Kiplinger's
PERSONAL FINANCE

Yields Lift Off

Income investing is still a challenge, but we found ways to earn up to 10% on your money. p 20

JUNE 2021

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JOSÉ MANDOJANA

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INFRASTRUCTURE STOCKS

The multi-trillion-dollar price tag on President Biden's infrastructure plan means loads of growth potential for these stocks.

kiplinger.com/kpf/infrastructure

EXTRA CASH

Updated for 2021, our diverse list of legit side hustles is packed with resources and pointers to get you started.

kiplinger.com/kpf/extracash

CHILD TAX CREDIT

Calculate how much money you'll receive from the enhanced 2021 child tax credit.

kiplinger.com/kpf/childtaxcredit

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Energy Savers

I take the standard deduction on my taxes, and I didn't give much thought to the home-energy improvements I completed about a year ago (I installed a new HVAC system and new water heater in early 2020). After reading "Save Energy (and Money, Too)" (April), I went back to my tax return, which I was getting ready to submit, added in the costs of the improvements, and got a $200 tax credit.

WILLIAM BREHM
HENDERSON, NEV.

Thanks for the great article and tips on trimming your energy bill. As an engineer, I struggled with the solar-system decision. But I now have five years with my system. A few comments that may be of help:

First, while you note a system size of 8 kilowatts is common, if you're energy conscious, a smaller system may suffice. Our system, which meets 100% of our annual needs, generates 4.2 kilowatts from 13 panels and satisfies our three-bedroom, two-story house, with a pool filter that runs in the summer months. Thoughtful energy decisions now can reduce the system size and installed cost substantially. We use ceiling fans and window AC units rather than central air.

Second, regarding owning solar panels versus leasing panels versus PPAs (purchase power agreements), owning is an asset that increases the value of your house—whereas leasing and PPAs are often a liability that can impair your home's value or marketability, as the new owner must assume the contractual obligations.

CHRISTOPHER CORBETT
ALBANY, N.Y.

When you wrote "kilowatts of electricity per month," you should have written "kilowatt-*hours* of electricity." In physics, power is an instantaneous value of the rate at which work is done and is measured in watts or horsepower. Energy is work done and is measured in watt-seconds (ergs) or kilowatt-hours. You pay the electric company for energy consumed, measured in kilowatt-hours.

DAVID PRESSMAN
SAN FRANCISCO

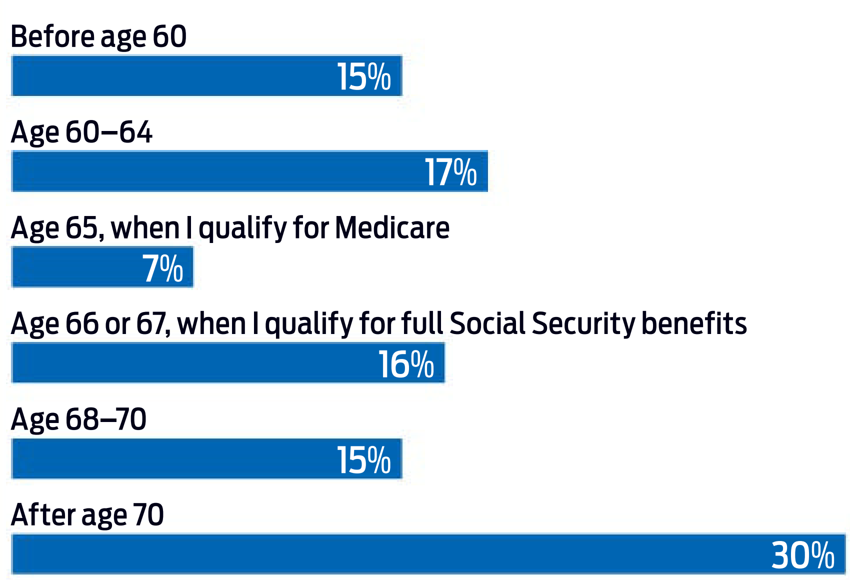
Deferred annuities. I disagree with the logic of a single-premium deferred annuity ("The Case for Indexed Annuities," April). In your example, a 65-year-old purchases a $100,000 annuity that pays out starting at age 80. You do not state what happens if you don't make it to 80: You collect nothing. (In my own high school class of 1968, 20% of my classmates never made it to 70.) If you are willing to give $100,000 to a corporate stranger, why not buy U.S. Treasury bonds? If you die before 80, they can go to your heirs or a charity tax-free. If you make it to 80, you can withdraw the same $1,568 a month for 5.3 years (this assumes zero returns from the Treasuries).

Humorist Will Rogers said: "It's not the return *on* your investment that should concern you. It's the return *of* your investment you should worry about." By the way, Will Rogers died at 55.

DAVID WESTON
MIAMI

READER POLL

When do you plan to retire?



To learn about the benefits of working longer, turn to page 60.

Estate planning. Having recently lost two parents in two years, I learned a lot about estate plans ("How to Build (or Rebuild) Wealth," May). First, passwords and PINs are critical for most tasks (for accounts and devices) and best kept in a digital password manager with a notes field for PINs and secret-question answers. AT&T would not cancel my father's cell phone even though we had the password to the account, all the account demographics and bill info, and were using the device. They only wanted the secret PIN and required us to take a death certificate to a store to reset it.

Also, find all titles (vehicles and property) and store them somewhere secure (such as a fireproof safe). Consider adding the executor as joint owner on the titles before people pass. This makes it much easier than transferring after death.

J.Z.
PASADENA, MD.

Corrections. The symbol for iShares Ultra Short-Term Bond is ICSH ("How to Build (or Rebuild) Wealth," May).

The stock price for Berkshire Hathaway (BRK.B) as of March 5 was $253 ("Ahead," May).

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., Suite 1000, Washington, DC 20005, or e-mail to feedback@kiplinger.com. Please include your name, address and daytime telephone number.

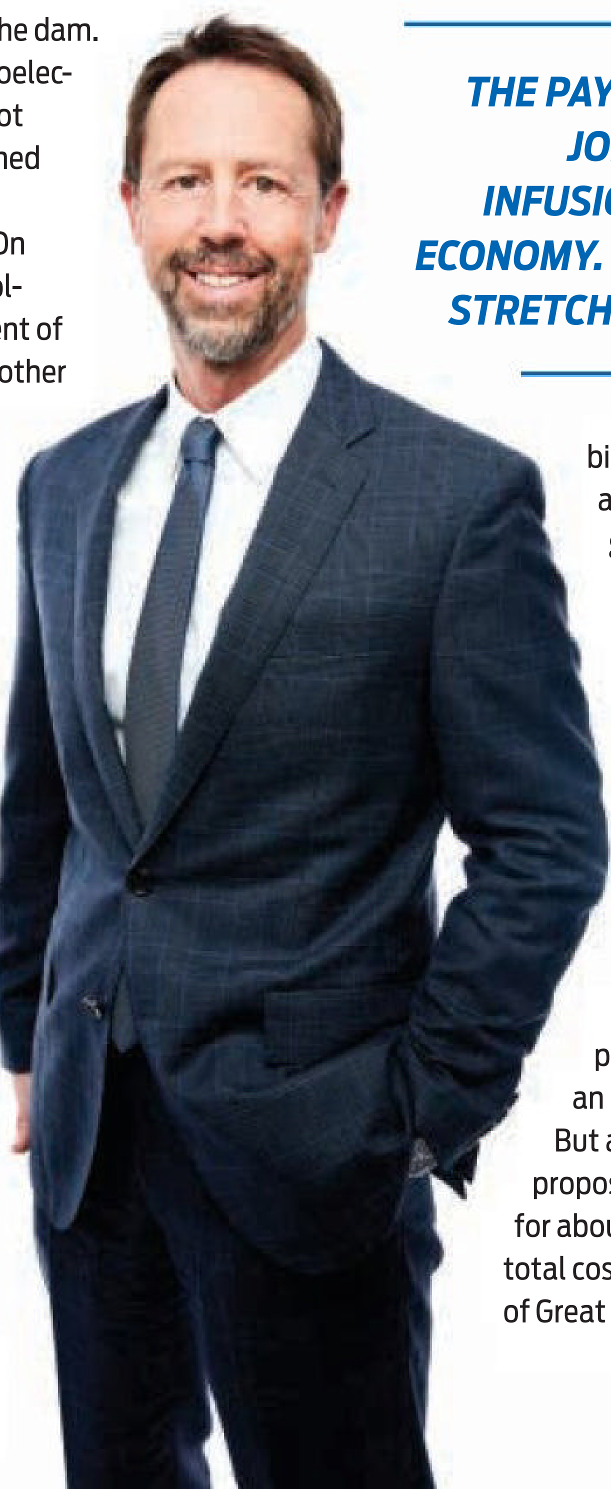
FROM THE EDITOR

Mark Solheim

Rebuilding America

As the Biden administration promotes its $2.3 trillion American Jobs Plan, I think about the breach of the Edenville Dam, in central Michigan, last spring. On the night of May 18, 2020, my wife and I sat in our house in Leelanau County, Mich., listening to the wind roaring off of Lake Michigan and the horizontal rain pounding our windows. The storm was moving east, drenching large areas of Michigan over two days of downpours. In Midland County, the home of Dow Chemical, residents worried about the integrity of the dam.

Midland is on the Tittabawassee River, downstream from the dam. The privately owned hydroelectric power producer had not been adequately maintained and had been a source of hand-wringing for years. On May 19, part of the dam collapsed, unleashing a torrent of water that overflowed another dam and swelled the Tittabawassee. Some 10,000 residents were evacuated (while COVID restrictions were in place and anxieties were high). Much of Midland was flooded, one bridge was swept away, and a nearby town, Sanford, was severely damaged.



Infrastructure report card. Few would deny that our roads, bridges, ports, public transit and, yes, dams need attention. The American Society of Civil Engineers released its latest report card on America's infrastructure in early March, giving America an overall C– for our infrastructure—encouraging only because it was an improvement over the string of D's the group had issued over the past 20 years. But a number of categories still earn D's, including roads, aviation, schools, transit, hazardous waste, stormwater, inland waterways and dams.

THE PAYOFF OF THE AMERICAN JOBS PLAN WOULD BE AN INFUSION OF FUNDS INTO THE ECONOMY. BUT THE BENEFIT WILL STRETCH OVER 15 OR SO YEARS.

Through the American Jobs Plan, the White House wants to devote $621 billion for transportation infrastructure, plus another $200 billion for water, sewer and power-grid upgrades. It's also proposing $100 billion to expand access to high-speed broadband internet.

Hopes were high that this was an issue both parties in Congress could agree on. Even Donald Trump had promised to introduce an infrastructure bill.

But among the rest of the proposals, which account for about half of the bill's total cost, are elements of Great Society–esque programming that will face a tougher fight in Congress: $580 billion for U.S. manufacturing, R&D and workforce development; $400 billion to improve the care of elderly and disabled Americans; more than $200 billion to boost the supply of affordable and public housing; at least $100 billion to upgrade and build new public schools.

As *The Kiplinger Letter* recently wrote, this is the president's wish list, and some of those wishes simply won't be granted by Congress, if the bill manages to pass at all. Biden will likely struggle to win Republican votes—and a few votes from his own party—especially given his plan to pay for the spending by raising the corporate tax rate to 28%.

The payoff would be an infusion of funds into the economy and more job creation. But the benefit is hardly immediate; it will stretch over 15 or so years. Writing in *Barron's,* Daren Fonda (a former *Kiplinger's* writer) pointed out that infrastructure spending "is like an intravenous drip that trickles through the economy's veins for years. There aren't enough 'shovel ready' projects to soak up anything close to $2 trillion." The money, he adds, would be disbursed unevenly to states and localities, and it would be subject to zoning and contracting issues, plus federal and state environmental rules.

Even so, the consensus on Wall Street is that the economy would benefit, and investors smell opportunity. On page 18, we suggest stocks that could be beneficiaries of the spending. Or consider a couple of exchange-traded funds: **INDUSTRIAL SELECT SECTOR SPDR** (SYMBOL XLI) tracks the S&P 500 industrials. **GLOBAL X U.S. INFRASTRUCTURE DEVELOPMENT ETF** (PAVE) is another solid choice. ■

Mark Solheim

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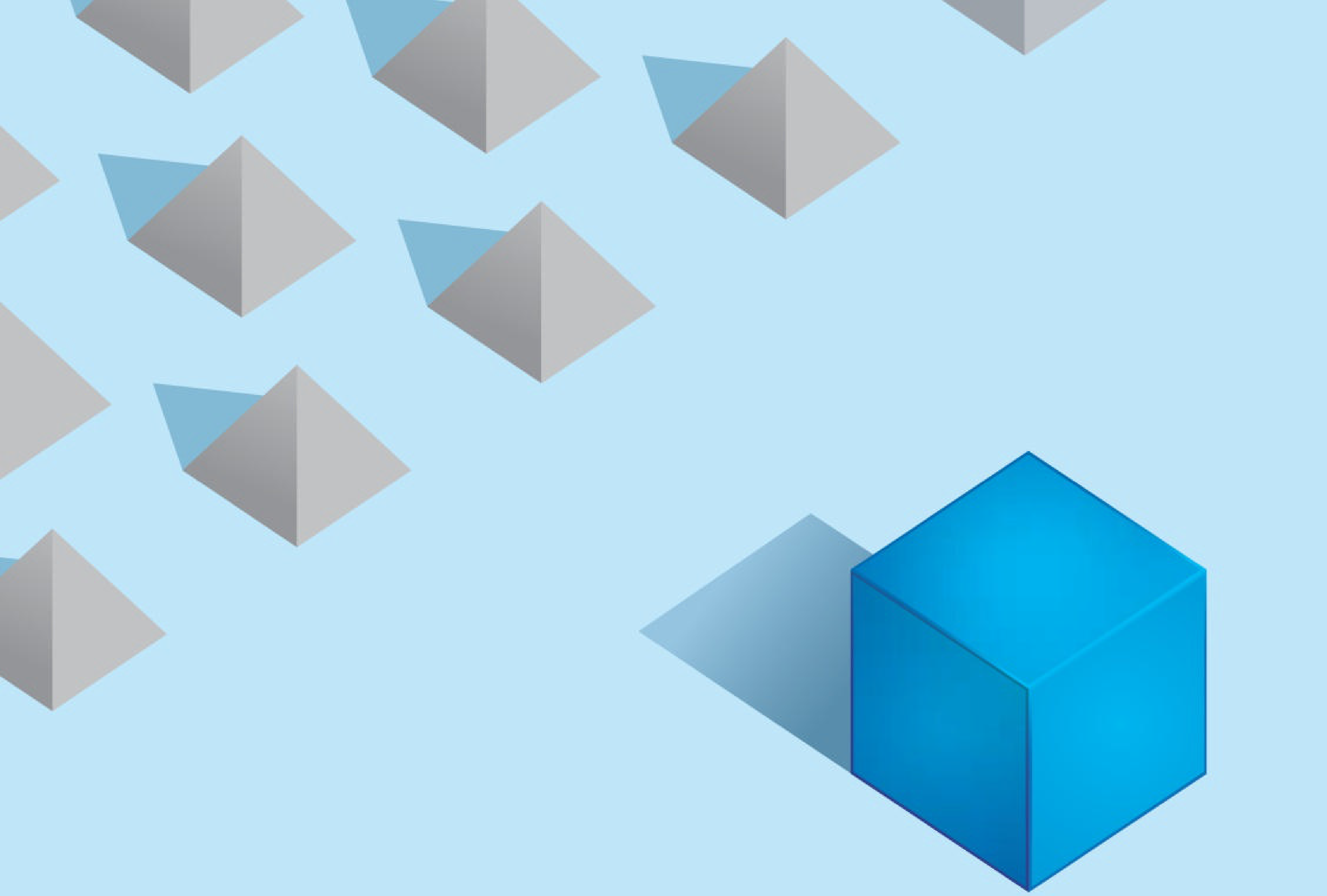
POON WATCHARA-AMPHAIWAN



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AHEAD

TOPIC A

THE STIMULUS OFFERS MORE THAN CHECKS

The plan's health care provisions could deliver big savings for early retirees and laid-off workers. BY SANDRA BLOCK

WHEN PRESIDENT BIDEN SIGNED the American Rescue Plan Act into law in March, much of the focus was on the stimulus payments, and with good reason: $1,400 is nothing to sneeze at, particularly if multiple people in your household are eligible to receive a check. But depending on your circumstances, other provisions in the

ILLUSTRATION BY RAUL ARIAS

$1.9 trillion stimulus bill could be worth even more than $1,400—particularly if you need health insurance.

Health insurance for early retirees. Working longer is one of the most effective ways to make your retirement nest egg last (see "The Benefits of Working Longer," on page 60), but not everyone has that option. And if you leave your job before age 65, you'll probably need to buy a health insurance policy that will cover you until you're eligible for Medicare. The Affordable Care Act guarantees that you can buy a policy on the ACA marketplace, even if you have preexisting health conditions. But in the past, premiums for many people in their sixties have been steep, often topping $1,000 a month. Health care experts say the high cost of ACA plans has led some older individuals to buy short-term policies that are less expensive but often lack the protections and coverage guaranteed by ACA plans.

Now, individuals who have eschewed ACA plans, or are paying high premiums to enroll in one, will get some relief. The American Rescue Plan significantly expands eligibility for ACA subsidies, lowering premiums for individuals at every income level and eliminating them entirely for some households. If your estimated modified adjusted gross income for 2021 is between 100% and 150% of the federal poverty level ($17,420 to $26,130 for a two-person household), you'll be able to get enhanced silver-level plans at no cost, says Jon Andrews, managing director, individual marketplace, for Willis Towers Watson, a benefits consulting firm. (Generally, bronze plans have the lowest premiums and highest deductibles, platinum plans have the highest premiums and lowest deductibles, and silver or gold plans fall somewhere in between.)

Those with 2021 income of 150% to 400% of the federal poverty level will see a significant decline in premiums, and households with income that exceeds 400% of the FPL—$69,680 for a two-person household—will qualify for the most significant drop in cost, because the amount they pay in premiums is capped at 8.5% of their MAGI.

For example, a 63-year-old couple with MAGI of $70,000 will each pay about $496 a month for a silver plan, which is about half of what they would pay without the cap, Andrews says. "Nearly every early retiree who purchases health insurance through public exchanges will see their costs decline," he says.

The Kaiser Family Foundation has a calculator you can use to estimate the cost of a silver plan, based on your estimated income, at www.kff.org/interactive/subsidy-calculator (see the box above for more premium estimates).

How New Subsidies Will Lower Premiums

Below are estimates of the amount a 62-year-old couple would pay, per person, for a silver plan through the Affordable Care Act marketplace.

Annual household income	Silver plan monthly cost per person	Estimated subsidy per month
$40,000	$109	$1,917
50,000	233	1,793
60,000	360	1,667
70,000	496	1,531
80,000	567	1,460

Not all plans are available in all states, so actual premiums may vary. SOURCE: Kaiser Family Foundation

To give individuals time to take advantage of the new subsidies, the Centers for Medicare and Medicaid Services has extended the 2021 enrollment period for ACA plans until August 15.

You can apply for a new plan or update the one you have at www.healthcare.gov. Unless Congress extends them, the subsidies will expire in 2022.

Unemployed workers. Workers who are laid off don't just lose their paycheck; they often lose their health insurance, too. The Consolidated Omnibus and Reconciliation Act (COBRA) requires companies with at least 20 employees to allow departing employees to keep their coverage for up to 18 months, but they're usually required to pay the entire premium, including the amount previously paid by the employer. That makes COBRA unaffordable for most unemployed workers.

Under the American Rescue Plan, though, the government will subsidize 100% of COBRA premiums between April 1 and September 30 for employees who lost their coverage because they were laid off or had their hours reduced. The federal government will reimburse employers for the cost of the subsidies.

If you lost your job before the law was enacted and are still eligible for COBRA, you can sign up to receive subsidized coverage through September, says Debbie Harrison, director of regulatory and government affairs for the Business Group on Health, a nonprofit that represents large employers. You may also qualify for the subsidy if you enrolled in COBRA and subsequently dropped it before your eligibility ended. However, the subsidies won't apply to any expenses you incurred before April 1, and you don't qualify for the subsidy if you left your job voluntarily.

While the window for claiming subsidized COBRA premiums is narrow, even a few months of coverage could make a huge difference for families of unemployed workers, says John Barkett, senior director of policy affairs for Willis Towers Watson. Without the subsidy, COBRA premiums can cost a family $2,000 a month or more, he says. Continuing COBRA coverage also means you'll be able to keep your health care providers—an important consideration if anyone in your family has a chronic medical condition.

When your feet feel better, your everyday activities can truly feel like great feats. It's possible with **QUTENZA – the only topical prescription treatment indicated to reduce diabetic nerve pain of the feet.**

30 min

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3 MOS

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INDICATION

QUTENZA® (capsaicin) 8% topical system is indicated in adults for the treatment of neuropathic pain associated with postherpetic neuralgia (PHN) and for neuropathic pain associated with diabetic peripheral neuropathy (DPN) of the feet.

IMPORTANT SAFETY INFORMATION

Treatment with QUTENZA must be performed only by a healthcare provider. You should never apply or remove QUTENZA yourself.

Please see additional Important Safety Information on next page.

Qutenza®
(capsaicin) 8% topical system

INDICATION

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IMPORTANT SAFETY INFORMATION

Treatment with QUTENZA must be performed only by a healthcare provider. You should never apply or remove QUTENZA yourself.

Contraindications

None

Warnings and Precautions

- Do not touch QUTENZA or items exposed to capsaicin. Touching QUTENZA and then accidentally touching other areas of your body can cause severe irritation of eyes, mucous membranes, respiratory tract, and skin.
- QUTENZA is not for use near eyes or mucous membranes. Do not sniff or inhale near QUTENZA as this may cause you to cough or sneeze.
- If any of these side effects become severe, tell your healthcare provider immediately.
- Even though a numbing medicine is used on the skin before applying QUTENZA, some patients may still experience substantial pain during the treatment. Tell your healthcare provider if you are experiencing pain; a cool compress or medicine for the pain can be provided to help lessen your discomfort.
- QUTENZA can cause serious side effects, including pain and increases in blood pressure during or right after treatment.
- Your healthcare provider should check your blood pressure during treatment with QUTENZA.
- If you have high blood pressure that is not well controlled by medicine, or have had recent heart problems, stroke, or other vascular problems, you may be at increased risk and should discuss with your doctor whether QUTENZA is right for you.
- Tell your doctor if you have reduced sensation in the feet. You may notice that you have less feeling for hot or sharp pain where QUTENZA was applied, but this is usually minor and temporary.

Side Effects

In all clinical trials, the most common drug-related side effects of QUTENZA were redness, pain, or itching where QUTENZA was applied. You should tell your doctor if any side effects bother you or do not go away.

Adverse Event Reporting

Physicians, other healthcare providers, and patients are encouraged to voluntarily report adverse events involving drugs or medical devices. To make a report you can:

- In the U.S., visit www.fda.gov/medwatch or call 1-800-FDA-1088; or
- For QUTENZA, you may also call 1-877-900-6479 and select option 1, or press zero on your keypad to talk to an operator to direct your call.

For more information, ask your healthcare provider or pharmacist.

Please see Brief Summary of full Prescribing Information on the following page.

AveritasPharma™

M-QZA-US-03-21-0028 April 2021

Qutenza®
(capsaicin) 8% topical system

QUTENZA® (capsaicin) 8% topical system Brief Summary of full Prescribing Information. See full Prescribing Information. Rx Only.

What is QUTENZA?

QUTENZA is a prescription medicine for adults, used for the treatment of post-shingles nerve pain and the treatment of diabetic nerve pain of the feet. The safety and effectiveness of QUTENZA in patients younger than 18 years of age have not been studied.

What should I tell my doctor before using QUTENZA?

Before you receive QUTENZA, tell your doctor about all your medical conditions, including if you have heart problems, including high blood pressure, or if you are pregnant or breastfeeding or planning to become pregnant or breastfeed. Tell your doctor about all the medicines you take, including prescription and over-the-counter medicines, vitamins and herbal supplements.

How will I use QUTENZA?

Treatment with QUTENZA must be performed only by a healthcare provider. Only physicians or healthcare professionals under the close supervision of a physician are to administer QUTENZA. You should never apply or remove QUTENZA yourself. QUTENZA may only be applied to dry, intact (unbroken) skin. QUTENZA should not be applied to the face, eyes, mouth, nose, or scalp to avoid risk of exposure to eyes or mucous membranes. The recommended dose of QUTENZA for the treatment of post-shingles nerve pain is a single, 60-minute application of up to four topical systems. The recommended dose of QUTENZA for the treatment of diabetic nerve pain of the feet is a single, 30-minute application on the feet of up to four topical systems. Treatment with QUTENZA may be repeated every three months, or longer, as warranted by the return of pain, but not more frequently than every three months.

What should I avoid while using QUTENZA?

You should not touch the QUTENZA patch. If you accidentally touch the patch, it may burn and/or sting. You may be given local cooling, such as an ice pack, or medication to treat acute pain during and after the QUTENZA application procedure.

QUTENZA may cause serious side effects, including:

- **Severe Irritation with Unintended Capsaicin Exposure:** Capsaicin is the active ingredient in QUTENZA and it can cause severe irritation to the eyes, mucous membranes, respiratory tract, and skin. Accidental exposure to the eyes and mucous membranes can occur from touching QUTENZA or items exposed to capsaicin and then touching the eyes and mucous membranes. If this happens, notify your doctor immediately. You will need to be moved away from the vicinity of QUTENZA and your eyes and mucous membranes may need to be flushed with cool water. Inhalation of airborne capsaicin can cause coughing or sneezing. Tell your doctor if shortness of breath develops. If skin not intended to be treated is exposed to QUTENZA, apply Cleansing Gel for one minute and wipe off with dry gauze. After the Cleansing Gel has been wiped off, wash the area with soap and water.
- **Application Associated Pain:** QUTENZA can cause substantial procedural pain. Your doctor will treat your pain during and following the application procedure with local cooling (such as an ice pack) and/or pain medication.
- **Increase in Blood Pressure:** As a result of treatment-related increases in pain, your blood pressure may increase during and shortly after treatment. Tell your doctor if you have experienced a recent heart problem.
- **Sensation Function:** Reductions in sensory function have been reported following administration of QUTENZA. Decreases in sensory functions are generally minor and temporary (including to thermal and other harmful stimuli). All patients with pre-existing sensory deficits should be clinically assessed for signs of sensory deterioration or loss prior to each application of QUTENZA. If sensory deterioration or loss is detected or pre-existing sensory deficit worsens, continued use of QUTENZA treatment should be reconsidered.

The most common side effects of QUTENZA are redness, pain, or itching where QUTENZA was applied. The treated area may be sensitive to heat (e.g., hot showers/bath, direct sunlight, vigorous exercise) for a few days following treatment.

If your eyes or lungs become irritated, of if any of the side effects become severe, notify your doctor immediately. These are not all the possible side effects of QUTENZA. Ask your doctor for medical advice about side effects. For more information, including the FDA-approved product labeling, go to QUTENZA.com or call 1-877-900-6479. You are encouraged to report side effects to the FDA at 1-800-FDA-1088 or www.fda.gov/medwatch.

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AveritasPharma™

M-QZA-US-03-21-0028 April 2021

INTERVIEW

ECONOMIC OUTLOOK: UNEVEN

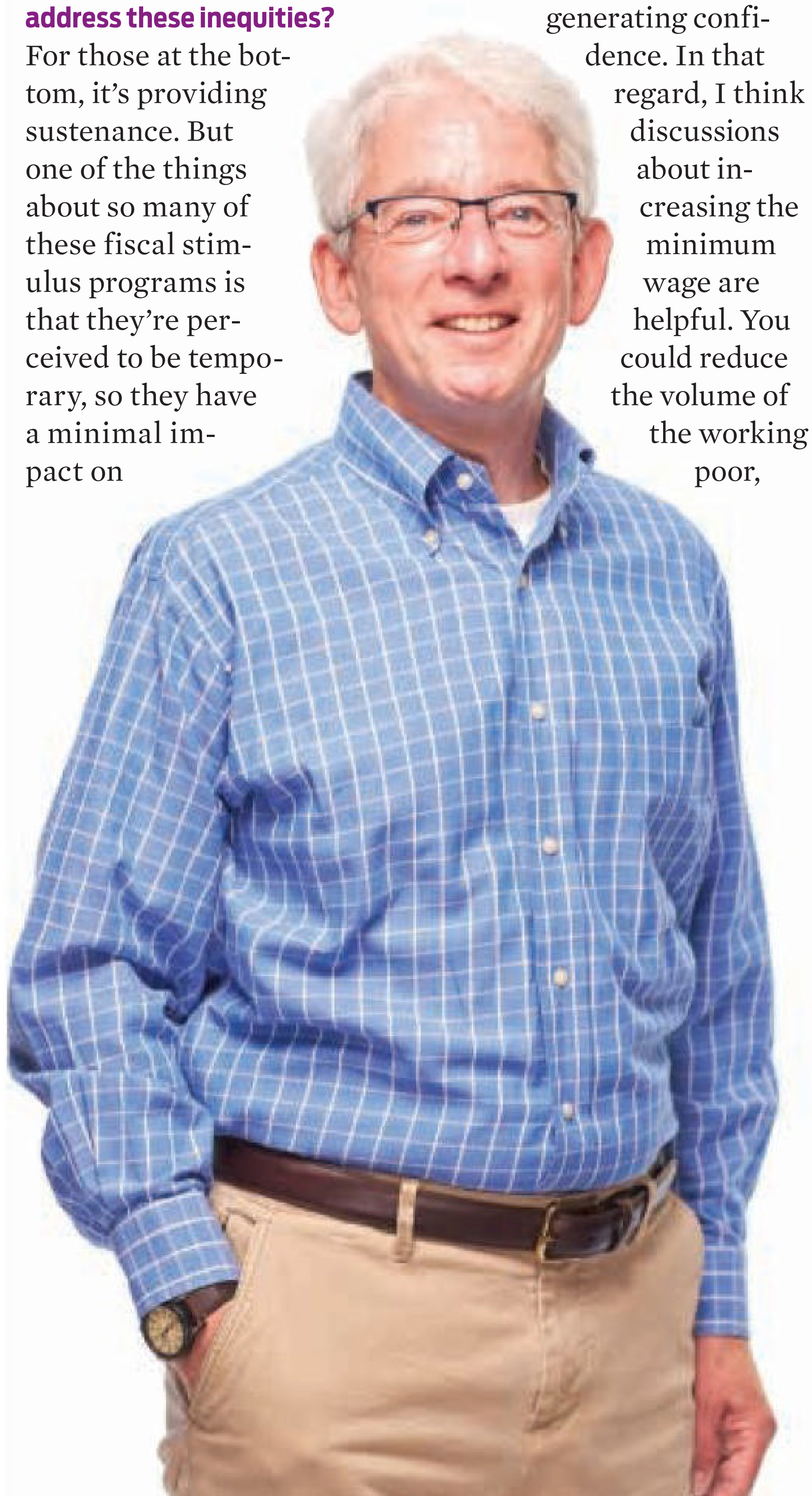
Confidence is key to the recovery, but the sentiment depends on consumers' financial circumstances.

Peter Atwater is founder of Financial Insyghts, a research firm, and adjunct lecturer in economics for the College of William and Mary and the University of Delaware.

You have popularized the term "K-shaped recovery" to describe the impact of the pandemic on the U.S. economy. What is a K-shaped recovery? It's the term I use to describe the clear economic divide that has been exacerbated by the pandemic. What I saw as early as the end of March last year was that for people who were able to pivot to working from home, their confidence immediately began to rebound. For everyone else, it was not getting better, and in many cases—particularly for those in the hospitality and travel industry—it was getting worse.

Confidence is critical because it drives consumer spending, which accounts for more than two-thirds of the economy. What has been striking is the degree we've seen a K-shaped recovery in just about everything, from the availability of credit—it was no problem for big corporations to refinance, while small businesses really struggled—to the workplace, where the bosses feel great and are thriving while those at the lower levels are really struggling.

Do you believe the Biden administration's $1.9 trillion coronavirus relief package, which included $1,400 stimulus payments for most Americans, will address these inequities? For those at the bottom, it's providing sustenance. But one of the things about so many of these fiscal stimulus programs is that they're perceived to be temporary, so they have a minimal impact on confidence. You could see that last year, when certainty of support from the government would ebb and flow.



What are the issues that the stimulus package is failing to address? Clearly, employment plays a huge factor in generating confidence. In that regard, I think discussions about increasing the minimum wage are helpful. You could reduce the volume of the working poor, which is a phenomenon that is underappreciated today. I'm not suggesting that there be a single minimum wage for the U.S. because there are wage disparities from state to state, but I think we've been slow to act.

The stock market has performed well during most of the pandemic. What role does corporate America play in addressing these inequities? I think the goal of maximizing shareholder value has gone too far. When you look at the past decade, gains have been disproportionately delivered to shareholders, while employee wages have lagged and losses have been assigned to the public sector. There needs to be better balance. Corporations went into this pandemic ill-prepared for a downturn and were quick to look to the government for support. Big corporations should be capable of standing on their own two feet.

Vaccinations should help boost confidence, but how will we know for sure? I'm watching very closely to see whether we have a rebound in service, entertainment and travel—those industries that have high concentrations of low-wage workers. I look at a lot of Google trends data, and I'm looking for more searches for flights and cruises. One of the things about travel is that it requires planning, and planning is a high-confidence measure. A return to international travel, especially, would suggest a real rebound in confidence.
SANDRA BLOCK

PHOTOGRAPH BY TYLER DARDEN

CURB APPEAL

HOME UPGRADES THAT PAY OFF

Some affordable renovations recoup most of their cost when you sell.

THE PANDEMIC HAS LED TO a surge in home improvements, as homebound HGTV fans have been inspired to spruce up their surroundings. In 2020, homeowners spent $271 billion on home improvements, according to a recent study from the Joint Center for Housing Studies at Harvard University.

With stimulus checks and tax refunds landing in your bank account, this may be the ideal time to get some projects done. But before you head for Home Depot or Lowe's—or contact a contractor—consider which projects will deliver the largest return on your investment.

A good place to start is *Remodeling* magazine's 2020 Cost vs. Value Report (http://remodeling.hw.net). The report details the average cost of about two dozen home remodeling projects and the estimated value each project retains if the property is sold. Some of the least expensive projects deliver the biggest payoffs.

Replacement garage door. Not glamorous, but the project retains more than 90% of its value, according to *Remodeling* magazine's analysis. If you want to go for a more high-profile project, replace the old vinyl siding on your house with manufactured stone. The fancier cladding costs an average of $9,357 but retains 96% of its value.

New deck. If you need a more welcoming outdoor space, add a deck to your house that can be used as an outdoor home office by day and an entertainment venue at night. A 16-by-20-foot deck costs, on average, $14,360, and you'll probably need furniture, too. Better Homes and Gardens' Clayton Court 5-Piece Patio Dining Set ($450 from Walmart.com) is a top pick among reviewers at the *New York Times'* product-review site Wirecutter. The set, which comes with a table and four chairs, is made of steel and has cushioned seats.

Bang for the Buck

Remodeling magazine compared the average cost of home improvement projects with the estimated value they would retain in 101 U.S. housing markets.

Project	Average cost	Cost recouped
Garage door replacement	$3,695	95%
Kitchen update	23,452	78
New wood deck	14,360	72
Window replacement (vinyl)	17,641	72
Entry door replacement (steel)	1,881	69

SOURCE: www.remodeling.hw.net

Revamped windows and door. They don't give you extra space to work or entertain, but new windows and a new front door will keep drafts (and bugs) out. Plus, tightening up doors and windows will help lower your utility bills. To replace 10 vinyl windows, you'll pay, on average, $17,641, whereas wood windows can run you more than $21,000. Too rich for your budget? Replacing your front door with a steel one costs about $2,000, and you'll recoup nearly 70% of the value.

Updated kitchen. A kitchen remodel that includes a new countertop, sink and faucet, energy-efficient appliances, and fresh paint costs about $23,500, on average, but will add to your home's resale appeal. Plus, some utility companies offer rebates for buying energy-efficient appliances and equipment or making other improvements.

After your upgrades have been completed, review your homeowners insurance policy to determine whether you need to make any updates. In the event of a disaster, you want to be sure that your improvements are covered.

RIVAN STINSON

ISTOCKPHOTO.COM

TAX BREAK

SAVE MONEY ON CHILD CARE COSTS

The American Rescue Plan enacted in March expands tax breaks available for child-care expenses in two ways:

1. Higher maximum contributions to dependent care flexible spending accounts. In 2021, you can contribute up to $10,500 to a dependent care FSA, up from $5,000 in 2020. The money is deducted from your paycheck, so it isn't included in your taxable income.

2. A more generous child and dependent care tax credit. The tax code allows qualified parents to claim a tax credit if they pay someone to care for a child (or children) younger than age 13. The American Rescue Plan increased the maximum percentage of costs you can claim in 2021, from 35% to 50%. You can claim the credit for up to $8,000 in expenses for one child and $16,000 for multiple kids, and the income phaseout doesn't begin until your AGI reaches $125,000.

You can't claim the credit for the same expenses paid for with funds from an FSA. In the past, most families got a bigger tax break by contributing to an FSA because the credit started to phase out once AGI hit $15,000. However, the higher phaseout threshold for 2021 means some families with AGI of up to $185,000 will get a bigger tax break by claiming the dependent care credit, says Kelley Long, consumer financial education advocate for the American Institute of Certified Public Accountants. Once AGI tops $400,000, though, you're usually better off with the FSA. **SANDRA BLOCK**

CALENDAR
06/2021

▲ SUNDAY, JUNE 6
Studies have shown that gardening can be both physically and mentally therapeutic. National Gardening Exercise Day is a prime time to take up gardening or share the joys of gardening with others.

TUESDAY, JUNE 8
If you're an expat (a U.S. citizen or resident alien living outside the U.S.), you have one week to file your 2020 federal tax return. June 15 is also the deadline for residents of Texas, who were given extra time to file their federal tax returns after winter storms paralyzed the state in February.

TUESDAY, JUNE 15
It's World Elder Abuse Awareness Day. The median financial loss for fraud victims age 80 and older was $1,700 in 2020, an increase of 55% from 2019, according to the Federal Trade Commission. For information on how to protect your loved ones from scams that target seniors, go to https://ncea.acl.gov.

MONDAY, JUNE 28
On National Insurance Awareness Day, review your homeowners insurance policy to make sure it reflects any updates to your home. Go to kiplinger.com/links/underinsured for more information.

WEDNESDAY, JUNE 30
Today is the last day to file the Free Application for Federal Student Aid for 2021–22. Although many states and universities impose earlier deadlines, this is your last chance to secure federal aid for the upcoming academic year. **EMMA PATCH**

DEAL OF THE MONTH
For last-minute Father's Day gifts, look for deals at sporting goods and hardware stores. You should be able to find discounts of up to 25% at stores such as Callaway Golf and Advance Auto Parts, says Julie Ramhold, consumer analyst for DealNews.com.

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BRIEFING

INFORMATION ABOUT THE MARKETS AND YOUR MONEY.

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BET ON INFRASTRUCTURE STOCKS

On the heels of a $1.9 trillion COVID relief bill, President Joe Biden has unveiled a major infrastructure initiative that would spend $2 trillion over eight years, financed in part by an increase in corporate tax rates from 21% to 28%. If enacted, the plan would repair roads and bridges, invest in electric vehicles and charging stations, modernize the country's electrical grid and beef up broadband internet access, among other goals. That means loads of potential for traditional infrastructure stocks, as well as for green-energy stocks and other alternative plays that will benefit from Biden's "Build Back Better" theme. The investments that follow should benefit from a potential spending surge from Washington.

Building materials. If you expect to see a lot of roads paved or repaired in the coming years, consider **VULCAN MATERIALS** (SYMBOL VMC, $173), America's largest producer of construction aggregates (crushed stone, sand, gravel) and a major producer of asphalt and cement. Even without a giant spending bill, Vulcan's top line could get a meaningful boost from an expected increase in new-home construction. Similar to Vulcan, **MARTIN MARIETTA MATERIALS** (MLM, $346) specializes in the materials used in large construction and infrastructure projects, including sand and gravel products, concrete, and asphalt. The company also makes chemical products for industrial, agricultural and environmental applications.

Construction equipment. **CATERPILLAR** (CAT, $231) makes asphalt pavers, compactors, excavators, pipelayers, backhoes and just about everything else you'd need for a major infrastructure project. Cat's exposure to emerging markets is also a positive, as is its 1.8% dividend yield. **DEERE** (DE, $377) is known for its farm equipment—and if a surge in commodity prices spurs new cultivation, sales in Deere's agricultural unit could jump. But the company is also a major producer of construction and forestry equipment used in earth moving and road building. Rental equipment company **UNITED RENTALS** (URI, $325) operates more than 1,000 locations in the U.S., renting out construction equipment, including backhoes, forklifts and earth-moving machinery. United also supplies equipment designed for underground work and fluid treatment.

Commodities producers. **NUCOR** (NUE, $80) is the largest domestic steelmaker, and its products are found in the nation's airports, bridges, dams and waterways. The Biden administration has shown a preference for "buying American," giving Nucor an advantage over larger foreign competitors. Pent-up demand from automakers and other industrial buyers coming out of the pandemic also bodes well.

The stock is a steady dividend payer and yields 2.0%. **FREEPORT-MCMORAN** (FCX, $34) mines copper, which is used in electrical wiring and plumbing, among other applications. And there's a green angle: Electric vehicles use about four times as much copper as traditional internal combustion vehicles; renewable energy uses more than four times as much copper as oil and gas.

"New" infrastructure. Wind and solar farms have to be integrated into the national grid, and that's what **EATON** (ETN, $140) does. The stock, yielding 2.2%, has paid a dividend every year since 1923. **CROWN CASTLE INTERNATIONAL** (CCI, $175) is a play on the blistering growth of mobile data usage. The real estate investment trust owns more than 40,000 cell towers, and its stock sports a 3% yield.

Diversified plays. **BROOKFIELD INFRASTRUCTURE CORP.** (BIPC, $74) is one of the largest diversified infrastructure stocks in the world, with operations spanning utilities, transportation, energy and data infrastructure. **GLOBAL X U.S. INFRASTRUCTURE DEVELOPMENT** (PAVE, $25) is an exchange-traded fund that holds roughly 100 infrastructure stocks. **CHARLES LEWIS SIZEMORE**

A GOOD YEAR FOR BILLIONAIRES

The number of uber-wealthy individuals spiked by 30% during the pandemic, to 2,755, according to *Forbes*'s latest ranking. The top six are below, with their estimated net worth last year and as of April 6 this year.

Billionaires	Net worth, in billions 2020	2021
Jeff Bezos, Amazon CEO	$113	$177
Elon Musk, Tesla CEO	25	151
Bernard Arnault, overseer of luxury brand empire LVMH	76	150
Bill Gates, Microsoft cofounder	98	124
Mark Zuckerberg, Facebook CEO	54	97
Warren Buffett, Berkshire Hathaway CEO	68	96

SOURCE: Forbes.com

From *The Kiplinger Letter*

THE FUTURE OF ART: DIGITAL TOKENS

Deep-pocketed investors are paying millions for unique digital assets: nonfungible tokens, or NFTs ... digital files on a blockchain ledger that show who owns a unique piece of digital content. Anything digital can be paired with an NFT: artwork, songs, tweets, even internet memes. Unlike other digital currencies, like bitcoin, NFTs aren't interchangeable with one another, making each one unique. Cryptocurrency fans say NFTs are the future of owning art, music and assets. But values are based mostly on speculation. ■

INVESTING

Earn Up to 10% on Your Money

Yields are beginning to lift off. We found great deals for every level of risk. BY ANDREW TANZER

It is hard to believe that just a year ago, the U.S. economy was virtually in free fall, a victim of the pitiless coronavirus pandemic. Unemployment rates soared, yields on Treasuries plunged to record lows, and fear gripped financial markets. Today the environment is nearly the reverse: Economic growth is gaining steam, helped along by trillions of dollars of federal government stimulus; inflation is picking up; yields on Treasuries are rising; and investors are embracing risk again. // Although the economic story is brightening, the same cannot be said

ILLUSTRATIONS BY NICK LU

for investors seeking income and yield. The S&P 500 index of large-company stocks continues to establish record highs but yields only 1.4%, one of the lowest rates in market history. Interest rates on investment-grade bonds such as Treasuries and high-grade corporate debt are still remarkably low by historical standards and vulnerable to rising rates (bond prices and interest rates move in opposite directions). For example, iShares 20+ Year Treasury Bond, an exchange-traded fund that holds a basket of long-term Treasuries, has lost 12.5% for the year to date, which is six times its yield. Matt Pallai, head of Harbor Funds' multi-asset solutions, says, "What we see now across the world is that income is one of the most scarce resources."

With that challenge in mind, we set about searching for income opportunities in eight different asset classes, including bonds, stocks, real estate investment trusts, and master limited partnerships. We can't do anything about the interest rates available today in categories including municipal and investment-grade bonds, which generally seem to offer low yield with considerable risk, but we believe we have turned up a number of interesting investment opportunities. This guide is intended to help you navigate today's challenging income landscape.

Before you reach for some attractive yields, it pays to keep a few considerations in mind. You should have a financial plan in place, combined with a strong sense of appropriate long-term portfolio allocations. Everyone's situation is unique, but generally you should ensure that you have enough cash or cash equivalents on hand to fund six months or a year of living expenses before you invest in high-risk/high-return assets such as stocks and high-yield bonds. Prices, yields and other data are through April 9.

0%–2%

SHORT-TERM ACCOUNTS

Yields on short-term, fixed-income accounts take their cue from Federal Reserve policy. Therein lies a problem for holders of cash and short-term liquid assets: The Fed is keeping short-term rates near zero today and has telegraphed that it intends to adhere to this policy for at least a couple more years. Therefore, yields available on money market funds, certificates of deposit and short-term Treasuries are microscopic.

THE RISKS: Assuming an inflation rate of 2%, money you hold in cash reserves and liquid assets is losing purchasing power. Yet safe cash equivalents are required for emergency reserves and to meet near-term liabilities, such as taxes or tuition payments. This may be a time to keep cash equivalents to a minimum and, for liabilities more than a year away, to consider options with a bit more yield and slight risk.

HOW TO INVEST: For an example of the bleak environment for income on short-term accounts, consider **VANGUARD FEDERAL MONEY MARKET** (SYMBOL VMFXX, YIELD 0.01%). Even with Vanguard's rock-bottom fees, you're only able to earn one pitiful basis point. So-called high-yield savings accounts and CDs offer a bit more. FDIC-insured **MARCUS BY GOLDMAN SACHS** offers a 0.5% annual rate for an online savings account with no minimum balance and 0.65% for a nine-month CD with a $500 minimum balance.

Very-short-term, high-quality bond funds have suddenly become popular for investors seeking to squeeze more basis points out of cash. These funds typically have a duration (a measure of interest-rate sensitivity) of less than 1, which means they fluctuate only marginally with interest-rate movements, and hold short-maturity Treasuries, asset-backed securities and investment-grade corporate bonds. **VANGUARD ULTRA-SHORT-TERM BOND** (VUBFX, 0.43%) is a good example; exchange-traded funds of the same genre include **PIMCO ENHANCED SHORT MATURITY ACTIVE** (MINT, $102, 0.33%) and **INVESCO ULTRA SHORT DURATION** (GSY, $50, 0.37%). Just remember that these funds have a slight amount of risk, so they're better matched with liabilities a year or more into the future.

Normally we wouldn't recommend a fund with a duration of 1.5 for liquid assets, but we'll make an exception for **FPA NEW INCOME** (FPNIX, 1.65%). This is because of the fund's superb record of risk management and capital preservation over the years. Steered by Tom Atteberry since 2004 (co-manager Abhijeet Patwardhan joined in 2015), New Income has never lost money in any year since its inception in 1984. Fixed-income holdings include asset-backed securities such as auto, credit card and equipment receivables, residential securities, and short-term Treasuries.

1%–2%

MUNICIPAL BONDS

Issued by state and local governments in the U.S., muni bonds pay interest that is free from federal taxes and, for bonds issued in your state of residency, free from state and local taxes as well. When large swaths of the economy virtually shut down in the pandemic-ridden spring of 2020, the normally stable muni market suddenly turned volatile. Muni prices slumped (and yields rose) at the same time that Treasuries, benefiting from a panic-driven flight to quality, gained in price. For a window of time, tax-free munis yielded even more than taxable Treasuries and many corporate bonds. But that window soon shut.

THE RISKS: The main risk now may be that muni valuations are extremely rich by several yardsticks, including wide yield discounts compared with Treasuries of the same maturity. Munis staged a powerful recovery over the past year, pressuring yields, as the federal government shoveled fiscal stimulus to state governments, tax collections came in ahead of expectations and investors returned to a somewhat supply-constrained market. Some financial advisers, such as Andy Kapyrin at RegentAtlantic, have even temporarily stopped investing in munis because the math for a higher after-tax return (relative to taxable bonds), especially for short-term munis, doesn't work even for taxpayers in the highest tax brackets.

HOW TO INVEST: Munis still have a few things going for them. Defaults are rare—much lower than for investment-grade corporate bonds with the same credit ratings. Munis have very low correlations with stocks and other "risky" assets, which means that they add a diversification benefit to an investment portfolio. They should also benefit from looming tax changes. "Taxes are definitely going up with the new administration, which bodes well for munis," says David Albrycht, chief investment officer of Newfleet Asset Management.

You can gain exposure to a well-diversified basket of muni bonds by investing in a national muni fund. **FIDELITY INTERMEDIATE MUNICIPAL INCOME** (FLTMX, 0.75%) is a member of the Kiplinger 25, the list of our favorite no-load funds. Adjusted for the maximum federal tax rate of 37% plus the 3.8% Medicare surtax on net investment income, the fund's tax-equivalent yield is 1.27% (or 0.99% for investors in the 24% tax bracket). More than 80% of holdings are rated A or higher. The largest sector is health care; the two biggest state exposures are Texas and Illinois.

VANGUARD INTERMEDIATE-TERM TAX-EXEMPT (VWITX, 0.84%) is an index fund with 11,000 muni bond holdings, 90% of which are rated A or better. The fund's low expenses (0.17%) have helped it to easily outperform most actively managed muni-bond funds in most years. The tax-equivalent yield is 1.42% for those who pay at the top federal rate, or 1.11% adjusted for a 24% tax rate. If you seek a higher yield (but with more risk), consider **VANGUARD HIGH-YIELD TAX-EXEMPT** (VWAHX, 1.81%). Despite the name, 80% of this actively managed fund's holdings are investment grade. The higher yield (a tax-equivalent 3.06% for investors at the top rate; 2.38% for those in the 24% bracket) and risk stem more from the fund's higher average duration of 6, which implies a roughly 6% portfolio loss if interest rates were to rise by a percentage point.

1%–3%

INVESTMENT-GRADE BONDS

In normal times, the core of a typical fixed-income portfolio comprises investment-grade bonds issued by the U.S. Treasury, government agencies and corporations that provide income without large fluctuations in bond price. But with this year's spike in yields and unusually high durations for bond indexes, that formula hasn't worked recently. "We had years' worth of volatility in just a few months," says Eddy Vataru, chief investment officer of Osterweis Total Return. For example, iShares Core U.S. Aggregate Bond, an ETF that tracks the Bloomberg Barclays US Aggregate Bond index, lost 3.4% in the first quarter. Given the fund's 1.4% yield, it will take an investor nearly 2.5 years to recoup what was lost on principal in those three months.

THE RISKS: Despite the recent rise in interest rates (for example, the yield on 10-year Treasuries rose about 0.75 point in the first quarter), rates are still low by historical standards just as the economy is perking up and inflation expectations are rising. That could translate into higher rates, particularly on intermediate- and long-term investment-grade bonds. (The Fed's low-interest policy has the most impact on securities up to two years in maturity.) In addition, the corporate-bond yield advantage over Treasuries is unusually narrow. "You need to be super careful in investment-grade bonds now," says Wayne Plewniak, a bond portfolio manager at Gabelli Funds.

HOW TO INVEST: Numerous investment strategists, such as Harbor Funds' Pallai, spot an attractive risk-reward trade-off in securitized products, such as residential and commercial mortgage-backed securities—particularly of the non-agency type. Durations tend to be short and yields relatively high, and mortgage repayments should benefit from rising home prices and consumers who are flush with savings from federal stimulus checks and suppressed consumption.

DOUBLELINE TOTAL RETURN BOND (DLTNX, 2.9%), a member of the Kip 25, has nearly all of its money in securitized assets. Comanaged by Jeffrey Gundlach, Andrew Hsu and Ken Shinoda, the fund holds securitized credits such as student and consumer loans, along with a mountain of agency and nonagency residential and commercial mortgages. Jeffrey Sherman, the firm's deputy chief investment officer, notes that in a time of rising rates, amortizing mortgages enable the fund to reinvest incoming cash flows at higher rates.

At a time when income is meager and interest-rate sensitivity high for Treasuries and investment-grade corporate bonds, many financial advisers turn to actively managed multisector bond funds. In a volatile market, advisers seek tactical portfolio managers with a wide latitude to roam, along with records of sound risk management. Alex Seleznev, portfolio strategist at Councilor, Buchanan & Mitchell, likes the consistency of **BAIRD CORE PLUS BOND** (BCOSX, 1.3%), a diversified intermediate-duration fund managed by a team of eight led by Mary Ellen Stanek, chief investment officer of Baird Advisors. Jeff Porter, of SBSB Financial Advisors, says that **GUGGENHEIM TOTAL RETURN BOND** (GIBLX, 1.9%) makes the most of its freedom to roam in the fixed-income market. The fund has handily outrun the Agg consistently over the years.

3%

REAL ESTATE INVESTMENT TRUSTS

Because REITs are required to distribute at least 90% of their income each year to shareholders, they can offer relatively enticing yields. REITs tend not to move in perfect sync with stocks and bonds, so this asset class offers diversification benefits over time. Plus, REITs provide inflation protection during periods of rising prices (a recent investor focus), due to the hard-asset nature of property and the ability of property owners to pass along rising costs to tenants by jacking up rents.

THE RISKS: Real estate was one of the worst-performing market sectors last year. COVID-induced shutdowns clobbered properties that rely on large assemblies of people—think office buildings, shopping malls and hotels. But the industry's diversity explains why many commercial REITs fell 20% to 40%, while data center and industrial REITs gained.

HOW TO INVEST: Jeff Kolitch, manager of Baron Real Estate Income Fund, sees good value in numerous beaten-down commercial and residential REITs, whose assets are selling at values in the public market that represent large discounts to recent private-property transactions. Construction of commercial property plunged in 2020 due to the pandemic, and that has created a supply-demand imbalance.

One of Kolitch's picks is **DOUGLAS EMMETT** (DEI, $33, 3.4%), a West Coast developer of high-end office and apartment buildings. The Los Angeles–based developer owns high-quality properties in premier, supply-constrained LA neighborhoods, such as Beverly Hills and Westwood. The stock, down 35% last year, trades at a hefty discount to the value of the underlying properties, Kolitch calculates.

John Buckingham, editor of *The Prudent Speculator,* favors REITs that are aided by secular trends in demographics and technology. **ALEXANDRIA REAL ESTATE** (ARE, $168, 2.6%) is the leading owner-operator of life-science office campuses, where the research and development of pharmaceuticals takes place. Buckingham also likes **DIGITAL REALTY** (DLR, $141, 3.3%), which owns and operates data centers and cloud storage facilities around the world. Alexandria and Digital Realty are not the highest-yielding REITs, but keep in mind that these are growth businesses that are able to boost their distributions by about 6% per year.

VANGUARD REAL ESTATE (VNQ, $94, 2.5%) provides low-cost access to a diversified basket of more than 170 securities. The ETF's largest holdings are American Tower, which owns and operates a vast wireless-communications infrastructure, and Prologis, which owns supply-chain and industrial real estate (including warehouses) worldwide.

3%–4%

HIGH-YIELD BONDS

High-yield "junk" bonds are issued by companies with below-investment-grade ratings. For lending to these riskier businesses, investors are compensated with higher yields than investment-grade bonds offer. But today, the sub-5% average yield for "high-yield" bonds is extremely low by historical standards, a function of the current low-interest-rate regime and tight spreads between junk and investment-grade bonds.

But because of their shorter maturities and higher coupons, high-yield bonds have a much lower duration than investment-grade bonds. That means junk bonds are less sensitive to interest rate increases—a serious risk for bond portfolios today. Just note that junk bonds move more in sync with stocks than with Treasuries and likely merit only a limited portion of your fixed-income allocation.

THE RISKS: Usually, the risk of default is a chief consideration. But Ray Kennedy, comanager of Hotchkis & Wiley High Yield Fund, thinks the default rate, which may have been as high as 8% for junk in 2020, could tumble to just 2%, due mostly to a robust economy. "A rising tide really does lift all boats," he says.

HOW TO INVEST: Look for nimble risk managers. **PGIM HIGH YIELD** (PHYZX, 4.1%), which focuses on higher-rated junk (that is, bonds rated double- and single-B), has placed in the top performance decile of high-yield funds over the past decade. **VANGUARD HIGH-YIELD CORPORATE** (VWEHX, 3.2%), a Kip 25 fund, has a portfolio that is of higher credit quality than the Bloomberg Barclays U.S. Corporate High Yield index.

Or dampen risk with a lower-duration portfolio. **DOUBLELINE FLEXIBLE INCOME** (DLINX, 3.8%) has a duration of just 1.6 and invests in a variety of IOUs, including corporate bonds, bank loans, securitized assets and emerging-markets debt. **OSTERWEIS STRATEGIC INCOME** (OSTIX, 2.8%) is remarkably consistent by junk-bond standards. Over two decades the fund suffered losses in just three years, and in only one (2008) was the loss more than 1%. Its focus is high-yield debt approaching maturity (the portfolio's duration of 1.3 is just 40% of the high-yield index's duration).

3%–5%

DIVIDEND STOCKS

Stocks that pay dividends can play a central income role in a diversified portfolio. Assuming a corporation remains healthy and able to boost distributions each year, dividend growth can match or exceed the rate of inflation. That's an important consideration for maintaining the purchasing power of a long-term portfolio. Compare that with fixed-income securities, such as Treasuries and corporate bonds, which have coupons that stay the same regardless of movements in consumer prices.

Tom Plumb, president of Plumb Funds, notes that today's environment is highly unusual in that the dividend yields of blue-chip stocks, such as Johnson & Johnson and Emerson Electric, are higher than the yield available on the same corporations' debt. (Both stocks are members of the Kiplinger Dividend 15, our favorite dividend stocks.)

THE RISKS: Stocks tend to be much riskier than high-grade bonds in terms of volatility. And high yields on stocks could be a sign of low growth prospects or even distress in the companies. "Don't blindly buy the yields," advises Dan Genter, chief executive of RNC Genter Capital Management. "It doesn't do any good to get 6% in yield if the stock loses 10% in value." Genter focuses on companies with a consistent history of raising dividends.

HOW TO INVEST: High-yielders tend to be found among value stocks. Energy prices crashed in pandemic-ridden 2020 but have rebounded this year. Michael Cuggino, manager of the Permanent Portfolio, favors **CHEVRON** (CVX, $103, 5.0%), which operates globally, has managed capital allocation well and pays a dividend that is well covered by strong cash flow. *The Prudent Speculator*'s Buckingham in general avoids investing in regulated utilities, but he makes an exception for **PINNACLE WEST CAPITAL** (PNW, $82, 4.1%), a power generator that operates in Arizona, including Phoenix. Much of the appeal is due to the utility's location in a state with strong growth in population and business investment.

If you seek good growth with a dividend, consider **LOCKHEED MARTIN** (LMT, $386, 2.7%), a Kiplinger Dividend 15 stock. The defense contractor has a huge order backlog, and Plumb believes the firm will benefit from rising defense budgets and a high-tech-weaponry arms race with China and Russia. Big pharma is offering some attractive yields in businesses with growth and strong finances. **PFIZER** (PFE, $37, 4.3%), for instance, may seem heroic for its lightning-quick development of a leading COVID-19 vaccine, but the stock still trades at a price-earnings ratio of just 11. **BRISTOL-MYERS SQUIBB** (BMY, $63, 3.1%) trades at only eight times earnings, which Genter believes undervalues eight new drugs in the pipeline that could generate $25 billion a year in sales.

If you'd rather invest in a basket of dividend stocks, consider **SCHWAB US DIVIDEND EQUITY** (SCHD, $74, 3.1%), a Kiplinger ETF 20 member with an expense ratio of 0.06% that holds about 100 stocks and prioritizes company quality and financial strength in addition to a high yield. Current top holdings are Home Depot and Texas Instruments.

6%–8%

CLOSED-END FUNDS

In an industry now dominated by open-end and exchange-traded funds, closed-end funds are a bit unusual. After listing on an exchange and raising capital through an initial public offering, these funds invest the proceeds in stocks, bonds and other financial assets. The fund's share price fluctuates according to investor demand and can trade at a discount or premium to the per-share value of the underlying assets, or net asset value (NAV).

THE RISKS: Most closed-end funds use borrowed money, or leverage, to purchase portfolio assets. Leverage can augment price returns in bull markets but amplify losses to NAV during bearish periods. Last year was a textbook example of the risk of leverage. John Cole Scott, chief investment officer of Closed-End Fund Advisors, says that the average closed-end fund plummeted 46% from February 19 through March 18, 2020—before recovering smartly.

HOW TO INVEST: Muni bond funds represent about one-third of the entire closed-end-fund universe. That's because leverage enables fund managers to boost yields on a relatively low-yielding and safe tax-free bond portfolio. Today's interest-rate landscape permits managers to borrow cheaply and lend at higher rates to muni borrowers. "We really like the muni market because the cost of borrowing is very attractive now to leverage a high-quality asset," says Steve O'Neill, a portfolio manager at RiverNorth Capital Management, which is a large manager of closed-end funds.

Scott says a diversified closed-end-fund portfolio could include **RIVERNORTH MANAGED DURATION MUNI INCOME** (RMM, $19, 5.8%). The fund trades at a 6% discount to NAV and has a 35% leverage ratio (borrowed money as a percentage of assets), which is about average for a closed-end muni fund. It combines RiverNorth's tactical investing in closed-end funds (currently 35% of the portfolio) with muni-bond-fund management by money-management firm MacKay Shields (currently 65% of holdings).

For higher income, Scott recommends **NUVEEN REAL ESTATE INCOME** (JRS, $10, 7.7%), which invests in common and preferred stocks and in debt issued by real estate companies. The fund trades at a 7% discount to NAV and has 28% leverage. Rounding out Scott's picks are **MILLER/HOWARD HIGH INCOME EQUITY** (HIE, $10, 5.9%), which is replete with energy and financial stocks, sells at an 8% discount and has modest leverage; and **ABERDEEN STANDARD GLOBAL INFRASTRUCTURE** (ASGI, $20, 6.5%), which holds a global portfolio of infrastructure-related companies (and is permitted to invest up to 20% of assets in private businesses). The fund trades at a 10% discount to NAV and employs no leverage.

5%–10%

MIDSTREAM ENERGY INFRASTRUCTURE

Midstream companies process, store and transport oil and natural gas. They are positioned between upstream companies (which are involved in energy production) and downstream companies (which produce finished goods). Pipeline companies operate as a kind of toll road, piping oil, natural gas and related products around the country. Two types of businesses operate in this niche: master limited partnerships and C corporations. MLPs pay out most of their income each year to investors and don't pay corporate taxes. Less than a decade ago, MLPs dominated the industry. But many big players have converted to C-corps, with a broader investor base and simpler, corporate taxation (MLPs issue K-1 forms to investors, which can be a nuisance at tax time). C-corps have benefited from the cut in the corporate tax rate from 35% to 21%.

THE RISKS: Last year was a perfect example of the risk of investing in these nondiversified, rather volatile businesses. Falling energy prices and slumping demand crushed the industry (though operating performance was actually much better than returns suggested). More than half of the MLPs slashed their distributions in 2020 to survive the storm. The industry also faces considerable regulatory risk from the Biden administration.

HOW TO INVEST: The irony is that the Biden administration's hostility to building new oil and gas pipelines is bullish for the incumbents. "These assets are critical to the economy," says MLP specialist Paul Baiocchi, at investment advisory and management firm SS&C ALPS. "If it's harder to build, it makes existing pipelines more attractive." Because of this view and a rebound in energy demand, pipeline stocks are up 20% this year.

Simon Lack, manager of the Catalyst MLP & Infrastructure Fund, prefers pipelines involved in cleaner-burning natural gas and related products. One company he likes is **WILLIAMS COMPANIES** (WMB, $24, 7.0%), which handles about 30% of the natural gas in the U.S. and operates a pipeline network from Texas to New York. Canadian firm **ENBRIDGE** (ENB, $37, 7.1%) moves Canadian oil and gas to the U.S. and is the largest pipeline operator in North America.

Stewart Glickman, energy analyst at CFRA Research, looks for strong businesses in natural gas liquids, which are separated into components with robust underlying demand—such as ethane, used to make plastics. The largest midstream MLP, **ENTERPRISE PRODUCTS PARTNERS** (EPD, $23, 7.9%), is a major player in the NGL market. Another MLP with a strong natural gas footprint is **ENABLE MIDSTREAM PARTNERS** (ENBL, $7, 9.6%).

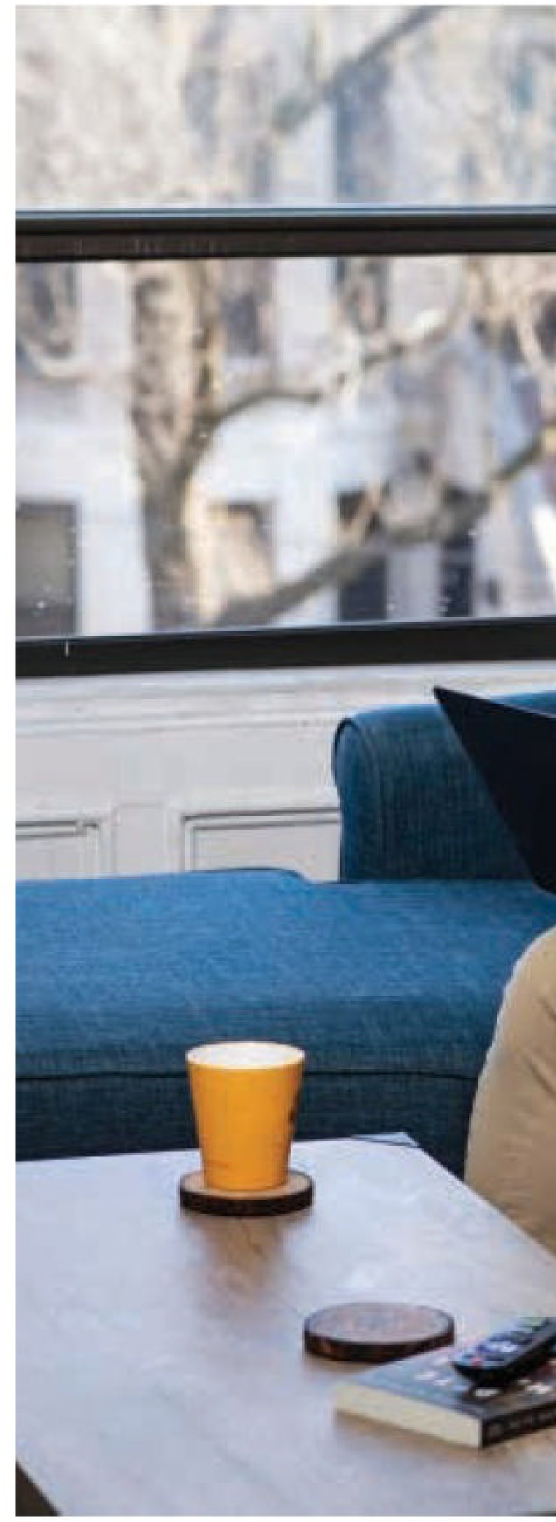
For a basket of energy-infrastructure businesses, consider **ALERIAN MLP** (AMLP, $31, 7.6%). Through a bit of financial engineering, the exchange-traded fund invests only in MLPs but issues a Form 1099 for income to shareholders instead of the annoying Form K-1. **PACER AMERICAN ENERGY INDEPENDENCE** (USAI, $22, 5.1%) holds a basket of U.S. and Canadian corporate and MLP players. By keeping the MLP weighting to less than 25% of assets, this ETF also avoids the K-1 issue. ■

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

MARKET DISRUPTORS

Next Gen Day Traders

A new wave of mostly young and fearless individual investors is taking the stock market by storm. BY ADAM SHELL



DAVID NATHANSON REMEMBERS the moment when the frenzied and risky world of day trading took hold of him. While working at home in late January during the pandemic, his phone lit up with a text from a friend: "Look what's happening with GameStop!"

The 30-year-old software account exec from Brooklyn, N.Y., wasn't totally new to investing when the troubled video game retailer became an overnight sensation earlier this year, going from a brick-and-mortar Wall Street laggard to a white-hot "meme" stock. In March 2020, to ward off lockdown boredom and stay connected to friends who were trading stocks on investing apps, he signed up with a discount broker. He invested $5,000, mainly in stable buy-and-hold stocks. Apple. Walt Disney. General Motors. "My little pod of blue chips," he calls them. But aside from a winning trade in COVID-19 vaccine maker Moderna ("I felt like a genius," he says), nothing got him excited about investing.

That changed when GameStop's David-versus-Goliath story line went viral. The shares (symbol GME) were powered by amateur day traders who banded together on the social media site Reddit to orchestrate a buy-GME campaign, waging war with powerful Wall Street hedge funds that were betting shares would fall. Nathanson went to Reddit's WallStreetBets online community—ground zero for the GameStop meme, a frat-house-like hangout for crass-talking individual investors prone to group-think, speculation and a "take down Wall Street" mentality.

"Every post was like, 'GME is going to the moon!'" says Nathanson. "I thought, Okay, I don't want to miss out on the fun." He spent $2,000 to buy 22 shares of GameStop at $90 a share. A few days later the stock opened at more than $350, and there was talk on Reddit of more big gains to come. He invested $2,000 more. "A fatal mistake," he says. GameStop hit $483 on January 28 before crashing in the wake of trading restrictions imposed by Robinhood and another discount broker. Nathanson got out, but not before the shares plunged 90%. He lost $2,600 of his original $4,000 investment and kicks himself for ignoring time-tested investing principles and not keeping his emotions in check. "Do I wish I sold at $483? Sure. I was up nine grand. That's not chump change. But it's okay. I look at it as the price of admission for a really fun week. It was like an adrenaline rush."

MEET THE NEW GENERATION

The GameStop frenzy introduced the world to the 21st-century day trader, part of a movement—a revolution, really—ignited by zero-commission trades, turbocharged by the herding power of social media and capable of creating euphoria for winners and despair for losers. Tools of the trade include an explosion of real-time data available to anyone with an internet connection and easy-to-use apps that make investing as fun and seemingly as simple as playing a video game.

Powerful political forces such as populism and wealth inequality have amplified the trend. The growing clout of individual investors, often disparaged as "dumb money," is the latest chapter

PHOTOGRAPH BY GINA LeVAY

DAVID NATHANSON, 30, BEGAN TRADING STOCKS TO WARD OFF LOCKDOWN BOREDOM AND STAY CONNECTED WITH FRIENDS.

in the democratization of investing that is leveling the playing field between Wall Street and Main Street. This new generation of investors has emerged as a disruptive market force and caught the attention of regulators and lawmakers—not to mention the notice of practically anyone just trying to save for retirement or build wealth the old-fashioned way.

Questions raised include whether the short-term mentality of younger traders poses a risk to the long-term health of the market and whether the market is being manipulated—either by traders acting in concert or by brokers restricting trading in volatile stocks. Debates focus on whether new rules are needed to curb speculation, dampen volatility and improve disclosures about the hidden costs of free trades. Concerns have risen about trading apps that critics say provide incentives for risk-taking and frequent trading or nudge traders into unsuitable investments.

Day trading isn't new, of course, and some of these concerns have come up before. Get-in-and-get-out-fast trading tends to flare up around market tops. In the go-go 1990s prior to the 2000 dot-com stock bust, day trading became all the rage in internet chat rooms with names like Raging Bull and Silicon Valley, spurred by online stock-picking stars such as Yun Soo Oh Park, better known as Tokyo Joe. The new generation of day traders is charting its

Say What?

A DAY TRADER DICTIONARY

It's often said Wall Street speaks a foreign language. But you'll need an updated dictionary or a Gen Z translator to decipher the quirky internet slang favored by today's new day traders.

BAG HOLDER: Someone who buys a stock at a high price and is stuck holding it after it declines in value.

DIAMOND HANDS: An investor who refuses to sell regardless of risks, headwinds or sizable losses—viewed as a sign of bravery.

HODL: An acronym for "hold on for dear life," used when an investment goes into freefall and losses and fear mount.

LOSS/GAIN PORN: Screenshots of stock trades that show either eye-popping gains or huge losses.

PAPER HANDS: Someone who gets spooked by downturns and sells shares at the first sign of trouble.

POWER HOUR: The final hour of trading when day traders band together to push a stock higher.

ROCKETS: High-octane, speculative stocks with big upside potential.

TENDIES: A nod to chicken tenders, shorthand for profits made on a trade.

own path. For now, among the best known is Keith Gill, who spearheaded the GameStop buying frenzy and goes by Roaring Kitty on YouTube (and something more irreverent on WallStreetBets).

But many of these new traders are more regular Joe than Tokyo Joe. They include people like Ryan McCormick, a 31-year-old deputy district attorney in Elko County in Nevada who has been trading Canadian cannabis stocks and pandemic-rebound plays. Or Michael Gray, 30, a painter from Kings Park, N.Y., who began investing in cryptocurrencies a few years ago. And Gen Z investing neophytes like Shawn Daumer, 20, a real estate agent in Valparaiso, Ind., who got in early on GameStop and was taken on a wild ride. As in past day-trading frenzies, there have been winners who made a bundle and losers, like Nathanson, who've suffered losses. Their stories follow.

RIDING THE WAVE

To understand the surge in trading by "retail" investors—a characterization that distinguishes them from professional or institutional traders—consider the new-player profile. A wave of investing advanced during the pandemic and accelerated this year due to the viral nature of the GameStop story. Most participants are newbies who skew young and inexperienced. Some 61% of new retail investors in the past year are younger than 34, a Deutsche Bank survey found.

Keeping Order

Policing the Market

Wild price swings in viral "meme" stocks have raised concerns that the market is broken. Here are some potential rule changes to fix the problems.

PROBLEM: Market manipulation
Touting stocks on social media has raised the specter of market manipulation, as has restricting trades in viral stocks.
THE FIX: For the Securities and Exchange Commission to bring an enforcement action, current rules require clear signs of deceit or intent to knowingly mislead others. That appears absent so far in GameStop trading. The SEC is likely to update rules that define market manipulation, says law professor Charles Whitehead at Cornell University. New rules to ensure that brokers have the capital to avoid outages and trading halts during times of stress may also be considered, says Devin Ryan, an analyst at JMP Securities. One idea: stress tests, similar to the ones big banks have been subject to since the financial crisis.

PROBLEM: Gamified trading apps
Apps make placing a stock trade as easy and as fun as playing a video game—and, critics say, more like gambling than investing.
THE FIX: Boost investor protections if it's found that trading apps are "overriding full and accurate disclosure" of the risks investors face, Whitehead says.

PROBLEM: Unsuitable investments
Some discount brokers make it too easy for amateur investors to trade complicated securities such as options.
THE FIX: Strengthen lax rules to make sure brokers disclose risks and that investors both understand and are qualified to trade options and other risky financial products, says James Cox, a law professor at Duke University.

PROBLEM: Costly "free" trades
Brokers may route customers' orders to trading firms that pay for the business. Critics charge that "payment for order flow" means customers don't always get the best price for trades.
THE FIX: Brokers must disclose revenues from payment for order flow now, but beefed-up regulations may help ensure those practices are more transparent and that brokers comply with obligations to get the best terms, Whitehead says.

PROBLEM: Slow trade settlement
It takes two days (known as T+2) for shares to reach buyers' accounts and for sellers to get their money. The risk is that traders or brokers may run into trouble and not be able to meet their obligations before money and shares change hands.
THE FIX: A move to T+1 settlement.

A more telling portrait is painted by information on who was trading in January, when GameStop skyrocketed 1,625%. Roughly 40% of investors between the ages of 18 and 44 said they bought viral or meme stocks, according to a Harris Poll survey conducted in February, compared with 17% for people 45 or older. Forty percent of men said they placed trades—more than double the percentage of women. And more than two-thirds of investors who bought GameStop or another viral stock signed up for a brokerage account in the month prior to the survey, according to the Harris Poll. Data from JMP Securities show that in January, 3.6 million people downloaded Robinhood's trading app, up 154% from average monthly account openings in 2020.

These first-time traders tend to take on more risk, Deutsche Bank found. They trade options and buy securities with borrowed money more often than people who've been investing longer. One thing that separates amateur traders from professionals is a tendency for novices to think only about the upside, says Mark Minervini, author of *Think & Trade Like a Champion* and a top trader featured in the book *Stock Market Wizards*. "All amateurs focus on is the reward. They don't respect risk or contemplate the downside," he says.

Michael Gray grew up talking about stocks with his dad, who works as a corporate director of risk management. "My dad was born to avoid risk," says Gray, 30.

"I definitely take more of a chance." Gray opened a Robinhood account in 2017 and began day trading, dabbling in bitcoin, and hanging out in the online community StockTwits. "I've taken some beatings," he says. "It helped me get much better at this stuff."

His investing strategy recalls that of retired Fidelity Investments star fund manager Peter Lynch: "I invest in products that I use and companies that I believe in," says Gray. A lifelong gamer who grew up playing soccer video games, Gray has owned shares of Advanced Micro Devices, which makes computer chips used in gaming consoles. He got in early on Plug Power, which builds hydrogen fuel cell systems used to power electric vehicles. But trading in and out of Plug proved costly. His average purchase price in 2017 was $2 a share, and he sold a big chunk when the stock broke $5. Shares now sell for $32. "I sold too early," says Gray. Earlier this year, after GameStop plunged 90% from its high, Gray invested $500 in GME just "to be a part of it." He broke even on the trade.

A PANDEMIC-DRIVEN PERFECT STORM

Credit a combination of free time, spare cash and tech innovation for the influx into the market. People with nothing to do during the shelter-in-place phase of the pandemic quickly discovered stock trading. An infusion of cash from government stimulus checks—dubbed "stimmies" by the Reddit crowd—provided capital to invest. More than half of the respondents in the Deutsche Bank survey cited above said they invested stimulus money in stocks. The ability to trade stocks for free with small sums of money added gas to the fire.

Boredom also propelled people to trade, says Nick Buttrick, a post-doctoral researcher at the Princeton School of Public and International Affairs. "Being part of a larger community fighting against Wall Street makes you feel like you're doing something worthy," he says.

Shawn Daumer, 20, started trading on his 18th birthday. His generation, he says, views investing differently than their parents do. "We're not into holding long term and just letting it sit there," he says. "Now, it's trade throughout the day and make a buck. It's not like you have to get your broker on the phone and see what he thinks."

That go-it-alone mentality and the bullish talk on WallStreetBets is what attracted Daumer to GameStop. Nine days before GME topped out in late January, he spent $47,000 to buy 1,233 shares at $38.06 a share, using money from high school graduation gifts and profits from prior stock trades. At the peak, his GameStop stake was worth $595,000. "It was just numbers on a screen," he says. He was confident the stock would keep climbing.

So he let the bet ride. "I definitely got greedy," Daumer says. But when Robinhood and other online brokers restricted trading in GameStop to meet clearinghouse deposits and regulators' capital requirements, the bubble burst, and a big chunk of Daumer's paper profit disappeared. In early February, he executed a sell order at $91.22 per share, netting a profit of about $65,000. His one regret: "I didn't have an exit strategy," he says.

FANS OF THE GAME

Today's youthful band of day traders grew up with the internet, socializing on their phones via text messages and Instagram. The same technology that got them hooked on video games such as *Minecraft* and *Grand Theft Auto* is now built into trading apps offered by Robinhood, Chinese-owned rival Webull and other upstarts that make stock trading feel a lot like playing a game on Xbox. Robinhood's app, for example, offers users a chance to win a free share of a popular stock as a reward for getting a friend to sign up for the app, and it was known for tossing virtual confetti after a user's first trade.

Although research shows a positive side to this gamification—for example, giving people an incentive to meet savings goals—critics argue that such techniques can be a disservice to investors if they are nudged toward negative outcomes. In the worst-case scenarios, critics say, gamification can encourage impulsive and risky trading behavior, such as concentrating holdings in a few stocks rather than diversifying; trading too frequently as opposed to investing for the long haul; and blindly pushing prices up to lofty levels with no business rationale to do so.

In December, Massachusetts securities regulators filed a complaint against Robinhood, alleging that its gamification strategies "encourage ... continuous and repetitive use" of its trading app. Robinhood CEO Vlad Tenev has disputed the characterization, telling members of Congress at a hearing in February: "I'm confident that the easy-to-use interface enables customers to understand, control and direct their finances in a responsible way." Still, in early April, Robinhood did away with its use of virtual confetti to mark investing milestones, replacing it with animations that are more restrained.

Attorney Ryan McCormick, 31, got interested in stocks in the spring of 2020 after graduating from law school and landing a job. "I was done with being broke," he says. He had some money to invest, and his friends were trading on Robinhood, so he signed up, too. He found the app very user-friendly: "I don't feel like I have to be a connoisseur of the market" to trade.

He didn't dive headfirst into the market, preferring to first learn how trading works. The world inside the Robinhood app reminded him of his days working at a Nevada casino, where bells and flashing lights signal someone has hit a jackpot. "It has the same aspects as a slot machine," he says.

McCormick's first stock

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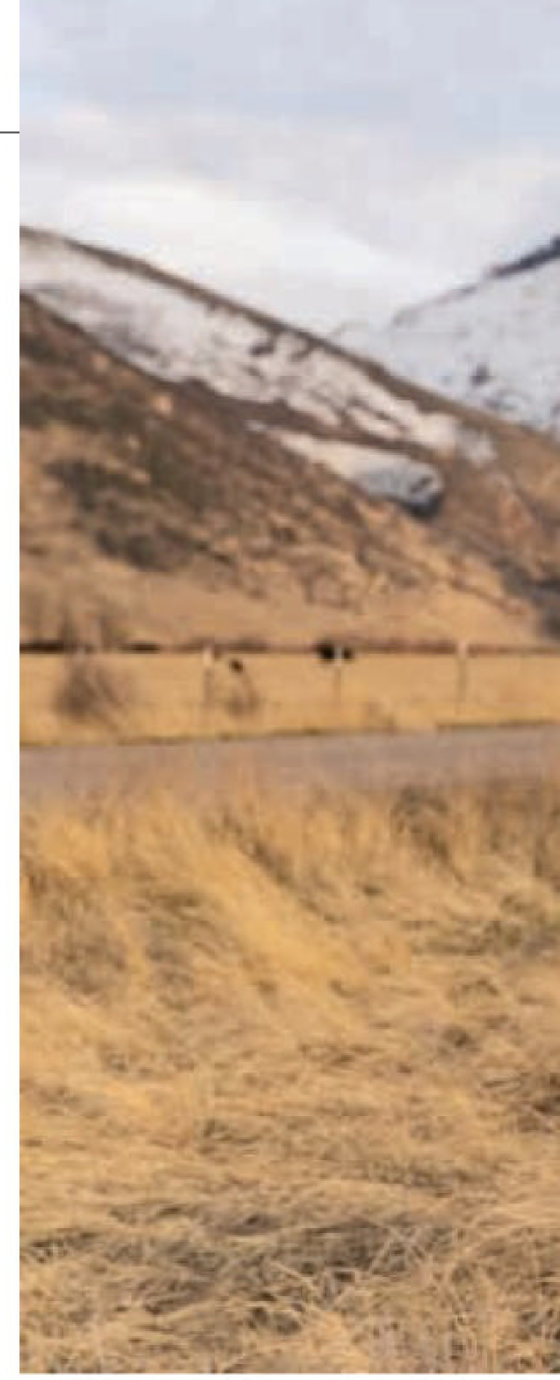

purchase, a trade made on his phone, was a tiny bet on American Airlines, a company battered by the pandemic that he figured would rebound. Last September, he used $25 to buy two shares of the nation's largest airline that are now worth almost double what he paid.

Early this year, McCormick invested $240 in Canadian pot stock Aphria after reading in December about a merger with Tilray that would create the world's largest cannabis company. The stock is down 38%, but McCormick is sure "it will eventually pay off." He traded marijuana accessory firm Sundial Growers in February, making a $40 profit on an $80 investment. "It makes you think, What's the next cool thing? What's the next boom?" he says.

Exciting though it may be, however, winning at day trading isn't easy. The top stocks purchased each day on Robinhood's app, for example, are down 4.7%, on average, a month later, according to a paper coauthored by finance professor Brad Barber at the University of California, Davis that was published in February. A Sao Paulo School of Economics study of day traders in Brazil's stock futures market found that it is "virtually impossible for individuals to day trade for a living." Nearly all (97%) of investors who traded 300 days or more between 2013 and 2015 lost money, the study found.

NO FREE LUNCH

Intense competition among online brokers has lowered commissions to zero and created new products that make it as easy for an hourly worker to invest as it is for a millionaire. Investors can now buy fractional shares or "stock slices" (if you can't afford a share of Tesla for $677, for example, you can buy just a piece of a share). More than half of investors who bought viral stocks in January invested $250 or less, the Harris Poll found.

But although commission-free trades are now the industry norm, it's worth reminding investors that nothing (on Wall Street, anyway) is truly free. Robinhood and other online brokers can offer free trades in part because they generate revenue from trading firms that pay the brokers to execute buy and sell orders placed by their customers. This practice, known as payment for order flow, has come under fire from critics who allege that it can result in customers getting their trades placed at inferior prices. Late last year, the Securities and Exchange Commission fined Robinhood $65 million for failing to fully disclose that its largest revenue source was routing orders to trading firms and for failing to ensure that customers got the best trade prices.

Moreover, the stocks favored by today's day traders pose plenty of their own risks. Newbies focus mostly on distressed stocks or ones whose prices can be more easily driven up by herd buying. Examples include beaten-down stocks with low share prices such as automaker Ford; momentum-driven stocks such as Tesla; stocks with a big following on Reddit such as GameStop and movie theater chain AMC Entertainment; and shares of companies that have filed for bankruptcy.

Rental-car company Hertz is an example. In May 2020, the stock had plunged 80%, to 56 cents a share, after the company filed for bankruptcy protection partly due to a business drop-off caused by the COVID-19 shutdown. Day traders plowed into the stock, driving it up 887.5%, to $5.53, in just nine trading sessions—despite the fact there was a chance the stock could go to zero. Hertz has since been delisted from the New York Stock Exchange. The shares recently traded at $1.54 off-exchange.

Many of these stocks have been left for dead by most Wall Street investors but have a huge following among hedge funds that engage in short selling, an investment strategy in which you borrow shares from a broker and sell them with the hope of buying them back later at a lower price. The 2,400%-plus rally in GameStop from the start of 2021 to its intraday peak in late January was fueled by retail investors mobilizing together on WallStreetBets. Collectively, they essentially forced the hedge funds to reverse their bearish bets by buying back shares at higher prices, a trading phenomenon known as a short squeeze. The result was claimed as a moral victory by the online community that some say is shining a light on the political divide between America's haves and have nots.

A SOCIAL-MEDIA-MAGNIFIED MANIA

Nearly 60% of investors age 40 or younger are members of online investment communities, a survey by personal finance site MagnifyMoney found. YouTube, the online video-sharing platform, was the top source for investing information among young investors, with 41% tuning in during January. Other social media sites visited to glean stock ideas include TikTok (24%), Instagram (21%), Twitter (17%), Facebook (16%) and Reddit (13%).

Reddit's WallStreetBets has emerged as the go-to meeting place for young investors looking for home-run stocks. "It's an all-

PHOTOGRAPH BY HOPE CRIPPS

■ NEVADA ATTORNEY RYAN McCORMICK LIKES CANADIAN POT STOCKS AND POST-PANDEMIC PLAYS.

or-nothing culture," says Daumer, the Gen Z real estate broker. WallStreetBets is where amateurs tout stocks to buy, post screenshots of trading accounts with eye-popping gains or horrific losses, and poke fun at themselves after a trade gone bad. It has a language all its own (see "A Day Trader Dictionary," on page 33). The growing community—9.8 million at recent count—has been instrumental in bringing new people into the market and turning some stock memes into mainstream plays that the whole world watches. "If it gains enough traction and goes viral, it is almost like a tidal wave," says Gray, the painter from New York.

The problem is that trading driven by herd behavior on social media can make people do things that they might otherwise not do, for fear of missing out (also known as FOMO), says Denise Shull, a trading coach and author of *Market Mind Games*. Social media triggers tribal thinking that dates to prehistoric times, adds Brad Klontz, associate professor of financial psychology at Creighton University. "The prehistoric brain is designed to survive in a tribe of 100 to 150 people," Klontz says. "What happens when you think the rest of the tribe (that is, all the people you see on social media making money while you watch) is moving in another direction? It creates existential panic, which leads to speculative moves."

Some market watchers worry that the stock market's main function, providing the capital to help companies and the economy grow, will be compromised by wild swings in stocks set in motion by day-trading individual investors. "When you see capital being allocated in a way that is completely disconnected from any reasonable valuation of the underlying security, you have to worry that the system is just broken," says Tyler Gellasch, executive director at the Healthy Markets Association, a nonprofit that promotes stable and fair markets.

Another concern is wild boom-and-bust price action becoming more widespread. "If we see it again and again, it could break down confidence in the whole market," says Amy Lynch, founder of FrontLine Compliance, which provides regulatory compliance services to investment firms.

And there's a risk that the thrill of the chase for profits will turn recreational day traders into problem day traders. "A lot of day trading is indistinguishable from gambling," says Keith Whyte, executive director of the National Council of Problem Gambling. Both "tend to hit the same pleasure and pain pathways that are activated in all risky and addictive behavior."

Despite the downsides of the new day trading, simply exposing more people to investing overall is a positive step. Just half (52%) of American households are invested in the stock market, according to the Pew Research Center. "The stock market is the biggest wealth creator the world has ever seen," says Dan Niles, founder of Satori Fund, a hedge fund that invests in large U.S. tech stocks. "If something like watching GameStop gets you interested in investing, that's a good thing." Still, "if you're using money you can't afford to lose and investing on nothing but emotion, that's dangerous," Niles says. Day trading "has to be the gateway to something more productive."

Nathanson, for one, says he won't ever again buy a stock just because he fears missing out. He's back to buying mostly blue chips and setting aside a little "play money" to dabble in more-speculative stocks. "I need to be more analytical about things," he says. ■

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STREET SMART | James K. Glassman

Finally, on the Brink of Dow 36,000

In early 1998, my American Enterprise Institute colleague Kevin Hassett, a well-credentialed academic who would later become chairman of the Council of Economic Advisers during the Trump administration, came to me with an idea. Over the previous three-fourths of a century, stocks had returned an annual average of about 11% and government bonds 5.5%. Yet over the long run, stocks were no more risky than bonds—a phenomenon that economist Jeremy Siegel had demonstrated in his 1994 classic, *Stocks for the Long Run*. "It is very significant," Siegel wrote, "that stocks, in contrast to bonds or bills, have never delivered to investors a negative real return over periods lasting 17 years or more."

In other words, stocks carried a big premium compared with bonds to compensate investors for the extra risk they were taking, but there was no extra risk!

This paradox is called the equity premium puzzle, and Kevin and I believed that people were solving the conundrum by bidding up the prices of stocks to their proper level. Higher prices today mean lower future returns, allowing the two asset classes to reach a logical equilibrium.

The road to 36,000. We went public with our insight in an op-ed that the *Wall Street Journal* published on March 3, 1998, with the headline, "Are Stocks Overvalued? Not a Chance." At the time, the Dow Jones industrial average was 8782. We suggested, with many caveats, that the Dow ought to be 35,000. A year and a half later, with a few adjustments, our thesis became a book called *Dow 36,000*. As for the Dow itself, well, it has taken longer than we thought to reach the magic number, but arrival seems imminent with just 6.5% to go as of April 9.

The main thrust of our book was that buying and holding a diversified portfolio of stocks is by far the best investment strategy, and the second half of *Dow 36,000* was devoted to advice on how to build strong portfolios—the simplest way being to purchase the 30 stocks of the Dow itself. Investors who did that, plowing the dividends back into the shares, would have achieved satisfying returns: 451% since the publication of our book or 576% since our *Wall Street Journal* article came out.

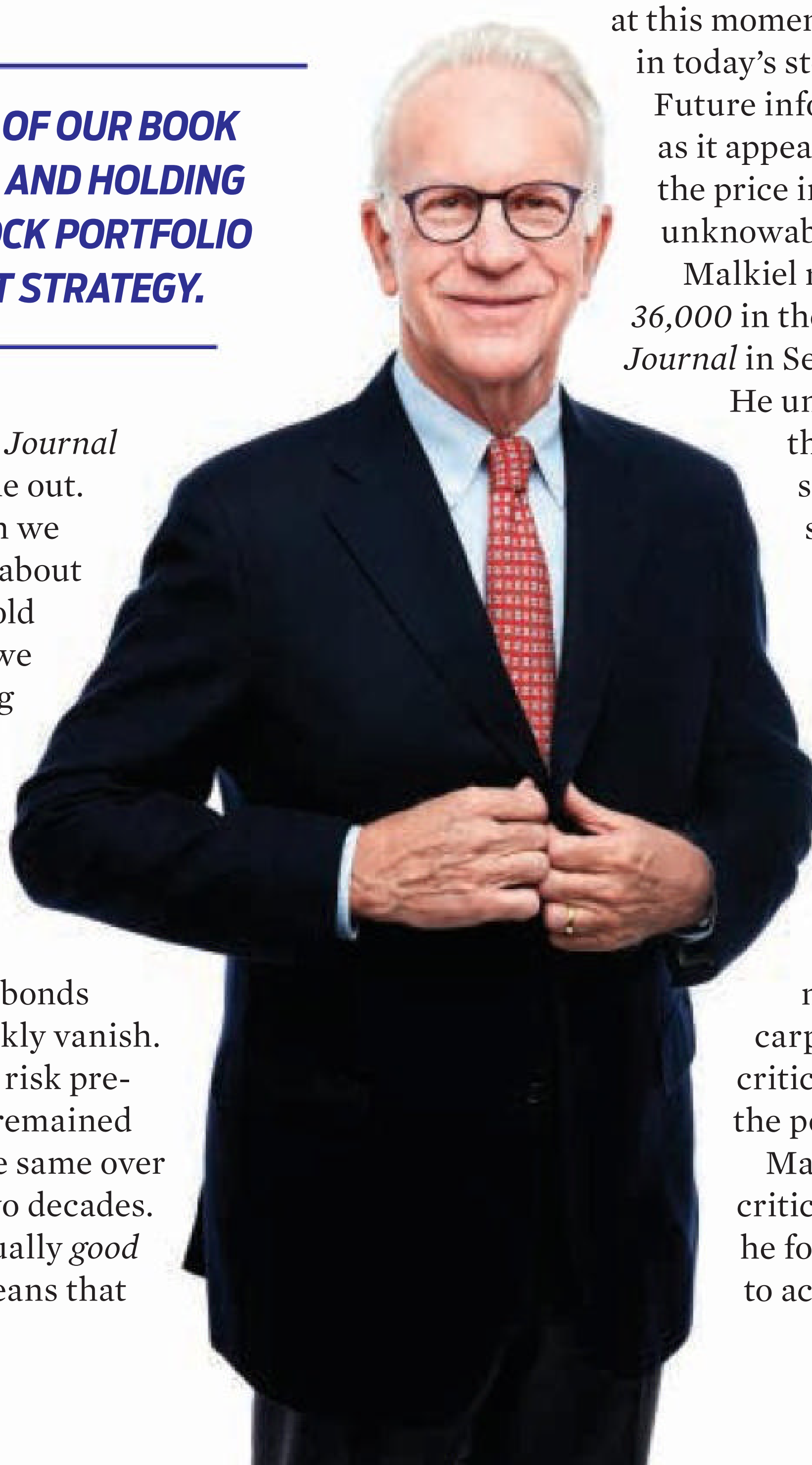
THE MAIN THRUST OF OUR BOOK WAS THAT BUYING AND HOLDING A DIVERSIFIED STOCK PORTFOLIO IS BY FAR THE BEST STRATEGY.

Although we were right about buy-and-hold investing, we were wrong about our theory that the gap in returns between stocks and bonds would quickly vanish. The equity risk premium has remained roughly the same over the past two decades. This is actually *good* news. It means that investors can expect the future to be like the past: sizable returns for stock investors with a long view and the courage to persist.

Nevertheless, our theory went wrong. Why? The best answer comes from the grandfather of buy-and-hold investing, Burton Malkiel. In 1974, the Princeton economist wrote one of the greatest investment books of all time, *A Random Walk Down Wall Street*. In it, he said that stocks move in a pattern "in which future steps or directions cannot be predicted on the basis of past actions." The reason is that all information relevant to a company's value at this moment is reflected in today's stock price. Future information, as it appears, will move the price in a way that's unknowable at present.

Malkiel reviewed *Dow 36,000* in the *Wall Street Journal* in September 1999. He understood our thesis and presented it more succinctly than we did: "The extra 5.5 percentage points from owning stocks over bonds…is unjustified." He dismissed the mathematical carping of some critics as "beside the point."

Malkiel's own criticism was that he found it "hard to accept that even



POON WATCHARA-AMPHAIWAN

over the long run equities are no riskier than government bonds"—no matter what Professor Siegel's data showed. Malkiel used this thought experiment: Suppose you want to retire in 20 years and could buy a 20-year zero-coupon U.S. Treasury bond that yields 6.65%. Alternatively, you could invest in a diversified portfolio of stocks with an expected total return of 6.65%. Who would possibly choose the stocks? Malkiel writes that it is, therefore, "illogical to assume" that the stock portfolio would be priced to achieve the same return as the bond.

In other words, investors set the price for stocks, and they demand a higher return from them, no matter what history shows. Investors are more frightened of what can happen to the prices of stocks than to the value of U.S. government bonds, which are seen as a safe haven even though their value can be depleted dramatically because of inflation. This fear is a fact. As Malkiel writes, despite the spread of free markets, "the world is still a very unstable place, and economic events are always surprising us."

In the short term, stuff happens. Indeed, just a few months after he wrote his review, high-flying tech stocks crashed to earth. Solid companies such as Intel and Oracle lost 80% of their value. A year and a half later, the twin towers of the World Trade Center crashed to the ground. Seven years after that, the U.S. suffered its worst financial disaster since the Great Depression, and unemployment hit 10%. Eleven years later, a virus suddenly swept the world, killing 561,000 Americans and counting.

FIND GOOD BUSINESSES AND BECOME PARTNERS OVER THE LONG HAUL, OR SIMPLY BUY FUNDS WITH LOW EXPENSE RATIOS.

Financial risk is defined as the volatility of the value of an asset—the extremes of its ups and downs. Over 20-year periods or more, stocks have displayed remarkably consistent returns—and no losses after inflation. But investors have perceived overall risks to be higher because, in the short term, terrible things can happen. But despite many terrible things since the publication of *Dow 36,000,* your $10,000 investment in the Dow would still have become more than $50,000.

Years ago, I wrote a column for another publication that divided investors into two categories: "outsmarters," who think that the way to make money in stocks is to beat the system by trying to time the market or putting large short-term bets on hot equities, and "partakers," who try to find good businesses and become partners over the long haul or simply purchase the market as a whole, or large parts of it, via index funds with low expenses.

A few of those choices: **SPDR DOW JONES INDUSTRIAL AVERAGE** (SYMBOL DIA, $338), an exchange-traded fund nicknamed Diamonds, which mimics the Dow and charges 0.16% annually; **VANGUARD TOTAL STOCK MARKET ADMIRAL** (VTSAX), which attempts to replicate all listed U.S. stocks, with an expense ratio of just 0.04%; **SCHWAB 1000** (SNXFX), a mutual fund that reflects the 1,000 largest U.S. stocks, charging 0.05%; and **SPDR S&P 500 ETF TRUST** (SPY, $411), known as Spiders, which is linked to the popular large-cap benchmark and charges 0.095%.

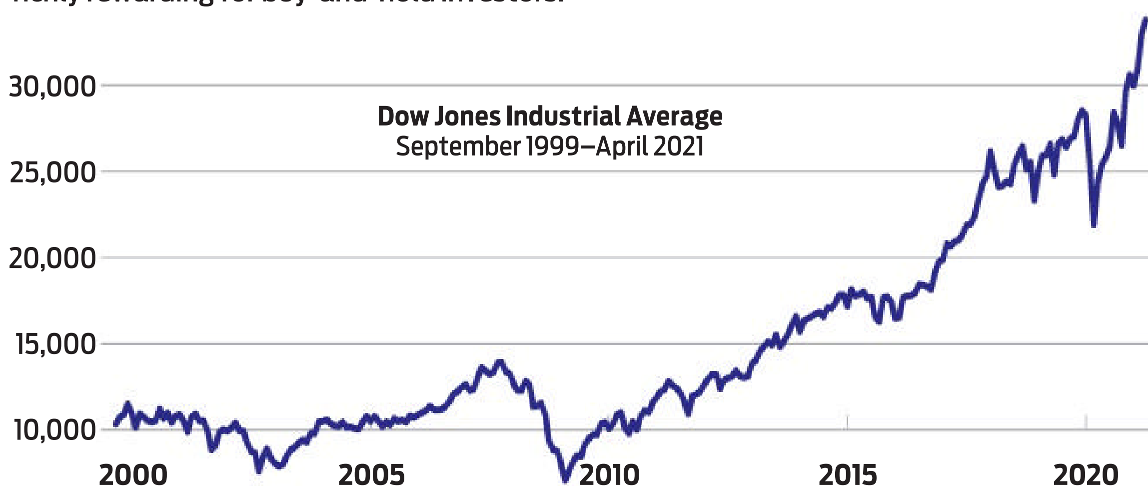
With *Dow 36,000,* I tried to have it both ways. I advocated that investors adhere to a partaker approach, but I tried to be an outsmarter myself by predicting people would lose their fear of stocks and act rationally at last. What I was really saying was that I knew better than the mass of investors. My error provides an important lesson: Respect the market.

But there's another lesson as well. Professor Malkiel concluded his review by saying that *Dow 36,000* inspired "a degree of optimism and complacency that can be, for some, truly perilous." If by "optimism and complacency" he meant investing in the Dow and forgetting about it, well, that has turned out just fine. ■

Getting There

A LONG, PROFITABLE RIDE

As of early April, the Dow Jones industrial average needed to climb another 6.5% to reach 36,000. But a bet on the index when Glassman's book came out in 1999 would have been richly rewarding for buy-and-hold investors.



As of April 9. Price return. SOURCE: S&P Global

JAMES K. GLASSMAN CHAIRS GLASSMAN ADVISORY, A PUBLIC-AFFAIRS CONSULTING FIRM. HE DOES NOT WRITE ABOUT HIS CLIENTS. HIS MOST RECENT BOOK IS *SAFETY NET: THE STRATEGY FOR DE-RISKING YOUR INVESTMENTS IN A TIME OF TURBULENCE.* OF THE SECURITIES MENTIONED HERE, HE OWNS SPDR DOW JONES INDUSTRIAL AVERAGE. CONTACT HIM AT JAMES_GLASSMAN@KIPLINGER.COM.

MUTUAL FUND SPOTLIGHT

Invest Across the Globe

This one-stop fund provides instant diversification.

BUILDING A DIVERSIFIED portfolio is a snap with a world allocation fund. These funds, including T. Rowe Price Global Allocation, invest in a mix of stocks and bonds across the globe. "We view the fund as a core holding," says Charles Shriver, one of the fund's two managers. "It's a one-stop shop."

Shriver and his comanager, Toby Thompson, make the big-picture calls of how to position the portfolio. They start with a target of 60% U.S. and foreign stocks, 29% U.S. and foreign bonds, and 11% alternative investments, then tilt the fund toward certain asset classes—large- versus small-company stocks, say, or growth versus value, or emerging-markets versus developed-world stocks or bonds—depending on their view of the world.

WORLD ALLOCATION FUNDS

Ranked by five-year returns

Rank/Name	Symbol	Annualized total return 1 yr.	5 yrs.	Max. sales charge	Exp. ratio
1. Calamos Global Opportunities A	CVLOX	61.5%	**13.3%**	4.75%	1.22%
2. Loomis Sayles Global Allocation A	LGMAX	34.3	**12.9**	5.75	1.15
3. Goldman Sachs Growth Strategy A	GGSAX	41.5	**11.5**	5.50	1.01
4. Appleseed Investor	APPLX	72.8	**11.5**	2.00[r]	1.00
5. T. Rowe Price Global Allocation	RPGAX	37.9	**10.8**	none	0.95
6. Janus Henderson Glbl Alloc Gr T	JSPGX	43.0	**10.6**	none	1.09
7. Ivy Asset Strategy A	WASAX	41.2	**10.2**	3.50	1.13
8. JPMorgan Global Allocation A	GAOAX	37.3	**10.1**	4.50	1.05
9. BlackRock Global Allocation Inv A	MDLOX	37.3	**10.0**	5.25	1.10
10. Eaton Vance Global Inc Builder A	EDIAX	38.9	**10.0**	5.75	1.17
CATEGORY AVERAGE		28.9%	**7.7%**		

The managers leave the bond and stock selection to the firm's specialists and a deep bench of research analysts. Alphabet, Amazon.com and Microsoft are the fund's biggest stock holdings; short- and long-term Treasuries are its biggest bond positions. For small stakes in certain asset classes, Shriver and Thompson may invest in another fund. "In floating-rate loans, for example, a fund offers instant, broad diversification and liquidity," says Shriver.

The system has worked well. Over the past five years, the fund has returned 10.8% annualized, which beat 93% of world allocation funds. In every full calendar year since its launch in mid 2013, the fund's returns have ranked among the top third or better of its peers.

The fund's alternatives segment consists of a hedge fund of funds run by asset management firm Blackstone (7% of assets at the end of 2020) and a stake in T. Rowe Price Dynamic Global Bond fund (4% of assets), which has a flexible investment mandate. The bond fund is a low-volatility diversifier, says Shriver. "In a rising-rate environment, traditional bonds may not be as defensive as they have been historically."

For now, Shriver says the fund has a "modest underweight" position in stocks—54% of assets—with 33% in bonds and the rest in alternatives and cash. The managers have balanced that with floating-rate loans, which will benefit from rising rates, and short-term inflation-protected securities as a hedge against inflation. **NELLIE S. HUANG**

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20 LARGEST STOCK AND BOND MUTUAL FUNDS

Ranked by size. See returns for top funds in 12 categories at kiplinger.com/kpf/funds.

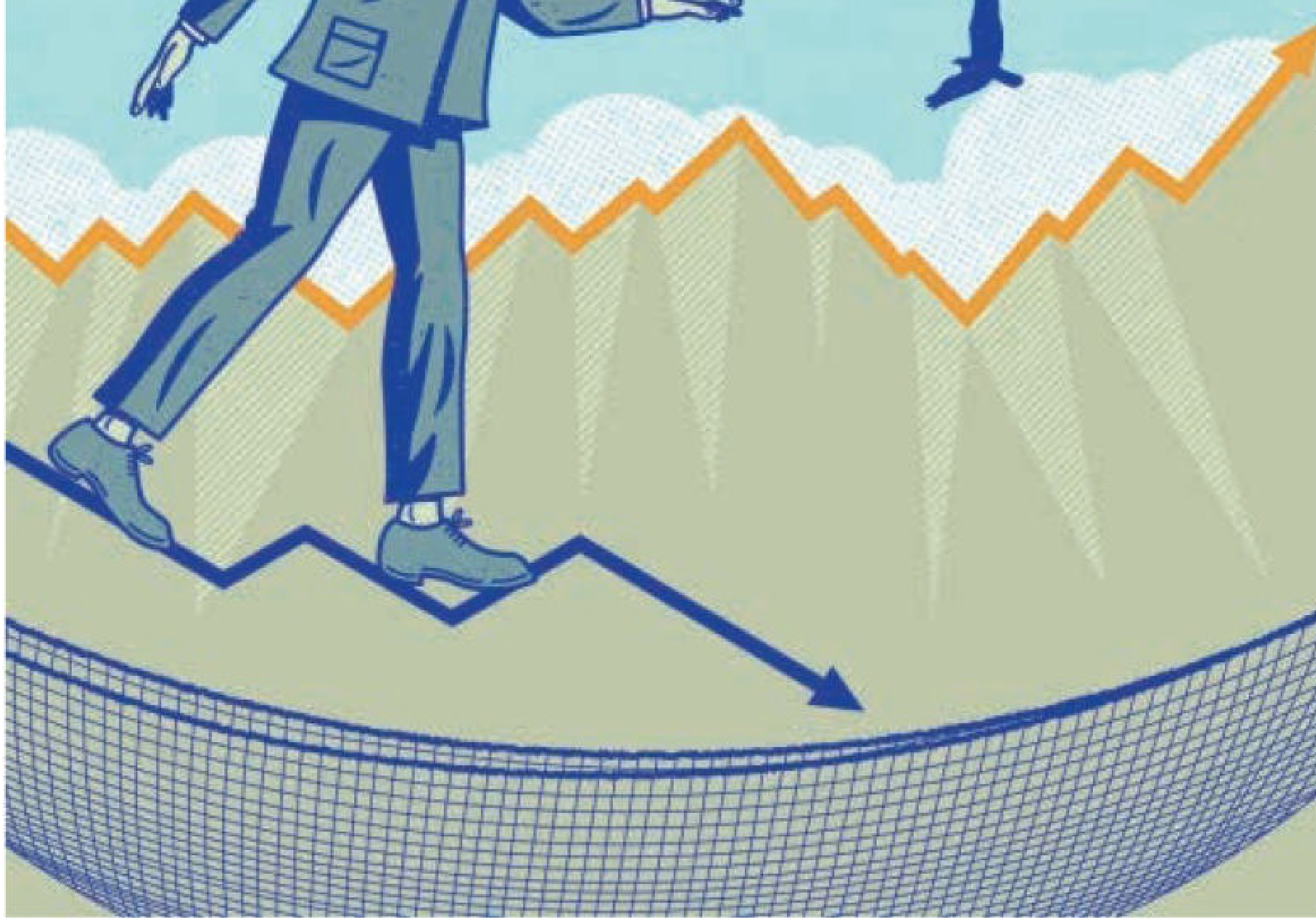
STOCK MUTUAL FUNDS

Rank/Name	Symbol	Assets† (billions)	Annualized total return 1 yr.	5 yrs.	Max. sales charge
1. Vanguard Total Stock Market Idx Adm	VTSAX	**$929.9**	56.2%	17.6%	none
2. Vanguard 500 Index Adm	VFIAX	**485.0**	50.5	17.3	none
3. Vanguard Total Intl Stock Idx Adm	VTIAX	**335.9**	49.4	10.8	none
4. Fidelity 500 Index@	FXAIX	**308.4**	50.5	17.3	none
5. American Growth Fund of America A	AGTHX	**269.9**	63.8	20.8	5.75%
6. American Balanced A	ABALX	**197.7**	26.7	10.9	5.75
7. American EuroPacific Growth A	AEPGX	**194.0**	57.4	13.3	5.75
8. American Washington Mutual A	AWSHX	**150.3**	41.4	14.4	5.75
9. American New Perspective A	ANWPX	**137.3**	63.9	18.5	5.75
10. Fidelity Contrafund	FCNTX	**131.8**	56.5	20.4	none
S&P 500 INDEX			**50.5%**	**17.3%**	
MSCI EAFE INDEX			**43.8%**	**9.7%**	

BOND MUTUAL FUNDS

Rank/Name	Symbol	Assets† (billions)	1-year total return	Current yield	Max. sales charge
1. Vanguard Total Bond Market Index Adm	VBTLX	**$227.9**	0.3%	1.33%	none
2. Pimco Income A	PONAX	**134.6**	12.2	2.35	3.75%
3. Vanguard Total Intl Bd Idx Adm	VTABX	**95.1**	2.1	0.38	none
4. Metropolitan West Total Return Bd M	MWTRX	**87.3**	2.3	0.93	none
5. Vanguard Interm-Term Tax-Ex Inv	VWITX	**83.6**	5.6	0.84	none
6. Vanguard Short-Term Inv-Grade Inv	VFSTX	**75.4**	5.5	0.92	none
7. American Bond Fund of America A	ABNDX	**71.1**	2.6	0.80	3.75
8. Dodge & Cox Income@	DODIX	**68.2**	5.7	1.63	none
9. Pimco Total Return A	PTTAX	**67.4**	2.5	1.07	3.75
10. PGIM Total Return Bond A	PDBAX	**59.9**	4.7	1.77	3.25
BLOOMBERG BARCLAYS US AGGREGATE BOND INDEX			**0.4%**	**1.56%**	
ICE BOFA AAA US MUNICIPAL SECURITIES INDEX			**4.2%**	**1.18%**	

As of April 9, 2021. [r] Redemption fee. @Only share class. Unless otherwise indicated, funds come in multiple share classes; we list the share class that is best suited for individual investors. †For all mutual fund share classes combined. MSCI EAFE tracks stocks in developed foreign markets. SOURCES: ICE Data Services, Morningstar, Vanguard.



FUNDS

Limit Losses With These ETFs

The catch: You'll give up some gains in return. BY NELLIE S. HUANG

INVESTING IN STOCKS CAN seem like walking a tightrope without a safety net. A new breed of exchange-traded funds aims to change that. These funds, called buffered or defined-outcome ETFs, absorb a portion of stock market losses in exchange for capping some of the gains. "This is a solution for investors who want to protect on the downside," says Ryan Issakainen, head of ETF products at First Trust Advisers.

Other investments, such as low-volatility stock funds, also promise to cushion against market gyrations. But buffered ETFs, by investing in one-year options linked to a broad benchmark, differ in that they set exactly how much in losses—9%, 10%, 15%, 20% or 30% before fees, depending on the fund—shareholders are protected from over a 12-month period.

How much you give up in returns depends in part on the amount of protection the fund offers. The greater the cushion, the smaller the potential gain. "These strategies provide risk mitigation first," says Johan Grahn, head of ETF products at Allianz Investment Management. "They are not built to hit home runs."

The first buffered ETFs launched in August 2018. Since then, another 70-odd defined-outcome funds have opened. Innovator and First Trust are the largest providers; AllianzIM and TrueShares entered the market in 2020. Because the funds rely on one-year options, the names of buffered ETFs include a month of the year, signaling the start of the 12-month period.

How they work. Most buffered ETFs are linked to the S&P 500 index. Innovator S&P 500 Buffer ETF February (symbol BFEB), for example, tracks SPDR S&P 500 ETF Trust (SPY). Investors who bought shares in BFEB at the start of February 2021 have a 9% buffer against losses. That means SPY can drop by up to 9% over the 12-month period from February 1, 2021, to January 31, 2022, and shareholders will lose nothing. But losses beyond the 9% buffer are not shielded. So if SPY declines, say, 15% over the 12-month period, BFEB shareholders (who bought in early February) will suffer a 6% loss.

On the flip side, BFEB's potential return tops out at 18%, before fees, over the 12-month period. Any gains beyond that are forfeited. At the end of the one-year period, the fund resets by buying new options, which will define the parameters over the next 12-month period.

Buffered ETFs, all actively managed, carry an expense ratio of roughly 0.80%; the most common buffer is about 10%. Innovator and First Trust have funds that offer bigger cushions that work a little differently. You absorb the first 5% drop, and the fund absorbs up to the next 30 percentage points in losses. Allianz offers a series of funds with a 20% cushion.

TrueShares' funds differ on the upside. Instead of accepting a percentage-point limit on potential returns, investors in TrueShares defined-outcome ETFs can expect to reap roughly 83% of the S&P 500's price returns over any given 12-month period. That's a plus, because gains could be less curtailed relative to other buffered ETFs as long as the S&P 500 keeps rising.

Buy shares in a defined-outcome ETF within a week of the start of its 12-month stretch to take advantage of the fund's full downside buffer. In late May or early June, for example, buy a June-dated ETF. And plan to hold the ETF for at least the full year. For investors who don't buy at the start of the period, note that the buffer and cap shift a bit depending on the fund's net asset value each day. ■

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ILLUSTRATION BY CHRISTIAN DELLAVEDOVA

THE KIPLINGER ETF 20 UPDATE

Hang Tough With This Fund

ARK INNOVATION ETF HAD ITS PROVERBIAL day in the sun for most of the past year, but lately some clouds have appeared as the fund has given back some gains. Even so, its triple-digit return over the past 12 months beat all but 16 diversified U.S. stock and sector stock exchange-traded funds.

The actively managed ETF, run by Cathie Wood, focuses on fast-growing firms in innovative and disruptive industries. Its current portfolio of 56 stocks comprises firms that are leading the way in genomics; innovation in energy, automation and manufacturing; next-gen internet infrastructure and services; and financial technology. Some of the fund's best performers over the past year climbed more than 400%, including electric car maker Tesla; Intellia Therapeutics, which uses gene editing to create treatments; and Sea Limited, an internet platform in Southeast Asia and Taiwan.

Recently, some of the fund's "growthier" stocks, including Tesla, have suffered as investors turned toward value-priced shares in more economically sensitive companies. All told, over the first 14 weeks of 2021 the fund slipped 1.0%, compared with a 10.4% gain in the S&P 500. Long-term investors with a healthy tolerance for risk would be wise to hang on. Management invests for long-term growth, says Todd Rosenbluth, CFRA's head of ETF and mutual fund research. "Investors should demonstrate patience, as there has been and will be volatility given the investment themes in focus," he says.

Indeed, a bumpy ride is part of the bargain with a high-growth fund like Ark Innovation. Since the fund launched in October 2014, it has been nearly twice as volatile as the S&P 500 index, but it has returned 34.5% annualized, compared with a 14.2% gain in the big-company benchmark.

Not all analysts are sanguine about the fund, however. Morningstar analyst Robby Greengold says the fund is vulnerable to key-person risk because Wood is the fund's lone manager. High turnover in research analysts at the firm isn't good, either, he adds, because new analysts may lack experience. Those factors, among others, raise doubts about whether the fund's "outstanding historical results can continue," says Greengold.

Past performance is never a guarantee of future results, and a volatile fund such as this is bound to have draggy periods. But as long as the ETF has its proper place in your portfolio—as a sliver of high-growth exposure and not as a core holding—we would stick with it. Ark Investments says it did not have time for an interview.

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Returns/Fees

KIPLINGER ETF 20: VITAL STATISTICS

			Annualized total return				
Core Stock Funds	**Symbol**	**Share price**	**1 yr.**	**3 yrs.**	**5 yrs.**	**Yield**	**Expense ratio**
iShares Core S&P Small-Cap	IJR	$110	81.9%	14.4%	16.3%	1.0%	0.06%
iShares Core S&P 500	IVV	413	50.5	18.7	17.3	1.4	0.03
iShares Core S&P Mid-Cap	IJH	266	70.7	14.7	15.1	1.1	0.05
Vanguard Total International Stock	VXUS	64	49.5	7.3	10.8	—	0.08
Vanguard Total Stock Market	VTI	214	56.2	19.0	17.7	1.3	0.03
Dividend Stock Funds							
Schwab US Dividend Equity	SCHD	$74	57.7%	19.3%	16.7%	3.0%	0.06%
Vanguard Dividend Appreciation	VIG	151	37.9	17.0	15.5	1.6	0.06
WisdomTree Global ex-US Qual Div Gr	DNL	80	44.8	12.7	13.9	1.3	0.58
Strategic Stock Funds							
Ark Innovation	ARKK	$123	165.0%	49.9%	46.7%	—	0.75%
Fidelity MSCI Industrials	FIDU	53	64.9	14.8	15.6	—	0.08
Invesco Financial Preferred	PGF	19	12.1	6.5	6.0	4.6%	0.61
Invesco S&P 500 Equal Weight Health Care	RYH	272	34.8	16.4	13.8	0.6	0.40
Invesco WilderHill Clean Energy	PBW	94	225.1	58.1	38.7	—	0.70
iShares MSCI USA ESG Select	SUSA	91	55.2	20.4	18.4	1.2	0.25
Core Bond Funds							
PIMCO Active Bond	BOND	$110	4.0%	5.1%	3.9%	1.6%	0.57%
SPDR DoubleLine Total Return Tactical	TOTL	48	2.8	3.5	2.7	2.4	0.55
Vanguard Intermediate-Term Bond	BIV	89	1.9	5.9	3.5	1.7	0.05
Opportunistic Bond Funds							
BlackRock Ultra Short-Term Bond	ICSH	$50	1.7%	2.2%	1.9%	0.3%	0.08%
Invesco Senior Loan	BKLN	22	8.7	3.0	3.8	2.4	0.65
Vanguard Total International Bond	BNDX	57	2.1	4.1	3.3	0.4	0.08
Indexes							
S&P 500 INDEX (LARGE U.S. STOCKS)			**50.5%**	**18.7%**	**17.3%**	**1.4%**	
MSCI EAFE INDEX (FOREIGN STOCKS)			**43.8**	**6.5**	**9.7**	**2.3**	
BLOOMBERG BARCLAYS U.S. AGGREGATE BOND INDEX			**0.4**	**4.8**	**3.1**	**1.6**	

As of April 9, 2021. —Not available. SOURCES: Dow Jones, fund companies, Morningstar, MSCI, YCharts.

INCOME INVESTING | Jeffrey R. Kosnett

Get Dividends Every Month

One way for income-hungry investors to keep cash flowing is to assemble a portfolio that shells out dividends every month. For 10 years, I've published such a portfolio in *Kiplinger's Investing for Income* (kiplinger.com/go/aboutkii). The idea is to assemble 12 stocks or funds with alternating distribution dates so that you never wait long for cash. This strategy can be a complement to a bond ladder, another time-tested tool for putting cash flow on autopilot.

Because share prices are soaring, the current yields on some former dividend favorites have dipped well below 2%. However, many other dividend aces still yield at or above 3%, headed by AT&T's 6.9%. So, with the full S&P 500 index priced to yield just 1.4% (down from 2.4% a year ago), let me recast the Dividend-a-Month portfolio into a high-yield edition whose 12 elements average 3% or better on new money. Capital is spread over numerous sectors—a critical diversification advantage over an undisciplined chase for maximum yield. And you have growth opportunities.

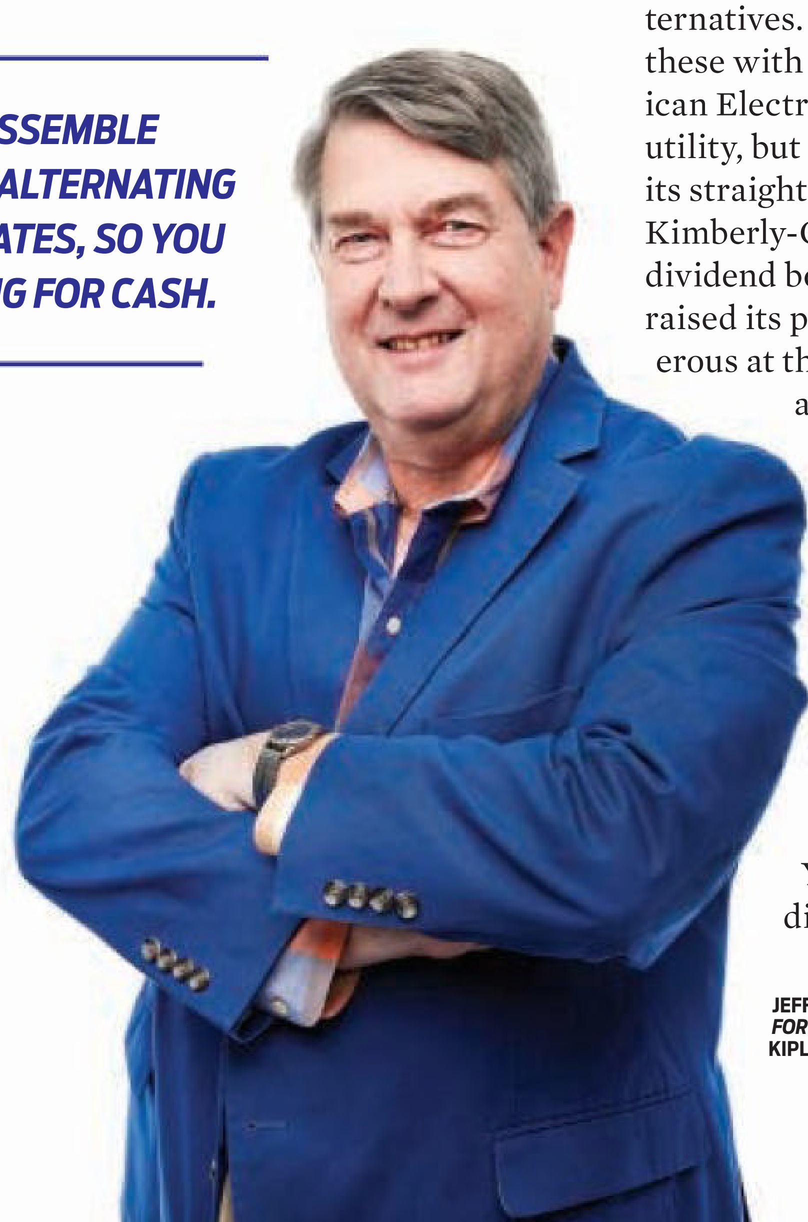
THE IDEA IS TO ASSEMBLE 12 STOCKS WITH ALTERNATING DISTRIBUTION DATES, SO YOU NEVER WAIT LONG FOR CASH.

Keep your cool. Do not get impatient over cyclical or short-term principal losses. A big dividend means these shares—oil stocks excepted—tend to trade in a tight price range. Realty Income, the choice for November, is an exemplar. At $65 a share, it is close to its 52-week high. But every time Realty Income dips a few bucks, it bounces up. The same holds for Verizon Communications. You can buy these sorts of securities on dips with confidence, presuming we do not suffer another bear market. Even in the spring of 2020, not every company or industry got scared or scarred enough to hack or eliminate dividends.

The timing for the portfolio is based on when you truly get paid, not the earlier date of record for shareholders to qualify for the next distribution. AT&T and Verizon are a dual entry. Both pay together in early February, May, August and November. Pick one if you prefer, or hold some of each. But if I had scheduled them separately, the communications-services sector would account for too much of the whole portfolio. For more dividend stocks and other income ideas, see "Earn up to 10% on Your Money," on page 20; for payouts every month, read on. Prices and yields are as of April 9.

Jan.: **PHYSICIANS REALTY TRUST** (SYMBOL DOC, $18, YIELD 5.0%)
Feb.: **VALERO ENERGY** (VLO, $71, 5.5%)
March: **AMERICAN ELECTRIC POWER** (AEP, $86, 3.4%)
April: **COCA-COLA** (KO, $53, 3.2%)
May: **AT&T/VERIZON** (T, $30, 6.9%; VZ, $57, 4.4%)
June: **PFIZER** (PFE, $37, 4.2%)
July: **CISCO SYSTEMS** (CSCO, $52, 2.9%)
Aug.: **GENERAL DYNAMICS** (GD, $183, 2.7%)
Sept.: **TRUIST FINANCIAL** (TFC, $60, 3.0%)
Oct.: **KIMBERLY-CLARK** (KMB, $137, 3.3%)
Nov.: **REALTY INCOME** (O, $65, 4.3%)
Dec.: **CHEVRON** (CVX, $103, 5.0%)

These are familiar names, and you may already own a few. They may not be cheap, though none scream *overvalued*. I advise you to buy on dips or make phased purchases. I am also not claiming there aren't equally good alternatives. But I have followed each of these with confidence for years. American Electric Power is not the only fine utility, but I have always appreciated its straightforward business model. Kimberly-Clark just declared a 5.5% dividend boost, and General Dynamics raised its payout by 8%; both are generous at this time. Truist trades at a moderate price-to-book-value ratio compared with its peer banks, and the Federal Reserve has taken the shackles off bank dividends. Valero is a refiner and marketer, which balances oil producer Chevron. The two REITs cater to entirely different groups of tenants. You get the idea. Enjoy your dividends. ■



POON WATCHARA-AMPHAIWAN

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THE KIPLINGER 25 UPDATE

We Welcome a New Small-Cap Fund

WHEN A KIPLINGER 25 FUND closes to new investors, we replace it because we believe the funds on our list should be available to all readers. So even though we still like Wasatch Small Cap Value, because it closed to new investors in mid March we are swapping it with **AMERICAN CENTURY SMALL CAP VALUE**.

The fund is small-company and value focused through and through. "We buy high-quality companies trading at attractive prices because of a transitory event," says Jeff John, who manages the fund with Ryan Cope. Holdings in Small Cap Value have an average market value of $2.3 billion—one-third less than the average of its peer group (funds that focus on bargain-priced small companies). Compared with the Russell 2000 Value index, which tracks bargain-priced small-company stocks, the fund's portfolio boasts a lower average price relative to book value, or the value of a company's assets minus its liabilities.

But quality matters most at Small Cap Value. When John, Cope and three dedicated analysts analyze prospective investments, each company receives a quality grade that scores its financial health, balance sheet strength and management.

The best holdings generate plenty of free cash flow (money left over after expenses necessary to maintain the business) and reinvest it wisely. "We're not going for home runs. We're looking for singles and doubles," says John. "Stocks with the highest conviction and quality scores have the biggest weighting in the fund."

The result is a portfolio that bears little resemblance to the Russell 2000 Value benchmark. The fund holds far more of its assets in tech and consumer stocks, for instance, while energy and materials firms count for less. "We need a differentiated portfolio to get differentiated returns," says John.

The fund consistently delivers high returns with average risk. Since John took over as portfolio manager in 2012, Small Cap Value has returned 14.2% annualized, which beats its benchmark and its peers. (Cope became a manager last year.) Two strong performers over the past year are financial services firm Signature Bank and Penske Automotive, which operates car and commercial truck dealerships. **NELLIE S. HUANG**

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KEY DATA FOR OUR MUTUAL FUND PICKS

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

U.S. Stock Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
American Century Sm Cp Val	ASVIX	94.9%	17.1%	11.7%	0.3%	1.25%
DF Dent Midcap Growth	DFDMX	45.5	21.0	—	0.0	0.98
Dodge & Cox Stock	DODGX	63.3	16.6	13.2	1.5	0.52
Fidelity Blue Chip Growth	FBGRX	93.5	28.0	19.8	0.0	0.79
Mairs & Power Growth	MPGFX	50.3	15.1	13.6	0.9	0.65
Parnassus Mid-Cap	PARMX	48.2	14.2	11.9	0.2	0.99
T. Rowe Price Dividend Growth	PRDGX	40.3	15.9	13.6	1.0	0.63
T. Rowe Price QM US Sm-Cp Gro‡	PRDSX	60.4	18.0	13.9	0.0	0.79
T. Rowe Price Small-Cap Value	PRSVX	72.6	15.7	11.2	0.3	0.83
Primecap Odyssey Growth	POGRX	64.2	18.6	15.0	0.3	0.65
Vanguard Equity-Income	VEIPX	37.5	12.3	12.1	2.4	0.28

International Stock Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Baron Emerging Markets	BEXFX	63.7%	12.8%	6.8%	0.0%	1.35%
Brown Cap. Mgmt Intl Sm Co	BCSVX	64.9	21.2	—	0.0	1.40
Fidelity International Growth	FIGFX	40.9	13.2	8.8	0.1	1.01
Janus Henderson Glbl Eq Inc	HFQTX	35.3	6.6	5.8	7.2	0.95

Specialized Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Fidelity Select Health Care	FSPHX	36.7%	17.2%	17.9%	0.5%	0.70%
Vanguard Wellington‡	VWELX	30.0	11.8	10.0	1.8	0.25

Bond Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
DoubleLine Total Return Bond	DLTNX	3.7%	2.6%	3.9%	2.9%	0.73%
Fidelity Interm Muni Income	FLTMX	5.9	3.0	3.6	0.8	0.34
Fidelity Strategic Income	FADMX	15.8	5.8	4.5	2.3	0.67
Met West Total Return Bond M	MWTRX	2.3	3.5	4.1	0.9	0.68
TIAA-CREF Core Impact Bond	TSBRX	4.1	3.4	—	1.2	0.64
Vanguard Emerg Mkts Bond	VEMBX	21.5	9.7	—	3.2	0.60
Vanguard High-Yield Corporate	VWEHX	15.3	6.7	6.0	3.2	0.23
Vanguard Sh-Tm Inv-Grade	VFSTX	5.5	2.8	2.6	0.9	0.20

Indexes	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield
S&P 500 INDEX	50.5%	17.3%	14.3%	1.4%
RUSSELL 2000 INDEX*	82.0	16.9	11.8	1.1
MSCI EAFE INDEX†	43.8	9.7	5.5	2.3
MSCI EMERGING MARKETS INDEX	53.0	12.8	3.5	1.9
BLOOMBERG BARCLAYS AGG BND IDX#	0.4	3.1	3.5	1.6

As of April 9, 2021. ‡Open to new investors if purchased directly through the fund company. *Small-company U.S. stocks. †Foreign stocks. #High-grade U.S. bonds. —Fund not in existence for the entire period. SOURCES: Fund companies, FTSE Russell, Morningstar Inc., MSCI, S&P Dow Jones Indices. Yields listed for bond funds are SEC yields, which are net of fees; stock fund yields are the yield for the past 12 months. NA indicates not available.

MONEY

THE BEST REWARDS CARDS FOR YOU

Don't settle for any old plastic. Choose a card that provides maximum rewards for your spending habits.

BY LISA GERSTNER

The coronavirus pandemic has changed many facets of life, and how you use rewards credit cards may be one of them. If you've been hunkered down at home over the past year, you haven't been racking up many points or miles on travel purchases or exchanging rewards for flights and hotel stays. During the pandemic, some issuers have juiced up travel rewards cards by providing temporary rewards in categories more in line with how consumers have been spending their money—offering extra cash back or points when you spend on groceries, gas, home improvements or takeout orders, for example, or giving higher point values when you redeem rewards for such purchases. Even as travel takes off again, issuers of travel cards may keep touting heightened rewards on categories outside the travel arena, too. "The pandemic is showing that people like everyday value," says Ted Rossman, of CreditCards.com.

ILLUSTRATIONS BY CHIARA VERCESI

However, as the pandemic wanes, robust travel rewards will be front and center once again for both card issuers and customers. Initial bonuses—through which new cardholders can earn a pile of extra cash back, points or miles, usually by meeting a spending minimum in the first few months—may become more generous on travel cards later this year, says Matt Schulz, of CompareCards.com.

If you've applied for a credit card lately, you may have found that getting approved is more difficult. Issuers have tightened their standards—these days, you often need a minimum credit score of about 720 to get a card, compared with about 670 before the pandemic, says Rossman. Major card issuers cut $99 billion from card spending limits in 2020, according to Bloomberg. The good news is that issuers seem to be loosening up, approving applications more readily and offering higher credit limits than they did early in the pandemic, says Brooklyn Lowery, of CardRatings.com.

Whether you want to collect miles and points for your post-pandemic vacation or stick with simple cash-back rewards, you have no shortage of great choices among our 2021 picks of the best rewards credit cards. We've awarded gold, silver and bronze medals to cards in each of 17 categories (for the full list of finalists, including bronze medalists and winners among small-business credit cards, see kiplinger.com/kpf/cards21).

For each card, we've calculated a typical annual rebate using spending patterns listed in the U.S. Bureau of Labor Statistics Consumer Expenditure Survey and assuming $24,000 charged to the card each year (unless otherwise noted). For cards that do not waive their annual fee the first year, we subtracted the fee from the cash value of the annual rebate. Other criteria play into card placement, too, such as ease and flexibility of earning and redeeming rewards and whether you must be a member of a club or financial institution to apply for a card. Except where noted, rewards do not expire or have caps, and the travel-focused cards do not charge foreign-transaction fees.

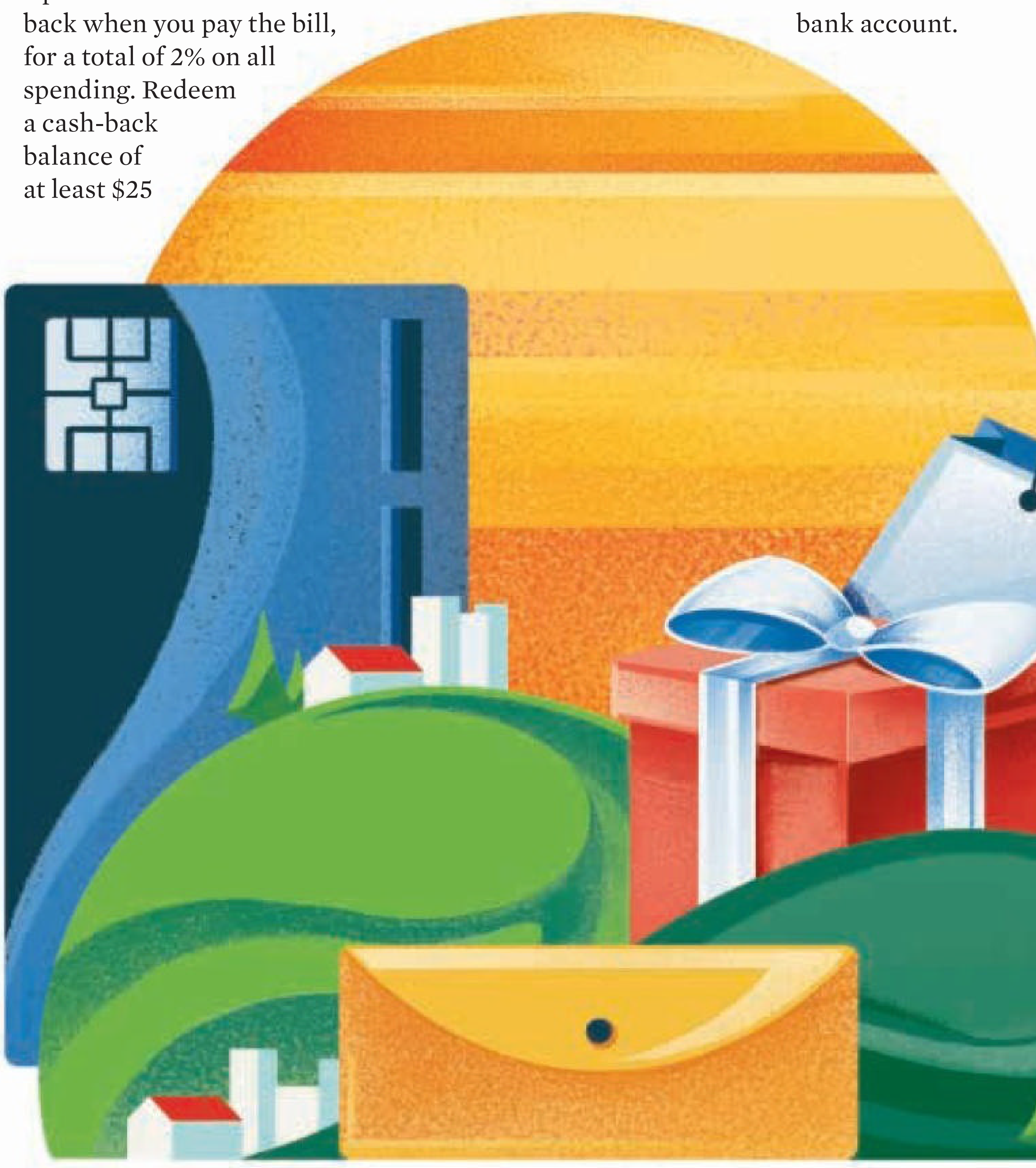
CASH BACK

Flat-Rate Cash Back (No Annual Fee)

GOLD: Citi Double Cash Mastercard
www.citi.com
Annual fee: None
Typical annual rebate: $480

Citi Double Cash takes top honors in this category year after year because its rewards are simple and plentiful: You get 1% cash back when you make a purchase and an additional 1% back when you pay the bill, for a total of 2% on all spending. Redeem a cash-back balance of at least $25 for a check, a deposit into a linked Citi savings or checking account or any checking account from which you've paid your credit card bill at least twice, or a statement credit. (If you choose a statement credit, you won't receive 1% cash back on the payment.) Rewards expire if you don't earn cash back for 12 months.

SILVER: If you have a PayPal account, check out the **PAYPAL CASHBACK MASTERCARD** (www.paypal.com; $480 annual rebate). The card offers 2% cash back on every purchase, and you can use it anywhere that accepts Mastercard payments. Redeem cash back to your PayPal account; from there, you can transfer it to a linked bank account.



Or use it to make purchases or send money to other PayPal users if you have a Cash or Cash Plus account.

Flat-Rate Cash Back (Worth the Fee)

GOLD: Farmers Insurance Federal Credit Union Crystal Visa
www.figfcu.org
Annual fee: $99, waived the first year
Sign-up bonus: Spend $5,000 in the first three months and get $100 back
Typical annual rebate: $720 the first year; $501 from the second year on
For the first year, pay no annual fee *and* get an outstanding 3% return on all purchases. After that, you'll pay a $99 annual fee but earn a still-impressive 2.5% on all spending. Rewards are tracked as points, which you can exchange at a rate of a penny each for a bank account deposit or statement credit (minimum redemption amount: 5,000 points). Or you can redeem points for travel, merchandise or event tickets, but point values and minimum redemption amounts vary. Anyone can become a member of Farmers Insurance FCU by joining the American Consumer Council and depositing $5 into a savings account.

SILVER: The **ALLIANT CASHBACK VISA** card (www.alliantcreditunion.org; $99 annual fee, waived the first year; $600 annual rebate) provides 2.5% cash back on all spending. Rewards earnings are capped at $250 ($10,000 in purchases) per monthly billing cycle. When you've accumulated at least $50 in cash back, you can redeem it as a statement credit or deposit it into an Alliant Credit Union checking or savings account. Cash back expires from four to five years after you earn it. To join the credit union, you can become a member of the Foster Care to Success charity (Alliant pays the $5 membership fee on your behalf). You must also open a savings account; Alliant makes a complimentary $5 deposit into it for you.

Cash Back in Rotating Categories

GOLD: Chase Freedom Flex Mastercard
www.chase.com
Annual fee: None
Sign-up bonus: Spend $500 in the first three months and get $200 back
Typical annual rebate: $511
Last year, Chase introduced Freedom Flex, which offers high rebates both in rotating quarterly categories and in other categories that remain steady. All year, you get 5% back on travel that you book through Chase's Ultimate Rewards program, 3% back on restaurant and drugstore purchases, and 1% back on other spending. You'll also earn 5% back in a category that changes each quarter (5% rewards are limited to $1,500 spent per quarter). In 2021, the quarter-one categories included wholesale clubs (note that in its stores, Costco Wholesale accepts credit card payments only from cards issued on the Visa network); internet, cable and phone services; and select video- and music-streaming services. Quarter-two categories are gas stations and home improvement stores. Categories for quarters three and four were not announced at press time. As a temporary benefit, through March 2022 you get 5% back on rides with ride-sharing service Lyft. Rewards come in the form of Chase Ultimate Rewards points, which are worth 1 cent each for cash back (redeemable in any amount), travel or gift cards (minimums may vary).

SILVER: With the **U.S. BANK CASH+ VISA** card (www.usbank.com; $503 annual rebate), pick two categories each quarter that earn 5% cash back on up to $2,000 spent in combined purchases. Recently, the 12 options included TV, internet and streaming services; ground transportation; home utilities; cell-phone providers; fast food; and department stores. You also get 2% back in one category of choice: gas stations, restaurants or grocery stores. All other spending gets 1% back. Redeem rewards as a statement credit or deposit into a U.S. Bank checking or savings account. Or get a U.S. Bank prepaid debit card ($25 minimum). Cash back expires after three years.

Cash Back for Savers

GOLD: Fidelity Rewards Visa
www.fidelityrewards.com
Annual fee: None
Typical annual rebate: $480
If you need motivation to stash your rewards into savings, consider this card from Fidelity Investments. You get two points per dollar on every purchase, resulting in a 2% payback if you redeem points as a cash deposit into an eligible Fidelity account. You can split rewards among up to five accounts, including a brokerage account, a cash management account, an IRA, a health savings account, a 529 college-savings plan or a charitable-giving account. Or direct rewards to a friend or family member's account—say, depositing them into a grandchild's 529 plan. If you instead redeem points for travel, merchandise, gift cards or statement credits, they're worth only about half the value. You need at least 2,500 points for any type of redemption.

SILVER: The new **TD DOUBLE UP VISA** (www.td.com; $480 annual rebate) provides a 2% return on every dollar spent if you redeem your rewards into an eligible TD Bank checking or savings account. You earn one point per dollar on every purchase, and points are worth a penny each when you redeem them for cash into a TD Bank account (2,500-point minimum redemption). TD deposits an additional 1 cent into the account for every point redeemed. If you redeem points for a statement credit, cash back into a non-TD bank account, travel or gift cards, points are worth at least a penny apiece (a 1% return on spending), but TD doesn't match deposits or credits.

TRAVEL

No-Fee Travel Rewards

GOLD: Wells Fargo Propel American Express
www.wellsfargo.com
Annual fee: None
Sign-up bonus: 20,000 points if you spend $1,000 in the first three months
Typical annual rebate: 45,138 points, worth $451
Get three points per dollar spent on a range of travel-related purchases, including flights, hotels, home stays and car rentals; purchases at gas stations and restaurants; and spending on transit and ride-sharing services. Plus, get three points per dollar spent on qualifying video- and music-streaming services. All other spending earns one point per dollar. Points are worth a penny each for travel bookings, gift cards, a deposit into a Wells Fargo bank account, a check, or charitable contributions. Cash-back redemptions require a 2,500-point minimum; minimums vary for other redemptions.

SILVER: The **CHASE FREEDOM UNLIMITED VISA** (www.chase.com; annual rebate of 45,518 points, worth $455), which Chase revamped last year, now offers five Ultimate Rewards points per dollar spent on travel bookings through the Chase Ultimate Rewards portal, as well as three points per dollar on restaurant and drugstore purchases. Plus, Lyft rides earn five points per dollar through March 2022. Get 1.5 points per dollar on all other spending—higher than the standard one point or 1% that many cards offer on purchases outside their maximum rebate categories. Points are worth 1 cent each for cash back (redeemable in any amount), travel or gift cards (minimums may vary). Leave this card at home if you travel abroad—it charges a 3% foreign-transaction fee.

Travel Rebates Worth the Fee

GOLD: Capital One Venture
www.capitalone.com
Annual fee: $95
Sign-up bonus: 50,000 miles if you spend $3,000 in the first three months; get an additional 50,000 miles if you spend $20,000 in the first 12 months
Typical annual rebate: 54,000 miles, worth $445 in statement credits on travel purchases after subtracting the annual fee
Capital One Venture clinches the gold medal for its simple but lucrative rewards structure: You earn five miles per dollar spent on hotel and car rental purchases made through Capital One Travel and two miles per dollar on everything else. Miles are redeemable in any amount at a rate of a penny apiece for statement credits on travel purchases or travel bookings through Capital One; miles are worth 0.5 cent each if you redeem them for a statement credit on non-travel purchases. Or transfer your miles to any of more than a dozen participating hotel and airline loyalty programs, including those of Air France, JetBlue and Wyndham Hotels & Resorts (you get 1.5 points or miles from most loyalty programs for every two Capital One miles transferred). Another nice perk for travelers: Every four years, receive reimbursement of the application fee for Global Entry ($100) or TSA PreCheck ($85); each provides expedited security screening at the airport. The card may be issued on the Visa or Mastercard network.

SILVER: The **U.S. BANK FLEXPERKS GOLD AMERICAN EXPRESS** (www.usbank.com; $85 annual fee; annual rebate of 43,146 points, worth $562 in travel redemptions after subtracting the annual fee) offers five points per dollar on prepaid hotel and car rentals booked through U.S. Bank's FlexPerks Rewards Center, three points at restaurants, two points on airline and gas-station purchases, and one point on other spending. The key to maximizing the value of points is to trade them for travel bookings through the rewards center (1,000-point minimum redemption), for which they're worth a strong 1.5 cents each. Or trade them at a rate of a penny each for non-travel redemptions, such as a statement credit or deposit into a U.S. Bank deposit account (5,000-point minimum redemption). Points expire five years from the end of the calendar quarter in which they were earned. Cardholders also enjoy reimbursement of up to $100 for a TSA PreCheck or Global Entry application fee and complimentary Boingo Wi-Fi hotspot access.

Flexible Travel Redemptions

GOLD: Chase Sapphire Preferred Visa
www.chase.com
Annual fee: $95
Sign-up bonus: 80,000 points if you spend $4,000 in the first three months; $50 statement credit for grocery purchases in the first year
Typical annual rebate: 31,526 points, worth $299 in travel redemptions after subtracting the annual fee
This card gets top marks for flexibility, thanks to healthy point values and the ability to transfer points to an appealing list of partner travel loyalty programs. You earn two Ultimate Rewards points per dollar spent on restaurant and travel purchases, and one point per dollar on all other spending. Points are worth 1.25 cents apiece when you use them to book travel through Chase Ultimate Rewards (minimum redemption amounts may vary). And with the Pay Yourself Back feature, you can get a 1.25-cent value when redeeming points for statement credits against purchases in rotating categories; through September, the categories include grocery stores, home-improvement stores, restaurants and select charities. Points are worth a penny each for cash (no minimum to redeem) or gift cards (minimums may vary). Or transfer points at a one-to-one ratio to partner travel loyalty programs, including Southwest Rapid Rewards, United MileagePlus, Marriott Bonvoy and World of Hyatt.

A few temporary perks: five points per dollar spent on Lyft rides through March 2022, up to $60 back on a Peloton Digital or All-Access membership through December, and a free subscription of at least a year to DashPass, which offers waived and reduced fees with food-delivery service DoorDash (activate by December 31).

SILVER: With the **AMERICAN EXPRESS EVERYDAY** card (www.americanexpress.com; annual rebate of 36,772 points, worth $368 for certain travel redemptions), earn Amex Membership Rewards points without paying an annual fee. You get two points for every dollar spent at supermarkets (up to $6,000 spent per year; one point thereafter) and one point per dollar on other spending. Each month that you make at least 20 purchases on the card, you get a 20% bonus on the points you've earned. You can transfer points to partner travel loyalty programs, including Delta SkyMiles, JetBlue TrueBlue, Marriott Bonvoy and Hilton Honors. (Most transfers are at a one-to-one ratio; the ratio for Hilton is one Membership Rewards point per two Hilton points). Or exchange points at a rate of a penny each for flights booked through American Express Travel (minimum 5,000 points). You can also redeem points for hotel reservations and other travel bookings, as well as statement credits or gift cards, but point values are often lower. The card charges a 2.7% foreign-transaction fee.

Premium Travel Rewards

(Note that we do not include a typical annual rebate for premium cards because they also provide considerable value outside of the points they award for everyday spending.)

GOLD: Chase Sapphire Reserve Visa
www.chase.com
Annual fee: $550
Sign-up bonus: 60,000 points if you spend $4,000 in the first three months

Frequent travelers can squeeze a lot of value out of this feature-packed card. It offers a $300 annual statement credit on travel spending—and through December, gas and grocery store purchases count toward the credit, too. Other benefits include a credit of up to $100 every four years for a TSA PreCheck or Global Entry application fee and free access to airport lounges through Priority Pass Select. Through December, cardholders get up to $120 back for a Peloton Digital or All-Access membership and up to $60 in statement credits for purchases with food-delivery service DoorDash. You have until December 31 to activate a free subscription of at least a year to DashPass, which provides reduced fees on DoorDash deliveries, and until March 2022 to start one year of free membership with Lyft Pink, which provides discounted rides, priority airport pickups and other perks from Lyft.

Sapphire Reserve pays out three Ultimate Rewards points per dollar spent on dining and travel purchases and one point per dollar on other spending, and through March 2022, Lyft rides earn 10 points per dollar. Points have a rich value of 1.5 cents each if you use them to book travel through Chase Ultimate Rewards (minimum redemption amounts may vary). Recently, through the Pay Yourself Back feature, you could also get a 1.5-cent point value when redeeming points for statement credits against purchases in rotating categories; through September, the categories include grocery stores, home-improvement stores, restaurants and select charities. Or transfer points to partner airline and hotel loyalty programs, as with Chase Sapphire Preferred (see the Flexible Travel Redemptions category).

SILVER: AMERICAN EXPRESS PLATINUM (www.americanexpress.com; $550 annual fee) is a great choice among premium cards if you spend a lot of time at airports. It provides free access to several lounge networks, including Amex's own well-regarded Centurion lounges. And you get free visits to lounges from Airspace, Escape, Delta Sky Club and Priority Pass Select, too. Cardholders also get a $200 yearly credit for incidental fees (such as for checked baggage or in-flight meals) on one airline of choice; $15 in Uber Cash per month for Uber rides or Uber Eats deliveries ($35 in December); Hilton Honors Gold and Marriott Bonvoy Gold Elite status; an application-fee credit of up to $100 for TSA PreCheck or Global Entry; extras such as early breakfast, late checkout, and dining and spa credits at select hotels; and complimentary membership in premium car-rental programs from Avis, Hertz and National.

Earn five Amex Membership Rewards points per dollar on flights (up to $500,000 spent yearly) and prepaid hotel reservations booked through Amex Travel. During your first six

Top Cards for Low Rates

If a low interest rate is more important to you than dazzling rewards, consider these cards.

Long-term 0% introductory rate: The 0% introductory period on the **U.S. BANK VISA PLATINUM** card (www.usbank.com) lasts 20 months for both purchases and balance transfers; after that, the variable rate was recently 14.49% to 24.49%. The balance-transfer fee is the greater of 3% of the amount transferred or $5.

No-fee balance transfers: If you have access to a Chase bank branch, you can visit it to apply for the **CHASE SLATE VISA** card, which provides a 0% introductory rate on balance transfers for 15 months (then 14.99% to 23.74%) and charges no fee on transfers made within 60 days of opening the account. Recently, most customers could not apply for the card online.

Low ongoing rate: The **LAKE MICHIGAN CREDIT UNION PRIME PLATINUM** Visa (www.lmcu.org) offers an interest rate as low as 6.25% and charges no balance-transfer fee. Anyone can join the credit union by donating $5 to the ALS Foundation and depositing $5 into a savings account.

months of card membership, the card recently offered 10 points per dollar on up to $15,000 in combined gas station and supermarket purchases, too. Other spending gets one point per dollar. Points are transferable to partner travel loyalty programs (for details, see the Amex EveryDay card, the silver medalist in the Flexible Travel Redemptions category), or exchange points at a rate of a penny each for flights booked through American Express Travel (minimum 5,000 points).

Dedicated Airline Cards

GOLD: Delta SkyMiles Gold American Express
www.americanexpress.com
Annual fee: $99, waived the first year
Sign-up bonus: 70,000 SkyMiles if you spend $2,000 in the first three months
Typical annual rebate: 36,169 miles, worth about $362
This card awards two SkyMiles per dollar not only on Delta purchases but also in two other attractive categories: restaurant and supermarket spending. All other purchases earn one SkyMile per dollar. Cardholders also get one free checked bag for up to nine passengers on a flight reservation, priority boarding, a 20% discount on in-flight purchases (excluding Wi-Fi) and a $100 credit for a Delta flight if you spend at least $10,000 on the card in a year.

SILVER: Frequent fliers on Southwest Airlines get a lot of bang for their buck to offset the annual fee on the **SOUTHWEST RAPID REWARDS PRIORITY VISA** (www.chase.com; $149 annual fee; annual rebate of 27,000 points, worth about $256 after subtracting the annual fee). Included are a $75 yearly travel credit for Southwest purchases (excluding upgraded boarding and in-flight purchases), annual reimbursement for up to four upgraded flight boardings to positions A1 to A15, a bonus of 7,500 Rapid Rewards points on your account anniversary each year, and 1,500 tier qualifying points toward A-List or A-List Preferred status for each $10,000 in purchases on the card (up to $100,000 yearly). Cardholders earn two points per dollar on Southwest purchases and one point per dollar on other spending. Recently, you could also get three points per dollar spent at restaurants for the first year.

Dedicated Hotel Cards

GOLD: World of Hyatt Visa
www.chase.com
Annual fee: $95
Sign-up bonus: 30,000 World of Hyatt Bonus points if you spend $3,000 in the first three months
Typical annual rebate: 36,907 points, worth about $532 after subtracting the fee
Healthy point values help boost the Hyatt card to the top of the heap among hotel cards. Earn four World of Hyatt Bonus points per dollar spent at Hyatt hotels and two points per dollar for purchases with restaurants, airlines, local transit, fitness clubs and gyms. In the first six months of card membership, you also get two points per dollar on all other purchases (on up to $15,000 spent); after that, you earn one point per dollar on other spending. Each year after your cardmember anniversary, you get a free night at a Hyatt property (in hotel categories one through four), as well as an extra free night if you spend at least $15,000 on the card in a calendar year. Cardmembers also enjoy Discoverist loyalty status, five qualifying night credits toward the next tier status each year, and two more qualifying night credits for each $5,000 spent on the card.

SILVER: The **HILTON HONORS AMERICAN EXPRESS SURPASS** (www.americanexpress.com; $95 annual fee; annual rebate of 120,789 points, worth about $509 after subtracting the annual fee) makes up for low Hilton Honors point values by piling on plenty of extra points in everyday spending categories. You earn 12 points per dollar spent at Hilton properties, six points per dollar on restaurant, supermarket and gas purchases, and three points per dollar on all other spending. (Points typically expire if you are inactive in the Hilton Honors program for 15 months, and earning points with the credit card counts as activity; points set to expire in 2021, however, will not expire until December 31.) Plus, get automatic Hilton Honors Gold loyalty status, or Diamond status if you spend at least $40,000 on the card in a calendar year. If you spend $15,000 on the card in a calendar year, you get a free weekend-night reward. Through Priority Pass Select, cardholders can visit participating airport lounges free up to 10 times a year. Rather skip the annual fee? Check out the **HILTON HONORS AMEX,** which also provides bountiful points in a range of categories.

EVERYDAY SPENDING

Payback at the Pump

GOLD: Abound Credit Union Platinum Visa
www.aboundcu.org
Annual fee: None
Typical annual rebate: $324
Get 5% cash back on fuel purchases paid at the pump and 1% back on other retail spending. Rewards redemption is simple: Abound automatically applies cash back to your account each month. To become a member of the credit union, join nonprofit organization USA Cares (no fee applies), pay a one-time, $10 membership fee to the credit union, and deposit $5 into a savings account.

SILVER: The **SAM'S CLUB MASTERCARD** (www.samsclub.com; annual rebate of $394 for those with a Club membership or $414 for those with a Plus membership) offers 5% cash back on up to $6,000 spent yearly on gas station purchases (1% thereafter). You also earn 3% back at restaurants, and if you have a Plus membership ($100 a year), the card provides 3% back on Sam's Club purchases, in addition to the 2% back that Plus members get

on store purchases regardless of whether they have the credit card. Those with a Club membership ($45 yearly) get 1% back on Sam's Club purchases, and all cardholders earn 1% on spending that does not fall into any of the other rebate categories. Cash-back rewards are limited to $5,000 a year, and the previous year's rewards are automatically loaded to your membership account starting each February. You can use cash back to make purchases at Sam's Club stores and SamsClub.com.

Grocery Rebates

GOLD: American Express Blue Cash Preferred
www.americanexpress.com
Annual fee: $95, waived the first year
Sign-up bonus: Spend $3,000 in the first six months and get $300 back
Typical annual rebate: $538

Amex's Blue Cash Preferred has long been the gold standard among grocery-rebate cards for its unbeatable 6% cash back on up to $6,000 spent yearly at supermarkets (1% thereafter). Cardholders also get 6% back on qualifying video- and music-streaming subscriptions, 3% back on transit (such as taxis, ride-sharing services, parking and tolls) and gas purchases, and 1% on other spending. When your cash-back balance is $25 or more, you can redeem it for a statement credit. If you prefer a no-fee card, consider **AMEX BLUE CASH EVERYDAY**, which offers 3% back on up to $6,000 in annual supermarket spending, 2% back on gas and select department-store purchases, and 1% back on other spending.

SILVER: If you're a customer of Verizon's wireless services, you can apply for the **VERIZON VISA** card (www.verizon.com; $525 annual rebate). It provides a generous 4% back on grocery store and gas purchases, 3% back on restaurant spending, 2% back on Verizon purchases, and 1% back on other spending. Rewards are distributed as Verizon Dollars, which you can use to pay your Verizon wireless or Fios bill and to buy Verizon devices and accessories. If your account is inactive for 24 months, you forfeit unused Verizon Dollars. If you use the card to make automatic payments for your Verizon wireless bill and sign up for paperless billing, you can get a monthly discount of $5 or $10, depending on your plan, for each line on your wireless plan.

Dining Rewards

GOLD: U.S. Bank Altitude Go Visa
www.usbank.com
Annual fee: None
Sign-up bonus: 20,000 points if you spend $1,000 in the first 90 days
Typical annual rebate: 41,483 points, worth $415

Get an appetizing four points per dollar spent on restaurant purchases with this card, which U.S. Bank introduced last year. It also provides two points per dollar spent on groceries, gas and eligible video- and music-streaming services and one point per dollar on other spending. Points are redeemable at a rate of a penny apiece for merchandise, gift cards and travel bookings (1,000-point minimum redemption for those options), and points have the same value for statement credits or deposits into a U.S. Bank savings or checking account (2,500-point minimum). You also get a $15 statement credit each year that you charge 11 consecutive months of payments to eligible streaming services, such as Apple Music, Hulu and Netflix.

SILVER: The **CAPITAL ONE SAVORONE MASTERCARD** (www.capitalone.com; $375 annual rebate) offers 3% cash back on restaurant and entertainment spending (the entertainment category includes purchases at movie theaters, sporting events, amusement parks, zoos and some other venues), 2% back at grocery stores and 1% back on other purchases. Redeem cash back in any amount for a statement credit or check. Cardholders also get dining perks, such as premium service with restaurant-reservation app OpenTable and presale tickets for benefit dinners through Capital One's Taste America program. If you spend significant amounts on dining purchases, the $95 fee on the **CAPITAL ONE SAVOR** card may be worthwhile because it pays a higher rate of 4% back on dining purchases.

Shopping

GOLD: Capital One Walmart Rewards Mastercard
www.capitalone.com
Annual fee: None
Sign-up bonus: 5% back for in-store Walmart purchases the first 12 months if you use the card through Walmart Pay
Typical annual rebate: 38,823 points, worth $388

If you're a regular visitor to Walmart's website and stores, you can get good value from its credit card, which offers five points per dollar spent at Walmart.com (including grocery delivery or pickup). For the first year, you also get five points per dollar spent on in-store purchases if you use the card through Walmart Pay, Walmart's mobile payment app; after that, you get two points per dollar at the store. Purchases at Walmart and Murphy USA gas stations, as well as restaurant and travel spending, earn two points per dollar, and other spending earns one point per dollar. Exchange points in any amount at a rate of a penny each for checks, statement credits, gift cards or travel bookings.

SILVER: The **AMAZON REWARDS VISA** card (www.chase.com; annual rebate of 34,427 points, worth $344) pays out three points per dollar spent at Amazon.com and Whole Foods Market—or five points per dollar if you're a member of Amazon's $119 yearly Prime service. The card also pays two points per dollar spent at restaurants, gas stations and drugstores, and one point per dollar on other purchases. Redeem points at a rate of a penny each for cash back, purchases directly at Amazon.com, gift cards (2,500-point minimum) or travel bookings.

Shopping (Store Only)

GOLD: Target RedCard
www.target.com
Annual fee: None
Typical annual rebate: $40 (assuming $800 spent annually)

You can use this card only at Target's stores or website, but Target fans will appreciate the 5% rebate on in-store and online purchases. The discount extends to clearance prices and in-store Starbucks purchases, but prescription drugs, Target Optical eye exams, and certain other items and services are not eligible. Cardholders get free shipping on most deliveries from Target.com and an additional 30 days to make returns or exchanges.

SILVER: With the **LOWE'S ADVANTAGE** card (www.lowes.com; $40 annual rebate, assuming $800 spent annually), you get a 5% discount on every purchase. Alternatively, you can choose to get six months of no-interest payments on a purchase of at least $299 (a 26.99% interest rate is charged retroactively to the purchase date if you don't pay the full balance within six months) or 84 fixed monthly payments at a reduced 7.99% interest rate on a minimum $2,000 purchase.

STUDENTS

GOLD: Discover It Chrome for Students
www.discover.com
Annual fee: None
Sign-up bonus: A match of cash back earned after one year, doubling your rewards
Typical annual rebate: $48 (assuming $225 spent monthly)

This card comes with several student-friendly features. To start, its rewards scheme is simple and sensible for the student lifestyle, offering 2% cash back at gas stations and restaurants (on up to $1,000 in combined purchases per quarter) and 1% back on other spending. Cash back is redeemable in any amount for statement credits, bank account deposits, charitable donations or direct payments to select merchants; gift card redemptions come with a $20 minimum. After the first year, Discover matches the cash back you've earned, so students don't have to meet a spending minimum to secure an initial bonus.

Each school year a student has a grade point average of at least 3.0 (for up to five years) earns him or her a $20 statement credit. And when it comes to interest and penalties, Discover's policies are forgiving for young people who are learning the ropes of managing a credit card: It never charges a penalty interest rate after a late payment, and it waives the late fee for the first missed payment.

SILVER: With **BANK OF AMERICA CASH REWARDS FOR STUDENTS VISA** (www.bankofamerica.com; $56 annual rebate, assuming $225 spent monthly), choose one category that earns 3% cash back. The options are gas, online shopping, restaurants, travel, drugstores, and home improvement and furnishings (you can change the category each calendar month). You also get 2% cash back at grocery stores and wholesale clubs. Each quarter, a combined $2,500 spending cap applies to the 3% and 2% categories—after that, purchases in those categories earn 1% back, and all other spending gets 1% back, too. Redeem rewards in any amount for a statement credit or deposit into a Bank of America checking or savings account; certain other redemptions, such as receiving a check, require a $25 minimum. ■

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SPENDING

4 Ways to Use Mobile Wallets

MOBILE WALLETS SUCH AS Apple Pay, Google Pay and Samsung Pay are known for their ability to transmit payment information with a tap of your smartphone at the store register. But they come with other features, too. Even if you prefer to stick with plastic cards or cash most of the time, consider these reasons to keep a mobile wallet in your back pocket.

> **RATE UPDATES**
> For the latest savings yields and loan rates, visit **kiplinger.com/links/rates.** For our top rewards cards, go to **kiplinger.com/kpf/cards21.**

Use it for backup. You're in the checkout line when you realize that you left your leather wallet at home. If you've set up your mobile wallet with your payment credentials, you may be able to use your phone to pay instead. Many major retailers accept the contactless "near field communication" (NFC) payments that major mobile wallets use. Or, with Samsung devices previous to the Galaxy S21 generation, you can tap to pay with Samsung Pay at nearly any terminal that accepts card payments, even if it's not NFC-capable.

Pay family and friends. You can send money to a family member or friend with Apple Pay as long as the recipient has a compatible Apple device and an Apple Cash account. Senders and recipients of payments through Samsung Pay must have a Samsung Pay Cash account. With Google Pay, you can send money to other users of the app (it is compatible with Android and Apple devices for such transfers). The funds go to the recipient's Google Pay balance.

Get rewards. With the Google and Samsung wallets, you can sign up to receive cash-back rewards at select merchants when you pay with the apps. Google Pay, for example, recently offered 15% back on a $10 minimum purchase at Panera Bread, and Samsung Pay offered 20% back on purchases with online eyeglasses retailer Warby Parker. If you have the Apple Card credit card, you get 2% cash back on all purchases you make with it through Apple Pay (or 3% on purchases from Apple and select merchants).

Track spending. Google Pay provides spending summaries based on information from your linked bank and credit card accounts. You can also search for specific transactions—say, for food purchases. **LISA GERSTNER**
Lisa_Gerstner@kiplinger.com

TOP-YIELDING SAVINGS

Taxable Money Market Mutual Funds	30-day yield as of April 6	Minimum investment	Website (www.)
Transamerica Govt MMF (IATXX)*	0.64%	$1,000	transamerica.com
Davis Govt MMF (RPGXX)*	0.04	1,000	davisfunds.com
Fed Hermes Prm Cash Obl (PTSXX)*	0.04	10,000	federatedinvestors.com
RBC US Govt MMF (TUIXX)*	0.03	1	rbcgam.com

Tax-Free Money Market Mutual Funds	30-day yield as of April 5	Tax eq. yield 24%/35% bracket	Minimum investment	Website (www.)
Fidelity Muni MMF (FTEXX)*	0.01%	0.01%/0.02%	$1	fidelity.com
Fidelity Tax-Exempt (FMOXX)*	0.01	0.01/0.02	1	fidelity.com
Amer Cent T-F MMF (BNTXX)*	0.01	0.01/0.02	2,500	americancentury.com
T. Rowe Price Tax-Ex (PTEXX)*	0.01	0.01/0.02	2,500	troweprice.com

Savings and Money Market Deposit Accounts	Annual yield as of April 9	Minimum amount	Website (www.)
Affinity Plus FCU (Minn.)&#	1.00%^	none	affinityplus.org
Nationwide by Axos Bank (Calif.)†	0.70‡	$100	nationwide.axosbank.com
CFG Bank (Md.)#†	0.66	25,000	thecfgbank.com
ConnectOne Bank (N.J.)†	0.65	2,500	connectonebank.com

Certificates of Deposit 1-Year	Annual yield as of April 9	Minimum amount	Website (www.)
Lafayette FCU (Md.)&	0.80%	$500	lfcu.org
NexBank (Texas)†	0.75	10,000	nexbankpersonal.com
CommunityWide FCU (Ind.)&	0.70	1,000	comwide.com
Puerto Rico FCU (P.R.)&	0.70	1,000	prfedcu.com

Certificates of Deposit 5-Year	Annual yield as of April 9	Minimum amount	Website (www.)
Lafayette FCU (Md.)&	1.26%	$500	lfcu.org
Affinity Plus FCU (Minn.)&†	1.25	500	affinityplus.org
Lake Michigan CU (Mich.)&	1.15	500	lmcu.org
Pen Air FCU (Fla.)&§	1.15	500	penair.org

*Fund is waiving all or a portion of its expenses. &Must be a member; to become a member, see website. #Money market deposit account. ^Must receive electronic statements and have a $500 monthly direct deposit into an Affinity Plus deposit account. †Internet only. ‡Must open a My Checking account and have a $1,000 direct deposit. §Wheelhouse CU offers a similar yield. SOURCES: Bankrate, DepositAccounts, Money Fund Report (iMoneyNet).

TOP CHECKING ACCOUNTS

Must meet activity requirements*

High-Yield Checking	Annual yield as of April 9	Balance range†	Website (www.)
La Capitol FCU (La.)&	4.25%	$0–$3,000	lacapfcu.org
Consumers Credit Union (Ill.)&	4.09‡	0–10,000	myconsumers.org
Evansville Teachers FCU (Ind.)&	3.30	0–20,000	etfcu.org
Market USA FCU (Md.)&	3.01	0–15,000	marketusafcu.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 monthly in CCU Visa credit card purchases. SOURCE: DepositAccounts.

YIELD BENCHMARKS	Yield	Month-ago	Year-ago
U.S. Series EE savings bonds	0.10%	0.10%	0.10%
U.S. Series I savings bonds	1.68	1.68	2.22
Six-month Treasury bills	0.03	0.07	0.24
Five-year Treasury notes	0.87	0.83	0.41
Ten-year Treasury notes	1.67	1.55	0.73

SOURCE FOR TREASURIES: U.S. Treasury

As of April 9.

- 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.

The Benefits of Working Longer

Delaying retirement for a couple of years—or even a few months—is the most effective way to improve your retirement security.

BY SANDRA BLOCK

18+

WHAT IS AVAXHOME?

■ JOHN ROUSE, VICE PRESIDENT OF OPERATIONS FOR THE AQUARIUM OF THE PACIFIC, PLANS TO KEEP WORKING UNTIL HE'S AT LEAST 68.

FINANCIAL PLANNERS AND ANALYSTS HAVE LONG ADVISED WORKERS WHO HAVEN'T saved enough for retirement to work longer. But even if you've done everything right—saved the maximum in your retirement plans, lived within your means and stayed out of debt—working a few extra years, even at a reduced salary, could make an enormous difference in the quality of your life in your later years. And given the potential payoff, it's worth starting to think about how long you plan to continue working—and what

PHOTOGRAPH BY JOSÉ MANDOJANA

you'd like to do—even if you're a decade or more away from traditional retirement age.

Larry Shagawat, 63, is thinking about retiring from his full-time job, but he's not ready to stop working. Fortunately, he has a few tricks up his sleeve. Shagawat, who lives in Clifton, N.J., began his career as an actor and a magician. But marriage (to his former magician's assistant), two children and a mortgage demanded income that was more consistent than the checks he earned as an extra on *Law & Order,* so he landed a job selling architectural and design products. The position provided his family with a comfortable living.

Now, though, Shagawat is considering stepping back from his high-pressure job so he can pursue roles as a character actor (he's still a member of the Screen Actors Guild) and perform magic tricks at corporate events. He also has a side gig selling golf products, including a golf cart cigar holder and a vanishing golf ball magic trick, through his website, www.golfworldnow.com. "I'll be busier in retirement than I am in my current career," he says.

Shagawat's second career offers an opportunity for him to return to his first love, but he's also motivated by a powerful financial incentive. His brother, Jim Shagawat, a certified financial planner with AdvicePeriod in Paramus, N.J., estimates that if Larry earns just $25,000 a year over the next decade, he'll increase his retirement savings by $750,000, assuming a 5% annual withdrawal rate and an average 7% annual return on his investments.

DO THE MATH

For every additional year (or even month) you work, you'll shrink the amount of time in retirement you'll need to finance with your savings. Meanwhile, you'll be able to continue to contribute to your nest egg (see the box on the next page) while giving that money more time to grow. In addition, working longer will allow you to postpone filing for Social Security benefits, which will increase the amount of your payouts.

For every year past your full retirement age (between 66 and 67 for most baby boomers) that you postpone retiring, Social Security will add 8% in delayed-retirement credits, until you reach age 70. Even if you think you won't live long enough to benefit from the higher payouts, delaying your benefits could provide larger survivor benefits for your spouse. If you file for Social Security at age 70, your spouse's survivor benefits will be 60% greater than if you file at age 62, according to the Center for Retirement Research at Boston College.

Liz Windisch, a CFP with Aspen Wealth Management in Denver, says working longer is particularly critical for women, who tend to earn less than men over their lifetimes but live longer. The average woman retires at age 63, compared with 65 for the average man, according to the Center for Retirement Research. That may be because many women are younger than their husbands and are encouraged to retire when their husbands stop working. But a woman who retires early could find herself in financial jeopardy if she outlives her husband, because the household's Social Security benefits will be reduced—and she could lose her husband's pension income, too, says Andy Baxley, a CFP with The Planning Center in Chicago.

CALCULATE THE COST OF HEALTH CARE

Many retirees believe, sometimes erroneously, that they'll spend less when they stop working. But even if you succeed in cutting costs, health care expenses can throw you a costly curve. Working longer is one way to prevent those costs from decimating your nest egg.

Employer-provided health insurance is almost always less expensive than anything you can buy on your own, and if you're 65 or older, it may also be cheaper than Medicare. If you work full-time for a company with 20 or more employees, the company is required to offer you the same health insurance provided to all employees, even if you're older than 65 and eligible for Medicare. Delaying Medicare Part B, which covers doctor and outpatient services, while you're enrolled in an employer-provided plan can save you a lot of money, particularly if you're vulnerable to the Medicare high-income surcharge, says Kari Vogt, a CFP and Medicare insurance broker in Columbia, Mo. In 2021, the standard premium for Medicare Part B is $148.50, but seniors subject to the high-income Medicare surcharge will pay $208 to $505 for Medicare Part B, depending on their 2019 modified adjusted gross income. Medicare Part A, which covers hospitalization, generally doesn't cost anything and can pay for costs that aren't covered by your company-provided plan.

Vogt recalls working with an older couple whose premiums for an employer-provided plan were just $142 a month, and the deductible was fairly modest. Because of their income levels, they would have paid $1,150 per month for Medicare premiums, a Medicare supplement plan and a prescription drug plan, she says. With that in mind, they decided to stay on the job a few more years.

The math gets trickier if your employer's plan has a high deductible. But even then, Vogt says, by staying on an employer plan, older workers with high ongoing drug costs could end up paying less than they'd pay for Medicare Part D. "If someone is taking several brand-name drugs, an employer plan is going to cover those drugs at a much better price than Medicare."

Even if you don't qualify for group coverage—you're a part-timer, freelancer or a contract worker, for example—the additional income will help defray the cost of Medicare premiums and other expenses Medicare doesn't cover. The Fidelity Investments annual Retiree Health Care Cost

Estimate projects that the average 65-year-old couple will spend $295,000 on health care costs in retirement.

Long-term care is another threat to your retirement security, even if you have a well-funded nest egg. In 2020, the median cost of a semiprivate room in a nursing home was more than $8,800 a month, according to long-term-care provider Genworth's annual survey.

If you're in your fifties or sixties and in good health, it's difficult to predict whether you'll need long-term care, but earmarking some of your income from a job for long-term-care insurance or a fund designated for long-term care will give you peace of mind, Baxley says.

And working longer could not only help cover the cost of long-term care but also reduce the risk that you'll need it in the first place. A long-term study of civil servants in the United Kingdom found that verbal memory, which declines naturally with age, deteriorated 38% faster after individuals retired. Other research suggests that people who continue to work are less likely to experience social isolation, which can contribute to cognitive decline. Research by the Age Friendly Foundation and RetirementJobs.com, a website for job seekers 50 and older, found that more than 60% of older adults surveyed who were still working interacted with at least 10 different people every day, while only 15% of retirees said they spoke to that many people on a daily basis (the study was conducted before the pandemic). Even unpleasant colleagues and a bad boss "are better than social isolation because they provide cognitive challenges that keep the mind active and healthy," economists Axel Börsch-Supan and Morten Schuth contended in a 2014 article for the National Bureau of Economic Research.

A CHANGING WORKFORCE

Many job seekers in their fifties or sixties worry about age discrimination—and the pandemic has exacerbated those concerns. A recent AARP survey

Still on the Job?

New Rules Help Seniors Save

If you're planning to keep working into your seventies—which is no longer unusual—provisions in the 2019 Setting Every Community Up for Retirement Enhancement (SECURE) Act will make it easier to increase the size of your retirement savings or shield what you've saved from taxes.

Among other things, the law eliminated age limits on contributions to an IRA. Previously, you couldn't contribute to a traditional IRA after age 70½. Now, if you have earned income, you can contribute to a traditional IRA at any age and, if you're eligible, deduct those contributions. (Roth IRAs, which may be preferable for some savers because qualified withdrawals are tax-free, have never had an age cut-off as long as the contributor has earned income.)

The law also allows part-time workers to contribute to their employer's 401(k) or other employer-provided retirement plan, which will benefit older workers who want to stay on the job but cut back their hours. The SECURE Act guarantees that workers can contribute to their employer's 401(k) plan, as long as they've worked at least 500 hours a year for the past three years. Previously, employees who had worked less than 1,000 hours the year before were ineligible to participate in their employer's 401(k) plan.

Delayed RMDs. If you have money in traditional IRAs or other tax-deferred accounts, you can't leave it there forever. The IRS requires that you take minimum distributions and pay taxes on the money. If you're still working, that income, combined with required minimum distributions, could push you into a higher tax bracket.

Congress waived RMDs in 2020, but that's unlikely to happen again this year. Thanks to the SECURE Act, however, you don't have to start taking them until you're 72, up from the previous age of 70½. Keep in mind that if you're still working at age 72, you're not required to take RMDs from your current employer's 401(k) plan until you stop working (unless you own at least 5% of the company).

One other note: If you work for yourself, whether as a self-employed business owner, freelancer or contractor, you can significantly increase the size of your savings stash. In 2021, you can contribute up to $58,000 to a solo 401(k), or $64,500 if you're 50 or older. The actual amount you can contribute will be determined by your self-employment income.

ISTOCKPHOTO.COM

found that 61% of older workers who fear losing their job this year believe age is a contributing factor. But that could change as the economy recovers, and trends that emerged during the pandemic could end up benefiting older workers, says Tim Driver, founder of RetirementJobs.com. Some companies plan to allow employees to work remotely indefinitely, a shift that could make staying on the job more attractive for older workers—and make employers more amenable to accommodating their desire for more flexibility. “People who are working longer already wanted to work from home, and this has helped them do that more easily,” Driver says. To make that work, though, older workers need to stay on top of technology, which means they need to be comfortable using Zoom, LinkedIn and other online platforms, he says.

More-flexible arrangements—including remote work—could also benefit older adults who want to continue to earn income but don’t want to work 50 hours a week. Baxley says some of his clients have gradually reduced their hours, from four days a week while they’re in their fifties to three or two days a week as they reach their sixties and seventies.

That assumes, of course, that your employer doesn’t lay you off or waltz you out the door with a buyout offer you don’t think you can refuse. But even then, you don’t necessarily have to stop working. The gig economy offers opportunities for older workers, and you don’t have to drive for Uber to take advantage of this emerging trend. There are numerous companies that will hire professionals in law, accounting, technology and other fields as consultants, says Kathy Kristof, a former Kiplinger columnist and founder of SideHusl.com, a website that reviews and rates online job platforms. Examples include FlexProfessionals (www.flexprofessionalsllc.com), which finds part-time jobs for accountants, sales representatives and others for $25 to $40 an hour, and Wahve (www.wahve.com), which finds remote jobs for experienced workers in accounting, insurance and human resources (pay varies by experience).

Job seekers in their fifties (or even younger) who want to work into their sixties or later may want to consider an employer’s track record of hiring and retaining older workers when comparing job offers. Companies designated as Certified Age Friendly Employers by the Age Friendly Foundation (www.agefriendlyfoundation.org) have been steadily increasing and range from Home Depot to the Boston Red Sox. Driver says age-friendly employers are motivated by a desire for a more diverse workforce—which includes workers of all ages—and the realization that older workers are less likely to leave. Contrary to the assumption that older workers have one foot out the door toward retirement, their turnover rate is one-third of that for younger workers, Driver says.

At the Aquarium of the Pacific, an age-friendly employer based in Long Beach, Calif., employees older than 60 work in a variety of jobs, from guest service ambassadors to positions in the aquarium’s retail operations, says Kathie Nirschl, vice president of human resources (who, at 59, has no plans to retire anytime soon). Many of the aquarium’s visitors are seniors, and having older workers on staff helps the organization connect with them, Nirschl says.

John Rouse, 61, is the aquarium’s vice president of operations, a job that involves everything from facility maintenance to animal husbandry. He estimates that he walks between 12,000 and 13,000 steps a day to monitor the aquarium’s operations.

Rouse says he had originally planned to retire in his early sixties, but he has since revised those plans and now hopes to work until at least 68. He has a daughter in college, which is expensive, and he would like to delay filing for Social Security. Plus, he enjoys spending time at the aquarium with the fish, animals and coworkers. “It’s a great team atmosphere,” he says. “It has kept me young.” ■

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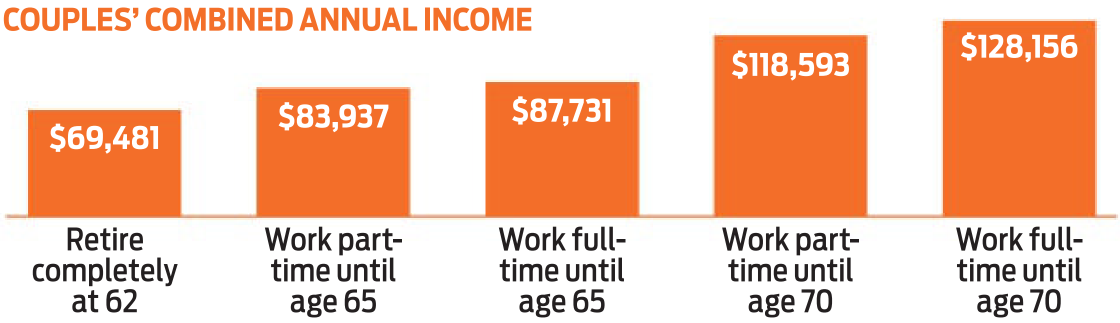
Delayed Gratification

The Payoff From Putting Off Retirement

The Stanford Center on Longevity and the Society of Actuaries analyzed the projected retirement income of a 60-year-old married couple with combined household income of $200,000 and retirement savings of $1 million. Their annual income is made up of Social Security benefits and an annual withdrawal rate based on life expectancy (roughly 3% to 4%). The numbers assume the couple will contribute 15% of income each year while working full-time and none while working part-time, and that they will receive a 3% average annual return on savings.

COUPLES’ COMBINED ANNUAL INCOME



Withdrawal rates are based on IRS required minimum withdrawal tables, which are tied to average life expectancy.

The Virtues of Volunteering

My column on fulfilling ways to spend retirement ("Living in Retirement," April) continues to generate inspirational responses from readers, many of whom have sung the praises of volunteering. You also volunteered the names of additional service groups that you have found rewarding. I'll cite a number of them for those of you in search of a cause that strikes a chord.

Many of your efforts focus on children. After working for more than 40 years as a registered dietician in hospitals and nursing homes, reader Linda Hall volunteers for Operation Christmas Child, a project of Samaritan's Purse (www.samaritanspurse.org), which delivers gift-filled shoeboxes to children around the world. "I am using my marketing MBA and my organizational and people skills," writes Hall. "Sometimes I think that my training and experience were meant all along to be applied in my volunteer work."

Nila Whitfield, who describes herself as a "teacher wannabe" who always wanted to work with kids, has donated time to Make-A-Wish (www.wish.org) and A Kid Again (www.akidagain.org), helping families with children facing critical illnesses.

Reader Jodie Black requests that I mention her group, National CASA/GAL Association, which has more than 950 local affiliates that train volunteers to work with children in foster care (www.nationalcasagal.org).

Reader Marty Jacobson helps people at the other end of the age spectrum: He was an original member of Seniors vs. Crime, a special task force of the Florida attorney general's office dedicated to prosecuting criminals who defraud elderly Florida residents (www.seniorsvscrime.com). Now retired, Jacobson has rejoined the task force, which has 36 offices throughout Florida and more than 200 senior volunteers. "I am very evangelical about working for this group," writes Jacobson.

POON WATCHARA-AMPHAWAN

TO FIND YOUR NICHE, FOCUS ON ACTIVITIES THAT PIQUE YOUR INTEREST, AND DON'T OVERCOMMIT.

In addition to being president of a local symphony orchestra, Charles Dye is a mentor with SCORE, a national organization of experienced businesspeople who counsel small businesses (www.score.org). Says Dye, "I'm 87 and am amazed that I'm still enjoying life."

Team efforts. Some couples have made volunteering a joint activity. Diane and Tom Howlett began renting motor homes for vacations with their kids. Now retired, they participate in Care-A-Vanners, a project of Habitat for Humanity in which RV travelers can visit sites where construction help is needed (www.habitat.org/volunteer/travel-and-build/rv-care-a-vanners). Says Tom, "All that is required to join is an RV and a willingness to help out deserving folks who need a house." (The program was suspended because of COVID but is scheduled to resume.)

Carol and Ron Jochimsen have combined volunteering with their faith. The Jochimsens made a two-year commitment to travel out-of-state with Laborers for Christ, a project of the Lutheran Church Missouri Synod, which replaces or repairs small or outdated church structures (www.lcef.org/laborers-for-Christ). "It was a fulfilling activity that took away my desire to be at regular work," says Ron.

Like many of you, Steve Jansen didn't have to travel far afield to find fulfillment in religion. "I lead worship services at a summer chapel and volunteer in the music ministry at my church when the chapel is finished for the season," writes Jansen.

When you consider volunteering, focus on activities that make use of your talents or pique your interest, and don't overcommit. Choose something that allows flexibility if you'd like to travel or have regular family commitments (also a prime volunteer activity). And be on the lookout for opportunities. Says Jansen, "Each day I pray that if God wants me to do more than I am doing, He will reveal it to me and make me passionate about it." ■

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REWARDS

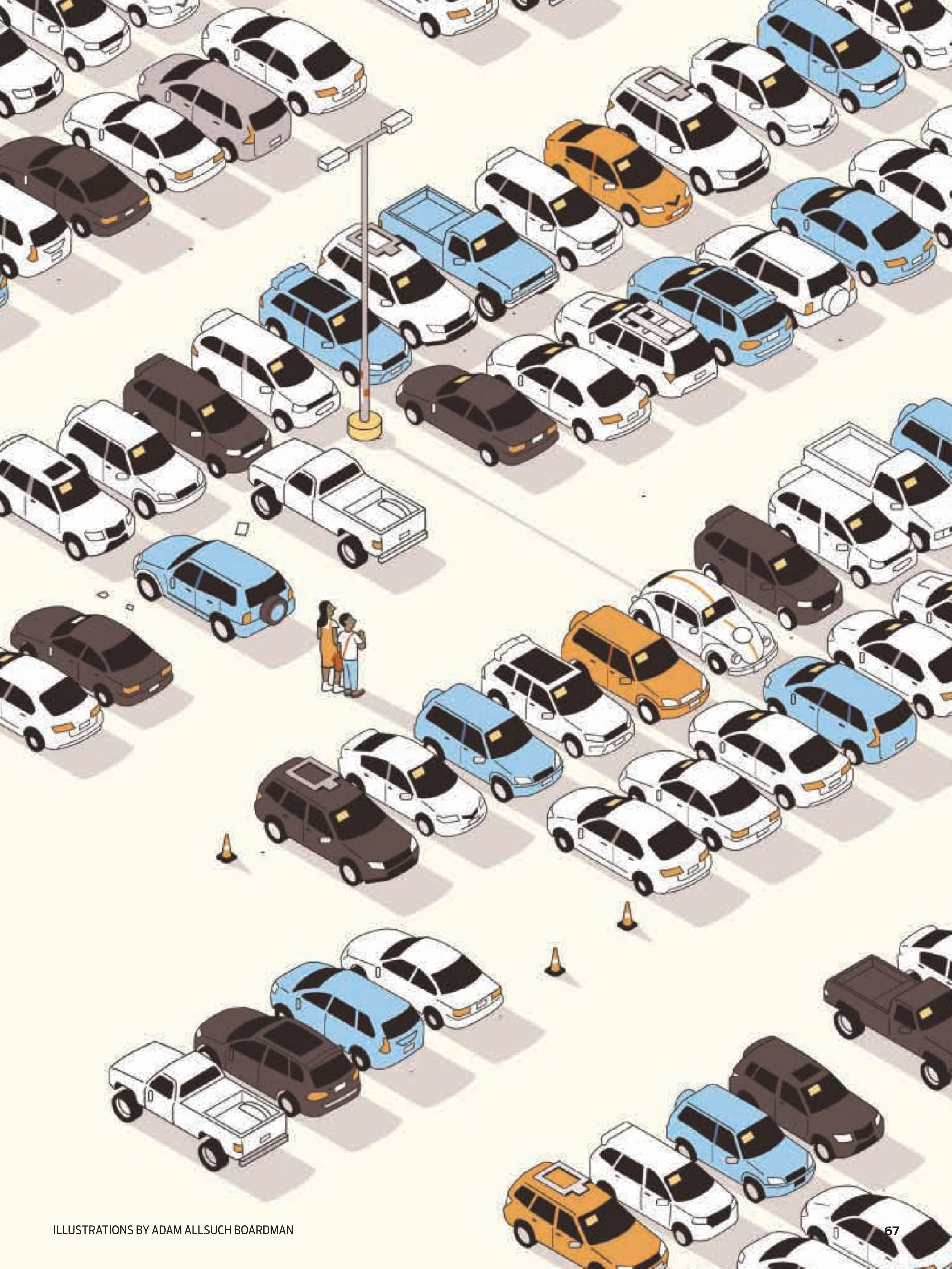
How to Get a Good Deal on a Used Car

Supply is tight and prices have gone up. Use these strategies to find the best values.

BY MARK SOLHEIM

Car shopping has always seemed a bit like gambling in Vegas: At the end of the day, the dealer comes out ahead. Over the past decade, the internet has helped change the rules to give consumers a bit more of an edge, adding transparency and the ability to comparison shop among thousands of vehicles—across the entire U.S., if you wish. But until recently, unless you were buying from a private party, you'd eventually find yourself in the dealer's showroom—and the financing and insurance office—when it was time to pull the trigger.

That's changing. Now it's possible to buy a vehicle entirely online, and the pandemic has accelerated the digital car-buying trend. If you're shopping for a car or truck, it's easier to find a dealer or service that will let you complete your trade-in, financing and paperwork online and top it off by delivering your new ride to your driveway. The person who delivers your vehicle may even drive away your old one. All-digital used-car sites, such as Carvana, Shift and Vroom, tout their vehicle inspections (they go over up to 150 separate items) and a seven-day return period—



ILLUSTRATIONS BY ADAM ALLSUCH BOARDMAN

and claim to offer lower prices because they don't have dealer showrooms.

The buy-from-home experience is still a small segment of the market, especially for used vehicles. Most buyers are more comfortable test-driving a vehicle and giving it a thorough inspection (or having a mechanic inspect it). But even if you ultimately end up at the dealer, you have the opportunity to do research, comparison shop and get prequalifed for financing online, all of which gives you the information to strengthen your negotiating position with the dealer.

On page 70, we run down five popular sites for used-car shoppers and what to expect. But wherever you shop, use these strategies to get the best deal.

Find the Sweet Spots

When manufacturing plants shut down in March 2020, the supply of new cars decreased and prices increased. But demand stayed strong, despite the sharp economic downturn. City dwellers who had relied on ride-hailing apps and public transit wanted their own wheels, and private cars became the transportation of choice. Plus, many households had more money to spend: Stimulus checks provided cash, while lower expenditures on travel and restaurants helped boost savings to record highs.

With fewer new cars, there were fewer new-car buyers and fewer trade-ins, and some would-be new-car buyers turned to the used market. As of March 2021, with added stress from supply-chain disruptions, new-vehicle inventory at dealerships nationwide was down by more than one-third, reports Edmunds, an automotive website. That's pushing up prices even more for both new and used vehicles. The average transaction price of a new vehicle recently topped $40,000; the average used-vehicle asking price, based on listings on TrueCar.com, rose from a pre-pandemic $22,100 in March 2020 to about $25,670 in April 2021—about a 16% pop. Pickup truck and SUV prices are particularly high. According to Edmunds, the average transaction price for used full-size trucks is expected to climb to $34,445 this year, compared with $28,156 a year ago, and the average transaction price for used large SUVs is expected to climb to $35,035, compared with $31,232 a year ago. Prices are likely to rise even more as buyers flush with tax refunds and American Rescue Plan checks go shopping.

You can find better deals on smaller cars, which typically have higher fuel economy—good city vehicles that are easy to park. Nick Woolard, an analyst with TrueCar, also suggests used electric vehicles, such as the Chevrolet Bolt and Volt and Nissan Leaf (see "Save Money With an Electric Car," Feb.). Matt DeLorenzo, senior managing editor of automotive website Kelley Blue Book (KBB.com), adds sedans that carmakers are discontinuing—such as the Ford Fusion and Chevrolet Impala—to the list of potential bargains.

If you're not in a hurry to buy a used car, consider waiting until late summer or fall. As new-car inventory ramps up—and especially as the 2022 models hit dealer lots—the number of used vehicles will also increase, and prices are projected to fall. Plus, more vehicles come off lease later in the year, increasing the inventory of certified preowned (CPO) vehicles.

Comparison Shop

The pandemic accelerated another shift in the auto industry, says DeLorenzo: As carmakers were forced to cut the supply of vehicles for sale last year, they discovered they could clear a fair profit by focusing on margins instead of volume. That means, at least for the near term, lower production is here to stay. "On average, cars will cost more, and it will be more difficult for buyers to find what they want," says DeLorenzo. "You will have to cast a wider net."

A million or more used vehicles are listed at sites such as KBB and Autotrader (both owned by Cox Automotive), Cars.com, CarGurus .com, and TrueCar. Dealers provide most listings, with some private-party offerings mixed in (except at TrueCar). Start your research at one of these large marketplaces, but also check out the other venues listed on the next page.

Most sites allow you to see listings nationwide. If you find a vehicle that's hundreds or thousands of miles away that will save you more than the cost of a plane ticket to go pick it up or the cost of shipping, go for it. Cross-country transport runs $1,000 or more.

To round out your shopping, consider rental car fleets. Rent2Buy at Hertz and the Ultimate Test Drive at Avis let you browse the fleet online, pick the model that you want, and take it for an extended test-drive (up to three days) from many of their rental locations. Enterprise Car Sales does not offer a several-day test-drive, but it will buy the car back within seven days if you don't like it. However, the rental fleets have reduced their inventory during the pandemic and are running their cars longer. That means you'll likely find less selection, and the vehicles may have more mileage and greater wear and tear.

Get Peace of Mind

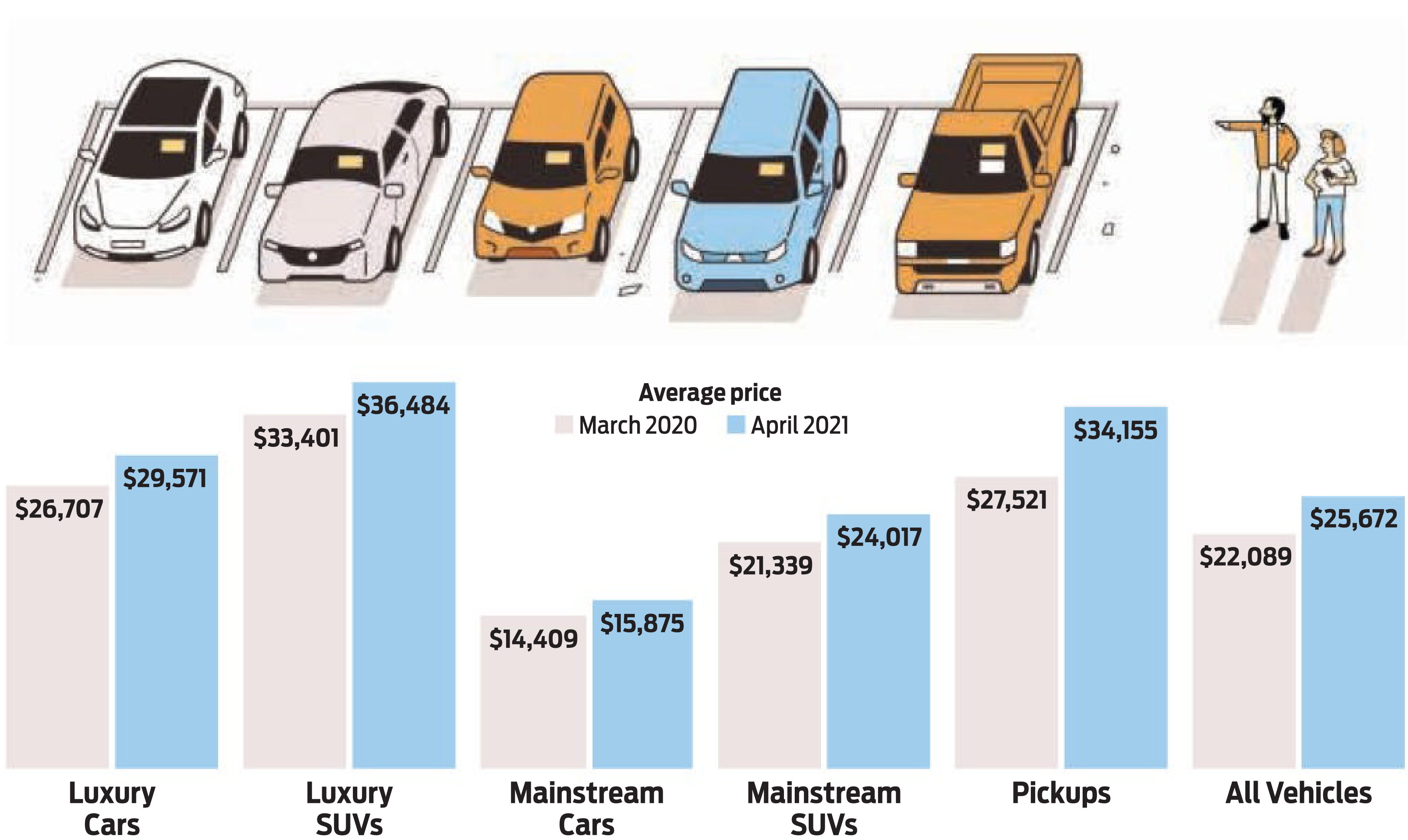
As you decide on which vehicles to shop, check their reliability and repair records at *Consumer Reports* and Nadaguides.com. KBB and Autotrader have top-10 lists of used cars and SUVs, updated monthly.

Focusing on a CPO vehicle is one way to get peace of mind. You'll pay a premium—typically $1,500 to $2,500—for the CPO assurance, but only late-model vehicles (usually less than five years old) with low mileage (less than 60,000 miles) qualify for CPO programs. They're put through rigorous inspections and come with an extension of the vehicle's new-car warranty. You may also get perks such as low financing rates and roadside assistance. Carmakers often tap off-lease vehicles for their CPO fleets. Because new-car sales (including leases) were strong two, three and four years ago, the selection of CPO vehicles is still fairly good.

Disappearing Deals

Used Cars: Priced for a Pandemic

Used-vehicle listings tracked by TrueCar have shot up about 16%, on average, since March 2020. Used-pickup prices have soared by 24%.



SOURCE: TrueCar

If you're not buying a CPO vehicle, dig a little deeper in your research. As you identify vehicles you may want to buy, check the vehicle's CarFax or AutoCheck report; some dealers offer one or the other free, and TrueCar summarizes the crucial points of the AutoCheck report for each listing. You can get a free vehicle report at National Insurance Crime Bureau (NICB.org), VehicleHistory.com or iSeeCars.com. Ideally, the vehicle will have relatively low mileage, one owner, no accidents and a history of regular maintenance. But as you stray from those guardrails, the price will usually decrease.

Negotiate a Fair Price

Figuring out a fair price for a used car is even harder than with a new car, because no two cars have identical histories, and mileage and condition will vary. A variety of websites offer used-car prices and break them down by transaction type—dealer, private party, CPO and trade-in. For any car you're interested in buying, look up pricing at Edmunds.com, KBB.com and NadaGuides.com and come up with an average as your target. CarGurus.com rates each vehicle it lists from "Great Deal" to "Overpriced." TrueCar also labels prices from "Great Price" to "High Price" based on its own algorithm.

You may prefer the no-haggle route—from, say, CarMax or Carvana. Without negotiating, you may end up paying a slightly higher price. But remember, it's not all about the price you pay on the vehicle. For most buyers, the entire transaction consists of

Five Ways to Buy

AUTOTRADER.COM/ KBB.COM

Autotrader and Kelley Blue Book are both part of Cox Automotive, and there's little distinction between the websites. With well over a million listings from dealers and private parties, either site is a good place to start your research.
Used-vehicle listings: 1.4 million
Buy from home/delivery: With participating dealers.
Test-drive: Most listings are posted by dealers that require you to visit them; some will come to you, if you are within a certain distance.
Financing: You can get prequalified through Capital One, and participating dealers will honor the terms (for 30 days) and extend the loan.
Sell/trade-in: Negotiate with the dealer as part of the purchase transaction. Another option is the Kelley Blue Book Instant Cash Offer: Dealers make an offer, good for seven days, to buy your vehicle or for credit toward a trade-in. You choose a participating dealer and drive there.
Returns/warranty: Depends on dealer and state.

TRUECAR.COM

TrueCar's claim to fame is its Price Reports—a guaranteed price with a breakdown of charges from its network of 16,500 dealers. When it comes to used cars, there's no TrueCar guaranteed price. But prices are labeled "excellent," "good" and so on. The site has a pleasing, clean interface (with no ads), but research information and tools are less robust than at KBB or Autotrader.
Used-vehicle listings: 790,000
Buy from home/delivery: With participating dealers.
Test-drive: Most listings are posted by dealers that require you to visit them; some will come to you, if you are within a certain distance.
Financing: Through the dealer.
Sell/trade-in: Negotiate with the dealer, or tap the True Cash Offer: Dealers make an offer, good for three days, to buy or for credit toward a trade-in. You choose a participating dealer and drive there.
Returns/warranty: Depends on dealer and state.

CARMAX

CarMax is the largest U.S. used-car retailer (224 locations) and has offered its no-haggle, low-pressure used-car buying experience since its 1993 debut. Customer satisfaction is generally high, and the company has landed on best-places-to-work lists for years. The cars it sells must pass a 125-plus point

a trade-in as well as the cost of financing. You'll probably come out ahead if you negotiate the price of the new vehicle and the trade-in separately.

Get Top Dollar For Your Trade-In

The flip side of higher used car prices is that it's a good time to trade in your vehicle. The sites we list below let you sell your used vehicle. Go through the motions and get a formal offer to see what you can fetch for your trade-in. "It sets the floor for the minimum you'll accept from the dealer," says DeLorenzo. Note, however, that it may be worthwhile to forgo a separate sale and make the trade-in part of the car-buying transaction. Most states charge sales tax only on the difference between the price of your trade-in and the vehicle you're buying, not the full price of the next car.

Get the Best Rate on Your Loan

The sellers in the box below let you estimate your monthly car payment so you can shop for vehicles with a bottom-line price in mind. Some sites work with partners who set terms that dealers will honor. Others, such as CarMax and Carvana, have their own financing arms.

Going through the prequalification process is a good way to get a general idea of rates available. If you end up at the dealer, ask if you can get a better deal on financing. Also, check bank and credit union rates. Recently, 60-month used-car loans averaged about 4.2%, according to Bankrate.com. ■

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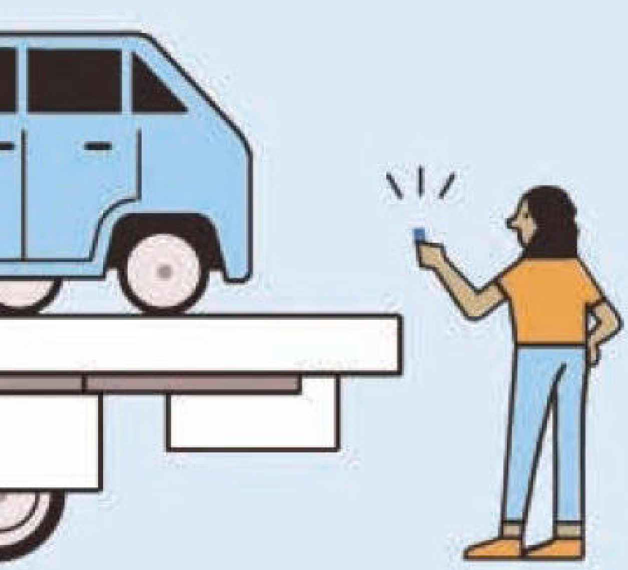
inspection and undergo a detailed reconditioning. Prices are Kelley Blue Book suggested retail, which tend to be higher than competitors' prices.
Used-vehicle listings: 50,000
Buy from home/delivery: Within 60 miles of some stores. Choose a car online and request delivery. A CarMax team member will call to walk you through the steps for buying online and help you complete the documentation.
Test-drive: At CarMax locations, or take the car home for 24 hours (subject to a 150-mile limit).
Financing: Get preapproved online.
Sell/trade-in: Some locations feature an online offer to buy your vehicle, but you may have to go to a CarMax store to get an appraisal.
Returns/warranty: Returns up to 30 days (and 1,500 miles). Warranty is 90 days or 4,000 miles for "major" systems.



CARGURUS.COM

CarGurus has listings from about 40,000 dealers. Search is powered by algorithms that analyze data on millions of car listings, accounting for factors including price, mileage, trim and options, accident history, location and dealer reputation. CarGurus gives each car an overall deal rating, from "great" to "overpriced." Dealers can't pay for their cars to get a higher position in search results. Each listing has a dealer star rating, estimated monthly payment, how long the vehicle has been on the lot and price history of the vehicle. Bonus: You can filter vehicles by NHTSA safety rating.
Used-vehicle listings: Not available
Buy from home/delivery: Depends on dealer; typically within 25-mile radius.
Test-drive: Some dealers, typically within 25-mile radius, will bring vehicle to you.
Financing: Get prequalified with one of three lenders, with terms honored for 30 days. When you visit a participating dealer, you fill out a credit application for a loan from the dealer.
Sell/trade-in: At dealers. Or, with CarGurus Pay ($4.95), vetted buyers can find you and set up a test-drive. The tool walks you through the transaction, and funds are direct-deposited into your account.
Returns/warranty: Depends on dealer and state.

CARVANA.COM

Carvana offers no-haggle prices that the company claims are lower because it cuts out the middleman (the dealers) and the costs of a physical location. Vehicles pass a 150-point inspection and have no reported accidents. Vehicles marked "great deal" are priced $1,500 or more below the Kelley Blue Book suggested retail value. All transactions happen online, with delivery to your home. Or you can pick up your car at one of its 24 massive vending machines located mainly in the Midwest and the Southeast.
Used-vehicle listings: 20,000-plus
Buy from home: You buy, they deliver. Or select the pickup option and identify the vehicle vending machine closest to you.
Test-drive: Nope.
Financing: Through Carvana Financing. Get prequalified on the website; terms are honored for 45 days.
Sell/trade-in: Carvana buys late-model vehicles with low mileage. It will send someone to your home to inspect your car and, if it passes, cut a check on the spot.
Returns/warranty: Returns up to seven days (refunds exclude any shipping/delivery charge). Limited warranty covering basic and powertrain components for 100 days or 4,189 miles.

MAKING IT WORK

Reliving a Harlem Renaissance

After a tough winter, two sisters look forward to reviving their restaurant's business.

PROFILE

WHO: Justine (at left in photo) and Juliet Masters, ages 45 and 46

WHAT: Co-owners of The Edge Harlem restaurant

WHERE: New York City

How did The Edge come about?

Juliet: Justine and I opened The Edge about six years ago to create a space in our Harlem neighborhood where people could go to eat good food, enjoy each other's company and inspire each other. We were able to secure a loan from Chase bank to get us started with a small base of capital, and then over a year we basically pieced together enough capital and financing to build out the space.

Your restaurant has a lot of history.

Justine: During the Harlem Renaissance there was a librarian and activist, Regina Andrews, who lived in our building. She would hold literary salons and have a lot of creatives coming into the building, like Langston Hughes, Countee Cullen, Zora Neale Hurston and W.E.B. Du Bois. Having that history really sealed the deal for Juliet and me, as women of color who wanted to celebrate the Harlem Renaissance and accentuate that history. When you come into the restaurant, you'll see we have a huge portrait of a young Langston Hughes on the wall.

Before the pandemic, did you make a good living from the restaurant?

Juliet: We were just about hitting our sweet spot before the pandemic hit. We had become a destination. We became a place that people would come to from Jersey or Brooklyn or Queens or the Bronx. And we had a lot of tourists who would make a point to come here, too, from France or Germany—all over, really—to have a meal and enjoy the vibe.

How did COVID affect your business?

Justine: Come winter, when they shut down indoor dining again, that was a real hard slap for all of us in the restaurant business in New York. So when that happened, that's when we reduced our hours. We also reduced our staff hours by 30%. We were basically just covering our rent and expenses and our labor costs.

Did you find new ways to reach the community?

Juliet: We did not have a delivery platform prior to the pandemic; we just did in-house dining and takeout. So we had to set ourselves up on a delivery platform.

Justine: We also use social media to post our daily specials, with enticing pictures of food to get people to order. That definitely made a difference on cold nights in the winter.

Did you take out PPP loans?

Juliet: Yes, absolutely. We definitely needed that. We kept all of our staff at full salary despite reduced hours. Even during the beginning, when we were losing money like it was bleeding out the door, they still got paid as if it were a regular week of business.

As the city relaxes in-person dining restrictions, what's it like to reopen?

Juliet: There are a lot of rules in place with COVID that add more-complicated layers to being a service business. There's mask enforcement, hand sanitizing, contact tracing and physical distancing in the restaurant. We have an air filter, and we keep the windows open. But now people are being vaccinated, and they're tired; some people don't want to wear their mask when they're walking to the door or the bathroom. It's difficult.

Justine: We took an extra month and a week after the city said we could reopen to be sure they wouldn't shut us down again. And we're happy to say that most of our staff were able to receive at least the first dose of their vaccination before we reopened. **EMMA PATCH**

PHOTOGRAPH BY SHRAVYA KAG