are in the habit of answering ringing telephones, which makes them prime targets for phone-based fraud, says Amy Nofziger, director of fraud victim support at AARP. This can include imposters posing as IRS agents, Social Security representatives or grandchildren. Seniors who are new to social media, or in the habit of opening junk mail, are susceptible to other schemes.

(For more on scams, see box on page 44.)

When you visit your parents or another aging relative or family friend, watch out for signs that something is amiss, such as a decline in his or her standard of living, stacks of gift cards, unfamiliar pieces of mail, or an unusually secretive or giddy demeanor. If you are involved with their day-to-day finances, look for missing check numbers or uncharacteristic bank activity that deviates from normal patterns.

PROTECT AND PREVENT

Educate your parents about elder fraud by keeping abreast of common scams and dropping the topic into casual conversation. (Review the latest warnings at www.aarp.org/money/scams-fraud, www.bbb.org/scamtracker, www.consumer.ftc.gov under "Scams" and www.fraud.org.) For example, you can mention an article you read recently about scams targeting older adults and ask your parents what they would do in a similar situation, says Nofziger. Be sensitive; you don't want to instill unnecessary fear or make your parents feel like they are losing control.

But education only goes so far, says Elizabeth Loewy, cofounder of EverSafe, an online monitoring service designed for seniors. "The nature of mild cognitive impairment is that a victim can believe something is a scam one week, then forget or not understand a week later," says Loewy. You'll need to take other steps to minimize openings for an opportunistic fraudster.

Thwart nefarious callers. Start by registering your parents' phone number on the National Do Not Call Registry (www.donotcall.gov). Install a call screening and blocking device on their landline to deflect unwanted callers, and download a robocall-blocking app, such as YouMail or Nomorobo, onto smartphones. (Nomorobo costs $1.99 per month per mobile device but is free on VoIP landlines.) Set up a voicemail service to ease their concerns about legitimate calls being ignored and explain that even familiar-looking phone numbers that pop up on caller ID can be "spoofed," or faked.

Impress upon older adults that any unsolicited caller who is aggressive or initiates a request for their credit card number, Social Security number or other personal information is up to no good. Anecdotally, the number one method scammers use to get money is to convince their marks to buy a prepaid gift card and read them the numbers on the back of the card, says Nofziger. She suggests posting a "refusal script" by the phone with polite language your loved one can use to quickly end a strange call, such as "Thank you for calling, but I do not do business over the phone." At the same time, trawl your parents' social media pages to see what personal information they have made publicly available, and help them remove it.

Lock down their finances. Quiz your parents' banks and brokerages about features that can help you stay engaged with their accounts, because these benefits are not often advertised. For example, a bank may be able to grant you "read-only" access to online banking, set up a "convenience" account where, unlike with a joint account, there is no right of survivorship, or provide alerts that ping your phone when certain activity occurs. Ted Halpern and his siblings uncovered their father's caregiver's deception quickly because his sister received alerts every time a withdrawal bigger than his father's largest bill—his mortgage—cleared his account. They fired the caregiver and demanded that she return the money, which she did.

Brokerages may be able to designate you as an "interested party" on a parent's account, meaning you will get statements and may be able to log in as often as you like to monitor investments, but cannot make transactions. The Financial Industry Regulatory Authority, or Finra, now requires broker-dealers to request a "trusted contact," who will be notified about suspicious behavior, when clients open new accounts or update existing ones. At the same time, ask your bank and brokerage how they monitor accounts for unusual transactions and handle cases of potential financial abuse. Separately, help your parents review their credit reports and freeze their credit.

You also need to guard against unscrupulous financial advisers and other professionals looking to exploit your parents. Hayden McCoy, a certified financial planner and owner of Synergy Wealthcare Solutions, was horrified when her recently divorced mother was persuaded by a financial adviser at a big-name firm near Dallas to sell her home and car and invest the proceeds with his firm, among other ill-advised decisions. When McCoy urged her mother to ask more-probing

In the Crosshairs

Scams That Target Older Adults

Many scams are universal. But some target older adults specifically or affect them disproportionately. We spoke with experts to see what you and your parents should watch out for. (For details about identity theft involving taxes, your health, credit and debit cards, and phishing, see "ID Theft: Act Now to Protect Yourself," May 2019.)

Sweepstakes or lottery. You hear by phone, mail or online that you have won—or have the potential to win—a jackpot. But you need to pay a fee, or cover taxes and customs duties, to receive your prize, perhaps by prepaid debit card, wire transfer, money order or cash. Or, the scammer may send you a bogus check that you need to deposit before sending a portion back. Even if the contest carries a legitimate name, stay away from schemes that require you to pay to claim your prize. This was the third-most-reported scam in 2018, according to calls received by the Senate Aging Committee's Fraud Hotline (IRS impersonation and robocalls took the top two spots).

Tech support. A so-called tech support representative calls and claims that your computer is infected with a virus. Once you hand over remote access, they dig into your personal files or request payment for their services. Seek tech support only from the contact information provided with your devices. In 2018, people age 60 and older were about five times more likely to report losing money to these scams than were younger people, with a median loss of $500, according to the Federal Trade Commission.

Grandparent. Your "grandchild" calls—perhaps in the middle of the night, startling you awake—sounding frantic, because he needs fast cash to deal with a medical emergency, a travel disaster or to get out of jail. He begs you not to alert his parents. The con artist on the other end of the line may have extracted enough details about your grandchild from the internet, such as his or her name, city and school, to weave together a believable story, and may explain away a distorted voice by claiming a bad phone connection or broken nose. "You're pulled into an emotional trap and can only think about helping your grandchild," says Amy Nofziger, director of fraud victim support at AARP. Hang up and call your grandchild or an in-the-know relative to check in.

Romance. You get a message on an online dating site or through social media that says something like "Don't you remember me? I'm you're second-grade crush. You look so good," says Nofziger. The seducer may spend weeks or months building a relationship over phone and e-mail, then ask for money—perhaps to help him or her travel to you or to deal with medical issues. "These are some of the most devastating victimizations," says Nofziger. "Some victims can lose hundreds of thousands of dollars—and the dream a scammer created for them."

Social Security. Someone claiming to be a Social Security staffer contacts you and tries to extract money or personal details. He or she may pretend there is a problem with your account, that your Social Security number has been suspended because of suspected illegal activity, or that you're owed a cost-of-living benefit increase. Worse, the caller may threaten your benefits, suggest you'll face legal action if you don't provide information, or pressure you to send money. If you're not sure whether a call is legitimate, don't rely on your caller ID; hang up and call 800-772-1213 to speak with a real representative.

Natural disasters and contractors. Fake contractors will go door-to-door offering fix-it services, often capitalizing on a recent natural disaster in the area. They will ask for instant payment via cash or check, promise to start working the next day, and then disappear. Ignore their offers and search for contractors on your own.

questions, the planner "tried to turn my mother against me," she says.

Look for certified financial planners who are *fee-only,* meaning their compensation comes entirely from their clients, rather than *fee-based,* meaning they may get commissions from other sources. Study your adviser's business card or website for fine print, which should disclose any affiliations with broker-dealers. (CFPs are now required to act as fiduciaries at all times when giving financial advice to clients.)

Encourage your loved ones to protect their assets through estate planning as well. Besides making sure their wills or revocable living trusts are up to date, older adults should prepare a durable financial power of attorney with a lawyer who specializes in elder law. (Find one through the National Academy of Elder Law Attorneys at www.naela.org, the National Elder Law Foundation at www.nelf.org, or through your state bar if they certify elder law specialists.) The power of attorney means an agent can make financial decisions on their behalf. A lawyer can help an older adult appoint a trustworthy agent, especially if he or she doesn't feel that any close relatives fit the bill. Letha McDowell, an elder law attorney who practices in both North Carolina and Virginia, says one client chose her next-door neighbor's son, whom she felt was organized and capable. The son agreed, knowing that he could turn to McDowell's firm for guidance on her financial matters.

Get outside help. If managing a parent's finances becomes too onerous, consider hiring a daily money manager. These professionals work remotely or in person to help adults of any age pay bills, organize tax documents and bank records, negotiate with creditors, and more. Many daily money managers charge by the hour and meet with clients anywhere from once a week to once or twice a month as needed. Find a manager in your area at www.aadmm.com, or ask your financial adviser for a referral.

Online tools can also help older adults keep on top of their finances. "A smart scammer will steal small amounts across different institutions over time," says Loewy. Monitoring service EverSafe offers three plan subscriptions that range from $7.49 to $24.99 per month. The basic service tracks bank and credit card accounts for erratic activity and sends alerts to designated relatives and friends. Consider setting up automatic bill pay for your parents' bills.

Be careful about caregivers. Make sure any caregivers you hire through an agency are licensed, bonded and insured, and that they have undergone a background check. Ask your homeowners insurer whether your liability coverage extends to a contracted employee in the home.

Before a caregiver visits, lock up sensitive financial documents such as bank statements and checkbooks, shred personal documents rather than leaving them in the trash, and secure computers and smartphones with passwords rather than leaving them open and logged in. Store valuables in a safe or safety deposit box. Retired pastor Earl Ussery, 94, who lives near Baltimore, had no idea that a caregiver had forged his signature on stolen checks to pay herself tens of thousands of dollars until Cindy Stevens, his daily money manager, stepped in. The caregiver had been fired by the agency at that point, and the bank determined that it was not responsible for the forgery, leaving few options to recover his funds.

Report it. Nancy and Brad spoke with a detective in Los Angeles, who said there was little chance of catching the criminal (or criminals) who went after Rochelle if they were operating outside of the U.S. Instead, the couple is still trying to figure out what happened and have moved Rochelle into an assisted living facility, where she is much happier. "If you suspect anything might be of concern with an elderly neighbor, friend or relative, be bold and share it with family members right away," says Nancy. "Otherwise, it may be too late to prevent the damage."

Even if there's little chance of nabbing the bad guys, contact your local law enforcement and adult protective services agency to report financial exploitation or other abuses. Find contact information for APS agencies at www.napsa-now.org, under Get Help, and search other local resources at www.eldercare.acl.gov. The National Center on Elder Abuse (https://ncea.acl.gov) lists help lines and resources by state. ■

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Oversight

The Feds and States Step In

Congress, state regulators and lawmakers, and the financial services industry are taking action to fight elder fraud. The Senior Safe Act allows certain employees at financial institutions to report suspected cases of elder financial abuse to federal and state authorities without fear of being sued. Details on training and reporting still need to be worked out. AARP is training bank tellers to spot signs of abuse.

The Financial Industry Regulatory Authority, or Finra, lets broker-dealers put a temporary hold on certain suspicious activities. It also requires broker-dealers to request a "trusted contact" when clients open new accounts or update existing ones (the client can choose not to supply one). In 23 states, broker-dealers and registered investment advisers must report suspected cases of senior financial exploitation.

YOUR MIND AND YOUR MONEY | Anne Kates Smith

Stories That Move the Economy

Yale professor and Nobel laureate Robert Shiller is known for his contributions to the field of behavioral finance, which marries the disciplines of psychology and economics. Now, he wants to open the economic tent even wider to bring in the study of the stories that rise to prominence in societies—tales that go viral, in other words—because he thinks they have a lot to do with steering the course of the economy. He calls the new field narrative economics, which is also the title of his new book (*Narrative Economics: How Stories Go Viral & Drive Major Economic Events,* Princeton University Press, 2019).

Shiller defines an *economic narrative* as a contagious story that has the potential to change how people make economic decisions—say, whether to launch a business, invest in a volatile asset or tighten one's purse strings.

The narratives swirling around the Bitcoin phenomenon, for instance, encompass themes of bubbles, anarchism, human interest, fear of inequality and the future, Shiller notes. Fans of the cryptocurrency don't have to understand how it works to believe in it. "There's a flash of passion about it, like a hit song or a hit movie," Shiller told me in a recent interview. "There's something that touches a nerve. Economic narratives are like that."

Kiplinger founder Willard Kiplinger plays a cameo role in the book, when Shiller quotes a 1930 Kiplinger publication (presumably *The Kiplinger Letter*) listing causes of the Great Depression. Among them: "The development of machines which do the work of many men under the direction of a few men." The modern-day trope for this machine-versus-man showdown is artificial intelligence.

Us or them. For now, artificial intelligence is talked about a lot. But with a full-employment economy, people aren't scared by AI, Shiller says. Still, like the perennial narrative of the Great Depression, the one about job-eating robots could become more malevolent under the right circumstances. "I worry that if there's a recession, it might kindle a rebirth of the machines-replace-people narrative, and it could worsen the recession," Shiller says. "People don't want to spend money if they think they'll lose their job forever, and that propels the whole economy into a recession."

ECONOMIC NARRATIVES PLAYED A CRUCIAL ROLE IN SHILLER'S WARNINGS ABOUT THE STOCK MARKET BUBBLE OF THE LATE 1990s AND IN SOUNDING ALARMS ABOUT RUNAWAY HOME PRICES.

Shiller points out that he has been tracking narratives his entire career. They played a crucial role in his warnings about the stock market bubble of the late 1990s, which burst shortly after publication in 2000 of the first edition of his bestseller *Irrational Exuberance*. The 2005 edition sounded alarms about the housing bubble, before the collapse of that market precipitated the financial crisis.

As for what he makes of the market today, Shiller says he favors bargain-priced stocks over the growth-oriented fare that has largely driven the current bull market. "I think that you might tilt toward value, even though it hasn't worked lately. But that's the time to get in, when it hasn't worked."

Is there a narrative circulating today that worries him? "Low, long-term interest rates, especially in Europe and other places, suggest a sort of bubble in the bond market," says Shiller. "It seems like there might be a big correction there and that's an asset class that's traditionally thought to be the safest. It's not clear that it is."

Whatever Shiller figures out about the bond market, he's clear about the need for policymakers to pay attention to the lessons that economic narratives have for us when it comes to reading the tea leaves about financial and housing markets. Writes Shiller: "Stories and legends from the past are scripts for the next boom or crash." ■

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POON WATCHARA-AMPHAIWAN

Your 2020 Financial Calendar

Whether or not you make financial New Year's resolutions, you no doubt want to improve your bottom line in the coming year. With that in mind, we have some suggestions for bolstering your finances each month, ranging from budgeting in January to checking up on your insurance coverages in April to reviewing your estate plan in October. March, as the bull market approaches its 11th anniversary, looks like a good time to reflect on your investing philosophy and tolerance for risk. And if your charitable giving has been thrown for a loop by the new tax law, consider setting up a donor-advised fund. We've slated that for December.

BY LISA GERSTNER

ILLUSTRATIONS BY CARMI GRAU

January

☐ **Map out a spending and savings plan.** Budgeting may seem like a bore, especially as the winter doldrums set in. Rather than think of it as a financial killjoy, view it as a way to ensure that you have enough money for what you truly value and enjoy—say, a secure retirement and a vacation or two every year. A popular budgeting guideline suggests keeping essential expenses, such as for a mortgage or rent, utilities, insurance, and groceries, to about 50% of your spending. Debt repayment and savings should take up 20%, and "wants," such as dining out and cable TV, make up the final 30%.

Plenty of tools are available to keep you on target. **MINT** is a go-to app for creating a customized budget, including charts to visualize your cash flow. With **GOODBUDGET**, you set limits by designating virtual envelopes of cash for each budget category. To fill in a detailed budget line by line, check out our interactive tool at kiplinger.com/links/budget.

☐ **Set up retirement account contributions.** Once you've decided how much you can afford to direct to retirement savings, tweak your monthly contributions to your 401(k) or IRA. You can contribute up to $19,500 to a 401(k) in 2020, plus $6,500 in catch up contributions if you're age 50 or older. The IRA contribution limit is $6,000, plus $1,000 in catch-up contributions for those 50 and older.

☐ **Get a dividend every month.** With a strategic selection of stocks, you can generate income from dividends each month. The December 2019 issue of *Kiplinger's Investing for Income* includes 12 stock picks to keep the cash coming in all year. To see the list, visit kiplinger.com/links/monthly.

FEBRUARY

☐ **Flowers, chocolates and financial talks.** Valentine's Day is this month. Unromantic as it may sound, sitting down with your sweetheart to talk finances is key to a more fulfilling—and maybe longer-lasting—relationship. In a survey from personal finance website MagnifyMoney, 21% of divorced couples said that money was the cause of their split. The higher their income, the more likely money was the culprit.

If your relationship is getting serious or you've been avoiding the money talk, have an honest conversation about what financial accounts you have, any debt you're carrying, what your credit score is, and your attitudes toward spending and saving. Consider whether you'll merge your bank and investment accounts, keep them separate, or construct a combination of independent and joint accounts. Longtime couples are wise to have regular money talks, too—say, each month or quarter—to stay on the same page about their budget, investments and goals. Test your savvy when it comes to money and relationships with the quiz at kiplinger.com/links/couplesquiz.

☐ **Plan your summer vacation.** If you're traveling to a popular destination this summer, book lodging before it sells out. Now is also a good time to set up fare alerts for flights with a tool such as Google Flights, Hopper or Kayak. But don't buy yet—you may get the best price if you wait to book domestic trips about 45 days in advance and international trips about 75 days in advance, says Hayley Berg, of Hopper.

☐ **File your tax return.** By the end of January, your 1099 and W-2 tax forms should be in the mail. Avoid the last-minute scramble and submit your tax return now. Acting early may also prevent identity thieves from using your Social Security number to file a fake return and claim a refund.

March

☐ **Pen your investing constitution.** If the bull market continues its record-breaking run, its 11-year anniversary will be March 9. But inevitably, the bear will come out of hibernation at some point. To help you stay moored when the investing waters get choppy, create a list of tenets that you'll follow no matter what the market is doing. You may, for example, vow to maintain an asset allocation that reflects your appetite for risk; to avoid hasty decisions to purchase or sell stocks; to buy a mutual fund only if its expense ratio is below a certain percentage; to ignore day-to-day chatter on CNBC (or from your friends) that may sway you from your plan; to never attempt to time the market; and to hold only investments that you understand.

If you work with an adviser, you may have already drafted a similar document, known as an investment policy statement. It's designed to clarify your investment strategy and goals, providing a guideline for both you and your adviser.

☐ **Clean out your FSA.** If your employer offers a grace period to use up flexible spending account funds from the 2019 plan year, it expires March 15. See a list of eligible medical expenses at https://fsastore.com/fsa-eligibility-list.aspx.

☐ **Kick off IRA withdrawals.** If you turned 70½ in 2019 and didn't take a required minimum distribution from your IRA, put in an order with your financial institution. If you don't take your first RMD by April 1, you may owe a 50% penalty on the required distribution amount.

APRIL

☐ **Review your insurance coverage.** Re-shopping your auto and homeowners insurance every year could save you a bundle in premiums over the long run. Sites such as Insurance.com, Policygenius.com and InsuranceQuotes.com provide quotes from several insurers, or find an independent agent at www.trustedchoice.com.

Even if you're happy with your current policy, you may be able to find ways to save money on it. Increasing your deductible, for example, usually lowers the premium. See whether you can get discounts for holding auto and homeowners policies with a single insurer, or by paying premiums annually instead of monthly. If you've made improvements to your house or have accumulated valuable items, you may need to boost your homeowners coverage.

This is a good time of year to evaluate flood insurance, too. A flood policy typically doesn't become effective until 30 days after you buy it, and you'll want to have it in place before hurricane season begins. At www.floodsmart.gov, you can look up flood risk in your area and find providers of federally backed flood insurance.

☐ **Fund your IRA and HSA.** You have until tax day, April 15, to make a 2019 contribution to a traditional or Roth IRA and to a health savings account. You can stash up to $6,000 in an IRA for 2019 ($7,000 for those 50 and older). The 2019 HSA contribution limit is $3,500 for single coverage or $7,000 for family coverage (plus an extra $1,000 if you're 55 or older).

☐ **Save the earth—and your money.** April 22 is Earth Day. Consider switching to Energy Star appliances, which can trim your utility bills. If you'd like to install alternative-energy equipment, such as solar panels or a geothermal heat pump, act soon. You can deduct 26% of the installation cost on your federal tax return for 2020, or 22% for 2021.

MONEY

May

☐ **Spring cleaning for your financial records.** With tax season behind you, take time to sift through your records. It's wise to hold on to copies of your tax returns forever. Typically, the IRS has three years from the date you file your tax return to start an audit, so you should keep supporting documents that long. (If you're self-employed, keep them six years—that's how long the IRS has to audit you if you underreport your income by 25% or more.) Such documents may include Form W-2s reporting income from an employer; Form 1099s reporting income, interest, dividends and capital gains; Form 1098s reporting mortgage interest; year-end investment statements; receipts for charitable contributions; and records of contributions to a tax-deductible IRA.

Keep pay stubs until you match them with your W-2s, and keep monthly brokerage statements until you check them against year-end statements and 1099s. You can usually trash receipts for purchases, ATM withdrawals and bank deposits after you match them with your monthly credit card and bank statements. Run documents you're discarding through a shredder.

☐ **Check tax withholding.** If you got a big refund or owed a hefty bill after filing your tax return for 2019, adjusting how much tax your employer withholds from your paycheck should put you on a more even keel for 2020. Use the calculator at kiplinger.com/links/withholding to determine how many allowances to take, then submit an updated Form W-4 to your employer.

☐ **Prep your home for the summer.** Before heat and storms come your way, make sure your air conditioner and outdoor irrigation system are in working order. To be ready for storms, trim any tree branches that are at risk of falling onto your property, clean the gutters, and inspect your roof for missing or damaged shingles. For more ideas, see kiplinger.com/links/spring.

JUNE

☐ **Rebalance your portfolio.** Is your asset allocation still on target? If some investing categories have performed well recently, they may be overrepresented in your portfolio, and laggards may be underrepresented. If stocks are taking up too much space, for example, you can shift some equity holdings to bonds and cash. Check your asset mix at least twice a year, or anytime the market undergoes a big fluctuation.

If you log in to your investment account online, you may see tools that show a breakdown of your allocation. Or link your account to Personal Capital, which displays your asset mix in a colorful chart and, with its free Investment Checkup tool, recommends a target allocation based on questions that you answer. Morningstar's Instant X-Ray also provides a detailed review of your holdings, including allocation. The tool is free, but you must register with Morningstar.com.

☐ **Keep tabs on your credit reports.** If you haven't claimed your free annual credit reports in the past 12 months, get them from Equifax, Experian and TransUnion at www.annualcreditreport.com. Review them for errors or signs of fraud, such as credit accounts that you don't recognize. Sign up for alerts of significant changes in your reports with services such as CreditKarma.com and FreeCreditScore.com. If you were affected by Yahoo's data breaches between 2012 and 2016, you have until July 20 to claim two years of free monitoring of your reports from all three bureaus (or a cash payment, if you already have monitoring) at www.yahoodatabreachsettlement.com.

☐ **Whip yourself into shape—at a discount.** With New Year's resolutions in the rearview mirror and warm weather beckoning fitness buffs outdoors, gyms often run specials during the summer, such as waived fees for new members or lower monthly rates.

July

☐ **Hire a fiduciary adviser.** Or check up on your current adviser. June 30 is the date for the Certified Financial Planner Board of Standards to begin enforcing a rule that requires CFPs to act in a client's best interests at all times when providing financial advice—not just when offering financial-planning services, as the previous standard required. On the same day, regulations are also set to go into effect that require brokers to act in their clients' best interests, although consumer advocates say the rules lack teeth. You can search for a fee-only planner, who does not accept commissions for selling financial products, at www.napfa.org. Or ask your adviser to sign a fiduciary oath—you can download one at www.thefiduciarystandard.org.

Find two or three planners to interview, and ask about their fee structure, certifications, areas of specialty, whether they have other clients whose financial situations are similar to your own, and their overall philosophy toward financial planning and investing.

☐ **Midyear tax checkup.** See whether you can take steps to lower your taxable income for 2020. One idea: Boost contributions to tax-advantaged accounts, such as a 401(k), IRA or health savings account. If you're 70½ or older, you can transfer up to $100,000 per year directly to charity without the distribution counting toward your adjusted gross income. Plus, the transfer qualifies as a required minimum distribution.

☐ **Grab a great deal.** Although Amazon keeps the date hush-hush, the retailer's annual Prime Day sale has always taken place in July. Members of Amazon's Prime service ($119 a year) get access to discounts on a variety of products—especially Amazon's own items, such as Kindle e-readers, Fire TVs and Echo smart speakers. Competitors such as Walmart and Target often launch their own sales, too.

AUGUST

☐ **Pay down debt.** If high-interest debt is weighing on your balance sheet, make a plan to wipe it out. Plotting a strategy now will help you avoid falling further into debt during the upcoming holiday-shopping season.

Credit card debt, which carries an average rate of about 17%, should be a priority. Transferring the balance to a card with an introductory 0% rate or a low ongoing rate may be a good move. Or consider paying it off with a personal loan or home-equity line of credit, which likely comes with a lower rate than your credit card.

If you have high-rate private student loans, you may benefit from refinancing them. Variable rates from online lenders recently ran as low as about 2% for borrowers with great credit and a healthy debt-to-income ratio. Sites such as SuperMoney.com and LendingTree.com let you compare offers from various lenders. You may be able to lower your federal loan rate by refinancing, too, but you'd lose key protections.

If you're struggling to keep your debt under control, contact the National Foundation for Credit Counseling at 800-388-2227 or www.nfcc.org. Its nonprofit member agencies offer affordable debt-management services.

☐ **Back-to-school bargains.** Several states have a track record of waiving sales taxes on items such as clothing, computers and school supplies, typically during a weekend in August. You can also check sites such as DealNews.com and Offers.com for updates on the best deals.

☐ **Cut the cable cord.** Many TV shows will premier their new seasons in the coming months. See whether you can watch your favorite shows at a lower price by switching from cable to an antenna or video-streaming service, such as Sling TV or Hulu + Live TV. Summer is also the best time to negotiate a lower bill for high-speed internet, according to a BroadbandNow study.

MONEY

September

☐ **Save for college.** As students hit college campuses this fall, consider opening a 529 college-savings plan for any of your children (or grandchildren) who are likely to have higher-education expenses in the future. Contributions to a 529 grow tax-free, and withdrawals aren't taxed if you use them for qualified expenses, such as tuition, room and board, books, and computers. You can choose a 529 plan from any state, but many states offer a tax credit or deduction on contributions for residents who use their own state's plan.

If you live in one of the 16 states that don't offer a tax break—or if your state provides a tax break regardless of which state's plan you choose—it's worth comparing options from around the country. Direct-sold plans typically come with lower fees than broker-sold ones. Morningstar rates 529 plans on factors including investment options and performance, fees, and management. See how the plans stack up at kiplinger.com/links/529s.

☐ **Winterize your home.** Protect against upcoming cold weather by tuning up your heating system, caulking around windows and doors, draining exterior faucets and reversing your ceiling fans. For more ideas, check out the episode of Kiplinger's Your Money's Worth podcast at kiplinger.com/links/winter.

☐ **Get a jump on holiday travel plans.** Heading out of town for Thanksgiving or Christmas? You may save money if you book your flights before Halloween. "Prices remain fairly stable in September and October," says Hopper's Hayley Berg.

OCTOBER

☐ **Put your estate plan in order.** National Estate Planning Awareness Week is in October. What better time to make sure your will and other estate documents are up to date? It's especially important if you've recently gotten married, had a child, experienced the death of a family member or had a significant change in finances—say, a big windfall. If your estate plan is simple, you may get away with generating your own will at a site such as LegalZoom.com, which offers packages starting at $89. Otherwise, it's best to hire an attorney. And the more complex your situation, the more you'll benefit from the help of a wealth or estate planner, too.

Other documents to create or update include a durable power of attorney, allowing a representative you designate to handle your financial and legal matters if you become incapacitated; a durable medical power of attorney, through which an appointed person can make medical decisions for you; and a living will, which outlines your wishes regarding medical treatment if you can't communicate them yourself. Also check that you have listed the appropriate beneficiaries for your retirement and financial accounts and life insurance policy

☐ **Fill out the FAFSA.** The Free Application for Federal Student Aid for the 2021–22 school year should be released October 1. You'll have until June 30, 2021, to submit the form for federal aid, but fill it out as soon as possible because some states and schools award money on a first-come, first-served basis or impose deadlines earlier than the federal one.

☐ **Tax-return deadline, part two.** If you got an extension to file your 2019 tax return, it's due October 15. And note that you should have paid at least 90% of any tax owed for 2019 by April 15, 2020, to avoid interest and a penalty.

November

☐ **Make the most of your 401(k).** Rule number one if you have an employer-sponsored retirement plan: Contribute at least enough to capture any match that your employer provides. Next, optimize your investments. Your plan may offer a target-date fund, which comes with a preset asset allocation that adjusts to reduce market risk as you approach retirement. It's a low-maintenance choice that works well for many savers. But if your 401(k) has a healthy selection of low-cost investments, you may earn better returns by customizing a portfolio. Also check whether your company offers a Roth 401(k) option. Roth contributions are taken from your paycheck after taxes, but withdrawals are tax-free in retirement. (For more, see "Building a Better 401(k)," Sept.)

One other task: Review transactions from your 401(k) over the past couple of years to ensure that there are no unauthorized withdrawals. "We've seen heavy activity of fraud and impersonation happening in the 401(k) arena," says Marina Edwards, a senior director for consultant Willis Towers Watson.

☐ **Choose a health insurance plan.** Your employer will likely initiate open enrollment for benefits in the coming weeks; it is also the season when you can pick a plan from the individual market and Medicare. Evaluate your options to get the best medical care at the lowest cost. And it's a good time to schedule any medical appointments that you need before the end of the year, especially if they're covered as preventive care or you've met your deductible for 2020.

☐ **Designate year-end tips.** As you budget for holiday gifts and travel, don't forget to set aside a little extra for those who provide great service to you throughout the year—for instance, your hairdresser, child care (or adult care) provider, cleaning person or dog walker.

DECEMBER

☐ **Be charitable with a donor-advised fund.** A donor-advised fund allows you to set aside money for charity now—and take a deduction on your tax return for 2020, if you itemize. But you can decide later which nonprofits will receive the money. You can contribute assets, including cash, stocks and mutual funds, and the money grows in the account through mutual funds or investment pools. If you have stocks or mutual funds that have appreciated in value, consider putting the shares in your donor-advised fund—you won't owe capital gains tax on the increased value, as you would if you sold them. It's a great way for families with multiple generations to decide together how to distribute their charitable dollars.

Many brokers offer donor-advised funds; Schwab Charitable and Fidelity Charitable, for example, each require a minimum $5,000 contribution. Community foundations commonly serve as sponsors, too. Search for foundations in your area at www.cof.org/community-foundation-locator.

☐ **Take your required minimum distribution.** If you're older than 70½, you have until the end of the month to take your 2020 required minimum distribution from an IRA. For strategies to lower the tax bill on RMDs, see "How to Downsize Your RMDs" (Nov.).

☐ **Shop for a new car.** The end of the year is prime time to score a bargain on a new car as dealers try to reduce inventory and clear their lots of vehicles from the outgoing model year. Buyers get an average of 6.1% off the sticker price in December—the highest discount all year—and the best incentives, according to Edmunds.com. ■

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MONEY SMART WOMEN | Janet Bodnar

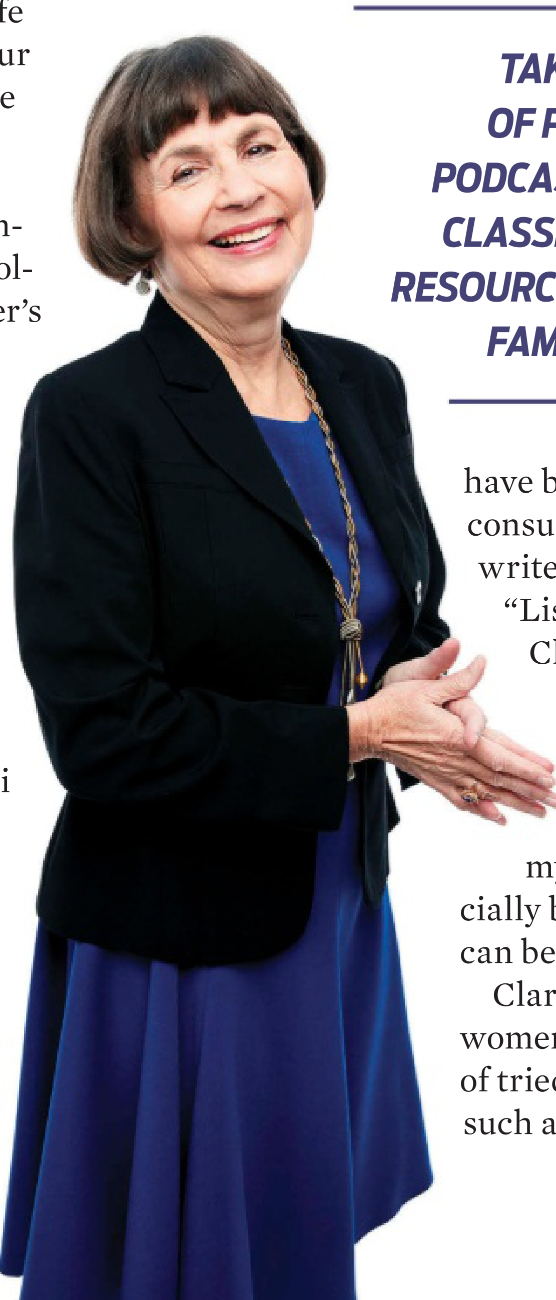
Advice From Confident Investors

A few months ago, I asked readers to share their stories about how they became confident investors (“Money Smart Women,” Oct.). What you told me is that the spark can come from many different sources—and that should encourage women who are still finding their way or who would like to inspire a new generation.

For starters, family members often play a key role. “When I was 25, my mother implored me to open a savings account,” writes Christina Andersson. “That got me comfortable with other saving and investing vehicles, such as 401(k) plans, Roth IRAs and no-load mutual funds.” Make yourself financially literate, advises Andersson, who read the classic *A Random Walk Down Wall Street,* along with *Kiplinger’s* and *Money* magazines. “Life is short, so max out your 401(k) and learn to love the Roth IRA.”

Lisa Miller says she “never felt a lack of confidence” because she followed her grandmother’s example, “choosing to buy investments I knew and contributing as much as I could regularly and frequently.”

Like Andersson, other readers often cited *Kiplinger’s* and *Money* as their investment primers. But Kari Beckenhauer didn’t stop there. “I went to the local newsstand and bought and read every investment publication I could find, including the ads,” Beckenhauer writes. Eventually, “people would come to me to discuss a 401(k) plan or IRA, and I even wrote a small newsletter for my nieces and nephews when they were heading off to college.”



Carol Stivers’s investment bible was a book she got in the 1970s, *The Joy of Money: The Guide to Women’s Financial Freedom*. At the time, Stivers was a divorced teacher with three children. The book made such an impression that when she received a $5,000 bequest from her mother-in-law, she invested it in a utility that “paid a big dividend and was selling at a price that let me buy a lot of shares for $5,000.” She held the stock until 2017.

Nowadays, there are plenty of other sources of financial information. “I have become a voracious consumer of podcasts,” writes Susan Murphy. “Listening to Jean Chatzky, Dave Ramsey and Suze Orman continues to further my knowledge and bolster my confidence, especially because their advice can be very different.”

TAKE ADVANTAGE OF PUBLICATIONS, PODCASTS, ADULT ED CLASSES AND OTHER RESOURCES, INCLUDING FAMILY MEMBERS.

Clara DiFelice advises women to take advantage of tried-and-true resources such as adult education classes. That’s what DiFelice did, and she “was fortunate to have a 15-week session on investing taught by a senior partner at a premium firm in my town,” she writes. “I wouldn’t have been able to afford his hourly fee for advice, but 45 hours of classes were offered at about $10 per hour.”

Married women often mentioned having the full support of their husbands. In fact, writes Cindy Ross, “my husband deferred financial decisions to me.” When an adviser recently reviewed the couple’s finances, “there were no recommended changes. We could retire early if we wanted.”

Different strokes. Readers generally focused on building portfolios of low-cost mutual funds. But some, like Carol Martin, chose individual stocks. Martin caught the stock bug after joining an investment club a number of years ago. The club folded in 2005, but Martin still owns, and tracks, shares in 18 companies.

Some of you diversify your portfolios by adding real estate. Following her rule never to spend all the money you earn, Marilyn Polen socked away her tips as a waitress while she was in college and cobbled together a number of small scholarships to pay for school. By the time she finished her master’s degree, she was able to purchase foreclosed duplexes in Florida, which she rehabbed herself and rented.

Now Polen’s daughter is following in her footsteps, having bought her first rental property at age 26. Writes Polen, “This is a single-mom, two-generation story of success because we are not romantic or emotional about money. It’s a tool to be used wisely.” ■

JANET BODNAR IS EDITOR AT LARGE OF *KIPLINGER’S PERSONAL FINANCE* MAGAZINE. YOU CAN CONTACT HER AT JANET_BODNAR@KIPLINGER.COM.

BANKING

Free Checking With Benefits

CHECKING ACCOUNTS THAT charge no monthly fee are getting harder to come by. In the first half of 2019, the number of credit unions offering free checking accounts fell 59%, and the number of banks with free checking dropped 37%, according to economic-research firm Moebs Services. Now only about 20% of banks and credit unions still offer free checking. The reason for the decline? Free checking usually isn't profitable for the institutions that offer it, says CEO Mike Moebs.

> **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**.

Luckily, finding a free checking account isn't difficult if you're willing to bank online—and you can even earn interest. For several years, the free account from **BANK5 CONNECT** (www.bank5connect.com) has offered a 0.76% yield, and the minimum balance required to earn it is a reasonable $100. Plus, the bank reimburses up to $15 a month in surcharges from out-of-network ATM operators. The free account from **ALLIANT CREDIT UNION** (www.alliantcreditunion.org) yields 0.45% on all balances if you receive electronic statements and make one electronic deposit monthly, and it reimburses $20 monthly in ATM fees. When you join the credit union, Alliant will pay a $5 membership fee to the charity Foster Care to Success on your behalf and make a complimentary $5 deposit into an Alliant savings account for you.

Free accounts for frequent spenders. If you use your debit card regularly, consider an account that rewards you for it. **DISCOVER**'s checking account (www.discover.com/online-banking) offers 1% cash back on up to $3,000 in debit card purchases each month, and the bank has eliminated nearly all account fees. If you have $2,500 in monthly direct deposits or keep a $2,500 minimum balance, the Rewards Checking account from **RADIUS BANK** (www.radiusbank.com) pays an unlimited 1% back on signature-based debit-card purchases (transactions verified with a PIN don't qualify). In addition, you'll earn 1% interest on a balance of at least $2,500 or 1.2% on a balance of $100,000 or more, and ATM-fee rebates are unlimited. **LISA GERSTNER**

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TOP-YIELDING SAVINGS

Taxable Money Market Mutual Funds	30-day yield as of Oct. 29	Minimum investment	Website (www.)
Vanguard Prime MMF (VMMXX)	1.97%	$3,000	vanguard.com
Vanguard Federal MMF (VMFXX)	1.89	3,000	vanguard.com
Gabelli US Treas AAA (GABXX)	1.87	10,000	gabelli.com
Meeder Prime MMF (FFMXX)*	1.82	2,500	meederinvestment.com

Tax-Free Money Market Mutual Funds	30-day yield as of Oct. 28	Tax eq. yield 24%/35% bracket	Minimum investment	Website (www.)
Vanguard Muni MMF (VMSXX)	1.29%	1.70%/1.98%	$3,000	vanguard.com
M Stanley T-F Daily Inc (DSTXX)*	1.20	1.58/1.85	5,000	morganstanley.com
BNY Mellon Ntl Muni (MOMXX)	1.13	1.49/1.74	10,000	bnymellon.com
Fidelity Muni MMF (FTEXX)	1.06	1.39/1.63	1	fidelity.com

Savings and Money Market Deposit Accounts	Annual yield as of Nov. 8	Minimum amount	Website (www.)
First Foundation Bank (Calif.)†	2.40%	$1,000	firstfoundationinc.com
CFG Bank (Md.)†#	2.35	25,000	thecfgbank.com
BrioDirect (N.Y.)†	2.30	25	briodirectbanking.com
SFGI Direct (W.Va.)†	2.27	1	sfgidirect.com

Certificates of Deposit 1-Year	Annual yield as of Nov. 8	Minimum amount	Website (www.)
Sallie Mae Bank (Utah)†	2.35	2,500	salliemae.com
CommunityWide FCU (Ind.)&^	2.25	1,000	comwide.com
Dow Chem Employees' CU (Mich.)&^	2.25	1,000	dcecu.org
Quontic Bank (N.Y.)†^	2.25	1,000	quonticbank.com

Certificates of Deposit 5-Year	Annual yield as of Nov. 8	Minimum amount	Website (www.)
Penn State Employees CU (Pa.)&	3.00%	$500	psecu.com
Pen Air FCU (Fla.)&	2.95	500	penair.org
State Dept FCU (Va.)&	2.88	500	sdfcu.org
DollarSavingsDirect (N.Y.)†	2.80	1,000	dollarsavingsdirect.com

*Fund is waiving all or a portion of its expenses. †Internet only. #Money market deposit account. &Must be a member; to become a member, see website. ^Comenity Direct and TAB Bank offer a similar yield. SOURCES: Bankrate.com, DepositAccounts.com, Money Fund Report (iMoneyNet).

TOP CHECKING ACCOUNTS

Must meet activity requirements*

High-Yield Checking	Annual yield as of Nov. 8	Balance range†	Website (www.)
Consumers Credit Union (Ill.)#	5.09%‡	$0-$10,000	myconsumers.org
La Capitol FCU (La.)#	4.25	0-3,000	lacapfcu.org
TAB Bank (Utah)§	4.00	0-50,000	tabbank.com
Orion FCU (Tenn.)#§	4.00	0-30,000	orionfcu.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. §T-Mobile Money offers a similar yield for wireless customers. 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	2.22	1.90	2.83
Six-month Treasury bills	1.58	1.69	2.52
Five-year Treasury notes	1.74	1.36	3.09
Ten-year Treasury notes	1.94	1.54	3.24

SOURCE: U.S. Treasury

As of November 8, 2019.

- 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.

Moving to Another State? Check Out Taxes First

Kiplinger's retirement tax map identifies the states where the total tax bill is highest and lowest. BY ROCKY MENGLE and SANDRA BLOCK

DURING YOUR WORKING YEARS, you may not have a lot of choice about where you live. But once you retire, the world is your oyster. You could move to someplace warmer—or colder, if you hate heat and humidity. You could move closer to your grandchildren or to a part of the country that's more affordable. But as you consider your options, don't ignore the impact of state taxes on your bottom line. Depending on where you retire, your state tax bill could vary by thousands of dollars—and it's not just a state's tax rate that matters. Some states exempt all or a significant portion of retirement income, while others tax it. Still other states offer credits or exemptions ranging from a few hundred to tens of thousands of dollars. For example, Georgia offers a $65,000 retirement income exclusion for anyone age 65 and older—or up to $130,000 for couples who file jointly.

Nine states have no income tax, which means all of your retirement income will be unfettered by state taxes. But in some of those states, residents pay above-average property or sales taxes.

The tax overhaul increased the exemption from federal estate taxes to $11.58 million, so hardly anyone has to worry about those taxes anymore. But 18 states and the District of Columbia still impose an estate or inheritance tax, and some have much lower exemptions than the federal government. Oregon and Massachusetts tax estates valued at as little as $1 million, and Rhode Island taxes estates valued at about $1.56 million.

On the following pages, we list the 10 most tax-friendly and 10 least tax-friendly states for retirees. Results are based on the estimated state and local tax burden in each state for a hypothetical retired couple with a mixture of income from Social Security, an IRA, a private pension, interest and dividends, and capital gains. We also gave them a $400,000 home (with a small mortgage) and $10,000 in deductible medical expenses. Income thresholds are for 2019 and will change in states that index them to inflation.

For a complete breakdown of state taxes on retirees, go to kiplinger.com/links/retireetaxmap.

MOST TAX-FRIENDLY

1. Wyoming

STATE INCOME TAX: None
AVERAGE STATE AND LOCAL SALES TAX: 5.32%
ESTATE TAX? No

Thanks to Wyoming's revenues from oil and mineral rights, residents shoulder the lowest overall state and local tax burden in the U.S., according to our calculations. There are no income taxes, and sales taxes are low, too. You won't pay high property taxes to own a home on the range, either. For a $400,000 place in Wyoming, the statewide average annual property tax bill comes to only $2,540, which is the ninth-lowest amount in the U.S.

2. Nevada

STATE INCOME TAX: None
AVERAGE STATE AND LOCAL SALES TAX: 8.14%
ESTATE TAX? No

There is no state income tax in Nevada, so you can cash in your retirement plans and collect your Social Security checks without worrying about a big state tax bill. If our make-believe couple retired to Nevada and bought a $400,000 home, they should expect to pay about $2,771 per year in property taxes. That's considerably below the national average. However, as is often the case with no-income-tax states, sales taxes are on the high side. The average combined state and local sales tax rate is the 14th-highest in the country.

3. Delaware

STATE INCOME TAX: 2.2% (on taxable income of $2,000 to $5,000) to 6.6% (on taxable income over $60,000)
AVERAGE STATE AND LOCAL SALES TAX: 0%
ESTATE TAX? No

Delaware is one of a handful of states with no sales tax, and property taxes are low, too. The average annual property tax bill in Delaware on a $400,000 home is just $2,414, the sixth-lowest amount in the nation. Residents age 60 and older can exclude up to $12,500 of pension and other retirement income, including dividends and interest, capital gains, and IRA and 401(k) distributions.

4. Alabama

STATE INCOME TAX: 2% (on taxable income of $500 or less for single filers; $1,000 or less for joint filers) to 5% (on taxable income over

ILLUSTRATIONS BY MITCH BLUNT

$3,000 for single filers; over $6,000 for joint filers)
AVERAGE STATE AND LOCAL SALES TAX: 9.16%
ESTATE TAX? No
Social Security benefits and most pensions are exempt from state taxes, and property taxes are modest. If our hypothetical couple owned a $400,000 home in Alabama, they would pay only about $1,729 per year, the second-lowest amount in the country. However, Alabama's average combined state and local sales tax rate is the fifth-highest in the nation. Alabama is also one of the few states that taxes groceries.

5. South Carolina

STATE INCOME TAX: 3% (on taxable income of $3,030 to $6,060) to 7% (on taxable income over $15,160)
AVERAGE STATE AND LOCAL SALES TAX: 7.46%
ESTATE TAX? No
Taxpayers who are 65 or older can exclude up to $10,000 of retirement income from state taxes. Seniors can also deduct $15,000 of other taxable income ($30,000 for joint filers). Plus, in 2020, veterans who are age 65 or older can exclude up to $30,000 of income from a military retirement plan (up to $17,500 for veterans younger than 65).

Low property tax rates are another plus. The statewide average property tax on a $400,000 home is only $2,404, the fourth-lowest amount in the country. Sales taxes are on the high side in South Carolina. There's a 6% statewide levy, and local governments can add as much as 3%.

6. Tennessee

STATE INCOME TAX: 2% on interest and dividends
AVERAGE STATE AND LOCAL SALES TAX: 9.47%
ESTATE TAX? No
Tennessee retirees pay no taxes on Social Security benefits, pensions or distributions from their retirement plans because the state has no broad-based income tax. While interest and dividends are subject to the state's limited income tax, that tax is being phased out and will be eliminated by 2021.

Property taxes in Tennessee aren't too bad, either. The owner of a $400,000 home in the state would pay about $3,072 per year in property taxes—well below the national average. However, the 9.47% average combined state and local sales tax rate is the highest in the country. Groceries are taxed at a 4% rate.

7. Mississippi

STATE INCOME TAX: 3% (on taxable income of $2,000 to $5,000) to 5% (on taxable income over $10,000)
AVERAGE STATE AND LOCAL SALES TAX: 7.07%
ESTATE TAX? No
Mississippi exempts Social Security benefits from state income tax. The state also excludes withdrawals from IRAs and 401(k) plans, income from public and private pensions, and other types of qualified retirement income. The state sales tax rate (not including local sales taxes) of 7% is the second-highest in the U.S. (only California, at 7.25%, is higher), and Mississippi is one of a minority of states that charges sales tax on groceries. If our fictional couple owned a $400,000 house in Mississippi, they would pay an estimated $3,447 per year in property taxes for the home, which is below the U.S. average.

8. Florida

STATE INCOME TAX: None
AVERAGE STATE AND LOCAL SALES TAX: 7.05%
ESTATE TAX? No
The Sunshine State is very popular with retirees, not just because of its forgiving climate but also because it has no state income tax. Sales taxes, though, can go as high as 8.5%, depending on where you live. The average annual property tax on a $400,000 home in the state is $4,166, which is average for the U.S. Florida residents age 65 and older who meet certain income limits can also receive an extra homestead exemption of up to $50,000 from some city and county governments and/or an exemption equal to the assessed value of the property.

9. Georgia

STATE INCOME TAX: 1% (on taxable income of $750 or less for single filers; $1,000 or less for joint filers) to 5.75% (on taxable income over $7,000 for single filers; over $10,000 for joint filers)
AVERAGE STATE AND LOCAL SALES TAX: 7.33%.
ESTATE TAX? No
Georgia exempts up to $35,000 of most types of retirement income for residents age 62 to 64. For those 65 and older, the exemption is $65,000 per taxpayer, or $130,000 per couple. Retirement income includes pensions and annuities, interest, dividends, net income from rental property, capital gains, royalties, and the first $4,000 of earned income, such as wages. Social Security income is also exempt from state taxes.

The statewide sales tax is 4%, but jurisdictions can add up to 5% of their own taxes. While the state doesn't tax groceries, localities can. At $4,000 per year, the average property tax on a $400,000 home in Georgia is slightly below the national average.

10. Arizona

STATE INCOME TAX:2.59% (on taxable income of $26,500 or less for single filers; $53,000 or less for joint filers) to 4.5% (on taxable income over $159,000 for single filers; over $318,000 for joint filers)
AVERAGE STATE AND LOCAL SALES TAX: 8.39%
ESTATE TAX? No
Arizona exempts Social Security benefits from state income taxes, plus up to $2,500 of income from federal and Arizona government retirement plans. Up to $3,500 of military retirement income is also tax-free in Arizona. The income that is taxable is taxed at relatively low rates.

The statewide average property tax on our hypothetical couple's $400,000 home in Arizona is $3,014 per year, which is below average for the U.S. In addition, homeowners age 65 and older can "freeze" the value of their property for real estate tax purposes for three years if they lived in the home for at least two years and their annual income is less than $37,008 (one owner) or $46,260 (multiple owners). The average combined state and local sales tax rate is 11th highest in the nation.

LEAST TAX-FRIENDLY

1. Nebraska

STATE INCOME TAX: 2.46% (on taxable income of $3,230 or less for single filers; $6,440 or less for joint filers) to 6.84% (on taxable income over $31,160 for single filers; over $62,320 for joint filers)
AVERAGE STATE AND LOCAL SALES TAX: 6.88%
ESTATE TAX? No
Nebraska earns the dubious distinction as the least tax-friendly state for retirees because it taxes some Social Security benefits and most

other retirement income, including IRA withdrawals, 401(k) funds, and public and private pensions. The average property tax rate in Nebraska is high, too. For a $400,000 home, the statewide average tax is $7,421 per year. That's the eighth-highest property tax amount in country. Nebraska has no estate tax, but it has an inheritance tax with rates ranging from 1% to 18%.

2. Connecticut

STATE INCOME TAX: 3% (on taxable income of $10,000 or less for single filers; $20,000 or less for joint filers) to 6.99% (on taxable income over $500,000 for single filers; over $1 million for joint filers)
AVERAGE STATE AND LOCAL SALES TAX: 6.35%
ESTATE TAX? Yes
Connecticut is a tax nightmare for many retirees, but the state has endeavored to make its taxes less prohibitive for seniors. In 2019, 14% of income from a pension or annuity is exempt for taxpayers with federal adjusted gross income of less than $75,000 (less than $100,000 for joint filers). The exemption percentage will increase 14 percentage points each year until it reaches 100% for the 2025 tax year. Military pensions are also excluded from state taxes. For residents with federal adjusted gross income over $75,000 ($100,000 for joint filers), 25% of Social Security benefits taxed at the federal level are taxed by Connecticut.

Connecticut has the fourth-highest property taxes in the U.S. The statewide average property tax for a $400,000 home in Connecticut is $8,456 per year. Connecticut imposes an estate tax on estates valued at $5.1 million or more in 2020 at rates ranging from 7.2% to 12%. Connecticut is also the only state with a gift tax, which applies to real and tangible personal property in Connecticut and intangible personal property anywhere for permanent residents.

3. Kansas

STATE INCOME TAX: 3.1% (on taxable income of $15,000 or less for single filers; $30,000 or less for joint filers) to 5.7% (on taxable income over $30,000 for single filers; over $60,000 for joint filers)
AVERAGE STATE AND LOCAL SALES TAX: 8.67%
ESTATE TAX? No
Although Kansas exempts military, federal government and in-state public pensions from state taxes, distributions from IRAs and 401(k) plans and out-of-state public pensions are fully taxed. Kansas also taxes Social Security benefits received by residents with a federal AGI of $75,000 or more.

The state's average combined state and local sales tax rate is the eighth-highest in the U.S. Property taxes are above the national average as well. The statewide average property tax bill for a $400,000 home in Kansas comes to $5,963, the 15th-highest amount in the U.S.

4. Wisconsin

STATE INCOME TAX: 4% (on taxable income of $11,450 or less for single filers; $15,270 or less for joint filers) to 7.65% (on taxable income over $252,150 for single filers; over $336,200 for joint filers)
AVERAGE STATE AND LOCAL SALES TAX: 5.44%
ESTATE TAX? No
Wisconsin exempts Social Security benefits from state taxes, but income from pensions and annuities, along with distributions from IRAs and 401(k) plans, is generally taxable. Property taxes are the sixth-highest in the U.S. If our hypothetical couple purchased a $400,000 home in Wisconsin, they would pay about $7,695 per year in property taxes. Plus, there are no special provisions that reduce property taxes for retirees.

On the plus side, Wisconsin has the eighth-lowest combined average state and local tax rate in the nation.

5. Minnesota

STATE INCOME TAX: 5.35% (on taxable income of $26,520 or less for single filers; $38,770 or less for joint filers) to 9.85% (on taxable income over $161,720 for single filers; over $269,010 for joint filers)
AVERAGE LOCAL SALES TAX: 7.43%
ESTATE TAX? Yes
Minnesota taxes Social Security income to the same extent that it's taxed on your federal return, although residents can deduct up to $4,020 in benefits from their state income ($5,150 for joint filers). Pensions are taxable, unless they're from the military. Distributions from IRAs and 401(k) plans are taxed, too.

The average combined state and local sales tax rate in Minnesota is above the national average. Property tax rates are slightly above average, too. For a $400,000 home in the state, the owner would pay about $4,897 per year. For 2020, estates valued at more than $3 million are subject to a maximum estate tax rate of 16%.

6. Vermont

STATE INCOME TAX: 3.35% (on taxable income of $39,600 or less for single filers; $66,150 or less for joint filers) to 8.75% (on taxable income over $200,200 for single filers; over $243,750 for joint filers)
AVERAGE STATE AND LOCAL SALES TAX: 6.22%
ESTATE TAX? Yes
Vermont has a steep top income tax rate, and it applies to most retirement income. The state also taxes all or part of Social Security benefits for single residents with federal AGI over $45,000 ($60,000 for married couples filing a joint return).

If our hypothetical couple owned a $400,000 home in Vermont, they'd pay about $7,634 in property taxes each year, which is the seventh-highest in the U.S. Vermont also taxes estates that exceed $2.75 million in value at a flat 16% rate.

7. Rhode Island

STATE INCOME TAX: 3.75% (on taxable income of $64,050 or less) to 5.99% (on taxable income over $145,600)
AVERAGE STATE AND LOCAL SALES TAX: 7%
ESTATE TAX? Yes

Rhode Island's spot on our list of the least tax-friendly states for retirees is primarily based on above-average income and property taxes. On the income tax front, Social Security benefits are taxed if a retiree's federal AGI tops $83,550 ($104,450 for joint filers). Higher-income seniors also miss out on a state income tax exemption of up to $15,000 for payouts from private, government or military retirement plans.

The statewide average property tax rate in Rhode Island is the 11th-highest in the U.S. Our imaginary owners of a $400,000 home in the state would fork out about $6,892 per year in property taxes. Rhode Island is one of only three states that taxes estates worth less than $2 million. In 2019, estates worth $1,561,719 or more (the threshold is adjusted each year for inflation) are taxed at a top rate of 16%

8. New Jersey

STATE INCOME TAX: 1.4% (on taxable income of $20,000 or less) to 10.75% (on taxable income over $5 million)
AVERAGE STATE AND LOCAL SALES TAX: 6.6%
ESTATE TAX? No

New Jersey has the highest average property tax rate in the country. If our make-believe couple owned a $400,000 home in the state, they would pay $10,120 in property taxes each year based on our estimates.

Income taxes are comparatively low for retirees in New Jersey, thanks in large part to a generous exemption for retirement income. In 2020, married seniors filing a joint return can exclude up to $100,000 of income from a pension, annuity, IRA or other retirement plan if their New Jersey income is $100,000 or less. Single taxpayers can exclude up to $75,000. Social Security benefits aren't taxed.

Although New Jersey recently eliminated its estate tax, the Garden State still imposes an inheritance tax that ranges from 11% to 16% on inherited property with a value of $500 or more. The amount of tax is based on who receives the property and how much the property is worth.

9. Illinois

STATE INCOME TAX: 4.95%
AVERAGE STATE AND LOCAL SALES TAX: 8.78%
ESTATE TAX? Yes

The statewide average property tax rate in Illinois is the second-highest in the nation—$9,634 per year on a $400,000 home. Sales tax rates are high, too. The state has the seventh-highest average combined state and local sales tax rate. In some locations, the rate can be as high as 11%.

Social Security benefits and income from most retirement plans are exempt from state taxes. Other types of income are taxed at a flat rate of 4.95%. Illinois has an estate tax that applies to estates worth $4 million or more at a top rate of 16%.

10. New York

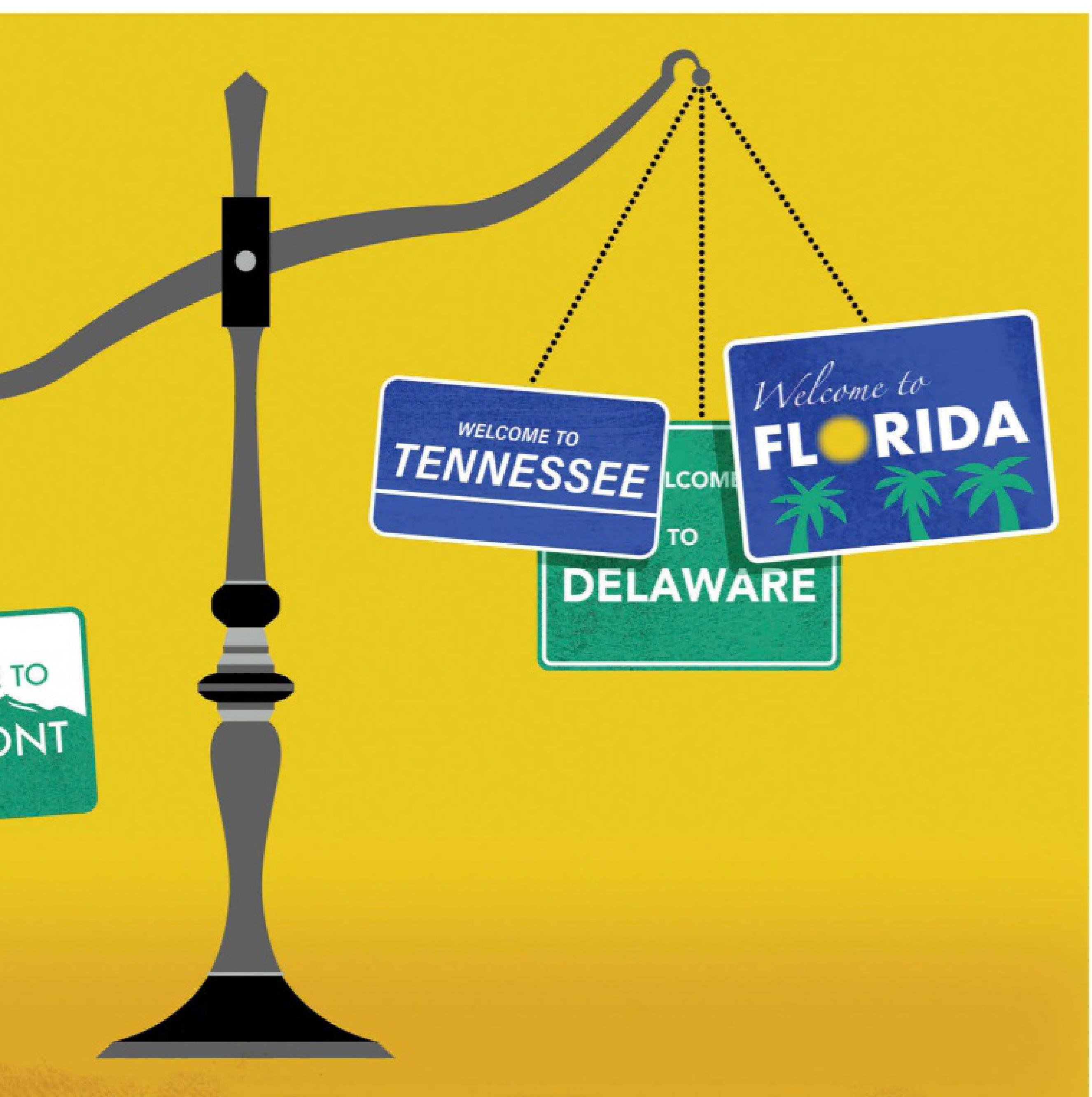
STATE INCOME TAX: 4% (on taxable income of $8,500 or less for single filers; $17,150 or less for joint filers) to 8.82% (on taxable income over $1,077,550 for single filers; over $2,155,350 for joint filers)
AVERAGE STATE AND LOCAL SALES TAX: 8.49%
ESTATE TAX? Yes

Based on New York's statewide average tax rate, our hypothetical couple would pay $7,246 each year in property taxes if they owned a $400,000 home in the state. That's the ninth-highest in the country. (In certain pricey areas of the state, such as New York City or Westchester County, they'd pay much more.) New York's average combined (state and local) sales tax rate is the 10th-highest in the nation. Food and drugs are exempt.

Social Security benefits, federal and New York government pensions, and military retirement pay are exempt from state taxes. However, income that exceeds $20,000 from private retirement plans, including pensions, IRAs and 401(k) plans, is taxed.

New York also has an estate tax—with an unusual "cliff tax" kicker. Generally, the tax is imposed only on that portion of an estate over the $5.74 million (for 2019) exemption. But if the value of the estate is more than 105% of the exemption amount, the entire estate will be subject to an estate tax at a top rate of 16%. ■

SEND QUESTIONS OR COMMENTS TO FEEDBACK@KIPLINGER.COM.



Retirement Savings for the Self-Employed

If you don't have access to a retirement plan through your employer, you have other options. BY RIVAN STINSON

ANNA DITOMMASO USES A SEP IRA TO SAVE FOR RETIREMENT.

AS TRADITIONAL PENSIONS have disappeared, many workers expect to rely heavily on a 401(k) as their primary source of income in retirement. But not everyone has access to an employer-sponsored plan. Roughly 30% of employers—most often small businesses—don't offer retirement benefits to employees, according to the Transamerica Center for Retirement Studies. And those who are self-employed are also on their own when it comes to saving for retirement.

If you're in one of these groups, you have options. And, just as it is for people with employer-offered plans, the sooner you start saving, the better positioned you'll be when you retire.

Traditional IRA. Individual retirement accounts, or IRAs, were established by the Employee Retirement Income Security Act of 1974. The law allows you to funnel money into a tax-deferred account held at a brokerage firm or bank. If your employer doesn't offer a retirement plan, or you work for yourself, contributions are tax-deductible. You have a slew of options for investing the money in the account, including stocks, bonds, mutual funds, exchange-traded funds and other investments that fit your long-term goals.

You have until April 15, 2020, to set up and fund an IRA for 2019. Workers younger than age 50 who don't have a retirement can sock away up to $6,000; those who are 50 and older can put away an additional $1,000 in catch-up contributions, for a total of $7,000. (The maximum contribution is the same for 2020.) You cannot contribute more than you earn, however. So, for example, if you made $5,000 working part-time in 2019, your contribution limit is $5,000.

A single 30-year-old expecting to retire at age 67 could amass $1 million if she contributes the maximum and earns an average annual return of 7% over the 37-year period. If the 30-year-old pushes retirement off until age 70, she could save more than $1.2 million. Remember that you can always (and should) scale up your contributions if you can't max them out when you start.

If you're married and have earned income of your own, you can contribute to your own IRA even if your spouse has access to a retirement plan at work. For 2020, if your spouse has a retirement plan at work and you file a joint tax return, you can take the full deduction if your combined adjusted gross income is less than $104,000. If your AGI is more than that, but less than $124,000, you can still receive a partial deduction. The deduction is phased out completely if your AGI exceeds $124,000.

If one spouse has no income—the spouse is a caregiver, for example—then the working spouse can contribute to the nonworking spouse's IRA as long as they file a joint tax return. For 2020, you can deduct the full contribution if your combined AGI is $196,000 or less; if your AGI is between $196,000 and $206,000, you can claim a partial deduction.

The Roth option. If you want to avoid paying taxes in retirement, you can contribute to a Roth IRA. Contributions are after-tax, but as long as you're 59½ and have held the account for at least five years, withdrawals are tax-free. For young workers who can benefit from many years of tax-free growth, a Roth may be a better way to go, says Chad Parks, CEO and founder of Ubiquity Retirement + Savings, an online retirement service for small businesses.

Roth IRAs have income limits on contributions. A married couple filing jointly must have an adjusted gross

PHOTOGRAPH BY TERRI GLANGER

income of less than $196,000 ($124,000 for single filers) to contribute the maximum of $6,000 ($7,000 for those 50 or older). Contributions begin to phase out once AGI exceeds those levels; married couples with AGI of more than $206,000 and singles with AGI of more than $139,000 can't contribute to a Roth.

Supercharged plans. Independent contractors and small-business owners who want to put away even more for retirement have two other options.

A solo 401(k) works best for those who are self-employed because it lets you contribute as both an employee and the boss. For 2020, the maximum amount you can contribute if you're younger than 50 is $57,000. If you're age 50 or older, you can put in an additional $6,500, which brings the total to a whopping $63,500.

It works like this: You can contribute up to $19,500 as an employee (or $26,000 if you're 50 or older), even if that's 100% of your self-employed earnings for the year. You can then add up to 20% of your net self-employment income as an employer. In most cases, contributions are pretax, so stashing money in your solo 401(k) will significantly reduce taxes on your self-employment income.

You have until April 15, 2020, to contribute to your solo 401(k) for 2019, as long as the account was set up by December 31, 2019. The 2019 limits are $56,000 if you're under 50; $62,000 if you're 50 or older.

If you plan on hiring a small group of employees, you should consider a simplified employee pension, or SEP IRA. With this plan, only the employer is allowed to make contributions—to his own account and his employees' accounts. A self-employed business owner can put up to 20% of his net income into a SEP IRA for himself, as well as up to 25% of an employee's compensation into the employee's account.

That was a big reason Anna DiTommaso, the founder of web-design agency Creative80, based in Dallas, started a SEP IRA for her company in 2013, when she was 25. With two full-time employees, she can set up the plan to be as generous as she wants. "I also like that you don't have to commit to contributing," she says. "Plus, I have some flexibility on when new employees can participate."

State help. Recently, states have started sponsoring their own retirement plans for workers who don't have access to a 401(k) through their employer. One of these could help you get started if you're not inclined to set up your own account.

For example, with California's CalSavers, 5% of your pay is automatically deposited into a Roth IRA. Contributions are increased by 1% each year until you're saving 8% of your income. The plan was launched as a pilot program in late 2018 and is scheduled to be rolled out completely in 2022.

Other states that offer their own retirement plans, or are working to implement one, include Connecticut, Illinois and Oregon. ■

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KipTip

Set Up an Account

If you're looking to set up your own retirement savings plan, you have plenty of low-cost choices.

Fidelity offers both a traditional and a Roth IRA option with no minimum balance or annual fee. And recently, the broker eliminated the $4.95 commission to trade stocks, exchange-traded funds and options. Some investments, such as mutual funds, may require an initial minimum investment. Fidelity also offers a SEP IRA and a solo 401(k).

Charles Schwab offers traditional and Roth IRAs as well, with no-fee trading for stocks, ETFs and options. Both accounts require no minimum balance to open (though mutual funds may have minimum initial investments) and no maintenance fees.

MILLENNIAL MONEY | Miriam Cross

When Renting Is Better Than Buying

I've been a happy renter since I moved to Washington, D.C., seven years ago. Neither of my apartments has been luxurious. But in an expensive city with limited housing, I paid below market rate for my first place (my roommate and I had our own bedrooms, thanks to a makeshift wall). Later, when I wanted to live alone, I landed an underpriced studio in a rent-controlled building. But as more friends purchase shiny condos or casually speculate about future plans to buy, I wonder whether buying is something I should consider.

The nagging feeling that buying is something you *should* do is one big reason that millennials choose to buy, says Bill Nelson, a certified financial planner and founder of Pacesetter Planning near Boston. We've also been told that buying is an investment, and renting is "just throwing money away."

Adding up the costs. Many experts recommend buying only if you expect to park yourself there for at least five to seven years. What if you like your city and current situation but also have no idea where life will take you in the next five to seven years? Sometimes, "the most you can say is 'I plan to stay in the same spot, knowing everything about my circumstances, career and family today,' " says Jeff Tucker, an economist at home-price site Zillow.com.

An online rent-or-buy calculator, such as those from SmartAsset .com or Zillow, can run some quick calculations after you enter your location, rent, target home price, size of down payment and other factors.

Don't underestimate other costs associated with buying a home. Closing costs, including the appraisal fee and loan origination fee, typically cost 2% to 5% of the purchase price of the home. Increases in ongoing expenses such as property taxes can blindside new homeowners, says Nelson.

Eric Simonson, a CFP and owner of Abundo Wealth in Minneapolis, advises clients to plan on spending 1% of the home's value each year for maintenance and upkeep. Finally, if you put less than 20% down, you'll need to sink even more money into private mortgage insurance.

When Simonson speaks with clients who want to buy a home, he asks them how much they pay in rent and pulls up several properties where they would pay the equivalent after factoring in monthly mortgage payments, taxes, insurance and upkeep. "More often than not, they find they aren't getting such a bad deal renting, especially if they live in areas where the cost to purchase is very high," he says.

YOU'RE NOT NECESSARILY THROWING YOUR MONEY AWAY WHEN YOU RENT.

POON WATCHARA-AMPHAIWAN

In some locations, renting can be cheaper than buying, depending on the size of your down payment and the length of time you stay in the home. Zillow found that renting beats buying in San Jose, San Francisco, Honolulu, Oakland, Seattle, Salt Lake City and Anaheim, assuming you put down 10% and stay in the home for five years. Even if buying comes out ahead, renting allows you the flexibility to make big life changes and affords you the time to save up for a down payment and the cash needed to cover up-front and regular expenses.

Renters could, on average, accumulate more wealth than homeowners if they invested the equivalent of a down payment plus the difference between a monthly mortgage payment and rent in a diversified portfolio, according to Eli Beracha, coauthor of a study on homeownership in the Journal of Housing Research. Most renters don't do this, and for most people, buying *is* a better financial choice in the long run. But don't rush. "I've never met with someone and said, 'The problem with your finances is that you bought a home way too late,' " says Nelson. "But I've seen plenty of people who have messed up their financial situation by buying a home too early." ■

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PRACTICAL PORTFOLIO | Kyle Woodley

The Smart Way to Size Up an ETF

Hundreds of exchange-traded funds debut every year. Use this guide to spot the good ones.

IF YOU'RE TRYING TO KEEP UP WITH the exchange-traded-fund industry, don't blink. Since 2014, providers have been churning out more than 200 new ETFs a year, including 268 new launches in 2018. Ask these three crucial questions to improve your chances of buying into a fund with real potential and lessen your odds of holding a fad that fizzles out.

Does the ETF have a legitimate investing theme, or just clever marketing? ETF providers have a habit of turning every headline into a new product. Consider the LocalShares Nashville Area ETF, launched in 2013 with the ticker symbol NASH, which tracked companies headquartered in and around Nashville. Nashville was starting to experience a population boom, but the investment thesis was flawed: Just because a firm is headquartered in a city doesn't mean it will reap the benefits of that city's growth.

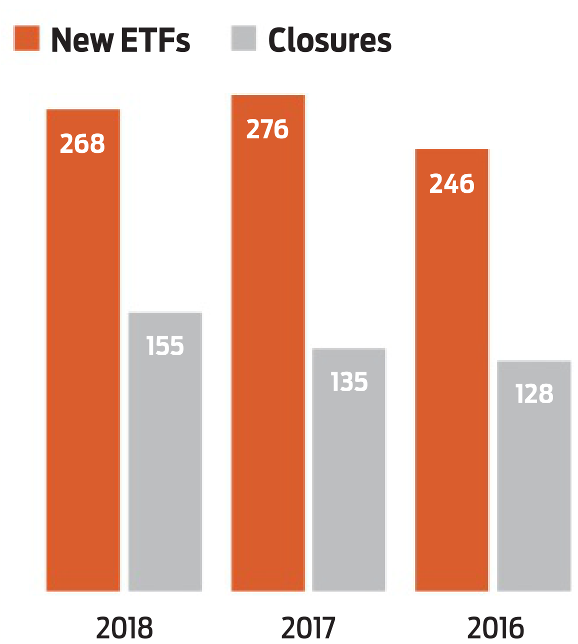
For example, retailer Dollar General, based in Goodlettsville, Tenn., boasts 16,000 stores in 44 states. Only a few dozen of those are located in and around Music City. Nashville's economy could tank, and as long as customers elsewhere kept spending, Dollar General would do fine. Ultimately, NASH was just an index fund based on where a small bundle of companies had their mail delivered. That's not an investing thesis. Investors agreed and voted with their wallets—NASH shut down in 2018 with less than $9 million in assets.

By contrast, **ROBO GLOBAL ROBOTICS AND AUTOMATION ETF** (ROBO, $40), which seeks to profit from the rise of robotics, automation and artificial intelligence, has a clear growth thesis. The global AI market is expected to explode between now and 2025, and factory automation should log annualized growth rates in the high-single-digit percentages. Moreover, ROBO invests in firms that should gain from these trends directly, such as chipmaker Nvidia and Japanese automation firm Fanuc. (Prices are as of October 31.)

Comings and Goings

ETF ENDURANCE

ETFs with staying power have a valid premise and healthy assets.



Source: FactSet

What's under the hood? Examine the fund's goals, strategies and holdings to be sure you're getting the exposure you expect. For a few years after its 2011 launch, Global X Social Media ETF, which invests in stocks such as Facebook, Twitter and Snap, had a few eyebrow-raising holdings. These included weight-loss company Nutrisystem, whose main connection to social media was that the firm used it as part of customer support. Few investors, however, would think of Nutrisystem (since acquired by another company and no longer in the ETF) as an ideal way to invest in the growth of the social media industry.

Global X's **U.S. INFRASTRUCTURE DEVELOPMENT ETF** (PAVE, $17), launched in March 2017, properly addresses the potential in the U.S. for a large, governmental infrastructure package. Similar funds own utilities and other assets already in use, some of them overseas. PAVE's holdings—which include construction, electrical component, industrial machinery and railroad companies, all based in the U.S.—seem better positioned to enjoy the fruits of any new bipartisan plan to spend on infrastructure, should we get one.

Does the ETF have sufficient assets? When an ETF has less than $20 million or so in assets, it's likely that the managers are losing money, says Charles Lewis Sizemore, of Sizemore Capital Management. "If they don't get the assets up to a sustainable level, they'll generally have little choice but to close the fund," he says.

You don't have to automatically avoid ETFs that fail to meet that bar. If a fund seems to have a valid premise, treat it as you would any speculative investment. But if assets remain low, understand that you may have to find a new home for your money. ■

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HOW TO RUN FOR LOCAL OFFICE

If you've ever thought that you could do a better job than the elected officials currently in office, here's how to launch a campaign—and win.

BY KAITLIN PITSKER

PHOTOGRAPH BY TYLER DARDEN

KATHY TRAN HAD NO POLITICAL EXPERIENCE WHEN SHE RAN FOR THE VIRGINIA HOUSE OF DELEGATES IN 2017.

When Kathy Tran decided to run for the Virginia state legislature two years ago, the only political experience she could cite was serving as president of the PTA at her children's school. Tran says she didn't have political ambitions—until after the 2016 election.

"The outcomes of the November 2016 election were incredibly concerning, and I couldn't sit on the sidelines," says Tran, who lives in West Springfield, Va., with her husband, Matt, and their four children. Tran's parents had fled Vietnam when she was seven months old, and President Trump's less-welcoming immigration policies worried her. "I needed to stand up for the values—hope, opportunity and freedom—that my parents risked their lives for," she says.

In early 2017, with a one-month-old daughter at home, Tran decided to run for a seat in the House of Delegates. She had time to campaign because she was on maternity leave from her job at an immigration advocacy group. She won the seat in her district in the November 2017 election, and she was elected to a second term on November 5. Photos of Tran appeared in the *Washington Post* when she brought her baby daughter to the first day of the new legislative session (and discreetly breast-fed her). "Running and serving has been a wild ride unlike any other," says Tran.

DECIDING TO RUN

Maybe you've worked on political campaigns, or volunteered for a community organization, or become an advocate for a local issue. Running for office can be an even more rewarding opportunity to spur change and serve your community. State and local offices—which are usually part-time, paid positions—can shape everything from health services and education to criminal justice.

If a stint in politics appeals to you, but you haven't zeroed in on the position that you'd like to run for, start with your city, county or state's election website. It will have information about specific roles, rules for campaigning and requirements for holding office. While you're there, check residency, age and other requirements for any role you're considering.

You'll want to consider who your likely competitors will be and whether you think you could beat an incumbent if he or she were to run for reelection. The incumbent delegate in Kathy Tran's district was retiring, which increased her chances of winning.

Check with your family, friends and others whose opinion you value to see how firm their support for a campaign would be. Although most elected positions at the local and state level are part-time roles, the commitment associated with campaigning and holding office rarely fit into a family's existing schedule or financial plans without compromise.

You may also need to alert your employer—or get permission to run.

KipTip

Do You Have Insurance?

Before you run for public office, check in with your home, auto and umbrella insurance providers to ask about your coverage if you were to run for or serve in elected office. Usually, someone running in a small, local election who isn't a career politician will have libel, slander and bodily injury coverage through their homeowners policy to help protect them if they make a defamatory remark against their opponent or someone is injured at a campaign event. But some policies have an exclusion for running for political office, and you will instead need to buy coverage specific to your campaign, says Spencer Houldin, president of Ericson Insurance Advisors, in Washington Depot, Conn. Another option: If your campaign is affiliated with your local political party's organization, you may have liability coverage through the party.

Many of the positions at both the local and state level, if paid, come with only a modest salary. So unless you can live on your spouse's earnings, you won't be able to quit your day job. In many small towns, paid elected officials typically earn \$5,000 to \$20,000 a year. State legislators typically earn a salary of about \$20,000 to \$50,000 a year, although a few states, including California and New York, pay considerably more. As a Virginia delegate, Kathy Tran earns only \$17,640 a year. For now, Tran is focusing on her work as a delegate and a mother, but she will likely return to the workforce soon, as the family tries to save for college expenses and other goals.

Making the decision to throw your hat in the ring can take time. Steve McKay spent years volunteering as the leader of a community organization that advocated against the rapid development occurring near his Monrovia, Md., home. People began encouraging him to run for the Frederick County council to ensure that the group had a strong voice that wasn't so developer-friendly. But McKay took about three years to make the decision to announce his campaign. "I had to make sure my wife, Pam, was behind me and that I could manage the time commitment of serving as a councilman with my full-time job," says McKay, who works in national security as a contractor for the federal government. He also needed to ask his employer for permission to run.

McKay finally ran in 2018 and won. Now he juggles weekly council meetings plus other board and commission assignments with his full-time job and family commitments. The \$22,500 annual salary helps, but "I didn't anticipate the number of people and organizations who invite you to attend their events," says McKay. "Most are during the workday, but I attend what I can in the evenings."

Although local and state campaigns don't usually see the mudslinging of national races, it's wise to assess anything in your past that an opponent, or the press, could dredge up. Also consider how your family would handle a shift into the limelight. And although lawsuits against local elected officials are rare, check your liability coverage to be on the safe side (see the box on the previous page).

GETTING STARTED

First-time candidates without much political experience are often unsure of where to start. But a variety of resources and tools are available to help you run a successful campaign (see the box on page 70).

Programs and boot camps generally cover the basics of setting up a campaign, strategies for targeting voters who are most likely to vote for you, building a team of supporters and volunteers, and fund-raising. Many of the programs will also connect you with a network of people, including potential campaign managers, finance directors or field directors.

Tran, for example, sought help from Emerge Virginia (part of Emerge America). Emerge Virginia offers a three day boot-camp program ($350, plus travel) or a more in-depth, 70-hour program held one Saturday a month over seven months ($750, plus travel). "It was incredible to get a deep dive into the various aspects of the campaign, but it was equally important that Emerge Virginia could put me in touch with other women running for election and connect me with people such as potential campaign staff," Tran says.

You may find additional resources in your community. If you belong to a political party, start by reaching out to your local committee to talk about your candidacy. The organization will typically be able to provide advice and training, as well as access to voter demographics, historical data, and e-mail and address lists. You may also be able to find out how to formally announce your campaign, get your name on the ballot and glean other information that can help shape and support your campaign. Some may also have insurance policies that can help protect you while you campaign.

Another option: Connect with local politicians whom you respect, especially those who are currently in office and may be willing to offer you advice or even an endorsement.

First-time candidates running for local office often tap friends, family and other people they already know so they can build a group of roughly five to eight trusted advisers. But you may also find people—including those with previous campaign experience—through an organization offering training or through other networking connections you've made. Most candidates bring on a campaign manager, an event or fund-raising coordinator, a volunteer coordinator, and a treasurer or finance director. But after the bigger roles are filled, there are still plenty of smaller but important tasks to dole out to volunteers, from preparing mailers and placing phone calls to knocking on doors.

Depending on the scale of the campaign you're running and the budget you're working with, members of your team may be paid or unpaid. Sometimes the campaign manager is the only paid position.

FOR TRAN, BEING A DELEGATE IS A FAMILY AFFAIR.

THE WASHINGTON POST/GETTY IMAGES

FUNDING A CAMPAIGN

Before you announce your candidacy, create a budget for everything from printed materials and advertising to staffing and travel to creating a website. How much you'll need to spend depends on the position you're running for, the size of the town or district, and the opposition you're facing. If you're making a bid for the school board, for example, you may need only $1,000 to fund the campaign essentials, such as voter files and campaign mailers. Campaigning for a higher office or in a bigger area costs more. But $10,000 to $20,000 could be enough to campaign for a city council position in a municipality with a population of 100,000 or fewer. In many cases, direct mailings can account for as much as 70% of your expenses.

One way to get a ballpark estimate of how much it will cost is to review campaign disclosures from previous successful campaigns for the position. Request campaign finance disclosure filings for similar elections from your local or state board. Past spending can be a useful guide, but you'll also need to adjust the figures based on other factors. For example, if you're running against an incumbent who has run unopposed in recent years, data from the last competitive race could understate what you'll need to spend.

Some candidates seed their campaign with money from their own accounts—at least to get started. Before writing yourself a check, set a firm limit as to how much you're willing to spend from your own budget, even if the race becomes contentious or the campaign's coffers run low.

Before you start raising funds, check campaign finance laws in your state to see how much you can raise, how much an individual can donate and how to report the donations you receive—although contribution limits and other financing issues are rarely a problem in small races. To accept political donations, you'll also need to establish a checking account in your campaign's name and be prepared to track and report income and expenses.

As just about any candidate will tell you, asking people to donate to your campaign can be awkward. "Talking about why you're running and what's at stake in your race makes fundraising easier," says Tran, who started by asking people she knew for support and ultimately received contributions from many Vietnamese-American voters eager to help her become the first Vietnamese-American elected to the Virginia state government.

KNOCKING ON DOORS

To run a successful campaign, you need to figure out what it will take to win. Get to know the demographics and voter participation history in your district. Contact your local board of elections for historical voter data and the number of registered voters. Multiply the average voter turnout in recent similar elections by the number of voters currently registered in your district (presidential years or years with other big races will have higher turnout than midterm or off-year races). Your goal is to get the votes of a bit more than half of those voters.

As you campaign, use the voter registration data from the local board of elections, any other guidance your political party my be able to provide and your own knowledge of the community to decide which voters are most likely to support your campaign. Steve McKay, for example, had hundreds of contacts through his work in the community and good name recognition, which helped him build a base of support for his campaign. From there, he expanded his reach via mailings, social media, signs and banners, and door-to-door visits.

Though some successful candidates have launched last-minute campaigns, you'll generally want to start campaigning well in advance. Note all filing deadlines and any fees associated with them. Each of these deadlines is crucial; overlooking a single one could keep your name off the ballot.

Even in today's digital world, connecting with voters face-to-face, by knocking on doors and holding campaign events, is key. For Tran, door-to-door campaigning was often a family affair. She typically brought two of her children with her each time she went out to knock on doors. "I had a lot of great conversations with my neighbors throughout the district and was able to hear from them directly about concerns they had," says Tran.

Slicing and dicing voter records can help you chart a course and spare you from spending time and resources trying to reach voters who are unlikely to turn out on election day or whose views generally align with your opponent's. But that still leaves a lot of doors to knock on. ■

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Resources

Learning the Ropes

A number of organizations offer online or in-person programs and classes, either free or for moderate cost, as well as provide other resources to help potential candidates learn the ins and outs of running a political campaign.

Nation Builder provides nonpartisan support; it offers a free, two-hour online course that will help you understand the basics of your district and how to plan your election time line, plus how to engage supporters and raise funds.

American Majority offers a free mini-training as well as paid courses aimed at helping conservative activists and candidates.

The National Democratic Training Committee provides free online training for Democratic candidates.

Emerge America helps train progressive women who are considering running for office.

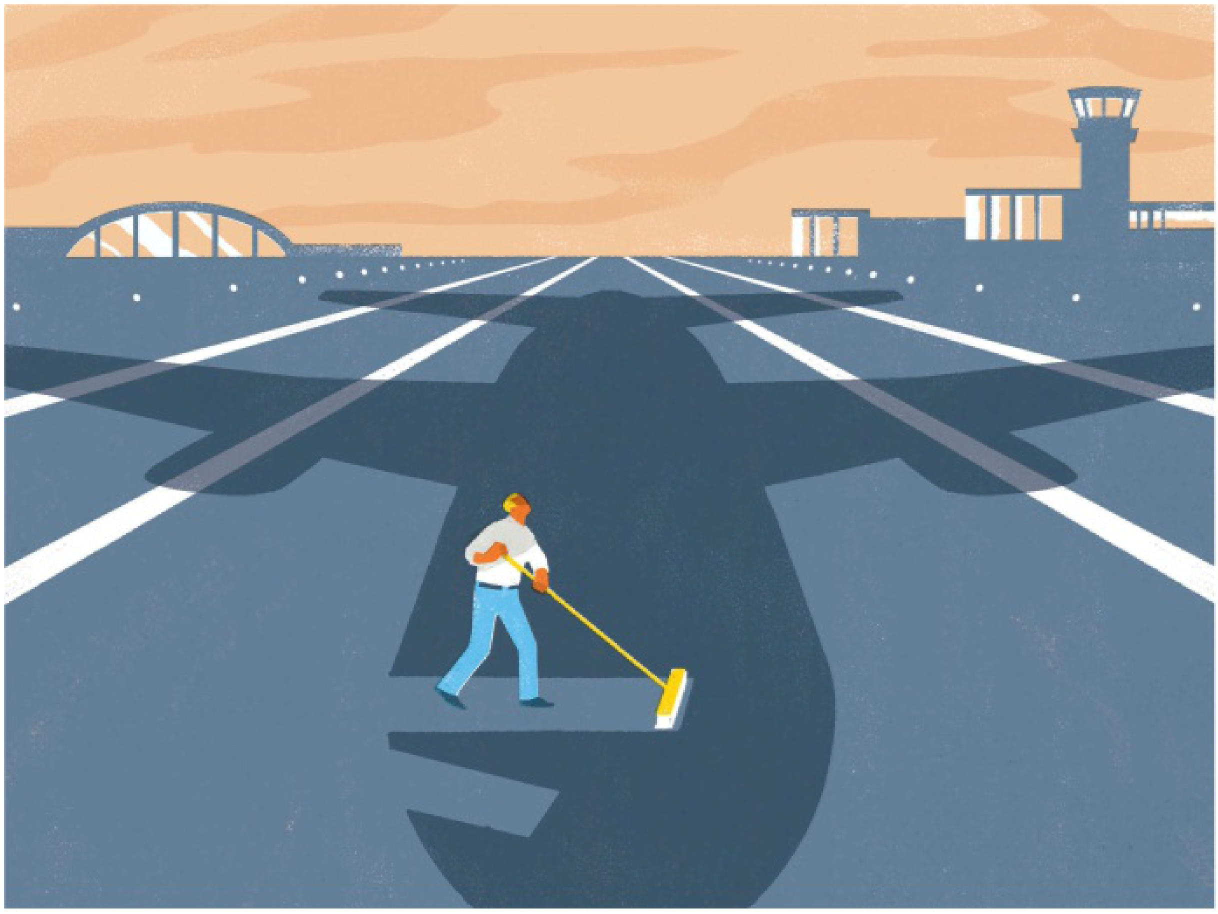
She Should Run is a nonpartisan organization that provides resources to women who may want to run for office.

New American Leaders offers a three-day program for potential candidates from immigrant communities ($150, or $250 for declared candidates).

New Politics Leadership Academy trains military veterans and alumni from the Peace Corps, AmeriCorps and other service organizations.

Higher Heights for America partners with other organizations, such as Emily's List, Emerge America and VoteRunLead, to offer in-person and online training for black women who are considering running for office.

Victory Institute offers a four-day nonpartisan training session for members of the LGBTQ community who are interested in running for office or working as campaign staff and community leaders.



WHAT'S THE DEAL?

Squishy Science

Carbon offsets are a less than optimal way to reduce your carbon footprint.

ON THE LIST OF ACTIVITIES THAT FORM our carbon footprint, from air-conditioning to eating meat, air travel is near the top. Short of refusing to fly—as Greta Thunberg, the Swedish teen activist, did when she traveled from England to New York in a carbon-neutral sailboat—you can pay a third party to plant trees, destroy methane or build wind turbines in a bid to counterbalance the damage your flight has done to the environment.

Carbon-offset sellers will calculate your carbon footprint, whether you travel by bus, car, plane or train, and translate the tons of carbon dioxide emissions triggered by your trip into a dollar figure that can help fund carbon-reducing or carbon-prevention projects around the world.

Buying carbon offsets is not expensive, especially for short hops. But figuring out how effective your purchase is isn't easy.

Different shades of green. Carbon-offset sellers host calculators that estimate your flight's carbon footprint, but the numbers are all over the map. For example, for a round-trip flight from Seattle to Miami, you could pay as little as $9.25 through Carbonfund.org; the cost, however, jumps to $24.98 if you include "radiative forcing," which factors in the ability of greenhouse gases to alter temperature. Cool Effect suggests $6.11 for about 12 hours total in the air, and TerraPass's calculator estimates $17.56 for the Seattle–Miami route.

Variables and assumptions, such as the type of plane or number of stops, affect the estimates, says Jennifer Andrews, project director at the Sustainability Institute at the University of New Hampshire. Rather than choosing your offset seller by price, consider which projects you want to support.

Check the company's website to see how it chooses projects and evaluates their impact. The projects promising emission reductions should be *real* and *additional* (that is, the projects are only happening because of carbon-offset purchases). The projects should be *verified* by an independent third party, such as Gold Standard. The effect of the offset should be designed to be *permanent*. And the company should have accounted for *leakage* (such as the risk that deforestation might shift to another area unprotected by the project's scope). *Co-benefits,* such as creating jobs or preserving natural habitats, are a plus.

Depending on the carbon-offset provider, you may or may not be able to specify the type of projects you want to fund. Tani Colbert-Sangree, a program officer at the Greenhouse Gas Management Institute, an educational nonprofit, says projects that capture a greenhouse gas and destroy it or make use of it, such as methane capture at landfills, are generally safer bets (even though their "additionality" may need to be evaluated). Forestry projects, while valuable, are riskier and face problems with permanence and leakage.

If you want more control over how your money contributes to environmental protection, consider donating to a green charity or nonprofit. For example, you could look for an organization pushing for strong climate and energy policies or one working on local environmental issues, says Barbara Haya, a research fellow at the Center for Environmental Public Policy at the University of California, Berkeley. But the best way to reduce your carbon footprint, experts point out, is to cut back on activities that generate the carbon dioxide in the first place. **MIRIAM CROSS**

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ILLUSTRATION BY CHRIS GASH

TAKEAWAY

5 Easy Financial Resolutions

Most New Year's resolutions are abandoned by Valentine's Day, and that includes pledges to improve personal finances. But these five tasks involve little time and effort and could go a long way toward improving your financial security in 2020.

1. Use a password manager to guard against ID theft. Services such as LastPass (free, or $38 for the premium version) keep online accounts safe by generating strong, unique passwords, stored behind a single master password.

2. Protect your legacy. Have you gotten married or divorced or recently had children? Check to make sure the beneficiaries listed on your retirement plans, life insurance and other accounts are up to date.

3. Consolidate retirement plans. If you've changed jobs, you may have left 401(k) plans with your former employers. Roll them over to your current plan or to an IRA.

4. Set up an online Social Security account. Even if you're years from retirement, set up an online account at www.ssa.gov/myaccount to make sure there are no gaps in your earnings record that could reduce your Social Security benefits. You can also look up estimated retirement, disability and survivor benefits.

5. Create a home inventory. Use your smartphone to make a video of your home and possessions and store it in the cloud (your insurer may have a home inventory app). If disaster strikes, you'll have a much easier time getting your insurance claims paid.

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