OUR 25 FAVORITE MUTUAL FUNDS p 18

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We'll help you sow the seeds of a bright financial future or tend to what you've already planted. p 38

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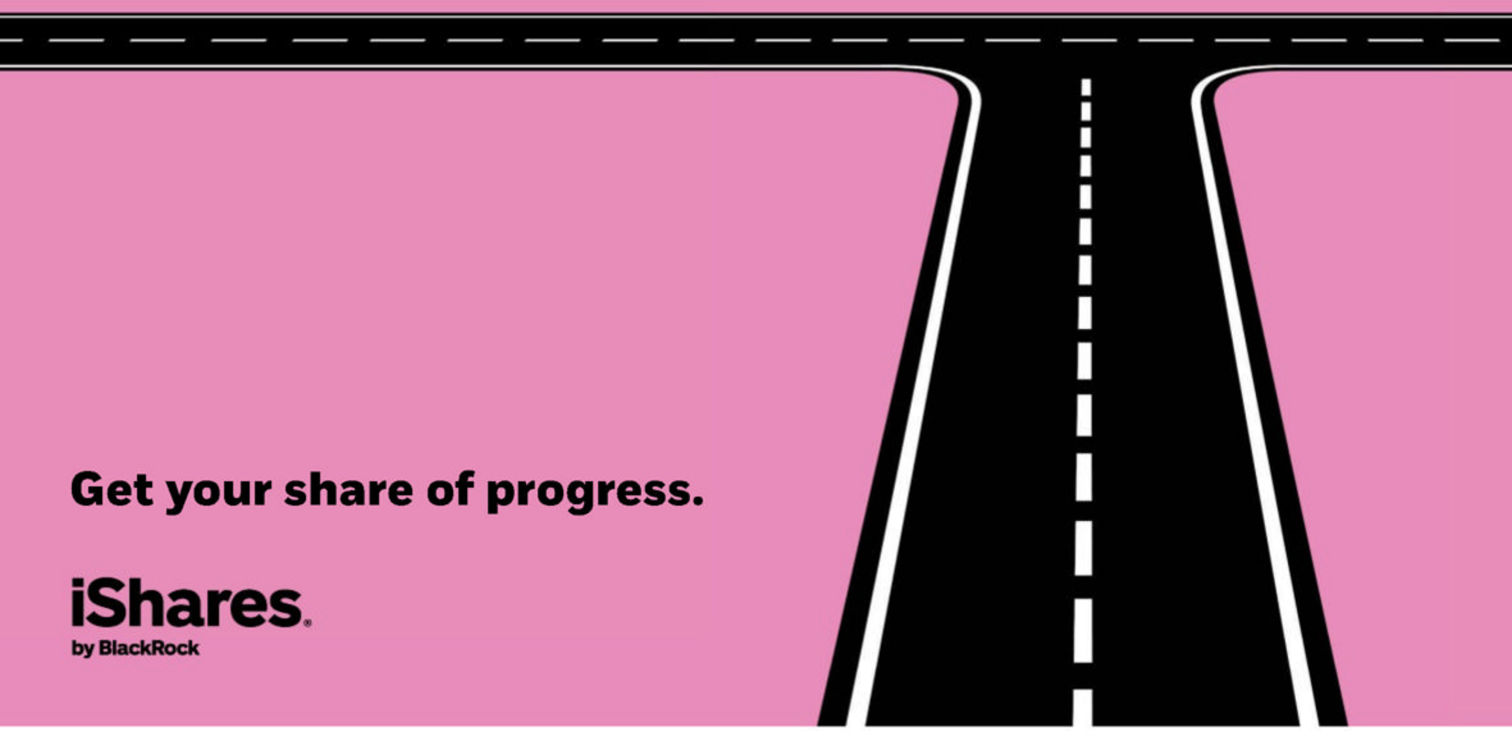

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May Contents

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GETTY IMAGES

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Contents

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66

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On a recent trip to Tucson, we spoke with fourth generation turquoise traders who explained that less than five percent of turquoise mined worldwide can be set into jewelry and only about twenty mines in the Southwest supply gem-quality turquoise. Once a thriving industry, many Southwest mines have run dry and are now closed.

We found a limited supply of turquoise from Arizona and purchased it for our ***Sedona Turquoise Collection***. Inspired by the work of those ancient craftsmen and designed to showcase the exceptional blue stone, each stabilized vibrant cabochon features a unique, one-of-a-kind matrix surrounded in Bali metalwork.

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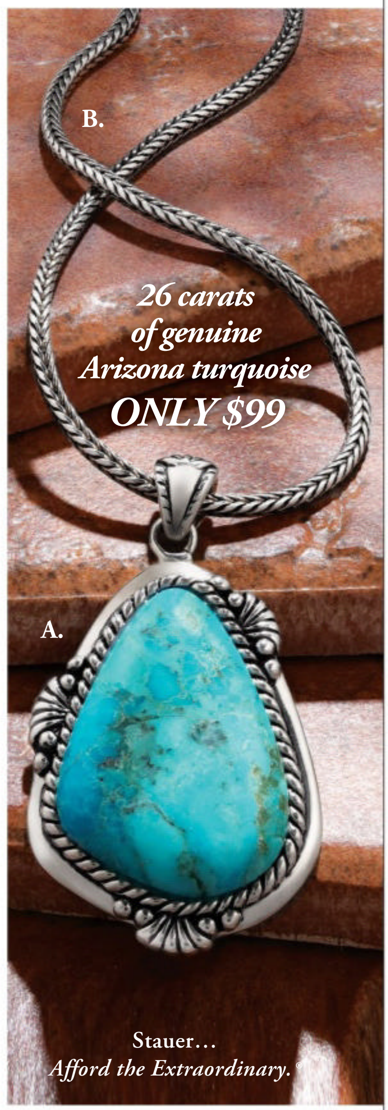

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Letters

The Cost of Long-Term Care

Thank you for your article "Prepare to Pay for Long-Term Care" (March). As a financial planner, I believe there are other important points to consider. If a client has adequate assets to fund retirement, their plan should be stress-tested to determine how it will fare if long-term care is needed. If clients have permanent life insurance or variable annuities, the values within those contracts can often offset some or all of the cost of a long-term-care contract using a 1035 exchange. And finally, a reverse mortgage can be a better option for an aging individual or couple who would otherwise be forced to sell their home.
Jay C. Burgman, Jamison, Pa.

My wife and I are both 65 and have LTC insurance that will pay $300 per day, with no adjustments for inflation. That may cover only 50% of our costs in 20 to 30 years. Our insurance company has offered us increased coverage but at much higher premiums. So we are instead planning to self-fund the additional cost, if needed. We think this approach is the best way to balance our risk.
Ken O'Gorman, Flemington, N.J.

MORE ON TAX PROS

Many tax professionals provide services beyond preparing a tax return ("Should You Hire a Tax Pro?" March). I'm a certified public accountant, and I send out a quarterly newsletter to educate clients on various financial and tax-related topics. Clients e-mail me tax-related questions throughout the year, and I charge them only if some calculation is involved. If clients need to adjust their tax withholding, I help them complete the forms.
Steve Cox, Cary, N.C.

In your explanation of the credentials that different types of tax preparers have, everything you said about certified public accountants, enrolled agents and attorneys is correct, but it is incomplete ("Countdown to Tax Day," March). You state that enrolled agents and attorneys must meet continuing education requirements and that attorneys must abide by professional ethics requirements. CPAs must also undergo continuing education and abide by professional ethics requirements.
Stanley Schreffler, Oro Valley, Ariz.

DEMYSTIFYING THE FED

I want to let you know how much I appreciated "How the Federal Reserve Works" (March). I regularly read similar analysis by other journalists, and I'm not quite sure I ever truly grasp what they're reporting. But your plain-speaking style gave me a broader understanding of the concepts and landscape.
Martin Schwartz, St. Augustine

STATE DISABILITY INSURANCE

"Why You Should Consider Disability Insurance" (March) didn't mention that some states have disability insurance programs. For example, in California, employees' mandatory payroll deductions include a tax for the state's short-term disability program, which generally covers a worker's loss of earnings due to medical disability for up to a year.
Robert Klepa, Santa Monica, Calif.

EXTENDED GETAWAYS

"A Guide to Taking a Long Vacation" (March) states that Medicare doesn't extend overseas. That's true for original Medicare, but nearly all Medicare Advantage plans cover emergency care and urgent care overseas, although some have dollar limitations. Medicare supplement plans also have foreign travel emergency coverage.
John H. Damitz, via e-mail

Your article was a pleasant reminder of some trips I took a few years ago. I picked four cities and moved to each of them for a few months. I found lodging through real estate agents and apartment-management companies, and I kept four boxes of household necessities in my hall closet so that I could pack up and go quickly.
Peter Elliott, via e-mail

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A Wealth-Building Boost for Kids

I was sitting in my eighth-grade algebra class when I first learned about the power of compound interest. On an overhead projector, the teacher laid out the math to show a group of 13- and 14-year-olds how much our savings could grow by the time we were in our sixties if we started to invest while we were young. Twenty-five years later, I'm fuzzy on the exact figures my teacher used, but I remember being dazzled by the effects of starting early.

Here's an example from Fidelity Investments: Say that at age 25, you start saving $6,000 a year in a retirement account and earn an annual return of 7%. By the time you reach age 67, you'll have $1.48 million in your account. If you wait just five more years, until age 30, to start saving the same annual amount and earn the same return, you'll have $1.03 million at age 67, leaving you with almost half a million dollars less than if you had begun at 25. (Even if you can't afford to set aside several thousand dollars a year, any amount you can stash away helps.)

Saving early and often is one of the core tenets of successful wealth building, and we review it and more in our cover story, which starts on page 38.

Lend a hand to your kids or grandkids. If you have children or grandchildren (or other young people you'd like to assist), you can help them get off on the right foot as they start their journey toward a flourishing financial future.

Children who are old enough to earn money from work—even gigs such as baby-sitting or mowing the neighbor's lawn count—can fund a Roth IRA. Yearly contributions are capped at the amount the child earns or the annual IRA contribution limit (in 2024, it's $7,000 for those younger than 50), whichever is less. You can provide money to put in a child's Roth as long as the contributions don't exceed the annual limits. If the child is a minor, you'll need to set up a custodial account. (For more on the advantages of Roths, see the cover story.)

On page 64, we detail the benefits of a 529 college-savings plan, a tax-advantaged investment account in which you can sock away money for a child's future education. Thanks to recent changes in the Free Application for Federal Student Aid (FAFSA), grandparents have a significant new advantage. Under the old rules, a 529 owned by a grandparent (or anyone else who is not the student or parent) is not counted as an asset on the FAFSA, but distributions from grandparent-owned plans are counted as untaxable income for the student. Student income is assessed at a rate of up to 50% on the FAFSA, meaning that a 529 distribution of, say, $10,000 from a grandparent's account could reduce the student's aid award by as much as $5,000. But under the new rules, which take effect with the FAFSA for the 2024–25 academic year, students don't have to report such cash support. That means grandparent-owned 529s will no longer affect aid eligibility.

Finally, if you have adult children or grandchildren who want to buy a home, assisting them with the down payment can be a valuable gift. As we point out in the cover story, homeownership is still a good investment, despite the challenges many buyers face in today's market. In 2024, you can give away up to $18,000 per person in financial gifts (married couples can give $36,000 per recipient) without filing a gift tax return. So, for example, you and your spouse could provide your child and his or her spouse or partner up to $72,000 in 2024 without worrying about the gift tax.

Thanks to recent changes in the FAFSA, grandparents who fund a 529 college-savings plan have a significant new advantage.

LISA GERSTNER, EDITOR
LISA.GERSTNER@FUTURENET.COM

PHOTO BY MATT STANLEY

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Ahead

TOPIC A

GETTY IMAGES

SHOULD YOU WORRY ABOUT BEING LAID OFF? IT DEPENDS ON YOUR INDUSTRY

Downsizing has hit certain sectors. But cutbacks may be slowing, and some companies are expanding. **BY SANDRA BLOCK**

THE U.S. unemployment rate remains at historic lows, but that's little consolation for workers who have been laid off in recent weeks. The cutbacks have been particularly brutal in the technology sector, affecting some of the nation's most well-known—and historically profitable—companies, including Meta, Google and Amazon.com. The layoffs have also hit media companies and financial firms, forcing many professionals to add "open to work" to their LinkedIn profiles.

But as traumatic as layoffs have been for the affected workers, they're not being seen in other parts of the job market, says Nick Bunker, director of North American economic research for Indeed Hiring Lab, a division of job search website Indeed. Demand for employees in the majority of industry sectors remains above pre-pandemic levels, particularly in health care, wellness, beauty and child care. “There are layoffs happening, but it’s such a small sliver of the population, and they’re happening for reasons that aren’t applicable to the rest of the U.S.,” Bunker says.

In the tech sector, the layoffs reflect a pullback from the industry’s rapid expansion during the pandemic, Bunker says. “They overhired, and now they’re reevaluating head count based on demand for services or products,” he says. The tech industry was also hit hard by the Federal Reserve’s interest rate hikes, says Julia Pollak, chief economist for ZipRecruiter, an online employment website. When interest rates dropped to near zero during the pandemic, investors were willing to take bets on tech start-ups and other untested ventures, which allowed those companies to expand. Now, “investors can find a safe return in the bond market, so there’s no reason for them to throw money after risky new ideas,” she says.

There are already signs that the rate of layoffs is slowing and that hiring is picking up. There were fewer layoffs in December and January than in the same periods a year earlier, Pollak says, and the median duration of unemployment for laid-off workers in January was 9.5 weeks, which is relatively low. Meanwhile, some companies are expanding, even in the technology sector, Pollak says. Social media giant Meta, which laid off thousands of workers last year, has said it plans to spend more on hiring workers this year in areas it considers critical to future growth.

Nonetheless, in some sectors, such as software engineering, competition for openings is more intense than it was in the past. In February, tech-related job postings were down 25% from pre-pandemic levels and are down 2.7% from the previous three months, according to Indeed Hiring Lab.

In addition, job seekers may have less flexibility when it comes to hybrid and remote work. Postings in sectors with a large share of remote-eligible jobs have fallen from 10.3% in February 2022 to 8.6% at the end of January, Bunker says. The decline isn’t large, but if you’re determined to work remotely, it’s probably going to be more difficult to find a job than it was a couple of years ago, he says. In addition, those who work remotely may be more vulnerable to layoffs than those who come into the office. An analysis of 2023 employment trends by employer-data provider Live Data Technologies found that remote workers were 35% more likely to be laid off than workers who come into the office.

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Getting back to work. If you’re looking for a job in a competitive market, you can take steps to stand out from the crowd. Start by making sure your résumé is formatted so it’s easily readable by the computer algorithms many employers use to screen applicants, Pollak says. Microsoft Word and Google Docs are usually compatible. Don’t try to game the system by pasting the job description into your résumé, but if you have the skills listed in the job posting, make sure you include them. Use artificial intelligence tools such as ChatGPT to critique your résumé, and practice answering interview questions.

Finally, don’t limit your search to jobs within your industry. Indeed recommends expanding your search to positions that are in high demand to see whether they match your skill set. You may be able to apply your existing skills to a job in a new sector, at least temporarily.

Protecting your finances. A layoff can wreak havoc on your budget, especially if it lasts more than a few weeks. These tips can help you weather the storm.

Get a clear picture of your separation terms. Ask your former employer for a written notice detailing any severance you’ll receive, along with any continuance of health insurance and retirement benefits.

Apply for unemployment benefits right away. The sooner you file, the sooner you’ll receive benefits. Rules differ by state, but you can generally get up to 26 weeks of benefits. You can find your own state’s unemployment website at *www.careeronestop.org*. Search under “unemployment benefits.”

Line up health insurance for you and your family. One option is COBRA, the federal law that allows qualifying workers to continue their existing coverage, generally for up to 18 months. You’ll typically pay both your portion of the premium and the amount your employer previously covered, plus a small administrative fee, for a maximum of 102% of the total cost. If that’s unaffordable, a less-costly option may be an Affordable Care Act plan. You’ll need to apply within 60 days of losing your job-based coverage. You can access the marketplace at *www.healthcare.gov* or through your state’s health care exchange.

Create a budget. Review recent bank and credit card statements to get an overview of your cash flow. Look for expenses you can cut until you start receiving unemployment benefits. This exercise will also help you estimate how long your emergency savings will last.


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INTERVIEW

IT'S NOT YOUR IMAGINATION: YOUR CEREAL BOX IS SHRINKING

To avoid raising prices, some manufacturers are reducing the size of common grocery items. Here's how to fight back. **BY EMMA PATCH**

What is "shrinkflation," and why is this phenomenon occurring? Manufacturers are facing increased costs across the board. Prices of raw materials, labor and transportation have surged, primarily due to rising fuel costs. To offset these expenses, companies have several options. They can increase prices, but noticeable price hikes could lead to consumer backlash. Consumers are very price sensitive, and they'll notice if their orange juice goes up from $2.99 to $3.29 a carton. Another option is reformulating products with cheaper ingredients, but that risks compromising quality. They can absorb the costs, but that's not sustainable. So instead, many opt for a subtle reduction in product sizes, effectively implementing covert price increases that often go unnoticed by consumers.

How can consumers combat this trend? Consumers must become vigilant about net weights. Paying attention to details like the number of tissues in a box or the weight of cereal boxes is crucial. You can use unit pricing on the store shelf to figure out which is the best deal per ounce or per 100 count. You can also complain to companies, explore competing brands or opt for store brands, which tend to resist downsizing.

With prices still elevated post-pandemic, what's the most effective way to save money on groceries? Most people live near two or three different supermarkets, so being selective and taking advantage of bargains is key. Before shopping, review supermarket ads for sales so you can identify the best deals and make bulk purchases to maximize savings. If an item is nonperishable and really a sensational bargain, stock up. Why buy only one bottle of apple juice if it's on sale?

EDGAR DWORSKY is a longtime consumer advocate and founder of Consumer World, which provides consumer news, alerts about common scams, and advice on how to save money.

It's also important to develop price awareness so you can identify fluctuations and seize opportunities. Be aware of what you usually pay—$2.99 for XYZ cereal, for example—so you can spot a good deal when it's advertised or when you're in the store and you can recognize when the price has changed. Vigilance against deceptive advertising is essential, although there hasn't been a lot of deceptive advertising at supermarkets. Department stores, however, have faced scrutiny for misleading promotions, often inflating regular prices to exaggerate discounts.

Do you recommend using coupons to cut grocery store costs? Using coupons, especially at stores offering double coupons, will save you money. Using digital coupons will also cut costs, but you need to load those onto your digital loyalty card account, usually before you go to the store, and that can be a pain in the neck.

Unfortunately, consumers who aren't computer savvy are losing out on those deals. If you're one of those folks, go to the customer service desk and ask whether there's some way you can take advantage of the digital coupon prices. Some stores are beginning to make accommodations for seniors and others who can't use digital coupons.

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YOUR VACATION HOME COULD PROVIDE TAX-FREE INCOME

If you plan to rent out your vacation home, it's important to understand how your proceeds will be taxed.

BY SANDRA BLOCK

IF you own a vacation home, there's a good chance you use it primarily as a getaway for your family and friends. But if it's located in an area that's popular with tourists, don't overlook an opportunity to earn extra tax-free income by renting it out.

As long as you rent your home for 14 days or less during the year, you're not required to report rental income on your tax return. The exception applies no matter how much you charge for the 14-day stay. The rule also applies to your primary residence, so if Bruce Springsteen and the E Street Band is coming to your town this year, you may be able to rent your home to fans of the Boss and retreat to your vacation home for the weekend.

The IRS provision allowing individuals to exclude short-term temporary income is known as the "Masters rule" because residents of Augusta, Ga., successfully lobbied for the exemption back in the 1970s so they could rent out their homes during the annual Augusta National Golf Club Masters tournament. In enacting the provision, the IRS said such temporary rentals didn't represent regular business activity. The rise of Airbnb and other vacation rental services that allow owners of vacation homes to list their properties has made the tax break even more valuable.

Rules for longer-term rentals. If you don't use your vacation home frequently, you may be interested in renting it out for more than two weeks. Be aware, though, that once you exceed the 14-day threshold, you must report rental income to the IRS.

The good news here is that you'll also be eligible for a long list of deductions that will reduce your tax bill. Deductible expenses include your mortgage interest,

→ **TOP PLACES** to buy a vacation home, based on rate of return from rental income.

Location	2023 median sale price	Average gross rental revenue	Capitalization rate *
Lake Anna, Va.	$405,500	$64,121	10.32%
Okaloosa Island, Fla.	360,000	53,832	9.08
Sandbridge, Va.	928,900	88,702	6.47
Rehoboth Beach, Del.	618,000	58,992	6.46
Navarre, Fla.	420,000	47,531	6.42

*Income minus expenses, divided by the purchase price. SOURCE: Vacasa

CALENDAR
MAY 2024

29

2 Today is National Life Insurance Day. Take time to review your life insurance policy to make sure it meets your current needs. You may want to buy a policy or look for a better deal than the one you have now if you've undergone a life change, such as marriage, divorce or a new addition to your family. You can compare policies at *www.accuquote.com or www.policygenius.com.*

13 Even though the 2023 tax season has come and gone, you may still be on the lookout for your tax refund weeks after filing your return. The average tax refund was $3,123 as of late February, according to the IRS. No matter how much you're expecting back from Uncle Sam, if you haven't received your tax refund, track it at *www.irs.gov/wheres-my-refund*, or call the IRS refund hotline at 800-829-1954.

utilities, housekeeping, repairs, and even towels and sheets.

However, if you spend more than 14 days a year at your vacation home, or more than 10% of the number of days the home is rented, the IRS considers the home a personal residence. In that case, you can only deduct expenses up to the amount of rental income you've received, and you can't deduct losses. Personal days include days you or a family member is using the house (even if the family member pays rent), along with days you've donated use of the house—in a charity auction, for example—or rented it for less than the going rate for your area. Days spent on the property to fix it up don't count.

As long as you limit your personal use to 14 days or 10% of the number of days it's rented, the home is considered a business, and you can deduct all of the expenses. Depending on your income, you may also be able to deduct up to $25,000 in losses if your expenses exceed your income.

For that reason, any vacation-home owner who is thinking about renting it out should keep good records, not only of deductible expenses but also of the number of days you stay on the property in relation to the number of days the home is rented. If you plan to rent out your vacation home for more than 14 days, you may want to limit the amount of time you spend there so you can increase the amount of deductible expenses. K

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MAKING AMENDS

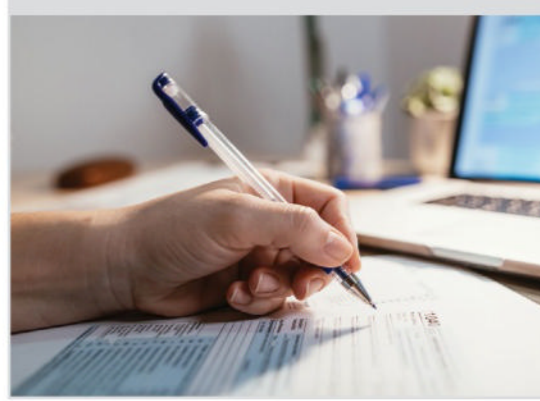
HOW TO FIX AN ERROR ON YOUR TAX RETURN

WE all make mistakes, but discovering you made one on your tax return can be particularly unnerving. If you simply made a math error, the IRS will correct it. But if you've excluded information that could affect your tax bill, you should file an amended return.

About 3 million taxpayers file amended returns each year, and the process has become easier since 2020, when the IRS began accepting electronic submissions of Form 1040X, the document used to amend a federal tax return. Previously, taxpayers had to file the form on paper.

You generally have up to three years from the date you filed your original return (or two years from the date you paid any tax due) to file an amended return. However, if you failed to report taxable income, which may occur if you overlooked a Form 1099 from one of your brokerage accounts (or received it after you filed your tax return), you should file the amended return and pay the additional tax owed as soon as possible to reduce interest and potential penalties. If filing an amended return will increase the size of your refund, you should file as soon as possible to speed delivery of your payment.

You can track the status of your amended tax return online with the IRS's "Where's My Amended Return?" tool (*www.irs.gov/filing/wheres-my-amended-return*) or by calling 866-464-2050. **SANDRA BLOCK**



→ DEAL OF THE MONTH:

If you're looking for a deal on a major appliance, such as a refrigerator or washer, Memorial Day weekend is a great time to shop, says Julie Ramhold, consumer analyst at DealNews.com. Watch for sales on appli-cances at big-box retailers such as Home Depot, Best Buy and Lowe's.

29 It's 529 Day—a good time to open a 529 college-savings plan for your children or grandchildren or to contribute to accounts they already have. These state-sponsored, tax-advantaged plans allow you to save for college, K–12, or trade school costs. You can compare plans at *www.savingforcollege.com*. For more on how to get the most out of a 529 college-savings plan, see "Basics," on page 64.

Briefing

INFORMATION ABOUT THE MARKETS AND YOUR MONEY

THE S&P 500 BREAKS A BARRIER

→ After the stock market reaches big, round-number milestones, investors typically split into two camps: those betting on more new highs and those worried that a powerful bull run is about out of steam. The bullish camp is so far holding sway following the S&P 500's close above 5000 for the first time in early February. By month's end, the S&P 500 had notched 14 new highs since the start of 2024, after hitting none at all in 2023. The broad-market benchmark has returned 24%, including dividends, since its low last October.

Don't be surprised if the market pauses to digest recent gains, says market historian Sam Stovall, chief investment strategist at investment research firm CFRA. "Large, round numbers act like rusty doors and require several attempts before finally swinging open," he says. The market stumbled dramatically after a couple of reports showed higher-than-expected inflation, for example. And there have been signs below the surface that the bull is weaker than it appears. For the year to date through February 29, just 60% of S&P 500 stocks are in positive territory, despite all the record highs.

But the market's fundamental underpinnings are healthy. "Fortunately, economic activity appears solid, and corporations are once again delivering profits to shareholders" says John Lynch, chief investment officer of Comerica Wealth Management. If the past is a guide, pushing through a millennial milestone can presage further stock gains, says Stovall. The 12 months following previous thousand-mile markers for the S&P 500 delivered an average gain of 10.5%. CFRA sees the S&P 500 trading at 5250 over the next 12 months. When it comes to milestones, says Stovall, "while short-term digestions of gains have indeed occurred, they have been fairly short in duration, so view them more as reasons to buy than bail."

MARKET MILESTONES

S&P 500 level	Date	% gain after 12 months
1000	2/2/1998	26.0%
2000	8/26/2014	–3.0
3000	7/12/2019	5.7
4000	4/1/2021	13.1
5000	2/9/2024	—
Average		**10.5%**

SOURCE: CFRA Research

Index makeovers. S&P Dow Jones Indices added e-commerce giant and cloud-computing leader Amazon.com to the Dow Jones industrial average on February

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26, replacing struggling Walgreens Boots Alliance. Meanwhile, Uber Technologies replaced JetBlue Airways in the Dow Jones transportation average. The index, the oldest in the U.S., debuted in 1884 as the Dow Jones railroad average. **ANNE KATES SMITH**

63%

The percentage of workers who had all of their 401(k) savings in a target-date fund at the end of 2023, according to Fidelity Investments. Among Generation Z workers (those born between 1997 and 2012), the percentage increased to 84%.

DEPOSIT PROTECTION

New FDIC Rules for Trusts

→ As of April 1, trust accounts are subject to new coverage policies from the Federal Deposit Insurance Corp. Revocable trusts and irrevocable trusts, which were previously subject to differing and more-complex rules, are being combined into a single ownership category. Each trust owner is insured up to $250,000 against bank failure per eligible primary beneficiary, up to a maximum of five beneficiaries. For example, if you are the sole owner of both revocable and irrevocable trust accounts at the same bank and have two primary beneficiaries, your coverage is $500,000 total.

Depending on how your trust accounts are set up and their balances, your total coverage may increase or decrease as a result of the new rules. But many depositors will not see a change in their insurance limit, according to the FDIC. **LISA GERSTNER**

CAPITAL ONE AIMS TO BUY DISCOVER

→ In February, Capital One announced plans to buy Discover Financial in a $35.3 billion transaction. The deal brings together two major players in the credit card industry, and it creates the potential for Capital One to become largest credit card lender in the country (currently, Chase is the biggest).

Discover is the smallest of four U.S. companies that operate a global payment network; the others are American Express, Mastercard and Visa. Capital One, which issues cards on the Mastercard and Visa networks, expects the acquisition to make Discover's network more competitive with the larger networks. Discover also operates an online bank with consumer deposits, so the merger will further enlarge Capital One's presence in digital banking.

The deal will have to clear regulatory scrutiny before becoming final. A group of congressional Democrats are calling for the Biden administration to reject the merger, pointing to concerns that it would limit consumer choice in an industry that is already highly concentrated among a handful of large companies. If the merger gains approval, Capital One expects it to close in late 2024 or early 2025.
LISA GERSTNER

FROM THE KIPLINGER LETTER

The Best Time to Book a Flight

Eager to book a trip? Purchasing your flight too early could cost you. The best time to buy a domestic airline ticket is 42 days before you travel, on average, for 2024, says a new study by CheapAir.com, an online travel agency.

That's a lot closer to your travel date than in previous years. Still, that does not mean you should buy tickets at exactly that time, as other considerations affect airfares, such as destination and date. Typically, a flight's price changes several times in its lifetime—an average of $98 per shift, says CheapAir.com.

For the second year in a row, the cheapest day of the week to fly domestically is Wednesday. Tuesday is the second-cheapest. The most expensive? Sunday. Of course, time of year matters. Summer flights typically cost more than winter. January is the cheapest month, followed by February. And November and July are the most expensive.

Waiting until the last minute to buy a ticket comes with risk. Usually, the final days before a flight see big fare hikes, though sometimes there are last-minute bargains.

A SOLID YEAR FOR THE KIPLINGER 25

All but one of our favorite actively managed, no-load mutual funds gained ground as markets recovered.

BY NELLIE S. HUANG

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IT wasn't the best of times or the worst of times, but as markets go, it was a solid year. Though only a few tech-oriented stocks drove returns in the S&P 500 index, the benchmark logged a 30% total return over the past 12 months through February.

A recent rally helped lift small- and midsize-company stocks, too; the Russell 2000 climbed 10%, and the S&P MidCap 400 index rose 13%. Meanwhile, enthusiasm about interest rate cuts to come later this year fueled support for most bond markets. The Bloomberg U.S. Aggregate Bond index returned 3%. Nothing to sniff at here, especially after the decimating losses of 2022.

Through it all, our favorite actively managed, no-load funds—the Kiplinger 25—turned in respectable results. All but one fund gained ground.

As a group, our 10 diversified U.S. stock funds gained an average of 21%—better than good on an absolute-return basis, but that lagged the S&P 500. The best performer was Fidelity Blue Chip Growth; the worst was T. Rowe Price Small-Cap Value, which advanced 3%.

Our foreign stock funds weren't far behind, with a 14% average return, beating the 13% climb in the MSCI All Country World ex U.S. index. Fidelity International Growth led; our foreign dividend stock and emerging-markets fund lagged.

But the Kip 25's bright spot was fixed income. Our eight bond funds as a group gained an average 7%, outpacing the Agg index, thanks in part to double-digit returns from three funds, T. Rowe Price Floating Rate, Vanguard Emerging Markets Bond and Vanguard High-Yield Corporate.

This year in our annual review of the Kip 25, we're making two changes. ***Vanguard Wellington*** is back. We had removed the fund in 2022 to make way for a commodity fund, TCW Enhanced Commodity Strategy, as a hedge against rising inflation. Now, with inflation rates normalizing, the commodity market in pause mode and bonds generating decent income, a balanced fund makes more sense.

And we had to find a replacement for TIAA-CREF Core Impact Bond. This May, the fund will change its name to Nuveen Core Impact Bond and start charging a 3.75% front-end load. Make note: *Existing shareholders* will not be subject to the sales charge on future purchases. If you currently hold shares in this fund, we advise you to stay put. We have confidence in the strategy. But because the Kip 25 is the list of our favorite *no-load* funds, we must replace it. Enter ***Dodge & Cox Income***.

We summarize each of the Kip 25 funds, new and old, on the following pages. For vital stats on each fund, see the table on page 21. For ideas on how to build a portfolio with these funds, see the three models we highlight on page 25. All returns and data are through February 29.

LARGE-COMPANY U.S. STOCK FUNDS

→ Dodge & Cox Stock

Dodge & Cox managers are disciplined about buying low and selling high. Recently, the fund trimmed its exposure to soaring stocks, such as Alphabet, Broadcom and Meta Platforms, and plowed that money into more defensive and stable sectors such as health care and utilities. Over the past 12 months, Dodge & Cox Stock returned 17%, which was better than 71% of its peers (large value funds) but trailed the S&P 500. The fund's value tilt has been a hindrance for the past decade because growth stocks have dominated returns in the broad market. Even so, Stock boasts an 11% annualized 10-year return, a fine record in absolute terms. What's more, the fund held up better than the S&P 500 in 2022, dipping just 7%—much less than the 18% loss in the index. A little diversification in investment style, in other words, is a good thing.

With inflation down, commodity markets stalled and bonds generating decent income, we're replacing our commodity fund with a balanced fund.

→ Fidelity Blue Chip Growth

After a rough 2022, large-cap growth fund Fidelity Blue Chip Growth bounced back over the past 12 months with a 57% return, better than 96% of its peers. Excitement about artificial intelligence was the big driver, and the fund got a lift from market darlings Amazon.com, Microsoft, Apple, Nvidia and Meta Platforms. But non-tech firms helped the fund's performance, too, including athletic wear company Lululemon Athletica and ride-sharing company Uber Technologies. Longtime manager Sonu Kalra, who hunts for companies with potential for above-average earnings growth that the market has misjudged, has outpaced his peer group in nine of the past 11 calendar years.

→ Mairs & Power Growth

This isn't your typical growth fund. The managers prefer reasonably priced shares, for a start, and two-thirds of the fund's assets must be invested in companies based in the Upper Midwest, near Mairs & Power's St. Paul office.

In years past, both particularities meant the fund didn't own the tech stocks that dominate most growth funds. But in 2022, as growth-oriented shares fell, Mairs & Power Growth managers snapped up Nvidia, Salesforce and Amazon.com, among others, on the cheap. That move helped the fund gain 29% over the past 12 months. Tech is now the fund's top sector, at 28% of assets, up from 6% of assets a decade ago. Lately, the fund has been finding opportunities in firms that are harnessing AI to improve sales and profitability in old-economy sectors such as financials, industrials, utilities and consumer staples.

→ Primecap Odyssey Growth

This fund has been a long-haul star: Its 15-year annualized return of 16% beat the return of the S&P 500. But since the start of 2018, Primecap Odyssey Growth has lagged the benchmark in every calendar year except 2022, when it held up better. The fund's below-average stake in tech stocks has been a hindrance, as has its above-average position in the underperforming health care and industrial sectors.

Five managers divide the assets and invest independently, each focusing on growing companies priced at a discount that have a catalyst—a new product, say, or a restructuring—to push stock prices higher. Over the past 12 months, despite gains in drugmaker Eli Lilly, biotech firm Seagen and medical device company Abiomed, the fund's health care stocks weighed on returns. But investments in the information technology sector, such as data-software firm Splunk (in the midst of being acquired by tech giant Cisco Systems) and Jabil, an electronic components maker, were a lift.

We're still fans of the fund, but its recent record is a good reminder that it's best for long-term investors with a stomach for volatility.

→ T. Rowe Price Dividend Growth

To longtime T. Rowe Price Dividend Growth manager Tom Huber, yield doesn't matter as much as a track record of dividend increases. That trait, he says, often points to firms that are financially healthy and stocks that are less volatile. Ergo, Dividend Growth has delivered solid returns with low volatility. Microsoft, Apple and Visa topped the portfolio recently. Dividend shares struggled over the past year—they had to compete with high interest rates and snazzy growth stocks for investors' dollars—so Huber took the opportunity to add some new stocks to the fund, including chip company Analog Devices, consumer health products firm Kenvue and discount retailer Target. He also shed a few, including fintech firm Fidelity National Information Services and Walt Disney.

→ Vanguard Equity Income

Vanguard Equity Income boasts a 2.8% yield, which tops the 1.4% yield of the S&P 500. But dividend stocks struggled over the past 12 months, and the fund returned 11%, trailing

THE NEW KIPLINGER 25

Everything you need to know about our favorite actively managed, no-load mutual funds.

		Total return*				
U.S. STOCK FUNDS	**Symbol**	**1 yr.**	**5 yrs.**	**10 yrs.**	**Yield**	**Expense ratio**
DF Dent Midcap Growth Investor	DFDMX	22.4%	9.8%	10.0%	0.0%	0.87%
Dodge & Cox Stock I	DODGX	17.1	12.3	10.6	1.4	0.51
Fidelity Blue Chip Growth	FBGRX	56.5	20.3	16.6	0.0	0.69
Heartland Mid Cap Value Investor	HRMDX	8.0	10.7	—	0.7	1.10
Mairs & Power Growth	MPGFX	29.2	13.2	10.8	0.8	0.63
T. Rowe Price Dividend Growth	PRDGX	19.0	12.8	11.8	1.1	0.64
T. Rowe Price Integrated US Sm Gr Eq	PRDSX	18.7	9.3	9.4	0.0	0.80
T. Rowe Price Small-Cap Value	PRSVX	3.2	7.0	7.1	0.6	0.82
PRIMECAP Odyssey Growth	POGRX	21.8	10.2	11.2	0.5	0.66
Vanguard Equity-Income Inv	VEIPX	11.3	10.1	9.8	2.8	0.27
FOREIGN FUNDS	**Symbol**	**1 yr.**	**5 yrs.**	**10 yrs.**	**Yield**	**Expense ratio**
Baron Emerging Markets Retail	BEXFX	7.8%	0.7%	2.0%	0.4%	1.38%
Brown Capital Mgmt Intl Sm Co Inv	BCSVX	17.9	8.0	—	0.0	1.31
Fidelity International Growth	FIGFX	20.9	9.8	7.0	0.5	0.92
Janus Henderson Global Equity Income T	HFQTX	7.8	5.7	3.9	4.2	0.98
SPECIALIZED FUNDS	**Symbol**	**1 yr.**	**5 yrs.**	**10 yrs.**	**Yield**	**Expense ratio**
Fidelity Select Health Care	FSPHX	11.6%	9.5%	9.9%	0.0%	0.69%
T. Rowe Price Global Technology	PRGTX	55.7	11.2	15.2	0.0	0.95
Vanguard Wellington Inv	VWELX	17.4	8.8	8.1	2.1	0.25
BOND FUNDS	**Symbol**	**1 yr.**	**5 yrs.**	**10 yrs.**	**Yield**	**Expense ratio**
Baird Aggregate Bond Inv	BAGSX	3.8%	0.8%	1.6%	4.0%	0.55%
Dodge & Cox Income I	DODIX	4.9	2.0	2.4	4.6	0.41
Fidelity Interm Muni Inc	FLTMX	4.9	1.9	2.3	3.1	0.35
Fidelity Strategic Income	FADMX	8.1	3.0	3.2	5.3	0.68
T. Rowe Price Floating Rate	PRFRX	10.6	4.7	4.0	8.7	0.78
Vanguard Emerging Markets Bond Investor	VEMBX	12.3	4.5	—	7.0	0.55
Vanguard High-Yield Corporate Inv	VWEHX	9.6	3.7	4.0	6.5	0.23
Vanguard Short-Term Investment-Grade Inv	VFSTX	5.6	1.8	1.8	5.0	0.20
INDEXES		**1 yr.**	**5 yrs.**	**10 yrs.**	**Yield**	
S&P 500 INDEX		30.5%	14.8%	12.7%	1.4%	
RUSSELL 2000 INDEX†		10.0	6.9	7.1	1.5	
MSCI EAFE INDEX‡		14.4	6.8	4.4	3.0	
MSCI EMERGING MARKETS INDEX		8.7	1.9	3.0	3.0	
BLOOMBERG U.S. AGGREGATE BOND INDEX#		3.3	0.6	1.4	4.9	

AS OF FEBRUARY 29. *Returns for five years and 10 years are annualized. †Small-company U.S. stocks. ‡Foreign stocks. #High-grade U.S. bonds. —Fund not in existence for the entire period. SOURCES: Fund companies, FTSE Russell, Morningstar Direct, MSCI, S&P Dow Jones Indices. Yields listed for bond funds are SEC yields, which are net of fees; stock fund yields are the yield for the past 12 months.

its benchmark, the FTSE High Dividend Yield index, by a tad.

Matt Hand, of Wellington Management, runs two-thirds of the assets, investing in companies that balance above-average yield, high-quality traits and reasonable valuations. Over the past year, he picked up discounted shares in good companies, including drugmaker Gilead Sciences and Intercontinental Exchange, which operates global exchanges for securities trading.

A team from Vanguard's quantitative equity group led by Sharon Hill has run one-third of the fund since 2021. She recently customized the computer model her team uses to choose stocks for this fund. It now emphasizes free cash flow (money left over after operating expenses and spending to maintain and expand the business), a key measure of a company's ability to pay its dividend and fuel future growth. Recent top performers include utility Vistra and energy firm Marathon Petroleum.

SMALL- AND MIDSIZE-COMPANY U.S. STOCK FUNDS

→ DF Dent Midcap Growth

Midsize firms that dominate their industries, have sustainable earnings growth and employ smart executives make prime candidates for DF Dent Midcap Growth. But price matters. The fund avoided the handful of richly priced growth stocks that topped the Russell Mid Cap Growth benchmark over the past 12 months—in late 2023, some traded for 40 or more times year-ahead earnings estimates, says comanager Bruce Kennedy. That's in part why DF Dent Midcap Growth fund lagged the index over the period. Even so, some "steady-Eddie companies" helped offer some downside protection, he says. Gains in aerospace firm TransDigm Group (up 63% over the past 12 months) and insurer Goosehead Insurance (up 62%) were among the fund's best performers. DF Dent Midcap Growth is regaining its footing after a sluggish pandemic and post-pandemic period.

→ Heartland Mid Cap Value

This fund's sweet spot—high-quality midsize-company stocks that trade at a value—has been out of vogue. Instead, speculative, highly leveraged stocks shone in the most recent quarter, say the managers, but "our goal is to create consistent, lasting value for our shareholders over the long term."

The managers look for bargain-priced stocks that meet the firm's 10-point security-picking process, which focuses on high-quality companies that have positive momentum in earnings growth and share-price movement. The approach has resulted in above-average returns with below-average volatility over the fund's nine-year history. But over the past 12 months, the fund has lagged its bogey, the Russell Mid Cap Value index.

→ T. Rowe Price Integrated U.S. Small-Cap Growth Equity

A computer model drives the stock picking at T. Rowe Price Integrated U.S. Small-Cap Growth Equity, so manager Sudhir Nanda's retirement later this year is not a huge concern. Two newly named associate managers, David Corris and Prashant Jeyaganesh, will take over the fund in August. But we are watching the fund closely and considering other options.

Nanda's model is designed to build a low-turnover, low-volatility portfolio. It focuses on specific stock traits—valuation, profitability, capital allocation, earnings quality and revisions in earnings estimates, and price momentum. When markets soured in 2022, the fund held up better than 79% of its small-cap growth fund peers. And since Nanda took over the fund in late 2006, the fund's annualized 11% return has beaten both the Russell 2000 and the S&P Small Cap 600 indexes.

→ T. Rowe Price Small-Cap Value

This small-company stock fund's secret sauce has always been to find unloved, undervalued and undiscovered businesses. But shareholders might appreciate a little more loving. The slump in small-company stocks continues, and T. Rowe Price Small-Cap Value has been even slumpier. The fund lagged its peers in 2022 and 2023, and over the past 12 months, its 3% return has trailed the Russell 2000 index and the typical small-cap value fund. We're watching the fund closely.

In the fund's favor: Since he took over nearly a decade ago, manager David Wagner beats his peers and keeps pace with the Russell 2000 with a 7% annualized return. Depressed share prices have kept him busy recently. Over the past year, he has scooped up discounted shares in biotech firm Cabaletta Bio and waste-management company Casella Waste Systems, among others.

FOREIGN STOCK FUNDS

→ Baron Emerging Markets

"It's a tough time for emerging-markets growth," says manager Michael Kass. The asset class is bumping along a 30-year trough, relative to U.S. stocks, on valuations and sentiment. What's more, unlike in U.S. markets, growth stocks in emerging markets have lagged their value counterparts three years in a row. And declining shares in China—which still account for the biggest chunk of the MSCI Emerging Markets index—haven't helped. Over the past 12 months, the fund eked out an 8% gain; the EM index returned 9%. Fintech bets have helped, including two in Brazilian companies XP and StoneCo. So have the fund's stakes tied to the theme of growth in India's

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consumer-finance sector, such as Nippon Life India Asset Management.

But coming U.S. interest rate cuts and an expected end to a 14-year bull market in the U.S. dollar may lift emerging-markets stocks. Other catalysts are aligning, too: A focus on supply-chain diversification (away from China) is fueling growth in the developing world. And India is becoming a "weightier driver of global growth," Kass says. He thinks it's time for investors to rebalance their portfolios in favor of EM stocks.

→ Brown Capital Management International Small Company
Exceptional small growth companies—firms with a competitive advantage, a defensible position in their industry, durable revenue growth and able managers—are this fund's quarry. Profitability, or near profitability, is a must. "They must fund their growth from the business, not rely on debt markets," says comanager Duncan Evered. The combination is rare, but the managers typically invest in 40 to 65 foreign firms with revenues of $500 million or less at the time of initial investment.

The fund lagged its peers in 2022 but made up for it over the past 12 months, when it outpaced the typical foreign small- and midsize-company growth fund by more than 10 percentage points. Since inception in 2015, the fund has outpaced its index, the MSCI All Country World Index ex US Small Cap, by an average of nearly five percentage points per year.

→ Fidelity International Growth
Fidelity International Growth manager Jed Weiss has been firing on all cylinders lately. The fund's 21% return over the past 12 months beat the MSCI EAFE index, which tracks large and midsize companies in developed foreign countries, by more than six percentage points. It also outpaced 87% of its peers (funds that invest in large growing companies outside the U.S.). Weiss favors foreign companies with good multiyear prospects and a stronghold in their industry. Over the long haul, his playbook has delivered solid index-beating results. Tech firm ASML Holding, drugmaker Novo Nordisk and luxury goods purveyor LVMH Moët Hennessy Louis Vuitton are top holdings.

→ Janus Henderson Global Equity Income
Investors gave dividend stocks the cold shoulder last year. Janus Henderson Global Equity Income, which invests in dividend-paying foreign stocks, lagged the MSCI EAFE index over the past 12 months. "We're a defensive fund, and for the latter half of the year, the market rally was led by more economically sensitive stocks," says comanager Ben Lofthouse.

Coming U.S. interest rate cuts and an expected end to a 14-year bull market in the U.S. dollar may lift emerging-markets stocks.

Because foreign firms pay dividends semiannually or annually, the fund managers maximize and smooth out income by buying a stock before it pays a dividend and selling it a few months later to buy shares in a similar company before it pays its dividend. The fund yields a robust 4.2% as a result, but turnover is high. That said, many holdings have been in the fund for years, including consumer products giant Unilever and chipmaker Taiwan Semiconductor Manufacturing. And the fund has outpaced its peers (foreign large-company value funds) in five of the past six full calendar years.

SPECIALIZED FUNDS

→ Fidelity Select Health Care
The health care sector has performed poorly over the past 12 months, gaining 16%, compared with a 30% return for the S&P 500. But the sector is broad, which means at times, while some parts of the sector are in retreat, others are advancing. Over the past year at Fidelity Select Health Care, holdings in pharmaceutical companies Pfizer and Bristol Myers Squibb and health provider Agilon Health hurt the fund's performance, and investments in biotech firms such as Cytokinetics, Nuvalent and Regeneron Pharmaceuticals helped. Looking ahead, manager Ed Yoon is cautiously optimistic and sees lots of value in discounted health care shares. Yoon has beaten his peers in nine of the past 10 full calendar years.

→ T. Rowe Price Global Technology
Since Dom Rizzo stepped in as manager in 2022, this fund has moved from the bottom of the pile to the top. Its 56% return over the past 12 months ranked among the top quartile of all tech funds. You can guess what's behind the turnaround: The stocks that are driving market returns, including Apple, Microsoft and Nvidia, together make up roughly one-third of the portfolio. "These firms make linchpin technologies that are mission critical to the success of their customers," says Rizzo. The companies are also poised to be big beneficiaries of growth in AI. Rizzo is investing in other exciting innovations in tech, too, including e-commerce, streaming and digital payments, but AI is arguably the most thrilling because it is a "fundamental shift in computing architecture that only comes around every decade or two."

→ [New] Vanguard Wellington
What's old is new again. We cut this low-cost balanced fund in 2022 to

make room for a commodity fund as an inflation hedge. With inflation at bay, Vanguard Wellington is back on the roster.

The fund holds 65% of its assets in stocks and 35% in bonds. Dan Pozen picks the stocks, investing in durable businesses with strong future earnings potential that trade at moderate valuations. On the bond side, Loren Moran buys high-quality corporate debt and Treasuries. Over the past 12 months, the duo have delivered a 17% return, a top-quartile performance relative to peers (moderate-allocation funds).

Pozen and Moran had been co-managers of Vanguard Wellington with others, but both became solo managers of the stock and bond sides, respectively, relatively recently—Pozen in 2020 and Moran in 2021. The fund's record since mid 2021 is an annualized 3.4%. That was more than double the typical return of the fund's peers, but it lagged the 4.1% gain in a composite of the S&P 500 and the Bloomberg U.S. Aggregate Bond indexes. The fund yields 2.1%.

BOND FUNDS

→ Baird Aggregate Bond

The managers behind this fund aim to beat the Bloomberg U.S. Aggregate Bond index, and over the fund's 23-history, they have. Since it launched in 2000, the Baird fund has returned 4.0% annualized, outpacing the Agg's 3.8% return over the same period.

A 10-person team buys high-quality, medium-maturity bonds, including Treasuries, asset-backed or mortgage-backed securities, and corporate debt, at compelling prices. When uncertainty reigns in any particular bond sector, you can bet they're looking for opportunities. As commercial mortgage-backed securities dropped in price in 2023, for instance, they were digging for hidden gems. What they won't do is bet on the direction of interest rates. Instead, the managers keep the fund's duration (a measure of interest-rate sensitivity) even with that of the Agg index. "Staying the course and not trying to outguess the short-term direction of rates is our mindset and process," says Pierson. The fund yields 4.0%.

→ [New] Dodge & Cox Income

A team of seven managers work collectively to run Dodge & Cox Income, which invests mostly in high-quality U.S. debt. A strong price discipline prevails in all decisions. "The starting yield is a key component of future return, but valuation and security selection are also critical in delivering risk-adjusted total returns over a long time horizon," says Lucy Johns, Dodge & Cox director of fixed income.

Over the past year, the managers bought longer-dated debt to lock in higher yields. One effect was to stretch the fund's duration to six years, its highest in decades. If rates are indeed near or at a peak, the fund should benefit as yields fall because prices and yields move in opposite directions. The managers also took profits in corporate debt, the fund's best-performing segment, and invested the proceeds in bargain-priced Treasuries.

The fund's 5% return over the past 12 months ranked among the top 16% of all intermediate core-plus bond funds. Dodge & Cox Income falls in the "core plus" category in part because it has the flexibility to invest up to 20% of assets in junk debt (rated double-B to triple-C or lower); these days, 7% of the fund is invested in high-yield IOUs.

Of course, the fund's steady long-term record is the ultimate plus. Dodge & Cox Income boasts a 10-year, 2.4% annualized return that beat 92% of its peers and the Agg index. A high and stable rate of current income is its main objective. The fund yields 4.6%.

MODEL PORTFOLIOS

Use the ideas below as a starting point for your own portfolio, tweaking it in places to be more aggressive or more conservative according to your risk tolerance.

AGGRESSIVE PORTFOLIO

Time horizon: 11 years or more

Strategy: Invest 80% of assets in stocks and add a stable, core bond fund for the remaining 20%.

Mutual fund	% of portfolio
Dodge & Cox Income	20
Dodge & Cox Stock	20
Primecap Odyssey Growth	20
Fidelity International Growth	10
Heartland Mid Cap Value	10
T. Rowe Price Small-Cap Value	10
Baron Emerging Markets	5
Brown Capital Mgmt. Int. Small Co.	5
	100

MODERATE PORTFOLIO

Time horizon: Six to 10 years

Strategy: Hold 70% in stocks and 30% in bonds for a more temperate mix.

Mutual fund	% of portfolio
T. Rowe Price Dividend Growth	20
Baird Aggregate Bond	15
Dodge & Cox Stock	15
Fidelity International Growth	15
Fidelity Strategic Income Fund	15
Janus Henderson Glb Eq Income	10
DF Dent Midcap Growth	5
T. Rowe Price Small-Cap Value	5
	100

CONSERVATIVE PORTFOLIO

Time horizon: Five years or less

Strategy: A steady blend of 65% bonds and 35% stocks geared for income.

Mutual fund	% of portfolio
Baird Aggregate Bond	25
Fidelity Strategic Income Fund	25
T. Rowe Price Dividend Growth	15
Vanguard Equity Income	15
T. Rowe Price Floating Rate	5
Vanguard Emerging Markets Bond	5
Vanguard High-Yield Corporate	5
Vanguard Wellington	5
	100

→ Fidelity Intermediate Municipal Income

Municipal bonds, which pay income that is exempt from federal taxes, rallied sharply in late 2023. Fidelity Intermediate Municipal Income has returned 5% over the past 12 months and currently yields 3.1%, or a tax-equivalent 4.1% for investors in the 24% federal tax bracket. Three managers look for well-priced general obligation debt—muni bonds funded by state and local taxes—and revenue bonds, which are IOUs for projects such as toll bridges that generate income to pay off the bond holders. The fund is slow and steady: Over the past three years, it has delivered above-average returns with below-average volatility and an annualized return that outpaced 82% of its peers.

→ Fidelity Strategic Income

At long last, income has returned to fixed income. That has the managers at multisector bond fund Fidelity Strategic Income feeling optimistic. Lead managers Ford O'Neil and Adam Kramer decide how much of the fund to devote to certain sectors, staying more or less in line (depending on their take on the market) with a benchmark of 45% of assets in high-yield debt, 30% in U.S. government issues, 15% in emerging-markets bonds and 10% in IOUs from developed foreign countries. Bond sector specialists pick the securities.

Over the past 12 months, the fund loaded up on high-yield bonds, floating-rate loans and cash. It lightened up on foreign developed debt. The result: An 8% gain over the one-year period, beating 74% of its multisector bond peers. By contrast, the Bloomberg U.S. Aggregate Bond index gained 3%. The fund yields 5.3%.

→ T. Rowe Price Floating Rate

Now that interest rate cuts are coming, a fund that invests in floating-rate loans, which carry interest rates that reset every three months in line with a short-term benchmark, may seem out of step. But a small position in these loans can boost stability and yield in a bond portfolio, according to T. Rowe Price Floating Rate manager Paul Massaro. Relative to other bond sectors such as corporate debt and emerging-markets bonds, floating-rate bank loans have been lower in volatility and have offered better risk-adjusted returns over any time frame out to 15 years.

We'll keep an eye on the asset class over the coming year, but Massaro runs a tight ship, leading a team of analysts to find quality loans trading at a discount. The fund has returned 11% over the past 12 months, and it currently yields 8.7%.

→ Vanguard Emerging Markets Bond

Vanguard's Dan Shaykevich and Mauro Favini invest mostly in dollar-denominated government debt issued by developing countries. But they have leeway, too, to invest up to 10% of assets in bonds denominated in local currencies and 10% in emerging-markets corporate IOUs. Last year, they leaned into those two debt sectors, boosting the fund's returns.

Over the past 12 months, the fund's 12% return beat both its peers and its benchmark. Looking ahead, the managers are wary of corporates at this point in the economic cycle but still see opportunity in selective local-currency debt. Overall, says Favini, "we believe that emerging-markets bonds are going to be quite an attractive asset class this year," thanks in part to coming interest rate cuts, a lack of supply in new emerging-markets issues and low valuations for EM debt relative to other bond sectors. The fund yields 7.0%.

→ Vanguard High-Yield Corporate Bond

This high-yield bond fund has gone through key changes in recent years. In mid 2022, Vanguard's in-house bond group took over one-third of the fund's assets, and longtime Wellington Management subadviser Michael Hong took on a comanager, Elizabeth Shortsleeve. Then in mid 2023, Hong stepped down, with little notice.

There are reasons to stay. The fund's quality bias among junk bonds—debt rated double-B to triple-C—is one. The portfolio boasts a double-B average credit quality, for instance, which is higher than the average single-B quality of its peers. "High-quality high-yield debt outperforms the rest of the sector over the long term on a total-return and risk-adjusted-return basis," says Shortsleeve. She has two decades of high-yield bond experience, including 16 years at Wellington, working closely with Hong, who remains at the firm. We're sticking with the fund for now and attentive to how it performs. The fund yields 6.5%, about average for the high-yield bond fund category.

→ Vanguard Short-Term Investment-Grade Bond

This fund's turf—high-quality short-maturity bonds—has been a popular spot for investment-grade debt (rated triple-A to triple-B) over the past year. Vanguard managers Daniel Shaykevich and Arvind Narayanan make the big-picture decisions; bond-sector specialists pick the securities. Recently, 87% of the fund's assets sat in corporate debt, much of it rated triple-B or single-A, with an average maturity of less than three years. The rest is invested in Treasuries and other government debt, with a smattering in foreign bonds and asset- or commercial-backed IOUs. The fund has returned nearly 6% over the past 12 months, which beat 67% of its peers, but it's still clawing its way back from a 6% loss in 2022. The fund yields 5.0%.

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BUFFETT'S BUYS AND SELLS

Berkshire Hathaway took a bite out of Apple in the fourth quarter.

BY DAN BURROWS

SPRINGTIME is annual meeting season, and there's not a more anticipated shareholder confab than the one put on by Berkshire Hathaway in Omaha, scheduled for May 4. This year's get-together will be marked by the absence of chairman and CEO Warren Buffett's longtime partner, Charlie Munger, who died in November. In his annual letter to shareholders, Buffett called Munger the "architect" of Berkshire Hathaway. At the meeting, shareholders will be looking for insight into what's next for the 93-year-old Oracle of Omaha, and the collection of businesses he has accumulated.

In his letter, Buffett highlighted additions last year to stakes in five Japanese conglomerates, including Mitsubishi and Sumitomo, which trade here as American depositary receipts. In some ways, "all five companies follow shareholder-friendly policies that are much superior to those customarily practiced in the U.S.," Buffett wrote. The Japanese stock market is trading at record highs; Berkshire's gain in the five firms at year-end totaled roughly $8 billion.

But Buffett sought to curb shareholder expectations in general. "There remain only a handful of companies in this country capable of truly moving the needle at Berkshire, and they have been endlessly picked over," he wrote. "Outside the U.S. there are essentially no candidates that are meaningful options. All in all, we have no possibility of eye-popping performance."

We checked up on Berkshire's portfolio moves for the final quarter of 2023 via documents filed with the Securities and Exchange Commission. The filings, made public in mid February, show what Buffett, or his co-portfolio managers Ted Weschler and Todd Combs, were buying and selling as the year came to a close.

The move that grabbed the most headlines was trimming the firm's stake in Apple. But the sales look like an attempt to keep the iPhone maker's weight in the Berkshire portfolio from getting too far out of whack. Apple stock rallied more than 12% in the final three months of last year. Berkshire reduced its position by 10 million shares. And yet, Apple still accounts for 50.2% of Berkshire's total portfolio value, up from 50% three months ago.

Buffett is thought to manage about 90% of Berkshire's stock portfolio, with Weschler and Combs handling the remainder. And Buffett, who has called Apple Berkshire's "third business" and its "best business," is thought to handle most of the firm's Apple investments.

We should note that Buffett has always run a highly concentrated portfolio. Berkshire's top five holdings make up more than 80% of the portfolio. The top 10 holdings account for 93%.

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Stocks Berkshire is buying. Buffett took advantage of weakness in the energy sector to add to two of his favorite oil stocks. Shares in Chevron spent much of the fourth quarter trading below $150 a share. Occidental Petroleum, meanwhile, spent a good chunk of December below $60 a share. Buffett has tended in the past to pick up shares in the two stocks when they slip below those respective levels, so the additions shouldn't come as too much of a surprise.

Berkshire upped its Chevron stake by almost 16 million shares, a 14.4% increase in the number of shares held. With 126 million shares worth $18.8 billion at the end of 2023, the energy major is Berkshire's fifth-largest holding at 5.4% of the portfolio (down from almost 6% three months earlier).

As for Occidental, Berkshire raised its stake by 19.6 million shares. At 4.2% of the portfolio—down from 4.6% three months earlier—the stock is Berkshire's sixth-largest position.

Lastly, Berkshire quadrupled its ownership of shares in Sirius XM Holdings. However, at just 0.06% of the portfolio, SIRI remains an immaterial position. Berkshire initiated a small stake in Sirius in the third quarter of 2023. (Berkshire owned SIRI before, exiting a small stake back in 2021.)

Stocks Berkshire is selling. In addition to trimming Apple, Buffett slashed the portfolio's stake in computer hardware firm HP by 78%, in terms of the number of shares. Buffett had initiated a commanding position in the maker of PCs and printers back in 2022. At the time, HP looked like a classic Buffett value play, but it didn't quite work out. The stock now accounts for 0.2% of the portfolio. That's a sharp drop from 0.84% last quarter.

Berkshire cut its shares in entertainment concern Paramount Global by one-third. The media company now accounts for just 0.27% of the portfolio, down from 0.39% a quarter ago. Paramount shares tumbled on the news, down 16% by the end of February.

Finally, in a series of exits, Berkshire sold out positions in homebuilder D.R. Horton, StoneCo., a Brazilian fintech company, and insurance firms Markel—often called a mini Berkshire Hathaway—and Globe Life. D.R. Horton had made up just 0.2% of Berkshire's portfolio; the other three stocks accounted for less than 0.1%.

For a look at all of Warren Buffett's stocks and exchange-traded funds, check out the complete holdings at *kiplinger.com/kpf/warren-buffett-stocks.*

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

BY THE NUMBERS

BERKSHIRE'S TOP TRADES

Berkshire Hathaway's biggest buys and sells during the fourth quarter are ranked by the change in their weighting in Berkshire's portfolio. Top holdings are ranked by their portfolio weighting at year-end.

Some stocks decreased (or increased) as a percentage of the overall portfolio despite the addition (or reduction) of shares. Top holdings are ranked by their portfolio weighting at year-end.

BIGGEST BUYS	Symbol	Recent price	Percent of portfolio	4Q change (percentage points)
Sirius XM	SIRI	$4	0.06%	0.05
Occidenal Petroleum	OXY	61	4.19	−0.45
Chevron	CVX	152	5.41	−0.52
BIGGEST SALES				
HP	HPQ	$28	0.20%	−0.64
D.R. Horton	DHI	149	0	−0.20
Paramount Global	PARA	11	0.27	−0.12
Markel	MKL	1,492	0	−0.07
StoneCo	STNE	17	0	−0.04
TOP HOLDINGS				
Apple	AAPL	$181	50.19%	0.15
Bank of America	BAC	35	10.01	0.98
American Express	AXP	219	8.18	0.96
Coca-Cola	KO	60	6.79	−0.36
Chevron	CVX	152	5.41	−0.52

Stock prices as of February 29. Portfolio data as of December 31. SOURCES: Berkshire Hathaway, Securities and Exchange Commission, WhaleWisdom.

POLITICAL HEADWINDS, FINANCIAL GAINS

The Kiplinger ESG 20 Update BY KIM CLARK

INVESTING strategies that favor firms with strong environmental, social or governance records continue to generate bitter political controversies. But recent financial returns have been sweet for most of the Kiplinger ESG 20, the list of our favorite ESG-focused stocks and funds.

In the six months ending February 29, the period since our last update, 12 of the 15 stocks on our list outperformed the S&P 500 index, returning an average of 36%. That's well above the index's return of 20% over the period. (Prices and returns are as of February 29.)

Among the outperformers were some "magnificent" tech stocks, such as Nvidia, which is highly regarded for its labor relations, and Microsoft, which invests in clean-energy supplies for its cloud-computing operations. Also notable: Novo Nordisk, up 32%. The drugmaker joined the ESG 20 last fall. It provides low-cost medicine to those in need and is profiting from new anti-obesity drugs.

Levi Strauss, a leader in reducing fashion-industry waste, has largely languished since we added it in 2022. But shares have returned 36% since our last update, in part due to restructuring and cost-cutting moves. A new CEO took over in January. The worst performer since our last update is environmental standout First Solar, which lost 5%. For context, consider that the stock nevertheless trades at more than double its share price two years ago.

Over the past 12 months, our basket of ESG-friendly stocks has returned 48%, beating the S&P 500's gain of a little more than 30%. Even subtracting Nvidia, which more than tripled in the past year, the remaining 14 stocks gained an average of 34%, led by Salesforce's 89%. (In February, Salesforce also initiated a quarterly dividend of 40 cents a share.)

Many non-tech stocks also soared. Heating and air conditioning manufacturer Trane Technologies, known for an outstanding safety record, returned more than 54%. The only two money losers over the past 12 months were environmental standout First Solar, down 9%, and Target, down 7%. Target, known for its diversity efforts, suffered a sales backlash last year when some customers objected to displays celebrating gay pride.

Making a change. We are removing Clorox from the ESG 20. It still wins plaudits for pro-shareholder governance policies such as an independent board of directors. But last fall, Clorox suffered a devastating cyberattack, which is a governance setback, as well as a reason the company expects sales to decline for the fiscal year ending June 30. Of the 22 analysts who follow the stock, only two recommend Clorox. The company has struggled to forge a new path to growth as a pandemic-fueled surge has faded.

In its place we recommend Accenture, a global consulting company considered a leader in corporate governance. ISS ESG, the sustainable-investment arm of ISS STOXX, praises the gender diversity of the board and a policy requiring board members to be reelected each year. The firm has received cybersecurity certifications and awards from several entities, including the International Organization for Standardization, a group of 164 national organizations that set standards for various

Since we added Novo Nordisk to our list last fall, it is up

32%

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aspects of corporate operations.

Of the 29 Wall Street analysts who follow Accenture, 18 expect it to outperform the broad stock market. Because Accenture is a tech consultant but not a tech company, investors benefit from the growth of artificial intelligence and other new technologies while avoiding much of the tech industry's volatility, says J.P. Morgan analyst Tien-tsin Huang. Long-term contracts with companies and government agencies around the world produce a steady cash flow, which is an attractive defensive quality, he adds.

Mixed bag. Our five ESG funds produced mixed results. The top performer, Putnam Sustainable Future, beat the S&P 500 with a 34% return over the past year (28% since our last update). The fund benefited from its holdings in Nvidia and another of our ESG picks, semiconductor company Applied Materials, as well as top 10 holdings Sprouts Farmers Market, up 106% for the year, and Chipotle Mexican Grill, up 80%.

The other funds lagged broader market benchmarks. Brown Advisory Sustainable Bond eked out a 1.4% gain for the year, less than half of the overall bond market's 3.3% return. But the fund has gained 4.6% in the past six months, slightly below the 5% return of the Bloomberg U.S. Aggregate Bond Index over the period.

Green Century Balanced, with 60% of assets in stocks and 40% in bonds, returned about 12% for both periods. "Bonds serve as ballast during a down market," says portfolio manager Paul Hilton—but they can be a drag in a strong stock market, he notes. K

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SUSTAINABLE PICKS

THE KIPLINGER ESG 20 AT A GLANCE

The stocks and funds below are environmental, social or governance exemplars, while also possessing solid financial fundamentals.

ENVIRONMENTAL STEWARDS

These companies offer products, services or technologies that provide solutions to problems such as greenhouse gas emissions, air and water pollution, or resource scarcity.

Company	Symbol	Price	Price-earnings ratio	Annualized total return 1 yr.	3 yrs.
First Solar	FSLR	$154	11	–9.0%	23.8%
Levi Strauss	LEVI	18	15	4.0	–5.8
Microsoft	MSFT	413	35	66.9	21.9
Prologis	PLD	133	56	10.8	12.9
Xylem	XYL	127	31	25.1	9.5

SOCIAL STANDOUTS

These companies support their employees, customers and suppliers and treat them fairly, while positively impacting their community and the world at large.

Company	Symbol	Price	Price-earnings ratio	Annualized total return 1 yr.	3 yrs.
Novo Nordisk	NVO	$120	36	71.0%	50.9%
Nvidia	NVDA	791	33	240.8	79.4
Salesforce	CRM	309	32	88.8	12.6
Trane Technologies	TT	282	28	54.5	23.8
W.W. Grainger	GWW	974	25	46.7	38.7

GOVERNANCE LEADERS

These companies are committed to diverse and independent boards, strong ethics policies, responsible executive pay that is tied to performance, and combating corruption.

Company	Symbol	Price	Price-earnings ratio	Annualized total return 1 yr.	3 yrs.
Accenture	ACN	$375	32	43.3%	15.9%
Applied Materials	AMAT	202	25	74.7	20.1
CBRE Group	CBRE	92	22	7.9	6.6
Hilton Worldwide Holdings	HLT	204	29	41.8	18.4
Target	TGT	153	17	–6.6	–3.5

ESG FUNDS & ETFs

These funds might focus on an ESG category, seek a measurable impact on a specific challenge, integrate ESG criteria into a broader strategy or engage with firms to improve ESG practices.

Mutual Fund/ Exchange-Traded Fund	Symbol	Expense ratio	Annualized total return 1 yr.	3 yrs.
Brown Advisory Sustainable Bond	BASBX	0.52%	1.4%	–3.8%
FlexShares STOXX Global ESG Select Index	ESGG	0.42	18.1	8.8
Green Century Balanced	GCBLX	1.46	12.1	3.8
Pax Global Environmental Markets	PGRNX	1.16	13.7	4.2
Putnam Sustainable Future ETF	PFUT	0.64	33.6	—

INDEXES

	Annualized total return 1 yr.	3 yrs.
S&P 500 INDEX	30.5%	11.9%
BLOOMBERG U.S. AGGREGATE BOND INDEX	3.3	–3.2
MSCI ALL COUNTRY WORLD INDEX	23.1	6.8

As of February 29. —Fund not in existence entire period.
SOURCE: Morningstar Direct

A 15-Year Win for High Yielders

INCOME INVESTING BY JEFFREY R. KOSNETT

THIS spring marks 15 years since financial markets escaped the Great Recession to shower the world with long-term returns that read like misprints: Apple, up 5,608%. Amazon, up 4,616%. Microsoft, up 3,511%. QQQ, Invesco's giant Nasdaq 100 exchange-traded fund, up 1,843%. (Returns are through late February.)

In this epic bull market, scores of very-high-distribution investments, from master limited partnerships to well-managed leveraged closed-end funds to high-rate lenders, have paid tremendous and dependable interest and dividends while maintaining or building share prices and net asset values. This contravenes the fallacy that anything normally priced to pay 10% (or close to it) is an incipient disaster reliant on accounting legerdemain, uses excessive returns of capital to fabricate bogus "yield" or is a lottery ticket that rewards a fortunate few but beggars the many.

In fact, the total returns of a substantial cohort of high-payout funds, trusts and partnerships are up there with the titans. Start with ***Ares Capital (symbol ARCC)***, the best of the business development companies, which extend high-interest-rate credit to diverse small and midsize businesses. On March 9, 2009, Ares traded at just below $4 a share, surviving the recession bloodied but solvent. Ares now trades at $20 and over this time has paid cumulative dividends of $23.67 a share, driving its total return (dividends reinvested) to 2,654%. Ares delivered this fortune while maintaining a constant dividend yield around 9%. If you bought 15 years ago, today's $1.92 annual dividend gives you almost a 50% yield on your original cost. Ares shareholders thus won big whether they took the cash to pay bills or rolled the money into more shares. Either idea works fine today.

The same is true of various Pimco funds. The firm's glittering gems are its high-distribution diversified closed-end offerings, highlighted by ***Pimco Corporate & Income Opportunity (PTY)*** and ***Pimco Corporate & Income Strategy (PCN)***. Not only are the former's 15-year return of 1,484% and the latter's 1,114% huge, but their net asset values and share prices more than doubled while distributions remained around 10%. Given the wide risk-taking leeway Pimco accords its fund managers, and despite the gyrations in so many high-paying asset classes, it is remarkable that both funds' share prices have tracked between $13 and $20 for a decade and a half.

Invesco Senior Income Trust (VVR), a leveraged bank-loan CEF, is another high-distribution gold medalist. While regular bank-loan funds pay out 5% or so, Invesco's formula lets this fund distribute 12%, and yet

it has also kept its NAV between $4 and $5 for 15 years (except for a brief period early in the pandemic). Consequently, while the excellent Fidelity Floating Rate High Income fund has a 124% return over the past 15 years, Invesco's offering did 545%, or 11.7% annualized. Yes, leveraging is supposed to magnify losses, but the fund's few setbacks cost it just 4% or so in any calendar year, not the 20% that critics presume is in the offing for these types of investments whenever the markets stumble.

I could go on about pipelines and enhanced high-dividend stock funds. ***ONEOK (OKE)*** has a 15-year gain of 2,057%; ***Eaton Vance Tax-Advantaged Dividend (EVT)***, 990%. And one more thing: Since 2009, ***iShares iBoxx $ High Yield Corporate Bond (HYG)***, the largest high-yield-bond ETF, boasts a 207% return, or 7.2% annualized. Vanguard Total Bond Market Index (BND), with a focus on investment-grade IOUs, is up a mere 46%, or 2.5% annualized. Yield rocks. Case closed.

In an epic bull market, scores of high-yielding investments have paid tremendous and dependable interest and dividends.

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

PHOTO BY BOB CROSLIN

BEYOND THE MAGNIFICENT SEVEN

Nvidia dazzled investors once again. But other stocks deserve some love.

STOCK SPOTLIGHT BY ANNE KATES SMITH

NOT since the market's obsession with GameStop, the first of the "meme" stocks, have the fortunes of a single company—Nvidia (symbol NVDA)—so captivated investors. Except the stakes are much higher with Nvidia, the manufacturer whose semiconductor chips power the artificial intelligence revolution and whose stock is one of the mega-cap market movers known as the Magnificent Seven.

The Nvidia juggernaut rolled through the market again in February when the company reported blockbuster results for its fourth quarter, which ended in January. Revenue was up 265% compared with the same quarter a year earlier; earnings per share jumped 765%. The stock price rose 16% on the day after the report, pulling other chip makers up with it. At the end of February, Nvidia traded at $791, returning 60% so far in 2024 on top of 239% in 2023.

"Nvidia delivered against what was seemingly a very high bar," said analysts at Goldman Sachs in a note to clients following Nvidia's earnings report. The analysts raised their 12-month price target on the shares to $875, up from $800 prior to the earnings release. Analysts at BofA Global Research, noting that "AI demand is surging against multiple customer sets," raised the firm's target price on Nvidia shares from $800 to $925.

Beginning of the end of an era? The Magnificent Seven (Nvidia plus Apple, Alphabet, Amazon .com, Meta Platforms, Microsoft and Tesla) accounted for the bulk of broad-market gains in 2023, using the S&P 500 index as a benchmark. Even if you don't own the individual stocks, you may well be invested in some of the Mag Seven, as they are top holdings in many growth-focused and S&P 500 index funds.

With far loftier profit-growth expectations than the rest of the market, the Magnificent Seven are "priced for forever perfection," according to Savita Subramanian, head of U.S. equity and quantitative strategy at BofA. But just as yesterday's memes are now memories, the Magnificent Seven's extreme dominance of the market might be coming to an end. That doesn't mean these innovators don't have much to recommend them still, as BofA's bullish take on Nvidia shows (also see "Will These Market Leaders Stay on Top?" April). But opportunities elsewhere might finally have a chance to shine in the latter half of 2024.

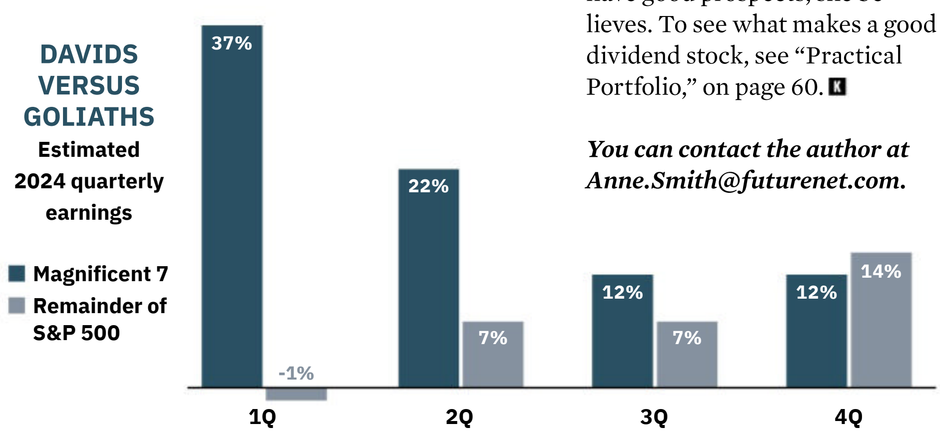
If corporate earnings are truly the engine that drives the stock market, then by this fall, the rest of the market should begin to gain ground. BofA looked at earnings forecasts for the S&P 500 compared with those for the "S&P 493," or the S&P 500 minus the Magnificent Seven. For the first quarter of 2024, compared with the same quarter in 2023, analysts forecast average profit growth of 37% for the Magnificent Seven, compared with a 1% decline for the rest of the S&P 500. But by the fourth quarter, the profit laggards should pull ahead, with analysts expecting 12% growth for the Mag Seven and 14% growth for the remainder of the S&P 500.

To broaden your portfolio, Subramanian suggests high-yielding dividend stocks, which are "unloved and cheap" but have good prospects, she believes. To see what makes a good dividend stock, see "Practical Portfolio," on page 60. ■

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

DAVIDS VERSUS GOLIATHS

Estimated 2024 quarterly earnings



SOURCES: FactSet, BofA Global Research

Investing in Big Ideas

STREET SMART BY JAMES K. GLASSMAN

EVER since my daughter introduced me to the TV show *Shark Tank,* I've been addicted. Now in its 15th season, *Shark Tank* features entrepreneurs making pitches to four real-life investors, who bid to put up their own money in a fledgling business. I've even been known to buy the products. You should see my little red book that opens into a glorious flood of light, not to mention my torpedo-shaped glasses-cleaner.

But something bothers me about *Shark Tank*. The investors are not nearly bold enough. They ask about current sales and profits. They want too many assurances. In short, they aren't real venture capitalists, who thrive on risk. They sound more like bankers.

The podcast "Freakonomics" did a deep dive on venture capitalism in 2021, interviewing Vinod Khosla, a VC with early-stage investments in Doordash, Square and dozens of others. "I don't mind a 90% chance of failure," he said, "if the consequences of success are consequential." Jonathan Levy, of the University of Chicago, went even further: "You could never tell the VC guys you're going to be profitable in three years. I mean, anyone who actually says they're going to be profitable obviously doesn't have a bold enough idea. You've got to say, 'We're never going to make any money. That's how radical our idea is.' "

No profits ever? That may be going too far, but the point is that real venture capitalists care more about the idea than about proof, or even projections, of earnings. As a small investor, you need the same frame of mind if you want to be your own VC. So forget price-earnings ratios or cash flow analyses and ask yourself whether the company is backed by a Big Idea.

Here's one: Netflix—my single best stock call ever. In December 2003, seven months after the stock's initial public offering, I wrote in the *Washington Post:* "I read about Netflix—I still don't remember where—and realized at once that it was a brilliant idea." You paid a flat monthly fee of $20 to rent all the movies you wanted from a library of 15,000 titles. Back then, the films arrived in the mail on disks, which you mailed back when done. So clunky! I had no inkling that Netflix would distribute video online or make its own Oscar-winning movies. I liked the original idea and wanted to become a partner with a company this smart and daring.

Before the IPO, Netflix had gone without earnings for five years, and it had 600,000 subscribers. I did some back-of-the-envelope computations and concluded that, with 2 million subscribers, Netflix could make a tiny profit. I wasn't thinking as big as a real VC. Today, Netflix has 260 million subscribers, and profits last year were $5.4 billion. I bought the stock in March 2003 at a price, adjusted for splits, of less than $2 a share. Netflix currently trades at $603. Unfortunately, I sold after my shares tripled. Knowing when to get out of a Big Idea stock isn't easy, but the default is never. (Prices are as of February 29; stocks I recommend are in bold.)

PHOTO BY NOAH WILLMAN

Venture capitalists care more about the idea than profits. If you want to be your own VC, you need to have the same frame of mind.

Small-scale ventures. Investing in the stock market, you can't be a real VC because you can't get in on the ground floor. But you can put, say, 10% of your portfolio in listed businesses with less regard for current financial results than for what Hollywood calls high concept—a simple, yet compelling premise like *Jurassic Park* (dinosaurs run amok at a remote theme park).

The best idea-driven stocks are high concept as well. Think of FedEx: Get your urgent papers and packages overnight. Or ***Amazon.com (symbol AMZN, $177)***: Buy practically anything online and have it delivered free in a day or two. Or ***Lululemon Athletica (LULU, $467)***: yoga clothes for all occasions.

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Even for Big Idea companies, the road can be rocky and patience necessary. Consider ***Uber Technologies (UBER, $80)***. The stock went public in 2019 at $45 a share and quickly went south. At the end of 2022, it was trading at $30. Uber suffered from regulatory obstacles, COVID-19, high gas prices, crimes by drivers and competition from Lyft. Uber didn't even make a profit until last year—and a modest one at that.

But Uber's high concept is now clearly winning, and the company carries a market capitalization (price times shares outstanding) of $165 billion, making it more valuable than American Airlines, United Airlines, General Motors, Ford and Hertz Global combined. With imagination and flexibility, Uber has expanded into food delivery, logistics, scooters, bicycles and rental cars. Just as Netflix leveraged new technology by shifting to video delivery by internet rather than the U.S. Postal Service, so Uber will certainly move into autonomous vehicles.

For a short time, I owned both Lyft and Uber, which went public almost simultaneously, but it quickly became clear that Uber was the stronger company. Lyft still isn't profitable, and its revenues are less than half those of Uber. The stock has been a disaster—and a warning of how risky Big Ideas can be. At the end of its first day of trading five years ago, Lyft traded at $78 a share; today, it's $16.

For a short time, I owned both Lyft and Uber. But it quickly became clear that Uber was the stronger company.

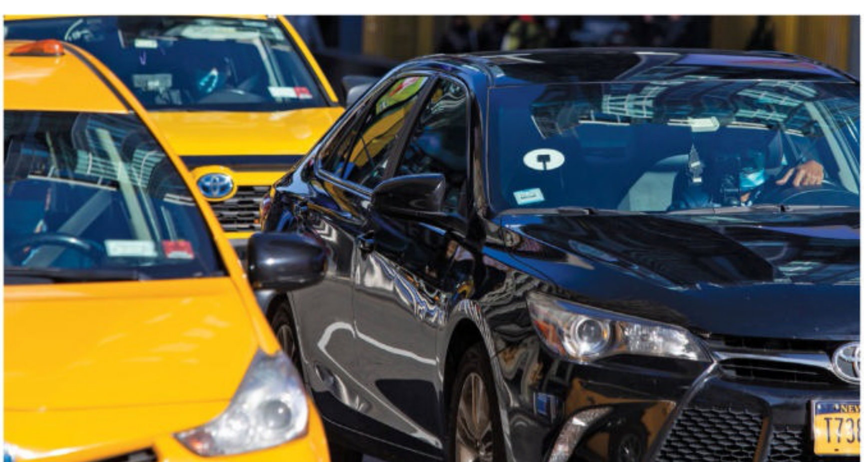
An AI play. Other Big Idea stocks to consider? Few pure, publicly traded artificial intelligence plays are available right now. OpenAI, originator of ChatGPT, is unlikely to go public anytime soon (if ever), and some of the best AI innovation is submerged within huge firms such as Microsoft and Alphabet.

But a good choice is ***Snowflake (SNOW, $188)***. Its cloud-based software swiftly arranges all of a company's data to take advantage of AI analytics. The stock took a big hit in late February when its revenue guidance for fiscal 2025—a 22% increase!—was lower than expected and its CEO announced he would retire. Still, sales are up fourfold since Snowflake went public in September 2020, and the company should make a profit this year. Consider the plunge a buying opportunity.

A Swiss maker of bouncy running shoes and lightweight trainers for daily wear, ***On Holding (ONON, $35)***, has a Big Idea: a subscription service that appeals to the environmentally concerned. You pay a set monthly fee and get new shoes every six months (or earlier if they're worn out), sending back your old ones for recycling. Shares have doubled since December 2022, but they still trade below their September 2021 IPO. The consensus of analysts is that revenues will rise about 30% this year and earnings will rise 50%.

BBB Foods (TBBB, $21), which had its IPO on the New York Stock Exchange in February, owns a chain of more than 2,000 small grocery stores in Mexico. The Big Idea here is that in a time of rising food prices, BBB offers a limited assortment of groceries, nearly half with its own label, at very low prices. Revenue is growing at a 34% annual rate. Another high-concept stock that recently went public is ***Fractyl Health (GUTS, $9)***, which provides innovative therapies, focused on the gut, for diabetes and obesity.

The best Big Idea stocks of the future haven't yet had their IPOs. Stay on the alert for them by reading, stalking the malls, and talking to friends and the sharpest business minds you can find.



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 here, he owns Uber and Lululemon. You can reach him at JKGlassman@gmail.com.***

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TECH STAYS ON TOP WHILE SMALL CAPS STRUGGLE

KIPLINGER ETF 20 UPDATE BY NELLIE S. HUANG

THERE were few surprises among the Kiplinger ETF 20, the list of our favorite exchange-traded funds, in a checkup we intend to do more regularly. But the performance of a few funds calls for explanation.

iShares Core S&P Small-Cap ETF, for instance, gained 6%, trailing the 10% climb in the popular Russell 2000 benchmark. The fund tracks a different index, however: the S&P SmallCap 600, whose biggest constituent has a $6 billion market value. The Russell index's largest company has a $27 billion market value, and bigger did better last year.

Our recommended U.S. dividend-stock funds diverged in performance over the past year. ***Vanguard Dividend Appreciation*** gained 20%; ***Schwab U.S. Dividend Equity***, just 8%. That's mostly because growth stocks have trumped value shares. Companies that consistently raise their payouts, the Vanguard fund's focus, tend to be high-quality firms with growing profits. The Schwab fund's stomping ground is high-yielding, value-tilting dividend stocks.

JPMorgan U.S. Quality Factor beat the S&P 500 over the past 12 months. Much of the credit goes to its four top holdings—Nvidia, Meta Platforms, Broadcom and Eli Lilly—which more than doubled in price over the period. The index fund holds 240 stocks in the Russell 1000 that score best on traits focused on profitability, financial risk and earnings quality.

None of the funds did better than ***Technology Select Sector SPDR ETF***, up 53%. It holds all of the tech stocks in the S&P 500, including Microsoft and Apple, weighted by market value.

Invesco Optimum Yield Diversified Commodity Strategy No K-1 ETF, which was added as an inflation hedge, has struggled as inflation rates have started to normalize. We're replacing it with ***Industrial Select Sector SPDR ETF,*** which holds the 78 industrial stocks in the S&P 500. Wells Fargo Investment Institute names industrials a top sector for 2024. Analysts at BofA Global Research see higher capital spending on manufacturing, a boon for the sector.

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	$510	30.3%	11.8%	14.7%	1.4%	0.03%
iShares Core S&P Mid-Cap	IJH	58	13.0	6.6	10.3	1.6	0.05
iShares Core S&P Small-Cap	IJR	107	6.4	2.2	7.7	1.8	0.06
iShares MSCI USA ESG Select	SUSA	106	25.8	9.5	14.4	1.3	0.25
Vanguard Total International Stock	VXUS	59	12.7	1.5	5.7	3.2*	0.07
Dividend Stock Funds							
Schwab US Dividend Equity	SCHD	$78	8.1%	8.4%	12.2%	3.5%	0.06%
Vanguard Dividend Appreciation	VIG	178	19.8	10.7	12.5	1.8	0.06
WisdomTree Global ex-US Qual Div Growth	DNL	38	13.7	2.1	9.4	2.1	0.42
Strategic Stock Funds							
Industrial Select Sector SPDR	XLI	$121	22.0%	11.9%	11.6%	1.4%	0.09%
Invesco S&P 500 Equal Wt Hlth Care	RSPH	31	8.4	6.6	10.0	0.6	0.40
JPMorgan US Quality Factor	JQUA	52	31.5	14.3	15.0	1.3	0.12
SPDR® S&P Kensho New Economies Composite	KOMP	46	10.0	−10.4	9.1	0.9	0.20
Technology Select Sector SPDR	XLK	207	52.9	17.6	25.2	0.7	0.09
Vanguard FTSE Europe	VGK	65	12.9	5.5	7.4	3.1*	0.09
Core Bond Funds							
Fidelity Total Bond	FBND	$45	4.4%	−2.2%	1.6%	5.2%	0.36%
Invesco BulletShares 2026 Corp Bd ETF	BSCQ	19	5.4	−1.1	2.9	5.1	0.10
SPDR DoubleLine Total Return Tact ETF	TOTL	40	3.5	−2.6	0.1	5.6	0.55
Opportunistic Bond Funds							
BlackRock Ultra Short-Term Bond	ICSH	$50	5.7%	2.5%	2.3%	5.4%	0.08%
Invesco Senior Loan	BKLN	21	10.1	4.2	3.7	8.2	0.65
Vanguard Tax-Exempt Bond	VTEB	51	5.3	−0.1	1.9	3.3	0.05
Indexes							
S&P 500			30.5%	11.9%	14.8%	1.4%	
MSCI EAFE			14.4	4.4	6.8	3.0	
Bloomberg U.S. Aggregate Bond Index			3.3	−3.2	0.6	4.9	

AS OF FEBRUARY 29, 2024. *12-MONTH YIELD (ALL OTHER YIELDS ARE 30-DAY SEC YIELDS). SOURCES: MORNINGSTAR DIRECT, MSCI, S&P DOW JONES INDICES, WSJ.COM.

11 WAYS TO GROW YOUR WEALTH

Whether you're taking the first steps to increase your wealth or protecting the assets you've accumulated, our advice will help you flourish.

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INVESTING: THINK BIG, START SMALL

The best way to turn $100 or $1,000 into, well, more, is to invest it. But too often, people fall into a trap of thinking that you need to have a lot of money to invest. Not true. It's okay to start small, but you must be methodical about it. Fortunately, it's getting easier to do that. Begin by following the steps below.

Start with no money down. Most brokers, including Charles Schwab, Fidelity, E*Trade and Merrill Edge, have stopped requiring a minimum to open a brokerage account. It takes just minutes to open an account online.

Pay what you can. Set up an automatic transfer to your account—even if it's $10 every paycheck or once a month, if that's all you can afford—and invest it. Can't swing $700-plus for a share of Nvidia stock? Thanks to fractional trading, you can buy a portion of a share. Although not every firm offers fractional-share trading, you can buy fractional shares of stocks (and exchange-traded funds, too, in some cases) at Fidelity, Interactive Brokers, Robinhood, Schwab, SoFi and M1 Finance, to name a few. The minimum amount required for each trade and the number of stocks and/or ETFs available for fractional trades may vary by firm. At M1 Finance and Robinhood, you can buy fractions of ETFs and stocks for as little as $1; at SoFi, it's $5. At Schwab, the minimum trade is $5, but only S&P 500 stocks—no ETFs—are available. Fidelity and Interactive Brokers allow fractional-share trading for any U.S.-listed stock or ETF for as little as $1.

Automate investing. At Fidelity and Interactive Brokers, you can set up a recurring investment in a stock or an ETF. (Fidelity allows this for mutual funds, too.) The process is much like your 401(k) contribution, and it can take your wealth-growing ability to a whole new level. "It's a great way for people to build a portfolio in a disciplined way," says Rob Garfield, of Interactive Brokers.

The service is free at both firms, and you can choose how often you want to invest—weekly, biweekly or monthly. The minimum for a recurring investment is $10 at Interactive and $1 at Fidelity. Both firms will let you set up either a single or multiple recurring investments. Trades in stocks and ETFs are made during the trading day (although both firms say they try to avoid volatile periods at the market's open and close); mutual fund investments are after the close.

Interactive's recurring-investment services have only been around since late 2022, and Fidelity launched recurring investments in stocks and ETFs in late 2023 (though the brokerage's automatic mutual fund investments have been available for years). But they're popular. "We've seen a significant uptick" in adoption, especially among youngish customers, says Josh Krugman, Fidelity's head of core brokerage. **NELLIE HUANG**

Wealthy people are often among the most frugal, and they apply that cost-consciousness to their investment portfolios, too.

KEEP AN EYE ON INVESTMENT COSTS

Wealthy people are often among the most frugal, and they apply that cost-consciousness to their investments, too. The difference between what you earn in an expensive fund, for example, compared with an inexpensive one can mount to six figures over an investing lifetime. Of course, you'll pay more in fees for an actively managed fund than for an index-tracker, and for asset classes that require a higher level of research or trading skills—small-company stocks or emerging-market shares, for example, compared with large, easily traded blue chips.

But when comparing funds in the same category, a lower expense ratio can make a world of difference. The average expense ratio for stock mutual funds at last report was 1.12%—and 0.54% for stock index funds—according to the Investment Company Institute. For actively managed exchange-traded stock funds, expenses averaged 0.68%; for index-based stock ETFs, 0.46%

Say you put $10,000 in Fund A, with an annual expense ratio of 1.5%, or $150 on a $10,000 investment. If your fund returned an annualized 10% (roughly the long-term return for large-company stocks) over a 40-year period, you'd have paid $46,884 in fees and you'd have a total of $247,261, according to calculations from Bankrate. Fund B is similar, with identical returns but expenses of just 0.5%. After 40 years you'd have paid just $20,974 and you'd walk away with $370,365, a difference of $123,104.

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Sales charges, too, can pinch fund investors. But these days, you can find plenty of so-called load funds offered without a sales charge at popular investing platforms, so it pays to check before you buy. For example, the "A" shares of Columbia Seligman Technology and Information, a fund with impressive long-term results, carry a 5.75% sales charge. But you can buy the fund load-free (and for no transaction fee) at Fidelity and Schwab. Roughly half of the 4,500 no-load, no-fee funds available on Schwab's OneSource list allow for front- or back-end loads, but any such charges are waived on Schwab's platform, says a spokeswoman. **ANNE KATES SMITH**

BE A SUPER SAVER

While "The Secrets of Super Savers" would be a catchy name for a reality TV show, there's really no mystery to developing good savings habits. Ideally, you need to monitor your spending, start setting aside savings early, put your savings on autopilot and take advantage of all the tax breaks and other incentives available to you. In a 2022 survey of investors' savings habits, Principal Financial Group identified super savers as those who set aside 15% or more of their salary in retirement accounts or make 90% of the maximum contribution allowed by the IRS.

A common characteristic among the super savers is consistency. Most started saving in their teens or early twenties and consider it part of their identity. They drive older vehicles and own modest homes, which they fix up and clean themselves. In addition to contributing to 401(k) plans or other employer-sponsored accounts, they take advantage of other vehicles such as brokerage accounts, health savings accounts and 529 college-savings plans. (For more on 529s, see "Basics," on page 64; for more on HSAs, see the box on page 47.) "They're continually looking for as many ways as possible that they can save," says Heather Winston, director of individual investor products and solutions for Principal.

When you're starting out, finding room in your budget to save for retirement can be a challenge. But recent research from the Investment Company Institute offers encouraging news about young adult savers. The ICI's analysis found that in 2022, members of Generation Z—typically defined as individuals born between 1997 and 2012—had two and a half times more assets in retirement plans than Generation X households had when they were the same age (Gen Xers were born between 1965 and 1980).

Contributing to the trend is the rise in automatic enrollment, according to the ICI. More than three-fourths of large companies automatically enroll workers in their 401(k) plans. Workers who don't want to participate can opt out, but most don't. Starting in 2025, companies with new 401(k) plans will be required to automatically enroll workers at a minimum contribution rate of 3% and increase participation by one percentage point each year, up to 15%.

However, if you want to be a super saver, you should put aside even more than the default contribution embedded in your employer's plan. In 2024, you can stash up to $23,000 in 401(k) and other employer-sponsored plans, or $30,500 for workers 50 and older. Contributions are tax-deferred if you invest in a traditional 401(k). With a Roth 401(k), contributions are after-tax, but withdrawals are tax-free in retirement.

Your employer-provided plan isn't the only implement in your retirement toolkit. More than half of Principal's super savers also contributed to a Roth IRA, which provides tax-free income in retirement (more on trimming your taxes below). In 2024, you can make the maximum contribution of $7,000 to a Roth—$8,000 if you're 50 or older—if your modified adjusted gross income (your adjusted

Give Your Heirs a Leg Up

While you shouldn't let the desire to leave an inheritance jeopardize your own financial security, there are steps you can take to shelter your estate from federal and state taxes while increasing the amount available for your heirs and favorite charities.

In 2024, up to $13.61 million in assets is exempt from estate tax, or up to $27.22 million for a married couple. But if Congress fails to extend provisions of the 2017 Tax Cuts and Jobs Act before they expire on December 31, 2025, the exemption will drop to half of that amount, on an inflation-adjusted basis—about $7 million for a single person or $14 million for a couple. And several states have much smaller exemptions (Oregon, for example, taxes estates valued at more than $1 million).

Giving away money while you're still alive is one of the best ways to reduce the size of your estate. In 2024, you can give away up to $18,000 (or $36,000 as a married couple) to as many people as you'd like without filing a gift tax return. You can give away even more money tax-free by making direct payments to cover a beneficiary's medical bills or tuition at any grade level, from private primary and secondary school through college.

If you're 70½ or older, you can also reduce the size of your estate—as well as cut your current tax bill—by making a qualified charitable distribution from your IRA. In 2024, you can transfer up to $105,000 from your traditional IRA to qualified charities. The contribution isn't deductible, but in addition to shrinking the size of your IRA, it will reduce your adjusted gross income, which could lower your federal and state taxes and shield you from the surcharge that high-income individuals pay on Medicare premiums. If you're 73 or older, it will also count toward your required minimum distribution.

Review beneficiaries for your life insurance policies, bank accounts and retirement savings plans to make sure they reflect any recent life changes. You should also review your will or living trust and update it to reflect any changes in your assets. Make sure you have designated a power of attorney for your finances and a health care proxy. These individuals will be empowered to manage your money and make decisions on your behalf should you become incapacitated. **SANDRA BLOCK** gross income with certain deductions added back) is less than $146,000 if you're single or $230,000 if you're married and file jointly.

If all of this sounds like a bridge too far, don't overlook savings incentives offered by Uncle Sam. The Retirement Savings Contributions Credit, better known as the Saver's Credit, is designed to encourage people with low and middle incomes to begin building retirement nest eggs. Eligible taxpayers can claim a tax credit of up to $1,000 for single filers or $2,000 for married couples who file jointly. The credit is based on 10%, 20% or 50% of the first $2,000 ($4,000 for joint filers) contributed to retirement accounts, including 401(k)s, traditional IRAs and Roth IRAs. If you qualify, the lower your income, the higher the percentage of retirement plan contributions you'll get back on your tax return. For the 2024 tax year, single filers and married people filing separate returns with adjusted gross income of $38,250 or less may be eligible for the credit. Married couples filing jointly must have AGI of $76,500 or less, while head-of-household filers must have AGI of $57,375 or less.

Even if you don't itemize deductions, you may still be eligible for a long list of tax credits and above-the-line deductions.

Fund your bad-news account. Even the best-laid plans for a secure retirement can be derailed by unemployment, a serious health condition, or a natural disaster. To avoid tapping the money you've saved for retirement, you should have an emergency savings account that covers three to six months' worth of expenses. If you're the sole wage earner in your household or work in an industry prone to disruption from economic swings, such as travel and hospitality, you may need to set aside up to 12 months' worth of expenses.

The money should be invested in an easily accessible savings account or money market deposit account because this is money you can't afford to risk losing. Recently, you could earn up to 5% on top-yielding savings accounts, although those rates could decline if the Federal Reserve starts cutting rates this year. For more on top-yielding accounts, turn to page 52. **SANDRA BLOCK**

CUT YOUR TAX BILL

Taxes, according to the late Supreme Court Justice Oliver Wendell Holmes Jr., are what we pay for a civilized society. But that doesn't mean you should pay more than you're legally required to remit to federal and state tax authorities. Unfortunately, the tax code has become more complex, increasing the risk that you'll overlook money-saving tax breaks.

Start by reviewing how much tax was withheld from your paychecks in 2023. If you received a big refund, adjust your withholding so that less of your paycheck goes to the IRS. Use the extra money to bulk up your emergency savings, pay off high-interest debt, and/or increase contributions to your retirement plans.

The majority of taxpayers claim the standard deduction. But even if you don't itemize deductions, you may still be eligible for a long list of tax credits and above-the-line deductions. For example, if you have a child who will start college this fall, there's a good chance you'll be eligible for the American Opportunity Credit. This tax credit is available for up to $2,500 of college tuition and related expenses (but not room and board) paid during the year.

Meanwhile, reducing taxes on investments in your brokerage account is a surefire way to increase your profits or minimize losses. Start by understanding the difference between long- and short-term capital gains. You'll pay long-term capital gains tax on income from the sale of assets that you've held for more than a year, at rates ranging from 0% to 20%, depending on the amount of your taxable income. If you sell stocks, mutual funds or other assets you purchased a year ago or less, the net proceeds will be taxed as ordinary income, with rates ranging from 10% to 37%.

Clearly, you're better off selling investments you've owned for more than a year, particularly if you qualify for the 0% tax rate. In 2024, you're eligible for the 0% tax rate if you're single and have taxable income of up to $47,205, or up to $94,050 if you're married and file jointly. This tax break can be particularly valuable to retirees who may need to sell assets to meet expenses and are no longer earning income from a job.

Where taxes and your wealth are concerned, you need to be thinking about how much you'll pay in the future, too. Contributions to a 401(k) or deductible IRA will reduce your tax bill now, but the money will be taxed when you take withdrawals—possibly at a higher tax rate than you're paying today.

For that reason, many financial planners recommend directing at least some of your contributions to a Roth 401(k), if your employer offers one (about 75% of large employers do). As is the case with Roth IRAs, contributions are after-tax, but withdrawals will be tax-free after you're 59½ and have owned the Roth for at least five years. Unlike Roth IRAs,

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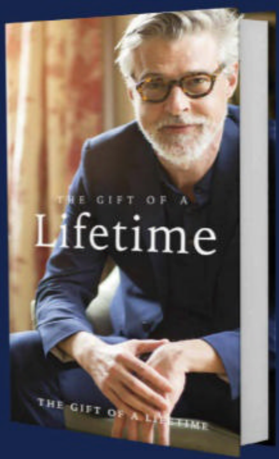

however, there are no income limits—anyone with earned income can contribute to a Roth 401(k).

Your taxable legacy. Contributing to a Roth—whether it's through a Roth IRA or Roth 401(k) or by converting money in a traditional IRA to a Roth—could also benefit your heirs, assuming you have funds remaining in your retirement savings accounts after you die. And recent changes in the law will make inheriting a Roth even more valuable.

Before 2020, adult children and other non-spouse heirs who inherited a traditional IRA or 401(k) could take withdrawals based on their life expectancy, allowing the funds to grow tax-deferred for decades. But legislation enacted in 2019 requires non-spouse heirs who inherited a traditional IRA in 2020 or later to deplete the account within 10 years after the death of the original owner. In addition, in early 2022, the IRS released guidance stating that if the original IRA owner died on or after the date he or she was required to take 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. (Individuals who inherit an IRA before the original owner was required to take RMDs can wait until year 10 to deplete the account.) The IRS waived that requirement in 2021, 2022 and 2023, but as of press time it hadn't issued guidance for 2024.

Requiring heirs to take annual withdrawals could force some individuals to take taxable withdrawals during their highest earning years.

Adult children and other non-spouse heirs who inherit a Roth IRA will also be required to deplete the account in 10 years, but with a critical difference: They won't have to pay taxes on the money, and they won't be required to take minimum distributions, either. Instead, they'll have the option of waiting until year 10 to deplete the account, which means they'll be able to enjoy more than a decade of tax-free growth. **S.B.**

PAY OFF DEBT

If you have high-interest-rate debt, paying it off should be high on your priority list because it drags down on your ability to create wealth. Credit card debt is particularly burdensome because rates tend to run high, and they're variable, moving upward when the Federal Reserve boosts short-term rates. Average rates for currently held credit cards rose from 16.17% in March 2022 to 24.59% in February 2024.

Start by reviewing your credit card statement to find out the amount you owe, how much you're paying in interest and your minimum monthly payment amount. Then consider transferring your outstanding balance to a less costly account. Several card issuers are offering 0% interest rates on balance transfers for anywhere from 12 to 21 months. There may be a transfer fee—typically 3% to 5% of the transfer amount—but during the 0% period, your balance won't accrue any interest, and those savings could easily outweigh the cost to transfer. Make a plan to pay off the balance during the 0% interest period; after it closes, the interest rate will jump up, usually to the credit card's standard rate.

Balance-transfer offers like these are usually limited to those with a FICO credit score of 670 or higher. For example, those with a strong credit score can get 0% interest for 21 months by transferring their balance to the U.S. Bank Visa Platinum card.

If you don't qualify for a generous balance transfer offer, try asking for a better deal on your current card. More than three-fourths of cardholders who asked their issuer for a lower interest rate were successful, according to a 2023 LendingTree survey. The average reduction was about six percentage points.

Manage student loans. Federal education loans have fixed rates, so changes in short-term interest rates won't affect current payments. But you can make moves to keep your loan payments manageable. If you haven't already, consider setting up

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Paying all of your bills on time is the most impactful move you can make to boost your credit score.

automatic payments from your bank account to the loan servicer. This helps to ensure that your payments arrive on time, which contributes to a positive credit history and deflects late fees. It can also earn you some relief on interest. "Most lenders will offer you a quarter percent—or in some cases a half percent—interest rate reduction as an incentive to pay automatically," says Mark Kantrowitz, author of *How to Appeal for More College Financial Aid*.

Meanwhile, federal student loan borrowers should take note that now that the federal student loan payment pause has ended, and interest is accruing on loans again, you can claim the student loan interest deduction on your federal tax return. Depending on how much interest you pay, that deduction could save you a few hundred dollars or more in federal income taxes, Kantrowitz says.

Borrowers saddled with student debt can also reduce their monthly loan payment by switching to an extended or income-driven repayment plan. These plans base your monthly payment on income and family size. But with some plans, you may ultimately pay more in interest over the life of the loan because the repayment period will be longer. However, with the new income-driven plan, SAVE (Saving on a Valuable Education), the balance doesn't grow from accrued interest as long as you make your payment in full each month. If the payment is not enough to cover the monthly interest on the loan, the government covers the rest of the interest that month. You can learn more about the SAVE repayment plan at *https://studentaid.gov/announcements-events/save-plan*. To compare payment-plan options, go to *https://studentaid.gov/manage-loans/repayment/plans*. EMMA PATCH

BUILD A HEALTHY CREDIT HISTORY

A strong credit profile is an important tool as you build wealth. A high credit score can help you nab a lower interest rate on a mortgage and other loans, and it can even affect your auto-insurance premium.

Paying all of your bills on time is the most impactful move you can make to boost your credit score. To ensure that payments arrive by the date they're due, you can set up automatic transfers from your bank account. If you already have overdue bills, pay them off as soon as possible.

Another key credit-score component is your credit-utilization ratio—the percentage of available credit that you use on your credit cards. Keeping the ratio below 30% can help increase your credit score. And avoid applying for multiple credit cards at once. Every application results in a hard inquiry into your credit history, and multiple inquiries that appear on your credit report in a short time can negatively affect your score. Note that when you shop for the best rate on an auto loan or mortgage, credit-scoring company FICO counts the multiple inquiries that may result within a 45-day period as a single inquiry, minimizing the impact on your credit score.

Review your credit report for fraud and errors. Incorrect or fraudulent information that appears on your credit report could damage your credit score, so you should review your reports regularly. At *www.annualcreditreport.com*, you can request free copies of your reports weekly from each of the major credit-reporting companies (Equifax, Experian and TransUnion).

Check your credit reports for errors and signs of fraud, such as unfamiliar accounts that were opened in your name. If you find any problems, you can file a dispute with each company that is reporting the erroneous information by visiting their websites: *www.experian.com/disputes/main.html* for Experian, *www.transunion.com/credit-disputes* for TransUnion and *www.equifax.com/personal/credit-report-services/credit-dispute* for Equifax. You should also notify the company that provided the information in question, such as a credit card issuer that is reporting an account you never opened.

After you file a dispute, the credit-reporting company may contact the business that reported the incorrect information. If the business agrees it reported inaccurate information, it must notify the credit-reporting companies so they can fix your credit history.

Consider a credit freeze. A credit freeze blocks lenders from reviewing your credit file in response to an application for new credit, thwarting attempts by criminals to open loans or credit cards in your name. To place a freeze, you can create an online account with each of the major credit-reporting companies. Go to *www.transunion.com/credit-freeze* for TransUnion, *www.experian.com/freeze/center.html* for Experian and *www.equifax.com/personal/credit-report-services/credit-freeze* for Equifax. You can lift the freeze as needed—say, when a potential lender, landlord or employer wants to perform a credit check. ELLA VINCENT

BUY A HOME (OR NOT)

Homeownership has long been a pillar of building wealth, particularly

in recent years. Property appreciation over the past decade has provided most homeowners with more than $100,000 in equity, according to a 2023 analysis by the National Association of Realtors. The largest wealth gains occurred in high-cost metropolitan areas, the NAR said. In the San Jose metro area, for example, low-income earners accumulated nearly $630,000 in equity over the past 10 years, while middle-income earners gained $643,000.

But those homeowners benefited from historically low mortgage rates and a sharp rise in home values. Today, rising mortgage rates and a low supply of available homes have made owning a home out of reach for many potential home buyers and raised questions about whether homeownership is still a reliable way to build wealth.

Many financial planners say a home is still a good investment, offering advantages other assets lack. Making a monthly mortgage payment is a form of enforced saving, while providing you and your family with a place to live. A fixed-rate mortgage is a hedge against inflation because an economic environment of rising interest rates will never cause your payments to go up (and payments could go down if you're able to refinance at a lower rate). And historically, home prices have risen in value, says David Haas, a certified financial planner in Franklin Lakes, N.J. "Homes are expensive, but it would take a pretty deep recession to decrease prices in any significant way," he says.

Home buyers also benefit from the ability to buy a six-figure (or seven-figure) asset with a 20% down payment, or as little as 3.5% if you qualify for a down payment assistance program. "It's the use of leverage in homeownership that makes it so effective as a wealth-building tool for individuals," says Ralph Bender, a CFP in Temecula, Calif. "When coupled with the benefits of living quarters, it's hard to beat."

Jennifer Anders, 35, of St. Augustine, says she and her boyfriend lived on a 35-foot sailboat for nearly four years so they could save up to buy a home. Rocket Mortgage preapproved them for a mortgage and helped them find a real estate agent, and they purchased a 1,500-square-foot, two-story home in September. They are paying an interest rate of 7.32% on their mortgage, but Anders is hoping to refinance to a 15-year mortgage when rates come down.

"It's a massive investment, but we want to be here in 20 years, and I think the value of this home will be well worth what we're putting into it now," she says.

That said, it's usually a bad idea to buy a home if you think you'll need to relocate in a couple of years, because you're unlikely to recoup the up-front costs. And if you live in a high-cost area, homeownership, no matter how appealing, may be out of reach. Although the outlook for home buyers seems to be improving in 2024 (see "Where the Housing Market is Headed," April), many homeowners are unwilling to sell because they don't want to give up locked-in mortgage rates of as low as 3%. That has reduced the supply of available homes and driven up competition—and prices—for those that are on the market.

If you're a renter, you can still build wealth by funneling money you would have spent on a down payment and other home-related costs into retirement accounts and other savings vehicles. "I've never been a fan of touting homeownership as the primary way for a family or an individual to build wealth," says Michael Hausknost, a CFP in Long Beach, Calif. "The best way to build wealth is still through saving, especially when you can do so in a tax-deferred vehicle." S.B.

CHECK YOUR INSURANCE COVERAGE

Ensuring that you have adequate insurance coverage is a key part of protecting the wealth you've worked to create. Use these general guidelines to check whether your coverage is on track; if you want more help determining your specific needs, enlist a financial adviser or insurance broker to run a review with you.

Insuring your home. For many people, their home is their most valuable asset, so homeowners insurance is critical. Insurance agents and carriers have tools to help you determine what your policy's coverage limits should be, factoring in the replacement value of your home and inflation, says Mark Friedlander, corporate communications director for the Insurance Information Institute.

As many homeowners—especially those in California and Florida—are finding out, securing property insurance at a reasonable price is becoming more of a challenge. Given the growing risks from the effects of climate change, including more-intense storms and wildfires, insurers are becoming increasingly selective about who they'll cover. Some are using sophisticated tools to gauge risk—by reviewing satellite images to check where trees stand on your property and whether you have a trampoline, for example. "Insurers are taking a finer-tooth comb to their risk portfolios and making a lot of nips and tucks," says Amy Bach, executive director of United Policyholders.

You may be able to take steps that increase your ability to get insurance and lower your costs. Florida, for example, has a state program that offers homeowners up to $10,000 to help defray the costs of certain improvements to fortify their homes against storm damage.

A peril that many homeowners overlook is flooding, which is not covered by standard homeowners insurance, Friedlander notes. While 90% of natural disasters involve floods, just 4% of homeowners have flood policies. If your home isn't in an area designated as a flood zone,

The Benefits of an HSA

As the cost of health care continues to escalate, it's critical to protect your wealth from unexpected—as well as ongoing—medical expenses. That is particularly important during retirement because medical costs tend to rise as we age. Fidelity Investments estimates that a 65-year-old couple will spend an average of $315,000 in out-of-pocket medical expenses during retirement—and that doesn't include the cost of long-term care.

One of the most effective—and often underused—tools to manage these expenses is a health savings account. Contributions to an HSA are pretax (or tax-deductible, if your HSA is not provided through your employer), funds grow tax-free, and withdrawals are tax-free as long as the money is used for eligible health care expenses. If you have an individual health insurance plan, you'll be allowed to contribute up to $4,150 in 2024. For family coverage, you can contribute up to $8,300, and if you'll be 55 or older at the end of the year, you can put in an extra $1,000 in catch-up contributions.

To qualify for an HSA, your health plan must have a deductible of at least $1,600, or $3,200 for a family plan. The plan must limit out-of-pocket expenses to $8,050 for self-only coverage, or $16,100 for family coverage.

Many people use funds from HSAs to pay current out-of-pocket medical and dental costs, but if you can afford to cover these expenses from other sources, leaving the money in your HSA is an ideal way to save for medical expenses in retirement, says Ralph Bender, a certified financial planner in Temecula, Calif. "The longer you can let it grow, the better off it's going to be," he says. You can use HSA funds to pay for medical costs that Medicare doesn't cover, as well as monthly premiums for Medicare Part B and Part D and Medicare Advantage plans. You can also use distributions to pay a portion of long-term-care insurance premiums; the amount you can withdraw tax-free depends on your age.

Bender also encourages clients to invest their HSA funds in the stock market, providing an even greater opportunity to benefit from the triple tax advantage the accounts provide. While many of the largest HSAs offer an investment option, research by the Employee Benefit Research Institute found that only 12% of account holders invest in assets other than cash.
SANDRA BLOCK

the cost of flood coverage "is very reasonable," Friedlander says.

If you rent your home, renters insurance to cover your belongings is well worth the price—typically about $15 to $20 a month, says Michael DeLong, insurance research and advocacy associate with the Consumer Federation of America.

Auto insurance. For vehicle liability insurance, Friedlander recommends drivers have $100,000 in liability coverage per person injured in an accident you cause, $300,000 in total liability coverage per accident for bodily injuries, and $100,000 per accident in liability coverage for damage you cause to other vehicles and property. Additionally, collision and comprehensive coverage insures your vehicle against damage from a collision with another object or from other causes, such as storms or flooding. If your vehicle is worth less than $5,000, consider dropping collision and comprehensive coverage to reduce your premium; the amount you'd be compensated for in a claim may be too small to make coverage worthwhile.

Auto insurance premiums have been climbing, up by 20.6% in January 2024 from a year earlier, according to the U.S. Bureau of Labor Statistics. One way to reduce costs is to allow your insurer to track your driving habits via a mobile app or device that plugs into your car's diagnostic port. If you demonstrate good driving habits, such as obeying traffic laws and braking safely, you may get a reduction in your premium.

Other coverage. You might want an umbrella policy, especially if you have significant assets or are vulnerable to exhausting your standard policies (say, because you have a swimming pool or a teenage driver). Umbrella insurance provides coverage if your homeowners or auto insurance claims exceed the liability limits of your existing policies, and it's usually sold in increments of $1 million, up to $5 million. Generally, the yearly premium ranges from $200 to more than $1,000 for a high limit, with an average of about $380 per year for $1 million to $2 million of protection.

Finally, financial planner Kara Sherman says not to overlook protecting intangible assets, such as your income. Failing to ensure that you have enough disability and life insurance could imperil the livelihood of you or your family if you pass away or become incapacitated. "Most people don't look to get coverage beyond what they might have available through their group coverage at work," says Sherman. You can get preliminary quotes from multiple insurers using websites such as AccuQuote.com, LifeQuotes.com and Policygenius.com. ELAINE SILVESTRINI

HIRE AN ADVISER

As you accumulate wealth, you'll probably have a lot of questions: Traditional IRA or a Roth? What's the best portfolio allocation for my age and risk tolerance? Can I afford to retire early?

A financial planner can help you answer these questions and prevent you from making decisions you may later regret. But good advice doesn't come cheap. Many planners use a model known as assets under management, which bases fees on a percentage of the value of your portfolio. For example, if your portfolio is valued at $1 million and the planner charges a 1% AUM fee, you'll pay $10,000 a year for the advice. In exchange, the planner will manage your investments and provide other services, such as tax planning. Typically, the AUM percentage charged declines as your portfolio grows.

This model may work well for individuals who have a large portfolio, but it's probably not realistic for those who are just starting out (and some planners who use the AUM model won't provide services for clients who have less than $1 million in assets). In that case, a planner who charges by the hour or on a subscription basis is probably a better choice. Firms in the Garrett Planning Network (*www.garrettplanningnetwork.com*) provide this type of service. You can expect to pay between $200 and $400 an hour, and some planners require a minimum number of hours. You can also use the Financial Planning Association's tool at *www.plannersearch.org* to find planners who charge by the hour.

Look for an adviser who is a fiduciary, which means the individual must look out for your best interests above his or her own. All certified financial planners are required to adhere to fiduciary standards, so limiting your search to CFPs is a good place to start.

You should also understand how your planner will be paid. A fee-only planner's compensation comes solely from the fees charged for advice. A fee-based planner will charge you for advice but may also earn commissions for selling you specific products, such as long-term-care insurance.

If you have an account at a financial services firm, you may have access to financial planning advice, depending on the amount you have invested. T. Rowe Price, for example, provides clients who have at least $250,000 in their portfolios access to a certified financial planner for a fee of 0.5% of assets. If you're primarily interested in guidance on how to invest your portfolio, you can get low-cost advice from a robo adviser. Robos use sophisticated computer programs to assemble and manage a portfolio, based on your age and risk tolerance. Management fees range from 0% to 0.85% of assets. For example, Vanguard's basic robo service charges 0.15% of assets, with a minimum investment of $3,000. S.B.

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HOW COUPLES CAN TALK ABOUT MONEY

KIPLINGER ADVISOR COLLECTIVE

MONEY can be a contentious topic, especially for romantic partners who have different spending and saving habits, economic backgrounds, or values and beliefs. So it's vital that couples talk about money early in their relationships, helping them to set a strong foundation for their financial future together.

Ensuring that you have these conversations the right way—so that they don't devolve into arguments—is key to your success. Below, five financial experts from the Kiplinger Advisor Collective each share one piece of advice for couples on how to approach money conversations.

Discuss what money means to both of you. We all have money scripts based on our values and experiences. Money means different things to different people. For some, money may mean security or peace of mind. For others, money may mean power or control. It is important to understand your individual money story and allow time for self-reflection. If you and your partner or spouse don't agree, approach the conversation with curiosity. **MARGUERITA CHENG, CEO OF BLUE OCEAN GLOBAL WEALTH**

Share your past and present experiences. Don't start with the numbers. Instead, begin by sharing your experiences with money and how those experiences influence you today. Then review your current financial situation together, going over your income, expenses, debts and assets. Finally, venture into the more complex conversations around understanding your priorities and preferences so you can turn them into a joint plan. **ADAM KOL, CEO OF THE COUPLES FINANCIAL COACH**

Set a near-term goal to achieve together. You're in a team sport, but the team can't win if the goal isn't clear or if both partners aren't on the same page. My wife and I benefited from having a near-term "financial independence" goal to shoot for, rather than a more nebulous "we'll just keep saving for 30 years" goal. Seeing our progress was really motivating and helped align our spending habits with the more immediate goal. **NICK LOPER, FOUNDER OF SIDE HUSTLE NATION**

Avoid divisive terms. Drop the "spender" and "saver" labels. Everybody spends money—just at different times. Spenders spend money now, and savers spend money later. You can think of spending as a choice, and you can think of saving as a strategy. Swap your paradigm from "good or bad" to "now or later" to find creative ways to accomplish your goals. **KIERSTEN SAUNDERS, CO-FOUNDER OF RICH & REGULAR**

Work to understand each other's viewpoints. Share your money stories. Everyone has a unique history and relationship with money that affects how they make decisions now. As partners, you need to understand each other's relationship with money so that together, you can make decisions that accommodate both of your needs. When you disagree with a decision, don't argue your side; instead, find out how your partner landed there. **DANA MIRANDA, CREATOR OF HEALTHY RICH**

The Kiplinger Advisor Collective is a professional organization for personal finance advisers, managers and executives.

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

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A Financial Checklist for Widows

MONEY SMART WOMEN BY JANET BODNAR

I am at the point in my life when more of my friends and family members are becoming widowed. At a time when they are faced with a traumatic personal loss, they also have to deal with the finances and other tasks of daily living, a combination that can be overwhelming.

Stacy Francis is CEO of Francis Financial, in New York City, and author of *Financial Help for Widows: A Complete Resource Guide* (*www.francisfinancial.com/financial-help-for-widows*). I spoke with Francis about the steps widows need to take right away and those that can be delayed.

What would be your top piece of advice to women in this situation? Ask for help. When my father passed away recently, we set up a checklist of all the things that needed to be done in the first two months and divided them among my stepmother, my brother and myself. For example, I notified the Veterans Administration because my father had received a VA disability benefit, which typically can continue to the surviving spouse.

How can you make your job easier? Do one thing at a time. Map out your tasks on paper, which is much less intimidating than keeping them in your head. Each day, tackle a certain number of items, and parcel out what you can.

Widows need to know how much income they can count on. Where should they start? The funeral home typically notifies Social Security, and you should follow up to see what benefits you are entitled to. For instance, if you are age 67 or older, you can get up to 100% of your spouse's benefit amount. But note that if you have been receiving a 50% spousal benefit, that will stop. You can collect a smaller benefit as early as age 60, and you may also qualify for benefits if you're caring for minor children.

What other sources of income can you tap? If your spouse was receiving a pension, you need to know if you are entitled to survivor benefits, and if so, how much. If he was still working, contact his employer to see if he was owed back pay or deferred compensation, or if he had a life insurance policy. If you have a private policy, contact the insurer right away. Policies typically pay out within a week, and for a widow that can be a lifesaver.

What about your expenses? Pay immediate bills for such things as the mortgage, utilities and property taxes. Highlight subscriptions, memberships and other items that can be reduced or canceled. Change the name on things like utility bills to just yours. In more-complicated cases, such as joint accounts with financial institutions, you'll need death certificates, so get at least 15 of them from the funeral home.

PHOTO BY NOAH WILLMAN

To avoid being overwhelmed, tackle one thing at a time and ask for help.

Don't close joint accounts for at least six months in case any checks or payments come into the account for the deceased spouse.

Once you have a handle on your immediate finances, what's next? Start to get a fuller picture of all your assets and liabilities—everything from bank, brokerage and retirement accounts to real estate and outstanding loans. If you don't have all of this information, an estate lawyer, financial adviser or accountant can help do the heavy lifting.

Are there certain traps to avoid? Don't include personal information in the obituary. Keep your spending relatively conservative in the first few months, and don't make any big financial decisions or follow gut reactions like moving hundreds of miles to be closer to your daughter. Wait till a year or two down the line.

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

Lock In High Yields on CDs

BY ELLA VINCENT

SINCE March 2022, the Federal Reserve has raised short-term interest rates 11 times, and yields on certificates of deposit have followed the upward trajectory. According to Bankrate, yields on one-year CDs ended 2023 an average 0.7 percentage point higher than they were at the beginning of the year, and five-year CDs finished the year 0.3 percentage point higher than at the start. In early March 2024, one-year CDs were yielding as much as 5.4%, and yields on five-year CDs were as high as 4.6%.

But the party won't last forever. The Fed will likely lower rates this year, possibly announcing cuts this summer. And some banks, anticipating rate reductions, are already starting to trim CD yields. So especially for longer-term savings that you won't need to access in an emergency, "now is the time to lock in rates," says Greg McBride, chief financial analyst at Bankrate. "They're not getting any higher."

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.

If you won't need the money for several years, investing in a five-year CD rather than a shorter-term CD is probably the best choice, says McBride. You'll be able to hold on to a decent yield for a longer period. Alternatively, you can create a CD ladder, spreading your savings across CDs with terms of one, two, three, four and five years. When a CD comes to maturity each year, you can cash it out if you need to use the money elsewhere or reinvest the funds in a five-year CD, continuing the ladder.

The table at right lists top-yielding CDs that are available nationwide. You can also check websites such as *www.bankrate.com*, *www.cdvalet.com* and *www.depositaccounts.com*, all of which allow you to enter your state or zip code to find the highest rates available at local institutions.

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

TOP-YIELDING SAVINGS

Taxable Money Market Mutual Funds	30-day yield as of Feb. 27	Minimum investment	Website
Gabelli U.S. Treasury MMF (GABXX)	5.42%	$10,000	gabelli.com
DWS Govt & Agency MF (DTGXX)*	5.39	1,000	fundsus.dws.com
Columbia Govt MMF (IDSXX)*	5.27	2,000	columbiathreadneedleus.com
T. Rowe Price Cash Res (TSCXX)*	5.25	2,500	troweprice.com

Tax-Free Money Market Mutual Funds	30-day yield as of Feb. 26	Tax eq. yield 24%/35% bracket	Minimum investment	Website
Fidelity Municipal MMF (FTEXX)	3.30%	4.34%/5.39%	$1	fidelity.com
Amer Cent T-F MMF(BNTXX)	3.27	4.30/5.34	2,500	americancentury.com
Fidelity Tax-Exempt MMF (FMOXX)*	3.24	4.26/5.29	1	fidelity.com
BNY Mellon Ntl Muni (MOMXX)	3.20	4.21/5.23	10,000	bnymellon.com

Savings and Money Market Deposit Accounts	Annual yield as of March 1	Minimum amount	Website
Milli Bank (Neb.)§	5.50%	$0	milli.bank
First Internet Bank (Ind.)†	5.36	1,000	firstib.com
My Banking Direct (N.Y.)†	5.35	500	mybankingdirect.com
Brilliant Bank (Kan.)†#	5.35	1,000	brilliant.bank

Certificates of Deposit 1-Year	Annual yield as of March 1	Minimum amount	Website
ConnectOne Bank (N.J.)^	5.40%	$500	connectonebank.com
Alliant Credit Union (Ill.)†&	5.40	1,000	alliantcreditunion.org
Bask Bank (Texas)†	5.40	1,000	baskbank.com
First Flight FCU (N.C.)&	5.38	10,000	efirstflight.com

Certificates of Deposit 5-Year	Annual yield as of March 1	Minimum amount	Website
First Internet Bank (Ind.)†	4.61%	$1,000	firstib.com
BMO Alto (Ill.)†	4.60	0	alto.bmo.com
First Nat. Bank of America (Mich.)	4.55	1,000	fnba.com
Pima CU (Ariz.)&	4.53	250	pimafederal.org

*Fund is waiving all or a portion of its expenses. §Bank operates primarily through a mobile app. †Internet only. #Money market deposit account. ^CD term is 11 months. &Must be a member; to become a member, see website or call. SOURCES: Bankrate, DepositAccounts, Money Fund Report (iMoneyNet).

TOP-YIELDING CHECKING

Must meet activity requirements*

Account Issuer	Annual yield as of March 1	Balance range^	Website
Pelican State CU (La.)&	6.05%	$0–20,000	pelicanstatecu.com
Andrews FCU (Md.)&	6.00	0–25,000	andrewsfcu.org
Oklahoma Central CU (Okla.)&	6.00	0–10,000	oklahomacentral.creditunion
Orion FCU (Tenn.)&	6.00	0–10,000	orionfcu.com

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

YIELD BENCHMARKS

	Yield	Month ago	Year ago
U.S. Series EE savings bonds	2.70%	2.70%	2.10%
U.S. Series I savings bonds	5.27	5.27	6.89
Six-month Treasury bills	5.27	5.15	5.20
Five-year Treasury notes	4.17	3.80	4.27
Ten-year Treasury notes	4.19	3.87	4.01

As of March 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

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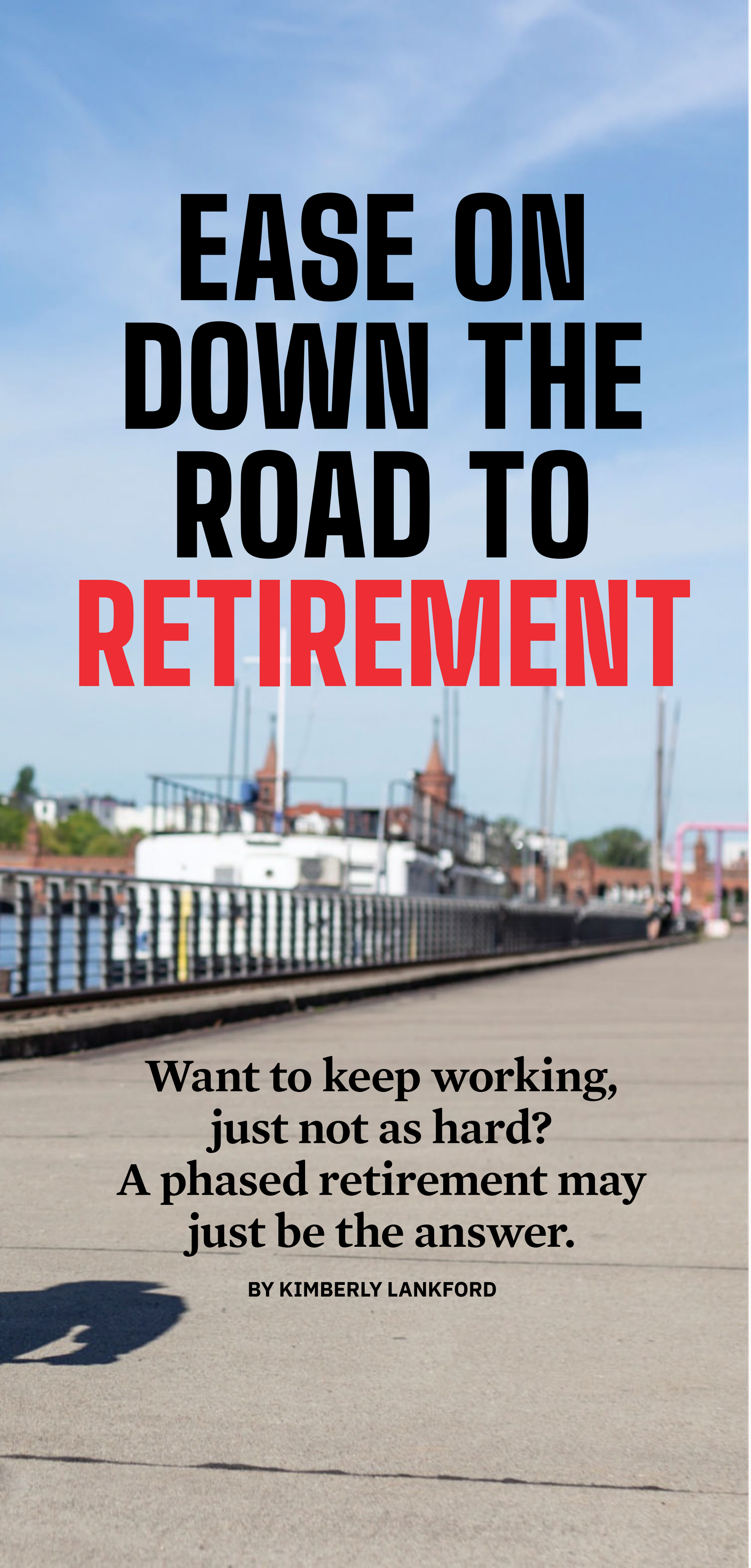

EASE ON DOWN THE ROAD TO RETIREMENT

Want to keep working, just not as hard? A phased retirement may just be the answer.

BY KIMBERLY LANKFORD

YOU may have spent decades saving for retirement, waiting for the day when you could step back from long hours at work and do what you want with your time.

But stopping work entirely can be difficult, especially if you love certain aspects of your job. Phasing into retirement—continuing to work part-time, even for just a fraction of your original salary—can provide the perfect balance and make a big difference in your retirement security. The option is increasingly popular: A 2023 survey by Principal Financial found that more than half of workers want to gradually reduce their hours before they eventually stop working.

Flexible retirement can look very different from person to person, depending on the semi-retiree's preferences and career type. Some people retire from their full-time job and do consulting work in a related field or contract work for their former employer. Others switch to another type of work—taking a part-time job with a nonprofit or a business they've always been interested in, for example, or exploring flexible gig work.

Some others continue to work part-time for their longtime employer, and they may even get health insurance, participate in the 401(k) plan and receive other benefits if they work a certain number of hours each week. "A lot of companies are moving in that direction because there's a benefit to keeping the institutional knowledge that long-tenured, loyal employees have," says Judith Ward, a certified financial planner and thought leadership director for T. Rowe Price.

Ward knows about phased retirement from experience. After decades of helping clients prepare to retire, she wasn't sure what she wanted to do next as she was approaching age 60 herself. "I was agonizing about not knowing what I would do in retirement, even though I knew I wanted to move in that direction," she says. "I wanted to go part-time and have time to figure it out."

Ward asked her employer about her options. She discovered that she could still qualify for employee health insurance if she worked at least 20 hours per week and that she could continue saving in the company's 401(k), too. Last October, she cut back to working 2½ days each week, and she couldn't be happier. "It's more comfortable to work longer in this way than with the grind of full-time work," says Ward, now 61. "It is a nice balance of work and exploring what happens when I stop work altogether. I can play pickleball on Fridays because I'm not working."

Flexible retirement has taken a different form for some of her colleagues. Some work five mornings a week and take the afternoons off, while another colleague alternated months. "He would do project work, and then he'd be off for a month or two," says Ward. "But when he was back, he would generally work five days a week in the office."

Nearly two-thirds of large employers have helped their workers come up with a plan for phased retirement, according to Principal Financial, but smaller companies are less likely to allow the arrangement. If you work for a company that is willing to consider it, you may have a better shot at getting the terms you want if you approach your manager well before you're ready to scale back. Ward recommends talking to your manager about a year before you're planning to make the change.

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If your employer doesn't offer flexible retirement options, you could try freelance consulting—setting the groundwork to build your business before you leave your full-time job.

Have a plan in mind before you discuss a potential transition so that you're ready to explain how you can do your job part-time and continue to add value to the company. If your employer isn't thrilled with the idea, you'll have plenty of time to decide whether to continue working full-time or to think of another way to cut back, whether through consulting, freelance assignments or a part-time job with a different company. "Over the course of the year, you can try to network or have something lined up," she says.

Ward also recommends talking with the human resources department to learn more about the impact on your benefits. Since she's working half-time, she gets half her previous salary and must contribute more toward her premium for the health insurance plan. But health coverage is a valuable benefit until she qualifies for Medicare at 65. Each employer's requirements are different, so it's important to nail down the details of any coverage that may be available.

LOOKING BEYOND YOUR EMPLOYER

If your employer doesn't offer flexible retirement options, you could use your skills to do freelance consulting—setting the groundwork to build your business before you leave your full-time job—or take a part-time job in another field entirely. "I think that the changing nature of work has really helped retirees or those transitioning to retirement," says Ward. "It has made that transition easier because remote and gig work are available. It adds to that idea of flexibility."

To remain competitive, work on staying healthy and keep your job skills up to date, says Catherine Collinson, president and CEO of the Transamerica Center for Retirement Studies. "These factors can enhance one's negotiating power to work and someday retire on their own terms."

If you already have your own business, you can still find a way to cut back. Ed Emerman, 67, ran a small public relations agency in Princeton, N.J., for 30 years and had worked in corporate PR roles for 10 years before that. His wife, Wendy, 64, had a long career as a technical writer. After their grandson was born two years ago, the Emermans started thinking about retirement. "About a year ago, Wendy and I both decided it was time to either fully retire or reduce the number of hours we work each week," Ed says. "We opted to try and phase into retirement, given that we both enjoy the work we do and weren't sure we were ready to retire cold turkey."

They approached Wendy's employer and Ed's clients to see whether they would be amenable to a reduced work week. "As it turned out, her employer and my clients were both very willing to accommodate our requests. They valued our services and wanted to keep us around, even at a reduced level." Wendy's employer let her stay on the company health insurance policy and continue contributing to her 401(k) even though she was working just two days a week.

The couple moved to Charlotte, N.C., to be closer to their daughter and son-in-law and enjoy the lower cost of living and warmer climate. They have more time to travel to Arlington, Va., to visit their other daughter, son-in-law and grandson, too.

"The arrangement has been terrific," Ed says. "It has given us time to set up our new home near Charlotte, do some traveling, spend time with our grandson, play more golf and become involved in our active-adult community."

After one year of phased retirement, Wendy decided to fully retire at the end of January. Her health insurance benefits ended, so Ed signed up for Medicare, and Wendy will continue her former employer's health insurance through COBRA until she is 65 and eligible for Medicare, too. (COBRA is a federal law that lets you keep your employer's health insurance for up to 18 months after you leave your job, but your premiums usually jump because your employer no longer helps pay the cost.) "It gives us peace of mind," Ed says.

Ed still works two days a week for his PR firm. But, he says, "if I find myself wanting more free time, I will gladly take down the shingle and look back at my career in public relations with fond memories and no regrets."

JUMPING BACK IN AFTER A BREAK

If you fully retire but later come back to the workforce, you're part of another trend: unretirement. That's what Donna Skeels Cygan wound up doing. Skeels Cygan, a CFP in Albuquerque, sold her financial planning firm in 2007 with a two-year noncompete clause in the contract. She worked for the company that bought her firm for one year, and after that she planned to retire and work on writing her book, *The Joy of Financial Security*. She didn't think she would meet with clients anymore.

But her former clients kept asking her whether she'd work with them again. "I missed my clients so much that I went back with a business model that was very small," she says. Instead of taking on as many clients as she had in the past, she focused on a few—not necessarily the wealthiest, but those she enjoyed working with the most. "I really worked hard on soul-searching about whether I wanted to come back and how I could

KIPTIP

BEWARE: YOUR EARNINGS COULD REDUCE SOCIAL SECURITY PAYMENTS

If you're thinking about supplementing your income from a job with Social Security benefits, your benefits could be temporarily reduced. The earnings test affects individuals who claim benefits before they reach full retirement age and continue to work.

In 2024, Social Security will withhold $1 of your benefits for every $2 you earn over $22,320. If you reach full retirement age this year, Social Security will withhold $1 for every $3 you earn over $59,520, but only up to the month you reach full retirement age. Once that happens, you can earn as much as you want without worrying about the earnings test.

If you end up being subject to the earnings test—because you started claiming benefits at 62 while retired and then went back work, for example—the forfeited benefits aren't lost forever. Instead, your monthly benefit amount will be adjusted upward in the month you reach full retirement age to account for the benefits that were temporarily taken away. For more information, see *www.ssa.gov/benefits/retirement/planner/whileworking.html*.

come back without getting sucked into working 24/7 again," she says.

She started her new company in 2010, sold it at the end of 2019 and worked with the new owner for two years to help with the transition. She retired in November 2021, when she was a few weeks shy of 64. Now she's working on a second book—about personal finance for women older than 50—and she writes a financial column for the *Albuquerque Journal*. She may eventually expand her writing career.

"None of this is concrete," she says. "You need to stay flexible and look for opportunities that will keep you happy."

REAPING THE FINANCIAL BENEFITS

A phased retirement (or unretirement) can make a significant difference in your financial readiness for full retirement. According to surveys from the Transamerica Center for Retirement Studies, most people cite financial reasons for working past traditional retirement age, such as a need for additional income, or concerns about Social Security or inadequate savings, Collinson says.

Those who want to continue working in retirement also cite health and aging-related reasons, such as staying active, keeping their brain alert and having a sense of purpose, she says.

You can reap extra financial benefits if you know a few key strategies. "Not having to tap into your retirement assets for just a few more years, coupled with being able to delay Social Security, can be significant," says Ward.

Consider the following benefits to make the most of a phased retirement:

Preserve your retirement savings—and sock away even more. Even if you earn much less than you earned from full-time work, the extra money can help minimize the amount you withdraw from your retirement savings for a few years, leaving more money to grow in your tax-advantaged accounts.

Continuing to contribute to your retirement savings can give you a leg up, too. You may still qualify to contribute to your employer's 401(k) and receive an employer match. And you can contribute to a Roth IRA as long as you have earned income from a job. In 2024, people 50 and older can contribute up to $8,000 (or the amount you earned from working, if less). You can contribute to a Roth IRA for 2024 only if your modified adjusted gross income is below $161,000 if single or $240,000 if married filing jointly. If you earned too much to contribute to a Roth in the past, you may qualify after you partially retire.

You won't get a current tax break for Roth contributions, but the money grows tax-free, and you won't have to take required minimum distributions from the account.

Increase lifetime income by delaying Social Security. The extra income you earn from working part-time can help you afford to postpone claiming Social Security benefits, which could boost your monthly payout when you finally sign up.

Full retirement age is 66 for people born from 1943 to 1954 and gradually increases, by two months for each birth year, until it reaches age 67 for people born in 1960 and later. Claiming benefits at age 62 rather than your full retirement age can reduce your annual benefits by as much as 30%, depending on the year you were born. Another good reason to wait until at least full retirement age to apply for benefits: You can earn any amount of money without triggering the earnings test, which temporarily reduces benefits for those who have earnings above a specific threshold (for more on the earnings test, see page 57).

If you wait past your full retirement age to claim benefits, your payouts get a boost. For each year you delay between full retirement age and age 70, your annual benefits will increase by 8%. "Not only is there a lot more of a benefit, but the annual cost-of-living adjustment is based on a higher base amount of benefit, so the growth of future benefits has a compounding effect," says Mitchell Freedman, a CPA and personal financial specialist in Westlake Village, Calif.

"Being able to delay Social Security really is a big deal," says Ward.

If your employer offers health insurance to part-time workers, that coverage could make a big difference in your finances if you're not yet eligible for Medicare.

"It's an inflation-adjusted source of income that you're going to have for the rest of your life." (For more on deciding the age at which to claim benefits, see "When Should You File for Social Security?" April.)

Qualify for larger Social Security benefits. The Social Security formula looks at average monthly earnings, adjusted for inflation, for the 35 years that your earnings were highest. Working a few extra years, even part-time, could replace years in the formula that you had little or no earnings.

That's especially helpful for women who took some time off in the middle of their careers to raise their children, says Skeels Cygan. "When you look at my top 35 years, I have at least six years with $0 earnings when I was having our kids and decided to take some time off, and two years when I was studying to become a CFP," she says. "Even if you're working part-time, you can replace those zeroes, and that can be significant."

You can check your Social Security earnings record by logging in to your my Social Security account online (*www.ssa.gov/myaccount*). You should also check your earnings record for errors that could lower the amount of your benefits. "It doesn't happen often, but we've seen enough cases of an incorrect earnings history to recommend everyone check their records," says Tim Steffen, director of advanced planning for Robert W. Baird & Co.

Get health insurance before age 65—at a reasonable price. If your employer lets part-time workers continue to receive health insurance benefits, taking advantage of that can make a big difference in your finances if you stop full-time work before you're eligible for Medicare. You may have to pay a higher premium than you did when working full-time, but it's often a better deal than getting your own coverage in your sixties.

If your employer doesn't offer health insurance, you can get a policy on the Affordable Care Act marketplace at HealthCare.gov or your state exchange (type your zip code at *www.healthcare.gov* to find your exchange). Because your income is likely lower than it was when you were working full-time, you may qualify for a significant subsidy to help with premiums. Estimate your costs and how much of a premium reduction you may get using the calculator at *www.kff.org/interactive/subsidy-calculator*.

If you're self-employed and have to buy your own health insurance, your premiums may be tax-deductible; see *www.irs.gov/forms-pubs/about-form-7206*.

You can enroll in Medicare when you turn 65. But if you're still working, even part-time, be aware of the high-income surcharge. You may have to pay more for Medicare Part B and Part D if your modified adjusted gross income exceeds specific thresholds—more than $103,000 if single or $206,000 if married filing jointly on your most recent income tax return on file (which was generally your 2022 return when 2024 premiums were set). Most people will pay $174.70 per month for Medicare Part B in 2024, but high earners can pay from $244.60 to $594.00, depending on their income.

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However, if your income has dropped since you filed your return because of certain life-changing events, including retirement from your full-time job, you can ask the Social Security Administration to use your more recent income when calculating your Medicare premiums. For details, see *www.ssa.gov/medicare/lower-irmaa*.

Do a Roth conversion. Skeels Cygan recommends that people in a phased retirement convert some money from a traditional IRA or 401(k) to a Roth IRA and use earnings from work to pay the taxes on the conversion. A Roth conversion can make sense when you scale back at work because lowering your income may reduce the amount of tax you pay.

The money you convert from a traditional IRA or 401(k) to a Roth grows tax-free and isn't subject to required minimum distributions. You can withdraw money from the Roth without it increasing your modified adjusted gross income—and possibly incurring a Medicare high-income surcharge or raising your tax bracket in the future.

"I recommend that they do it over several years," says Skeels Cygan. Because taxable conversions could make you subject to the Medicare high-income surcharge, the best time to do them is before the surcharge becomes a concern. And since the high-income surcharge is generally based on a two-year look-back, you may want to avoid or limit conversions once you reach age 63.

You can also use the extra money from a phased retirement to pay down debt and build your emergency fund, which becomes even more important after you stop working. And you can pad your travel fund—using the extra money to visit grandkids or go on a big trip, for example—without depleting your retirement savings. K

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

SPOTTING GREAT DIVIDEND STOCKS

They've lagged lately but are due for a comeback. Here's what to look for.

PRACTICAL PORTFOLIO BY KIM CLARK

DIVIDEND investors tend to be patient, but lately their patience has been tested. Dividend stocks have badly lagged the rest of the market recently. The S&P Dividend Aristocrats—a list companies in the S&P 500 index that have raised their dividends for at least 25 years in a row—have returned less than 10% over the 12 months that ended February 29. The S&P 500 gained more than 30% over the same period.

A major reason for the recent underperformance is the surge in interest rates that began in 2022. When rates on Treasury securities and cash accounts were stuck below 1%, dividend stocks' yields were attractive by comparison. But with short-term Treasury securities and cash accounts paying more than 4%, compared with the S&P 500's current yield of 1.5%, dividend stocks have been a tougher sell. That could change with expected rate cuts from the Fed later this year.

And dividends are far from dead. Meta Platforms, the owner of Facebook, one of the "Magnificent Seven" technology-oriented stocks that have driven most of the stock market gains of the past year, paid its first regular dividend in early 2024. That means the majority of the Magnificent Seven stocks now pay dividends. And more than two-thirds of S&P 500 companies have raised or started paying dividends since January 2023, according to S&P Dow Jones Indices.

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↑ **Visa yields less than 1% but has a big cash buffer and good prospects for earnings and cash-flow growth.**

The way back. As overall stock valuations approach historically high levels, some analysts say that stock price gains can't help but slow, making dividends a more significant portion of future stock returns. And don't overlook the defensive quality of dividends. Thanks to their regular cash payments, dividend stocks tend to be less volatile and serve as buffers during recessions and bear markets. For example, the S&P 500 lost more than 18% in 2022, but the Dividend Aristocrats lost only about 6%. "With economic growth expected to moderate in 2024, and the potential for recession lingering, dividends may take a more prominent role in driving total returns for investors," says Diana Wagner, a portfolio manager at Capital Group.

Dividend stocks are not all alike, and interested investors should first figure out what kind of dividend payer fits their needs. Retirees looking for immediate income often focus on companies paying comparatively generous dividends, for example. Those who have a longer time to invest might look for companies with lower current yields but a higher

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probability of raising their payouts and at a faster rate. Whatever kind of dividend you're looking for—high yield, high growth or the holy grail of both—professional dividend investors say to consider three factors.

Dividend yield. Yields vary by sector and industry. Real estate, energy and utilities companies generally pay at least 3%. Some niches in declining industries, such as tobacco companies, pay out high dividends because they no longer invest much in growth and focus on generating cash for shareholders. Technology and communications firms, as well as companies that provide nonessential consumer goods or services, have low average yields—currently less than 1%, according to S&P Dow Jones Indices.

Just try not to be dazzled by the highest yields. Generally speaking, a super-high yield, or a sudden jump, can signal a troubled company whose stock price is sinking, or it may simply indicate an unsustainably high payout. Michael Tang, a portfolio manager for the Hamlin High Dividend Equity fund, is careful about reaching too far for yield. For example, although some real estate investment trusts currently yield more than 9%, Tang's only REIT is ***Lamar Advertising (symbol LAMR, $111)***, which yields 4.7%. With a focus on billboards, Lamar has avoided problematic commercial real estate and retail properties, Tang says.

Payout ratio. One way to tell whether a company can afford to keep paying—and potentially raise—its dividend is to look at the percentage of earnings it pays out as dividends, known as the payout ratio, says Stephen Horan, an associate professor of finance at the University of North Carolina Wilmington. Although the average payout ratio for the S&P 500 was recently about 36%, this, too, varies by industry. Technology companies pay out, on average, only about 21% of their profits, retaining the rest for internal investments, such as research. Energy companies have recently been paying about 50% of their profits to investors. Just as with dividend yields, a high number is a warning sign, Horan says. But it's important to look at this measure over time, because some companies can have a high ratio during one bad year but then recover. Consistently paying out more than about 75% leaves little buffer for potential trouble, Horan says.

Dividend investors should also pay close attention to a company's free cash flow (the cash left over after expenditures to operate, maintain and expand the business) because that's where dividends come from. Mike Barclay, senior portfolio manager of the Columbia Dividend Income Fund, says a big cash buffer is what attracted him to payment company ***Visa (V, $283)***, which he recently added to the fund's holdings. Its dividend is low; Visa yields less than 1%. But Barclay expects earnings and cash flow to continue to grow. "What you want is a strategy that's going to allow you to consistently compound returns and have the dividend grow in a healthy fashion," he says.

History. A commitment to a steadily rising dividend is a sign of capital discipline, says Barclay. Fledgling companies husband their cash to invest in expanding their business. Less-mature companies with a surplus of cash tend to spend it on buying back company stock (or, sometimes, ill-advised investments). "Stock buybacks are like dating," he says, because companies can stop them at any time without consequence. "Dividends are like marriage" because companies that cut them are typically punished harshly by investors. Meta's decision to start paying a dividend is "a good start," says Barclay. But he will wait at least a year to see whether the company follows up with a commitment to regular dividend increases. In the meantime, he's bullish on ***Microsoft (MSFT, $413)***, which is the second-biggest holding of Columbia Dividend Income. Microsoft's yield is just 0.7%, but it has raised its dividend every year for the past 18 years—proving that paying a dividend doesn't have to hamper investment or growth.

Dividend stocks are not all alike, and interested investors should first figure out what kind of dividend payer fits their needs.

An easy way to invest in a diversified basket of dividend payers is with a well-run dividend-oriented fund. You might consider ***T. Rowe Price Dividend Growth (PRDGX)*** or ***Vanguard Equity Income (VEIPX)***, both members of the Kiplinger 25, the list of our favorite actively managed funds. (For more on the Kip 25, see "A Solid Year for the Kiplinger 25," on page 18.) ***Schwab U.S. Dividend Equity (SCHD)*** is a member of the Kiplinger ETF 20, the list of our favorite exchange-traded funds. The Schwab fund tracks the Dow Jones U.S. Dividend 100 index, a list of companies that have paid dividends for at least 10 consecutive years and have strong balance sheets.

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Navigating a Gray Divorce

Divvying up assets accumulated over many years of marriage can be complicated.

FAMILY FINANCES BY ELLA VINCENT

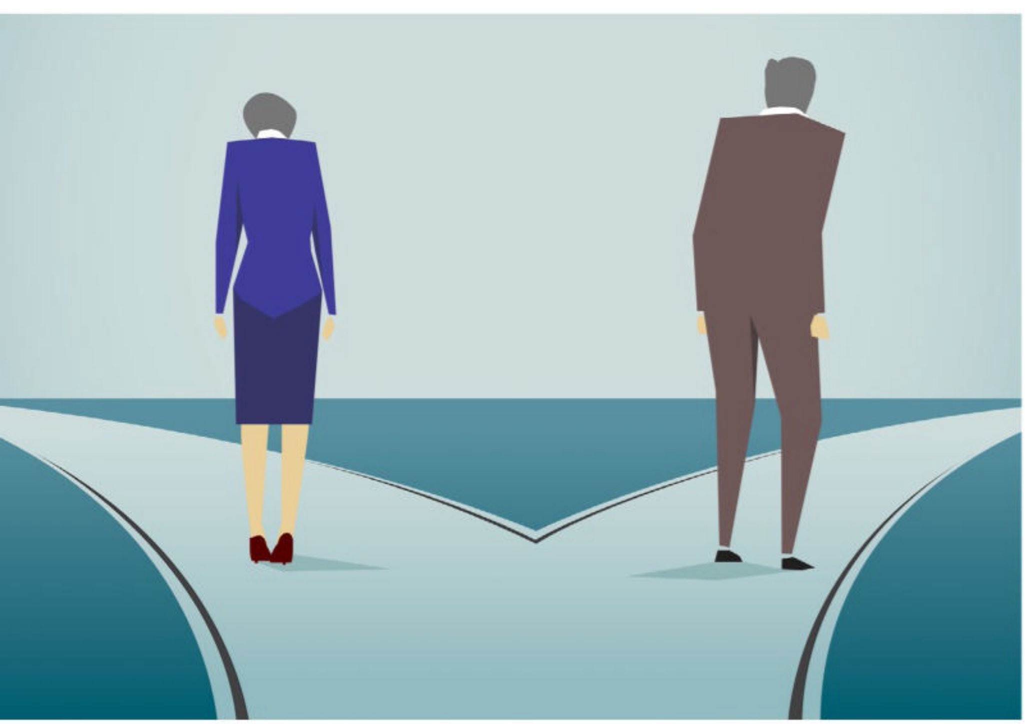
"TILL death do us part" no longer applies to a growing number of older couples. A Bowling Green State University study found that between 1990 and 2021, the divorce rate more than doubled for those ages 55 to 64, and the rate tripled for those 65 and older.

"People are living longer, they are healthier, and divorce doesn't have the stigma it used to have," says Lili Vasileff, a certified financial planner and an expert on the financial aspects of divorce. But a late-in-life divorce can come with plenty of challenges.

Equal versus equitable split of assets. How your assets will be divided in a divorce depends on where you live, Vasileff says. If you're in one of the nine community property states—Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin—assets acquired during your marriage will be divided equally.

All the other states are equitable distribution, or "kitchen sink," states in which assets acquired during your marriage are split based on the spouses' individual incomes, Vasileff says. In that case, the lower-earning spouse may be entitled to a larger share of assets than the higher-earning spouse so that the lower earner can maintain his or her standard of living after the divorce.

Although Alaska and Florida are equitable distribution states, divorcing couples have the option of filing a community property agreement to divide assets 50-50 through a community-property trust. However, they must create the trust before divorce proceedings begin.



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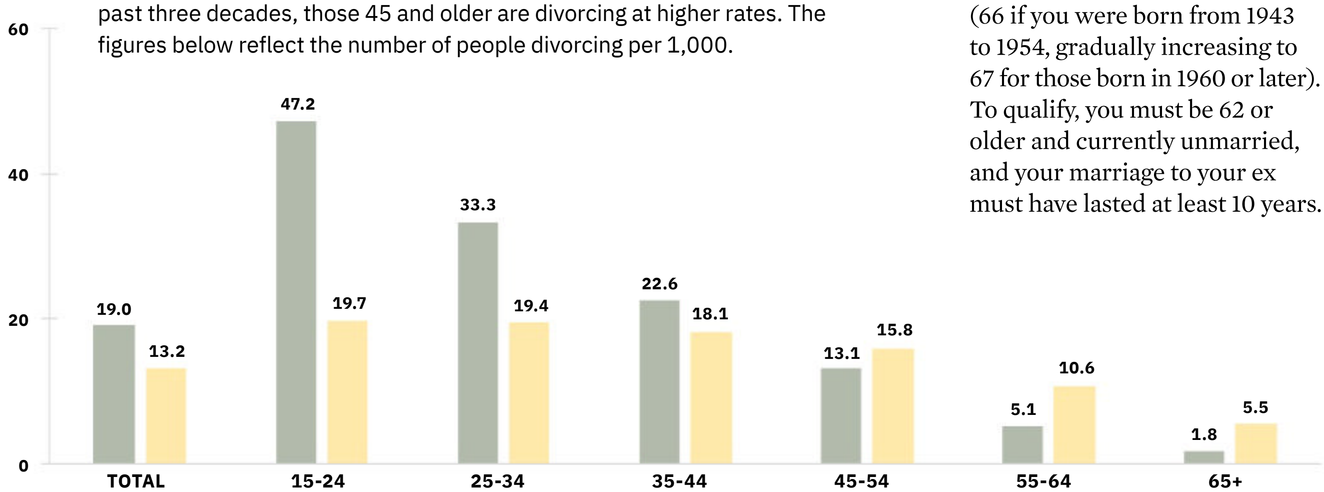
Retirement accounts. The rules for splitting assets in retirement accounts depend on the type of accounts you own. Plans covered by the Employee Retirement Income Security Act (ERISA), which include 401(k) plans and pensions, must be divided through a qualified domestic relations order. A QDRO is issued by a court or state agency and recognizes a divorcing spouse's right to receive all or a portion of the account owner's defined-contribution plan or pension.

There are two ways to divide plan assets using a QDRO. In a separate-interest QDRO, the spouse who is the nonparticipant in the retirement plan can collect benefits even if the owner of the plan hasn't retired, Vasileff says. In a shared-interest QDRO, the nonparticipant—known as the alternate payee—is awarded a share of the ex-spouse's benefits after he or she retires. Under a shared-interest approach, for example, your ex-spouse would be required to wait until you retire to receive payments from your pension.

Once both parties agree to the terms, the account owner gives the document to the plan administrator, and the QDRO must be certified by the court. A few

Divorce Rates Tick Up for Older Americans

Although divorce rates among younger Americans have dropped over the past three decades, those 45 and older are divorcing at higher rates. The figures below reflect the number of people divorcing per 1,000.



1990
2021

SOURCE: Bowling Green State University

months may pass before the order is implemented. Vasileff recommends contacting the administrator of your pension or retirement plan and your divorce attorney for additional guidance on how to divide your 401(k) funds or pension with your ex-spouse.

A QDRO isn't required to divide IRAs that you accumulated during your marriage, but you will need a divorce decree. If you agree to transfer funds from your IRA to your ex-spouse's account (or vice versa), Vasileff recommends using a trustee-to-trustee transfer. That way, you'll avoid incurring early-withdrawal penalties and income taxes on the withdrawals.

Once you've finalized your divorce, make sure to remove your ex-spouse as a beneficiary for your retirement, bank and brokerage accounts, along with your insurance policies.

Alimony and child support. Even older couples may still need to negotiate alimony and child support—and those obligations don't necessarily end when the children are no longer minors.

Andy Heller, 61, a real estate investor and author of *Take the High Road: Divorce with Compassion for Yourself and Your Family,* divorced in 2014 after eight years of marriage.

After Heller's divorce, he started paying about $7,000 a month in alimony and $5,000 a month in child support for his children, Lily, 18, and Jacob, 16. But because Heller is an entrepreneur, he negotiated an agreement with his ex-wife that reflects fluctuations in his income. "If my business is suffering like it did during the Great Recession [in 2007–09], I have the right to ask that her alimony be reduced."

Heller's financial responsibilities for his children won't stop when they reach 18 because he plans to help pay for their college tuition. Vasileff recommends including details on how to divide the cost of tuition and other college expenses in your divorce agreement.

Social Security. When calculating how divorce will affect your retirement income, you'll need to understand the amount you'll receive in Social Security benefits. That's particularly important if you were the lower-earning spouse, because there's a good chance you'll be able to receive benefits based on your ex's earnings history.

You (or your ex, if you were the higher earner) are eligible for up to 50% of your ex-spouse's benefit, although the amount will be reduced if you file before you reach full retirement age (66 if you were born from 1943 to 1954, gradually increasing to 67 for those born in 1960 or later). To qualify, you must be 62 or older and currently unmarried, and your marriage to your ex must have lasted at least 10 years.

In addition, if your ex qualifies for benefits but has yet to apply, you can still start collecting Social Security based on the ex's record, though you must have been divorced for at least two years. Claiming benefits on your ex-spouse's record has no effect on his or her benefits or the benefits of your ex's new spouse.

"If your ex-husband or ex-wife gets 50% of your Social Security, you'll still get 100% of your benefits," Vasileff says.

For more information about your eligibility to claim your former spouse's benefits, contact your local Social Security office or visit *www.ssa.gov.*

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

SUPERCHARGE COLLEGE SAVINGS WITH A 529 PLAN

The sooner you start, the more money you'll have for your child's education.

BASICS BY EMMA PATCH

YEAR after year, the cost of higher education continues to climb, and many parents face the troubling prospect that expenses could increase significantly more by the time their kids get to college. Investing in a 529 college-savings plan offers tax and financial aid benefits, and it gives your savings the opportunity to grow in the stock market.

A 529 plan is a state-sponsored college education savings account. Withdrawals are tax-free as long as the money is used for qualified educational expenses, which include tuition and fees, books, supplies, and room and board. In addition, two-thirds of states offer an income tax break for contributions to the state's 529 plan.

Another benefit is that 529s are treated favorably for purposes of financial aid. When a prospective student applies to college, assets that the student owns are usually weighed more heavily than the parent's assets when determining eligibility for financial aid. However, if the prospective student is a 529 beneficiary or is the owner of a 529 account, assets in the plan are treated as a parent asset, which helps to maximize aid, says Mark Kantrowitz, author of *How to Appeal for More College Financial Aid.*

Generally, you can invest in any state's 529 plan regardless of where you live, although a handful of states limit their plans to residents. Investing in your own state's plan may provide a tax break, but you should also pay attention to fees and investment options when choosing a plan. Compare state plans at *www.savingforcollege.com*.

To get the most benefit from tax-free growth, you should start investing in a plan as soon as possible. If you make a monthly contribution of $200 for 18 years, for example, with an average gain of 7% a year, you'll have about $84,000 when the child is ready to enroll in college. You can crunch the numbers yourself with the calculator at *www.bankrate.com/banking/savings/simple-savings-calculator.*

When you invest the funds in your 529, you'll generally have a choice between a dynamic plan or a static plan. A static 529 plan invests all of your contributions in index funds or a similar portfolio, while a dynamic portfolio—also known as an age-based plan—adjusts the asset allocation each year, becoming progressively more conservative as the first year of college approaches. The age-based allocation typically offers a range of investment strategies, from low risk to aggressive.

To get the most benefit from tax-free growth, you should start investing in a plan as soon as possible.

Using your 529 funds. If you withdraw money from a 529 plan for nonqualified purposes, you'll pay federal income taxes and a 10% penalty on the earnings. However, if it turns out your child doesn't need all of the money—because he or she decides not to attend college, for example—you can transfer the plan to another relative or name yourself as the beneficiary if you're interested in pursuing a college degree.

You may also be able to roll unused 529 funds into the beneficiary's Roth IRA. To qualify for a rollover, the 529 must have been open for 15 years or more, and the amount you can roll over each year is limited to the standard IRA maximum contribution ($7,000 in 2024 for those younger than 50). There's also a lifetime cap for Roth IRA rollovers of $35,000 per beneficiary. In addition, the amount you roll over must have been in the account for at least five years, says Mary Morris, CEO of Virginia529. There are also restrictions on the timing of withdrawals. "So even if you've had the account for 15 years, you can't dump a bunch of money in and the next week or the next month move it into a Roth," she says.

You can contact the author at Emma.Patch@futurenet.com.

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REWARDS

FIND THE PERFECT CRUISE

In the wake of the pandemic, cruises are more popular than ever—and the choices are plentiful.

BY LAURA PETRECCA

MENUS created by Michelin-star-earning chefs. Entertainment that rivals Broadway shows. "Virtual balconies" that give those in windowless rooms real-time views of the ocean outside the ship on floor-to-ceiling multimedia screens.

With their massive size, myriad onboard experiences and technical ad-

vances, modern cruise options make the Love Boat look like a dinghy.

"The cruise of today is much different than the cruise of five, 10 or 30 years ago," says Colleen McDaniel, editor-in-chief of Cruise Critic, a website that provides cruise reviews and information.

Depending on the cruise, travelers can enjoy onboard amenities such as an art gallery, ice skating rink, rock climbing wall, skydiving simulator and even a planetarium. For those who want to squeeze in some work or stay connected with others at home, once-spotty cruise internet access is now much more reliable.

"If you ask any cruise line executive, they'll tell you they don't compete against other cruise lines," says McDaniel, who was recently on a ship with seven pools and more than three-dozen dining, bar and nightlife offerings. "They compete against land options, and they're keeping themselves very competitive."

With more than 300 oceangoing ships operating worldwide—including the introduction of 12 new ones this year—there's a mainstream cruise experience for just about everyone's interests and budget. Whether you're a cruise connoisseur or a first-timer, here's how to plan the perfect voyage.

ENVISION YOUR IDEAL EXPEDITION

"It's important to consider what you're looking for in a vacation,"

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says Laura Poe, a travel adviser and founder of the travel-planning firm Curated by Laura Poe. “Are you more destination-focused or more ship-focused? Are there specific experiences that are most meaningful to you? Who will you be traveling with? Are there any physical limitations or other preferences for your party?”

If off-boat excursions are your priority, consider where you’d like to go. Do you want to explore medieval cities or observe wildlife in its natural habitat? Popular destinations for 2024 include the Caribbean as well as Alaska, Iceland, Antarctica and the Galápagos Islands.

If you plan to spend most of your time on the ship, are you more interested in sunbathing by a pool or participating in activities such as cooking classes and line dancing?

These considerations can help you select the best cruise line and itinerary. For instance, smaller ships often have access to more off-the-beaten-path ports, while larger ones usually offer many onboard options for entertainment and other activities, Poe says.

If your idea of a dream vacation is going it alone, you’re in luck, as more cruises are offering solo cabins, providing singles-specific activities and eliminating the extra fee for not sharing a room. And if a vacation with your extended family is more your style, you can find a good fit, too, as many cruise lines are also offering activities for different ages, interests and mobility levels.

“There is a cruise for everyone, and getting on the right cruise line is key to having a positive experience,” says Chris Caulfield, travel adviser and owner of a CruiseOne travel-agency franchise.

Trip-comparison sites, Facebook groups and discussion forums such as those on Cruise Critic can help you find cruises that fit your desires, budget and ideal travel schedule.

Read comments and ask questions to get a feel for what to expect. Fellow cruisers are often more than happy to share their experiences and give you their take on different cruise lines. Katherine McLain Pursley, who has gone on more than 25 cruises with her husband, Joe, uses YouTube for research. “There are endless videos of every cruise ship taken by enthusiastic passengers,” she says.

You can also get a real-time feel for what’s happening onboard by following cruise line and ship-specific hashtags, such as #CarnivalCruise and #IconOfTheSeas, on social media.

PARTNER WITH A TRAVEL ADVISER

Planning a cruise can be complicated. You’ll face a wide range of decisions, including cabin location, food options, internet package type, and which activities and excursions to prioritize. On top of that, you’ll need to get a grasp of added costs, such as port fees and gratuities, and understand cancellation policies.

This is where an experienced travel adviser comes in. An adviser can guide you throughout your entire journey, from picking a cruise to finding a cabin away from noisy areas to avoiding surprise charges on your final bill.

Their services usually come at no additional cost because cruise lines typically pay commissions to these advisers, says Cruise Critic’s McDaniel. In addition, they can often provide discounts and perks that you wouldn’t find on your own, says Trapper Martin, travel adviser with the firm Dream Vacations Trapper Martin, Shane Smartt & Associates.

To find an adviser, visit the Cruise Lines International Association's website at *https://cruising.org/en/find-a-travel-agent* or the American Society of Travel Advisors' website at *https://my.asta.org/connect-with-a-travel-advisor*. Many cruise lines also provide online directories of advisers.

BOOK (AND ARRIVE) EARLY

Once you've decided on a cruise, don't hold off on booking in hopes that prices will drop. Demand for cruises is strong, as those forced ashore during the pandemic are eager to explore the world. Ocean cruising is one of fastest-growing areas of tourism, according to the Cruise Lines International Association.

"Start early to maximize your savings and access the best cabin category and location selections," says Poe. "Although many consumers believe there may be last minute cruise deals to be had, planning and booking well in advance of a desired sail date is really how travelers can save the most money." In fact, cruise fares typically increase closer to the sail date, she says.

Although you could find last-minute deals in years past, "they are far rarer than they used to be," says McDaniel. One potential way to find a discount is to check in with a cruise line just after final payment is due, which is about 90 days out.

There could be cancellations from people who decided to opt out, which may result in discounts as cruise lines seek to fill available cabins, McDaniel says. "But we are not seeing that as much as we used to."

Plan to get to your departure port a minimum of one day ahead, says travel adviser Martin. This way you'll build in some wiggle room if your flight is delayed or canceled or if you miss a connection. And if you're crossing time zones, arriving early will give you time to shake off your jet lag.

UNDERSTAND YOUR EXPECTED COSTS

From internet and port fees to excursion expenses and automatically added gratuities, most cruises are jam-packed with expenses beyond your basic fare.

To avoid a post-trip financial headache, take time to review your expected costs before embarking. Factor in the total expense of the trip, which could include airfare or hotel stays before and after your cruise, expenses related to your time on the ship, and costs such as travel insurance or arranging a pet-sitting service for any furry companions left at home.

You'll have to reassess and prioritize if your budget doesn't meet your anticipated expenses. If you're a foodie, you might want to splurge on specialty dining rather than spa treatments. Or you may be okay with a smaller, less-expensive cabin to free up funds for excursions.

In some cases, signing up for drinks, spa service, specialty dining and other packages can help reduce your costs. But it's crucial to do the math. For instance, the drinks package might work for you if you have a penchant for piña coladas. However, some packages can set you back more than $100 per day, and typically you must opt in for the entire length of the trip. Unless you're planning on enjoying alcoholic drinks all day long, you might be better off buying your coconut concoctions individually. In addition, some cruises exclude certain drinks from their packages, so it's important to understand the fine print of a drinks package or any others that might seem right for you.

OPTIMIZE YOUR ONBOARD EXPERIENCE

A little planning can bring huge returns. An important initial step: Check out the deck plan on your cruise line's website or app. Find out where your cabin is in relation to elevators, activities and restaurants, says McDaniel. You can discover activities and amenities you didn't realize were on the ship, such as a tucked-away hot tub or mini golf course.

YouTube is also helpful here, says veteran cruiser McLain Pursley. "Look for videos in which the filmmaker points out the little nooks and

crannies on the ship," she says, noting that you can gain insights such as the times the ice cream station is least busy and which theater seats could provide you with the experience you want.

Travel advisers can also offer guidance and help you understand which activities, meals and entertainment to book in advance. And they can point out discounts you might reap by signing up early.

"Many cruise lines offer savings if you pre-book things like a shore excursion, a spa treatment or dining experience," says McDaniel. In addition, you can typically find discounts at the spa on port days because business is light as many passengers explore on land, she says.

For popular ship activities, make reservations if they're offered, as it's increasingly rare that you can just walk up and participate, McDaniel adds. (You can typically do this through the cruise line's app.) Sign up as early in your journey as possible for activities that could be shut down due to windy weather or rough seas.

Jen Rosa, a franchise owner and travel adviser with Cruise Planners, tells her clients to go to guest services as soon as they get on the ship and ask whether room upgrades are available. There may be inventory due to people missing their flights or canceling at the last minute for other reasons. If a better room is available, you could get it at a cheaper rate than its initial price.

However, don't bank on this strategy to get into a room class you strongly prefer, as there's no guarantee the ship will have openings. "If there is a category you really want to sail in, I would suggest booking it rather than hoping it might be available as an upgrade," Rosa says.

MAKE THE MOST OF YOUR TIME AT PORT STOPS

Think through what you want to get out of shoreline visits before you head to those areas. For instance, booking excursions through your cruise line offers convenience and typically the guarantee that you'll make it back to the ship before it departs.

At the same time, if you go this route, you could end up on a big motor coach filled with your fellow cruise mates, which may or may not be your preferred style of exploring, says Rosa.

If staying close to the ship and roaming the port area is more your speed, keep in mind that these areas are often designed for tourists, Rosa notes, so you may not get a fully authentic experience.

While planning your cruise, check out tips from online forums and social media groups on how to get the most out of shoreline visits. Travel advisers can also guide you on everything from security and local customs to finding hidden gems and handling currency differences.

In addition to doing the ship excursions, you can explore on foot or sign up for independent tours that could allow you to tour with a smaller group. Rosa says some independent providers offer less-expensive, more-personalized expeditions and give you the same guarantees as cruise ship excursions.

If you're in a new time zone, understand the difference between ship time and the time in the area you're visiting. Ship time is set and followed by your cruise ship and may differ from the local time zone in your ports. It's critical to be aboard by the ship time's deadline, or you could be left on the pier as your cruise glides away. Always have the ship's contact information with you so you can get in touch if something goes awry while you're ashore.

Finally, if you're thinking about your next cruising adventure while you're still at sea, you can get a head start by booking that future cruise while still onboard. Many cruise lines offer onboard-only specials on future excursions.

"The perfect time to take advantage of discounts and special incentives on your next cruise is while you're still enjoying your current cruise," says McLain Pursley, who has capitalized on that opportunity multiple times to save money on the Disney cruises she has taken with her husband.

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

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Great Values in Electric Bikes

At less than $1,500, these e-bikes provide much of what higher-end models offer.

BY DAN CAVALLARI AND MIKE PROSPERO

AN electric bicycle can be a great way to get around, offering motorized assistance when you want a break from pedaling. But buying one can put a significant dent in your wallet, with some models priced at a few thousand dollars or more.

For the budget-conscious, the experts at product-review website Tom's Guide (*www.tomsguide.com*) tested several e-bikes with prices of less than $1,500. These four options are among those that rose to the top.

← Ride1Up Turris

COURTESY OF RIDE1UP

BEST FOR CITY COMMUTERS
Ride1Up Roadster V2
Price: $1,095
Estimated range: 20 to 30 miles
Maximum assisted speed: 24 mph
Weight: 33 pounds

The Ride1Up Roadster V2 looks like a regular, non-motorized commuter bike, but it hides inside its frame a battery capable of delivering up to 30 miles of pedal-assisted power. At 33 pounds, it's light, and it's zippy and fun to ride. The bike comes in two sizes, so it should accommodate riders of nearly all heights.

There are some trade-offs for the affordable price. It's a single-speed model, so it can be somewhat hard to get going on hills, and its pedal assist lags a bit. But for daily commutes on flat or rolling terrain, the Roadster V2 proves itself as a capable and sleek bike that's easy to ride with or without the motor assist engaged.

BEST FOR HILLS
Ride1Up Turris
Price: $1,295
Estimated range: 25 to 45 miles
Maximum assisted speed: 28 mph
Weight: 55 pounds

Ride1Up's Turris will surprise you the second you start pedaling. A powerful, 750-watt motor kicks in almost immediately, with far more punch than you might expect from a bike at this price. The Turris also provides a comfortable ride, with a super-soft seat and wide tires that make this e-bike versatile for various road surfaces, too.

Note that the Turris requires you to attach the handlebars, front wheel and pedals and make a few adjustments to the fenders, which might require a trip to your local bike shop.

BEST FOR ADJUSTABLE FEATURES
Propella 9S Pro V2
Price: $1,299
Estimated range: 55 miles maximum
Maximum assisted speed: 20 mph
Weight: 43.5 pounds

The Propella 9S Pro V2 impresses with its power, simplicity and build quality. It features an adjustable stem (the component that connects the handlebars to the bike frame), allowing riders to move the handlebars to suit their reach. Plus, you can choose a step-through design—in other words, there's no top tube stretching horizontally across the frame, allowing you to get on and off the bike without lifting your leg high. That's a plus for shorter riders or those who have limited mobility. If you prefer to keep the top tube, you can choose a step-over design instead.

BEST FOR ANTITHEFT OPTIONS
Wing Freedom 2
Price: $999 for a model that has a battery with a 35-mile range; $1,199 with a 45-mile range; $1,349 with a 60-mile range
Estimated range: 35 to 60 miles, depending on the battery selected
Maximum assisted speed: 20 mph
Weight: 39 pounds

Because electric bikes are often more valuable than standard bicycles, they're attractive targets for thieves. You can customize the Wing Freedom 2 with a few antitheft features, including an AirTag (a tracking device that sends out a Bluetooth signal) so that you can find the bike if it's ever stolen, and a built-in alarm, which you can activate with a key fob. Plus, the bike's battery is removable.

Beyond its security features, the Wing Freedom 2 is comfortable to ride, and with a horizontal tube that extends past the handlebars and the seat, it has a distinctive look.

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

Paying It Forward

AFFORDABLE REPAIRS FOR CAR OWNERS IN NEED

A social worker became a mechanic and opened a garage to serve her community. **INTERVIEW BY EMMA PATCH**

What is The Lift Garage? The Lift Garage is a nonprofit shop that provides affordable auto repairs for low-income Minnesotans, aiming to enhance the safety and stability of their vehicles. With a mission to facilitate secure transportation and better lives, we charge only $15 per hour for labor, plus the cost of parts. We work with customers who have a household income at or below 150% of the federal poverty guidelines.

How is the shop funded? Our funding primarily comes from donations, with individual donors contributing around 60% of the required $1.7 million annual budget. Support comes from various other sources, too, including foundations and some corporate aid, although we do not get government grants.

What experience did you have with social justice work prior to opening The Lift Garage?
I had extensive experience through church ministry and social work. The idea for The Lift Garage came after I encountered individuals facing homelessness and realized the pivotal role reliable transportation played in their lives.

CATHY HEYING
Founder of The Lift Garage
MINNEAPOLIS

What was it like to learn about automotive services? Transitioning into automotive services required that I obtain an auto technology degree. I was 38 years old, in a classroom with about 40 18-year-old boys. Admittedly, I went in a little cocky. I thought, *Well, I have a master's degree. How hard can this be?* But I'm a people person, and I'm all about feelings and helping people manage their trauma—not figuring out what the fuel pressure should be on any given car. Learning about automotive services involves a whole different part of your brain, and I really struggled. But despite initial challenges and doubts, I persisted, graduating and embarking on this journey to address the community's need for affordable car repairs.

How high is demand for your services? When we opened The Lift Garage in 2013, we got a significant response from the community. Word spread very fast—there was pressing demand for our services. And meeting this demand remains challenging. We have a waiting period of three to four months for appointments. We repair about 75 to 80 cars a month, but we see about 120 cars each month. We have to deem some of them "DNI"—Do Not Invest. Handling these difficult repair cases, where vehicles are deemed unrepairable due to safety concerns, presents emotional and logistical challenges. Especially amid rising costs and limited availability of used cars, we don't have the resources to provide customers with another car.

Do you depend on volunteers? We operate with a paid, qualified staff of auto technicians who adeptly navigate the balance between business efficiency and social service. Understanding the unique needs of our clientele, such as individuals who live in their vehicles, can require a delicate approach. Our technicians double as social workers in these moments. If we know that a customer is living in their car and we need to keep the car overnight, we will pay for their hotel stay and for an Uber ride to the hotel.

What do you wish more people understood about the work you do? It's challenging being both a business and a social service organization. Balancing efficiency with compassion is a perpetual challenge as we strive to meet the profound transportation needs of the community.

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