

THE BEST CREDIT CARDS |||| P. 80

Money

Best Places to Live 2016

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HEALTH PLAN

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THE BALL FAMILY OF
NO. 1: COLUMBIA, MD.



OCTOBER 2016
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a revolutionary product 140 years ago: the world's first premixed paint. In the 1940s, it launched another breakthrough, the first water-based paint. And the company made history again early this year when it introduced Paint Shield® microbicidal paint, the first paint that kills bacteria, including Staph (*Staphylococcus aureus*) and E.coli (*Escherichia coli*) within two hours of exposure on a painted surface.

"At the end of the day, it's totally breakthrough, but surprisingly the same," says Steve Revnew, Sherwin-Williams senior marketing vice president of product innovation. "You apply it like any other paint, and it gives you the color, high performance, nice 'eg-shel' finish, washability

homes and public facilities—including the aforementioned Staph (*Staphylococcus aureus*) and E.coli (*Escherichia coli*), but also MRSA (Methicillin-resistant *Staphylococcus aureus*), VRE (Vancomycin-resistant *Enterococcus faecalis*) and *Enterobacter aerogenes*—all

within two hours of exposure on a painted surface. And it continues to kill 90% of bacteria for up to four years, as long as the surface integrity of the paint remains intact.

If you have an active family, want to take extra steps to fight bacteria in your surroundings, or are simply the type of person who is always looking for ways to improve your home, Paint Shield® microbicidal paint, which comes in 550 colors, merits a hard look. While it is obviously ideal for



and durability people want. But it also provides an added layer of protection."

More than simply decorating a room and protecting the walls from the usual wear and tear of everyday life, Paint Shield® microbicidal paint actually kills bacteria on a painted surface within two hours of exposure. "This makes it one of the most significant technological breakthroughs in our nearly 150-year history of innovation," says Sherwin-Williams President and CEO John Morikis.

"Paint Shield® microbicidal paint works for you," explains Revnew. It doesn't just stop bacterial growth; it actually kills 99.9% of five common types of infectious bacteria found in

hospitals and healthcare facilities, locker rooms, schools, day care and senior citizen centers, cruise ships and the like, it's also perfect for kitchens, bathrooms and laundry

rooms at home—anywhere unwanted bacteria is likely to proliferate.

Now celebrating its 150th anniversary, Sherwin-Williams "is always focusing on innovative solutions that provide added benefits to our customers," says Revnew. The exclusive patented formula in Paint Shield® was developed through research and collaboration between Sherwin-Williams coat-

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THAT KILLS
BACTERIA WITHIN
TWO HOURS
OF EXPOSURE.**

ings scientists and expert microbiologists. It has received a U.S. patent and has the distinction of being the first EPA-registered microbicidal paint that kills difficult-to-treat, infection-causing bacteria. "By killing infectious pathogens on painted surfaces," says CEO Morikis, "Paint Shield® is a game-changing advancement in coatings technology." 🌟

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*Kills bacteria, including Staph (*Staphylococcus aureus*) and *E. coli*, within two hours of exposure, and continues to kill 90% of bacteria after repeated exposure on a painted surface, for up to four years, when the integrity of the surface is maintained. Not available in all states.



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THE 50 BEST PLACES TO LIVE IN AMERICA

MONEY looked at more than 800 communities in this year's search for the Best Places to Live, and the winners shared one key trait: They're located at the intersection of affordability and livability.
by MONEY staff and contributors

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by Paul J. Lim



PLUS
The Best Big Cities

Think urban living has to be expensive? Not in these top six towns. *by* Sarah Max

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The Nagy family strolls around Riley Lake in our No. 2 place: Eden Prairie, Minn.

WARDROBE STYLING BY KATIE MORONEY; GROOMING BY JOY MULHOLLAND

Now there's a rewards currency that's as convenient as cash

Emirates Business Rewards, our reimagined corporate traveler program, lets you redeem Business Rewards Points for any available seat as if you were paying cash—even on last-minute flights. Earned Points will also be quickly reflected in your account within two weeks, while a simple enrollment process makes it easier than ever to get started. Experience Emirates Business Rewards, with cash-like convenience.

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Grooming by Susan Heydt
Location provided by Petit Louis Bistro

“Over and over I saw the importance of being able to live a new life.”

—Monica Modi Khant, *American Voices*, page 26

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Life is good in Highlands Ranch, Colo., No. 6 on our list.

MORE SCOOP ON THE BEST PLACES

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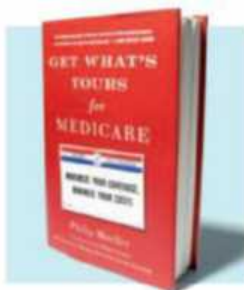
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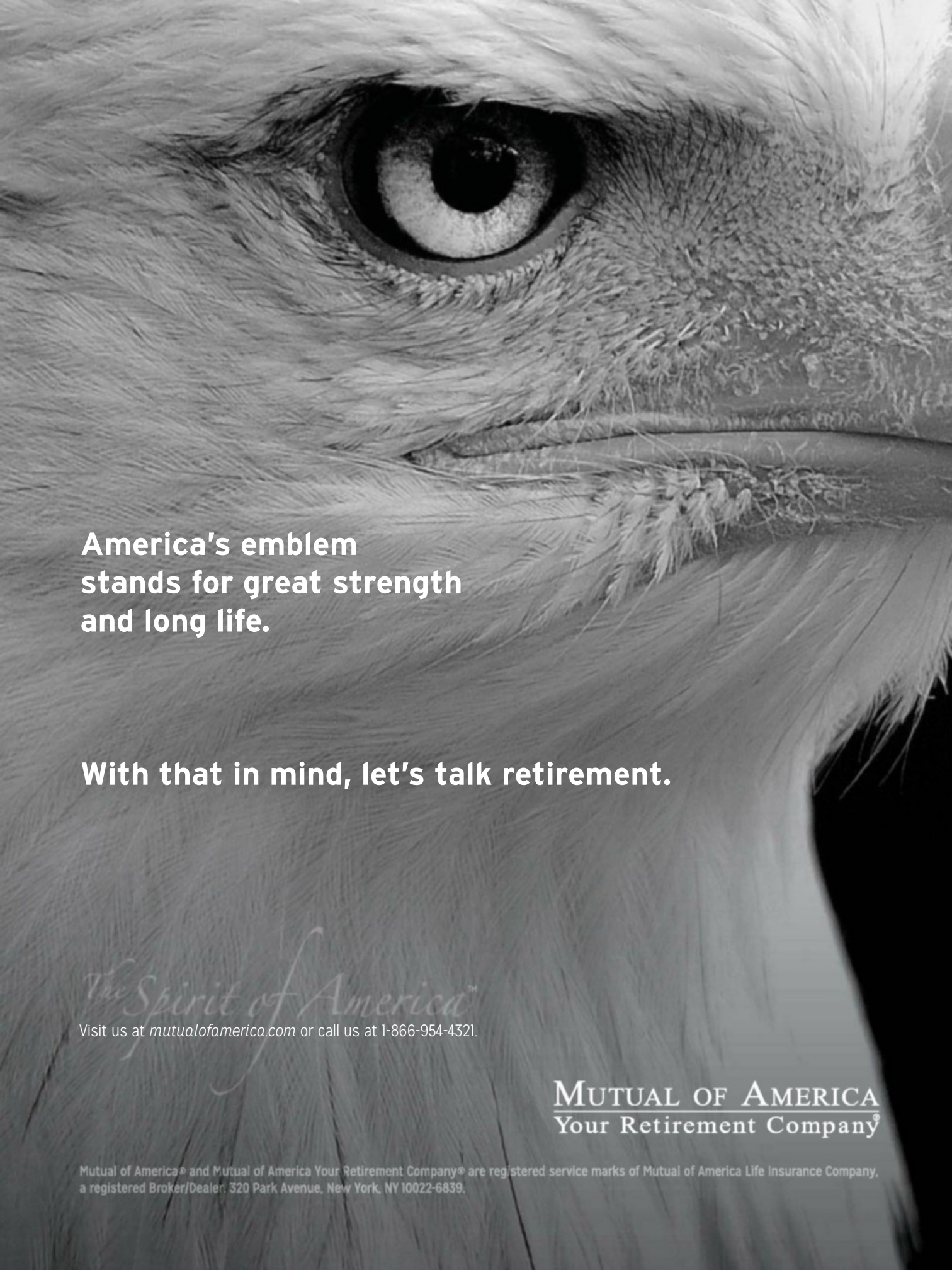


COLUMNIST



BRAD TUTTLE
spotlights the good, bad, and just plain funny ways we spend our money. [@bradtuttle](http://twitter.com/bradtuttle)

PHOTOGRAPH BY DAVID NGUYEN/THE TOWN OF HIGHLANDS RANCH (TOP); CHAD GRIFFITH (TUTTLE)



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✉ Write the Editor: editor@money.com

A Love Letter to My Best Place

DEAR MONTCLAIR, N.J., I'm sorry you didn't land on this year's list of the 50 Best Places to Live in America. True, you weren't even eligible in 2016, since MONEY's annual ranking alternates between the current focus on small cities (places with populations between 50,000 and 300,000), and small towns (populations between 10,000 and 50,000). And with about 38,000 residents, this just wasn't your year, Montclair.

But I've got to be honest. You didn't make the cut in 2013 or 2015 either, and almost surely won't next year. Home prices and property taxes are high, for one thing, and these and other affordability factors figure prominently in the MONEY ranking. Then, too, compared with the national averages, job growth is lower and the crime rate is a bit higher, which also count against a place in our methodology.

For my family, though, your charms—characteristics that also matter in our rankings—are abundant. The town's social, economic, and ethnic diversity enriches the community and ensured that my kids grew up knowing and respecting people whose income, race, and religion were different from their family's. The local cultural scene is vibrant, parks as well as sports and recreational facilities are plentiful, and while you don't have to leave town to dine at a great restaurant or see a good show, Manhattan is just 12 miles west, if you occasionally yearn for urban attractions or, like me, have a job in New York City that you commute to daily.

Sure, with my children now grown and no longer bound to the good schools that draw young families here, my husband and I sometimes talk about moving to a lower-cost town. That's one reason I look forward to MONEY's annual Best Places issue—it allows me to suss out areas where we might want to move one day. Viewing the selection process firsthand, I'm always impressed by how the places are picked, and this year is no different. Led by editor-at-large Marc Peyser, along with digital deputy editor Laura Goldstein and reporter Kerry Close, the 11-person Best Places team crunched thousands of data points in more than 60

categories to land on the 50 finalists, then did on-the-ground reporting in all of them to decide on the top 10 (see the picks starting on page 58, and the top six big cities on page 72).

Yet in the end, for me at least, there really is no place like home. All those conversations with my husband somehow lead us back here, deciding to stay put for another year or two or 10. You may not be the Best Place for everyone, Montclair; but you're it for me.

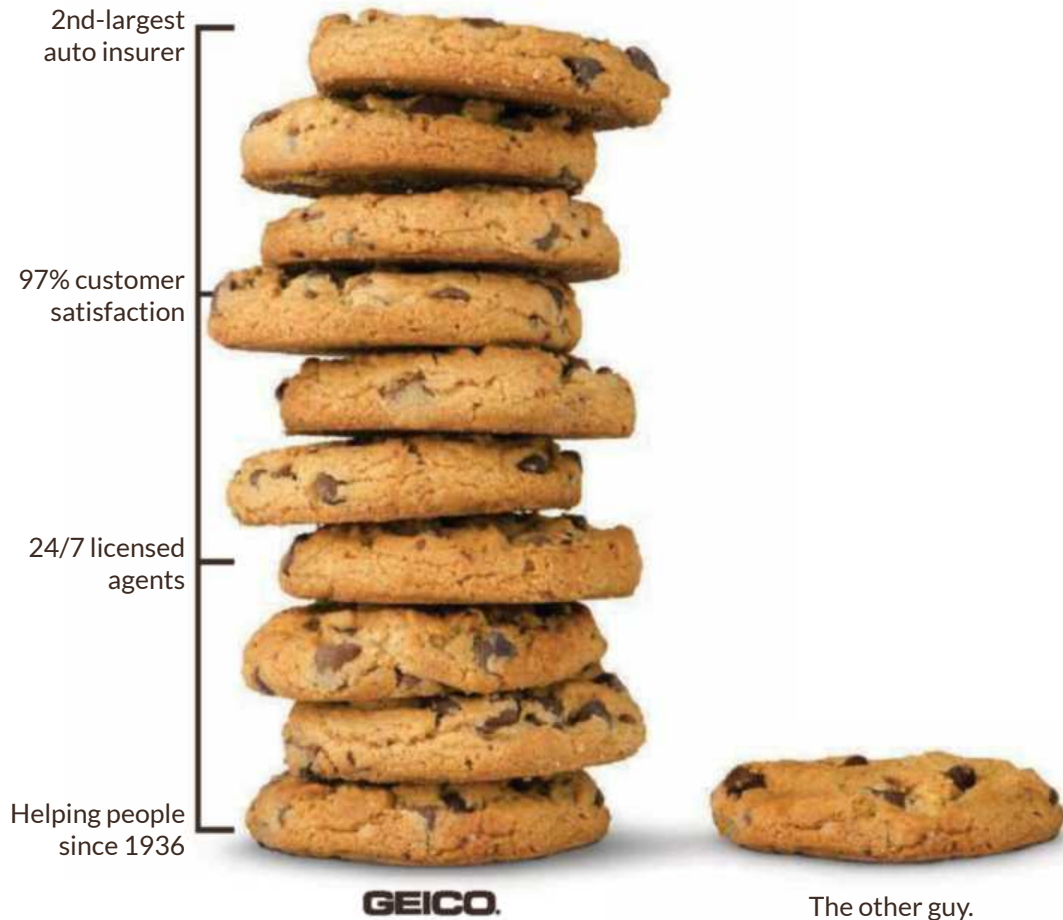
Diane Harris

DIANE HARRIS

twitter.com/dianeharris 

PICTURING EDEN The team of Jenn Ackerman and Tim Gruber photograph a man and his dog on the shore of Riley Lake in our No. 2 town, Eden Prairie, Minn. Read all about the top 10 Best Places (page 58) and the six Best Big Cities (page 72).





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Why enjoy just one cookie when there's a whole stack in front of you?

The same goes for car insurance. Why go with a company that offers just a low price when GEICO could save you hundreds and give you so much more? You could enjoy satisfying professional service, 24/7, from a company that's made it their business to help people since 1936. This winning combination has helped GEICO to become the 2nd-largest private passenger auto insurer in the nation.

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@LISADAVIDMS

Re: "U.S. Olympic med-
alists must pay 'victory tax'"

Mine was, "I can't do this anymore." Gave notice just this week.



AMY IRENE

Re: "Why #QuitYour-
Jobin5Words Is Exploding
on Twitter"

Start today/Don't delay/For payday/On the way.



@LEECLAPP

Re: "Here's how much
you'll need to save annually
to become a millionaire"

I am overqualified, with a name, background, ancestry, and affinity like mine.



ERIC BIERKER

Re: "The Smithsonian
Will Pay Someone \$64,000
a Year to Drink (and Re-
search) Beer"

Every day is thrift store day!



STEPHANIE FEGGINS

Re: "14 Deals for
National Thrift Store Day"UNIVERSITY OF
MICHIGAN

RE: THE BEST COLLEGES FOR YOUR MONEY (AUGUST)

I read your cover story "The Best Colleges for Your Money" with great interest. It did not include community colleges, however. Nearly half of all undergraduates in the U.S.

attend community colleges, and for reasons MONEY underscores—quality for less cost.

NATALIE HARDER, *Chancellor, South Louisiana Community College, Lafayette, La.*

A BETTER 401(K) TIP

In "How to Reach \$1 Million" [September], a reader suggests maxing out 401(k) contributions by June 30 to increase compounding. Doing this, however, could leave money on the table if your employer contributes a match based on your contribution in each payroll period (as opposed to matches based on total contributions in the plan

year). If your employer makes its match on a paycheck-by-paycheck basis, maxing out contributions by June 30 would cause you to lose out on half of your employer's contribution.

STUART OSER
Wilmington, Del.

CELL PLAN FOR LESS

Many low-volume users pay much more than they need to because they are not aware of pay-as-you-go cell phone

options ["Find Your Best Cell Phone Plan," July]. At my level of usage, my TracFone costs \$20 for 90 days' service. Including a new phone, it will cost me \$220 for two years. That's about \$1,000 less than the cheapest plan you highlighted in your story.

DON STIMPERT
Cleveland

CORRECTIONS

In the July issue, we misattributed a letter regarding "How to Beat New-Home Bills" (June). It was written by Don Disner.

In the September issue, we misidentified the photo on pages 76 and 77 of "The Roads Less Traveled." It is of Mission San José in San Antonio, not the Alamo. A chart in "Master the Medicare Maze" incorrectly described Medicare's Part A deductible. It applies to hospitalizations within a benefit period, not each hospitalization.

OUR FAVORITE COMMENT

When I read the Editor's Note, I thought I missed the point of your cover ["How to Reach \$1 Million, September] until I discovered that the address label covered the Mustang's license plate (which says "freedom"). Anyway, I agree with your premise.

PAUL SIMON, *Gilbert, Ariz.*

I'm glad I missed my delivery. Said no one ever.

Nobody likes to worry about missing a delivery. UPS Access Point™ locations give today's customers the convenience of picking up and dropping off deliveries at more than 8,000 neighborhood businesses across the country. Just one of the many ways UPS is helping companies solve for today's rising customer expectations. See how we can help you at [ups.com/solvers](https://www.ups.com/solvers)



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FIRST

42%

Parents losing sleep over college bills

With wages barely budging and college tuition and fees up 10% over the past three years, it's little wonder that a new T. Rowe Price survey says parents are losing sleep over their kids' future college costs. To find a great college your family can truly afford, check out MONEY's new Find Your Fit search tool (money.com/colleges). Then try these additional college cost cutters:

TO-DOZE LIST

GET CREDITS ON THE CHEAP High school Advanced Placement classes and inexpensive community college courses can count toward the credits needed for a degree. Graduating a semester early can knock thousands off the total bill.

CHECK OUT CO-OPS Cooperative housing, where residents do a few hours of weekly chores, is available at many schools and can cut 20% to 50% from your rent, says Daniel Miller of North American Students of Cooperation. NASCO has a list of co-ops at nasco.coop/membership/directory.

REAP EVERY DISCOUNT From car insurance breaks of up to 20% for good grades to 5% cash back on supplies at Staples, students are eligible for deals galore (for a list, visit money.com/collegediscunts). "Never leave a student ID at home," says Jodi Okun of College Financial Aid Advisors. —KAITLIN MULHERE

RETIREMENT

IRS Gives Some Procrastinators a Late Pass



THE INTERNAL REVENUE SERVICE relaxed a longtime rule that has eaten into some retirement savers' nest eggs.

Previously, if you were moving money from a 401(k) to an IRA, or from one IRA to another, you could hold those funds for only 60 days before depositing them into the next retirement account. Missing that deadline triggered taxes on the full amount and, if you were under age 59½, a 10% penalty. Now the IRS says you can avoid the dire treatment for certain reasons, ranging from a lost check to a death in the family—hassle-free, if you act within 30 days of addressing the holdup. The new guidance goes into effect immediately.

"This is a big deal, and it will help a lot of people," says Ed Slott, a certified public accountant and the founder of IRAhelp.com. But, says Slott, the relief doesn't change the best practice for rolling over 401(k) and IRA funds: transferring them directly, from financial institution to financial institution, without taking possession of the money.

—ELIZABETH O'BRIEN

Here's how many departing workers cash out their 401(k), grouped by account size. Now they may have more time for a rollover.



NOTE: Figures also include 403(b)s. SOURCE: Vanguard, "How America Saves 2016"

TOP SCHOOLS RATE HIGH HOME PRICES

Own a house near a good school? The payoff may go beyond your kid's education.

Homes in highly rated public school districts are about 49% costlier than the national

median price of \$269,000, reports Realtor.com.

A Beverly Hills school district commanded the highest premium relative to neighbors, with a median home sale price of \$3.8 million—

more than six times that of other homes in Los



Angeles County.

It's no surprise that buyers are often willing to pay up for homes in a good district, says Realtor.com analyst Javier Vivas: "Our analysis quantifies just how good it is to be a seller in these areas."

—KERRY CLOSE

QUOTED

"I have a theory that money isn't money. I look at it as opportunity."

Actor, writer, and director **Allen Maldonado**, in a video interview on money.com

IT'S A MOVING EXPERIENCE

WHY TRUST YOUR VALUABLES TO AMATEURS?

THIS YEAR, about 10% of the U.S. population will experience an upheaval widely recognized as one of life's most stressful events. That's because an estimated 35 million Americans—families, corporate transferees, and military personnel—will undertake a move.

Choosing a mover from the many that advertise on the Internet can contribute to the anxiety. The reason: It can be hard to distinguish professional movers with high standards from unethical pretenders often offering bargain basement rates. And if people choose strictly based on price, they may be putting their most valuable possessions at risk. The Internet abounds with so-called "rogue" movers who often request a deposit or give appealing estimates off the top of their heads without ever visiting the home. Then, at delivery, they may demand double or even triple the price—and hold belongings hostage until paid.

There is a way to choose a reliable mover, however. Experts advise that you look for one certified as a ProMover by The American Moving & Storage Association (AMSA), the national trade association for the professional moving and storage industry. They are committed to consumer protection and educating the public about the moving industry.

"When you hire professionals," says Andy Kroll, vice president and general manager of northAmerican Van Lines, "you get intangibles that contribute to a better moving value, such as reliable customer service, quality audits, driver and crew training, standards of excellence, and state-of-the-art technology."

To find quality professional movers, Kroll adds, ask the following questions in these key areas:

ESTIMATE PROCESS: Does the mover conduct an in-home survey or video survey of belongings before providing a guaranteed price? (Professional movers insist on an accurate method to best define the scope of work. Physical in-home surveying has traditionally been the best

method, followed by newer video technology, to accurately determine the cost of a move.)

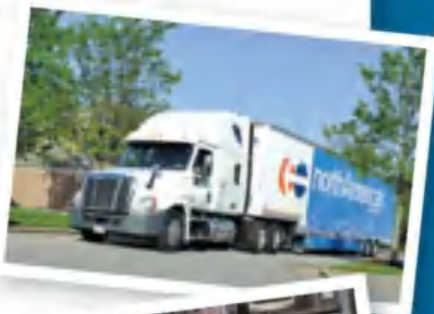
TRAINING: Has the moving crew been trained on the correct way to pack boxes and load a trailer to minimize damage? Do they follow industry-established guidelines to protect your home, as well as your prized possessions?

TECHNOLOGY: Does the mover use technology to accurately communicate special needs to the driver and electronically verify that every item loaded has been delivered? Does the company use electronic routing to maximize efficiency and reduce delivery time?

QUALITY STANDARDS: Does the mover employ quality standards for vehicles and personnel? Does it conduct background checks on drivers and crews? Are its storage facilities secure, clean and climate controlled? Does the mover use an unbiased third-party company to survey customers post-move and use that truthful data to improve performance? What is the mover's Better Business Bureau (BBB) rating?

"Well-accredited movers are highly considerate of the needs of their clients," Kroll says, "and the vast majority of people who use professional movers will have a good experience." ●

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SEE
"THE 50
BEST PLACES
TO LIVE"
(PAGE 58)

A Prenup Hiccup?

THE QUESTION: I make more than my fiancé and would like a prenup, but I don't want to hurt him. What should I do?

THE READERS



Couch it as, "You never know what life is going to

bring us, and in case I run into financial difficulties, it's a good idea to have your assets listed separately so that my potential creditors don't come after you."

ANITA BONITA
New York City



Skip the prenup and focus on aligning your goals so that you are spending your money on what's important to both of you.

TY KNOX
Madison, Ind.

The word "prenup" can have a negative, sort of unsavory connotation. That said, there are

times when it is probably an excellent idea. The fact that she is thinking of one means to me that there is some concern and it will not go away.

CHARLES PITMAN
Silverthorne, Colo.

Money issues and finances are often one of the biggest obstacles a couple can face. Establish a precedent by openly expressing your concerns. If he's a keeper, he'll understand.

LARRY SAMUELSON
Declo, Idaho



Just because you make more now doesn't mean there won't be a time in the future when that switches around. You should be equal partners now and into your future.

JOHN SHERRY
Rochester, N.Y.

THE EXPERT SAYS

You should raise the subject of a prenuptial agreement if you have significant assets or inheritances from before the marriage. And if you're Taylor Swift marrying a roadie making minimum wage, I can see a prenup. But if, say, you're making \$125,000 and he's making \$40,000 and you don't have a lot of assets, I don't think there's a real need.

DIANE YOUNG, *President of the Athena Financial Group, Rochester, Mich.*

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FACEBOOK QUESTION OF THE MONTH

CITY, COUNTRY, OR SUBURB: WHAT'S YOUR IDEAL PLACE TO LIVE?

"Country. No homeowners association, enough land to do what I want on it (garden), and enough space so I don't see or hear neighbors." —BARBARA GOLIAS

"Suburb. During my mid years, I like access to the city without being right in the middle of it."

—EDWARD EUSERY JR.

"City house and country home for the holidays and long weekends." —BJ COCH

"Country. Peace, clean air, no loud or nosy neighbors." —GLORIA RODRIGUEZ ESTRADA

"Like working in the city but living in suburbs. I like the country when I want to get away."

—TONYA MENISA MARTIN

"Country. More nature. Less people. Less lights. Less noise." —ANGELIA EVERETT



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A Voice for the Voiceless

MONICA MODI KHANT'S calling was nurtured at a young age. Her father, a civil engineer, had come from India to study in the U.S. Eventually other family members followed, often moving into the Khant household in New Jersey until they got their bearings. "Over and over I saw the importance of being able to live a new life," she says. Upon graduating from law school, she devoted herself to immigrant rights. In 2006 she took the helm at GAIN, a group that had recently been formed by Atlanta attorneys to help the area's growing immigrant population attain legal status. GAIN's four attorneys, along with 200-plus volunteers from private law firms, offer free assistance to asylum seekers and immigrant victims of violence, including human trafficking.

HER LEGAL LESSONS

BE GENEROUS WITH YOUR EXPERTISE. Whether you're a CPA or a tech wiz (or in PR or a chef), alert your coworkers to the needs in your community and opportunities to help. To assist refugees, you'll be most effective if you volunteer your services through an immigration agency.

KNOW THE LAW. You may be able to legally hire noncitizens, even if they don't have a green card. The U.S. also issues a temporary employment authorization document, typically for one year.

PROTECT EVERYONE. "Immigrants who are victims of crime that took place in the U.S. are entitled to their day in court regardless of their legal status," says Khant. —JOAN CAPLIN

MONICA MODI KHANT 43, ATLANTA

BACKSTORY: Her parents emigrated from India.

EDUCATION: BA from Rutgers, JD from New England School of Law.

PROFESSION: Executive director, Georgia Asylum and Immigration Network.

VISION: Provide legal assistance to asylum seekers and immigrant survivors of violence so they can rebuild their lives.



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Scariest Tech Mistakes

There's nothing more terrifying than spending money for no reason. Here are five common (and costly) mistakes you're making on tech purchases—and five ways to fight the fright. —RICK BROIDA

EXPENSIVE ANTI-VIRUS SOFTWARE

DON'T BUY Norton AntiVirus Basic 2016 (\$30 A YEAR)

BETTER CHOICE AVG AntiVirus (FREE)

Your PC needs protection, no question. But don't spend money on an antivirus subscription when independent lab tests prove that freeware such as AVG's works just as well.

PERSONAL OFFICE SUITE

DON'T BUY Microsoft Office 365 Personal (\$70 A YEAR)

BETTER CHOICE WPS Office 2016 (FREE)

If you're willing to put up with a few ads, WPS Office offers the same core features as Microsoft's version: word processing, spreadsheets, and presentations. It even has a similar interface.

A NEW DESKTOP

DON'T BUY A new PC (\$200 TO \$1,000)

BETTER CHOICE

Upgrade your current OS to Linux (FREE)

You check email on your phone and do web stuff on your tablet. Who needs a new PC? To make your old machine run faster and feel new, replace Windows with the Linux operating system. Look online for free installation guides.

MULTIROOM SOUND SYSTEM

DON'T BUY Sonos Play:3 speakers (\$299 PER ROOM)

BETTER CHOICE

Pair your current speakers with Google Chromecast Audio (\$36 PER ROOM)

Just because your audio gear is dated doesn't mean it's obsolete. Plug a Chromecast Audio into your old stereo or speaker docks for instant wireless music streamed from your phone or tablet.

THE LATEST APPLE PRODUCT

DON'T BUY MacBook Pro 13 (\$1,500)

BETTER CHOICE Refurbished MacBook Pro 13 (\$1,270)

"Refurb" is not a dirty word. In fact, refurbished Apple products (including computers and iPads) are exactly as good as new. You get a new battery, new casing, even the same one-year warranty. Check the Apple website for a refurb alternative to the item on your wish list.



SAVINGS
19%



A HOME ON OREGON'S COAST, STARTING AT \$195 A NIGHT.

Vacation Rent Control

Does renting a stranger's place make you uneasy? These firms offer high-quality accommodations at below hotel prices. —STIRLING KELSO

COUNT ON QUALITY CONTROL

Rather than simply working as a middleman, Vacasa (vacasa.com) markets and manages the homes it lists. That means the properties are always professionally cleaned and maintained between guests. What's more, most of its listings are used as investment properties, so you'll most likely stay in homes reserved exclusively for guests (as opposed to a primary home vacated by the owner). Because Vacasa is relatively new, you won't find listings in every state or around the world yet (though it will soon add locations in Costa Rica and France). But it offers some great values. At its 62 properties in the San Diego area, for instance, about half the rentals go for \$150 a night or less, depending on seasonal demand. Average hotel prices in the city ranged from \$155 to \$215 over the past five months, says Booking.com.

BOOK WITH A LOCAL COMPANY

The big players—Airbnb and HomeAway—offer lots of choices, but they leave the vetting to you. Smaller, regional agencies often screen their listings. Premier San Miguel House Rental & Concierge (premier-sanmiguel.com), in the popular Mexican getaway, handpicks homes based on a traveler's request (such as a family-friendly villa with a pool). Properties start at \$950 a week for four people, compared with hotel double rooms, which average \$152 a night (\$1,064 a week). Guest Apartment

ON THE ÎLE SAINT-LOUIS, PARIS.



SAVINGS
28%

Services Paris (guestapartment.com) has about 60 rentals, and it provides quality linens and a concierge service for them all. Its studios on Île Saint-Louis start at \$200 a night, and some weeklong rentals are 15% off. Three-star hotels nearby start at \$228.

SWAP IT

Home-exchange services, which let you swap houses with other members and charge only an annual membership fee, can be a mixed bag too. Love Home Swap (lovehome-swap.com) has raised the overall quality of its homes (spread over almost 200

countries) via a \$23 monthly fee; its algorithm also searches for homes similar to yours. "We've been able to afford accommodations—including a Ritz-Carlton condo in Tahoe—and vacations that we otherwise couldn't," says Margaret Schultz, a San Francisco management consultant who also swapped for homes in Oregon and France. Kid & Coe (kidandcoe.com), a family-focused vacation rental agency, is launching an exchange arm in January with kid-friendly homes outfitted with toys and cribs. The membership fee will be \$99 a year. **■**



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1. Source: Morningstar, as of 12/31/15. Comparison is between the average Prospectus Net Expense Ratio for the iShares Core Series ETFs (0.11%) and the average Prospectus Net Expense Ratio of active open-end mutual funds (1.24%) available in the U.S. (excluding municipal bond and money market funds) on 12/31/2015. Visit www.iShares.com or www.BlackRock.com to view a prospectus, which includes investment objectives, risks, fees, expenses and other information that you should read and consider carefully before investing. Investing involves risk, including possible loss of principal. Buying and selling shares of ETFs will result in brokerage commissions. The iShares funds are distributed by BlackRock Investments, LLC (together with its affiliates, "BlackRock"). © 2016 BlackRock. All rights reserved. **iSHARES** and **BLACKROCK** are registered trademarks of BlackRock. All other marks are the property of their respective owners. iS-18914-0916

Plan



Pick the Best Health Plan

HERE'S HOW TO MAKE THE SMARTEST CHOICES DURING THIS YEAR'S OPEN ENROLLMENT. *by Lisa Zamosky*

AS HEALTH CARE GETS more costly, your open-enrollment decisions become ever more critical. Workers at large companies will pay 5% more, on average, on insurance premiums in 2017, says the National Business Group on Health (NBGH).

You'll probably shell out in other ways too. Average in-network deductibles rose a whopping 50% for PPO plans in 2016, while primary-care co-pays were up 25%. Rising drug costs are another pain point: "The idea that you don't have to worry about costs because you have health insurance is ridiculous," says Doug Hirsch, CEO of

GoodRx, which tracks drug pricing.

Make the right choice during this year's open enrollment and you could actually cut your costs, notes Jody Dietel, chief compliance officer at benefits administrator WageWorks. But the wrong choices could leave you paying thousands of dollars more than necessary for the care you need.

PICK YOUR PLAN

Nearly 70% of firms offer at least two policies, according to the Society for Human Resource Management, making the plan itself your most important decision. Start here:

➔ **Aim high.** For next year, the NBGH finds, 84% of large companies will offer a high-deductible plan—one with a deductible of at least \$1,300 for individuals (\$2,600 for a family), although it could be much higher. “If you're really healthy or really sick, it's the plan to be on,” says SHRM's Sylvia Francis.

If you're in good health, the case is clear. You save on your annual premium. (In 2016, employees paid \$1,352 for HMOs, on average, and \$1,377 for

PPOs, SHRM found, but \$1,067 for high-deductible plans.) And your employer may put money into a health savings account paired with these plans; large companies will pitch in an average \$600 for individuals and \$1,100 for families in 2017. With the tax break you get for contributions, that could add up to more than the difference in deductibles. (See graphic below.) And you may not spend much: Many in-network preventive services, from mammograms to colonoscopies, are covered at 100%.

A cheaper high-deductible plan can also be smart if you or your covered family members need high-priced medications or a lot of care, Francis says. You'd hit your deductible quickly, then face only co-pays and co-insurance until you hit the annual out-of-pocket limit (\$6,550 for an individual, \$13,100 for family coverage—slightly lower than for PPOs).

If your health needs fall somewhere in the middle, though, a more traditional plan might be better.

➔ **Check your network.** While networks of doctors and hospitals

haven't suffered the same drastic shrinkage on employer plans as on Obamacare offerings, staying in network is as essential as ever.

Eyeing an HMO? Your costs will be covered only if you get care from participating doctors and facilities, leaving you on the hook for the entire bill if you venture outside the network. A PPO is more flexible, but you'll still face higher costs and separate deductibles if you stray. “Out-of-network coverage is better than nothing, but you shouldn't just assume you'll only pay a little more,” says Karen Pollitz, senior fellow with Kaiser Family Foundation.

Take a breast biopsy. A standard charge is \$2,102 nationwide, according to FAIR Health, which provides health cost data—with insurers typically deeming \$920 an “allowable amount.” So an insurer may cover 90% of a pre-negotiated rate for in-network outpatient surgery, but just 70% of the allowable amount on out-of-network care. If you went out of network, you'd have to pay the remaining 30% (\$276) plus the part that wasn't allowable: \$1,458 in total.

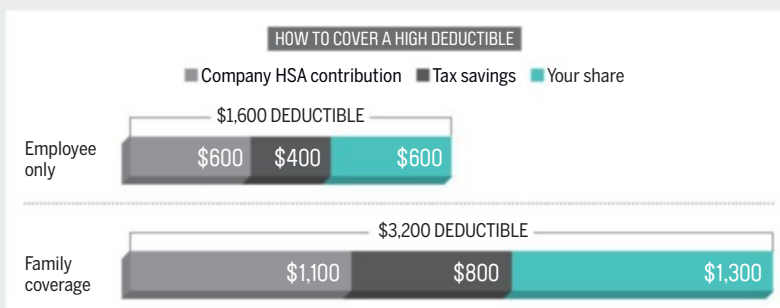
Ask your doctor's office if it participates in each plan you're considering. Hospital procedures can be trickier, but if you're planning surgery, try to ascertain that both the facility and any professionals who would treat you are on the plan you're choosing.

➔ **Perform a drug test.** If you regularly take prescriptions, check the “formulary”—the list of covered medications. Most plans divide drugs into tiers and cover each differently, so see what tier your drug is on—then read the Summary of Benefits and Coverage to see how much you'd pay at that tier. “As you go up in tiers, you're getting much less coverage,” says GoodRx's Hirsch.

One problem for patients, he says, is an ongoing shift from a co-pay (a flat fee) to coinsurance

Pitching In

Employer contributions can ease some of the pinch of high-deductible plans.



NOTES: Average 2017 deductible and HSA contributions from large employers. Assumes your HSA contribution is equal to annual deductible; 25% tax bracket. SOURCES: NBGH, MONEY calculations

(a percentage of a drug's cost). "Coinsurance leaves you with significantly higher costs," he says. If your drug costs are noticeably cheaper on one plan than on others, you may have a winner.

➔ **Split with your spouse.** If you and your significant other both have jobs, it may pay to part ways for health coverage. "We're definitely seeing an uptick in spousal surcharges," says Julie A. Stone, a health care consultant with Willis Towers Watson. One in three companies charges extra (\$100 a month, on average) to cover spouses who can get health benefits through their own employer.

MANAGE YOUR COSTS

With medical costs up, stashing money in tax-advantaged savings plans is more crucial than ever.

➔ **Max out your HSA.** If your plan features one, contribute at least enough to cover expected out-of-pocket costs. You'll get a sweeter tax break, though, by putting in the maximum—up to \$3,400 for individuals (a \$50 hike vs. 2016) and \$6,750 for families (unchanged) for 2017, with another \$1,000 if you're at least 55. The money grows and can be spent tax-free for qualified medical expenses years later.

➔ **Weigh an FSA.** If your plan has a traditional deductible, many employers let you contribute to a flexible spending account via paycheck deductions—up to an expected \$2,600 in 2017, vs. \$2,550 in 2016. You can use this pretax money for a broad range of health costs not covered by insurance. One caveat: You must use FSA funds within the plan year, though your employer may let you carry up to \$500 from one year to the next.

➔ **Double up.** You can't put money in both an HSA and FSA for the same services—but you may be

able to pair the accounts for greater tax benefits. One option, Dietel says, is to put cash in a "limited-purpose" FSA, which can be used for vision and dental expenses.

PREPARE FOR CARE

Open enrollment is also when employers announce new programs that will affect the cost and quality of your care. What to do now:

➔ **Seek excellence.** For many treatments—bariatric surgery, transplants, fertility services, and increasingly knee, hip, or spine surgery, and cardiovascular or cancer care—almost one in five large employers say they will cover a greater share of the bill in 2017 if you get care at preferred facilities, dubbed Centers of Excellence. Planning any major procedures? Now's the time to see whether your company will cover more at these preferred sites.

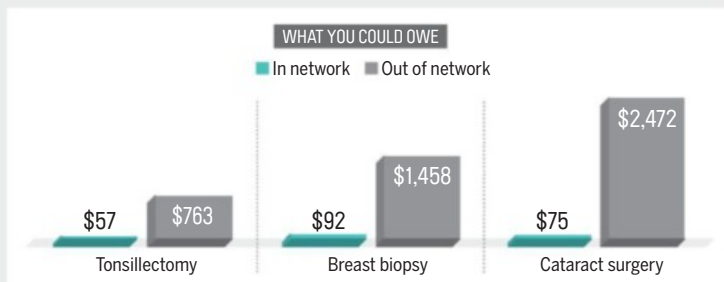
➔ **Dial it in.** Nine in 10 large employers are promoting "telehealth" services—remote video medical exams, available 24/7—up from 70% in 2016. You can save

real money: An after-hours visit to the ER, for example, will run you \$700 out of pocket on average, says NBBG chief executive Brian Marcotte, while you might pay \$40 for a telehealth visit, depending on your plan. When you're running a fever on a Saturday evening, you don't want to waste time on your benefits website. Register with your telehealth service now, then bring home the information.

➔ **Be a joiner.** Check to see if your firm gives you incentives for participating in health-risk assessments, weight-loss programs, and other wellness activities. More than three in 10 companies now do, KFF finds. Those programs offer an average of \$130 to \$140 for filling out a health-risk questionnaire or completing a physical screening. Just participating may not be enough, though: You may have to hit a particular target to collect company HSA contributions or other rewards. ■

The Cost of Going Out of Bounds

Insurers reimburse out-of-network procedures at lower rates—and base coverage on less than the full charge—so your costs could be much higher.



NOTES: Cost after deductible covered; tonsillectomy under age 15; assumes out-of-network covered at 70% of standard charge, in-network at 90% of allowable amount, a proxy for negotiated rate; based on current national claims data.

SOURCES: FAIR Health, MONEY calculations



New Help for Special Needs

THE DEBUT OF 529-LIKE SAVINGS ACCOUNTS FOR THE DISABLED GIVES FAMILIES ANOTHER WAY TO PROTECT A CHILD'S FINANCIAL FUTURE. *by Megan Leonhardt*

PLANNING AHEAD for a special-needs child is a challenge. With as little as \$2,000 in savings, adults with disabilities lose out on Medicaid and Supplemental Security Income (SSI) benefits, making it tough for parents to set aside money for the future. One of the few work-arounds—a special-needs trust—is complicated and costly to set up. But a new type of tax-advantaged state savings plan now offers a simpler way for families to help.

Modeled after 529 college savings plans, ABLÉ accounts allow you to save up to \$14,000 a year for anyone who became blind or disabled before age 26 without having that money count against the \$2,000 asset limit. You can't deduct your contribution on your federal taxes, but earnings grow tax-free, and withdrawals to cover living expenses and other qualified costs are tax-free too. The person with the disability is the account holder. "ABLE is a game changer," says Sara Weir, president of the

National Down Syndrome Society.

Only four states have rolled out ABLÉ accounts so far, but the Ohio, Nebraska, and Tennessee plans, all of which let you invest in low-cost portfolios of Vanguard funds, are available nationally. (Only residents, though, qualify for state tax deductions.) Here's how an account works best.

SAVE FOR FUTURE COSTS

If you're setting money aside to cover a disabled child's expenses later in life, you could use an ABLÉ account in place of a special-needs trust, but keep a few important caveats in mind.

For one, there's no limit to how much you can put in a special-needs trust. With ABLÉ, though, if you sock away more than \$100,000 the account holder's SSI benefit will be suspended until the balance falls below that amount. Plus, when the account holder dies, money that's left may be claimed by the state to recoup Medicaid outlays.

While that's a serious drawback, experts expect this controversial rule to fade. "I think in the near future we'll see that Medicaid pay-back feature eliminated," says Weir.

PITCH IN FOR EXPENSES NOW

Even if you opt for a special-needs trust to fund your child's retirement or other long-term goals, you can use an ABLÉ account for living expenses now, especially for adult children. "ABLE accounts fill an immediate need, while a trust exists for the future," says Tennessee financial adviser Lois Carrier.

Once your adult child is collecting SSI—and maybe earning a paycheck—you could add money to an ABLÉ account to supplement that income. The child can tap it without going through a trustee (Ohio even has a debit card option), providing some measure of independence. Notes Weir, "it's the first time individuals with disabilities can actually save their own money in their own name." ■

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Best Colleges for Business Majors

PROGRAMS ARE PLENTIFUL, BUT MANY FAIL TO PREPARE STUDENTS FOR REAL-WORLD SUCCESS. *by Kim Clark*

BUSINESS IS THE MOST popular college major today, and schools are competing for aspiring execs with glitzy entrepreneurship centers, courses in hot new fields like design management and decision science, and lists of alums who have gone on to greater glory.

But studies have shown that undergraduate business programs differ widely in their results. Many not only deliver a mediocre education but also produce graduates who earn less than the average history or film major.

To help you find a program that's worth the price, MONEY screened its latest rankings of best-value colleges, based on quality, affordability, and alumni success, for those accredited by AACSB International, the oldest business-school-standards organization. Then we combed PayScale.com data for schools whose business grads earn the most.

The 10 highest-scoring schools are listed at right. The full list of the 50 best business programs is available at money.com/colleges.

As you investigate colleges, ask administrators and current students how the school does on these criteria, which are especially

important for business majors:

➤ **Paid internships.** "Unpaid internships don't work," says William Wresch, a business professor at the University of Wisconsin at Oshkosh. Employers who have to pay will make a greater effort to train the student, he says. Other research shows paid internships are more likely to lead to permanent jobs.

➤ **People connections.** Students fare better in the working world if college helped them learn to

build relationships with a variety of peers and adults, says Kathy Lund Dean, coeditor of the *Journal of Management Education* and a professor at Gustavus Adolphus College in St. Peter, Minn. So ask if students get individual attention from professors, can easily connect with working alumni, and engage with fellow students in clubs and other activities.

➤ **Experiential learning.** Mary Marcel, a Bentley University professor, says her and other experts' research shows that students learn more effectively by doing—working together on projects or giving public presentations—rather than by simply listening to lectures or reading textbooks.

Of course, if your school just happens to have a glitzy entrepreneurship center, that's fine too. □



For more rankings and college advice, visit the MONEY College Planner at money.com/colleges.

10 Great Colleges for Doing Business

All offer a superior education, affordable prices, and high earning potential.

RANK	SCHOOL (OVERALL MONEY RANK)	AVG. EARLY SALARIES FOR BIZ MAJORS
1	UNIVERSITY OF CALIFORNIA AT BERKELEY (5) ▶ Berkeley	\$70,400
2	UNIVERSITY OF PENNSYLVANIA (26) ▶ Philadelphia	\$66,000
3	WASHINGTON AND LEE UNIVERSITY (29) ▶ Lexington, Va.	\$60,900
4	UNIVERSITY OF NOTRE DAME (31) ▶ South Bend, Ind.	\$62,500
5	UNIVERSITY OF VIRGINIA (9) ▶ Charlottesville, Va.	\$60,700
6	UNIVERSITY OF MICHIGAN (2) ▶ Ann Arbor	\$60,300
7	GEORGIA INST. OF TECHNOLOGY, MAIN CAMPUS (35) ▶ Atlanta	\$58,500
8	CORNELL UNIVERSITY (64) ▶ Ithaca, N.Y.	\$62,200
9	GEORGETOWN UNIVERSITY (84) ▶ Washington, D.C.	\$61,200
10	BRIGHAM YOUNG UNIVERSITY AT PROVO (5) ▶ Provo, Utah	\$57,700
ESTIMATED AVERAGE FOR ALL BUSINESS MAJORS		\$46,500

SOURCES: MONEY's 2016–2017 best-value college ratings (25% of score); PayScale.com early- and mid-career earnings data (75% of score)

1 YOU'RE MORE LIKELY TO NEED ONE NOW

With home prices up almost 43% over the past five years, a growing number of homebuyers need to finance purchases with jumbo mortgages—loans that top the amount that can be guaranteed by federal agencies Fannie Mae and Freddie Mac. Jumbos made up 18.9% of all loans approved last year, up from 7.1% in 2008. The jumbo threshold has been constant at \$417,000 for about a decade in most parts of the country, but it has risen in many pricier counties, going as high as \$625,500 for 2016.

2 IT'S TOUGHER TO QUALIFY

To approve you for a jumbo, many lenders require a FICO score of about 760, vs. 740 for regular mortgages. Some also require higher down payments, says Keith Gumbinger of mortgage data site HSH.com—typically 20%, compared with 10% for a regular loan, though there are notable exceptions. (More on that in a minute.) You'll also need more proof that you can afford the loan, he says—ideally, enough cash on hand to cover six months of payments. With regular loans, you need at least two months' cash.

5

Things to Know About Jumbo Loans

by Kerry Close

3 YOU SHOULD RESIST SOME OF THE SWEETEST OFFERS

Particularly in wealthy areas, some lenders are relaxing the rules for jumbos. Buyers in Austin and the Bay Area, for instance, are seeing 0%-down offers. Don't be seduced: "The fact that a bank tells you that you can afford a property does not mean you can," says financial planner Michael McKeivitt of Palatine, Ill. "It's your financial situation and your goals for the future that determine this." And if you do take the offer? "Have a savings plan to create a large emergency fund—one year of living expenses—along with other investments that diversify your risks," he says.

4 YOU MAY HAVE TO PAY MORE

Jumbo loans have historically been more expensive—with rates 0.25 to 0.5 point higher than regular mortgages, and even greater gaps during the housing crisis. That flipped last year, when jumbos became the cheaper choice, but the historical norm seems to be reestablished. Recently, average 30-year jumbo rates were 3.64%, vs. 3.52% for 30-year conventional, and 15-year jumbo rates were 3.21%, vs. 2.84%, HSH.com finds. Shop around for the best rate, says McKeivitt: "You need to get several quotes."

5 REFINANCING? GO CONVENTIONAL

Low rates make this a good time to refi, but you'll get an even better deal if all or most of your debt falls below the jumbo limit. If you have the cash on hand, put more down now to bring you under the regular-loan threshold, says Potomac, Md., financial planner Marguerita Cheng. Another option: Refi under the jumbo limit, says New Orleans planner H. Jude Boudreaux, by using a smaller second mortgage or home-equity line to bridge the gap. Then target extra payments to pay off that higher-rate loan sooner. ▣



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Retire



A Snowbird Flight Plan

HERE'S HOW TO LIMIT COSTS AND AVOID SURPRISES WHEN YOU MOVE SOUTH FOR THE WINTER. *by* Elizabeth O'Brien

YOU MAY NOT WANT to make a permanent exit from a locale where friends and family are near. But as the weather cools, many people in colder states start daydreaming about a retirement that includes months-long fun in the sun as a snowbird.

"You can live a more relaxed lifestyle," says Diahann Lassus, president of Lassus Wherley, a financial-advisory practice in New Providence, N.J., and Bonita Springs, Fla., that counts many snowbirds among its clients.

It's a big change in your life and finances, so spend at least one full season renting before you

buy. And follow these tips to manage medical costs, get a grip on housing costs and other expenses, and possibly save on taxes.

GET FLEXIBLE HEALTH COVERAGE

Retirees on Original Medicare, also known as Part A and Part B, can visit any doctor or hospital around the country that accepts Medicare. Medigap supplement plans are similarly portable.

By contrast, with Medicare Part C, also known as Medicare Advantage, you may have more restrictions. About two-thirds of these plans are HMOs, many of which confine coverage to a specific network of doctors and hospitals in a particular locale. While plans must pay for emergency and urgent-care treatment out of network, they won't cover routine care in your second destination.

If you're in a Medicare HMO, you can switch to a different Medicare Advantage plan or to Original Medicare during open enrollment, from Oct. 15 through Dec. 7 each year.

As an under-65 snowbird, you should research the doctor and hospital choices of your current plan or ones you are considering.

You should hand-carry your medical records each time you relocate, says Rosemary Laird, executive medical director of the Florida Hospital for Seniors. It's also a good idea to keep hard copies of your advance health care directives in both spots.

FACTOR IN NEW EXPENSES

When snowbirds look at the potential cost of buying a second home, they often focus on the mortgage bill and property tax but fail to consider some less obvious costs. For

example, Florida property owners have to run their air conditioners nearly year-round to avoid mold, regardless of whether the home is occupied, Lassus says.

If you're thinking of buying a property and then renting it out when you're not there, plan to pay from 10% to 15% of your rental income in fees to the property manager. A steady stream of renters can wear down a property, so budget for regular carpet replacement and painting.

When you're enjoying the Arizona sun in February, someone will have to shovel your snow in Illinois—unless, of course, you decide to sell your current house and rent in that area. That's an often-overlooked but attractive option for snowbirds who want to retain ties to their home communities without the hassles of maintaining a property there, Lassus says.

Some snowbirds pay for plane

tickets for visiting family, plus food and entertainment costs during their stays, says Ron Weiner, a financial adviser in Boca Raton, Fla.

BE STRATEGIC TO LOWER TAXES

Home may be where the heart is, but it's also where you pay your state income taxes. If your second state has a more favorable tax climate, it may be possible—but not necessarily easy—to make that your home for tax purposes. The challenge is proving to your current state that you're no longer a resident there.

Karen Tenenbaum, a tax attorney in Melville, N.Y., says many of her snowbird clients want to switch their permanent residence to Florida to take advantage of the Sunshine State's lack of a personal income tax. One test New York uses to determine residency is whether you have a permanent home in the state for more than 11 months of the year and spend 184 days or more in

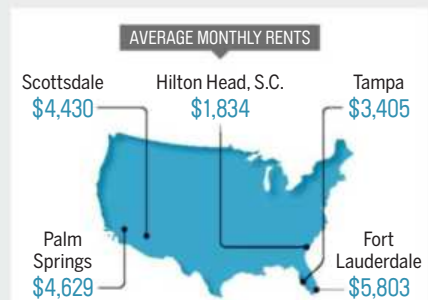
New York during the year.

If you intend to claim your snowbird destination as your permanent home, change your car and voting registration to the new state, open bank accounts there, and get a new cell phone number, says Kelley Long, a member of the AICPA's National CPA Financial Literacy Commission.

Maintain a detailed calendar of the time you spend in each location and save plane tickets, Tenenbaum says. If you're audited, you could be asked for credit card bills to document where you were. □

What You'll Pay for a Warm-Weather Nest

Here are rental charges for a property with two or three bedrooms (January–March).



NOTE: Includes only rentals that quote monthly rates. When rates are per week, ask about discounts for longer stays. SOURCE: HomeAway

REDEFINING VACATION CLUB OWNERSHIP



AMERICANS HAVE BEEN BUYING into vacation clubs for more than 40 years now, so you may think you know all about vacation ownership. But today's vacation clubs have introduced luxury experiences and amenities to members and done away with the high-pressure sales tactics that may have turned off consumers in the past.

Consumers are taking note, with sales of timeshares rising every year since the Great Recession, leading

club? Read on for three reasons why vacation club ownership is increasingly becoming the smart choice.

1.} The value is unmatched. Buying into a vacation club allows you to lock in the cost of future vacation accommodations at today's purchase price. Members of Disney Vacation Club,

for example, can save up to 50% on the cost of future Disney Vacation Club accommodations over the life of membership when compared with renting these same villas. "That's a key driver for people," says Ken Potrock, senior vice president and general manager, Disney Vacation Club. "This is the most affordable way to lock in future Disney Vacation Club accommodations."

2.} They offer a variety of accommodations and benefits. Vacation club accommodations offer the space needed for larger families while still providing the world-class amenities you'd expect from a hotel, such as restaurants and pools.

Some vacation clubs even offer unique amenities not available to other vacationers. Members who purchase directly from Disney Vacation Club have access to

MORE THAN 9 MILLION AMERICAN HOUSEHOLDS NOW PARTICIPATE IN VACATION OWNERSHIP.

ever-changing exclusive Disney events and discounts. There's even an exclusive Member Lounge at Epcot, which offers members a private space to mingle, relax, and enjoy free refreshments.

3.} They're flexible and nimble. Today's vacation clubs won't lock you into a location or time frame for vacationing.

For example, members of Disney Vacation Club can use their vacation points at any of the 13 resorts, on Disney Cruise Line, or for guided trips via Adventures by Disney when purchasing directly from Disney. Exchange opportunities also allow members to use their points at thousands of other, non-Disney properties around the globe.

That flexibility makes vacation club ownership a great long-term vacation strategy for families. Over the course of an up-to-50-year Disney Vacation Club membership, the same couple might visit theme park destinations with their young kids, globe-trot with their teens, and enjoy multigenerational trips with their grandchildren.

to more than 9 million American households now participating in vacation ownership. Disney Vacation Club alone now counts more than 200,000 families as members. Moreover, it's a company that helped revolutionize the timeshare industry by offering a flexible, vacation point-based model versus the traditional fixed-week timeshare model.

Thinking of joining a vacation





A New Challenge Beats Relaxation

WANT A GREAT RETIREMENT? LOOK TO WORK AND YOUR PASSIONS FOR REASONS TO GET GOING EACH DAY.



by *Jonathan Clements*

HERE'S THE TRADITIONAL conception of a successful financial life:

You bust your chops for 40 years. Then, in your sixties, you get to kick back and spend your remaining days blissfully doing nothing.

Sound like a prescription for happiness? It's more like a recipe for misery. You might commit four decades to working really hard at a job you might come to hate, and then devote two or three decades to relaxing. The latter may sound absolutely delightful now, but wait. Soon enough, endless leisure—getting up slowly, reading the newspaper, playing golf—will most likely turn to endless boredom.

Even in retirement, you need a reason to get out of bed in the morning. My contention: Retirement should be viewed not as a chance to finally relax, but as an opportunity to take on new challenges, without worrying so much about whether they come with a paycheck. And if some of these activities also make you a little money, all the better.

To set yourself up for a happier retirement, try these three steps.

BE OPEN TO A MID-CAREER PIVOT

It's not unusual for the line of work that energized you in your twenties to leave you burned out two decades later. Ideally, you'll have the financial wherewithal in your forties and fifties to consider a new career that's less lucrative but

more fulfilling—and that you might want to stick with longer. To get there, make saving a priority from the day you enter the workforce, and invest heavily in stocks.


PHASE INTO RETIREMENT

When you leave full-time employment, part-time work can give you a sense of purpose, while also easing the financial strain. Let's say you can earn \$16,000 a year by working a few days each week. That is like having a nest egg that is \$400,000 larger, based on a 4% portfolio withdrawal rate.

Some might argue that, if you are working, you aren't truly retired. But this highlights the craziness of how we think about retirement: To reach this blessed state, apparently we shouldn't dream of doing anything for which others would be willing to pay. My hope: The distinction between work and retirement—being productive and suddenly being unproductive—gets a whole lot murkier.

LOOK HERE FOR HAPPINESS

In making plans for your free time, learn from researchers who have studied what makes people happy: We're enthusiastic about our daily life when we are doing things we love and think we are good at, and when we have a robust network of friends and family. And we get greater happiness from experiences than from possessions.

In retirement, try to pull these threads together. Love art? Go to museums with friends—or, better still, become a paid tour guide. 

Jonathan Clements is the author of How to Think About Money and director of financial education for Creative Planning.

This 'Penalty' Can Pay Off in the End

IF A JOB LEADS TO A CUT IN YOUR SOCIAL SECURITY NOW, YOU'LL GET MORE LATER ON. *by Penelope Wang*

EARLY RETIREES are sometimes warned about imperiling their Social Security benefits by earning too much money from continued work. But some people approaching retirement may be more concerned about this risk than they need to be because they don't understand the rules.

Seventy-six percent of people ages 45 through 64 know that collecting a paycheck while receiving Social Security can reduce benefits before a person's full retirement age (FRA), according to an AARP survey last year. But 57% of that group think recipients never get that money back.

That isn't true. If you hope to retire early, here's what you need to know about the Social Security "earnings test" and how to make the right moves.

KNOW THE EARNINGS-TEST MATH

This rule applies to those who claim benefits before FRA, which ranges from age 66 to 67 for most people today. If your earnings from wages or self-employment exceed \$15,720 a year, your benefits will be reduced by \$1 for every \$2 you make above that. (This limit is adjusted periodically for inflation.)

There's a less onerous rule in the year you reach FRA: You can earn up to \$41,880 in the months prior to your birthday month without penalty. Above that amount, Social Security will withhold \$1 for every \$3 you bring in.

The good news: Once you reach your FRA, the test goes away. And Social Security will increase your benefit to account for the number of months you lost

some or all of those payments.

Say you claimed at 63 and got a yearly benefit of \$25,000, before going back to work for two years at \$41,000 a year. As the graphic below shows, you would see a 50% benefit cut—but at 66, your benefit would be adjusted upward to \$27,000 a year, says William Reichenstein, director of research for Social Security Solutions. Assuming you live till about 79, you will then have received the full amount that was withheld and still get a bigger benefit going forward.

RETHINK YOUR TIMING

If you applied for Social Security less than 12 months ago and then went back to work, you could withdraw your application and reapply at a future date. But to qualify for this do-over, you must repay all the benefits you have received.

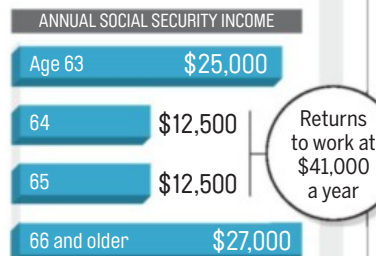
Why do it? Your benefit will increase by 7% to 8% a year for each year you delay from 62 to 70. So it's generally best to wait as long as possible, says financial planner Jim Blankenship, author of *A Social Security Owner's Manual*.

Another reason to defer Social Security while still working is that your pay may make it more likely that part of your benefit will be subject to tax. That kicks in when a broad measure of your income—including interest on tax-exempt municipal bonds and half of your Social Security—exceeds \$25,000 for an individual or \$32,000 for a couple filing jointly.

If you are working and continue Social Security for now, you have another option starting at FRA: You can suspend your benefit and then start again, with a larger monthly benefit, up to age 70. **■**

Bigger Checks Down the Road

How the Social Security earnings test could affect a person who starts benefits at age 63:



NOTES: Numbers are rounded; FRA is assumed to be 66.
SOURCE: William Reichenstein, Social Security Solutions



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Invest



Five Smart 401(k) Moves

STORM CLOUDS ARE FORMING, SO TAKE YOUR NEST EGG OFF AUTOPILOT AND STEER TO CLEARER SKIES. *by Carolyn Bigda*

BLISSFULLY, MAKING YOUR 401(K) grow hasn't been that hard in recent years. Since March 2009, the S&P 500 index of U.S. stocks has more than tripled in value. And thanks to the Pension Protection Act—now celebrating its 10th anniversary—many workers are automatically enrolled in 401(k)s. “Inertia has led to some pretty powerful results,” says Katie Taylor, director of thought leadership at Fidelity.

But inertia works only as long as the winds are blowing in the right direction. Today there are signs that momentum could be shifting. U.S.

equities, for one, are as frothy now as they were leading up to the 2007–09 bear market and the Great Depression in 1929. The S&P 500 trades at a price/earnings ratio of 27.3 based on 10 years of averaged profits, a 63% premium to historical averages.

Meanwhile, corporate profits have been declining for five consecutive quarters, the worst such streak since the financial panic. And worried fund managers have amassed large piles of cash, according to a recent Bank of America Merrill Lynch survey.

None of this means your 401(k) needs a major overhaul. This is, after all, your long-term portfolio, meant to endure choppy air from time to time. But a few tweaks now can help ensure that inertia doesn't work against you—and that you're still on track no matter what happens in the market.

GET OVER YOUR FEAR OF BONDS

If you haven't rebalanced your 401(k) in a while, it probably looks different from what you remember. Without rebalancing, a moderate 60% U.S. stock/40% U.S. bond portfolio at the end of the last recession is now closer to an aggressive 80% equities/20% bond mix, according to Morningstar.

The rule of thumb: If your weightings are off-kilter by five percentage points or more from your desired mix, it's time to take action.

Some investors, though, may be wary of rebalancing into bonds now, notes Maria Bruno, a senior investment analyst in Vanguard's investment strategy group. That's in part because fixed-income prices fall when interest rates rise, and the Federal Reserve could lift rates before the year is out.

But "rebalancing helps protect you from short-term volatility," Bruno notes. Even if fixed-income

prices fall, bonds can still serve as a cushion. The worst calendar-year loss for intermediate-term government bonds was 5.1%, in 1994. By contrast, the worst loss for blue-chip U.S. stocks was 43.3%, in 1931.

You can further reduce risk by choosing bond funds with an average "duration" of about five years or less, which are less sensitive to interest-rate moves, says Peter Mallouk, president of Creative Planning in Leawood, Kans. (A duration of five implies that if rates rise one percentage point, the fund could lose 5% in value.) You can look up this figure for your plan's fixed-income offerings at Morningstar.com. If your 401(k) doesn't offer a good low-duration option, go with

a core fund such as **Dodge & Cox Income** (DODIX), with a duration of just four years, in your IRA. The fund, which has beaten more than 80% of its peers over the past five, 10, and 15 years, is in our MONEY 50 recommended list.

ACT YOUR AGE

This means you, boomers. If you're closing in on retirement, taking stock profits off the table is even more vital. Recall that at the end of 2007, nearly a quarter of 401(k) participants 56 to 65 had more than 90% of their assets in equities, according to the Employee Benefit Research Institute. That was at the start of a bear market that cut stock values by more than half.

The situation isn't as dire now—thanks in part to the growing use of target-date funds that rebalance for you. But more than a third of 401(k) investors ages 55 to 59 still have significantly higher-than-recommended stock weightings, according to Fidelity (see the chart at left).

Retiring into a bear can seriously imperil your security, as you would be tapping funds just as your portfolio is shrinking. Conventional wisdom says a 60-year-old should be about 50% to 60% in equities.

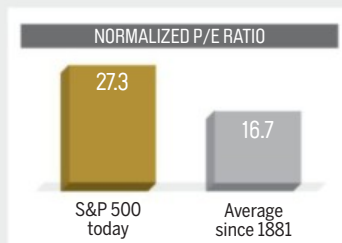
To minimize risk further, Mallouk suggests keeping five years' worth of expenses in short-term bonds. This will ensure that "you're not selling stocks while they're down," he says. Depending on the size of your nest egg, you may be able to accomplish this simply by shifting money from other parts of your bond portfolio.

ROTATE INTO CHEAPER STOCKS

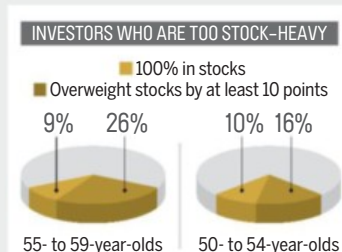
Don't forget to rebalance within the stock portion of your portfolio too. According to a joint study by BrightScope and the Investment Company Institute, which looked at

Retirement Risks

Stocks are frothier than they've historically been ...



... yet many older workers are still too aggressive in their 401(k)s.



NOTE: Price/earnings ratio is based on 10 years of averaged profits. SOURCES: Robert Shiller, Fidelity

401(k) trends as of 2013, only 8% of these retirement accounts were invested in foreign equities—a figure that's likely lower today, given the selloff in developed and emerging-market stocks overseas.

History shows that low-priced stocks hold up better to bad news than frothy shares, according to research by investment manager David Dreman. As a result, stocks with P/E ratios in the lowest quintile posted annual total returns of 15.3% from 1970 through 2010. Stocks in the highest quintile gained barely more than half as much.

Today the lowest P/Es are found abroad. The MSCI EAFE index, a benchmark of foreign developed-market shares, for example, trades at a 16% discount to the S&P 500 based on projected profits over the next 12 months. Emerging-market stocks trade at a 28% discount.

So shift some of your U.S. stock allocation abroad. Research by Vanguard found that putting 40% of your equity allocation in foreign funds maximizes the diversification benefits of global investing. In a 60% stock/40% bond strategy, that means keeping 36% in U.S. shares and 24% in international equities.

T. Rowe Price says that of the 401(k) plans it administers, most offer a global stock fund; nearly a third have an emerging-markets stock fund. If your plan doesn't have a good foreign option, add one through an IRA or taxable account.

MONEY 50 member **Vanguard Total International Stock Index** (VTGSX), which has beaten two-thirds of its peers over the past decade, gives you exposure to developed and emerging-markets stocks for a mere 0.19% in annual expenses.

MAKE UP GROUND ON YOUR OWN

"We can talk all we want about the market and how to invest," says Stuart Ritter, a senior resident for wealth strategy at PNC's asset management group. "But how much you save has the biggest influence on your retirement readiness." And you can save more: Last year the cap on 401(k)



HOW MUCH YOU SAVE HAS THE BIGGEST INFLUENCE ON YOUR RETIREMENT READINESS."

—STUART RITTER,
PNC WEALTH MANAGEMENT

contributions rose from \$17,500 to \$18,000 annually. For workers 50 and up, catch-up contributions went from \$5,500 to \$6,000.

Boosting your 401(k) contributions even in the final decade of your working career can help keep your portfolio on track in the event of a lousy market. For instance, if you planned to save \$17,500 a year in your 401(k) for the last 10 years of your career and earned 7% returns annually, you would add another \$242,000 to your nest egg. However, if you took full advantage of the higher caps and socked away \$24,000 annually, you could earn just 0.2% a year in the market and still wind up with the same amount.

If you're young, double-check how much you're saving per year.

Most plans set a default contribution rate of 3% or less for workers who are automatically enrolled in a 401(k), according to Vanguard. Seven in 10 employers will automatically boost those contributions annually, but typically by just one percentage point. Yet if you boost investments now and the market soon drops, you will be picking up more shares at bargain prices. Over the long run, this can be hugely beneficial to younger investors.

HEDGE YOUR TAX BETS

Another way to shore up your nest egg in a shaky market is to protect yourself from future taxes. To do that, use an increasingly common feature in company retirement plans: a Roth 401(k). With a Roth, you don't get an upfront tax break on contributions, but earnings and qualified withdrawals are tax-free. Last year 58% of employers offered a Roth 401(k), up from just 11% in 2007, according to Aon Hewitt.

For young investors, Roths make sense since you'll be paying taxes now, when your salary is modest. For older workers the decision is more complicated. But Ritter argues it's still worth redirecting at least some of your savings to a Roth. It gives you flexibility in case one year in retirement you need to make a larger-than-normal withdrawal. "If that money came from a Roth, it would be tax-free," he says. You can direct a portion of your 401(k) election into a Roth; the tax code allows you to split contributions.

In the event of another major downturn, these moves won't prevent your portfolio from suffering losses. But they will lessen your fall—and allow you to recover faster in the rebound. □



Scour Real Estate for Decent Yields

INCOME INVESTORS FRUSTRATED BY LOW INTEREST RATES CAN UNCOVER SOLID PAYOUTS IN REIT FUNDS.



by *John Waggoner*

REAL ESTATE FUNDS have built towering annual returns of 14% over the past three years, so odds are good that the next three won't be as strong. But if you're an income-focused investor frustrated by low interest rates, real estate funds can still deliver decent dividends.

Most real estate funds invest primarily in real estate investment trusts, which buy, manage, and sell commercial properties such as office buildings, shopping malls, and apartments. By law, REITs must pass nearly all their taxable income

to shareholders. So despite the run-up in prices lately, REITs still pay juicy yields—3.5%, vs. 2% for the S&P 500 index of blue-chip stocks. True, REIT income doesn't qualify for the beneficial tax rate (typically 15%) on qualified stock dividends. But REITs offer double the 1.6% yield on 10-year Treasury notes.

ROOM TO GROW

In a recession, property values and rents are likely to fall. But while this recovery is more than seven years old, few economists are predicting a recession soon.

Meanwhile, REITs have a big factor working in their favor: Standard & Poor's recently created

a separate sector for real estate in its indexes, including the S&P 500. This should promote greater awareness of REITs and prompt funds to buy more shares in the future, which is likely to push prices up.

OFF THE BEATEN PATH

REITs "have had a great run off the bottom," says Michael J. Magiera, comanager of the **Manning & Napier Real Estate Fund** (MNRX). So he looks for offbeat REITs with a margin of safety, like timber REIT **Weyerhaeuser** (WY). If timber prices fall, the firm can let trees grow longer and become more valuable. "You get paid to wait," says Magiera, whose fund has beaten 97% of its peers over the past five years. Other unconventional holdings include self-storage, student-apartment, and billboard REITs.

Also look abroad, where many markets are cheaper than in the U.S. Global REIT funds have lagged their domestic neighbors the past five years. But if an investor had a dollar to put into real estate, "you'd get better deals in Europe than in New York City," says Gregg Fisher, manager of **Gerstein Fisher Multi-Factor Global Real Estate Securities Fund** (GFMRX), which invests more than 40% of its assets overseas.

If you're looking for a broader-based fund to hang on to for years, go with **Vanguard REIT Index** (VGSIX), which yields 3.1% and charges just 0.26% in expenses. Also on our MONEY 50 list of recommended funds and ETFs, there's **Cohen & Steers Realty** (CSRSX), which yields 2.4% and has outpaced 80% of its peers over the past 15 years. ■

Columnist John Waggoner is the author of three books on Wall Street and investing.

X-Ray: Oakmark International

BIG BETS IN EUROPE ARE TESTING THE PATIENCE OF SHAREHOLDERS. *by Carla Fried*

Named Morningstar's foreign-equity manager of the decade in 2010, David Herro has looked more like a dud of late, as Oakmark International (OAKIX), on our MONEY 50 recommended list, has ranked in the bottom 10% of its peers over the past three years. Adding to the worry are the retirement of comanager Robert Taylor and the reopening of the fund after \$3.5 billion in net outflows. "Owning a contrarian fund like this demands patience, as you can have a couple of lousy years," says Morningstar analyst Greg Carlson. "But its long-term prospects remain very, very good."

Herro-ic Record

Despite recent troubles, the fund has trounced the field since its inception.



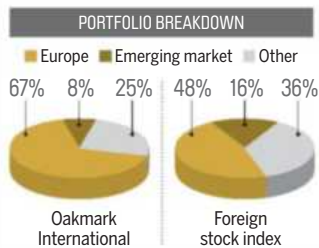
Herro, at the helm since the fund's 1992 launch, is sanguine about his recent struggles. "To outperform over the medium and long term there's a tradeoff with how you will sometimes perform over the short term," he says. In 2007 the fund also ranked in the bottom 5%, only to finish in the top 2% of its peers in three of the next five years. And while Oakmark returned an index-beating 4.5% a year over the past decade, the average investor earned just 1.7% from the fund by jumping in and out.

Rajat Jain of the Litman Gregory Masters International Fund, which uses Herro's team to run a portion of the Masters portfolio, adds that Taylor's retirement isn't cataclysmic: "It's certainly a loss, but Herro is the anchor and has a strong bench."

NOTES: Foreign stocks based on MSCI World ex USA index. P/E based on projected profits for current year. SOURCE: Morningstar

Out of Sync—On Purpose

Oakmark International is willing to go against the foreign stock crowd.



"If you are going to pay for active management, you want something that looks different than an index," says Denis Smirnov of Gordian Advisors, which invests in active portfolios such as the fund along with passive funds. You're sure getting that in this value-minded portfolio.

The fund, which charges 0.95% in annual expenses, holds just 50 to 60 stocks—vs. 393 for its average peer—with big exposure to troubled Europe. Right now, Team Herro is leaning heavily toward unloved financial and consumer cyclical stocks but has no holdings in five sectors, including utilities and telecom. "We have a bifurcated market right now where safety is extremely expensive and everything else is extremely cheap," says Herro.

Banking on Financials

The portfolio is cheap thanks to bets on beaten-down European banks.



When European financials were slammed after Britain's Brexit vote, this fund added to its stakes in Credit Suisse, Lloyds, and Italian bank Intesa Sanpaolo. All three have posted double-digit gains since their Brexit lows. Conventional wisdom says European banks are hobbled by low rates that make it hard to profit from lending. Yet Herro, 56, says these banks have begun to grow earnings, and capital reserve requirements for European banks have nearly doubled.

Herro likens this situation to fear over European banks during the height of the Greek debt crisis. "We made good money when that extreme horror story didn't come true," Herro says. "I expect we'll make money when the market realizes today's fears are overblown." □



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The Main Advantages of Municipal Bonds

Investors are attracted to municipal bonds for three reasons, safety of principal, regular predictable income and the tax-free benefits. Together, these three elements can make a compelling case for including tax-free municipal bonds in your portfolio.

Potential Safety of Principal

Many investors, particularly those nearing retirement or in retirement, are concerned about protecting their principal. In March of 2012, Moody's published research that showed that rated investment grade municipal bonds had an average cumulative default rate of just 0.08% between 1970 and 2011.* That means while there is some risk of principal loss, investing in rated investment-grade municipal bonds can be a cornerstone for safety of your principal.

Potential Regular Predictable Income

Municipal bonds typically pay interest every six months unless they get called or default. That means that you can count on a regular, predictable income stream. Because most bonds have call options, which means you get your principal back before the maturity date, subsequent municipal bonds you purchase can earn more or less interest than the called bond. According to Moody's 2012 research,* default rates are historically low for the rated investment-grade bonds favored by Hennion & Walsh.

Potential Triple Tax-Free Income

Income from municipal bonds is not subject to federal income tax and, depending on where you live, may also be exempt from state and local taxes. Triple tax-free can be a big attraction for many investors in this time of looming tax increases.

About Hennion & Walsh

Since 1990 Hennion & Walsh has specialized in investment grade tax-free municipal bonds. The company supervises over \$3 billion in assets in over 16,000 accounts, providing individual investors with institutional quality service and personal attention.

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*Sunset at Columbia's
Lake Kittamaqundi.*



The 50 **BEST PLACES TO LIVE** *in AMERICA*

WHAT IF YOU HAD a magic wand—or maybe a magic menu—and could create a recipe for the best place to live in America? What would the ingredients be? Low taxes, of course. Affordable homes. Also great schools, top hospitals, and plenty of good jobs nearby. Wait—how about culture and recreation facilities and... ?

MONEY's annual Best Places to Live package incorporates all those categories and many more. Starting with communities with populations from 50,000 to 300,000, we analyze and rank about 60 factors, from median home prices to the median high temperature. This year, with the national economy seeming to run in slow motion, we gave extra weight to places that scored well on a handful of key financial factors: the job market, economic opportunity, and housing affordability. Our reasoning was simple: It's not enough to live in a nice place. You want to be able to live *well*.

**Plus:
BEST
BIG CITIES
P. 72**

By Alicia Adamczyk, Carolyn Bigda, Daniel Bortz, Kerry Close, Veronica Crews, Ismat Sarah Mangla, Sarah Max, Marc Peyser, Vanessa Richardson, *and* Taylor Tepper

PHOTOGRAPHS BY *Ackerman + Gruber*

BEST PLACES TO LIVE

TOP SMALL CITIES



1

WHY WE LOVE IT:

A planned community that prizes economic and social diversity.

Population



102,221

Median home price



\$310,000

Property tax



\$4,442

Unemployment rate



3.5%

Commute time



29 minutes

NOTES: Median home price is based on January through July 2016. Property tax is annual, based on most recent available data. Unemployment is as of June 2016.

SOURCES: Bureau of Labor Statistics, Onboard Informatics

COLUMBIA

MARYLAND

YOU KNOW THE PHRASE “50 is the new 30?” Apparently, that applies to cities and towns too.

Columbia, Md., turns 50 next year, and it’s never looked better. One of the most successful planned communities in the country, Columbia is a magnet in the Baltimore–Washington corridor, attracting families in search of good schools and businesses hungry for educated employees.

A planned community—where covenants limit everything from new construction to the color you can paint your home—isn’t for everyone (though there are three of them in our Best Places top 10).

But Columbia is clearly thriving. It ranks in the top 5% of the 823 places on this year’s list for job growth and economic opportunity. The schools are among the state’s best. And in this pricey corner of the country, Columbia’s median home price is just over \$300,000, 11% less than in Gaithersburg, one county over. “I sometimes tell people this is a little bit like the Land of Oz,” says Gary Ahrens, a retired high school teacher and counselor who sells real estate for Keller Williams.

The prices may be right, but Columbia also owes its success to an idea—or maybe it’s an ideal. Founded in the late ’60s, the town made the concept of community building part of the master plan. Each of the 10 bucolically named

villages (Wilde Lake, Oakland Mills) includes a mix of residences—apartments, townhomes, and single-family houses—to promote socioeconomic diversity. Individual homes don’t have mailboxes; they’re collected in groups on each cul-de-sac or block to encourage neighborly mixing. Some people worship at a church or synagogue, but others prefer an “interfaith center,” where the faiths rotate through a communal space.

The master plan guides economic development as well. Offices and retail centers are sprinkled strategically around the villages. Mid-rise office buildings are clustered downtown between the Columbia Mall and Lake Kittamaquidi, which is surrounded by an exercise path, restaurants, and the town’s celebratory symbol of inclusiveness: the 35-foot-high metal sculpture *The People Tree*.

Downtown is going through its

Pedal-boating on Lake Kittamaquidi.



own midlife growth spurt. The Howard Hughes Corp. is overseeing the creation of 4.3 million square feet of office space, 1.2 million square feet of retail, and 5,500 residential units. The hope is to create a more walkable (and bikeable) core, stretching from the mall to the lake and including the area around the celebrated Merriweather Post Pavilion amphitheater. “The quality of life here is already amazing,” says Greg Fitchitt, VP for development at Howard Hughes. “We’re trying to create a 21st-century urban village.”

One knock on planned communities is the fees levied to maintain their vision. Columbia has two of them. The Columbia Association annual fee runs about \$1,000 a year on a median-priced home and helps maintain the town’s vast communal





FAMOUS LOCAL: Edward Norton



LEFT: Walking around Wilde Lake. **BELOW:** Pizza maker Lyn Turner at the Howard County farmers' market.



greeneries and other amenities. (The master plan sets aside 36% of the town's land for open space.) There is also an optional fee for the pools and recreational facilities that starts at \$67 a month for a family membership.

At almost 50, Columbia is welcoming its third generation, and the sense of community is flourishing in the most human of ways. The population is 55% white, 25% black, 12% Asian, and 8% Latino. Growing up as one of the few African-Americans in nearby Catonsville, Calvin Ball watched Columbia with envy. When he got married, Ball, now a college administrator, told his wife, Shani, there was only one place he would raise their children. "He was so happy when he talked about Columbia," says Shani. "That's because diversity is not only tolerated here. It's celebrated."



A concert at Merriweather Post Pavilion.

FIVE GREAT PLACES TO ...

These communities didn't win, but they're still tops in their classes.

LAND A JOB



If you're looking for a new gig, you're likely to find it here. These locations are projected to see the biggest job growth through 2020.

1. PLANO, TEXAS	19.3%
2. ASHBURN, VA.	17.5%
3. CARY, N.C.	15.4%
4. FISHERS, IND.	15.2%
5. SCOTTSDALE, ARIZ.	14.4%

SOURCE: Moody's

BUY A HOUSE



Not every real estate market is bubble-bound. You'll find plenty of bargains here, where the ratios of home prices to annual incomes are the lowest on our list.

1. APPLETON, WIS.	1.98 X
2. CHERRY HILL, N.J.	2.01 X
3. SPRING, TEXAS	2.02 X
4. HAMDEN, CONN.	2.08 X
5. WEST DES MOINES, IOWA	2.09 X

NOTE: Ranked by most recent median home prices as a ratio to 2015 median annual household income. SOURCE: Onboard Informatics

SAVE ON TAXES



Hate the tax man? These places have the lowest property taxes relative to the median home price.

1. KOOLAPOKO, HAWAII	0.31%
2. HIGHLANDS RANCH, COLO.	0.60%
3. SCOTTSDALE, ARIZ.	0.68%
4. FREMONT, CALIF.	0.71%
5. MATOACA, VA.	0.88%

NOTE: Average annual local property taxes relative to median 2016 home prices. SOURCE: Onboard Informatics



ABOVE: Riley Lake. RIGHT: Shopping at a local farm stand.



WHAT'S YOUR BEST PLACE—AND WHY? letters@money.com

FAMOUS LOCAL: Nick Leddy



**BEST
PLACES
TO LIVE**
TOP SMALL CITIES



2

WHY WE LOVE IT:
Where the great outdoors meets a great job market.



62,617



\$292,000



\$4,317



3.6%



20 minutes

EDEN PRAIRIE

MINNESOTA

OF ALL THE THINGS you expect to find in frosty Minnesota—lakes, hockey players, really nice Scandinavian-Americans—a community where every home features solar power is perhaps not at the top of the list. Tony and Amanda Nagy were surprised too, and they're from Minneapolis.

But when Tony's occupational therapy clinic opened a branch 20 miles from the city in Eden Prairie last year, the couple decided to look for a house nearby. That's when they stumbled upon the Eden Gardens neighborhood, where the 36 homes are all built from reclaimed materials and feature solar panels, high-efficiency heating and cooling, and no-mow or low-mow yards. There's also abundant communal space for veggie and flower growers. "We love being able to connect with our neighbors at the Eden Gardens playground and gardening after dinner each night," says Amanda. "I thought I would regret living in the suburbs. We haven't regretted it, not even a little bit."

That's a common sentiment around town. Eden

Prairie has appeared on MONEY's Best Places list several times and finished No. 1 in 2010. One reason for its success: Like those eco-friendly homes, the economy is self-sustaining too. Several large employers, including Optum, C.H. Robinson, Starkey, and Supervalu, have their headquarters here. Though Eden Prairie has only 62,000 residents, it is home to 57,000 jobs and a downright skimpy 3.6% unemployment rate.

Thanks to its low debt and diversified tax base, the city has earned a AAA bond rating from Moody's every year since 2003. The local economy will likely get another boost in the next few years, with an extension of the Southwest light rail that

will connect the city to downtown Minneapolis.

True to its name, Eden Prairie has invested in its outdoor splendors as well. The city contains 37 parks, 17 lakes, and 200 miles of sidewalks and trails. In a 2014 quality of life survey of Eden Prairie conducted by the city, 95% of respondents gave their hometown good or excellent ratings.

That seal of approval is for more than amenities. It also reflects residents' appreciation of what their neighbors offer one another. "Eden Prairie attracts a very diverse crowd," says Amanda, whose daughter, Nyah, is enrolled in a Spanish immersion day care. "We love living in a community that reflects the world we live in."



Taking a coffee break at Dunn Brothers.



3

PLANO

TEXAS

WHY WE LOVE IT:

A corporate center with a small-town vibe.



277,767



\$301,850



\$6,066



3.6%



26 minutes

WHAT DO YOU SEE when you look up at Plano's western sky? Lots of cranes—and the constellation of office buildings they're planting on the horizon.

Thanks in part to corporate tax incentives, Plano is already home to J.C. Penney and Frito-Lay, as well as a regional hub for Bank of America, PepsiCo, Cigna, and Intel. They'll be getting new neighbors soon, with Toyota moving its North America headquarters in next year and Liberty Mutual, JPMorgan Chase, and Fannie Mae importing part of their operations. With 200,000 jobs and another 20,000 expected within five years, Plano isn't just living up to its nickname, "A great place to do business." It's giving Dallas, 20 miles south, a run for its corporate money.

What makes Plano a great place to work is that it's also a great place to live and raise a family. It has the lowest crime rate of any Texas city and some of the lowest taxes in the region. On a \$301,850 home (the median in 2016), the annual property tax is about \$6,000.

Tre Wilcox moved from Dallas to Plano last year because he thought his daughter, Alexis, 15, would flourish right along with his cooking-class business. "Kids play in the streets until the lights come on," says Wilcox. "If Alexis forgets her key, the neighbors always

let her stay in their house until I get home. There's definitely that sense of community."

That's even more remarkable given that many residents are, like Wilcox, new in town. Those transplants have helped make Plano remarkably diverse. About 43% of residents are nonwhite, and 80 languages are spoken in its well-

regarded schools. Almost 95% of high school graduates pursue higher education. Last year, Plano High's robotics team even went to a world championship event.

While Plano has an eye on the future, it's also embracing its past. The city's Great Update Rebate program offers up to \$5,000 for renovations to moderately priced homes 35 years and older. Downtown, which had lost much of its charm after World War II, is a destination again. Galleries and restaurants line the brick-paved streets, and there's a new outdoor stage in McCall Park. "We have 300,000 residents, but I'm always running into people I know," says Stacey O'Mahony, a middle-school teacher. "I feel like Plano is the largest small town in America."

The annual "Night Out on 15th" dinner.



THE SEARCH FOR NO. 1

How MONEY finds the best places to live in America.

823

START
This year's list included all U.S. towns and cities with populations of 50,000 to 300,000.

510

CRUNCH
To find the best, we sorted through almost 300,000 demographic data points (which is why we partner with Onboard Informatics to collect it all). For the first cut, we eliminated the 100



The annual Balloon Festival.

SEE MORE BEST PLACES!

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THE TOP LOCATIONS: Read profiles of the top 50 towns and use our interactive tool to see how your hometown stacks up.

"BEST FOR..." RANKINGS: The best places for families, singles, healthy living, culture, sports, and more. Plus: the top place in every state.

VIDEO TOURS: Take a virtual-reality trip to this year's winner; check out the top 10 places, and visit the Best Big Cities.

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PINTEREST Follow our Best Places to Live board to see beautiful photos of our top towns. pinterest.com/money

INSTAGRAM Double tap to "heart" photos of our Best Places. instagram.com/moneymag

200

places with the lowest predicted job growth, the 200 communities with the most crime, and any place without a strong sense of ethnic diversity (more than 90% of one race).

ANALYZE

Focusing further on pocketbook factors, we hunted for top home values by comparing median property values with median household incomes. We singled out

communities with strong local economies and low taxes (property, income, and sales). We also considered accessibility to health care, culture, strong public schools, and sports.

100

BALANCE

To correct for geographical biases, we limited the list to no more than four places per state and one per county.

50

VISIT

Reporters spent time in each town, interviewing residents, checking out neighborhoods, and searching for the kinds of intangible factors that aren't visible in statistics.

1

CROWN THE WINNER

BEST PLACES TO LIVE

TOP SMALL CITIES



4

WHY WE LOVE IT:
As big companies amp up the jobs, hometown values still thrive.



64,478



\$187,500



\$3,565



3.9%



17 minutes

FAMOUS LOCAL: Shawn Johnson



AWESOME SHUCKS



Getting corny at a farmers' market.

WEST DES MOINES

IOWA

LIKE YOUNG PEOPLE everywhere, Des Moines natives Krista and Sahan Totagamuwa decided to move away from home after they got married to get a taste of life in the big city, in Milwaukee. Five years and two kids later they came home—well, close to home.

While looking for an affordable house near good schools, they detoured to West Des Moines, a separate municipality on the other side of the airport from the capital. Like an Iowa farm in the spring, West Des Moines had sprouted while they were away. The sleepy suburb had become a family-friendly city that's home to great shopping, a thriving arts community, and enough good jobs to field any number of dreams. "The growth here is insane," says Sahan, 37, an accountant at CliftonLarsonAllen, a professional services firm.

In the first five months of 2016 alone, West Des Moines has issued building permits for projects worth an estimated \$527 million, including a new \$430 million Microsoft data center. Wells Fargo already has 9,800 employees here, and Hy-Vee Food Corp. employs 2,600 workers in town.

Of course, many residents

do leave the area to work, especially in Des Moines. The capital city, sometimes called "the Hartford of the Midwest," is home to more than 80 insurance companies, which account for 16% of the region's jobs. Even better, it's about a 10-minute drive away. The average commute time for all West Des Moines residents is 17 minutes, the lowest of any location on our top 10 list.

West Des Moines leads our list in another key category. The median home price in the first quarter of 2016 was only \$187,500. Those affordable prices are very much in keep-

ing with the city's small-town feel. Valley Junction, one of the main streets, is lined with galleries and antiques shops and is the setting for the annual arts festival, car show, Independence Day parade, and summertime farmers' market. Raccoon River Regional Park is the prime outdoor spot, with a 232-acre lake, fishing pier, nature lodge, softball fields, and dog park. For the more indoors-minded, the Jordan Creek Town Center has everything from an Apple Store to the Zombie Burger and Shake Lab. After all, Jordan Creek is the largest mall in the state.

The mom-and-pop shops in Valley Junction.



PHOTOGRAPH BY CAMERON SPENCER (JOHNSON)

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5

WHY WE LOVE IT:

Think you know Jersey? Fuggeddaboutit. This suburb is as pretty as they come.



53,173



\$356,500



\$8,221



3.9%



25 minutes

FAMOUS LOCAL: Jane Krakowski



PARSIPPANY

NEW JERSEY

IF YOU'RE ONE of those people who believe that New Jersey is all industrial sprawl and one long turnpike, you might be surprised to find Parsippany near the top of the Best Places list. You might also be surprised to know that Parsippany has been named a Tree City USA by the Arbor Day Foundation for the past 40 years. Or that the local team made it to the Little League World Series in 2012. Or that Lake Parsippany has become a favorite swimming pool for brown bears and other critters. In Parsippany you can see how New Jersey got the nickname “the Garden State.”

Parsippany (official name: Parsippany-Troy Hills) is still very much a New York City suburb. The Big Apple is only 35 miles away, and many residents are commuters. But it is also surprisingly affordable by



Lake Parsippany (minus the bears).

regional standards. The typical home costs about \$356,500; property taxes on it would run about \$8,220 a year. That may sound expensive, but residents pay less in property taxes relative to their homes' values in Parsippany than they do in 75% of the New Jersey locations on our list.

Parsippany scores even

higher in terms of jobs. The 3.9% unemployment rate is the lowest of any our New Jersey locations. Among the largest employers: Wyndham and Kings Food Markets, which have their national headquarters in town.

But it's the local feel that makes Parsippany a place natives are reluctant to leave. Michele McCormick moved there when she got married; her husband, Keith, wouldn't live anywhere else. In fact, they've moved a few times within the city's limits. For their most recent change of address, their team of movers included their old neighbors and their new neighbors. “Keith always told me how great Parsippany is,” Michele says, “but I didn't fully appreciate it until we moved here.” And then moved again.



Celebrating Arbor Day.

COURTESY OF THE TOWNSHIP OF PARSIPPANY (2); DIMITRIOS KAMBOURIS/GETTY (KRAKOWSKI)

When making by hand
means making a mess,
your hands could use a hand.

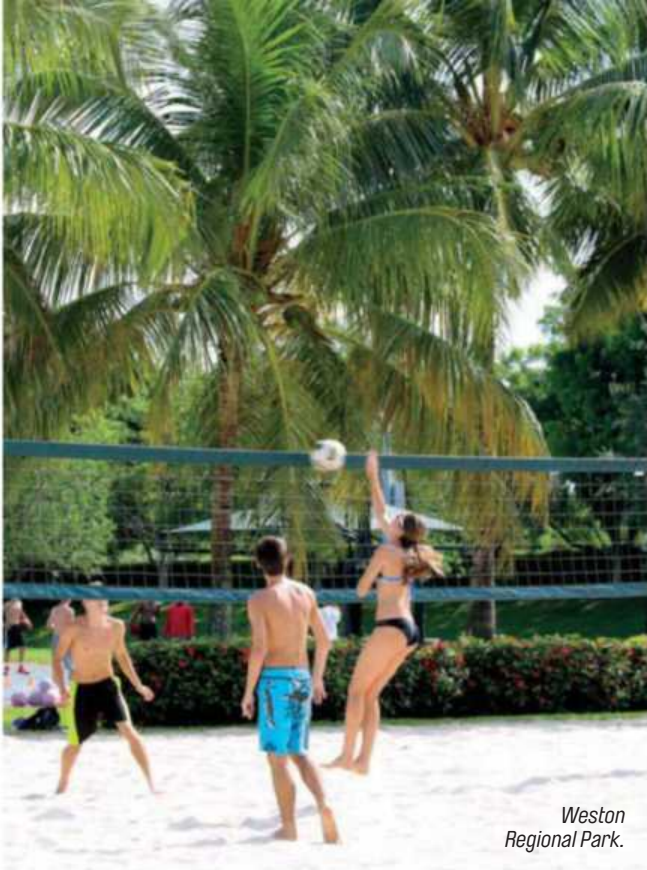
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Weston Regional Park.

6 Highlands Ranch, COLORADO

A snug town bursting with jobs.

Population: 105,132
Median home price: \$410,000
Unemployment rate: 3.4%

Highlands Ranch is a bedroom community where residents sleep very well at night. In fact, they affectionately refer to their hometown, about 15 miles south of downtown Denver, as “the bubble” because crime is low, the schools are top-notch, and jobs are plentiful. UHealth plans to build a \$315 million hospital in Highlands Ranch by 2018, and two years ago Charles Schwab consolidated its Denver-area offices nearby. No place on our list is predicted to add more jobs in the next five years.

The bad news is that the sizzling job market has attracted an influx of new residents, who in turn have driven up real estate costs. The median home price is about \$410,000. On the plus side: Highlands Ranch, a planned community, was founded in 1981, so the housing stock is relatively new. “You won’t need to do a full remodel,” says Bob Costello. Spoken like a true real estate agent.

7 Clarkstown, NEW YORK

Affordable Hudson River living.

Population: 84,787
Median home price: \$360,000
Unemployment rate: 3.9%

Truth be told, Clarkstown probably picked the wrong name—it should be Clarkstowns. This community on the Hudson River is actually nine villages knitted together by their bucolic setting and affordable homes, all within a 35-mile drive of New York City. In one of the most expensive real estate markets in the country, Clarkstown’s \$360,000 median home price is a bargain—that’s 34% lower than in neighboring Westchester County. Clarkstown was where Edward Hopper went to



Downtown Naperville.

high school, and there’s still an artsy sensibility in town. One favorite is the outdoor concert series that travels from park to park through the summer, each night devoted to a different musical theme. “Really, you would never have to leave the town to be able to find something to do,” says town supervisor George Hoehmann. “It’s pretty much all here.”

8 Weston, FLORIDA

A gated community where your neighbors are gators.

Population: 69,081
Median home price: \$365,000
Unemployment rate: 4.5%

Just about any location worth its spot on the Best Places list can brag about great green space, and Weston—with a dozen sports fields, nearly 50 miles of lined bike lanes, and the 100-acre Weston Regional Park—is no exception. But Weston residents enjoy the kind of open space you won’t find in many places in the country. About 25 miles to the east is the Atlantic Ocean. And on Weston’s western flank is the Everglades, a resource that’s so iconic, there’s a likeness of it right on Weston’s town crest.

Geography is key to much of Weston’s success. Located within easy commuting distance of Miami and Fort Lauderdale, this planned community also offers abundant employment options, at companies including Cleveland Clinic Florida and Ultimate Software. Weston is at the top of our list for economic opportunity, a category driven largely by purchasing power. That means

residents have to sink less of their household income (the median is \$99,690 a year) to buy a home than residents in most places around the country. It’s also family-friendly: All the public schools have earned an A average from Florida’s Department of Education. “Weston,” says Pam Fishman, a stay-at-home mom and New York City transplant, “offers a truly wonderful quality of life.”



Beaverton International Festival.

9 Beaverton, OREGON

A melting pot in Nike’s backyard.

Population: 96,500
Median home price: \$320,000
Unemployment rate: 4.7%

Portland may be the top foodie hub in this neck of the country (see page 79 for more on Portland), but private chef and sommelier Tân Huynh says that Beaverton is a worthy culinary contender. “You have so many ethnic populations here,” says Huynh, a lifelong resident. “With that comes culture—and restaurants.”

It’s fitting that Nike, Beaverton’s most famous resident, took its name from a Greek goddess. One in five Beaverton residents was born outside the U.S., and nearly 100 languages are spoken in the public schools—which, incidentally, rank among the best in the state.

But one of Beaverton’s prime selling points—value—translates easily into any language. The median home price is \$320,000, up about 11% from the year before. Property taxes are about 85% of what you’d pay in Portland. Another reason you’ll find extra money in your pocket: Oregon is one of only five states with no sales tax.



10 Naperville, ILLINOIS

A windy city suburb that's got charm, and jobs, to spare.

Population: 141,310
Median home price: \$350,000
Unemployment rate: 5.1%

A river runs through Naperville, and for most of its existence the

DuPage was the lifeblood of this mill town. The river still plays a starring role, only it's been transformed into the Riverwalk, an 1.75-mile stretch of covered bridges, fountains, and public art. "We wanted easy access to Chicago, as well as shops and restaurants within walking distance," says John Burns, a recent transplant from Wichita. "As soon as we saw downtown,

we knew we wanted to live here." Charm doesn't come cheap, however, and neither does a superb education (88% of Naperville Central High's 2015 graduating class went to college). The typical home sold for \$350,000 in 2016, though that was down slightly year over year. Yet with a median household income of \$122,600, the ratio of income to home prices is lower than

in many upscale communities. Quite a few of those high-paying jobs are right in town, at Edward Hospital (5,800 employees), Nicor Gas (2,000), and Nokia (1,800). Of course, plenty of locals commute to Chicago and beyond. "I drive about 40 minutes to work," says Burns, who works in Joliet, "but living in Naperville makes the commute worth it." □

50 AMERICA'S BEST SMALL CITIES

Here's where the top places ranked—and a look at the qualities that helped them make the grade.

OUR SMALL CITIES REPORT CARD

		Economy	Jobs	Education		Economy	Jobs	Education	
1	COLUMBIA, MD. pop. 102,221	A	A	A	26	CHERRY HILL, N.J. 72,055	B	B	A
2	EDEN PRAIRIE, MINN. 62,617	A	A	A	27	HOFFMAN ESTATES, ILL. 50,615	A	C	A
3	PLANO, TEXAS 277,767	A	A+	A	28	HUNTER MILL, VA. 128,406	A	A	A
4	WEST DES MOINES, IOWA 64,478	A	A	A	29	OVERLAND PARK, KANS. 184,832	B	A	A
5	PARSIPPANY-TROY HILLS, N.J. 53,173	A	A	A	30	FISHERS, IND. 85,168	A	A	A+
6	HIGHLANDS RANCH, COLO. 105,132	A	A	A	31	NEWTON, MASS. 86,224	A	A	A
7	CLARKSTOWN, N.Y. 84,787	B	A	A	32	NOVI, MICH. 57,940	A	A	A
8	WESTON, FLA. 69,081	A	A	A	33	KOOLAUPOKO, HAWAII 118,326	A	A	B
9	BEAVERTON, ORE. 96,500	A	A	A	34	OYSTER BAY, N.Y. 294,520	A	A	A
10	NAPERVILLE, ILL. 141,310	A	A	A	35	SIoux FALLS, S.D. 173,212	A	A+	B
11	WOODBURY, MINN. 67,696	A	A	A	36	WELLINGTON, FLA. 61,790	A	A	A
12	PFLUGERVILLE, TEXAS 59,201	A	A	A	37	CARY, N.C. 154,588	A	A	A
13	CENTENNIAL, COLO. 107,569	A	A	A	38	HAMDEN, CONN. 61,559	A	B	A
14	SAMMAMISH, WASH. 50,248	A	A	A+	39	HUNTINGTON, N.Y. 205,148	A	B	A
15	WEST HARTFORD, CONN. 63,608	A	C	A	40	GREENWICH, CONN. 62,509	A	A	A
16	NASHUA, N.H. 88,766	A	B	B	41	LEVITTOWN, PA. 51,942	A	B	A
17	EASTVALE, CALIF. 63,992	A	C	B	42	MATOACA, VA. 68,164	A	B	C
18	EULESS, TEXAS 57,457	A	A	B	43	LEE'S SUMMIT, MO. 94,639	A	A	B
19	EDISON, N.J. 101,744	A	A	A	44	SPRING, TEXAS 57,908	A	A	A
20	IRVINE, CALIF. 250,308	A	A	A	45	CENTRAL PASCO, FLA. 131,248	A	A	A
21	SAN RAMON, CALIF. 78,465	A	A	A	46	FREMONT, CALIF. 239,527	A	A	A
22	ASHBURN, VA. 50,834	A	A	A	47	AMES, IOWA 62,131	A	B	A
23	FRANKLIN, N.J. 65,521	A	B	A	48	EDMOND, OKLA. 93,552	B	A	A
24	APPLETON, WISC. 75,144	A+	A	B	49	WEST CHESTER, OHIO 63,162	A	A	A
25	BROOMFIELD, COLO. 63,676	A	A	A	50	SCOTTSDALE, ARIZ. 235,213	B	A	B

Projected 5-year job growth of 19.3%.

Top math scores on the list.

High ratio of income to home prices.

40% of residents have at least a bachelor's degree.

Unemployment rate: 2.3%.

NOTES: Rankings derived from 60 data points in the following categories: jobs based on income growth, local unemployment (not seasonally adjusted; county data used when local not available), and projected job growth. Economy based on purchasing power, foreclosure rate, tax burden, and state's fiscal strength. Housing affordability based on median price-to-income ratio and average property taxes. Education based on test scores, educational interest and attainment, and percentage of kids in public schools. Health based on number of doctors and hospitals in the area and health of residents. Crime based on property and violent crime rates. Arts and leisure based on activities in the town and surrounding area, including movie theaters, museums, and green spaces. Ease of living based on population density, commute times, weather, and other factors. An A+ represents an exceptional score on the referenced subsection, not on the total score for that category. SOURCES: Onboard Informatics, U.S. Bureau of Labor Statistics, FBI, Moody's, Standard & Poor's, Kaiser Family Foundation, IRS, Tax.org, RealtyTrac, CDC, Infogroup.com, Council for Community and Economic Research, American Alliance of Museums, National Oceanic and Atmospheric Administration, National Association of Realtors, GreatSchools, FAA, U.S. Census Bureau, U.S. Postal Service, U.S. Bureau of Economic Analysis, American Community Survey, Federal Housing Finance Agency, National Center for Education Statistics, National Center for Health Statistics, county assessors' offices, MountainVertical.com, White Book of Ski Areas, National Assembly of State Arts Agencies, Association of Zoos and Aquariums, MCH Strategic Data

CLOCKWISE FROM TOP: PHOTOGRAPHS COURTESY OF THE TOWNS OF WESTON; NAPERVILLE; AND BEAVERTON; MARCEL THOMAS/GETTY (RUSSELL)

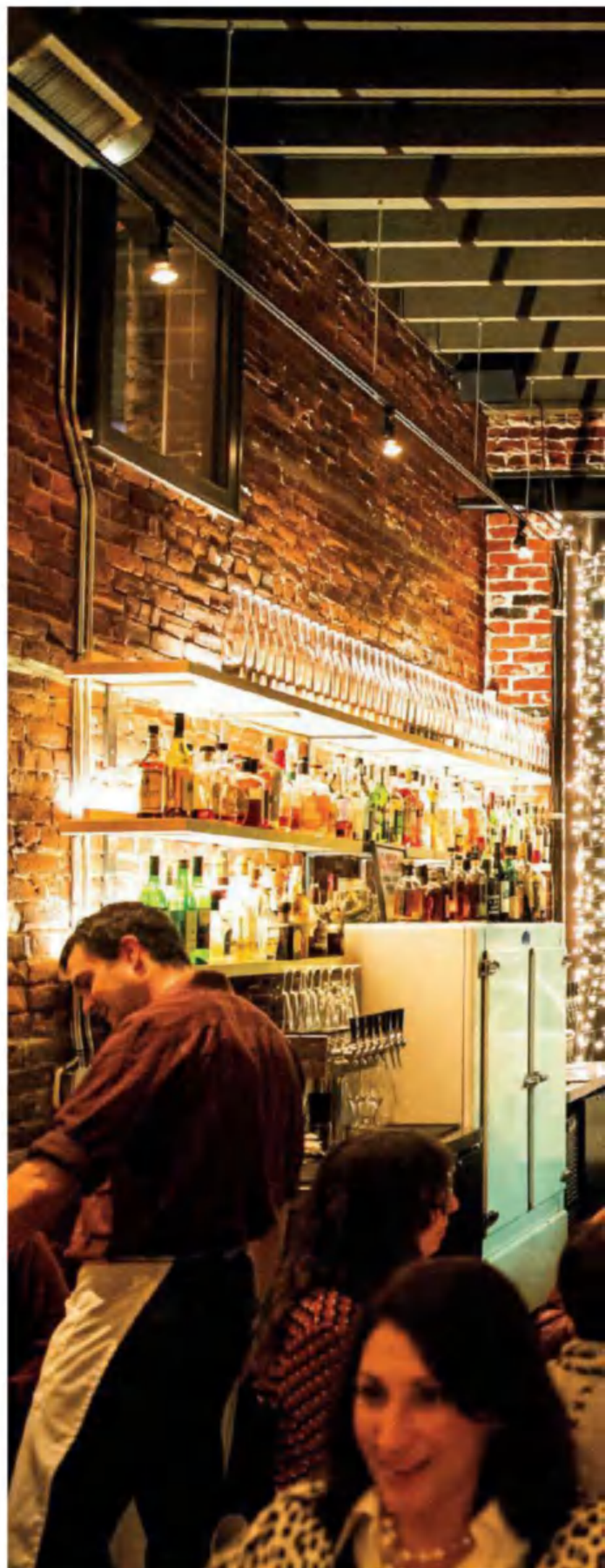
The **BEST BIG CITIES**

*From East Coast to West—and
in between—these are the six
places that offer the best of urban
living at a price you can afford.*

BY SARAH MAX

PHOTOGRAPH BY John Valls

SURE, SMALL CITIES have their charm, and the ones on our Best Places ranking have it in spades. But some of us don't feel as if we're really living unless we're doing it in the middle of the kind of action that only an urban setting can provide: a rich trove of culture, dynamic street life, maybe even a little bit of grit. For the second year, our Best Big Cities list identifies the metro area (300,000-plus population) in each region of the country that offers all that plus strong job growth, affordable housing, good schools, low crime, and great quality-of-life factors such as ample transportation options and access to green space. This year we also gave additional weight to the health of the local economy. The following places emerged from our pool of 63 contenders as the hottest spots for urban dwellers right now.





In Portland, one of the country's foodiest cities, Argentine-inspired Ox restaurant draws a lively crowd.





The daytime scene along the Greenway.

BOSTON

MASSACHUSETTS

IF THERE'S one thing Boston is known for, it's the Big Dig—the 15-year, \$15 billion effort to bury the city's major traffic artery in tunnels underground. Much derided while it was going on, the project did more than just relieve gridlock on I-93; it also helped spark what the *New York Times* called “one of the most successful urban renaissance stories in modern American history.”

Gone is the multitiered highway that once bifurcated downtown and the North End. In its place: the 15-acre Rose Fitzgerald Kennedy Greenway, a 1.5-mile string of five distinct parks that has become a favorite local spot for food-truck dining, browsing outdoor art installations, and taking a spin on the carousel.

“If you look back 25 or 30 years, Boston looked like a declining port city,” says Graham Wilson, director of the Boston University Initiative on Cities. The completion of the Greenway and ongoing development of the South Boston Waterfront tell a different story. Wilson cites GE's relocation to Beantown as emblematic of the change.

Steve Ball moved to the area two years ago from Syracuse, N.Y., with his wife, Laura Ecker, and their two children. An engineer,



BEST IN THE NORTHEAST



An urban gem gains polish

Population



657,828

Median home price



\$545,000

Property tax



\$5,292

Unemployment rate



4.2%

Ball came for a dream job with a fuel-cell company, part of a local employment boom that has boosted the city's population by 8% since 2010, more than twice the national average. But it's the educational opportunities and kid-friendly cultural attractions—like the Drumlin Farm Wildlife Sanctuary and the New England Aquarium—that sustain the young family. There's plenty of culture for adults too: Boston boasts the highest per capita arts funding of any city on this list.

The strong local economy has sparked an unprecedented rise in construction, with new buildings currently going up in 19 of the city's 23 neighborhoods. Many of them, like the luxury towers rising in historically blue-collar “Southie,” are targeting young professionals, to the dismay of some longtime residents. At \$477,000, the median condo price is roughly twice the national apartment median.

HOT HOOD ▶ Development is heating up in the waterfront neighborhood of Dorchester, an ethnically diverse enclave that's home to the JFK Presidential Library and the new Edward M. Kennedy Institute for the United States Senate.

Boston's symphony is just one of many cultural treasures.

RALEIGH

NORTH CAROLINA

AFTER THE financial crisis, New Yorker Mike Eklund decided it was time to change careers, from banking to financial planning, and hometowns. He and his wife, Kerri, scouted out midsize cities around the country for their growing family. Their search ended in Raleigh, North Carolina's state capital and a top-ranked town for everything from launching a career to enjoying one's golden years.

"It has everything we wanted: good schools, a reasonable cost of living, and it's a great place to raise a family," says Eklund, who has four daughters ages 2 to 10. Indeed, Raleigh has become a magnet for young families: The number of children between the ages of 5 and 14 grew more than 55% from 2000 to 2013, roughly 10 times the national average.

Meanwhile, the local economy

is booming. Between 2010 and 2015, job growth in Wake County was a whopping 20%. Raleigh has a strong employment base of its own, anchored by government jobs, and many residents commute to nearby Research Triangle Park, home to more than 200 companies, including Cisco, IBM, and Fidelity.

"We set ourselves a goal to be in the top five hotspots for innovation and entrepreneurship in the nation," says DeLisa Alexander, executive vice president with software company Red Hat and a board member of Innovate Raleigh, a group of local business and community leaders. When it comes to ideas for developing Raleigh's business climate, "people don't say no," Alexander says. "They say yes—and how can we help."

The area benefits from the presence of three top educational institutions: Duke University, North Carolina State University,

BEST IN THE SOUTHEAST



A magnet for young families



432,657



\$208,250



\$2,495



4.3%



The 1869 Heck-Andrews House, one of the city's earliest mansions.

and the University of North Carolina at Chapel Hill. And there's no shortage of culture, with more than 80 live-music venues and two fine-arts museums.

These big-city amenities come with easy access to the outdoors. The region has hundreds of miles of trails, and the Capital Area Greenway is a superhighway for bike commuting, running, and exploring. Getting out of town is also a breeze. "The beach is two hours away," says Eklund, "and the mountains are less than three hours the other way."

Real estate, too, remains within reach. Raleigh ranks in the top 25 of major metro areas on housing affordability, a measure of home prices relative to household income.

HOT HOOD ▶ Raleigh's oldest neighborhood, Mordecai (pronounced "MOR-duh-kay"), is attracting new residents, drawn by its close proximity to downtown, highly rated elementary charter school, lower-than-average crime rates, and mix of new and historic homes.



Admiring a Frank Stella at the North Carolina Museum of Art.

PHOTOGRAPHS, CLOCKWISE FROM TOP LEFT: COURTESY OF THE ROSE FITZGERALD, KENNEDY GREENWAY CONSERVANCY; ALAMY; COURTESY OF THE NORTH CAROLINA MUSEUM OF ART; COURTESY OF THE BOSTON SYMPHONY ORCHESTRA

COLUMBUS

OHIO

WHEN BROTHERS Andy and Phil George decided to find a permanent home for their then-fledgling company in 2012, Columbus was a no-brainer. It wasn't just the low cost of living vs. Los Angeles, where they launched the business, or the dozen-plus *Fortune* 1,000 firms in town, or the resources of Ohio State University. It was the promise of a city on the rise. "We felt there was a lot of positive momentum," says Andy George, cofounder of startup MentorcliQ, which helps launch and manage

employee mentoring programs. You sure could say that. In the past five years more than 150 companies have moved to the area, drawn by a highly educated workforce—the region has more than 60 college and university campuses—and a solid business base that includes major retailers L Brands and Abercrombie & Fitch. In 2015 the city saw the highest wage growth in the country, with average hourly wages shooting up 6.2%, far exceeding the national rate of around 2% and surpassing even such go-gos as San Francisco (6%).

BEST IN THE
MIDWEST



Making the
Midwest cool



822,548



\$131,500



\$2,571



4.1%



The 1928 Ohio Theatre, now a national landmark.



Globe Life Park, the heart of a town that takes its sports seriously.

ARLINGTON

TEXAS

TUCKED BETWEEN Dallas and Fort Worth, Arlington is known as the Entertainment Capital of Texas, and for good reason. It's home to four professional sports teams—Dallas Cowboys football, Texas Rangers baseball, Dallas Wings basketball, and Dallas Charge softball—theme parks, music venues, comedy clubs, and, not least, the International Bowling Hall of Fame.

Still, there's more to this city than fun and games.

"Professionally there are a lot of options," says local Redfin agent Tara Anthony. While Arlington itself has many large employers, including a major General Motors assembly plant and hospital system Texas Health Resources, "there are job opportunities in either direction," she says. AT&T and Bank of America are top employers in Dallas, 20 miles to the east, while American Airlines parent AMR and Lockheed Martin are 15 miles west, in Fort Worth.



The latest coup: Columbus recently beat out 78 cities in the U.S. Department of Transportation's Smart City Challenge to win \$50 million in grants to supplement the \$90 million the city has raised to modernize transportation; plans include corridors for self-driving vehicles and a fleet of electric city cars.

"There has been a real desire to see the city grow and reach its potential," says Kenny McDonald, president and chief economic officer of Columbus 2020, the economic development organization for the 11-county Columbus region.

Higher home prices have come on the heels of the city's growing popularity—the median price of \$131,500 is up \$19,000 since the end of 2014—but for newcomers coming from other cities this size,

that seems a bargain. Single-family homes and luxury condos in the city's hopping Short North neighborhood, so named for its location just north of downtown, start at about \$300,000. Move away from the city center and prices plunge below \$200,000. Even the "far" neighborhoods aren't much of a haul, says George, who lives in Short North with his wife and two daughters. "There is no part of the city you can't get to in less than 30 minutes."

HOT HOOD ▶ About a mile from downtown, Olde Towne East is newly cool, on the strength of its great location, uptick in commercial activity, and historic-housing stock. How's this for reverse sticker shock: A 1920 five-bedroom, seven-bathroom brick beauty with an asking price of \$375,000.

Arlington is also a sweet spot for parents looking for affordable homes and top-ranked schools, including standout public charter school Uplift Summit International Preparatory, named one of the top 20 most challenging high schools in the U.S. by the *Washington Post*.



Jogging in the planned community of Viridian.

BEST IN THE SOUTH



"Boomburg" comes of age



381,537



\$168,688



\$3,929



4.1%

The median home price in Arlington is just shy of \$169,000, vs. around \$240,000 for the national metro-area median, and its home price appreciation—up 10% in the past year—is among the strongest in the country.

As Arlington's population has more than doubled since 1980, the city has made an effort to contain sprawl, investing in transportation alternatives like bike lanes and exploring a high-speed rail line linking Arlington to Dallas and Fort Worth. The downtown has also been getting a makeover: Here residents can enjoy some of the old, such as the circa-1949 Arlington Music Hall, alongside the new, like the Levitt Pavilion for the Performing Arts, an outdoor venue that plays host to more than 50 free outdoor concerts a year.

"We have put a lot of work into our downtown," says Arlington Mayor Jeff Williams. "Eight or nine years ago we had one restaurant downtown. Now we have 20, including a brewery in what was a car dealership."

There's also a lot happening on the campus of the University of Texas at Arlington. The school plans to break ground this fall on a \$125 million Science and Engineering Innovation complex, further bolstering its reputation as a major health-science research institution.

HOT HOOD ▶ In Viridian, a master-planned community on the city's north side, new single-family houses start at around \$350,000. Residents have access to five lakes and miles of bike paths that connect with nearby River Legacy Parks, a 1,300-acre nature preserve.

RIGHT: Learning the finer points of fly-fishing at Angler's Covey training center: **BELOW:** A First Friday art walk in Old Colorado City.



COLORADO SPRINGS

COLORADO

S **UN-DRENCHED** Colorado Springs may best be known for athletic and outdoor pursuits. In the shadow of 14,000-foot Pikes Peak, the area is home to the flagship U.S. Olympic Training Center and hundreds of miles of stunning hiking and biking trails along the Colorado Front Range.

But the high-altitude city (6,035 feet) is also enjoying a high-speed economy, with employment increasing at the fastest clip since 2000,

outpacing the rate of growth in the rest of Colorado—and in the rest of the country. A lot of those jobs are in the field of aerospace; with the U.S. Air Force Academy and NORAD nearby, it's no surprise that *Fortune* 500 names including Lockheed Martin, Northrop Grumman, and Boeing have a significant presence here.

That has paved the way for growth in other high-tech areas. "We're one of the top five markets in the country for cybersecurity," says Al

BEST IN THE MOUNTAINS



Easy living—
and working



444,776



\$227,500



\$1,100



4.7%

Wenstrand of the Colorado Springs Regional Business Alliance.

Another major employer is the small, private Colorado College, which has burnished its reputation as a top liberal arts institution. The campus's new, award-winning \$25.5 million Edith Kinney Gaylord Cornerstone Arts Center has helped address one need in the community—more access to cultural programming—with two theaters, exhibition space, a soundstage, and screening room.

Low crime, good schools, easy commutes, health care options, and increasing but still affordable home prices have earned Colorado Springs the top ease-of-living rank among our Best Cities.

HOT HOOD ▶ The National Historic District of Old Colorado City is one of the most eclectic neighborhoods in town. It combines Old West charm with modern amenities like art galleries, shops, and cafés, and its homes—many with views of Pikes Peak—can be had for at or below the local median price.

PORTLAND

OREGON

PORTLAND IS the place where *Portlandia* seems more documentary than satire. Farm-to-table restaurants, stretched earlobe rings, craft-beer-swilling hipsters, and cries of “Bicycle right!” are common in this burgeoning Pacific Northwest city. But that quirky spirit, coupled with a vibrant tech culture, is precisely why people are moving here—or moving back.

“When I graduated from the University of Oregon in the ’80s, my college counselor told me to leave the state because there were no jobs,” says Leslie Carlson, a partner with Brink Communications, a small firm that combines social activism and marketing. That’s not a problem today. Portland’s unemployment rate stands at 4.7%, and its 3.3% job-growth

BEST IN THE WEST



Silicon Valley meets hipster heaven



622,004



\$349,000



\$4,285



4.7%

rate puts it in the top 10 of large U.S. cities. The arrival of technology companies including wind-power giant Vestas, home-sharing site Airbnb, and venture-backed Puppet Labs has earned treelined Portland the nickname “Silicon Forest.”

Increasingly, leaders from that other tech hub, Silicon Valley, have relocated here for the lifestyle. With amenities like Forest Park, an eight-mile-long urban forest reserve designed by the Olmsted Brothers (sons of famed Central Park landscape architect Frederick Law Olmsted); an extensive network of neighborhood greenways (a.k.a. “bicycle boulevards”); and a world-class food scene, Portland culture caters to the green life-work balance. “We

can ride our bikes almost anywhere,” says Carlson, who lives in Southeast Portland.

Not surprisingly, the city has seen an attendant surge in home prices. The median price is up \$30,000 year over year, to \$349,000. Then again, that’s still less than half the median in San Francisco, where a lot of new residents hail from.

HOT HOOD ▶ South of Portland’s bustling Division Street near the banks of the Willamette River, Sellwood-Moreland is less hipster (and more expensive) than some other popular parts of town, but homes are selling fast to families looking for an old-fashioned neighborhood feeling, plus proximity to good schools and a short distance to the amenities of downtown. □



ABOVE: Powell’s City of Books, the flagship store in the largest chain of independent bookstores in the country. **LEFT:** Indie music rules in Portland too. Street band All the Apparatus plays a sidewalk show.

PHOTOGRAPHS FROM LEFT: COURTESY OF VISITCOS.COM (2); COURTESY OF TORSTEN KJELLSTRAND/WWW.TRAVELPORTLAND.COM (2)





THE BEST CREDIT CARDS NOW

PUT MORE POW! IN YOUR PLASTIC:
SEE MONEY'S TOP PICKS FOR CASH
SEEKERS FREQUENT FLIERS
SMART BORROWERS AND MORE.

BY TAYLOR TEPPER

ILLUSTRATIONS BY
GABRIEL SILVEIRA



REDIT CARD COMPANIES

fight tooth and nail to get to the top of your wallet. Issuers sent out 4 million card offers last year, about twice as many as in 2009. Yet your options are still remarkably similar. Ally Financial, JPMorgan Chase, U.S. Bank, and Wells Fargo released new cash-back cards in 2016, for instance, but all pay roughly 1.5%, and there

are only minor other differences between them.

You can do better than that. To help you find the card that best suits your spending and borrowing style, MONEY and NerdWallet have waded through the details of more than 2,200 current cards, looking at everything from fees and rates to rewards and special perks.

To get the most out of these picks, first understand your needs. Do you want a single, no-fuss choice without an annual fee? Would you pay more for better rewards? Or perhaps you're willing to juggle multiple cards, choosing a different one each time you check out to get the biggest payoff.

"To optimize for time, pick one or two credit cards that will earn high rewards on most of your purchases," suggests NerdWallet's credit expert, Sean McQuay. But if you are willing to put up with a fatter wallet and extra hassle, he says, you can "carry a few cards to get more points and money back."

The following pages contain MONEY's picks for cash seekers, rewards hounds, smart borrowers, entrepreneurs, and more. Among our many winners, keep an eye out for the "easy choice" cards—no hassles, no annual fees—as well as options for "maximizers" looking to pump up rewards by carrying a few different cards.

CASH BACK

High rewards rates and no (or low) annual fees are the most important considerations here. Seek cards that pay more in the categories where you spend the most.

EASY CHOICE

Citi Double Cash



WHY IT WINS: With no annual fee and an industry-leading cash-back rate, Double Cash sets the standard for flat-rate cards. You'll get 2% back on everything you buy; at a fairly typical \$2,000 in monthly spending, that's \$960 over two years. Many rival cards offer 1.5% back plus a sign-up bonus, which the Double Cash doesn't have—so during your first year at that spending level, the best 1.5% card would give you \$240 more. (See sidebar at right.) But in every following year, Citi would put you \$120 ahead.

CAVEAT: Rewards are structured as 1% cash back on purchases, and 1% when you pay—you don't get them all at once. So as with all rewards cards, pay promptly.

TERMS:

- ▶ **Rewards:** 2% cash back.
- ▶ **Annual fee:** \$0

- ▶ **APR:** 0% on purchases for 18 months, then 13.2% to 23.2%.
- ▶ **Late fee:** \$0 for first missed payment, then up to \$35.

HONORABLE MENTION

Fidelity Rewards Visa Signature

Fidelity customers have one other way to get a flat 2%, albeit without the Double Cash's 18-month 0% APR period. Money you earn can go straight into a retirement or 529 account, so you're not tempted to spend the cash.

BEST FOR EVERYDAY SPENDING

Blue Cash Preferred from American Express

WHY IT WINS: If you do most of your charging on basic purchases—food, gas, cloth-

KEY: Easy Choice Winner

Best for Maximizers

ing at the mall—this card delivers the best rewards. You get 6% cash back on the first \$6,000 you spend each year at a grocery store—delivering \$360 annually, if you hit the max. You'll also earn 3% at U.S. gas stations and some department stores, such as Macy's and Nordstrom. The sign-up bonus is generous and relatively easy to collect.

CAVEATS: Unlike most cash-back cards, this has an annual fee, now \$95. So if you spend less than \$1,600 a year at grocery stores, for example, you could actually lose money. You won't get the grocery bonus at wholesale clubs like Sam's Club. For non-bonus categories, switch to a 2% flat-rate card like the Double Cash.

TERMS:

- ▶ **Rewards:** 6% cash back at U.S. supermarkets, up to \$6,000 per year; 3% at U.S. gas stations and at some U.S. department stores; 1% on all other purchases.
- ▶ **Sign-up bonus:** \$150 after spending \$1,000 in 90 days.
- ▶ **Annual fee:** \$95
- ▶ **APR:** 0% on purchases and balance transfers for 12 months, 13.2% to 23.2% after that.

BEST FOR MAXIMIZERS

Discover It

★ WHY IT WINS: The Discover It is one of the few cards that offer 5% back on categories that change each quarter—plus it has a valuable first-year sign-up bonus that beats the competition. That's helpful if you keep several cards in your wallet, using each for different purchases, and tend to spend on a wide range of goods. Discover It's categories are announced quarterly, but the lineup has included Amazon for the last

HOW YOUR PLASTIC STACKS UP

Compare your existing card with the industry average—and with MONEY's top picks.

FEATURE	AVERAGE	TOPS ON MONEY LIST	CARD NAME
APR	18.2%	6.5%	Lake Michigan CU Prime Platinum
Balance transfer fee	3.64%	0%	Chase Slate
Sign-up bonus for miles card	\$428	\$625	Chase Sapphire Preferred
Sign-up bonus for cash-back card	\$114	\$360	Discover It
Annual fee for rewards card	\$85	\$0	multiple cards
0% APR financing period	14 MONTHS	21 MONTHS	Citi Simplicity

NOTES: Bonus rewards calculations assume \$2,000 monthly spending and, for the Chase Sapphire Preferred, purchases made through Ultimate Rewards portal. SOURCES: NerdWallet data, MONEY calculations

two years and home-improvement stores for three—two likely sources of big-ticket purchases—along with department stores, restaurants, movies, and more.

CAVEATS: Rewards for non-bonus categories are only 1%, so switch to a 2% flat-rate card for those purchases. You need to sign up quarterly for the bonus categories, and you'll get 5% only on the first \$1,500 you spend each quarter.

TERMS:

- ▶ **Rewards:** 5% cash back in categories that change quarterly, on up to \$1,500 in spending per quarter; 1% on everything else.
- ▶ **Sign-up bonus:** First year

rewards are doubled.

- ▶ **Annual fee:** \$0
- ▶ **APR:** 0% on purchases and balance transfers for 12 months, 11.2% to 23.2% after that.

HONORABLE MENTION

Chase Freedom

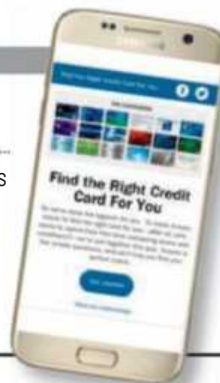
Like the Discover It, Chase Freedom offers 5% rewards on categories that change every quarter. If you would spend less than \$3,000 a year in Discover It's 5% categories, you'll get more money from the sign-up bonus on the rival Chase Freedom card—a flat \$150 once you spend \$500 in the first 90 days.

BEST IN YEAR 1

Looking to earn the most cash back in the short term? Although it's pitched as a travel card—paying a flat 1.5% on all purchases—Discover It Miles actually delivers a cash-back bonanza in its first year, with a double-your-money bonus that yields a net 3%. For someone spending \$2,000 a month, that's \$720 back—the best flat rate you'll find anywhere. You can even pair this card with the Discover It to get the extra 5% on bonus categories. But after the first year is up, shift gears and do your flat-rate spending on a 2% card instead.

MORE ONLINE

Which card should you get? MONEY's credit card picker gives you a personalized recommendation based on your buying or borrowing habits. money.com/bestcreditcards





TRAVEL

Free foreign transactions are table stakes here, but annual fees can be high. Your choice likely comes down to how you want your rewards: dollars back, flights, or hotel nights.

EASY CHOICE

BankAmericard Travel Rewards



WHY IT WINS: The BankAmericard is the best choice for overseas travelers on a budget. It's the rare card that offers travel benefits—specifically, the ability to avoid

foreign-transaction fees, typically 3%—without an annual fee. It also has a rewards rate equivalent to 1.5% cash back when you spend the miles on travel, plus a sign-up bonus worth \$200. You also get a one-year 0% APR period—useful for financing at least part of your trip. And if you have a BofA checking or savings account, you'll earn 10% more points.

CAVEATS: Points are worth less if not redeemed on travel. Other travel cards deliver better rewards if you spend \$2,000 a month.

TERMS:

- ▶ **Rewards:** 1.5 points per dollar.
- ▶ **Sign-up bonus:** 20,000 points if you spend \$1,000 in first 90 days.
- ▶ **Annual fee:** \$0
- ▶ **Foreign-transaction fee:** 0%
- ▶ **APR:** 0% on purchases and balance transfers for 12 months, then 15.2% to 23.2%.

BEST FOR FREQUENT FLIERS

Barclaycard Arrival Plus World Elite

WHY IT WINS: An industry-topping value proposition makes

the Barclaycard the best choice for frequent travelers who want a no-hassle card but spend enough on flights, hotels, and other trip costs to justify a yearly fee. You get two miles for every dollar spent, with a 5% bonus when you redeem miles—better than other travel cards—and redeem each mile for 1¢ against travel purchases. (At \$2,000 a month, your rewards would be worth more than \$500 a year.) The annual fee is waived the first year, and there's a generous sign-up bonus, worth \$420 if put toward flights, hotels, or cruises.

CAVEAT: You can use miles only on travel purchases of \$100 or more.

TERMS:

- ▶ **Rewards:** Two miles for every dollar spent.

rate on travel spending is good, and if you redeem points through the Chase Ultimate Rewards portal, you'll get a 20% discount on all travel purchases. That makes your sign-up bonus alone worth \$625, just a bit more than the cost of a roundtrip cross-country flight. And your points may go even further if you transfer them to an airline or hotel program. (A New York-London roundtrip on British Airways, for instance, takes only 40,000 points.) The annual fee is waived the first year.

CAVEATS: The one point you earn on everything but travel and dining is lower than the Barclaycard's ongoing rate. And the APR is high, with no grace period, so you can't finance trips.

TERMS:

► **Rewards:** Two points per \$1 spent on dining and travel, one point on everything else.

- **Sign-up bonus:** 50,000 points after spending \$4,000 in 90 days.
- **Annual fee:** \$0 the first year, then \$95.
- **APR:** 16.2% to 23.2%
- **Travel partners:** British Airways, Air France, Korean Air, Singapore Airlines, Southwest, United, Virgin, Hyatt, IHG, Marriott, Ritz-Carlton.

BEST FOR HOTEL POINTS

Starwood Preferred Guest from American Express

WHY IT WINS: Valuable points and flexible redemption policies set the Starwood Preferred Guest apart from other hotel cards. NerdWallet calculates that each Starwood point is almost five times as valuable as a Hilton point, on average, and more than twice as sweet as Marriott's.

Starwood's sign-up bonus gets you three free nights at a mid-tier hotel. You can also trade in points for miles at nearly 30 airline loyalty programs; for every 20,000 points you transfer, you'll get an extra 5,000. As a cardholder, you'll also get free premium Internet service at Starwood's 1,300 hotels.

CAVEAT: If you won't be able to stay at Starwood hotels, you're better off with a broad-based travel card.

TERMS:

- **Rewards:** Up to five points for every \$1 spent on Starwood hotels, one point per \$1 elsewhere.
- **Sign-up bonus:** 25,000 points after spending \$3,000 in 90 days.
- **Annual fee:** \$0 for the first year, then \$95.
- **APR:** 15.5% to 19.5%
- **Airline partners:** American Airlines, Air France, British Airways, Delta, Virgin Atlantic, and more.

- **Sign-up bonus:** 40,000 miles after spending \$3,000 in 90 days.
- **Annual fee:** \$0 the first year, then \$89.
- **Foreign-transaction fee:** 0%
- **APR:** 0% for first year, then 16.2% to 20.2%.

BEST FOR MAXIMIZERS

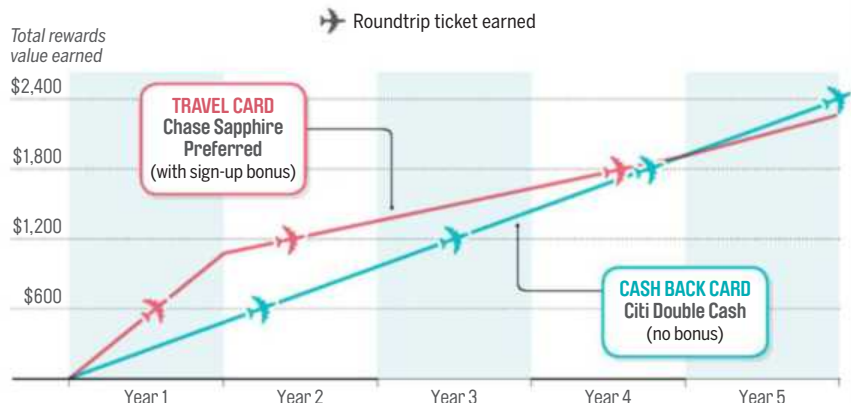
Chase Sapphire Preferred



WHY IT WINS: For regular travelers who want the flexibility to use their rewards in a variety of ways—as money back against travel spending or as miles on individual travel programs—the Chase Sapphire Preferred offers the industry's most generous sign-up bonus for a sub-\$100 annual fee. The rewards

TRAVEL CARD OR CASH BACK?

The early advantage of a travel card's sign-up bonus tends to erode over a longer period.



NOTES: Assumes \$2,000 a month spending, including \$500 on travel and restaurants, and roundtrip ticket price of \$600. Chase purchases made through Ultimate Rewards portal. Factors in annual fees but not foreign-transaction fees. **SOURCE:** MONEY calculations



BORROWING

If you're using a card to finance purchases or dig out from a debt problem, focus on a card's ongoing APR, its balance-transfer fee, and the length of the 0% interest period.

BEST FOR CARRYING A BALANCE (FICO SCORE 720+)

Lake Michigan Credit Union Prime Platinum

WHY IT WINS: You know you should never carry a balance—but sometimes even a well-laid financial plan goes astray. In that case, you need a card with the

lowest rate possible. For the most creditworthy (with a score of at least 720), the Prime Platinum offers a low 6.5% APR, a rate that will beat both rival cards and most personal loans.

CAVEAT: Don't expect any rewards with this card.

TERMS:

▶ **Annual fee:** \$0, but you need to donate \$5 to the ALS Associa-

tion to become a credit union member, and keep \$5 in savings.

▶ **APR:** 6.5% to 14.5%

▶ **Late fee/penalty APR:** Up to \$25/18% if 60 days past due; reversed after six months of timely payments.

BEST FOR CARRYING A BALANCE (FICO SCORE BELOW 720)

Your Local Credit Union

WHY IT WINS: When you have a FICO score that falls below 720 and you're carrying a balance, your options can be limited. You could have a difficult time getting approved for any of MONEY's Best Credit Cards picks—including the other winners in this category. And major issuers will probably stick you with high interest rates, making it hard for you to

climb out of debt. Instead, join a local credit union—find one at mapping.ncua.gov—where you'll be more likely to find low borrowing costs. Why? Credit unions are member owned, so instead of delivering a profit to shareholders, they can pass extra savings along to you. (They also tend to know their customers better.) Look for a rate that's lower than the industry average of 20.1% for fair-to-middling credit scores.

BEST FOR BALANCE TRANSFERS

Chase Slate

WHY IT WINS: If you have an existing balance and a plan to pay it off within 15 months, Chase Slate has the longest period of 0% interest for a no-fee transfer. There's also no annual fee and no penalty APR if you miss a payment.

SMALL BUSINESS

Entrepreneurs need higher spending limits than individuals, as well as planning tools and employee cards. Look for low fees and rates, plus rewards for business spending.

EASY CHOICE

Spark Cash Select from Capital One

WHY IT WINS: This no-hassle, no-fee card features an industry-leading rewards and fee structure for small-business owners. You'll earn 1.5% on every dollar spent,

along with a \$200 sign-up bonus if you charge \$3,000 within three months of opening the card. There are no annual or foreign-transaction fees, and you can add employee cards for free. The card also provides itemized quarterly and year-end summary statements to help with your budget planning.

CAVEAT: Although the card offers

nine months of 0% interest, if you habitually carry a balance, seek a card with a lower long-term rate: See our Best for Borrowing winner, or ask your credit union.

TERMS:

▶ **Rewards:** 1.5% cash back on all purchases.

▶ **Sign-up bonus:** \$200 after spending \$3,000 in 90 days.

▶ **Annual fee:** \$0

▶ **APR:** 0% for first nine months, then 13.2% to 21.2%.

BEST FOR BORROWING

U.S. Bank Business Edge

WHY IT WINS: With a standout combination of a very low APR, a year of 0% interest, and free employee cards, the Business Edge card is the best option for small businesses looking to limit borrowing costs without paying an annual fee. While rival cards require high-revenue operations, this card offers low rates even to companies in the startup phase.

CAVEAT: The Business Edge card pays no rewards. And a nearby credit union might give you an even lower APR.

CAVEATS: You won't be able to transfer more debt than your credit limit allows, of course—but also be aware that if the balance uses up too much of your available credit, your FICO score could take a hit. For the least impact, keep the debt transfer to no more than 30% of your limit.

TERMS:

- ▶ **Annual fee:** \$0
- ▶ **APR:** 0% for first 15 months, then 13.2% to 23.2%.
- ▶ **Balance transfer fee:** \$0 if moved within first 60 days.

**BEST FOR FINANCING
A BIG PURCHASE**

Citi Simplicity

WHY IT WINS: If you're going to need extra time to pay off a big purchase, this card gives you

an industry-leading 21 months of 0% interest at the outset—with no annual fee, no late payment fee, and no penalty APR for late payments. It's like getting a 0% loan for almost two years. If you were to spend \$15,000 on the card—to repair your roof, for instance—you would come out debt-free after 21 monthly payments of about \$714.

CAVEAT: You also get the 21-month 0%-APR period on balance transfers, but you would have to pay a 3% fee—and you'd need to make the transfer within four months of opening the account.

TERMS:

- ▶ **Annual fee:** \$0
- ▶ **APR:** 0% for first 21 months, then 13.2% to 23.2% after that.
- ▶ **Late fee/penalty APR:** None

TERMS:

- ▶ **Annual fee:** \$0
- ▶ **APR:** 0% for the first 12 months, then 10.2% to 18.2%.

BEST FOR MAXIMIZERS

SimplyCash Plus Business from American Express



WHY IT WINS: This card delivers the most generous rewards on a wide and flexible range of typical business spending, without an annual fee. You'll earn 5% cash back at office-supply stores and cell phone providers, and 3% in a category you choose, up to \$50,000 apiece in yearly spending. Your options range from computing equipment and cloud

services to advertising costs.

CAVEATS: You will need to purchase directly from vendors (for example, the airline or the computer company) to get cash-back rewards. There is no sign-up bonus. Outside the bonus categories, you get just 1%, so switch to a free flat-rate card like Spark Cash Select.

TERMS:

- ▶ **Rewards:** 5% cash back at office-supply stores and cell service providers; 3% back on any one of the following categories: airfare, hotel rooms, restaurants, car rentals, gas stations, advertising, shipping purchases, and computer equipment and cloud computing; 1% back on all else.
- ▶ **Annual fee:** \$0
- ▶ **APR:** 0% for nine months, then 12.5% to 19.5%.

SHOULD YOU GET A STORE CARD?

Usually, no. But if you're making an exception, follow these tips.



▶ **DON'T CARRY A BALANCE**

The APR on store cards tends to run about 25%—nearly double the lowest rate on MONEY's Cash Back Easy Choice winner, the Citi Double Cash. If you ran up a \$5,000 debt on a card with a 25% APR and took a year to pay off the balance, you'd end up paying more than \$700 in interest. Ouch.



▶ **WATCH YOUR CREDIT LIMIT**

Branded store cards tend to have lower credit limits. Because your FICO score can fall when you consistently spend more than 20% to 30% of your available credit on any given card, monitor spending to stay below that threshold.



▶ **BEWARE 0% INTRO PERIODS**

Most branded store cards charge something called "deferred interest," meaning you accrue interest when the purchase is made but don't pay it until the intro period is over—if your debt isn't paid off by then. On most general-use cards, by contrast, interest won't start piling up till the intro period is over.



▶ **STICK TO THE STANDOUTS**

If you can follow the rules above, it's fine to make an exception at your favorite retailers. But don't just be seduced by a one-time price break. Make sure you can get more valuable rewards over time—big coupons, a generous cash-back rate or discount—than you would get by using a general-purpose card. A few good examples include the Target REDcard, which offers free shipping and a flat 5% off on all purchases, and the Amazon Prime Store Card and Gap Credit Card, both of which give the equivalent of 5% back at those retailers, along with a couple of extra perks. (You'll need to be an Amazon Prime member, which costs \$99, to get its card.)

SECURED

Secured cards offer a safety net while you build credit. Look for a no-fee card that reports to the major credit agencies.

BEST SECURED CARD

Discover It Secured

WHY IT WINS: Not all secured cards help you build credit by reporting your history to the three major credit bureaus: Experian, Equifax, and TransUnion—but Discover does. It also offers a forgiving fee structure and a winning mix of rewards and other perks. You won't get

charged an annual fee, your first late penalty fee is waived, and you even earn some modest rewards, which are doubled after the first year. As with all Discover cards, you'll get a year of free FICO scores. Another perk: Discover will review your status after 12 months to see if you can switch to an unsecured option.

CAVEATS: To improve your FICO score, aim to spend only 20% to 30% of your credit limit. And

note that if you carry a balance, you'll face a high fee—so stick with a debit card if you just can't handle any credit leeway.

TERMS:

▶ **Rewards:** 2% cash back on gas and restaurants up to \$1,000

each quarter, 1% back on everything else.

▶ **Annual fee:** \$0

▶ **APR:** 23.2%

▶ **Penalty fee/penalty APR:** \$0 for first missed payment, then \$37/none.

STUDENTS

The best cards for students are those with minimal fees and training wheels. Younger users, take note: By federal law, all cardholders must be 21 or have proof of income or a cosigner.

EASY CHOICE

NWFCU FirstCard



WHY IT WINS: No other credit card offers students as rich a combination of a low interest rate and minimal fees. The FirstCard has no annual or cash-advance fees,

no penalty APR if you're late with a payment, and a relatively low fixed APR. There's also a \$1,000 spending cap to limit the damage you can do.

CAVEATS: You need to make a one-time \$10 donation to the Financial Awareness Network to join the credit union.

Because the card offers no rewards, raise your FICO score by limiting spending and paying off the balance each month—then switch to a better card once you've established a good credit history.

TERMS:

▶ **Annual fee:** \$0

▶ **APR:** 12.9%

▶ **Late fee/penalty APR:** \$35/none

BEST FOR CASH BACK

BankAmericard Cash Rewards for Students

WHY IT WINS: If you're a student with a solid credit history, this card offers the best rewards without an annual fee. Bonus categories

are centered on day-to-day spending: 3% at the pump, 2% at grocery stores and wholesale clubs. You'll also earn a \$100 sign-up bonus, plus a 10% rewards bonus if you redeem rewards into a BofA account.

CAVEATS: There is both a late fee and a penalty APR, so—as with all rewards cards—pay the bill in full each month.

TERMS:

▶ **Rewards:** 3% cash back at gas stations, and 2% at wholesale clubs and grocery stores, up to the first \$2,500 combined per quarter; 1% on all other spending.

▶ **Annual fee:** \$0

▶ **APR:** 0% for first 12 months, then 13.24% to 23.24%.

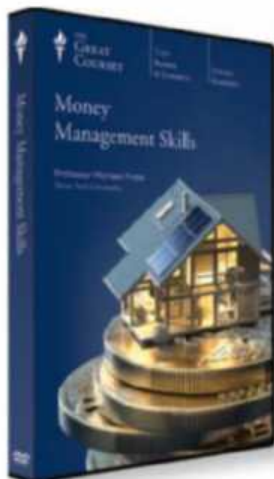
▶ **Late fee/penalty APR:** \$37/30%



METHODOLOGY

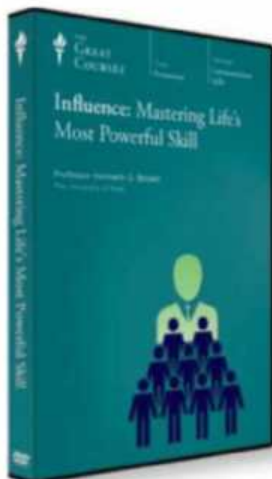
To pick the winners, MONEY and NerdWallet evaluated more than 2,200 current credit card offers, focusing on rewards, fees, introductory and regular APRs, sign-up bonuses, and other, more specialized perks. For each category, MONEY set parameters for what constituted a winner, and NerdWallet scoured its database to find candidates, disclosing to MONEY any issuers from which it receives compensation when people apply through its site. MONEY then independently compared and fact-checked the cards and made the final decisions.

NOW ENJOY BRILLIANT COLLEGE COURSES IN YOUR HOME OR CAR!



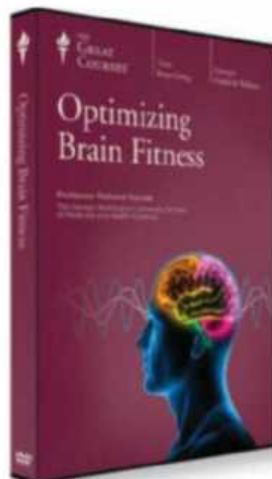
Money Management Skills is an excellent primer for creating financial security. Taught by financial expert and Texas Tech University professor Michael Finke, these practical lectures will boost your confidence in managing your money. You'll be empowered to create your own financial plan and learn how to reach your goals.

Course No. 5231
12 Lectures
(30 Minutes/Lecture)



Influence: Mastering Life's Most Powerful Skill teaches you everything you need to tap into the hidden powers of influence and persuasion—and use them to enhance your life. Delivered by award-winning Professor Kenneth G. Brown, these lectures will teach you in clear and accessible language how and why influence works.

Course No. 5972
12 Lectures
(30 Minutes/Lecture)



In **Optimizing Brain Fitness**, award-winning Professor of Neurology Richard Restak teaches you how to improve your memory, sharpen your attention, enhance your learning and creativity, and even fine-tune your sensory acuity—all by using one of the most revolutionary discoveries in modern neuroscience.

Course No. 1651
12 Lectures
(30 Minutes/Lecture)



In **Understanding Nonverbal Communication**, you will explore the history, meaning, and context of both the outright obvious and the sublimely subtle nuances of personal expression. View the scope of nonverbal communication through the lens of science, led by Dr. Mark Frank, a renowned expert in this field.

Course No. 5937
12 Lectures
(30 Minutes/Lecture)



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*There is no assurance that your franchise business will do as well as those referenced above. Actual results vary from business to business.

#1Net Billing 2015 for 257 Franchise Entities who own, collectively, 367 Franchised Businesses open 12 months or more as of December 31, 2015. 94 or 26% of these Franchise Entities attained or surpassed the represented level of financial performance.

#2Average gross margin in 2015 of 367 Franchise Businesses open 12 months or more as of December 31, 2015; 189 or 51% of these Franchise Businesses attained or surpassed the represented level of financial performance.

Right at Home, Inc., 6464 Center St., Ste. 130, Omaha, NE 68106. This information is not intended as an offer to sell, or the solicitation of an offer to buy a franchise. It is for informational purposes only.



The New Way to Invest for Income

By Paul J. Lim

HISTORICALLY LOW BOND YIELDS HAVE HELPED USHER IN A GOLDEN ERA FOR DIVIDENDS, WITH MORE TYPES OF COMPANIES NOW RETURNING PROFITS TO SHAREHOLDERS. BUT THE CHANGING LANDSCAPE—AND FROTHY VALUATIONS—MEANS YOU HAVE TO RETHINK HOW TO GET INCOME FROM STOCKS.

F

OR INCOME-STARVED investors frustrated by ultralow bond yields—10-year Treasuries are paying only 1.5%, 4.5 percentage points below the 60-year average—it's only natural to turn to dividend-paying stocks for relief. Yet so

much money has flowed into these shares lately that risks are soaring. "The traditional high-yielding theme is played out," says Jack Ablin, chief investment officer of BMO Private Bank.

In more ways than one. Lofty valuations aren't the only issue income investors face today. There's also the changing makeup of dividends themselves. Two decades ago dividends were concentrated in a handful of slow-growing sectors such as utilities, which were yielding more than 5%. Today utility stocks pay less than 3.5%. Meanwhile, tech companies—which for years refused to return profits to shareholders—have become the second-biggest contributor to overall dividends. And other fast-growing stocks here and abroad are also starting to embrace dividends.

To help make sense of this new world order, MONEY gathered several investment experts at the MoneyShow conference in San Francisco in late August to discuss smart ways to bring your dividend portfolio into the 21st century. "What you want to do is reflect the current reality in dividend-paying stocks," says Christopher Gannatti, associate director of research at WisdomTree.

The pros—Christine Benz, director of personal finance at Morningstar; Mark Freeman, chief investment officer at Westwood Holdings Group; Ablin; and Gannatti—came up with four new rules to help you balance the need for income with a desire to dampen risk as you approach retirement.

NEW RULE NO. 1

You Have to Go for Income and Growth

The traditional approach to dividends has been to focus on high yielders. Today that creates a portfolio that pays more than 3% but that's concentrated in three areas: utilities, energy, and telecommunications. Those sectors account for just 20% of all dividends issued by companies in the Standard & Poor's 500 index, according to S&P.

What's more, those stocks have soared by double digits this year as investors frustrated by low bond yields have turned to equities for income. The

NEW RULE NO. 2

Get Over Your Bias for Blue Chips

For years dividends were the realm of large, mature businesses and were anathema to young, rapidly growing enterprises. Yet as demand for income has grown, more and more small and midsize companies have begun issuing payouts too. Today 307 of the 600 stocks in the S&P small-cap index throw off income. That's up more than 20% from two decades ago.

The broader universe of payers gives you the ability to avoid paying excessive prices for your dividends.



result: Utilities are trading at a price/earnings ratio of 18 based on projected profits, a 25% premium to the sector's historical average. The energy sector's 65 P/E is quadruple its historical norm.

Also keep in mind: "Some of these higher-yielding stocks are interest-rate-sensitive," says Morningstar's Benz. She notes that when rates rise, which could happen later this year, "utilities start behaving like the bond market," meaning their value is likely to fall as market yields climb. Indeed, when 10-year Treasury yields went from 1.7% in February 2015 to 2.5% five months later, utility shares plummeted 14%.

THE CHALLENGE

Normally, when investors sour on high yielders, they turn to the other extreme by focusing on companies paying only modest dividends now but

whose payouts are rising. This dividend growth strategy directs investors to flashier parts of the market, such as technology and health care. The problem is, "there's also been a mania for dividend growth" in recent years, Benz says. That's in part because dividend growth stocks have outpaced the broad market by nearly one percentage point a year over the past decade. Plus, after the tech wreck and accounting scandals of the early 2000s shattered trust in Wall Street, "investors were in 'show me the money' mode," she says. And companies were forced to comply.

In the past 49 quarters the S&P 500's annual dividend growth was 10%, Benz says. That's double the pace since 1900. The rate fell back to 4.6% earlier this year. And since earnings growth has declined for five quarters, it's unlikely that dividend growth will rebound soon.

YOUR BEST MOVE

Rather than investing strictly for either yield or dividend growth, "a mix-and-match diversification strategy is the sensible approach," Benz says.

You can do that through a value-minded fund like **Schwab U.S. Dividend Equity ETF** (SCHD), she notes. The ETF tracks an index of large U.S. stocks that have paid dividends for the past 10 years and are strong on profits, cash flow, dividend yield, and dividend growth. As a result of this balanced approach, Schwab U.S. Dividend has exposure to all industry sectors, which is important because every sector now contributes to dividend payouts.

The fund, which charges only 0.07% in annual expenses, has also beaten three-quarters of its peers over the past three years while offering investors a smoother-than-average ride.

Right now, Ablin says, "midcaps are priced at a discount to large caps, largely because they've already endured the profit margin compression that large caps are facing right now."

Ablin gauges valuations by looking at price/sales ratios, which are similar to P/Es but measure stock prices against revenues, not profits. Today midcap shares sport a P/S ratio of 1.2, which is close to their historical median level. By contrast, large stocks are trading at a P/S of 1.9 on average, roughly a 25% premium to the norm.

THE CHALLENGE

"You do have to be careful," Ablin says. "As a group, midcap payout ratios are starting to exceed that of large stocks."

A company's payout ratio represents the percentage of its earnings that are returned to shareholders in the

form of dividends. A low reading implies that the firm has ample room to boost its dividends in the future without stressing its finances. On the other hand, businesses with close to a 100% payout ratio may be straining—or in some cases, borrowing—to maintain those payments. That's a red flag.

Over the past decade the payout ratio for midcap stocks has been about 15% lower than for large, blue-chip shares. Today, however, the payout ratio for midsize stocks is nearly identical to that of companies in the S&P 500 large-stock index. But it's important to note that the ratio is still under 40%, according to FactSet. Moreover, the figure is exaggerated by the 69% payout ratio for midcap telecom shares and the 1,100% ratio for midsize energy stocks, which suffered major losses amid falling oil prices earlier this year.

YOUR BEST MOVE

Supplement your blue-chip dividends with a midcap fund—but one that isn't overly exposed to the high payout ratios of energy and telecom. On our MONEY 50 recommended list, you'll find **WisdomTree MidCap Dividend** (DON). Unlike index funds that weight holdings based on market value, this ETF holds shares in proportion to the actual dividends paid. This gives the fund diverse exposure to all paying sectors.

And because the fund must lighten up on stocks where prices are rising faster than actual dividends—while buying shares of overlooked dividend payers—it has a pronounced value tilt. "It's simply a fact: More expensive stocks have lower future expected returns," says Gannatti. It's also a fact that this fund has beaten 99% of its peers over the past decade.



NEW RULE NO. 3
Follow the Money... Overseas

While international stocks have been paying big dividends for years, Americans have traditionally preferred domestic payers, in part for the reliability of payouts. "There's a stigma attached to companies in the U.S. cutting their dividends," says Ablin. "Overseas, dividends haven't been as sacrosanct."

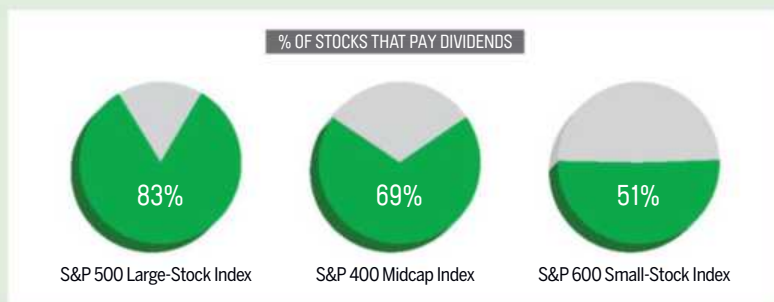
That's starting to change, Freeman argues. Among larger, established firms abroad that are attracting global shareholders, including from the U.S., "management is starting to realize their investor base has shifted and now wants those dividends to continue," he says.

In addition to higher yields (see chart on the next page), foreign payers come with several advantages. For starters, many foreign companies have recently been increasing their dividend payouts at a faster clip than American firms, which have been mired in an earnings drought. And after one of the longest bull markets in U.S. history, American stocks have gotten frothier. Foreign equities are now trading at a 16% discount to domestic shares even though they have historically enjoyed similar valuations.

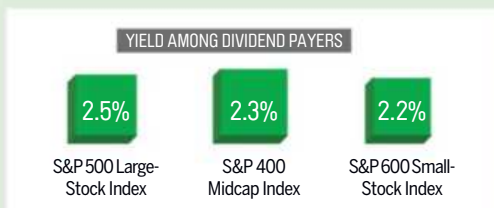
Finally, U.S. firms spend less on dividends than on share buybacks, but that's not the case abroad. "Internationally, there are far less share buybacks than dividends," says Gannatti. "And in the emerging markets, it's even less," which leaves more money to be returned to investors.

BROADEN YOUR HORIZONS

Historically, income investors have relied on blue-chip U.S. stocks because a greater percentage of large companies issue dividends...



... But if you just look at issuers, stocks of all sizes offer comparable yields today.



SOURCES: Standard & Poor's, Morningstar, BlackRock

THE CHALLENGE

While many high-quality dividend stocks can be found outside the U.S., "don't lose sight of the fact that they bring with them foreign-currency exposure, which can bring volatility to your portfolio," Freeman says.

Indeed, Vanguard recently studied the effects of exchange rates on foreign equities and found that currency exposure boosts an international stock fund's overall volatility by about 15%.

YOUR BEST MOVE

If you're a decade or more from retiring, you can probably tolerate the added rockiness. So add foreign payers to your mix—up to about a third of your dividend portfolio. International shares are expected to yield 3.5% over the next decade, vs. just 2.1% for U.S. blue chips, according to the investment-

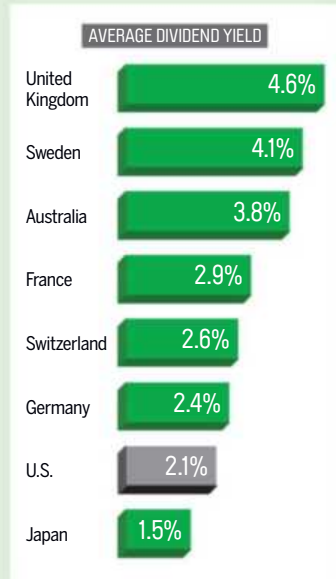
consulting firm Research Affiliates.

In the MONEY 50, go with **PowerShares International Dividend Achievers (PID)**, an index fund that tracks foreign firms that have boosted annual cash dividends for five years or longer. The fund, which yields 3.8%, has beaten 99% of its peers over the past decade.

But investors close to calling it a career need to play it safer. "The point about currency exposure is an important one," Benz says. "Once you get into retirement, we really back off that foreign allocation quite a bit for older investors." There is an alternative to cutting overseas exposure at this stage. Within five years of retiring, shift to a fund that hedges its currency bets. A good choice: **iShares Currency Hedged MSCI ACWI ex.-U.S. (HAWX)**, which currently yields 2.9% and charges just 0.35% in annual expenses.



And payouts globally are far more generous than in the U.S.



NEW RULE NO. 4

Lower Your Expectations, Not Quality

Dividend stocks have long been considered a twofer: Not only do they provide steady income, but these shares also tend to outperform on a total return basis. Since 1972, dividend growers have returned 9.7% annually, vs. just 2.2% for nonpayers.

But given current valuation concerns, you shouldn't expect dividend payers to do that well in the coming years. U.S. blue-chip stocks in general are expected to return only 1.1% a year,

after inflation, for the next decade owing to their frothiness, according to Research Affiliates. And dividend-paying shares are trading at a premium to the broad market.

This means you have to reset your expectations for income-producing equities and reframe how you use them in your portfolio. It's like with bonds, "where you have to forget capital appreciation and just focus on the coupon," says Benz.

Ablin says this is an attitude that can apply to dividend investors who don't need to tap their principal in the near future to meet spending needs. "If you're looking for steady income and you're invested in quality companies with a long record of maintaining and growing their dividends, and if you're comfortable with the yield you're getting, then focus on the yield and don't worry about the stock price," he says.

Take Chevron, which lost about 30% of its market value as oil prices were halved from the spring of 2015 to late January. Ablin notes Chevron's management "kept reassuring investors there was nothing that would stand in the way of them paying the dividend." This year oil prices and Chevron's stock have rebounded, and the company has kept boosting its payments.

THE CHALLENGE

Of course, even if you can stomach the short-term ups and downs of your dividend-paying shares, not all companies are committed to maintaining and growing dividends as Chevron was, especially in times of crisis. Plus, not all businesses will have the financial strength to keep paying shareholders if sales and profits plummet in the next economic downturn.

So if you are investing in dividend payers solely for the income, it's imperative to create a portfolio of high-

quality companies with strong balance sheets, stable earnings potential, and low debt, Ablin says. These are "companies like Chevron, Emerson Electric, and Whirlpool," he says, "where management would rather go eat peanut-butter-and-jelly sandwiches at their desks than cut that dividend."

YOUR BEST MOVE

A simple way to identify such companies, Ablin says, is to look at the S&P's so-called Dividend Aristocrats list, which includes companies financially strong enough to have issued and raised payments to shareholders every year for at least two decades.

You can invest in these companies through a low-cost index fund such as **SPDR S&P Dividend (SDY)**. The ETF, which is on the MONEY 50 recommended list, owns shares of more than 100 companies—including large-, mid-, and small-size stocks—and has beaten more than 90% of its peers over the past one, three, five, and 10 years.

Ultimately, diversification like this won't return you to 5% yields anytime soon. But mixing up your sources of income to include high-quality stocks and foreign shares and companies of all sizes is your best bet to reduce risk and seek greater opportunities, Benz says.

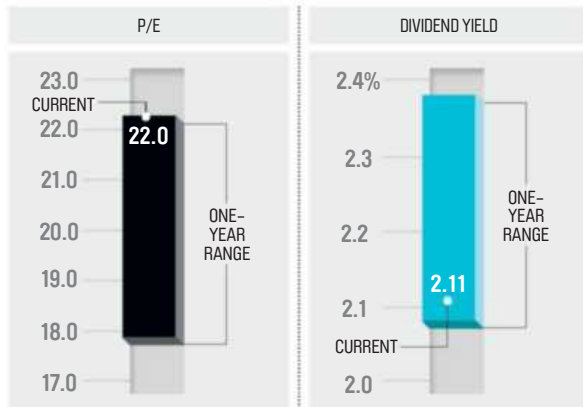
And while you're at it, diversify one other thing: Your sources of cash, she adds. "In some environments, your dividend payments and bond yields will be good enough to meet your needed cash flow in a given year in retirement," Benz says.

But there may be times when you fall short. Rather than take undue risk at those moments by reaching for higher yields, don't be afraid to periodically sell some appreciated stock. "We're not saying yank it all out until it's gone," she says. But she is saying that this is a form of income diversification too. ■

As Volatility Falls, Stock Prices Rise

WHILE MARKET FEARS have dissipated, the price/earnings ratio for U.S. equities remains at 10-year highs. Plus, all three major stock indexes reached new highs in the four weeks ended Aug. 24—a first since 1999. But these trends could shift if the Federal Reserve starts to raise rates.

S&P 500 RATIOS



BENCHMARKS

INDEX	TOTAL RETURN		
	ONE MONTH	ONE YEAR	THREE YEARS ¹
S&P 500	0.2%	17.5%	11.7%
Nasdaq ²	2.3	15.3	12.6
Russell 2000	2.1	13.0	7.5
Morgan Stanley EAFE	3.8	3.7	1.8
Dow Jones industrial average	-0.1	19.6	9.8
Barclays U.S. aggregate bond index	0.4	5.2	4.5

SECTOR	ONE MONTH	ONE YEAR	THREE YEARS ¹
Information technology	3.5	24.4	16.7
Financials	1.4	8.6	8.3
Energy	0.8	21.2	-2.1
Industrials	0.7	21.8	11.7
Basic materials	0.4	20.5	8.0
Consumer discretionary	-0.2	16.2	13.4
Consumer staples	-1.3	21.7	13.7
Health care	-2.2	8.4	15.6
Utilities	-4.9	20.0	14.2
Telecom services	-6.0	27.1	9.7

NOTES AND SOURCES: Stock index data as of Aug. 24 from Lipper, New York; 877-955-4773. Sector returns from Bloomberg. Bond index data from Barclays. Monthly S&P 500 ratios are from Standard & Poor's. P/E ratios are based on previous four quarters of operating earnings. Biggest funds ranked by total net assets. ¹Annualized. ²Price change only.

BIGGEST MUTUAL FUNDS BY CATEGORY

CATEGORY	TOTAL RETURN		EXPENSES (AS % OF ASSETS)
	ONE YEAR	THREE YEARS ¹	
LARGE-CAP STOCKS			
Fidelity Contrafund (FCNTX)	13.0%	11.3%	0.71
American Funds Growth Fund of America (AGTHX)	15.3	11.4	0.65
American Funds Investment Co. of America (AIVSX)	17.9	11.4	0.58
Dodge & Cox Stock (DODGX)	13.2	9.1	0.52
American Funds Wash. Mutual Investors (AWSHX)	17.8	10.3	0.58
MIDCAP			
Fidelity Low-Priced Stock (FLPSX)	8.6	7.7	0.79
Vanguard Mid-Cap Index (VIMAX)	12.8	10.7	0.08
Vanguard Extended Market Index (VEXAX)	11.3	8.4	0.09
Fidelity Spartan Extended Market Index (FSEVX)	11.2	8.3	0.07
Vanguard Strategic Equity Fund (VSEQX)	11.9	11.1	0.21
SMALL-CAP			
Vanguard Small-Cap Index (VSMAX)	13.7	8.8	0.08
Vanguard Small-Cap Value Index Fund (VSIAX)	16.6	10.2	0.08
Vanguard Explorer (VEXRX)	10.1	7.1	0.35
T. Rowe Price Small-Cap Value (PRSVX)	18.3	7.3	0.92
Vanguard Small-Cap Growth Index (VSGAX)	10.3	7.2	0.08
BALANCED			
American Funds American Balanced (ABALX)	13.8	9.1	0.58
Fidelity Balanced (FBALX)	10.8	8.8	0.56
Fidelity Puritan Fund (FPUJRX)	10.5	8.8	0.56
Vanguard Star Fund (VGSTX)	10.3	7.4	0.34
Vanguard Balanced Index Fund (VBIAX)	11.9	8.5	0.08
INTERNATIONAL			
Vanguard Total International Stock Index (VTGSX)	9.5	2.1	0.19
Harbor International (HAINX)	3.8	0.1	0.76
American Funds EuroPacific Growth (AEPGX)	7.7	4.1	0.83
Vanguard International Growth Fund (VWILX)	13.8	4.0	0.34
T. Rowe Price International Stock Fund (PRITX)	9.7	4.4	0.83
EMERGING MARKETS			
American Funds New World (NEWFX)	13.6	2.2	1.04
Vanguard Emerging Markets Stock Index (VEMAX)	19.3	1.6	0.15
T. Rowe Price Emerging Markets Stock (PRMSX)	25.4	4.6	1.24
Fidelity Emerging Markets (FEMKX)	20.2	4.0	1.05
Northern Emerging Markets Equity Index Fund (NOEMX)	20.6	0.7	0.31
U.S. GOVERNMENT BONDS			
Fidelity Government Income (FGOVX)	3.6	3.7	0.45
American Funds U.S. Government Securities (AMUSX)	2.5	3.2	0.65
MFS Government Securities (MFGSX)	3.1	3.1	0.88
Sit U.S. Government Securities (SINGVX)	2.1	1.8	0.80
JPMorgan Government Bond (JGGAAX)	3.5	3.6	0.75
INVESTMENT-GRADE			
Vanguard Total Bond Market Index (VBTIX)	5.3	4.5	0.06
Vanguard Total Bond Market II Index (VTBIX)	5.2	4.4	0.09
Dodge & Cox Income (DDIX)	6.3	4.6	0.43
Vanguard Short-Term Investment-Grade (VFSUX)	3.4	2.7	0.10
T. Rowe Price New Income (PRCIX)	5.4	4.5	0.59
HIGH YIELD			
Vanguard High-Yield Corporate (VWEAX)	7.9	5.8	0.13
American Funds American High-Income Trust (AHTX)	7.2	2.9	0.67
Fidelity Capital & Income (FAGIX)	7.5	6.8	0.75
Northern High Yield Fixed Income (NHFIX)	5.3	3.8	0.81
Fidelity High Income (SPHIX)	7.6	4.3	0.73
TAX-EXEMPT			
Vanguard Intermediate-Term Tax-Exempt (VWILX)	5.9	5.6	0.12
Vanguard Limited-Term Tax-Exempt (VWMLX)	2.5	2.1	0.12
Fidelity Municipal Money Market (FITMX)	0.0	0.0	0.40
Vanguard Tax-Exempt Money Market (VMSXX)	0.1	0.1	0.15
Vanguard Short-Term Tax-Exempt Fund (VWSUX)	1.1	0.9	0.12

Economy Shows Signs of Life

MONEY 50 STOCK FUNDS GET A BOOST FROM A MODESTLY IMPROVING GLOBAL OUTLOOK.

ANOTHER STRONG jobs report in July points to a gradually improving economy—with the Federal Reserve now debating how quickly it can begin lifting interest rates. Across the pond, European multinationals are benefiting from the Bank of England's move to cut rates to their lowest level ever to promote economic activity. Toss it all together and you can see why most stock and bond portfolios in our recommended list of mutual funds and ETFs gained ground in the four weeks ended Aug. 24.

Among the big winners were funds that invest in large European companies. **Oakmark International**, for example, soared 7.5% thanks to its big stakes in European financial shares, which have rebounded strongly from their post-Brexit lows (see story on page 53). —TAYLOR TEPPER

HOW TO USE OUR RECOMMENDED LIST

Building-block funds: For broad exposure to core asset classes
Custom funds: Specialized investments that can tilt your strategy
One-decision funds: If you want stocks and bonds in one portfolio

FUND (TICKER)	TOTAL RETURN			EXPENSES (AS % OF ASSETS)	PHONE NUMBER (800)
	ONE MONTH	ONE YEAR	THREE YEARS ¹		
BUILDING-BLOCK FUNDS					
▼ Large-Cap					
Schwab S&P 500 Index (SWPPX)	0.2%	17.3%	11.6%	0.09	435-4000
Schwab Total Stock Market Index (SWTSX)	0.4	16.2	10.9	0.09	435-4000
▼ Midcap/Small-Cap					
iShares Core S&P Mid-Cap (IHF)	0.7	16.1	10.2	0.12	474-2737
iShares Core S&P Small Cap (IUS)	1.4	17.2	9.9	0.12	474-2737
▼ Foreign					
Fidelity Spartan International (FSIX)	3.6	4.6	1.8	0.19	544-8544
Vanguard Total Intl. Stock (VIGSX)	3.3	9.5	2.1	0.19	662-7447
Vanguard FTSE A/W ex-U.S. Small (VFSVX)	3.4	14.4	3.9	0.31	662-7447
Vanguard Emerging Markets (VEMX)	2.3	19.1	1.4	0.33	662-7447
▼ Speciality					
Vanguard REIT Index Investor (VGSX)	-3.4	24.2	14.9	0.26	662-7447

NOTES: As of Aug. 24, 2016. N.A.: Not available. Load funds are included for those who prefer to use a broker. ¹Annualized. ²Phone numbers are 866. ³4.25% sales load. SOURCES: Lipper, New York, 877-955-4773; the fund companies

FUND (TICKER)	TOTAL RETURN			EXPENSES (AS % OF ASSETS)	PHONE NUMBER (800)
	ONE MONTH	ONE YEAR	THREE YEARS ¹		
▼ Bond					
Vanguard Total Bond Market (VBIMFX)	0.4%	5.2%	4.4%	0.16	662-7447
Vanguard Short-Term Bond (VBSX)	0.1	2.0	1.7	0.16	662-7447
Vanguard Inflation-Protected (VIPSX)	0.6	5.1	2.8	0.20	662-7447
Vanguard Short-Term Infl.-Prot. (VTIP)	0.1	2.3	0.5	0.08	662-7447
Vanguard Total Intl. Bond Index (VTIBX)	0.7	7.5	6.1	0.17	662-7447
CUSTOM FUNDS					
▼ Large-Cap					
Dodge & Cox Stock (DODGX)	2.1	13.2	9.1	0.52	621-3979
PowerShares FTSE RAFI U.S. 1000 (PFF)	0.3	16.8	9.9	0.39	843-2639
Sound Shore (SSHFX)	1.5	12.6	9.1	0.93	551-1980
PowerShares S&P High Qual. Port. (SPHO)	-0.8	19.2	13.2	0.29	983-0903
Primecap Odyssey Growth (POGRX)	3.0	14.1	11.0	0.64	729-2307
T. Rowe Price Blue Chip Growth (TRBCX)	0.8	11.1	12.9	0.71	638-5660
▼ Midcap					
Ariel Appreciation (CAAPX)	2.1	11.8	8.3	1.12	292-7435
WisdomTree MidCap Dividend (DON)	-0.5	21.8	13.0	0.38	909-9473 ²
T. Rowe Price Div. Mid Cap Gro. (PRDMX)	0.6	11.8	10.8	0.87	638-5660
▼ Small-Cap					
Royce Opportunity (RYPNX)	4.6	15.3	4.1	1.17	221-4268
Vanguard Small-Cap Value (VBR)	0.9	16.6	10.1	0.08	662-7447
WisdomTree SmallCap Dividend (DES)	0.2	22.1	9.9	0.38	909-9473 ²
Wasatch Small Cap Growth (WAAEX)	1.7	7.1	5.4	1.22	551-1700
▼ Speciality					
PowerShares Intl. Div. Achievers (PID)	2.0	4.3	-1.1	0.55	983-0903
SPDR S&P Dividend (SDY)	-0.5	26.8	13.3	0.35	787-2257 ²
Cohen & Steers Realty Shares (CSRSX)	-2.2	22.8	15.2	0.96	437-9912
SPDR Dow Jones Intl. Real Estate (RMX)	1.9	12.0	6.2	0.59	787-2257 ²
iShares N. American Nat. Resources (IE)	1.9	21.0	-4.1	0.47	474-2737
▼ Foreign					
Oakmark International (OAKGX)	7.5	2.3	-0.7	0.95	625-6275
Vanguard International Growth (VWIGX)	4.1	13.6	3.8	0.47	662-7447
T. Rowe Price Emerging Markets (PREMX)	2.7	25.4	4.6	1.24	638-5660
▼ Bond					
Dodge & Cox Income (DODIX)	0.6	6.3	4.6	0.43	621-3979
Fidelity Total Bond (FTBFX)	0.8	6.5	5.0	0.45	544-8544
Vanguard Short-Term Inv. Grade (VFSTX)	0.4	3.3	2.6	0.20	662-7447
iShares iBoxx \$ Inv. Grade Corp. (LID)	0.8	10.5	7.0	0.15	474-2737
Loomis Sayles Bond (LSBFX)	1.5	7.6	3.6	0.89	633-3330
Fidelity High Income (SPHIX)	1.8	7.6	4.3	0.73	544-8544
Vanguard Intm.-Term Tax-Ex. (VWITX)	0.4	5.8	5.6	0.20	662-7447
Vanguard Limited-Term Tax-Ex. (VWLTIX)	0.3	2.4	2.0	0.20	662-7447
Templeton Global Bond (TRNBX) ³	-3.0	2.8	-0.1	0.89	632-2301
Fidelity New Markets Income (FNIMX)	1.7	17.3	7.5	0.86	544-8544
ONE-DECISION FUNDS					
▼ Balanced					
Fidelity Balanced (FBALX)	0.9	10.8	8.8	0.56	544-8544
Fidelity Global Balanced (FBGLX)	2.0	8.8	4.3	1.02	544-8544
Vanguard Wellington (VWELX)	0.3	12.6	8.3	0.26	662-7447
▼ Target Date					
T. Rowe Price Retirement series (STOCK/BOND ALLOCATION)					
Example: 2005 Fund (45%/55%) (TRPFX)	1.1	9.3	5.6	0.58	638-5660
Example: 2020 Fund (68%/32%) (TRPBX)	1.3	10.8	7.0	0.66	638-5660
Vanguard Target Retirement series					
Example: 2025 Fund (70%/30%) (VTTVX)	1.2	11.2	7.2	0.15	662-7447
Example: 2035 Fund (84%/16%) (VTHX)	1.3	12.2	7.6	0.15	662-7447



An Impressive John Hancock

by Gary Weiss

ABOUT 10 YEARS AGO I stumbled upon a shoebox filled with junk that had been gathering dust in a closet since my dad's death. I found an old slide rule, a really nice stapler—and four fountain pens.

To my amazement, they worked almost as well as they had during the Eisenhower administration. And not only worked but were also fun. And not only were fun—well, let me put it this way. I now divide my life into two phases: pre- and post-fountain pen. I adore the quirky little devils.

I write in longhand a lot, and I love the way the ink flows off the nib—the business end of the pen—requiring far less wrist effort than a ballpoint. I love that they make writing checks slightly less annoying. I love that with a wide-tipped “stub” or a flexible nib, I can make John Hancock-like flourishes on holiday cards that impress my friends. I love that they were made in the good old USA.

My dad left behind a silver Esterbrook—a real beauty that takes interchangeable nibs—two handsome blue Sheaffers, all 1940s-vintage, and a little Parker Lucky Curve, probably from the 1920s. Getting an old fountain pen back into shape can be surprisingly inexpensive. An Internet-based repair shop that I use charges \$15 including parts (postage extra). I've seen unrefurbished pens sold for a pittance at yard sales. Over the years I've spent a total of about \$300 on additional pens, ink, nibs, and repairs.

Not bad when you consider that today fountain pens



are considered luxury items. The most affordable Mont Blanc, for instance, will set you back more than \$500, though you can buy a refurbished vintage pen on eBay for under \$50. Fountain pens started as workaday writing instruments, churned out by the millions, before the ballpoint stranglehold began in the 1950s. Back then a fountain pen cost as little as a buck.

Given these pens' highfalutin status nowadays, it's probably not surprising that ink has become

pricey too—as much as \$20 for a 50-milliliter bottle. So, like a good pen nut, I shop when I'm overseas. In this country penmanship isn't taught in school anymore, but countries like India are far more civilized. Other people come through the airport with Cohiba cigars secreted in their luggage. My suitcase is filled with Camel brand royal blue and locally manufactured Parker Quink permanent black, a steal at 50 rupees (about 80¢).

Sure, fountain pens have foibles, like all precious things. They tend to leak and mischievously run dry when needed most. I care not. Fountain pens are talismans from another era. Look closely at any old movie and there they are. Try pulling one out at a meeting or a party and see the admiring (I think) stares you get. It's like wearing real jodhpurs. A little odd, maybe eccentric. But classy. ■

*Gary Weiss is a New York-based journalist and the author of books including *Born to Steal*, about the Mafia's infiltration of Wall Street.*



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