SPECIAL MIDYEAR DOUBLE ISSUE

Kiplinger PERSONAL FINANCE

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July

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In a market contending with crosscurrents, we found pockets of opportunity.

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Cover illustration by Beth Goody

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→ **Most Expensive States for Homeowners**
The high property taxes in these states mean you'll pay dearly for owning real estate. **kiplinger.com/kpf/expensive-states**

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Letters

Phasing Into Retirement

"Ease on the Down the Road to Retirement" (May) is a timely piece that reflects a blueprint I have been following. At age 55, I worked with our company president to create a plan to slowly reduce my hours; five years in, I'm in the office just two half-days a week. I imagine the relationship will continue a few more years. A couple of thoughts: Be sure you have a succession plan in place, and be sure that the commitment is fair to both you and the company. There have been times when more was being asked of me than I could do in the time available. This caused some tension, as I had to make the choice to either decline the request or to not do something that I retired to do more of.
Kelly M. Smith, Greensboro, N.C.

Here's a little-known fact about COBRA coverage: If a covered employee becomes entitled to Medicare benefits and terminates employment, the employee's spouse or dependent children are then eligible for 36 months of coverage with COBRA.
Alan Peterson, Long Lake, Minn.

DEALING WITH SHRINKFLATION

In "It's Not Your Imagination: Your Cereal Box Is Shrinking" (May), one suggestion that is missing is to shop store brands. While store brands are also shrinking the container sizes, their prices are quite competitive. And the quality is often as good as or better than national brands.
Fritzi Ferguson, Casa Grande, Ariz.

AFFORDABLE CAR REPAIRS

Your article about The Lift Garage in Minneapolis ("Affordable Repairs for Car Owners in Need," May) was thought-provoking. While many community enterprises draw on volunteers, Ms. Heying is developing a rich business model to employ skilled workers and provide mobility assistance to those in need. As business services of all types become increasingly unaffordable, her vision can be applied to many different sectors.
Andrew Kirby, Tucson, Ariz.

529 PLANS

"Supercharge College Savings With a 529 Plan" (May) has great advice for new parents. We opened a 529 college-savings plan a few months after our daughter was born. We funded it with our tax refund for that year—about $3,500—and then put in $100 a month. One strategy that helped us save: I got a cash-back credit card, and every time I had more than $50 in cash back (which was the minimum amount you could deposit into the 529), I transferred it to her college fund. She just turned 16, and it has almost $80,000 in it.
Vincent Tardino, Dimondale, Mich.

TIPS FOR CRUISING

As someone who at one time said, "I will never go on one of those overstuffed ships," I was pleasantly shocked by how much I liked my first cruise ("Find the Perfect Cruise," May). I chose it only because it was a way to go see some Mayan ruins. My advice: Don't just get off the ship and go to the closest beach. Book an excursion that gets you seeing the sites and the locals. Carry small bills and a credit card so that you can shop at the markets where locals sell trinkets and crafts. And don't sweat finding the perfect cruise. After a while, you will find the cruise lines that fit your tastes.
Mark Benjamin, Williamston, Mich.

CORRECTIONS

"10 Great Active ETFs" (June) includes a table with a column labeled "Year-to-date return." Only the returns for Avantis U.S. Large Cap Value and T. Rowe Price Capital Appreciation Equity are year-to-date; the other funds list 12-month returns.

In the table accompanying "Dealing With Manager Changes" (June), the returns and other data listed beside TCW Enhanced Commodity Strategy are for Vanguard Wellington (symbol VWELX), not the TCW fund.

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.

A Supersized Midyear Issue

DOES this issue feel heftier than usual? It's not your imagination. We've bulked up our magazine this month, packing it to the brim with extra features on investing, retirement and other topics that matter to you.

We have so much good stuff to share that it's hard to single out any story, so I'll highlight some of the biggest undertakings. For our midyear investing outlook, executive editor Anne Kates Smith sorts through the swirl of factors that affect the economy and markets, including the upcoming presidential election and stubborn inflation, which may throw a wrench in the Federal Reserve's plans to cut interest rates this year. Turn to page 16 to see our advice on navigating the uncertainties and our take on where the investment opportunities may be for the rest of 2024. The article also includes stock picks from Bill Nygren, comanager of Oakmark Fund, as well as a Q&A with Dan Suzuki, deputy chief investment officer at Richard Bernstein Advisors, on his expectations for the second half of the year.

We've tackled another substantive topic in an expanded retirement section, which features three stories on managing retirement income. The first, which starts on page 76, is a fresh look at pensions. Although defined-benefit pension plans have dwindled over the past few decades, millions of workers (especially teachers and government employees) are still eligible for a pension when they retire. If you don't expect to receive pension payouts in retirement, buying an annuity is another avenue to generating steady income. But the choices among annuities are many and varied, and they're not for everyone. The article on page 84 walks you through the options.

The third piece of the package is relevant to anyone who has saved for retirement in a mix of taxable and tax-advantaged accounts. According to conventional wisdom, withdrawing first from taxable brokerage accounts and then from tax-deferred accounts, such as IRAs, is the optimal order for withdrawals. But some retirement experts say that strategy may not be the best way to minimize taxes and preserve your savings. To read more, turn to page 92.

2024 Readers' Choice Awards. Our Readers' Choice Awards (page 64) offer a window into the financial service providers you like most. Although this is only our second year running the survey and publishing the results, Readers' Choice has quickly become one of my favorite Kiplinger projects. For one, your responses to our survey provide valuable insight from your experiences as customers of brokers, wealth managers, credit card issuers, banks, insurance companies and more.

The Readers' Choice Awards also give me an idea of areas where we might want to beef up our coverage. This year, I've learned that a lot of you are fans of Fidelity Investments, which took top honors for its brokerage services, donor-advised fund and cash-back credit card. If you're interested in Fidelity's mutual funds, check out the article on page 40. It's an inside peek at *Fidelity Monitor & Insight,* a newsletter that rates Fidelity funds and assembles model portfolios for a variety of risk levels.

I've also concluded that many of our readers take advantage of the ample perks that rewards credit cards offer—and that you don't shy away from premium cards with high annual fees if the benefits are worthwhile to you. Along with coverage in the magazine, Kiplinger provides updates on the latest offerings from rewards cards at *kiplinger.com/personal-finance/credit-cards.*

PHOTO BY MATT STANLEY

Although this is only our second year running the Readers' Choice Awards, they've quickly become one of my favorite Kiplinger projects.

Lisa Gerstner

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Ahead

TOPIC A

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WHERE THE DOLLAR IS STRONG

If you've always wanted to go on a safari or climb Mount Fuji, this may be the year to plan your trip. BY SANDRA BLOCK

EARLIER this year, many analysts predicted the U.S. dollar would weaken in 2024, based on expectations that the Federal Reserve would cut interest rates several times this year. But continued economic growth and lingering inflation have led economists to revise those forecasts. Because consumer prices in the first quarter were stronger than expected, Kiplinger forecasts that the Fed will postpone an interest rate cut until its November meeting.

High interest rates make investments in Treasury bonds more attractive to global investors, increasing the value of the dollar against foreign currencies. That won't save you money if you plan to visit Yosemite this summer, but in countries where the dollar is particularly muscular, you can enjoy luxury accommodations and gourmet food for a fraction of what it would cost in the U.S. If you're contemplating an overseas vacation during the summer or the fall shoulder season, consider these destinations.

Japan. Japan is surprisingly affordable because of the strength of the dollar against the yen. "In a country that's normally thought of as a pricey one, that can make all the difference in the world," says Tim Leffel, author of *The World's Cheapest Destinations* and founder of the Cheapest Destinations blog (*www.cheapestdestinations blog.com*). "If you've been wanting to go to Japan, this is a great year to do it." While Tokyo has a reputation as a high-cost city, there are plenty of deals to be had for American tourists. For example, a visit to the Shinjuku Gyoen National Garden, where you can see Japan's iconic cherry blossoms, costs about $3.25.

South Korea. This country offers a long list of low-cost activities and attractions, made even more affordable by an extremely favorable exchange rate for U.S. tourists. The Discover Seoul Pass, which costs the equivalent of about $30 a day or $52 for three days, offers more than 200 deals, including admission to Gyeongbokgung Palace, built six centuries ago by the Joseon dynasty.

South Africa. U.S. travelers to this country, which features world-renowned vineyards, spectacular scenery and safaris in Kruger National Park, can enjoy luxury accommodations at budget prices, says Michael Soud, cofounder and CEO of Travel Insighter (*www.travel insighter.com*), which provides travel advice and curated travel guides. You can enjoy a meal at a Michelin-starred restaurant for about 30% of the cost of fine dining in New York City, says Soud, who traveled to South Africa recently. If casual dining is more your style, you can get a pint of beer for about $1.

Flights to South Africa can be pricey, but here's a pro tip: Get the cheapest direct flight to any city in South Africa, even if it's not your preferred destination. Internal flights between cities are extremely cheap, Soud says, so it's much less expensive to fly direct and book a local flight to the city you want to visit instead of booking a connecting flight from the U.S.

South America. Buenos Aires has often been referred to as the "Paris of South America," and the favorable exchange rate makes it much cheaper to visit than the capital of France. A persistent financial crisis has depressed the value of Argentina's peso, so your dollars will go very far there. Soud says you can get even better deals by paying in cash with U.S. dollars, because dollars are prized in Argentina. But if you're not comfortable carrying cash around, you can still benefit from the exchange rate by using your credit card (see the box at right for tips on credit card purchases). Peru, home to the 15th-century Inca citadel of Machu Picchu, and Colombia, where a meal costs about $3, also offer discounts for American tourists.

BUENOS AIRES HAS OFTEN BEEN REFERRED TO AS THE "PARIS OF SOUTH AMERICA," AND IT'S MUCH CHEAPER TO VISIT THAN THE CAPITAL OF FRANCE.

Eastern Europe. The dollar-to-euro exchange rate isn't bad now (although it's not as favorable as it was in 2022, when the euro briefly dropped below parity with the U.S. dollar). But if you really want to save money, head east. Bulgaria, which features historic city centers and beaches along the Black Sea, has always been a bargain, and the strong dollar has made it even more affordable, with low-cost accommodations, $2 glasses of wine and train rides available for about $6. In Budapest, the capital of Hungary, you can find numerous hotels and Airbnb rentals for about $40 per night.

Southeast Asia. With the exception of Singapore, all of Southeast Asia is extremely affordable, Leffel says. Vietnam is home to eight UNESCO World Heritage sites, has great food, and is a good value for your dollar. Thailand also offers strong values for U.S. tourists, says Leffel. "Thailand is one of the best deals in the world for lodging," he says. "You can get a really nice hotel for $100 to $150 a night."

GET THE BEST EXCHANGE RATE

- **Use a credit card that doesn't charge foreign-transaction fees.** Capital One and Discover don't charge the fees with any of the cards they offer. Other card issuers waive the fees with certain travel-focused cards. For a rundown of Kiplinger's favorite travel rewards cards, see *kiplinger.com/kpf/travelcards*.
- **Don't exchange money at the airport.** Airport kiosks typically charge high exchange rates and fees. Withdrawals from major banks' ATMs at your destination will provide a much better rate.
- **Ask to pay in local currency.** Some merchants will offer you the option to have purchases charged in U.S. dollars. Don't fall for it. Paying in the local currency nearly always offers a better deal.

INTERVIEW

MORE WOMEN THAN EVER ARE STARTING BUSINESSES

Retail and travel businesses, along with health, beauty and fitness, are popular with women entrepreneurs.
BY SANDRA BLOCK

BRIDGET WESTON is CEO of SCORE, a nonprofit organization that provides volunteer mentors, online courses and workshops for established and aspiring small-business owners.

Your research shows a 21% increase in small businesses owned by women in the past five years. What accounts for this trend? The COVID-19 pandemic opened up new opportunities for business owners and increased the number of people looking to start a business. Women are jumping in to fill gaps and needs in their communities while supporting their families. This growth is reflected in the increasing number of women seeking guidance for their business ventures—64% of SCORE clients are women, up from 60% two years ago. For example, with help from SCORE mentor Suvendoo Ray, Tonyia Smith of Seattle created a gluten-free, wood-fired pizza crust that is partially baked, frozen and sold to hotels and restaurants. She's currently working on co-branding with Hormel Foods to expand into the frozen pizza industry.

What types of industries are attracting women entrepreneurs? Twenty-one percent of women-owned small businesses are in retail, followed by 15% in health, beauty and fitness services, according to Guidant Financial. Women-owned businesses in the hotel and travel industry are growing at a faster rate than the national average. Listings of women-owned businesses on Yelp in that sector grew by 44% in 2023, according to Axios. An example of this trend is Fran Hassing of Island Park, Idaho. As she approached retirement following a career in the medical field and education, she opened Hassing Hillside Hideaway, a short-term cabin rental with views of the Rocky Mountains.

What challenges do women entrepreneurs face that male entrepreneurs don't necessarily encounter? Women in this country and the world in general are still looked at as the primary caregivers for children or elderly parents. Child care, in particular, generally contributes to the overall workload that a woman carries while also running a business. It can be daunting to focus on the things you need to do to make your business successful. SCORE mentors help women set realistic goals, not just for their business but for life, which means figuring out time management, setting priorities and saying no to things.

Is obtaining financing more difficult for women entrepreneurs? SCORE recently held a webinar about finance opportunities for women business owners, and it was one of the top three webinars we've ever held. Our data shows that women aren't receiving less funding, but they ask for it less often, and therefore more of the funding pie is going to men. SCORE can help women develop a pitch to make sure they get the financing they need. We can also help a woman figure out the right source of funding. Sometimes loans make perfect sense; other times, financing is available from grants or angel investors.

What other challenges do women entrepreneurs face, and how does SCORE help? We've seen an increase in questions about hiring. For example, does it make sense to contract with a vendor, or hire employees to work in-house? One of the things we look at is the culture you're trying to build in the business, your long-term goal and even your exit strategy. Our volunteers can also help with things such as finding a location for a store, figuring out pricing for goods or services, and determining the product selection. With help from SCORE mentor Steve Wolfson, who has more than 40 years of experience in retail, Lori Thomson of Philadelphia started Vera Doyle, a boutique that features home décor, jewelry, books and body care items sourced from women-owned businesses and artists.

COURTESY OF SCORE

CAN BUY NOW, PAY LATER PLANS HELP YOU BUILD CREDIT?

BNPL has become an increasingly popular way to buy everything from shoes to airline tickets—and some loans are starting to show up on credit reports.

BY ASHLYN BROOKS

APPLE recently announced that loans made through its buy now, pay later program will be reported to Experian, a major credit reporting company. If more lenders follow Apple's lead, the change could help consumers who use these loans build a credit history—but it could hurt their credit scores, too.

BNPL services allow consumers to spread payments on their purchases over a few weeks or months, typically without interest if payments are made on time. Unlike layaway plans of the past, which required buyers to wait to claim a purchase until they had paid it off, BNPL provides instant gratification, which has made the loans popular with consumers. More than 40% of U.S. adults have used at least one BNPL service, according to a survey by Bankrate.

However, the simplicity of BNPL plans can obscure potential pitfalls. Fees for late payments can be steep, and consumer advocates worry that the easy availability of the loans encourages consumers to purchase things they can't afford. Nearly 30% of consumers who have used BNPL said they have spent more than they should, according to the Bankrate survey. Because BNPL payments usually aren't reported to the three major credit reporting companies—Equifax, Experian and TransUnion—consumers have less incentive to curb spending and pay on time (although if you fail to pay for an extended period, the BNPL provider may turn your debt over to a debt collector, which can heavily damage your credit). At the same time, with most BNPL providers, using your loan responsibly doesn't help you build a good credit history.

So far, most other BNPL providers, including Klarna and Afterpay, haven't announced plans to report their loans to the credit reporting companies. Affirm says it reports some longer-term loans to Experian, but it doesn't report its plans that offer four interest-free payments,

BNPL PITFALLS

Problems users have experienced.

None	44%
Overspent	29
Difficulty obtaining a purchase/refund	18
Regretted a purchase	17
Dissatisfied with purchase or experience	17
Other	1

SOURCE: Bankrate. Percentages total more than 100 because respondents could choose more than one problem.

CALENDAR

JULY 2024

1 The year is halfway done, which means it's a good time to review whether your portfolio is still in line with your goals. For a look at how inflation, interest rates and the upcoming election could affect the economy and the stock markets during the second half of 2024, see our midyear outlook, on page 16.

2 July is Bank Account Bonus Month. Citibank is giving customers a $300 bonus if they open a checking account by July 8 and make two direct deposits totaling at least $1,500 within 90 days. Chase is offering a $300 bonus until July 24 for customers who make direct deposits of $500 within 90 days.

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a common BNPL structure.

In addition, most credit scoring models haven't adapted to incorporate the way BNPL payments are made. For example, unlike credit card payments, which are typically made once a month and are reported to the credit reporting companies, many BNPL borrowers make small, biweekly payments. While Apple BNPL payments will appear on Experian credit reports, the information won't be factored into borrowers' credit scores, Experian says—and a credit score is a key measure that lenders use to judge a potential borrower's creditworthiness for a credit card, mortgage or other loan. Experian says that BNPL loan information may factor into credit scores in the future "as new credit scoring models are developed."

For now, while BNPL services provide a convenient way to spread out payments, consumers shouldn't rely on them to develop a positive credit history. The most effective way to build credit is to apply for a credit card, pay your bills on time and keep the balance to less than 20% to 30% of the card's limit. ■

BETTER THAN A TOASTER

THE RIGHT WAY TO WRITE A CHECK FOR A WEDDING GIFT

A cash gift is nearly always welcomed by newly married couples, particularly those who already have all the appliances they need. But if you plan to give the couple a check, make sure they'll be able to cash it. Some tips:

Verify their names. While it's still common to celebrate a wedding by congratulating "Mr. and Mrs. Smith," only about one-third of never-married women say they plan to take their spouse's name, and the tradition often doesn't apply to same-sex marriages. And even if one newlywed takes the other's last name, the timing of getting legal documents and bank accounts updated may not align with the timing of your check. One way around this problem is to address the check to just one of the newlyweds—perhaps the one you're closest to—and write "wedding present" in the memo line.

Watch your conjunctions. If you write a check to newlyweds using both of their names with an *and* between them (for example, "John Smith and Jane Pierce"), it's likely that both will need to endorse the check in order to deposit it—and some banking institutions may be stringent in checking identities or requesting a joint account to deposit it. However, if you write their names with an *or* between them ("John Smith or Jane Pierce"), "either could deposit it," says Maribel Ferrer, a spokesperson for Chase. **ALEXANDRA SVOKOS**

→ DEAL OF THE MONTH:

Whether you want to outfit a college student's dorm room or upgrade your own bedroom, July is a great month to buy bedding accessories, says Julie Ramhold, consumer analyst with DealNews.com. Watch for discounts of up to 50%, especially during Independence Day sales.

15 Retailers such as Target and Amazon commonly hold sales this month. Be on the lookout for deals on furniture, jewelry and electronics. You can sign up for a 30-day free trial of Amazon Prime; if you want to continue your membership, the fee is $139 a year. A Target Circle 360 membership costs $99 a year. Both services offer free delivery of online purchases.

WHERE TO INVEST NOW

Expect a lot of midyear churn, with a rally toward the end of 2024.

BY ANNE KATES SMITH

THE start of 2024 is a tough act for the stock market to follow. The S&P 500 index notched 22 record highs in 2024—all before the end of the first quarter. At the market's peak on March 28, the S&P 500 was up 10% for the year and up 28% from the start of a powerful thrust that started last October. It's little wonder that the market hit a springtime speed bump, pulling back 5.5% in April before bouncing mostly back. Now, investors have to ask first whether the pullback has run its course before they consider whether the second half will deliver further gains.

We would not be surprised to see the market fall (and pick itself back up) multiple times over the next several months, within a modestly upward trajectory that delivers gains by year-end. An S&P 500 level of 5300 at year-end seems a reasonable-to-conservative target, with 5500 at the high end of strategists' estimates. Judging by index levels alone, wrapping up at 5300 would not represent much progress beyond the first-quarter high of 5254 for the S&P 500, although it would be an 11% price gain for the year—a 12.5% return including dividends. (Prices, returns and other data in this story are through April 30, unless otherwise noted.)

But that doesn't mean you should have closed the books in March, pocketed your gains and put the proceeds under your mattress. The market is not a monolith, and a rotation of leadership in a number of investing styles and categories will present pockets of opportunity (and some risk) that will demand careful attention to your portfolio. In contrast to the record-setting euphoria that characterized the start of the year, however, your patience is likely to be tested in a market contending with several cross-currents, rising uncertainty and a pick-up in volatility, especially as we approach the U.S. election. Investors who soldier on will be rewarded, says Yung-Yu Ma, chief investment officer of BMO Wealth Management, U.S. "We continue to expect more flow than ebb, more push than pull and more forth than back."

It might help to remind yourself that corrections are a fact of investing life, and the market's recent stumble didn't even come close to one. Corrections are declines of 10% or more, but less than 20% (which is when a bear market kicks in). There have been 10 corrections since 1990, according to investment research firm CFRA, with an average market decline of 14.7%. "One thing to remember about a correction is the speed of recovery," says CFRA's chief investment strategist, Sam Stovall. Since 1990, the S&P 500 has returned to breakeven in an average of just three months.

ONE PILLAR GONE

Still, there's no arguing that an important support for the stock market is gone—or at least missing for now. Early in the year, the market was buoyed by the expectation of six or seven interest rate cuts this year from the Federal Reserve, which would have significantly reversed the monetary tightening put into effect by the 11 rate hikes in 2022 and 2023 that brought the Fed's benchmark rate from near zero to a range of 5.25% to

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5.50%. Inflation appeared to be waning, with the Fed's target rate of 2% seemingly within reach, and it looked as if the central bank was going to pull off an economic miracle—a so-called soft landing, taming debilitating price hikes with just enough tightening to cool an overheating economy without breaking its back.

Not so fast. "The market was overly optimistic about immaculate disinflation," says Phil Orlando, chief stock strategist at financial firm Federated Hermes. Inflation proved tough to vanquish, and a spate of recent reports show prices have headed north instead of south. The government's most recent release of the consumer price index marked the third straight month of no improvement. For the 12 months ending in March, the inflation rate was 3.5%, up from a 12-month rate of 3.2% in February and, for now, about where Kiplinger sees it ending the year. Inflation pain points include gas prices, housing and auto insurance costs. Overall, inflation should continue to moderate, although recent months have shown that the "last mile" to the Fed's target rate can take a twist here or a turn there.

The Fed's preferred inflation barometer runs lower than the CPI but confirms the recent uptick.

Despite the market's hiccup in reaction to diminishing prospects of near-term rate cuts, rising interest rates historically haven't been bad for bull markets.

Traders are now expecting just one or two cuts from the Fed this year. But no cuts are a distinct possibility and, although unlikely, the possibility of rate *hikes* has entered the conversation. A "slower to lower" Fed and "higher for longer" economic growth, inflation and interest rates are now the expected order of the day. Bond yields have risen in anticipation, with the yield on 10-year Treasuries touching 4.7% in late April, before receding a bit. Inflation beneficiaries have rallied, including commodities as well as energy and materials stocks. Says Jason Draho, a U.S. investment strategist at UBS Global Wealth Management: "The overarching macro theme for the past few months is reflation."

It's also worth noting that despite the market's hiccup in reaction to diminishing prospects of near-term rate cuts from the Fed, rising interest rates historically haven't been as bad for bull markets as investors might think. Research from market strategist Brian Belski at BMO Capital Markets found that, going back to 1990, the S&P 500 has gained 13.9%, on average, during periods when 10-year Treasury yields were on the rise, compared with 6.5% during falling-rate periods. "This makes sense, since lower rates can be reflective of sluggish economic growth and vice versa," Belski says.

A STURDY SECOND SUPPORT

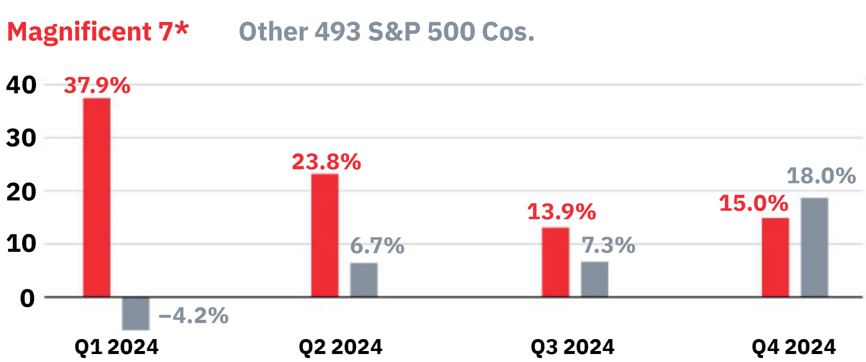
Without an accommodative Fed to cut rates, at least until closer to year-end, the market is left with a second, arguably more important pillar of support—namely, a surprisingly resilient economy and its corollary, healthy corporate earnings. Although a lukewarm report on first-quarter economic growth showed a slowdown, economists concluded that it wasn't as bad as it looked and that the report understated strong domestic demand. That was followed by an employment report showing moderating gains in job and wage growth. And a manufacturing index that had finally pulled into expansion territory in March contracted again in April.

Nonetheless, many economists have been adjusting their forecasts higher for gross domestic product growth in 2024 and see little sign of anything resembling a recession or even stagflation, which occurs when the economy stalls but inflation remains high. In April, for one example, Wells Fargo Investment Institute boosted its outlook for GDP growth this year from 1.3% to 2.5% (which is also the growth rate that Kiplinger forecasts). "We wouldn't be surprised to see close to 3% GDP growth this year," says Ryan Detrick, chief market strategist at money management firm Carson Group. Labor

PROFIT OUTLOOK

Sharing the Wealth

Mega-cap tech stock earnings growth is slowing; the rest of the market is catching up.



As of April 25. *Alphabet, Amazon.com, Apple, Meta Platforms, Microsoft, Nvidia, Tesla. Source: FactSet Research markets and consumer spending are still strong, he says, and the industrial side of the economy is picking up. "It's positive, especially if the consumer slows down a bit, for that baton to be passed to manufacturing as the economic cycle ages," Detrick says.

Meanwhile, corporate profits are robust. Analysts expect earnings for S&P 500 companies to rise an average 10% in 2024, according to earnings tracker LSEG I/B/E/S, and another 14% in 2025. That's after hardly any growth at all in 2023. Better yet, the rest of the market is starting to share in the wealth that heretofore has been concentrated in the so-called Magnificent Seven, the tech-focused behemoths that have dominated lately. "Earnings growth is broadening out, allowing the rest of the market to catch up," says Lori Calvasina, head of U.S. equity strategy at RBC Capital Markets.

The chart on the facing page, from FactSet Research, another earnings research firm, shows that by the fourth quarter, analysts expect earnings growth of 15% from the same quarter a year ago for the Mag Seven, but they expect 18% for the 493 companies that make up the rest of the S&P 500. Contrast that with year-over-year earnings growth expected for the first quarter of nearly 39% for the Mag Seven and *negative* 4% for everyone else. "The year-on-year revenue and earnings growth that we've seen out of tech growth names has been eye-popping," says Federated Hermes's Orlando. "I'm not telling you they're going to lose money, but the pace of growth is going to slow."

CROSSCURRENTS TO WATCH

One thing that investors can unfortunately count on in an election year is an increase in market volatility. But these choppy markets tend to resolve to the upside. "Once you're through the election and uncertainty is alleviated, most of the time you see a rally. We don't think this time will be

BARGAIN HUNTING

5 CHEAP STOCKS TO CONSIDER

What a vaunted value manager likes now.

We asked value-investing aficionado Bill Nygren, comanager of the $22 billion Oakmark Fund for nearly 25 years, where he sees opportunities in the stock market now. "With the S&P 500 at 20 times earnings, it seems pretty fully valued, or at least fairly valued," he says. But comparing the price-earnings multiples of growth-oriented stocks to those of their value-oriented cousins shows a much wider-than-typical disparity. And although the lowest-P/E stocks typically cluster in a single, out-of-favor industry, today "you can put together a well-diversified portfolio of all low-P/E stocks," he says. Here are five stocks he likes now. Prices are as of April 30; P/Es are based on analysts' earnings estimates for the next 12 months.

APA (symbol APA, $31). Efficiency improvements to wells acquired in a merger with Callan Petroleum this year could boost earnings for this energy producer, says Nygren. Adding value to an investment in APA, though not yet to its earnings, is a recent oil discovery off the shore of Suriname, in South America, worth roughly $8 per share. APA's P/E is less than six.

Citigroup (C, $61). Two years ago, new CEO Jane Fraser initiated "the biggest restructuring in my lifetime, maybe in company history," says Nygren. Citi jettisoned businesses in which it didn't hold an advantage and reorganized the rest into five divisions. "We think it has become a mix of very good businesses," says Nygren. "By 2026, the turnaround could be well on its way." Citi shares trade at 10 times estimated earnings.

General Motors (GM, $45). GM shares languished as the company funneled cash into ventures that haven't paid off as expected, says Nygren. But he's a fan of the firm's recent share-buyback program, notable for being executed without debt. And with an array of hybrids and fully electric vehicles in its lineup, GM is "well positioned to deliver whatever the customer wants," says Nygren. The stock's P/E is less than five.

Centene (CNC, $73). This health-plan provider manages Medicaid, Medicare and Affordable Care Act exchange plans. Its Medicare Advantage business, marketed directly to consumers, has struggled, but Nygren says quality improvements should return the unit to profitability. Meantime, more states are turning to firms like Centene to manage government plans more efficiently and increasing the number and type of patients outsourced to the plans. Centene's P/E is just over 10.

Delta Air Lines (DAL, $50). Oakmark Fund picked up shares in the airline in the first quarter. "We believe Delta is the best of the majors," Nygren says, with a better balance sheet and higher customer-satisfaction scores. Delta reinstated its dividend in 2023 and has been chipping away at debt taken on during the pandemic. Nygren expects Delta to be able to resume share repurchases in 2025. The stock trades at just eight times earnings.

different," says Detrick. History shows average stock market gains of more than 7% in presidential election years (see the chart on page 24). Perhaps more important than who lives in the White House is the makeup of Congress: Stocks have gained the past 13 times we've had a divided Congress, Detrick's research shows. Since 1951, the S&P 500 has logged annual gains of 15.7%, on average, when Congress is split but 8% when one party controls both the House and the Senate.

Drilling down to the sector level, a survey of industry analysts at RBC Capital Markets shows that a Trump sweep or a Trump presidency with a split Congress would be favorable for energy, health care and materials stocks. The analysts' views on sector returns were more neutral in a Biden sweep or split. Overall, says RBC's Calvasina, "the conclusion is that the outcome of the election matters to some sectors and industries more than others, but it's not the main thing that's going to drive the markets over the rest of the year."

Geopolitical tensions are another worry for investors, with an ongoing war between Russia and Ukraine and escalating conflict in the Middle East. "We all sound crass talking about human-life stories in terms of dollars and cents, but that's part of our job," says Mark Hackett, chief of investment research at insurer Nationwide Financial. Other than initial reactions, the market typically is not affected much by geopolitical events, he notes. "There's usually a momentary reaction as people are scared, uncertain or sad—but these events tend not to be disruptive long-term." It would have been a mistake, he adds, to have sold stocks when Russia invaded Ukraine, or last October, when Hamas attacked Israel.

But Paul Christopher, head of global market strategy at Wells Fargo Investment Institute, worries that the current Middle East conflict "has entered a new realm. There's a real potential there for sudden surprises," he says. Threats to oil supplies in a worst-case scenario could send crude prices surging, he says, "in which case economic slowing in the U.S. would accelerate quite a bit." Oil prices have been well behaved so far. But potential oil shocks are one reason strategist Ed Yardeni, of Yardeni Research, has been recommending that investors overweight energy and precious metals stocks in their portfolios. "They're shock absorbers against any shocks from these two wars," he says.

Sectors you should have on your radar now, according to several strategists, include energy, materials and, depending on who you ask, industrials or financials.

BUY THE NEW GUARD

Even down from record highs, stocks aren't cheap, with the S&P 500 recently trading at 20 times expected earnings. But there's a wide variation among sectors: Tech stocks sport a P/E of 27, on average, while energy, the cheapest sector, trades at a P/E of less than 13. A pivot away from the large, growth-focused stocks in the technology and communications services sectors—or at least some profit-taking—makes sense in order to rebalance into more value-oriented fare. "If you're going to fish in a pond, fish in one with stocks trading at 14 times earnings with accelerated earnings growth," says Hackett. "That's preferable to 30 times earnings with decelerating growth."

So-called cyclical stocks, those that do best when the economy is strong, generally fall into the value camp. Sectors you should have on your radar now, according to several strategists, include energy, materials and, depending on who you ask, industrials or financials. Cyclicals also tend to do well in the second half of election years as optimism begins to emerge, notes strategist Calvasina, who recommends overweighting energy, financials and materials stocks.

Of course, it's possible that the economy isn't as strong as some make it out to be, says Wells Fargo Investment Institute's Christopher. "We think the economy will have a saucer-shaped trajectory this year," he says, with midyear weakening that is not entirely apparent yet. But that will help cool inflation, spur Fed rate cuts and set up accelerating growth for the economy in 2025, so his advice is the same: Stock up on cyclicals, including energy, industrials and materials.

Investors looking for a top-notch value fund can consider ***Dodge & Cox Stock (symbol DODGX)***, a member of the Kiplinger 25, the list of our favorite actively managed no-load funds. Or consider ***Oakmark (OAKMX)***, a fund whose long-term returns have rewarded patient investors. (To see what stocks Oakmark comanager Bill Nygren likes now, see "5 Cheap Stocks to Consider," on page 19.) To add broad sector exposure to your portfolio, consider exchange-traded funds, including ***Energy Select Sector SPDR (XLE, $94)***, ***Vanguard Financials (VFH, $98)*** and ***Fidelity MSCI Materials (FMAT, $50)***. (For more on Vanguard Financials, see "ETF Spotlight," on page 46.)

Profit from strength in industrial stocks by zeroing in on infrastructure plays, says BMO strategist Ma. Three separate government spending bills are pouring billions of dollars into green energy, roads and bridges, semiconductor manufacturing facilities, and improvements to the electricity grid, among many

other initiatives. "These projects take a long time to get going and have a long runway—only a fraction of the buildout has taken place," says Ma. Industrials are also getting support from the longer-term trends of onshoring, reindustrialization of the U.S. and building up supply-chain resilience. There's even a link to the artificial intelligence megatrend, he says, as a huge need for data centers and the electricity to run them comes into play for industrial firms.

Ma likes the diversified approach of ***Global X U.S. Infrastructure Development (PAVE, $37)***, an ETF with 73% of assets in industrial firms and 20% in materials companies (which produce and process the raw materials that go into infrastructure production—think concrete, metals, plastics and so on). Among the ETF's top 10 holdings are ***Emerson Electric (EMR, $108)***, a member of the Kiplinger Dividend 15 with a 1.9% yield; industrial machinery and supplies company ***Parker Hannifin (PH, $545)***; and ***Vulcan Materials (VMC, $258)***, one of our January Investing Outlook picks for 2024, up 32% since our recommendation but with more room for gains. All are rated "buy" by Wall Street analysts.

It's prudent to balance cyclical bets with a stake in defensive sectors. For Calvasina, that's utilities. Consider ***Invesco S&P 500 Equal Weight Utilities (RSPU, $57)***. For Christopher, health care is an undervalued defensive choice. ***Fidelity Select Health Care (FSPHX)*** is a Kip 25 fund. (For a more speculative take on health care, see "Shedding Pounds, Delivering Gains," on page 36.)

Small-company stocks are on some strategists' buy lists, but others remain wary, as previous rallies have fizzled. "There's a long list of why they're interesting," says Calvasina. Valuations are at a deep discount compared with large-company stocks; analysts are increasingly revising earnings estimates upward;

INTERVIEW

A SHAKE-UP IN MARKET LEADERSHIP

Big, mega-cap growth stocks are passing the baton to smaller, cheaper fare.

Dan Suzuki is deputy chief investment officer and chairman of the investment committee at Richard Bernstein Advisors, where he is responsible for portfolio strategy, asset allocation and investment management.

Kiplinger: How do you see the second half of the year playing out?

Suzuki: Our base case is for stocks to trend higher until we see signs that earnings are beginning to peak. But there are a few major crosscurrents likely to affect a few parts of the market in different ways. Currently, earnings growth continues to accelerate. And critically, it is beginning to broaden—as you're seeing the baton passed from U.S. mega-cap growth names to other areas of the market, you've already started to see performance broaden out. As long as that underlying dynamic persists, it's very healthy for the market.

PHOTO BY LESLIE HASSLER

Which areas of the market will carry the baton from here? Cheap cyclical sectors, meaning those most sensitive to economic growth. The sectors most likely to drive earnings acceleration from here include energy, industrials and materials. Also, earnings growth should be accelerating for smaller and midsize stocks, and for some areas outside the U.S.—in particular, emerging-markets stocks.

Emerging markets? Haven't heard that in a long time. They're extremely cheap and out of favor, having underperformed for over a decade. Low valuation alone is not a good indicator of whether something is an opportunity, but it's a nice support. Critically for emerging markets, we're starting to see global economic growth reaccelerate, and that's reflected in earnings for emerging-markets companies, which are beginning to accelerate more broadly. Also, upward pressure on inflation and commodity prices benefits EM profits. Broad exposure here makes sense—don't get too caught up in any one country.

What's your take on the U.S economy? Are rate cuts from the Federal Reserve off the table? I wouldn't say they're off the table just yet, but they're certainly rolling toward the edge. Economic growth is gaining momentum and broadening out, putting upward pressure on inflation and interest rates. We're probably at the inflection point in the economic cycle, where better growth is no longer unequivocally good. There's a tug-of-war between the benefits for the market of stronger economic growth and stronger earnings and the negative impact of higher inflation, a tighter Fed and rising rates. Some companies will be the beneficiaries of that dynamic; some will be hurt by it.

Where should investors put their money now? Opportunities for returns are generally greatest where the market is less crowded and capital is scarce. Today, U.S. mega-cap growth is where capital is concentrated and valuations are most extreme. The flip side, or the silver lining, is that has created capital scarcity in huge portions of the market. The story of the last 15 years has been all about U.S. mega-cap growth and disinflation. Some of the biggest opportunities now lie at the opposite end of the spectrum. Rather than U.S. markets, there are more opportunities internationally. Rather than mega caps, there's a bigger opportunity in small and mid caps. Rather than growth stocks, there's more opportunity in cheaper value stocks. Lastly, rather than disinflation beneficiaries, the long-term opportunities lay more in inflation beneficiaries. In terms of U.S. stock sectors, we favor energy, industrials and materials.

We've heard about this rotation of market leadership before, but it has failed to stick. There's nothing new about that story today as opposed to a couple of years ago. A lot of people have been making the same or similar recommendations to buy a lot of these things, and they've continued to see these parts of the market underperform—that gets to the timing of when to own these things. The timing really has nothing to do with valuation or sentiment, it's more a function of earnings fundamentals. The good thing for most of these longer-term opportunities is that with earnings on the upswing, the near-term backdrop is also supportive. You just have to be careful about getting over your skis. At some point, when profit growth starts slowing, these areas won't do as well.

What's your earnings-growth forecast for the U.S. market overall? Earnings forecasts are more about direction than decimal point for us. For this year, we're expecting growth in the mid-teen percentages. But you want to be mindful for signs that earnings growth may be peaking—that would be the biggest risk to the market. There's a lot of earnings momentum now, but as you get out two or three quarters from now, you could see a peak.

Will the U.S. election have an impact on markets? Elections tend to have short-term impacts on market volatility, which makes sense. It's something that market participants spend a lot of time focusing on as the polls shift and more policy discussions come out of the debates. Most of that is just noise, ultimately. What matters is whether there will be a sustained impact on corporate earnings through policies around fiscal stimulus and spending, or on taxes and tariffs. I don't know that the ultimate policies are going to be as big as the rhetoric makes them out to be.

Are you worried about the geopolitical situation? In isolation, the impact of geopolitical events tends to be short-lived. They can lead to big market swings, which tend to get washed out within six months or so. Clearly, if companies have more exposure to countries where tensions escalate, the more at risk those companies will be to regulation, taxes, tariffs and the like.

What else should investors be thinking about now? I think in some ways we're at the height of a de-diversification of portfolios. Every time we've had that historically, it hasn't ended well for investors. They're shunning diversification, arguably when they need it the most. Seven stocks make up 30% of the S&P 500. The U.S. market has gone from 40% of the global market to roughly 64%—a record. As a result, investors are really just making a bet on one part of the market where things are concentrated, both active managers who overweight the U.S and growth-focused parts of the market and index investors who have a passive concentration because that one part of the market has done so well. Instead, investors should be looking to add that diversification into their portfolio—geographically, from a company-size perspective and from a sector perspective.

and forecasts for economic growth are moving higher. "In an above-average or hot economy, small caps outperform, and it looks like that's where we're headed," she says. The problem? With typically higher debt levels, small caps feel the pinch of higher interest rates more acutely. They're unlikely to rally convincingly until the Fed is certain that inflation is under control and cuts rates accordingly. "You've got to kick off the cutting cycle, or be certain it's around the corner," says Calvasina. "I covered small caps for a long time—they're like my first professional child. But I think Fed rate-cut expectations are all over the place at the moment."

Still, small caps deserve a spot in a diversified portfolio. Index investors can improve their chances with a fund that tracks the S&P SmallCap 600 instead of the Russell 2000; the former has a profitability requirement for constituents that raises the quality bar. Consider ETF 20 member ***iShares Core S&P Small-Cap (IJR, $104)***. Or employ the services of a skilled manager in a fund such as ***Needham Aggressive Growth (NEAGX)***.

Views on international markets are mixed. Among developed countries, Europe is "not quite warming up, but getting less cold," says BMO's Ma. Positives include modest valuations and anticipated rate cuts from the central bank, but for now he remains neutral. Japan, by contrast, is a bright spot. A number of structural corporate governance changes are increasing shareholder value, says Ma, such as aligning CEO incentives with stock performance, returning cash to shareholders via more dividends and buybacks, and using cash wisely for acquisitions. (Historically, Japanese companies have hoarded cash and been resistant to corporate takeovers.) "Structural change like this is rare," says Ma. "It tends to have a multiyear runway, and the market tends to underestimate it." He recommends ***iShares MSCI Japan (EWJ, $67)***, an ETF that provides exposure to a broad array of companies.

Dan Suzuki, deputy chief investment officer at Richard Bernstein Advisors, likes emerging markets. They've languished for years, and a stronger dollar weighs on nations with high dollar-denominated debt loads. But Suzuki sees the green shoots of recovery as global economic growth picks up and a reflation wave benefits commodity-producing nations. Actively managed ***Baron Emerging Markets (BEXFX)***, a Kip 25 fund, is our choice. (For more on Suzuki's market views, see the interview on page 22.)

Finally, fixed-income investors should consider a "barbell" approach to a mercurial bond market. With the yield curve still inverted, short-term bonds and bond funds deliver superior yields for now and are a good place to keep cash you're waiting to deploy. ***T. Rowe Price Ultra-Short Term Bond (TRBUX)***, yielding 4.9%, is an option. (For more, see "Mutual Fund Spotlight," on page 47.)

But consider locking in some long-term bond exposure if and when opportunities arise, says Federated's Orlando. In a volatile interest rate market, 10-year Treasury yields could retest higher levels in the second half, he says. But with the Fed having completed its rate-hiking cycle, the next move is more likely down; Orlando sees the 10-year yield at 3.8% or lower over the next year or so. (Kiplinger expects the 10-year note to end 2024 with a 4.3% yield.) In that case, recent yields of 4.6% or 4.7% look pretty good. "Where's the top? I can't pick the exact spot. But investors who have lengthened out their bond duration will be happy they did—much like people who locked in 3% mortgage rates a few years ago," he says. Buy Treasuries directly from Uncle Sam at TreasuryDirect.gov or from your broker. Fund investors can't "lock in" yields because bonds flow in and out of fund portfolios, but they might consider ***Vanguard Long-Term Treasury Fund (VUSTX)***, with a 4.5% yield.

Stick with high-quality fixed-income holdings. There's little incentive to reach for yield, with the spread between yields on Treasuries and those on lower-rated bonds "incredibly tight," says Hackett. "You're not rewarded for being aggressive." (For more on the outlook for bonds, see "Income Investing," on page 48.)

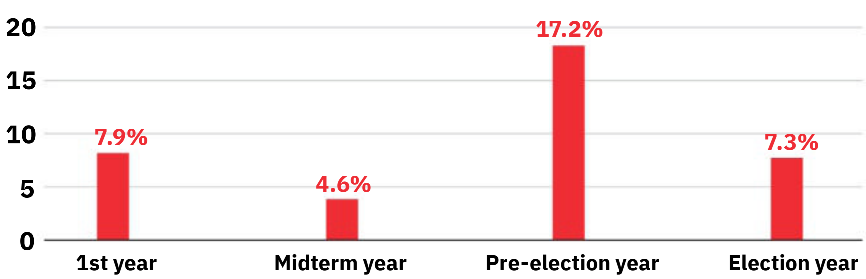
You can contact the author at Anne.Smith@futurenet.com.

PRESIDENTIAL CYCLE

Election Years Deliver Moderate Gains

Going back to 1950, stocks have delivered gains 83% of the time in election years, typically stalling before the vote and rallying after.

S&P 500 average annual returns during presidential cycle*



1950 through 2023. *Not including dividends. SOURCE: Carson Investment Research, FactSet

HOW TO REACH YOUR INVESTING GOALS

Patience helped these four investors make their portfolios work for them.

BY KIM CLARK

IT can feel discouraging to keep sacrificing as you wait for the miracle of compounding to work its magic and accumulate enough to buy a house, pay for college or fund your retirement nest egg. But ordinary people who have attained such goals—and more—are everywhere. Call them the successful investors next door. They succeed in a variety of ways, but all employ some key strategies for staying motivated and investing wisely.

If you're saving for a specific goal (in other words, something more concrete than just a bigger portfolio), you've already taken a crucial step toward success, says Daniel Crosby, author of several books on behavioral finance, including the forthcoming *The Soul of Wealth*. Research shows that "investors who tie their financial lives to a *why*—to a purpose other than just investment performance—save more and are dramatically less likely to sell in bear markets," he says. "They report greater life satisfaction. They have more fun."

Crosby is serious about the fun part. Successful investors must be disciplined and patient, he says. One way to motivate yourself to stay on your long-term track is to "take a moment to really celebrate your investing victories" along the way.

To help you make it to your own celebrations, we asked investors who recently achieved one of their investing goals to share their stories. As you'll see, they used different investing strategies, and they made some mistakes. But with learning, perseverance and sometimes a little luck, they are now enjoying their investing wins.

Tech stocks, including Alphabet, Google's parent, gave Patricia Savu's portfolio a boost. ↓

GETTY IMAGES; COURTESY OF PATRICIA SAVU

WELCOME HOME

When she was in her early forties, Patricia Savu decided to start saving up so that she could eventually help her daughters buy homes. That was a challenge for Savu, who worked as a chemist for 3M. She had a PhD in chemistry but didn't know much about finance. "My father didn't think that was the kind of thing girls should know about," explains the 71-year-old retiree.

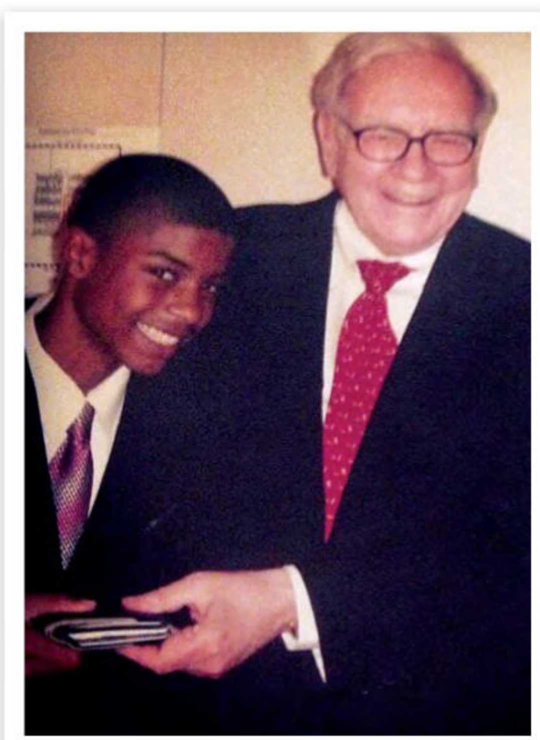
Early in her working life, she stinted on contributions to her workplace 401(k) plan. But more than 10 years into her career, she started reading copies of the *Wall Street Journal* that a colleague had been leaving in the break room. As she read about the benefits of portfolio diversification, she began to worry that the outsize stake in 3M stock she had accumulated, thanks to annual option grants, made her family's finances too dependent on the fate of one company. By that time, she was vested in the company pension, and she had upped her 401(k) contributions (invested in broad market funds) to the maximum. So for her house fund she started a habit of regularly cashing in her stock options to diversify into technology companies that her husband, an electrical engineer, admired, such as Apple, Amazon.com and Google (now Alphabet).

Those stocks did so well that Savu became a fan of tech and growth-oriented stocks in general, although she's a little leery of current valuations. Over time, she broadened her tech portfolio by adding low-cost exchange-traded funds such as Fidelity Nasdaq Composite Index and Technology Select Sector SPDR. (Those funds have both returned an annual average of more than 16% over the past 15 years.)

Last year, when her younger daughter got married and started looking for houses near Savu and her husband in St. Paul, the parents realized they could afford more than a down payment. The tech-heavy house fund had done so well they could cash out $420,000 and buy outright the home her daughter's family chose—and still leave at least an equal amount for their other daughter. Savu owns the property, and her daughter and son-in-law pay a well-below-market rent into a dedicated account to cover taxes, insurance and maintenance. Savu's daughter will inherit the home, as well as whatever is left in the rent account, when Savu has passed on. Meanwhile, the house is much bigger and nicer than one her daughter would have been able to afford on her own. "It makes me feel good to be able to do this for her," Savu says. "You always hear about people buying and holding. But you have to have an exit strategy if you want your investments to have an impact," she says.

STRATEGY:
Diversify beyond company stock.

→ **Busines co-owner Myles Gage got some early investment inspiration from Warren Buffett.**



COURTESY OF MYLES GAGE

OPEN FOR BUSINESS

Myles Gage, 30, says he was a "sneakerhead" during his later years as a student at the Ariel Community Academy, a K–8 public school on the south side of Chicago. He loved learning about finance at the school, which was cofounded by the mutual fund company Ariel Investments. He joined the junior board of directors of the school's investment club, which manages a portfolio of $20,000 for each class year. At year-end, the graduating students divide half of the fund's profits among them.

When Gage was 12, to get him thinking about his future and build a college tuition fund, his mother made him combine his two passions: Whenever he spent money saved up from birthdays to buy a new pair of Nikes, he had to buy a share of the company's stock, too. He was soon buying Apple shares because he loved his iPod. And he bought a few shares in other firms he admired, such as Tesla, and companies he thought served crucial functions, such as health care company Johnson & Johnson. Gage, who got to meet Warren Buffett as a kid, says, "I was following Warren Buffett's advice: Own businesses of quality, that you spend your own money with, that you would want to own forever."

Scholarships and loans paid for his finance degree from the University of Illinois, so Gage rededicated his investment fund to support an entrepreneurial dream. He and a friend wanted to start a company that would help youngsters learn about finance. In early 2019, just before his 25th birthday, Gage quit his day job as a banker and started using his investment fund to pay his living expenses while he helped build the business. He liquidated almost all of his portfolio, by then worth $45,000. He figures he put in about $8,000 into the portfolio, and he says it benefited from especially strong returns from Nike, Apple, Tesla and Johnson & Johnson.

WARREN BUFFETT'S ADVICE: BUY STOCK IN BUSINESSES OF QUALITY THAT YOU WOULD WANT TO OWN FOREVER.

Cashing in the stocks (and even selling some of his beloved collector Nikes) to invest in his business "was totally worth it," he says. His company, Rapunzl, which sells personal finance curricula to schools and offers a free stock trading game app, is growing. When he's presenting an investing lesson to students, Gage likes to point to students wearing Nike shoes and say, "Thank you. You are paying me, because I own Nike stock." That often makes an impact. "Once they understand they could be putting that money in their own pockets, a light goes on," and they get enthusiastic about investing, he says—just like he did.

STRATEGY:
Buy what you know.

OFF TO COLLEGE

When his older daughter was six years old, Michael Hirsch, now 51, decided it was time to start saving for her and her sister's college expenses. Though he was living in Southern California at the time, his fee-only financial adviser, Delia Fernandez, recommended that Hirsch start a tax-advantaged 529 college-savings account with Nebraska's NEST program because it offers low-fee options managed by respected

The Hirsch family prioritized investing to pay for college tuition for two daughters. ↓

COURTESY OF MICHAEL HIRSCH

fund managers such as Vanguard. (Parents can use the money from any state's 529 to pay for any accredited college.)

To make sure they reached their goal, Hirsch and his wife automated their investing as much as possible. They set up twice-monthly automatic withdrawals from their checking account. And they chose age-based funds that would automatically rebalance and transition to safer investments as each child's college enrollment date neared.

As that time approached for their elder daughter, Fernandez pointed out that Hirsch had built up enough in other liquid savings that he could afford to take more risks with his college fund, in hopes of realizing a little extra growth. The Hirsches increased the 529's stock allocation, shifting money into Vanguard stock index funds. With the regular contributions and extra deposits from bonuses or other windfalls, Hirsch says he has contributed about $80,000 for each girl. The accounts' combined total peaked at about $215,000 before withdrawals began.

With scholarships, his daughters' summer jobs and the 529s, Hirsch figures they can now fully fund both daughters' college expenses—especially since his youngest daughter expects to attend an in-state public school in their new home state of Washington. Setting aside that money early on "did hurt at first," Hirsch says. "But when you don't have that money in your account, you don't even think about it after a while."

And it has been worth it. "My university experience was so important to shaping who I am today, and the same was true for my wife," Hirsch says. "Knowing that we are able to provide that foundational and impactful experience for our kids means everything to us."

COURTESY OF MIKE HOUSE

↑ **A well-tuned portfolio enables Mike House and his wife, Gina Rigby-House, to follow their passions.**

STRATEGY:
Make saving automatic.

GETTING HELP

For the first 35 years of his working life as an attorney and Washington, D.C., lobbyist, Mike House, 78, funneled his retirement savings into what he thought were safe bond funds in a Fidelity account. "I am very conservative in my investing outlook," he says. "I thought the money was really safe in bonds."

But as he and his wife, Gina Rigby-House, started to plan for retirement, House began to realize how paltry the returns on the bonds were. He feared he might not be on track to do the kind of traveling and charitable activities he had hoped to do in retirement. So House sought the help of a financial adviser. "I know how to do my job and make money. I don't know how to invest money," he says.

A business associate recommended Ted Shanahan, founder of Blueprint Financial Group in Reston, Va. Shanahan explained that House was so focused on ensuring the return of his principal that his investments had exposed him to other risks, especially the loss of buying power due to inflation.

It took some persuading, but eventually Shanahan maneuvered House's portfolio into a well-diversified basket of investments that has ranged between 60% and 70% stocks. The new portfolio averages an annual return of more than 6%—more than double the return on House's original bond portfolio

House, semiretired for five years, now has an eight-figure net worth that enables him and his wife to follow their passions. He still does some consulting, but the couple are preparing to move back to their home state of Alabama. Their investments give them the time to do volunteer work for their alma mater, the University of Alabama law school, and enable them to afford frequent trips to see family across the country as well as some bucket-list European vacations. Says House, "It's a lot of fun."

STRATEGY:
Consult a pro.

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

Balance Your Risk and Reward

These new ETFs let you cut stock market losses. But you'll sacrifice some gains.

BY NELLIE S. HUANG

IF it's true that the psychological pain of losing money is twice as great as the pleasure you feel when you make a profit, then there's an exchange-traded fund for that. A new class of ETFs, called defined-outcome or buffered ETFs, limit your losses in the stock market in exchange for giving up some of your potential gains. And they're growing in popularity. The first defined-outcome ETF launched in 2018. Today, there are nearly 270 funds, with $47 billion in aggregate assets.

Interest in these ETFs ramped up after both stocks and bonds turned in terrible returns in 2022, and investors sought ways to build some defense into their portfolios. But buffered ETFs also appeal to risk-averse investors who want to keep a toe in the stock market. Word is, recent and soon-to-be retirees, who are staring down a possible 30-year stretch for their money to last, are interested. "You can't maintain your standard of living for that long without earning equity-like returns," says Matt Collins, head of ETFs at PGIM Investments. "Some are willing to take some risk to get that exposure, but not a lot. And if you can offer them a narrower range of outcomes, it gets them a little closer to being comfortable with exposure to large-company U.S. stocks."

Buffered strategies aren't new. These approaches have existed for years in mutual funds and in annuities and other products sold by insurance companies. But the ETF versions are accessible to all investors. Innovator and First Trust were the first firms to offer buffered ETFs;

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AllianzIM, Pacer and True-Shares entered the market in 2020 and 2021. More-recent joiners include iShares, PGIM Investments and Fidelity.

Trouble is that these actively managed strategies require a lot of explaining. They're not typical stock or bond funds. In fact, they're something in between, more like alternative investments. "Investors need to reach a level of understanding to make sure they have the right expectations," says Ryan Issakainen, First Trust's ETF strategist. That's part of the reason the bulk of defined-outcome ETF buyers these days are financial advisers who purchase them on behalf of their clients, not individual investors. And that might be a good thing.

Buffered ETFs come in a variety of risk-reward combinations. The majority offer a certain cushion on losses over a 12-month stretch in exchange for a give-back on gains. But others tweak the formula: Some allow you to capture more of the stock market's gains; others focus on downside protection. ETFs that let you hedge against stock losses and guarantee a payout—sort of like a dividend—have just joined the mix, but we'll address them at some other point (stay tuned). "There's a super-wide array of ways to use these products," says Graham Day, chief investment officer at Innovator ETFs. "They can be used as a complement to a stock portfolio, other times as bond alternatives, or other times as an alternative-investment sleeve" that zigs when other parts of your portfolio zag.

Over the next few pages, we'll explain how these funds typically work, walk you through the broad types of strategies available, and discuss their pros and cons. We've focused on ETFs for stock investors here. The glossary to the right will help with terms. Returns and data are through April 30.

HOW THEY WORK

Most buffered ETFs are linked to the S&P 500 index. The fund managers define how much protection to offer on the downside (the buffer) and set the limit on upside returns (the cap) by investing in options contracts, which allow them to buy or sell shares in an S&P 500 ETF at a set price on or before a certain date. The most common type of buffered ETF has a 12-month outcome period. The range of returns possible over the period is defined by the options contracts the fund holds. At the end of the one-year period, the ETF rebalances by buying new options to ensure the promised buffer, which in turn resets the cap for the next 12-month period.

Typically, the downside protection is fixed, depending on the strategy, but usually ranges between 10% and 20%. How much you give up in upside gains depends in part on the amount of protection the fund offers. The bigger the down-market cushion, the smaller the poten-

THE FIRST DEFINED-OUTCOME ETF LAUNCHED IN 2018. TODAY, THERE ARE NEARLY 270 FUNDS, WITH $47 BILLION IN AGGREGATE ASSETS.

GLOSSARY

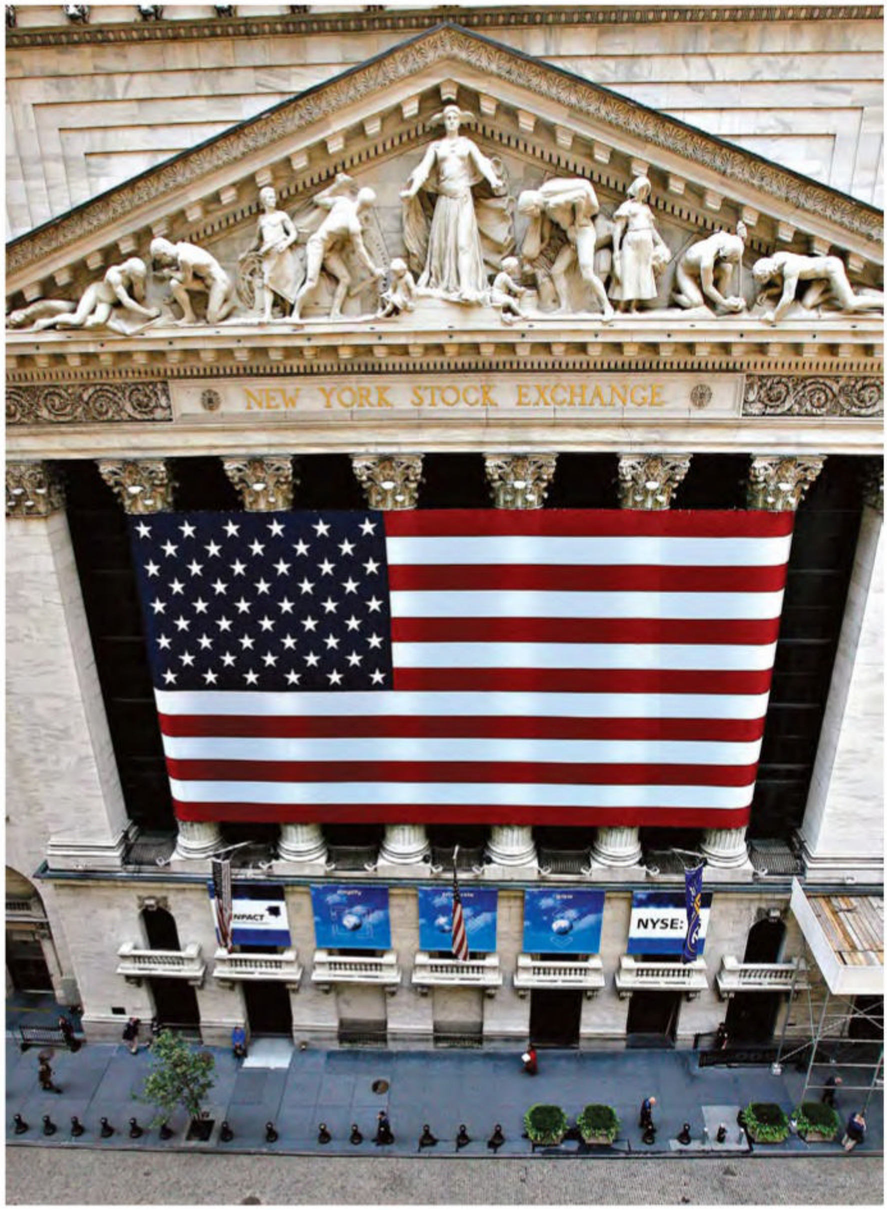
Buffer: The amount of downside protection a defined outcome ETF will offer, before fees, over a certain period (typically 12 months) before a shareholder is exposed to losses.

Cap: The maximum return, before fees, that an investor can earn in a defined outcome ETF over a certain time frame (typically 12 months).

Defined outcome: The range of potential returns, before fees, a buffered ETF will deliver, from the maximum downside protection offered to the maximum potential gain an investor can expect to receive over the fund's outcome period.

Outcome period: The time frame for the range of returns that have been defined by the options the fund has purchased. Most buffered ETFs have an outcome period of 12 months, but there are also funds with quarterly, six-month and two-year outcome periods.

Reference asset: The market benchmark or ETF to which the fund's performance is linked. Most buffered ETFs are tied to the performance of the S&P 500, but a handful focus on other indexes, such as the Nasdaq, the MSCI EAFE or the Russell 2000.



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tial gain. Market volatility and interest rates affect how high or low the cap on gains will be, too.

Let's walk through an example. Innovator S&P 500 Buffer ETF April (symbol BAPR) aims to track the SPDR S&P 500 ETF Trust (SPY).

Investors who bought shares in BAPR at the start of April 2024 have a 9% buffer against losses. That means if SPY drops anywhere up to 9% over the 12-month period ending in March 2025, shareholders lose nothing. But losses beyond 9% are not protected. If SPY declines, say, 15% by the end of the 12-month period ending in March 2025, shareholders who bought BAPR in early April 2024 will suffer a 6% loss.

On the flip side, the potential 12-month return of the Innovator S&P 500 Buffer April ETF tops out at 18.3%. Any gains beyond that are forfeited. "These products do exactly what they say they're going to do," says Innovator's Day. "That level of predictability—knowing what you're going to get—is enormously powerful." For the period that just expired in March, investors for the full year gained 19.3%; the S&P 500, by contrast, returned 29.9%.

THE HITCHES

Naturally, these strategies come with some caveats. Cost is one. Buffered ETFs charge an average expense ratio of 0.77%. That's more than the typical 0.59% fee for actively managed diversified U.S. stock ETFs.

You need to time your purchase, too. It's best to buy these funds within a week of the start of its 12-month stretch, just when the fund rebalances. In late June or early July, for instance, you'd buy a July-dated buffered ETF.

And plan to hold the ETF for at least the full year. For investors who don't buy at the start of the outcome period, the buffer and cap will shift depending on the broad market's moves and the fund's net asset value each day. It's why you see these strategies issued in monthly varieties: Fund firms want to give investors buy-in options throughout the year. That said, these funds aren't time deposits. You can get out at any point.

Finally, the buffer and the cap on any given ETF apply to its full outcome period. The outcome period of the April series of Innovator S&P 500 Buffer ETF is April 1, 2024, to March 31, 2025. If you're buying and holding the fund, what happens in the interim is immaterial. All that matters is where the market stands at the end of the outcome period. That's what makes an investment in buffered ETFs more akin to a one-year bond you hold to maturity. "What we say we will deliver in a January defined-outcome ETF won't happen until December 31—12 months later," says PGIM's Collins. "And it's a slow grind."

At the end of the 12-month period, when the fund rebalances by buying a new set of options, you may want to consider what to do next with the money in the fund. You can always do nothing. In that case, your assets will remain in the fund and automatically roll over to the next year-long period. But it's a good idea to review the new outcome parameters for the coming year. "That ongoing monitoring of the caps from year to year is something you have to stay on top of," says Collins.

A VARIETY OF FLAVORS

The S&P 500 isn't the only index to get the buffered treatment. Innovator and First Trust offer defined-outcome ETFs tied to the Nasdaq index, the MSCI EAFE (which tracks foreign stocks in developed countries), the MSCI Emerging Markets index and the Russell 2000 (a benchmark of small-company stocks). Generally, those ETFs work in the same way as the 12-month defined-outcome funds that track the S&P 500.

But other twists of the defined-outcome formula are worth highlighting:

More upside. Some funds don't come with caps on potential returns, which may appeal to investors more interested in growth than downside protection. For example, instead of accepting a percentage-point limit on potential returns, investors in TrueShares Structured Outcome ETFs can expect to reap roughly 75% to 80% of the S&P 500's price returns over any given 12-month period—no matter how high the index climbs.

For example, the TrueShares Structured Outcome January ETF (JANZ), which has a 12-month outcome period that starts in early January, returned 18.9% in 2023, or 78% of the S&P 500's 24.2% price return. "Over the long run, what you miss on the upside is as equally damaging to a portfolio as a drawdown," says Michael Loukas, chief executive of TrueMark Investments, the firm behind TrueShares ETFs. The TrueShares Structured Outcome ETFs aim to offer downside protection of 10%.

Industry insiders call these strategies "uncapped" defined-outcome ETFs. In the uncapped version from AllianzIM, investors give back the first three percentage points of gains but pocket any advances beyond that. So if the

BUFFERED ETFs OFFER A QUICK WAY TO ADD A SMALL DOSE OF DEFENSE TO YOUR PORTFOLIO.

USER'S MANUAL

THE BEST WAY TO ADD THESE ETFs TO YOUR PORTFOLIO

The trick with buffered ETFs is figuring out which product to buy.

Focus first on how much downside protection you want. Over long periods, the stock market tends to go up. But over shorter periods, stock market losses are common—and unpredictable. Over the past 100 years, according to PGIM Investments, the market's average loss over any 12-month period was 11.8%. That's partly why many buffered funds offer downside protection that starts around 10%. But you can find funds with 12%, 15% and even 20% downside cushions.

Next, figure out how much you'll give up in potential gains for the downside protection you seek. At last check, a buffered ETF offering 15% protection on losses had a 14.5% cap on gains. Choosing the right fund depends on whether you can accept the risk-reward trade-off. "It's finding that sweet spot," says PGIM Investments head of ETFs Matt Collins.

There are a couple of scenarios in which these funds might make good strategic complements to an investment portfolio.

Say you're nervous about putting more money in a pricey market. Buffered ETFs offer a quick way to add a small dose of defense to your portfolio, says Collins. "The best time to buy a buffered ETF with 20% downside protection is during the good market environments, when the probability for a downturn rises—like now."

Or perhaps your conservative investing style is limiting the portfolio growth you need to meet your goals. The advisers at Altfest Personal Wealth Management use buffered ETFs as a risk-management tool. Because of their defined outcomes, clients feel more comfortable taking on more risk, say, "to invest more in equities," says Mayukh Poddar, who manages the investments at the firm.

broad market climbs 4%, you earn 1%, but if the market rockets 50%, you make 47%. The firm's first uncapped defined-outcome ETF, AllianzIM U.S. Equity Buffer 15 Uncapped Appreciation (ARLU), launched in March and offers a 15% buffer on losses.

A bigger cushion. Almost all buffered ETFs offer some downside protection, but most won't fully protect against severe bear markets. There are exceptions, but they're relatively new, so they have little track record.

Among the exceptions is a group of funds from Innovator called Equity Defined Protection ETFs. They aim to offer 100% protection against losses, before fees and expenses, for two years. The price for that protection, of course, is a lower potential return. The oldest of these funds, Innovator Equity Defined Protection ETF 2 Year to July (TJUL), launched in July 2023, and the maximum return that investors can expect over the two-year period is 16.6%, cumulative, before fees.

AllianzIM shrinks the outcome period, which can work to your favor in up markets. For example, AllianzIM U.S. Large Cap 6 Month Floor5 April/October (FLAO) limits losses to no more than 5%, but it rebalances every six months. There's still a cap on gains. For investors who bought the April/October fund when it reset in early April, the gains are capped at 8.81%. AllianzIM's two uncapped funds launched this year, so they have almost no track record. We'll keep our eye on them.

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An all-in-one. Some firms roll a series of monthly defined-outcome ETFs into one fund. But the end result is a less predictable outcome. "The fund of funds ETF doesn't offer a defined outcome, but the underlying holdings do," says First Trust's Issakainen. "You end up with something a little different, but ultimately the ETF is less volatile than the overall market, and that's what it's supposed to be."

First Trust's FT Vest Fund of Buffer ETFs (BUFR), for instance, holds 12 defined-outcome ETFs—spanning 12-month holding periods starting in January through December—in equal stakes. All of the underlying funds offer a 10% buffer against losses in the S&P 500. The caps on gains range between 15.7% and 18.9%.

Pacer Swan SOS Fund of Funds ETF (PSFF) takes a more active approach, opportunistically buying and selling monthly funds depending on market conditions. "If the market goes up a lot, the managers might sell a monthly series to move to a new series and increase their cap and bring the buffer up," says Sean O'Hara, president of Pacer ETFs.

Our verdict: These funds are solid low-volatility stock strategies. In 2022, when the S&P 500 lost 18.1%, the First Trust fund of buffer ETFs lost 7.7%; the Pacer fund, just 4.0%. But if predictable outcomes are what you seek, a fund of funds may not be the best option. K

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SHEDDING POUNDS, DELIVERING GAINS

New weight-loss drugs show promise for investors.

BY ADAM SHELL

INVESTING in shrinking waistlines might not have the wow factor of other market obsessions. But a new class of weight-loss drugs that help people shed pounds without dieting or doing cardio looks like a gamechanger. These next-generation pharmaceuticals enable obese and overweight people to lose 15% to 20% of their body weight. "This could be the biggest opportunity that we've ever seen in the pharma industry," says Andy Acker, portfolio manager at Janus Henderson Investors.

No doubt, weight-loss drugs are trending. Traders are comparing U.S. weight-loss drug innovator Eli Lilly to artificial intelligence chip frontrunner Nvidia. Denmark's Novo Nordisk, thanks to its first-mover advantage in obesity drugs, is now Europe's largest company by market value ($572 billion). TV ads pitching Novo's first-to-market weight-loss drug Wegovy and Lilly's challenger Zepbound are filling the airwaves.

And the drugs' impact could reach far beyond their target users. The success of these appetite-suppressing drugs and resulting health benefits for millions of people could create headwinds for shares of snack makers and packaged-food firms, as well as medical device makers that specialize in knee replacements, insulin pumps and sleep apnea machines. Although stocks in some of these areas have wobbled recently, a growing number of analysts say the long-term risks to other market sectors from weight-loss drugs are overblown.

Novo Nordisk's Wegovy injection pens, seen here in production in a Denmark factory. ↓

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You may have heard of GLP-1 (glucagon-like peptide 1), Wall Street's new buzzword. GLP-1s are the pharmaceutical equivalent of a successful crash diet. They are hormones responsible for the "incretin effect" that makes you feel more full and eat less. Currently, it's a two-horse race between Novo and Lilly, the only players with GLP-1 drugs approved by the Food and Drug Administration to treat obesity in the U.S. (In 2005, the FDA approved this type of drug to fight type 2 diabetes but didn't okay its use for weight loss until 2021.)

In this story, we'll highlight the future prospects of the Big Two and offer up a few more picks of worthy competitors whose shares could rise if they deliver the next breakthrough. "This is an arms race," says Joshua Riegelhaupt, assistant portfolio manager of Baron Health Care Fund.

High stakes, significant risks. The market opportunity is massive, as the use of weight-loss drugs to fight obesity is massively under-penetrated. More than four in 10 (42%) Americans are obese, according to the Centers for Disease Control and Prevention. But only 4 million Americans were using GLP-1 obesity drugs last year, or just 1% of the U.S. population, according to BofA Global Research. Usage is set to skyrocket. About 15 million obese U.S. patients (or nearly 5% of the population) will be on GLP-1 weight-loss prescriptions by the end of the decade, analysts at J.P. Morgan estimate. That projected jump in penetration is why the market for obesity drugs, which last year hit $6 billion, "could grow by more than 16 times, to $100 billion, by 2030," according to an analysis by Goldman Sachs.

Investors should note that the current crop of weight-loss drugs aren't perfect. There's no guarantee that lofty growth projections for use of the drugs will be met. Drug safety is another risk. Side effects include nausea, diarrhea and stomach pain, and pounds tend to return when patients stop taking these drugs. First-to-market treatments Wegovy and Zepbound are administered by injection, which isn't as easy for patients as ingesting a pill. Other headwinds include manufacturing constraints; cost (many people pay $1,000 or more out-of-pocket each month); and lack of coverage by health insurers, which makes weight-loss drugs cost-prohibitive and pressures sales.

Drug makers are working to improve existing formulations.

→ **A bird's eye view of Eli Lilly's Indianapolis headquarters.**

THE MARKET FOR OBESITY DRUGS, WHICH LAST YEAR HIT $6 BILLION, COULD GROW BY MORE THAN 16 TIMES, TO $100 BILLION, BY 2030.

That's why investors are laser-focused on drug trial results, especially next-generation oral offerings. "What you want to look for is whether the drugs in the pipeline have better efficacy," says Mike Perrone, a biotech analyst at investment firm Baird. "Do they have lower side effects? Are they making it easier for the patients to take the medicine?" Pfizer, for example, suffered a setback late last year when it stopped working on its twice-a-day oral drug due to bad side effects. Pfizer is moving forward with a once-a-day pill, but we think investors should hold off on the stock for now. We've also passed on companies with next-wave obesity drugs in very early stages of development or ones deemed farther away from market, such as Roche's CT-996, also orally administered, and Zealand Pharma's Dapiglutide.

Valuations are another headache. Thanks to the success of Mounjaro (prescribed to diabetics to control blood sugar and weight) and excitement since the December launch of Zepbound (prescribed for weight loss), shares in Eli Lilly are up 99% over the past 12 months and trade at 63 times expected earnings. Novo has gained 55% and trades at a price-earnings ratio of 39. For context, the S&P 500 index gained 23% and has a P/E of 20.

At this stage of the race, investors have options ranging from the two early leaders to established drug companies playing catch-up and smaller rivals hustling to develop their own best-in-class weight-loss drugs. Read on for more details. Prices and returns are through April 30, unless otherwise noted.

ELI LILLY (SYMBOL LLY, $781)

There's an advantage to getting out of the gate fast in a largely untapped market of this size, especially for companies with established pedigrees and manufacturing prowess like Lilly, says Lee Brown, global sector lead for health care at financial research firm Third Bridge. "Leadership entrenches success," he says. As of mid March, Zepbound's share of the GLP-1 weight-loss market in the U.S. was already 44%, according to Truist Securities, while the U.S. market share of Novo's Wegovy had shrunk to 56%, down from 86% three months earlier.

Zepbound rang up $175.8 million in sales in the final seven weeks of 2023. And sales tripled to $517.4 million in the first quarter of 2024. Together, sales of Zepbound and Mounjaro in the first quarter accounted for 26% of Lilly's $8.8 billion in revenues. BofA analyst Geoff Meacham, whose 12-month price target of $1,000 per share for Lilly is the highest on Wall Street (implying a 28% gain), says annual sales of its GLP-1 drugs could top $60 billion by 2030. That's nearly double Lilly's 2023 company-wide sales of $34.1 billion.

Lilly can cement its dominant position by bringing its oral weight-loss drug, Orforglipron, to the market before rivals launch their versions. It is now in its final Phase III trial, with results expected next year. BofA expects approval in 2026 and sees sales from Lilly's full suite of obesity drugs growing from $1.5 billion in 2026 to $32 billion in 2035.

Given the stock's high valuation, investors might benefit from buying on dips. "Some of the good news is priced in, but I think there's a long way to go," says Neal Kaufman, lead manager of Baron Health Care Fund, which counts Lilly as its top holding.

NOVO NORDISK (NVO, $128)
Being first to market doesn't mean you'll stay on top, but it does set you up for long-term success. Novo's popular GLP-1 diabetes drug Ozempic, which many people take to lose weight, has been on pharmacy shelves since 2017. Its weight-loss-focused cousin Wegovy was cleared for use by the FDA in 2021. And as GLP-1 drugs branch out into other medical uses, such as reducing cardiovascular and stroke risk, minimizing kidney disease, or easing symptoms of sleep apnea, leaders like Novo will continue to benefit, says Janus Henderson's Acker, whose Global Life Sciences Fund counts Lilly and Novo among its top three holdings. In March, the FDA approved Wegovy as the first therapy to help people both manage their weight and reduce the risk of a heart attack. "These drugs are in their infancy, and their benefits go beyond just weight loss," says Acker.

Novo has oral weight-loss pills in its pipeline, such as Rybelsus (already approved to treat type 2 diabetes) and Amycretin, that it's working to bring to market. "The next leg of competition [is all about] the search for 'Wegovy in a pill,' " said Sachin Jain, an analyst at BofA, which rates the stock a "buy."

In 2023, according to Novo, more than 40 million people were benefiting from both its obesity and diabetes treatments. To boost production of Wegovy in the U.S., the company acquired three manufacturing sites in New Jersey earlier this year. Keeping up with demand is key, as sales aren't expected to slow. Last year, sales of Wegovy to treat obesity totaled $4.5 billion, according to Third Bridge. This year, Wall Street analysts expect Wegovy revenue to nearly double, to $8.8 billion. Novo increased overall sales at a 31% clip last year and sees revenue climbing another 18% to 26% this year. The stock is also a member of the Kiplinger ESG 20, our picks of companies with solid business fundamentals and environmental, social or corporate governance strengths.

→ **Biotech giant Amgen is based in Thousand Oaks, Calif.**

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AMGEN (AMGN, $274)
The biotech giant has a promising experimental obesity drug in its pipeline. MariTide, or AMG 133, first unveiled in late 2022, is now in Phase II trials. Amgen said its plans for a Phase III trial remains on track. And analysts say it could prove to be a better mousetrap than Wegovy or Zepbound. Early study results show Amgen's injectable drug can re-

duce body weight by up to 15%, can keep the pounds off longer and has an acceptable safety profile. One way it separates itself from the competition is that it may need to be taken once a month (or even less frequently). “The key selling point so far is the longer dosing interval,” says Morningstar analyst Damien Conover. That gives AMG 133 an edge over existing obesity drugs and those in the pipeline that are taken daily or weekly and require patients to keep taking the meds to keep the weight off.

If AMG 133 makes it to market, it could provide a sizable boost to Amgen’s annual revenue growth, which is now in the mid-single-digit percentage range. “A successful obesity drug could move growth into double-digit territory,” says Morningstar analyst Karen Andersen. Amgen shares offer investors a cheaper way to play the weight-loss trend, with a bargain P/E of under 15.

→ **Nearly 5% of the U.S. population could be on GLP-1 weight-loss drugs by the end of the decade.**

VIKING THERAPEUTICS (VKTX, $80)

Investors with a high tolerance for risk might explore stock in this small biotech company, which has a market value of less than $9 billion. Viking made headlines in February when its stock rose 121% in a single day after Phase II results of the company’s experimental weight-loss drug VK2735 exceeded investor expectations. Analyst Andy Hsieh, at investment firm William Blair, believes the development-stage biotech’s promising drug could deliver better results than Lilly’s Zepbound. Viking, Hsieh hinted, might also be a prime takeover target (which could further boost the stock’s upside potential). “Ultimately, we believe the value of VK2735 will be maximized in the hands of a big pharma,” Hsieh said. Viking also has an oral version of VK2735 in early trials.

All 11 analysts who cover Viking, which has yet to turn a profit, rate it “buy” or “outperform.” Analysts at Oppenheimer, who have a price target of $138 on the stock for the next 12 to 18 months (the highest estimate on Wall Street), say VK2735 has best-in-class potential and an 80% probability of success as a commercial drug.

The firm forecasts that annual global sales of VK2735 will reach $11.7 billion in 2040. Oppenheimer analysts say shares, despite a 328% gain so far this year, have more room to run.

STRUCTURE THERAPEUTICS (GPCR, $39)

Another dark horse in the race to bring an oral weight-loss drug to market is Structure Therapeutics, which has a market value of less than $2 billion. Neal Kaufman, of Baron Health, initiated a small position in the stock in late 2023. He was intrigued by the potential of the company’s obesity drug GSBR-1290, which patients can take orally once a day. “It’s still in its early phase of development, but there is reason to think it can be successful,” says Kaufman. “It has the potential to be among the leaders in the category.”

Getting an oral drug approved, Kaufman said, is the gateway to growth, noting that oral drugs are also cheaper and easier to manufacture than injectables. Baron ranks Structure second behind Lilly in the race to get a weight-loss pill to market. Structure is also a takeover target if GSBR-1290’s trial results continue to impress. “It’s probably more of a question of when, not if,” said Kaufman. All eight Wall Street analysts who cover the stock rate it a “buy.” If their median price target of $83 is right, the speculative stock could double from here.

E-mail questions and comments to feedback@kiplinger.com.

THE FIDELITY INVESTOR'S BIBLE

This newsletter's model portfolios have an impressive record.

BY NELLIE S. HUANG

ONCE a month, the editors of the *Fidelity Monitor & Insight* investing newsletter—executive editor Jack Bowers and editor John Bonnanzio—meet via Zoom to discuss the Fidelity mutual funds they follow (some 256), which they rate "Buy," "Sell" or "Hold." "We spend hours going over the rating of every single fund," says Bonnanzio.

The two men have been colleagues for 15 years but always on opposite ends of the country; Bowers is based in Zephyr Cove, Nev., and Bonnanzio is in Wellesley, Mass. Their newsletter is a throwback to 20th-century investing, but they use 21st-century tools to collaborate and create its content. On top of providing market and investing commentary, *Fidelity Monitor & Insight* offers advice on which Fidelity funds to buy, which to avoid, and how to put Fidelity funds together in model portfolios that are geared to risk levels from conservative to aggressive.

Newsletters of this type are on the wane. Their heyday was in the 1990s, when a raging bull market and the proliferation of 401(k)s and discount brokers made investing interesting and accessible. Do-it-yourself investors craved advice and were willing to pay hundreds of dollars a year to get it. At one point, more than half a dozen newsletters focused just on Fidelity funds, including *Fidelity Monitor* and *Fidelity Insight,* which were two separate publications back in the day. (In 2009, *Monitor,* which launched in 1986, acquired *Insight,* which launched in 1985. They merged and became one newsletter in 2012.)

Investors subscribed in droves, and they closely followed the investment moves prescribed by the newsletter. "When we made a change to a fund in one of our model portfolios, a massive amount of money moved" at Fidelity, says Bowers. In the mid to late 1990s, Bowers says, roughly $300 million in assets followed *Monitor's* Select model, so named because it was made up of Fidelity Select sector funds.

Fidelity Monitor & Insight **offers advice on whether to buy, sell or hold some 256 Fidelity funds.**

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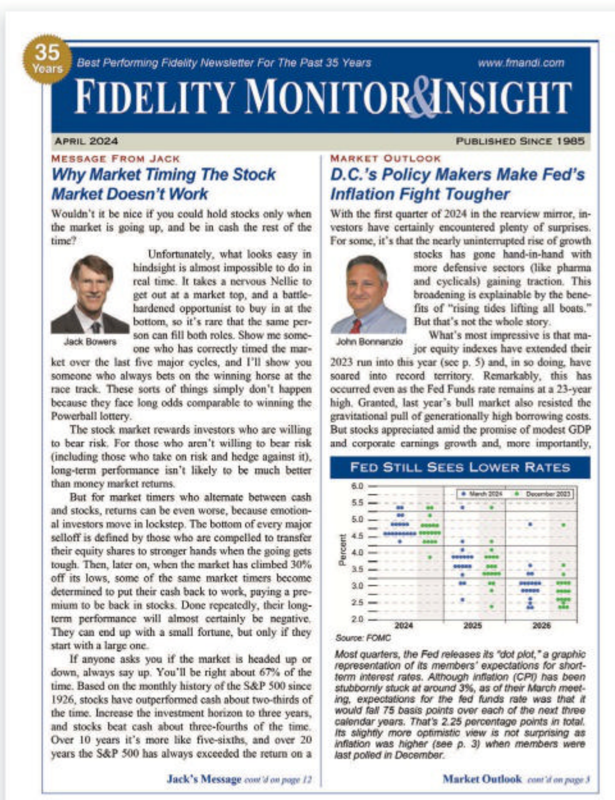

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FIDELITY MONITOR & INSIGHT

APRIL 2024 PUBLISHED SINCE 1985

MESSAGE FROM JACK

Why Market Timing The Stock Market Doesn't Work

Wouldn't it be nice if you could hold stocks only when the market is going up, and be in cash the rest of the time?

Jack Bowers

Unfortunately, what looks easy in hindsight is almost impossible to do in real time. It takes a nervous Nellie to get out at a market top, and a battle-hardened opportunist to buy in at the bottom, so it's rare that the same person can fill both roles. Show me someone who has correctly timed the market over the last five major cycles, and I'll show you someone who always bets on the winning horse at the race track. These sorts of things simply don't happen because they face long odds comparable to winning the Powerball lottery.

The stock market rewards investors who are willing to bear risk. For those who aren't willing to bear risk (including those who take on risk and hedge against it), long-term performance isn't likely to be much better than money market returns.

But for market timers who alternate between cash and stocks, returns can be even worse, because emotional investors move in lockstep. The bottom of every major selloff is defined by those who are compelled to transfer their equity shares to stronger hands when the going gets tough. Then, later on, when the market has climbed 30% off its lows, some of the same market timers become determined to put their cash back to work, paying a premium to be back in stocks. Done repeatedly, their long-term performance will almost certainly be negative. They can end up with a small fortune, but only if they start with a large one.

If anyone asks you if the market is headed up or down, always say up. You'll be right about 67% of the time. Based on the monthly history of the S&P 500 since 1926, stocks have outperformed cash about two-thirds of the time. Increase the investment horizon to three years, and stocks beat cash about three-fourths of the time. Over 10 years it's more like five-sixths, and over 20 years the S&P 500 has always exceeded the return on a

Jack's Message *cont'd on page 12*

MARKET OUTLOOK

D.C.'s Policy Makers Make Fed's Inflation Fight Tougher

With the first quarter of 2024 in the rearview mirror, investors have certainly encountered plenty of surprises. For some, it's that the nearly uninterrupted rise of growth stocks has gone hand-in-hand with more defensive sectors (like pharma and cyclicals) gaining traction. This broadening is explainable by the benefits of "rising tides lifting all boats." But that's not the whole story.

John Bonnanzio

What's most impressive is that major equity indexes have extended their 2023 run into this year (see p. 5) and, in so doing, have soared into record territory. Remarkably, this has occurred even as the Fed Funds rate remains at a 23-year high. Granted, last year's bull market also resisted the gravitational pull of generationally high borrowing costs. But stocks appreciated amid the promise of modest GDP and corporate earnings growth and, more importantly,

FED STILL SEES LOWER RATES

Source: FOMC

Most quarters, the Fed releases its "dot plot," a graphic representation of its members' expectations for short-term interest rates. Although inflation (CPI) has been stubbornly stuck at around 3%, as of their March meeting, expectations for the fed funds rate was that it would fall 75 basis points over each of the next three calendar years. That's 2.25 percentage points in total. Its slightly more optimistic view is not surprising as inflation was higher (see p. 3) when members were last polled in December.

Market Outlook *cont'd on page 3*

Then the World Wide Web arrived, and "it took the wind out of the sails of all newsletters," says Bowers.

Today, *Fidelity Monitor & Insight,* which has a $169 one-year subscription price, is one of the last of its kind. Some 14,500 subscribers—down from a combined 140,000 in the mid 1990s—receive a paper version of the newsletter. But it's not all old school. Readers get regular e-mails, too, on model portfolio moves and market news. And they can view updated fund ratings and model portfolios, plus access basic tools online, at *www.fmandi.com.*

And the advice? That's still solid. According to *The Hulbert Financial Digest,* an independent group that tracks the performance of investment advisory newsletters, *Fidelity Monitor & Insight's* model portfolios, on average, have delivered a 10.4% annualized return over the past 20 years through March. That's better than the S&P 500's 10.2% annualized return over the same period. Subscribers have to execute their trades on their own, but many are happy they do.

GETTY IMAGES

A solution for do-it-yourselfers. The newsletter's five model portfolios are its forte. The best-performing portfolio over the past 20 years, Select, boasts an 11.0% annualized return through the end of April. Unique Opportunities—a more diversified, aggressive U.S. stock fund model—has a 10.5% annualized return.

The models range in risk from the most aggressive, Unique Opportunities, to the least, Income, which holds roughly 70% in bond funds and 30% in stock funds. Bonnanzio says he weighs in on fund comings and goings in the model portfolios with a "thumbs up or a thumbs down," but "Jack is the trigger man on the models."

Part of the key to their success, both Bowers and Bonnanzio say, is risk management: The models are geared to target a specific risk measure relative to the broad market. "These days you need to be more risky than the S&P 500 to get S&P-like returns," says Bonnanzio.

The other part: They discourage market timing in favor of a buy-and-hold strategy. "Do-it-yourself investors get nervous and sell at the bottom. Then they get comfortable and buy at the top," says Bowers. "We provide the structure for people to stay in the market at a certain risk level at all times, and that's how you build wealth."

Neither Bowers nor Bonnanzio has an MBA or CFA, the chartered financial analyst designation considered the gold standard of financial analysis. Bowers, 66, was an electrical engineer at Hewlett-Packard writing *Monitor* on the side; he quit engineering in 1991 to run the newsletter full-time. Bonnanzio, 65, has a background anchored in writing about investing and business. "I worked for my local daily newspaper in high school," he says. His first job out of college, where he majored in economics and political science, was working at an investing publication for professional investors.

Monitor & Insight's ratings range from "Buy" to "OK to Buy," then "Hold," "OK to Sell" and, finally, "Sell." When the editors review the funds, Bonnanzio says, "we're looking for why a fund might not be behaving as it should." If a fund gets a new manager, they take notice. They also keep tabs on whether sector bets—a fund's heavy tilt to energy, say—have been a boost or drag on recent returns.

Fifty funds earn a "Buy" rating, including Fidelity Blue Chip Growth (a member of the Kiplinger 25, the list of our favorite actively managed no-load funds) and Fidelity Growth Discovery, two favorites of both Bowers and Bonnanzio. Another 73 funds rate an "OK to Buy." "Functionally, there's no difference between an OK to Buy and a Buy," says Bonnanzio. It comes down to conviction level.

THE NEWSLETTER'S BEST-PERFORMING PORTFOLIO OVER THE PAST 20 YEARS, SELECT, BOASTS AN 11.0% ANNUALIZED RETURN.

Last spring, for instance, Bowers and Bonnanzio upgraded Fidelity Japan Smaller Companies to "Buy," prompting a review of other funds with hefty stakes in Japanese stocks. Fidelity Pacific Basin and International Small Cap inched up to "OK to Buy" from "Hold."

There are fewer "Sells." Only one fund earns an outright "Sell" (Fidelity Gold). Another 20 fetch an "OK to Sell." Some of those "avoids" represent a tactical view: A negative outlook on China prompted an "OK to Sell" on Fidelity China Region. Fidelity U.S. Low Volatility Equity, on the other hand, is "OK to Sell" because it's "a bad way to invest," says Bowers, who's not a fan of low-volatility strategies. The fund's three-year annualized return ranks at the bottom of its peer group.

What's next. How long the newsletter survives is anyone's guess. Bowers says he expects it to reach its 40th anniversary in 2026, and perhaps continue beyond.

What will definitely remain is the advisory business. Bowers plays a key role at two affiliate fiduciary firms, with about $650 million under management, where he practices what he preaches in the newsletters. "We built the advisory businesses from newsletter readers who were willing to become clients," he says.

If and when the newsletter shuts, more readers may be willing to become clients. The fee is higher—about $1,000 a year for a $500,000 account, Bowers says—but the firm handles all the trades. Bowers is betting that enough longtime subscribers will be okay with that, based on the satisfied reader e-mails the newsletter receives. "This is a get-rich-slowly approach. It's not what younger investors want to do today, but it's proven, and it works most of the time."

You can contact the author at Nellie.Huang@futurenet.com.

My Top 30 Index: An Update

STREET SMART BY JAMES K. GLASSMAN

A year ago, I put together what I called "my own reinvention" of the Dow Jones industrial average, the popular 142-year-old large-cap index. I called it simply Top 30—"not a drastic change in the Dow but an updating." The portfolio combined the best of the Dow with some components of the Wired Index, concocted by the tech magazine in 1998, plus stocks drawn from my own annual Top 10 lists and a few others as well.

How did the Top 30 do over the past 12 months? Very well, thank you. My portfolio returned 26.5% for the year ending in April, compared with 13.3% for the Dow and 22.7% for the S&P 500, the large-company benchmark.

Top 30 is meant to be a long-term portfolio. As I say over and over, investors shouldn't hold stocks for just a year; you should buy shares with the intention of keeping them forever. But as companies change, don't be afraid to adjust your portfolio—as I will reveal later in this piece.

But, first, let's take a look at why Top 30 outperformed the Dow by such a wide margin. A big reason was that 2023 was a great year for mega-cap technology companies, and the Dow lacks four that Top 30 embraces: ***Alphabet***, the former Google, which returned 51.6% for the 12 months; ***Meta Platforms***, the former Facebook, up 79.2%; ***Netflix***, up 66.9%; and ***Nvidia***, which rose 211.4%—by far the best performer in the portfolio. Together, these stocks represented more than one-third of the return of Top 30 as a whole.

The Dow added Top 30 component ***Amazon.com*** on February 24 of this year. (Was someone at S&P Dow Jones Indices reading my column?) The online retailing giant returned 66%, another boost for my portfolio. In addition, the Dow includes three other tech stocks that are part of Top 30: ***Apple***, which had a miserable year, returning just 0.9%; ***Microsoft***, which returned 27.6%; and ***Salesforce***, the business software company, up 35.8%.

Technology is essential to any serious portfolio, and the Dow still doesn't have enough of it. As I pointed out in my last column, tech stocks have outperformed every other sector over the past decade by nearly twofold.

Top 30 also benefited from having few stocks with disastrous declines. In fact, the *worst* performer was also a Dow component: ***Nike***, down 26.1% on sluggish revenue growth. I still like the stock, however. Only three Top 30 stocks fell by double digits.

The Dow, by contrast, had other big losers besides Nike. Boeing, beset with quality-control disasters, dropped 18.8%, and Walgreens Boots Alliance, the drugstore chain, lost about one-third of its value before it was kicked out of the Dow in February in favor of Amazon. But the Dow's biggest problem was that so many of its components were flat. They included aging tech stocks such as Cisco, up a mere 2.7%, and Intel, down 0.3%. They also included defensive stocks such as Procter & Gamble, up just 6.8%; Coca-Cola, down 0.8%; McDonald's, down 5.5%; and Honeywell International, down 1.4%.

PHOTO BY NOAH WILLMAN

My portfolio returned 26.5% for the year ending in April, compared with 13.3% for the Dow and 22.7% for the S&P 500.

The Dow has become stodgy and doesn't reflect the economy's changes. Don't get me wrong—I like the Dow. I co-authored a whole book on the index, and I own Diamonds, the nickname for the ***SPDR Dow Jones Industrial Average ETF (symbol DIA)***. But recognize the Dow for what it is: a portfolio that is less risky than the market as a whole but one that will almost certainly return less, too.

Although the Dow and the S&P 500 have performed in a remarkably similar way since the advent of the latter index in 1957, they have diverged in recent years. In the five years ending April 30, ***SPDR S&P 500 (SPY)***, the exchange-traded fund nicknamed Spiders that tracks the S&P, returned an annual average of 13.1% while Diamonds returned just 9.5%. Spiders

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has beaten Diamonds in 11 of the past 15 calendar years and leads by five points so far in 2024.

But Top 30 has beaten them both. Still, let's not get carried away. It has been only a year.

The main difference is that Top 30 companies are better businesses. I chose Nvidia because it is far more advanced in designing artificial intelligence chips than the Dow's Intel. As I wrote last year, "I prefer ***PepsiCo*** as a more aggressive selection than the Dow's Coke; ***Lockheed Martin*** as a better managed firm than the Dow's Boeing; ***Chipotle Mexican Grill*** because it is more appealing to young people than the Dow's McDonald's; and ***Merck*** as a more diversified choice than the Dow's Amgen."

I said goodbye to Tesla. I'm replacing it with Amphenol, a producer of fiber-optic connectors for automotive and other uses.

GLASSMAN'S TOP 30

COMPANY	SYMBOL	PRICE
Alphabet	GOOGL	$163
Amazon.com	AMZN	175
Amphenol	APH	121
Apple	AAPL	170
Automatic Data Processing	ADP	242
Berkshire Hathaway	BRK.B	397
Caterpillar	CAT	335
Chevron	CVX	161
Chipotle Mexican Grill	CMG	3,160
Colgate-Palmolive	CL	92
Freeport-McMoRan	FCX	50
Halliburton	HAL	37
JPMorgan Chase	JPM	192
Lockheed Martin	LMT	465
Lululemon Athletica	LULU	361
Merck	MRK	129
Meta Platforms	META	430
Microsoft	MSFT	389
Netflix	NFLX	551
Nike	NKE	92
NVIDIA	NVDA	864
NVR	NVR	7,439
PepsiCo	PEP	176
Realty Income	O	54
Salesforce	CRM	269
Starbucks	SBUX	88
Union Pacific	UNP	237
United Parcel Service	UPS	147
UnitedHealth Group	UNH	484
Walt Disney	DIS	111

I made some mistakes, of course. The most glaring was Tesla. For the full 12 months, the electric-vehicle manufacturer managed a return of 11.5%, but shares have dropped more than $100 since hitting a high in July 2023. In my column on Texas in February, I wrote, "I was a Tesla fan (and shareholder) in the past, but I grew worried—in fact, disgusted—with CEO Elon Musk's erratic behavior since taking over Twitter (now X), so I took some profits and bid goodbye."

Tesla may come back, but as a rule I stay away from companies whose CEOs exhibit even slightly questionable behavior. I follow Warren Buffett's adage: "In looking for people to hire, you look for three qualities: integrity, intelligence and energy. And if you don't have the first, the other two will kill you."

As replacement candidates, the two U.S. auto companies, General Motors and Ford, don't meet my standards (nor those of the Dow). Instead, I am choosing ***Amphenol***, a producer of fiber-optic connectors and other essentials for broadband, aerospace and (yes) automotive uses. With a market capitalization (shares outstanding times price) of $72 billion, Amphenol is a top holding of ***Guinness Atkinson Global Innovators (IWIRX)***, a mutual fund whose portfolio derives loosely from the original Wired Index. Amphenol is another tech stock, but it still leaves our portfolio less tech-heavy than the S&P 500.

Several Top 30 stocks had disappointing years, but that's no reason to eliminate them from the portfolio. The global shoe market is highly competitive, but Nike's leadership position remains unchallenged. Another powerhouse brand, ***Starbucks***, is trading lower than it did five years ago even though revenues have risen more than 50%. The stock of ***United Parcel Service*** needs to wake up, but it's paying a 4.4% dividend while it snoozes.

The portfolio still lacks a modern utility stock at a time when electricity use is set to soar because of AI, electric vehicles and clean manufacturing. Suggestions are welcome. Also, I'm still waiting for an asset management firm to package Top 30 as a mutual fund or ETF to make it easy to buy. Meanwhile, we'll see how the portfolio does a year from now.

James K. Glassman chairs Glassman Advisory, a public-affairs consulting firm. He does not write about his clients. His most recent book is **Safety Net: The Strategy for De-Risking Your Investments in a Time of Turbulence.** ***Of the stocks mentioned in this column, he owns Amazon, Microsoft, Nvidia, Salesforce and Starbucks. Reach him at JKGlassman@gmail.com.***

DIFFERENT STARTING PLACES, SIMILAR RESULTS

KIPLINGER ETF 20 UPDATE BY NELLIE S. HUANG

FACTOR funds can be tricky. These funds, which aim to capitalize on certain market attributes or themes, don't always seem to work if the market moves too quickly. But we've noticed something about ***JPMorgan U.S. Quality Factor***. The exchange-traded fund has kept pace with the S&P 500 index over most time frames, and it has been a smidge less volatile. Over the past five years, the fund's 13.3% annualized return eked past the 13.2% gain in ***iShares Core S&P 500,*** an S&P 500 index ETF, with less volatility.

What's the difference between the two funds? The iShares ETF holds all of the large-company stocks in the S&P 500, which are picked by a committee at S&P Dow Jones Indices. The selection process favors companies that meet certain criteria, such as company size, positive earnings and a sufficient percentage of shares available for public trading.

But JPMorgan U.S. Quality Factor ETF holds just 250-odd stocks and starts with a broader index, the Russell 1000, which means more midsize firms are in the mix. Companies in the Quality Factor fund have an average market value of $112 billion, according to financial data firm Morningstar. (By contrast, stocks in the Core S&P 500 ETF have an average market value more than double that, $278 billion.)

Finally, companies in the Quality Factor ETF must pass muster for a variety of profitability criteria (such as return on equity), solvency (such as cash flow relative to debt) and earnings quality (such as the ratio of a firm's balance sheet to its average total assets over the past year).

Despite their differences, the two funds share similar top-10 holdings, including some of the usual suspects: Meta Platforms, Alphabet, Nvidia and Microsoft. But about one-third of the holdings in U.S. Quality Factor ETF aren't in the S&P 500 index. Some of those stocks, including home goods retailer Williams-Sonoma and cybersecurity software maker CrowdStrike Holdings, have more than doubled in price over the past 12 months.

Reach the author at Nellie.Huang@futurenet.com.

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	$504	22.6%	8.0%	13.2%	1.3%	0.03%
iShares Core S&P Mid-Cap	IJH	57	16.8	3.2	9.4	1.4	0.05
iShares Core S&P Small-Cap	IJR	104	12.6	–0.4	7.0	1.7	0.06
iShares MSCI USA ESG Select	SUSA	104	19.8	5.6	12.9	1.3	0.25
Vanguard Total International Stock	VXUS	59	8.4	0.2	5.2	3.4*	0.07
Dividend Stock Funds							
Schwab US Dividend Equity	SCHD	$77	10.0%	4.6%	11.1%	3.8%	0.06%
Vanguard Dividend Appreciation	VIG	175	13.3	6.6	11.1	1.7	0.06
WisdomTree Global ex-US Qual Div Growth	DNL	38	6.4	0.5	8.0	2.0	0.42
Strategic Stock Funds							
Industrial Select Sector SPDR	XLI	$122	23.6%	7.7%	11.2%	1.4%	0.09%
Invesco S&P 500 Equal Wt Hlth Care	RSPH	30	–0.1	2.6	9.6	0.7	0.40
JPMorgan US Quality Factor	JQUA	50	21.3	9.8	13.3	1.3	0.12
SPDR® S&P Kensho New Economies Composite	KOMP	45	10.7	–11.2	7.8	1.0	0.20
Technology Select Sector SPDR	XLK	196	31.2	13.0	21.3	0.8	0.09
Vanguard FTSE Europe	VGK	66	7.1	3.1	6.7	3.3*	0.09
Core Bond Funds							
Fidelity Total Bond	FBND	$44	–0.1%	–2.6%	0.9%	5.4%	0.36%
Invesco BulletShares 2026 Corp Bd ETF	BSCQ	19	3.2	–1.1	2.3	5.4	0.10
SPDR DoubleLine Total Return Tact ETF	TOTL	39	-0.3	–2.9	–0.5	5.8	0.55
Opportunistic Bond Funds							
BlackRock Ultra Short-Term Bond	ICSH	$51	5.5%	2.7%	2.4%	5.5%	0.08%
Invesco Senior Loan	BKLN	21	10.1	4.5	3.6	8.1	0.65
Vanguard Tax-Exempt Bond	VTEB	50	1.8	–1.0	1.3	3.6	0.05
Indexes							
S&P 500			22.7%	8.1%	13.2%	1.5%	
MSCI EAFE			9.3	2.9	6.2	2.9	
BLOOMBERG U.S. AGGREGATE BOND INDEX			–1.5	–3.5	–0.2	5.3	

As of April 30, 2024. *12-month yield (all other yields are 30-day SEC yields).
SOURCES: Morningstar Direct, MSCI, S&P Dow Jones Indices, WSJ.com.

TIME TO BUY FINANCIALS?

ETF SPOTLIGHT BY KIM CLARK

INVESTING during times of economic uncertainty can be simple. Just follow the rule set by notorious American bank robber Willie Sutton: Go where the money is. Of course, you can avoid jail time with the investing version of Sutton's strategy: Buy shares of banks, insurers and other financial companies instead.

Investors in broad index funds already have about 13% of their portfolio in financial companies. But Rob Anderson, U.S. sector strategist for Ned Davis Research, recommends adding extra exposure to the sector now. Moderating inflation and the possibility of interest rate cuts will disproportionately benefit financial companies, especially if those cuts come slowly. In the past, when the Federal Reserve lowered rates at a measured pace, financial-sector stocks outperformed the broad market, says Anderson. Lower interest rates can provide a bullish backdrop for stocks overall. They also increase the value of bonds held on insurance-company books (interest rates and bond prices move in opposite directions). And banks get a profit-margin boost because they can pay lower rates on deposits.

One popular, broadly diversified exchange-traded fund covering the sector is Vanguard Financials (symbol VFH, $98), which holds shares in 394 financial companies including Berkshire Hathaway, Goldman Sachs Group, JPMorgan Chase and Visa. It ranks in the top fourth of its peer group for returns over the past 10 years and charges an expense ratio of 0.10%. (Data is as of April 30.)

Contact the author at Kim.Clark@futurenet.com.

Vanguard Financials ETF

Key Facts

SYMBOL: VFH
RECENT PRICE: $98
ASSETS: $10.2 billion
START DATE: January 6, 2004
STOCK HOLDINGS: 394
AVG. PRICE-EARNINGS RATIO: 15.4
AVG. MARKET VALUE: $97 billion

Vanguard Financials ETF

PERFORMANCE SINCE INCEPTION

Weekly closing prices (February 1, 2004–April 30, 2024)

TOP FIVE HOLDINGS

JPMorgan Chase	8.5%
Berkshire Hathaway	8.1
Mastercard	5.9
Visa	5.7
Bank of America	4.0

0.10%

Annual Expense Ratio

$10 annually on a $10,000 investment

SECTOR BREAKDOWN*

Diversified banks	20.5%
Transaction & payment processors	17.5
Property & casualty insurers	8.3
Financial exchanges & data	8.0
Asset management	7.9
Investment management & brokerage	7.1
Regional banks	6.6
Consumer finance	4.3
Insurance brokers	4.2
Other	15.6

SELECT FINANCIAL ETFs

Ranked by assets

	Symbol	Price	Assets (billions)	Expense ratio	Annualized total return 1 yr.	5 yrs.
Financial Select Sector SPDR	XLF	$40	$37.7	0.09%	23.8%	9.8%
Vanguard Financials	VFH	98	10.2	0.10	25.5	9.3
SPDR S&P Regional Banking	KRE	91	2.5	0.35	26.8	9.6
iShares US Financials	IYF	47	2.5	0.40	14.1	−0.5
Fidelity MSCI Financials	FNCL	57	1.6	0.08	25.4	9.3
S&P 500 Index					**22.7%**	**13.2%**

*May not total 100% due to rounding. Data as of APRIL 30, 2024.
SOURCES: Morningstar Direct, Yahoo Finance, Vanguard.

A SWEET SPOT IN BOND YIELDS

MUTUAL FUND SPOTLIGHT BY KIM CLARK

IN another example of how topsy-turvy fixed-income markets have been lately, ultra-short-term bond funds gained 5.7% over the past 12 months, while their long-term bond fund cousins lost money. That's mainly because yields on short-dated notes have exceeded those on long-term debt for the greater part of two years.

Investors should expect that pattern to continue at least through most of 2024, says Brad Rutan, a market strategist for MFS Investment Management. Rutan says you might as well park some money in ultra-short-term bond funds, which typically invest in debt coming due in less than two years. That way, you can earn comparatively high yields while you wait for a clearer view on interest rates and the markets.

T. Rowe Price Ultra Short-Term Bond has returned 6.6% over the past 12 months. "Our category is in a sweet spot" these days, says manager Alexander Obaza, who adds that he sees the best opportunity these days in debt with one-year maturities. He only buys debt rated investment grade (triple-A to triple-B), mostly U.S. corporate bonds and asset- or mortgage-backed securities. But he also holds a smattering of Treasury notes, as well as IOUs of high-quality companies in emerging-markets countries. The fund, which charges an expense ratio of 0.31%, currently yields 4.9%.

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ULTRA-SHORT-TERM BOND FUNDS
Funds are ranked by their one-year returns

			Annualized total returns		Max. sales	Exp.
		Symbol	1 yr.	5 yrs.	charge	ratio
1	Medalist Partners Short Duration	SEMRX	8.4%	2.3%	none	0.86%
2	RBC BlueBay Ultra-Short Fixed Income A	RULFX	8.0	2.6	none	0.38
3	Pioneer Multi-Asset Ultrashort Income A	MAFRX	7.4	2.5	none	0.60
4	Guggenheim Ultra Short Duration A	GIYAX	7.1	2.3	none	0.59
5	Pimco Short-Term A	PSHAX	6.7	2.2	2.25%	0.72
6	Angel Oak UltraShort Income A	AOUAX	6.6	1.9	none	0.60
7	Western Asset Ultra-Short Income A	ARMZX	6.6	2.2	none	0.65
8	T. Rowe Price Ultra Short-Term Bond	TRBUX	6.6	2.6	none	0.31
9	Touchstone Ultra Short Duration FI	TSYYX	6.5	2.4	none	0.40
10	Allspring Adjustable Rate Govt A	ESAAX	6.4	2.0	2.00	0.74
	Bloomberg U.S. Aggregate Bond Index		–1.5%	–0.2%		
	Category average		5.7	2.1		

20 LARGEST STOCK AND BOND MUTUAL FUNDS
Funds are ranked by asset size.

STOCK MUTUAL FUNDS

	Name	Symbol	Assets† (billions)	Annualized total return 1 yr.	5 yrs.	Max. sales charge
1	Vanguard Total Stock Mkt Idx Admiral	VTSAX	$1,209.6	22.4%	12.3%	none
2	Vanguard 500 Index Admiral	VFIAX	676.9	22.6	13.2	none
3	Fidelity 500 Index@	FXAIX	512.4	22.7	13.2	none
4	Vanguard Total Intl Stock Index Admiral	VTIAX	355.9	8.5	5.1	none
5	American Funds Growth Fund of Amer A	AGTHX	261.7	31.9	12.8	5.75%
6	American Funds American Balanced A	ABALX	215.5	12.4	7.4	5.75
7	American Funds Washington Mutual A	AWSHX	174.0	19.4	11.4	5.75
8	American Funds Europacific Growth A	AEPGX	135.5	8.9	5.3	5.75
9	American Funds Invmt Co of Amer A	AIVSX	132.6	26.1	12.4	5.75
10	American Funds Fundamental Invs A	ANCFX	131.3	25.3	11.7	5.75
	S&P 500 INDEX			22.7%	13.2%	
	MSCI EAFE INDEX			9.3	6.2	

BOND MUTUAL FUNDS

	Name	Symbol	Assets† (billions)	1 yr. total return	Yield	Max. sales charge
1	Vanguard Total Bond Market Index Adm	VBTLX	$212.1	–1.4%	4.8%	none
2	PIMCO Income A	PONAX	147.2	5.2	5.4	3.75%
3	American Funds Bond Fund of Amer A	ABNDX	82.3	–1.9	4.4	3.75
4	Dodge & Cox Income I	DODIX	75.4	0.9	4.7	none
5	Vanguard Interm-Term Tx-Ex Inv	VWITX	72.3	2.4	3.5	none
6	Fidelity U.S. Bond Index@	FXNAX	55.9	–1.5	4.7	none
7	Vanguard Short-Term Investment-Grade Inv	VFSTX	54.8	3.5	5.2	none
8	PIMCO Total Return A	PTTAX	53.2	–0.4	4.7	3.75
9	Metropolitan West Total Return Bd M	MWTRX	47.7	–2.2	4.2	none
10	JPMorgan Core Bond A	PGBOX	44.4	–1.4	3.9	3.75
	BLOOMBERG US AGGREGATE BOND INDEX			–1.5%	5.3%	
	ICE BOFA US MUNICIPAL SECURITIES INDEX			1.4	3.3	

AS OF APRIL 30, 2024. *For all share classes combined. @Only share class. Unless otherwise indicated, funds come in multiple share classes; we list the share class that is best suited for individual investors. MSCI EAFE tracks stock in developed foreign markets. SOURCES: Morningstar Direct, ICE.

Bonds Are Stuck in a Range

INCOME INVESTING **BY JEFFREY R. KOSNETT**

MUCH evidence implies only minor swings in interest rates of all lengths and varieties over the rest of 2024. That suggests calm and steady prices for fixed-income securities, with a few one- or two-day rallies and sell-offs. Even if the Federal Reserve manufactures an excuse to trim short rates after all, a 0.25 or 0.50 percentage point reduction will be symbolic for traders but hardly life-altering for savers and bondholders. And unless economic growth utterly tanks, long-term rates will not move much, if at all. The yield curve will stay inverted as it has since July 2022.

Hence, I see scant reason to get either bullish or bearish—or fearful or greedy—in the months ahead as regards sources of interest income. Your objectives should be to get paid well and on time—which remains no problem—and to maintain the wide array of income investments that have recovered from 2022. That's not hard, either. Basics are in. Exotica is out.

One wise strategy, which I am using with my own accounts, is to roll over investments in three-month and six-month Treasury bills, which pay between 5% and 5.5%. A six-month bill issued today at 5.3% will roll over at about 5%. Another sensible plan is to feed short- or ultra-short-term bond mutual or exchange-traded funds that continue to raise monthly payouts enough to keep their 2024 total returns (through early May) on track to beat 5%. And while the current yield spreads between Treasuries and floating-rate bank credit and high-yield ("junk") corporate bonds are historically narrow—which causes some pros to call the assets overvalued—there is zero sign that the likes of ***Fidelity Floating Rate High Income (symbol FFRHX, yield 8.4%)*** or ***PGIM Short Duration High Yield ETF (PSH, yield 6.8%)*** are in peril of losing noticeable principal. Smart and active fund teams have navigated through more-challenging times.

Must-have categories. It is true that lots of bond indexes are printing red. IBoxx, an index and ETF provider, measures 50 fixed-income subcategories; half are up and half are down this year at the start of May. But the best are in three of my must-have areas: high-yield, floating-rate credit and ultra-short, so I would absolutely stick with those. A fund such as the above PGIM entry or ***RiverPark Short-Term High Yield (RPHYX, 5.5%)*** can combine all three of those factors. In sum, any fund with a short duration (meaning little sensitivity to interest rate moves) that yields more than T-bills is in a sweet spot.

What would I avoid? I am still not sold on international bonds, mainly because the dollar is so strong and likely to get stronger until and unless the Fed cuts rates more than once. And although long-term investment-grade corporate bonds and mortgages are priced to yield 5% to 6%, they are underperforming both floating-rate credit and shorter-term instruments. If you want to buy an individual bond or preferred stock at below par value and hold it to maturity, you'll get paid decently. But a basic, plain-vanilla bond index fund is questionable.

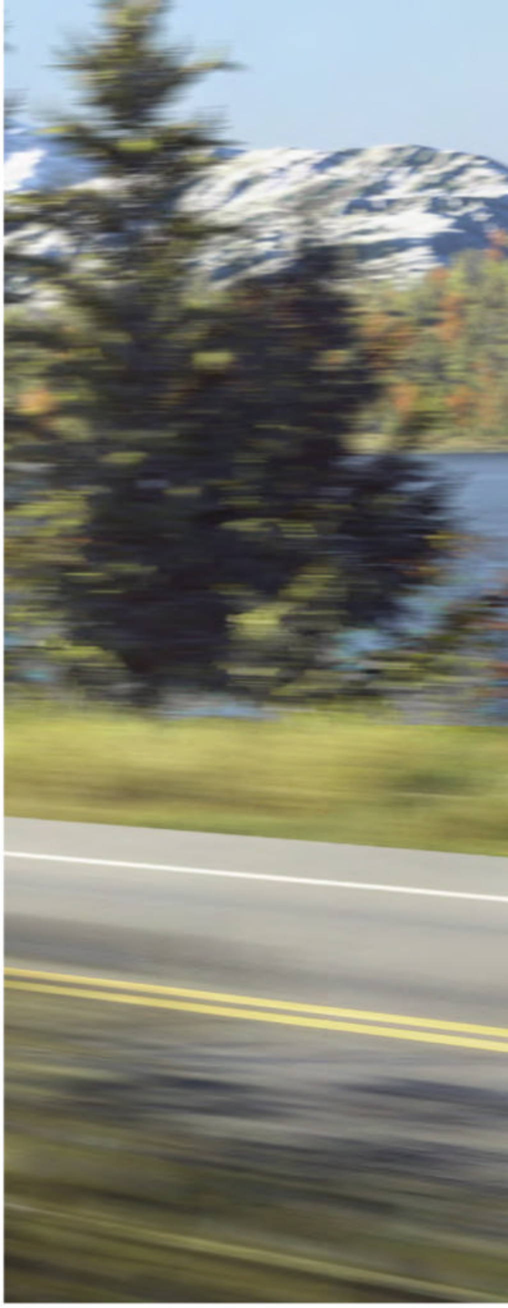
A final point: I don't always make it clear enough that many of my ideas apply to new money. I rarely intend to advise anyone to dispose of what is working over a long period just because it is well down in the category rankings for a quarter or for half a year. If you do not touch much of anything for the next few months and merely reinvest fund distributions, that is just fine with me. But if someone leaves you a windfall, choose higher yields over lower ones. K

Your objectives should be to get paid well and on time, and to maintain the wide array of income investments.

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

PHOTO BY BOB CROSLIN

IS A HYBRID CAR RIGHT FOR YOU?



COURTESY OF HONDA

Hybrids offer a fuel-saving option for drivers who have reservations about all-electric vehicles. But there are trade-offs.

BY DAVID MUHLBAUM

AT A TIME WHEN many consumers want to save on gas but aren't ready to buy a fully electric car, hybrid vehicles—which use both gasoline and electric motors to make them go—are having a moment. *The Kiplinger Letter* forecasts that hybrids will account for 14% of vehicle sales in 2024, up from 9% in 2023.

That growth is taking place despite another round of buzzy product launches last year for fully electric cars, also known as battery electric vehicles (BEVs). Some went well; some were glitchy. Carmakers around the world threw money into electric-vehicle development, even as prospective car shoppers continued to fret about recharging availability, among other concerns. Amid all the hubbub, what Americans actually went out and bought was, increasingly, hybrids.

Carmakers are reacting, changing their model lineups to accommodate this trend. But is it a trend to follow? We'll take a look at the motivations of some hybrid buyers and the merits of the vehicles—and recommend a few as well.

But first, a review of how hybrids work. The car that started it all almost 25 years ago is the Toyota Prius, now in its fifth generation. The basic premise of a hybrid remains the same: A gas-burning engine is paired with an electric motor and a battery pack. The gas engine and the electric motor either take turns or work together to move the vehicle, depending on conditions. And the battery pack gets charged up either through regenerative braking (the electric motor runs in reverse as a generator when the car is slowing down) or by the gas engine. You can't charge an ordinary hybrid vehicle by plugging it in.

How a plug-in hybrid electric vehicle (PHEV) operates is right

Honda Accord

there in the name: You take a hybrid and add the ability to plug it in to charge up the battery, which is itself bigger than it would be in a conventional hybrid (but far smaller than it would be in a BEV). This allows the vehicle to run on electric power alone for about 20 to 40 miles, depending on the model. Once the stored power drops too low, the car goes back to being a conventional hybrid.

A battery electric vehicle can be charged only by being plugged in. There's no gas engine. Tesla is a well-known maker of BEVs, but most major carmakers produce them, and a dizzying array of new entrants are joining the market.

More than 80% of vehicles currently sold in the U.S. are neither hybrid nor fully electric. They're gasoline-powered cars with only an internal combustion engine to propel them. Some of these conventional cars are becoming increasingly electrified, borrowing technology from hybrids to make them more fuel efficient. But those electric systems can only help move the car; they can't power the vehicle on their own. Moving under electric power alone remains the hallmark of a true hybrid.

THE HYBRID RENAISSANCE

So why now, amid all the hoopla for electric vehicles, did hybrids come into vogue? Car experts cite a number of factors, including better engineering. Keith Barry, a senior writer and editor based at the Consumer Reports Auto Test Center, notes that the hybrid version of a vehicle model often outscores the gas-only version in road tests, thanks in many cases to the instant torque from the electric motor. In other words, you can get better performance—more *vroom*—with a hybrid than with a gas-only model.

Buyers also have an improved selection of models to choose from. And the price premium for a hybrid compared with a gas-only model of the same vehicle has come down, which means that it takes fewer miles driven for fuel savings to compensate for the higher up-front cost. Plus, compared with buying a BEV, there's not much of a learning curve. "Buying or driving a hybrid does not require learning a new skill, finding a new place to refuel or installing new equipment," says Brian Moody, an editor and analyst at Cox Automotive. "It just requires that you seek out a certain kind of car in the shopping process, then you drive it just like you always have."

And the long-running reasons that buyers have chosen hybrids remain. Saving on fuel costs is the primary motivator for many, but the possibility of doing a good turn for the planet is a factor, too. "Environmental concerns are not necessarily the highest concern for most buyers—it's usually cost—but buying a hybrid lets them do something green-minded while saving some money on gas," says Barry. "A car that does more with less has sort of a universal appeal."

To see an estimate of fuel cost savings with a hybrid version of a vehicle compared with its gas-only counterpart—including the number of years it'd take for fuel savings to make up for the initial price difference—try the calculator at *www.fueleconomy.gov* (click on "Can a Hybrid Save Me Money?").

THE ALMOST-ELECTRICS

If you're on the fence about whether to buy a hybrid car or a fully electric vehicle, a plug-in hybrid might be a good compromise. PHEVs can be charged from the grid just like a BEV. A PHEV's range on that stored electric power is far shorter than that of BEVs, given PHEVs' much smaller batteries. But because they're also equipped with a gas-burning engine, PHEVs' total range is immense, and extending it isn't a question of finding somewhere to plug in—you can just fill up the tank. That addresses one of the chief concerns of EV shoppers: "range anxiety," which is term of art for worrying about running out of electricity and being unable to easily recharge.

Cheryl Kitt, of St. Michaels, Md., is a self-described "nervous Nellie" who regularly travels across her state, which means crossing the four-mile-long Chesapeake Bay Bridge. "I wanted to get something with better gas mileage, but I didn't want to go full electric because I did not want to be driving across that bridge on electric," she says. "I'm the kind of person who fills up my gas tank when it's half empty, and I didn't want to give up that control." The solution to her range anxiety was a 2023 Volvo XC60 Recharge, a PHEV SUV. With dutiful home charging, most of her trips are run on electric power, and refueling stops are as much as 600 miles apart.

Toyota RAV4

If you really want to max out the electric angle of a PHEV, that's an option, too. Dennis and Alexandra Taylor, of Darien, Conn., were looking to expand their fleet when their teenage sons started driving. The boys wanted a greener choice, but the Taylors were wary of full electric vehicles, having seen friends struggle to find recharging options. They settled on a 2023 Subaru Crosstrek PHEV.

At first, they charged it only at night to take advantage of lower, off-peak electricity costs. But with the exigencies of high school life, they're now sometimes recharging multiple times a day. When the car comes home, they plug it in. To speed things up, they are planning to install a 240-volt charger at their home, having so far relied on an ordinary 110-volt wall plug; charging the Crosstrek with it takes about four to five hours. They usually need to fill the tank only on road trips.

These two examples bear out a principle of life with a PHEV: To use one to its full potential, you have to charge it frequently. "For most plug-in hybrids to be practical, you have to plug them in every night," says Joseph Yoon, consumer insights analyst for car website Edmunds.com. "If you can't, it becomes kind of a pointless premium."

That's not only because a PHEV costs substantially more than a gas-only model (and more than a conventional hybrid, when a manufacturer offers all three flavors), but also because fitting the bigger and heavier battery that a PHEV requires can compromise cabin space, driving quality or both. Furthermore, some PHEVs have not lived up to their published economy figures in real-world driving, though this phenomenon appears most pronounced in pricey performance and luxury plug-ins that sell in low numbers.

More caveats: There are limitations on how purely electric you can go. If you need to floor it as you

COURTESY OF TOYOTA

merge onto the highway, for example, there's a good chance the gas engine will kick in to give you the necessary acceleration, even if you're just a few miles from home with a full charge. Need to defog your windshield? The gas engine is going to come on to contribute heat to the process. How often these interventions occur is going to depend on the model, as well as the "drive mode" settings you can select yourself.

So, while PHEVs take range anxiety out of the equation, you'll still have to consider factors such as your ability and willingness to plug in, how much of your driving you could realistically do on a charge, and even what you pay for electricity when trying to figure out whether one makes economic sense for you. Another substantial variable to consider: PHEVs are eligible for the same federal tax credits as BEVs (conventional hybrids don't qualify). That could take $3,750, maybe even $7,500, off the price. (For more on the tax credits, see the box on page 55.)

Yoon and others remain bullish on PHEVs' promise as many car shoppers remain intrigued by electrification but unwilling to commit, at least for a vehicle purchase that needs to happen now. "For the general car-buying public, there are still some reservations about going full EV, but if they're still interested in it, they can dabble with a plug-in," Yoon says.

If you can't install a charger in your apartment or home but still want a vehicle that's greener than a gasoline-powered car or truck, a conventional hybrid may be a better choice. A conventional hybrid also typically has a lower purchase price than the PHEV version of the same vehicle, although conventional models are less fuel-efficient and are not eligible for federal tax incentives.

FIVE HYBRIDS WORTH A LOOK

Recommending hybrids is much easier than it used to be for the same reasons that more people are buying them: There's a wider range of models, and their performance has gotten better. Our sampling here reflects models that stand on their own merits and, in some cases, illustrate broader market trends. The price listed is the manufacturer's suggested retail price (MSRP), excluding the delivery charge, and we've made an effort to pick trim levels that make comparisons with gas-engine models easier, when applicable. We've listed tax credits for the vehicles that might qualify; the box on page 55 has more information on how to best take advantage of them.

TOYOTA RAV4 HYBRID LE

$31,725

Toyota dominates the hybrid realm, thanks in part to pioneering the Prius, refining its drivetrain and expanding it to other models. Now the Toyota hybrid lineup also includes a minivan (Sienna), SUVs from compact to giant, and a pickup truck (Tundra). And even the vaunted Land Cruiser off-roader is now going hybrid. You can choose from standbys such as the Camry, Corolla and yes, the Prius (recently restyled), too.

We especially like the compact SUV RAV 4 hybrid because it's a huge seller (more than 160,000 in 2023) and offers both regular hybrid and plug-in options. The premium for the hybrid version over the gas-only model is only $3,000 (using 2024 MSRPs for an LE edition), and it gets you all-wheel-drive to boot. Fuel economy is 30% better.

HONDA ACCORD SPORT HYBRID

$32,895

Accord shoppers used to have their choice between two turbocharged 4-cylinder engines, one larger with more output (and before that, there was a 6-cylinder option). Now there's just the base 1.5-liter 4-cylinder, and if you want more horsepower, as well as the possibility of a "Sport" trim with wider tires, upgraded suspension and bigger brakes, the hybrid is your only choice. But the extra go comes with substantially better gas mileage: 48 miles per gallon combined, versus the gas model's 32. That's a whopping 50% improvement.

Honda's structure for trim levels and pricing makes it hard to parse out the extra cost of choosing a hybrid over a gas-only version, but it's telling that the hybrid drivetrain is standard in all the fancier models.

JEEP WRANGLER WILLYS 4xe

$56,030, eligible for $3,750 tax credit

Would you believe that a Jeep is the biggest-selling PHEV in the U.S.?

Jeep Wrangler

COURTESY OF JEEP

Adding to the singularity, Jeep claims that the electrification doesn't compromise the Wrangler's vaunted off-road skills one bit, and plenty of testers who put it through its paces agree. The onboard battery also provides a power source for people camping off the grid.

Anticipating that owners might want to save charge for going off-road, the 4xe has an "eSave" mode that prioritizes the gas engine. This turns the PHEV model somewhat on its head, as you're intentionally burning more gasoline to allow maximum use of electricity once you reach a trailhead. That's because off-roading on electric power offers instant torque and a high degree of control to crawl over obstacles—and to do so in near-silence is a bonus.

If you want to follow the conventional PHEV behavior of plugging in and doing short trips on electric power, there's a mode for that, too. If burning less gas generally is one of your goals, you'll need to be dutiful about recharging, because the 4xe actually gets worse mileage than a regular 4-cylinder Wrangler. (On the other hand, the 4xe is far more powerful, and the comparison might best be made to the V-8 powered, limited-production Rubicon 392 model—which the 4xe utterly trounces on fuel mileage.)

Buyers have an improved selection of hybrid plug-in vehicles to choose from, and the price premium for a plug-in hybrid versus a gas-only model of the same car has come down.

If you buy a 4xe, a $3,750 tax credit is available. Go with a lease, and the financing company is likely to build in a $7,500 credit, making for significantly lower lease payments than you'd have with the regular Wrangler.

CHRYSLER PACIFICA PLUG-IN HYBRID SELECT

$50,960, eligible for $7,500 tax credit

Of the four remaining minivans available in the U.S. market, two are hybrids (for now). We've mentioned the Toyota Sienna, which is available only with a hybrid drivetrain. But minivan pioneer Chrysler is offering "America's first and only plug-in hybrid minivan"—a version of the Pacifica.


Chrysler Pacifica

The Environmental Protection Agency estimates you can drive it on electric power alone for 32 miles with a full charge. But minivans are often found on road trips far longer than that. Be reassured that even when you've used up every last watt you charged up on at home, the Pacifica still gets better mileage than its gas-only equivalent.

Another reason we recommend the Pacifica hybrid: It's currently the only PHEV for which you can claim the full $7,500 tax credit if you purchase it (and meet the household income qualifications) rather than lease it.

That goes a long way toward recouping the hybrid model's roughly $10,000 premium over the gas-only model. With disciplined plug-in use (and the PHEV's inherently better gas mileage), you should be able to knock the balance down quickly.

Choosing the hybrid version of the Pacifica comes with a couple of drawbacks: The second-row seats don't offer the vaunted "Stow and Go" feature of folding into the floor, and all-wheel drive is unavailable.

FORD MAVERICK XL

$23,815

This four-door pickup truck is small and super fuel efficient. Kudos to Ford (which knows a thing or two about trucks) for developing the Maverick even as it poured money into the all-electric F-150 Lightning.

For Ford, this is the little truck that could. It's a runaway sales hit (the Lightning is not). Interestingly, there's no separate "hybrid" model or trim. The hybrid is just a powertrain choice available on all trims—though only in front-wheel drive. It's also at a

COURTESY OF CHRYSLER

horsepower disadvantage compared with the gas-only engine option, a turbocharged 4-cylinder.

The MSRP on a Maverick makes it one of the cheapest hybrids you can buy (it's undercut by some small sedans, such as the Toyota Corolla hybrid). On the base XL trim, the hybrid will cost you a modest $1,500 more than the gas-only version. But the fuel economy (37 mpg) trounces that of the standard drivetrain (26 mpg) by 42%. If you drove 15,000 miles a year, paying an average of $3.50 a gallon, you'd recoup the price difference in just over two years.

Does a Maverick XL look a bit basic with its steel wheels? Well, yes. Pick a bright paint color and lean into your savings. Or, you could go nuts and buy the fanciest Lariat trim—in which case the hybrid drivetrain costs $720 less.

Ford Maverick

Note that you can also buy a Ford Escape compact SUV hybrid with essentially the same drivetrain. But it's far more expensive, starting at $33,490. A plug-in hybrid Escape is also available, starting at $40,500; it's eligible for a tax credit. ■

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

GET THE MOST OUT OF THE TAX CREDIT FOR PLUG-INS

Leasing might be your best bet to claim the full tax break.

The tax credits available for electric and plug-in hybrid vehicles are potentially generous but also complicated. If you're planning to buy one of these, the tax credit can knock $3,750 or $7,500 off the price you negotiate. Plus, starting this year, you can get it up front at the dealership, rather than having to wait until you file taxes. (Keep in mind that this credit does not apply to standard hybrids that you can't plug in.)

The fine print. The amount of the discount (or whether any is available, period) depends on details including where the vehicle was assembled and where certain components (such as the minerals in the battery) come from. Because those factors are constantly changing, the only sure way to know whether a car you want to buy is eligible is to check the vehicle identification number (VIN) against a database; a car dealer can help you with it.

There are price limits, too: Vans, SUVs and pickup trucks cannot have a manufacturer's suggested retail price (MSRP) of more than $80,000; sedans and other vehicles are limited to $55,000 or less. Plus, you don't qualify for the credit on a new vehicle if your modified adjusted gross income exceeds $300,000 for married couples filing jointly or $150,000 for single filers.

Here's the upshot: If you want to take maximum advantage of the credit, lease, don't buy. Leasing has long been favored by EV shoppers, given evolving battery technology, but now it's almost a no-brainer, given that only couple dozen models may qualify for the credit when purchased.

How does this loophole work? Leased electric and PHEV vehicles are classified as commercial vehicles, making them eligible for the full federal clean vehicle tax credit ($7,500) without any of the income, pricing or sourcing questions. The leasing company claims the credit and can pass that savings on to you, the customer. (Note that we said *can,* not must.)

As you shop for lease deals on PHEVs, look for the potential savings from the tax credit—sometimes hundreds of dollars a month–listed on manufacturers' websites. Leases themselves are often complicated, so as with any automotive transaction, you'll want to keep your eyes open for any additional costs that could erode the benefit of the tax credit.

COURTESY OF FORD

ANSWERS TO YOUR QUESTIONS ON STUDENT LOANS

If you have federal student loans, you may benefit from new government policies. Here's what you need to know.

BY SARAH BRADY

GETTY IMAGES

BORROWERS of federal student loans have had a lot to keep up with since 2020, when the COVID-19 pandemic triggered a three-year freeze on loan payments and interest. In 2022, President Biden announced a plan to deliver on campaign promises and relieve up to $400 billion in student debt for tens of millions of borrowers. Last summer, the Supreme Court blocked that plan. Since then, the Biden administration has unveiled a series of new debt relief programs; if all of them are implemented, they would provide relief to more than 30 million borrowers and forgive $153 billion in loan debt. But some of those plans face legal challenges, too.

If you're managing student loan debt—and especially if you're struggling to keep up with payments—you may have questions about recent proposals and what they mean for you. Here, we highlight the key points.

The pandemic-era suspension of federal loan payments and interest concluded last fall. Is there anything I should know now that payments have resumed? As borrowers transition out of the payment pause, the U.S. Department of Education is extending them an "on ramp" period. During this period, which stretches from October 1, 2023, to September 30, 2024, the agency will not report missed loan payments to the credit-reporting companies (Equifax, Experian and TransUnion) and will not place overdue loans in default or collections.

Now that interest is accruing on loans once again, it's worth noting that you may be able to deduct up to $2,500 a year on your federal tax return for interest paid on student loans. You can also get a discount of 0.25 percentage point on your interest rate if you set up automatic payments on your loan servicer's website.

To make sure you're up to date on your loan's status, log in to your account at StudentAid.gov and verify that your contact information is current. There's a chance your loan was transferred to a new servicer—the company that manages your billing and payments—during the payment pause, so you'll also want to locate your current loan servicer and make sure that it has the correct information on file for you.

The Supreme Court struck down Biden's major loan forgiveness plan. What other measures has the government taken to provide debt relief? In an April announcement, the Biden administration outlined a variety of new debt reduction and loan forgiveness policies. For people who owe more than they borrowed, the plan would automatically forgive the part of their balance that exceeds the original loan amount, up to $20,000 per loan. You might fall into this group if your monthly payment amount didn't cover the interest charges that were accruing, or if you've incurred fees for overdue payments. Additionally, for low- and middle-income borrowers enrolled in income-driven repayment plans, the new policy would forgive any debt that was added to their balances while they were on a repayment plan. And another proposed rule would automatically forgive your undergraduate loans if you entered repayment on or before July 1, 2005, and your graduate debt if you entered repayment on or before July 1, 2000. According to the announcement, the Department of Education could finalize these new policies and make them available to borrowers as soon as this fall. But some of the proposed rules may face legal challenges.

The administration has taken steps to remedy issues that were preventing qualified borrowers from receiving relief, too. For example, fixing inaccuracies in the number of qualifying payments some borrowers made on income-driven repayment plans has resulted in automatic debt forgiveness for the affected borrowers. The administration also processed long-pending claims for Borrower Defense Loan Discharge, which helps borrowers who attended schools that closed down or practiced misconduct. (Borrower Defense, however, is also in legal limbo; you can still apply for it and be approved, but the program is under a federal court injunction until November 2024, meaning the new rules won't go into effect and no debt can be forgiven before then.) Additionally, the administration expanded eligibility for the Public Service Loan Forgiveness program and is working to identify more students who qualify for Total and Permanent Disability Discharge.

You can stay on top of policy updates by periodically checking StudentAid.gov and ED.gov for announcements.

If you borrowed **$12K** or less, you'll receive forgiveness after you make the equivalent of 10 years of payments on the SAVE plan.

I've heard about the SAVE plan. How does it work? SAVE (Saving on a Valuable Education) is an income-driven repayment plan that went into effect last year. Like other IDR plans, SAVE bases your monthly payment on income and family size. But if your payment isn't large enough to cover accrued monthly interest, your loan balance doesn't increase; instead, the government covers any unpaid interest, helping borrowers avoid the scenario of owing more on their loans than they borrowed. For nearly all borrowers, SAVE will lower their monthly payments more than any other IDR plan, according to the Office of Federal Student Aid. And according to President Biden, 8 million borrowers have already benefited from using SAVE, with 4.5 million of them now paying $0 a month.

SAVE could lower payments even further starting this summer, when new elements of the program are scheduled to go into effect. Beginning July 1, the amount of income used to calculate payments will be cut in half for borrowers with only undergraduate loans and can be cut by up to half for borrowers with a mix of graduate and undergraduate loans.

On top of that, borrowers on the SAVE plan can have their loans forgiven in as little as 10 years. If you borrowed $12,000 or less, you'll receive forgiveness after you make the equivalent of 10 years of payments. For every $1,000 you borrowed above the

$12,000 mark, forgiveness is available after an additional year. So if you originally borrowed between $12,001 and $13,000, your loan can be forgiven after 11 years.

As of April, 18 states had filed lawsuits to block the SAVE plan, with some states claiming student debt forgiveness is illegal and others claiming it is an extraordinarily expensive policy. Their legal arguments have yet to unfold, but depending on the outcome of the lawsuits, elements of the SAVE plan could change. In the meantime, you can learn more about SAVE at *https://studentaid.gov/announcements-events/save-plan*.

What are the other options for loan forgiveness? While some new loan forgiveness policies are up in the air, several programs are more firmly in place to cancel debt for qualified borrowers.

If you're on an IDR plan other than SAVE, your loan balance will automatically be forgiven after you make either 20 or 25 years' worth of payments (depending on the plan), including some periods when a $0 payment was required. And there are certain programs that discharge debt even sooner. A variety of borrowers may currently qualify for these special forgiveness programs, including teachers, medical professionals and other public servants. You could also be eligible for loan forgiveness if you have a total and permanent disability or if your school closed while you were enrolled.

Each loan forgiveness program has different requirements for the number of payments you have to make before qualifying, the amount of debt that can be forgiven, and how to apply. With the Public Service Loan Forgiveness Plan, for example, the balance on your Direct Loans can be forgiven if you make 120 qualifying payments while working full-time in a public service role for the government or a nonprofit. To apply, you'll need to have your employer sign a form to certify your work experience. With the Teacher Loan Forgiveness Program, you can have up to $17,500 forgiven on certain loans if you teach full-time for five consecutive academic years in a low-income school or educational service agency.

You can see a full list of forgiveness programs at *https://studentaid.gov/manage-loans/forgiveness-cancellation*. To find all the application forms, go to *https://studentaid.gov/forms-library*.

I'm struggling to keep up with loan payments. What should I do? Start by exploring your options with income-driven repayment plans. Depending on your financial situation, IDR plans can drop your payment to $0 a month. And unlike some deferment and forbearance plans, IDR plans let you continue earning credit toward loan forgiveness for the months you're on them. To apply for an IDR plan, including SAVE, or to change your plan, visit *https://studentaid.gov/idr*. You can also use the loan simulator at *https://studentaid.gov/loan-simulator* to see a preview of what you qualify for.

If you go on an IDR plan, remember to recertify (in other words, submit information about your family size and income) annually. Doing so helps to ensure you're on the most suitable plan available and prevents you from being automatically placed on a default payment plan. If your income decreases, be sure to recertify right away.

If an IDR plan isn't adequate, and you have a Direct Loan, FFEL Program loan or Perkins Loan, you can apply for deferment or forbearance. Deferment pauses your payments for several months or years when you're facing certain hardships, such as losing your job or undergoing cancer treatment. Interest continues to accrue on unsubsidized loans when you're in deferment, but it's deferred on subsidized loans. Forbearance suspends your loan payments for up to 12 months at a time while you're facing a qualified hardship. But interest charges still accrue on both subsidized and unsubsidized loans under forbearance, so borrowers should check to see whether they qualify for deferment before applying. If you want to apply for deferment or forbearance, reach out to your loan servicer.

If you need help navigating your loan accounts or applying for relief, avoid working with any company that charges a fee for those services—it might be running a scam. Instead, call the Federal Student Aid Information Center at 800-433-3243 or reach out to your loan servicer. You can also talk to a certified credit counselor or student loan counselor to get free advice on loan payoff strategies. You can find one through the National Foundation for Credit Counseling, at NFCC.org.

Can I consolidate multiple federal loans into one? Yes. With a Direct Consolidation Loan from the Department of Education, you can combine multiple loan accounts, and doing so could potentially reduce your overall monthly payment. On top of that, you won't lose your progress toward loan forgiveness if you consolidate. However, consolidating doesn't reduce the interest you pay.

Perhaps most importantly, a Direct Consolidation loan can give you access to more federal relief. If, for example, your loans don't qualify for a SAVE plan or for Public Service Loan Forgiveness (federal Perkins Loans and FFEL Program loans aren't eligible), you can consolidate into a Direct Consolidation Loan and then apply.

What are my options if my student loan is already in default? Student loans typically go into default once you fall behind on payments by nine months or more. At present, the Fresh Start program can be a huge help for borrowers who have defaulted.

Fresh Start can "rehabilitate" your loan, or remove it from collections and make it current again. And unlike the rehabilitation option that it's temporarily replacing, you don't have to make a series of new payments in order to qualify. The Fresh Start program is available only through September 30, 2024, and it's much easier to enroll in it than in other rehabilitation programs. Just note that it takes about four to six weeks to have your loan transferred out of collections once you enroll.

Another benefit of using Fresh Start is that the Department of Education will remove the record of default from your credit reports, which could give your credit scores a significant boost. If you're experiencing debt-collection efforts, such as having your wages garnished, those efforts will stop as well. On top of that, you can apply for IDRs and loan forgiveness plans after using Fresh Start to rehabilitate your loan. To enroll in this program, visit MyEDDebt.ed.gov or call 800-621-3115.

When the Fresh Start program expires, the previous rehabilitation option will go back in place. You can use the traditional rehabilitation option once per loan. However, if the Department of Education reinstates the same rules as before, borrowers will need to make nine monthly payments to have a loan rehabilitated. Alternatively, you can get a loan out of default by paying it off with a Direct Consolidation Loan. But to qualify, you may have to make three payments on the defaulted loan.

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Are Parent PLUS loans eligible for relief or other assistance? If you took out a Parent PLUS loan to cover your child's tuition, help is available for you, too. Parents can apply to defer payments while their child is enrolled in school at least half-time, and for up to six months after the schooling ends. Interest will continue to accrue during deferment.

There are also multiple payment plans available for parent borrowers. To be eligible for the income-based payment plan, also known as Income-Contingent Repayment, you'll have to first consolidate your PLUS loan into a Direct Consolidation Loan. But as an added benefit, your loan balance can be forgiven after 25 years on an ICR, and you'll have a better chance of qualifying for Public Service Loan Forgiveness.

What about private loans? If you don't qualify for the assistance you want from the government, you might be tempted to refinance your federal loans through a private lender, such as a bank, school or other lender outside the federal government. But weigh your decision carefully. Moving your debt to a private loan means permanently forfeiting a host of relief options, including any future federal programs that go in place, as well as a variety of IDRs that can help you if your financial situation changes.

Private lenders are not required to offer you any assistance or loan forgiveness, and they're not likely to have income-based payment options. But if you have a private loan, you might have access to a hardship program, such as an extended repayment plan or forbearance, depending on your lender. To find out what your lender offers, call the customer service number on your loan statement. Be sure to ask about fees, interest charges and potential credit damage before agreeing to any new payment arrangement.

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

Widows Share Their Strategies

MONEY SMART WOMEN **BY JANET BODNAR**

FOR widows, having to deal with a traumatic personal loss plus the finances and other tasks of daily living can be overwhelming (see "Money Smart Women," May). The best way to ease the burden is to "be involved with your finances ahead of time so you only have to deal with the grief," says Alexandra Armstrong, a certified financial planner and co-author with Mary R. Donahue of *On Your Own: A Widow's Guide to Emotional and Financial Well-Being*.

Armstrong herself became a widow in 2023, and when I interviewed several of my women friends who had become widowed in the past few years, all three seconded her advice.

"If you really want to do a good thing for yourself, make a list ahead of time, keep it one place and take it out once in a while to add to it," says my friend Elinor, whose husband, Walter, died in 2022. "That would have made things easier for me."

In addition to financial information, Elinor recommends keeping a record of big-ticket household items: "When does the roof have to be replaced? How old are the appliances? What's the contact info for the plumber and the electrician?"

Access to passwords is also a "huge issue," says my friend Susan. When her techie husband, John, died unexpectedly in 2018, she was shut out of his computer and all his Apple devices. "It took me close to a year and a half to resolve all the electronic stuff," says Susan. "A lot I had to give up on."

Because Elinor had access to passwords for her husband's e-mail and other accounts, she kept them open for at least six months and was able to monitor them for notices of things she needed to take care of. "When all I was getting was junk, I knew I had done my job," she says.

Sound advice. My friend Lorna urges couples to think seriously about housing options as they age. She and her husband, Peter, who suffered from ALS, had sold their home and moved to a continuing care retirement community. But when Peter died shortly after they moved in 2019, a CCRC wasn't suitable for Lorna. "It took me four years to come up with a place I can think of as home," says Lorna. She eventually purchased a house that the previous owner had outfitted to age in place.

Susan regrets that she and her husband didn't talk about funeral arrangements. John served as a Green Beret and had bought a burial plot in a military cemetery, but he had never discussed the service he wanted. When the time came, says Susan, "the choices had to be solely mine."

All three of my friends have found it beneficial to work with financial advisers—and they prefer to work with them in person. After about a year, Lorna switched from her husband's adviser to a new one because "I wanted someone who would call me back."

PHOTO BY NOAH WILLMAN

Armstrong, who is founder and CEO emeritus of her own financial advisory firm, is sympathetic on both counts. "Any new relationship with an adviser should be personal," she says. "A widow should say that up front and ask whether the adviser would be comfortable doing that." (Search for an adviser through the National Association of Personal Financial Advisors, *www.napfa.org*.)

Advisers can also be helpful for sorting out thorny tax issues, such as your new filing status, any medical expenses for the deceased spouse and rules for inherited IRAs, which are "ridiculously complex," says David Silversmith, senior tax manager with Eisner Advisory Group in Melville, N.Y.

On a personal note, Susan advises giving yourself at least two years to adjust to your new situation. "I think you have to go through a cycle of holidays first," she says. As time goes on, "you feel the loss as an ache rather than a sword through the heart."

Being involved with your finances ahead of time helps you deal with the grief.

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

TIPS FOR FINANCING A HOME PROJECT

KIPLINGER ADVISOR COLLECTIVE BY MARIO R. HERNANDEZ

I recently had a call with a client who was looking to fund the construction of a swimming pool at his house. The client had enough cash to pay for the project but wanted to weigh all the financing options. This is the type of advice we as financial planners are often asked to give.

Funding a large purchase should be thoughtfully planned. I always recommend that clients take a moment to consider how a potential purchase impacts their overall financial plan and long-term goals, and I work with them to quantify those impacts. If you decide that a purchase aligns with your goals, then you can think about how to fund it. Here's a rundown of some common options.

Cash reserves. Cash reserves are usually the best option for funding a project. However, you must determine whether raiding your cash stash would put its balance below the recommended threshold for covering any emergency needs—say, to manage expenses if you lose your job or to pay medical bills resulting from an unexpected illness. As a rule of thumb, I suggest maintaining six months' worth of living expenses in an easily accessible account.

Investments. Using money from your investment portfolio can also be a solid choice, although you'll want to evaluate the pros and cons of taking out funds for the project now compared with leaving them in your account, allowing them to grow and be used for other goals.

If you decide to withdraw from your investment account, be aware of the tax implications. You'll typically owe capital gains tax on investment earnings; long-term gains from selling investments that you've held for more than a year are taxed at rates of 0%, 15% or 20%, depending on your taxable income. Assets you've held for a year or less are taxed at the same rate as your ordinary income, with rates ranging from 10% to 37%.

A home equity line of credit. A HELOC, which is a line of credit that allows you to borrow against the equity in your home, can be a good source for financing a project—especially if you can get a reasonable interest rate. Recently, the average rate on a $30,000 HELOC was 9.07%, according to Bankrate. HELOC rates are usually variable, rising and falling based on market conditions.

HELOCs typically involve a draw period of up to 10 years, during which you can borrow money and may be required to pay only interest each month, followed by a repayment period of up to 20 years. During the repayment period, you'll need to pay back the full amount borrowed plus interest.

If you use HELOC funds for a home improvement project, the interest on up to $750,000 of debt (or $375,000 if you're married filing separately) may be tax-deductible.

A no-interest credit card offer. Some credit cards offer an introductory 0% interest rate on purchases for a limited time—typically anywhere from six to 21 months. Applying for one of these cards may be a good way to get short-term financing for a project, but it's important to pay off the balance before the 0% period expires. Otherwise, you'll pay the card's standard rate, which is usually much higher, on the remainder of the balance. Or worse, you may pay retroactive interest on the full purchase amount if you don't pay off the entire balance before the promotional period ends. Retailers, such as home-improvement stores, commonly use these deferred-interest payment plans on their credit cards. K

COURTESY OF MARIO R. HERNANDEZ

MARIO R. HERNANDEZ is a certified financial planner, principal of Longevity Wealth Management and a member of the Kiplinger Advisor Collective, a professional organization for personal finance advisers, managers and executives.

For more information on the Kiplinger Advisor Collective, scan the QR code.

Track Your Savings Goals

BY ELLA VINCENT

IF you're saving toward multiple goals—say, going on a vacation, buying a car and increasing your emergency fund—you may want to use an online savings account that offers tools to help you track each of your goals individually. Think of it as a digital version of labeling envelopes with your goals and adding cash to them each time you receive a paycheck.

For example, with **Ally Bank**'s savings account (*www.ally.com*), you can put your money in up to 30 "buckets" with nicknames for your separate goals. The account recently yielded 4.2%. Mobile banking app **Milli** (*https://milli.bank*) lets you create up to five "jars" in its savings account, which recently offered a 4.75% yield. **NBKC Bank**'s Everything Account (*www.nbkc.com*) is a checking account that allows you to dedicate money to separate savings goals within it. It yields 1.75%. None of these accounts charges a monthly fee.

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.

Another way to track goals. If your bank doesn't offer the option of arranging various goals within a single savings account, you may be able to accomplish the same objective by opening multiple accounts instead. For example, **Capital One** (*www.capitalone.com*) encourages customers to create a dedicated savings account for each of their goals. The bank's no-fee 360 Performance Savings account recently yielded 4.25%.

Keep in mind that if you have more than one savings account with a single bank, the aggregate balance of all your accounts (as well as other deposit accounts you have with the bank) will be insured up to $250,000 by the Federal Insurance Deposit Corp. if you're the sole owner of the accounts.

Reach the author at Ella.Vincent@futurenet.com.

TOP-YIELDING SAVINGS

Taxable Money Market Mutual Funds	30-day yield as of April 23	Minimum investment	Website
Gabelli U.S. Treasury MMF (GABXX)	5.40%	$10,000	gabelli.com
DWS Govt & Agency MF (DTGXX)*	5.38	1,000	fundsus.dws.com
Columbia Govt MMF (IDSXX)*	5.28	2,000	columbia threadneedleus.com
Payden Cash Reserves MMF (PBHXX)*	5.28	5,000	payden.com

Tax-Free Money Market Mutual Funds	30-day yield as of April 22	Tax eq. yield 24%/35% bracket	Minimum investment	Website
Fidelity Municipal MMF (FTEXX)	3.49%	4.59%/5.70%	$1	fidelity.com
Amer Cent T-F MMF (BNTXX)	3.45	4.54/5.64	2,500	american century.com
BNY Mellon Ntl Muni (MOMXX)	3.43	4.51/5.60	10,000	bnymellon .com
Fidelity Tax-Exempt MMF (FMOXX)*	3.38	4.45/5.52	1	fidelity.com

Savings and Money Market Deposit Accounts	Annual yield as of May 1	Minimum amount	Website
My Banking Direct (N.Y.)†	5.55%	$500	mybankingdirect.com
Brilliant Bank (Kan.)†#	5.35	1,000	brilliant.bank
Vio Bank (Okla.)†#	5.30	100	viobank.com
Evergreen Bank (Ill.)	5.25	100	evergreenbankgroup .com

Certificates of Deposit 1-Year	Annual yield as of May 1	Minimum amount	Website
Northern Bank Direct (Wash.)†	5.40%	$500	northernbankdirect.com
CFG Bank (Md.)	5.31	500	cfg.bank
First Internet Bank (Ind.)†	5.31	1,000	firstib.com
Rising Bank (Mo.)†	5.31	1,000	risingbank.com

Certificates of Deposit 5-Year	Annual yield as of May 1	Minimum amount	Website
Credit Human (Texas)&^	4.70%	$500	credithuman.com
First Internet Bank (Ind.)†	4.55	1,000	firstib.com
First Nat Bank of America (Mich.)†	4.55	1,000	fnba.com
Dow Credit Union (Mich.)&	4.50	250	dowcreditunion.org

*Fund is waiving all or a portion of its expenses. †Internet only. #Money market deposit account. &Must be a member; to become a member, see website or call. ^CD term is 36 to 59 months. SOURCES: Bankrate, DepositAccounts, Money Fund Report (iMoneyNet).

TOP-YIELDING CHECKING

Must meet activity requirements*

Account Issuer	Annual yield as of May1	Balance range^	Website
Pelican State CU (La.)&	6.05%	$0–20,000	pelicanstatecu.com
Orion FCU (Tenn.)&	6.00	0–25,000	orionfcu.com
Andrews FCU (Md.)&	6.00	0–10,000	andrewsfcu.org
Genisys CU (Mich.)&	5.25	0–7,500	genisyscu.org

*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. SOURCE: DepositAccounts.

YIELD BENCHMARKS

	Yield	Month ago	Year ago
U.S. Series EE savings bonds	2.70%	2.70%	2.50%
U.S. Series I savings bonds	4.28	5.27	4.30
Six-month Treasury bills	5.43	5.36	5.14
Five-year Treasury notes	4.64	4.34	3.64
Ten-year Treasury notes	4.63	4.33	3.59

As of May 1, 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

Kiplinger READERS' CHOICE AWARDS 2024

In our survey, readers judged brokers, banks, credit cards, insurers and other financial providers. These are the products and services that came out on top.

BY ELLEN KENNEDY AND EMMA PATCH

WE asked, and you delivered. Earlier this year, thousands of Kiplinger readers responded to our call to rate the financial products and services they use in 13 categories, from brokerage firms to banks to credit cards to home and auto insurers. The results of our survey, which we're sharing here in our second annual Readers' Choice Awards, offer valuable insight into which providers shine when it comes to your everyday interactions and experiences with them.

In the survey, which we conducted at Kiplinger.com, readers evaluated providers based on such criteria as their experience with customer service representatives, how likely they would be to recommend the providers to others, and how satisfied they are overall with the companies or services. For each category, we've listed an overall winner that earned the highest score. We've also listed other products and services that earned above-average scores for the various criteria we asked readers to assess. (For more on the methodology, see the box on page 75.) Survey respondents had the option to leave comments about the products and services they use, and we've shared the highlights here (some of the remarks are lightly edited for length and clarity). Our thanks to all of you who participated in the survey.

FULL-SERVICE BROKERS

We asked readers to assess brokerage firms that offer a breadth of services, whether online, by phone, through in-person assistance at branches, or some combination. Readers rated the

strength of their broker's customer service, how likely they would be to recommend the firm to others and their overall satisfaction with the broker.

→ **OVERALL WINNER**
Fidelity Investments
Outstanding for:
- Customer service
- Most recommended
- Overall satisfaction

→ Fidelity is the favorite broker among readers, who had plenty of positive words about the firm. "I've been associated with Fidelity for close to 40 years and have never had a single complaint about them. They are truly the best!" says one long-time customer. Another reader remarks, "They flawlessly process my stock purchases and provide excellent tax-reporting info. I just can't say enough about how much I like and appreciate Fidelity."

A mainstream broker, Fidelity offers a wide range of services, from self-directed brokerage accounts to full-fledged investment and wealth management. Readers who take advantage of self-directed investing services and research resources are especially satisfied with their experience, and many are happy with Fidelity's customer service, too: "Can't beat their excellent customer service. They go out of their way to make it right." Readers also appreciate the relative affordability of investing with Fidelity. "Fidelity has some of the lowest fees and also tends to be more flexible than others as far as minimums for accounts or transactions," says one reader.

Raymond James
Outstanding for:
- Customer service
- Most recommended
- Overall satisfaction

→ Raymond James is also a popular broker among our readers. With a global presence that includes more than 8,700 financial advisers, the company's businesses include brokerage services, professional asset management, insurance solutions, trust services and investment banking, as well as private and commercial banking. Readers laud Raymond James's treatment of customers, touting positive client-adviser relationships. "They take pride in providing great customer services and support," says one reader. "I call, they answer. No 1-800-hold-for-20-minutes. I love it," says another.

UBS
Outstanding for:
- Customer service
- Most recommended
- Overall satisfaction

→ UBS, which acquired Credit Suisse in 2023, is one of the largest brokers internationally and maintains a strong presence in the U.S. (even though it's a Swiss bank, more than 50% of its assets under management are in the U.S.). While its main focus is providing investment advice, UBS Wealth Management does offer brokerage services through which customers can trade on their own.

WEALTH MANAGERS

These firms take a holistic look at your finances. Beyond assisting with investment strategies, their advisers will help you manage savings, estate and tax planning, and more. Readers rated wealth managers based on the quality of financial advice they received, the trustworthiness of the advisers, how likely they would be to recommend the firm to others and their overall satisfaction with the wealth manager.

→ **OVERALL WINNER**
J.P. Morgan Wealth Management
Outstanding for:
- Quality of advice
- Most recommended
- Overall satisfaction

→ J.P. Morgan Wealth Management takes the crown among wealth management firms, with an especially high score for overall satisfaction helping to push it to the top. J.P. Morgan characterizes its approach as "disciplined, holistic and personalized" and offers a couple of advisory options. With J.P. Morgan Personal Advisors, you can get financial guidance by video or phone from a team of advisers. Those who

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qualify for Private Client Advisor can work in-person with a dedicated adviser to build a custom strategy.

Edward Jones
Outstanding for:
- Trustworthy advisers
- Quality of advice
- Most recommended
- Overall satisfaction

→ Edward Jones has nearly 19,000 dedicated financial advisers who provide clients one-on-one guidance, with a philosophy centered on investing for the long term. The firm offers the full spectrum of other planning services, too, from tax strategies to investment management to insurance and annuities. "I feel my Edward Jones adviser is looking after my interests," says one reader. "They get to know you, your family, your needs and your goals," says another.

Morgan Stanley Wealth Management
Outstanding for:
- Trustworthy advisers
- Quality of advice
- Most recommended
- Overall satisfaction

→ Morgan Stanley Wealth Management offers advisory services in two forms. You can work with an adviser virtually, phoning in for advice whenever you need it, or you can collaborate with an adviser in-person. With both options, your adviser will make a personalized plan in such areas as retirement and college savings, tax efficiency, generational wealth, and philanthropy. "I've done very well financially under their advisement. I feel my adviser has me well positioned for the future," says one reader.

Fisher Investments
Outstanding for:
- Quality of advice
- Overall satisfaction

→ Clients of Fisher Investments work with a dedicated adviser who gets to know their unique goals, finances, health, family and lifestyle. Readers express satisfaction with the treatment they receive from Fisher as well as its educational resources. "Fisher provides great customer service. Periodic in-person lunches and dinners with presentations and Q&A sessions are exceptionally well done. Market outlooks take a realistic and different view from the madding crowd and are usually right," says one reader. "Fisher is unique in that they actually educate me about investing and the stock market," says another.

Raymond James
Outstanding for:
- Trustworthy advisers

→ Wealth management services from Raymond James include insurance solutions; assistance with estate planning, charitable giving and trust services; retirement planning; and investment management. "I've been with my wealth management group for over 30 years and am treated like family," says one reader. For more on Raymond James, see the section on brokers.

UBS
Outstanding for:
- Most recommended

→ To create a financial plan, UBS applies a framework that it calls the "UBS Wealth Way." You start by answering several core questions—What do you want to accomplish in your life? What do you want your legacy to be?—then UBS helps you organize your finances with three strategies: wealth for now, wealth for later and wealth for others. "The personal attention is superb," one reader says. To learn more about UBS, see the section on brokers.

Bank of America/Merrill Wealth Management
Outstanding for:
- Trustworthy advisers

→ Bank of America and Merrill, which is BofA's brokerage affiliate, offer wealth management through various avenues. One is Merrill Lynch Wealth Management, through which you work with a dedicated adviser. "I have been with Merrill for over 20 years. My adviser is responsive and aware of my needs," says one reader. High-net-worth clients can get help with the complexities of managing their assets through Bank of America Private Bank.

DONOR-ADVISED FUNDS

With a donor-advised fund, you can typically invest cash or securities, such as stocks and bonds. Then you identify charities that you want to support with your investments, which are converted to cash for donations to qualifying organizations. Even if you don't itemize deductions on your tax return, donating an appreciated asset to a donor-advised fund provides a tax benefit because you may eliminate paying taxes on capital gains you've accumulated.

We asked readers to assess the donor-advised funds they use based on how suitable the investment options are, the likelihood they would recommend the fund to others and their overall satisfaction with the fund.

→ OVERALL WINNER
Fidelity Charitable
Outstanding for:
- Suitable investment options
- Most recommended
- Overall satisfaction

→ Fidelity Charitable's donor-advised fund, called the Giving Account, is "Very easy to set up and use. Very happy with the low fees and ser-

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COURTESY OF FIDELITY

vice," says one survey respondent.

The Giving Account allows you to contribute cash and securities such as publicly traded stocks, mutual fund shares and bonds, as well as privately held business interests (such as private company C-corp stock) and other non-publicly traded assets (such as restricted stock and cryptocurrencies). You can invest your contributions in a preset mix of asset classes, or create your own combination, choosing among Fidelity stock and bond funds. There's no minimum deposit required to open a Giving Account.

Vanguard Charitable
Outstanding for:
- Suitable investment options

→ You can donate cash, appreciated securities and, in some cases, assets such as non-publicly traded stock, restricted stock, real estate and artwork to Vanguard Charitable's fund. Donors can choose from a broad range of low-cost, pre-allocated portfolios—for example, a conservative growth portfolio that aims to preserve most principal. Or customize your own asset mix from a selection of Vanguard funds. The minimum initial contribution is $25,000.

CASH-BACK CREDIT CARDS

For most consumers, a cash-back credit card is the simplest and most effective way to earn credit card rewards. We asked respondents to rate their cards on the strength of customer service, how likely they would be to recommend the card to others and how satisfied they are overall.

→ **OVERALL WINNER**
Fidelity Rewards Visa
Outstanding for:
- Most recommended
- Overall satisfaction

→ This card from Fidelity Investments is a consistent reader favorite, winning best overall cash-back credit card for the second year in a row. Our readers praised the card's simple reward structure. "Zero effort to get the reward," says one respondent.

Fidelity customers earn 2% cash back on each purchase with this card if they deposit rewards into qualifying Fidelity accounts, including brokerage

and cash-management accounts, 529 college-savings plans, retirement accounts, and donor-advised funds. "It helps with funding my Roth IRA each year," says one respondent. You can also direct your rewards to a friend's or family member's account (excluding donor-advised funds).

American Express Blue Cash Preferred
Outstanding for:
- Customer service
- Most recommended

→ The Blue Cash Preferred card from American Express ($95 annual fee, waived the first year) provides 6% cash back on supermarket spending (up to the first $6,000 spent annually; 1% thereafter), as well as select streaming subscriptions; 3% on transit and fuel purchases; and 1% on other spending. "Even with the $95 yearly fee," remarks one reader, "we still come out way ahead every year."

Citi Double Cash
Outstanding for:
- Most recommended
- Overall satisfaction

→ Many readers commented on this card's ease of use and the simplicity of its rewards structure. "I have three different cards. This is my go-to 99% of the time," says one respondent. The card offers a total of 2% cash back on all spending: 1% for each purchase you make and an additional 1% when you pay the bill.

American Express EveryDay
Outstanding for:
- Customer service

→ Amex EveryDay earns kudos from our readers for customer service, with one respondent describing it as "always dependable." Earn two Membership Rewards points for each dollar spent on the first $6,000 of supermarket purchases each year and one point per dollar on all other spending. If you use your card 20 or more times in a billing period, you get 20% more points on those purchases.

Costco Anywhere Visa Card by Citi
Outstanding for:
- Overall satisfaction

→ Readers who are loyal Costco Wholesale customers like this card for its ability to provide substantial cash back. "We recently got back a little over $500 from last year's purchases," one respondent says.

The card requires a Costco membership (starting at $60 annually).

Get 4% back on gas and electric-vehicle charging on the first $7,000 spent per year and then 1% thereafter. You also get 3% back on dining and eligible travel; 2% on purchases from Costco and Costco.com; and 1% back on all other purchases.

Discover It Cash Back
Outstanding for:
- Customer service

→ Readers singled out this card for excellent customer service. One wrote, "The folks who man the phones are so patient and kind." The card provides 5% cash back on the first $1,500 spent on rotating categories that change each quarter. Typical categories include grocery stores, gas and EV stations, and restaurants. Earn 1% back on all other purchases.

USAA Preferred Cash Rewards Visa Signature
Outstanding for:
- Customer service

→ USAA is a bank for current and former members of the military and their spouses and children. USAA members may apply for the card, which provides unlimited 1.5% cash back on all purchases. Our readers praise its customer service. "If you want 100% support, you want this card," says one survey respondent.

TRAVEL REWARDS CREDIT CARDS

These cards provide the greatest value to frequent travelers, who can redeem points or miles for flights, hotel reservations, car rentals and more. Some come with perks such as rental car insurance and access to airport lounges. Readers judged travel cards on the strength of customer service, how likely they would be to recommend the card to others and how satisfied they are overall with the card.

→ **OVERALL WINNER**
Capital One Venture X
Outstanding for:
- Customer service
- Most recommended
- Overall satisfaction

→ This card handily beats the competition for delivering many of the benefits you would expect from a premium travel card but with a relatively low annual fee of $395. "The annual fee pays for itself if you do almost any travel," wrote one reader.

Earn 10 miles per dollar spent on hotels and rental cars booked through Capital One Travel, five miles per dollar for flights reserved through Capital One Travel, and two miles per dollar on all other spending. Cardholders also get a $300 annual credit toward travel bookings through Capital One, a bonus of 10,000 miles on each yearly account anniversary, reimbursement of the application fee for expedited airport-security screening with Global Entry or TSA PreCheck, and free access to three lounge networks: Capital One's airport lounges, Priority Pass and Plaza Premium.

Chase Sapphire Preferred
Outstanding for:
- Customer service
- Most recommended
- Overall satisfaction

This travel card wins honors for each aspect readers judged. One respondent wrote that it offers the "best benefits, like primary car rental insurance and travel insurance."

Chase Sapphire Preferred, which has a $95 annual fee, offers five Chase Ultimate Rewards points per dollar on travel that you purchase through Chase Travel (two points per dollar on other travel spending); three points per dollar on restaurants, online grocery purchases and select streaming services; and one point per dollar on other spending. You can transfer points to the card's travel transfer partners, including Southwest Airlines Rapid Rewards, United MileagePlus, Marriott Bonvoy and World of Hyatt. Or redeem points for travel bookings through Chase, among other options.

Chase Sapphire Reserve
Outstanding for:
- Most recommended
- Overall satisfaction

→ Chase's premium credit card, which charges a $550 annual fee, provides benefits including a $300 yearly statement credit for travel purchases, membership with Priority Pass Select for airport lounge access, credit of up to $100 every four years for a Global Entry, TSA PreCheck or NEXUS application fee, and perks such as room upgrades at certain luxury hotels. "This card pays for itself," one reader says.

Cardholders also get 10 points per dollar spent on hotels and car rentals purchased through Chase's Ultimate Rewards portal and five points per dollar for flights booked through Chase Travel. These rewards kick in after you've spent $300 on travel. You also earn three points per dollar at restaurants and on other travel worldwide. As with Sapphire Preferred, you can transfer points to travel partners or redeem them for travel bookings.

COURTESY OF CAPITAL ONE

American Express Gold
Outstanding for
• Customer service

→ Earn four points per dollar spent at U.S. supermarkets (on up to $25,000 spent per year; one point per dollar thereafter). Cardholders also earn four points per dollar on dining or food delivery, three points on air travel, and one point on other spending. The most lucrative way to redeem points is for airfare booked through Amex Travel, or as transfers to hotel or airline partner programs. The annual fee is $250.

Capital One Venture Rewards
Outstanding for:
• Customer service

→ Cardholders, who pay a $95 annual fee, get five miles per dollar on hotels and rental cars booked through Capital One Travel and two miles per dollar on all other spending. Redeem miles for statement credits on travel purchases or travel bookings through Capital One, or transfer miles to partner airline and hotel loyalty programs. "The website makes it easy to use rewards benefits to cover travel purchases," one reader says. An additional perk: Reimbursement of the application fee for TSA PreCheck or Global Entry.

The Platinum Card From American Express
Outstanding for:
• Customer service

→ Readers especially appreciate this card for its excellent customer service. "You can always talk to a human who can help," says one respondent. "In 30+ years, I have found that American Express always has my back!" says another.

Frequent travelers can offset the card's $695 annual fee by taking advantage of its bountiful perks and valuable points structure. Travelers enjoy access to a range of airport lounges, including Amex's Centurion lounges as well as those in the Airspace, Delta Sky Club, Escape, Plaza Premium and Priority Pass Select networks. "The lounge access is hard to beat," says one survey respondent. You get up to $100 in application-fee reimbursement for TSA PreCheck or Global Entry, too. Plus, get yearly credits of up to $200 for incidental fees with one airline you choose, $200 for select hotel bookings through Amex, and $189 for membership with the CLEAR airport security screening program.

Cardholders earn extra points on various purchases, including five Membership Rewards points per dollar for flights booked with airlines or through Amex (on up to $500,000 spent per year) and on prepaid hotel bookings through Amex. Exchanging points for flights booked through Amex or for certain gift cards are among the most favorable redemption options.

AIRLINE CREDIT CARD REWARDS PROGRAMS

Each of the airlines below earned top marks from our readers for their credit card programs. Airline cards provide miles or points for purchases, which passengers can put toward flights, upgrades or related travel perks.

→ **OVERALL WINNER**
Alaska Airlines Visa Signature
Outstanding for:
• Customer service
• Most recommended
• Overall satisfaction

What sets the Alaska Airlines credit card ($95 annual fee) apart from most other travel cards is the annual Free Companion Fare. It allows you to purchase one round-trip coach companion fare on Alaska Airlines for a flat rate of $99 plus fees (starting at $23, for a total price starting at $122). Get three points for every dollar spent on Alaska Airlines travel; two points on gas, cable, select streaming services and local transit; and one point on all other purchases. Other card perks include free checked bags and the chance to travel with your pet in the cabin (for a $100 fee). As one respondent wrote, it is "just a really fine all-around card that affords discounts in-flight, a luggage allowance and a companion pass."

JetBlue Cards
Outstanding for:
• Customer service
• Most recommended
• Overall satisfaction

→ Barclays issues two tiers of JetBlue cards: the JetBlue World Mastercard and the JetBlue Plus World Elite Mastercard ($99 annual fee). Both cards offer JetBlue TrueBlue points on every purchase, with variations in the number of miles offered per dollar in different categories. The Plus card comes with a 10% bonus on points redeemed for JetBlue flights, 5,000 bonus points each year, and a free first checked bag for the primary traveler and up to three travel companions on one reservation.

Southwest Airlines Cards
Outstanding for:
• Customer service
• Most recommended
• Overall satisfaction

→ The Rapid Rewards credit cards from Southwest Airlines, issued by Chase, get plaudits from readers for offering ample perks. Of the Priority

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card ($149 annual fee), one respondent wrote, "I love the fact that you get four priority boardings per year and a $75 flight credit yearly, essentially cutting the actual yearly fee in half." Other Priority card benefits include a bonus of 7,500 Rapid Rewards points on each yearly anniversary of card membership and 10,000 Companion Pass qualifying points each year. (A Companion Pass allows you to fly with one person free of airline charges each time you purchase or redeem points for a flight.)

Southwest's other credit cards include the Plus card ($69 annual fee) and the Premier card ($99).

Delta Air Lines Cards
Outstanding for:
- Customer service

→ Delta offers four consumer credit cards issued by American Express: Delta SkyMiles Blue, Gold ($150 annual fee, waived the first year), Platinum ($350) and Reserve ($650). All of the cards offer Delta SkyMiles on every purchase, with variations in the number of miles offered per dollar in different categories. The Platinum and Reserve cards also offer reimbursement of the application fee for TSA PreCheck or Global Entry, as well as a companion certificate for a round-trip flight each year you renew the card, among other perks.

HOTEL CREDIT CARD REWARDS PROGRAMS

→ **OVERALL WINNER**
World of Hyatt Credit Card
Outstanding for:
- Customer service
- Most recommended
- Overall satisfaction

→ Our readers gush about the World of Hyatt credit card. "Best rewards of any card, as far as I can tell. If only there were more Hyatts!" one survey respondent says.

For a $95 annual fee, cardholders earn nine World of Hyatt Bonus points per dollar spent at Hyatt hotels; two points per dollar on restaurant spending, airline tickets, local transit and gym memberships; and one point per dollar on other spending. You also get a free night at an eligible property yearly, an additional free night if you spend $15,000 on the card in a calendar year and automatic Discoverist loyalty status.

IHG One Rewards Cards
Outstanding for:
- Customer service
- Most recommended
- Overall satisfaction

→ IHG brands include well-known hotels such as Crowne Plaza, Holiday Inn and Kimpton. Chase issues two personal cards on behalf of IHG: IHG One Rewards Traveler and IHG One Rewards Premier ($99). You can rack up points quickly—cardholders earn up to 17 and 26 points per dollar spent at IHG hotels and resorts, respectively—but point values are generally lower than with competing programs. The Premier card also rewards five points per dollar spent on travel and hotels, at gas stations, and at restaurants, and three points per dollar on all other spending. Plus, Premier cardholders get one free hotel night each year and a fourth night free after you redeem points for a consecutive four-night stay.

Marriott Bonvoy Cards
Outstanding for:
- Customer service
- Most recommended
- Overall satisfaction

→ Frequent guests of Marriott hotels can get good value out of the credit card program. Cards issued by Chase include Marriott Bonvoy Bold, Boundless ($95) and Bountiful ($250). American Express has two co-branded cards, Bevy ($250) and Brilliant ($650), with Marriott. Several readers expressed appreciation for the free one-night stay the Boundless card offers yearly. "You definitely get the value out of the fee," says one respondent. Marriott Bonvoy points are quite flexible: You may redeem them at Marriott properties or transfer them to the frequent-flier programs of 38 airlines, including American, Delta, Southwest and United.

Choice Privileges Cards
Outstanding for:
- Most recommended

→ The Choice Privileges credit card program rewards stays at a wide variety of hotel brands, such as Radisson, Quality Inn and EconoLodge. Wells Fargo issues two cards for the program: the Choice Privileges Mastercard and the Choice Privileges Select Mastercard ($95). Each card offers strong earnings rates on

COURTESY OF HYATT

hotels, gas, phone plans, grocery stores and home improvement stores. The Select card provides a 30,000-point bonus each year.

NATIONAL BANKS

These large brick-and-mortar institutions have a presence in many states, and they offer a range of products and services, including checking accounts, savings accounts, certificates of deposit and loans. We assessed readers' overall satisfaction with their bank, their opinion of its customer service, and the likelihood they would recommend the bank to others.

→ **OVERALL WINNER**
KeyBank
Outstanding for:
- Customer service
- Most recommended
- Overall satisfaction

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→ Readers bestowed KeyBank with the highest total score among national banks. It has 1,000 full-service branches in 16 states scattered around the U.S. Notably, KeyBank's basic Key Smart Checking account has no maintenance fee or minimum balance requirement. Key Select Checking comes with extra perks, such as reimbursement of out-of-network ATM fees, and the monthly fee is waivable if you have $5,000 monthly in direct deposits or meet other requirements. Savings accounts with KeyBank recently yielded as much as 4% for the first six months, and one of the CDs has a 5% yield over a nine-month term.

Huntington Bank
Outstanding for:
- Customer service
- Most recommended
- Overall satisfaction

→ Huntington Bank also earned high praise from readers. "An excellent bank that cares about its customers," says one survey respondent.

Huntington operates approximately 1,000 branches in 11 states, primarily in the Midwest. The bank offers four types of checking accounts; some are loaded with perks, such as unlimited no-fee withdrawals from non-Huntington ATMs and interest rate benefits with money market accounts and savings accounts. If you're looking for a no-fuss account, check out Asterisk-Free Checking, which requires no minimum opening balance and no monthly maintenance fees. Yields on money market deposit accounts hover at about 4.4% on balances of $25,000 up to $2 million.

Chase Bank
Outstanding for:
- Customer service
- Overall satisfaction

→ Chase is the largest bank in the U.S., with millions of customers and more than 4,700 branches in all of the lower 48 states. "For such a huge bank, they seem to do most things right," says one reader. Survey respondents also complimented the personal touch that the bank offers clients. "A Chase representative occasionally calls just to check in, which is really appreciated."

The bank offers a handful of checking and savings accounts. To avoid a monthly maintenance fee on its basic account, Chase Total Checking, maintain a $1,500 minimum balance in checking or meet other requirements. CDs with yields up to 5% were recently available, depending on the deposit amount and term.

TD Bank
Outstanding for:
- Most recommended

→ Readers called TD Bank "accessible, friendly and competent" and "extremely accommodating" in our survey, and they spoke highly of its customer service. "TD Bank reps really go out of their way to resolve issues," says one respondent.

With more than 1,100 branches in 15 states and Washington, D.C., TD has a large presence on the East Coast. Its Complete Checking account charges no monthly fee if you keep a minimum checking balance of $500 or meet other requirements, and Beyond Checking (maintaining $2,500 in checking is one way to avoid the monthly fee) comes with benefits such as free standard checks and reimbursed wire transfer fees.

INTERNET BANKS

Internet banks operate entirely or mostly online. They typically offer higher yields and lower fees than their brick-and-mortar counterparts because they have lower overhead costs. Survey respondents judged these institutions on customer service, how likely they would be to recommend the bank to others and how satisfied they are overall with the bank.

→ **OVERALL WINNER**
Discover Bank
Outstanding for:
- Customer service
- Most recommended
- Overall satisfaction

→ Discover Bank customers who responded to our survey gave the bank high marks across the board and were especially pleased with its customer service. One reader noted that Discover is "very easy to deal with."

Readers also appreciate the bank's competitive interest rates. One commented, "their service is great, and interest is over twice what my local bank gives on savings and CDs." Discover's savings account recently offered a 4.25% yield, and a 12-month CD yielded 4.7%. With Discover's free Cashback Debit checking account, you get 1% back on up to $3,000 spent each month with your debit card.

Notably, Capital One plans to acquire Discover if regulators and the shareholders of both companies approve the deal. Discover customers likely won't notice changes until the end of 2024 or in early 2025.

Charles Schwab Bank
Outstanding for:
- Customer service
- Most recommended
- Overall satisfaction

→ Readers commend both the checking and savings accounts from the internet banking arm of broker Charles Schwab. "Best place to bank hands down," says one respondent.

The Schwab Bank Investor Checking account, open to Schwab One brokerage account customers, charges no monthly fee and provides unlimited reimbursement of out-of-network ATM fees worldwide. Plus, the account yields 0.45%. Schwab Bank also offers the Investor Savings account, which has no monthly fee, yields 0.48% and provides unlimited rebates of ATM fees internationally, too. The bank accounts complement Schwab's brokerage services nicely. "The way it's linked to Schwab brokerage is just great and makes it seamless to transfer funds," one reader says.

Ally Bank
Outstanding for:
- Most recommended
- Overall satisfaction

→ "It is simple to find information and set up accounts directly online, and Ally now offers investment accounts and lending instruments," one reader says of Ally Bank. The checking and savings accounts come with no minimum deposit or monthly fee, and the savings account shines for its 4.2% yield. You can also take advantage of tools to help you save for specific goals. "I really enjoy the Buckets options, where I can split my savings into different buckets I make," writes one reader.

USAA
Outstanding for:
- Customer service

→ If an internet bank could win the loyalty award, USAA would probably take top honors; several readers noted that they had banked with USAA for 40 or even 50 years or more. Survey respondents noted USAA's dedication to customer service. "100% professional, courteous, live customer service, always asking us how it can do better," a respondent says.

The bank caters to current or former members of the military and their spouses and children. USAA has a whopping 100,000 ATMs worldwide, and the bank will reimburse up to $10 per statement cycle for out-of-network ATM fees.

AUTO INSURANCE COMPANIES

Readers weighed in on their auto insurance provider based on how competitive the rates are, their experience with filing claims and how likely they would be to recommend the insurer to others.

→ **OVERALL WINNER**
Erie Insurance
Outstanding for:
- Competitive rates
- Claims experience
- Most recommended

→ Readers have positive words for Erie all around. "Hands down the best auto insurance company I've dealt with," says one. "I had damage from a hit-and-run. Erie worked with me to get it repaired with minimal inconvenience to me," says another.

Some readers also mentioned Erie's Rate Lock feature, which holds your premium steady; it fluctuates only if you add or remove a vehicle or driver or change your address or the place where you routinely park your car. "Only insurance company I've used that really does a price lock!" one reader says.

Other notable features include First Accident Forgiveness, meaning you won't face a surcharge the first time you're at fault in an accident if you've been an Erie customer for three or more years. For each consecutive policy year in which you don't file a claim, your deductible will be reduced by $100 (up to a maximum amount of $500) in most states. Erie serves 12 states—mostly in the Midwest and the South—as well as Washington, D.C.

USAA
Outstanding for:
- Competitive rates
- Claims experience
- Most recommended

COURTESY OF DISCOVER (TOP LEFT); ERIE INSURANCE (TOP RIGHT)

→ Readers heaped on the praise for USAA's auto insurance offerings. "Superb customer service and very simple claims handling," says one reader. "I would never consider anyone else for insurance," says another. Some also remarked on its affordable insurance rates. "I have compared rates on several occasions, and no other company has been able to come close," a respondent says.

USAA's nationwide membership is available to military servicemembers and veterans as well as their spouses and children. Those who have an auto insurance policy with USAA can take advantage of various discounts, including up to 10% off for bundling auto and homeowners policies and lower rates for teens who maintain high grades.

NJM Insurance Group
Outstanding for:
- Competitive rates
- Most recommended

→ NJM auto insurance is available to residents of Connecticut, Maryland, New Jersey, Ohio and Pennsylvania, and readers express their appreciation for quality customer service and affordable premiums. "Excellent company. Rates are as fair as they can be in New Jersey," says one reader. "Claims service is excellent—very responsive," says another.

NJM provides a number of discounts; you can save by bundling other insurance products from NJM (such as a homeowners policy) or by insuring multiple cars with the company. If you have a child who is a student that earns good grades, he or she may qualify for discounts, too.

Amica
Outstanding for:
- Claims experience

→ Amica serves customers across the continental U.S. "I can't find anything that beats Amica: Their rates are good, claims processing is fair and friendly, and I am recognized as an individual," says one reader. Another remarks, "I used Amica for 48 years and have found their claims service to be excellent, including one nasty accident/lawsuit resolution for my daughter."

You can save on your auto premiums with Amica by bundling home and auto insurance plans or by staying with the insurer for more than two years. The longer your relationship stands with Amica, the more savings you may qualify for.

HOMEOWNERS INSURANCE COMPANIES

Readers assessed their homeowners insurance provider based on how competitive the rates are, how positive the experience has been when filing a claim and how likely they would be to recommend the insurance company to others. Most of the providers here are also honorees for their auto insurance services; see the previous section for more.

→ **OVERALL WINNER**
USAA
Outstanding for:
- Competitive rates
- Claims experience
- Most recommended

→ Readers like USAA for its affordable premiums and impressive customer service during the claims process. "I've had USAA home insurance for over 20 years on my primary home as well as rental properties. They have never given me a reason to shop for another provider," says one reader. Another survey respondent says, "So many people struggle with claims service with other companies, but not with USAA. They are quick to respond."

Standard policies include replacement-cost coverage for possessions: If your stuff gets damaged in a covered event, USAA will pay the cost to repair it, or the company may replace an item with a new one valued up to your policy limits. You just pay your deductible. USAA insurance is available to military servicemembers, veterans and their families.

Erie Insurance
Outstanding for:
- Competitive rates
- Claims experience
- Most recommended

→ Readers appreciate Erie's reasonable pricing and strong customer service during the claims process. "My agent is always available," says one reader. "No other insurance company that I have been involved with in the past is competitive with the service provided by Erie!" says another. If you bundle multiple policies, such as for homeowners and auto insurance, the typical discount is 20%, according to Erie. A discount is also available when you install smoke alarms, a burglar alarm system or an automatic sprinkler system in your home.

Amica
Outstanding for:
- Claims experience
- Most recommended

Amica's homeowners policies won over plenty of readers. One says, "After my uninsured neighbor caused extensive water damage to my home,

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the Amica representative efficiently negotiated the extensive remediation and made sure I still had a good relationship with my neighbor. Amica's rates are competitive, the service is fantastic and payments are fast."

There are a number of ways to get discounts with Amica. If you have a recently remodeled home or newly built home or zero claims over a three-year period, for example, you may be eligible for a discount.

NJM Insurance Group
Outstanding for:
- Competitive rates
- Most recommended

→ "An excellent company! Their customer service is the best. Their claims service is second to no other," one reader says of NJM. Readers also rated NJM highly for offering competitive rates, which are well below the national average; the average cost for $450,000 in dwelling coverage with NJM is $931 per year, compared with $3,046 on average nationally, according to Bankrate. NJM offers discounts to policyholders who are 65 or older, who are nonsmokers or who own a generator, among other possibilities.

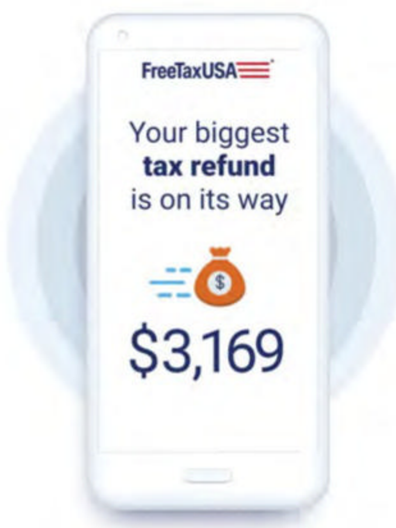
Farm Bureau
Outstanding for:
- Competitive rates

→ Farm Bureau, which has local operations in a handful of states, earned high ratings from readers—particularly for offering competitive rates. Plans vary from state to state, as do premiums, but generally they include replacement-cost coverage for personal property, such as furniture, personal belongings and electronics, as well as higher-value items such as cameras, jewelry and collectibles with added coverage. The size of your home, any recent renovations and the coverage levels you choose are important factors in your quoted premium, as is the state you live in.

TAX SOFTWARE

These programs guide taxpayers through the ins and outs of preparing and filing an income tax return. We asked readers to rate their preferred tax-filing software based on ease of use, how likely they would be to recommend the service to others and overall satisfaction with the software.

→ **OVERALL WINNER**
FreeTaxUSA
Outstanding for:
- Ease of use
- Most recommended
- Overall satisfaction



→ For the second year in a row, FreeTaxUSA is the top choice among tax software programs. "It is very user-friendly and free for federal returns. What's not to like?" says one reader. Some also spoke highly of the program's ease of use—even for complicated returns—coupled with unmatched value. "It is just as good as TurboTax at a fraction of the cost," says one reader.

FreeTaxUSA charges no fee for federal tax returns and $14.99 for state returns. If you sign up for the Deluxe Edition ($7.99), you get assistance from a tax specialist, priority support if you have questions and unlimited amended returns.

H&R Block
Outstanding for:
- Ease of use
- Most recommended
- Overall satisfaction

→ Along with in-person assistance from tax professionals at thousands of branch locations, H&R Block offers online tax programs for do-it-yourselfers, too. Survey respondents remarked on its effectiveness and reasonable pricing.

H&R Block provides free federal and state online programs for those with simple returns; it also offers various paid versions, depending on the taxpayer's situation. The Deluxe version ($35 for a federal return), for example, assists with child and dependent care expenses and itemizing deductions; Premium ($65) adds on rental income, investments and cryptocurrency trading. The paid versions charge $37 per state return.

OnLine Taxes
Outstanding for:
- Overall satisfaction

→ OnLine Taxes offers free federal and state tax returns for anyone with an adjusted gross income of $45,000 or less; active-duty military members with an AGI of $79,000 or less also qualify. If you don't meet the income requirement, your federal return is still free, but you'll pay $12.95 to prepare a state return.

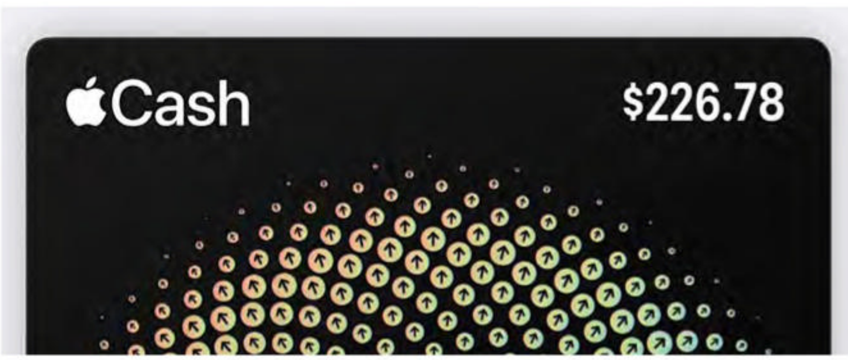
PEER-TO-PEER PAYMENT SERVICES

Peer-to-peer payment apps have developed a wide reach as they have become faster and easier to use. Readers rated the P2P service that they use most based on ease of use, the likelihood they would recommend it to others and their overall satisfaction with the service.

COURTESY OF FREETAXUSA

→ **OVERALL WINNER**
Apple Cash
Outstanding for:
- Ease of use
- Most recommended
- Overall satisfaction

→ Readers compliment Apple Cash on its security features and ease of use. Those who have an Apple device (such as an iPhone, iPad or Apple Watch) can use Apple Cash—a reloadable payment card in Apple's Wallet app—to send and receive money free with other individuals who have compatible devices. You can send payments through the Messages or Wallet app. "Very easy to use and convenient," one reader says.



PayPal
Outstanding for:
- Ease of use
- Overall satisfaction

→ PayPal, the payment app that started it all, is exceptional for its size and reach. You can send money to other people within the U.S. for free with PayPal if you draw the money from your bank account, your PayPal balance or an Amex Send account. The app charges 2.9% if funds are drawn from a debit or credit card.

Zelle
Outstanding for:
- Most recommended
- Overall satisfaction

→ Readers like that Zelle is free, facilitates speedy transfers and works directly through banks. "I like that it transfers funds instantly and from bank to bank. No need to have funds in yet another app," says one reader. In a transaction, at least one user (the sender or receiver) must have access to Zelle through their bank or credit union.

HOW READERS CHOSE THE WINNERS

Kiplinger readers were invited to take the Readers' Choice Awards survey on Kiplinger.com between February 20 and March 15, 2024. The survey asked respondents to choose the financial product or service that they most frequently use in 13 categories: full service brokerage firms, wealth managers, donor-advised funds, cash-back credit cards, travel rewards credit cards, airline credit card rewards programs, hotel credit card rewards programs, national banks, internet banks, auto insurers, homeowners insurers, tax software and peer-to-peer payment services. (Because of a scripting error, the survey did not collect scores for Wells Fargo in the national banks category. We apologize for the omission.)

We asked readers to rate each provider they selected on a scale of one to 10 based on a few criteria. In many categories, readers rated the strength of customer service, how likely they would be to recommend the product or service to others, and how satisfied they are overall with the provider. In some categories, we included more nuanced criteria. With wealth management firms, we asked respondents to rate the trustworthiness of a firm's advisers and the quality of its financial advice. For donor-advised funds, respondents evaluated the suitability of investment options. For peer-to-peer payment apps and tax software, respondents evaluated ease of use, and for auto and home insurance companies, readers judged the competitiveness of rates and strength of the claims experience.

We calculated an average (mean) score for each criterion with each provider. We also calculated an overall mean score for all providers for each criterion we asked readers to judge. We compared individual provider mean scores with the overall mean, and the three highest-scoring providers that had a score above the overall mean won an "outstanding" accolade; in cases of a tie, more than three providers are named, and if fewer than three qualifying providers achieved an above-average score, only those providers are named "outstanding." In each category, providers are generally listed in descending order by the number of criteria for which they received the "outstanding" designation—so a product or company that is deemed "outstanding" in three areas, for example, is listed before a provider with one or two "outstanding" awards.

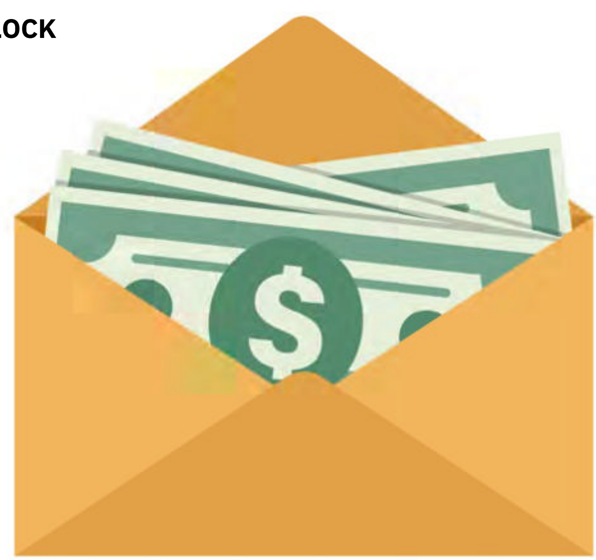
To choose an overall winner in each category, we added together the mean scores for each criterion rated for each product or service. The provider with the highest total score in each category took the prize for overall winner.

COURTESY OF APPLE

GET THE MOST OUT OF YOUR PENSION PLAN

If you're expecting a pension when you retire, your decisions on how it's distributed could have long-term effects on your financial security.

BY SANDRA BLOCK



FOR many American workers, a defined benefit pension plan is an artifact that has gone the way of phone booths, cassette tapes and percolator coffee.

But millions of federal and state government workers, teachers, and individuals who work for companies that continue to provide this once-common benefit are still eligible for a pension when they retire. There are even signs that pensions are making a minor comeback. In January, IBM discontinued contributions to its employees' 401(k) plans and defrosted a defined benefit plan it froze more than 15 years ago. IBM's move was influenced by favorable market conditions that could compel other companies to thaw out frozen pensions.

While a guaranteed payment for life is a valuable asset, getting the most out of a traditional pension involves more than bidding farewell to your coworkers and waiting for the monthly checks to roll in. You'll need to make several important decisions—most of them irrevocable—that could affect the financial security of you and, if you're married, your spouse.

LUMP SUM VERSUS ANNUITY PAYMENTS

Many private employers give workers who are eligible for a pension two options: a lump sum or a lifetime annuity payout. Determining the right one for you depends on multiple factors. In addition to determining which option will deliver the most income, you'll want to consider the health of your pension plan, how long you think you'll live, the other assets you have in your portfolio and your risk tolerance.

Start by assessing the likelihood that your pension will be around as long as you will. (For reasons we'll discuss below, you should include your spouse in this calculation, too.) Most private-sector pension plans are insured by the federal Pension Benefit Guaranty Corp., so if your employer files for bankruptcy and demonstrates that it can't meet its pension obligations, its liabilities will be transferred to the PBGC. If that happens, your pension won't disappear, but it could be reduced. In 2024, the maximum payout is $85,296 a year, or $7,108 a month, for a 65-year-old retiree. (The monthly payment is lower if you retire earlier or elect survivor benefits.) Some higher-paid workers, such as airline pilots, have ended up with lower payouts than they would have received if their plan hadn't been terminated.

Even if your employer doesn't file for bankruptcy, it may decide to offload the plan by purchasing annuity contracts from a third party—usually an insurance company—that will assume the responsibility of providing benefits to plan participants. These transactions, known as pension risk transfers, remove pension liabilities from employers' books and relieve employers of their obligation to continue paying premiums to the PBGC. The Federal Reserve's interest rate hikes since March 2022 have made pension risk transfers even more appealing because under the formula used to calculate companies' pension liabilities, higher interest rates usually lower the cost of purchasing annuity contracts. Nearly 90% of companies plan to divest their pension liabilities sometime in the future, primarily through annuity buyouts, according to a 2023 MetLife survey.

Once your pension is transferred to a third party, it's no longer backed by the PBGC, although insurance companies are subject to state regulations. Some recent pension risk transfers have raised concerns among eligible employees, who say their employers failed to comply with the Department of Labor's requirement that companies seek out the safest available annuity. Employees of AT&T and Lockheed Martin sued those companies after they transferred their pension plans to Athene, a subsidiary of Apollo Global Management, which is a private equity firm. The lawsuits contend that Athene engages in risky investment activities in offshore firms, which could jeopardize its ability to make payments to retirees. Athene maintains that it is well capitalized and makes sound investments.

Taking a lump sum eliminates the risk that your former employer or third-party provider will be unable to meet its obligations if you choose the annuity payout instead, but there are trade-offs. You'll have to decide how to invest the money and calculate how much you can withdraw each year so your savings will last as long as you do (for more on withdrawal strategies, see "Tax-Smart Strategies for Account Withdrawals," on page 92). In addition, the amount your employer offers as a lump sum may be worth much less than the value of a monthly payment. "In the vast majority of cases, the annuity is worth a lot more than the lump sum," says Norman Stein, senior policy counsel for the Pension Rights Center, a nonprofit advocacy group.

You can gauge the value of your lump sum by comparing it to the payout from an annuity purchased on the open market.

The Department of Labor requires that companies seek out the safest available annuity.
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You can gauge the value of your lump sum by comparing it to the payout you would get from an annuity purchased on the open market. For example, suppose you're 65 years old and are offered a lump sum of $300,000. According to Charles Schwab's annuity calculator, if you had bought an annuity in April, you would have

COURTESY OF WIKIPEDIA

HOW SHOULD YOU TAKE YOUR PENSION?

When you retire, you have to make decisions about your pension that could be worth hundreds of thousands of dollars to you and your spouse. Usually, the decisions are irrevocable.

TAKE A LUMP SUM IF

You are comfortable investing the money yourself or using a money manager.

PLUSES

- Money invested in an IRA could grow faster than the rate of inflation.
- You have more flexibility to take withdrawals.
- No need to worry about the financial health of your employer.
- Money left over can go to your heirs.

MINUSES

- Down markets or poor investments may force you to reduce withdrawals.
- You could run out of money if you live longer than you expected or need it for a health or other emergency.

TAKE LIFETIME PAYOUTS IF

You want a fixed monthly paycheck for life to supplement Social Security and other sources of income.

PLUSES

- You're protected against market downturns.
- You can invest other assets more aggressively.
- Employers pay more than you can get on your own with an immediate fixed annuity.

MINUSES

- Unless your plan has a cost-of-living adjustment, inflation will erode your purchasing power.
- If your employer declares bankruptcy and the pension is taken over by the Pension Benefit Guaranty Corp., your payments could be reduced.
- Payouts end at your death or death of your spouse.
- Heirs get nothing.

Take the single-life option if

You want a larger monthly payment and have other assets, such as life insurance or investments, to support your spouse after you die. A signed waiver from your spouse is required.

Take the joint-and-survivor option if

You can make do with a smaller monthly payment and your spouse needs guaranteed income for life. Survivor options range from 50% to 100% of the original monthly pension.

received a monthly payment of $1,971, or $1,655 had you opted for a joint-and-survivor payout (these figures are subject to change, based on interest rates). If your pension will pay out a higher monthly amount, taking the annuity is probably the better option.

In addition, your lump-sum offer should include a section entitled "The Relative Value of Pension Payments" that compares the value of the lump sum being offered against the value of the monthly payouts, says Jaime Quiñones, a certified financial planner in Marlboro, N.J. "You'll be surprised how often this figure represents a number significantly less than 100% of the normal pension payment amount," he says. One of Quiñones's clients recently received a lump-sum offer that was worth about 72% of the value of the monthly payout. (He chose the annuity.)

"We tend to default toward annuitizing the pension with a joint-and-survivor benefit because the wholesale pension stream is almost always better than you could do if you took a lump sum and bought an annuity yourself," says Rick Brooks, a CFP in Solana Beach, Calif.

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The IRS taxes monthly payments from a pension at your ordinary income tax rate, and 26 states tax at least a portion of pension income.

Other factors to consider when weighing a lump sum against a monthly payout:

Your life expectancy. One of the main benefits of annuitizing your pension is that you won't outlive your money. But if you have a chronic illness that will likely shorten your life span, a lump sum could provide money for health care and allow you to enjoy the time you have left. You may also consider taking a lump sum if you have other sources of income and want to leave an inheritance, says Nicholas Bunio, a CFP in Berwyn, Pa. By investing the lump sum, you have the potential to increase its value before it passes on to your heirs, he adds.

The calculator at *www.calculator.net/pension-calculator.html* will help you compare the value of your lump sum against monthly payouts, based on your estimated rate of return on your investments and any cost-of-living adjustment provided by your pension. A higher rate of return increases the likelihood that your lump sum will provide more income than an annuity payout, but that also requires you to take more risk.

Inflation. If you choose a lump sum and invest it in the stock market, you have a better shot at staying ahead of inflation (although that also requires you take more risk). Most traditional

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pensions aren't adjusted for inflation, so the buying power of your monthly payout will decrease as prices rise. Jorie Johnson, a CFP in Brielle, N.J., advises clients who receive a traditional pension to put aside 30% of their monthly payout in a savings account so they'll have a cushion to cover an increase in their expenses.

Taxes. The IRS taxes monthly payments from a pension at your ordinary income tax rate, and 26 states tax at least a portion of pension income. Depending on the size of your pension and other sources of taxable income, you could find yourself in a higher tax bracket, particularly when you're required to take minimum distributions from your tax-deferred accounts (RMDs currently start at age 73).

If you take your pension as a lump sum and roll it into a traditional IRA, you'll still pay taxes on withdrawals, but you'll have more control over how much you take out—at least until RMDs kick in. That gives you the flexibility to take larger withdrawals when your tax rates are lower—because you have less income from your investments, for example—and smaller withdrawals when they're higher. In addition, you can convert some or all of the money to a Roth IRA. You'll pay taxes on the conversion, but the money will grow tax-free, and you won't have to take RMDs (see "Tax-Smart Strategies for Account Withdrawals," on page 92, for more).

Second thoughts. Once you choose the annuity option, you're usually locked into monthly payments for the rest of your life. If you need funds for catastrophic medical expenses or long-term care, "you can't call your pension and ask for more money," Bunio says. If you take a lump sum, you can always use that money, or a portion of the amount, to buy an immediate or deferred annuity sometime in the future. And if you wait until you're older to purchase the annuity, the monthly income will be higher. (For more on annuities, see "Create a Retirement Paycheck With an Annuity," on page 84.)

If you take a lump sum, you can always use that money, or a portion of the amount, to buy an immediate or deferred annuity later.

A MATH PROBLEM FOR TEACHERS

Like federal government workers, firefighters and local government employees, most public school teachers are eligible for a defined benefit pension. The availability of a traditional pension has long been viewed as a way to offset salaries that tend to be lower than teachers could earn in the private sector.

But unlike federal pensions, which are protected by the full faith and credit of the federal government, and private pensions, which are backed by the Pension Benefit Guaranty Corp., teachers' pensions are backed by the states, and many state-run plans are significantly underfunded. A 2019 analysis by Andrew Briggs, resident scholar for the American Enterprise Institute, found that the median teacher pension plan was only 70% funded, a decline from 96% in 2001. Briggs attributed the decline to plan administrators' tendency to overestimate the rate of return they would receive on their investments.

Not all plans are underfunded, and some plans—particularly those in Connecticut, Ohio and New Jersey—were shored up by generous federal government aid during the COVID-19 pandemic. But even if they're in a well-funded plan, teachers face an additional challenge: working long enough to qualify for a pension. Most plans are designed to provide benefits for teachers who work 30 years or more, which makes many teachers ineligible.

Teachers can improve their retirement security by contributing to a 403(b) plan, a tax-advantaged plan that's similar to a 401(k). Unfortunately, here again teachers face a challenge, because 403(b) plan administrators don't have the same fiduciary obligations as companies that offer 401(k) plans. As a result, many plans are sold by insurance agents who promote high-cost variable annuities. (For more, see "The Pros and Cons of 403(b) Plans," June.) You can find more information about your school district's plan and the vendors it uses at *www.403bwise.org/education/vendor-search-tool*. The tool is provided by 403bwise, a nonprofit that advocates for K–12 teachers. Look for vendors that provide low-cost mutual funds. If your only option is a plan filled with high-cost products, consider investing in a Roth IRA instead.

SINGLE VERSUS JOINT-AND-SURVIVOR OPTIONS

If you're married and opt for a monthly payout, you'll need to decide whether to take a single-life payment or the joint-and-survivor option. Taking the single-life payment will deliver a larger monthly benefit, but your pension will end when you die. With the joint-and-survivor alternative, payments will be smaller, but they'll continue for as long as you or your spouse is alive.

Unless both spouses have a pension, the joint-and-survivor option is usually the better choice because it guarantees that one spouse will receive payouts for as long as he or she lives, financial planners say. Social Security is essentially a single-life annuity because your payments end when you die, which means a reduction of up to half of the couple's combined benefits, Brooks says. "The last thing you want to happen is for the spouse to also lose the pension," he says.

Unless both spouses have a pension, the joint-and-survivor option is usually the better choice because it guarantees that one spouse will receive payouts for as long as he or she lives.

Stacy Francis, a CFP in New York City, says she advised her mother, who worked for the state of Michigan for 35 years, to take a single-life payment when she started her pension because she expected her mother to outlive her father, who had suffered two heart attacks and a stroke. Francis's mother opted instead for the joint-and-survivor payment, and as it happened, her father outlived her mother by 14 years. "She was a smarter woman than I am," Francis says. "He had 75% of that pension, and it allowed him to live in a financially secure way. For a lot of couples

TRACKING DOWN A LOST PENSION

Millions of dollars in pension benefits go unclaimed every year for a variety of reasons, ranging from employer bankruptcy to a change in the entity that's responsible for paying pension benefits. Even if the amount you're eligible to receive is modest, it's worth your time to track down lost benefits.

→ If you believe your former employer is still in business, search for any sources you may have, such as plan documents, to find the employer's address and telephone number. Look for the Employer Identification Number (EIN), which is useful for determining whether your plan was a pension or 401(k), according to the Pension Rights Center. You can also search for ongoing plans at the Pension Benefit Guaranty Corp., which keeps a database of active plans that are paying premiums to the PBGC, at *www.pbgc.gov/search-plans-paying-pbgc-premiums*.

→ If your former employer filed for bankruptcy or terminated its pension, the plan may have been taken over by the PBGC, which is responsible for paying your benefits. The PBGC maintains a database of people who were not paid when their pension was transferred to the PBGC. Find it at *www.pbgc.gov/wr/find-unclaimed-retirement-benefits*.

→ If you believe your former employer transferred the plan to an insurance company or other third party, search the PBGC's Missing Participants–Notification plans at *www.pbgc.gov/workers-retirees/missing-participants-program*. If the plan's name is on the list, you'll find the PBGC case number, the contact information for the insurance company and an annuity contract number, which you'll need when you contact the insurer.

→ Watch your mail. The Social Security Administration sends a notice of "Potential Private Pension Benefit Information" to individuals whose employers reported that they left employment without taking their benefits. The notice will also include contact information for the plan administrator, which you can use to inquire about your pension. However, the notice is sent only to employees who have filed for Social Security, and you may have already received your pension benefits.

→ If these efforts are unsuccessful, search your state's unclaimed property fund at *www.missingmoney.com*, a national database endorsed by the National Association of Unclaimed Property Administrators (NAUPA).

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that go with joint-and-survivor, having that pension can literally save them financially."

The survivor benefit is based on a percentage of the pension participant's benefit. You may have a choice, for example, of providing 50% or 75% of benefits to your spouse. The higher the survivor's benefit, the lower your monthly payments. Choosing the joint-and-survivor benefit typically reduces payouts by about 10%, Bunio says, "but even if it's 20%, would you want your spouse to lose 100% if something happens to you?"

If you're eligible for a pension from the Federal Employees Retirement System (FERS), there's an even more compelling reason to choose the joint-and-survivor option, says Wes Battle, a CFP in Rockville, Md., whose practice includes many federal government employees. Retired federal government employees and their spouses are eligible for health coverage under the Federal Employees Health Benefits (FEHB) program, but if you opt for the single-life option, your pension payments *and* your surviving spouse's FEHB coverage will end when you die, Battle says. Your spouse would still be eligible for Medicare (and some federal retirees enroll in both Medicare and the FEHB), but that could mean switching health providers, possibly when your spouse is well into his or her eighties, as well as paying late-enrollment penalties. Battle says he recommends the single-life option only when both spouses are eligible for federal pensions.

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The survivor benefit is based on a percentage of the pension participant's benefit.

YOUR INVESTMENTS

If you choose the annuity payout, it's important to view it as one component of your overall portfolio and invest accordingly. From an asset-allocation point of view, your pension and Social Security benefits are essentially the fixed-income portion of your portfolio, Francis says. Because income from these two sources is guaranteed, you can invest funds in your IRAs, 401(k)s and other accounts more aggressively than you would if you didn't have a guaranteed income stream.

This strategy can also help you stay ahead of inflation. Unless your pension has a cost-of-living provision, "it's only going to buy half as much 20 years from now," Brooks says.

You can contact the author at Sandra.Block@futurenet.com.

Create a Retirement Paycheck With an Annuity

Predictable income can provide stability and peace of mind. Here's how to decide whether an annuity is right for you—and sort through the options.

BY DAVID RODECK

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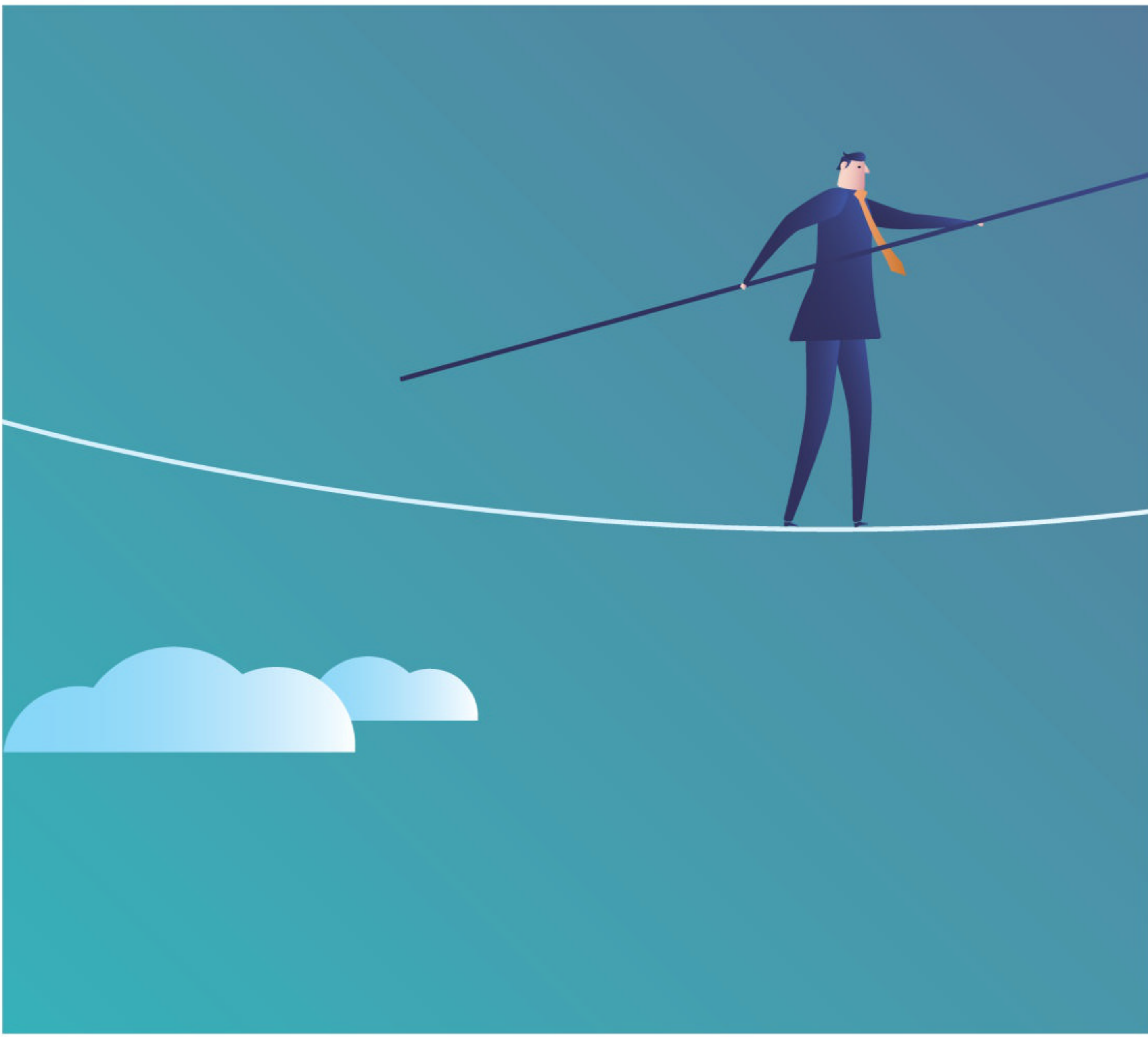
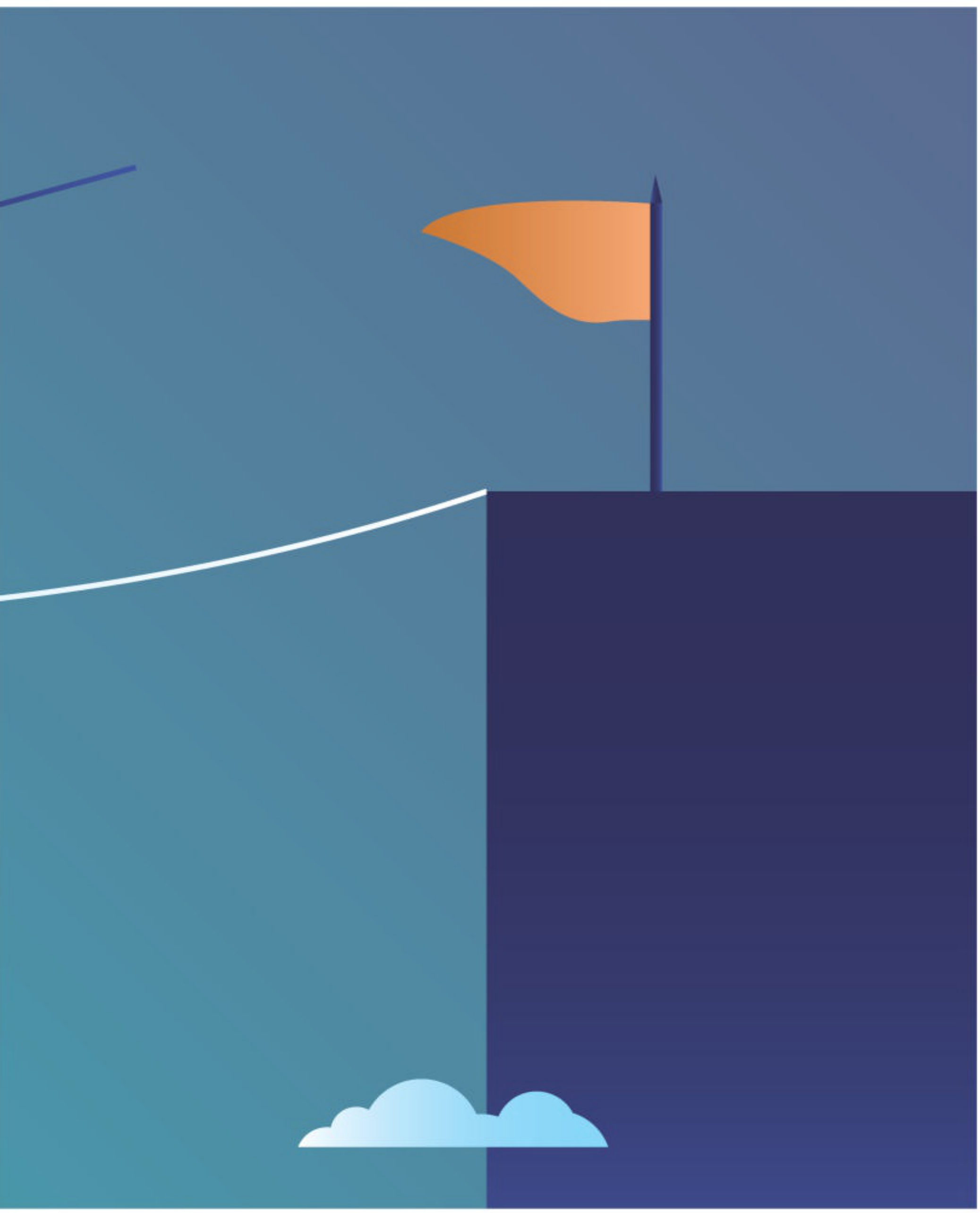


IF you're feeling left out after reading the previous article because you don't have a pension, you're far from alone. Only 22% of workers are covered by a pension these days, according to the Federal Reserve. But if you want to have an additional stream of steady income in retirement to supplement your Social Security benefits, you could create one using an insurance contract known as an annuity.

"An annuity is like a personal pension," says David Blanchett, head of retirement research for PGIM DC Solutions, the investment management division of Prudential. You transfer part of your savings to an insurance company, which then turns that money into future income payments. You can set up an annuity that provides guaranteed income for the rest of your life, like a pension. "No matter how long you live or what happens in the market, you'll get some benefit."



Having a paycheck you cannot outlive makes retirement a lot less stressful. Studies show that retirees with at least some annuitized income are happier, more satisfied and less likely to be depressed than those without. Creating this extra paycheck for life also takes out some of the work of budgeting and investing your money, especially later in retirement, when you may begin to experience cognitive decline. "It's like an easy button for turning wealth into income," says Blanchett.

That said, it's essential to research annuities carefully before using one. They are long-term investments. If you buy an annuity, getting your money back is costly and sometimes impossible. There are also many types to choose from. If you are considering an annuity, here's what to know about when these contracts make sense and their pros and cons.

OPTIONS FOR GROWTH AND INCOME

Annuities can both increase your savings and provide future retirement income. If you aren't ready to turn on the income spigot yet, you can use a deferred annuity to earn a return on your money. There are a few types of deferred annuities.

A *fixed annuity* pays a guaranteed interest rate on your savings. "It's like a bank certificate of deposit on steroids," says Mindy Oglesby, a certified financial planner and CEO of Oglesby Wealth Strategies in Watkinsville, Ga. For example, you might find a fixed annuity with a 6% guaranteed interest rate for five years.

A *variable annuity* lets you invest your balance in mutual funds. The money you invest in a *fixed index annuity* increases based on the performance of a market index, such as the S&P 500. However, there are limits on your gains and losses. For example, a fixed index annuity might dictate that you won't lose money during down markets but cap your gains at 8% per year, no matter how high the index goes.

Each type of deferred annuity lasts for a scheduled number of years that you pick. At the end, you can renew to another deferred annuity, cash out your money or convert the balance into income.

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Immediate income annuities. If you're ready to get paid from an annuity, you have several ways to do so. An income annuity is the simplest version. You transfer part of your savings and immediately start collecting income based on your deposit.

You can set up payments for a set period, such as 10 years. Payments continue to your named beneficiary if you pass away before the period ends. After that, payments stop. You can also set up payments that last for your entire life. It's possible to choose guaranteed payments for as long as both you and your spouse live.

For example, say a 65-year-old man buys an income annuity for $200,000. He'd receive $1,271 per month guaranteed for his life, according to Charles Schwab's online annuity calculator. If he's married to a 60-year-old spouse, they could get a joint-life annuity paying $1,043 per month for as long as one of them is alive.

You could set up a lifetime income annuity with a minimum number of guaranteed payments in case you pass away early. "If someone gets hit by a bus the day after purchase, their heirs will get the money. It protects against dying early," says David Lau, founder of DPL Financial Partners, an online platform for buying annuities.

Guaranteed income riders. Another option is to set up a minimum guaranteed income rider on a variable or fixed index annuity. With these contracts, your money is invested and grows as usual. Once you're ready to start payments, your income is based on your contract value at that point. For example, if you start payments with $200,000 in a variable annuity, the insurer may promise lifetime income of 5% of that balance, or $10,000 per year.

The money you put in stays invested, and ideally your contract balance will increase. But if withdrawals and poor investment performance deplete the entire value, you'll continue to get the lifetime income ($10,000 a year in the previous example). You could take a lump-sum withdrawal from your balance at any point. Doing so would reduce your future guaranteed income, but it gives you liquidity in a pinch. If you pass away with a positive balance, it goes to your heirs.

Adding the guaranteed income rider on an annuity costs extra, and that lowers your long-term return. A common fee is 1% a year off your investment return. The guaranteed income payouts are also lower compared with putting the same amount in an immediate income annuity.

Deferred income annuities. If you aren't ready to retire just yet, you could buy an income annuity that begins payments in the future. The longer you wait, the larger your future payments. A deferred income annuity can also support the final stretch of your retirement.

"You could buy an annuity with a deeply deferred payment date, like age 82 or later," says Jim Szostek, vice president of retirement security at the American Council of Life Insurers (ACLI). "You know you will still have income at the tail end of retirement." Because roughly one-third of 65-year-olds will reach age 90, this later-in-life income could be worth considering.

If you have money in a traditional, tax-deferred 401(k) or IRA, the government requires you to start making withdrawals at age 73. However, you could use funds from those accounts to set up a qualified longevity annuity contract (QLAC), which would allow you to push back withdrawals to age 85 for more tax-deferred growth.

THE BENEFITS

As with any investment, annuities come with pros and cons. Here are some good reasons to use these contracts.

Guaranteed retirement income. The guaranteed income that an annuity creates provides valuable peace of mind in retirement,

WHEN TO BUY

How Interest Rates Affect Annuities

Annuities base their returns on market interest rates. Given that rates were recently at their highest level since 2001, conditions overall are favorable for buying an annuity. But higher rates benefit some products more than others.

Fixed annuities are paying higher guaranteed rates to match current market conditions. Fixed index annuities have also become a better deal. Many now offer higher possible caps for your returns as insurers are earning more. The interest rate environment doesn't matter as much for variable annuities, as the returns depend on the performance of the mutual funds they invest in rather than rates.

Many annuities also pay initial bonuses as a percentage of your deposit that can be worth 10% or more. "If someone bought an annuity years ago when rates were low, it could make sense to break a contract to get the better rates. A bonus would help offset the surrender charge," says Mindy Oglesby, a certified financial planner and CEO of Oglesby Wealth Strategies in Watkinsville, Ga.

High interest rates could help you earn more if you're looking for income, but it depends on your age. "It matters much more the younger you are," says David Blanchett, head of retirement research for PGIM DC Solutions, the investment management division of Prudential. If you're 55, the amount of your payout is based on the insurer investing the money for the long term. High interest rates can help you lock in higher lifetime income. If you're 85, high interest rates don't matter as much. "At this point, payouts are mainly based on life expectancy."

Interest rates could fall later this year, although higher-than-expected inflation in early 2024 may delay rate cuts from the Federal Reserve. The possibility of declining rates provides extra incentive to purchase some types of annuities sooner than later. But before you pull the trigger, make sure an annuity is appropriate for your long-term financial goals. If you cancel an annuity early, surrender charges could wipe out any benefit you gain by purchasing it when interest rates are high.

says Szostek. “It keeps people from running out of money and allows them to spend the rest of their savings more freely. Otherwise, you might be too conservative and deny some of the pleasures you could have had in retirement.”

Stability from risk pooling. Insurance companies can generally afford to pay out higher income than most people could safely draw from their portfolios because of risk pooling and the law of large numbers, says Blanchett from PGIM DC Solutions. “If I plan on my own, I have to be more careful. There’s a 50% chance I’ll live longer than my life expectancy.”

By combining resources from many people, insurers can wait out market swings and cover the payouts for those who have exceptionally long life spans. People who live a long time also benefit from mortality credits: They get extra money from the annuity pool from people who passed away earlier.

Safe returns. Fixed and fixed index annuities can offer growth while preventing market losses in the final few years before retirement. You can avoid a major loss at this point, when you don’t have much time to recover. “The downside protection is useful from a risk-management point of view,” says Lau, the founder of online annuity platform DPL Financial Partners. “If your portfolio is negatively impacted in the last stretch, it will hit your retirement hard.”

Tax-deferred growth. You don’t owe taxes on investment gains as long as they stay in the annuity. If you buy an annuity using after-tax money from your savings, it grows tax-deferred, and you get those deposits back tax-free when you withdraw them or receive the money as income payments; you pay income tax on investment earnings. “For someone who maxes out their 401(k) and other retirement plans, an annuity offers another way to get tax-deferred growth,” says Oglesby, the CFP from Georgia.

People who live a long time benefit from mortality credits: They get extra money from the annuity pool from people who passed away earlier.

If you put pretax funds from a retirement plan, such as a traditional IRA, into an annuity, taxes continue to be deferred until you withdraw the money or start income payments. It is also becoming more common for workplace retirement plans, such as 401(k)s, to offer annuities because the SECURE Act of 2019 removed legal barriers for the plans to provide this option. When you cash out or receive income, you pay income tax on the entire amount.

Extra rider benefits. You can buy riders to create other benefits for your annuity. One option is to add a long-term-care rider. If you need long-term care in a nursing home while collecting annuity income, the annuity increases your payment to help cover the costs. You could also buy a rider so that an annuity leaves a larger death benefit to your heirs.

THE DRAWBACKS

Surrender charges and taxes. When you buy a deferred annuity for growth, you agree to a long-term contract of several years. You pick the length when you sign up. If you cancel or take a lump-sum withdrawal before the period expires, the annuity company will likely deduct a surrender charge.

For example, the company might deduct 7% from the amount you take out. Surrender charges gradually decrease the longer you own the annuity—the charge may, for instance, fall by one percentage point per year before disappearing after seven years. Some annuities allow limited withdrawals without the surrender charge, such as taking out 10% of your balance per year.

Early-withdrawal tax penalty. As retirement products, annuities lock up your money until you turn 59½, warns Lau. If you cancel an annuity or take a lump-sum withdrawal before you reach that age, the IRS charges income tax plus a 10% early-withdrawal penalty on your gains. And if you made pretax contributions, you’ll pay tax and the 10% penalty on withdrawals of the contributions, too.

If you take lump-sum withdrawals, annuities require you to take out the taxable portion first before any after-tax deposits. The 10% penalty doesn’t apply if you convert your annuity into future income payments with the insurance company. You can start that at any age.

Limited liquidity. Buying an income annuity takes money out of your portfolio. “Removing liquidity is dangerous. You could run into a health problem, or your kids might have an emergency,” says Randy Kurtz, a CFP

with Upper Left Wealth Management in Tampa.

As noted, there are ways to create guaranteed lifetime annuity income while keeping some access to your money. Still, you don't have the same flexible access to your cash that you would by keeping it all in your investment portfolio.

High fees. Generally, the more complex an annuity is, the more it costs. Basic fixed and income annuities have few or no fees. Variable annuities with many riders can be expensive. "I once saw a variable annuity deducting more than 4% a year from the investment return," says Kurtz. Make sure you understand exactly what's being taken out of your earnings each year for the contract.

Inflation. Most income annuities pay out the same monthly amount the entire time, and inflation can chip away at your spending power. You could set up your annuity with a rider for cost-of-living adjustments. Your payments then increase over time—by 2% annually, for instance. In exchange, your starting income is lower. Another option is to use variable payments that depend on the market. You get more income in good years and less in bad, with a higher expected return.

IS AN ANNUITY A GOOD CHOICE FOR YOU?

As you weigh whether an annuity makes sense, think through these factors.

Other guaranteed retirement income. Start by looking at your expected, fixed monthly retirement expenses, recommends Szostek from the ACLI. Think of bills for your rent or mortgage, utilities, insurance, food, car, and other costs that will come up month after month.

Ideally, you should have enough guaranteed income to cover these ongoing expenses so that you don't have to worry about them. If you expect $4,000 a month in fixed expenses and get $2,000 a month from Social Security, you could use an annuity to cover the remaining $2,000. You would then invest the rest of your savings to cover variable expenses that you can skip during a market downturn, such as travel and home renovations.

However, if all of your fixed costs are covered by Social Security and/or a pension, you might not need an annuity. Although you can start Social Security at age 62, each year you wait until age 70 increases your benefit. If you need income while delaying your application for Social Security benefits until age 70, you

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could use an annuity to get through that stretch.

Once you start Social Security, you get cost-of-living adjustments to help keep pace with inflation. This makes Social Security an even better deal than an annuity, says Blanchett. "Many Americans can get all the guaranteed income they need just by delaying Social Security until age 70."

Life expectancy. You should also consider your health and life expectancy based on family history. If you're in excellent health and have a good chance of living longer than average, an annuity with guaranteed lifetime income could be a good deal. On the other hand, someone with preexisting conditions who may have a shorter retirement might prefer to keep access to all their cash and spend it while they can.

Investment risk tolerance. Annuities are often most suitable for risk-averse people, "I recommend them to clients who don't want to deal with the stock market ups and downs," says Oglesby.

On the other hand, if you're comfortable investing and managing risk, you might get a better long-term return and generate more income on your own, especially at a time when you can lock in 30-year Treasury bonds paying more than 4.5% a year in guaranteed interest, says Kurtz. "I recommend putting two to five years of spending needs in bonds, with the rest invested for market returns." That way, you don't have to sell off your stocks during a downturn.

If you think an annuity is a good fit for you, avoid putting all of your savings in one. Contribute only up to about 20% to 40% of your portfolio so you still have money that's easily accessible and that you can invest in the stock market for growth. "An annuity is insurance," says Blanchett. "You don't buy insurance to make money but to mitigate a risk. In this case, the risks are longevity and outliving your savings."

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

DECISION TIME

Where to Get Advice

Annuities have different rates, features and fees, so you should compare several options to find the right fit. You have a few ways to do so.

First, you could contact life insurance companies directly for quotes. Allianz Life, MassMutual, Pacific Life and Prudential are some common options. You can meet with one of their agents to discuss the annuity products.

There's no up-front cost to meet an agent or collect quotes. Instead, insurance agents earn a commission for selling products. As a result, they are motivated to get you to sign up for something—and historically, that has caused issues for the annuity industry from overzealous agents. State regulators warn of annuity salespeople using high-pressure techniques such as claiming "limited time offers" to close deals quickly or running seminars on a different topic, such as estate planning, to disguise the fact that they are selling annuities.

However, in most states, insurance agents must follow what's known as a best-interest standard. "They need to understand your needs and goals and compare them against what products are available to you. The rules are designed to make sure the annuity fits," says Jim Szostek, vice president of retirement security at the American Council of Life Insurers. An agent following this standard could not put their financial interest ahead of yours when recommending products, meaning they'd need to recommend the annuity that makes the most sense, even if another might pay a higher commission.

If you want assistance from someone who isn't in the insurance business, consider hiring a financial planner to help you compare products. You can search for an adviser who does not accept commissions and charges on an hourly basis at *www.garrettplanningnetwork.com*.

If you're comfortable doing research independently, you can collect annuity quotes from websites such as BlueprintIncome.com, ImmediateAnnuities.com and IncomeSolutions.com. While online annuity marketplaces historically focused on more-straightforward products, such as fixed annuities and income annuities, technology is evolving to compare other products.

DPL Financial Partners' platform, at *www.dplfp.com*, allows users to compare more-advanced products, such as variable and fixed index annuities. Users answer questions about their financial goals, and the platform then recommends a product. Because you're buying them on your own, the cost of an agent commission isn't built into the annuity.

Tax-Smart Strategies for Account Withdrawals

Understanding the best way to tap your IRAs and other accounts can help you preserve your savings and lower your tax bill.

BY SANDRA BLOCK

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ONE of the upsides of retirement is that for the first time in years, you have control over your time. If you want to spend the afternoon watching *Bonanza* reruns, well, no one is going to stop you.

Retirement also gives you more command over your money. While you're working, you have limited control over how often or how much you're paid, which limits your ability to lower your taxes. But if you're drawing retirement income from a combination of different types of accounts, you can control not only the amount you withdraw but also the sources of those withdrawals—and that could have a big impact on your taxes now and in the future.

Conventional wisdom has long held that retirees should take money from their taxable brokerage accounts first, followed by traditional IRAs and other tax-deferred accounts, with Roth IRAs and Roth 401(k)s coming last. The logic behind this strategy is that it gives your tax-advantaged accounts more time to grow. Money in tax-deferred accounts isn't taxed until you take withdrawals, and withdrawals from a Roth are tax-free as long as you're 59½ or older and have owned the account for at least five years.

But in recent years, some retirement experts have questioned whether this is the most effective way to lower taxes on your retirement income and preserve your savings for your later years. Postponing withdrawals from your tax-deferred accounts could eventually lead to large, taxable required minimum distributions (RMDs currently start at age 73). And since those withdrawals are taxed at ordinary income tax rates, which range from 10% to 37%, large distributions could push you into a higher tax bracket and trigger Medicare high-income surcharges, says Wade Pfau, professor of retirement income at the American College of Financial Services and author of *Retirement Planning Guidebook: Navigating the Important Decisions for Retirement Success*.

Roger Young, a certified financial planner and thought leadership director for T. Rowe Price, agrees. The conventional withdrawal sequence "bunches a lot of taxable income in the middle period, where pretty much all of your income is taxable," he says.

Retirees who have a mix of accounts could generate income more tax-efficiently by withdrawing from a combination of taxable and tax-deferred accounts, as well as making strategic conversions to Roth accounts, while remaining in a low tax bracket, Pfau says. One way to accomplish this goal is to withdraw enough from your taxable accounts to cover spending needs and income taxes. After that, calculate how much you can withdraw from your tax-deferred accounts and convert to a Roth while remaining within your desired tax bracket.

In 2024, a married couple who files jointly can have up to $94,300 in taxable income and fall within the 12% tax bracket; for singles, the cutoff is $47,150. These thresholds are close to the points at which taxpayers can qualify for a 0% tax rate on long-term capital gains and qualified dividends (assets held for more than a year are subject to rates for long-term gains). In 2024, the 0% rate applies to capital gains and qualified dividends for singles with taxable income up to $47,025 and married couples with joint taxable income up to $94,050.

Taking strategic withdrawals from a mix of taxable and tax-deferred accounts while remaining within these thresholds provides two benefits. You'll pay taxes on your tax-deferred withdrawals at a low rate and reduce the size of those accounts, which will shrink your RMDs. You may also qualify for the 0% capital gains rate on income from your taxable accounts.

Meanwhile, you'll pay taxes on conversions from a traditional IRA to a Roth at a low rate, which will increase the amount of tax-free income you'll have available in later years. Ideally, you should use assets from your brokerage or other taxable accounts to pay taxes on the conversions, Pfau says. If you postpone Roth conversions until you've depleted those accounts, you may have to use funds from your IRA to pay the tax bill. That's not the end of the world, he says, because you'll still benefit from having future tax-free income (and if you're 59½ or older, you won't pay a 10% early-withdrawal penalty on those distributions). But it reduces the amount of money you'll be able to invest in the Roth.

Taxes on Social Security. Converting funds in your traditional IRAs to a Roth can help reduce your taxable income later in life because, ideally, a large percentage of your withdrawals will come from your Roth. This will

Converting funds in your traditional IRAs to a Roth can help reduce your taxable income later in life because, ideally, a large percentage of your withdrawals will come from your Roth.

MARK YOUR CALENDAR

The Right Time to Take Distributions

To adopt the strategy of paying the lowest taxes possible on tax-deferred withdrawals and Roth conversions, you need to estimate your taxable income for the year before year-end—something you may not have done when you were working. Once you've estimated your taxable income, you can figure out how much you can withdraw while remaining in the 12% tax bracket, for example.

Because you can't always predict how much income you'll receive from dividends, interest and capital gains distributions, it's usually a good idea to wait until near the end of the year to calculate withdrawals from taxable accounts and the amount you can convert from your traditional IRAs to a Roth, says Wade Pfau, professor of retirement income at the American College of Financial Services. By then, you should have a pretty good idea of how much you'll receive in capital gains distributions and other income from your taxable accounts, he says.

Keep in mind that the federal government taxes income progressively, with separate tax rates applying to each bracket of income. For example, although you may ideally want to stay within the 12% tax bracket, exceeding the threshold doesn't mean all of your income will be taxed at the 22% rate. Instead, you'll pay the higher rate only on the portion of income that exceeds the 12% threshold—in the case of a married couple, income that exceeds $94,300 in 2024. (For all of the 2024 federal tax brackets and rates, see the chart on page 64.)

A certified financial planner can help you run the numbers and hit your targets. Find one at *www.letsmakeaplan.org*.

help you avoid what Pfau calls the Social Security "tax torpedo," which occurs when up to 85% of your benefits are taxed.

The formula for taxing Social Security benefits is based on what Social Security defines as your provisional income (sometimes referred to as combined income), which is based on half of your Social Security benefits, plus other sources that contribute to your adjusted gross income, including withdrawals from traditional tax-deferred accounts; dividends, interest and capital gains from taxable investment accounts; and interest from municipal bonds. If your provisional income ranges from $25,000 to $34,000 for single filers, or $32,000 to $44,000 for joint filers, up to 50% of your benefits will be taxable. If your provisional income is more than $34,000, or $44,000 for joint filers, up to 85% of your benefits will be taxable.

These thresholds aren't adjusted for inflation, which means the percentage of retirees who pay taxes on their benefits has increased dramatically since the tax was signed into law more than 30 years ago. More than half of retirees pay taxes on a portion of their Social Security benefits, according to the Center for Retirement Research at Boston College.

Withdrawals from a Roth aren't included in your provisional income, so increasing the size of your Roth accounts through strategic conversions can help lower taxes on your benefits. If you're able to delay filing for Social Security until age 70, which will maximize the amount of your monthly payouts, you'll have more time to reduce the size of your tax-deferred accounts and convert some of your funds to a Roth, T. Rowe Price's Young says.

2024 Federal Income Tax Brackets

Tax Rate	Taxable Income (Single)	Taxable Income (Married Filing Jointly)
10%	$0 to $11,600	$0 to $23,200
12	$11,601 to $47,150	$23,201 to $94,300
22	$47,151 to $100,525	$94,301 to $201,050
24	$100,526 to $191,950	$201,051 to $383,900
32	$191,951 to $243,725	$383,901 to $487,450
35	$243,726 to $609,350	$487,451 to $731,200
37	$609,351 or more	$731,201 or more

OTHER CONSIDERATIONS

Charitable giving. If you plan to give funds in your tax-deferred

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accounts to charity, you may not need to accelerate certain withdrawals as much as you would otherwise.

One strategy that can reduce your RMDs—and your tax bill—is to make qualified charitable distributions (QCDs), which are donations made directly from your IRA to qualified charities. You can make a QCD as early as age 70½, but when you reach the age at which you're required to take distributions, the charitable distribution will count toward your RMD. Although a QCD isn't deductible, it will reduce your adjusted gross income, which will in turn reduce the provisional income used to calculate taxes on your Social Security benefits. In 2024, you can donate up to $105,000 directly from your IRA to a qualified charity.

Alternatively, if you're worried about giving away money you may need for long-term care or other late-in-life expenses, you can leave funds in your IRA to charity. The charity won't have to pay taxes on the money, and you can leave more tax-friendly assets to your heirs. But this won't absolve you from taking RMDs and paying taxes on those withdrawals while you're still alive.

Your estate. Shifting more of your assets to Roth accounts won't just lower your taxes in your later years. It could also benefit your heirs if they end up inheriting money in those accounts.

Under the SECURE Act of 2019, most adult children and other non-spouse heirs who inherit a traditional IRA or other tax-deferred account from an owner who died on or after January 1, 2020, have two options: Take a lump sum and pay taxes on the entire amount, or transfer it to an inherited IRA and deplete the account within 10 years of the death of the original owner. Depending on whether the original owner was taking RMDs when he or she died, the heirs may also have to take yearly withdrawals based on their life expectancy, which could mean paying taxes during their highest-earning years. (Spouses still have the option of rolling inherited IRAs into their own IRAs.) Because of confusion about the rules, the IRS has waived the RMD requirement for non-spouse heirs the past few years and is doing so again for 2024; for more, see the box below.

The 10-year rule also applies to inherited Roth IRAs, but heirs aren't required to pay taxes on the withdrawals or to take RMDs. That gives them plenty of flexibility, including the ability to wait until year 10 to deplete the account, thereby taking advantage of more than a decade of tax-free growth.

If you have a large brokerage account with significant appreciation, you may want to consider preserving some of those assets for your heirs. Under current tax law, inherited investments receive a "step-up" in their cost basis to the current fair market value when the original owner dies. If your heirs turn around and sell those investments right away, they won't pay tax on any gains, no matter how much the investments have increased in value since you purchased them. ◼

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If you have a large brokerage account with significant appreciation, you may want to consider preserving some of those assets for your heirs.

BREATHING ROOM

Relief for Owners of Inherited IRAs

Some owners of inherited IRAs who were concerned that they would have to take a taxable distribution this year have been given another hall pass from the IRS.

Under the 2019 SECURE Act, most adult children, grandchildren and other non-spouse heirs who inherit a traditional IRA from an account owner who died on or after January 1, 2020, are required to deplete the account in 10 years. In 2022, the IRS issued guidance stating that if the original IRA owner died on or after the date he or she had to begin taking required minimum distributions, non-spouse heirs must take RMDs based on their life expectancy in years one through nine and deplete the balance in year 10.

In response to confusion about the guidance, the IRS waived the requirement for tax years 2021, 2022 and 2023. In April, the IRS said it would extend the waiver through 2024.

However, heirs may want to take a voluntary withdrawal from their IRAs this year. Because non-spouse heirs are still required to deplete the account in 10 years, postponing distributions could result in a large taxable withdrawal at the end of that period.

UNDERSTANDING BOND FUND YIELDS

What's a 30-day SEC yield? A trailing 12-month yield? A yield to maturity? We explain what each measure says about an income fund.

PRACTICAL PORTFOLIO BY NELLIE S. HUANG

NOW that bonds offer decent yields, investors have been barreling into fixed-income mutual and exchange-traded funds. Taxable bond funds and ETFs pulled in net inflows (the sum of money deposited minus money that's withdrawn) of $143 billion over the first three months of 2024, a near-record.

But the array of bond fund yields can be confusing for investors trying to add a fund to their portfolio. In late March, for instance, the Schwab 1-5 Year Corporate Bond ETF (symbol SCHJ) boasted a 30-day SEC yield of 5.11%, a trailing 12-month or distribution yield of 3.16%, and a 5.28% yield to maturity. "If you look at all three, they can help create an overall picture of a bond fund," says D.J. Tierney, a senior investment portfolio strategist at Charles Schwab Asset Management.

Note that a bond fund's yield is just one piece of the puzzle when you're considering an investment in the fund. Investors should also understand the fund's investment objective, fees and expenses, overall credit quality, potential risk of default on debt, and sensitivity to interest rates.

And be careful about confusing *yield* with *income,* says Tierney. Income is the coupon rate a bond pays—it's the annual interest paid on a bond, and it is generally fixed throughout a bond's life span. A bond's yield, on the other hand, can be an indicator of the return an investor may receive each year over the life of a bond held to maturity, relative to the price of the bond. (Bond prices and yields move in opposite directions.)

For example, a five-year Treasury note that matures in January 2029 pays a coupon rate of 1.75%. That's the income, expressed as a percentage of the face value of the bond, you can expect to receive per year. But in late April, the bond yielded 4.74%, reflecting the expected return on your investment over the life of the bond, says Tierney, including interest payments and principal you may ex-

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pect to receive when it matures, relative to the market price of the bond.

That said, investors should think of a fund's yield as "a starting point" when it comes to forecasting a total return, says Warren Pierson, co-chief investment strategist at Baird Asset Management. It's no guarantee. "A lot can go wrong before a yield turns into total return," says Pierson.

Use this guide to help you demystify bond yields and choose the right fund for your needs. Data is as of April 30, unless otherwise noted.

30-day SEC yield. The Securities and Exchange Commission created the standardized calculation for the SEC yield, sometimes called the 30-day yield or current yield, to allow investors to compare one bond fund to another. Some even refer to it as the standardized yield. "If you're comparing two different funds, this is the yield to look at first," says Pierson (and it's the yield cited most often in *Kiplinger*). Be wary if one fund sports a yield that's measurably higher than that of a similar fund. "Rest assured there's some additional risk," he says. "You might not be able to determine what the risk is, but it's there."

The calculation shows investors what they would earn, after expenses, over a 12-month period if the fund continued earning the same yield for the rest of the year. It annualizes the income distributed over the past 30 days and divides it by the fund's net asset value at the end of the 30-day period. All SEC yields are net of expenses. A subsidized 30-day yield reflects fee waivers and/or expense reimbursements during the period; an unsubsidized figure does not adjust for waivers or reimbursements. (Some funds don't have waivers. In those cases, unsubsidized and subsidized 30-day yields will be the same.)

But there are caveats. The SEC yield is backward-looking—by 30 days, to be exact. What's more, fund companies are not even required to disclose yield, but when they do, they must use the SEC-yield calculation. As a result, some bond funds disclose their 30-day yields only quarterly or monthly; others update them daily. It pays to be mindful of the "as of" date when you compare the SEC yields of funds.

Trailing 12-month yield (TTM yield). Also called the distribution yield, a trailing 12-month yield is the ratio of the sum of all fund distributions over the past 12 months to the fund's net asset value at the end of the period.

The one-year look-back makes the distribution yield even more backward-looking than the 30-day SEC yield. As a result, during periods of dramatic interest rate shifts, the trailing 12-month yield can be misleading, says Tierney. "The first question investors should ask is, are we in a stable rate environment, or is it changing?"

Moreover, the actual distribution-yield calculation is not standardized and thus may vary depending on the fund issuer.

Yield to maturity (YTM). The yield to maturity of a single bond is the overall annual interest rate you will earn if you buy the IOU and hold it to maturity.

But bond funds hold dozens if not hundreds or thousands of bonds, all with different maturity dates. So it's not a calculation that all fund firms provide. Vanguard does, however. In late April, Vanguard Short-Term Investment-Grade had a yield to maturity of 5.4%. And Charles Schwab Asset Management (not to be confused with the online broker) provides it for its mutual funds and ETFs.

Fidelity and Pimco, on the other hand, do not. Instead, you might see an "average maturity" or "effective maturity" for the fund, listed in years. That's the average length of time until securities held by a fund reach maturity and are repaid.

That stat might reveal more about interest rate sensitivity than it does about the fund's yield, however. The longer a fund's average maturity, the more the fund's share price will move up or down in response to changes in interest rates.

Yield to worst (YTW). Some bonds, such as municipal, mortgage and certain corporate bonds, are callable, meaning they can be "called in" and paid off early by the issuer before their maturity date. "You might have a bond with 10 years to maturity, but it's callable in five years," says Duane McAllister, an investment committee member at Baird Investment Management.

THE LONGER A FUND'S AVERAGE MATURITY, THE MORE THE FUND'S SHARE PRICE WILL MOVE UP OR DOWN IN RESPONSE TO CHANGES IN INTEREST RATES.

Calling in a bond early can be a good tactical move for issuers; it cleans up a firm's balance sheet, for starters. A yield to worst, then, is the lowest yield an investor can expect on a callable bond—call it a worst-case-scenario yield.

Unfortunately, not all bond fund websites cite a yield to worst. But some do, including Baird. In late April, for instance, the Baird Aggregate Bond fund sported a portfolio average yield to worst of 5.08%. Says Baird's McAllister, "That's the worst-case scenario, but sometimes it works out to be better than that."

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Finding Home Health Care

It's important to hire a caregiver you trust.

FAMILY FINANCES BY ELLA VINCENT

CARING for an elderly or disabled relative can be rewarding, but it can also be time-consuming and exhausting. More than 50 million people in the U.S. are caregivers, according to Guardian Life Insurance, and nearly two-thirds of those individuals have a full- or part-time job. If you need extra assistance with caring for a relative, a caregiving professional can help. Before you hire someone, determine what kind of care your loved one needs. If he or she is mostly independent and primarily needs assistance with shopping and running errands, consider hiring a **companion caregiver.** While formal training isn't required, some agencies require that the companions they employ have a high school diploma.

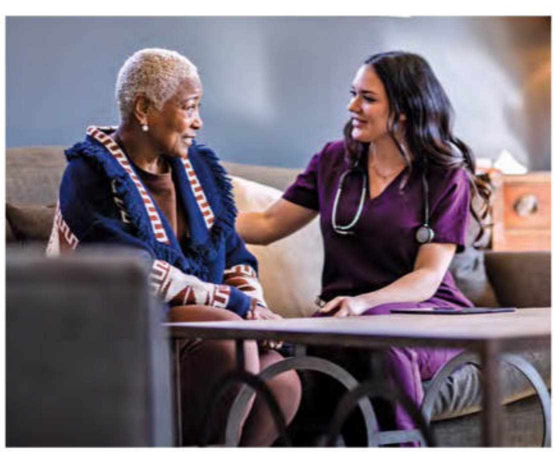
If your loved one needs help with basic hygiene tasks, such as bathing and using the bathroom, you may need a **personal care aide.** Standards for PCAs vary by state, with some states requiring up to 100 hours of training. You can find your own state's PCA requirements at *www.phinational.org/advocacy/personal-care-aide-training-requirements*.

A **home health aide** performs simple medical tasks, such as taking blood pressure. A home health aide may also report on your loved one's medical condition to a health care professional. Requirements for home health aides vary by state. You can check your state's rules at *https://homehealthaideguide.com/hha-training/states*.

A **certified nursing assistant** can perform some medical procedures, such as wound care and emptying catheter bags. Check your state's CNA certification requirements at *www.registerednursing.org/certified-nursing-assistant/certification*.

Once you determine what kind of caregiver your loved one needs, the next decision is whether you want to hire one independently or through a home health care agency. Start by asking your loved one's doctor for recommendations or resources. Friends and family members who have hired a caregiver may also be able to provide a reference. If you decide to place an ad on a job search site, specify the needed skills, experience and hours. Ask candidates for their caregiver certifications and for two references from former employers. If your loved one needs to be driven to doctors' appointments, ask to see job candidates' driver's licenses.

The median pay for a home health care aide was $16.12 an hour in 2023.



Once you've selected a caregiver, you'll need to negotiate an hourly wage. According to the Bureau of Labor Statistics, the median pay for a home health care aide in 2023 was $16.12 an hour, but depending on your loved one's needs and the cost of living in your area, you may have to pay a much higher hourly wage.

Using a home health care agency. Hiring a caregiver through a home health care agency will cost up to 30% more than hiring one on your own, but an agency will vet caregivers and manage the administrative responsibilities, says Linda Abbit, a caregiving expert and author of *The Conscious Caregiver.* An agency can provide a backup if your caregiver is unavailable, too.

Paying for home health care. If your loved one has long-term-care insurance, it may cover caregiving costs. Similarly, if your loved one has a life insurance policy or annuity with a long-term-care component, you may be able to use those funds.

Medicaid covers some home health care for low-income seniors; eligibility and services covered vary by state. Go to *www.medicaid.gov/about-us/where-can-people-get-help-medicaid-chip/index.html#statemenu* for details on your state.

You can contact the author at Ella.Vincent@futurenet.com.

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UNDERSTANDING PRIVATE MORTGAGE INSURANCE

Rising home prices and higher mortgage rates have made it more difficult to afford a down payment large enough to avoid PMI.

BASICS BY ELLA VINCENT

IF you're unable to make a down payment of 20% or more on a conventional mortgage, there's a good chance you'll have to pay private mortgage insurance.

PMI, which is arranged through a third-party insurance company, is designed to protect the lender if you're unable to make payments. PMI doesn't protect you against loss—if you don't make payments, you could still face foreclosure—and it won't prevent your credit score from dropping if your mortgage payments are late.

The annual cost of PMI usually ranges from 0.22% to 2.25% of the total amount of your mortgage, depending on your credit score. If your FICO score is higher than 740, your PMI payment on a $300,000 mortgage will likely be about $660 a year, or $55 a month. The lower your credit score, the higher your PMI will be.

If you have to pay PMI, there are several ways to do it. With borrower-paid PMI, your premium is added to your monthly mortgage payment. Alternatively, you can pay PMI in a lump sum at closing. It may be less expensive to pay the annual cost up front, but the premiums aren't refundable if you sell your home before you reach 20% equity.

How to avoid PMI. Even if you can't afford a 20% down payment, there are several ways to avoid PMI. One option is lender-

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paid PMI, in which your lender pays your premiums as a lump sum, and in exchange you pay a higher interest rate than you would pay otherwise. Lender-paid PMI may be a good choice if it would cost you less overall than monthly PMI payments and you itemize on your tax return, which would allow you to deduct interest on your mortgage.

A "piggyback mortgage" is another way to bypass PMI. With this strategy, you take out a second mortgage—usually a home equity line of credit—and finance the home with 10% from a down payment, 80% from the primary mortgage and 10% from the second mortgage. You're borrowing 90% of the value of the home, but the primary mortgage accounts for only 80% of the value, allowing you to skip PMI. However, you'll likely pay a higher interest rate for the second mortgage, and the rate may be adjustable. This strategy could make sense if you can pay off the second mortgage relatively quickly, in which case the cost could be lower than paying PMI. Before agreeing to a piggyback, ask your lender to provide a quote for the same loan structured as a single mortgage with PMI so you can compare costs.

Another option is to seek out government home loans that don't charge PMI. Mortgages from the FHA (Federal Housing Administration), USDA (U.S. Department of Agriculture) and VA (Department of Veterans Affairs) allow borrowers to make down payments as low as 0% to 3.5% without paying PMI. However, you may be required to pay up-front fees, and the loans have stringent eligibility requirements.

If none of these strategies is available to you, or the benefits don't outweigh the costs, your best bet is to make mortgage payments on time until you reduce your loan balance to 80% of the home's value. Your loan servicer is required to terminate PMI when your principal balance is scheduled to reach 78% of the original value of your home. However, you can ask your servicer to cancel PMI before that date, when payments have reduced the principal to 80% of the original value.

You can contact the author at Ella.Vincent@futurenet.com.

ILLUSTRATION BY LISA SHEEHAN

WHO doesn't love a bargain? We've rounded up great values in investing, shopping, tech and travel—and found ways to cut down on ever-growing grocery and restaurant bills.

BUY STOCKS ON THE CHEAP

In a richly valued stock market, bargains are welcome. Even with the S&P 500 backing off its record high, the broad-market benchmark still sports a price-earnings ratio, based on estimated earnings for the 12 months ahead, of 20.2. That's above the five-year average of 19.1 and the 10-year average of 17.8. We went looking for stocks trading at below-market P/Es but with robust earnings growth trajectories, high-quality financials and overall bullish recommendations from Wall Street analysts. Here are two to explore. (Prices are as of April 30.)

Ameriprise Financial (symbol AMP, $412). This financial services company provides an array of products and services to individual and professional investors. The stock trades at a P/E of 11.5 (slightly below the industry average of 12.2, according to Zacks Investment Research), and analysts peg earnings growth at 21% in 2024 and 9% in 2025, according to S&P Capital IQ. A bear market would be bad news for Ameriprise, denting fee income. But with about $1.4 trillion in assets under management and advisement and around 10,000 financial advisers at the end of 2023, "Ameriprise Financial has transformed itself into an investment management powerhouse," says Morningstar analyst Michael Wong. Wall Street analysts see the stock at $461 over the next 12 to 18 months.

Corpay (CPAY, $302). Formerly known as Fleetcor Technologies and headquartered in Atlanta, this payment processing company's corporate charge cards help businesses and consumers manage and monitor vehicle-related, lodging and corporate expenses, in the U.S. and overseas. The stock trades at a P/E of 15.6, with earnings expected to grow at a 14.5% annualized rate over the next three to five years, per S&P Capital IQ. Risks include rising fuel prices and currency swings, given the company's global footprint. But analysts at investment firm Baird see a long runway for growth as electronic payments continue to take market share from cash and checks. "We like the high quality of the earnings," they wrote in April, when they raised their 12-month price target on the stock to $376, up nearly 25% from its recent price. (See "5 Cheap Stocks to Consider," on page 19, for more bargain stock ideas from Oakmark Fund comanager Bill Nygren.)

ANNE KATES SMITH

SNAG A NEW-ACCOUNT BONUS

Free money is the best kind of deal. And several brokerages are offering just that to new customers.

For investors just starting out with a small amount of money, the **Schwab Starter Kit** program is a good choice, offering a bonus of $101 to those who open a new account with as little as $50. (The bonus is the same for any deposit above that amount as well.) Schwab will deposit $20.20 worth of shares in each of the five largest firms in the S&P 500. Since one share in each of those firms generally costs more than $20.20 (Microsoft, the top holding as of April 30, trades at more than $400 per share), Schwab gives you a fraction

COURTESY OF CHARLES SCHWAB

or "slice" of the share. The stock slices pay dividends in proportion to your fraction and can be sold.

For those able to make larger initial deposits, **TradeStation** is offering to add $150 to an initial deposit of $5,000. J.P. Morgan Self-Directed Investing is offering $50 for $5,000.

For accounts starting in the six figures, **tastytrade**, a platform for aggressive traders favoring options, futures, cryptocurrency and the like, is offering at least $2,000 on new accounts of at least $100,000.

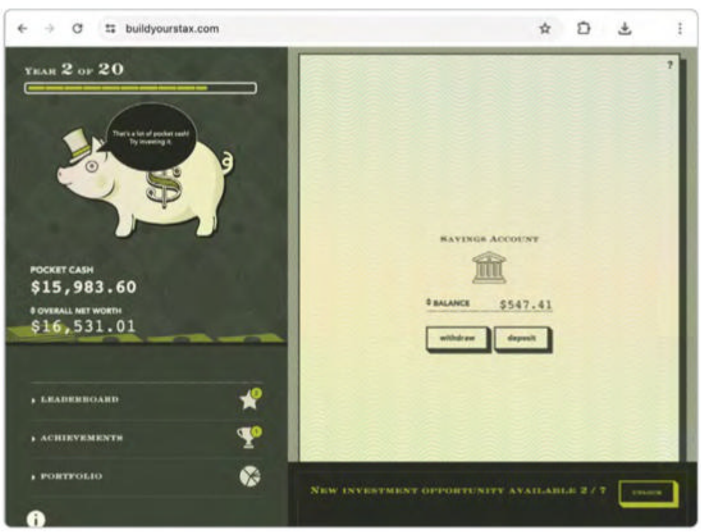
Retirement savers can get a 1% bonus on their annual contributions (or transfers) to an IRA at Robinhood. They must hold that amount at Robinhood for five years to keep the match.
KIM CLARK

GET YOUR (INVESTING) GAME ON

Before you risk real money on a stock or investing strategy, why not take it out for a test drive? Several free websites and apps allow you to invest pretend fortunes and see how they do.

BuildYourStax.com is a 20-minute simulation that runs you through a 20-year investing scenario. It awards you $4,000 every six months (which in the game lasts 30 seconds). It encourages you to first save an emergency fund. Then it offers broad asset choices such as certificates of deposit, index mutual funds, government bonds, individual stocks and commodities. The game is hosted by Next Gen Personal Finance, a nonprofit dedicated to improving financial literacy.

HowTheMarketWorks.com allows you to put an imaginary portfolio of up to $1 million into any stock, exchange-traded fund or mutual fund. It offers a screening tool to help you find stocks, and it credits any dividends to your portfolio. The game is owned by a company that sells financial literacy curricula to schools, and the site does have some ads. **K.C.**



COURTESY OF BUILDYOURSTAX.COM

CUT DOWN ON FOOD COSTS

The price of filling up your grocery-store cart or dining out has risen substantially over the past few years. Use these tips take a bite out of your food bills.

Use a rewards credit card. Credit cards that offer extra cash back, miles or points for grocery and dining purchases can get you more than just food when you swipe at a supermarket or restaurant. The **American Express Blue Cash Preferred** card ($95 annual fee, waived the first year) offers an impressive 6% cash back on up to $6,000 in supermarket purchases annually (1% thereafter). The **American Express Gold Card** ($250) will get you four points per dollar on dining and food delivery, as well as four points per dollar on supermarket spending of up to $25,000 per year (then one point per dollar), plus a monthly $10 in credits for Uber rides and Uber Eats orders and $10 in monthly statement credits to grab a bite via Grubhub, The Cheesecake Factory, Goldbelly, Wine.com, Milk Bar and select Shake Shack locations. (Both cards also take honors in the 2024 Kiplinger Readers' Choice Awards. See page 64 for more.) If you're looking for a card without an annual fee, consider **Chase Freedom Unlimited**, which offers 3% cash back on dining, including takeout and eligible delivery services.

Download savings apps. Cash-back apps also reward you for your purchases, and many are free and easy to use. **Ibotta** boasts a wide network of grocery stores, such as ACME, Albertsons, Aldi and Kroger, so you can earn cash while checking off items on your grocery list at a store or online. **Rakuten** partners with meal kit subscription services as well as restaurants, supermarkets and grocery delivery companies. It recently offered 1% cash back on grocery shopping with Instacart and 2% cash back at LongHorn Steakhouse.

Coupon apps are another way to save money. **Coupons.com** offers discounts on all types of food-related purchases, from Domino's to DoorDash, and you can easily link loyalty cards from your favorite stores, making it simple to save right at the cash register.

Consider shopping online. Perusing grocery store aisles may be therapeutic, but it can also be more costly than shopping from home, says Pamela Capalad, a financial planner and founder of financial coaching service Brunch & Budget. Shopping online allows you to resist buying items just because they're next to a flashy sale sign or because they're tempting you in the check-out line. "You're less likely to make impulse buys," Capalad says. Another benefit to filling a virtual cart is that you can see how high the bill is running before you get to the register, she adds.

Many popular supermarkets, such as Safeway, have their own delivery services, and Amazon Prime members can have Whole Foods goods brought right to their doorsteps. Depending on where you live, you can also opt for a grocery delivery service such as Instacart, FreshDirect, Gopuff or Misfits Market, which delivers "ugly" (but perfectly good) produce that may otherwise go to waste.

Strategize when you dine out. Trimming your food bill doesn't have to mean foregoing meals out. Try eating lunch out instead of dinner since many restaurants offer lower-priced meals midday—Olive Garden, for instance, has a weekday lunch menu with unlimited soups, salads and bread sticks for $8.99 and spaghetti or fettuccine alfredo for $9.99.

Restaurant portions are often large enough to get two meals out of one order, so it can make sense to share a course with a friend (though you may pay a fee for the extra plate) or pack your leftovers in a doggy bag. If the appetizers are calling to you most, order a few of those as your main course instead of buying an entrée, Capalad says. She also points out that drinks can quickly rack up an expensive bill, so consider finding BYOB spots or grabbing a glass of wine at home before or after your meal. **MALLIKA MITRA**

GET LUXURY FASHION AT A DISCOUNT

You may want to look like a million bucks, but you don't have to go broke doing it. If you're searching for high-end clothing or accessories with a lower price tag than buying them new, check out websites such as **Dechoes Resale** (*www.dechoesresale.com*), **The RealReal** (*www.therealreal.com*) and **Poshmark** (*www.poshmark.com*). For example, a Louis Vuitton Keepall Bandoulière duffel bag with a retail

BULK DISCOUNTS

Best Bang for Your Buck at Costco

Costco Wholesale may be famous for its hot-dog-and-soda combo it sells for $1.50—a price that hasn't budged since the 1980s—but the retailer is full of other deals that shouldn't be ignored. The 4.5-pound bag of chocolate chips for about $12 and two-pack of 48-ounce Jif peanut butter jars for nearly the same price are favorites of Julie Ramhold, consumer analyst at DealNews.com. The chocolate chips would cost approximately $20 elsewhere, and a single jar of 40-ounce peanut butter can retail for nearly $8. She won't shop anywhere else for maple syrup, which costs around 42 cents per ounce at Costco, compared with roughly 63 cents per ounce even at other big-box retailers.

Prices will vary slightly based on your location, but you can also snag great deals on cereal and produce such as bananas. Just be sure that you'll be able to get through it all, because Costco sells in bigger quantities than standard grocery stores. Those low-cost, hefty amounts really come in handy when you're looking for non-perishables such as shampoo, body lotion and cleaning supplies. Costco also has cookware and other kitchen items at discounted prices—OXO Pop Containers and the Beast Blender are recent examples—as well as bundles of other items that together sell at a better price than at other stores, Ramhold says. Costco's recent Microsoft Surface Pro 9 Bundle, for instance, got you the computer, cover and Slim Pen 2 for a much lower price than you could get the trio for at Best Buy.

The clothing section may have a limited selection, but if you catch an item when it's on sale, you're probably getting a bargain. "If you're looking for activewear because you need new workout clothes, shopping at Costco is a really good way to save," says Ramhold. **MALLIKA MITRA**

GETTY IMAGES

price of $2,730 was recently available on Poshmark for $795. On **Crown & Caliber** (*www.crownandcaliber.com*), a resale site for high-end watches, a certified preowned Rolex Datejust 36 that usually sells for $8,950 new was listed for $5,000.

Make sure that you're getting authentic goods rather than knock-offs of designer items. One way to do that is to check the seller's verification process. Many resale websites, including the ones mentioned above, have a team of authenticators who vet items before offering them for purchase. Once you receive your clothes or handbags, check for telltale signs that they're fake, such as misspelled designer names, zippers that catch easily rather than closing smoothly, and crooked stitches. Many designers include serial numbers on the inside of their purses. Luxury watches, including those from Rolex and Omega, also have unique serial numbers, and the hands glide instead of tick.

If you can get written confirmation that an item you purchased is a fake—such as through a third-party expert or the store's authenticators—the resale site should issue you a refund. **ELLA VINCENT**

SHOP LOCALLY FOR USED ITEMS

Through online services such as **Facebook Marketplace** (*www.facebook.com/marketplace*), **Nextdoor** (*www.nextdoor.com*) and **VarageSale** (*www.varagesale.com*), you can search for used items—from cars to computers to baby clothes—that members of your community are selling or offering free. Those who participate in the **Buy Nothing Project** give away items or lend them out at no charge. To find a local group, download the BuyNothing app on Google Play or Apple's App Store.

To increase your chances of getting first dibs on great deals, see whether you can set up alerts to inform you when an item you're looking for is listed. And take caution to avoid scams. Steer clear of sellers who have a significant number of negative reviews from customers. If an item's price is suspiciously low, it may be stolen or counterfeit. Don't pay a seller until you've inspected the item in person. **E.V.**

BAG A TECH BARGAIN

From laptops and tablets to smart TVs and soundbars, here are the best budget-friendly gadgets on the market, according to experts.

Laptops. "For most casual laptop users, students and everyday buyers, Apple's **2022 M2 MacBook Air** ($999) will be largely indistinguishable in terms of performance from the 2024 M3 model—and a fair bit cheaper," says John Burek, executive editor at product-review site PCMag. "You get the same connectivity and build quality as the M3 version." (M3 is the newest processing chip for Apple computers; M2 is the previous-generation chip.) According to CNET, a tech-review site, the best budget laptop is the **Acer Aspire 5 12th Gen** ($569 for 15.6-inch display), which the site says is compact, lightweight and loaded with features.

Tablets. Apple fans should give the brand's entry-level **iPad 2022 10th Gen** ($449) a close look, says PCMag managing editor Eric Zeman. He says the 10.9-inch device is "a good fit for most tablet buyers thanks to its high-quality hardware, solid performance and extensive accessories ecosystem." For Android devotees, the 10.9-inch **Samsung Galaxy Tab S9 FE** ($450)—often on sale for $100 off—delivers fast processing speeds and a high-quality display, according to *Consumer Reports*' tests.

TVs. "Hisense is the budget TV maker to beat, and the **U6K Series** [$600 for the 65-inch model] offers excellent picture quality for the price," says Will Greenwald, lead

COURTESY OF CROWNANDCALIBER.COM (ABOVE); APPLE (LEFT)

COURTESY OF ROKU

analyst at PCMag. Louis Ramirez, deals editor at product-review site Tom's Guide, likes the bargain-priced, 55-inch **Roku Plus Series 4K QLED** ($500) for the TV set's QLED panel, "which creates more vivid colors and higher peak brightness," he says. "Even better, it uses Roku's operating system, which is very intuitive and our favorite streaming platform."

Soundbars. Today's TVs tend to have small internal speakers that deliver subpar or middling sound quality. A soundbar that provides high-quality audio can be a fine solution. Consider the low-priced **Yamaha YAS-209** ($200), which Ramirez says produces top-notch sound. Plus, it comes equipped with Alexa voice control and includes a wireless subwoofer. Greenwald favors the **Roku Streambar Pro** ($175), describing it as "a terrific option for cord cutters and bargain hunters, combining solid audio performance and all the features of a 4K Roku media streamer in one device."

Smartwatch. Both PCMag and Tom's Guide praise the **2nd Gen Apple Watch SE** ($249). "Apple considers it their entry-level smartwatch, but the truth is that the Apple Watch SE is a full-fledged smartwatch with a budget price tag," Ramirez says. "It's a great fitness tracker, it's stylish, and it supports the latest watchOS 10.4." Moreover, according to PCMag senior analyst Andrew Gebhart, the smartwatch offers "almost all the connectivity, safety and fitness features of the Series 9 watch for $150 less." (Series 9 is the newest model.)

Smartphones. The **Samsung Galaxy A54** ($450) may be the brand's budget option, but it still delivers solid performance overall, Ramirez says. "Photos taken with this phone look great, particularly when it comes to low-light shots. It also has a bright, 6.4-inch OLED display and an impressive battery that lasted close to 12 hours in our tests." For iPhone users, the **iPhone 15** ($799 for a 6.1-inch display) is "the best smartphone for most people thanks to its balance of price, features and performance," says PCMag's Zeman.

Noise-canceling headphones. You can get a great pair of noise-canceling headphones without draining your wallet. Ramirez likes the **1MORE SonoFlow SE** ($55). "Chances are you've never heard of them, but they're hands-down the best value when it comes to noise-canceling headphones," he says. "They look generic, but you get

MORE THAN JUST BOOKS

Library Freebies: From Kitchen Gadgets to Job Training

If you haven't visited your local library or its website lately, you might want to see what it offers. Besides lending books, public libraries around the country provide patrons with a range of free items and services, from passes for admission to museums and state parks to advice from tax experts, job training through LinkedIn, and financial data. For example, more than 800 public and academic libraries in the U.S. offer access to Morningstar's Investing Center, a database featuring Morningstar's ratings and analyst reports, portfolio-tracking tools, online classes and more, according to Morningstar spokeswoman Kate Holtkamp.

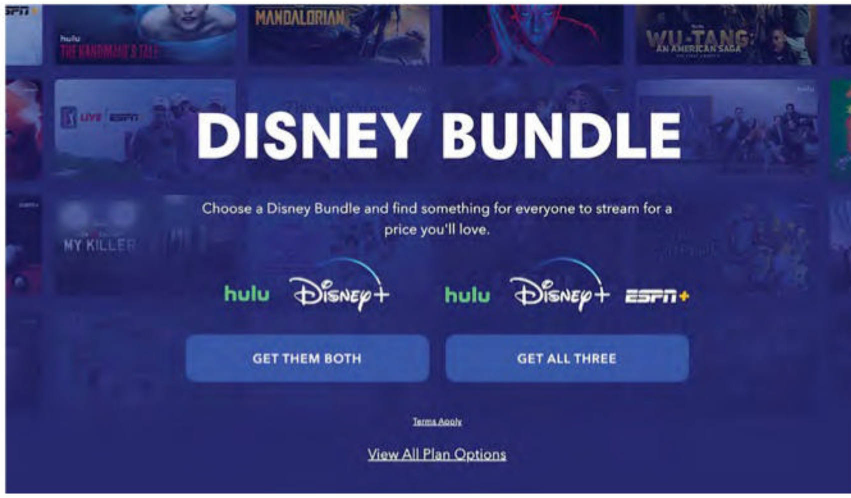
Libraries also lend everything from garden and household tools to electronic devices, musical instruments and movie projectors. Some libraries even loan out small kitchen appliances, such as air fryers and pressure cookers. Hundreds of libraries offer free garden seeds; search for one near you at *http://seedlibraries.weebly.com/map.html*.

Through many libraries you can stream TV shows, movies and music with services such as Hoopla and Kanopy. The Public Library Association, an organization that supports library professionals, has a program that enables rural libraries to lend patrons Wi-Fi hotspot devices to increase access to the internet. **ELAINE SILVESTRINI** strong sound," as well as premium features and an impressive 50-hour battery life. **DANIEL BORTZ**

SPEND LESS ON STREAMING SERVICES

Unfortunately, many video-streaming services have stopped offering free trials, raised their monthly subscription fees and cracked down on password sharing. But there are still ways to trim your bill.

Bundle media subscriptions. U.S. households that subscribe to video-on-demand streaming services, such as Netflix and Hulu, spend an average of $61 per month on four services, according to a 2024 Deloitte survey. Yet some streaming services give customers the option to bundle multiple subscriptions for one discounted price. For example, an ad-supported subscription to Disney+ costs $8 a month, but bundling it with an ad-supported Hulu subscription ($8 a month alone) costs just $10 a month, a deal that would save you about $72 annually versus subscribing to each of the services separately.



For $15 per month, the company also offers a three-service bundle plan with ad-supported subscriptions to Disney+, Hulu and ESPN+.

Play hardball. Usually, calling a streamer's customer service line and threatening to cancel your subscription will get you sent to the company's customer retention department—and retention representatives may have more authority to lower your bill. Tip: Don't accept the first offer that you receive; always try negotiating for a lower rate.

Hop between services. You can save money by rotating among streaming services rather than subscribing to several at once. Keep track of when your favorite TV shows and films become available using Reelgood.com, which will send you alerts when new episodes and movies are released, allowing you to plan your subscriptions accordingly.

LOW-COST LANDSCAPING

Go Native With Your Garden

Adding native plants to your yard and garden doesn't just benefit the birds and the bees. It could save you money, too.

The Environmental Protection Agency estimates that 30% to 60% of fresh water in U.S. cities is used to water lawns. While all plants require some water, native plants require less irrigation because they've adapted to thrive in the local landscape. You'll also save on fertilizer and spend less time cutting the grass.

Like real estate, all native plants are local, so it's important to identify the plants that will flourish in your yard. Start by going to the National Wildlife Federation's Garden for Wildlife website, *www.gardenforwildlife.com*. Use the site's Plant Finder Quiz to find collections that are curated for your region.

You can purchase native plants from this website, but first check out free options in your area. Your local extension office can provide information about local plant swaps and put you in touch with master gardeners, who frequently sponsor plant and seed exchanges. The American Horticultural Society offers a tool you can use to look up local master gardener programs at *https://ahsgardening.org/gardening-resources/master-gardeners*. The site also features a tool you can use to search for native plant societies and educational programs in your state or region.

Facebook groups dedicated to native plants in your state or region are another great source for information about swaps and sales. **SANDRA BLOCK**

COURTESY OF DISNEY

Take advantage of free options. A number of free services are available through streaming devices and smart TVs. Amazon Freevee, Crackle, Pluto TV, The Roku Channel, Sling Freestream, Tubi and Xumo Play offer hundreds of free TV shows and movies in exchange for showing you ads. Your local library may provide access to certain services, too—for more, see the box on page 105. The ad-supported Haystack News offers local news channels in more than 90% of U.S. markets, the service says.

Maximize offers from your mobile carrier. T-Mobile customers with a Go5G Next or Plus plan get Apple TV+ for free; the company also offers select customers free Netflix subscriptions, depending on their mobile plan. Verizon customers with an Unlimited Ultimate, Unlimited Plus or Unlimited Welcome plan can purchase a Disney Bundle trio subscription, which includes Disney+ (no ads), Hulu (with ads) and ESPN+ (with ads), for just $10 a month. Check with your carrier to see what subscription benefits it offers. **D.B.**

JOIN A TRAVEL CLUB

If you become a member of **Going**, formerly known as Scott's Cheap Flights, you'll get alerts for cheap flights in your inbox at least once a week. A free membership comes with notifications for economy-class fares on flights in the continental U.S. Premium members ($49 annually) are the first to know about additional deals, including those for international flights and mistake fares—when airlines or travel agencies accidentally post a flight at a fare far cheaper than they intended. Elite members ($199 a year) get the same benefits as premium members, plus flight deals for all fare classes, not just economy.

One of the best deals in flying is the **Southwest Airlines Companion Pass**. Essentially, flights for two people are buy one, get one free for passholders. You must earn 135,000 Rapid Rewards points or book 100 one-way Southwest flights in a calendar year to qualify (flights booked with points don't count toward the 100-flight requirement). Signing up for one of Southwest's consumer credit cards, which provide a 50,000-point initial bonus for those who spend $1,000 in the first three months, could help you get to the 135,000-point minimum. (For more on Southwest's credit card program, see the 2024 Kiplinger Readers' Choice Awards, on page 64.)

Once you earn the Companion Pass, you'll pay only taxes and fees on a second plane ticket when you book a flight with Southwest. You can use the pass as many times as you want until it expires, with up to seven different companions. The privilege remains valid through the end of the calendar year in which you earn it, as well as through the entire year that follows.

AAA is known for providing roadside assistance, but a subscription to AAA also comes with a handful of other travel perks (plans start at $65 per year). A membership includes discounts with popular rental car companies including Hertz, Dollar Rent a Car and Thrifty Car Rental, as well as savings with cruise lines such as AmaWaterways, Azamara, Carnival and nearly a dozen more. For instance, on Royal Caribbean Cruises, AAA members get a complimentary bottle of sparkling wine and a plate of six chocolate-covered strawberries delivered to their stateroom prior to departure, plus up to $100 of complimentary onboard credit—which can be used for purchases such as dining, drinks and spa treatments—for each stateroom in the balcony or suite/deluxe category. **EMMA PATCH**

SAVE ON ENTRY FEES AT NATIONAL PARKS

With an **America the Beautiful pass**, you get access to U.S. national parks and other federal recreational sites without paying entrance fees. (Many sites don't charge fees, but among those that do, you may pay up to $35 per vehicle.) A standard annual pass is $80. If you're 62 or older, an annual pass is $20, or get a lifetime pass for $80. Free annual passes are available to active duty military members and their dependents, to those with a permanent disability, and to fourth graders and their families. Find more information at *www.nps.gov/planyourvisit/passes.htm*. **ELAINE SILVESTRINI**

GETTY IMAGES

Paying It Forward

SPREADING THE WORD ON LIVING ORGAN DONATIONS

You can become a liver donor while you're still alive. This couple's nonprofit encourages people to consider it.

INTERVIEW BY EMMA PATCH

LYNN AND DAVE GALBENSKI
Founders of the Living Liver Foundation
St. Clair Shores, Mich.

How did the Living Liver Foundation begin?
Lynn: Dave was diagnosed with PSC [primary sclerosing cholangitis], a rare autoimmune disease that attacks your liver's bile ducts, necessitating a liver transplant. The options were to get a transplant from a living donor or a deceased donor. To qualify to receive a liver from a deceased donor, Dave would have had to become very sick.

Dave: So I chose a living donation and received a liver transplant from my brother-in-law, Mark Davis, in 2019. That became the genesis for our foundation. We realized that there was a lack of information available on transplants from living donors and founded the organization to fill that gap.

How do you assist the transplant community?
Lynn: We educate people about living-donor liver transplants, aiming to bridge the gap between demand and supply. In the United States, only about 600 liver transplants a year are from living donors. The number keeps increasing every year, but a lot of people still don't know about living-donor transplants. You can donate a portion of your liver—up to 60% of it—while you're alive, and the liver regenerates in the donor and recipient in just six to eight weeks.

Dave: Our focus is on educating and inspiring others to consider living donation, extending to kidney transplants as well. To honor donors and recipients, we partner with both Minor and Major League Baseball teams and hold events at their games. We have a living donor throw the first pitch to the person who received an organ from the donor. The baseball represents the organ that has been transferred from one individual to the other. And what a great way to show the power of organ donation—that the recipient is alive, active and well. We reach tens of thousands, if not millions, of people through these games.

How can one support organ donation efforts without being a live donor?
Dave: Signing up for the deceased organ registry helps create a supply as well. And sharing stories about living organ donation, even if you're not interested in being a donor, may inspire someone else. Also, supporting medical communities is crucial. Volunteering to assist transplant patients and advocating for better legislation are impactful ways to contribute.

What are your sources of funding?
Lynn: We are a registered nonprofit. Funding comes from various sources, including individual donations, corporate sponsorships, social media fundraisers and partnerships with organizations such as Henry Ford Health. We've also invested our own resources into the foundation because we believe strongly in its impact.

What is the most challenging aspect of what you do?
Dave: Each day that goes by, 17 individuals who are waiting for a kidney or liver in the U.S. are no longer on the waitlist because they die. We want to reach zero waitlists as soon as possible, but we're limited by the time and resources that impact how quickly we can get there.

One thing we have been able to do is engage our local state senator, Kevin Hertel, to sponsor a bill. It prevents insurance companies from changing someone's premiums or reducing coverage for life, disability and long-term-care insurance policies because of their status as a living donor. It helps people step forward to donate without worrying about the effects on their insurance. ■

PHOTO COURTESY OF LYNN AND DAVE GALBENSKI