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We found five promising mid-cap stocks to consider.

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Cover illustration by Chris Gash

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Letters

The Price of Financial Advice

I'm 67, and for most of my life, I managed my own investments ("Find Advice That's Worth the Price," Jan.). But I realized they were too spread out, and it was becoming a pain to stay on top of everything. My wife and I hired a financial advisory firm, based on recommendations from people we know. At first, I was a bit uncomfortable paying a fee based on assets under management, but I soon saw that the adviser was outperforming what I had been doing on my own as well as several market benchmarks. And the service is excellent. My only regret is I didn't go to them 20 years sooner.
Pete Roth, via e-mail

The article states that the typical investor underperformed the market by nearly three percentage points per year over the past 30 years and could lose out on hundreds of thousands of dollars over a lifetime—and so the investor may regret not hiring an adviser. First, one can make the effort to educate oneself enough to reduce or eliminate that underperformance. Second, typical adviser fees may also add up to hundreds of thousands of dollars over 30 years.
P.B., Sarasota, Fla.

It's advisable to look up a potential financial adviser at https://brokercheck.finra.org. It reveals any complaints against the individual and shows exams passed, current licenses and years of experience.
Mark Kampen, O'Fallon, Ill.

A CLASSIC APPROACH TO SAVING

"Resolve to Step Up Your Savings Game" (Jan.) has some good advice for Gen Zers who have trouble saving for retirement. But it leaves out tried-and-true advice that I have adapted from a Charles Dickens character: A dollar earned and 99 cents spent? Happiness. A dollar earned and a dollar and 1 cent spent? Misery.

The only way you can save for retirement is to spend less than you earn. And that involves constantly asking yourself questions such as, Do I need a new but expensive phone? Do I need that special watch? Do I need that large TV?
Earl F. Luetzelschwab, Bloomington, Ind.

HIDDEN COSTS FOR RENTERS

"How to Downsize in Today's Housing Market" (Jan.) states that renters are free from property taxes, homeowners insurance, HOA fees and other expenses associated with homeownership. In my view, that's not true. Those expenses still must be paid. Renting simply shifts them to the landlord, who incorporates them into the rent. One method of comparison is to calculate the cost per square foot of living space for renting and for buying.
Bill Schoenborn, Agawam, Mass.

401(K) LOANS

"Self-Employed? Make a Plan to Save" (Jan.) mentions the possibility of taking a loan from your 401(k). Most financial advisers argue against this for a variety of reasons. Primarily, a "loan" of pretax dollars must be repaid with after-tax dollars, effectively increasing the loan payment.
Erik Olson, via e-mail

CORRECTIONS

In "Making Sense of Share Classes" (Jan.), we wrote that Charles Schwab charged a load for the A share class of the John Hancock Regional Bank fund. A Schwab spokesperson says the broker's website failed to display a footnote explaining that Schwab waives sales charges for all mutual funds available on its platform.

Charlie Munger died about one month shy of his 100th birthday ("Remembering Berkshire Hathaway's Charlie Munger," Feb.).

CONTACT US: Letters may be edited for clarity and space, and initials will be used on request only if you include your name. Send to Kiplinger Personal Finance, c/o Future US LLC, 130 West 42nd Street, 7th Floor, New York, NY 10036, or send an e-mail to feedback@kiplinger.com. Please include your name, address and daytime telephone number.

Should You Hire a Tax Pro?

DO you prepare your tax return yourself or enlist the help of a professional? For most of my adult life, I was in the do-it-yourself camp, with the assistance of tax software. When I was single and starting out in my career, my tax situation was relatively simple. And even after I switched from full-time employment to working as a contractor for a while, I figured out how to make estimated tax payments throughout the year and claim deductions related to my self-employment without much trouble.

But eventually, when my husband and I dealt with the complications that came with moving around the country multiple times and filing returns in different states, I decided to hire a tax preparer. It was well worth the price, saving me hours of time and providing me peace of mind that my federal and state returns were handled appropriately.

I asked the magazine staff which strategy they use, and the results were about evenly split. A couple of staffers who have business-owning spouses have used preparers to file their returns. Some also mentioned that getting professional assistance was worthwhile for years that they had certain real estate transactions.

Staff writer Ella Vincent prepares her tax return with H&R Block's online tax service, but she takes advantage of a feature through which an expert reviews her return, too. "My taxes are pretty straightforward, but I still want a pro to help me make sure I didn't miss any possible credits I could claim," she says.

Senior editor Sandy Block usually uses tax software to file her return, although she hired an enrolled agent in a year that she sold a second home and had some other tax concerns. Even though she has gone back to doing her taxes herself, "I'm glad I developed the relationship, because he helped me with some tax issues that arose after my father died," she says.

Sandy has reported on taxes for years, and she authored this month's cover story on lowering your tax bill (it starts on page 40). Hiring a pro makes sense if your tax situation is complex, Sandy says, but "because the majority of people claim the standard deduction, I think most taxpayers can do their own taxes. It's a great way to get a 360-degree view of your personal finances."

PHOTO BY MATT STANLEY

A smooth transition. Cody Garrett, a certified financial planner and owner of Measure Twice Financial, believes that those who own a business or rental properties should hire a tax preparer to ensure that they make the most of certain deductions. And he says that if you're switching from preparing your return with software to outsourcing the job to a pro, the preparer should ask you for copies of your federal and state tax returns from the previous year. If the preparer fails to do that, you're better off with a different one, he says. (For more on vetting a tax pro, see the box on page 47 of the cover story.)

Garrett also points out that when you switch from using tax software to hiring a preparer (or vice-versa), it can be easy to miss something from previous years that could benefit you now. For example, keep track of nondeductible contributions to a traditional IRA (reported on Form 8606) to ensure that the same dollars aren't taxed twice when you take distributions or convert the IRA to a Roth. Also account for capital loss carryovers from investments (Schedule D), net operating loss carryovers for businesses (Schedule 1), and real estate cost basis and depreciation for owners of investment properties (Schedule E).

If you own a business or rental properties, it's often worth hiring a tax preparer to help you make the most of certain deductions.

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Ahead

TOPIC
A

GETTY IMAGES

EXPANDING SUPPORT FOR CAREGIVERS

Depending on your state, you may be eligible for several weeks of paid leave to care for a loved one. **BY SANDRA BLOCK**

EVEN if you've contributed regularly to your 401(k) plan and resisted the temptation to cash out, caring for a spouse, parent or other family member can derail your plans for a secure retirement.

A 2021 survey by AARP and the National Alliance for Caregiving found that nearly half of caregivers have experienced a financial setback, including reducing contributions to retirement savings or dipping into personal savings or retirement savings plans. Many caregivers are forced to quit their job—often during their highest-earning years—cut back their hours, or switch to another job that pays less but offers more flexibility.

Although the federal Family and Medical Leave Act requires companies with at least 50 employees to give workers up to 12 weeks of leave per year to care for a family member with a serious health condition, businesses don't have to pay workers while they're on leave (although some companies do). The law requires employers to give employees the same position or an equivalent one when they return, but unpaid leave still creates a financial hardship for many caregivers. Legislation to provide federal paid leave has stalled in Congress.

Increasingly, though, states are stepping into the breach. As of January 1, 2024, workers in Illinois are eligible for up to five days of paid family leave a year, while Colorado is providing up to 12 weeks in a 12-month period, bringing to 10 the number of states, along with Washington, D.C., that provide some form of paid leave for family caregivers (see the chart on this page). In some states, workers may be eligible for additional paid leave for their own medical issues.

Starting in 2026, Minnesota, Maryland and Maine will provide up to 12 weeks of family leave a year, and Delaware will provide six weeks every 24 months. New Hampshire, Vermont and Virginia recently enacted legislation that allows employers to voluntarily participate in paid family leave programs.

"What we're seeing in state after state is that lawmakers are recognizing that all of us will be caregivers or need caregiving at some point," says Molly Weston Williamson, a senior fellow at the Center for American Progress. States that provide mandated paid family leave are funding it with payroll taxes.

For example, Maine will impose a 1% payroll tax, which will be split between employers and employees. In Minnesota, employers will pay premiums ranging from 0.3% to 0.7% of taxable wages paid to employees, depending on participation in the program. Employers will be permitted to charge half of the premiums to employees by deducting the amount from their wages.

The amount of pay covered by state programs varies but is typically based on a percentage of weekly earnings, up to a maximum. For example, in California, which in 2004 became the first state to adopt paid family leave, caregivers can receive 60% to 70% of their weekly earnings, up to a maximum of $1,620 a week, for up to eight weeks within any 12-month period.

TIME OFF

States With Paid Family Leave Policies

State	Weeks of paid leave per year
California	8
Colorado	12
Connecticut	12
Washington, D.C.	8
Massachusetts	12
New Jersey	12
New York	12
Oregon	12
Rhode Island	6
Washington	12
Illinois	1
Effective in 2026	
Delaware	6*
Maine	12
Maryland	12
Minnesota	12

*Per 24 months.

Navigating bureaucracy. If your state offers paid leave for caregivers and you believe you qualify, contact your state employment office and file your claim as early as possible. Processing paid leave applications "varies a lot from state to state," Williamson says. "Some states have really good turnaround times, but every state has room to improve."

Most states require a document signed by your family member's health care provider attesting to the individual's medical condition. "Typically, when we see claims denied or delayed, it's because of documentation that is missing, incomplete or incorrect," Williamson says. Check your state's website for details; many provide a checklist. Once you've submitted your application, check in periodically with the state to make sure it's being processed, she adds.

State tax breaks. More than three-fourths of caregivers incur out-of-pocket costs, and the average amount they spend is $7,242 a year, according to the survey from AARP and the National Alliance for Caregiving. Individuals who are caring for someone with dementia spend an average of $8,978 a year.

Depending on where you live, you may be eligible for a state tax break to offset some of your out-of-pocket caregiving costs. Oklahoma enacted legislation in 2023 that will provide a tax credit of up to $2,000—or $3,000 for individuals who are caregivers of veterans or people with dementia. Georgia, Missouri, New Jersey and North Dakota also provide tax credits for caregivers, ranging from $150 to $2,000, and lawmakers in several other states are considering similar tax breaks. Most states have income thresholds, so not all caregivers will qualify, and New Jersey's tax credit is limited to individuals who are caring for veterans with service-connected disabilities. For more on state and federal programs to help caregivers, go to the Caregiver Resource Center section of the AARP's web page on caregiving (www.aarp.org/caregiving).

INTERVIEW

THESE COMPANIES HELP WORKERS GET AHEAD

A new index identifies firms that give employees the tools to build successful careers.

BY SANDRA BLOCK

JOSEPH FULLER is professor of management practice and co-head of the Managing the Future of Work Project at Harvard Business School.

The American Opportunity Index, a joint project of Harvard Business School, the Schultz Family Foundation and the Burning Glass Institute, ranks Fortune 500 companies based on how well they hire, pay and promote workers who don't have a college degree. Top performers in the 2023 index include Coca-Cola, J.M. Smucker and W.W. Grainger. Why the focus on workers without a college degree? More than 60% of American workers don't have a college degree. The people we call middle-skill workers—those with less than a college degree but more than a high school diploma—often don't get the premium pay that many workers with a college degree earn. We looked at whether workers without degrees who work at large companies get positions that pay well and lead either to promotion within the company or to better-paying positions at other companies because they had developed skills that are valuable in the labor market. Some of my previous research has demonstrated that the skills young workers acquire in their first jobs have a very strong influence on their career prospects. If you work two or three jobs that don't give you skills that are in demand, you're excluded from consideration for the majority of jobs, especially if you have a period of unemployment. Companies use filters generated by artificial intelligence–based systems that evaluate applicants and exclude people who don't have specific skills or who have gaps in their work history.

What distinguishes companies at the top of your index from those at the bottom? At companies in the top quartile of the index, employees are almost two and a half times more likely to get promoted than those at companies in the bottom quartile. Top-quartile companies are promoting from within and advancing women and minorities. And when workers do leave these companies, they frequently get a better position at their next employer because they've gained valuable skills at firms that enjoy a reputation for being good sources of talent.

How can prospective employees use this index? Let's say you're an aspiring worker and get one offer from a top-ranked company and another offer from a company that doesn't score very well. It might cause you to ask questions about whether workers who previously held the same position enjoyed opportunities to learn new skills and how many of them were promoted. You also might want to ask about any recent policy changes. Generally, the information available to workers about how companies treat employees is really hard to access. "Best Place to Work" surveys rely on data provided by companies. The American Opportunity Index is objective. It relies on actual results achieved by workers.

Are companies that invest in their employees also good stock market investments? The companies that ranked highly in our index had higher profit margins and higher rates of growth. But it's kind of a chicken-and-egg situation. Are companies that are growing fast and making good profits willing to be more generous to workers than companies that don't perform as well? We do know that companies that perform well in the index have lower turnover. We believe that employee turnover is a much bigger driver of costs than a lot of companies realize.

Mutual funds that want to invest in companies committed to environmental, social and governance issues often focus on sustainability, but the social aspect is important, too. We know that people who are employed and earn good wages have better health outcomes, better prospects for their children completing school, and all sorts of other positives. If you want to invest in socially responsible companies, you ought to look at companies that do well in this index.

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GET CASH BACK FOR GOING GREEN

Thinking about buying an energy-efficient cooktop, oven or clothes dryer? You may be eligible for a generous rebate. **BY ELLA VINCENT**

GETTY IMAGES

USING energy-efficient home appliances will lower your energy bills over time, but the up-front costs can be steep. The 2022 Inflation Reduction Act attempted to address this problem by providing $4.5 billion in rebates for low- and moderate-income individuals who purchase energy-efficient appliances or home upgrades. In some instances, the rebates will cover up to 100% of the cost.

Unlike tax credits that are available for energy-efficient home upgrades, rebates available under the High-Efficiency Electric Home Rebate Act (HEEHRA)—a component of the Inflation Reduction Act—allow you to save money immediately when you buy certain energy-saving products. (For details on energy-saving tax credits, see "Countdown to Tax Day," on page 40.) Although the HEEHRA is a federal program, the rebates will be managed by the states, and some states may not offer them. Participating states aren't expected to roll out the rebates until later this year, but it's not too soon to prepare to take advantage of the potential savings. Funds will be available through September 30, 2031.

You may be eligible for a rebate of $840 off the cost of an induction cooktop.

Items eligible for rebates. The amount of the rebates varies, depending on the cost of the item and your income. For example, a low-income household may be eligible for a rebate of up to 100% of the cost of purchasing a heat-pump air-conditioning system, up to a maximum of $8,000. A moderate-income household may be eligible for a rebate worth 50% of the cost of a heat-pump AC system, up to a maximum of $8,000. Other rebates include up to $840 for a cooktop, oven or heat-pump clothes dryer; up to $1,750 for a heat-pump water heater; and

CALENDAR
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GETTY IMAGES

10 Daylight Saving Time begins in most parts of the U.S. Setting your clock forward an hour could mean that you'll lose an hour of sleep, which can cause drowsiness, particularly for teenagers and those who already have poor sleep habits. This may not be an ideal day to prepare your tax return, make a major purchase or review your estate plan. Consider a short afternoon nap instead.

15 The deadline to file your tax return is a month away. If you need help from a pro, search for one through the National Association of Tax Professionals (www.natptax.com) or the National Association of Enrolled Agents (www.naea.org). CPAs and enrolled agents can represent you before the IRS if you're audited. Find out more about how to lower your tax bill on page 40.

$1,600 for insulation, air sealing and ventilation. Total rebates can't exceed $14,000.

At www.rewiringamerica.org/app/ira-calculator, the nonprofit Rewiring America provides a calculator that can help you identify eligible energy-efficient items and the amount of potential rebates. To qualify for the rebate, appliances must have the Energy Star designation.

How to determine eligibility. To qualify for a rebate, your family's total annual income must be less than 150% of the median income where you live. If your income is less than 80% of your state's median income, you're eligible for a rebate of as much as 100% of the cost of an item, up to specific maximum amounts. If you make 80% to 150% of your area's median income, you're eligible for rebates of up to 50% of the cost of an eligible energy-efficient item. You can find your state's median income by entering your zip code on the Fannie Mae Income Lookup Tool website (https://ami-lookup-tool.fanniemae.com).

Landlords may also be eligible for rebates. If you own a multifamily building and at least half of your tenants meet the income requirements, you may qualify to receive up to $14,000 in tax rebates.

Noah Goldmann, policy analyst at Rewiring America, says the rebates, along with tax credits for home upgrades, will help promote the sale of long-lasting energy-efficient items.

Before you buy an energy-efficient appliance or invest in weatherization upgrades, consider scheduling a home-energy audit. The Building Performance Institute sets standards for residential energy auditing and upgrading and certifies the contractors it has trained and tested. Go to www.bpihomeowner.org and click on "Homeowner" to search by zip code for BPI-certified contractors. You may also need to find a contractor who has experience installing energy-efficient appliances.

The White House has an interactive page on its website that provides examples of how homeowners can save money by making energy-efficient upgrades. Find it at www.whitehouse.gov/cleanenergy. ■

→ DEAL OF THE MONTH:

March is a good time to buy luggage for your summer vacation. With new models usually arriving in stores this month, you can get discounts of 50% to 60% on last year's models, says Julie Ramhold, consumer analyst with DealNews.com.

31 If you're not satisfied with your Medicare Advantage plan, today is the deadline to switch to a different one or change to traditional Medicare and, if needed, join a Medicare prescription drug plan. The Medicare Plan Finder (www.medicare.gov/find-a-plan) can help you compare plans and enroll in a new Medicare Advantage or prescription drug plan in your area, or call 800-633-4227 for help.

DELAYED RETIREMENT

Older Americans Are Working Longer and Earning More

THE percentage of American workers age 65 and older has risen sharply since the 1980s. Their earning power has increased, too.

According to a report from the Pew Research Center, about 20% of Americans age 65 and older were working in 2023, nearly double the percentage 35 years ago. The report also found that older workers' earnings have outpaced those of their younger counterparts. In 2022, the typical worker 65 or older earned $22 per hour, up from $13 in 1987. Older workers are also putting in more hours than in the past. Nearly two-thirds are working full-time, compared with 47% in 1987.

Working longer is one of the most-effective ways to lower the risk of running out of money in retirement because it reduces the number of years you'll need to finance with withdrawals from you nest egg. It also allows you to contribute more for retirement. Plus, if you're earning income from work, you may be able to delay filing for Social Security benefits, which will increase your monthly payouts when you file a claim. Americans born after 1955 aren't eligible for full retirement benefits until age 66, and full retirement age will gradually increase to 67 for those born in 1960 or later.

Briefing

INFORMATION ABOUT THE MARKETS AND YOUR MONEY

THE GOVERNMENT FORGIVES SOME STUDENT LOAN DEBT

→ Last summer, the Supreme Court struck down President Biden's plan to cancel $400 billion in federal student loan debt for 43 million borrowers. Even so, by the end of 2023, the Biden administration had approved $132 billion in debt relief for more than 3.6 million borrowers by addressing issues with existing programs. Here's a breakdown of the programs involved.

Income-driven repayment plans. With these plans, monthly payments are based on income and family size. After 20 or 25 years, depending on the type of plan, any remaining debt is forgiven. Fixing inaccuracies in the number of qualifying payments some borrowers made and dealing with concerns related to forbearance has resulted in almost $44 billion forgiven for nearly 901,000 borrowers.

Public Service Loan Forgiveness. Through PSLF, qualifying workers for government agencies and nonprofit organizations receive loan forgiveness after 10 years of monthly payments. To help borrowers who encountered problems obtaining relief, the Biden administration expanded eligibility and invited borrowers who were previously denied for PSLF to reapply. The adjustments have produced $53.5 billion in debt relief for almost 750,000 borrowers.

Total and Permanent Disability Discharge. Borrowers who are totally and permanently disabled may qualify to have their federal student loans discharged, but proving eligibility can be difficult. The U.S. Department of Education is using information on disabled individuals from the Social Security Administration and Department of Veterans Affairs to identify borrowers who are eligible for loan forgiveness. Nearly 513,000 borrowers are receiving $11.7 billion in relief under the Biden administration.

Borrower Defense Loan Discharge. This program assists borrowers whose colleges abruptly closed or who were defrauded by their schools. By processing pending claims that had been left unattended, the administration produced $22.5 billion in relief for more than 1.3 million affected borrowers.

For more information about these programs, visit https://studentaid.gov. LISA GERSTNER

GETTY IMAGES

A New Service for Fidelity Investors

→ Fidelity Investments recently began allowing customers to set up automatic, recurring investments in stocks and exchange-traded funds. It's a noteworthy change because at other major brokers, automatic investing has been limited to mutual funds so far. (One exception: You can automatically invest in ETFs with some brokers if you're enrolled in their robo-advisory services—and in those cases, you're limited to the ETFs the services offer.)

By using recurring transfers, customers can more easily take advantage of dollar-cost averaging, or making investments of equal dollar amounts into the market at regular intervals. With this strategy, you buy more shares of a security when prices are low and fewer shares when prices go up. **LISA GERSTNER**

FROM THE KIPLINGER LETTER

The Outlook for Inflation

The Kiplinger Letter predicts that inflation will finally get mostly reined in this year. Look for the headline inflation rate to fall to 2% before the end of the summer, but then turn higher, ending the year around 2.7%. Core prices—inflation that strips out food and energy costs—will trend down from a recent 4% to 2.4% toward the end of the year.

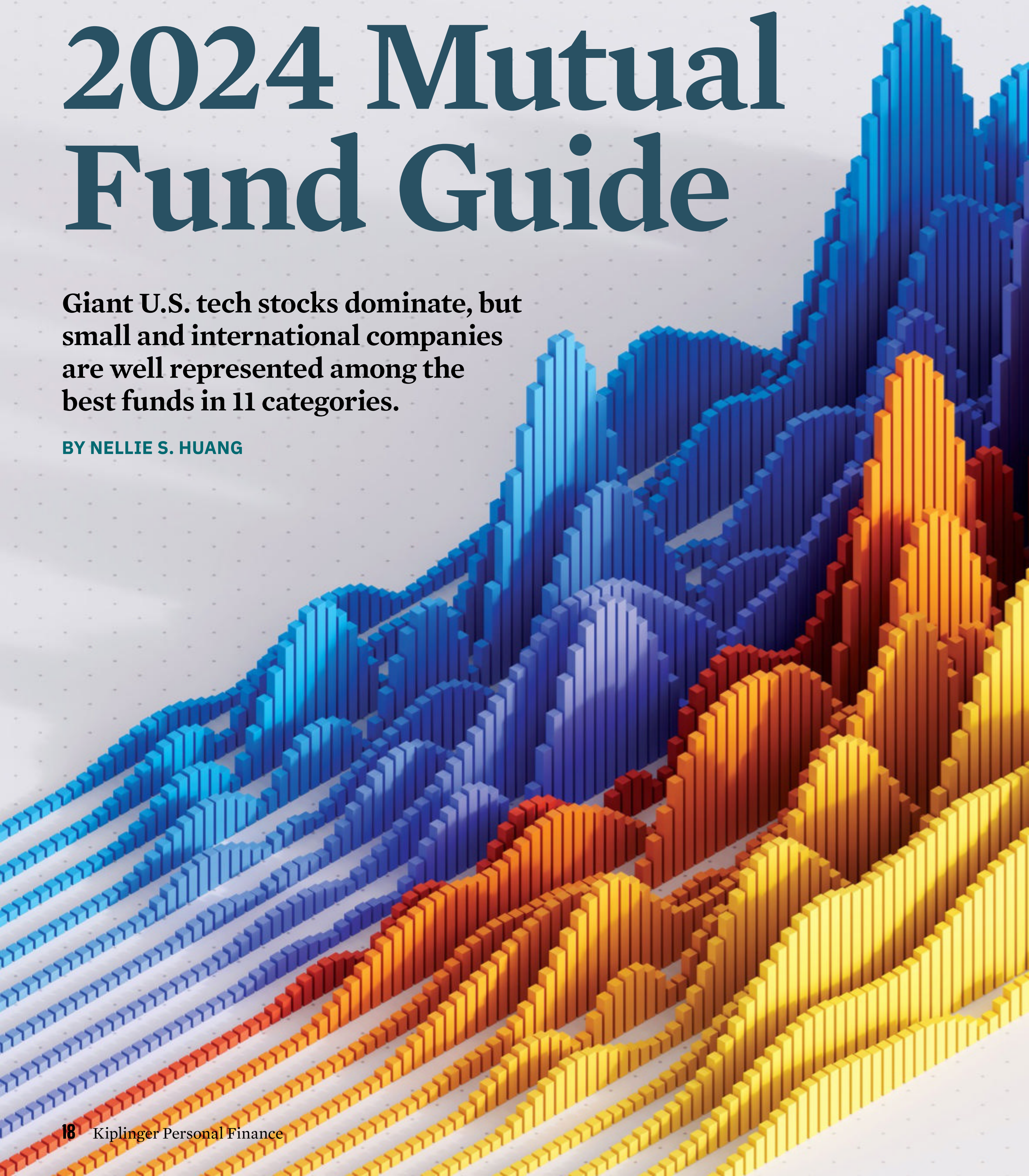
Easing inflation opens the door to rate cuts. Look for the first cut in May, provided the Federal Reserve is certain that inflation really is coming down. More cuts could come at its June and November meetings. Still, that would leave interest rates much higher than they've been for most of the past two decades. Wall Street's hopes for rapid, frequent cuts look like wishful thinking. The Fed is only going to move fast if the economy stumbles badly.

INVESTING

2024 Mutual Fund Guide

Giant U.S. tech stocks dominate, but small and international companies are well represented among the best funds in 11 categories.

BY NELLIE S. HUANG



GETTY IMAGES

WHAT a difference a year makes: After the terrible returns of 2022, stocks the world over gained solid ground in 2023, as a much-anticipated recession never arrived and economic growth, though tepid, came in stronger than expected. A calmer inflation rate helped, too.

Indeed, it was a year of reversals. U.S. stocks, for instance, rebounded and entered bull-market territory. The S&P 500 index hit record highs in late 2023 and finished the year up 26%. Of course, those gains were largely driven by a handful of U.S. mega-cap stocks. We're talking about the Magnificent 7—namely Alphabet, Amazon.com, Apple, Meta Platforms, Microsoft, Nvidia and Tesla—which logged an average gain of 112% in 2023. Nvidia more than tripled in value; Meta nearly tripled.

Clearly, funds that invested in those

companies fared the best last year. But with the Magnificent 7 sporting an average market value of $1.7 trillion, that meant small- and midsize company stock funds were left behind—but not too far behind. In fact, small and midsize stocks finished 2023 strong. The Russell 2000, an index of small companies, returned 17%; the S&P MidCap 400 index gained 16%.

The Mag 7 had a ripple effect in U.S. stock sectors, too. The sector losers of 2022—communications services, information technology and consumer discretionary—became 2023's winners. And the winning sectors of 2022—energy, consumer staples and health care—largely brought up the rear in 2023.

Foreign stocks came back as well. Shares in developed countries, as measured by the MSCI EAFE index, gained 18%, lifted in large part by big gains in Nordic countries—Denmark gained 31%; Sweden was up 24%—as well as in Italy, Spain and Ireland. Emerging-markets stocks also did well. China, which makes up 28% of the index, was a drag, as an anticipated economic recovery has been slow to arrive; stocks there fell 11%. But other big market components of the benchmark index, including Taiwan, India, South Korea and Brazil, were up sharply. The MSCI Emerging Markets index posted a positive 10% return for the year.

On the following pages, we show the top-performing stock mutual funds in 11 categories, using information from Morningstar, the financial data firm that determines the categories into which the funds are sorted. In some cases, the classifications of certain funds may strike you as odd, and we have tried to correct or explain those instances as best we can. The list only includes funds with a minimum investment requirement of $10,000 or less. We removed funds available only to institutional investors, as well as leveraged funds (which seek to boost returns with borrowed money) and inverse index funds (which promise to move in the opposite direction of a benchmark).

Most of the funds listed are widely available at brokerage firms. A few must be purchased directly from the fund company. And some funds are closed, either to new investors or all investors. Many funds in the tables charge a front-end sales fee, but in most cases, you can purchase shares with no load or transaction fee at several large brokerage firms. That said, these lists are not meant to represent recommendations. Instead, we suggest you use them as a starting point for your own research. (All data and returns are through December 31, unless otherwise noted.)

Kim Clark and Anne Kates Smith also contributed to this guide.

LARGE-COMPANY STOCK

Growth was the magic key.

It's been a growth-oriented decade—mostly—for this category. Fidelity Blue Chip Growth, a Kiplinger 25 pick, favors firms with competitive advantages, pricing power and top-flight executives. Nasdaq 100 index funds have prospered along with the mega-cap tech firms that now dominate the market. Among actively managed funds, one-year standout Zevenbergen Genea bets big on groundbreaking companies. The 29-stock portfolio (top holdings: Tesla and Nvidia) is for risk-takers with a long-term mind-set. Virtus Zevenbergen Innovative Growth is subadvised by the same managers.

Value funds held sway during the three-year period that included the most recent bear market. Oakmark and sister fund Natixis Oakmark, with Alphabet atop both portfolios, at times display an iconoclastic take on "value." Smead Value counts a handful of housing stocks and a real estate investment trust recently among its top 10 holdings; it ranks in the top 25% of value-oriented peers in seven of the past 10 years.

1 YEAR		1-YEAR TOTAL RETURN
1	Zevenbergen Genea Investor	71.4%
2	Frontier HyperiUS Global Equity Service	67.9
3	Virtus Zevenbergen Innovative Gr Stk A	65.2
4	Zevenbergen Growth Investor	63.9
5	Value Line Larger Companies Focused Inv	59.1
6	Baron Fifth Avenue Growth Retail	57.2
7	Fidelity Blue Chip Growth	55.6
8	Dunham Focused Large Cap Growth A	54.8
9	AXS Thomson Reuters Vntr Cptl RetTrckr I	54.7
10	Shelton Nasdaq-100 Index Investor	54.6
CATEGORY AVERAGE		23.9%

3 YEARS		3-YEAR ANNUALIZED RETURN
1	Smead Value Investor	17.4%
2	Beck Mack + Oliver Partners	17.1
3	Hotchkis & Wiley Value Opps A	15.9
4	BNY Mellon Dynamic Value Fund A	15.6
5	Huber Select Large Cap Value Inv	15.4
6	Fidelity New Millennium	15.2
7	Oakmark Investor	15.0
8	Natixis Oakmark A	15.0
9	Muhlenkamp	14.8
10	Invesco Comstock A	14.7
CATEGORY AVERAGE		7.6%

5 YEARS		5-YEAR ANNUALIZED RETURN
1	Baron Partners Retail	31.2%
2	Fidelity Growth Company*	22.6
3	Shelton Nasdaq-100 Index Investor	22.2
4	Victory Nasdaq 100 Index Class A	21.8
5	Tanaka Growth	21.4
6	Rydex NASDAQ-100 Inv	21.0
7	JPMorgan Large Cap Growth A	20.6
8	Fidelity Blue Chip Growth	20.5
9	Baron Opportunity Retail	20.4
10	JPMorgan Growth Advantage A	19.9
CATEGORY AVERAGE		13.7%

10 YEARS		10-YEAR ANNUALIZED RETURN
1	Baron Partners Retail	18.8%
2	Shelton Nasdaq-100 Index Investor	17.2
3	Victory Nasdaq 100 Index Class A	17.0
4	Fidelity Growth Company*	16.8
5	Rydex NASDAQ-100 Inv	16.4
6	Fidelity OTC	16.0
7	Fidelity Blue Chip Growth	15.8
8	Fidelity Advisor Growth Opps A	15.5
9	JPMorgan Large Cap Growth A	15.1
10	JPMorgan Growth Advantage A	14.7
CATEGORY AVERAGE		10.3%

Funds marked with an asterisk are closed to new investors; those with a double asterisk are closed to all investors.

MIDSIZE-COMPANY STOCK

Tech on top—for now.

Midsize funds that focused on the tech sector did best over the past year. But because the sector has been so volatile, some 2023 winners are still making up for previous years' losses, such as American Beacon ARK Transformational Innovation, managed by ARK Invest's Cathie Wood.

The leaders over longer periods have more-diversified portfolios. Invesco Value Opportunities, for example, scored in the top five for three- and five-year returns thanks to a portfolio heavy on comparatively low-valuation stocks in the industrial, energy and materials sectors. Baron Focused Growth, number one for both five- and 10-year returns, puts less than 10% of its portfolio in tech stocks. (Its single largest holding, at 13% of assets, is Tesla, classified as a consumer stock.) The Baron portfolio is heavy on hotels, resorts and consumer stocks such as donut company Krispy Kreme, which returned almost 50% in 2023.

1 YEAR	1-YEAR TOTAL RETURN	
1	One Rock	72.4%
2	American Beacon ARK Transfmt Innov Inv	67.5
3	Morgan Stanley Inst Discovery A	46.3
4	Patient Opportunity FI	39.2
5	Ave Maria Focused	38.7
6	Parnassus Mid Cap Growth Investor	35.6
7	GoodHaven	34.1
8	Wasatch US Select Investor	33.4
9	Harbor Disruptive Innovation Inv	32.4
10	Transamerica Mid Cap Growth A	31.6
CATEGORY AVERAGE		17.4%

3 YEARS	3-YEAR ANNUALIZED RETURN	
1	Hotchkis & Wiley Mid-Cap Value A	19.0%
2	GoodHaven	17.3
3	Schwartz Value Focused	17.1
4	Kinetics Spin-Off and Corp Rest Adv A	17.0
5	Invesco Value Opportunities A	16.5
6	FMI Common Stock Investor	15.4
7	Fidelity Value Strategies	14.2
8	Pzena Mid Cap Value Investor	14.2
9	AMG River Road Mid Cap Value N	14.1
10	Kinetics Paradigm No Load	14.0
CATEGORY AVERAGE		4.1%

5 YEARS	5-YEAR ANNUALIZED RETURN	
1	Baron Focused Growth Retail	25.7%
2	Shelton Sustainable Equity Investor	18.7
3	Kinetics Spin-Off and Corp Rest Adv A	17.2
4	Invesco Value Opportunities A	16.7
5	Fidelity Value Strategies	16.7
6	Needham Growth Retail	16.7
7	Value Line Mid Cap Focused	16.5
8	Paradigm Select	16.4
9	Diamond Hill Select Inv	16.3
10	Schwartz Value Focused	16.3
CATEGORY AVERAGE		12.0%

10 YEARS	10-YEAR ANNUALIZED RETURN	
1	Baron Focused Growth Retail	15.3%
2	ClearBridge Select A	13.6
3	Value Line Mid Cap Focused	12.8
4	Virtus KAR Mid-Cap Core A	12.2
5	Janus Henderson Enterprise T	11.8
6	Virtus KAR Mid-Cap Growth A	11.6
7	T. Rowe Price New Horizons	11.5
8	Principal MidCap A*	11.4
9	Federated Hermes MDT Mid Cap Growth A	11.3
10	BlackRock Mid-Cap Growth Equity Inv A	11.2
CATEGORY AVERAGE		8.5%

SMALL-COMPANY STOCK

These smalls were mighty.

The lines can blur when labeling small and midsize funds. With an average market value for portfolio holdings of $4.4 billion, Hennessy Cornerstone Mid Cap 30, featured on three of the winners' lists here, fits well with the smalls. The fund ranks in the top 25% of small-cap funds with a value bent in seven of the past 10 calendar years and in the top 10% for five of them. The 30-stock portfolio recently had big bets, compared with peers, on energy and industrial companies.

Needham Aggressive Growth was all-in on tech, with 61% of assets in the sector. The fund, with a lofty 1.9% expense ratio, makes the one-, five- and 10-year winners' lists. Oberweis Micro-Cap favors the smallest of the small fry; top holding Aehr Test Systems serves the semiconductor industry. Fuller & Thaler Behavioral Small-Cap Growth swoops in when the market underreacts to positive news, such as large earnings surprises.

1 YEAR	1-YEAR TOTAL RETURN	
1	Morgan Stanley Inst Inception A	54.2%
2	Gabelli Global Mini Mites I	39.0
3	Needham Aggressive Growth Retail	37.7
4	Wasatch Core Growth	33.4
5	Fuller & Thaler Behavioral Sm-Cp Gr Inv	32.8
6	Virtus KAR Small-Cap Core A*	32.0
7	James Micro Cap	31.7
8	Wasatch Small Cap Value	31.6
9	Hennessy Cornerstone Mid Cap 30 Inv	30.8
10	Franklin Small Cap Growth A	30.6
CATEGORY AVERAGE		16.0%

3 YEARS	3-YEAR ANNUALIZED RETURN	
1	Auer Growth	24.6%
2	Bridgeway Small-Cap Value	20.9
3	Invesco Small Cap Value A	20.5
4	Aegis Value I	19.8
5	Hennessy Cornerstone Mid Cap 30 Inv	19.6
6	Kinetics Small Cap Opportunities No Load	19.2
7	Hotchkis & Wiley Small Cap Value A	18.2
8	Oberweis Micro-Cap	17.7
9	Acclivity Small Cap Value N	17.4
10	Rydex S&P SmallCap 600 Pure Value H	16.7
CATEGORY AVERAGE		3.9%

5 YEARS	5-YEAR ANNUALIZED RETURN	
1	Needham Aggressive Growth Retail	24.5%
2	Oberweis Micro-Cap	20.9
3	Aegis Value I	20.8
4	Invesco Small Cap Value A	20.7
5	Oberweis Small-Cap Opportunities	19.6
6	Hennessy Cornerstone Mid Cap 30 Inv	19.6
7	Auer Growth	19.4
8	Virtus KAR Small-Cap Core A*	18.7
9	Driehaus Micro Cap Growth*	18.1
10	Bridgeway Small-Cap Value	17.9
CATEGORY AVERAGE		10.9%

10 YEARS	10-YEAR ANNUALIZED RETURN	
1	Virtus KAR Small-Cap Core A*	14.5%
2	Driehaus Micro Cap Growth*	14.2
3	Oberweis Micro-Cap	13.5
4	Virtus KAR Small-Cap Growth A*	13.1
5	Needham Aggressive Growth Retail	12.8
6	Oberweis Small-Cap Opportunities	11.8
7	Wasatch Ultra Growth	11.6
8	Wasatch Core Growth	11.5
9	Hood River Small-Cap Growth Investor	11.5
10	Fuller & Thaler Behavioral Sm-Cp Eq Inv*	11.2
CATEGORY AVERAGE		7.4%

Funds marked with an asterisk are closed to new investors; those with a double asterisk are closed to all investors.

HYBRID

A pastiche of approaches.

These funds hold a mix of stocks, bonds and other assets. Target-date funds fall into this category, but they don't often show up in these tables, which makes the Putnam Retirement Advantage funds' appearance in the one-year table a little conspicuous.

The rest of the funds are a smorgasbord of strategies. Fidelity Balanced holds a steady mix of roughly 60% stocks and 40% bonds. Baron WealthBuilder is a fund of funds. It holds 16 Baron funds and is designed to represent the ideal diversified portfolio across market caps, geographies and sectors. Other funds shift their asset allocation depending on the market. Fairholme Focused Income, for one, aims to generate income and has the leeway to invest in corporate bonds, bank loans, government and agency IOUs, convertible bonds, stocks, and real estate investment trusts, among other assets. At last report, it held roughly 70% of its assets in short-term government bonds and 30% in stocks.

1 YEAR		1-YEAR TOTAL RETURN
1	Quantified STF Investor	61.8%
2	Teberg	34.9
3	Value Line Capital Appreciation Investor	34.4
4	Disciplined Growth Investors	33.0
5	American Funds Growth Portfolio A	28.7
6	Putnam Retirement Advantage 2065 A	25.6
7	Baron WealthBuilder Retail	25.4
8	Franklin Corefolio Allocation A	25.4
9	Putnam Retirement Advantage 2060 A	25.2
10	Plumb Balanced Investor	25.1
CATEGORY AVERAGE		14.8%

3 YEARS		3-YEAR ANNUALIZED RETURN
1	First Foundation Total Return A	13.6%
2	Conquer Risk Defensive Bull	11.8
3	Prospector Capital Appreciation	9.6
4	Morgan Stanley Multi-Asset Real Return A	9.5
5	Teberg	9.4
6	Davis Appreciation & Income A	9.3
7	Hartford Real Asset A	9.3
8	Thornburg Investment Income Builder A	9.1
9	First Eagle US Value A	8.6
10	Fairholme Focused Income	8.4
CATEGORY AVERAGE		2.8%

5 YEARS		5-YEAR ANNUALIZED RETURN
1	Quantified STF Investor	18.4%
2	Baron WealthBuilder Retail	16.8
3	Teberg	14.8
4	First Foundation Total Return A	13.8
5	Fidelity Convertible Securities	13.7
6	Kinetics Global No Load	13.1
7	Dynamic US Opportunity N	13.0
8	Disciplined Growth Investors	12.9
9	Calamos Growth & Income A	12.9
10	T. Rowe Price Capital Appreciation*	12.8
CATEGORY AVERAGE		7.8%

10 YEARS		10-YEAR ANNUALIZED RETURN
1	T. Rowe Price Capital Appreciation*	10.5%
2	Allspring Diversified Cap Bldr A	10.2
3	Franklin Convertible Securities A*	9.6
4	Disciplined Growth Investors	9.5
5	American Funds Growth Portfolio A	9.2
6	Calamos Growth & Income A	9.1
7	Fidelity Balanced	9.0
8	Virtus Convertible A	8.9
9	Fidelity Puritan	8.8
10	North Square Multi Strategy A	8.8
CATEGORY AVERAGE		5.6%

LARGE-COMPANY FOREIGN STOCK

Still lagging U.S. counterparts.

Most years, investors would be delighted with the 16% average return notched in 2023 by funds that specialize in large foreign companies. But that marked the eighth year out of the past 10 that the group underperformed funds of large U.S.-based firms. One fund that beat the U.S. bogey last year, Brandes International Equity, focuses on value stocks, especially in Europe and South America. Rolls-Royce Holdings, which tripled in 2023 due in part to booming sales of aircraft engines, is a top holding. (The luxury-car nameplate was purchased by BMW in 1998.) Another top holding, Brazilian energy company Petróleo Brasileiro S.A. – Petrobras, doubled in 2023.

A tech-heavy growth strategy propelled Fidelity International Capital Appreciation into the top-10 lists for one, five and 10 years. Its top holding, Taiwan Semiconductor Manufacturing, gained 30% in 2023 and has more than doubled since the fund's initial investment in October 2019.

1 YEAR		1-YEAR TOTAL RETURN
1	Brandes International Equity A	29.9%
2	Brown Capital Mgmt Intl All Com Inv	28.4
3	Fidelity International Capital Apprec	27.6
4	Polen International Growth Investor	27.5
5	Fidelity Advisor Intl Capital App A	27.3
6	Causeway International Value Inv	27.0
7	Sextant International	24.8
8	Causeway International Opps Inv	24.4
9	Touchstone Sands Capital Intl Gr Eq A	23.6
10	Touchstone Non-US ESG Equity A	23.4
CATEGORY AVERAGE		16.4%

3 YEARS		3-YEAR ANNUALIZED RETURN
1	Hartford International Value A	11.3%
2	Franklin Mutual International Value A	10.3
3	Brandes International Equity A	10.1
4	Artisan International Value Investor*	10.0
5	JPMorgan Developed International Value A	9.2
6	Pimco StocksPLUS Intl (USD-Hedged) A	8.9
7	Causeway International Value Inv	8.7
8	JHancock Disciplined Value Intl A	8.3
9	Schwab Fdmtl Intl Lg Co Idx	8.1
10	Fidelity International Value	8.0
CATEGORY AVERAGE		1.7%

5 YEARS		5-YEAR ANNUALIZED RETURN
1	PGIM Jennison International Opps A	12.8%
2	Artisan International Value Investor*	12.4
3	Goldman Sachs GQG Ptnrs Intl Opps A	12.1
4	MainStay PineStone International Eq Inv	11.8
5	Goldman Sachs International Eq ESG A	11.6
6	Baird Chautauqua International Gr Inv	11.5
7	WCM Focused International Growth Inv*	11.5
8	Thornburg Better World International A	11.4
9	Fidelity International Capital Apprec	11.4
10	Templeton International Climate Chg A	11.1
CATEGORY AVERAGE		7.9%

10 YEARS		10-YEAR ANNUALIZED RETURN
1	Morgan Stanley Inst Intl Advtg A	8.8%
2	WCM Focused International Growth Inv*	8.2
3	Fidelity International Capital Apprec	7.7
4	Touchstone Non-US ESG Equity A	7.6
5	Pimco StocksPLUS Intl (USD-Hedged) A	7.5
6	Morgan Stanley Inst International Opp A	7.3
7	Fidelity Advisor Intl Capital App A	7.3
8	PGIM Jennison International Opps A	7.3
9	Buffalo International	7.1
10	Vanguard International Growth Inv	7.0
CATEGORY AVERAGE		4.1%

Funds marked with an asterisk are closed to new investors; those with a double asterisk are closed to all investors.

GOLDEN GATE BRIDGE ALSO KEPT TAXES AT BAY.

Dubbed one of the ‘Wonders of the Modern World’, the Golden Gate Bridge opened to the public on May 27, 1937. At the time, it was both the longest and the tallest suspension bridge in the world, with a main span of 4,200 feet and a total height of 746 feet. It is still the tallest bridge in the United States, transporting 110,000 vehicles every day. To help raise the $35 million it cost to build, the authorities in California issued tax-free municipal bonds.

Still going strong

And, just like that iconic structure, municipal bonds are still going strong today as a way for investors to invest in civic projects, while earning income that’s free of federal taxes and potentially state taxes.

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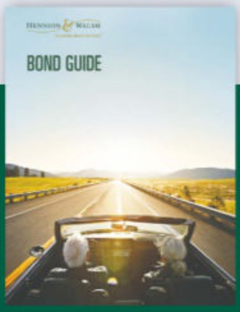

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SMALL- AND MIDSIZE-COMPANY FOREIGN STOCK

A welcome comeback.

Small foreign stock funds had a banner year—a turnaround from 2022, when the typical fund lost 23%. Brown Capital Management International Small Company, a Kiplinger 25 fund, gained 20% in 2023, clawing some of the way back from a 32% loss in 2022. The managers favor high-quality growth companies, such as U.K.-based maker of research tools Abcam and REA Group, a global online real estate advertising firm based in Australia.

Value-oriented funds dominate the three-year table, including Oakmark International Small Cap, which is run by David Herro, Michael Manelli and Justin Hance. Last year, they found buys in Europe, where 57% of assets are invested. Shares in top holding Konecranes, a Finland-based firm that makes cranes and lifting equipment, climbed 46% in 2023. Managed by Jed Weiss, Fidelity International Small Cap Opportunities has delivered above-average returns with below-average volatility.

1 YEAR		1-YEAR TOTAL RETURN
1	Brandes International Small Cap Equity A	39.0%
2	Hood River International Opportunity Inv	30.5
3	Causeway International Small Cap Inv	26.8
4	WCM Focused International Opps Inv	25.6
5	Moerus Worldwide Value N	24.5
6	Pzena International Small Cap Value Inv	22.3
7	Virtus KAR International Small-Mid Cap A	22.0
8	Pear Tree Polaris Fgn Val Sm Cap Ord	20.8
9	PGIM Jennison Intl Sm-Md Cap Opps A	20.4
10	Brown Capital Mgmt Intl Sm Co Inv	20.0
CATEGORY AVERAGE		14.4%

3 YEARS		3-YEAR ANNUALIZED RETURN
1	Moerus Worldwide Value N	16.0%
2	Brandes International Small Cap Equity A	14.6
3	Pzena International Small Cap Value Inv	12.2
4	Causeway International Small Cap Inv	10.8
5	Oakmark International Small Cap Investor	6.8
6	Invesco EQV Intl Small Company A	6.2
7	Kopernik Global All-Cap A*	6.2
8	Harbor International Small Cap Investor	5.1
9	Segall Bryant & Hamill Intl Sm Cp Ret	4.7
10	Pear Tree Polaris Fgn Val Sm Cap Ord	4.6
CATEGORY AVERAGE		–0.7%

5 YEARS		5-YEAR ANNUALIZED RETURN
1	Kopernik Global All-Cap A*	12.4%
2	Grandeur Peak Global Micro Cap Instl*	11.2
3	Brown Capital Mgmt Intl Sm Co Inv	11.1
4	Oakmark International Small Cap Investor	11.0
5	Brandes International Small Cap Equity A	10.9
6	Causeway International Small Cap Inv	10.6
7	Grandeur Peak Intl Stalwarts Inv*	10.1
8	Driehaus International Small Cap Growth	10.0
9	Moerus Worldwide Value N	10.0
10	Artisan International Small-Mid Investor*	9.7
CATEGORY AVERAGE		7.1%

10 YEARS		10-YEAR ANNUALIZED RETURN
1	Invesco International Small-Mid Com A	7.0%
2	Driehaus International Small Cap Growth	6.7
3	Fidelity International Small Cap Opp	6.6
4	T. Rowe Price International Discovery	6.4
5	Kopernik Global All-Cap A*	6.3
6	Fidelity International Small Cap	6.3
7	Manning & Napier Rainier Intl Discv S	6.2
8	Virtus KAR International Small-Mid Cap A	6.2
9	Grandeur Peak International Opps Inv*	5.9
10	Royce International Premier Investment	5.4
CATEGORY AVERAGE		4.6%

GLOBAL STOCK

A broad universe.

Because these funds typically hold 60% of assets in U.S. shares and the rest in foreign stocks, they fared better over the past year than funds that focus only on foreign stocks. (In fact, U.S. stocks have outpaced foreign markets for much of the past decade.) T. Rowe Price Global Stock has outperformed its peer funds, (global large-company growth) in eight of the past 10 calendar years. Top holdings include the usual suspects: Amazon.com, Microsoft, Apple and Nvidia.

Dodge & Cox Global Stock, which follows a value strategy, shone over the past three years. Alphabet is a top holding, but the fund also has a load of health care shares, including pharma giants Sanofi in France and GSK in the U.K. Why is Guinness Atkinson Alternative Energy listed here and not with the sector funds, below? In part because the fund's holdings are a mix of tech, industrial, basic materials, utilities and economically sensitive consumer stocks.

1 YEAR		1-YEAR TOTAL RETURN
1	Morgan Stanley Global Endurance A	72.0%
2	Morgan Stanley Inst Global Insgt A	50.5
3	Morgan Stanley Inst Global Opp A	49.3
4	Morgan Stanley Cntrpnt Global A	48.4
5	PGIM Jennison Global Opportunities A	41.3
6	Guinness Atkinson Global Inntrs Inv	39.3
7	Invesco Global Focus A	37.0
8	Loomis Sayles Global Growth A	35.9
9	Marsico Global	35.4
10	Gabelli Global Growth A	34.5
CATEGORY AVERAGE		19.9%

3 YEARS		3-YEAR ANNUALIZED RETURN
1	Third Avenue Value Investor	19.7%
2	Hotchkis & Wiley Global Value A	12.5
3	Vanguard Global Capital Cycles Investor	12.2
4	Brandes Global Equity A	11.3
5	Lazard Equity Franchise Open Shares	11.1
6	Dodge & Cox Global Stock I	11.0
7	Franklin Mutual Global Discovery A	10.9
8	GQG Partners Global Quality Equity Inv	10.4
9	Wasatch Global Value Investor	9.8
10	Causeway Global Value Inv	9.6
CATEGORY AVERAGE		3.1%

5 YEARS		5-YEAR ANNUALIZED RETURN
1	Guinness Atkinson Alternative Energy	17.5%
2	Guinness Atkinson Global Inntrs Inv	17.3
3	Vanguard Baillie Gifford Global Pos Impct	16.6
4	MainStay Epoch Capital Growth Inv	16.4
5	BNY Mellon Worldwide Growth A	15.9
6	PGIM Jennison Global Opportunities A	15.8
7	Third Avenue Value Investor	15.7
8	BlackRock Unconstrained Equity Inv A	15.4
9	T. Rowe Price Global Stock	15.3
10	Vanguard Global Capital Cycles Investor	14.8
CATEGORY AVERAGE		10.9%

10 YEARS		10-YEAR ANNUALIZED RETURN
1	Morgan Stanley Inst Global Opp A	12.7%
2	T. Rowe Price Global Stock	12.1
3	PGIM Jennison Global Opportunities A	11.8
4	Guinness Atkinson Global Inntrs Inv	11.5
5	BNY Mellon Worldwide Growth A	10.3
6	Victory RS Global A	10.1
7	Artisan Global Opportunities Inv	9.8
8	WCM Focused Global Growth Investor	9.8
9	American Funds New Perspective A	9.8
10	Virtus SGA Global Growth A	9.7
CATEGORY AVERAGE		7.4%

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DIVERSIFIED EMERGING-MARKETS STOCK

Looking beyond China.

China stocks fell 11% in 2023, but the MSCI Emerging Markets index climbed 10% anyway, fueled by double-digit gains in Taiwan, India, South Korea and Brazil. Eye-popping returns in smaller markets—Greece, Hungary, Poland, Mexico and Peru—helped, too. Funds that top the one-year winners table each held a hefty chunk of assets in India, Mexico and Brazil, but most had some exposure to the U.S., too. Artisan Developing World is an outlier in this category; 40% of its assets sit in U.S. stocks.

Matthews Emerging Markets Small Companies wins a spot on the three-, five- and 10-year tables. Be aware, however, that new managers took over in 2020. Since then, the fund has been trouncing its competition, which has helped lift its long-term annualized returns. Wasatch Emerging Markets Select holds just 30 to 50 stocks, so it can be more volatile, but over the long haul, the results have been solid.

1 YEAR	1-YEAR TOTAL RETURN	
1	Artisan Developing World Investor	29.5%
2	WCM Focused Emerging Mkts Ex Chn Inv	28.7
3	GQG Partners Emerging Markets Equity Inv	28.5
4	Wasatch Frontier Emerg Sm Countrs Inv	28.2
5	Cullen Emerging Markets High Div Retail	26.1
6	Eaton Vance Emerg & Frntr Countrs Eq A	25.4
7	JOHCM Emerging Mkts Discovery Advisor	24.7
8	AMG TimesSquare Emerging Mkts Sm Cp N	23.9
9	American Century Emerg Mkts Sm Cp Inv*	22.9
10	Acadian Emerging Markets Investor	22.6
CATEGORY AVERAGE		11.8%

3 YEARS	3-YEAR ANNUALIZED RETURN	
1	The Cook & Bynum	11.6%
2	PIMCO RAE Emerging Markets A	8.0
3	Seafarer Overseas Value Investor	7.3
4	Matthews EM Sm Coms Inv	6.8
5	PIMCO RAE PLUS EMG A	6.5
6	Eaton Vance Emerg & Frntr Countrs Eq A	6.5
7	Pzena Emerging Markets Value Investor	6.4
8	LSV Emerging Markets Equity Inv	6.2
9	JOHCM Emerging Mkts Discovery Advisor	6.2
10	Cullen Emerging Markets High Div Retail	5.2
CATEGORY AVERAGE		–5.2%

5 YEARS	5-YEAR ANNUALIZED RETURN	
1	Matthews EM Sm Coms Inv	15.5%
2	Driehaus Emerging Markets Small Cap Gr	12.5
3	Artisan Developing World Investor	11.9
4	JOHCM Emerging Mkts Discovery Advisor	11.8
5	Oberweis Emerging Markets Investor	11.5
6	Wasatch Emerging Markets Select Investor	11.1
7	Ashmore Emerging Markets Sm Cp Eq A	10.7
8	Matthews Emerging Markets Sust Fut Inv	10.7
9	Wasatch Emerging Markets Small Cap Inv	10.3
10	William Blair Emerg Mkts Sm Cp Gr N*	10.0
CATEGORY AVERAGE		4.6%

10 YEARS	10-YEAR ANNUALIZED RETURN	
1	Matthews EM Sm Coms Inv	8.1%
2	Virtus KAR Emerging Markets Small-Cap A	6.0
3	William Blair Emerg Mkts Sm Cp Gr N*	5.7
4	Fidelity Advisor Emerging Markets	5.5
5	Fidelity Emerging Markets Discovery	5.5
6	Wasatch Emerging Markets Select Investor	5.4
7	American Funds New World A	5.1
8	Grandeur Peak Emerg Mkts Opps Inv*	5.0
9	abrdn Emerging Markets ex-China A	5.0
10	Wasatch Emerging Markets Small Cap Inv	4.9
CATEGORY AVERAGE		2.7%

REGIONAL AND SINGLE-COUNTRY

Bright spots the world over.

Last year was a good one for multiple regional markets and countries—both developed and developing—including Latin America, Europe, India and Japan. Perennial winner Fidelity Nordic snagged spots in the one- , five- and 10-year tables, thanks to healthy gains over the past decade in Denmark, the Netherlands and Sweden. (Finland, the fund's only other market exposure, hasn't been as steady.) Those looking for an India fund might consider Matthews India, which has delivered above-average returns with average volatility over the past decade.

Japanese stocks gained 20% last year, thanks to corporate reforms that are, at long last, boosting earnings growth at some firms. But looking ahead, the end of a negative-interest-rate policy in Japan raises uncertainty for stocks in the market. Even so, Hennessy Japan stands out over the long haul. The fund lagged peers in 2019, 2021 and 2022, but last year it topped all other Japan-focused funds.

1 YEAR	1-YEAR TOTAL RETURN	
1	T. Rowe Price Emerging Europe**	62.4%
2	T. Rowe Price Latin America	34.7
3	DWS Latin America Equity A	33.2
4	OTG Latin America A Shares	26.0
5	Columbia Acorn European A	24.8
6	Morgan Stanley Europe Opportunity A	24.8
7	Fidelity Latin America	23.6
8	Matthews India Investor	23.1
9	Hennessy Japan Investor	22.8
10	Fidelity Nordic	20.8
CATEGORY AVERAGE		5.8%

3 YEARS	3-YEAR ANNUALIZED RETURN	
1	T. Rowe Price Africa & Middle East	11.1%
2	Fidelity Canada	11.0
3	Matthews India Investor	9.4
4	DWS Latin America Equity A	9.4
5	Wasatch Emerging India Investor	9.2
6	ALPS/Kotak India ESG Inv	8.8
7	Eaton Vance Greater India A	8.1
8	OTG Latin America A Shares	8.0
9	Brown Advisory WMC Strat Eurp Eq Inv	6.4
10	Invesco EQV Euro Small Company A	6.0
CATEGORY AVERAGE		–5.8%

5 YEARS	5-YEAR ANNUALIZED RETURN	
1	Janus Henderson European Focus T	14.5%
2	Fidelity Nordic	13.1
3	Fidelity Canada	12.4
4	DWS Latin America Equity A	12.3
5	Wasatch Emerging India Investor	11.7
6	Columbia Acorn European A	10.9
7	Brown Advisory WMC Strat Eurp Eq Inv	10.6
8	BlackRock EuroFund Inv A	10.2
9	ALPS/Kotak India ESG Inv	9.9
10	Eaton Vance Greater India A	9.6
CATEGORY AVERAGE		5.2%

10 YEARS	10-YEAR ANNUALIZED RETURN	
1	Wasatch Emerging India Investor	14.4%
2	Matthews India Investor	11.7
3	ALPS/Kotak India ESG Inv	11.3
4	Eaton Vance Greater India A	10.6
5	Hennessy Japan Small Cap Investor	8.1
6	Fidelity Nordic	7.7
7	Hennessy Japan Investor	7.3
8	Matthews Asia Innovators Investor	7.2
9	Fidelity Pacific Basin	7.0
10	Fidelity Emerging Asia	6.9
CATEGORY AVERAGE		3.7%

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SECTOR

Tech stocks. 'Nuff said.

Tech funds dominate the one-year winners, thanks to a small group of companies that led U.S. shares in 2023. One of those stocks, Nvidia, gained 239% over that period. Shares in the chip designer make up 26% of Fidelity Select Semiconductors and helped the fund win the top spot in three time periods. But the fund is more volatile than most tech funds because it confines its investments to semiconductor-related businesses. Other tech funds, including Fidelity Select Technology and Columbia Seligman Technology and Information (which trades load-free at Schwab and Fidelity), invest in multiple tech industries, including software, hardware and internet services. Both funds have been less volatile over the past five and 10 years than other tech funds.

Over three years, energy funds stand tall—that's largely on the back of blockbuster returns in 2021 and 2022. In 2023, energy funds struggled to eke out an average 2% gain.

1 YEAR		1-YEAR TOTAL RETURN
1	Fidelity Select Semiconductors	78.1%
2	Fidelity Advisor Semiconductors A	74.9
3	PGIM Jennison Technology A	65.4
4	Virtus Zevenbergen Technology A	65.1
5	Baron Technology Retail	62.4
6	Nationwide Bailard Tech & Sci A	62.2
7	BNY Mellon Technology Growth A	60.0
8	Fidelity Select Technology	59.8
9	Fidelity Advisor Technology A	59.2
10	Goldman Sachs Technology Opps A	57.8
CATEGORY AVERAGE		14.8%

3 YEARS		3-YEAR ANNUALIZED RETURN
1	Invesco SteelPath MLP Alpha Plus A	38.9%
2	Fidelity Select Energy Portfolio	36.7
3	Fidelity Advisor Energy A	36.2
4	Invesco Energy A	33.7
5	Hennessy Energy Transition Investor	33.5
6	Rydex Energy Inv	31.9
7	MainGate MLP A	31.9
8	Eagle MLP Strategy A	31.7
9	Victory Global Energy Transition A	31.2
10	Recurrent MLP & Infrastructure Class I	31.0
CATEGORY AVERAGE		5.9%

5 YEARS		5-YEAR ANNUALIZED RETURN
1	Fidelity Select Semiconductors	34.2%
2	Fidelity Advisor Semiconductors A	33.3
3	Rydex Electronics Inv	29.6
4	Fidelity Advisor Technology A	26.1
5	Columbia Seligman Global Tech A	25.5
6	Columbia Seligman Tech & Info A	25.1
7	Fidelity Select Technology	24.9
8	Putnam Global Technology A	23.7
8	Fidelity Select Construction & Hsg Port	23.1
10	Columbia Global Technology Growth A	21.6
CATEGORY AVERAGE		9.7%

10 YEARS		10-YEAR ANNUALIZED RETURN
1	Fidelity Select Semiconductors	25.5%
2	Fidelity Advisor Semiconductors A	24.8
3	Rydex Electronics Inv	20.8
4	Columbia Seligman Global Tech A	19.8
5	Columbia Seligman Tech & Info A	19.6
6	Fidelity Advisor Technology A	19.2
7	Putnam Global Technology A	18.8
8	Fidelity Select Technology	18.7
9	Columbia Global Technology Growth A	18.5
10	BlackRock Technology Opportunities Inv A	17.2
CATEGORY AVERAGE		6.9%

ALTERNATIVE

A wealth of options.

Eclectic, nontraditional strategies that offer diversification from stocks and bonds fit here. Three bitcoin funds—all invest in bitcoin futures contracts—soared to the top of the one-year table after prices of the digital currency rebounded. But options-based strategies pack the tables. JPMorgan Hedged Equity 3, in the one-year table, and its older sibling, JPMorgan Hedged Equity, a 10-year winner, have the same managers and employ a similar strategy. Part of each fund is invested in stocks to track the S&P 500; the rest is in options to protect against market sell-offs. Over the past decade, Hedged Equity beat the average balanced fund, which invests 60% in stocks and 40% in bonds, with less volatility.

Commodities funds had a terrible 2023, posting an average loss of almost 6%, but they dominate the three-year tables because of hearty gains in 2021 and 2022. Camelot Event Driven targets shares in firms involved in mergers, takeovers and other corporate moves. K

1 YEAR		1-YEAR TOTAL RETURN
1	Bitcoin Strategy ProFund Investor	133.4%
2	Cboe Vest Bitcoin Str Mgd Vol Inv	101.4
3	Catalyst Nasdaq-100 Hedged Equity A	35.9
4	IDX Risk-Managed Bitcoin Str Instl	28.4
5	Catalyst Systematic Alpha A	24.3
6	CBOE Vest US Large Cap 10% Buffer Inv	18.8
7	Dunham Dynamic Macro A	18.4
8	JPMorgan Hedged Equity 3 A	18.3
9	Gateway Equity Call Premium A	17.3
10	AQR Equity Market Neutral N	16.7
CATEGORY AVERAGE		6.7%

3 YEARS		3-YEAR ANNUALIZED RETURN
1	AQR Style Premia Alternative N	22.2%
2	AQR Equity Market Neutral N	20.3
3	PIMCO CommoditiesPLUS Strategy A	20.2
4	AQR Risk-Balanced Commodities Strat N	18.8
5	Rydex Commodities Strategy H	17.2
6	AQR Alternative Risk Premia N	15.1
7	Catalyst Systematic Alpha A	14.2
8	VanEck CM Commodity Index A	14.2
9	AQR Managed Fututres Strategy HV N	13.1
10	Columbia Commodity Strategy A	13.1
CATEGORY AVERAGE		4.1%

5 YEARS		5-YEAR ANNUALIZED RETURN
1	Catalyst Systematic Alpha A	17.2%
2	AQR Risk-Balanced Commodities Strat N	16.4
3	PIMCO CommoditiesPLUS Strategy A	13.3
4	CBOE Vest US Large Cap 20% Buffer Inv	12.2
5	Camelot Event Driven A	12.2
6	Abbey Capital Multi Asset A	11.2
7	Parametric Commodity Strategy A	11.2
8	VanEck CM Commodity Index A	10.3
9	AlphaCentric Premium Opportunity A	10.0
10	Campbell Systematic Macro A	9.9
CATEGORY AVERAGE		5.0%

10 YEARS		10-YEAR ANNUALIZED RETURN
1	LoCorr Long/Short Commodity Strats A	7.8%
2	Camelot Event Driven A	7.6
3	JPMorgan Hedged Equity A	7.3
4	Glenmede Secured Options	5.9
5	Federated Hermes MDT Market Neutral A	5.6
6	AXS Multi-Strategy Alternatives Inv	5.5
7	MAI Managed Volatility Investor	5.2
8	Ironclad Managed Risk	5.1
9	Virtus AlphaSimplex Mgd Futs Strat A	4.9
10	Bridgeway Managed Volatility	4.8
CATEGORY AVERAGE		3.0%

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TAKE THE MIDDLE ROAD

Midsize companies promise a long runway for growth, with less volatility than smaller firms.

BY KIM CLARK

SMALL-company stocks are notoriously volatile. And these days, large-company stocks seem expensive. So for Goldilocks-style investors, medium-size companies can seem just right. After all, the firms in the middle range of the stock market have survived the risky small-company stage "and still have a long runway for future growth. They are in a sweet spot," says Stephen Grant, manager of the Value Line Mid Cap Focused Fund, which has notched a 10-year average annual return of 12.8%, edging the 12.0% return of the large-company S&P 500 index over the same period.

Before you dive into midsize stocks, consider their parameters. There's surprising variation in what counts as a medium-size company. Generally, investors gauge a company's size by the value of its outstanding shares, or market capitalization. The stocks in the middle range are called mid caps. Stocks in the S&P 400, one of the most-cited indexes of mid-cap companies, have an average market cap of $6.8 billion, but the index lists stocks with values running from $1.7 billion to nearly $18 billion. FTSE Russell, which produces broader indexes, defines mid caps as the 800 companies below the 200 largest in the Russell 1000 index.

GETTY IMAGES

Companies in the Russell Midcap index range in size from $3 billion to about $65 billion, with an average market cap of $23 billion.

Investors have to be choosy with stocks in this range. The history of mid caps' performance serves as a caution against blanket bullishness, says Zach Johnson, chief investment officer for Stack Financial Management. Large-cap stocks have, on average, outpaced mid caps in nine of the past 10 years. The S&P 400's 16.4% return in 2023, although strong by historical standards, lagged the index of larger companies; the S&P 500 index returned 26.3%.

That's one reason the S&P 400 was trading at an average price multiple of just 14.4 times its companies' expected earnings over the next 12 months, compared with a price-earnings ratio of 19.5 for the S&P 500. Bargain hunters need to be selective and patient, Johnson says. He expects midsize valuations will start to close the gap relative to their larger brethren, and that promises relative outperformance, "but you just never know when" it will happen, he says. He advises mid-cap investors to focus on firms with good businesses and strong balance sheets. "The fundamentals of finance matter in the end," he says.

Below, we've listed five promising companies within the broader mid-cap range. Prices and other data are as of December 31, unless otherwise noted.

Before you dive into mid-cap stocks, consider their parameters. There's surprising variation in what counts as a medium-size company.

→ MARKEL GROUP

Markel Group, a Richmond, Va.–based insurer, is a "mini Berkshire Hathaway," says Bruce Kennedy, a portfolio manager for the DF Dent Midcap Growth fund, a member of the Kiplinger 25, the list of our favorite no-load mutual funds. Like Berkshire, the company uses cash from its operations to buy stable (if not flashy) companies. Among Markel's holdings are Costa Farms, one of the nation's largest houseplant growers, and Ellicott Dredges, the oldest manufacturer of ships that can suck up sand and dirt from the bottoms of waterways. Another Berkshire parallel: Markel has more cash in reserve than it owes in debt. The stock has grown steadily for decades. It traded at $12 in 1987, and it closed out 2023 at $1,420, giving it an annualized growth rate of about 14% and a market value of $18.8 billion.

Markel's overall revenues have grown steadily. And though profits have been affected by dropping valuations of the bonds it holds to fund insurance payoffs, the company is on a pace to report $113 per share in profits for 2023. Analysts expect earnings to grow by an average of about 7% a year over the next three years. The stock was recently trading at 16 times expected 2024 earnings. At that valuation, Kennedy described the investment as "a grinder" that he's happy to own. It won't be a top or bottom performer, he says, but will grind out gains for the long term.

→ ON HOLDING

Zurich-based On Holding makes distinctive athletic shoes, such as running shoes with soles made of light, flexible honeycombed tubes. Runners apparently love them, and as a result, so do many investors and analysts. "It is a great brand with a huge market opportunity that continues to take share from competitors," says David Baron, portfolio manager of the mid-cap heavy Baron Focused Growth Fund. On, which trades on the New York Stock Exchange, increased its global sales by more than sevenfold between 2019 and 2023 to reach $2.1 billion. The stock returned nearly 60% in 2023, closing the year at $27, giving it a market capitalization of $8.6 billion. Baron said he was a buyer in late 2023 at prices in the mid $20s because of the company's rapid growth and lucrative profit margins. On's global sales reach and low-debt balance sheet insulate it from the vagaries of the U.S. economy, he adds. "I'm even more bullish on the stock now than I was six or seven months ago," says Baron. He expects the company's sales to be turbocharged in late 2024, when the Swiss Olympic team wears its On-created uniforms.

Sixteen of the 20 analysts who follow the stock, trading at a P/E of 39, rate it a "buy." Morgan Stanley's Alex Straton calls On one of the most attractive companies in the sports-apparel niche, in part because it has been able to increase sales without much discounting. The company's tennis shoes—named "the Roger," after investor and brand representative Roger Federer—retail for $199.

→ TERADATA

Teradata is a cloud-computing firm that helps companies analyze and make the best use of their data.

The stock has had a bumpy ride over the past five years, closing out December at $44 a share—close to its price at year-end 2018. With a market capitalization of just $4.3 billion, it's one of the smaller mid-cap companies. But it is the single biggest holding in the Heartland Mid Cap Value fund. The fund's lead manager, Colin McWey, is betting the stock is more of a bargain than indicated by its P/E of nearly 19. Recurring revenues from Teradata's cloud-computing services snowballed by more than 60% in 2023. McWey expects the rapid growth to continue, pushing the company's total revenues ahead by more than 10% a year. Teradata's stock price in relation to revenues doesn't reflect that potential, he says: "Teradata trades at a recurring-revenue multiple that implies no growth."

Eight of the 11 Wall Street analysts who follow the company are similarly bullish. Analysts have, on average, set a target price of $62 for the shares over the next 18 months, implying they see room for gains of more than 40%.

→ WASTE CONNECTIONS

Investors who focus on Wall Street's darlings can miss out on profitable opportunities, says Value Line's Grant. "The glamour stocks are the ones that people tend to overpay for," he says. That's one reason he sees opportunity in the definitively unglamorous Waste Connections, the third-largest hauler and recycler of non-hazardous trash in the U.S. The company is headquartered in Canada but trades on the New York Stock Exchange—at a relatively lofty P/E of 33, reflecting a "growthy" outlook. Grant says his single most important criterion for choosing a stock is whether the company has a 10-year history of increasing earnings per share, and Waste Connections checks that box. It reported earnings of $1.58 per share in 2013, and it is expected to report $3.42 in 2023. Its 10-year compound annual earnings growth rate is in excess of 8%.

Of the 22 Wall Street analysts who follow Waste Connections, 17 rate the stock a "buy." The analysts at Truist Securities like the way that trash hauling is insulated against the ups and downs of the economic cycle. The stock is "an attractive place to park capital amid current macro uncertainty," they say. Trading at $149 per share, the company has a market capitalization just north of $38 billion. Truist's analysts have set a target price for the company of $160 in 2024.

→ ZOOM VIDEO COMMUNICATIONS

The application we all used to talk with one another during the COVID shutdowns took a beating when we could connect in real life again. At the end of 2023, Zoom's stock was trading at $72, a long way off from its October 2020 peak of $568. The recent price translates into a market capitalization of $21.9 billion. ARK Invest CEO Cathie Wood was buying shares in late 2023. "I'm pretty excited about the artificial intelligence products and services that Zoom is evolving," she says. One such service is automated meeting summaries. Zoom, which is a top-five holding in the ARK Innovation exchange-traded fund, has seen its profitability rebound recently. For the fiscal year ending January 31, Zoom is on pace to report $1.33 per share in earnings, up from just 34 cents in the previous year. The company is attractively priced, trading at less than 16 times expected earnings for the next 12 months. Perhaps more important for growth-focused investors is the stock's PEG ratio, which is the P/E divided by the expected growth rate over the next three to five years. Zoom's PEG ratio was recently under 0.4; anything below 1 is generally viewed as a sign of strong growth.

Morningstar senior equity analyst Dan Romanoff believes there is plenty of room for the stock to rise. Noting that the company is debt-free and that demand for online meeting spaces continues to be robust, he has pegged Zoom's fair value at $89 per share, implying a 24% upside.

You can contact the author at Kim.Clark@futurenet.com.

SWEET SPOT

Promising Midsize Stocks

Though all the companies below are mid caps, they span a range of market values—as well as industries.

Company	Symbol	Price	Market value (billions)	Price-earnings ratio	1-year total return
Markel Group	MKL	$1,420	$18.8	16	7.8%
On Holdings	ONON	27	8.6	39	57.2
Teradata	TDC	44	4.3	19	29.3
Waste Connections	WCN	149	38.4	33	13.4
Zoom Video Communications	ZM	72	21.9	16	6.2

AS OF DECEMBER 31. Sources: Morningstar Direct, S&P Global Market Intelligence.

The Newest Allocation Fad?

The 25x4 portfolio is supposed to be the new 60/40. Should you bite?

BY NELLIE S. HUANG

AFTER a disastrous market in 2022, many strategists claimed that the 60/40 portfolio, which holds 60% of assets in stocks and 40% in bonds, was dead. In its place, some strategists suggested investors consider the 25/25/25/25 portfolio, which calls for dividing your assets evenly into stocks, bonds, commodities and cash. "We believe the 25/25/25/25 portfolio will outperform the 60/40 portfolio in the 2020s," says Michael Hartnett, a chief investment strategist at BofA Global Research.

The simplest reason is that interest rates and inflation are higher than in decades past. The 60/40 portfolio worked best when inflation and interest rates were low or falling, says Hartnett. But this decade he expects higher inflation and interest rates, with added volatility, creating market conditions that are well suited for cash and commodities to outperform bonds and stocks.

So far, though, that hasn't played out. Although the 25x4 portfolio did marginally better than a 60/40 portfolio in 2022, over longer periods, it has lagged. A 60/40 portfolio has gained 4.6% annualized over the past three years; a 25x4 portfolio has lost 0.4% on average per year.

Think twice. In short, don't count the 60/40 portfolio out yet. "Over the years, the 60/40 portfolio has held up for investors, and it's actually provided wonderful returns with low risk levels," says Jan Holman, director of adviser education at Thornburg Investment Management.

This isn't the first go-around for the 25x4 portfolio. It got its start decades ago by way of Harry Browne, the late investment adviser and two-time Libertarian Party presidential candidate (in 1996 and 2000). In Browne's so-called Permanent Portfolio strategy, investors held 25% in cash, 25% in gold, 25% in long-term bonds and 25% in stocks, rebalancing annually. The idea was that the four asset classes would help minimize risk no matter the market or economic condition.

Browne helped develop a no-load mutual fund tied to the 25x4 strategy called the Permanent Portfolio Permanent (symbol PRPFX), which launched in 1982. But it's not a straight-up version of his approach. Instead, the fund is more "dynamic," says fund manager Michael Cuggino. It targets an allocation of 30% stocks, 25% precious metals (20% in gold and 5% in silver) and 45% in bonds and cash (10% of which is denominated in Swiss Francs). The stock side of the portfolio includes a mix of real estate and natural-resources stocks, such as Prologis and ExxonMobil, as well as aggressive growth stocks, such as Nvidia and Meta Platforms. "The fund's goal is to outpace inflation," says Cuggino, a fund manager since 2003.

The fund's annualized 5.7% return over the past decade has indeed beaten the 2% average inflation rate over the period. And it has been far less volatile over that time than its peers (moderate allocation funds), which typically hold about 60% of assets in stocks. But 63% of its peers did better, generating an average 6.1% annualized 10-year return.

That's evidence that it's important to think through any allocation strategy carefully before you implement it. "Asset allocation should always be decided on an individual basis and in the context of a comprehensive financial plan, not based on a gimmick," says Gordon Achtermann, a certified financial planner in Fairfax, Va. As an alternative, consider a low-cost target-date fund. "You won't beat the market," he says, "but you won't get badly hurt, either."

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DIFFERENT STROKES

Three Ways to Diversify

The returns below reflect varied portfolio constructions over time.

Portfolio	Symbol	Annualized total return 1 yr.	3 yrs.	5 yrs.	2022
60/40 Portflio	*	18.0%	4.6%	9.8%	–16.1%
25x4 Portfolio	**	11.7	–0.4	6.0	–13.9
Permanent Portfolio Permanent I	PRPFX	12.0	5.5	10.3	–5.5

AS OF DECEMBER 31, 2023. *60/40 portfolio is 60% iShares Core S&P 500 ETF (symbol IVV), 40% iShares Core U.S. Aggregate Bond ETF (AGG). **25x4 portfolio consists of iShares Core S&P Total US Stock Market ETF (ITOT), iShares Gold Trust (IAU), iShares 1-3 Year Treasury Bond ETF (SHY) and iShares 20+Year Treasury Bond ETF (TLT). Source: Morningstar Direct.

PROTECTING YOUR BROKERAGE HOLDINGS

The Securities Investor Protection Corp. will help get your cash and securities back if your broker-dealer fails.

INSIDER INTERVIEW BY KIM CLARK

EXTRAPOLATING from letters we receive, it's fair to say the Securities Investor Protection Corp. is one of the most misunderstood organizations in the investment world. SIPC was created by a 1970 federal law to protect investors against the loss of cash and securities when a member brokerage fails or runs into financial trouble. All registered broker-dealers, with a few exceptions, are SIPC members. But SIPC is not a government agency and has no regulatory or investigatory powers. It will not reimburse you if the value of your investment drops or if you are victimized by a fraud.

This small nonprofit organization's mission is to return investors' holdings when a brokerage fails—and only in a limited set of circumstances. Since its 1970 creation, SIPC has overseen the liquidations of 330 failed brokerage houses and returned more than $140 billion to more than 773,000 investors. Fortunately, SIPC hasn't had to handle a new brokerage failure case since 2017. To get some clarity on how SIPC works, we sat down with CEO Josephine Wang at SIPC's Washington, D.C., headquarters.

KIPLINGER: How does SIPC protection work?
WANG: We protect the custodial function of brokerage houses. Whatever cash or securities the broker is holding for you, we make sure that you get that back, within certain limits. We don't protect against fraud or market losses. We do protect against theft. So if you're a victim of a pump-and-dump scheme where the broker-dealer convinces you to buy 100 shares of XYZ and the value drops, all we can do is return those securities to you, whatever the value may be.

But if there's theft—like what Bernie Madoff did, conducting a Ponzi scheme by taking money from some customer accounts to pay out fictitious gains to other customers—that's where SIPC protection applies, because we do protect customers against the loss of cash and securities entrusted to the broker. Or, if the broker-dealer, without your permission, takes your money and buys 100 shares of ABC for you, we will unwind that transaction and return your money. But you have to prove that the transaction was not authorized, preferably using things like written notes or records of your instructions to your broker. This is why it's important to read your account statements and to complain promptly of any irregularity in your account.

How are you different from the Federal Deposit Insurance Corp.? What we do is somewhat similar to what the FDIC does, but there are some important differences. The FDIC is a federal agency that regulates banks. We are a nonprofit membership organization of broker-dealers. We have no regulatory or enforcement authority, so we don't have any insight into the financial status of brokerages. That is monitored by the Securities and Exchange Commission or Finra [the Financial Industry Regulatory Authority], the self-regulatory body for brokers.

When does SIPC protection come into play? If the regulators tell us a firm is in financial trouble and customers need our protection, we review the information. If we agree that the situation is covered by SIPC, we ask a federal court to place the firm in liquidation. The liquidation proceeds in bankruptcy court like a regular bankruptcy case—except that we can provide funding to return cash or securities to account holders.

How do you return investors' holdings? Ideally, we try to transfer customer accounts to another brokerage shortly after the firm is placed in liquidation. That allows the customers to get back into their accounts as quickly as possible. That is what happened when Lehman Bros. failed in 2008. The accounts were transferred to different brokerages. All Lehman customers with valid claims were made whole. If we can't transfer accounts to another brokerage, customers have to go through a

IF THE BROKER-DEALER, WITHOUT YOUR PERMISSION, TAKES YOUR MONEY AND BUYS 100 SHARES OF ABC FOR YOU, SIPC WILL UNWIND THAT TRANSACTION AND RETURN YOUR MONEY.

COURTESY OF SIPC

claims process, which is what happened in the Madoff case. That case is still ongoing. By suing those who enabled the fraud and clawing back the fraudulent profits taken by some investors, the Madoff trustee, with SIPC's support, has recaptured more than $14.4 billion for Madoff customers. Anyone who had a claim of up to $1.7 million in deposits has gotten their deposits back. Anyone who deposited more than that has gotten about 71 cents on the dollar so far.

To be clear: In the Madoff case, you are only returning people's initial deposits, not their bogus gains? And you have sued some of Madoff's customers to force them to give back money they thought they were legitimately earning? It is a difficult case. In fairness to everyone, the true victims are the people whose money was stolen and used to pay fictitious profits to others. Some people were receiving other customers' money and were able to buy, say, a vacation home, whereas the person who left the money in the account had nothing. But for Madoff clients, the Madoff trustee set up a hardship program. So if returning the money truly creates a hardship for you, you can ask for relief from the clawbacks.

How much of my money in a brokerage account does the SIPC protect? A total of $500,000 for cash and securities, of which up to $250,000 can be cash. What that means is that if your firm fails and you have $500,000 in securities that are owed to you, which are for whatever reason missing, we will go into the market and buy those securities and return them to you.

A lot of investors have more than $500,000 in their investment accounts. How can people protect larger accounts? That cap is set by Congress. Our protection is geared toward smaller investors. But it is possible to hold accounts in different capacities. So, for example, if you have an account in your name, and you have another joint account with your spouse, and you have another trust account, each of those would be eligible for separate protection.

Do you protect cryptocurrency investments or holdings? Not currently. That's something that we and all the regulators are grappling with. Unless cryptocurrency is defined as a security under our statute, it's not going to be protected. We need the courts to rule on this or Congress to act to determine what exactly cryptocurrencies are and how they should be regulated.

How are you funded? We are funded by a fee that all SIPC member broker-dealers pay. We have built up a reserve fund of about $4.4 billion. And we can borrow up to $2.5 billion from the U.S. Treasury—which we have never had to do. We are aiming to get our reserve fund to $5 billion.

If I have a problem with my brokerage, do I call you? No. You should call your firm. Then escalate it to a regulator. The SEC and Finra have online complaint forms that are easy to access.

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A Green Light for Bonds

INCOME INVESTING BY JEFFREY R. KOSNETT

THE simultaneous and overdue rallies in stocks and fixed income ought to disabuse everybody of the tiresome tendency to malign such events as a mirage or market manipulation or, worst of all, a knee-jerk denial of U.S. economic challenges. The nation is in sound economic stead, especially compared with China and Europe—political strife or 2022's inflation spike notwithstanding. My interpretation of the surge, which reinforces my constructive stance for the year ahead, is that gobs of fine investments were oversold in '22 and left dangling for 10 months in '23 until cumulative positive earnings, disinflation trends and confidence that the Federal Reserve did its job right (as it did in 2009) broke the logjam.

Scattered challenges remain, such as sticky mortgage rates and the perilous condition of commercial real estate. The "last mile" to drag the inflation indexes from the low 3% range to 2% will be slow to travel. But the key numbers are already closer to the ideal environment for income investors of 2% inflation, 2% long-term interest rates and 2% economic growth than even I imagined a year and a half ago. I have repeatedly advised patience with hitherto successful securities. I sincerely hope the bulk of my readers paid heed.

As a bonus, cash is still working hard. In late December, you could get 5%-plus on three-month bank deposits. But by midyear, short rates will start dropping, and those holding big balances will transfer plenty of cash into the markets for fear of missing out; that process has already started. And the buying power is massive: Record U.S. money market fund assets of $6 trillion equal the combined gross domestic product of France and the United Kingdom.

Where to invest. So, then, what to do? On the bond side, lock in high yields ASAP, because rates are falling further. A ladder of ***Invesco BulletShares Corporate Bond*** exchange-traded funds due in years 2025 through 2033 was recently priced for a yield to maturity above 5%, with a good shot at capital gains, too. Individual high-quality bonds, such as ***Federal Home Loan Bank*** and ***Federal Farm Credit*** debts due in 2028, are available with one click for even higher yields to maturity; these agency bonds were recently listed at 5.8%. Like higher yields? My candidate for the ETF rookie of the year for 2023 is ***BondBloxx High Yield Sector Rotation (symbol HYSA)***. The fund's subadviser allocates money across seven industry sectors, balancing high current yield with credit prospects. This ETF of ETFs recently yielded 8.6%.

We are already closer to the ideal environment for income investors than even I imagined a year and a half ago.

PHOTO BY BOB CROSLIN

Its net asset value is growing.

Stock investors should shake off the inevitable brief sell-offs as long as they are purely a reset of valuation. Recession chances are diminishing, and that will pump up profits and keep total returns in the green. Dividend yield is prominent on the menu. Those who thought that shares of AT&T, Realty Income and bank stocks were cheap for good reason, despite yields of 5% to 7%, now realize the shares were merely misunderstood and oversold.

Nothing is the blatant bargain it was in October, but as interest rates fall in 2024, the doubters will lose one of their favorite arguments: the idea that corporations, including real estate investment trusts and energy companies, were about to be forced to refinance their debt at punitive rates. That is no longer an issue. So anywhere you see a yield over 5%, unless it is a special case (such as Pfizer with its product problems), you can bet that investors looking to put money to work are kicking the tires.

Jeff Kosnett is editor of* Kiplinger Investing for Income. *You can reach him at Jeff.Kosnett@futurenet.com.

WHAT WORKED IN 2023

KIPLINGER ETF 20 UPDATE BY NELLIE S. HUANG

A look at the Kiplinger ETF 20, our favorite exchange-traded funds, reveals a lot about what worked in the stock market in 2023. Stocks had a good year overall, but performance was lopsided.

Seven stocks—Alphabet, Amazon.com, Apple, Meta Platforms, Microsoft, Nvidia and Tesla—propelled the broad market in 2023. Funds that held any of the so-called Magnificent 7 fared well. ***iShares Core S&P 500***, which owns all seven, returned 26.3%. ***Technology Select Sector SPDR*** owns just Apple, Microsoft and Nvidia, but together they make up half of the portfolio. The fund gained 56.0%. ***iShares MSCI USA ESG Select*** climbed 23.9%—it owns all but Amazon.com and Meta. Meanwhile, ***JPMorgan US Quality Factor***, a fund we added to the ETF 20 in mid 2023, gained 25.1% for the calendar year thanks in part to Alphabet, Apple, Meta, Microsoft and Nvidia. (Since it joined the roster, the ETF has gained 8.9%, beating the S&P 500 over the same period.)

Small-cap survivors. By contrast, small- and midsize-company stock funds, which don't own the mega-size Mag 7, had a choppy year. Even so, ***iShares Core S&P Mid-Cap*** gained 16.4%, and ***iShares Core S&P Small-Cap*** earned 16.1%.

But the Mag 7 don't explain every up market. A weakening dollar in late 2023 helped international stocks end the year well. ***Vanguard Total International Stock*** gained 15.9% in 2023. European stocks led developed markets; ***Vanguard FTSE Europe*** finished with a 20.2% gain. And ***WisdomTree Global ex-US Quality Dividend Growth***, our international dividend-stock fund, returned 17.0%, aided by gains in Novo Nordisk and Taiwan Semiconductor Manufacturing.

Our U.S. dividend-stock funds were a mixed bag. ***Schwab U.S. Dividend Equity***, which focuses on high-yielders, lagged ***Vanguard Dividend Appreciation***, which favors companies that raise dividends. You might guess the reason: Microsoft and Apple top the Vanguard fund. The Schwab fund holds none of the Magnificent 7.

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KIPLINGER ETF 20: VITAL STATISTICS

			Annualized total return				
Core Stock Funds	**Symbol**	**Price**	**1 yr.**	**3 yrs.**	**5 yrs.**	**Yield**	**Expense ratio**
iShares Core S&P 500	IVV	$478	26.3%	10.0%	15.6%	1.5%	0.03%
iShares Core S&P Mid-Cap	IJH	277	16.4	8.1	12.6	1.6	0.05
iShares Core S&P Small-Cap	IJR	108	16.1	7.2	11.0	1.9	0.06
iShares MSCI USA ESG Select	SUSA	101	23.9	8.3	15.9	1.4	0.25
Vanguard Total International Stock	VXUS	58	15.9	2.0	7.4	3.2*	0.07
Dividend Stock Funds							
Schwab US Dividend Equity	SCHD	$76	4.6%	9.5%	14.0%	3.6%	0.06%
Vanguard Dividend Appreciation	VIG	170	14.5	8.5	13.8	1.9	0.06
WisdomTree Global ex-US Qual Div Growth	DNL	37	17.0	1.8	11.2	2.2	0.42
Strategic Stock Funds							
Invesco Optimum Yield Divers Commod Strat No K1	PDBC	$13	-5.5%	10.2%	6.1%	4.2%	0.59%
Invesco S&P 500 Equal Weight Health Care	RSPH	30	3.9	5.1	11.6	0.7	0.40
JPMorgan US Quality Factor	JQUA	48	25.1	11.7	15.8	1.5	0.12
SPDR S&P Kensho New Economies Composite	KOMP	47	20.1	–5.5	13.3	0.8	0.20
Technology Select Sector SPDR	XLK	192	56.0	15.0	26.7	0.8	0.10
Vanguard FTSE Europe	VGK	64	20.2	5.7	9.2	3.1*	0.11
Core Bond Funds							
Fidelity Total Bond	FBND	$46	6.8%	–2.4%	2.2%	5.1%	0.36%
Invesco BulletShares 2026 Corp Bd ETF	BSCQ	19	5.7	–1.6	3.6	5.0	0.10
SPDR DoubleLine Total Return Tact ETF	TOTL	40	5.6	–2.6	0.5	5.6	0.55
Opportunistic Bond Funds							
BlackRock Ultra Short-Term Bond	ICSH	$50	5.6%	2.2%	2.3%	5.6%	0.08%
Invesco Senior Loan	BKLN	21	12.5	3.9	4.6	8.1	0.65
Vanguard Tax-Exempt Bond	VTEB	51	6.2	–0.4	2.2	3.4	0.05
Indexes							
S&P 500			26.3%	10.0%	15.7%	1.5%	
MSCI EAFE			18.2	4.0	8.2	3.1	
BLOOMBERG U.S. AGGREGATE BOND INDEX			5.5	–3.3	1.1	4.5	

AS OF DECEMBER 31, 2023. *12-month yield (all other yields are 30-day SEC yields). —Fund not in existence for entire period. SOURCES: Morningstar Direct, MSCI, S&P Dow Jones Indices.

FINDING BOND MARKET VALUES

KIPLINGER 25 UPDATE BY NELLIE S. HUANG

NUMBERS don't always tell the whole story. In 2023, for instance, the Bloomberg U.S. Aggregate Bond index gained 5.5%. But it was an especially volatile period, capped by a late-year rally.

Baird Aggregate Bond fund finished 2023 with a 6.1% gain. "We don't love the volatility, but it presents opportunity, and we've been able to add value throughout the year," says Mary Ellen Stanek, who leads the fund's 10-person team with her co-chief investment officer, Warren Pierson.

As the market for mortgage-backed securities weakened in the early part of the past year, for instance, the managers found good opportunities, particularly in commercial mortgage-backed securities. "We aren't Pollyannaish about CMBS," says Pierson, referring to concerns that continue to weigh on the sector, including rising delinquency rates. But he says the managers built in some protection by focusing on triple-A-rated, senior-tranche issues, which get repaid first in case of a default.

The fund is light on Treasuries these days relative to the Agg index as a result; the managers shed government debt to buy the mortgage securities. And corporate bonds account for nearly 40% of the portfolio in part because they currently offer better yields than government debt. That tilt helped performance in 2023, as corporate bonds outperformed other high-quality fixed-income sectors. "We're not getting out a broad brush and buying them all," says Pierson, "but we see where there's value."

The Baird managers aim to beat the Agg index, and over the fund's 23-year history, they have. Since it launched in 2000, Baird Aggregate Bond has returned 4.1% annualized, outpacing the Agg's 3.9% return over the same period. "Staying the course and not trying to outguess the short-term direction of interest rates is our mind-set and process. And it works," says Stanek, who with Pierson has been at the fund from the start. Baird Aggregate Bond yields 4.4%.

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KEY DATA FOR OUR MUTUAL FUND PICKS

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

U.S. Stock Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
DF Dent Midcap Growth	DFDMX	22.9%	11.9%	9.4%	0.0%	0.87%
Dodge & Cox Stock	DODGX	17.5	13.9	10.4	1.4	0.51
Fidelity Blue Chip Growth	FBGRX	55.6	20.5	15.8	0.0	0.69
Heartland Mid Cap Value	HRMDX	13.4	13.5	—	0.7	1.10
Mairs & Power Growth	MPGFX	27.7	14.3	10.2	0.8	0.63
T. Rowe Price Dividend Growth	PRDGX	13.7	13.9	11.3	1.1	0.64
T. Rowe Price Int US Sm-Cap Gr	PRDSX	21.2	11.5	9.0	0.0	0.80
T. Rowe Price Small-Cap Value	PRSVX	12.2	10.2	7.2	0.6	0.82
Primecap Odyssey Growth	POGRX	23.9	12.7	11.7	0.5	0.66
Vanguard Equity-Income	VEIPX	7.7	11.7	9.6	2.8	0.28

International Stock Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Baron Emerging Markets	BEXFX	8.0%	2.7%	2.2%	0.4%	1.38%
Brown Cap Mgmt Intl Sm Co	BCSVX	20.0	11.1	—	0.0	1.31
Fidelity International Growth	FIGFX	20.9	10.9	6.5	0.5	1.01
Janus Henderson Glbl Eq Inc	HFQTX	10.4	7.5	4.0	3.9	1.02

Specialized Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Fidelity Select Health Care	FSPHX	4.1%	10.6%	10.8%	0.0%	0.69%
T. Rowe Price Global Technology	PRGTX	55.9	12.4	14.4	0.0	0.95
TCW Enhanced Commod Strat	TGABX	-8.3	8.4	-0.1	3.1	0.75

Bond Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Baird Aggregate Bond	BAGSX	6.1%	1.3%	2.0%	4.4%	0.55%
Fidelity Interm Muni Income	FLTMX	5.5	2.2	2.5	3.1	0.35
Fidelity Strategic Income	FADMX	9.6	3.9	3.4	5.4	0.68
T. Rowe Price Floating Rate	PRFRX	12.3	5.2	3.9	8.6	0.78
TIAA-CREF Core Impact Bond	TSBRX	5.9	0.8	2.0	4.4	0.63
Vanguard Emerg Markets Bond	VEMBX	13.6	5.7	—	7.3	0.55
Vanguard High-Yield Corporate	VWEHX	11.6	5.1	4.3	6.4	0.23
Vanguard Short-Term Inv-Grade	VFSTX	6.1	2.0	1.9	4.9	0.20

Indexes	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield
S&P 500-STOCK INDEX	26.3%	15.7%	12.0%	1.5%
RUSSELL 2000 INDEX*	16.9	10.0	7.2	1.7
MSCI EAFE INDEX†	18.2	8.2	4.3	3.1
MSCI EMERGING MARKETS INDEX	9.8	3.7	2.7	3.0
BLOOMBERG U.S. AGG BOND INDEX#	5.5	1.1	1.8	4.5

AS OF DECEMBER 31, 2023. — Fund not in existence for the entire period. *Small-company U.S. stocks. †Foreign stocks. #High-grade U.S. bonds. SOURCES: Fund companies, FTSE Russell, Morningstar Inc., MSCI, S&P Dow Jones Indices. Yields listed for bond funds are SEC yields, which are net of fees; stock fund yields are the yield for the past 12 months.

Why I Am Not Buying Gold

STREET SMART BY JAMES K. GLASSMAN

IN early December, gold hit a record price of $2,147 an ounce. Investors are paying attention. With inflation running hot for three years in a row, is now the time to put gold in your portfolio?

Over the years, I have been a leading disparager. Consider just a few of the things I have written about gold in *Kiplinger* and elsewhere: "I am not a fan of gold" (1999). "Stay away from gold. It is a barbaric relic" (2002). "Let me put my prejudices on the table: I loathe gold" (2014). But is this time different? Let's begin with gold's biggest liability: With the exception of a single decade, it has not been a good long-term investment.

Forget Barrick Gold, Newmont Mining and Agnico Eagle, the large gold-mining companies. They have been terrible performers and are unlikely to get any better. The most convenient way to own the metal itself is via an exchange-traded fund such as SPDR Gold Shares (symbol GLD), whose value is linked to the price of bullion. Over the past 10 years, Gold Shares has returned a paltry 5.1% annualized, compared with 11.9% for SPDR S&P 500 (SPY), the ETF linked to the popular large-stock index. An investment of $10,000 in the gold fund became $16,445 over that time; the same amount in large-capitalization stocks became $30,782. The gold ETF was volatile, too. It lost money in five of the past 10 calendar years and beat the S&P ETF in only three.

An outlier decade. Gold's history isn't inspiring. After President Nixon ended the government's promise to convert dollars to gold at a fixed price, an ounce soared from an average of $36 in 1970 to $615 in 1980. But that amazing rise was an anomaly, driven by pent-up demand from price controls and a crazy decade of slow growth and high inflation because of poor fiscal and monetary stewardship.

In February 1981, I wrote an article for *The Atlantic* about the fears of gold enthusiasts ("goldbugs," as they were called) that the newly elected president, Ronald Reagan, and his Federal Reserve chief, Paul Volcker, would set America's economic house in order, thus crushing gold. Those fears were realized, and it took 27 years for the price of gold to get back to its 1980 level.

Gold tripled over the next five years, then stagnated and fell again. In 2016, gold seemed to anticipate the return of inflation—or maybe it just got too cheap, or investors got nervous about what the surprising new president would do. The Gold Shares ETF jumped just over a total of 50% during the Trump years, then flattened out from 2021 to 2023.

Since 1990, gold has gone from $386 an ounce to that recent record of $2,147. Sound good? That's an increase of a factor of a little less than six. Over the same period, the Dow Jones industrial average rose by a factor of 14. Gold increased at less than 5% annually; stocks, 8%. Obviously, such calculations depend on where you start, but any post-1980 analysis has gold rising at a far lower rate than stocks.

Here's the kicker: Gold doesn't pay dividends. Stocks do—and I am not even counting their dividends in the analysis above. In fact, if you hold physical gold, you have to pay a fee for the storage.

Fundamentals favor stocks over gold by a mile. As a commodity with no significant industrial use, gold increases mainly with the cheapening of the dollars used to purchase it (that is, the effect of inflation), plus the emotions—mostly fear—of the buyers. Gold also benefits from the rising wealth of the world, which drives the demand for jewelry, but that demand is counterbalanced with increasing supply through better mining. Production has risen 50% since 1997, which is one reason Barrick Gold's stock is cheaper today than it was then.

Gold has a mystique as a haven. But in times of catastrophe, gold's record is mixed.

The human factor. Stocks, by contrast, increase because the value of the underlying companies is determined by the imagination and diligence of the humans who manage

PHOTO BY NOAH WILLMAN

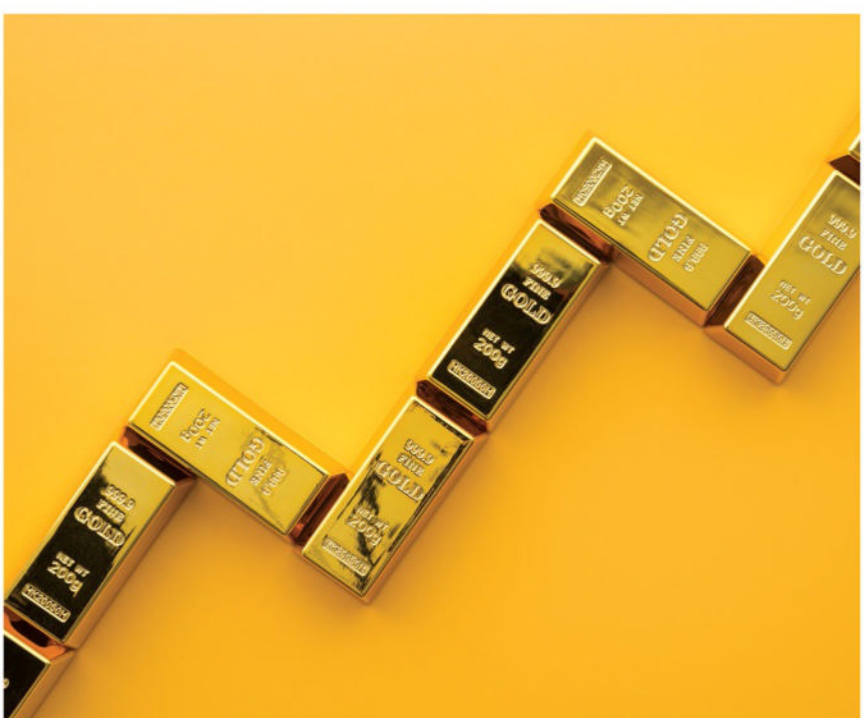
and work for them. When you buy stocks, you buy brains and hard work. You get to ride along on the dream train with the inventors of a phone that can tell you everything about the world and lets you video chat with relatives 10,000 miles away, the engineers who figured out how to drill for oil sideways, the scientists who developed treatments to put cancer into remission and medicine to make you thin, the builders of cruise ships that carry 8,000 passengers, the fashion designers who make yoga wear, and the streaming-media providers who make it possible to watch a TV series whenever and wherever you please.

Gold certainly has a mystique as a haven. But in times of catastrophe, gold's record is mixed. Yes, during the financial crisis of 2008, gold rose 5% as stocks dropped 38%. And when COVID struck in early 2020, the S&P 500 index fell 34% in just over five weeks while gold held nearly all its value. But after the attacks of 9/11, for example, gold and stocks performed about the same. Plus, when it comes to safe havens, U.S. Treasury bonds have typically been a better bet.

Stocks rise briskly over time—not every month or every year, but almost always over a decade and more. Gold does not.

Isn't gold a hedge against inflation? The rate of growth in the consumer price index zoomed from 1.2% in November 2020 to a peak of 9.1% in 2022—one of the steepest increases in U.S. history. During that time, stock prices rose, then fell, and wound up being flat overall. Gold was flat, too. In fact, gold didn't take off until the inflation rate peaked and started *falling.*

The reason that gold isn't an unmitigated delight during inflationary times is that when consumer prices rise, interest rates go up as well. Gold typically suffers when interest rates are high because it doesn't pay interest or dividends, so its relative position declines against bonds yielding 5% and stocks yielding 2%.



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And stocks, of course, rise briskly over time—not every month or every year, but almost always over a decade and more. Gold does not. The case for gold, in my view, is short term only, and it goes something like this: Currently, investors have become relaxed about inflation, with the Fed signaling that cuts in interest rates may be on the way. Having been far too pessimistic, Mr. Market may have gone overboard in the other direction.

Meanwhile, look at the world. The war in Ukraine could easily spread to other parts of Europe. The war in Gaza could ignite a conflagration not just with Hezbollah but with Iran itself. And what about North Korea? Taiwan? Some even say that democracy in the U.S. itself is in jeopardy and that the debt of the richest nation in the world is getting shaky.

I'm not an alarmist, and I am aware of gold's spotty record in crises. But, for all its deficiencies, gold remains the best prospective hedge against disaster. I am definitely not buying gold as an insurance policy, but, for investors with apocalyptic views, there is probably nothing better. K

James K. Glassman chairs Glassman Advisory, a public-affairs consulting firm. He does not write about his clients. His most recent book is* Safety Net: The Strategy for De-Risking Your Investments in a Time of Turbulence. *You can reach him at JKGlassman@gmail.com.

COUNTDOWN TO TAX DAY

April 15 is weeks away, but it's not too soon to get started on your 2023 tax return—and to prepare for the possibility that your taxes will go up in 2026.

BY SANDRA BLOCK

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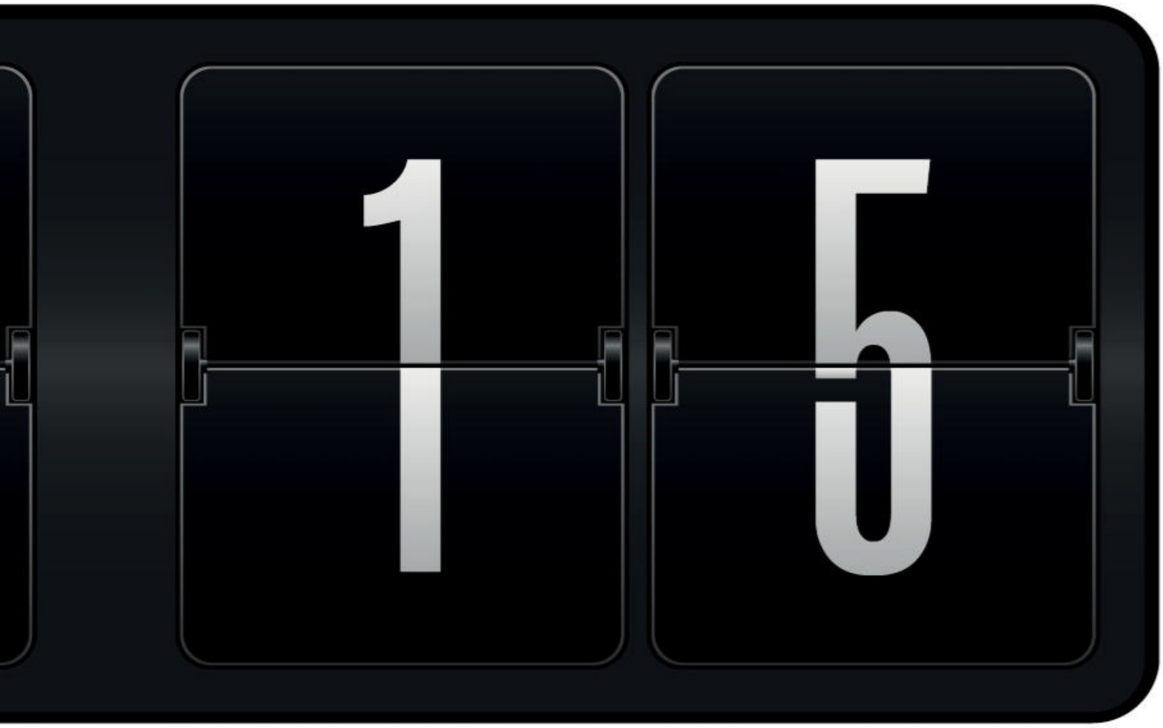

Thanks to technology, you can file your tax return from the comfort of your home as late as 11:59 p.m. on April 15. But there's much to be said for filing early. →

If you're due a tax refund, you'll be able to deposit the money that much sooner—an important consideration now that many savings accounts are paying interest of about 5%. Filing early will also make it more difficult for identity thieves to hijack your refund (more on how to protect yourself from refund fraud below). Finally, enrolled agents and certified public accountants tend to get booked up as the tax deadline nears, so it's wise to get a head start if you want to hire a professional to prepare your return.

As you review your tax situation, you may want to look past 2023, too, because an even more ominous deadline is looming. The 2017 Tax Cuts and Jobs Act is scheduled to expire on December 31, 2025. If Congress doesn't extend the provisions in the law, the majority of taxpayers will see their taxes go up, says Erica York, senior economist for the Tax Foundation. Keep reading for advice on steps you can take now that will shield you from future tax hikes.

WHAT'S NEW FOR 2023

Tax credits for electric vehicles. Thanks to the Inflation Reduction Act, you may be eligible for a tax credit of up to $7,500 if you purchased a new electric vehicle in 2023—or up to $4,000 if you bought a used EV. However, not all EVs are eligible for the credit. To qualify, the EV must have been assembled in North America, and the vehicle's battery components must have been primarily sourced in North America, too. You can find a list of qualifying EVs at http://afdc.energy.gov/laws/electric-vehicles-for-tax-credit.

In addition, to be eligible for the credit you must have 2023 modified adjusted gross income of less than $150,000 if you're single or $300,000 if you're married and file jointly. (MAGI is your adjusted gross income with certain deductions added back.) You can use your MAGI for the year you buy your EV or the previous year, whichever is less. Price matters, too. Vans, pickup trucks and SUVs with a manufacturer's suggested retail price of more than $80,000 are ineligible for the credit. For cars, the MSRP can't be more than $55,000; used EVs can't be more than $25,000. The Inflation Reduction Act also includes a break for taxpayers who install their own charging station. The law provides a tax credit of up to 30% of the cost of a home charging station, with a maximum credit of $1,000.

New credits for home energy-efficiency improvements. The Inflation Reduction Act has other provisions that let you claim a tax credit for 30% of the cost of eligible home improvements, up to a maximum credit of $1,200 on your 2023 tax return. There are, however, limits on specific types of improvements. Here's the rundown:

- $150 for home energy audits.
- $250 for an exterior door ($500 total for all exterior doors).
- $600 for exterior windows and skylights; central air conditioners; electric panels and related equipment; natural gas, propane or oil water heaters; and natural gas, propane or oil furnaces or hot-water boilers.
- $2,000 for electric or natural gas heat-pump water heaters, electric or natural gas heat pumps, and biomass stoves and boilers. (For this one category, the overall $1,200 annual limit may be exceeded.)

You need to file IRS Form 5695 to get the credit, and you must claim it for the year your energy-efficient property was installed, not the year it was purchased.

Didn't get around to replacing your drafty windows in 2023? Shiver no more: The $1,200 annual tax credit for home energy-efficiency improvements included in the Inflation Reduction Act extends through 2032, so if you install the windows this year, you'll be able to claim the credit when you file your 2024 tax return. Better yet, the credit replaces a $500 lifetime credit, so you can spread out costs eligible for the credit—by adding two new energy-efficient windows one year and a new door the next, for example—and claim the maximum credit each year through 2032. For eligible home improvements you make after 2024, you'll be required to provide a product identification number from the manufacturer when you claim the credit.

A more generous standard deduction. Every year, the IRS adjusts tax brackets, the standard deduction and a handful of tax provisions to account for inflation. These adjustments are designed to prevent inflation from pushing taxpayers whose real income hasn't changed into higher tax brackets. It also prevents inflation from eroding the value of credits, deductions and exemptions.

For 2023, the IRS increased the income thresholds for tax brackets by 7% from 2022, the largest adjustment in decades, says Lisa Greene-Lewis, a certified public accountant and tax expert for TurboTax. The adjustments to tax brackets are automatic, so they won't affect how you prepare your tax return. But if you've itemized in the past, don't assume that will also be the case this year, because you could get a lower tax bill by claiming the standard deduction.

For 2023, the standard deduction for single taxpayers is $13,850, compared with $12,950 for 2022. Married couples who file jointly are eligible for a standard deduction of $27,700, compared with $25,900 in 2022, and heads of household will be eligible to claim $20,800, up from $19,400 in 2022.

If you're 65 or older or blind, you're eligible for an additional standard deduction of $1,850 if you're single or file as head of household. If you're single or head of household and you're both 65 or older and blind, you're eligible for an additional deduction of $3,700. If you're married, the extra deduction is $1,500 per qualified spouse who is 65 or older or blind, or $3,000 per qualifying individual who is both 65 or older and blind.

That means a 65-year-old couple can claim a standard deduction of at least $30,700—even more if one or both is blind. For that reason, the majority of seniors are better off claiming

→ If you install energy-efficient windows this year, you'll be able to claim the credit when you file your 2024 tax return.

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the standard deduction, especially if they've paid off their mortgage and don't have a large amount of unreimbursed medical expenses.

Some younger taxpayers may still benefit from itemizing if they have a sizable mortgage, made large charitable contributions and qualify to deduct some of their unreimbursed medical expenses. For home loans acquired after December 15, 2017, you can deduct interest on a mortgage—or mortgages—of up to $750,000. (For loans taken out on or before that date, you can deduct interest on mortgage debt of up to $1 million.) You can also deduct up to $10,000 ($5,000 if you're married and file separately) in state and local taxes. Unreimbursed medical expenses that exceed 7.5% of adjusted gross income are deductible, too.

The only way to figure out whether you're better off itemizing or claiming the standard deduction is to run the numbers both ways, which tax software programs will do for you. But tax software is only as good as the information you provide, so if you're on the threshold to itemize, make sure you've gathered all of your receipts for unreimbursed medical expenses and charitable contributions.

Keep in mind, too, that there are several tax breaks available to taxpayers who don't itemize. These "above the line" deductions, which will lower your adjusted gross income, include deductible contributions to your IRA (see more on this tax break in "Last-Minute Tax Savers," on page 44), the deduction for student loan interest and the deduction for educators who buy school supplies for their classrooms.

In addition, if you lost money in your taxable investment accounts last year, you may be eligible for a deduction, even if you don't itemize. If you sold stocks, funds or other investments at a loss, you must first use those losses to offset any capital gains from your investments. Short-term losses are first deducted against short-term gains, and long-term losses are deducted against long-term gains. After that, net losses of either type can be deducted against the other type of gain. If after offsetting your gains you still have losses, you can deduct up to $3,000 against other income, such as your salary. Losses that exceed that amount can be carried over to future years. (For more on managing taxes on your investments, see "Kiplinger Advisor Collective," on page 50.)

A RESPITE FOR WORKERS WHO ARE SELF-EMPLOYED

The number of taxpayers who work for themselves or have a side gig continues to grow. According to TurboTax, the largest provider of tax software, 8.1% of TurboTax users reported self-employment, contract or freelance income on Form 1099-K or 1099-NEC on their 2022 tax returns, up from 6.7% in 2021.

In November, the IRS announced that it will delay implementation of a provision in the 2021 American Rescue Plan that will require payment processors, such as Venmo, as well as other payment platforms to report to the IRS whenever a user receives total payments of $600 or more a year. While the provision is designed to help the IRS track income from sole proprietors, advocates for small businesses and tax professionals have argued that the requirement will cause tax headaches for millions of self-employed and gig workers who receive payments from Venmo or other platforms. In addition, the Government Accountability Office says the IRS lacks a plan to analyze and manage the estimated 44 million forms that would be generated by the $600 reporting requirement.

As a result of the delay, payment processors will be required to file a 1099-K form only for a user who received more than $20,000 in payments and had more than 200 transactions in 2023. In 2024, the reporting requirement will drop to $5,000 as part of a plan to phase in the $600 threshold.

Even if you don't receive a 1099-K (or 1099-NEC), you're required to report all of your income to the IRS. And if you're new to the world of self-employment or side gigs, brace yourself, because your taxes are about to become more complicated.

Self-employed taxpayers must pay income taxes on their profits as well as a 15.3% self-employment tax for Medicare and Social Security. (When you work for someone else, your employer covers half of Social Security and Medicare taxes.) However, you can deduct half of the self-employment tax on your tax return.

Tax software is only as good as the information you provide. If you're close to the threshold to itemize, make sure you've gathered all of your receipts for unreimbursed medical expenses and charitable contributions.

You can also deduct the cost of health insurance premiums for yourself and your family if neither you nor your spouse was eligible for employer coverage. Self-employed individuals who are on Medicare can deduct the cost of Part B and Part D premiums, as well as the cost of supplemental Medicare (medigap) policies or a Medicare Advantage plan.

If you use part of your home regularly and exclusively for your business, you can deduct a portion of your utility bills and insurance costs. Alternatively, you can use a simplified method under which you deduct $5 for every square foot that qualifies for the deduction. For example, if you have a 300-square-foot home office (the maximum size allowed for this method), you can deduct $1,500. However, depending on the size and expense of your home office, it may be worth calculating and deducting your actual costs.

And don't overlook deductible business expenses. For example, if you travel for business, you can deduct the cost of transportation. If you used your car, you can calculate your actual expenses or the IRS mileage rate, which is 65.5 cents per mile for 2023.

Contributing to a retirement plan can also make a big dent in your tax bill. If you didn't set up a plan before December 31, you have until April 15 to establish and fund a SEP IRA. See "Last-Minute Tax Savers," below, for more on how much you can contribute to this type of plan.

If you worked for yourself in 2023 or had a side gig, stashing money in a SEP IRA will help you save for retirement and could significantly lower your tax bill.

A TOOL TO PREVENT REFUND FRAUD

Every year, criminals use stolen Social Security numbers to file fraudulent tax returns and pocket taxpayers' refunds. Victims typically don't discover the scam until they try to file their return electronically and receive a rejection notice from the IRS. Recovering a stolen refund is usually an arduous process, and in the interim, money you may have counted on is unavailable.

As mentioned previously, filing early is one of the most effective ways to deter refund fraud. But if you want another layer of protection, consider requesting an IP PIN from the IRS, says Eric Bronnenkant, a certified public accountant and tax expert for Betterment, an online money management firm.

An IP PIN is a six-digit number the IRS assigns to taxpayers, and it effectively works in the same way as the two-factor authentication system you may use to access your bank account and other sensitive accounts. Once you've been assigned an IP PIN, the IRS will accept a tax return in your name only if it includes the IP PIN (and other identifying information).

In the past, the IRS assigned IP PINs only to taxpayers who had been victims of ID theft. But in the past couple of years, it has made the tool available to anyone who wants one, Bronnenkant says. To register for an IP PIN, go to www.irs.gov/identity-theft-fraud-scams/get-an-identity-protection-pin. You'll need to undergo an identity verification process to obtain your IP PIN.

Once you've received an IP PIN, it's important to hold on to it, because if you file a tax return with a missing or incorrect IP PIN, the IRS will reject it. An IP PIN is good for one calendar year, and a new one will be generated each year for your account. If the IRS determines that you've been a victim of tax-related identity theft, it may issue you an IP PIN even if you don't request one.

LAST-MINUTE TAX SAVERS

For the most part, the IRS operates on a calendar-year basis. It's too late, for example, to make deductible charitable contributions for 2023—only donations made by December 31 qualify. But there are some exceptions that, along with reducing your 2023 tax bill, could improve your retirement security and lower your costs for health care.

Contribute to a retirement account. If you're not enrolled in a workplace retirement plan, you can deduct a contribution to an IRA of up to $6,500, or $7,500 if you were 50 or older, for 2023. You have until April 15, 2024, to make your 2023 contribution. Contributions to a traditional IRA will reduce your adjusted gross income on a dollar-for-dollar basis, which could also make you eligible for other tax breaks tied to your AGI.

Workers who have a company retirement plan but earn less than a certain amount may qualify to deduct all or part of their IRA contributions. For 2023, this deduction phases out for single taxpayers with AGI of between $73,000 and $83,000 and for married couples who file jointly with AGI of between $116,000 and $136,000. If one spouse is covered by a workplace plan but the other is not, the spouse who isn't covered can deduct the maximum contribution, as long as the couple's joint AGI doesn't exceed $218,000. A partial deduction is available if the couple's AGI is between $218,000 and $228,000.

If you worked for yourself in 2023 or had a side gig, you may be able to sock away even more money—and significantly lower your tax bill. You have until April 15—or October 15 if you file for an extension—to set up and contribute to a SEP IRA, a retirement plan designed for self-employed workers, small businesses and sole proprietors. For 2023, you can deduct contributions of up to 20% of net self-employment income, up to a maximum $66,000.

You also have until April 15 to contribute to a Roth IRA for 2023. Contributions to a Roth are after-tax, so they won't lower your tax bill. But if you're 59½ or older and have owned your Roth for at least five years, withdrawals are tax-free. Contributing to a Roth will also protect your savings from future tax hikes (see page 46 for more on the potential for tax increases). Here, too, there are income limits. For 2023, single taxpayers with modified

adjusted gross income of $138,000 or less can contribute the full amount; those with income of between $138,000 and $153,000 can make a partial contribution. Married couples who file jointly can make the full contribution if their MAGI is $218,000 or less; those with MAGI between $218,000 and $228,000 can make a partial contribution.

In the past, you could make only pretax contributions to a SEP, but legislation enacted in late 2022 allows SEP providers to offer a Roth option. However, because this change is relatively new, you may have a hard time finding a provider who has started to offer a Roth SEP.

When considering whether to invest in a deductible IRA or a Roth, look at your time horizon, says Lowell Smith, cofounder of IRALOGIX, a wealth management firm. If you're still years away from retirement, the Roth may be the better option because you'll enjoy years of tax-free growth, he says. If you plan to retire within 10 years, you may want to opt for the deductible IRA.

Put funds aside for health care costs. You have until April 15 to set up and fund a health savings account for 2023. To qualify, you must have had an HSA-eligible insurance policy in 2023 that started no later than December 1. The policy must have had a deductible of at least $1,500 for individual coverage or $3,000 for family coverage. You can contribute up to $3,850 to a 2023 HSA if you had single coverage or $7,750 if you had family coverage. You can contribute an additional $1,000 if you were 55 or older in 2023. Contributions reduce your adjusted gross income. The money in your account will grow tax-free, and withdrawals to pay medical expenses are also tax-free.

LOOKING AHEAD TO 2026

After filing your state and federal tax returns, it's tempting to move on to more rewarding pursuits. But there are good reasons to start to prepare for the possibility that your taxes will rise in 2026.

Provisions in the 2017 Tax Cuts and Jobs Act that lowered individual tax rates, doubled the standard deduction and shielded the vast majority of estates from federal estate taxes are scheduled to expire on December 31, 2025. Many Republicans in the House of Representatives have called for making the individual tax provisions of the TCJA permanent, which would add a projected $3 trillion to the federal deficit over 10 years, according to the Congressional Budget Office. President Biden supports extending the individual tax cuts for most families but wants to pair the extension with higher taxes on high-income households and corporations.

Your tax bill could rise if Congress and the White House fail to reach an agreement by the end of 2025 and tax rates revert to 2017 levels.

If Congress and the White House fail to reach an agreement by the end of 2025, tax rates will automatically revert to 2017 levels. Although taxpayers in the top brackets would be hit hardest, the majority of taxpayers would see their taxes go up, says the Tax Foundation's York. "The law didn't just lower the top tax rate—it lowered rates throughout the entire tax system," she says.

An end to the individual tax provisions in the TCJA would also increase the number of taxpayers who are subject to the federal estate tax. In 2024, up to $13.61 million in assets is exempt from estate tax, or up to $27.22 million for a married couple. If the law expires, the exemption will drop to half of that amount, on an inflation-adjusted basis—about $7 million for a single person or $14 million for a couple.

While the majority of taxpayers would still be exempt from federal estate taxes under those thresholds, a couple with a well-funded retirement account, a home they've owned for many years and other taxable assets could end up owing estate taxes, "even though they're not rolling in money," says Lawrence D. Mandelker, an attorney with Venable LLP in New York City.

The most effective way to avoid estate taxes is to take advantage of the annual gift tax exclusion. In 2024, you can give away up to $18,000 (or $36,000 as a married couple) to as many people as you'd like without filing a gift tax return. In addition to reducing the size of your estate for federal estate tax purposes, taking advantage of the annual gift exclusion may also help you avoid state taxes on your estate. Twelve states and Washington, D.C., have lower estate tax exemptions than the federal government. Oregon, for example, taxes estates valued at more than $1 million.

You can give away even more money tax-free by making direct payments to cover a beneficiary's medical bills or college tuition costs. There are no limits on the amount you can give, as long as the payments are made directly to a medical or educational institution.

An increase in tax rates could also make withdrawals from your traditional IRAs and other tax-deferred accounts more expensive. Even if you don't need the money, you'll have to take required minimum distributions when you turn 73 (the age for RMDs will increase to 75 in 2033) and pay taxes on those withdrawals at your ordinary income rate, which could be higher in 2026 than it is now. Converting some of the funds in your traditional IRA to a Roth is one strategy to consider because withdrawals from a Roth are tax-free as long as you're 59½ or older and have owned the Roth for at least five years.

While a Roth conversion will protect your savings from future tax hikes, a large conversion could push you into a higher tax bracket and trigger other unexpected consequences, such as a high-income surcharge on Medicare Part B premiums, taxes on Social Security benefits, and higher taxes on investment income. For that reason, consider spreading out conversions and converting just enough to remain within your income tax bracket.

If you're 70½ or older, you can also reduce the size of future RMDs by making a qualified charitable distribution from your IRA. In 2024, you can transfer up to $100,000 from your traditional IRA to a qualified charity (or to multiple charities). The contribution isn't deductible, but in addition to shrinking the size of your IRA, it will reduce your adjusted gross income, which could lower your federal and state taxes and shield you from the Medicare surcharge. If you're 73 or older, it will also count toward your RMD.

Don't let the threat of higher tax rates compel you to make decisions you'll regret later, such as giving away money you may need for long-term care (for more on how to pay for long-term care, see page 54). And keep in mind that even if overall tax rates go up in 2026, your personal tax rate could decline, says Tim Steffen, director of advance planning for Baird. For example, if you retire at the end of 2025, you could fall into a lower tax bracket in 2026, he says. ■

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OUTSOURCING

What to Look for in a Tax Professional

Although millions of taxpayers use tax software to prepare their returns, sometimes the better course is to get professional help. If you're self-employed, for example, or own rental property, a qualified tax professional can make sure you claim all of the tax breaks available.

But it's important to understand that anyone can buy tax software and go into the tax-preparation business. For that reason, you need to practice due diligence when searching for a preparer.

Start by looking for a preparer who is credentialed, which includes certified public accountants, enrolled agents and attorneys. CPAs are licensed by state boards of accountancy, studied accounting at a college or university, and have passed a rigorous exam. You can get a list of local certified public accountants from your state's CPA society. Enrolled agents, who are licensed to appear before the IRS, must pass a rigorous test and meet annual continuing-education requirements. To locate an enrolled agent in your area, go to www.naea.org. Attorneys are licensed and regulated by state courts and/or state bar associations. They must take continuing-education classes and satisfy professional ethics requirements.

The IRS also runs a voluntary program that recognizes the efforts of tax preparers who are not CPAs, enrolled agents or attorneys. You can use the IRS's Directory of Federal Tax Return Preparers with Credentials and Select Qualifications (https://irs.treasury.gov/rpo/rpo.jsf) to search for a tax preparer in your area who has credentials or has completed the IRS program.

Once you've narrowed your search, check whether any complaints have been filed against the preparers you're considering with the Better Business Bureau (www.bbb.org). For CPAs and attorneys, check with the state regulatory board in charge of licensing. If you want to verify that a tax preparer is an enrolled agent, you can find information to contact the IRS at www.irs.gov/tax-professionals/verify-the-status-of-an-enrolled-agent.

Finally, a potential preparer should be willing to estimate your fee, based on the complexity of your return. Never hire a preparer who bases fees on a percentage of your refund. After the preparer quotes a price, make sure you understand what it covers, such as preparation of a state return, office visits, and any type of audit protection in case the IRS flags your return.

Don't give a prospective tax preparer personal information, such as Social Security numbers, if you're simply inquiring about services and fees. Some fraudulent preparers have used such information to improperly file tax returns without the taxpayer's permission.

SHOULD YOU PAY FOR IDENTITY THEFT PROTECTION?

Monitoring services can help you spot red flags quickly, but they won't stop criminals from targeting you.

BY SARAH BRADY

"An ounce of prevention is worth a pound of cure." When Benjamin Franklin penned this enduring phrase nearly three centuries ago, he was advising the public on how to avoid house fires. But his words are also useful when applied to a modern safety issue: identity theft.

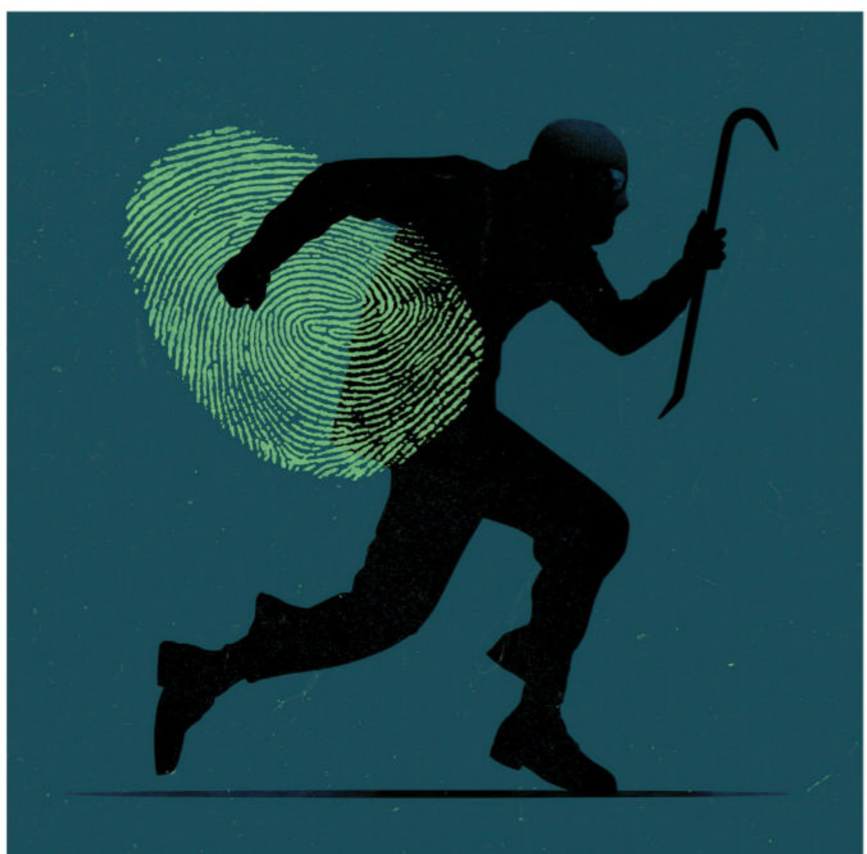
By some estimates, roughly one-third of U.S. residents have experienced some form of identity theft—a crime that includes everything from credit card theft to tax fraud to insurance fraud—and that figure is expected to rise. For some consumers, the instinct is to turn to a familiar brand such as Norton, Equifax or McAfee for protection. Each of them offers something different, and you can subscribe to one of their plans for yourself or your family for just a few dollars a month (or in some cases, for free).

Do ID theft protection services really work? It depends on what you're looking for. Identity theft plans typically include some combination of account monitoring, alerts and restoration support. In other words, they don't stop criminals from targeting you—they just respond to identity theft once it has happened.

"ID protection services largely entail cleanup rather than prevention," says Mitch Mayne, a cybersecurity consultant and former incident responder for IBM Security X-Force. "While these services can offer some benefits to victims, they also create a false sense of security, which leads users to neglect basic cyber hygiene."

According to Aura, a company that provides identity theft protection plans, you don't necessarily need ID protection services. "While monitoring and fraud alerts are valuable ways to protect your identity, they don't do anything you can't do on your own," Aura's website says.

If you do decide to pay for ID protection, keep in mind that not all plans are created equal. The best plans come with tried-and-true, unfussy features such as VPNs, which hide your IP address and encrypt your data while you browse the internet, and password managers, which generate and store unique passwords for each of your accounts. A password



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manager may be the most valuable offering. “Sign-in credentials are frequently compromised and quickly sold on the dark web,” says Mayne, “so a password manager can provide some solid risk mitigation.”

Many plans, however, are packed with flashy features that may not deliver, such as identity theft insurance, which typically covers the costs you incur during the recovery process but doesn’t cover your financial losses, and live restoration support, which gives you access to live customer service agents after you experience an identity theft incident or receive an alert that your information may have been compromised. “It can be incredibly difficult to get an insurance claim approved by an ID theft monitoring company,” Mayne warns, “and even with their help responding to an incident, it can take years to get your money back and restore your identity. For some people, the damage is never fully undone.”

A multipronged approach. These services are not a cure-all for the myriad threats your identity faces, but when combined with good habits (more on those below), some targeted services can help.

For example, DeleteMe (https://joindeleteme.com), which has plans starting at $8.71 a month, helps prevent damage by finding and removing your personally identifiable information (PII) from data-broker websites. “Most of us have our PII available for purchase from multiple data-broker sites, so this removal lowers your risk footprint overall,” says Mayne.

For password management, 1Password (https://1password.com) is well-reviewed and highly recommended for its long list of security features, which include a mix of advanced encryption, biometrics (face and fingerprint identification) and ease of use. Plans start at $2.99 a month, and you can sign up for a free, 14-day trial.

For more-comprehensive monitoring, prioritize services that offer restorative and preventative support. For example, both of the identity theft protection plans from IDShield (www.idshield.com) come with guaranteed identity restoration, which gives you unlimited access to live customer support, but they also include password managers and VPNs. They offer some degree of credit-score and credit-report monitoring as well. ID Shield plans start at $14.95 a month.

Consider the free alternatives. Many people don’t realize they already have free services available to them through their relationships with financial institutions. If you have a Mastercard credit card or debit card, for example, you can visit https://mastercardus.idprotectiononline.com to sign up for free restoration and monitoring services, including alerts if your user credentials are compromised in a corporate data breach. (Keep in mind that you have liability protections for your bank and credit card accounts, too. For example, American Express, Discover, Mastercard and Visa credit cards all come with zero-liability protection, which means you won’t have to pay a single dollar lost due to a fraudulent charge made on your account.) You may also have a free identity theft protection plan through your employer, and some renters and homeowners insurance policies include protection for financial accounts, too.

“Many identity theft protections already come with products you use—your antivirus software, for example,” says Mayne, “so it’s worth your time and money to understand what you already have available before buying another product that does the same thing.”

You can also explore free services online. For example, to find out if your information has been “pwned,” or compromised in a data breach, and sign up for future data breach alerts, try using Have I Been Pwned (https://haveibeenpwned.com). As for securing your credit reports and preventing certain forms of credit card fraud, you can set up a credit freeze, which blocks anyone from opening up a new loan or credit card in your name, by contacting the three national credit bureaus (Experian, Equifax and TransUnion). You can also visit AnnualCreditReport.com to pull your credit reports for free once a week and review them for signs of fraud, such as hard inquiries for loans and credit cards you have not applied for.

THE BEST IDENTITY-THEFT PROTECTION PLANS COME WITH TRIED-AND-TRUE, UNFUSSY FEATURES SUCH AS VPNs AND PASSWORD MANAGERS.

Perhaps the best news for people hoping to save money is that you are your own strongest defense against identity theft. “The best way to protect your identity is by consistently taking free, preventative actions,” says Mayne. That includes using unique and complex passwords for each of your accounts, enabling multifactor authentication for account sign-in, and installing software updates for your devices, apps and web browsers as soon as they’re available. Additionally, you should never click links or attachments that appear in unsolicited text messages and e-mails; they may lead to scam websites or install malware on your device.

For questions or comments, e-mail feedback@kiplinger.com.

MANAGE THE TAXES ON YOUR INVESTMENTS

KIPLINGER ADVISOR COLLECTIVE BY JUSTIN DONALD

DEALING with taxes may not be too onerous if you have just a couple of W-2 forms and a few basic deductions. But if you have investment income, tax planning can quickly get complex. Understanding some key points about investment taxation goes a long way toward navigating your tax obligations and finding opportunities to save on your tax bill. Here are a few considerations for investors.

Understand how capital gains are taxed. Whether you're investing in the stock market or real estate, the goal is to make money. That can come in the form of proceeds from the sale of a stock or an investment property, and you'll need to report any profits on your tax return. But for tax purposes, the gains may not go into a single tidy bucket. One of the most important considerations to understand is the difference between long-term and short-term capital gains.

Long-term capital gains tax applies to income from the sale of assets that you have held for more than a year. For example, say you sell some stock. If you held that stock for longer than 12 months, your tax rate on the gains is 0%, 15% or 20%, depending on the amount of your taxable income.

If you purchased the stock one year ago or less, the net sale proceeds are classified as short-term gains and taxed as ordinary income, with rates ranging from 10% to 37%. For most investors, tax rates on long-term gains are more favorable than on short-term gains.

If you have capital losses on some assets and gains on others, you can offset your capital gains with losses to help lower your tax bill. But you must first deduct short-term losses against short-term gains and long-term losses against long-term gains. Then you can net the remaining gains against remaining losses. If your losses are larger than your gains, you can deduct up to $3,000 of losses for the current tax year, and you can carry forward any losses you have that exceed $3,000 to offset income in future years.

COURTESY OF JUSTIN DONALD

JUSTIN DONALD is founder of The Lifestyle Investor and a member of the Kiplinger Advisor Collective, a professional organization for personal finance advisers, managers and executives.

Be aware of the net investment income tax. This sneaky 3.8% surtax applies if you have investment income and your modified adjusted gross income exceeds $200,000 if you're single or $250,000 if you're married filing jointly. You owe the tax on the lesser of your net investment income (which includes capital gains, dividends, taxable interest, annuity payments, and rental and royalty income) or the amount of your MAGI that exceeds the income threshold. If you can lower your MAGI enough to slide in under the income thresholds—by contributing to a traditional 401(k) or a health savings account, for example—you may be able to avoid this tax.

Know your deadlines. Keeping track of sale dates and deadlines is important, especially for real estate investors. If you sell a property that you purchased as an investment for a profit, you may incur capital gains tax. (Up to $250,000 in profits from the sale of your primary residence—or $500,000 if you're married filing jointly—is tax-free as long as you lived at the property for at least two of the past five years.) However, with a like-kind exchange, also known as a Section 1031 exchange, you can defer tax by purchasing a similar investment property with the proceeds.

To qualify, you need to identify the like-kind property within 45 days of the sale. You'll also need to close the purchase of the replacement property within 180 days or by the tax-return filing deadline for the year the relinquished property was sold.

If you have questions or comments, e-mail feedback@kiplinger.com.

Tips for Raising Money Smart Kids

MONEY SMART WOMEN BY JANET BODNAR

As regular readers of this column know, I have a particular interest in kids and money, a subject I have written about extensively both here and in my book *Raising Money Smart Kids*. So I especially enjoy hearing from readers who tell me about their experiences with their own children and grandchildren, or who ask my advice about how to handle finances with their kids.

As an example, reader Adrienne Sachse writes about how she taught her 4-year-old son a lesson on goal-setting and opportunity cost a number of years ago, after her family had returned from a visit to Walt Disney World. On a trip to the supermarket, her son asked for 25 cents to buy gum. She suggested that instead of spending the money, he could save it for a return trip to Orlando. "He stood thinking hard for a moment and then, to my delight, he announced that he didn't like gum THAT much!" writes Sachse.

A passerby who overheard the exchange accused Sachse of being "cruel" because her son "would never get to Orlando saving one quarter at a time." Unfazed, Sachse told her son that by saving "a quarter here, a dollar there and five dollars somewhere else, we'll have enough to go."

So they started a jar with the "didn't-spend money," and her son began tossing in cash he earned from recycling aluminum cans or saved by not buying his favorite cookies. "We went back to Orlando the next year, and he was so proud that he'd helped to make it happen," says Sachse.

Sachse's experience helps answer a question I received from reader Nick DeLuca, who asked for examples of long-term and short-term savings goals for kids. In general, goals should be as concrete as possible and depend on the child's age, his or her interests and how long it will take to get there. So for primary-age children, a short-term goal might be relatively small, such as mini racing cars or art supplies, and a longer-term goal might be a Lego set. For middle-school kids, the short-term goal could be an article of clothing and the long-term goal sports equipment or electronic gear. But as Sachse discovered, it never hurts to aim big.

Start an allowance? Reader Ted Farris asks a related question: "At what age is an allowance appropriate?" My answer: As soon as your child is old enough to manage it, which usually means elementary school.

No single system works for every family. Some families like to parcel out allowance into buckets for such things as spending, saving, investing and charitable giving. Others prefer to tie it to chores done around the house.

Whatever system you choose, kids should be required to use some of the money for certain agreed-upon expenses that they take over from you. For younger children, that could be things they buy at the dollar store. Middle-school kids should be paying for their own movies and other entertainment with their friends. And high schoolers could be responsible for their own clothing.

Reader Michael Wolfstone writes that when his daughter was 14, she clashed with her parents about how much to pay for a pair of jeans. As a compromise, she was given a clothing allowance and allowed to choose her own clothes (initially subject to Mom's veto) as long as she stayed within the budget. "It made her think about comparative value and not just name brands," says Wolfstone.

Eventually the allowance was bumped up to include clothes, meals, entertainment and even car insurance. Now married, "she brought her husband in line so they could save for a house," says her dad. "Having her participate in the spending process worked great."

Help your children set concrete savings goals and learn how to manage an allowance.

PHOTO BY NOAH WILLMAN

Janet Bodnar is editor at large of **Kiplinger Personal Finance.** *Contact her at Janet.Bodnar@futurenet.com.*

Virtual Cards Offer More Security

BY ELLA VINCENT

A 2023 Security.org study found that 65% of debit and credit card holders have had a fraudulent charge on their account at least once. One way to help protect your credit card information when you shop online is to use virtual credit cards.

Certain issuers, including American Express, Citibank and Capital One, allow customers with qualifying cards to use a virtual card number when they make online purchases. By entering a randomly generated number that is connected to your card account, you avoid giving merchants your card's real number, which criminals can use to make fraudulent purchases if they intercept it in a data breach.

The virtual number may be valid for a single purchase, or you may be able to use it more than once.

The way you access and use virtual card numbers varies by issuer. Capital One provides virtual cards through its Eno virtual assistant, which you can install as an extension on various web browsers. To use a virtual card from American Express, you must link your card to your Google account. Then you can use virtual cards every time you purchase items through the Google Chrome browser.

Virtual cards have some limitations. If you want to return a product that you purchased with a virtual card, you may not be able to get a refund if you used a temporary number that is no longer valid—although you may be able to get store credit instead. And you're probably better off using your card's real number to make a hotel reservation because you'll likely have to present your physical card to confirm your account information when you check in.

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RATE UPDATES

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

TOP-YIELDING SAVINGS

Taxable Money Market Mutual Funds	30-day yield as of Dec. 26	Minimum investment	Website
Northern US Govt Select MMF (NOSXX)*	5.60%	$2,500	northerntrust.com
Gabelli US Treasury MMF (GABXX)	5.48	10,000	gabelli.com
DWS Gov & Agency (DTGXX)*	5.42	1,000	fundsus.dws.com
T Rowe Price Cash Res (TSCXX)*	5.36	2,500	troweprice.com

Tax-Free Money Market Mutual Funds	30-day yield as of Dec. 25	Tax eq. yield 24%/35% bracket	Minimum investment	Website
Fidelity Municipal MMF (FTEXX)	3.20%	4.21%/4.92%	$1	fidelity.com
BNY Mellon Ntl Muni (MOMXX)	3.20	4.21/4.92	10,000	bnymellon.com
T Rowe Price Tax-Exempt (PTEXX)	3.19	4.20/4.91	2,500	troweprice.com
American Cent T-F MMF (BNTXX)	3.18	4.18/4.89	2,500	americancentury.com

Savings and Money Market Deposit Accounts	Annual yield as of Jan. 2	Minimum amount	Website
Milli Bank (Neb.)†@	5.50%	$0	milli.bank
Brilliant Bank (Kan.)†#	5.35	1,000	brilliant.bank
BrioDirect (N.Y.)†	5.35	5,000	briodirectbanking.com
BluPeak Credit Union (Calif.)#&	5.33	100	blupeak.com

Certificates of Deposit 1-Year	Annual yield as of Jan. 2	Minimum amount	Website
CIBC Bank USA (Ill.)†	5.66%	$1,000	us.cibc.com
Forbright Bank (Md.)†^	5.60	1,000	forbrightbank.com
BMO Alto (Ill.)†	5.55	0	alto.bmo.com
Lending Club (Calif.)†	5.55	2,500	lendingclub.com

Certificates of Deposit 5-Year	Annual yield as of Jan. 2	Minimum amount	Website
BMO Alto (Ill.)†	4.75%	$0	alto.bmo.com
Schools First FCU (Calif.)&	4.60	500	schoolsfirstfcu.org
First Internet Bank of Indiana (Ind.)†	4.50	500	firstib.com
Seattle Bank (Wash.)	4.50	1,000	seattlebank.com

*Fund is waiving all or a portion of its expenses. †Internet only. @Available only through a mobile app. #Money market deposit account. &Must be a member; to become a member, see website or call. ^CD term is nine months.
SOURCES: Bankrate, DepositAccounts, Money Fund Report (iMoneyNet).

TOP-YIELDING CHECKING

Must meet activity requirements*

Account Issuer	Annual yield as of Jan. 2	Balance range^	Website
Pelican State CU (La.)&	6.05%	$0-10,000	pelicanstatecu.com
Andrews FCU (Md.)&	6.00	0-25,000	andrewsfcu.org
Credit Union of New Jersey (N.J.)&	6.00	0-15,000	cunj.com
All America Bank (Okla.)#	5.30	0-15,000	allamerica.bank

*To earn the maximum rate, you must meet requirements such as using your debit card several times monthly and receiving electronic statements. ^Portion of the balance higher than the listed range earns a lower rate or no interest. &Must be a member; to become a member, see website. #Redneck Bank offers a similar yield.
SOURCE: DepositAccounts.

YIELD BENCHMARKS

	Yield	Month ago	Year ago
U.S. Series EE savings bonds	2.70%	2.70%	2.10%
U.S. Series I savings bonds	5.27	5.27	6.89
Six-month Treasury bills	5.24	5.33	4.76
Five-year Treasury notes	3.93	4.14	3.99
Ten-year Treasury notes	3.95	4.22	3.88

AS OF JANUARY 2, 2024. ↳ EE savings bonds purchased after May 1, 2005, have a fixed rate of interest. ↳ Bonds purchased before May 1, 1995, earn a minimum of 4% or a market-based rate from date of purchase. ↳ Bonds bought between May 1, 1995, and May 1, 2005, earn a market-based rate from date of purchase.
SOURCE FOR TREASURIES: U.S. Treasury.

RETIREMENT

PREPARE TO PAY FOR LONG-TERM CARE

Most people will need long-term care at some point, but insurance is pricey. Here's a guide to covering the expenses.

BY ELAINE SILVESTRINI

UNLESS you maintain your health and mobility for the rest of your life, chances are you'll eventually need some form of long-term care. Government estimates suggest that as many as 70% of older adults develop a need for long-term services and support before they die. Yet most adults haven't taken any steps to prepare for it, according to a survey by the Kaiser Family Foundation.

The numbers are daunting. The average cost of a private room in a nursing home exceeds $100,000 a year, according to the Genworth Cost of Care survey. The cost of a home health aide averages more than $60,000. Medicare doesn't cover long-term-care expenses, so many Americans are on their own to fund their care. The options include traditional long-term-care insurance (purchased on the private market or as an employee benefit), a hybrid insurance policy or annuity with a long-term-care component, or self-funding care from your savings—or, if you deplete your assets, you may qualify for Medicaid.

If you can't adequately fund long-term-care expenses, you may have to rely on your family for care, which could disrupt their lives and jeopardize their own financial security. Here, we'll walk you through ways that you can cover the costs.

TRADITIONAL INSURANCE

Jesse Slome, director of the American Association for Long-Term Care Insurance (AALTCI), says the LTC insurance market is suitable for a small percentage of consumers. And insurance trade association LIMRA estimates that just 3% to 4% of people 50 and older have long-term-care insurance. "First, you have to apply at an age where you can get the insurance," says Slome. "You have to be in good health, and you have to have the financial wherewithal." You also, he says, have to be a person who plans ahead.

A major deterrent is cost. Standalone long-term-care insurance is expensive and difficult to get on the open market. Poor pricing decisions and inaccurate forecasts of policyholder dropout rates, longevity and need for care whittled down the number of insurers that offer new long-term-care insurance policies. According to the AALTCI, just six companies now sell stand-alone policies: Mutual of Omaha, Thrivent, National Guardian Life, New York Life, Northwestern and Bankers Life.

If you want to buy LTC insurance, getting a policy when you're in your forties or early fifties can keep the premium down. The older you are when you apply, the more you'll pay for premiums, and the more likely you won't be able to buy insurance at all. An estimated 13.9% of people in their fifties are denied LTC insurance, compared with nearly 45% of people in their seventies, according to the AALTCI. An insurance provider may require medical records and a home interview to assess your health.

The AALTCI estimates that a 55-year-old man can expect to pay about $950 a year and a same-aged woman about $1,500 annually for an initial policy benefit (the pot of money the policy will pay out) worth $165,000. A man who purchases a policy of the same value at age 65 can expect to pay $1,700 yearly, and a 65-year-old woman would pay $2,700. For a larger benefit, premiums may run significantly higher.

Over time, monthly premiums are likely to increase. One analysis of thousands of rate increases found the average LTC insurance policy rate rose by 112% over about 25 years, although premiums may have risen less sharply in recent years as the companies that remain in the market have gotten better at pricing policies.

If you buy a policy and find yourself unable to continue paying premiums, you could lose coverage or be forced to reduce the amount of coverage, even if you've been paying premiums for years. Retired pharmacist Marie Marhan Dropkin, 64, can attest to the risk that a policy may become unaffordable. Now divorced, Dropkin, who lives near Schroon Lake, N.Y., and her then-husband purchased long-term-care insurance through Genworth Life Insurance more than 15 years ago, when she was in her late forties. The annual premium was about $3,500 a year for each of them for unlimited lifetime coverage. "The policy was great," she says, because it "covered so much." After about 10 years, the company increased their premiums to about $5,000 each, "but I could still afford it," she says. She was given the choice between paying higher rates to keep the same benefits or paying less for reduced benefits. She decided to go with the higher rates.

A few more years passed, and the rates increased to about $9,000 a year. By then, Dropkin's circumstances had changed, so she elected to stop paying premiums. The amount she has already paid will be available to cover long-term care when she needs it. The grand total, she says, is $68,534.

Genworth has faced multiple class-action lawsuits contending that it failed to notify policyholders of its plans to increase rates substantially. Recently, Dropkin was notified that a lawsuit involving her policy had settled. She was sorting through her options. At first impression, she says, it looks as if "there's no difference between the options, except with one I get $1,250 back due to the lawsuit." The notice also refers to a potential rate increase of 143% and that the company had only "a marginal ability to meet its obligations."

One option that might allow you to get long-term-care insurance without undergoing a health assessment is to buy it through your workplace.

Strategies to cut costs. Besides getting a policy at a younger age, there are other ways to reduce the cost of long-term-care insurance. For example, according to the AALTCI, married people and even unmarried adults who live together may be offered discounts if they both purchase coverage. They could also look into buying a joint policy with a shared benefit, which allows them to pool their benefits. If one spouse exhausts his or her benefits, he or she can use the other spouse's share.

Another strategy is to incorporate a longer elimination period into your coverage. This is a waiting period, often of about 30 to 90 days, during which you become eligible for coverage but pay the costs of care yourself, delaying the time before your insurance kicks in. A longer elimination period typically results in a lower annual premium.

You could further limit costs by selecting coverage for a specific period instead of lifetime coverage. According to the AALTCI, a policy that pays for up to five years of care, for example, will cost between 16% and 27% less yearly than a policy with an unlimited lifetime benefit. And you might be able to get a discount of as much as 8% if you agree to pay your premium once a year instead of monthly. The AALTCI offers more tips to reduce costs at www.aaltci.org.

Employer benefits. One option that might allow you to get long-term-care insurance without undergoing a health assessment is to buy it through your workplace. A recent employer survey from the Society for Human Resource Management found that 20% of companies provide the option for employees, although it's unclear how many of the employers subsidize coverage. If you have a health issue or a family history that suggests you might eventually need long-term care, it might be easier to get a policy through your employer than on your own, Slome says. The policies are generally portable, which means you can keep them after you leave your job, though you'd have to continue paying the premiums to maintain coverage.

HYBRID INSURANCE

Colorado Insurance Commissioner Michael Conway, who chairs the long-term-care insurance committee of the National Association of Insurance Commissioners, says that as the number of companies offering traditional long-term-care insurance has declined, more companies are incorporating long-term-care coverage into other kinds of insurance policies.

Primarily, this is taking the form of life insurance with a long-term-care component. With these policies, if you need long-term care, you use some or all of the death benefit to pay for it. If you pass away without needing long-term care, your heirs receive the full death benefit.

GETTY IMAGES (INCLUDING PREVIOUS SPREAD)

These policies tend to be more expensive than stand-alone LTC insurance, but they're more widely available. And because life insurance rates depend heavily on interest-related investments by insurers, Slome says, rates actually went down this year. A 55-year-old male and female could expect to pay an estimated $3,540 and $3,265 a year, respectively, for a $165,000 policy benefit. Because they tend to live longer (and need care longer), women pay more than men for stand-alone LTC policies. But because they pay life insurance premiums longer, women pay less for life insurance, Slome says.

According to LIMRA, consumers purchased more than 11 times more hybrid policies (415,000) than standard policies (37,000) in 2022, the most recent data available at press time. Altogether, consumers spent $138 million on stand-alone policies in 2022, compared with more than $4 billion for premiums spent on hybrid policies.

Conway says consumers should talk to a financial adviser or insurance broker to determine which product best meets their needs.

The annuity option. Another hybrid product is an income annuity that includes a provision to increase your payout in the event you need long-term care. However, the payout may not cover the full cost of care, and the added cost of this provision, known as a rider, can reduce the standard payout from the annuity. The most recent LIMRA data for this, from 2021, reflected a total of $462 million in sales involving 3,587 policies.

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Slome sees the annuity option as potentially more beneficial to retirees than hybrid life insurance because they can collect annuity payments while they're alive regardless of whether they need long-term care. In addition, it can be easier to get an annuity with a rider than a standalone LTC policy because you are less likely to face stringent health requirements to qualify for coverage, Slome says. "This is especially important because people often wait to explore LTC financial planning until they have experienced a health scare."

He says annuities are also easier to purchase at more-advanced ages. Traditional long-term-care insurance accepts new applicants up to age 75, he says, while annuities with long-term-care riders accept applicants up to age 85.

SELF-INSURING

Some retirees have sufficient assets to self-insure, meaning that they pay the cost of any needed long-term care out of pocket without relying on an insurance policy. When you self-insure, you're essentially betting that you won't require a prolonged stay in a nursing home. According to the Administration for Community Living, most people who go into a nursing home stay for less than 12 months. People are likely, however, to need some sort of in-home care.

To self-insure, "generally, one should have anywhere from $300,000 to $700,000 in liquid, cashable assets," Slome says. This may include funds from your traditional and Roth IRAs, 401(k) plans, and taxable accounts. You can also factor in income from Social Security and a pension, if you have one. The value of your home doesn't count as a liquid asset, although you may want to calculate how selling your home could boost your ability to pay for long-term care. If you've built substantial home equity, downsizing to a smaller home could free up significant cash. And if you end up moving into assisted living or a nursing home, home-sale proceeds could help cover the cost of care.

Make sure to factor in future taxation of the assets you plan to liquidate to pay long-term-care bills, Slome says. You'll have to account for income taxes on withdrawals from traditional 401(k)s and IRAs, for example.

If you have a high-deductible health insurance plan, funding a health savings account is one way to save for long-term-care expenses and minimize the tax bite. Contributions are pretax (or tax-deductible if you open an HSA on your own), your investments grow tax-free, and withdrawals aren't taxed if you use them for qualified medical expenses, including costs for long-term care. You can also use HSA money tax-free to pay premiums for long-term-care insurance; the amount you can withdraw annually depends on your age. For 2024, you can contribute up to $4,150 to an HSA if you have individual coverage or $8,300 if you have family coverage.

When deciding whether to self-insure, you should also think about whether you can stomach the high cost of footing the bills yourself, Slome says. Are you willing to pay $30 an hour for a home health aide, or will you balk because you remember earning $30 a week in your first job?

A final factor to consider is that you may end up relying on your family for care if your funds fall short, says Slome. Long-term care in the U.S. is provided overwhelmingly by unpaid loved ones. According to the Department of Health and Human Services, the average lifetime value of unpaid care after age 50 among those who receive care is $168,000. Nearly one-fourth of care recipients receive unpaid care valued at $250,000 or more. (For information on paid leave for caregivers, see "Expanding Support for Caregivers," on page 9.)

If you plan to self-insure, you may want to calculate how selling your home could help fund long-term care.

Nancy Yung, 96, who formerly owned a laundry business and restaurant in Bloomingdale, Ill., raised five children as a single mother after her husband died more than 45 years ago. Yung's daughter, Mary Fus, 53, has been her mother's caregiver for 14 years. She is working with other family members to enable her mother, who has Alzheimer's disease, to remain in her townhome.

Fus says her mother fell last year and broke her hip. She has a medical bed where the dining room used to be so she doesn't have to climb stairs to go to her bedroom. Fus's siblings assist with her care, too. They have arranged for someone to go to the house to help during weekdays when siblings are working. A brother checks in at night, and a nephew sleeps in the home. Fus goes to her mother's home when she can, preparing her mother's meals, pureeing her food, getting her supplies and helping her with bathing and hygiene. "As long as we're able, we'd like to keep her at home," Fus says.

As much of an effort as it all is, Fus says it's not a hard decision because her mother cared for so many people. "We're lucky we do have other people who will step up and help. A lot of people don't." ■

For questions or comments, e-mail feedback@kiplinger.com.

A LOOK AHEAD

MORE HELP FROM THE GOVERNMENT?

Paying for long-term care is most challenging for middle-class families, says Stuart M. Butler, a senior fellow in economic studies at the Brookings Institution. Wealthier people can afford to fund their own care, and lower-income people more easily qualify for Medicaid, the joint program between the federal and state governments to provide health coverage to those with limited income and resources. Most nursing home care in the United States—about 60%—is paid by Medicaid. But to be eligible for Medicaid, you must first deplete virtually all your assets. On top of that, not all nursing homes accept Medicaid.

Butler supports a proposal known as the WISH (Well-Being Insurance for Seniors to be at Home) Act, which has not yet gained traction in Congress. It would have the federal government create limited, income-related "catastrophic" public protection against a person's long-term-care costs, funded by a payroll tax on employment earnings. As Butler describes it, the proposal would help middle-class people with care needs avoid becoming reliant on Medicaid. Butler says this would also help stabilize the private long-term-care insurance market by allowing it to cover non-catastrophic expenses. Butler acknowledges that the creation of a new government benefit program is a big ask in today's political environment but says that it would make a considerable difference to states by saving on Medicaid costs.

In the state of Washington, a relatively recent law created the WA Cares Fund—the first mandatory, public, state-run long-term-care insurance program for workers. Through a payroll tax, workers pay 58 cents per $100 of earnings. But there is a $36,500 lifetime cap, indexed for inflation, on benefits, which must involve care received within the state. Other states that are reportedly considering whether to adopt their own LTC insurance programs include California, Illinois, Michigan and Minnesota.

Fundamentals

HOW THE FEDERAL RESERVE WORKS

The central bank has an outsize impact on financial markets.

PRACTICAL PORTFOLIO BY KIM CLARK

EIGHT times a year, a group of 19 bankers, finance experts and economists gather for a two-day confab in an elegant cream-and-gold boardroom about a mile from the White House. After they're done analyzing the outlook for inflation and employment, Federal Reserve chairman Jerome Powell, the leader of the group known as the Federal Open Market Committee, emerges and announces what they have decided to set as a target range for short-term interest rates.

The committee's goal—known as the dual mandate—is to set an interest rate that enables the economy to achieve *price stability* and *full employment*. It is enormously important to investors, savers, borrowers and business leaders whether—and how—the Fed achieves this delicate balance. Books have been written on how exactly the Federal Reserve influences investment markets, but here's a quick and rough summary.

The first thing to understand is what the FOMC's vague-sounding goals actually mean. Fed officials have said they consider the economy to have price stability when a Department of Commerce calculation of U.S. consumer spending, called the Personal Consumption Expenditures Price Index, rises by 2% a year. Fed economists like the PCE price index because it considers how shoppers substitute, say, lower-cost chicken when beef prices rise, thus reflecting the prices consumers actually pay. That's one reason the PCE measure tends to run lower than the more widely cited consumer price index. As of December 2023, the CPI had risen 3.1% over the previous 12 months while the PCE price index was up 2.6%.

The Fed has not set a specific ideal full-employment number. Instead, Fed officials say they look at a variety of measures, such as wage trends and the percentages of workers employed in different population groups, to aim for the maximum employment level that doesn't kick off wage inflation.

Maneuvering all of the nation's 4,600 banks to its ideal interest rate isn't an exact science, hence the target range for the federal funds rate, spanning roughly a quarter of a percentage point. As of December 31, the range was between 5.25% and 5.5%. The federal funds rate is essentially a floor for all other interest rates in the economy. For example, the *prime rate,* which is the rate banks charge their best customers, is typically set three percentage points above the high end of the federal funds target rate. And the prime rate serves as a floor for many bank lending rates, including credit cards and auto loans.

If inflation continues to moderate and the economy continues on its current steady trajectory, Powell said in December that the FOMC would aim to lower the midpoint of the federal funds target range to roughly 4.6% by the end of 2024 and 3.6% at the end of 2025. But almost immediately after his announcement, investors in the futures market started betting that the FOMC would start cutting the federal funds rate as soon as March and would drop the rate to 4% or below by year-end 2024.

To influence longer-term interest rates, the Fed has another strategy: managing the securities it keeps on its

THE FED'S DUAL MANDATE IS TO SET INTEREST RATES THAT ENABLE PRICE STABILITY AND FULL EMPLOYMENT.

The Fed's toolbox. The most powerful tool the Fed has to achieve those goals is the influence it has on short-term interest rates. When the FOMC announces its target range for the *federal funds rate,* it is indicating what it wants banks to charge each other for lending or borrowing cash overnight. But the Fed can't force banks to charge each other its chosen interest rate. Instead, it steers banks toward the target by adjusting the interest rates it pays to and charges from banks for the reserves that banks are required to keep with the Fed and any overnight Fed loans to member banks.

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balance sheet. In an effort to lessen the pain of the 2008 Great Recession and, later, the COVID shutdowns, the Fed sought to drive down long-term interest rates by buying up trillions of dollars of Treasury bonds and mortgage-backed securities. The massive purchases helped push bond prices higher and send yields, which move in the opposite direction, lower. The process, *quantitative easing,* helped drive interest rates on the 10-year Treasury bond to as low as 0.55% in 2020.

But as inflation took off, the Fed made a U-turn and, starting in 2022, strove instead to cool the economy by pushing up rates, raising borrowing costs. It switched to *quantitative tightening,* allowing some bonds in its portfolio to mature each month without replacing them—recently, to the tune of about $95 billion a month. By reducing its purchases, the Fed relied on lower demand to cool bond prices, allowing long-term rates to rise. The Fed has reduced the total value of securities on its balance sheet by $1 trillion, to $7.7 trillion, since March of 2023, and it has indicated it hopes to run off another $1 trillion in 2024. As quantitative tightening winds down, the Fed's influence on longer-term rates is diminishing.

Prepare for landing. The market impact of Fed actions can be immediate. The recent announcement of a pivot from hiking to anticipated cutting was met with what some veteran Fed watchers worry is a bit of irrational exuberance (a phrase coined by former Fed chairman Alan Greenspan). A number of stock indexes hit new highs, and bonds rallied as investors cheered the possibility that the Federal Reserve had pulled off a difficult "soft landing," raising interest rates enough to cut inflation without setting off a recession.

"This was a very thin needle to thread," because Federal Reserve interest rate hikes have caused most of the recessions in the past 50 years, says Mark Zandi, chief economist of Moody's Analytics. Barring a shock such as an energy price spike or worsening geopolitical hostilities, "they may have pulled it off," he says.

After the announcement, Jay Hatfield, chief executive officer of Infrastructure Capital Advisors, raised his forecast for the S&P 500 from 5150 at year-end 2024 to 5500. "We think both stocks and bonds are going to do really well in 2024," he says.

Despite Wall Street's celebratory mood, however, it's important to note that the soft landing has not actually touched down yet and that interest rates are notoriously difficult to predict. That's why many financial-market strategists remain circumspect. Pramod Atluri, a fixed income portfolio manager for the Capital Group, is urging investors to start putting sidelined money to work but favors high-quality fare such as Treasuries and agency-backed mortgage bonds. As for stocks, Robert Almeida, a global investment strategist for MFS Investment Management, is focusing on higher-quality companies that can sustain profitability—no matter what the Fed does.

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Where Kids Can Put Their Money

Give your child a head start by opening a bank savings or investment account.

FAMILY FINANCES BY ASHLYN BROOKS

IF your child has gift money from birthdays and holidays or earnings from chores or a part-time job, you may be looking for somewhere to park the cash. (And if your kid expects to work over the coming summer, it's not too early to think about where the money should go.) Opening a bank or retirement account provides a secure way for children and teens to save money, and you can use it as an opportunity to share financial lessons with them as well. Consider these options.

Set up a bank account. Opening a bank account is a valuable step in teaching children about financial responsibility, and it provides a safe place for them to put their money.

If your child is going to focus primarily on saving—which is often most appropriate for younger kids—a stand-alone savings account without a linked checking account makes sense. However, if you're introducing an older child to responsible spending, a checking account can be a valuable tool, too. Whichever type of account you choose, you and your child will likely need to open it jointly. Because joint accounts offer shared access, they provide hands-on opportunities for kids to learn about money management. But you can monitor their transactions and set limits—by asking the bank to restrict how much can be charged daily to an accompanying debit card, for example.

The financial institution where you do your own banking is often a good place to start as you search for an account for your child, but you may want to explore other options, too, including local banks and credit unions. Look for an account with a low (or no) minimum balance requirement and no monthly fee—that's typically most suitable for children, who may not keep a large balance.

You'll need to provide the bank with identification, such as Social Security numbers or birth certificates, for both you and your child. You can usually start the process online, but it might require a visit to a bank branch if you choose a brick-and-mortar institution.

Some accounts are designed for young savers and spenders, offering educational resources, online tools that both parents and children can use, and minimal fees. For example, the online ***Capital One Kids Savings Account*** (www.capitalone.com) is a no-stress option, with no minimum deposit or balance requirements and no fees. It recently offered a 2.5% yield. Capital One also offers the online ***MONEY Teen Checking*** account, which allows teens (or any child 8 or older) to make purchases and withdraw cash with a debit card as well as deposit checks. Both you and your child can track expenditures and receive account alerts by text message, and parents can set spending limits on the account and lock or unlock the debit card through the Capital One mobile app. The account has no monthly fee or minimum balance requirement, and ATM withdrawals are free at more than 70,000 in-network ATMs.

Another option is the ***Alliant Credit Union Teen Checking*** account (www.alliantcreditunion.org), available to teens age 13 to 17. The no-fee, no-minimum account provides a debit card that has preset limits on purchases and ATM withdrawals, and adult joint owners have full access to the account. It reimburses up to $20 monthly in fees for out-of-network ATM transactions. The ***Alliant Kids Savings Account*** has no monthly fee and yields 3.1% if the balance is $100 or more.

Alliant Credit Union is an online institution that offers membership to anyone nationwide who joins the Foster Care to Success charitable organization (Alliant pays the $5 membership fee on your behalf).

> **SOME ACCOUNTS ARE DESIGNED FOR YOUNG SAVERS AND SPENDERS, OFFERING EDUCATIONAL RESOURCES, ONLINE TOOLS AND MINIMAL FEES.**

Weigh the value of a prepaid card. A prepaid debit card is not linked to a bank account; instead, you load money directly onto the card. Prepaid cards provide a hard limit on spending—you typically can't overdraw, as you sometimes can with a bank account—and that may be an attractive feature for families with kids who are learning the ropes of spending money. You can get prepaid cards online or in-store at major retailers such as Walmart or Target.

Some prepaid cards are tailored for families with children. For instance, the Greenlight mobile app (https://greenlight.com) offers a prepaid debit card through three plans for families. Parents can set controls, view a transaction history and, if needed, lock the card if it's lost or stolen. The app also has tools parents can use to set up chores and pay kids for them. Similarly, FamZoo (https://famzoo.com) is a prepaid debit card and app with educational features and a suite of money-management tools for families.

The downside? Many prepaid cards come with several fees, such as monthly fees, charges for certain types of transactions or fees for loading funds. Greenlight charges a monthly membership fee ranging from $5 to $15, depending on the features you choose. FamZoo charges $6 monthly (or, if you prepay, $25 for six months, $40 for 12 months or $60 for 24 months).

If you think you and your child will benefit from the interactive features that a family-focused prepaid card offers, the monthly fee may be worthwhile. Otherwise, a no-fee bank account might be the best option. Or consider a standard prepaid card that keeps fees to a minimum. ***Bluebird by American Express*** (www.bluebird.com), for example, has no monthly fee and charges no fees to add money by direct deposit or bank-account transfer (cash reloads at participating retailers cost up to $3.95). You can set up subaccounts for kids 13 and older to access money on the card, and you control daily spending limits, the ability to withdraw from ATMs and certain other account activity.

Invest in the future with a Roth IRA. If your child has earned income—from, say, a summer job, baby-sitting or other part-time work—he or she is eligible to contribute to a custodial Roth IRA. Funding a Roth IRA can be an excellent way to introduce children to investing for retirement. And by starting early, they'll benefit from many years of compounding interest.

Opening a custodial Roth IRA for your child is simple; major brokers such as Fidelity, Charles Schwab and Vanguard offer them. You'll typically need your child's Social Security number as well as your own identification to open a Roth. You can contribute the lesser of the child's annual earned income or the yearly IRA contribution limit, which is $7,000 in 2024 for those younger than 50.

If you'd like to direct some of your own savings toward your child's future, you can contribute to a Roth on a child's behalf, as long as your contribution falls within the limits. For example, if your child earned $1,000 for the year, you could fund the IRA with $1,000 of your money, and the child could use his or her earnings to save for other goals.

Roth contributions are made with post-tax income. But the investments grow tax-free, and withdrawals during retirement are tax-free, too. With a traditional IRA, contributions are pretax, and investments grow tax-deferred. But distributions in retirement are subject to income tax. Because children typically have low incomes and will likely be in a higher tax bracket by the time they retire, the immediate tax benefit that a traditional IRA offers is usually less valuable for kids than the delayed tax benefit that a Roth IRA provides.

Additionally, withdrawals of Roth IRA contributions are free of penalty and taxes anytime (withdrawals of investment earnings before age 59½ are typically subject to taxes and penalties), which may be helpful to your child in a financial emergency. And those younger than 59½ who have had a Roth for at least five years pay no tax or penalty on up to $10,000 withdrawn to pay for a first-time home purchase.

For questions or comments, e-mail feedback@kiplinger.com.

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WHY YOU SHOULD CONSIDER DISABILITY INSURANCE

If illness or injury leaves you unable to work, a policy could be a financial lifeline.

BASICS BY ELLA VINCENT

AS of 2021, according to the Census Bureau, 12% of workers in their prime earning years—ages 35 to 64—were disabled. At the same time, nearly one-fourth of Americans have no emergency savings, according to a survey by Bankrate.com. While the Social Security Disability Insurance (SSDI) program provides benefits for individuals who meet its criteria for disability, the application process is often long, many applicants are rejected, and benefits are modest—an estimated monthly average of $1,537 in 2024.

Disability insurance is the most effective way to protect you and your family if you're unable to work. If your employer offers long-term disability insurance, you may be able to obtain a policy that covers about 60% of your income for five years or longer, according to the Insurance Information Institute. You typically apply during open enrollment, and because the policies are usually offered as part of a group plan, you probably won't have to take a medical exam to qualify—an important consideration if you have health issues. Most employers cover the premium, but you'll likely have to pay taxes on disability payments.

Although employer insurance is helpful, it may not provide sufficient coverage to pay your bills if you're out of work, and you'll likely lose the insurance if you change jobs. An individual policy can fill in the gaps. And if you

don't have access to a workplace disability policy, you'll need to buy one on your own.

Find the right policy. You can shop for disability insurance policies at www.policygenius.com or work with an independent insurance agent. Look for a policy that's best suited to your lifestyle and that offers the option of adding coverage if your circumstances change. For example, if you have a family, you may want more coverage than a single person.

Disability policies typically provide short-term or long-term coverage. Short-term insurance is intended to cover from 40% to 70% of your salary for three to six months or until you're able to return to work, whichever comes first. The cost can be as low as $10 a month. A long-term policy should last for years—potentially until you reach retirement age. It will typically replace 60% to 80% of your income if you're unable to work. Prices vary, depending on your income, but the average cost

Disability policies typically provide short-term or long-term coverage, replacing from 40% to 80% of your income.

can run as high as $250 a month.

Premium costs will depend not only on length of coverage but also on your job, age and gender. If you're younger than 40 and work in a low-risk occupation, premiums may be based on 1% to 3% of your income. If you're 40 or older or work in a high-risk, physical job, premiums could cost 5% to 7% of your salary. Women may be charged higher premiums because they tend to file more claims.

The type of coverage matters, too—especially if you have a highly specialized job. T. Eric Reich, a certified financial planner and founder of Reich Asset Management, advocates buying an "own occupation" policy. These policies typically have higher premiums, but they help you maintain your standard of living if you're unable to perform specialized tasks associated with your occupation. If you're a skilled surgeon, for example, an own-occupation policy will provide coverage if you're unable to perform surgery, even if you could perform another type of job. An "any occupation" policy will provide benefits only if you're unable to work at all.

When comparing policies, focus on what will provide the most protection for you and your loved ones. The ability to work and earn income "is your most important asset," Reich says.

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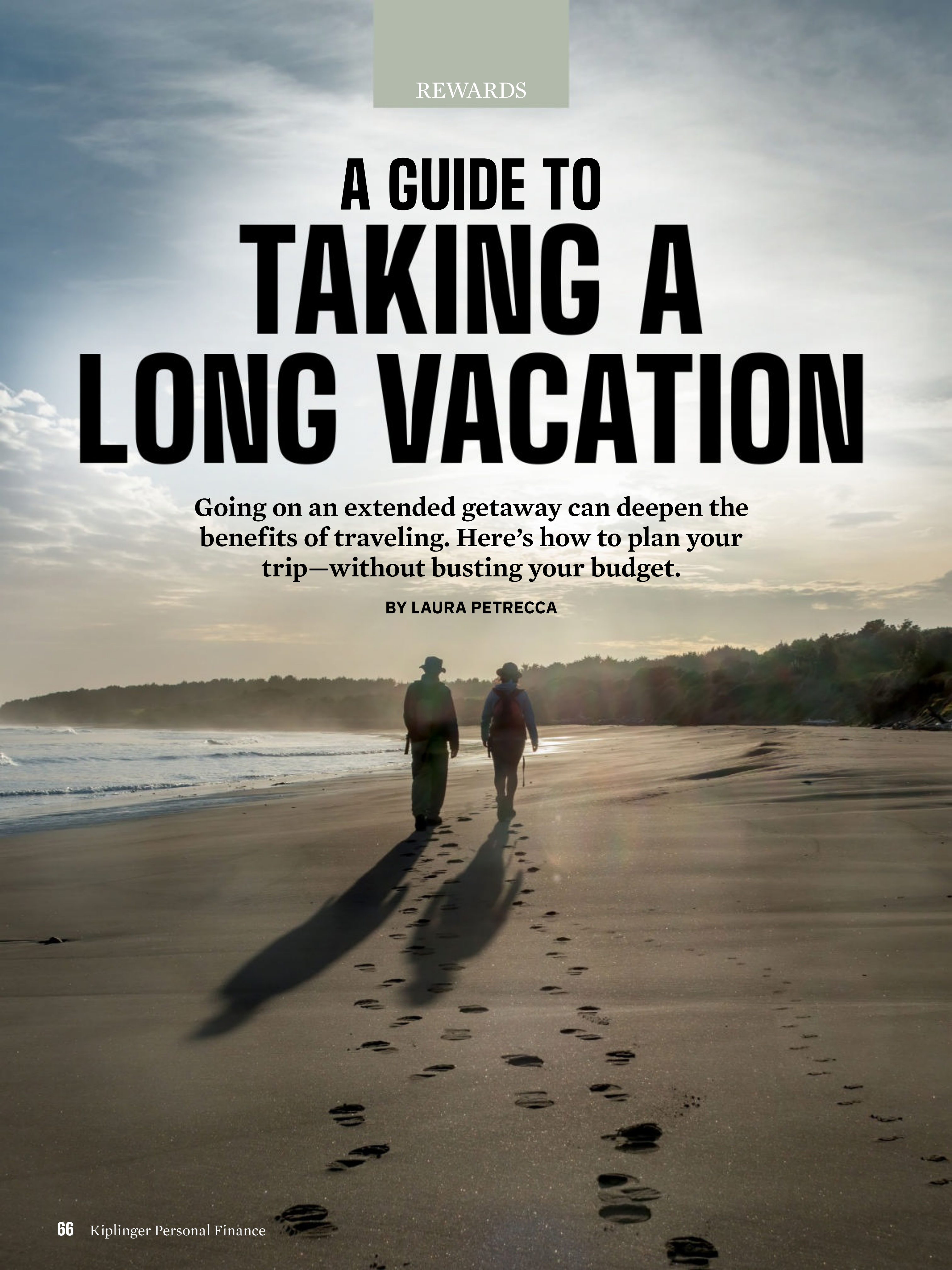
A GUIDE TO TAKING A LONG VACATION

Going on an extended getaway can deepen the benefits of traveling. Here's how to plan your trip—without busting your budget.

BY LAURA PETRECCA



IF you've been dreaming of a month-long beachside retreat or a six-week bike tour through Europe, start planning your itinerary. It's easier—and more affordable—than ever to take a long vacation. →

Extended travel is no longer the domain of the rich and famous or recent college grads. Thanks to the ease of international communications, flexible work arrangements and sophisticated trip-planning tools, long-duration getaways are becoming more accessible.

By taking a month or more to travel, you may enjoy a host of benefits, such as broadening your perspective, enhancing your language skills and deepening your knowledge of different cultures.

"It's one of the few opportunities to unplug, reflect and see how others live," says Elliott Appel, a certified financial planner and the founder of Kindness Financial Planning, based in Madison, Wis., who recently returned from seven weeks exploring Australia and New Zealand.

Kip Patrick, an avid traveler who has visited more than 100 countries—often for long stays—says his excursions have enriched both his everyday life and his global advocacy and communications role at the United Nations Foundation. "Traveling helps develop empathy," he says. It brings about "a better understanding of cultures, people and situations that otherwise you may never experience or see."

Ready to leave home and do some exploring yourself? Here's a guide on how to prepare.

FOCUS ON YOUR GOALS

Envision your first night back home after an extended vacation. What would have made the trip ideal? Think through the climate, food, culture,

activities and cost. Would it be adventurous or relaxing? Luxurious or rugged? Would you have traveled to a mountain or beach? Both? Neither?

If you plan to journey with others, such as a partner or group of friends, it's helpful for each of you to list the elements of an ideal trip. Then, compare results. For extended travels through Tanzania, Madagascar, Borneo and other destinations in Africa and Asia, Patrick and his wife, Liz Zipse, each made a wish list of the places they most wanted to see and the adventures they most wanted to have. "Luckily, the lists were pretty similar," Patrick says.

Once you have a clear idea of the type of travel that appeals to you, make a shortlist of potential destinations. In addition to dream areas and activities, consider adding some more-economical choices. For instance, if relaxing in the Maldives is your ultimate desire, you could also put less-expensive Costa Rica on your list. Or instead of spending a month visiting Italian wineries, you could opt for four weeks exploring Sonoma and Napa Valley in California.

CRUNCH SOME NUMBERS

Research the costs associated with each of your choices to see which best fits into your budget. Factor in the cost of transportation, lodging, meals, activities and shopping. Also account for the exchange rate if you're traveling to a location that doesn't use the U.S. dollar as its currency.

Then add 10% to 20% to your total as a buffer, says Derek DiManno, a certified financial planner and founder of Flagship Asset Services, a financial planning firm based in Towson, Md. He recommends using a spreadsheet to keep track of your estimated expenses.

"A short trip can be easy to budget for," he says. "A longer trip can lead to higher varying costs. Be exhaustive. It's better to overestimate costs and have a surplus than to underestimate and scramble to cut back."

While you're away, you'll likely still have to pay your regular monthly bills for such items as utilities, cable, and mortgage or rent, says Spenser Liszt, a CFP who traveled extensively in his former career as a professional musician. "Plan your cash flow accordingly to cover expenses incurred at home while you are away," he says. Also, factor in extra costs that you may incur for, say, pet or home sitters, yard maintenance, or a home-monitoring system.

If you have your heart set on a specific destination or activities and are reluctant to consider less-expensive options, start saving so you can meet your goals. Setting up regular, automatic transfers from your checking account to a dedicated vacation fund is an effective way to build up the necessary cash.

For their part, Patrick and his wife develop a savings plan for their travels and seek advice from a financial adviser. "Before departure, we try to cut costs and set a pretty strict budget," says Patrick. "And then we do our best to stick to it. The more you can save beforehand, the more freedom you have on the road."

INTERNATIONAL TRAVELERS SHOULD CHECK PASSPORT EXPIRATION RULES AND VISA REQUIREMENTS FOR THEIR DESTINATION.

ENTRY REQUIREMENTS

If you're traveling internationally, you'll need to do some extra homework. It's important to check the rules regarding passport expiration for your destination, as many countries require that a passport is valid for a certain number of months beyond the date of entry. You may also need to apply for a traditional visa or an electronic one (also called an e-visa.)

In addition, check whether your destination prohibits certain foods and medications from entering the country. Failing to comply can lead

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to severe consequences, ranging from confiscation of needed medicine to potential jail or prison time.

Government websites, your airline and online travel forums can provide helpful information. A great starting point is the U.S. embassy's website (www.usembassy.gov), which has a searchable database to get information about different countries. The World Health Organization and the Centers for Disease Control can provide health-related data. Make sure to cross-reference any information that you find to ensure it's accurate and current.

While doing your research, dedicate some time to get a feel for the etiquette and social practices of your destination, as that can foster deeper connections with locals and help you avoid unintended missteps and misunderstandings. For instance, certain areas have different cultural norms and nuances around clothing, tipping and eating than those in the U.S.

In addition, consider registering with the U.S. Department of State's Smart Traveler Enrollment Program (STEP) at https://step.state.gov. The free service lets you enroll your trip with the nearest U.S. embassy or consulate so can you receive information about safety conditions in your destination country and get assistance in case of emergencies, such as a natural disaster or civil unrest.

CONTROLLING YOUR COSTS

The earlier you plan, the more choices you'll have when it comes to flights, accommodations and tickets to in-demand events and attractions. To maximize potential savings, try to be flexible with your travel dates and times. "You can save money by traveling on less-popular days," says Appel. When he traveled to Australia, where hotels in big cities tend to be more expensive on weekends, he visited Sydney during the week.

You can also cut costs and more easily get into sought-after restaurants and attractions if you travel during less-popular periods. For instance, you can opt to travel during the "shoulder season," the weeks between peak and off-peak travel. This approach not only saves money but helps you to avoid crowds and get more of a chance to interact with locals. Just make sure that your preferred destinations or activities will be open during your travel period.

Websites such as Kayak and Google Flights let you track flight prices so you can take advantage if the price of your flight drops. Just type in your home airport and destination airport, pick the flights that suit your schedule, and set a price-tracking alert. You can also stay informed about deals and promotions by signing up for e-mail alerts from travel websites, restaurants and deal aggregators such as Groupon.

CAPITALIZE ON REWARDS

Take advantage of perks offered by airlines, hotels and your credit card issuers, such as cash back, airline lounge access, early boarding and waived bag fees, says Clint Henderson, managing editor at The Points Guy, a website that provides tips and tools for enhancing travel.

Many credit cards also cover the fee for Global Entry or TSA PreCheck, which provide expedited access through airport security and customs lines. "You simply pay the application fee for Global Entry or TSA PreCheck with the credit card, and you get a statement credit," Henderson says.

Consider opening a new credit card to take advantage of a large sign-up bonus. One card that Henderson recommends is Chase Sapphire Preferred ($95 annual fee). New users earn 60,000 bonus points after spending $4,000 on purchases in the first three months after opening the account. That equates to $750 to use toward travel when redeemed through Chase Ultimate Rewards. "It not only gives a sign-up bonus, but the miles transfer to many airline and hotel partners," he says. (Visit kiplinger.com/kpf/rewardscards to see our list of the best rewards cards.)

Be sure to understand your credit card's terms and conditions as well as any associated fees. When traveling abroad, it's critical to have a credit card that doesn't charge foreign-transaction fees. Most travel-focused cards, including Chase Sapphire Preferred, waive the fee. To avoid incurring interest, pay off the card balance every month.

YOU CAN CUT COSTS WHILE GIVING BACK BY OPTING FOR A "VOLUNTOURISM" TRIP THAT COMBINES VOLUNTEERING AND VACATION.

Credit cards can provide plenty of perks, but you don't have to open one to get rewards. Airlines and most hotels have programs to earn perks such as free flights and free stays. "Make sure the hotel or airline has your loyalty number attached to the reservation, and watch those point balances grow," Henderson says. "Also, sometimes you'll get free stuff just for signing up for the loyalty program. Delta offers free Wi-Fi on many flights to those with a SkyMiles number. Some hotels provide free Wi-Fi as a perk to their loyalty members," he says. Many hotels also offer benefits that range from free bottled water to room upgrades.

GET CREATIVE WITH YOUR ACCOMMODATIONS

For his travels through Australia and New Zealand, Appel wanted to splurge on food and spend less on lodging. So in addition to staying with friends and at a hotel, he also slept in private rooms in hostels.

"Since I am out and about most of the time when traveling, where I stay is not as important," he says. "But I really enjoy food." At one point on his trip, he had a gourmet meal that included pork belly and slow-braised lamb shank that cost three times more than a night at an upcoming hostel stay.

If a hostel suits you, check out Hostelworld.com, which can help you locate potential lodging. The site lists 36,000 properties in more than 180 countries and includes traveler reviews.

Other strategies to make lodging affordable include doing a home swap, through which you live in a local's home while they stay in yours. You can also pet sit in exchange for lodging. When exploring these options, make sure you go to reputable websites with positive reviews, keep security measures in mind, and have clear, detailed agreements that outline expectations.

Often, renting a home—through websites such as Airbnb or VRBO, say—can give you more bang for your buck than staying at a hotel. Many come with kitchens, so you can prepare meals from local markets and grocery stores, allowing you to spend

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less on dining out while still getting a taste of foods from the area. And some home rentals come with a washer and dryer, which will help to reduce your packing and save the time you'd spend searching for a laundromat. (Pro tip from Appel: Bring along laundry detergent sheets, which are lightweight and have concentrated detergent.)

You can also cut costs while giving back by opting for a "voluntourism" trip that combines volunteering and vacation. Go Overseas, a website that offers reviews of overseas trips, programs and jobs, provides a search tool for volunteer projects at www.gooverseas.com/volunteer-abroad. International Volunteer HQ (www.volunteerhq.org) organizes trips at destinations around the world.

UNDERSTAND YOUR TRAVEL INSURANCE OPTIONS

Travel insurance typically falls into two main categories: policies that cover your trip and property and policies that cover your health, says Susan L. Combs, founder and CEO of insurance brokerage firm Combs & Company. These policies can cover situations such as trip cancellations, lost luggage and medical emergencies.

What you need will depend on your specific situation and your tolerance level for uncertainty. In addition, some countries require visitors to have medical travel insurance.

Even if your credit card provides some travel-related coverage, it's best to explore additional options for extended travel to create a comprehensive plan. The cost of travel insurance depends on factors including trip length, price, location and your age, but it generally runs about 5% to 6% of the cost of your trip.

Don't rely on your U.S. health insurance plan, as it will likely provide little or no coverage abroad. Medicare also doesn't extend overseas.

You have lots of options for finding coverage. Among them: going to insurer sites, exploring travel-insurance comparison sites such as Squaremouth.com, or consulting with an insurance broker. In addition, if you book with a travel agent, they'll likely have a preferred vendor that has been vetted, says Combs.

Most travel medical plans allow you to select from multiple deductibles and values for the cost of care, Combs says. For example, if you want a policy with no deductible and up to $1 million in coverage, you'll pay far more than you'd pay for one with a $5,000 deductible and $100,000 in coverage.

"You typically get what you pay for when it comes to insurance," Combs says. "If someone is telling you a $10,000 trip can be insured for $50, that policy is only as good as the paper it's written on."

She also emphasizes the importance of understanding your policy's claim procedure before you might have to use it. "Do you need to see a physician on location? Do you need to file a police report?" she says. "Understanding what needs to happen can save you headaches in the long run. It's a lot easier to digest and understand that information when you aren't in crisis." K

For questions or comments, send an e-mail to feedback@kiplinger.com.

Create a Pre-Departure Checklist

A well-crafted trip may require months of planning, but your departure date can come up quickly. To reduce stress and enhance your pre-trip excitement, start writing down your to-dos as early as possible. Proactively manage your tasks instead of waiting until right before you leave. Here's a list to help get you started.

IF TRAVELING OVERSEAS:

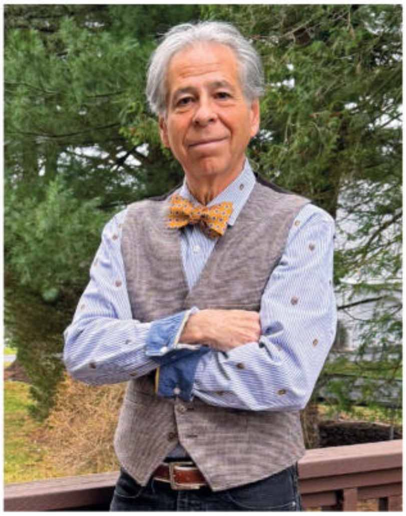
- **Contact your bank and credit card companies.** Let them know of your overseas travel plans to reduce the odds of transactions being flagged or declined.
- **Visit a local bank or credit union.** Exchange money to get currency for your destination.
- **Contact your cell phone company, and research SIM card options.** Determine which plans and tactics will work best for your needs and budget.
- **Load free communication apps.** Look into options such as WhatsApp and Facebook's Messenger.
- **Check whether you need an international driving permit to drive at your destination legally.** If so, you can get one through the American Automobile Association (AAA) at www.aaa.com/vacation/idpf.html.

ADDITIONAL ITEMS:

- Put bills on autopay.
- Refill any needed prescriptions.
- Put a hold on mail or newspapers.
- Create a detailed packing list.
- Plan where to keep your car if you are not driving to your destination.
- Sign up for travel alerts from your airline.
- Arrange for someone to care for any pets and plants.
- Develop a plan for any necessary home maintenance, such as lawn care.
- Create a strategy for home security.
- Leave a copy of your itinerary with a trusted friend or family member.

OPENING THE DOOR TO PROFESSIONAL GROWTH

This nonprofit connects people from underserved communities with jobs that offer the potential for advancement. **INTERVIEW BY EMMA PATCH**



ARTHUR LANGER
Chairman and founder of Workforce Opportunity Services and professor of professional practice at Columbia University
NEW YORK CITY

What is the mission of Workforce Opportunity Services? Our mission is to create a systemic flow of untapped talent into the workforce. We work with companies to find out their needs and wants when it comes to diversity, equity and inclusion, and we look for individuals in underserved communities, including people of color and first-generation college graduates, to fill open positions that our clients have. We also support veterans who enlisted after 9/11.

How do you assist individuals as they transition into jobs? As we train people, we employ them ourselves, and they work for clients in our managed service centers or on-site at client offices—or, in many cases today, they work remotely. During their employment with WOS, we offer various types of financial support, such as providing transportation, fixing their cars or, in some cases, helping with their rent payments. We also fully cover the premium for individual health insurance and, for those who don't have a degree, we pay 100% of expenses for tuition, books and travel for them to attend college classes part-time. For those who already have a college degree and have student-loan debt, we give them some money to make their monthly payments while they're with us.

For our clients, we do background checks and drug testing to ensure we meet business requirements. It's basically a "try before you buy" scenario for them. After working with these individuals through us for a while—usually, about nine months to a year—companies may choose to hire them free of any conversion charge.

How do you find people to employ? People can apply for positions on our website, and we hold open houses and free training sessions to recruit talent in more than 60 locations around the U.S. We're doing some international work, too. It's competitive because we're looking for the right people who fit the right opportunities.

What kind of skills training do you provide? We run the gamut, from web programming to welding to service-desk support. We've also trained people to be plant managers, mechanics and call-center workers.

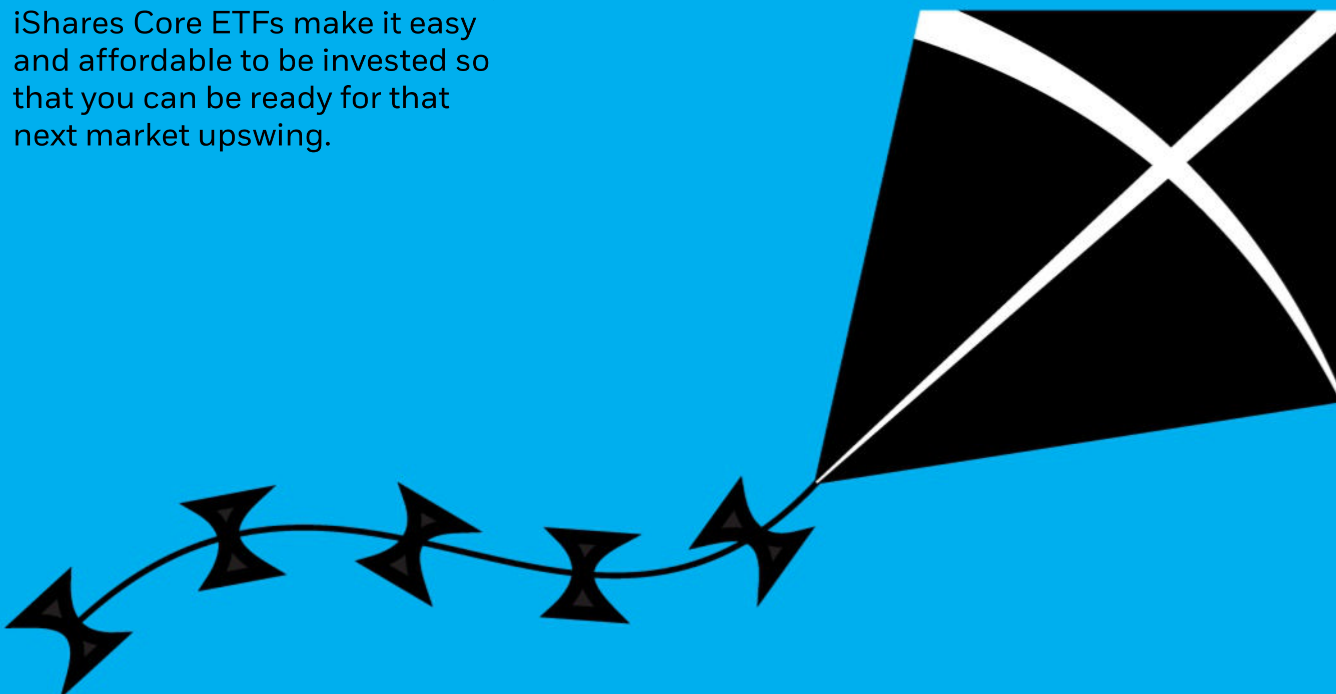
We want people to grow in their jobs. They could eventually become supervisors and managers. Or with call-center workers, for example, we may have them do that job for a short time and then retrain them in another area so they can keep progressing.

What inspired you to start the organization? I was a poor kid from the Bronx. When I was in middle school, I took art lessons from a high school teacher named Mr. Nesse, who volunteered to do art education at Saks Quality stores in the Bronx. He told me that I had a lot of talent and suggested that I apply to a couple of high schools that specialized in the arts. He helped me build a portfolio, and I ended up going to the High School of Music & Art in Manhattan.

Without Mr. Nesse, I probably wouldn't be where I am today because going to that school exposed me to a broader group of people than I otherwise would have met. He showed me that one person can change the trajectory of your life. He didn't do the work, but the analogy I use is that he was my offensive lineman, who blocks and tackles and creates openings. At WOS, we're the offensive line for the people we help.

GET INVESTED IN A BREEZE.

Even in these market conditions, iShares Core ETFs make it easy and affordable to be invested so that you can be ready for that next market upswing.



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