ELAINE LARSEN

JET CAR DRIVER/OWNER, LARSEN MOTORSPORTS

PALM BAY, FL

1996
Starts Larsen Motorsports with husband Chris

2011
While piloting a jet car going 280 mph, Elaine hits a wall. She requires skull surgery

2012
Purchases an annuity

2014
Wins world championship

2015
Wins world championship again

2032
Target retirement date

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Even if your typical workweek doesn't involve pushing yourself to speeds in excess of 280 miles per hour, you've probably lived with a certain amount of risk. The trick is not to bring risk into your retirement.

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Alliance for Lifetime Income

WE RANK THE TOP ONLINE BROKERS p 20

Kiplinger's

PERSONAL FINANCE

MONEY SMART LIVING

GET INCOME FOR LIFE

p 50

PLUS:

BATTLE THE CREDIT BUREAUS p 40 GET IN ON THE GOLD RALLY? p 33

OCTOBER 2019


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It's banking in sync with you.

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KIPLINGER'S PERSONAL FINANCE
FOUNDED 1947

VOL. 73 NO. 10

PUT A LITTLE GOLD IN YOUR PORTFOLIO? PAGE 33

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HOW FLORIDA TAXES YOU

The Sunshine State does not impose an income tax on residents, but local property and sales taxes can add up. We rank the state's 50 largest cities by their tax burden.

kiplinger.com/links/floridatax

RANKING THE DOW 30 STOCKS

Discover how Wall Street analysts collectively rank every Dow stock—from UnitedHealth Group (#1) to 3M (#30).

kiplinger.com/links/dow30

GUIDE TO SERVICE ACADEMIES

Tax editor Rocky Mengle, himself the father of a service-academy grad, reveals 20 things you should know about applying to the military service academies.

kiplinger.com/links/academy

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FROM THE EDITOR

Mark Solheim

The Broker Matrix

Back in the April issue, I wrote about my beef with my broker, E*Trade, over $32,000 that had gone missing from my IRA. As I explained then, I had invested in MobilEye, an Israeli company that developed camera-based driver-assistance technology, and the company was acquired by Intel. Before that point, whenever shares of companies I owned had been acquired, I simply let the money make its way to my account. But in this case I was supposed to actively tender my shares, and I missed the tender period because E*Trade didn't use e-mail or snail mail to notify me of the requirement. The money was sent to an escrow account in the Netherlands, and although I filled out multiple forms and affidavits that E*Trade forwarded, nearly six months later there was no indication that the money would be sent to my account anytime soon.

After a few unproductive e-mail exchanges with E*Trade, I decided to call. The eager, apologetic rep on my "dedicated elite team" wasn't able to help, so he transferred me to the corporate action department. Here's where my beef comes in: The employee who picked up there said he didn't have any information and that there was nothing he could do. He did not offer to investigate further. He seemed indifferent and unresponsive.

Best brokers. I bring this up because starting on page 20, we present our annual broker rankings. I eventually got my MobilEye money, but after the debacle I vowed to dig into our rankings this year to see if there was a broker that could offer more hand-holding. We were planning to give our methodology a face-lift this year, so I asked the broker rankings team, with associate editor Ryan Ermey on point and Anne Smith editing, to include premium services for larger accounts as part of the evaluation criteria.

THE BEST BROKER FOR YOU DEPENDS ON WHAT'S IMPORTANT TO YOU.

Six of the 10 brokers we include in our rankings will assign a dedicated account representative to clients who meet a certain asset threshold. Only at Fidelity, Schwab and TD Ameritrade can clients work one-on-one with a certified financial planner. Clients at Fidelity and TD Ameritrade need accounts with $250,000 or more to access a CFP, but it takes only $25,000 in assets at Schwab. I had a dedicated planner assigned to me at E*Trade, but he stayed conspicuously silent while I was having my MobilEye moment.

Access to a CFP is only one piece of a complex matrix in my decision. As we make clear in our article, the best broker for *you* depends on what's important to you—from the number of no-commission funds available to the depth of analyst research to the agility of the mobile app.

My current broker offers a great menu of services and, to be fair, E*Trade earned the top spot overall in our rankings this year. But I'm looking for someone who will be in my corner and reach out to me at crucial junctures. With retirement on the medium-term horizon, I've accumulated a decent-size nest egg in my IRA, and frankly I'd like my broker to acknowledge that with extra offerings. It may be naïve to believe that an entire industry that has replaced human brokers with cheap, automated trades will offer truly personalized service, but I remain hopeful.

One other tidbit to crank into the decision: Some of the brokers are offering a small bounty if you move your money. For example, at TD Ameritrade, you can get up to $2,500 cash along with 90 days of commission-free trading if you open an account with at least $1 million. Ryan gave a rundown of some of the offers on the Kiplinger podcast that aired on August 5 (see kiplinger.com/links/podcast). ■

Mark Solheim

MARK SOLHEIM, EDITOR
MSOLHEIM@KIPLINGER.COM
TWITTER: @MARKSOLHEIM

POON WATCHARA-AMPHAIWAN

Smart Places to Retire

I was delighted to see that Richmond, Va., was listed in "Smart Places to Retire" (Aug.). It is a great city with lots to offer every age group, including retirees. However, I was disappointed by the omission of VCU Health, an academic medical center with some world-class physicians as well as groundbreaking researchers. It is an important resource for retirees and, while it is located downtown, there are satellite offices all over the city and surrounding suburbs.

PHYLLIS ELLENBOGEN
HENRICO, VA.

Evanston, Ill.? Claremont, Cal.? Astronomical housing prices aside, some of these locations are suffering serious state budget issues and problems that are unresolved and therefore creating a highly risky environment. There are many, many choices that you overlooked based on your criteria of cost of living, low median home prices and college perks that would have made for far better recommended locations. Several are in Virginia and Tennessee, for example.

GEORGE REPA
SALEM, VA.

EDITOR'S NOTE: We looked for geographical diversity in our selections to give readers a wide range of options. It's true that Evanston and Claremont are not inexpensive, but we have a number of affluent retirees and preretirees among our readers who want to move to those areas. California and Illinois both exempt some retirement income from state taxes.

Your description of Fayetteville, Ark., could have mentioned that military retired pay is no longer subject to state income tax.

JAMES BRITT
LITTLE ROCK, ARK.

Best banks. When it comes to "best banks," I sincerely believe you need to reassess your methods and criteria ("The Best Bank for You," Aug.). The best bank for almost anyone is a community bank that actually cares about its customers and knows them. Many community banks will often match rates, and I know firsthand from many years of experience (I have been a community banker for nearly 50 years) that it is community banks that make a difference in people's lives.

JOHN KINGSBURY, PRES.
BANK OF DIXON COUNTY
PONCA, NEB.

EDITOR'S NOTE: We focused on institutions with a national reach to offer readers as many practical choices as possible. But we encourage readers to consider local banks and credit unions, too.

Solar roof caveat. There is one additional cost that is never mentioned when mounting solar panels on your roof: when you have to replace your standard roofing composition shingles ("Solar Heats Up," Aug.). I had solar swimming pool heating panels on my roof, and after 14 years in Florida, I needed to replace my fiberglass shingles. I paid to have these solar panels removed and sold them. I put on a new metal roof and installed an energy-efficient electric heat pump for the pool. My recommendation is to install any type of panels on the ground (if you have the yard space) to avoid this extra expense.

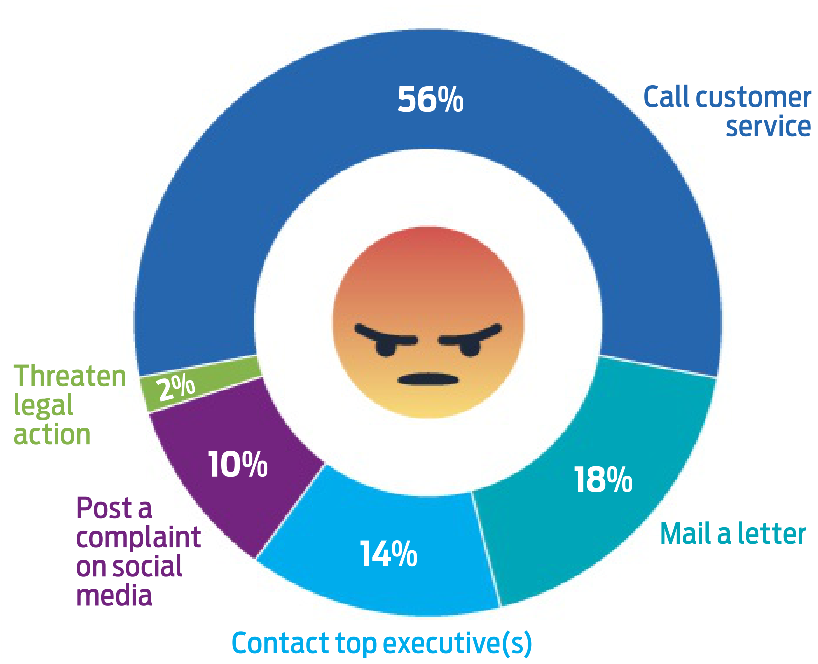
GEORGE PAPP
TITUSVILLE, FLA.

Retirement savings booster. Kudos to Oregon and state treasurer Tobias Read for attempting to boost retirement savings for workers without an employer-sponsored retirement plan ("Ahead," Aug.). To call 86,000 enrolled accounts with $20 million accumulated over nearly two years impressive is a bit of stretch, however. That works out to an average of $232 per account, or $10 a month saved per enrollee.

TODD HEILSKOV
WEST DES MOINES

Q READER POLL

What are your strategies for complaining?



For tips and strategies on how to complain effectively, turn to page 68.

SOURCE: POLL SURVEYED 452 *KIPLINGER'S* READERS.

CORRECTIONS

The First-Time Homebuyers Tax Credit referred to in "Solar Heats Up" (Aug.) is available only to residents of the District of Columbia. The federal credit expired in 2010.

Capital One's online shopping website, Paribus, is Paribus .co, not Paribus.com ("Simplify Your Finances," Aug.). ■

WRITE TO US

Letters to the editor may be edited for clarity and space, and initials will be used on request only if you include your name. Mail to Letters Editor, Kiplinger's Personal Finance, 1100 13th St., N.W., Washington, DC 20005, fax to 202-778-8976 or e-mail to feedback@kiplinger.com. Please include your name, address and daytime telephone number.

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TOPIC A

MARKET VOLATILITY: GET USED TO IT

The summer swoon is probably not the end of the bull market. BY ANNE KATES SMITH

FOR A BULL MARKET THAT has kept the bear at bay for more than a decade, this stock market is racking up some scary downturns. The one that began after Standard & Poor's 500-stock index hit a high in late July saw stocks fall close to 6% by mid August, with occasional bounces depending on the news of the day, presidential tweets or interest-rate moves.

The summer swoon still qualifies as just a "pullback," defined as a drop of between 5% and 9.9% from the market's most recent high. But that makes the second pullback so far in 2019, following two full-blown corrections—declines of 10% to 19.9% from the high—in 2018. Once you get past 20%, you're in bear country.

Does the market's malaise mark the end of the bull's run? For now, it looks like the bull will live to fight another day, but you can probably expect more pain and certainly more volatility.

The safe havens investors seek during times of turmoil, such as gold and U.S. Treasuries, have risen in price as stocks have convulsed (see "Go for the Gold?" on page 33). A sentiment survey from the American Association of Individual Investors found that pessimism spiked in early August to the highest level since December 2018.

The culprit that keeps knocking the wind out of the market is the trade war between the U.S. and China, which, on any given day, appears either intractable or closer to a resolution. Although a portion of the latest round of tariffs on Chinese goods—mostly consumer items—has been delayed until December, the reprieve is only a modest positive and not an economic game changer, say analysts at Bank of America Merrill Lynch. "We still expect the trade war to last indefinitely," they say.

Worries about the global economy are intensifying. A trusted barometer flashed a recession warning when yields on 10-year Treasuries recently dipped below the yield on two-year notes. An inverted yield curve, as the phenomenon is known, has preceded each of the past

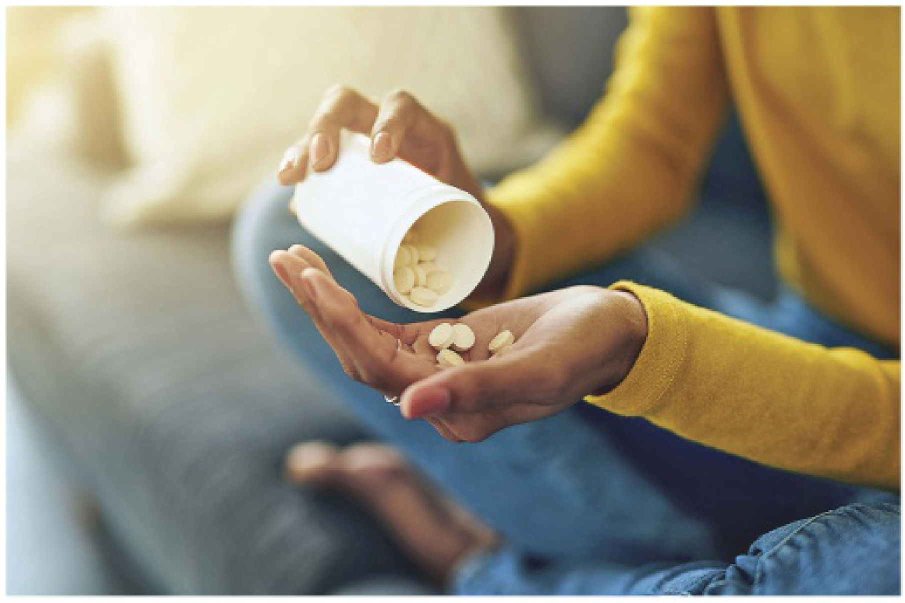
NEIL WEBB/THEISPOT.COM

six recessions. But the lead times are long—21 months, on average—and stocks have gained an average of 22% before the economy finally rolled over.

What could go right. The positives that investors can latch onto include a strong labor market, healthy consumer spending and a flexible and accommodative Federal Reserve. Market weakness should prove "limited and temporary," says Canaccord Genuity strategist Tony Dwyer, who sees the S&P 500 at the 3350 level by year-end 2020, a nearly 18% gain from its recent close (prices and returns are as of August 15).

Don't rush to put new money in the market, says Wells Fargo Investment Institute strategist Darrell Cronk. Better to wait for higher conviction about a market bottom. In the meantime, focus your portfolio on high-quality stocks and bonds. Favor large-company stocks over small-cap issues, for example, and investment-grade bonds over high-yield debt.

Lessen the impact of the trade war on your portfolio with a tilt toward service providers and away from goods producers, say Goldman Sachs strategists. Think more **MICROSOFT** (SYMBOL MSFT, $134) and less Apple (AAPL, $202), for instance. Dampen the swings in your portfolio overall with low-volatility exchange-traded funds, such as **ISHARES EDGE MSCI MIN VOL USA** (USMV, $62). Find good international low-vol choices on page 28.



CHRONIC COSTS

ANOTHER PLUS FOR HIGH-DEDUCTIBLE PLANS

New rules for plans with health savings accounts could trim your out-of-pocket costs.

HIGH-DEDUCTIBLE HEALTH insurance plans with health savings accounts could become more attractive to people with chronic illnesses. Until recently, people who enrolled in high-deductible plans had to pay for the medications and services used to manage their conditions, such as diabetes and heart disease, until they met their plan's annual deductible (up to $1,350 for individual coverage or $2,700 for family coverage in 2019) before their insurer would cover treatment.

This summer, in response to an executive order from the White House, the IRS added 14 treatments and services for a range of chronic health conditions to the list of items that insurers may provide as preventive-care benefits under high-deductible plans with health savings accounts. People with the named conditions may now be able to receive certain treatments at no cost or at a lower cost, depending on their insurance plan or employer.

Reducing costs. The expanded roster of preventive-care benefits could make high-deductible plans with HSAs more cost-effective for people with chronic conditions. Among the items that plans may cover are statins for heart disease, blood-pressure monitors for hypertension, beta-blockers for congestive heart failure, insulin and testing supplies for diabetes, and SSRIs, such as Prozac, for depression.

By labeling these items preventive care, patients who need them will generally not have to meet their annual deductible before benefits kick in. The recent change permits insurers to begin providing coverage for the listed treatments before the plan deductible has been met. Because the change was issued as guidance, insurers are not required to adopt the new list of preventive-care benefits or pay for the items in full. But many employers and health insurance companies are expected to incorporate the changes into their 2020 plan offerings.

Helping people with chronic conditions access treatment generally improves health over the long term and reduces costs, says David Speier, managing director of benefits accounts at benefits consultant Willis Towers Watson. High-deductible health insurance plans have become more common in recent years. If you enroll in a high-deductible plan that makes you eligible for an HSA, you can use the account to help manage the steep deductible and to cover other out-of-pocket health care expenses. The accounts offer a triple tax break: Contributions aren't taxed, the money grows tax-deferred, and funds can be withdrawn tax-free for eligible medical expenses at any time.

As you choose your health coverage during open enrollment this fall, find out what preventive-care benefits a high-deductible plan option is offering. Before you make your selection, consider all the plans' premiums, deductibles, provider networks and other coverage details. **KAITLIN PITSKER**

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INTERVIEW

SOLVING THE APP PRIVACY PROBLEM

Revelations about FaceApp have rekindled debate over how to protect your data.

Florian Schaub is an assistant professor in the School of Information at the University of Michigan.

FaceApp, the viral app that shows you what you will look like as you age, has sparked the most recent debate about online privacy. Should people be worried about the data the app collects? I think what started to make people look deeper was that the app's developers are Russian and the app's privacy policy made broad claims about how they might reuse photos. It could mean they're creating some kind of legal room for themselves to share information with other companies and use it for other purposes. Or it could simply mean that they are trying to limit their liabilities. Still, it is a red flag.

How can app privacy policies be improved? For the longest time, when downloading Google's Android apps, you would get a permission screen that you would have to "Accept" or you couldn't download the app. Once you agreed, the app could access your photos and contacts and so forth. That's not a good choice. I think to help people have better control of their privacy, they should be able to unbundle these decisions [making them specific to what they're doing at a particular moment]. For example, over the past couple of years, Google and Apple have switched to permission dialog boxes that say things such as "This app wants to access your location: Allow or deny." That makes it much easier for people to say no and still be able to use the app in some constrained ways, instead of making an all-or-nothing decision. Companies also need to view privacy policies as more than just a way to protect themselves from lawsuits, and have data protection as part of the design.

Some companies are offering to pay users who allow them to track their online activities. What are the risks? That depends on how detailed the tracking is and how the data will be used. It's already pretty common to collect some data from consumers' online activities. But a browser extension or an app on your phone that tracks your activities could reveal a lot. For example, let's say you're planning a vacation. The tracker could tell someone when your house is likely to be unoccupied and also give them a good indication of your budget, which could indicate how much money you make. Or say a company tracks what you're watching on YouTube or the news articles you read. That company can then infer your political leanings, along with your entertainment preferences. But a lot of this kind of tracking is already happening in some form.

With data breaches occurring more frequently, what else can consumers do to protect their privacy, particularly when downloading apps? When using a new app, stop to think how it's making money and if you trust the app to use your data in a way you agree with. Then change your privacy settings to opt out of things. For example, most services let you opt out of having your data used for marketing purposes. And don't say yes to every permission dialog box that comes up. For example, does the app really need to know your location? Understand that it's not just asking for your location at that moment but that it might be asking for permission to track your location wherever you go. If you're using an internet browser, then an ad blocker or tracker blocker, such as Privacy Badger, is useful. **RIVAN STINSON**

PHOTOGRAPH BY REMY ROMAN

CURB YOUR ENTHUSIASM

THE DISAPPOINTING EQUIFAX SETTLEMENT

The average payout will be far less than $125. But you may be reimbursed for other costs.

THE $700 MILLION EQUIFAX settlement is a landmark moment for consumer data privacy, but if you're counting on a payoff, you'll probably be disappointed. While we won't know how much victims will be paid until after the settlement's application deadline—January 2020—early signs haven't been promising.

There is some good news: If you've spent time or money since September 2017 dealing with the breach, you have a few options. You can request reimbursement for up to 20 hours spent on reclaiming your identity, at a rate of up to $25 per hour. For other expenses—accounting fees, unauthorized account withdrawals and the like—customers can ask for up to $20,000 in restitution. You won't need to prove that Equifax is to blame for any identity fraud you've dealt with as long as it occurred after the breach and your data was involved. (To apply for reimbursement, go to www.equifaxbreachsettlement.com.)

Caveats. Before you file for reimbursement, consider that, first, consumers will generally be expected to document their damages and time spent dealing with the problem—and the more money you ask for, the more documentation you'll be asked to provide. Up until now, that's been unprecedented for data breach settlements, says Charity Lacey, of the Identity Theft Resource Center. "If that's the trend, are we expecting customers to document everything they do after they're affected by a breach? Every breach?" she asks.

The other caveat concerns the amount of funds available to consumers and how that money will be allocated. Although a total of about $400 million has been set aside for consumer restitution, the actual amounts available for different settlement options—such as hour-by-hour reimbursement, free credit monitoring services, and credit monitoring reimbursement—varies by option.

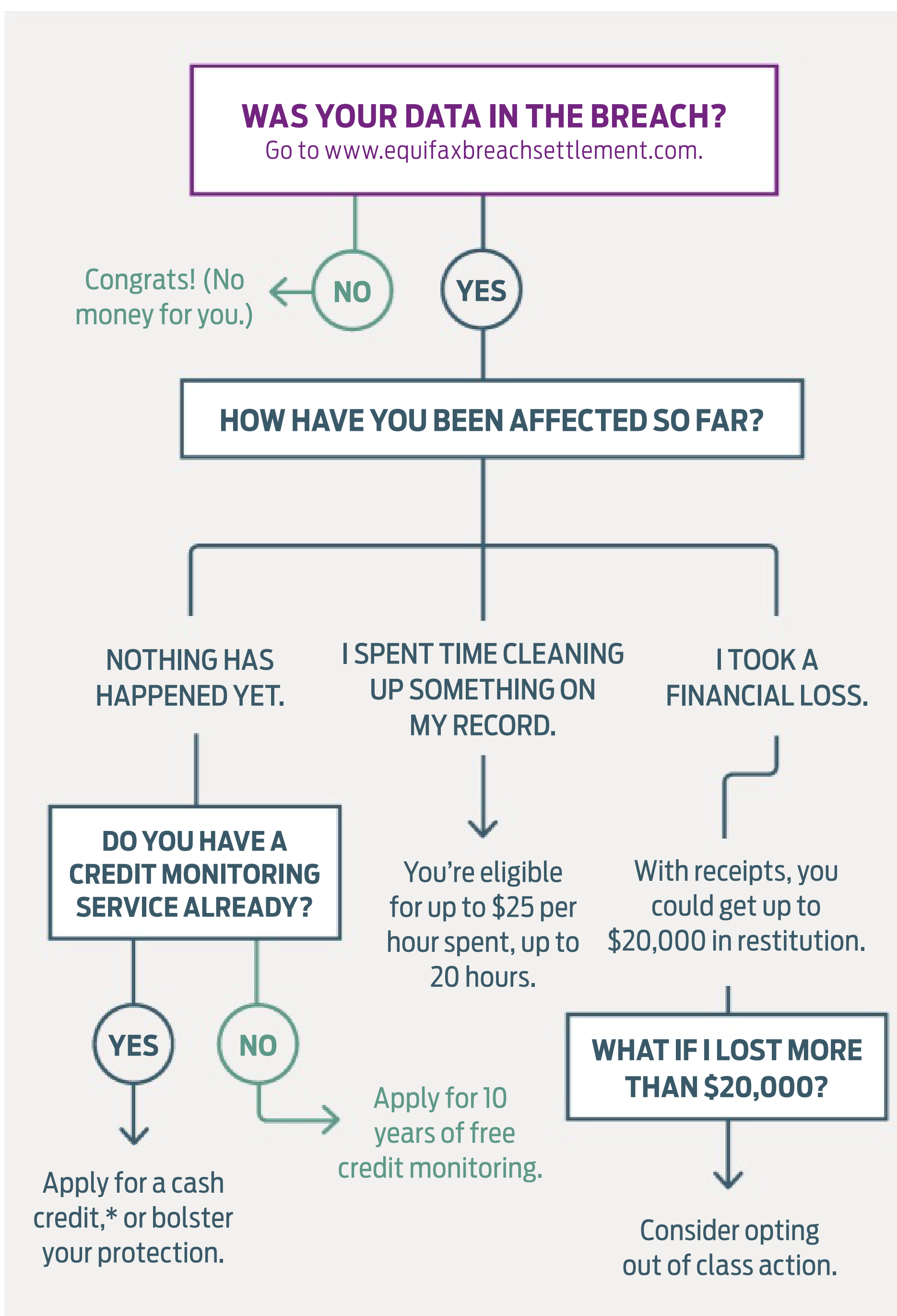
At least one pool has already been stretched painfully thin by the volume of applicants. One week after the settlement was announced in late July, the Federal Trade Commission told consumers they'd be "disappointed" if they expected the full $125 reimbursement payout available to those who have already signed up for credit monitoring elsewhere.

Only $31 million was set aside for the payment pool, which would pay only 248,000 people if everyone received the full $125. Because the reimbursement payments will be paid equally to everyone in the pool, the actual payment will likely be a fraction of the advertised amount. More than 4.5 million people visited the official settlement website in the week after the deal was announced, the FTC said.

If you believe you're owed more than $20,000—or you're concerned that your payoff will be diluted by the number of claimants—you can opt out of the suit by November 2019 and retain your right to pursue separate legal action.

If you don't opt out and you apply for any kind of restitution—or you don't take any action—you'll be unable to sue the company for any future damages from the 2017 breach.

BRENDAN PEDERSEN



*The settlement originally offered a payment up to $125, but the FTC has since told consumers that due to sheer demand, the amount individuals receive will be much less.

HIDDEN FIGURES

RESORT FEES: NO DAY AT THE BEACH

Lawsuits may force hotels to make costs more transparent.

TRAVELERS WHO SHOP AROUND FOR GOOD deals on hotels are often surprised to discover that their rooms cost more than expected. The culprit: resort fees, which add about $23 per day, according to ResortFee Checker.com. But those fees could soon become extinct, or at least harder for hotels to conceal.

In July, the attorneys general of Washington, D.C., and Nebraska filed lawsuits against Marriott International and Hilton, respectively, charging them with deceiving customers. The courts must decide whether the hotels provide adequate disclosure of the fees or whether they're illegally withholding fees until customers book their rooms, says Bjorn Hanson, a hotel industry consultant. If the lawsuits succeed, hotels may scrap the fees or disclose them more prominently, Hanson says.

Opponents of the fees argue that they're illegal, even if they're disclosed, because consumers can't opt out of them. And often hotels charge for amenities guests wouldn't associate with a resort getaway, such as local calls or notary services. You can look up fees at ResortFee Checker.com. Before you book a room, ask the hotel to waive them. It also helps to reserve with points; Hilton and Hyatt generally don't charge resort fees for award reservations.

SABRINA MEDLER

CALENDAR

10/2019

▲ TUESDAY, OCTOBER 1

The Free Application for Federal Student Aid (FAFSA) goes live for the fall 2020 academic year. File as early as possible, using your most recent tax return. Interested in schools that don't load graduates with a lot of student debt? Go to kiplinger.com/links/lowdebt.

SATURDAY, OCTOBER 12

National Savings Day. Most of us know it's important to save for retirement, but how about for a rainy day? Nearly 40% of American families can't come up with $400 for an emergency, according to the Federal Reserve. For tips on building an emergency fund, go to kiplinger .com/links/emergency.

TUESDAY, OCTOBER 15

Medicare open enrollment starts today. For Medicare Advantage or Part D prescription-drug plan participants who aren't happy with the changes noted in their Annual Notice of Change, now is the time to shop around for a new plan. Advantage enrollees can switch to original Medicare—and vice versa.

FRIDAY, OCTOBER 25

Do news stories have you worried about safety during fall vacation trips? Turn to page 67 for strategies to objectively judge security at your destination before you decide to cancel.

THURSDAY, OCTOBER 31

October is Estate Planning Month. More than 50% of Americans don't have a will. If you die without a will, the state will decide who will inherit your savings and other assets. If you have a will, make sure it's updated to reflect changes such as marriage, childbirth or divorce (see "Estate Planning: A Family Affair," Dec. 2018). **RIVAN STINSON**

DEAL OF THE MONTH

Mid October is the perfect time to replenish your fall staples, with clothing discounts of up to 40% for top brands, according to experts at Bospar.

ISTOCKPHOTO.COM (2)

ASK KIP

Why Stocks Belong in a Roth IRA

Put bonds and securities with less growth potential in a traditional IRA.

PATRICK GEORGE

I've heard that stocks should be held in a Roth IRA and bonds should be held in a traditional IRA. But for tax efficiency, shouldn't it be the reverse?
R.M., BALDWINSVILLE, N.Y.

Given the tax characteristics of both IRAs, it's usually better to hold investments with the greatest growth potential—typically stocks—in a Roth, and assets with more moderate returns—usually bonds—in a traditional IRA.

Here's why: You invest in a Roth with after-tax dollars, and later in retirement your withdrawals will be tax-free. And unlike a traditional IRA, you don't have to take minimum withdrawals after age 70½. That means your Roth investments can continue to grow, possibly for decades. "Having your most aggressive or riskiest investments in your Roth is designed to maximize that tax-free growth," says Michael Peterson, a certified financial planner in Chambersburg, Pa. If you don't need the money, you can leave the Roth to your heirs, who will enjoy tax-free withdrawals, too.

Withdrawals from a traditional IRA are subject to ordinary income tax; so is bond income outside of an IRA. But by putting taxable bonds in a traditional IRA, you'll get tax-deferred growth until you must make withdrawals. Bonds tend to have moderate returns, so the tax bite might also be less than if you were forced to liquidate greatly appreciated stocks in the account, Peterson says. Also, if you hold stocks in a regular IRA, you might have to sell them for a loss if the market tumbles when you are taking a required distribution. There's lower risk of that happening with bonds.

Dropped as an authorized user. Years ago, my parents made me an authorized user on one of their credit cards. I have my own cards now, and they are taking me off their account. Will this affect my credit score?
S.M., BROOKLYN

It can, but maybe not much if you're managing your cards well. "You might see a bit of a dip in your score because there's been a significant change. But if you've established a strong credit history otherwise, that score will rebound," says Rod Griffin, with credit bureau Experian. If your parents' card has a record of late payments, being removed as an authorized user could even lift your score.

Be aware, the credit line on your parents' card will no longer factor into your utilization ratio (what you owe on your cards as a percentage of available credit). This is a key score component; the lower the utilization, the better for your score.

Your parents' card also might disappear from your credit report; if so, the age of their account won't factor into your score. Length of credit history counts for 15% of a FICO score. If your other cards are newer than your parents' account, your score may dip.

HSA investing. How should I invest in my health savings account after age 65?
A.M., LAS VEGAS

As with your retirement accounts, you'll generally want to shift toward a less aggressive HSA portfolio as you age, which means decreasing the amount in stocks and increasing your cash and bond holdings. If you're likely to need to use the money soon, keep some funds in the HSA's money market or checking account to protect it from market fluctuations.

Fees and investments vary among HSAs, but you often get a choice of stocks, bonds and funds. Find HSA administrators and compare fees and investments at HSAsearch.com.

FDIC coverage. I'm handling an estate with more than $250,000 in cash. Is it safe to leave the money briefly in a bank account with only $250,000 of FDIC insurance?
D.D., PUEBLO WEST, COLO.

It's highly unlikely that a large bank will go under, and your risk is even lower if you don't leave the excess deposits in the bank for long. But if you want peace of mind, you can open accounts under different ownership categories. If you and, say, your spouse have joint accounts at an FDIC-insured bank, you'll each receive $250,000 in coverage for your joint-account balances, plus $250,000 per person for individual accounts you have, for a total of up to $1 million. Or you can spread the money among multiple FDIC-insured banks. ■

HAVE A QUESTION? SEND IT TO ASKKIP@KIPLINGER.COM.

10 Fun Ways Boomers Can Use Online Savings Accounts

If you're close to retirement or already retired, there are many good reasons to open one or more dedicated, online savings accounts.

Arguably, the most important is to ensure easy access to cash for emergencies. An emergency fund can help you avoid tapping your long-term retirement savings accounts, which may have a negative tax impact, for unexpected costs such as a busted air conditioner or trip to the emergency room.

Another critical objective is for protection against market volatility. Having cash reserves (enough to cover two or even three years of living expenses) can help you preserve your investing assets should stocks take a dive right before or during retirement.

But you can also use online accounts to grow savings earmarked for more engaging goals. Think about putting aside small amounts over time in these high-yield accounts for the kind of special purchases and experiences that can bring you joy.

Here are a few popular splurges and how much they may cost you.

Weddings or rehearsal dinners. According to *Brides* magazine, 42% of couples said their parents fully paid for their wedding in 2018—festivities that cost more than \$44,000 on average. Rehearsal dinners that year were pricey, too. TheKnot.com says they averaged \$1,297.

Bucket-list travel. Baby Boomers told AARP they plan to spend an estimated \$6,600 on leisure trips in 2019. And 53% of those surveyed said they plan on traveling internationally in 2019, with "bucket list trips" a top motivation for going abroad.

Home renovations. Households age 55 and over accounted for half of all homeowner improvement spending in 2017, according to Harvard's Joint Center for Housing Studies. And average spending on projects has increased significantly in recent years—hitting \$2,800 in 2017.

Helping an adult child buy a home. One in five US homeowners received gifts or loans to help them buy a home in 2018, says Legal & General Group, a financial services firm. Parents accounted for 72% of the lending and provided loved ones with an average of \$39,000.

New cars. Fifty-four percent of Boomers told AARP that a car is worth splurging on. Likewise, 77% said their vehicle brings them happiness and 78% said it is the key to their independence.

Down payment on a vacation home. Homes purchased for family gatherings may one day become retirement abodes. According to Bankrate.com, lenders often require a down payment of 10% to 20% for second-home mortgages.

RVs and boats. Leisure vehicles can add a unique sense of adventure to retirement life. The RV Industry Association says prices for new RVs range from \$6,000 for modest models of folding camping trailers and truck campers to \$500,000 for higher-end models of Type A motorhomes. Boats also come in many price points. According to the National Marine Manufacturers Association, a small aluminum fishing boat will set you back less than \$1,000, but a sportfishing yacht can cost millions.

Cosmetic enhancements. There were nearly 50,000 more cosmetic procedures performed on those 55 and older in 2018 than in the previous year, according to the American Society of Plastic Surgeons. They included liposuctions, hair transplantations, breast augmentations, eyelid surgeries and facelifts. Fees range from just over \$3,100 to more than \$7,600, depending on the type of procedure.

Exercise equipment. Fitness goals can be easier to reach with the convenience of a home gym. *Consumer Reports* says popular cardio machines include treadmills, which start at about \$500, and ellipticals, which can cost about \$600 or more.

Supporting education. According to AARP, 21% of grandparents spend money on their grandchildren's school or college tuition, with the average amount being \$4,075 annually.

A good place to stash your cash

Online savings accounts offer dramatically higher yields than traditional banks. In fact, the interest rate for online accounts at Barclays is 21 times the national average.[1]

There are other attractive features as well. Many online accounts, including those with Barclays, have no monthly maintenance fees, don't require a minimum opening balance, and are insured by the Federal Deposit Insurance Corporation.

Visit **Banking.BarclaysUS.com** for more information.

[1]National savings average rate courtesy of the FDIC's Weekly National Rates and Rate Caps, as of 08/07/2019; average rate used is for deposits under \$100,000.


BARCLAYS 60-MONTH CD
2.75% APY
BARCLAYS ONLINE SAVINGS ACCOUNT
2.10% APY
With rates up to 21x the national average you can coast from here
• No monthly maintenance fees
• No minimum balance
• 100% U.S.-based customer service
• Secure 24/7 online access to your funds
Open a Barclays Online Deposit Account today at:
barclaysus.com/Kiplinger10

ILLUSTRATIONS BY JON KRAUSE

INVESTING

WE RANK THE ONLINE BROKERS

No broker can hit the bull's-eye for every type of client. Use our results to find the best one for you. BY RYAN ERMEY

WHEN IT COMES TO SATISFYING THEIR CLIENTS, BROKERAGES ARE AIMING AT A MOVING TARGET. AND CONSIDERING that different investors may have wildly different needs, maybe its fairer to say that brokerages must hit several moving targets. Our 2019 online broker ranking recognizes that no brokerage can hit the bull's-eye for every type of client, and that the firm with the broadest appeal may not meet your specific needs. But ultimately, we favored firms that could do the most for most investors. // This year's winner: E*Trade, with Interactive Brokers and Fidelity close behind. The results show, however, that many firms have excellent services to offer. In the seven categories we used to rate the brokerages, six different firms won the top ranking. // As investor needs and preferences change, brokerages must adapt. Brokerages' mobile apps have grown more sophisticated as more clients have demonstrated that they like to do business on the go. And as investors have demanded lower costs, brokerages have trimmed commissions and fees across the board. // But brokerages also need a keen ear for clients' particular needs. Some clients want to be left alone to do their own thing, while others want their hand held. Some want to pay as little as possible to invest, and others are willing to pony up enough in assets to gain access to their own personal planner.

Ally Invest president Lule Demmissie, for instance, says her firm's clients value simplicity, and a major focus of the firm's continuing platform overhaul is to make it easier for clients to understand Ally's products. The buzzword often heard in a recent meeting with Ally representatives: *de-jargoning*. By contrast, the average TradeStation client is an experienced trader in search of sophisticated tools that will help him or her gain an edge in active trading. The box on page 26 will help you narrow your choices.

Nearly every broker says mobile investing has become essential, and mobile functionality received slightly more weight in our ranking calculation this year, as did tools and research, which are valuable no matter what kind of investor you are.

To be included in our survey, firms had to clear a few hurdles, such as offering a mobile app and allowing clients to trade stocks, mutual funds, exchange-traded funds and bonds. Firms that didn't qualify may still be worth considering (see the box on page 25). Among firms that declined to participate in our survey: eOption, T. Rowe Price, Vanguard and You Invest by J.P. Morgan. Read on to see how firms performed in seven categories.

COMMISSIONS AND FEES

Thanks to ongoing price wars, the cost of investing these days is lower than ever. So how does a broker separate itself from the pack when even the pricier shops charge the price of a side salad to trade stocks and ETFs? By offering free trading.

At some brokerages, what you'll pay in commissions may vary depending on the size of your account and how often you trade. At Firstrade, the calculus is simpler: Customers pay no commissions to trade stocks, ETFs, mutual funds and options, making it a runaway winner in the category.

A few other brokers offer a fixed price for stock and ETF trading, regardless of the assets in your account or how many shares you trade. Of those, TD Ameritrade is the most expensive ($6.95 per trade), followed by Fidelity and Schwab (both $4.95).

E*Trade lowers its $6.95 standard commission to $4.95 for investors who make 30 trades per quarter. If you trade that frequently at Ally Invest (or hold at least a $100,000 daily balance in your account), you'll get $1 off the standard $4.95 commission.

WellsTrade and Merrill Edge might slash your fees based on your relationship with their affiliated banks. WellsTrade customers who link their account to a Portfolio by Wells Fargo checking account see their commission knocked down $3 from the standard rate, to $2.95. Customers enrolled in the Bank of America (Merrill's parent) Preferred Rewards program with a minimum of $20,000 in combined assets qualify for at least 10 free trades per month, avoiding the standard $6.95 rate. The firm lowered the qualifying asset threshold earlier this year from $50,000. As a result, according to Merrill, more than 80% of trades on its platform are commission-free.

Interactive Brokers and TradeStation offer excellent deals for frequent traders. Customers at both firms can pay as little as a fraction of a cent per share, depending on the pricing plan they choose and the quantity of shares traded. Costs can add up if you don't trade much, however. Interactive Brokers customers with less than $100,000 in their account who fall short of $10 in commissions per month pay the brokerage the difference. TradeStation investors paying by the share are subject to steep inactivity and low-balance fees.

Most brokerages charge $1 per bond to trade municipal and corporate debt. Under this scenario, an investor who purchased 20 Lockheed Martin bonds at $142.94 apiece (for a total face value of $2,858.80) would pay $20 in commissions. There are a few exceptions. WellsTrade and Firstrade both trade bonds on a "net yield" basis, folding a markup into their bond pricing. Interactive Brokers charges 0.1% of corporate bonds' total face value on the first $10,000 in face value and 0.025% thereafter (the percentages are lower for munis and Treasuries). On the same bundle of Lockheed bonds, for example, an investor would pay $2.86 in commissions. Four brokers—E*Trade, Fidelity, Merrill and Schwab—charge nothing to trade Treasury bonds; the others' fees vary. TradeStation isn't geared toward bond investors, charging a $14.95 commission plus $5 per bond of any type.

INVESTMENT CHOICES

Any brokerage worth its salt gives customers a wide array of investments to choose from. The top firms in this category go further by providing deep rosters of high-quality investments that customers can get on the cheap.

TD Ameritrade boasts the largest number of mutual funds that customers can purchase with no sales or transaction fee: 4,102. E*Trade, Fidelity, Firstrade, Interactive Brokers and Schwab all reach the high 3,000s or better. E*Trade claims the most funds—3,137—with a three-star rating or better from investment research firm Morningstar, with Schwab,

Merrill and Fidelity not too far behind.

Firstrade boasts the largest list of commission-free ETFs, with an astonishing 2,200. The totals at TD Ameritrade, Schwab and Fidelity number in the 500s, with a steep drop-off after that. Fidelity's commission-free ETF roster is full of low-cost options, coming in with the lowest average expense ratio of the bunch, at 0.36%.

No brokerage offers more corporate and municipal bond trading on the secondary market than Interactive Brokers. E*Trade reigns supreme with new-issue corporates, and Fidelity has the most new-issue munis. International investors will appreciate that Interactive Brokers offers trading on 85 exchanges in developed and emerging markets; Schwab comes in second with 61. Fidelity made the most U.S. initial public stock offerings available to investors—271 over the 18 months ending June 30. Second place: TradeStation, with 55.

MOBILE APPS

Brokerage reps say their customers interact with their mobile platforms more than ever before. High marks in this category went to brokers whose mobile apps offered customers the functions and convenience of traditional websites tailored to the devices on which, studies show, people spend some 20% of their waking hours.

Of the brokerages we surveyed, only Interactive Brokers' mobile app handles stock, mutual fund, ETF and bond trading. Fidelity does not offer bond trading on its mobile app, but otherwise, the apps at Fidelity and Interactive hit practically every mark we looked for. You can trade options or trade on margin (that is, using a loan from the broker), for instance, and both apps allow customers to pay bills from their brokerage accounts, provide real-time streaming quotes and send news alerts on stock positions. Interactive Brokers' app offers robust charting, with 70 technical indicators for users to apply to their charts. (Only Firstrade's mobile chart has more indicators to choose from, but because the app lacks key functions, such as mobile check deposits, it brings up the rear in the category.)

E*Trade, Merrill Edge and Schwab also score well in this category, with all offering most of what we looked for (minus bond trading) as well as handsome mobile interfaces. E*Trade lost a few points for its relatively basic mobile charting. Merrill's score suffered because users can't make ACH fund transfers, and Schwab got dinged because users can't pay bills from its app. A major blow to the scores of Ally, Firstrade, TD Ameritrade, and TradeStation: None of their apps allows for mutual fund trading.

TOOLS

Brokerages that offer an array of high-quality, low-cost investments give their customers many ways to invest to help meet their goals. But most investors need help charting a path toward those goals and narrowing down the investments that are best for their particular portfolios.

Most of the brokerages offer plenty of tools aimed at helping investors do just that. Nearly all of them offer a tool that shows a client's progress toward a goal, and all but a few show users an aggregate view of disparate accounts, giving them a holistic view of their financial life. All but Firstrade and WellsTrade show investors how their portfolio's performance stacks up against appropriate benchmarks. Five firms—E*Trade, Fidelity, Interactive Brokers, TD Ameritrade and TradeStation—offer some form of virtual trading, so you can test-drive strategies before putting them into action.

The leaders in this category are committed to educating their clients. Schwab hosted more than 5,000 live educational events for clients in 2018 on saving and investing topics ranging from estate planning to behavioral finance. Merrill Edge has more than 3,600 educational videos and webinars on its site. TD Ameritrade has eight or nine educational webcasts and two blog posts daily, in addition to the 7.5 hours of live market commentary that runs weekdays on its proprietary TD Ameritrade network.

For investors with some expertise, virtually all of the top performers in the category offer stock charts as well as stock, mutual fund and ETF screens with dozens of data points to help you narrow down your investment search. Kudos go to TradeStation, whose scanner allows traders to screen stocks, mutual funds and ETFs for more than 2,000 data points. E*Trade, Fidelity, Merrill Edge, Interactive Brokers and TradeStation all allow investors to screen stocks based on broad investing themes, such as cloud computing or robotics.

RESEARCH

Investors who want basic research on a stock, bond, mutual fund or ETF can likely find what they're looking for at most brokerages, whose summary and quote pages all include common data points, such as earnings, revenues, interest payments and expense ratios. But the more sophisticated you are about your investments, the more clear, high-grade research you'll need.

All but two firms—Ally Invest and Firstrade—show consensus corporate earnings estimates from Wall Street analysts. Only Firstrade and TradeStation don't provide any sources of bond market research. All but Fidelity, Interactive Brokers and TradeStation offer some research from Morningstar that is usually available only to Morningstar's premium customers. Ally Invest and Firstrade offer full Morningstar analyst reports on stocks, mutual funds and ETFs.

Interactive Brokers reported the most sources of investment research in our survey, followed by Merrill Edge, Fidelity, TD Ameritrade and Schwab. But both Fidelity and Interactive Brokers boast a quantity of research that belies a lack of quality, with most of the reported research missing in-depth analysis in favor of quantitative, oftentimes computer-generated reports.

Interactive Brokers does score a few points, along with Ally Invest, Merrill Edge, Schwab and TD Ameritrade, for offering stock analyst reports from investment research firm CFRA. Firms also earned points if they provided stock research from an investment bank. For example, Schwab and TD Ameritrade include reports from Credit Suisse (E*Trade makes Credit Suisse reports available for customers with more than $100,000 in assets). WellsTrade offers reports from Wells Fargo Securities, and Merrill Edge provides research from Bank of America Merrill Lynch Global Research.

For investing ideas curated by a professional, six of the 10 (all but the bottom four scorers in this category) boast lists of suggested mutual funds handpicked by analysts from Morningstar, investment banks or the brokerages' affiliated advisories (or some

The Rankings

HOW THE BROKERS SCORE IN EVERY CATEGORY

The brokers' overall score depends on the weight we assigned to seven categories. Here's how it breaks down: commissions and fees, 10%; investment choices, 20%; mobile app, 25%; tools and research, roughly 13% each; and advisory services and user experience, 10%. The best firm for you may depend on how you invest, how often you trade and the services outside of buying and selling you need.

Rank	Broker	Overall score (1–100)	Stock/ETF commissions	Commissions and fees	Investment choices	Mobile app	Tools	Research	Advisory services	User experience
1	**E*Trade** etrade.com	82.9	$6.95*	6th	2nd	3rd	7th	4th	3rd	2nd
2	**Interactive Brokers** interactivebrokers.com	82.3	Per share†	2nd	4th	1st	6th	7th	4th	7th
3	**Fidelity** fidelity.com	82.2	4.95	8th	1st	2nd	5th	6th	2nd	4th
4	**Charles Schwab** schwab.com	79.8	4.95	9th	5th	5th	3rd	1st	1st	3rd
5	**Merrill Edge** merrilledge.com	75.0	6.95	3rd	9th	4th	2nd	2nd	6th	1st
6	**TD Ameritrade** tdameritrade.com	73.3	6.95	10th	6th	7th (tie)	1st	3rd	5th	5th
7	**Ally** ally.com/invest	57.5	4.95#	4th	7th	9th	8th	8th	7th	9th
8	**Firstrade** firstrade.com	57.2	0	1st	3rd	10th	10th	9th	NA	6th
9	**TradeStation** tradestation.com	48.5	$5/ per share‡	5th	8th	6th	4th	10th	NA	10th
10	**WellsTrade** wellsfargo.com	47.0	5.95	7th	10th	7th (tie)	9th	5th	NA§	8th

*E*Trade charges $4.95 per trade after the first 30 trades per quarter. †Based on the number of shares traded. #Ally charges $3.95 per trade after the first 30 trades per quarter. NA Not available. ‡TradeStation offers a $5 per-trade plan or a per-share plan for frequent traders; pricing starts at one cent per share. §WellsTrade declined to compete.

combination of the three). Merrill Edge, Schwab and WellsTrade provide their own in-house lists of stock recommendations as well. Stocks in Merrill Edge's U.S. 1 and Endeavor lists, for instance, are chosen by Bank of America Merrill Lynch research analysts.

ADVISORY SERVICES

Firstrade and TradeStation don't offer advisory services, and WellsTrade declined to compete in this category. The rest of the brokers surveyed offer some form of advice to clients. Depending on your investing preferences and account assets, you may find yourself following the lead of an algorithm-based "robo" adviser, a real-life financial planner (some certified financial planners, some not) or some combination of the two.

Fidelity and Schwab sit at a virtual tie atop the category, thanks to their budget-friendly robo-advisory services. Fidelity Go comes with a minimum investment of just $10, by far the lowest barrier to entry of the group (though at $100 and $500, respectively, Ally Invest's and E*Trade's robos are an option for most investors). Fidelity Go's 0.35% management fee is the second-highest (Merrill Edge charges non-Preferred Rewards clients 0.45%) but includes expense ratios on the underlying funds that make up the plan's portfolios.

The $5,000 minimum for Schwab's robo service, Intelligent Portfolios, ties with the offerings from Interactive Brokers, Merrill Edge and TD Ameritrade as the most expensive. But once you're in the door at Schwab, things get cheap. Investors pay no management fee, and expense ratios on its portfolios are as low as 0.08%.

Schwab's service offers 36 portfolios, second to Interactive Brokers, whose advisory arm, Interactive Advisors, offers 75 choices. At Interactive, investors can elect to be placed in an asset allocation portfolio that is based on their answers to a nine-question survey, or they can choose from a menu of portfolios created by investment pros at advisers such as State Street Global Advisors and Legg Mason. Management fees range from 0.08% to 1.5%, and the average portfolio charges an expense ratio of 0.14%.

The robos at TD Ameritrade and Merrill are worthy options, but they got dinged in our ranking for requiring slightly higher minimums and charging a bit more in expenses than their peers. Merrill, Ally and Interactive Brokers lost points for lacking some of the amenities expected by high-net-worth clients, such as estate planning. All but Ally will assign an account representative to clients who meet a certain asset threshold; Fidelity, Schwab and TD Ameritrade offer a CFP. You need $25,000 in assets to access a CFP at Schwab, one-tenth of the $250,000 required by Fidelity and TD Ameritrade.

USER EXPERIENCE

Online brokers strive to make interactions seamless, with platforms that are intuitive, transparent and informative. With that in mind, our team of investing writers tested each of the brokers' websites and mobile apps and rated their experiences.

Merrill Edge scored top marks. A makeover to the website last year slashed the number of navigation links from 149 to 75, effectively cutting in half the clicks needed to browse the site, says Merrill exec Cory Triolo. Users can summon a trade ticket from any page on the site and don't have to navigate away to execute a trade.

The platform's various "story" modes—applicable to stocks, mutual funds, ETFs and client portfolios—ask a series of questions essential to understanding the investment instrument at hand, each time providing a matter-of-fact answer along with educational content and actionable advice tailored to the individual investor. "We want to really guide you down the path and make finding ideas easy," says Merrill's Steve Lucas.

Investors will find a similar philosophy at E*Trade, which scored high

Smaller Shops

Not Ranked but Worth Mentioning

Not every broker provides all of the amenities that the firms in our rankings offer. To qualify, a firm had to allow clients to trade stocks, bonds, mutual funds and exchange-traded funds; deliver at least a modicum of investment advice; and offer an array of investment tools and research resources. The firms below don't cover all of those bases, but each serves a niche.

You won't find everything at Robinhood, for instance, but you will find a handsome, easy-to-use platform that offers stock, ETF and option trading commission-free. Investors looking for free stock and ETF trades can also find them at TradeZero, though with some caveats: Shares must be purchased in lots of at least 200 to be commission-free and must be bought using a limit order.

Investors just starting out may favor investing apps such as Stash or Acorns. Stash users fill out a short questionnaire to determine their goals, investing preferences and risk profile, then Stash recommends ETFs and individual stocks (allowing investors to purchase fractional shares) that will help investors achieve their goals. Both apps can round up purchases on a linked spending account and automatically invest the "spare change" in an investing account. At Acorns, you'll be placed into one of five diversified ETF portfolios based on your time horizon and tolerance for risk.

At the other end of the spectrum, investors with proverbial PhDs in trading might prefer a platform built for active traders. Lightspeed Trading clients have to trade a ton to qualify for the lowest commissions, but they can get access to the type of automated, algorithmic trading favored by hedge fund managers. Frequent traders of stock options and futures may opt for Tastyworks, which offers bargain prices to buy and sell them.

marks among our testers for the intuitiveness of its platform and the ease with which users could find investment research. Stock-quote pages are full of useful research on the web and mobile platforms, and investors looking for investment ideas can start with the firm's thematic investing page, which recommends ETFs that play on themes such as cybersecurity, self-driving cars and millennials.

Schwab and TD Ameritrade post good scores in this category as well. TD customers, who could already interact with their brokerage through Facebook Messenger, Apple Chat, Twitter direct messages or by talking to their Amazon Alexa device, can, since July, access brokerage information in their car through Apple CarPlay, Android Auto and Echo Auto.

Other brokerages were hit-and-miss. Our writers loved Fidelity's robust ETF quote page, for instance, but then wondered why similar pages for mutual funds were practically devoid of information. Firstrade's website was the speediest of the bunch, and operating its mobile trade ticket was a breeze, but it was nearly impossible to find serious research on the mobile app. Ally's and WellsTrade's platforms were mostly a miss: clunky, sparse and difficult to navigate.

Though Interactive Brokers and TradeStation both offer platforms and tools that are cutting-edge for advanced, active traders, neither site proved terribly intuitive to the everyday investors among us. ■

CONTACT THE AUTHOR AT RERMEY@KIPLINGER.COM.

Personalize It

FIND THE RIGHT BROKER FOR YOU

Investors of all stripes can find standout brokers that offer the services they value most.

Best for exchange-traded fund investors: **FIRSTRADE**. Its industry-leading roster of more than 2,200 commission-free ETFs beats most brokers by a mile. (Vanguard, which declined to participate in our survey, offers some 1,800 such funds.) Investors shopping among Firstrade's free funds will find every member of the Kiplinger ETF 20 (our favorite ETFs) and thousands more.

Best for mutual fund investors: **CHARLES SCHWAB, E*TRADE, FIDELITY, INTERACTIVE BROKERS** and **TD AMERITRADE**. Each offers more than 3,900 mutual funds that you can buy with no sales fee or fee to trade. Interactive Brokers, Schwab and TD Ameritrade win for breadth: Each list cracks 4,000 funds. E*Trade boasts the highest percentage of no-transaction-fee funds with three-star ratings or better from Morningstar. Fidelity offers four funds with 0% expense ratios and 27 funds (including those four) that have no investment minimum.

Best for active traders: **FIRSTRADE, MERRILL EDGE, INTERACTIVE BROKERS** and **TRADESTATION**. You'll pay no commission to trade stocks at Firstrade, and Preferred Rewards customers with a combined $100,000 balance at Bank of America earn 100 free trades per month at Merrill Edge. Wheeler-dealers can pay fractions of a cent per share at Interactive Brokers and TradeStation, and both offer tons of tools geared toward active traders.

Best for margin traders: **INTERACTIVE BROKERS**. Investors with $100,000 in an account looking to trade with borrowed money will pay 3.89% on margin loans. The nine other firms in our survey levy between 7.7% and 9.5%.

Best for investors who hold cash: **FIDELITY**. Fido offers the highest interest rates among brokers in our survey on "sweep" accounts (the accounts that hold clients' uninvested cash). The default account, Fidelity Government Money Market (symbol SPAXX), yields 1.82%. Investors can also use Fidelity Treasury Money Market (FZFXX), yielding 1.81%, as their sweep account or a cash account called FCASH, which pays 1.07% in interest.

Best for beginners: **MERRILL EDGE**. The "story" features on this easy-to-use platform walk investors through investment analysis and decision-making. The "Stock Story" mode leads the investor to questions, for instance, about a company or its shares. The answers are full of digestible analysis and actionable advice.

FUNDS

How to Navigate Overseas Investing

Low-volatility funds can help you ride out the ups and downs of foreign markets. BY NELLIE S. HUANG

FOREIGN STOCKS HAVE TAKEN investors on a harrowing ride in recent years. That has left many investors believing that the risk in international markets outweighs the reward. But a growing number of funds that focus on low-volatility stocks offer wary shareholders a low-risk way to approach these uncertain markets.

Chances are you're light on international stocks, given the long bull market in U.S. stocks. The average American stock portfolio holds 30% in foreign stocks, says Fran Kinniry, head of Vanguard's investment strategy group. But international firms make up half of the world's total market value. And, Kinniry says, many investors don't own any international stocks. "We'd rather see more of those investors put their toe in the water and boost their foreign stock exposure to 10% to 20% than debate whether 30%, 40% or 50% is better," he says.

Low-volatility funds offer a smoother path to international markets. "Smoothing the ride helps investors stay invested longer and stay true to their goals," says Holly Framsted, head of smart-beta ETFs at BlackRock's iShares.

The benefits of low-volatility investing came to light decades ago. Researchers found that the traditional thinking—that the more risk you take on, the bigger the reward—didn't hold true when it came to volatility. In fact, high-volatility stocks lagged the market over time, and low-volatility stocks—deemed less risky because they exhibit less price variability than the average stock—outperformed over the long haul. "You earn better risk-adjusted returns with less-volatile stocks," says Ryan Issakainen, ETF strategist for First Trust. "A bunch of behavioral reasons explain this, but the empirical evidence is there."

Winning more by losing less. Over short periods, the returns of low-volatility stocks typically fail to match their benchmarks—in both up and down markets. New research from S&P Dow Jones Indices confirms earlier studies: Low-volatility stocks outperform other stocks in down markets far more than they lag in up markets.

Low-vol funds are hot right now. Assets in exchange-traded funds that follow the strategy have grown nearly 40% since the end of 2018, to $81 billion in June 2019, compared with a 20% gain for U.S. stock ETFs overall. But about half of the ETFs in the category are less than two years old—too short a track record for us to recommend.

Each of the five funds on our short list has at least a five-year track record. They don't all follow the same approach to low-volatility investing. Some pay close attention to sector and country weightings; others pay no heed to either. But they all deliver a less bumpy ride than broad international markets.

▶ **INVESCO S&P INTERNATIONAL DEVELOPED LOW VOLATILITY ETF (SYMBOL IDLV).** This ETF offers a pure approach to low-volatility investing. It tracks an index of the 200 least-volatile large- and midsize-company stocks in a subset of a Standard & Poor's global index that excludes the U.S. and emerging countries. Stocks with the lowest volatility over the past 12 months receive the most weight in the index, which is rebalanced four times a year. It's built "for investors who want to dial down risk," says Nick Kalivas, a specialist in stock ETF strategies at Invesco.

The ETF has delivered on that front and more. Over the past five years, it outpaced 93% of its peers—funds that invest in large, foreign firms with both growth and value traits—

ISTOCKPHOTO.COM

with 18.1% less volatility.

The index behind the ETF has some guardrails in place, but it doesn't set limits on sector or country exposures. Recently, 25% of the fund's assets were in financial stocks; real estate firms represented another 26%; and utilities constituted 13%. The tilt toward dividend payers gives the fund a 3.5% yield. Top country exposures are Canada (where 22.1% of assets are invested), Japan (17%) and Australia (8.4%).

▶ **ISHARES EDGE MSCI MIN VOL EAFE ETF** (EFAV). *Min Vol* stands for *minimum volatility,* which is important to note because *minimum volatility* and *low volatility* are two different things. Generally, low-volatility strategies focus on stocks with the smallest price movements, with no constraints on sector weightings.

Funds following minimum-volatility strategies, however, prioritize diversification as much as low volatility. "With minimum volatility," says BlackRock's Framsted, "it's not just about buying low-risk stocks." Such funds aim to stay in step with broad market index sector weightings, and in the case of international funds, country exposures, too. The goal is to offer a low-risk portfolio that can still work as a diversified core holding. "We don't want a strategy that will get concentrated in defensive sectors," says Framsted.

The underlying index of iShares Edge MSCI Min Vol EAFE starts with the MSCI EAFE index, which tracks large-company stocks in developed foreign countries.

Then the index is tweaked using computer algorithms to meet the goal of low overall volatility within its sector and country limitations. The fund rebalances twice a year.

The result is a rough match of the broad index, but not an exact one. The top three countries in iShares Edge MSCI Min Vol EAFE—Japan (29% of assets), Switzerland (13.8%) and the U.K. (11.6%)—vary from that of the parent index, which still puts Japan at the top, but with 24% of assets, followed by the U.K. at 16.7% and France at 11.2%.

Over the past five years, the ETF was 26% less volatile than the broad EAFE index, and it returned an annualized 5.5%, trouncing the 1.8% gain in the EAFE.

▶ **ISHARES EDGE MSCI MIN VOL EMERGING MARKETS ETF** (EEMV). Emerging markets can give investors a particularly rocky ride. Over the past five years, the MSCI emerging markets index was roughly 30% more volatile than the EAFE index. This ETF is best for mitigating the bumps. It uses a similar methodology to its iShares EAFE counterpart, discussed above, with an eye toward maintaining the country and sector diversification of the MSCI Emerging Markets index while maintaining a low-volatility profile overall for the portfolio.

Over the past five years, the ETF was 25.5% less volatile than the MSCI Emerging Markets index. Its five-year annualized return, 0.9%, just beats the EM index. Bank of Central Asia, Taiwan Mobile and Taiwan Cooperative Financial are among the fund's top holdings.

▶ **VANGUARD GLOBAL MINIMUM VOLATILITY FUND** (VMVFX). This actively managed mutual fund is a bit of a cheat on this list because half of its portfolio is invested in U.S. stocks. But the rest is devoted to foreign stocks, including 7% of assets invested in emerging-markets stocks. The fund's five-year record beats 91% of its peers—funds that invest in stocks all over the world—with 45.5% less volatility.

Manager Antonio Picca uses computer models to home in on stocks in the FTSE Global All Cap index that are expected to have lower volatility than the broad global stock market. The fund holds roughly 500 stocks and hedges against currency risk. Picca has leeway to adjust sector and country exposures, though he stays roughly in line with the FTSE index.

Although Vanguard often offers ETF equivalents for its mutual funds, it doesn't for Vanguard Global Minimum Volatility. So if you're looking for an all-in-one ETF that holds U.S. and foreign stocks, consider **ISHARES EDGE MSCI MIN VOL GLOBAL ETF** (ACWV). Over the past five years, the ETF beat the broad benchmark, which tracks stocks in 49 countries, with 27% less volatility. Waste Management, Nestlé and Consolidated Edison are among the fund's top holdings. ■

CONTACT THE AUTHOR AT NHUANG@KIPLINGER.COM.

STREET SMART | James K. Glassman

Betting on Stocks Down Under

When U.S. investors diversify globally, they typically buy international or regional mutual funds or shares in companies based in Europe, China, Japan, or maybe Mexico or Brazil. But there's a great big world out there, including countries that have strong and consistent growth, an energetic and imaginative population, thriving businesses, and robust trade unthreatened by tit-for-tat tariff battles.

One of the best of these markets is Australia, which is now in its 29th consecutive year of annual economic growth (the U.S. is in its 11th). On my first and only visit, my reaction was, "Wow, this place is more American than America!" What I meant was that Australia's robust, free economy was working even better than our own. Australia ranks fifth among 180 countries on the Heritage Foundation's 2019 Index of Economic Freedom, judged by such criteria as property rights, tax burden and government integrity (the U.S. is 12th). Australia's budget will show a slight surplus this year, according to an estimate by the Economist Intelligence Unit (the U.S. faces a deficit of 4.7% of gross domestic product). Australia has no estate tax, and its public pension system puts our Social Security system to shame by investing in real assets rather than building up huge liabilities for future generations.

Australia is a major trading nation—the number-one exporter of coal, iron ore and wool, and the number-two exporter of liquefied natural gas and beef. The trade war between the U.S. and China might benefit Australia—for example, as a substitute source of farm goods for Chinese consumers.

Australia's median wealth and GDP per adult are nearly the same as those of the U.S. and far ahead of Germany, France and the U.K. With a population of 25 million (fewer than Texas has), the country's economy ranks 13th in size globally, with GDP of $1.4 trillion. That's just behind South Korea, which has more than twice as many people.

Popular destination. Australia is a haven for immigrants, who tend to move to countries where they can get jobs. Some 28% of the country's population is foreign-born, by far the highest share for any developed nation of more than 10 million people. (The U.S. proportion is 14%.) Australia ranks third, behind Norway and Switzerland, on the United Nations Human Development index, which takes into account life expectancy, years of schooling and income (the U.S. is 13th). Three of Australia's cities (Melbourne, Sydney and Adelaide) are on the Economist Intelligence Unit's list of the 10 most livable cities in the world; no U.S. city made the list.

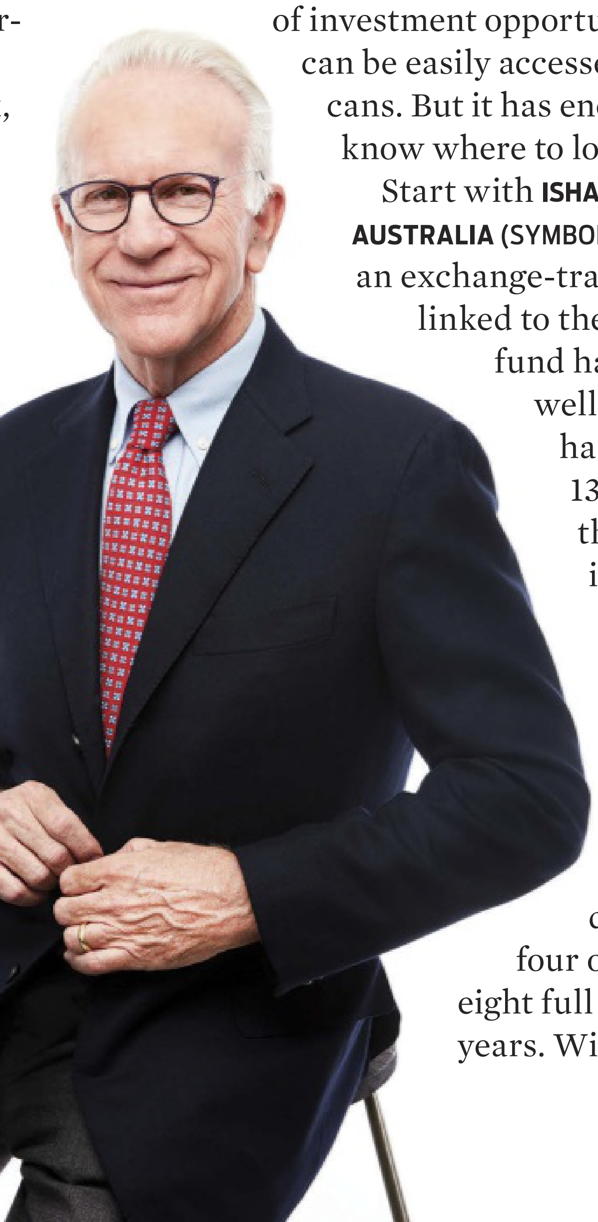
WITH THEIR SOUND FUNDAMENTALS AND ENTICING YIELDS, AUSTRALIAN STOCKS MAKE LOGICAL ADDITIONS TO ANY PORTFOLIO.

With all this going for it, Australia also has a stock market that looks cheap. Total returns, including dividends, for the MSCI Australia index (roughly the 68 largest Australian stocks by market value) have averaged 6.5% over the past 10 years, compared with 13.5% for Standard & Poor's 500-stock index, the U.S. benchmark. (Prices and returns are through August 9.)

The current price-earnings ratio for stocks on the MSCI Australia is 16, compared with 17 for the S&P 500. The price-to-book-value ratio for the Australian index is 2.1, compared with 3.5 for U.S. stocks. The dividend yield for the MSCI Australia index is 4.2%; for the S&P 500, it's 2%.

What Australia does *not* have is a lot of investment opportunities that can be easily accessed by Americans. But it has enough, if you know where to look.

Start with **ISHARES MSCI AUSTRALIA** (SYMBOL EWA, $21), an exchange-traded fund linked to the index. The fund has performed well in 2019—it has returned 13.9% so far this year—but its average annual return for the past five years is just 1.1%, and it has suffered declines in four of the past eight full calendar years. With an



POON WATCHARA-AMPHAIWAN

expense ratio of 0.47%, the ETF has a portfolio that is heavily weighted toward financial stocks, which account for 38% of assets, compared with just 13% for the S&P 500.

AUSTRALIA IS NOW IN ITS 29TH CONSECUTIVE YEAR OF ANNUAL ECONOMIC GROWTH, AND YET ITS STOCK MARKET LOOKS CHEAP.

Banking on financials. Concentration in financials should pay off if Australia's economy continues on an solid upward course. Although bank profits are influenced by interest rates (especially by the difference between long- and short-term rates), they are also affected by the prosperity of the nation in which the banks are headquartered.

MSCI Australia is flush with excellent banks. I like **WESTPAC BANKING** (WBK, $19), whose shares trade here as American depositary receipts, with a market value of $66.4 billion. Founded in 1817, Westpac is heavily focused on Australia, but it has branches in China, India, Hong Kong and Singapore. The share price has been stagnant for four years, but the stock yields a whopping 6.9%.

Another 17% of the ETF's assets reside in basic materials companies, such as the giant **BHP GROUP** (BHP, $51), Australia's largest public company, with a market value of $127.6 billion. BHP mines copper, silver, uranium, gold, coal and iron ore and develops oil and gas. The stock (an ADR) has doubled in the past three years, but the firm is heavily dependent on global commodity prices, and it still trades far below 2014 levels. It yields 4.7%.

A top-10 holding of the fund, **WOOLWORTHS GROUP** (WOLWF, $24), owns Australia's largest grocery chain, as well as 1,545 liquor stores, a discount chain and 323 hotels. (The stock trades in the U.S. only as an "other OTC" stock and is bought through specialty brokers.) Woolworths is a great way to buy into the country's economy as a whole. Unlike most retailers, it pays a nice dividend; it currently yields 3%.

Another fund choice is **ABERDEEN AUSTRALIA EQUITY** (IAF, $5), a closed-end fund launched in 1985 and managed by a team in Sydney. It can be bought and sold like a stock or ETF on U.S. exchanges. The fund trades at a 9.1% discount to the market value of the shares it owns—a seeming bargain. But discounts can persist for years.

Most of the fund's stocks trade in the U.S. as "other OTC" stocks. The portfolio is led by **COMMONWEALTH BANK OF AUSTRALIA** (CMWAY, $54). With a market cap of $94.6 billion, it yields 5.8%.

Other interesting companies in the portfolio include **COCHLEAR** (CHEOY, $71), the world's largest maker of implantable hearing solutions, and **TELSTRA** (TLSYY, $14), a telecommunications firm.

Another alternative, **FIRST TRUST AUSTRALIA ALPHADEX** (FAUS, $31), is a tiny ETF that focuses on smaller stocks in a Nasdaq index. The portfolio includes **IDP EDUCATION** (IEL.AX), which trades only on Australian exchanges. (You can purchase shares through a U.S. broker who deals in international stocks. The recent price of $19 Australian converts to about $13 U.S.) The firm places foreign students in universities—a hot business reflecting Australia's appeal and its diversity. Australia has become an educational magnet, especially for students from China and India. Foreigners make up 20% of college students in Australia, compared with 5% in the U.S. Shares of IDP have more than tripled in less than two years.

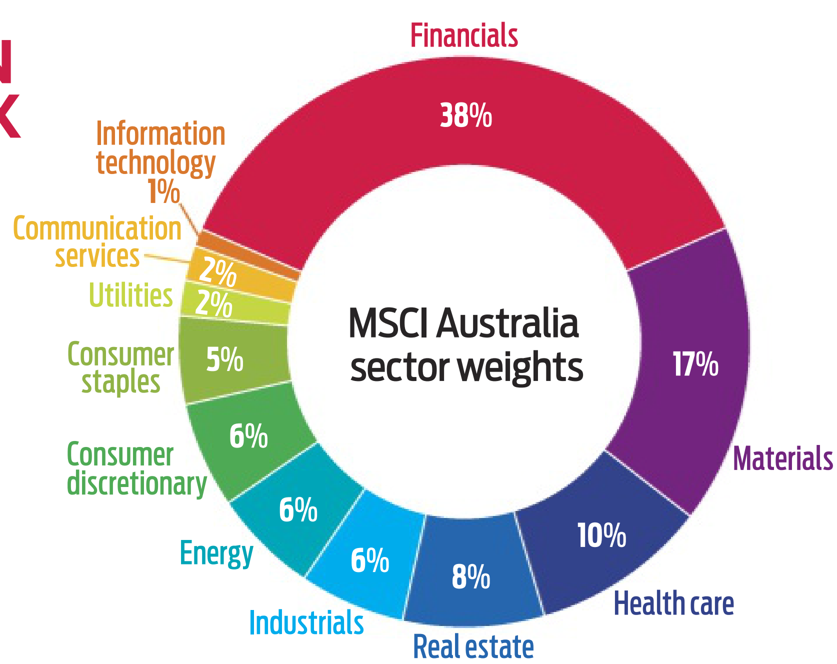
But you don't have to own IDP as an individual stock. The First Trust ETF itself, despite an expense ratio on the high side at 0.80% and a dispiriting annual average five-year return of 3.4%, is a good bet if you believe in Australia. It's better balanced—with a higher share of tech, real estate and energy stocks—than the iShares offering, and it has a dividend yield of 4.3%.

Why have Australia's stocks been so lackluster in a period of impressive economic growth? And more important, will they wake up? There's no guarantee, but I think they will as investors look for stability in a time of growing economic tension. In the meantime, with their sound fundamentals and enticing yields, they are logical additions to any portfolio. ■

Aussie Market

WHAT'S IN THE INDEX

Financials account for the lion's share of the MSCI Australia index, followed by firms mining and processing raw materials. The index has returned 14.7% so far this year, but only 6.5% annualized over the past 10 years.



As of August 9. Figures do not add up to 100% due to rounding. SOURCES: Morningstar Inc., MSCI Inc.

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*. REACH HIM AT JGLASSMAN@KIPLINGER.COM.

PROSPECTING

Go for the Gold?

Stock market volatility has given investors gold fever. If you chase the rally, don't overdo it. **BY JOHN WAGGONER**

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GOLD, WHICH DID LITTLE EXCEPT glitter for most of the past five years, has seen price gains this year that rival Standard & Poor's 500-stock index. Gold began the year at $1,279 an ounce, and it is currently trading at $1,498, a 17.1% gain. The S&P 500 is up just a shade more. (Returns and other data are through August 9.)

Gold is trading at its highest price since April 2013. The price could continue to rise if stock market volatility and global growth concerns persist, says Wells Fargo strategist John LaForge. Or it might need to rest before rising again. Nonetheless, says Joe Foster, portfolio manager at the VanEck funds, "If a recession is on the horizon, then gold could hit new highs."

If you're thinking of chasing the rally in gold, be sure you're buying for the right reasons. Speculators in gold are often disappointed, but the metal does have some uses, in small amounts, as a portfolio diversifier, an inflation hedge and insurance against financial catastrophe.

Gold has been used as money since King Croesus of Lydia minted the first gold coins in the sixth century B.C. But no country makes gold coins for circulation anymore. Although jewelry is now the primary use for the metal, investor demand is what drives the price of gold, and fear is what drives investor demand—fear of inflation, war, a government coup or some apocalyptic event.

You don't need a catastrophe for gold to rise in price. Gold rose from $712 per ounce in October 2008 to more than $1,800 an ounce in August 2011 as the U.S. reeled and recovered from the largest recession—and bear market in stocks—since the Great Depression.

Investors have some reason to worry about inflation, which is one reason gold has been rising. True, inflation has been tame. The Consumer Price Index, the government's main measure of inflation, gained just 1.6% in the 12 months that ended in June; the Federal Reserve's preferred inflation yardstick gained just 1.4% in the same period, well below the Fed's 2% target rate. Nevertheless, inflation is typically the hallmark of a period of easy money—low interest rates from the Federal Reserve and low tax rates from the government. Right now, we have both.

The price of easy money. The Fed cut its key federal funds rate by a quarter of a percentage point in July, the first rate cut since 2008. Kiplinger expects two more rate cuts this year. The tax reform passed in 2017 is estimated to pump more than $1 trillion into the economy over the next 10 years. At least in theory, such economic stimulus in an expanding economy could lead to rising prices, the result of too much money chasing too few goods and services.

Typically, lower U.S. interest rates also bring down the value of the dollar on the world currency exchanges, and that, too, is positive for gold, which is often viewed as an alternative currency. Money follows yields, such as those from Treasury bills, and when U.S. yields fall, money goes to other markets, denominated in other currencies, to get higher returns. In July, President Trump said he had not ruled out a U.S. intervention in world currency markets to weaken the dollar further.

Gold prices thrive on economic uncertainty, and escalating trade tensions have delivered that in spades. “The wild card is the trade war with China,” says Lindsey Bell, investment strategist at CFRA. “If that intensifies, it’s a great environment for gold.” Worries about the dollar and global trade have prompted foreign central banks to increase their gold reserves. Central banks, mainly those in emerging markets, bought 224.4 tons of gold in the second quarter of 2019.

What could derail the rally in gold? Deflation is one risk, although gold has held up well in past periods of falling prices. A larger threat to gold is a global recession during which consumers, especially in China and India, reduce their jewelry purchases. In the end, gold’s value is largely psychological—after all, it pays no dividends and has no earnings. Nevertheless, psychology can be a powerful price driver.

Many advisers recommend as much as a 5% stake in gold—partly as insurance against financial catastrophe and partly as a portfolio diversifier. Gold typically does not move in tandem with stocks, which can improve your returns, adjusted for risk, over long periods of time.

But because gold is prone to large drops, it isn’t an easy investment for most people to hold. “Gold is useful in a portfolio in the same way an F-35 is useful in national defense,” says William Bernstein, a financial adviser and author of the investing book *Deep Risk*. “Very few people are trained to use it properly.” For example, gold swooned from $850 an ounce in 1980 to $273 an ounce in 1998—a string of losses that would make many investors abandon a gold strategy. “It’s the hardest asset to hold long term in your portfolio,” Bernstein says.

How to invest. If you want to own the bullion itself, you can buy one-ounce American Gold Eagle coins from a dealer, although you’ll pay a markup of 5% to 8%. (Check the current spot gold rate at websites such as www.kitco.com before you buy to see if you’re getting a good price. It can pay to shop around.) Skip collectible coins, which can carry a big premium for rarity. And take a pass on the proof versions that the U.S. Mint sells: They have a beautiful finish but a high price tag. At the moment, a one-ounce American Eagle will set you back about $1,500.

If you simply want gold as a part of your portfolio, consider a commodity gold exchange-traded fund, such as **ISHARES GOLD TRUST** (SYMBOL IAU, $14). The ETF buys and sells physical gold, held by a third-party custodian, and charges 0.25% in annual expenses. A slightly more expensive choice is **SPDR GOLD SHARES** (GLD, $141), which also holds physical gold and charges 0.40%.

You might also buy shares of gold-mining companies. Mining stocks tend to rise and fall more than the metal itself because once the price of gold covers production costs, any increase is pure profit. For example, consider a company that produces gold for $1,000 an ounce. If the price of gold were to rise from $1,100 an ounce to $1,200, a 9% increase, the firm’s earnings would double, from $100 per ounce to $200 an ounce.

Gold’s long-dead period from 2013 to 2018 prompted many gold-mining companies to “repair their balance sheets, buy back stock and create shareholder value,” says Will Nasgovitz, CEO of the Heartland Funds. CFRA analyst Matthew Miller recommends **NEWMONT GOLDCORP** (NEM, $39), up 16% this year. The company sells at 23 times earnings, compared with 17 for the S&P 500. It produces gold at a cost of $900 an ounce, however, and if gold continues its rise, Newmont earnings should rise with it.

Mutual funds and ETFs that invest in gold-mining stocks tend to have relatively high expense ratios. But one good fund choice is **AMERICAN CENTURY GLOBAL GOLD** (BGEIX), up 38.2% so far this year. It charges just 0.67% a year in expenses. Elizabeth Xie and Yulin Long have been managing the fund since May 2016—not a long time, but Long has been at American Century since 2005, and Xie has been there since 2007.

For those who prefer a lower-cost indexed approach, **VANECK VECTORS GOLD MINERS ETF** (GDX, $29) gives you exposure to the sector for 0.52%. The fund is up 39.2% this year.

Gold and gold-mining stocks are definitely not core portfolio holdings. But if you’re looking for a bit of protection in uncertain times, adding a dollop of gold could make your portfolio shine a bit more brightly. ■

CONTACT THE AUTHOR AT JWAGGONER@KIPLINGER.COM.

Gold’s Role

PORTFOLIO DIVERSIFIER

The return on gold has trailed stock market gains over the past 25 years. But gold can add ballast when markets are turbulent.

As of August 9. SOURCES: Federal Reserve Bank of St. Louis (FRED), Yahoo Finance.

MONEY SMART WOMEN | Janet Bodnar

How to Be a Confident Investor

You don't have to be an expert. Start with your employer's retirement savings plan.

AFTER I WROTE A COLUMN about building financial confidence in young girls ("Money Smart Women," May), I received a note from a reader telling me how she had tackled that challenge with adult women. "Some years ago," wrote Margaretta Paduch, "I realized that the female executive directors of a number of nonprofits in which I was interested ran highly successful enterprises but hadn't a clue about their own retirement finances." So Paduch, a dedicated individual investor, launched a series of monthly lunches to introduce the women to investing.

A few months ago, she received an e-mail from one of the women, who was about to retire. "She said that she had been reviewing the investments in her organization's pension plan with a broker," wrote Paduch. "Not only were the investments among those we had reviewed, but she also understood everything the broker was saying."

Research by consulting firm Kantar shows that women are comfortable with everyday financial transactions, such as banking and insurance, and even with longer-term borrowing, says Kantar's Audrey Looker. "With mortgages, for example, women like the idea that they can talk to friends and neighbors who have mortgages and ask questions of a broker," says Looker.

But when it comes to investing, their confidence sags. "Women say they wish they had had more college courses on how to make smart decisions about where to put their money," says Looker. And because most money topics are still taboo among women, "they can't bounce ideas off each other."

It also appears that women may expect too much of themselves. "What we hear is that women think they have to be an expert to be meaningfully involved with their finances or even to work with an expert," says Carey Shuffman, head of women's segment strategy at UBS. "All they really need to do is be aware."

As a result of this misconception, women are often reluctant to take the first step toward investing, which becomes a vicious cycle. "The longer you delay learning, the harder it is to dip a toe in," says Looker.

Conquer your fears. So how do you take that first step? Start by using your spouse or partner as a sounding board (or a trusted friend if you're single). Each of you brings financial instincts to your relationship, and together you can work as a team. When UBS surveyed women who were divorced or widowed about the financial challenges of being on their own, nearly 60% said they wished they had been more involved while they were married. In fact, more than half said they would have done fewer household chores to find more time for finances.

Make things easy on yourself by participating in employer-sponsored retirement accounts and other automatic investing plans and by using one-stop products such as target-date mutual funds. You can always branch out once you feel more confident and curious.

Take advantage of opportunities to educate yourself in a comfortable setting. "The workplace is a very successful arena in which to connect with women," says Lorna Kapusta, Fidelity's head of women and investing. Fidelity works with thousands of employers to sponsor lunchtime webcasts and seminars (plus similar events at Fidelity branch offices). The workshops create a "judgment-free zone," says Kapusta. "When we get to the question-and-answer session, the floodgates open."

When I was working on this column, my husband asked me what had helped me to feel comfortable as an investor. Quite truthfully, I said that it was years of reading *Kiplinger's*. The magazine's stories helped me settle on an investment strategy that works for me: a core of index funds spiced up with a few of our favorite actively managed funds.

How about you? How did you become a confident investor? I'll be happy to share your experiences. ■

CONTACT THE AUTHOR AT JBODNAR@KIPLINGER.COM

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THE KIPLINGER 25 UPDATE

An Eye for High-Quality Bargains

VALUE-ORIENTED FUNDS have had a rough go of it. For the greater part of the past decade, bargain-priced stocks have lagged the broad market. That's what makes the recent performance of **T. ROWE PRICE VALUE** remarkable. Over the past 12 months to August 9, Price Value has outpaced Standard & Poor's 500-stock index and 90% of its peers—funds that focus on large-company stocks trading at a discount—with a 6.0% return. "Everything is going extremely well," says manager Mark Finn. "I feel like this is my time."

After the correction in late 2018, Finn began to shore up his portfolio, focusing on sectors he thought were "going to be truly safe" and sticking with high-quality firms, he says. He favors large, attractively priced companies with strong balance sheets, smart executives and solid strategies for improving their businesses. He shed some shares in telecom firms in part because of concerns about a shifting competitive landscape. And he beefed up his holdings in health care, real estate investment trusts and utilities. "I'm being picky and careful about what I buy," he says. "My acid test is I don't want to buy or own something unless I'm going to own it through a recession."

One boost to the fund's recent performance came from savvy purchases of beaten-down stocks in late 2018. Air Products & Chemicals (a member of the Kiplinger 15 list of our favorite dividend stocks), Ball Corp. and Public Storage were all late-2018 purchases. Each of those stocks has posted double-digit gains of more than 29% since the start of 2019. By contrast, the S&P 500 has gained 17.8%.

This past summer, as stocks fell over trade worries (again), Finn found a few more bargains. "Energy stocks have been obliterated," he says. He picked up shares in giant energy firm Chevron and added to stakes in ConocoPhillips and exploration-and-production company Concho Resources.

Finn's somewhat contrarian calls have worked against him at times. The fund had lackluster years in 2016 and 2018. But since he took over in late 2009, the fund has returned an annualized 11.8%, which beats its benchmark, the Russell 1000 Value index, by an average of 0.7 percentage point per year.

NELLIE S. HUANG

nhuang@kiplinger.com

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.

		Annualized total return				
U.S. Stock Funds	**Symbol**	**1 yr.**	**5 yrs.**	**10 yrs.**	**Yield**	**Added to Kip 25**
D.F. Dent Midcap Growth	DFDMX	16.3%	14.6%	—	0.0%	May 2019
Dodge & Cox Stock	DODGX	–2.9	8.2	12.5%	1.7	May 2014
Mairs & Power Growth	MPGFX	5.7	9.1	12.8	1.3	Jan. 2013
Parnassus Mid Cap	PARMX	10.5	10.5	13.6	0.6	Aug. 2014
T. Rowe Price Blue Chip Growth	TRBCX	5.5	14.8	16.5	0.0	May 2016
T. Rowe Price Dividend Growth	PRDGX	12.5	12.1	13.4	0.0	Oct. 2016
T. Rowe Price QM US Sm-Cp Gro	PRDSX	2.0	11.3	15.9	0.0	May 2015
T. Rowe Price Sm-Cap Value	PRSVX	–6.0	7.9	11.7	0.0	May 2009
T. Rowe Price Value	TRVLX	6.0	8.1	12.4	0.0	May 2015
Primecap Odyssey Growth	POGRX	–7.8	11.6	14.0	0.3	May 2017
Vanguard Equity-Income	VEIPX	3.3	9.2	12.8	2.9	Jan. 2017
Wasatch Small Cap Value	WMCVX	–2.6	8.7	12.9	0.0	Nov. 2018

		Annualized total return				
International Stock Funds	**Symbol**	**1 yr.**	**5 yrs.**	**10 yrs.**	**Yield**	**Added to Kip 25**
AMG TimesSquare Intl Sm-Cap	TCMPX	–12.1%	5.6%	—	0.7%	May 2018
Baron Emerging Markets	BEXFX	–3.5	1.9	—	0.1	Oct. 2016
Fidelity International Growth	FIGFX	4.0	6.2	9.0%	0.7	Feb. 2016
Oakmark International	OAKIX	–13.2	1.5	7.0	1.9	July 2017

		Annualized total return				
Specialized/ Go-Anywhere Funds	**Symbol**	**1 yr.**	**5 yrs.**	**10 yrs.**	**Yield**	**Added to Kip 25**
Vanguard Health Care	VGHCX	–0.1%	8.6%	14.2%	1.3%	May 2016
Vanguard Wellington‡	VWELX	6.7	7.8	10.0	2.5	May 2016

		Annualized total return				
Bond Funds	**Symbol**	**1 yr.**	**5 yrs.**	**10 yrs.**	**Yield**	**Added to Kip 25**
DoubleLine Total Return N	DLTNX	7.0%	3.2%	—	3.4%	May 2011
Fidelity Intermed Muni	FLTMX	7.7	3.2	3.7%	1.6	May 2004
Fidelity New Markets Income	FNMIX	7.3	4.3	7.0	5.1	May 2012
Fidelity Strategic Income	FADMX	6.3	3.9	5.8	3.4	May 2018
Met West Total Return Bond M	MWTRX	9.3	2.9	5.4	2.5	May 2016
Vanguard High-Yield Corporate	VWEHX	7.2	5.0	7.6	5.0	May 2016
Vanguard Sh-Tm Inv-Grade	VFSTX	5.7	2.3	3.0	2.3	May 2010

	Annualized total return			
Indexes	**1 yr.**	**5 yrs.**	**10 yrs.**	**Yield**
S&P 500-STOCK INDEX	4.4%	10.9%	13.5%	2.0%
RUSSELL 2000 INDEX*	–9.2	7.5	11.7	1.5
MSCI EAFE INDEX†	–4.6	2.5	5.4	3.4
MSCI EMERGING MARKETS INDEX	–6.7	1.1	3.9	2.9
BLOOMBERG BARCLAYS AGG BND IDX#	9.3	3.2	4.0	2.3

As of August 9. ‡Open to new investors if purchased directly through the fund company. *Small-company U.S. stocks. †Foreign stocks. #High-grade U.S. bonds. —Fund not in existence for the entire period. SOURCES: Fund companies, FTSE Russell, Morningstar Inc., MSCI, S&P Dow Jones Indices.

MUTUAL FUND SPOTLIGHT

A REIT Fund Checks Out of Hotels

Real estate stocks are sizzling. This fund is playing defense.

REAL ESTATE INVESTMENT trusts are in a sweet spot. The Federal Reserve cut short-term interest rates over the summer and hinted that more cuts were to come. That helps real estate companies that benefit from lower borrowing costs. Lower rates also make dividend yields on REITs more attractive. And although rates are headed lower because of worries about the economy, for now at least, the economy is still growing—and REITs are thriving. Since the start of 2019, the average real estate fund has gained 22.3%. By contrast, Standard & Poor's 500-stock index is up 17.8%.

Still, at **TIAA-CREF REAL ESTATE SECURITIES**, managers David Copp and Brendan Lee are getting defensive. "We're in the longest economic expansion in history, but it's going to end, and we keep that in mind," says Copp. He and Lee are loading up on REITs that tend to hold up better in bad times, such as warehouses, manufactured housing and wireless cell-phone towers. They're avoiding those that may be vulnerable in a recession, such as hotels.

Copp's favorite warehouse REIT these days is Rexford Industrial Realty, which owns more than 175 properties in Southern California. At the end of 2018, its biggest tenants included FedEx and Tesla. Rexford is benefiting from growing demand for its facilities in an area of limited warehouse supply. Over the past 12 months, the stock has climbed 35.7%.

Most stocks are measured by their earnings potential; REITs are measured by the cash flow generated from operations, known as *funds from operations*, or FFO. Copp and Lee favor firms with above-average cash-flow growth. They also look for REITs with below-average capital expenditures (money spent to acquire or maintain property or land). Generally, a warehouse has lower capital expenses than a hotel, says Copp.

The fund managers usually hold a REIT for three years, compared with the one-year period typical of the average real estate fund. Most fund managers talk about having a long-term view, says Copp, but some focus more on the short term than they admit.

Over the past decade, the fund has beaten 84% of its peers on an annualized basis, with a 13.6% return. Fees are below average, too, at 0.81%. **RIVAN STINSON**

rstinson@kiplinger.com

REAL ESTATE MUTUAL FUNDS

Ranked by one-year return

Rank/Name	Symbol	Annualized total return 1 yr.	5 yrs.	Max. sales charge	Exp. ratio
1. Neuberger Berman Real Estate A	NREAX	19.5%	9.2%	5.75%	1.21%
2. PGIM US Real Estate A	PJEAX	18.3	8.7	5.50	1.25
3. TIAA-CREF Real Estate Sec Retail	TCREX	17.9	10.1	none	0.81
4. DWS RREEF Real Estate Securities A	RRRAX	17.5	9.1	5.75	0.97
5. Guggenheim Risk Managed RE A	GURAX	17.5	10.4	4.75	1.76
6. Cohen & Steers Real Estate Sec A	CSEIX	16.9	11.0	4.50	1.14
7. Principal Real Estate Securities A	PRRAX	16.8	9.8	5.50	1.25
8. American Century Real Estate Inv	REACX	16.6	8.4	none	1.15
9. SA Real Estate Securities Inv	SAREX	16.3	8.5	none	0.98
10. Vanguard Real Estate Index Admiral	VGSLX	15.1	8.5	none	0.12
CATEGORY AVERAGE		13.4%	8.0%		

20 LARGEST STOCK AND BOND MUTUAL FUNDS

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

STOCK MUTUAL FUNDS

Rank/Name	Symbol	Assets† (billions)	Annualized total return 1 yr.	5 yrs.	Max. sales charge
1. Vanguard Total Stock Market Idx Adm	VTSAX	$704.4	3.2%	10.4%	none
2. Vanguard 500 Index Adm	VFIAX	373.2	4.4	10.8	none
3. Vanguard Total Intl Stock Idx Adm	VTIAX	362.3	–5.3	2.1	none
4. Fidelity 500 Index	FXAIX	203.2	4.4	10.9	none
5. American Growth Fund of America A	AGTHX	189.0	0.2	11.3	5.75%
6. American EuroPacific Growth A	AEPGX	155.7	–3.1	4.3	5.75
7. American Balanced A	ABALX	147.8	4.6	7.7	5.75
8. Fidelity Contrafund	FCNTX	120.9	2.1	12.5	none
9. American Washington Mutual A	AWSHX	118.0	5.6	10.0	5.75
10. American Income Fund of America A	AMECX	109.1	3.5	5.9	5.75
S&P 500-STOCK INDEX			4.4%	10.9%	
MSCI EAFE INDEX			–4.6%	2.5%	

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	$189.2	9.4%	2.4%	none
2. Pimco Income A	PONAX	130.3	5.8	3.4	3.75%
3. Vanguard Total Intl Bd Idx Adm	VTABX	114.7	10.2	0.4	none
4. Metropolitan West Total Return Bd M	MWTRX	77.6	9.3	2.4	none
5. Vanguard Interm-Term Tax-Ex Inv	VWITX	69.4	8.1	1.5	none
6. Pimco Total Return A	PTTAX	66.9	8.2	2.5	3.75
7. Dodge & Cox Income@	DODIX	60.5	8.1	3.7	none
8. Vanguard Short-Term Inv-Grade Inv	VFSTX	60.4	5.7	2.3	none
9. DoubleLine Total Return Bond N	DLTNX	54.0	7.0	3.4	none
10. Lord Abbett Short Duration Income A	LALDX	51.5	4.9	2.7	2.25
BLOOMBERG BARCLAYS US AGGREGATE BOND INDEX			9.3%	2.3%	
B OF A MERRILL LYNCH MUNICIPAL MASTER INDEX			8.6%	1.8%	

As of August 9. @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 share classes combined. MSCI EAFE tracks stocks in developed foreign markets. SOURCES: Bank of America Merrill Lynch, Morningstar Inc., Vanguard.

MIKE GNITECKI FINALLY GOT AN INCORRECT LATE PAYMENT REMOVED FROM HIS CREDIT REPORT. BUT, HE SAYS, THE EXPERIENCE WAS FRUSTRATING.

Battle the Credit Bureaus... and Win

Whether you're contesting an error or combating fraud, use our guide to give yourself the best shot at success.

BY LISA GERSTNER

PHOTOGRAPH BY TERRI GLANGER

Have you ever found yourself fuming at the credit bureaus? You have plenty of company. Among companies in the Consumer Financial Protection Bureau's database, the three major credit-reporting bureaus—Equifax, Experian and TransUnion—have logged the most complaints for four years running, according to a report from the U.S. Public Interest Research Group.

Most of the complaints involve hassles remedying inaccurate information on credit reports. But some are from consumers who find themselves caught in a tangle of red tape or facing an impenetrable wall of indifference. Each year, Margaret Finelt, of Richmond, Texas, gets her free credit reports at AnnualCreditReport.com. At the site, you are directed to each of the three bureaus. But for the past couple of years, although she's had no problem claiming her reports from TransUnion and Experian, she's been unable to obtain her Equifax report.

On the phone, Equifax representatives have given her a number of possible reasons: that her credit report is frozen (a freeze prevents lenders from seeing the report in response to a request for new credit in her name), that she failed to correctly answer a security question, or that AnnualCredit Report.com was having a technical issue. Margaret's husband, Daniel, has since frozen his credit reports—and now he can't obtain his Equifax report online. By law, a freeze doesn't prevent you from getting your free annual credit report. In a statement to *Kiplinger's,* Equifax confirmed that a credit report is available via the "online, phone or mail channel even if you have a security freeze." The Finelts finally managed to get their Equifax reports by calling customer service and verbally answering security questions.

It's hard to say why the Finelts can't get their Equifax reports online, but their experience illustrates the everyday difficulties that consumers have with the credit bureaus: receiving scattered or faulty information from agents and encountering roadblocks in processes they expect to be simple. "With Equifax, I dread trying to get anything," says Margaret.

In a battle of you versus the credit bureaus, the bureaus have most of the power—and Congress has been reluctant to regulate them. It took Equifax's massive data breach two years ago to get the attention of lawmakers. That led to the legislation that allows you to freeze your reports for free but provides few other new protections involving the credit bureaus.

Over the past decade, regulators and the attorneys general of several states have managed to enact a few reforms in an effort to improve credit-report accuracy and secure better treatment for consumers. For example, when a bureau confirms that a consumer's credit-report data is mixed with that of another person, it must inform the other bureaus. Your credit reports may no longer include debt that did not arise from a contract or agreement (such as a parking ticket or library fine) or medical debts that are less than 180 days old. Plus, the bureaus must remove medical debts from credit reports after they've been paid by an insurer. The CFPB has directed the bureaus to conduct their own reviews of consumer disputes and documentation—rather than simply passing the buck to the data provider and "parroting" its response back to the consumer—and data providers should have systems capable of receiving consumer-dispute information.

But problems persist, according to a National Consumer Law Center report, "and we fear the needle on the speedometer for reform is stuck on slow." Plus, some of the permitted practices do consumers no favors. For example, the bureaus convert disputes into two- or three-digit codes to summarize complaints for data furnishers. The process mostly involves "computers talking to computers," says Gerri Detweiler, credit expert and education director for Nav.com, a website offering credit scores and data for businesses. That doesn't allow for much nuance in what may be a complex dispute.

Although you can go to court when a dispute fails and may win compensation and a cleaned-up credit record, such cases aren't much of a threat to the bureaus. "Rather than changing their business practices to be fairer to consumers, they pay go-away money in very small lawsuits. They can afford it as a cost of doing business," says Ed Mierzwinski, consumer advocate for U.S. PIRG. Even Equifax's recent settlement of up to $700 million for its 2017 data breach is "a mere parking ticket," he says. (For more on the

KipTip

YOUR RIGHT TO A FREE REPORT

It pays to know when you're entitled to a free credit report besides those available yearly at AnnualCreditReport.com. After Daniel Finelt of Richmond, Texas, experienced identity theft, an Equifax agent told his wife, Margaret, that he couldn't get a free report because he had claimed his annual report a month earlier. But because Daniel had placed on his reports an initial fraud alert—which signals to lenders that they should verify a consumer's identity before granting credit—the law allows him an extra free report. You also get a free report if your file contains inaccurate information because of fraud, if an adverse action has been taken against you because of information in the report, if you're unemployed and expect to apply for employment in the next 60 days, or if you receive public assistance. For seven years starting in 2020, Equifax will provide all U.S. consumers six free additional copies of their credit report per year, too.


I'm saving for *her.*
Start saving for what's important to you with one of the best savings rates in the country at liveoakbank.com/future
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settlement, see "Ahead," on page 11.) "More needs to be done to rein in the bureaus."

CLEAR ERRORS FROM YOUR CREDIT REPORT

You may have discovered that something was amiss when you were unexpectedly rejected for credit or received notice of a change from a credit-monitoring service. Rather than wait for a surprise, make it a habit to regularly visit www.annualcreditreport.com, where you can collect one free report from each bureau every 12 months. Review your reports to ensure that all of the accounts are yours. Check that any accounts you've closed are marked as such (accounts in good standing continue to appear on your reports for about 10 years after they're shut down) and that details such as balances, credit limits and dates that accounts were opened are correct. Make sure your personal information is accurate, too. An incorrect address, for example, could be a sign of a mixed file or identity theft.

If your credit report shows information that is inaccurate or incomplete, you have the right to dispute it and have it corrected or deleted. Fixing an error is especially important if it could prevent you from getting credit (or result in a higher interest rate on a loan), renting a home or getting a job. A new collection account that mistakenly appears in your name, for example, will likely cause your credit score to drop significantly.

Errors crop up for a variety of reasons. A lender or other furnisher of information may tell the credit bureaus that you've missed payments when you haven't or provide an incorrect balance for your account. Or a bureau may continue to report a delinquency after it should have been removed from your credit file (by law, negative information must disappear after seven years—except for bankruptcies, which may remain for 10 years).

Another possible problem—one that can be vexing to resolve—is that your credit file is mixed with that of someone else who has the same name or other similarities to your identifying information. It's especially likely to happen if you have a common first and last name or if you have a family member with the same name. Plus, when matching information from furnishers to consumers' credit reports, the credit bureaus may consider only seven of a Social Security number's nine digits.

Make your case. If you spot an error, attack it from both sides: Contact the furnisher that provided the data to the credit bureaus as well as each bureau reporting the error. The furnisher's contact information may appear on your credit report. Be persistent—you may have to ask for a supervisor or talk to representatives from a few different departments before you find someone who can help. If the furnisher agrees to fix a mistake, confirm that it will update all the credit bureaus (which it must do) and ask for written acknowledgment.

Because the credit bureaus still often shift a complaint to the data furnisher and regurgitate its response, convincing the furnisher that it made a mistake may be your best bet to get an error off of your report. A couple of years ago, Mike Gnitecki of Longview, Texas, noticed that his credit score, which typically tops an excellent 800, had dropped. After checking his credit reports, he found that payment on a line of credit was being reported as 30 days overdue. A bank representative told him that its records showed no late payments, so he filed a dispute online with each credit bureau.

A month passed with no word from the bureaus, says Gnitecki. He then showed his credit report to bank representatives, who concluded that there had been a glitch. The bank fixed it, and the delinquency stopped showing up on his reports. But the process left him less than impressed with the credit bureaus. "It was a frustrating experience. They make it sound like the process is easy. It's not," says Gnitecki. "You get the impression that nobody cares."

Still, it's wise to file a dispute with the credit bureaus even as you communicate with the furnisher. That preserves your right to make a legal claim against the data furnisher or bureau if the error isn't corrected. And the bureaus must investigate a dispute, generally within 30 days, unless they consider it frivolous. A dispute may be deemed frivolous if it comes from a credit-repair company or if it's a

repeat dispute, says Chi Chi Wu, staff attorney for the NCLC.

Submitting a dispute online is usually the quickest method, but legal experts recommend sending it via certified mail, return receipt requested, to leave a paper trail. You can find more information on how to file a dispute for each bureau, including mailing addresses and online dispute portals, at www.equifax.com/disputes, www.experian.com/disputes and www.transunion.com/disputes.

Keep the description of your dispute clear and concise. Issues involving a mixed file, fraud or identity theft are prioritized, so be sure to cite the type of problem you have. Describe the resolution you expect—say, the removal of a credit account that isn't yours from your credit report—and include details about the account in question, such as the account number and the name of the lender or other furnisher. Put in your personal information, including name, Social Security number, mailing address and birth date.

Include any supporting documents that may back up your case. Sending a copy of your credit report with the area in question marked may help. If a creditor is falsely reporting that you didn't pay a bill, try to pull up a bank statement showing that you did. Keep copies of everything you send to the bureaus and furnishers. If you talk to representatives on the phone, note the names of people who spoke with you and the date, time and content of your conversations.

MARGARET AND DANIEL FINELT HAVE BOTH HAD TROUBLE GETTING THEIR FREE CREDIT REPORTS FROM EQUIFAX.

Round two. After the bureaus complete their investigations, they should send you written results, plus a free copy of your credit report if something has changed. If your dispute succeeds, give yourself a pat on the back—but stay vigilant in case the error creeps back onto your reports. Legally, that's prohibited unless the furnisher certifies the item's accuracy to the bureau, says Wu.

If the dispute fails, you have a few options. You can contest the error again, but you likely won't get anywhere unless you have new information to bring to the table. You may write a 100-word statement to be included in your credit file that tells your side of the story, but it probably won't be effective. Many lenders view credit reports in a format that doesn't show the statement, and credit scores don't consider it, says credit expert John Ulzheimer. Or you can choose to live with the error. That may be acceptable to you if it isn't causing real harm to your creditworthiness (say, a misspelling of your name). If none of those options are suitable, turn to the government or an attorney for help (see the box on page 46).

FIGHT FRAUD

If your credit reports contain inaccuracies because an identity thief is at work, the bureaus must block the fraudulent items from appearing as long as you follow certain procedures. Because the Fair Credit Reporting Act contains these special stipulations for fraud, you may see quicker or more streamlined relief than you would

PHOTOGRAPH BY TODD SPOTH

when disputing an error. Indicators of identity theft include a hard inquiry from a lender or other business (say, a wireless carrier) that you haven't dealt with recently or a new credit card, loan or collection account that you don't recognize.

As when disputing an error, you should contact both the entity reporting the fraudulent data as well as the credit bureaus. With the bureaus, start with an online chat or a phone call to clarify what documentation each wants you to send and where it should go, suggests Eva Velasquez, president and CEO of the Identity Theft Resource Center. Fill out an Identity Theft Affidavit at the Federal Trade Commission's www.identitytheft.gov. If you supply it to the bureaus—along with proof of identity, a description of which information on your credit report is fraudulent and a statement that the information resulted from transactions that weren't yours—the bureaus must block the fraudulent information from your credit reports within four days of receiving your request.

Usually, the process works as it should; if it doesn't, the reason may be that the victim is dealing with a complex case, says Velasquez. If you're having trouble getting fraudulent information removed from your credit reports—or otherwise need assistance cleaning up after identity theft—call the Identity Theft Resource Center's free hotline at 888-400-5530. Agents can guide you through the steps to take and language to use in contending with credit bureaus or other businesses based on the details of your case. If you subscribe to an identity-protection service, its representatives may help you (see "Early Alert Systems for Identity Theft," May 2018). Check whether your bank, credit card issuer, insurance company or employer offers free or discounted assistance for identity-theft victims, too.

CLAIM YOUR CREDIT REPORTS

People are commonly barred from acquiring their credit reports online because they fail the authentication quiz, which poses questions regarding their personal information and accounts. Passing isn't as easy as it may sound; if you don't know the exact amount of your mortgage payment or the year you opened a credit card, for example, it's smart to look it up. Plus, you may be given only a few minutes to complete the questionnaire. Rod Griffin, director of public education for Experian, says he once missed an authentication question when his mortgage had been resold and he couldn't remember the current lender. "We're trying to achieve a balance. We don't want the questions to be too easy, so that anybody could get through, but we try not to make them too hard, either," says Griffin.

Other possibilities: The bureau can't match the information you provide with what it has on file, you have an open dispute with the bureau or you have no credit record. If identity verification is the problem, you may be asked to mail in proof of ID. That's what Equifax requests when Margaret Finelt attempts to get her report online, but she's reluctant to send sensitive information through the mail.

If you do mail the bureaus copies of your Social Security card, driver's license, birth certificate or other proof of identity, don't leave it in your mailbox, where a thief could easily grab it. Take the envelope to the post office and send it via certified mail. ■

CONTACT THE AUTHOR AT LGERSTNER@KIPLINGER.COM.

Don't Back Down

TAKE IT TO THE NEXT LEVEL

If the bureaus won't rectify your credit reports despite your due diligence, bring in a third party.

Contact consumer protection agencies. Try submitting a complaint to the Consumer Financial Protection Bureau at www.consumerfinance.gov/complaint. The CFPB will forward your complaint to any bureaus mentioned and let you know their responses. Your state's department of consumer affairs or attorney general's office are other avenues for lodging a complaint, says Dana Marineau, vice president and financial advocate for Credit Karma.

Write to Congress. Another idea: Write a letter to your U.S. senators and representative. "If a credit bureau gets a complaint from a senator about her constituent, it will bump the complaint higher in the system," says Ed Mierzwinski, consumer advocate for the U.S. Public Interest Research Group.

Take legal action. When you've exhausted your other options, taking legal action is the final step. "People who jump through the hoops and do everything right but still can't get relief are the ones who have cases that should be brought in court," says Justin Baxter, a consumer protection attorney in Portland, Ore. If you've kept solid records of your interactions with the bureaus and other parties involved, that will improve your case. At www.consumeradvocates.org, search for an attorney in your area who specializes in credit reporting. Many such attorneys work on contingency, meaning that if your case wins compensation, the lawyers take a cut of it; otherwise, you don't pay a fee.

Skip the credit-repair companies. These companies promise to clean up your credit reports for a fee. Some of these companies barrage the credit bureaus with disputes of legitimate credit-report blemishes—say, collection accounts that their clients truly owe. The bureaus may rightly reject such disputes as frivolous. Plus, armed with knowledge of the system, you can do a better job disputing real errors on your own—free.

YOUR MIND AND YOUR MONEY | Anne Kates Smith

Beware Dark Patterns on the Web

You're on the checkout page when something appears in your shopping basket that you didn't put there—say, you're buying a laptop, but insurance sneaks in, too, unless you uncheck a box. Or you think you're signing up for a one-time deal or even a free trial, but you've unintentionally committed to a subscription with recurring fees.

Or maybe your relaxed online browsing session takes on an air of urgency because a countdown timer tells you that a hot deal is about to expire, or the site gives you an "almost out of stock" warning.

Perhaps you succumb to a fear of missing out after reading testimonials (of unknown origin) or seeing periodic messages that someone else (who might not be real) just bought the item you're considering.

Not all of these "nudges" are flat-out deceptive. But all are instances of *dark patterns,* or website designs meant to steer, coerce or deceive people into making unintended or potentially disadvantageous decisions.

Dark patterns have been a topic of discussion among techies, behavioral scientists and marketers since 2010, when British cognitive scientist Harry Brignull coined the term. His website, www.darkpatterns.org, serves as an information clearinghouse and a dark pattern Hall of Shame. A new study from Princeton University researchers documents how ubiquitous dark patterns can be and explains why we fall for them.

15 ways to get snookered. Using a web crawler, the Princeton researchers investigated more than 11,000 shopping websites. They found 1,841 dark patterns on more than 11% of the sites, or more than 1,200 of them. The researchers identified 15 patterns in seven broad categories, including *sneaking, urgency* and *misdirection.* The more popular the website, the more likely it was to feature dark patterns. The most egregious examples, deemed "deceptive" by the researchers, were relatively rare: only 234 instances on 183 websites. The authors note, however, that their limited study—for example, they analyzed only text (no images) and only on retail sites—no doubt understates the prevalence of dark patterns.

POON WATCHARA-AMPHAIWAN

THESE SITES ARE DESIGNED TO STEER OR COERCE PEOPLE INTO MAKING UNINTENDED DECISIONS.

We fall for the trickery because of innate cognitive biases. We might go ahead with a transaction even after a previously undisclosed charge gets added at the last minute because of a bias known as the sunk-cost fallacy—the feeling that we've invested too much time, energy or money to turn back. And something known as the framing effect makes *confirm shaming* a go-to dark pattern for some sites. You've seen it when a shopping site promises a discount in exchange for your e-mail address. If you don't want to give it out, you're forced to click on something like "No thanks, I like paying full price."

Once aware of dark patterns, we tend to adapt. Some 65% of British consumers in a recent survey pegged instances of dark patterns on a hotel booking site as the sales pressure they are. But the frontiers keep expanding. You'll find dark patterns on mobile apps, video games and social media platforms, too. Congress has taken notice: A bill introduced in the Senate in April would empower the Federal Trade Commission to crack down on dark patterns.

"My bigger concern is how dark patterns play out in other contexts," says Colin Gray, an assistant professor in the computer graphics technology department at Purdue University. "There's a whole new range of deceptive practices that could be present in non-screen-based dark patterns," he says, such as in smart-home speakers and other devices. The best defense is to cultivate your inner skeptic, says Gray, when it comes to shopping online and reading—yes, actually reading—user agreements. "Realize that not everyone is acting with good intent, even companies that we respect." ■

ANNE KATES SMITH IS EXECUTIVE EDITOR OF *KIPLINGER'S PERSONAL FINANCE* MAGAZINE. YOU CAN CONTACT HER AT ASMITH@KIPLINGER.COM.

SAVING

Don't Get Burned by Falling Rates

IN EARLY AUGUST, FOR THE first time since the 2008 financial crisis, the Federal Reserve cut its target federal funds rate, lowering the rate by one-fourth of a percentage point. Kiplinger forecasts that two more quarter-point decreases are likely on the way, in September and in October.

Interest rates—even on savings accounts from prominent internet banks, which tend to prop up rates more than brick-and-mortar banks—began dropping a few weeks before the Fed announced the cut. Rates on some long-term certificates of deposit have been falling for months. The trend will likely continue, so savers will have to be creative.

One idea is to stash both your checking and savings balances in a high-yield checking account. The free **KASASA CASH CHECKING** account from TAB Bank (www.tabbank.com), for example, recently yielded 4% on a balance of up to $50,000 if you meet monthly requirements of having at least one direct deposit or payment transfer and making at least 15 debit-card purchases.

Investing in a CD that imposes no fee if you withdraw funds early is one way to capture some extra yield, says Ken Tumin, of DepositAccounts.com. You could, for example, put some savings in a seven-month no-penalty CD from **MARCUS BY GOLDMAN SACHS** ($500 minimum deposit; www.marcus.com). It recently yielded 2.25%, compared with 2.15% for the bank's savings account. If you decide that the money needs to be more accessible, transfer it to the savings account fee-free.

Slightly better deals for borrowers. If you have debt with a variable interest rate—such as on a credit card or home-equity line of credit and some private student loans—you may see a bit of relief. Based on average household credit card debt of $5,700 and an interest rate of 17.8%, a quarter-point rate reduction lowers the minimum monthly payment by about $1, says Ted Rossman, of CreditCards.com. If you refinance your mortgage (see "Now Is a Good Time to Refi," Sept.), consider rolling any HELOC balance that you have into the mortgage. **LISA GERSTNER**

lgerstner@kiplinger.com

RATE UPDATES

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

TOP-YIELDING SAVINGS

Taxable Money Market Mutual Funds	30-day yield as of July 30	Minimum investment	Website (www.)
Gabelli US Treas AAA (GABXX)	2.25%	$10,000	gabelli.com
Northern MMF (NORXX)*	2.22	2,500	northerntrust.com
Pimco Govt MMF A (AMAXX)	2.22	1,000	pimco.com
Meeder Prime MMF (FFMXX)*	2.20	2,500	meederinvestment.com

Tax-Free Money Market Mutual Funds	30-day yield as of July 29	Tax eq. yield 24%/35% bracket	Minimum investment	Website (www.)
M Stanley T-F Daily Inc (DSTXX)*	1.27%	1.67%/1.95%	$5,000	morganstanley.com
BNY Mellon Ntl Muni (MOMXX)	1.18	1.55/1.82	10,000	bnymellon.com
Fidelity Muni MMF (FTEXX)	1.15	1.51/1.77	5,000	fidelity.com
Northern Muni MMF (NOMXX)*	1.15	1.51/1.77	2,500	northerntrust.com

Savings and Money Market Deposit Accounts	Annual yield as of Aug. 13	Minimum amount	Website (www.)
Popular Direct (Fla.)†	2.55%	$5,000	populardirect.com
Vio Bank (Fla.)†	2.52	100	viobank.com
earn.bank (Calif.)†#	2.46	10,000	earn.bank
Comenity Direct (Utah)†	2.45	100	direct.comenity.com

Certificates of Deposit 1-Year	Annual yield as of Aug. 13	Minimum amount	Website (www.)
NBKC Bank (Kan.)†	2.65%	$10,000	nbkc.com
Quontic Bank (N.Y.)†	2.65	1,000	quonticbank.com
TotalDirectBank (Fla.)†	2.60	25,000	totaldirectbank.com
State Department FCU (D.C.)†&	2.52	500	sdfcu.org

Certificates of Deposit 5-Year	Annual yield as of Aug. 13	Minimum amount	Website (www.)
Andrews FCU (Md.)&	3.05%	$1,000	andrewsfcu.org
U.S. Senate FCU (D.C.)&	3.05	20,000	ussfcu.org
Affinity Plus FCU (Minn.)&	3.04	500	affinityplus.org
Thrivent FCU (Wis.)&‡	3.00	1,000	thriventcu.com

*Fund is waiving all or a portion of its expenses. †Internet only. #Money market deposit account. &Must be a member; to become a member, see website. ‡Premier America Credit Union 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 Aug. 13	Balance range†	Website (www.)
Consumers Credit Union (Ill.)#	5.09%‡	$0–$10,000	myconsumers.org
America's Credit Union (Wash.)#	5.00	0–1,000	youracu.org
La Capital FCU (La.)#	4.25	0–3,000	lacapfcu.org
TAB Bank (Utah)#§	4.00	0–50,000	tabbank.com

*To earn the maximum rate, you must meet requirements such as using your debit card several times monthly and receiving electronic statements. †Portion of the balance higher than the listed range earns a lower rate or no interest. #Must be a member; to become a member, see website. ‡Requires spending $1,000 or more in CCU Visa credit card purchases. §Orion FCU and T-Mobile Money offer a similar yield. 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	1.90	1.90	2.52
Six-month Treasury bills	1.96	2.07	2.22
Five-year Treasury notes	1.57	1.86	2.75
Ten-year Treasury notes	1.68	2.12	2.88

SOURCE: U.S. Treasury

As of August 13, 2019.

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

HARVEST THE FRUITS OF YOUR SAVINGS

How to live well without running out of money.

BY EILEEN AMBROSE and SANDRA BLOCK

As you near retirement, you might look back and think that saving for this next stage of life was the easy part. During your working years, the big decisions were how much to save and where to invest. But now it's time to switch gears. Instead of accumulating assets, you must figure out how to turn your nest egg into an income stream to last a lifetime.

"The idea of withdrawing from their retirement portfolio is really painful for a lot of people. They're savers," says John Bohnsack, a certified financial planner in College Station, Texas.

Here are steps that can help you generate the retirement income you will need. Along the way, you'll need to answer some questions: Will you get a part-time job in retirement that brings in some income? When should you claim Social Security or start taking your pension, if you have one? And how will you address the big uncertainties of health care and long-term care? Taxes will get more complicated because, unlike previous generations, most retirees today have the bulk of their retirement money tied up in tax-deferred 401(k)s and traditional IRAs. How do you withdraw from these accounts safely without triggering a big tax bill?

PHOTO-ILLUSTRATIONS BY C.J. BURTON

BEGIN WITH A BUDGET

Get a handle on what your annual expenses will be in retirement by creating a retirement budget. Frank Castello, a 66-year-old former IT manager from Bowie, Md., gave his retirement budget a test run before leaving the workforce in 2016. He drew up a spreadsheet with his anticipated expenses, calculating that he would need $4,000 a month to live on. He lived on that budget for two years before retiring, while also maxing out his 401(k) and boosting his savings outside the plan. "I was constantly refiguring, rejiggering, verifying and validating the numbers," says Castello. "Do I have it right? Will I have enough? You don't know for sure until you live it."

So far, it's worked out for him. Castello, who isn't married, lives on savings and a $1,490 monthly pension. He rolled his 401(k) into an IRA that is 63% invested in stocks, with the rest mostly in bonds—an account he hasn't touched yet. He has enough cash on hand to pay expenses for a few years without having to worry about stock market fluctuations, and he has set up an emergency fund that he might need to tap when his 2005 Acura TL finally gives out. And Castello is waiting until age 70 to claim Social Security to get the maximum benefit. "I'm healthy. I don't need the money now," he says.

Take a look at what you've spent in the past year. (If you don't track your expenses now, your credit card issuers may offer a year-end summary of your charges to get you started.) Then adjust those expenses for what might change in retirement. For instance, you won't be commuting to work anymore, but you might be traveling to more far-flung destinations.

Or you might decide to tackle some major home renovations. "I always joke with clients, 'Look around your house and see what you want to change and start planning for it,' " says Nicole Strbich, a CFP in Alexandria, Va. Because once you retire, you're going to sit in your living room and decide you need new carpet, a kitchen renovation and a bigger porch, she says. (Renovations often end up costing more than projected, so Strbich advises doing them just before retiring, while you still have a paycheck to cover any surprise bills.)

Don't overlook health care surprises, either, especially if you plan to retire early. Judy Freedman of Marlton, N.J., retired six years ago as a group director in global communications at Campbell Soup. Too young for Medicare—she's now 61—Freedman pays more than $1,000 a month for the retiree medical plan through her former employer. And though she has a dental policy that covers the basics, such as teeth cleaning, expensive dental work has to be paid out of pocket. (After you sign up for Medicare, you'll need a supplemental policy to provide dental coverage.) Before retiring, Freedman, a widow, cut her expenses by downsizing. She sold her three-bedroom ranch house on a large lot and moved into a townhouse community, which reduced her property taxes, utilities and landscaping bills.

Once you've nailed down your anticipated expenses, subtract all your expected guaranteed sources of income, such as a pension, annuity and Social Security. (You can get an estimate of your future Social Security benefit by opening an online account at www.ssa.gov/myaccount.) The result is how much you will need to withdraw from your portfolio to maintain your lifestyle in retirement.

MAKE WITHDRAWALS LAST AS LONG AS YOU DO

What if your expenses outpace your sources of income, meaning you're likely to deplete your nest egg too quickly? In that case, you may need to consider working longer or go back to your retirement budget and figure

out what expenses you can cut.

But knowing whether you're withdrawing money too quickly from your nest egg can be tricky: You don't know how many years you'll live in retirement, and you can't count on earning the returns that we've enjoyed in the decade-long bull market. "If you do it in a careful and measured way, you can make withdrawals and, even if your account drops in value, not necessarily run out of money," says Tim Steffen, director of advanced planning for Baird in Milwaukee.

One popular guideline has been the 4% rule, which was designed in the 1990s as a safe withdrawal rate for a 30-year retirement that may include bear markets and periods of high inflation. It assumes half of your retirement portfolio is in stocks and the other half is in bonds and cash.

The rule works like this: Retirees draw 4% from their portfolio in the first year of retirement. Then they adjust the dollar amount annually by the previous year's rate of inflation. So with a $1 million portfolio, your withdrawal in your first year of retirement would be $40,000. If inflation that year goes up 3%, the next year's withdrawal would be $41,200. If inflation then drops to 2%, the withdrawal for the following year would be $42,024.

The 4% rule is a good starting point but may need some fine-tuning to fit your own situation, says Maria Bruno, head of U.S. wealth planning research at Vanguard. "Are you retiring at a younger age? If so, you might need a lower withdrawal rate." You may also need to withdraw your money more slowly if you are investing more conservatively, she adds.

Michael Kitces, director of wealth management at Pinnacle Advisory in Columbia, Md., says that while the 4% rule protects portfolios under bad-case scenarios, retirees could experience the opposite and end up after 30 years with more than double what they started with—even after decades of withdrawals. He suggests that if you use the rule, you review your portfolio every three years. Anytime it rises 50% above the starting point—say, a $1 million portfolio grows to $1.5 million—increase the dollar amount you withdraw that year by 10%. Then you can resume increasing that dollar amount by the rate of inflation until your portfolio grows significantly again to warrant a raise. (Of course, if you want to leave a legacy for your heirs, you may want to keep your money invested.)

MANAGE YOUR PORTFOLIO

Inflation is relatively low today, but even at current rates, it can greatly erode your purchasing power over a long retirement. And the Consumer Price Index, the most popular gauge of inflation, may be undercounting your expenses in retirement. The CPI-E, a government index that gauges the rise in prices for households age 62 and older, averaged 1.86% annually over the past decade, slightly higher than the general inflation rate. That's because older households devote more of their budget to health care, and the cost of that has risen faster than the general inflation rate.

To keep up with inflation, your portfolio will need the kind of long-term growth that stocks can provide. The right amount for you depends on how much risk your nerves can handle, along with your other assets and sources of income. If you're near retirement or newly retired, Vanguard's Bruno recommends a diversified portfolio with 40% to 60% in stocks.

Investors may have grown complacent in a bull market that's now close to being in its 11th year, but a bear is inevitable. Given the long run of this bull market, there is an elevated risk of a bear on the horizon, says Kitces.

A bear market can be devastating if it strikes early in retirement and you are forced to sell investments at a loss to pay bills. One way to lessen the impact of this, says Kitces, is to reduce your exposure to stocks as you head into retirement. If you're, say, 50% in

KipTip

Tax-Smart Strategies

The conventional wisdom to minimize taxes in retirement is to draw first from taxable accounts, which are generally taxed at favorable long-term capital gains tax rates (as low as zero but no higher than 23.8%); then tap tax-deferred accounts, such as traditional IRAs and 401(k)s, whose withdrawals are taxed as ordinary income; and dip into Roth IRAs last so this tax-free money has more time to grow.

But if you're approaching retirement with the bulk of your assets in a 401(k) or traditional IRA, consider a slight break with convention. The IRS requires you to begin minimum withdrawals from tax-deferred accounts after age 70½—so it can finally start collecting income taxes on the money. (Legislation pending in Congress would raise that age to 72.) But if your balances are large enough, these mandatory withdrawals could throw you into a higher tax bracket.

"The crop of retirees that are leaving the workforce today is the RMD generation," says Maria Bruno, head of U.S. wealth planning research at Vanguard. "These are folks leaving the workforce with large tax-deferred balances."

It's not too late to reduce future RMDs if you're still in your sixties. "We call this the sweet spot," says Bruno. One tax strategy is to draw from tax-deferred accounts early in retirement, when you might be in a lower tax bracket, and use the money to help with living expenses while delaying Social Security. Or, if you don't need the cash to live on, you can gradually convert some tax-deferred money into a Roth IRA.

In either case, make sure you don't withdraw or convert too much money in a single year and push yourself into a higher tax bracket. It's a good idea to visit an accountant or financial adviser to make sure you don't trigger any unintended tax consequences.

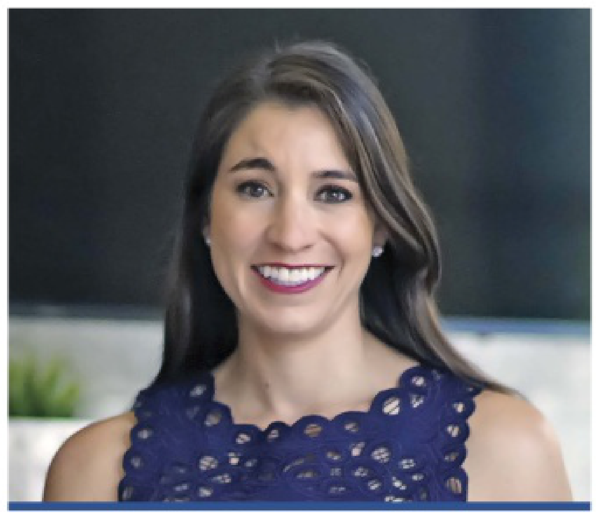
PROFESSIONAL INSIGHTS FROM PERSONAL CAPITAL

You May Be Able to Spend More In Retirement Than You Think

Michelle Brownstein, Vice President of Private Client Services, CFP®

Will you run out of money before you run out of time? Probably not, especially if you've saved well. But the fear is so common, even among the affluent, that retirees often cheat themselves out of enjoying the rewards brought about by many years of careful saving and investing.

One study looked at spending by retirees to see if most were in danger of running out of money. The conclusion? Quite the opposite. Researchers discovered that retirees with median wealth could spend 8% more on average. And wealthier retirees could spend up to 53% more.* So, let's look at ways to ensure you're deploying your nest egg to its fullest potential.



"One study shows that wealthier retirees could spend up to 53% more."

❶ Don't overestimate inflation

Retirees are often worried that inflation will eat away at their spending power. And while annual US inflation has averaged around 3% over the past 100 years, that doesn't necessarily mean *your* spending needs to increase by 3% a year.

At Personal Capital, we've found that many investors actually spend a bit less as they go through retirement. Some factor this in as a gradual decrease (say 1% a year), and others choose to block their spending out in years. For example, budgeting $80,000 each year for the first 10 years of retirement, then $70,000 over the next 10 years when travel desires or ability decreases.

Here's another way to look at this: Say you and your spouse, newly retired, start off spending $50,000 a year and increase that amount 3% annually to match average inflation. In 20 years, you'll be withdrawing just over $90,000 a year.

But if you take $57,000 a year initially and increase it by 2% annually, in 20 years you'll be withdrawing $84,700 a year. Both scenarios plan for inflation. But in the second case, you'll have more to spend in the beginning of your retirement, when you may enjoy it more.

❷ Make a plan for bear markets

Fear of a market downturn keeps many retirees in a perpetual state of austerity. But rather than agonize over the future, be flexible. For example, some retirees spend more money on travel and other discretionary items when the market has done well. Then, in a year when their portfolio underperforms, they withdraw only what's needed to cover nondiscretionary living expenses.

❸ Don't overestimate your needs

Many people assume they'll need 80% to 100% of their current income during retirement. But maybe you don't—especially if you've been saving a lot.

Let's say you're a high-earning, high-spending couple, so you correctly assume you will need more assets in retirement. You've dutifully socked away 25% of your annual income during your career. Upon retirement, however, that savings goal goes away. Other costs might decrease, too, such as paying for a mortgage or commuting costs.

Writing out an actual budget, even if you haven't been on a budget in many years, is the best way to estimate your spending. Our free ***Retirement Planner*** tool can also help you get a handle on costs that will change in retirement.

❹ Set aside money for splurges

Perhaps you've had a good year in the market but aren't quite ready to take that around-the-world-trip, renovate the house, or buy a new car. By all means withdraw the extra cash now for your splurge, and park it in an FDIC-insured account until you've earmarked enough. That way, you won't lose your windfall if the market turns sour.

Check out ***Personal Capital Cash***,† a high-yield account with an APY that is 23x‡ the national rate for traditional savings accounts.

❺ Personalize a withdrawal plan

Everyone's tax situation is different, and a personalized plan will consider how to minimize taxes on withdrawals in order to maximize your spending. Tools such as ***Smart Withdrawal*** take the guesswork out of this process. Available to investors who work with a Personal Capital fiduciary professional, ***Smart Withdrawal*** uses advanced forecasting to predict an optimal spending strategy to support the lifestyle you've earned. ■

* Spending in Retirement: Determining the Consumption Gap, *Journal of Financial Planning*, Feb 2016. † Personal Capital Cash is offered through Personal Capital Services Corporation (Personal Capital), which is not a bank. To participate in the program, you must open an account at UMB Bank, member FDIC. ‡ The Personal Capital Cash™ Annual Percentage Yield (APY) is 2.05% as of 8/01/19 and is variable and subject to change at our discretion at any time without notice. The national rate is calculated by the FDIC as of 8/01/19 based on a simple average of rates paid (uses annual percentage yield) by all insured depository institutions and branches for which data are available. Visit www.personalcapital.com/cash for full terms and conditions.

stocks, reduce that to 40% or 30%, he says. When the market falls, you can use that opportunity to buy stocks at lower prices and boost your holdings back to 50% of your portfolio, he says.

Another way to protect yourself during a market downturn—and preserve your peace of mind—is to use the bucket system. You divide your money into three buckets based on when you'll need it. Bucket One holds enough cash for living expenses in the first one or two years of retirement that won't be covered by a pension, an annuity or Social Security. Bucket Two is made up of money you won't need for the next 10 years and can be invested in, say, short- and intermediate-term bond funds. Bucket Three is the money you won't need until much later, so it can be invested in stocks or even alternative investments, such as real estate or commodities. (Review your cash bucket annually to see if it needs to be replenished from one of the other buckets.)

With the bucket system, even if the stock market plummets, you have the comfort of knowing that you have enough money in the first two buckets to cover your expenses for years without selling your stocks for a loss (see "Make Your Money Last," Oct. 2018).

PLAN FOR HEALTH CARE

Vanguard's research last year estimated that the typical 65-year-old woman pays $5,200 annually in health costs, including Medicare premiums and other out-of-pocket medical expenses. The cost nearly doubles by age 85, to $10,100 annually. "Health care is the biggest wild card," says Elliot Herman, a CFP in Quincy, Mass. The only sure thing about it is that the cost will rise over time.

To help with medical bills in retirement, consider opening a health savings account while you're still working, if you have a high-deductible health insurance policy. "We sometimes say an HSA is a Roth on steroids," says Vanguard's Bruno. You get a triple tax-free benefit: Contributions aren't taxed, they grow tax-deferred, and the money can be used tax-free for eligible medical expenses. And recent changes in HSA rules for those with chronic conditions make these accounts even more attractive (see "Ahead," on page 11).

For 2019, you can contribute up to $3,500 if you have single coverage and as much as $7,000 for family coverage. To make the most of the HSA, pay current medical bills out of pocket (if you can afford to), so the account has more time to grow. You can't contribute to an HSA once you enroll in Medicare, even if you're still working, but you can use the money at any time to pay medical bills, including Medicare Part B and Part D premiums.

Long-term care, which isn't covered by Medicare, is another uncertainty that retirees need to address. You may never need long-term care, but if you do, the bill can be huge. A study by the U.S. Department of Health and Human Services estimated that nearly half of people who are now 65—or who reached that age in the past few years—won't have any long-term-care costs. But one-fourth are expected to face long-term-care bills of up to $100,000, and 15% will rack up costs of $250,000 or more.

If you have the assets, you could pay the bills out of pocket. Long-term-care insurance is also an option, although it can be expensive, and you may have

a difficult time finding a policy if you have a health issue (see "How to Afford Long-Term Care," March 2019).

Kitces advises buying a policy while you're in your fifties, when the cost is lower and you're likely still healthy enough to qualify for a policy. Policies are much more expensive than those issued many years ago, but the higher price also reduces the risk of steep rate hikes in the future, says Kitces.

Some people resist buying long-term-care insurance, thinking it will be a waste of money if they never need care, says Keith Bernhardt, vice president of retirement income at Fidelity Investments. The solution for them, he says, can be a hybrid policy that combines long-term-care and life insurance benefits. It will cover bills for long-term care, but if you never need care (or need only little of it) your heirs will receive a death benefit when you die. "It helps to remove that concern that 'I won't get a benefit from this,' " Bernhardt says. Be aware that the policy is doing double-duty, so premiums are significantly higher than if you purchased a stand-alone long-term-care policy. An independent insurance broker can help you find a policy among different companies.

GETTING GUARANTEED INCOME

A traditional pension will provide guaranteed income for life. Although more than 80% of state and local government workers have access to a pension, only about 17% of private-sector workers can access that type of retirement plan, according to the Alliance for Lifetime Income, a nonprofit that represents insurance companies and other financial institutions.

If you're not in the fortunate group, an immediate annuity provides a way to create your own pension, using money you've saved in your 401(k) or elsewhere. In exchange for a lump sum, an insurance company will provide you with a monthly payment, usually for the rest of your life. Variable and equity-indexed annuities can also provide guaranteed income in retirement, but the amount may fluctuate depending on the performance of an underlying investment portfolio. These annuities are more complex than immediate annuities and often come with high fees.

A popular strategy is to buy an immediate annuity that will cover your monthly expenses, such as utilities and food. If a bear market hits, you'll have the flexibility to wait until the stock market recovers before taking withdrawals from your portfolio (although you may have to postpone your winter Caribbean island cruise).

There are downsides to annuities to consider before you write a check. Once you give an insurance company your money, you usually can't get it back, although some insurance companies allow one-time withdrawals for certain emergencies. Another drawback is that inflation will erode the value of your payments over time. Most insurance companies offer immediate annuities with an inflation rider—for example, payments will increase by 3% a year—but that will lower your initial payouts by up to 28%. For example, if a 65-year-old man invested $100,000 in a New York Life immediate annuity with no inflation rider, he would receive $6,197 a year. If he added a 3% annual inflation adjustment, his first annual payout would be only $4,446.

An even greater concern is the impact of interest rates on your payouts. Two factors affect the amount of income you receive from an immediate annuity: your age (the older you are, the higher your payouts) and interest rates. When interest rates are low, payouts are depressed, too.

Payouts are usually tied to rates for 10-year Treasuries, and that rate is historically low, says Harold Evensky, a certified financial planner and chairman of Evensky and Katz/Foldes Financial. Evensky believes a low-cost immediate annuity makes sense for a lot of retirees but that this may not be a good time to invest in one. Waiting will provide two benefits, he says: You'll be older, which means higher payouts, and there's a good chance that interest rates will be higher in the future than they are now.

If you're worried that interest rates could go lower—or you'd like to start receiving at least some guaranteed income now—consider building an annuity ladder. With this strategy, you spread the amount you want to invest in an immediate annuity over several years. For example, if you want to invest $200,000, you would buy an annuity for $50,000 this year and another $50,000 every two years until you have spent the entire amount. If rates rise, you'll be able to capture them, and if they fall, you'll have locked in payments at the higher rate.

Another option that requires a smaller outlay of cash is a deferred annuity, also known as a longevity annuity. With this annuity, you get guaranteed payments when you reach a certain age. For example, a 65-year-old man who invests $100,000 in a deferred annuity that starts payments when he turns 80 would receive about $1,850 a month, according to ImmediateAnnuities.com.

You can invest up to 25% of your IRA or 401(k) account (or $130,000, whichever is less) in a type of longevity annuity known as a qualified longevity annuity contract (QLAC) without having to take required minimum distributions when you turn 70½. Deferred annuity payouts are also tied to interest rates, so if you believe rates are going to rise, you may want to postpone investing in one of these annuities.

Depending on the type of retirement plan you have, you may already own an annuity. Many teachers and other public service employees have variable annuities in their 403(b) retirement savings plans. These annuities invest in mutual funds and can be converted into an annuity that provides income in retirement.

Legislation pending in Congress would make it easier for 401(k) plan providers to offer annuities to plan participants by eliminating some of the liability risks for the employer. The legislation would also make these annuities portable, allowing job changers to transfer annuities to another employer's plan or an IRA without paying surrender charges.

Supporters of the law say it would help workers convert their savings into lifetime payouts when they retire. But critics say the legislation doesn't go far enough to prevent employers from offering complex variable and equity-indexed annuities that are burdened with high fees—a common problem with many 403(b) annuity offerings. You may be better off investing your savings in low-cost mutual funds or exchange-traded funds and buying an immediate or deferred annuity after you retire.

Cash Flow

Sources of Income

This is how much retirees rely on savings and Social Security to replace their preretirement income.

Pre-retirement income	Income from savings	Income from Social Security	Income replacement rate
$75,000	$33,750	$22,500	75%
100,000	45,000	27,000	72
150,000	67,500	30,000	65
200,000	90,000	32,000	61
300,000	132,000	33,000	55

SOURCE: Fidelity Investments

YOUR HOME AS A SAFETY NET

Reverse mortgages have often been branded as a way for older retirees to raise money only when other sources of retirement income have dried up. But a growing group of financial planners and academics say that taking out a reverse mortgage early in retirement could help protect your retirement income from stock market volatility and significantly reduce the risk that you'll run out of money.

Here's how the strategy, known as a standby reverse mortgage, works: Take out a reverse mortgage line of credit as early as possible—homeowners are eligible at age 62—and set it aside. If the stock market turns bearish, draw from the line of credit to pay expenses until your portfolio recovers. Retirees who adopt this strategy should be able to avoid the pitfalls of the Great Recession, when many seniors were forced to take money out of severely depressed portfolios to pay the bills.

The standby reverse mortgage strategy can be effective "both from a practical and a behavioral perspective," says Evensky. "If people know they've got resources when the market collapses, they don't panic and sell."

A traditional home-equity line of credit could also provide a source of emergency cash, but you can't count on the money being there when you need it, says Shelley Giordano, founder of the Academy for Home Equity in Financial Planning at the University of Illinois at Urbana Champaign.

During the 2008–09 market downturn and credit crunch, many banks froze or closed borrowers' home-equity lines. "Just when people needed money and liquidity, the banks needed liquidity, too," says Giordano. That won't happen if you have a reverse mortgage line of credit. As long as you meet the terms of the reverse mortgage—you must maintain your home and pay taxes and insurance—your line of credit is guaranteed.

Several factors make a standby reverse mortgage particularly attractive now. Homeowners age 62 and older have seen the amount of equity in their homes increase sharply in recent years, to a record $7.14 trillion in the first quarter of 2019, according to the National Reverse Mortgage Lenders Association.

Low interest rates are another plus. Under the terms of the government-insured Home Equity Conversion Mortgage, the most popular kind of reverse mortgage, the lower the interest rate, the more home equity you're allowed to borrow.

Which leads us to one of the most counterintuitive—and potentially lucrative—features of reverse mortgages. Your untapped credit line will increase as if you were paying interest on the balance, even though you don't have to pay interest on money you

don't tap. If interest rates increase—and given current low rates, they are almost guaranteed to move higher eventually—your line of credit will grow even faster, says Giordano.

You won't have to pay back money you tap as long as you remain in your home, a comforting thought if you take money during a bear market. A HECM reverse mortgage is a "non-recourse" loan, which means the amount you or your heirs owe when the home is sold will never exceed the value of the home. For example, if your loan balance grows to $300,000 and your home is sold for $220,000, you (or your heirs) will never owe more than $220,000. The Federal Housing Administration insurance will reimburse the lender for the difference.

If you have an existing mortgage, you'll have to use the proceeds from your reverse mortgage to pay that off first. You have plenty of flexibility: Funds left over can be taken as a line of credit, a lump sum, monthly payments or a combination of those options. Even if there's not a lot of money left over, paying off your first mortgage means you won't have to withdraw money to make mortgage payments during a market downturn, Giordano says. "A regular mortgage that requires a monthly principal and interest payment can be a real burden, especially when the value of your portfolio is under stress," she says.

The drawbacks. One of the biggest downsides to reverse mortgages is the up-front cost, which is significantly higher than the cost of a traditional home-equity line of credit. The FHA says lenders can charge an origination fee equal to the greater of $2,500 or 2% of your home's value (up to the first $200,000), plus 1% of the amount over $200,000, up to a cap of $6,000. You'll also be charged an up-front mortgage insurance premium equal to 2% of your home's appraised value or the FHA lending limit of $726,525, whichever is less. And you'll have to pay third parties for an appraisal, title search and other services. You can pay for some of these costs with the proceeds from your loan, but that will reduce the loan balance. Costs vary, so talk to at least three lenders that offer reverse mortgages, says Giordano.

Because of the up-front costs, it's rarely a good idea to take out a reverse mortgage unless you expect to stay in your home for at least five years. Remember, too, that the loan will come due when the last surviving borrower sells, leaves for more than 12 months due to illness, or dies.

If your heirs want to keep the home, they'll need to pay off the loan first. That may not sit well with children who expect to inherit the family homestead, so it's a good idea to discuss your plans with them in advance. Giordano doesn't see this as a big barrier to a standby reverse mortgage—especially if it helps you preserve other, more liquid assets. "Kids would much rather split up a big fat portfolio than try to decide how to split up the house," she says.

Yes, this new phase of life comes with a lot of uncertainties. And financial advisers say that many new retirees often hold back on spending because of all the unknown bills that may await years down the line. But Fidelity's Bernhardt says these retirees often discover a happy surprise.

"They actually find out that they are in a pretty good spot. They are able to be happy and enjoy retirement," he says. "It's not quite as expensive as they thought it was going to be." ■

CONTACT THE AUTHORS AT FEEDBACK@KIPLINGER.COM.

Another Recipe

How to Get More From a Smaller Pie

The Society of Actuaries and the Stanford Center on Longevity have developed a withdrawal strategy geared for middle-income workers with less than $1 million in savings—people who often don't work with financial advisers. This Spend Safely in Retirement Strategy relies on optimizing Social Security benefits, which ideally you would delay until age 70. "That's the cornerstone of the strategy," says Steve Vernon, research scholar at the Stanford Center on Longevity and author of *Retirement Game-Changers.*

Social Security retirement benefits can start as early as 62, but taking them that early will reduce your monthly check by up to 30% compared with waiting until your full retirement age (66½ for those turning 62 this year). And for every year you delay benefits past your full retirement age, your benefit grows by 8%. Few retirees (only 4%) delay Social Security until age 70, according to a new study that calculated that today's retirees are losing out on an average of $111,000 per household during retirement by claiming benefits early (see "Rethinking Retirement," Sept.).

Vernon acknowledges that it's a challenge to get people to delay claiming. But Spend Safely aims to get over this hurdle with a strategy to generate income in your sixties without Social Security: Pull the amount from your portfolio each year that you would have received from Social Security had you claimed benefits. (If you're earning money from a part-time job, that will reduce the amount you will need to pull out.) On top of that, withdraw an amount at a rate modeled after the required minimum distributions that older savers must take from tax-deferred accounts after age 70½. This Spend Safely rate starts at 2.7% of the year-end portfolio balance at age 60 and gradually raises that to 3.6% at 70. Thereafter, you would use the RMD withdrawal rates published by the IRS.

Vernon says retirees can tweak this method, say, to boost their travel budget in the early years, although that would mean reducing withdrawals later. One drawback: Annual withdrawals will go up and down with the investment portfolio's performance each year.

LIVING IN RETIREMENT | Janet Bodnar

Retired and Single: Readers Weigh In

When I asked readers to share their experiences with being single in retirement (see "Living in Retirement," June), you didn't let me down. Not only did you offer useful advice, but you also came up with out-of-the-box ideas. And all of your stories are just as valuable for retirees who have a spouse or partner.

Not surprisingly, a number of you recommended volunteering as a way to socialize, and the suggestions were all over the map. For example, Ed Chidester volunteers as an English tutor for international students at a community college, as a travel guide for field trips sponsored by the local senior center (he gets to travel free), and as a member of the investment advisory board for his town. In the past, he's also been a middle school math tutor and a dog walker at a humane society—and he may give those another try. "I've changed my volunteer activities because sometimes I need to try something different," he writes.

Volunteering isn't a panacea, and it's critical to find the right fit. "All my volunteer positions have ties to my interests, and I have actively sought them rather than passively searching the internet," writes Chidester. Reader Nila Whitfield always wanted to work with children, so she began volunteering as a reading buddy at an inner-city school three years before she retired.

And Doris Guenther recommends using your church as a resource. "Deep and lasting relationships can be formed," writes Guenther, "good works can take place, and there are many opportunities to volunteer. Try a small church in your neighborhood. It's good for the soul."

POON WATCHARA-AMPHAIWAN

Making connections. Socializing can sometimes begin at home—even if you live alone. "Four years ago, I sold my house and moved to a condo building," writes Whitfield, "so it's a built-in community of 54 friends." (Note: Don't be afraid to speak to people in the elevator.) John Taxis joined the board of the homeowners association at his condo, "which keeps me very busy and gives me a sense of purpose." Plus, "living in a condo complex brings me in close contact socially, and being on the board makes me sought-after—although that can be a double-edged sword!"

> ***"THERE'S NOTHING BETTER THAN HAVING A DOG TO GET YOU OUT FOR A WALK TO MEET OTHER DOGS—AND PEOPLE—IN THE NEIGHBORHOOD."***

Socializing doesn't necessarily have to involve people. "My number-one suggestion for your readers who are alone is to adopt an older cat or dog," writes Lynne Derry. "They make wonderful companions. Volunteer at a shelter, and before you know it you will find the perfect companion." Plus, she says, "there's nothing better than having a dog to get you out for a walk to meet other dogs—and people—in the neighborhood."

Reader Dorothy Fue Wong, who is 80 years old and has been retired for 25 years, recommends focusing on your physical as well as your mental well-being with regular exercise as part of a class or at the gym. "That should be your first priority," writes Wong. "The major objective for a single retiree is to live independently as long as possible." (And remember, gyms are classic meeting places; that's where my recently married son met his future wife.)

Finally, a couple of you emphasized how important it is to be comfortable in your own skin. "I don't need to 'cope with' being alone in retirement because I actually prefer being alone most of the time," writes one reader. "I have spent my life out in nature, working in the woods, and I love silence, absent from human chattering."

Reader Rod Appel seconds that thought. "I've found it more rewarding to seek fun and excitement rather than social connections, even if that means doing things solo," writes Appel, 63, who runs 5K races, paddleboards and skis, among other activities. "Sometimes I meet interesting people at the races or on the ski hill, but even if I don't find anyone to talk with, I've still had a great time. Retirement is what you make it, so why not live out your dreams?" ■

JANET BODNAR IS EDITOR AT LARGE OF *KIPLINGER'S PERSONAL FINANCE*. CONTACT HER AT JBODNAR@KIPLINGER.COM.

DROWNING IN STREAMING FEES

With so many options to stream TV, movies and other programs, you could pay as much as you did for cable. Use our tips to save money and find the best services for you.

BY KAITLIN PITSKER

Not so long ago, parting ways with your cable or satellite television provider left you with just a handful of viewing options. Early cord-cutters could sign up for Amazon, Hulu or Netflix to stream movies and previously aired TV shows, but they usually missed out on live programming. Sports fans could use an antenna to catch some games on broadcast networks, but they often had trouble cheering on the home team because of rules banning coverage of games in a team's local market. And people who waited for their favorite shows to appear on the network's website a few days after they aired did their best to avoid spoilers until they could watch the latest episode. // Alternatives to cable have grown more attractive—and more plentiful—in recent years. Today, cutting the cord comes with more solutions than sacrifices, thanks to an abundance of high-quality streaming content ranging from must-see TV

ILLUSTRATIONS BY A. RICHARD ALLEN

to niche programs and on-demand streaming to live programming. And apart from the occasional regional hole in broadcast or sports coverage, you can watch virtually any program you desire with online services.

Now, with hundreds of video streaming services to choose from, you're faced with another problem: Cobbling together the best options without paying a small fortune can be complicated. According to Deloitte's 2019 digital media trends survey, the typical consumer reports subscribing to three paid streaming services. But that could be an underestimate. Many consumers use free, ad-supported options or forget about paid services they already have, says Kevin Westcott, who leads Deloitte's U.S. telecommunications, media and entertainment team. "People appreciate the freedom to select the services and content they want, but it leaves many customers frustrated as they try to manage multiple streaming services," he says.

A spate of changes from streaming providers further muddies the waters. Recently, many services, including Hulu, Netflix, PlayStation Vue and Sling TV, have raised prices for some plans. Many have also changed their lineups of channels, shows or movies (see the table on the next page).

You'll likely notice even more changes as the streaming wars heat up. Apple, Disney, NBCUniversal and WarnerMedia plan to join the fray with new streaming services set to launch in the coming months. Many of the new offerings will compete directly with Netflix. Disney, for example, will offer a bundle of Disney+, Hulu and ESPN+ for $13 a month, starting in November. And in the next few years, Netflix is set to lose two of its most watched shows: *Friends* to WarnerMedia's new HBO Max and *The Office* to NBCUniversal's forthcoming streaming service. Disney will also pull its content from the streaming giant, including Star Wars, Marvel and Pixar films and Disney classics.

BUILD YOUR OWN NETWORK

Start by making a list of networks and programs that you or others in your household watch. Note which shows you prefer to watch live and any programming that is exclusive to a specific platform. To see where shows or movies that you watch (or have been meaning to watch) are available, visit JustWatch.com. Enter the title of the show or film and the site will tell you where you can stream it, rent it or buy it, and help you find the lowest price on rentals and purchases.

To stream content, you'll need a speedy, reliable broadband internet connection. You'll also need a streaming device, such as Amazon Fire, Google Chromecast or Roku, or a "smart" (internet-ready) TV with built-in streaming capabilities. Then you can select services that suit your interests. Be sure to check whether the services you choose support the streaming device you're using.

Don't overlook an old-school antenna. Antennas can serve up more channels than basic cable without the monthly bill. But they don't work well everywhere. To see how well you'll be able to pick up local broadcast stations, visit www.antennaweb.org or www.tvfool.com. Enter your address or zip code and the site will show you which channels are available where you live and the type of antenna you'll need to capture the signal. If you live close to a transmitter, try the Mohu ReLeaf, a thin, flat-panel antenna that costs about $40 and mounts unobtrusively in your home. For a more powerful outdoor antenna, try the Winegard Elite 7550 (about $150).

Next, consider your options for streaming live TV as well as on-demand programming. Live television services such as Sling TV, Hulu + Live TV, AT&T TV Now (formerly DirecTV Now) and YouTube TV are more expensive than on-demand options, typically running $25 to $50 a month. On-demand services, from the behemoths to smaller providers such as Acorn TV ($6 a month or $60 a year) and DC Universe ($8 a month or $75 a year), offer an array of programming. Larger brands, such as Netflix, Amazon and Hulu, boast expansive libraries of movies, documentaries and past seasons of TV shows; smaller providers usually focus on niche content. Acorn TV, for example, has hundreds of British mysteries, dramas and comedies.

To help you pick the best streaming options for your family, use the table on the next page, which lists some of the most popular live TV and on-demand services. For more help, visit WhistleOut.com to compare plans from various providers and Mohu's

Cutting the Cord

THE CABLE COMPANIES FIGHT BACK

Last year, more than three million people left major cable and satellite television providers, about a million more than in 2017, reports Leichtman Research Group.

The average household using pay-TV spends about $105 a month on cable or satellite services. In a bid to retain customers, many cable providers now offer skinnier plans featuring fewer channels and a monthly bill of about $50 or less. But many of the providers lock customers into contracts, tack on fees and hike rates after introductory promotional prices expire. (Cord-cutters can usually subscribe to two or three on-demand services for less than the cost of a skinny cable bundle.)

If you get internet or phone service from the same provider as your cable service, you'll lose discounts you received for bundling services when you cut the cord. In that case, switching to the smallest cable package the company offers may be more cost-efficient than cutting cable altogether.

Streaming Services: What You Pay, What You Get

SERVICE	CONTENT	COST	SIMULTANEOUS STREAMS	STREAMING DEVICES
LIVE TV				
AT&T TV Now (formerly DirecTV Now)	Cheapest plan comes with 45+ channels; most expensive plan includes 60+ channels. Both plans offer ABC, CBS, CNN, Fox, HBO and NBC. Pricier plan now features Cinemax and TV Land. Cloud DVR with 20 hours of storage is also included.	$50 to $70/month	2	Amazon Fire TV, Apple TV, Google Chromecast, Roku, Samsung Smart TV
Hulu + Live TV	Comes with 60+ channels, including ABC, CBS, Fox, NBC, ESPN and HGTV. Premium channels, including HBO, Showtime, Cinemax and Starz, available for an additional fee.	$45/month	2	Android and iOS mobile devices, Apple TV, Amazon Fire TV and Fire Stick, Chromecast, Nintendo Switch, Roku, Xbox One and Xbox 360
Sling TV	Orange package ($25) comes with 33 channels, including AMC, CNN, Comedy Central, ESPN and HGTV; add cloud DVR ($5/month) and select additional channels (starting at $3/month). Blue ($25) offers 47 channels, including E! and NBCSN, but not ESPN or Disney.	$25 to $40/month	1 (orange package), 3 (blue package)	Amazon Fire devices, Android phone, tablet or TV, Apple TV and devices, Chromecast, LG TV, Roku, Samsung and Xbox One
YouTube TV	Service includes 70+ channels from the four major networks plus ESPN, FX, HGTV and MLB Network. Premium channels such as Showtime and Starz are available for an additional fee. Unlimited DVR storage is included.	$50/month	3	Chromecast; Roku; Xbox One; Apple and Android mobile devices; plus Android, Apple, LG, Samsung, Sharp and Vizio smart TVs
ON-DEMAND TV AND MOVIES				
Acorn TV	Mysteries, dramas, comedies and documentaries from Britain, Ireland, Australia and more. Original content includes *Agatha Raisin, Loch Ness, Striking Out* and *Detectorists.*	$6/month or $60/year	N/A	Amazon Fire TV, Apple TV, Apple and Android mobile devices, Chromecast and Roku
Amazon Prime Video	Unlimited streaming for thousands of popular movies and TV shows, including Amazon originals such as *Good Omens, The Marvelous Mrs. Maisel* and *The Man in the High Castle.* Some movies and current shows not produced by Amazon aren't free with membership.	$119 a year for a Prime membership or $9 a month for a video-only subscription. À la carte rentals and purchases without Prime are also available.	3, no more than 2 can stream the same video at the same time	Amazon Fire TV and Fire TV Stick; Apple and Android mobile devices; PlayStation, Roku and Xbox; LG and Samsung smart TVs; Echo devices
HBO Now	On-demand access to HBO's original series, plus movies and documentaries. Service includes access to episodes of shows such as *Big Little Lies, Game of Thrones, The Sopranos* and *The Wire.*	$15/month	Limited, but not specified	Amazon Fire TV and tablets, Android TV, Apple TV, Chromecast, PlayStation 4, Roku, Samsung smart TV and Xbox One
Hoopla and Kanopy	You may be able to access Hoopla and Kanopy through your public library. Hoopla offers access to movies, TV shows, music, audiobooks and e-books. Kanopy focuses on indie flicks and educational titles. Unlike most free streaming services, neither shows ads.	Free	—	Both services work on Amazon Fire TV Stick, Android TV, Apple TV, Chromecast and Roku
Hulu	Watch current shows and past seasons, plus popular movies and Hulu originals. Premium channels, including HBO, Showtime, Cinemax and Starz available for an additional fee. Cheaper plan includes commercials throughout.	$6 to $12 /month	2	Android and iOS mobile devices, Apple TV, Amazon Fire TV and Fire Stick, Chromecast, Nintendo Switch, Roku, Xbox One, and Xbox 360
Netflix	Watch a wide variety of movies, documentaries and TV shows, plus Netflix originals including *The Crown, Orange Is the New Black* and *Stranger Things.*	$9 to $16/month	1, 2 or 4, depending on plan	Amazon Fire TV, Apple TV, Chromecast, PlayStation 3 and 4, Roku, Xbox One and Xbox 360, and Apple, Android and Windows devices
Sony Crackle, IMDb TV, Pluto TV and Tubi	These free streaming services don't have expansive content libraries with the most current picks, and you'll generally have to watch commercials along the way, but they can fill gaps in your streaming line-up.	Free	—	Varies

N/A Information not available. —Not applicable.

Untangle.TV, which will lead you through a series of questions before recommending streaming services and devices based on your viewing habits.

STRATEGIES TO SAVE

You don't want to pay as much as (or more) for streaming services as you did for cable. Test the waters before taking the plunge with a new service. Many streaming services offer a free trial—usually a week or a month—to new customers. You can use the free trial period to decide whether you want to subscribe or to binge the content you can't find elsewhere.

Unlike cable providers, streaming services generally don't require a contract. Rather, most bill monthly, leaving you to come and go as you please. (A few, including Acorn TV, DC Universe, ESPN+ and The Criterion Channel, offer discounts for paying a full year up front.) If you do most of your viewing during certain times of the year—say, during the colder months—consider subscribing seasonally.

If you only watch a few movies or shows each month (or find you need to fill gaps in your streaming service line-up), you can rent or buy episodes or films à la carte with services such as Amazon Prime Video, FandangoNOW, Redbox or Vudu. Pricing is generally similar among services, but paying for an entire season of a show can be a better value than purchasing each episode individually. For example, you can purchase single episodes of *Brooklyn Nine-Nine* for $2 each or all 18 episodes in season six for $20.

Many streaming services offer subscriptions at different price points. Netflix, for example, offers three plans priced between $9 and $16 a month. If you share a Netflix account, the mid- and upper-tier options—which allow you to stream to two and four screens, respectively, at the same time—may fit you. You might also consider paying a few extra dollars for the premium plan for its ultra high-definition streaming if you have a 4K TV or monitor. Similarly, Hulu subscribers who use the platform for only a handful of shows might opt for the $6-a-month plan, which has commercials, instead of spending twice that amount for content without ads.

If the service you're using allows multiple viewers to stream content at the same time or you don't need full-time access, you can share accounts within your household. The major providers have been slow to curb the practice of password sharing, although some have taken steps to control the number of devices that can be used to stream at the same time or on one account. Still, sharing policies often lack clarity, leaving users free to deduce whether their household includes roommates or a kid at college.

You may be able to get a deal on streaming from another service that you already use. Earlier this year, music streaming service Spotify offered a package deal with Hulu (the $6 monthly plan) at no extra cost.

Cell-phone service providers are using streaming subscriptions to sweeten the deal on some wireless plans. Sprint's basic unlimited plan includes a subscription to Hulu's $6-a-month plan; the company's mid-tier unlimited plan also adds a Tidal premium music streaming service. Its top-tier unlimited plan includes both and tacks on Amazon Prime. Similarly, T-Mobile's One plans knock $11 a month off the price of Netflix's mid-tier package (regularly $13 a month), and Metro by T-Mobile's unlimited plan includes Amazon Prime. ■

CONTACT THE AUTHOR AT KPITSKER@KIPLINGER.COM.

TRAVEL

Is Your Vacation Destination Safe?

Check out travel advisories before you book to get the real scoop on the risks you'll face.

NEWS REPORTS ABOUT terrorist attacks, rampant crime or an unsettling string of deaths in an idyllic destination such as the Dominican Republic may give you pause when selecting a vacation spot—or make you wonder if the place you chose is safe to visit at all.

Before deciding you may be better off with a staycation, keep in mind that for most travelers "the actual risks are more mundane," says Matthew Bradley, of International SOS, a medical and travel security services company. In most places, you're likelier to experience petty theft, traffic accidents or gastrointestinal problems than a terrorist attack. Instead of writing off certain places because of bad press, use these strategies to judge a destination.

Check government advisories. To review the U.S. Department of State's advice for travelers, go to https://travel.state.gov and click on "Travel Advisories" at the top of the home page. Each country is rated one of four levels, with Level 1 advising travelers to "exercise normal precautions" and Level 4 indicating "do not travel." Read the full advisory and the Safety and Security section because these write-ups describe the severity of the dangers you could face and drill down into regions or cities that carry higher—or lower—risks than elsewhere in the country.

Sometimes advisories issue alarming warnings, such as "terrorist groups continue plotting possible attacks" or "pickpockets and purse-snatchers operate aggressively," even in seemingly benign countries. But be aware that the advisories "err on the side of caution," says Bradley. Ted Blank, a travel agent in Stillwater, Minn., recommends cross-checking the State Department's perspective with travel advisories written by other governments, such as the United Kingdom. (Only U.S. State Department advisories discuss risks specific to American travelers and allow you to sign up for safety alerts at https://step.state.gov.)

Balance government reports with guidebooks and other objective resources. GeoSure is a smartphone app that scores cities and neighborhoods worldwide on risk factors, such as women's safety and health and medical risks. Scores range from 1 to 100, with higher numbers indicating a greater degree of danger. If a hotel you booked is in the thick of alarming news reports, call and ask what precautions the staff are recommending for guests, rather than simply asking, "Is it safe?" says Michael McCall, professor of hospitality marketing at Michigan State University.

SOME TRAVELERS CANCELED TRIPS TO THE DOMINICAN REPUBLIC AFTER HEARING REPORTS OF TOURIST DEATHS.

ISTOCKPHOTO.COM

Call for backup. For an extra layer of security, organize your trip through a travel agent or tour operator. Travel agents can give you real-time information from local contacts, distinguish secure tourist zones in the midst of riskier regions, and help you adjust your itinerary. A reputable tour operator (start your search at www.ustoa.com) will have on-the-ground partners to help assess the safety of upcoming trips and reroute you as necessary.

Travel insurance may help you recoup the costs of canceling your trip or cutting it short, depending on the circumstances (see "Disaster-Proof Your Vacation," Sept. 2018). Most insurers exclude countries under U.S. sanctions for national security or other reasons; some insurers also impose higher premiums and certain restrictions on "high risk" countries.

Finally, if an outbreak of violence or a natural disaster is standing in the way of your trip, try to negotiate a refund or credit directly with your airline or hotel. "Companies often evaluate these situations on a case-by-case basis," says Misty Belles, managing director of global public relations for Virtuoso, a luxury-focused network of travel agencies.

MIRIAM CROSS
mcross@kiplinger.com

How to Complain and Get Results

Impersonal customer service makes it hard to get help. Here's the script for success. BY PATRICIA MERTZ ESSWEIN

TAKING A COMPLAINT TO CUSTOMER service can be maddening. No one wants to deal with endless phone trees, outsourced representatives working from inflexible scripts, automated responses or chatbots. "Despite saying they provide more ways than ever to contact them, companies are building fortresses around themselves so that no one has to interact with you," says Christopher Elliott, of Elliott Advocacy, a nonprofit consumer group.

To breach the walls and successfully resolve your complaint, says Elliott, you must use the three *p*'s: *patience, persistence* and *politeness*. Don't expect an instant fix, and give the company's complaint process time to work. Be prepared to tell your tale repeatedly, taking your complaint up the chain of command if necessary. And even if you're frustrated and furious, make nice. Being polite will help your complaint go to the top of the pile and get you a better response every time.

Here are steps you can take to get the results you want.

Document everything. It's still called a paper trail, even though much of the information may be digital. For any product or service for which you pay a sizable sum, keep copies of your order confirmations, receipts, contracts, work orders, warranties, service agreements and billing statements. If you opt to get a receipt by e-mail or text, make sure you receive it and file it. Before you dispose of product packaging, remove enclosed paperwork that may include a warranty and customer-service phone number. Also remove the bar code, which you may need to obtain a replacement item, says Amy Schmitz, a law professor at the University of Missouri.

Keep copies of e-mails and take screenshots of online chats. In your first exchange with customer service, write down the reference number if one is assigned to your case. Recording the call would be ideal. But if you can't, take notes, including the date, time, name of the person with whom you spoke, the substance of your conversation and any promises made.

Make your point. It pays to complain as soon as you know you have a problem. The more recent your experience, the greater the weight your complaint will carry. Plus, memories fade, records get buried, and staff changes, says Nelson Santiago, of Consumer Action, a nonprofit consumer advocacy group.

A face-to-face visit with a local seller may quickly fix your problem. But if you're dealing with an online retailer or a corporate office, you usually must follow its complaint process.

Go to the next level. If you're not getting results, take your complaint up the corporate ladder. Ask a customer-service rep, "If you can't help me, who can I call or write who has the authority to help?" Visit company websites to search for contacts. If the obvious choice (such as "contact us" or "customer service") isn't helpful, try clicking on "about us," "terms and conditions" or "privacy statement." On the website of the Better Business Bureau (www.bbb.org), search by the company name and look for contact information for owners and executives under "Business Details." To bypass corporate phone trees, go to www.gethuman.com and search by company for phone numbers and shortcuts to reach a real person.

Elliott Advocacy (www.elliott.org) posts the names and contact information of executives responsible for

ILLUSTRATION BY RICHARD FAUST

customer service at major companies. (If you can't find a company contact, you can ask Elliott Advocacy to do the research.) The organization recommends writing to the senior customer-service contact first and saving the CEO for later. It also goes to bat for consumers who can't resolve their problem with a business; the service is free as long as you are willing to share the details of your case on the website.

Keep all communication brief, professional and unemotional, says Santiago. Avoid including too much detail or shouting, which includes writing in all caps. Limit a letter to 250 words or four short paragraphs. Clearly state what you want, and keep your request reasonable. Ask yourself: What solution would be acceptable, even if it isn't ideal? Don't inflate your demands. For example, if you stayed five nights at a hotel and didn't have air conditioning for one night, you can't expect a refund for five nights.

Give the recipient a deadline to respond. Ten business days is a reasonable length of time, says Santiago. Let the business know that you'll pursue other available remedies if you don't hear back by then. Mark the date on your calendar as a reminder when to follow up if you haven't heard back. Attach only copies or scans of relevant documents, not the originals. Send your letter by certified mail. (Go to www.consumer-action.org for a sample letter and e-mail and a free guide titled *How to Complain*.)

Try social media. Should you apply leverage by complaining on social media, also known as Twitter shaming or Yelp (or Facebook) blackmail? It's worth a shot, especially if the company has recently experienced bad publicity and is worried about its reputation, says law professor Schmitz. At a minimum, you may feel better by airing your complaint or commiserating with other aggrieved consumers. To avoid exposing yourself to accusations of defamation and a potential lawsuit, be completely honest, don't exaggerate and back up your assertions with documentation.

If your efforts don't get results, file your complaint with an intermediary that can assist or advise you, such as the BBB, Consumer Action or Elliott Advocacy.

As a last resort, you could sue a business in small-claims court. States set different rules and dollar limits (see www.nolo.com/legal-encyclopedia/small-claims-suits-how-much-30031.html). However, many companies insert arbitration clauses in their contracts, which may require you to take a dispute to a third party for resolution rather than going to court. ■

CONTACT THE AUTHOR AT PESSWEIN@KIPLINGER.COM.

ENLIST A PRO

Who You Gonna Call?

If you've hit a wall with customer service, contact an intermediary. Some groups will intervene on your behalf; others collect complaints to spot trends and combat fraud for all consumers.

STATE AND LOCAL HELP. Contact your state's consumer protection office or regulatory agency (search by state at www.usa.gov/state-consumer).

If you're dealing with a licensed professional or tradesperson, you can complain to the state or local licensing board with jurisdiction over the person.

If you think you've been the victim of fraud or deceptive practices, complain to your state's attorney general, your district attorney, or the fraud division of a local law enforcement agency.

HELP FROM THE FEDS. Look for complaint strategies for specific categories of products and services with third-party contact information at www.usa.gov/complaints-by-product.

At the federal level, you can complain to the **CONSUMER FINANCIAL PROTECTION BUREAU** about a financial product or service (www.consumerfinance.gov/complaint); the **FEDERAL COMMUNICATIONS COMMISSION** about a telecom billing or service issue (https://consumercomplaints.fcc.gov); the **FEDERAL TRADE COMMISSION** about fraud or an unfair business practice (www.ftc.gov/complaint); **MEDICARE** about your Medicare health plan or prescription-drug plan (www.medicare.gov/MedicareComplaintForm/home.aspx); and the **U.S. SECURITIES AND EXCHANGE COMMISSION** about problems with brokers, brokerage firms, investment advisers and other market participants (www.sec.gov/oiea/Complaint.html).

MILLENNIAL MONEY | Rivan Stinson

Giving to Charity on a Budget

A few issues ago, I interviewed Doug Lynam, a former monk who now works as a money manager in Santa Fe, N.M. (see "Ahead," July). One of the topics we discussed was the importance of charitable giving, and it got me thinking: How can I make a difference on a limited budget?

One strategy is to combine philanthropy and saving by investing in companies that seek to make the world a better place. There are apps that will help you do that. The Stash app, for example, identifies exchange-traded funds and individual stocks that allow you to invest in companies that align with your convictions, from clean energy to workplace equality. (You can also invest in specific sectors or pick ETFs that match your risk tolerance.) You need only $5 to open a Stash account, and you'll pay just $1 per month for a beginner's account. Another option: Find out if your 401(k) plan offers a socially responsible fund, such as **VANGUARD GLOBAL ESG SELECT STOCK** (SYMBOL VEIGX) or **PARNASSUS MID CAP** (PARMX), a member of the Kiplinger 25 list of our favorite actively managed no-load mutual funds.

Apps and socially responsible funds may sound like an easy way to hop into the charity lane, but they may not be a smart investment strategy—particularly if you're new to investing, says Pamela Capaland, a certified financial planner and founder of Brunch and Budget. You could end up with a portfolio that's not sufficiently diversified, she says. Capaland believes there are ways to give money that are more effective.

POON WATCHARA-AMPHAIWAN

Giving directly. Like most millennials, I've been bombarded with charitable solicitations on social media. Facebook added a feature in 2017 that allows users to request donations to their favorite charity in lieu of birthday gifts. Depending on how many Facebook friends you have, the posts can be overwhelming, and unless you vet the charities, you have no idea how the money will be used. Donating small amounts to multiple causes may seem like the most generous thing to do, but experts say you can make a much greater impact by limiting your donations to one or two charities.

GoFundMe pitches tend to populate my Facebook news feed as well, and some of these are even more troubling. You're usually prompted to help people or organizations that one of your friends has heard about, but you have no way of knowing if help is actually needed or if the fund-raiser is a scam. In 2017, a couple collected close to $400,000 from donors purportedly to help a homeless man who lent the couple his last $20. All three have been charged with fraud.

DON'T FORGET THAT YOUR TIME HAS VALUE, TOO. VOLUNTEERING IS THE BEST WAY TO SEE IF YOU LIKE HOW THE CHARITY IS RUN.

If something on your social media feed does catch your attention, do your homework. You can look up charities on Charity Navigator (www.charitynavigator.org) and the Better Business Bureau's Wise Giving Alliance site (www.give.org). Charity Navigator rates charities on financial health and accountability; the Wise Giving Alliance checks out governance, fund-raising, effectiveness and donor privacy. You'll also want to search the internet for complaints and reviews about the charity. If the charity is mostly local, try searching for it on your region's Better Business Bureau website.

To be able to give more generously, Capaland suggests creating a line item in your budget for charity and shifting money from things you don't use often, such as subscriptions to streaming services. For example, if I canceled my streaming subscriptions, which cost me about $21 a month, I could give $252 a year to charity. And don't forget that your time has value, too. Lynam says volunteering is the best way to see if you like how the charity is run.

I'm still on the fence about where I would like my charitable dollars to go, and I'm reluctant to give up my HBO account. So in the meantime, I'm looking into volunteering at local cat shelters. ■

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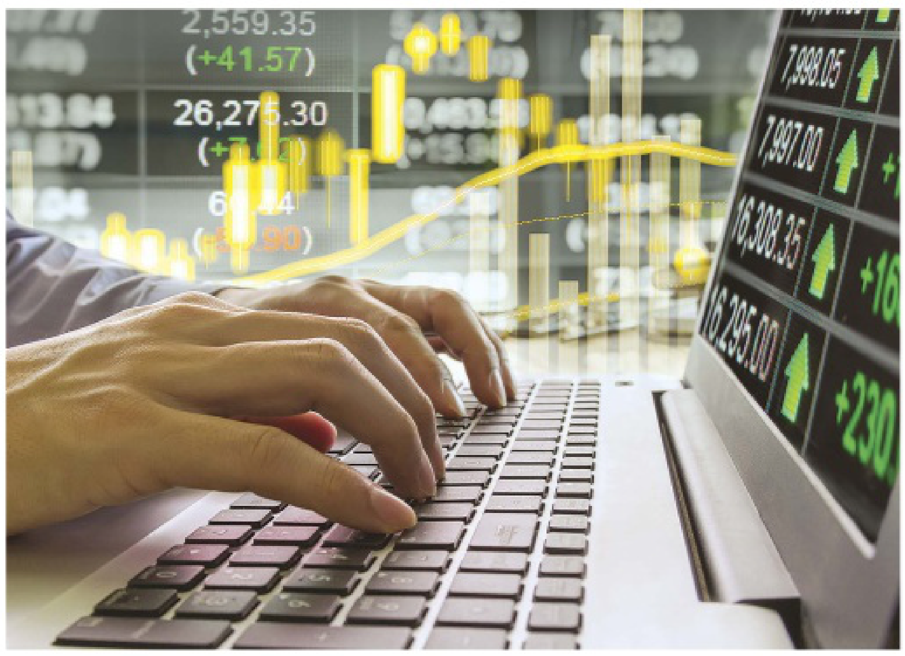
PRACTICAL PORTFOLIO | John Waggoner

Be Smart About How You Trade

Giving your broker the right order can help you get the best price.

WHEN YOU ORDER A hamburger, you could get one that's pink and juicy in the middle, or one that's a blackened hockey puck between two buns. That's why waiters ask you how you want your order. You have several options for ordering stocks as well. Knowing the difference between them can help you get the best price when you trade—and, in some cases, help you avoid losses.



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A **market order** means you want the order executed as quickly as possible. Market orders can be buy orders or sell orders. In either case, you're simply trading the shares at the current market price. If Microsoft is selling at $140 a share, for example, a market order to buy or sell will probably get you the shares near $140 per share, most of the time.

Investors can use a **stop-loss order** to limit their losses in a market rout. For example, suppose you had bought 100 shares of Microsoft at $140 and it rises to $155. Congratulations! You're up $1,500. But now you're worried that if the market falls, you could lose that entire $1,500 and more. To mitigate that risk, you can put in a stop-loss order, which tells your broker to sell the stock once the price falls to a certain level, called the stop price—say, $140 in our example. At that point, your stop-loss order becomes a market order, and you'll sell at the next available price at $140 or less. You would lose your gain but probably not your principal.

Many brokerages will allow you to use a percentage stop order—that is, your order will trigger if the stock falls a certain percentage below its most recent high. (Some call this a trailing stop order.) If Microsoft were at $150, for example, you could put in an order to sell if the stock were to fall 10%, to $135 per share. If Microsoft rose to $160, your trailing stop would still be 10%, but the sell point would rise to $144.

The catch. The problem with market and stop-loss orders is that stocks can sometimes move considerably between the time you give the order to your broker and the time the trade is executed. Suppose you have a stop-loss order for $140. When that's triggered, your broker will sell the stock for its next available bid at $140 or less. In market routs, prices can gap down—meaning that the next bid could be $135, for example, or lower. With a regular stop order, you'll get the next available price, and it might be well below your stop level.

That's where **limit orders** come in. A limit order allows you to specify the maximum price at which you'll buy a stock and the minimum price at which you'll sell, but note that the order won't be executed unless that price becomes available. A **stop-limit order** combines the protections of a stop-loss order and a limit order. With a stop-limit order, you can specify the point at which you sell—the stop—as well as the lowest price below the stop that you'll accept, which is the limit. Let's say you had a stop-loss order at $140 for Microsoft. You could add a limit of $138, meaning you'd take any price from $138 to $140. If the stock gaps below that range, you'll have to hold on until the stock hits $138.

Most discount brokers charge the same commission regardless of order type. And all brokerage orders have a time element. Most are **day orders**—that is, they are good only for the day you make them. If they can't be filled that day, they expire. For trailing stops or other, more-complex trades, it's best to use a **good-till-canceled order**, which means pretty much what it says. Good-till-canceled orders don't necessarily last forever. Your brokerage may have a time limit—say, six months—before the good-till-canceled order expires, so be sure to ask about it.

For most long-term investors in a reasonably calm market, a market order is fine. But stop orders can trim your losses in a downturn, and using a limit order to buy can help you snatch bargains once the market has sold off. ■

CONTACT THE AUTHOR AT JWAGGONER@KIPLINGER.COM.

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ILLUSTRATION BY JOHN W. TOMAC


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