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# PERSONAL FINANCE Kiplinger



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Take the Train p 66

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Rate Cuts p 32

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by Lisa Sheehan

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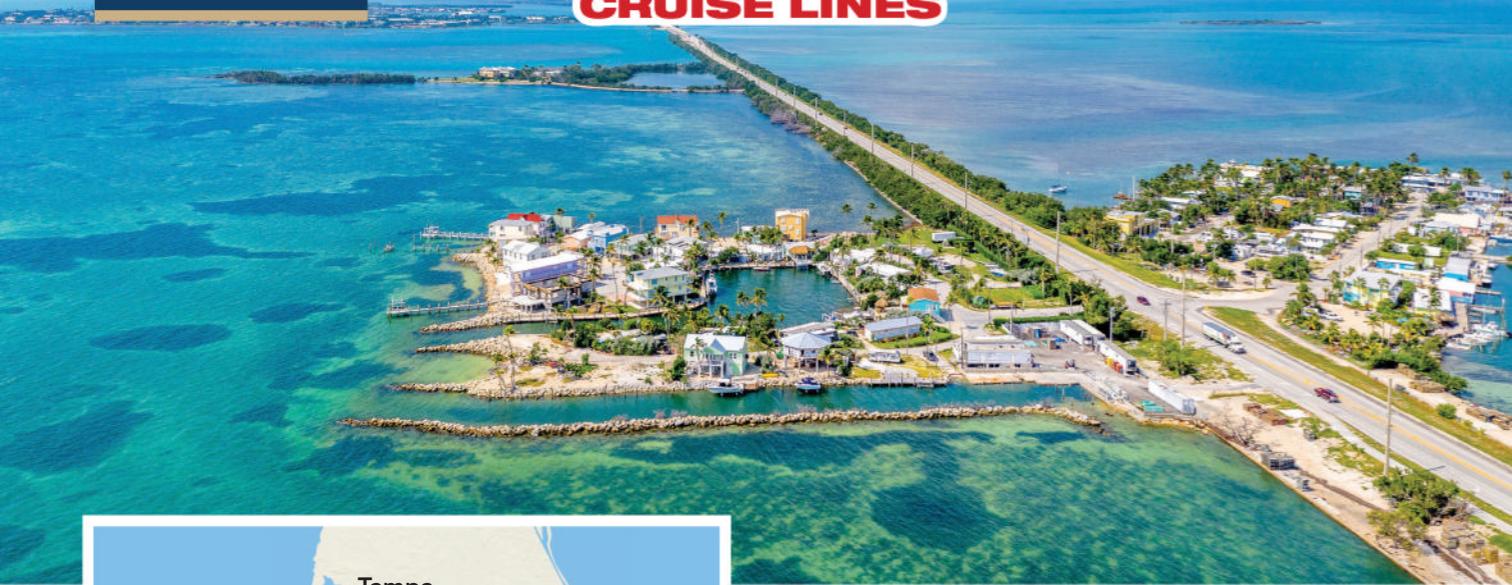
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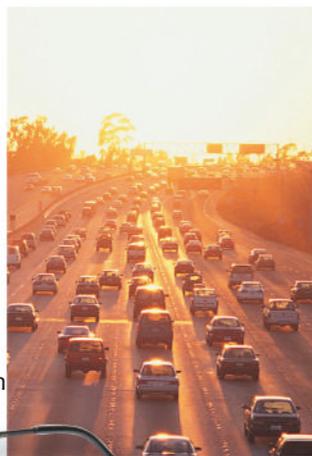
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Several companies have made news this year by splitting their stocks, but what exactly is a split? We break it down. [kiplinger.com/kpf/stock-split](http://kiplinger.com/kpf/stock-split)

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# Letters

## The Hybrid Resurgence

We have been driving a Toyota Prius since 2007 (“Is a Hybrid Car Right for You?” July). The first one lasted more than 130,000 miles with no problems, and now we have a 2022 model. Note that many states charge an extra registration fee for hybrids and all-electric vehicles. The rationalization is that their drivers pay less in fuel taxes. We’re in Tennessee, where the fee is \$100 for hybrids and \$200 for EVs.

**Rick Wimberly, via e-mail**

We got a 2022 Ford Maverick Lariat in March and could not be happier. On a recent 560-mile trip, our fuel economy was 47.76 miles per gallon. The fact that the truck does not need to be plugged in was the real selling point.

**Phil Briggs, Willards, Md.**

## MANAGING RETIREMENT INCOME

You recommend waiting until the end of the year to make Roth conversions (“Tax-Smart Strategies for Account Withdrawals,” July). Note that although any estimated tax is not due until after the conversion is made, tax software may calculate a penalty because it will assume income is earned ratably throughout the year, and the IRS requires tax payments to match the income. To avoid the penalty, complete Form 2210 (check box C) and Schedule AI.

**Dave Culbertson, Houston**

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



If you really want to get to know your service manager, the Ford Maverick is the truck for you. It’s been subject to recall after recall.

**Jim Brands, via e-mail**

Hybrids generally cost more to insure than gas-only cars. Figure that in as you shop for a vehicle.

**Peter Flato, Ipswich, Mass.**

In your discussion of the choice between a lump sum or annuity payments with a pension, you missed one consideration (“Get the Most Out of Your Pension Plan,” July). You need to evaluate your ability to avoid overspending the lump-sum money. It could evaporate quickly if you spend it on cars and trips.

**L.P., Longmeadow, Mass.**

## A REINVENTED DOW

Is columnist James K. Glassman’s Top 30 index predicated upon an equal dollar amount invested in each company or on an equal number of

stocks for each? (“My Top 30 Index: An Update,” July).

**B.L., via e-mail**

**Jim Glassman responds:** It’s an equal-dollar weighting, or roughly 3.3% of the total investment for each company, to start. Every year, you’d rebalance (by buying or selling stocks) to keep the same proportion.

## FOSTERING WOMEN ENTREPRENEURS

As a SCORE volunteer for more than 20 years, I’d like to add that more women are serving as mentors, too (“More Women Than Ever Are Starting Businesses,” July). Our chapter in central and northwest Connecticut has a number of outstanding women who both own businesses and find the time to mentor owners of other small businesses.

**Allen Nixon, Farmington, Conn.**

## CORRECTIONS

The closing price of iShares U.S. Financials ETF (symbol IYF) on April 30 was \$91 (“Time to Buy Financials?” July). It returned 26.8% over the preceding 12 months and an annualized 9.6% over the preceding five years. SPDR S&P Regional Banking ETF (KRE) closed at \$47; its 12-month return was 14.1%, and its five-year, annualized return was –0.5%.

Ohio’s sales tax holiday is from July 30 through August 8 and includes most tangible personal property priced at \$500 or less (“Tax Breaks on Back-to-School Shopping,” Aug.).

The nearest commercial airport to Northport, Ala., is Birmingham-Shuttlesworth International Airport (“8 Great Places for Snowbirds to Land,” Aug.).

# Reflections From a Year on the Job

**T**HIS issue marks one year since I became the editor of *Kiplinger Personal Finance*.

I've worked for the magazine for much longer than that, starting as an intern in the summer of 2006, joining the staff full-time as a copy editor in 2007 and then moving to a writing position a few years later. For about 13 years, I reported on a variety of personal finance topics, and that experience has been useful as I work alongside my colleagues to shape issues that are packed with timely, trusted and practical information.

I've been reflecting on what I've observed and learned over the past year, and these are some of my thoughts:

**Our readers are savvy—and you have good ideas.** As the editor, I see much of the e-mail that comes in from readers. You offer interesting and helpful commentary that builds on the stories we've published, and I include as much of it as I can in the Letters page each month. (We want to ensure that we print accurate information, so it's helpful if you send documentation or links to websites that back up any facts or advice you provide.) Regardless of whether a letter is published, I read it and take it into consideration.

I also value the article ideas that readers share. Especially when we get multiple requests regarding a

certain topic, we try to incorporate stories that address your concerns. In response to reader mail we've received over the past year, for example, we've run features that studied financial advisers' fee models and outlined the options to pay for long-term care. If you have ideas for our future coverage, feel free to send them my way.

**It's a team effort.** When I was a writer and reporter, naturally I concentrated on composing my own articles, although I read other parts of the magazine, too. I have a broader purview now, making plans with our magazine's senior editors on the focus of the stories that we print and carefully reading each one before it goes to press.

I marvel at the talent and effort that goes into producing this publication. Our writers often spend weeks researching and crafting their articles, and our editors draw on the depth of their experience to help those stories shine. Our designers put their creative skills to work as they assemble pages that are attractive and easy to read. With a more intimate view of the way that each issue comes together, I have a newfound appreciation for the role that every member of the team plays.

**Making it a theme.** I'm not the only one who's taking a thoughtful look back in this issue. On page 58, Mark Solheim, who retired in 2023 after



serving as this magazine's editor for several years, shares financial lessons from his first year of retirement and a glimpse at how he's spending his time now. I learned a great deal from Mark when he was my editor, and I'm pleased to have his insight on our pages once more.

In other retirement-related retrospective, senior editor Sandra Block commemorates the 50th anniversary of the Employee Retirement Income Security Act (ERISA) with a piece that explores the legislation's wide-reaching impact in protecting workers' retirement benefits. Despite its age, the law isn't stuck in the past, remaining relevant even as employers shifted from offering defined-benefit pension plans to defined-contribution plans, such as 401(k)s. Turn to page 9 to see how ERISA continues to affect you and your retirement savings. ■

**If you have ideas for articles that you would like to see us publish in the magazine, feel free to send them my way.**

**LISA GERSTNER, EDITOR**  
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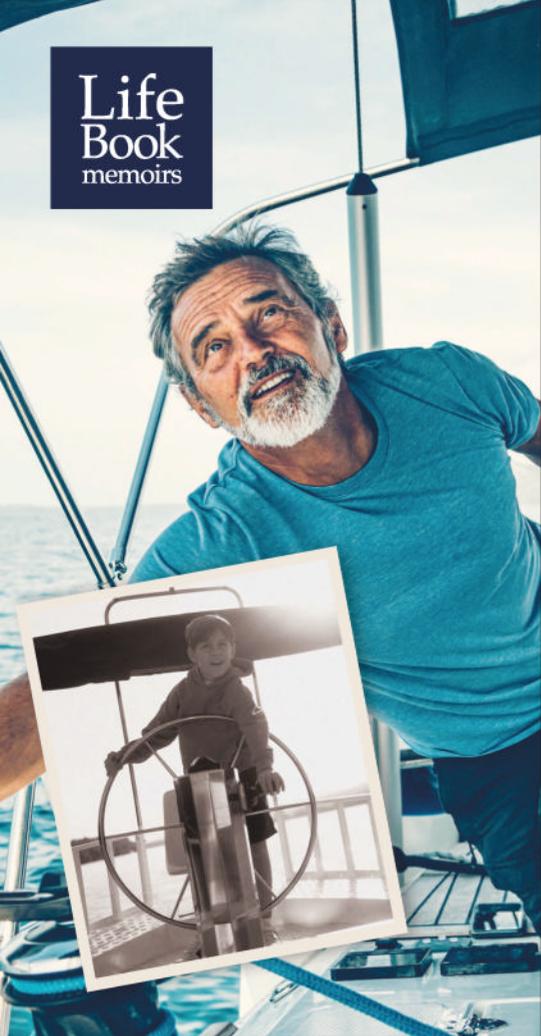


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# Ahead

↓  
TOPIC  
A



## PROTECTING YOUR RETIREMENT SECURITY

ERISA, which turns 50 this year, safeguards pensions and 401(k) plans. But it has limitations. **BY SANDRA BLOCK**

**M**ILLIONS of employees have contributed to 401(k) plans without worrying that their employer will raid their account to fund a weekend in Vegas. For that, you can thank the Employee Retirement Income Security Act (ERISA), which turns 50 this fall. Likewise, if you're fortunate enough to have a traditional pension, ERISA protects your bene-

fits if your employer goes out of business.

But as ERISA celebrates its golden anniversary, it isn't without its critics. Some analysts say ERISA has made it too expensive for companies to offer traditional pensions, accelerating their demise. And while legislative updates to ERISA have made it easier than ever for many people to save for retirement in 401(k) plans,

nearly one-third of private-sector workers lack access to an employer-sponsored plan, putting their retirement security at risk.

**The beginning.** As is the case with many laws designed to protect workers, ERISA was born in the wake of a catastrophe. In 1963, car manufacturer Studebaker ceased production at its plant in South

Bend, Ind., and shortly afterward it terminated its pension plan. Some 4,000 workers, ranging in age from 40 to 59, received about 15 cents for each dollar of benefits they had been promised.

The failure of the Studebaker pension, as well as the implosion of several smaller plans, galvanized calls for reform, leading to the enactment of ERISA in 1974. A key component of the law was the creation of the Pension Benefit Guaranty Corp. as a backstop for failed pension plans.

As companies shifted to employer-sponsored 401(k) plans in the 1980s, ERISA was adapted to protect workers who invested in those plans, too. Some of the most sweeping changes came in the 2000s, when Congress

plan. Find it at [www.pbgc.gov/wr/find-unclaimed-retirement-benefits](http://www.pbgc.gov/wr/find-unclaimed-retirement-benefits).

ERISA doesn't protect employees who contribute to 401(k)s from investment losses if the stock market goes into a tailspin. However, the law requires your employer to keep plan assets in an account separate from the business, so if your company files for bankruptcy, creditors can't go after assets in the plans.

The Department of Labor, which enforces ERISA, requires employers to provide 401(k) plan participants with a series of annual and quarterly disclosures, including information on account balances, administrative expenses and investments fees. A 2021 report by the Government Accountability Office found that many

of traditional pensions, including global competition from companies that don't offer them, says Lloyd Katz, vice chairman of the American Academy of Actuaries pension committee.

With company-sponsored 401(k) plans, employers can offer workers a way to save for retirement without the cost and investment risk associated with traditional pensions. Nonetheless, millions of workers still lack access to these plans, says Kevin Crain, executive director of the Institutional Retirement Income Council, a think tank for companies that provide annuities and other types of retirement income. While 95% of large employers offer a retirement plan, fewer than half of companies with fewer than 100 employees provide them, even though such businesses account for 35% of private-sector workers. In surveys, small-business owners say the cost of establishing and administering a plan is one of the reasons they don't offer this benefit.

If your employer doesn't provide a 401(k) or pension, you can contribute the maximum to an IRA—\$7,000 in 2024, or \$8,000 if you're 50 or older—and deduct the entire amount, no matter how much money you make. (Workers for companies that offer a 401(k) or pension can't deduct IRA contributions if their income is higher than specific thresholds.)

If you work for yourself, you have even more options. You can set up a solo 401(k) plan and make elective deferrals up to the 401(k) maximum for employees, including catch-up contributions if you're eligible. As an employer, you can also contribute up to 25% of your compensation, for a combined total of up to \$69,000 in 2024, or \$76,500 if you're 50 or older.

Another option is a SEP IRA, which has fewer administrative requirements than a solo 401(k). In 2024, you can contribute the lesser of 20% of your net self-employment income or \$69,000 to a SEP IRA. ■

## IT'S IMPORTANT TO REVIEW FEE DISCLOSURES BECAUSE EVEN MODEST FEES CAN SIGNIFICANTLY REDUCE YOUR RETURNS OVER TIME.

enacted legislation that raised contribution limits, allowed older workers to make catch-up contributions and opened the door to enrolling employees in the plans automatically, among other things.

**ERISA and you.** If you're eligible for a traditional pension and your employer is unable to fulfill its obligations, the PBGC will take over the plan and pay your benefits, up to limits set by law. In 2024, the maximum payout is \$85,296 a year, or \$7,108 a month, for a 65-year-old retiree. (The monthly payment is lower if you retire earlier or elect survivor benefits.)

The PBGC also provides a database you can use to track down pension benefits you may have earned from a former employer that has gone out of business. The database includes names of people who couldn't be located when an employer terminated a private-sector

plan participants have difficulty understanding how fees affect their investments, with 41% incorrectly stating that they don't pay any fees. It's important to review fee disclosures because even modest fees can significantly reduce your returns over time.

**The drawbacks.** Although ERISA has erected guardrails around both traditional and defined-contribution plans, some critics say the law has discouraged companies from offering these plans at all. In the case of traditional pensions, ERISA requires companies to pay premiums to the PBGC and comply with accounting standards designed to ensure that the plan can meet its obligations. Some academics believe these requirements have discouraged companies from providing pensions, which currently cover only about 15% of private-sector workers.

However, numerous other factors have likely contributed to the decline



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INTERVIEW

# ALZHEIMER'S CAN AFFECT DECISIONS YEARS BEFORE DIAGNOSIS

Research emphasizes the need to talk to older family members about their finances before they start showing symptoms of dementia.

BY SANDRA BLOCK



**It's no secret that Alzheimer's disease affects an individual's financial-management abilities, but a study you coauthored with economists and medical experts from Georgetown University and the Federal Reserve Bank of New York found that people often make poor financial decisions long before they're diagnosed with dementia. How did your group reach this conclusion?** Credit-reporting company Equifax provided us with consumer data that spanned from 2000 to 2017. We merged it with Medicare claims

data, which provides information on clinical diagnoses, to determine whether a person was diagnosed with Alzheimer's and when that occurred. The information was anonymized, which means we were able to analyze the data without accessing individual identifying details of patients.

What was so striking is how clear and consistent the results were. Credit scores began to decline an average of five years prior to an Alzheimer's diagnosis and continued to decline from then on, falling progressively in the years prior to diagnosis. Delinquent bill payments for both credit cards and mortgages began to increase an average of five years before diagnosis. One year prior to diagnosis, the probability of credit card delinquency was 35% higher than it was before the onset of the disease, and the probability of mortgage delinquency was 17% higher. This is especially remarkable given that the use of automatic bill payments is relatively common.

**What should families take away from the results of your research?** Don't wait for an Alzheimer's diagnosis to start a conversation about finances. It's important for families and loved ones to be aware that long before symptoms of Alzheimer's might be recognizable, there could be changes that are quietly affecting an individual's financial decision-making. We may be able to help prevent poor financial outcomes by making sure that seniors have a trusted relative or friend they can talk to about their financial lives. Financial institutions also play an important role in detecting and reporting suspected fraud on the elderly. The Consumer Financial

↓  
**CAROLE ROAN GRESENZ**  
is an economist and professor of public policy and health at Georgetown University.

Protection Bureau has published an advisory for financial institutions about ways they could help reduce financial exploitation among seniors, for example.

**Were there any limitations on your research?** One of the things we emphasize is that we only measured financial outcomes tracked in

credit data, so in many ways we think our results may underestimate the toll this disease takes on people's finances before diagnosis. There are other outcomes that aren't captured in credit data. One colleague's parent had a surprising number of costly parking tickets and traffic violations, for example.

**What has been the reaction to your findings?** I've become the steward of so many stories. Almost everyone I speak with has a story about a parent, loved one or friend whose financial behavior changed before they were diagnosed. In some cases, the loved one was subscribing to too many magazines, or getting a driveway repaved even though it didn't need it, or buying the same pair of jeans over and over. This study provides evidence that it's happening systematically. When you take the number of people suffering from Alzheimer's and multiply it by these financial outcomes, the toll is sobering; the magnitude of this problem can't be overstated.

We are hoping that we can use the changes we observe in financial outcomes to help predict who might later develop Alzheimer's. If we can develop an algorithm with good accuracy, it would provide an inexpensive and wide-scale way to identify people who should receive additional testing for Alzheimer's. We are working on that now. ■



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# DON'T OVERLOOK THE ONGOING EXPENSES OF OWNING A HOME

Inflation has driven up the cost of property taxes, homeowners insurance and maintenance.

BY SANDRA BLOCK

**M**ANY prospective homeowners focus on whether they can afford monthly mortgage payments, which have been driven higher recently by rising interest rates and skyrocketing home values. But when considering whether a home is within your budget, it's also important to include ongoing costs, such as property taxes, insurance and maintenance, because those expenses have also risen significantly in the past four years.

A Bankrate.com survey found that the average cost of owning and maintaining a home in the U.S. is \$18,118 a year (or about \$1,510 a month), up 26% from 2020. In addition to taxes, in-



urance, and maintenance and repairs, these ongoing costs include utilities and cable and internet service, too.

As is the case with the median

sale price of homes, the ongoing cost of owning a home varies significantly depending on where you live. You may pay more in states with high home values, above-average property

## STATES WITH THE HIGHEST AND LOWEST COSTS FOR HOMEOWNERS

The average cost of owning and maintaining a home varies significantly based on where you live.

MOST EXPENSIVE STATES	AVERAGE COST
Hawaii	\$29,015
California	28,790
Massachusetts	26,313
New Jersey	25,573
Connecticut	23,515

## LEAST EXPENSIVE STATES

Kentucky	\$11,559
Arkansas	11,692
Mississippi	11,881
Alabama	12,258
Indiana	12,259

Average costs include property taxes, homeowners insurance, and maintenance and repairs.  
SOURCE: Bankrate.com

## CALENDAR

### SEPTEMBER 2024



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Winter is around the corner. If you live in a state with frigid winter weather, a home energy audit could help you find ways to lower heating costs. Small changes to your house, such as adding more insulation to your drafty attic, can cut your energy bill by 5% to 30%. Find a home energy auditor at [www.hersindex.com/find-a-hers-rater](http://www.hersindex.com/find-a-hers-rater). You may be eligible for a tax credit of up to \$150 of the cost of an audit.

10

Hurricane season reaches its peak in southern states this month. While standard homeowners insurance covers damages from wind and wind-driven rain, many policies charge separate wind deductibles, which means higher out-of-pocket costs for you. If you find out you're underinsured, shop around for a more comprehensive policy on websites such as [www.thezebra.com](http://www.thezebra.com) and [www.policygenius.com](http://www.policygenius.com).

taxes or above-average premiums for homeowners insurance (see the box at left).

Homeowners are often constrained by their jobs or other factors when they choose where to live, and you may decide that higher costs are a worthwhile trade-off if your neighborhood has good schools, a low crime rate and other desirable features. But there are steps you can take to manage ongoing expenses:

- Maintain enough in savings to cover both expected and unexpected costs. Real estate website Zillow recommends keeping from 1% to 4% of the cost of your home in reserve for these expenses.
- Complete a home inspection. In a competitive market, you may be tempted to waive an inspection to get an edge over other buyers, but that's usually not a good idea. Without an inspection, you can't get a good handle on your ongoing costs and how much you'll need to invest in the home. For example, an inspector should estimate the age of a

home's appliances, which will help you determine when you'll have to replace them.

- Shop around for homeowners insurance, and take advantage of all potential discounts, including breaks for paying your premium annually instead of monthly, switching to paperless statements, being a non-smoker, being a loyal customer, avoiding claims for several years, and bundling your homeowners insurance with other policies, such as auto, boat and life. Taking steps to protect your home can prevent costly claims and qualify you for other discounts. For example, some insurers give homeowners credit for setting up a fire-alarm and home-security system.
- Take advantage of breaks on property taxes. Many states offer homestead exemptions for homeowners who are 65 or older, individuals with disabilities, veterans, and others. Contact your state's department of taxation or visit its website to see what breaks are available to you. **1**

## → DEAL OF THE MONTH:

With summer coming to an end, you can take advantage of deals on patio furniture as retailers clear out summer inventory, says Julie Ramhold, senior editor at DealNews.com. Retailers such as Wayfair, Macy's and Home Depot will discount furniture by up to 50%, she says.

**15**

If you're in a Medicare Advantage or Part D prescription-drug plan, be on the lookout for your Annual Notice of Change. The document lists any changes in plan coverage, your service area or cost that will go into effect on January 1, 2025. Reviewing this document will help you decide whether to keep your current coverage or look for a new plan during the upcoming annual enrollment period. **1**



### CARDHOLDER PERKS

## MORE ACCESS TO AIRPORT LOUNGES

Premium credit cards come with a lot of benefits, and one of the most coveted for frequent travelers is complimentary access to airport lounges. Along with offering cardholders entry to lounges within partner networks, such as Priority Pass, card issuers American Express, Capital One and Chase have been expanding their own networks. Holders of Amex's Platinum (\$695 annual fee), Business Platinum (\$695) and Corporate Platinum (\$550) cards are among those who get free access to more than a dozen **American Express Centurion U.S. lounges** (plus several international lounges), and one is scheduled to open this year at Ronald Reagan Washington National Airport.

**Capital One Lounges** provide complimentary entry to those who have the Venture X or Venture X Business cards (\$395 annual fee for both). Lounges are open at Dallas Fort Worth, Denver and Dulles (near Washington, D.C.) international airports. Plans are in the works for lounges at New York City's John F. Kennedy International Airport and Las Vegas's Harry Reid International Airport.

If you have the Chase Sapphire Reserve (\$550), J.P. Morgan Reserve (\$550) or Ritz Carlton (\$450) credit card, you can visit **Chase Sapphire by The Club** lounges at Boston Logan International Airport and New York City's JFK and LaGuardia airports. Chase also plans to open lounges in Las Vegas, Philadelphia, Phoenix and San Diego. **LISA GERSTNER**

# Briefing

INFORMATION ABOUT  
THE MARKETS AND  
YOUR MONEY



## HOW TO CLAIM AN EV TAX CREDIT

→ Since the beginning of 2024, consumers who buy a qualifying electric vehicle have had the option of taking a clean-vehicle federal tax credit as a discount at the point of sale. Previously, eligible buyers could claim the credit only when they filed their income tax returns.

The up-front rebate has proven popular: According to recent data from the U.S. Department of the Treasury, about 90% of

eligible buyers have claimed the credit on new EVs at the dealership, and about 80% of used-EV buyers have opted to take the credit at the time of purchase. The Treasury Department says the federal government has reimbursed over \$1 billion to the dealers who offered the tax credit so far this year.

Buyers of new EVs can get a credit of up to \$7,500. If you buy a previously owned EV, you may

receive a credit of up to \$4,000 or 30% of the sales price (whichever is less). The amount you can get through the tax credit depends on various factors, including the vehicle's sourcing and assembly. To be eligible for the full credit, an EV must be predominantly sourced and assembled in North America. Stricter sourcing requirements kicked in at the beginning of 2024, narrowing the list of eligible vehicles. To see which ones qualify, visit [www.fueleconomy.gov](http://www.fueleconomy.gov).

If you claim the credit when you file your tax return, it is nonrefundable—in other words, it reduces the tax you owe, but the amount you receive in credit can't exceed your tax liability. However, claiming the credit at the point of sale allows buyers to receive the full eligible value of the credit up front, regardless of their tax liability. The IRS isn't requiring buyers to repay any excess EV credit amount as long as they meet income requirements (see below). For some, this may result in greater savings than claiming the EV credit at tax time.

### **Price and income limitations.**

New pickup trucks and SUVs with a manufacturer's suggested retail price of more than \$80,000 are ineligible for the tax credit, and sedans and other EVs are limited to those with MSRPs of \$55,000 or less. The sales price

of eligible used EVs is capped at \$25,000. You don't qualify for the credit if your modified adjusted gross income is more than \$150,000 for single filers or \$300,000 for those married filing jointly. If you take the credit as a discount at the dealership but your MAGI exceeds the limits, you will have to pay the credit back to the IRS when you file your tax return. **KELLEY R. TAYLOR**

# \$186K

The average minimum yearly salary that Americans believe they need to earn to live comfortably, according to a Bankrate survey. That's more than twice the amount the average full-time, year-round worker typically makes.

## FRIENDLIER FUND REPORTS

→ Investors no longer have to sift through mutual fund or exchange-traded fund reports jammed with dense text about dozens of other funds and share classes to find details about their own investments.

The Securities and Exchange Commission has ordered that starting in July, fund companies must send you semiannual "tailored shareholder reports." These should be "concise and visually engaging" summaries covering your specific investments. The new reports will run from two to four pages and must include



information on expenses and a graphical representation of the fund's holdings. They must also show a line graph comparing your investment's performance over 10 years (or the life of the fund, if that is shorter) with an appropriate "broad-based index" to discourage managers from cherry-picking narrower benchmarks that might be easier to beat. (Managers can add narrower indexes if they choose.) More-detailed information, such as full portfolios and lists of proxy votes, will be posted online.

**KIM CLARK**

## A NEW LOOK FOR THE S&P 500

The S&P 500 got a makeover in June, as stocks no longer representative of the index got the boot and others took their place. Seen as a reflection of the broad market, the S&P 500 is the benchmark for trillions of dollars in indexed investments. The newcomers:

**KKR & Co. (symbol KKR, \$105).** The global investment firm, a leader in alternative assets including private equity and real estate, had \$553 billion under management at the end of 2023.

**CrowdStrike Holdings (CRWD, \$383).** The software firm uses crowd-sourced data, sophisticated analytics and artificial intelligence to thwart cloud-computing security threats.

**GoDaddy (GDDY, \$140).** This internet services and infrastructure firm moves up to the large-cap index from the S&P MidCap 400 index.

**Deletions.** Health care firm Illumina moves to the S&P MidCap 400; H.R. specialist Robert Half and banking firm Comerica move to the SmallCap 600.

Last May, utility **Vistra Energy (VST, \$86)** replaced **Pioneer Natural Resources** in the 500. Pioneer was acquired by ExxonMobil.

**ANNE KATES SMITH**

FROM THE KIPLINGER LETTER

## States Are Backing Away From Taxing Groceries

Look for sales tax on groceries to become increasingly rare at the state level. Illinois and Oklahoma are the latest states to do away with the tax, with some caveats. Illinois, for example, will still allow local governments to impose their own grocery taxes without approval from voters. Oklahoma's sales tax will still apply to certain grocery items.

That brings the number of states that collect taxes on groceries down to 10:

Alabama, Arkansas, Hawaii, Idaho, Kansas, Mississippi, Missouri, South Dakota, Tennessee and Utah. Among these states, many tax groceries at lower rates, or offer rebates or credits to low-income consumers.

South Dakota could be next to stop taxing groceries if voters approve a ballot measure to repeal the state's tax on groceries this fall. The issue polls well, with nearly two-thirds of voters in support.

**THE KIPLINGER ETF 20**

**IN AN OCEAN OF  
CHOICES, THESE**

**ETFES**

**ARE OUR  
FAVORITES**

**Use our guide to navigate the fast-growing  
expanse of exchange-traded funds.**

**BY NELLIE S. HUANG**

---

**S**OME three decades since their launch, exchange-traded funds have become the investment vehicle of choice. ETFs—which hold baskets of securities like mutual funds do but trade like stocks—caught on slowly at first, then at full steam.

As we undertake the full-scale, annual review of the roster of our favorite ETFs, we note that growth in this dynamic corner of the market has been eye-popping, if not wholly unexpected. Over the first five months of 2024, BofA Securities reported that investors put more money into ETFs than individual stocks. “ETFs are becoming the way to invest,” says Aniket Ullal, head of ETF data and analytics at CFRA Research. “This has been the story for a while, so that doesn’t surprise me.”

Assets in U.S.-based ETFs hit a record \$9 trillion in May. That’s less than the \$19.3 trillion invested in U.S. mutual funds. But for several years now, ETFs have experienced net inflows (the sum of money coming in minus the money going out), while mutual funds have seen net outflows (more money has exited the funds than has come in). Over the past 12 months ending in May, U.S. diversified stock ETFs logged \$422 billion in inflows; U.S. stock mutual funds saw \$353 billion in outflows. “A lot of investors were on the sidelines last year, holding cash in money market funds. Now they’re moving that money into ETFs,” says Ullal.

**New, new things.** Investors have been drawn to the low cost, ease of trading and tax-efficiency that ETFs

offer, but a wave of new exchange-traded products in recent years has also turned heads. An all-time-high number of ETFs—606—have launched over the past 12 months, according to the ETF Think Tank, a financial professional group. Many new funds employ complex strategies that are accessible to individual investors for the first time. “ETF innovation is alive and well,” says Jay Jacobs, U.S. head of thematic and active ETFs at BlackRock.

Funds based on options strategies, for instance, continue to dominate the roster of new launches. A lot of them, called defined-outcome or buffered ETFs, use options to limit your losses in the stock market in exchange for giving up some potential gains. (See “Balance Your Risk and Reward,” July 2024.) Nearly 60 have launched since the start of 2024, and they have already amassed close to \$2 billion in total assets.

Now comes another slug of options-based ETFs that employ a so-called buy-write strategy, in which investors aim to generate income from option premiums by buying a security and simultaneously writing (selling) a call option on that same security. (A call option gives the holder the right to buy a security at a certain price within a specified period.) These strategies tend to hold up

well in rough markets and lag in exuberant ones. BlackRock's Jacobs says iShares launched the industry's first fixed-income buy-write ETF in 2022, iShares 20+ Year Treasury Bond BuyWrite Strategy ETF. iShares has since launched buy-write strategies tied to the S&P 500 and the Russell 2000, which tracks small-company stocks. (Stay tuned—we plan to analyze these fund strategies in the coming months.)

But the biggest chunk of new money has been moving into spot bitcoin ETFs, which got the okay to launch in January from the U.S. Securities and Exchange Commission. In all, the funds have more than \$42 billion in total assets. The biggest, at \$20.9 billion in assets, is iShares Bitcoin Trust. That's as large as some of the most popular U.S. stock ETFs, including Vanguard Mega Cap Growth. The SEC approval in May of exchange-traded products that invest in the digital asset known as ether could draw even more dollars to cryptocurrency ETFs.

Meanwhile, the ETF world, once synonymous with indexing, continues to become more active. Over the past 12 months, for the second year running, actively managed strategies have made up the majority of new ETF launches. A third of all net inflows have gone into active ETFs since the start of 2024, according to Matthew Bartolini, head of SPDR Americas Research at State Street Global Advisors. He projects that ETFs could take in more than \$260 billion of net inflows by the end of the year—"a clear record," Bartolini notes.

**The Kiplinger ETF 20.** We are mindful of these trends, but we're not chasing them. We are not considering a bitcoin ETF for the list, for instance. The Kip ETF 20 is designed to serve as a resource for investors who want to build a broadly diversified investment portfolio. Our aim is to provide ideas for strategies that can serve as



the building blocks of a core portfolio, as well as a few selected tactical and thematic funds that can boost performance as part of a satellite portfolio.

Over the past 12 months, our picks performed solidly. Most continued to build on the previous year's recovery. The biggest gains relative to benchmarks came from our bond funds. Each follows its own strategy and some focus on a specific sector, but all outpaced the broad Bloomberg U.S. Aggregate Bond index.

We're making three changes to the roster. Two are for tactical reasons, and the third is a swap of a similar fund for a more straightforward approach. See the box explaining our decisions on page 24. For suggestions on how to put our Kip ETF 20 to work in your portfolio, see the four model portfolios on page 26. We list the vital statistics for each of

the 20 ETFs on page 25. All returns and data are through June 30, unless otherwise noted.

### CORE STOCK ETFs

**iShares Core S&P 500** This is as basic an investment as you can get. It tracks the ubiquitous S&P 500 index, which covers about 85% of the total stock market, for a low expense ratio of 0.03%. Stocks in the fund—all of the S&P 500 constituents—are weighted by market value, or stock price times shares outstanding, so it should come as no surprise that the fund's top holdings are the mega-cap firms Nvidia, Microsoft, Apple, Amazon, Meta Platforms and Alphabet.

**iShares Core S&P Mid-Cap** We like the combination of iShares Core S&P Mid-Cap with its large-company counterpart, iShares Core S&P 500,

because there's no overlap in holdings. The fund tracks the S&P Mid-Cap 400 index. Index constituents are firms with market values that currently fall between \$6.7 billion and \$18 billion, covering about 8% of the total U.S. stock market. Examples include Carlisle Companies, which makes construction products; data storage firm Pure Storage; and home goods retailer Williams-Sonoma. Midsize-company stocks rallied in the early part of the 12-month period ending in June, but they have lagged in more-recent months.

**iShares Core S&P Small-Cap** This fund tracks the S&P SmallCap 600 index, which includes the smallest 6% of the total U.S. stock market—currently companies with market values between \$1 billion and \$6.7 billion. Top holdings include clothing retailer Abercrombie & Fitch; Fabrinet, which makes optical communication components, lasers and sensors; and ATI (formerly Allegheny Technologies), which supplies specialty materials for use in the aerospace and defense industries. This fund complements the iShares Core S&P suite of ETFs; there's no overlap in fund holdings. But we also favor its approach over other small-company indexes because it includes only profitable firms—earnings for the most recent quarter as well as the sum of earnings for the most recent four quarters must be positive—giving it a high-quality tilt. That has helped performance in recent years. Over the past three, five- and 10-year periods, iShares Core S&P Small-Cap has outpaced the Russell 2000 benchmark of small-company stocks.

**iShares MSCI USA ESG Select** A backlash against investing with environmental, social and corporate governance qualities in mind, or ESG investing, has escalated in recent years. But we are unmoved.

This fund, which we consider ESG-lite, stays in the ETF 20. The 174-stock index it tracks avoids certain businesses, including those involved in firearms, nuclear weapons and tobacco. Top holdings include the usual large-cap fund names, such as Nvidia, Microsoft and Apple.

But the fund also holds some energy stocks, including ONEOK and Schlumberger. It even holds a few low-rated ESG firms, such as 3M, an industrial conglomerate that ESG data firm Sustainalytics rates as a “severe risk” when it comes to potential ESG trouble. (The ratings are designed to help investors identify ESG risks that could impact a firm's financial value.) The fund has lagged the broad market in recent years, but its five- and 10-year returns are in spitting distance of the S&P 500.

#### **Vanguard Total International Stock**

This index fund, which holds about 8,500 foreign stocks, is an easy way to add international exposure to a

portfolio. As its name implies, the fund is all-encompassing and holds shares in companies from developed markets, such as the U.K. and Japan, as well as emerging ones, such as China and India. Emerging-markets stocks make up nearly 20% of the fund's assets. U.S. investors have largely ignored international stocks for most of the past decade because they've lagged U.S. stocks. We're still waiting for a turnaround, but in recent months, some markets have shown signs of life. Over the past 12 months, Vanguard Total International Stock gained 11.0%.

#### **DIVIDEND STOCK FUNDS**

**Schwab U.S. Dividend Equity** Stocks that boast an above-average dividend yield are the objective in this index fund. But the algorithm that drives the stock picking at Schwab U.S. Dividend Equity favors consistent payers—those with at least 10 years of dividends—and firms with strong financials, such as a healthy

#### **TRADING TIPS**

### **HOW TO BUY AND SELL ETFs**

By now, most investors are familiar with exchange-traded funds, which trade like stocks for zero commission at most online brokers. That said, there are a couple of best-practice rules to keep in mind when you buy and sell shares in an ETF.

Avoid trading at the open or close of the market. Market volatility tends to rise within the first and last half-hour of every trading day, says Todd Rosenbluth, head of research at VettaFi. “There's a lot of noise taking place, and certainly at the market open, some underlying investments might not start trading right away. You want to wait to make sure there's a

chance for the market to reflect the full value of the underlying securities in the ETF.” For similar reasons, it's best to avoid trading on volatile days, too.

Use limit orders. When you place a limit order, you set the price at which you are willing to buy or sell shares. This is always a good practice, says Rosenbluth, particularly for investors making small purchases in odd lots—such as 27 shares, say, rather than 100 or another round number. A buy limit order will only be executed at the limit price that you set or lower. On the flip side, a limit order to sell shares will only be executed at the limit price or higher.

return on equity (a profitability measure) and abundant free cash flow relative to total debt. (Free cash flow is the money left over after operating expenses and spending on assets.) The fund's value tilt dampened returns over the past year, as seen in the fund's single-digit return. But it currently yields 3.9%, more than double the yield of the S&P 500. And over the long haul, the fund has delivered solid results—10.8% annualized over the past 10 years. Texas Instruments, Amgen and Lockheed Martin are top holdings.

### **Vanguard Dividend Appreciation**

Don't confuse this fund with Vanguard Dividend Growth, the storied actively managed mutual fund. Although both funds target dividend growth stocks, this ETF is passively managed. It tracks an index that includes companies that have consistently boosted their payouts for at least 10 years in a row. Top holdings in the fund are a blend of growth and value-oriented names, including Apple, Microsoft, JPMorgan Chase, Broadcom and ExxonMobil. The fund's growth tilt has helped returns recently. Over the past 12 months, Vanguard Dividend Appreciation is up 14.6%. The fund yields 1.8%.

### **WisdomTree Global ex-U.S. Quality**

**Dividend Growth** Some dividend strategies focus heavily on yield; others sacrifice a bit of yield in favor of firms with growing dividends. This foreign-stock fund falls in the latter group. Companies that consistently raise their payouts tend to be disciplined about running their businesses and boast steady profitability, the thinking goes. The approach gives the fund a growth-and-quality tilt that has helped returns in recent years, as stocks with those attributes have performed well. Over the past 12 months, Global Ex-U.S. Quality Dividend Growth's 11.1% gain just misses beating the MSCI ACWI ex USA index of stocks in foreign developed and developing countries. We use that index because the ETF is similarly exposed: 87% of its assets are in shares in developed foreign countries, and 13% are in emerging-markets stocks. Its top holdings are Taiwan Semiconductor Manufacturing, Novo Nordisk and Samsung Electronics. The fund yields 1.9%.

### **STRATEGIC STOCK FUNDS**

#### **NEW → Health Care Select Sector**

**SPDR** Health care shares have struggled lately, especially those of smaller companies, and we're growing weary of waiting for a sustained small-cap

rally to begin. So we're shifting our focus from an equal-weighted health care fund, Invesco S&P 500 Equal Weight Health Care, to this market-value-weighted large-cap sector fund. Health Care Select Sector SPDR is one of the lowest-cost health care sector ETFs around, with a 0.09% annual expense ratio (far below the 0.40% of Invesco S&P 500 Equal Weight Health Care). And it holds 63 stocks. Heavyweights such as Eli Lilly, UnitedHealth Group, Johnson & Johnson and Merck dominate its top holdings. The fund's one-year return through June is 11.6%, which ranks among the top 24% of all health care-focused funds. Its 11.4% five-year annualized return is among the top 6% of its peers.

#### **NEW → iShares Core MSCI**

**Emerging Markets** Investing in emerging-markets stocks has been a gloomy affair, but the sun is beginning to peek through the clouds, say many Wall Street analysts. China has been a drag on results, but Susan Gim, a portfolio manager at the investment firm Martin Currie, sees signs of recovery there, and growth in India promises a "great economic opportunity." Meanwhile, after emerging-markets earnings growth contracted in 2023, it is expected to accelerate to 18% in the year ahead, driven by South Korea and Taiwan, say Franklin Templeton analysts. This iShares index fund, which charges a low, 0.09% expense ratio, holds stock in companies in those two countries and 24 others, including Brazil, China, India and Turkey. There's some momentum already: Over the past six months, the ETF has gained 6.9%—more than the 5.7% return in developed foreign countries.

#### **JPMorgan U.S. Quality Factor A**

A focus on high-quality stocks has been spot-on over the past year. JPMorgan U.S. Quality Factor gained 21.1% over the past 12 months, among the best





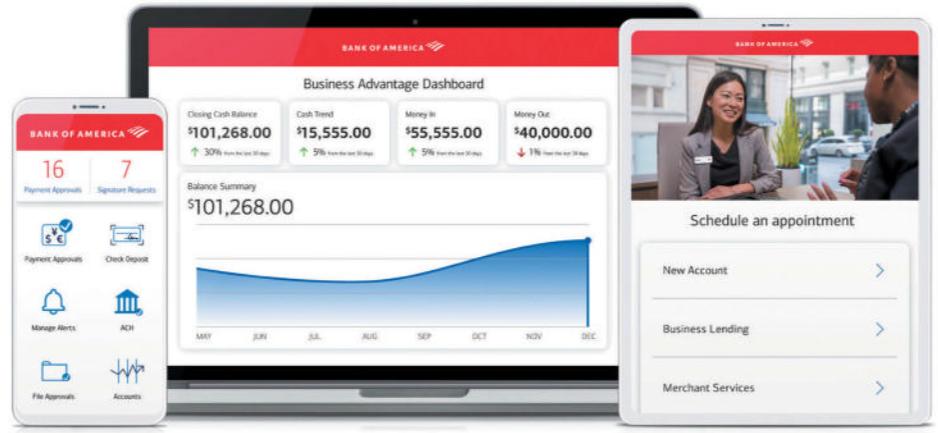
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performers of the Kip ETF 20 for the period. That doesn't beat the broad market, up 24.6%, but U.S. Quality Factor was less volatile. The fund sifts for companies that meet 10 quality criteria, including measures of profitability, financial risk and earnings quality. It holds 256 stocks, including Nvidia, Meta Platforms and Alphabet.

**SPDR S&P Kensho New Economies Composite** Thematic funds zero in on an emerging trend or a new invention so that investors can cash in with less risk. Instead of buying shares in one or two stocks that capture the trend, investors can spread their money among several companies. But while some funds zoom in on one theme—robotics, say—S&P Kensho New Economies Composite folds in multiple trends, from automation and artificial intelligence to cryptocurrency and energy-efficient technologies. The diverse mishmash means that some trends the fund targets may soar while others take a breather. That helps explain the skimpy, 4.7% gain in Kensho New Economies Composite over the past 12 months. Its top holdings include Coinbase Global, a cryptocurrency exchange platform; defense company Leidos Holdings (think cybersecurity); and bitcoin mining firm Cleanspark.

**Technology Select Sector SPDR** This tech-sector ETF climbed 31.1% over the past year. No other fund did better, but that's hardly surprising. This is the second straight annual review of the Kip ETF 20 in which the fund has outpaced the S&P 500 by a wide margin over the preceding 12-month period. The fund tracks a subset of the S&P 500—the roughly 65 stocks considered information technology companies. Shares are weighted by market value, from the biggest, Microsoft, at more than \$3 trillion, to the smallest, cloud-networking company F5, at just under \$10 billion.

**Vanguard FTSE Europe** Our bet on Europe continues to pay off, despite a stumble in early June, after the French president called a snap election. The prospects for European stocks look good because the region's economic rebound has helped lift earnings estimates for the second half of 2024, says Jeff Kleintop, chief global investment strategist at Charles Schwab. Vanguard FTSE Europe climbed 11.8% over the past 12 months, a tad ahead of the MSCI EAFE index of stocks in foreign developed markets. The U.K., France, Switzerland and Germany are the

fund's biggest country exposures; Novo Nordisk, ASML Holding, Nestlé and Shell are top holdings.

### CORE BOND FUNDS

**Fidelity Total Bond** This steady Eddie has outpaced its peers in seven of the past nine calendar years (its first full year was 2015). It had below-average volatility, too. It's an actively managed investment-grade bond fund, and it holds mostly medium-maturity U.S. government debt, corporate debt and government-backed mortgage bonds. But it has the leeway to boost returns by investing up to 20%

### WHAT'S NEW

## CHANGES TO THE KIP ETF 20 ROSTER

We don't make changes to our Kiplinger investment lists lightly. But the Kiplinger ETF 20 includes some strategic funds, on the stock and bond sides, and we like to make sure we're responding to current market environments.

For that reason, we have swapped out our ultra-short-term bond fund for BlackRock Short Duration. It's a short-term bond fund, but not as short-term as the fund it replaces, BlackRock Ultra Short-Term Bond. We were hunting for a three- to seven-year diversified bond fund, but to be honest, we found slim pickings, and most were concentrated in either government or corporate debt. BlackRock Short Duration, though more diverse, is still a bit of a compromise, but it's a better choice than Ultra Short-Term Bond. Its yield is only slightly lower, but its duration—its sensitivity to interest rate moves—is greater. So investors can still eke out a good yield, but they will get a better boost in performance when rates fall (bond prices and interest

rates move in opposite directions).

In addition, we wanted to make room for an emerging-markets stock fund, iShares Core MSCI Emerging Markets. But what to move out to make room for it? We decided on the Industrial Select SPDR ETF, which had been a member of the ETF 20 for only a few months. Earnings growth is starting to improve among emerging-markets stocks, and while most investors hold industrials in diversified core U.S. stock funds, it's a good bet that few of us have enough emerging-markets exposure.

Finally, health care shares have struggled lately, smaller companies more than big ones. So we're shifting our focus from an equal-weighted health care fund, Invesco S&P 500 Equal Weight Health Care, to a market-value-weighted sector fund, Health Care Select Sector SPDR. The two funds hold the same 63 health-related companies that are in the S&P 500, but the difference in proportions puts the latter in the large-cap category, which we favor.

of assets in lower-quality debt securities, including high-yield corporate IOUs, emerging-markets bonds and leveraged loans. These so-called “plus” sectors performed well in 2023, lifting the fund’s returns. Over the past 12 months, Fidelity Total Bond gained 3.6%, ahead of the 2.6% climb in the Bloomberg U.S. Aggregate Bond index, a benchmark of high-quality U.S. debt. In recent months, the fund’s managers have been cutting the fund’s risk by reducing its exposure to corporate credit and shoring up its stake in Treasuries. The fund yields 5.2%.

**Invesco BulletShares 2026 Corporate Bond** Target-maturity bond funds do what their name implies—that is, they hold a bunch of bonds with a similar maturity date. In this fund’s case, that means 458 investment-grade (debt rated triple-A to triple-B) corporate securities, each maturing in 2026. These types of funds are designed to help investors build a bond ladder, an investing strategy that involves assembling a portfolio of bonds with different maturity dates spaced out at regular intervals. As bonds mature, you re-invest the proceeds into new bonds with a longer maturity date—the furthest “rung” (or date) up the ladder. Target-maturity bond funds are designed to be held to maturity. During the maturing year, the fund doesn’t add to holdings. As bonds mature in the portfolio, the fund’s portfolio transitions to cash and cash equivalents. Like a bond that matures, the fund will close and disburse the proceeds to shareholders at or near the end of its target year. We use it here in place of a short-term corporate bond fund. The fund yields 5.3%.

**SPDR DoubleLine Total Return Tactical** One of the reasons that actively managed intermediate-term bond funds tend to outperform the Agg, the broad bond benchmark, is that

## VITAL STATS: THE KIPLINGER ETF 20 AT A GLANCE

Core Stock Funds	Symbol	Price	Annualized total return			Yield	Expense ratio
			1 yr.	3 yrs.	5 yrs.		
iShares Core S&P 500	IVV	\$547	24.6%	10.0%	15.0%	1.3%	0.03%
iShares Core S&P Mid-Cap	IJH	59	13.5	4.4	10.2	1.5	0.05
iShares Core S&P Small-Cap	IJR	107	8.6	-0.4	8.0	1.8	0.06
iShares MSCI USA ESG Select	SUSA	112	21.6	7.0	14.6	1.2	0.25
Vanguard Total International Stock	VXUS	60	11.0	0.4	5.8	3.1*	0.08
<b>Dividend Stock Funds</b>							
Schwab US Dividend Equity	SCHD	\$78	11.2%	4.6%	11.8%	3.9%	0.06%
Vanguard Dividend Appreciation	VIG	183	14.6	7.7	11.7	1.8	0.06
WisdomTree Global ex-US Qual Div Growth	DNL	39	11.1	0.7	9.0	1.9	0.42
<b>Strategic Stock Funds</b>							
Health Care Select Sector SPDR	XLV	\$146	11.6%	6.6%	11.4%	1.5%	0.09%
iShares Core MSCI Emerging Markets	IEMG	54	11.9	-4.5	3.6	2.4	0.09
JPMorgan US Quality Factor	JQUA	53	21.1	10.6	14.6	1.3	0.12
SPDR S&P Kensho New Economies Comps	KOMP	46	4.7	-10.5	8.0	0.8	0.20
Technology Select Sector SPDR	XLK	226	31.1	16.3	24.9	0.7	0.09
Vanguard FTSE Europe	VGK	67	11.8	3.3	7.3	3.2*	0.09
<b>Core Bond Funds</b>							
Fidelity Total Bond	FBND	\$45	3.6%	-2.2%	0.9%	5.2%	0.36%
Invesco BulletShares 2026 Corp Bond	BSCQ	19	5.2	-0.9	1.8	5.3	0.10
SPDR DoubleLine Total Return Tactical	TOTL	40	3.1	-2.1	-0.4	5.7	0.55
<b>Opportunistic Bond Funds</b>							
BlackRock Short Duration Bond	NEAR	\$50	6.5%	3.1%	2.5%	5.1%	0.25%
Invesco Senior Loan	BKLN	21	9.1	4.8	4.0	8.0	0.65
Vanguard Tax-Exempt Bond	VTEB	50	2.8	-0.9	1.1	3.6	0.05
<b>Indexes</b>							
S&P 500			24.6%	10.0%	15.0%	1.4%	
MSCI EAFE			11.5	2.9	6.5	3.0	
Bloomberg U.S. Aggregate Bond			2.6	-3.0	-0.2	5.0	

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

they can boost returns by investing in sectors that aren’t in the index. The gurus at this fund have favored non-traditional sectors, such as bank loans, emerging-markets debt and structured credit (such as collateralized loan or debt obligations). Double-

Line Total Return Tactical has returned 0.8% since the start of 2024, ahead of 81% of its peers (intermediate-term core-plus bond funds). Over three years, the fund has notched above-average returns with below-average risk. It yields 5.7%.

## STRATEGIC BOND FUNDS

### NEW → BlackRock Short Duration Bond

We jettisoned BlackRock Ultra Short-Term Bond for this actively managed short-term bond fund with a higher duration, or sensitivity to interest rates. We think the fund allows investors to cash in, still, on high short-term interest rates, but it better sets up investors for a boost in returns if rates move down (bond prices and interest rates move in opposite directions). The fund holds 65% of its assets in bonds with maturities from one to seven years. It yields 5.1%, a tad less than the ETF it replaces, but the new fund's duration of 1.9 years implies that if interest rates fall by one percentage point, the fund's net asset value will rise 1.9%. Over the past year, the fund gained 6.5%, which is more than 75% of its peer group (short-term bond funds). Over the past three years, it has won solid marks for high returns and low risk relative to peers.

**Invesco Senior Loan** Last year, we wavered on whether to keep this fund on the Kip 20 roster. Senior loans (also known as bank loans) perform best when interest rates are rising—the coupon rate on these securities adjusts every few months in step with a short-term-bond benchmark—and analysts predicted cuts in 2024. We kept the fund, thinking interest rates might stay higher for longer, and we were right. Invesco Senior Loan has been the best-performing bond fund in the Kip ETF 20 over the past 12 months, returning 9.1%. It wins on yield too, at 8.0%. Even if rates fall—most expect a quarter-point cut later this year—senior loans tend to be lower in volatility and offer better risk-adjusted returns over the long haul relative to other bond sectors.

**Vanguard Tax-Exempt Bond** The municipal bond market has been volatile this year, thanks to uncertainty

about inflation and interest rates. Vanguard Tax-Exempt Bond has struggled to keep pace with its peers. It's an index fund, which means it should be about average for its peer group (funds that invest in medium-maturity municipal debt). But its 2.8% total return over the past 12 months ranks below average. We're watching this fund closely. It still beats on cost with a low, 0.05% annual expense

ratio. And it has a super-low tracking error, which measures how closely the fund behaves relative to the index it mimics. We have another fund in mind. It's actively managed, by a respected team. But it has a short track record, so it's too soon to recommend it. Stay tuned. **■**

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## SETTING SAIL

### FOUR PORTFOLIOS TO REACH YOUR GOALS

Use these simple model portfolios as a starting point, tweaking as necessary to align them more with your investment time horizon and risk tolerance. Consider spicing up returns outside of the core with our strategic stock ETFs or opportunistic bond ETFs.

#### SIMPLE

<b>75% stock</b>	55%	iShares Core S&P 500
	20	Vanguard Total International Stock
<b>25% bond</b>	25	Fidelity Total Bond

#### GROWTH

<b>80% stock</b>	40%	iShares Core S&P 500
	15	Vanguard Total International Stock
	10	Vanguard Dividend Appreciation
	10	iShares Core S&P Mid-Cap
<b>20% bond</b>	5	iShares Core S&P Small-Cap
	10	SPDR DoubleLine Total Return Tactical
	10	Invesco BulletShares 2026 Corporate Bond

#### BALANCED

<b>60% stock</b>	25%	iShares MSCI USA ESG Select
	20	Schwab U.S. Dividend Equity
	10	WisdomTree Global ex-US Quality Dividend Growth
	5	Vanguard Total International Stock
<b>40% bond</b>	15	Invesco BulletShares 2026 Corporate Bond
	15	SPDR DoubleLine Total Return Tactical
	10	BlackRock Short Duration Bond

#### CONSERVATIVE

<b>45% stock</b>	25%	iShares Core S&P 500
	10	Schwab U.S. Dividend Equity
	10	WisdomTree Global ex-US Quality Dividend Growth
<b>55% bond</b>	20	Fidelity Total Bond
	15	Invesco BulletShares 2026 Corporate Bond
	10	Invesco Senior Loan
	10	BlackRock Short Duration Bond

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# ZERO IN ON NORDIC SHARES

This corner of Europe presents unique opportunities for investors.

BY KIM CLARK

**I**NVESTORS are always urged to diversify, but choosing how and where to place those bets can be challenging. For example, international stocks in general have lagged significantly behind their U.S. counterparts for years. And these days, investing in a broad basket of international stocks might mean buying stakes in companies based in areas threatened by war or in countries with little investor protection.

Luckily, there's a foreign region that offers investors reduced geopolitical risks, well-regulated markets and attractive opportunities: The Nordics. This collection of five northern European countries—Denmark, Finland, Iceland, Norway and Sweden—account for only about 2% of the world's economy and investable

market, but the region has been punching far above its weight. The MSCI Nordic Countries index has returned 25.0% over the past 12 months, roughly double the returns of indexes tracking the developed international world in general, Europe as a whole, and emerging markets. For context, the S&P 500 has returned 24.6% over the same period. (Except where otherwise noted, data are through June 30.)

That strong performance is part of a long-term trend, according to a December 2023 McKinsey & Company report. It found that in the 20 years through 2022, Nordic companies “have outperformed their global peers on value creation, delivering an average annual total shareholder return of 11.6%, surpassing the global average of 9.4%.”

These small, comparatively stable countries “are places you can buy a stock and sleep at night,” says Patrick Rien, a portfolio manager of the EuroPac International Dividend Income Fund, which has 8% of its global portfolio invested in Nordic companies. Among the key differences between the Nordics and other European economies: Four of the five Nordic countries—Finland is the exception—have their own currencies and independent central banks. That gives them more flexibility to respond to economic changes than countries using the euro and under the purview of the European Central Bank. In addition, the Nordic countries generally have less national debt, as a percentage of gross domestic product, than bigger neighbors such as France, Italy and Spain. Although the

**Denmark is home to drug companies Novo Nordisk and Genmab.**



Nordics, like much of the rest of the global economy, are currently struggling with inflation and slow growth, Moody's economist Ross Cioffi says the Nordic region "has a better long-term outlook than the rest of Europe."

### A LONG-TERM VIEW

Nordic companies can often afford to shrug off short-term blips and invest in long-term growth because their ownership tends to be dominated by investors with long-term mind-sets—families concerned about legacies, for example, or public agencies such as Norway's \$1.4 trillion sovereign wealth fund. McKinsey reports that about 80% of top Nordic companies have long-term ownership; the figure is about 60% for comparable companies in other parts of Europe and about 20% in the U.S. That long-term orientation "fosters stability, sustainable practices and investments in innovation," according to the consultant. It noted that about 80% of Nordic companies spend above-average amounts on research and development.

The region also offers investors some geopolitical advantages. Although two of the Nordic countries—Norway and Finland—share land borders with Russia, those lines mostly run across unpopulated areas in the Arctic. Meanwhile, companies developing the Nordic area's abundance of oil, gas, hydroelectric power and minerals have benefited from other European countries' efforts to stop relying on Russia and China for such necessities, says Moody's Cioffi.

Even characteristics that some investors may see as disadvantages over the short term are turning into long-term benefits in some cases. For example, the

region's small domestic markets have forced ambitious Nordic companies to pursue global sales strategies. "When you have no home-country advantage, you have to pay attention to everywhere else," says Haicheng Li, a portfolio manager of the Baird Chautauqua International Growth Fund, which has invested 12% of its portfolio in Danish companies.

The Nordic countries' comparatively strict business regulations offer similar trade-offs. The countries tend to have heavy environmental, labor and corporate governance regulations that can raise costs but also offer some long-term benefits to

over the past year and an annualized 12.1% over the past 15 years. Those results slightly outpace the S&P 500's one-year return of 24.6% but lag its 15-year return of 14.8%. The fund's long-term record handily beats many major foreign regional indexes. MSCI's Europe index returned an annual average of 7% over the past 15 years, for example.

The managers screen for factors such as strong free cash flow (cash left over after spending to run and invest in the business). The fund holds a selection of 45 stocks of all sizes, but its largest holding is the Danish pharmaceutical firm Novo Nordisk. The maker of Wegovy,

## THE NORDIC REGION OFFERS INVESTORS REDUCED GEOPOLITICAL RISKS, WELL-REGULATED MARKETS AND ATTRACTIVE OPPORTUNITIES.

investors. David Wheeler, a senior research analyst for Alliance Bernstein's sustainable thematic investment strategies, notes that some of the countries have laws requiring the majority of corporate board members be independent. "Boards in the Nordic countries provide especially strong oversight of management, which can mean reduced governance risks," he says.

### HOW TO INVEST

One way to give your portfolio a little extra weighting in the homelands of the ancient Vikings is through one of the handful of funds that specialize in the region.

The standout option in this group is **Fidelity Nordic Fund (symbol FNORX)**, which is perennially one of the best-performing regional mutual funds. It has returned 24.9%

a popular new anti-obesity drug, accounted for more than one-fourth of the fund's portfolio as of the latest report. Thanks to booming demand for Wegovy, Novo Nordisk is expected to generate more than \$9 billion in free cash flow in 2024. Analysts expect that to double by 2027, according to S&P Global Market Intelligence. The stock has shot up more than 78% in the past year and has posted an average annual return of 42% over the past five years. It has quickly grown into Europe's largest company, as measured by its stock market value, and thus accounts for a good slug of many European fund portfolios. (Novo Nordisk is also one of the Kiplinger ESG 20, our list of environmental, social or governance standouts.)

Fidelity Nordic gets a nod of approval from Jack Bowers, chief

executive officer of Independent Fidelity Investors, publisher of the *Fidelity Monitor & Insight* newsletter. He's generally more bullish on U.S. funds, but Fidelity Nordic is a good option for diversifiers, he says, calling it "a better bet than most foreign funds." Its large stake in booming health care stocks gives it the potential to outperform more-diversified regional funds, he adds. The fund's expense ratio is 0.94%.

Alternatively, investors looking to make more-targeted bets can consider a country-specific index fund. iShares offers an

of compressed-air tools and other industrial supplies, has returned nearly 30% over the past 12 months. The Sweden fund's expense ratio is 0.54%.

Investors interested in individual stocks can consider the following recommendations from fund managers and analysts. All three companies' shares trade on U.S. exchanges, two of them as American depositary receipts.

**Autoliv (ALV, \$107)** This Stockholm-based company is the world's biggest manufacturer of

at last report. "It's a really high-quality, very well-run company offering persistent, strong growth," Wheeler says.

**Genmab (GMAB, \$25)** Denmark's pharmaceutical industry offers opportunities beyond Novo Nordisk, says Chautauqua's Li. She says the country's long-term orientation and culture of teamwork are reasons Copenhagen-based Genmab is one of just 30 companies in the portfolio of Baird Chautauqua International Growth fund. Genmab's long-term investments in drugs based on antibodies appear to be finally paying off, she says. Sales of the company's antibody-based treatments for multiple myeloma and lymphoma helped push 2024's first-quarter revenues up 46% over the same period a year earlier. Analysts see the ADR trading at \$40 over the next 12 to 18 months, which implies a 60% gain from its recent close.

←  
**Autoliv is developing new safety products for future cars.**

**Norsk Hydro (NHYDY, \$6)**

This Norwegian company will benefit from Europe's shift to resource suppliers outside of Russia and China, says EuroPac's Rien. Despite the company's name, the bulk of its business is producing aluminum, which makes it susceptible to commodity cycles, Rien notes, but he believes that patient investors will be rewarded. "They are not trying to make the next quarter. They are trying to hand something down to next generation," he says. The ADR yields a healthy 3.8%. The 12-to-18-month price target from a consensus of analysts is just over \$9 a share, implying a 50% potential gain. ■

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array of choices. Its **iShares MSCI Denmark (EDEN, \$126)** exchange-traded fund, with an expense ratio of 0.53%, has returned 19.2% over the past 12 months and an annualized 16.4% over the past five years, thanks especially to its investments in Novo Nordisk and other Danish health care firms. **iShares MSCI Sweden (EWD, \$40)** has returned 18% over the past 12 months. Industrial and financial firms make up almost 75% of its portfolio. Top holding Atlas Copco, a major producer

airbags, seatbelts and other auto safety equipment. It recently traded at a price-earnings ratio of about 10.5 times expected earnings for the next 12 months. Analysts see those earnings increasing by nearly 16% annualized over the next three to five years. Alliance Bernstein likes the way Autoliv is expanding market share and developing new safety products for inclusion in cars of the future; the stock was the second-largest holding in the AB Sustainable International Thematic Fund



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# CUT RATES ALREADY!

The Federal Reserve is behind the curve, says this well-known economist.

**INSIDER INTERVIEW BY ANNE KATES SMITH**

*Mark Zandi is chief economist of Moody's Analytics.*

**KIPLINGER: You've said the Fed is using the wrong gauge for inflation and targeting the wrong level. What do you mean, and what would you prefer?**

**ZANDI:** The fed targets 2% inflation as measured by growth in what's known as the personal consumption expenditures deflator. At the current time, it's a flawed measure of inflation because it includes something called owners' equivalent rent. That's the implicit rental cost of owning your own home—it tries to measure what a homeowner would have to pay in rent to live in their home. In theory, that sounds great. But in practice, it's very problematic, in large part because the housing market is upside down. The affordable part of the market is extraordinarily tight, with vacancy rates at record lows and rents strong. The high end of the market is a lot softer, with a lot more supply. Owners' equivalent rent is hard to measure in all times, and it's impossible to measure now. In the rest of the world, other statistical agencies don't even try. They exclude OER because it makes it very difficult to identify underlying inflationary trends.

**What measure would you use instead?** If I had to pick a measure, it would be so-called harmonized core PCE—"harmonized" in that it's measured on the same consistent basis as it's measured over-

seas, with the fundamental difference being that it excludes owners' equivalent rent. It's used in most developed economies—in Europe, Canada, Australia. And the point is, if you look at inflation on a harmonized basis, we're at a 2% inflation rate, and we've been at 2% for about a year.

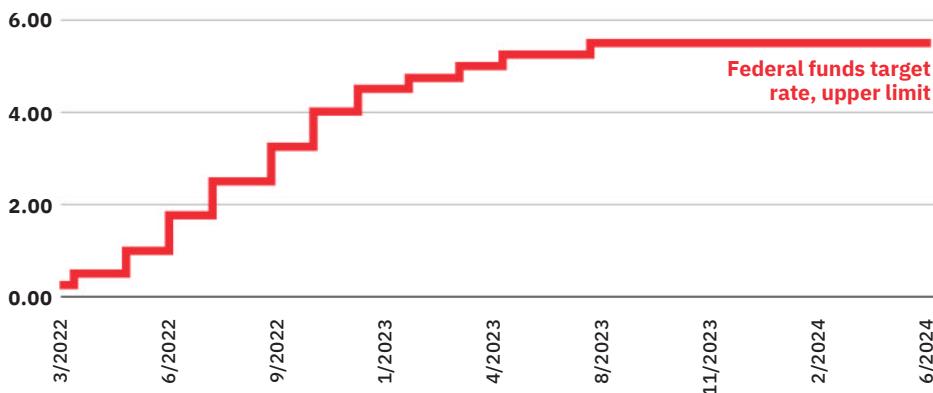
**Should the Fed just declare victory on inflation now?** If you were at the Federal Reserve looking at harmonized PCE (or the harmonized measure for the consumer price index, which is published here by the Bureau of Labor Statistics), you'd say mission accomplished, inflation is back in the bottle. And with the economy at full employment—a 4% unemployment rate—you'd have achieved all your objectives. Now it's time to bring interest rates down to neutral, neither restraining or supporting economic growth.

**So the 2% target for inflation is okay, it's just on the wrong gauge?**

The Fed has told everybody they're taking inflation down to 2%. To ensure credibility, which is critical for the future, I'd keep the target at 2% for now. You've got to maintain that credibility. But once achieved, and once the Fed has normalized interest rates, I'd take a wholesale look at things. The Fed does evaluate their framework every so often—every five years or so—and the next one's coming around. At that point, they should think about the target and what measures to use. I'm confident most everyone would say that 2% isn't the right target. Why one number? Why not a range of 2% to 3%, just to buy a little wiggle room when you need it? Other central banks use 2% to 3% as well; ours wouldn't be the only one.

## HAVE RATES PEAKED?

The Federal Reserve has raised its benchmark rate 11 times since March 2022.



SOURCE: Federal Reserve Bank of St. Louis



## “I THINK THE ECONOMY IS STRONG AND RESILIENT. BUT WHY TAKE A CHANCE WITH RATES THAT ARE RESTRAINING THE ECONOMY?”

The number certainly isn't 2%. That's too low.

**Why too low?** The reason you want to target an inflation rate a bit higher is that if you set it too low, some industries will be suffering *deflation*. Then, if you're a businessperson, you have to go back to workers and cut wages. They'll say no, and then you have to go to layoffs. You want the overall inflation rate to be high enough so that the businesses with the least amount of pricing power are at least at zero.

**In the meantime, do you think the Fed should lower rates now?** Right now, the Fed has a target

range of 5.25% to 5.5% for the federal funds rate. They—and I think everyone—would say that's a restraint on growth. And I would ask, Why? Let's get going! Cut rates, see what's going on, and maybe three months later cut rates again. If you buy the argument that the Fed has achieved its goal, they should be normalizing. If they switch to harmonized PCE or harmonized CPI, then it becomes easier to start cutting without losing credibility. I fear they've got PTSD. They got it wrong in early 2022 when they took so long to start raising rates, and now they're going to err on the other side and take too long to cut rates.

**Why do we need a rate cut at all if the economy is as strong as it looks?** I think the economy is strong and resilient. But why take a chance with rates that are restraining the economy? Things happen. Last year's banking crisis is a case in point. What else is out there that might break that we don't know about? I don't feel like there are cracks out there now, but why take the risk?

**How rare is it for a central bank to achieve victory on the inflation front without forcing the economy into recession?** It's rare. There was one recent example in the late 1990s, although it's not in the same ballpark. Alan Greenspan was the Fed chair; inflation was becoming an issue, and he stepped on the brakes. But he got a lot of help from the productivity boom that resulted from the internet coming on, and inflation then was very modest compared with what we suffered in the wake of the pandemic.

**Where do you see the Fed's target rate ending up?** I forecast a lot of things. Some things I'm not so confident about, and some things I am. I'm very confident about inflation coming down. My sense is the Fed will have enough evidence by the September meeting, and they'll start cutting a quarter-point once each quarter, and that will get us back close to neutral by the end of 2025 or early-to-mid 2026. If nothing major takes us off-script, that's the path forward. A neutral rate is probably around 4%, and it'll probably migrate lower to settle in mid 2026 at 3%, 3.25% or 3.5%, something like that. ■

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# High Yields, Reliable Payouts

INCOME INVESTING BY JEFFREY R. KOSNETT

ONE of my routines is to watch for new, quality bonds and bond alternatives with premium yields. Lately, three sound regional banks—Bank of Hawaii, Citizens Financial and M&T Bank—broke a dry spell with \$25-par-value preferred offerings bearing coupons of 8%, 7.375% and 7.5%, respectively. New investment-grade bank preferreds are a fine sight to see, and they're a timely embellishment to any income-first financial-sector allocation. Yes, cash earning 5% is not idle, but the chance to garner an extra point or two of yield indefinitely without much credit risk is enticing.

I expect long-term bank and corporate bond yields to hold in a tight trading range this year and eventually ease, so any 7% or 8% coupon catches my eye. And those rates beat current yields on corresponding bank bonds—for example, Citizens Financial 2.5% notes due in February 2030 and priced to yield 5.6% to maturity, below the current yield on those aforementioned new Series H preferreds from Citizens. Plus, although you can buy the notes cheaply—85 cents per \$1 of par value—the small coupon puts the current yield below 3%. Much of the return gets deferred until 2030's return of principal and resulting capital gain. Another advantage of the bank preferred stocks is

that the payouts are tax-qualified dividends. Banks' bond interest is ordinary taxable income.

**Stay selective.** I am not a blanket advocate for all preferred shares. Many are from unrated or junk-rated finance or real estate companies whose prospects are unknown or questionable. A 13% preferred issue last September from a fledgling hotel-acquiring outfit called LuxUrban has already lost 40% of its original value. The firm's common stock went from \$6 to 23 cents, and LuxUrban's income statement and balance sheet are frightening. If you would not invest in a company any other way, skip its preferreds even if it has yet to default.

But there are plenty of preferreds besides those of banks that look investable. I would consider utilities, insurers and infrastructure companies, provided the earnings and common stock are behaving. What about the price? Some traders make a career of fishing for preferreds at \$23 or \$24 and selling them at \$26. Because interest rates and financial markets are volatile and unpredictable and preferred prices are inefficient, this is possible. But if your priority is income, I would not mind paying \$25 to \$26, provided the coupon is fat enough, you are not seeking a fast gain and the qualified-dividend tax break matters to you.

The trio of 2024 bank issues are up from their \$25 initial price. That



indicates the marketplace is starving for merchandise, so their prices may yet go higher. As a result, the yield to first call date in 2029—the yield to worst (YTW)—now lags the coupon. The Citizens issue, at \$26.40, has a YTW of 6.1%, so wait for the ebb and flow of trading to push the price below \$26 and its YTW above 6.5%. Meanwhile, the M&T Series B shares, at \$25.70, yield 6.8% to worst, and Bank of Hawaii Series B shares, at \$25.78, offer a 7.3% YTW.

That seems like a funny price divergence among equal-rated and familiar issuers, but this corner of the securities universe rarely moves in lock step. In theory, this inefficiency helps active fund managers such as the team managing *Flaherty & Crumrine Preferred Income (symbol PFD)*, the leveraged and established closed-end fund. It is enjoying a good year and distributes 8%. The fund is one of my favorites. But if you aspire to lock up a known yield at a hefty spread above cash or bonds, buying some preferreds directly will work. ■

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**Preferred shares I would consider include those of banks, utilities, insurers and infrastructure companies.**

# GROWTH BEATS YIELD AT THIS FUND

**KIPLINGER 25 UPDATE BY NELLIE S. HUANG**

**C**ONTEXT is everything. For more than a year now, a handful of companies—some of which don't pay a dividend—have fueled gains in the stock market, leaving funds that don't hold those companies behind. That goes a long way to explain why **T. Rowe Price Dividend Growth** has lagged the S&P 500 over the past 12 months.

The fund owns Microsoft and Apple, but not Nvidia, Alphabet or Meta Platforms, three of the biggest gainers over the past year. "It's been a tough relative period for anyone who's an income-oriented investor," says the fund's manager, Tom Huber. "But on an absolute basis, the fund has done well." Dividend Growth has gained 16.8% over the past 12 months; the S&P 500, 24.6%.

Increasing dividends matter more than yield at this fund. Huber favors large, competitively positioned firms that generate cash and have a goal to increase payouts over time. The fund's overall average dividend growth rate, 9.8% over the past 12 months, exceeds that of the S&P 500, which typically ranges between 5% and 7%, says Huber.

High interest rates have also been a hurdle for this dividend-stock fund; investors can earn fatter yields in money market funds. But rates are likely to fall in the coming months, which may turn investor attention toward dividend stocks again, says Huber.

**Where the bargains are.** Meanwhile, Huber is nibbling in discounted sectors, including consumer staples, energy and health care. Coca-Cola is a "quality company," he says, "that trades at a price-earnings multiple you haven't seen in a really long time." And since the collapse of oil prices during COVID, many energy firms, including ConocoPhillips, yielding 2.8%, and ExxonMobil, yielding 3.3%, have become smarter about how they spend their extra cash. He's also a fan of discount retailer Dollar General, which is benefiting from consumers seeking relief from higher prices. **■**

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## KEY DATA FOR OUR MUTUAL FUND PICKS

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

U.S. Stock Funds	Symbol	Annualized total return			Yield	Expense ratio
		1 yr.	5 yrs.	10 yrs.		
<b>DF Dent Midcap Growth</b>	DFDMX	7.5%	6.1%	9.7%	0.0%	0.87%
<b>Dodge &amp; Cox Stock</b>	DODGX	19.0	13.0	10.6	1.4	0.51
<b>Fidelity Blue Chip Growth</b>	FBGRX	42.0	21.8	17.8	0.0	0.48
<b>Heartland Mid Cap Value</b>	HRMDX	6.3	10.4	—	0.7	1.10
<b>Mairs &amp; Power Growth</b>	MPGFX	22.9	13.9	11.2	0.8	0.64
<b>T. Rowe Price Dividend Growth</b>	PRDGX	16.8	11.9	11.7	1.0	0.64
<b>T. Rowe Price Int US Sm-Cap Gr</b>	PRDSX	14.4	8.4	9.5	0.0	0.80
<b>T. Rowe Price Small-Cap Value</b>	PRSVX	8.6	6.7	7.0	0.6	0.80
<b>PRIMECAP Odyssey Growth</b>	POGRX	18.3	11.5	11.7	0.4	0.66
<b>Vanguard Equity-Income</b>	VEIPX	14.3	10.2	9.5	2.6	0.27

Foreign Funds	Symbol	Annualized total return			Yield	Expense ratio
		1 yr.	5 yrs.	10 yrs.		
<b>Baron Emerging Markets</b>	BEXFX	8.2%	1.7%	2.0%	0.4%	1.37%
<b>Brown Cap Mgmt Intl Sm Co</b>	BCSVX	5.7	6.5	—	0.0	1.31
<b>Fidelity International Growth</b>	FIGFX	12.1	8.1	6.9	0.4	0.84
<b>Janus Henderson Glbl Eq Inc</b>	HFQTX	10.7	6.4	4.1	3.6	0.98

Specialized Funds	Symbol	Annualized total return			Yield	Expense ratio
		1 yr.	5 yrs.	10 yrs.		
<b>Fidelity Select Health Care</b>	FSPHX	5.1%	8.7%	9.6%	0.0%	0.65%
<b>T. Rowe Price Global Technology</b>	PRGTX	37.4	12.7	15.3	0.0	0.94
<b>Vanguard Wellington</b>	VWELX	15.0	8.7	8.1	2.5	0.26

Bond Funds	Symbol	Annualized total return			Yield	Expense ratio
		1 yr.	5 yrs.	10 yrs.		
<b>Baird Aggregate Bond</b>	BAGSX	3.5%	0.0%	1.5%	4.3%	0.55%
<b>Dodge &amp; Cox Income</b>	DODIX	4.5	1.4	2.3	4.7	0.41
<b>Fidelity Interm Muni Income</b>	FLTMX	3.0	1.2	2.1	3.4	0.36
<b>Fidelity Strategic Income</b>	FADMX	8.0	2.8	—	5.3	0.66
<b>T. Rowe Price Floating Rate</b>	PRFRX	10.6	4.9	4.1	8.2	0.78
<b>Vanguard Emerg Markets Bond</b>	VEMBX	11.0	3.6	—	6.9	0.55
<b>Vanguard High-Yield Corporate</b>	VWEHX	9.3	3.4	4.0	6.5	0.22
<b>Vanguard Short-Term Inv-Grade</b>	VFSTX	5.9	1.5	1.8	5.0	0.20

Indexes	Annualized total return			Yield
	1 yr.	5 yrs.	10 yrs.	
S&P 500 INDEX	24.6%	15.0%	12.9%	1.4%
RUSSELL 2000 INDEX*	10.1	6.9	7.0	1.4
MSCI EAFE INDEX†	11.5	6.5	4.3	3.0
MSCI EMERGING MARKETS INDEX	12.6	3.1	2.8	2.8
BLOOMBERG U.S. AGG BOND INDEX#	2.6	-0.2	1.3	5.0

AS OF JUNE 30, 2024. \*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.

# I'm Still a Fan of Value Stocks

STREET SMART BY JAMES K. GLASSMAN

**A** little over a year ago, I wrote that value stocks were coming back. After trailing growth stocks badly for more than a decade, value beat growth in 2022 and appeared in the ascendancy. But I jumped the gun. Over the past 12 months, the S&P 500 Value index performed well, returning 15.3%, but the S&P 500 Growth index did far better, gaining 32.5%. The Russell 1000 Value index, which is calculated in a different way and includes midsize stocks, lagged the Russell 1000 Growth index by even more, returning 13.1% to Growth's 33.5%. (Returns and other data are as of June 30; securities I like are in bold.)

I am not giving up. Of course, timing the market is impossible, but value and growth move in cycles, and there's a good case that it is finally value's turn again.

Value stocks are those out of favor with investors, as evidenced by lower valuations. Usually, that means profit growth may be consistent but far from spectacular. S&P uses three metrics for identifying value: lower ratios of a stock's price to its earnings (P/E), book value (P/B) and sales (P/S). Russell pegs value stocks as having lower current P/B ratios, as well as slower book, earnings and sales growth over the past five years and lagging sales projections for the next two years.

Value led growth in the 1980s, and growth dominated in the 1990s. With the collapse of the tech bubble in 2000, value gained the upper hand for seven years, then passed the torch back to growth. Over the past decade, the S&P Growth index beat the Value index by an average of more than five points per year. That's a remarkable performance, especially when you consider 2022: The Growth index lost 29.4% and the Value index dropped just 5.2%.

**It's all about tech.** Large-capitalization growth stocks have done well lately for two big reasons: first, the spectacular climb of technology stocks, which represent 63% of the assets of the S&P 500 Growth index and just 13% of the Value index; and second, low interest rates, which tend to favor fast-growing companies that take on debt to finance capital investments and research and development.

BofA Securities issued a report in June that stated, "After two decades of steady underperformance, U.S. value may outperform growth again." The report referred to a seminar 50 years ago called "Renaissance of Value," led by Benjamin Graham, the polymath investment guru who was Warren Buffett's mentor. It is time, wrote BofA analysts, for another renaissance.

The impending rebirth of value, they wrote, makes sense either in the bull case (with the earnings of



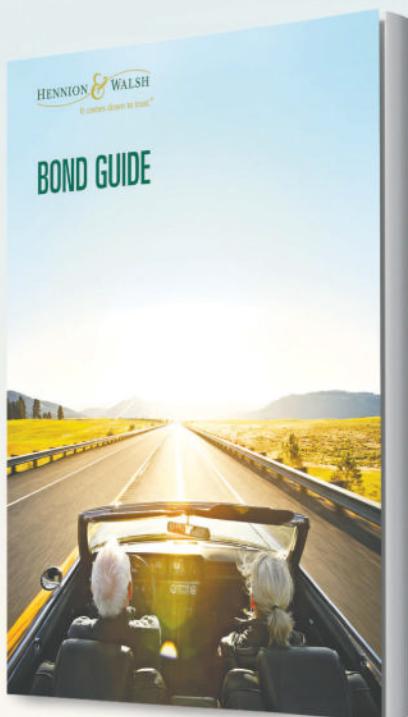
value stocks in long-neglected sectors playing catch-up) or in the bear case (with tech revenues hurt by a "hard landing" after the current round of Federal Reserve rate hikes and value stocks doing comparatively better than growth stocks falling from a greater height). Finally, wrote the analysts, "the macro shift from a '2% world to a 5% world' [a reference to market interest rates] supports value stocks." With higher rates, value should outperform growth by 5 percentage points annually, if history is a guide.

I find this reasoning compelling, and I have two other arguments for value. The first is an instinct that it's time for a change. Growth has been king for nearly two decades. That's enough. Trees don't grow to the moon. My second argument is far more convincing. It is that over the longer term, value has beaten growth handily, and there is no reason this trend won't continue.

**Bargains are better.** Why does value beat growth? Because cheap beats expensive. Investors often shun value stocks because they get bored with steady performance and need excitement. They want to climb aboard the

**Value and growth stocks tend to move in cycles, and there's a good case that it is finally value's turn again.**

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new, hot thing—not the old, tried-and-true one. Value stocks thus get “mispriced” on the low side, just as growth stocks get bid up beyond their true worth. The proof is in the history. Over the past century, value has beaten growth by an annual average of more than four percentage points—a huge margin in the world of investing. What’s more, although investors usually get higher returns for taking on more risk, in the case of value stocks, the risk is actually about 10% lower, based on standard deviation, a measure of volatility.

Right now, there’s a chasm between value and growth valuations. For example, S&P Dow Jones Indices reports that the average P/E, based on analysts’ earnings projections, for the S&P 500 Value index is 16.3; for the growth index, it’s 27.5. The average P/B ratio for value is 2.7; for growth, it’s 9.6. The S&P 500 Value index has a dividend yield of 2.3%; for growth, it’s 0.7%. (Higher yields are an indicator of value.)

Because stocks often shift between value and growth categories, the best way to invest in value is through an exchange-traded fund linked to an index. The best choices are *iShares S&P Value ETF* (symbol

## The best way to invest is through index exchange-traded funds, such as iShares S&P Value and Vanguard S&P 500 Value.

*IVE*, \$182) and *Vanguard S&P 500 Value* (*VOOV*, \$176). For a portfolio that includes smaller stocks and has an even lower proportion of tech shares, consider *iShares Russell 1000 Value* (*IWD*, \$174) and *Vanguard Russell 1000 Value* (*VONV*, \$77). All of these ETFs carry expense ratios of less than 0.2%.

In its recent deep dive on value, BofA recommended three sectors as especially attractive: utilities, energy and banks. I completely agree. Utilities and energy have risen in price but still have low valuations, and they are primed for rising revenues as demand for electricity increases (in part because of the need for powering artificial intelligence computing and electric vehicles) and there are roadblocks—many of them political—to increasing supply.

You can buy utility stocks through ETFs such as *Utilities Select Sector SPDR* (*XLU*, \$68) and *Fidelity MSCI*

*Utilities Index* (*FUTY*, \$44); energy through *Energy Select Sector SPDR* (*XLE*, \$91) and *Van Eck Oil Services* (*OIH*, \$316); and banks through *Invesco KBW Bank* (*KBWB*, \$54) and *SPDR S&P Bank* (*KBE*, \$46).

You can also look for individual stocks offering good value. There are few greater pleasures in investing than successfully backing a company that “Mr. Market” ignores or even hates. Here are some candidates: *ExxonMobil* (*XOM*, \$115), with a forward P/E of 12 and a dividend yield of 3.3%; *JPMorgan Chase* (*JPM*, \$202), with a P/E of 13 and a yield of 2.3%; *Deere* (*DE*, \$374), with a P/E of 15 and a yield of 1.6%; and *Johnson & Johnson* (*JNJ*, \$146), with a P/E of 14 and a yield of 3.4%. All four of the stocks are components of the S&P 500 Value index.

Just remember that value investing requires conviction and a long time horizon. In his remarks at the value renaissance seminar 50 years ago, Benjamin Graham said it best: “If you believe—as I have always believed—that the value approach is inherently sound, workable and profitable, then devote yourself to that principle. Stick to it, and don’t be led astray by Wall Street’s fashions, its illusions and its constant chase after the fast dollar.” ■

*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. He owns none of the securities mentioned here. You can reach him at JKGlassman@gmail.com.*



# TWO NOTABLE FUNDS REOPEN

## MUTUAL FUND SPOTLIGHT BY KIM CLARK

**F**OR the first time in at least 15 years, new investors can buy shares in two of Vanguard's best-regarded actively managed mutual funds. In June, Vanguard fully reopened Vanguard Primecap (symbol VPMCX) and Vanguard Primecap Core (VPCCX). Both funds are run by Primecap Management, described by Jeff DeMaso, editor of *The Independent Vanguard Adviser* newsletter, as, "arguably, one of the best active managers out there."

Vanguard locked new investors out of Primecap in 2004 and out of Core in 2009, limiting existing investors to adding no more than \$25,000 a year. The funds' strong performances had attracted more money than the managers felt they could put to

work in the long-term, value-priced growth opportunities they seek.

But in recent years, performance—especially at Primecap—has been lumpy. Investors have withdrawn more than \$38 billion from Primecap since 2019 (leaving it with assets of \$76.1 billion), and nearly \$5 billion from Core (now with \$13.2 billion). And, says Ryan Barksdale, who oversees Vanguard's active stock funds, "the market has evolved," creating new investment opportunities for additional cash. Both funds require a minimum initial investment of \$3,000 for investor-class shares.

**Strong similarities.** The two funds hold many of the same stocks. Both are tilted toward

health care and industrial firms, and have benefited from a boom in Eli Lilly, which makes up more than 10% of each portfolio. Lilly has returned 94% over the past 12 months.

Although it can invest in stocks of any size, Primecap is currently weighted slightly more toward large companies. Charging an expense ratio of 0.38%, it has returned 27.5% over the past 12 months, beating the 24.6% return of the S&P 500. The fund gained 15.5% annualized over the past 15 years, compared with 14.8% for the S&P 500. Core, with expenses of 0.46%, has returned 25.4% over the past year; 14.7% over the past 15 years. **■**

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

STOCK MUTUAL FUNDS							BOND MUTUAL FUNDS					
Name	Symbol	Assets <sup>†</sup> (billions)	Annualized total return		Max. sales charge	Name	Symbol	Assets <sup>†</sup> (billions)	1 yr. total return	Yield	Max. sales charge	
			1 yr.	5 yrs.								
1 Vanguard Total Stock Mkt Idx Adm	VTSAX	\$1,208.1	25.2%	14.1%	none	1 Vanguard Total Bond Market Index Adm	VBTLX	\$211.4	2.2%	4.6%	none	
2 Vanguard 500 Index Admiral	VFIAX	683.0	26.6	15.0	none	2 PIMCO Income A	PONAX	151.5	6.5	5.7	3.75%	
3 Fidelity 500 Index <sup>@</sup>	FXAIX	540.1	26.7	15.0	none	3 American Funds Bond Fund of Amer A	ABNDX	84.2	2.1	4.5	3.75	
4 Vanguard Total Intl Stock Index Admiral	VTIAX	359.6	11.9	5.8	none	4 Dodge & Cox Income I	DODIX	76.9	4.3	4.7	none	
5 American Funds Growth Fund of Amer A	AGTHX	281.2	31.9	14.7	5.75%	5 Vanguard Interim-Term Tx-Ex Inv	VWITX	71.4	3.4	3.5	none	
6 American Funds American Balanced A	ABALX	226.7	16.9	8.5	5.75	6 Fidelity U.S. Bond Index <sup>@</sup>	FXNAX	56.5	2.2	4.5	none	
7 American Funds Washington Mutual A	AWSHX	182.3	23.0	12.6	5.75	7 Vanguard Short-Term Investment-Grade Inv	VFSTX	54.2	5.6	5.0	none	
8 American Funds Invmt Co of Amer A	AIVSX	144.5	28.9	14.3	5.75	8 PIMCO Total Return A	PTTAX	51.1	3.4	5.0	3.75	
9 American Funds New Perspective A	ANWPX	139.2	20.1	12.1	5.75	9 Baird Aggregate Bond Inv	BAGSX	46.4	3.0	4.3	none	
10 Fidelity Contrafund	FCNTX	137.7	42.1	17.4	none	10 Metropolitan West Total Return Bd M	MWTRX	45.7	1.8	4.2	none	
<b>S&amp;P 500 INDEX</b>			24.6%	15.0%		<b>BLOOMBERG US AGGREGATE BOND INDEX</b>			2.6%	5.0%		
<b>MSCI EAFE INDEX</b>			11.5	6.5		<b>ICE BOFA US MUNICIPAL SECURITIES INDEX</b>			2.7	3.2		

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



MONEY

# FIND THE BEST BANK FOR YOU

Whether you seek high yields, low fees, in-person services or premium perks, you have strong options to choose from in our list of the top banks and credit unions. BY ERIN BENDIG AND LISA GERSTNER

**I**f you're on the hunt for a better bank, you have a few aspects to consider as you settle on one with the features that fit your needs. Would you like to walk into a branch

for assistance, or are you comfortable managing your accounts primarily online? Do you typically hold high balances in your accounts—which opens the door to a host of extra benefits, including fee waivers, at many institutions—or would you rather find a checking account that's free

regardless of how much money is in it? Is it important to keep your checking and savings accounts all under one roof (whether it's brick-and-mortar or virtual), or are you willing to spread your deposits across multiple institutions to maximize the yields and other benefits



you get with different accounts?

Whatever your priorities, you should be able to find institutions that suit you in our ranking of the best banks and credit unions. With the help of Curinos, a financial-data provider, we studied accounts at 40 financial institutions, judging them based on criteria including fees, minimum balance requirements, yields and the availability of additional perks, such as financial planning services or identity theft protection. We've named the three institutions

(listed in alphabetical order) that stood out most in each of three categories: national banks, internet banks and credit unions. We also highlighted two institutions that are an especially good fit for each of three profiles: high-net-worth clients, retirees and travelers.

Even if you're not looking for a new primary banking relationship, you may find some ideas here. For example, given the likelihood that the Federal Reserve will start cutting short-term interest rates soon, you may want to lock in a high yield on a certificate of deposit—and we've listed CDs here that recently offered rates as high as about 5% for some maturities. If you have a child or teen at home, consider some of the youth-oriented accounts mentioned below.

Interest rates changes frequently, so before you commit to any of these accounts, check the current yield. Yields and other terms listed here are as of June 30.

#### → **BEST NATIONAL BANKS**

**These large banks have branch networks that stretch across many states, and they offer a full range of accounts and services, including wealth and investment management. One of them has a free, no-strings checking account—an uncommon feature at big banks.**

#### **BMO Bank**

**[www.bmo.com](http://www.bmo.com)**

**Why it won:** BMO scored highly for both its checking accounts and money market account.

**Standout accounts:** BMO's Smart Advantage Checking account is free. Relationship Checking offers numerous high-value benefits for customers who can meet the minimum balance requirements.

**Where it is:** More than 1,000 branches across two dozen states, with many locations in the Midwest as well as the western U.S. (Rates and terms are for customers in Chicago.)

BMO completed its acquisition of Bank of the West last year, doubling its branch footprint. **Smart Advantage Checking**, BMO's most popular checking account, has a minimum opening deposit of just \$25 and no monthly fee. **Smart Money Checking** also has a minimum opening deposit of \$25 but charges a \$5 monthly fee. However, the account has no overdraft fees, and the monthly fee is waived if you're younger than 25.

**Relationship Checking** charges a \$25 monthly fee, but you can avoid it by maintaining a minimum daily balance of \$10,000. With this account, you'll be placed in one of four relationship packages—Silver, Gold, Platinum or Premier—based on your total balance across eligible BMO deposit and investment accounts. The more you hold in your accounts, the more benefits you'll earn. Silver tier benefits, which apply to account holders with quarterly combined balances of less than \$25,000, include a \$25 monthly reimbursement for out-of-network ATM fees. Plus, if you have a BMO credit card, a \$10 bonus is deposited into your checking account each quarter that your net credit card purchases are \$3,500 or greater. Individuals with balances of \$250,000 or more earn Premier tier benefits, which include a rebate of up to \$90 per month on wire-transfer fees, one overdraft-fee rebate per month and a \$75 quarterly credit card spending bonus.

For the first year that you have the no-fee **Savings Builder** account (0.01% yield), you'll receive an extra \$5 each month that you save \$200 or more. The **Relationship Plus Money Market** account yields 1% and charges a \$10 monthly fee, which you can bypass by maintaining a minimum daily balance of \$5,000. BMO's **CD Specials** recently included certificates with rates ranging from 4.3% to 4.9%, depending on the maturity (\$1,000 minimum deposit).

## PNC

[www.pnc.com](http://www.pnc.com)

**Why it won:** PNC's Virtual Wallet account packages help customers manage their money wisely.

**Standout accounts:** Avoiding the monthly fee isn't too arduous with the basic Virtual Wallet checking package. Promotional CDs boast high yields on some shorter maturities.

**Where it is:** About 2,300 branches in 28 states—spread mostly through the eastern half of the U.S. and the Sun Belt—and Washington, D.C. (Terms and rates are for customers in Pittsburgh.)

PNC's Virtual Wallet program comes with a Spend checking account for everyday transactions, a Reserve checking account to set aside funds for short-term goals and a Growth savings account for longer-term goals. The basic *Virtual Wallet* package waives its \$7 monthly fee if you have a monthly direct deposit of at least \$500 into Spend or a combined \$500 minimum balance in Spend and Reserve, or if you're 62 or older.

**Virtual Wallet With Performance Spend and Virtual Wallet With Performance Select** require higher direct deposits or balances to skip the monthly fee, but they have more perks. With Performance Select, for example, you get up to \$10 in monthly reimbursement for out-of-network ATM surcharges as well as free standard checks, cashier's checks and incoming domestic wire transfers.

Recently, a PNC promotional CD yielded 5.15% with a four-month maturity, or 4.25% with a seven-month maturity (\$1,000 minimum deposit). Interest rates on PNC's other savings options often depend on which account package you have, your balance and whether you meet certain activity requirements. The **Premiere Money Market** account yields as much as 1% for eligible Performance Select customers.



## TD Bank

[www.td.com](http://www.td.com)

**Why it won:** A long-standing honoree in our rankings, TD Bank offers accounts with reasonable requirements to waive the monthly fee and plenty of added features to benefit customers.

**Standout account:** TD Complete Checking account holders have several options to avoid the monthly fee; one is maintaining a daily balance of \$500.

**Where it is:** More than 1,100 locations in 15 states across the East Coast, as well as Washington, D.C. (Rates and terms are for customers in Delaware.)

TD's **Complete Checking** is a popular option for everyday banking, offering a few ways to avoid the \$15 monthly maintenance fee: Maintain a daily balance of at least \$500, have \$500 or more in direct deposits within a statement cycle, or have a \$5,000 minimum daily combined balance across all of your TD deposit accounts. The account is also free for those between the ages of 17 and 23, and the bank doesn't

charge them a fee if they use out-of-network ATMs.

**Beyond Checking** offers more benefits, including refunds of the first two overdraft fees incurred in a year, reimbursement for out-of-network ATM fees if you maintain a daily minimum balance of \$2,500, and free money orders and cashier's checks. You can avoid the account's \$25 monthly fee by having a minimum of \$5,000 in direct deposits within a statement cycle, maintaining a minimum daily balance of \$2,500, or having a \$25,000 minimum daily combined balance across all TD deposit accounts, outstanding home equity loan and home equity line of credit accounts, and mortgages in good standing.

You won't pay the \$5 monthly fee for a **Simple Savings** account, which earns a 0.02% yield, if you maintain a minimum balance of \$300 or are 18 or younger or 62 or older. The **Signature Savings** account offers a yield of up to 4% on balances of \$100,000. Account holders who maintain a \$10,000 minimum daily balance or link an eligible TD checking account can avoid the \$15 monthly fee.

### → BEST INTERNET BANKS

These banks provide services online. They don't contend with the costs that come with operating branches, so their accounts generally have lower fees and higher yields than those from brick-and-mortar banks.

#### Ally Bank

[www.ally.com](http://www.ally.com)

**Why it won:** Accounts from Ally Bank have solid yields and no monthly maintenance or overdraft fees.

**Standout accounts:** Ally's money market and savings accounts offer a competitive 4.2% yield.

Ally Bank's checking account, which it calls the **Spending Account**, lets customers earn interest on their cash while avoiding many fees commonly associated with checking accounts, including monthly maintenance fees and overdraft fees. How much interest your account earns depends on your balance. Balances of less than \$15,000 yield 0.1%, while balances of \$15,000 or more yield 0.25%. Plus, standard checks and incoming wire transfers are fee-free.

Both the **Money Market Account** (which comes with a debit card and checks) and Savings Account offer a competitive 4.2% yield on all balances. They have no monthly maintenance fees or minimum balance requirements, and they don't charge fees for overdrafts or incoming wire transfers. An extra benefit that comes with the savings account is the savings buckets tool, which lets account holders organize their savings goals into customizable categories (say, one bucket for a rainy-day fund and another for a vacation). With a separate feature, you can have Ally monitor your checking account for transactions to round up to the nearest dollar; when you accrue at least \$5 in round-ups, Ally transfers the money to your savings account.

Ally's **High Yield CDs** have no minimum deposit requirement, and

rates include 4.5% for a one-year CD, 4% for a three-year CD and 3.9% for a five-year CD.

#### Axos Bank

[www.axosbank.com](http://www.axosbank.com)

**Why it won:** Axos offers a wide range of specialized checking accounts with great benefits and no monthly fees, including accounts for teenagers and seniors, a cash-back account, and a high-yield option.

**Standout accounts:** Earn up to 1% back on debit card purchases with CashBack Checking. With Rewards Checking, account holders who meet certain criteria can earn up to 3.3% interest.

Axos offers several checking accounts that charge no monthly fee, including the basic **Essential Checking**, which is completely fee-free. **CashBack Checking** provides 1% back (earnings are capped at \$2,000 per month) on debit card purchases that you verify with your signature rather than entering your PIN, as long as you maintain a \$1,500 minimum average daily balance. If your balance is less than \$1,500, you earn just 0.5%.

With **Rewards Checking**, account holders can earn up to 3.3% on de-

posits, depending on which of five requirements they meet: Receiving monthly direct deposits of at least \$1,500 (0.4%); using your Axos debit card 10 times per month or activating Axos's online Personal Finance Manager tool (0.3%); maintaining an average daily balance of \$2,500 per month in an Axos Invest Managed Portfolios Account (0.99%) as well as an Axos Invest Self Directed Trading Account (0.99%); and using your account to make your monthly Axos Bank consumer loan payment (0.6%).

All three of the above-mentioned accounts provide unlimited reimbursement of out-of-network ATM fees.

**Golden Checking**—available to adults 55 and older—has no fees, provides free personal checks and offers a 0.1% yield on all balances. The free **First Checking** and **First Savings** accounts are designed to introduce teenagers to personal finance, allowing parents to manage their teen's account from their phone.

Earn up to 0.61% with a **High Yield Savings** account and up to 0.25% with a **High Yield Money Market** account from Axos. Both accounts have no minimum balance requirements or monthly fees.



## EverBank

[www.everbank.com](http://www.everbank.com)

**Why it won:** EverBank received high scores for its checking, money market and savings accounts, all of which offer decent yields.

**Standout accounts:** Performance Savings offers a competitive yield of 5.05%, with no minimum balance required. The Performance Money Market account yields 4.05%.

In 2023, TIAA Bank transitioned to new ownership and rebranded as EverBank, the name the bank used before TIAA's takeover in 2017. EverBank's **Performance Checking** recently had a 0.4% yield, and it has no monthly fee or minimum balance requirement (but the opening deposit must be at least \$100). The free **Performance Money Market** account offers a 4.05% rate. Both accounts reimburse up to \$15 in out-of-network ATM fees each month—or, with a balance of at least \$5,000, you get unlimited ATM fee rebates.

Other accounts include **Everbank Checking**, which has a low minimum opening requirement of just \$25, plus zero monthly account fees. **Performance Savings** offers a competitive, 5.05% yield on all balances, and it charges no monthly service fees.

You can open a **Performance CD** with a minimum deposit of \$1,000, and rates include 3.9% for a five-year maturity, 4.1% for three years, 4.8% for one year and 5.05% for nine months.

## → BEST CREDIT UNIONS

Credit unions are nonprofit institutions that are owned by their members. For that reason, credit unions often keep fees to a minimum and offer decent yields on their accounts. The institutions here offer membership to customers anywhere in the U.S. If you don't qualify for membership based on geographic or employer affiliations, use the method listed in the "How to join" section.

## Alliant Credit Union

[www.alliantcreditunion.org](http://www.alliantcreditunion.org)

**Why it won:** Alliant offers a variety of accounts with easy-to-meet eligibility requirements, decent yields and minimal fees.

**Standout accounts:** You need to meet only two simple requirements to earn a 0.25% yield with an Alliant High-Rate Checking account. One-year CDs yield 5.15% (\$1,000 minimum).

**Where it is:** Alliant operates online.

**How to join:** Join the Alliant Credit Union Foundation; Alliant will make a one-time, \$5 contribution to the foundation on your behalf.

**Alliant High-Rate Checking** offers a 0.25% yield for account holders who meet two requirements each month: Forgoing paper statements in favor of free digital ones instead, and having at least one electronic deposit to your account each month. Plus, the account has no minimum balance requirements, monthly fees or overdraft fees, and you get reimbursement of up to \$20 a month for out-of-network ATM fees. Designed for members between 13 to 17 years old, Alliant's **Teen Checking** account also offers a yield of 0.25% with the same eligibility requirements and ATM fee rebates.

The **High-Rate Savings** and **Kids Savings** accounts both offer a yield of 3.1% with a low average daily balance requirement of just \$100, plus no monthly fee if you choose to receive statements digitally. The Kids Savings account is open to children age 12 and younger, and a parent, grandparent or guardian can be a joint owner of the account. **CD** rates across the board are solid, ranging from 4% for a five-year CD to as much as 5.15% for a one-year CD.

## Bellco Credit Union

[www.bellco.org](http://www.bellco.org)

**Why it won:** Bellco earned high scores in our rankings for its checking accounts and CDs.

**Standout accounts:** Account holders

who carry high balances can benefit from the Platinum Checking account's numerous benefits. Bellco's CDs require a reasonable \$500 minimum deposit, and they recently yielded as much as 4.75%.

**Where it is:** About 30 branches in Colorado, with many in the Denver area.

**How to join:** Become a member of the Bellco Foundation with a minimum donation of \$5.

The free **Boost Interest Checking** account offers a 4.5% yield on balances of up to \$25,000 if you meet monthly requirements of making 15 debit card purchases, having at least one direct deposit, and logging into online or mobile banking. Other options include the basic **Free Checking** account and **Student Checking** account for individuals age 13 to 24, with no monthly maintenance fees, hidden fees or minimum balance requirements. Plus, one insufficient funds fee is waived per year, and account holders receive access to free online financial tutorials.

The **Platinum Checking** account is a strong option for those who carry high balances and want added benefits. Account holders with a combined balance of at least \$15,000 in Bellco deposits and loans can avoid the account's \$12 monthly fee. Fees are also waived on money orders, wire transfers and cashier's checks.

You can open a **CD** with as little as \$500. Top rates include 4.25% for a three-year CD, 4.5% for one- and two-year CDs, and 4.75% for a six-month CD. The **Premier Money Market** account yields 4% on balances of \$50,000 or more. If your balance drops below \$10,000, you'll be charged a \$10 low-balance fee, assessed monthly.

## Connexus Credit Union

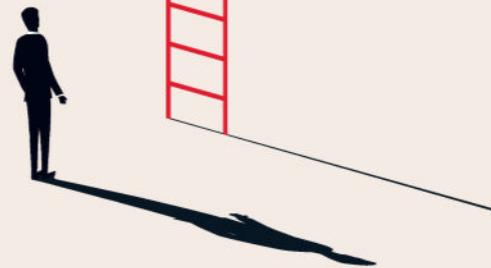
[www.connexuscu.org](http://www.connexuscu.org)

**Why it won:** None of Connexus's checking accounts charge monthly

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service fees, and many offer competitive rates and premium benefits.

**Standout accounts:** With Connexus Xtraordinary Checking, account holders earn 1.75% on balances of up to \$25,000 as long as they meet certain requirements. The Teen Checking account yields 2% on balances up to \$1,000.

**Where it is:** More than a dozen branches located across Minnesota, Wisconsin and Illinois.

**How to join:** Make a one-time, \$5 donation to the Connexus Association.

By opting for digital statements and making at least 15 monthly debit card purchases or spending \$400 on your debit card each month, you'll qualify for a yield of 1.75% on balances of up to \$25,000 with the **Xtraordinary Checking** account. The account also provides a rebate of \$25 a month for out-of-network ATM fees and has no monthly service fees. Other options include the basic Simply Free checking account, as well as the **Teen Checking** account for members who are age 10 to 17, which offers a 2% yield on balances of \$1,000 or less.

Connexus's **Money Market Account** offers a yield of up to 3.91%, depending on the balance. For example, account holders earn 2.41% for balances between \$20,000 and \$99,999 and 2.66% for balances between \$100,000 and \$249,999. **CDs** require a minimum deposit of \$5,000 and offer decent yields: 4.91% on one-year CDs, 4.11% on three-year CDs and 3.41% on five-year CDs.

## → BEST FOR HIGH-NET-WORTH CLIENTS

These banks go out of their way to make sure that customers who keep large account balances get top-tier treatment.

### Citibank

[www.citi.com](http://www.citi.com)

**Why it won:** Citi's relationship bank-

ing packages layer on unique perks.

**Standout account:** The Citigold program comes with financial planning, fee waivers, special access to events and more.

**Where it is:** More than 650 U.S. branches, with many in the Chicago, Los Angeles, New York City, Miami, San Francisco and Washington, D.C., metro areas.

Thanks to its **Citigold** banking package, Citibank is a perennial winner in our ranking of banks for high-net-worth customers. Those who maintain at least \$200,000 in Citi deposit, retirement and investment accounts qualify, and they enjoy a bevy of extra benefits. You can work with a team of representatives who provide financial planning and investment guidance. Plus, get complimentary or discounted admission to certain museums and cultural institutions, such as the New York Botanical Garden and Museum of Modern Art, as well as access to special events, such as private dinners with renowned chefs. Citigold lounges—which are in a handful of cities around the U.S. as well as a few international loca-

tions—offer customers free Wi-Fi and refreshments. Each year, get up to \$200 in reimbursement for certain subscriptions and memberships, including Amazon Prime, Costco Wholesale, Hulu, Spotify Premium, TSA Precheck and Global Entry.

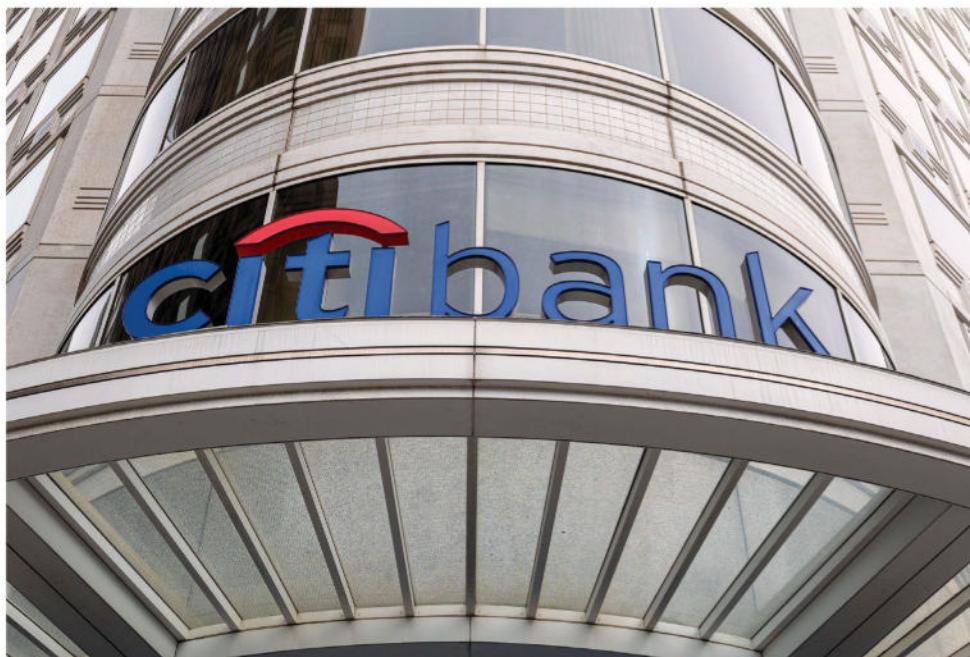
When it comes to everyday banking, Citigold customers can take advantage of numerous fee breaks: You pay no monthly service fee on your checking account and no extra charges for online wire transfers, standard checks, cashier's checks, money orders, stop payments and foreign transactions using your debit card. And Citi reimburses all out-of-network ATM fees worldwide.

If you have \$1 million or more in qualifying accounts, you're eligible for **Citigold Private Client**, which offers enhanced benefits, including a \$400 annual subscription reimbursement and advanced wealth-planning services.

### Citizens Bank

[www.citizensbank.com](http://www.citizensbank.com)

**Why it won:** The premium checking accounts from Citizens offer plenty of freebies and other compelling rewards.



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**Standout account:** Private Client Checking provides elevated benefits, including a dedicated team of wealth management professionals.

**Where it is:** About 1,100 branches in 14 states in New England, the Mid Atlantic and the Midwest. (Terms and rates are for customers in Rhode Island.)

Customers who use **Quest Checking** can take advantage of free personal checks, cashier's checks, money orders, wire transfers and stop payments. Plus, you pay no foreign-transaction fees when you use your debit card overseas. You also get higher interest rates on savings accounts and money market accounts, as well as discounted fees on mortgages and other loans. If you have at least \$5,000 in total monthly deposits into your checking account or keep at least \$25,000 in combined deposit and investment balances with Citizens, you skip the account's \$25 monthly fee.

Those who keep \$200,000 or more in deposit and investment balances can upgrade to **Private Client Checking**, which provides additional perks, such as a dedicated team of advisers from Citizens Wealth Management and up to \$10 reimbursed monthly for the fees that out-of-network ATM operators charge for using their machines.

#### → **BEST FOR RETIREES**

Whether you favor in-person services, minimal fees or high yields, one of these institutions should suit you.

#### **Chase**

[www.chase.com](http://www.chase.com)

**Why it won:** Chase has a widespread network of branches—a plus for retirees who prefer face-to-face assistance—and several accounts to choose from.

**Standout accounts:** Sapphire Checking and Total Checking are both good

options, depending on how large a balance you maintain.

**Where it is:** More than 4,700 branches in all of the lower 48 states and Washington, D.C. (Rates and terms are for customers in Columbus, Ohio.)

Chase's basic **Total Checking** account requires a reasonable minimum of \$500 in monthly electronic deposits to avoid the \$12 monthly fee (or bypass the fee by keeping a minimum balance of \$1,500 in checking or



\$5,000 combined in Chase deposit and investment accounts). Those who maintain at least \$75,000 in deposit and investment accounts can avoid the \$25 monthly fee on **Sapphire Checking**, one of the highest-scoring checking accounts in our rankings. Sapphire customers get free standard checks, cashier's checks, money orders, stop payments, and incoming and outgoing wire transfers. You also get reimbursement of out-of-network ATM surcharges and pay no monthly fee on linked Chase personal savings accounts.

Although yields on savings accounts were recently unremarkable, customers with a linked personal Chase checking account could get a 4.25% yield on a **CD** with a nine-month maturity (\$1,000 minimum).

#### **Lake Michigan Credit Union**

[www.lmcu.org](http://www.lmcu.org)

**Why it won:** This credit union offers a range of checking accounts—including one dedicated to seniors—as well as attractive savings options.

**Standout accounts:** Advantage 50 Checking has benefits tailored to those 50 and older, and LMCU's CDs come with enticing yields.

**Where it is:** Dozens of branches in Michigan and Florida.

**How to join:** If you live outside of

Michigan or Florida, join by donating \$5 to the ALS Association.

The **Advantage 50 Checking** account is designed for those 50 and older. It has no monthly fee or minimum balance requirement, provides two free boxes of standard checks per year, and offers a 0.25% yield. For a higher yield, look to the no-fee, no-minimum **Max Checking** account, which pays a 3% rate on balances up to \$15,000 and reimburses up to \$10 monthly in out-of-network ATM fees if you meet monthly requirements of having a direct deposit, making 10 or more purchases with your LMCU debit or credit card, logging into online or mobile banking at least four times, and opting for electronic statements.

**CDs** (\$500 minimum balance) recently yielded 5.05% for a six-month maturity, 4.15% for maturities of three to 11 months, and 4% for maturities of 12 to 18 months, among other options. The no-fee **Max Money Market** account yields up to 4.05%, depending on the balance.

## → BEST FOR TRAVELERS

If you travel frequently, you'll benefit from features such as fee-free ATM access and waived currency-conversion charges. And even if you're not on the road much, the checking accounts from these banks are outstanding choices.

### Capital One

[www.capitalone.com](http://www.capitalone.com)

**Why it won:** Capital One goes light on fees with its online 360 accounts, and its nationwide cafés provide travelers a place to relax.

**Standout account:** 360 Checking customers can access more than 70,000 ATMs fee-free, and you pay no foreign-transaction fee when you use the debit card overseas.

**Where it is:** The accounts listed here are internet-based, but Capital One has more than 250 branches in a handful of eastern and southern states and Washington, D.C.

Capital One's **360 Checking** account has no monthly fee or minimum balance requirement, and the debit card imposes no foreign-transaction fees for purchases or ATM withdrawals abroad. Capital One also provides free access to more than 70,000 ATMs, including the bank's own machines as well as those in the Allpoint and MoneyPass networks. If you withdraw money from an out-of-network machine, Capital One charges you no fee, but you'll likely pay a surcharge to the ATM operator. If you'd like to earn a high yield on extra cash, check out the no-fee **360 Performance Savings** account, yielding 4.25%, and the one-year **CD**, with a 5% yield

(no minimum deposit required).

Capital One has a robust mobile app that you can use to manage your accounts and make transfers on the go. Plus, along with standard branch locations, the bank operates more than 50 cafés in cities across the country. Capital One Cafés serve up food and drinks (you get a 50% discount on handcrafted beverages, such as coffee and tea, if you pay for them with your Capital One debit or credit card), as well as provide workspaces and free Wi-Fi.

### Charles Schwab Bank

[www.schwab.com/bank](http://www.schwab.com/bank)

**Why it won:** Schwab waives the surcharges that most other banks impose on international travelers.

**Standout account:** Users of Schwab's Investor Checking account pay no ATM fees or currency-conversion fees.

Globetrotters will find Charles Schwab's **Investor Checking** account hard to beat. It offers unlimited reimbursement of out-of-network fees for ATM withdrawals worldwide, and travelers pay no foreign-transaction fees when they use their debit card for ATM withdrawals or purchases. The account is free of monthly maintenance fees, overdraft fees and minimum balance requirements, and you get complimentary standard paper checks, too. The debit card comes with travel accident insurance as well as travel and emergency assistance services, such as referrals to English-speaking doctors if you become ill while abroad.

You must link your Investor Checking account to a Schwab One brokerage account, which has no minimum balance requirement, and you can transfer money instantly between the accounts. With Schwab's mobile app, you can move money and check account balances. 📱

**For questions or comments, send an e-mail to [feedback@kiplinger.com](mailto:feedback@kiplinger.com).**



## How We Chose the Top Financial Institutions

With data from Curinos, a financial-data provider, as well as from financial institutions and other sources, we evaluated 13 national banks, 14 internet banks (including online accounts from brokerage firms) and 13 credit unions. We reviewed checking accounts, savings accounts, money market deposit accounts and certificates of deposit from each institution. We looked at interest rates; minimum deposit and balance requirements; monthly maintenance fees and the ease of waiving those fees; ATM benefits, such as waived or reimbursed fees for out-of-network withdrawals; free or discounted benefits, such as personal checks, cashier's checks, paper statements and overdraft-protection transfers; overdraft fees and concessions, such as cushions; and online and mobile banking features, such as the availability of peer-to-peer payment services. Yields and other data are as of June 30.

SOURCE: Curinos LLC. Data is obtained from public sources; accuracy and completeness is not guaranteed. Curinos is not liable for reliance on the data.

# Are You Financially Savvy?

**MONEY SMART WOMEN BY JANET BODNAR**

**A**NNAMARIA Lusardi is senior fellow at the Stanford Institute for Economic Policy Research and coauthor, with Tim Kaiser, of the new study “Financial Literacy and Financial Education: An Overview.” I spoke with her about the results of her study.

**First off, how do you measure financial literacy?** More than 20 years ago, we developed what we call the Big Three, a trio of multiple-choice questions to measure understanding of the ABCs of personal finance: compound interest, inflation and risk diversification. Since then, we have added these questions to almost every survey of consumer finances and other global surveys in countries around the world. The results in most countries are strikingly similar: very low levels of financial literacy that have not improved a lot over time.

**Does your research show a difference between men and women?** We find a persistent and large gender gap in almost every country. Women answer fewer questions correctly, and they are more likely to choose the “I don’t know” response. To test this, we have asked the questions again but without the “I don’t know” option. When forced to answer the questions, women tend to be right, but they’re not confident of their answers. We estimate

that lack of confidence accounts for about one-third of the gender gap. This can make women too reluctant to take steps that can grow their wealth, especially in a high-inflation environment—for example, by investing in the stock market.

**Are there differences between age groups?** Financial literacy is particularly low among the young. That makes sense because they don’t have experience in the real world and don’t generally learn about finance in school. Early studies showed that financial knowledge tended to increase with age up to a point and then turn down. But in more recent studies, we don’t see financial knowledge going down with age. One reason may be that one topic we measure is inflation, and older generations have had more experience with higher inflation.

**What do your results mean for financial well-being?** Financial literacy is as important as reading and writing in our society, when you have to deal with making a budget, managing debt, planning for the future, saving for retirement. Building wealth doesn’t depend on income or luck alone. Financial literacy plays a role, too, and it’s not minor. For example, we estimate that 30% to 40% of the wealth gap at retirement could be closed if people had the knowledge and skills to invest in the stock market and earn higher returns.



**What’s the solution?** Adding financial education in schools levels the playing field. Earlier studies didn’t find evidence that financial education works, which led to a lot of disappointment. But those studies were looking at very minor interventions—for example, giving people a brochure. When financial literacy is so low, you can’t address it by one brochure or one lecture. You need a full, robust course. More-recent mandates for financial education in high schools have improved financial literacy scores and behaviors. Instead of classroom settings, programs for adults work better when they are tailored to target groups, are relevant to life situations and use digital delivery.

**How early can you start?** As soon as the tooth fairy comes. In every interview I do with adults who have been successful in personal finance, they tell me about experiences they had when they were young. Giving a child a piggy bank can be quite helpful. ■

*Janet Bodnar is editor at large of Kiplinger Personal Finance. Contact her at [Janet.Bodnar@futurenet.com](mailto:Janet.Bodnar@futurenet.com).*

**There’s a knowledge gap between women and men, and between young and old.**

# FINANCIAL PROS SHARE THEIR BOOK PICKS

## KIPLINGER ADVISOR COLLECTIVE

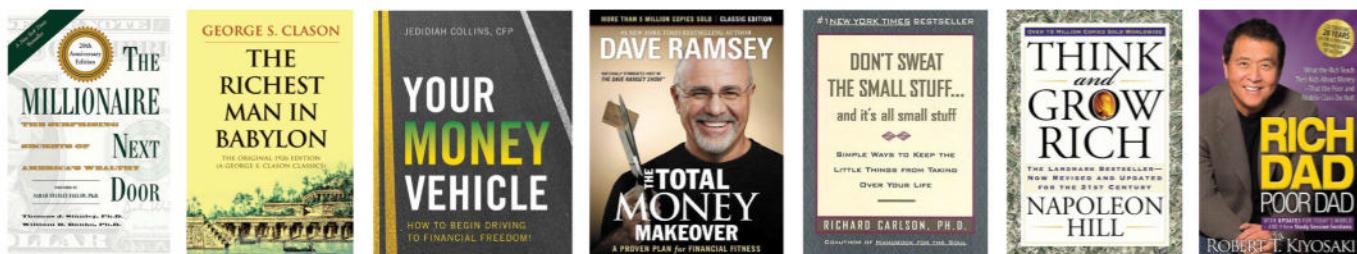
A good book can be life-changing for its readers, and that's as true in personal finance as any other genre. Plenty of experts have written about their philosophies on managing money and achieving financial freedom, so you have a lot of options to sift through. To help you narrow it down, seven financial professionals from the Kiplinger Advisor Collective share their top picks among financial books.

perity. It also offers lessons that you can use in the workplace. **Amrita Choudhary, accounting manager at Wasabi Technologies**

I enjoyed reading *Your Money Vehicle: How to Begin Driving to Financial Freedom*, by Jedidiah Collins, a former NFL player who's now a certified financial planner. Jedidiah's company, Money Vehicle, has developed a personal finance curriculum for high school students, and the book was inspired by lessons from it. High schools in more than 20 U.S. states

necessarily about finance, but you can apply the attitude and mentality that it embraces to money decisions. **Bob Chitrathorn, vice president of wealth planning for Simplified Wealth Management**

I read *Think and Grow Rich*, by Napoleon Hill, in high school. It says that if you really want something, you should create a plan to make it happen, imagine yourself achieving it and team up with those who share your goals. It's all about believing in yourself, working hard



Someone recommended *The Millionaire Next Door*, by Thomas J. Stanley and William D. Danko, to me when I was 15, and it left an indelible mark. The book is an excellent entryway into personal finance concepts such as compound interest, living within your means, and the benefits of investing early and often. Though I was raised in a blue-collar town, this book made me feel that achieving millionaire status was attainable. **Dennis McNamara, cofounder of wHealth Advisors**

*The Richest Man in Babylon*, by George S. Clason, has inspired me tremendously. The book, which was first published in 1926, covers financial principles that are still practical in today's world, helping readers reach financial security and pros-

have now implemented the Money Vehicle program. **Justin Donald, founder of The Lifestyle Investor**

I recommend *The Total Money Makeover*, by Dave Ramsey. This book offers a straightforward, actionable plan for transforming your financial situation by helping you eliminate your debt and better manage your money. Ramsey's emphasis on behavior change over complex financial strategies resonates with readers seeking a practical road map to financial freedom. **Stephen Nalley, founder and CEO of Black Briar Advisors**

*Don't Sweat the Small Stuff... and It's All Small Stuff*, by Richard Carlson, is a great book. It teaches you to focus on what really matters. It's not

and not giving up. **Dennis Futch, president of The Tax Shop**

Robert Kiyosaki's books, including *Rich Dad Poor Dad*, have helped a lot of people. I like Kiyosaki's advice to acquire income-generating assets. **Zain Jaffer, CEO and founder of Zain Ventures**

*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.



# Write a Fraud-Proof Check

BY ELLA VINCENT

IT may seem as though check-writing is becoming a lost art, but it remains a popular way to send money. A recent study from Abrigo, which makes fraud-prevention software, found that 61% of Americans still write checks. If you're among them, take precautions to avoid fraud and theft.

First, make sure to fill out all the required fields. If possible, use a gel pen; gel ink is more difficult for criminals to "wash" off of a check (so that they can rewrite it to themselves) than ink from a ballpoint pen. If a blank space appears to the right of the dollar amount you've written, draw a line through the space to help prevent crooks from altering or adding to the amount. Roxann Cooke, senior director of consumer banking at Chase, recommends that you never make a check payable to "cash," which could allow anyone to deposit it. Instead, write the intended recipient's name.

## RATE UPDATES

For the latest savings yields and loan rates, visit [kiplinger.com/links/rates](https://kiplinger.com/links/rates). For top rewards cards, go to [kiplinger.com/kpf/rewardscards](https://kiplinger.com/kpf/rewardscards).

Avoid sharing too much of your personal information on a check. Don't include your driver's license number, Social Security number or anything else that a thief could use to steal your identity.

**Snail-mail safety.** If you're sending a check through the mail, put it in a security envelope, which has a crosshatch pattern on the interior to mask the envelope's contents. Or, if you use a standard envelope, wrap the check in a piece of paper before you place it inside.

Cooke suggests taking your check to a post office to mail it rather than putting it in your home mailbox, where a thief may be able to intercept it more easily. For extra protection—say, for a large payment—you can send the check by certified mail, which requires the recipient to provide a signature upon delivery. 

Reach the author at [Ella.Vincent@futurenet.com](mailto:Ella.Vincent@futurenet.com).

## TOP-YIELDING SAVINGS

Taxable Money Market	30-day yield as of June 25	Minimum investment	Website	
Gabelli U.S. Treasury MMF (GABXX)	5.40%	\$10,000	gabelli.com	
DWS Govt & Agency MF (DTGXX)*	5.36	1,000	fundsus.dws.com	
AB Govt Money Market (AEYXX)*	5.32	2,500	alliancebernstein.com	
Payden Cash Reserves MMF (PBHXX)*	5.27	5,000	payden.com	
Tax-Free Money Market Mutual Funds	30-day yield as of June 24	Tax eq. yield 24%/35% bracket	Minimum investment	Website
BNY Mellon Ntl Muni (MOMXX)	3.32%	4.37%/5.42%	\$10,000	bnymellon.com
Schwab AMT Tax-Free MF (SCTXX)*	3.18	4.18/5.20	1	schwabassetmanagement.com
Fidelity Municipal MMF (FTEXX)*	3.17	4.17/5.18	1	fidelity.com
Dreyfus Ntl Muni MMF (GTMXX)	3.09	4.07/5.05	2,500	dreyfus.com
Savings and Money Market Deposit Accounts	Annual yield as of July 1	Minimum amount	Website	
My Banking Direct (N.Y.)†	5.55%	\$500	mybankingdirect.com	
Brilliant Bank (Kan.)†#	5.35	1,000	brilliant.bank	
North American Savings Bank (Mo.)†	5.30	0	nasb.com	
UFB Direct Bank (Calif.)†#	5.25	0	ufbdirect.com	
Certificates of Deposit 1-Year	Annual yield as of July 1	Minimum amount	Website	
CFG Bank (Md.)	5.36%	\$500	cfg.bank	
CIBC Bank USA (Ill.)†^	5.36	1,000	us.cibc.com	
Bask Bank (Texas)†	5.30	1,000	baskbank.com	
Colorado Federal Savings Bank (Colo.)†	5.30	5,000	coloradofederalbank.com	
Certificates of Deposit 5-Year	Annual yield as of July 1	Minimum amount	Website	
BMO Alto (Ill.)†	4.80%	\$0	alto.bmo.com	
Grow Financial FCU (Fla.)&	4.75	500	growfinancial.org	
Credit Human CU (Texas)&‡	4.65	500	credithuman.com	
Dow CU (Mich.)&	4.50	500	dowcreditionion.org	

\*Fund is waiving all or a portion of its expenses. †Internet only. #Money market deposit account. ^CD term is 13 months. &Must be a member; to become a member, see website or call. ‡CD term is 36 to 59 months. SOURCES: Bankrate, DepositAccounts, Money Fund Report (iMoneyNet).

## TOP-YIELDING CHECKING

Must meet activity requirements\*

Account Issuer	Annual yield as of July 1	Balance range^	Website
Genisys CU (Mich.)&	6.75%	\$0–7,500	genisyscu.org
Andrews FCU (Md.)&	6.00	0–25,000	andrewsfcu.org
Credit Union of New Jersey (N.J.)&	6.00	0–25,000	cunj.com
Oklahoma Central CU (Okl.)&	6.00	0–10,000	oklahomacentralcreditionion

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

## YIELD BENCHMARKS

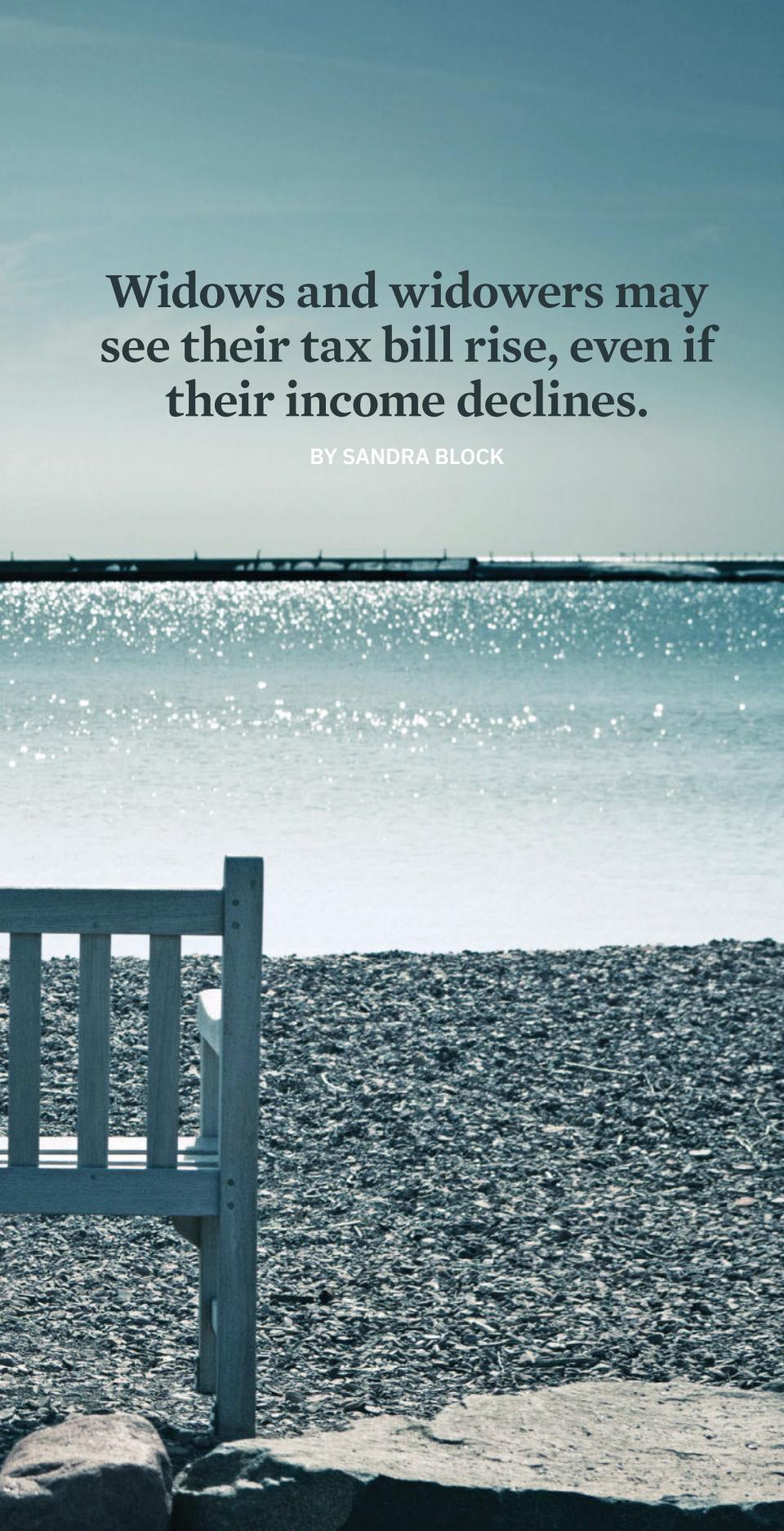
	Yield	Month ago	Year ago
U.S. Series EE savings bonds	2.70%	2.70%	2.50%
U.S. Series I savings bonds	4.28	4.28	4.30
Six-month Treasury bills	5.37	5.42	5.47
Five-year Treasury notes	4.44	4.52	4.13
Ten-year Treasury notes	4.48	4.51	3.81

As of July 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

RETIREMENT

# MANAGING YOUR FINANCES AFTER THE LOSS OF A SPOUSE





# Widows and widowers may see their tax bill rise, even if their income declines.

BY SANDRA BLOCK

**I**N the hierarchy of stressful life events, losing a spouse consistently ranks as the most traumatic crisis most individuals will ever experience.

It's not uncommon for widows and widowers to feel confused and fearful, or even guilty that they didn't die first. For that reason, financial advisers often recommend that surviving spouses postpone making major financial decisions, such as selling the house, until they've had time to process the loss.

For the most part, that's good advice. However, surviving spouses who want to avoid an unfortunate phenomenon known as the widow's (or widower's) penalty may need to take steps relatively quickly to avoid a significantly higher tax bill.

The widow's penalty occurs when a surviving spouse's tax status reverts from married filing jointly to single. If you're a widow or widower, you can file a joint tax return for the year of your spouse's death. But after that, you'll be required to file as a single taxpayer unless you have dependent children (surviving spouses with dependent children are eligible for the benefits of joint filing for up to two years after the death of the first spouse).

In many cases, switching to single filing status could result in a higher tax bill, even if your income remains the same—or even if it declines because of changes in your Social Security and pension benefits after your spouse dies. The tax hit can be particularly severe if you're required to take minimum distributions from an IRA, because you could end up paying higher tax rates on the same

## Retirement

amount of income you received while your spouse was alive. For example, in 2024, a married couple who file jointly with up to \$383,900 in taxable income qualify for the 24% tax bracket, but a single filer with the same amount of taxable income will jump into the 35% tax bracket. “The tax scenario in our country assumes a single person makes half of what a married couple make, but it’s not that way in real life,” says Ed Slott, founder of IRAhelp.com.

As a surviving spouse, you have the option of rolling your deceased spouse’s IRA (or IRAs) into your own IRA, which will postpone required minimum distributions if you’re younger than 73. Eventually, though, you’ll have to take RMDs from the combined account and pay taxes on the withdrawals. In addition to shifting you into a higher tax bracket, those distributions could trigger a high-income surcharge on your Medicare Part B and Part D premiums. Even if you put off RMDs, “this is a tax that has to be paid,” Slott says. “It’s not *if*, but *when*.”

### NEUTRALIZING THE TAX HIT

The most effective way to mitigate the widow’s penalty is to take advantage of your joint filing status in the year of your spouse’s death. Slott recommends using that window to convert as much of your traditional IRA as possible to a Roth. You’ll pay taxes on the conversion but at a lower rate than you’ll pay as a single filer, he says. More significantly, withdrawals from a Roth are tax-free as long as you’re 59½ or older and have owned a Roth for at least five years, and you won’t be subject to RMDs.

Because converting to a Roth will increase your modified adjusted gross income (your adjusted gross income with certain deductions added back in), a large conversion could eventually trigger the Medicare high-income surcharge, which is based on your MAGI from two years



prior to the current year; the 2024 surcharge, for example, is based on your 2022 MAGI. However, that will be a one-time hit to your Medicare premiums, notes Slott, because future withdrawals from a Roth won’t affect the surcharge. “It’s one year versus the rest of your life,” he says.

Another tax-saving option for surviving spouses who have sufficient income from other sources is to disclaim all or a portion of the deceased spouse’s IRA, says Jeremy Finger, a certified financial planner with Riverbend Wealth Management in Myrtle Beach, S.C. In that case, the funds will go to contingent beneficiaries—typically adult children—instead of

the surviving spouse. Although in most cases the contingent heirs will be required to empty the account in 10 years, this strategy could make sense if their tax bracket is lower than yours, Finger says. However, if your adult children are in a higher tax bracket—which could be the case if they’re in their prime earning years—it may make sense to hold on to the IRA and leave your heirs assets in a taxable account, which are eligible for a step-up in basis (see below).

**A step-up in basis for taxable accounts.** When a spouse dies, the surviving spouse will likely be able to take advantage of a generous tax

break known as a step-up in basis. This occurs when the cost basis for taxable assets, such as stocks and mutual funds, is “stepped up” to the investment’s value on the day of the original owner’s death. For example, if your spouse originally paid \$50 for a share of stock and it was worth \$250 on the day he or she died, your basis would be \$250. If you sell the stock immediately, you won’t owe any taxes; if you hold on to it, you’ll only owe taxes (or be eligible to claim a loss) on the difference between \$250 and the sale price. If the taxable assets were jointly owned, 50% of the value of the assets will receive the step-up, unless you live in one of the nine community-property states—Arizona, California, Idaho, Louisiana, Nevada, New Mexico,

Texas, Washington and Wisconsin—in which case 100% of shared assets will receive the step-up.

Make sure to notify your brokerage firm (or firms) of your spouse’s death so your assets receive the step-up. While most brokerage firms do this automatically, it may be overlooked, particularly if you and your spouse had different surnames. That could lead to an unexpected tax bill if you decide to sell some of your appreciated investments.

The step-up creates several opportunities for surviving spouses, Finger says. If you need cash to cover expenses (or to pay taxes on a Roth conversion), you can sell funds in your taxable account without triggering a big capital gains tax, he notes. Similarly, if you want to rebal-

ance the account, you can sell stocks or funds and reinvest the money without generating a large tax bill.

**Selling your home.** After your spouse’s death, you may consider selling the family home so you can live closer to children and grandchildren or downsize to a smaller home. This isn’t a decision to take lightly, but if your home’s value has appreciated significantly over the years, you may not want to wait too long to sell.

Those who have owned a home as a primary residence for at least two out of the past five years are eligible for a capital gains exclusion of up to \$250,000 if they’re single, but married couples who file jointly can exclude up to \$500,000. Surviving spouses are eligible for the full

## A Checklist for Surviving Spouses

These steps will help you settle your late spouse’s estate and put your own finances in order.

- Ask the funeral home for 15 to 20 copies of the death certificate, which you’ll need to provide to various financial institutions to document the death. This will save you the trouble of going back for more copies if you run out.
- Notify the Social Security Administration. In many cases, the funeral home will do this for you as long as you provide your spouse’s Social Security number. If you need to reach out to the SSA yourself, call 800-772-1213 between 8:00 a.m. and 7:00 p.m. Monday through Friday or visit a Social Security office (find your local office at [www.ssa.gov/locator](http://www.ssa.gov/locator)). You can’t report a death online. Surviving spouses are eligible for a one-time death payment of \$255.

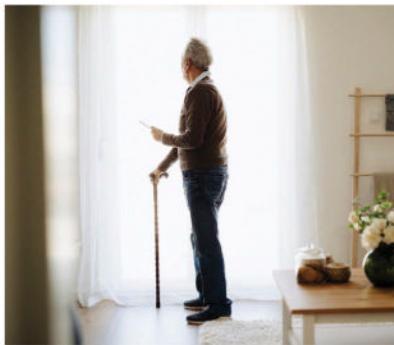
- If your spouse had a Medicare Advantage and/or Part D prescription-drug plan, report the death to the providers so you won’t continue to be charged for the plans. This step isn’t necessary if your spouse had original Medicare, because Social Security will report the death. However, if your spouse had a medigap policy, contact the policy provider.
- Contact your spouse’s employer (or former employer, if your spouse was retired) to determine whether you’re eligible for any benefits, including a pension, 401(k), health savings account or company-provided death benefits.
- Take steps to prevent identity thieves from opening accounts in your late spouse’s name. Send copies of the death certificate to your spouse’s credit card providers with a request to close the accounts. You should also send

copies of the death certificate to the three major credit-reporting companies (Equifax, Experian and TransUnion) and request a freeze on your spouse’s credit reports. Ask your state’s department of motor vehicles to cancel your late spouse’s driver’s license.

- Close e-mail and website accounts—especially accounts with Amazon, PayPal and other entities that are linked to a credit card or bank account.
- Talk to the providers of your spouse’s IRAs and other tax-deferred accounts about required minimum distributions. If your spouse was subject to RMDs and died before taking the required distribution for the year, the beneficiary must take it by year-end. If you’re the beneficiary, you must take the RMD even if you roll your spouse’s IRA into your own account.

\$500,000 exclusion if they sell their home within two years after the date of the first spouse's death and haven't remarried, says Allison Alexander, a CFP and certified public accountant with Savant Wealth Management in Rockford, Ill.

Even if you miss the two-year window for the \$500,000 exclusion, you can still benefit from the step-up in basis of the value of the home. For a couple who owned the home jointly in a state that doesn't have community-property rules, Alexander says, the new cost basis for the home would be 50% of its value on the date of your spouse's death, plus half the purchase price and half the cost of capital improve-



ments since the home was purchased.

Alexander offers this example: Suppose you and your spouse own a home jointly that you purchased for \$150,000, you make improvements over the years that cost \$100,000, and the market value of the home

when your spouse dies is \$900,000. The new cost basis will be \$575,000. If you sell the home for \$900,000 within two years of your spouse's death, the entire \$325,000 gain will be excluded from taxes. If you sell the home for \$900,000 more than two years from the date of your spouse's death, the exclusion will be \$250,000, resulting in a taxable gain of \$75,000. (This example doesn't take into account closing costs or any additional capital improvements you make after your spouse dies, both which will reduce the amount of capital gains.) **■**

**You can contact the author at [Sandra.Block@futurenet.com](mailto:Sandra.Block@futurenet.com).**

## Ease the Burden by Planning Ahead

When Pam Krueger's 65-year-old brother died suddenly of a heart attack last year, he left his wife a final gift: a meticulous guide to his business and family finances.

In addition to his estate plan, Krueger's brother provided his wife a document that included details on his investments, contact information for property managers of the rental properties they owned, and passwords to online financial accounts. "My brother carefully and thoughtfully wrote down what's important and where to find those documents," says Krueger, an investor advocate and founder of Wealthramp, which connects consumers with fee-only financial planners. As a result, Krueger's sister-in-law was spared the challenges of navigating the family's finances as she dealt with the unexpected loss. (For more on organizing your estate-planning documents, see "Make It Easier for Your Heirs to Manage Your Estate," Aug.)

Organizing estate-planning, investment and other documents is just one step couples can take to lighten the survivor's load after one spouse dies. Other measures that will help the surviving spouse manage the loss:

**Update beneficiaries.** Review beneficiaries for your insurance policies, retirement plans and other accounts at least once a year—or more often if you undergo a life change, such as a new addition to your family. You may also want to designate contingent beneficiaries who will inherit your accounts if the primary beneficiary is unable to inherit the assets or opts not to inherit them.

**Convert some assets in traditional IRAs to a Roth.** By making strategic conversions to a Roth IRA, you can reduce the tax burden on the surviving spouse, says Ed Slott, founder of IRAhelp.com. Roths aren't subject to required minimum distribu-

tions, so the surviving spouse won't have to worry about taking RMDs at a higher tax rate, he notes. Because your tax rates will likely drop after you retire, endeavor to convert just enough each year to remain within a low tax bracket (see "Tax-Smart Strategies for Account Withdrawals," July). Ideally, you should convert before RMDs kick in, because once you're required to take minimum distributions—currently at age 73—you must take the RMD first and pay taxes on that money before you convert to a Roth.

Even if you decide not to convert to a Roth, consider taking withdrawals from your IRAs before RMDs kick in, says Allison Alexander, a certified financial planner and certified public accountant with Savant Wealth Management in Rockford, Ill. Those withdrawals will be taxed at the lower, joint filing rate and shrink the size of the IRA, reducing the RMDs the surviving spouse must take.

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# Seven Lessons for New Retirees

The former editor of *Kiplinger Personal Finance* shares key financial takeaways from his first year of retirement.

BY MARK SOLHEIM

I retired as editor of this publication a year ago, and although I miss the writers and editors I worked with for many years—and the pleasures (and challenges) of communicating with readers—I was ready to hang up my editing spurs.

I worked a year longer than I'd planned. Working an extra year or two is good advice if you have any doubts about how prepared you are for retirement, either financially or psychologically. My extra year gave me more time to top off my 401(k) and fine-tune my financial plan. Plus, by the time I retired, I was just past my full retirement age (FRA) for Social Security benefits. My wife, Allyson, will continue working at least another five years, which is a major benefit financially and a mixed blessing personally (more on that below).

With one year of retirement under my belt, I've learned a few things, with a couple of outright surprises.

**Ask for help.** I had the chops to come up with a pretty good retirement financial plan, especially with access to smart colleagues. But Allyson's eyes would glaze over when I "man-splained" about our finances, so we shopped for a planner to referee. About five years before I retired, we interviewed advisers with various compensation models and settled on one who charged by the hour (see [www.fool.com](http://www.fool.com)

[.fearlessfinance.com](http://www.fearlessfinance.com)). For Allyson, it helped that our planner was a woman. She assured us that we were on track with savings but told us to dust off our budget and fatten up our emergency fund.

I continued with my DIY investing. But in 2022, when retirement was a year away and both the stock and bond markets had gone south, I turned most of my investments over to Morgan Stanley. I figured I'd have a tough time matching the wisdom of my advisers, who in turn had access to Morgan Stanley strategists. I pay a typical 1% of assets under management, and in return I get a complete financial plan plus Monte Carlo simulations that show how likely it is that we won't outlive our money (currently 83%, which ain't too bad).

Of the numerous stocks I'd accumulated over the years, my advisers recommended that I sell all but four—Apple, Amazon, Alphabet and Berkshire Hathaway—and invest the proceeds in a mix of exchange-traded funds and mutual funds. I kept a chunk of my money in a rollover IRA at Fidelity. Allyson is still in the pre-retirement accumulation stage, but when she retires, she'll likely roll over her 401(k) to an IRA and let Morgan Stanley manage it.

**Optimize Social Security.** Although there are often compelling reasons to claim Social Security benefits before FRA, "probably more should claim

later than do," says Andy Baxter, a certified financial planner at The Planning Center, in Chicago. If you claim benefits at age 62, you'll get up to 30% less every month compared with claiming at FRA. After FRA, for every year you delay until age 70, you get delayed-retirement credits worth 8% a year. If you and your spouse will receive about the same amount in benefits and can cover expenses from other sources of income, it often makes sense for both of you to delay filing until age 70. If you need more income, the lower-earning spouse could file for benefits earlier than 70 while the other spouse delays claiming.

My advisers agreed that I should claim Social Security at FRA. Besides bringing in some extra income, it allowed me to put off withdrawals from my IRAs while the stock market was still in the doldrums.

**Sign up for Medicare (or not).** The rules for enrolling in Medicare are complicated, and you face lifetime penalties for missing the deadlines. I was able to put off signing up because I'm covered under Allyson's health plan, and as long as she works for the same employer, I can delay enrolling. That saves us money because Medicare levies a potentially stiff surcharge based on the income you reported on your tax return two years before—when both of us were working full-time.

↓  
**43**  
**YEARS**  
Mark Solheim spent his entire career working for Kiplinger.

**Get creative with a pension.**

I was one of a handful of long-term Kiplinger employees still working for the company who qualified for an old-school pension. I missed the optimal time to take the lump sum, before the Federal Reserve started its inflation-fighting rate hikes. (When rates are lower, you get a bigger lump sum, on the theory that you need more money to invest to match the annuity's income.) So I thought I'd take the annuity, with the 50% survivor benefits.

But my advisers recommended that I take the lump sum and invest it in a variable annuity with a 7% income stream for the first seven years and a guaranteed 6% to 10%, based on a Treasury index, after that. The product I'm using from Equitable has an investment portfolio in addition to the "protected benefit" account. The icing on the cake: Allyson will get a 100% survivor benefit without me having to significantly reduce my payouts.

**Plan for long-term-care expenses.**

I was reluctant to self-insure for potential long-term-care costs, especially since a stay in assisted living for me could have left Allyson with a huge dent in savings with years of retirement still to go. But LTC policies are pricey. Our Morgan Stanley team came up with a solution we liked: a hybrid life insurance/long-term-care policy.

We each bought a policy with a \$500,000 death benefit that we can tap for long-term-care expenses. The LTC expenses are deducted from the death benefit, but if we don't need long-term care—or tap less than \$500,000 for LTC expenses—the remaining death benefit goes to our estate or beneficiaries. Such policies aren't cheap. The broker

who works with Morgan Stanley estimated a premium of \$22,000 a year for me and \$7,500 or so for Allyson. But I qualified for a premium discount of \$5,000 a year based on my health.

**Think Roth.** If all your investments are in traditional IRAs or pretax 401(k)s, you'll have to take large withdrawals when required



minimum distributions start in your early seventies. Plus, if you leave a pretax IRA to your heirs, they will have to take distributions and pay taxes on them.

One solution is to convert a traditional IRA to a Roth. You'll owe taxes on the amount you convert, but your sixties is often "a beautiful period when you can convert with fewer taxes," says Shweta Lawanda, a CFP with Francis Financial, in New York City. Because many of her clients consider estate planning their top priority, they want to find strategies to leave money to their heirs with no taxes due.

↑  
**When Mark isn't fine-tuning his financial plan, he's free to do his own thing—like visiting his vacation home on Lake Michigan with his wife, Allyson, and learning to play the banjo.**

**Prepare psychologically.** Our identities are often linked to what we do in our career, so be sure you are ready for life without work. Baxter recommends that new retirees have hobbies and personal interests. He also likes the idea of phased retirement. "It can be hard for men, especially, to have a void," he says. "It can help a financial plan as well."

Lawanda says she sees couples retiring soon who may have trouble sticking with their plan because they are supporting adult children. "We're coaching parents to put the life jacket on themselves first," she says. The kids can get a loan for college or figure out how to support themselves in their twenties, she says, but you can't get a loan for retirement.

I worked from home during and after the pandemic, so I was used to being alone after Allyson returned to the office four days a week. Now that I no longer have meetings, I'm free to do my own thing—mainly creative writing, working through a dusty stack of books, biking, cooking and learning to play the banjo ("Foggy Mountain Breakdown" is coming along quite nicely, thank you). I schedule about one lunch a week to stay in touch with friends and ex colleagues, walk with friends a couple of times a week, participate in a book club, and putter around the house and garden. We travel to see family and go to our vacation home on Lake Michigan each summer.

As one former Kiplinger editor put it, when you're retired—really retired—every day is a Saturday. I don't know how I ever found time to work. ■

**For questions, send an e-mail to [feedback@kiplinger.com](mailto:feedback@kiplinger.com).**

# Fundamentals

## BE WARY OF MOMENTUM STRATEGIES

It can seem as if stocks will go up forever—until they stop.

**PRACTICAL PORTFOLIO BY KIM CLARK**

**I**N basic physics, the principle of momentum is intuitive: Give a billiard ball a tap, and the ball will keep rolling in the same direction from one second to the next.

It's tempting to apply the same logic to stocks. After all, study after study has found that, historically, stocks with prices that rose or fell over a few hours or months were disproportionately likely to keep heading in the same direction for

at least the next few minutes (if the trend was marked over hours) or weeks (if the trend was established over recent months).

And momentum investing has been on a roll of late. If, after watching the S&P 500 index rise more than 26% in 2023 (largely driven by a handful of tech stocks), you had decided “the trend is your friend” and bought a fund that tracks the large-company benchmark at the start of 2024, you'd have made more than 15% in the first half of the year.

Funds that use momentum as a primary factor in their screening process, buying or selling stocks on the assumption that their past price trends will continue, have been the best-performing factor funds (funds that focus on a particular investing characteristic) so far in 2024, according to research firm Morningstar. Invesco S&P 500 Momentum, an exchange-traded fund that tracks an index of S&P 500 companies that score high on certain momentum measures, has returned a market-

beating 34% so far this year and 61% over the past 12 months, putting it in the top 1% of all large growth funds for both periods. (Data are as of June 30.)

But don't get too excited, warns Morningstar portfolio strategist Amy Arnott. Momentum is actually one of the more puzzling and risky investing strategies in common use. “The tricky thing with momentum is that it works until it doesn't. During turning points, momentum funds really struggle,” she says.

Consider the recent stumbles of the above-mentioned Invesco fund. The ETF updates its portfolio only every six months, and that lag is one reason the fund ranked in the bottom 10% of its category in 2019 and 2023, two years when the market ex-



perienced turnarounds. Because of the 2022 bear market, for example, Nvidia dropped out of the index the momentum fund tracks, so the fund missed out on the chip designer's gains for much of 2023, Arnott says. (Nvidia is now the fund's top holding, and tech is its top sector, accounting for more than half of assets.)

In other words, momentum investing requires that investors be both watchful and nimble. Before you start chasing stock price trends, take a moment to explore what momentum is, why it works, and the most practical ways individual investors can use momentum.

**Millions of momenta.** Although it's clear that momentum is about cashing in on persistent trends, there's no general agreement on which trends, or over what time period. Nearly every momentum investor or fund manager has a unique formula. Some track individual stocks. Others track sectors or baskets of funds. Some strategies, such as those tracking the S&P 500 and MSCI momentum indexes, focus on price history. Another popular momentum strategy—used, for example, by funds tracking indexes created by the research firm Nasdaq Dorsey Wright—pays little attention to the historical direction of prices, focusing instead on relative performance and screening for outperforming and underperforming stocks or other investments. There are also many options for the time period used to flag a trend. Some investors bet on trends of the past few hours; others look over many months or years, sometimes ignoring the most recent days or even months.

Those differences in trend-spotting strategies create huge variations in performance. Over the past 12 months, the returns of funds that relied heavily on momentum ranged from 60.6% for the Invesco S&P 500 Momentum fund to 6.5% for Invesco Dorsey Wright Basic Materials Mo-

mentum, an ETF focused on materials firms outperforming their peers.

You might expect stocks with strong fundamentals to enjoy upward momentum as long as that favorable foundation persists. But there's also an element of investor psychology to momentum investing, says Jonathan Treussard, who runs Treussard Capital Management. History is full of examples of upward momentum being accelerated by investors' lemming-like fear of missing out on a hot stock. Falling prices can likewise be reinforced by trend-chasers, as well as by market mechanics such as margin calls, says Treussard. (A margin call is when a brokerage calls upon an investor who borrowed money to buy a stock to either pony

*Investing.* The tactic doubles down on momentum by betting on some stocks to rise while simultaneously selling others short because you think they'll keep falling. To reduce your risk—but also potential rewards—you can opt for funds that only invest in rising stocks. Those who want even less volatility can consider strategies that add considerations of earnings quality and value to momentum characteristics.

The managers at Hennessy Cornerstone Growth fund, for example, screen for companies with rising stock prices over the past three and six months, but they also insist on rising earnings and a stock price that equates to no more than 1.5 times the company's sales per share. The fund's

## SOME INVESTORS BET ON TRENDS OF THE PAST FEW HOURS; OTHERS LOOK OVER MANY MONTHS OR YEARS, IGNORING RECENT DAYS OR EVEN MONTHS.

up more cash or sell the stock if the price falls below the brokerage's margin of safety for that stock.)

**Tread carefully.** Long-term-oriented, do-it-yourself investors should approach momentum investing with caution. Think of momentum as a satellite strategy for your portfolio, not as a core position. Because momentum funds tend to zig when value-oriented funds zag, adding a smidgen of momentum funds to your portfolio improves your diversification, says Nick Kalivas, head of factor and core equity strategy for Invesco, which offers 21 momentum-based ETFs.

Look for ways to limit your risk. One of the most potentially profitable momentum strategies is also among the riskiest, says Larry Swedroe, author of several investing books including this year's *Enrich Your Future: The Keys to Successful*

returns typically don't hit the highs of many pure momentum funds. But the Hennessy fund has been less volatile than momentum funds in general, and its five-year annualized return of 17.5% puts it in the top percentile of its category (small companies with a blend of growth and value characteristics). Over the past three years, Hennessy's biggest drop was 17.2%, compared with 25.7% for momentum funds overall.

If you decide to pursue momentum investing, make sure to be smart about taxes. Momentum strategies typically require plenty of trading, which could create taxable gains, notes Swedroe. For that reason, holding a momentum strategy ETF (or a mutual fund in a tax-protected account) may be a more tax-efficient way to pursue the strategy, he says. ■

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# PLUS Loans Can Help Pay for College—at a Cost

Parents can borrow up to the cost of a child's education, but interest rates are steep.

FAMILY FINANCES BY ELLA VINCENT

**A**S the cost of college continues to rise, it's not unusual for parents to discover that student loans, financial aid and savings won't cover all their child's expenses. Parent PLUS loans provide a way to bridge the gap, but rising interest rates have made these loans a costly option.

The rate for federal parent PLUS loans taken out between July 1, 2024, and June 30, 2025, is 9.08%, a 33-year high. The rate is fixed for the life of the loan, even if overall interest rates decline. Borrowers must also pay a 4.228% origination fee.

Parents can borrow up to the cost of a child's college attendance, including tuition, room

and board, and textbooks, minus financial aid received by the student. While the absence of a cap may make these loans attractive, it could also encourage parents to borrow more than they can afford to repay, says Mark Kantrowitz, author of *How to Appeal for More College Financial Aid*.

**The requirements.** To qualify for a par-

ent PLUS loan, you must be the biological or adoptive parent (or in some cases, the stepparent) of a student who is enrolled in college at least half-time. As part of the application process, the U.S. Department of Education will conduct a credit check on you. (If you have a security freeze on your credit reports, you'll need to lift it first.) You don't need to have excellent credit to qualify for a PLUS loan. However, if you have an adverse credit history—you've defaulted on a loan or discharged debts through bankruptcy during the past five years—you won't be approved unless you have a co-signer.

#### Alternatives to PLUS loans.

Parents may be able to obtain private student loans at a lower interest rate than they could get on a PLUS loan. As with PLUS loans, private loans allow you to borrow up to the full cost of college for your child, and some private loans offer rates below 5%. Rates on these loans may be fixed or variable. With a variable rate loan, you'll benefit when rates fall—and the Federal Reserve is widely expected to begin cutting short-term interest rates this year. But when rates eventually rise again, your variable loan rate will go up, too.

To qualify for most private loans, you need a good credit score—typically, a FICO score of 700 or higher—a long work

history, and a low debt-to-income ratio. In addition, private student loans lack the protections that federal PLUS loans offer, including income-based repayment, deferral, and loan forgiveness for eligible borrowers.

Whichever option you choose, it's important to understand that you could be on the hook for loan payments for 10 years—or longer if you enter an extended repayment plan. Before taking out a PLUS or private loan, make sure that your child has exhausted all other options for financial aid, including federal student loans. Those loans have lower rates than PLUS loans—6.53% for student loans taken out between July 1, 2024, and June 30, 2025. However, they come with annual limits. For the 2024–25 academic year, for example, the maximum amount a first-year undergraduate dependent student can borrow in federal loans is \$5,500.

If student loans and other forms of financial aid fail to cover your child's college costs, consider limiting your own borrowing to no more than the amount of your annual income, Kantrowitz says. If you plan to retire within 10 years, you should borrow proportionately less—for example, half of your annual income if you expect to retire in five years. ■

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# A GUIDE TO YOUR CREDIT CARD STATEMENT

Regularly reviewing your bill can help you stay financially healthy.

## BASICS BY ELLA VINCENT

**C**HECKING your credit card statement every month is an important financial task. The statement holds key information about your card's balance, interest rate and payment due date. Plus, by monitoring transactions, you can get a sense of where your money is going—and detect any fraudulent purchases quickly. Here's how to read the fine print.

**Account summary.** The account summary shows activity during the most recent billing period. At the top, you'll see the balance from the end of your card's previous billing cycle, which may be called the previous balance. Then you'll see the amount you made in payments, which is subtracted from the previous balance.

The account summary also includes the total amount of purchases and credits (for example, refunds for items you returned to a merchant), balance transfers, cash advances, any past due amount, fees charged, and interest that has accrued since the last billing cycle. Additionally, you'll see the starting and closing dates of the billing cycle, which usually lasts 28 to 31 days. Transactions occurring after the closing date will show up on your next bill.

Your statement balance (which may be called the new balance) shows the amount you owe at the end of the billing cycle. Your credit limit, as well as the amount of credit available to you after subtracting your card's balance, appears in the account summary, too.

**Payment information.** Perhaps the most important line in this

section is your payment due date. Your payment is usually considered to be on time if you submit it by 5 p.m. in your time zone on the due date shown, if it's a weekday; if the due date falls on a weekend or holiday, then you have until the next weekday to pay your balance.

If you send your credit card payment by mail, try to mail it well before the due date so you won't incur late fees. Your credit card bill provides a payment coupon to include with your check or money order.

The payment section also lists the minimum payment due, which is the amount required to avoid a penalty, as well as a warning that explains how much you'll owe in fees and higher interest if you fail to pay by the due date. In addition, this section explains the number of months or years it will take to



pay off the balance if you make only minimum payments. By paying your balance on time and in full every month, you can avoid a lengthy repayment time, interest charges and late fees.

**Changes to your account.** If your account terms change, those differences are listed here. For example, if your card company increases your interest rate or adds more fees, you'll be informed in this section and given at least 45 days' notice before the changes take effect. If you trigger a penalty interest rate by paying late or exceeding your credit limit, you'll see the rate increase here.

**Transactions.** This section provides a summary of your purchases and other transactions since your last statement, showing exactly where your money is going, says Ted Rossman, senior industry analyst at Bankrate. Every purchase you made is listed, along with the date of the purchase and identity of the merchant.

Inspect this part of your statement closely for any unfamiliar or forgotten charges, such as free-trial subscriptions that turned into paid services after the trial ended, Rossman says. You should also scrutinize the list for transactions you don't recognize, which could indicate fraud. If you see a purchase you don't recall making, contact the merchant first. If you can't resolve the issue with the merchant, write a letter to your credit card company to dispute the charge.

Under the Fair Credit Billing Act, you have 60 days after the date the billing statement was sent to you to dispute an erroneous charge. Your credit card

provider must investigate and resolve the dispute within two complete billing cycles—but no more than 90 days—of receiving the letter. If the card provider determines that the charges were unauthorized, the law limits your liability to \$50, no matter how much was charged to your card. Many card companies offer zero-liability protection as long as you notify them of suspected fraud within 30 days of receiving your statement and noticing the error.

**Fees and interest charges.** This section tells you the total amount you've been charged in interest and fees for the current year. If you've been paying fees, look for ways to avoid them, Rossman says. For example, setting up automatic payments of your credit card bill will ensure that your payments arrive on time.

Keep in mind that you can ask your card provider to lower your interest rate or waive fees, too.

A recent survey by LendingTree found that three-fourths of consumers who requested a lower interest rate on one of their credit cards in the past year were successful (see the box below).

**Interest charge calculations.**

At the bottom of your credit card statement, you'll see how interest on your payments is calculated. This section includes the annual percentage rate (APR) for purchases, balance transfers and cash advances. It also details the balances subject to the current APR and any changes in your interest rate. For example, if you had an introductory purchase APR of 0%, you'll see when that rate will expire.

**Rewards.** If you have a rewards credit card, this section shows the amount of cash back, points or miles you've earned and redeemed. This is useful if you're planning to use your rewards to take a trip or pay for another big expense.

**How long to keep your credit card statement.** Jim Droske, owner of Illinois Credit Services, a credit-repair company, says it's important to have access to your credit card statements in case you want to dispute a fraudulent charge or need them for tax documentation. If you receive paper statements, store them in a safe place for at least 60 days to dispute a fraudulent charge or for up to six years if you need them for your taxes. If you manage your account online, consider downloading electronic copies of your statements to a password-protected file on your computer. ■

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## CREDIT CARD INTEREST RATE TOO HIGH? ASK FOR A BETTER DEAL

Only 20% of cardholders asked their providers to lower their interest rate in the past year, but most of those who made the effort were successful. You have a good chance of getting a late fee waived or your credit limit raised just by asking, too.

**76%** received a lower interest rate

**89%** had a late fee waived

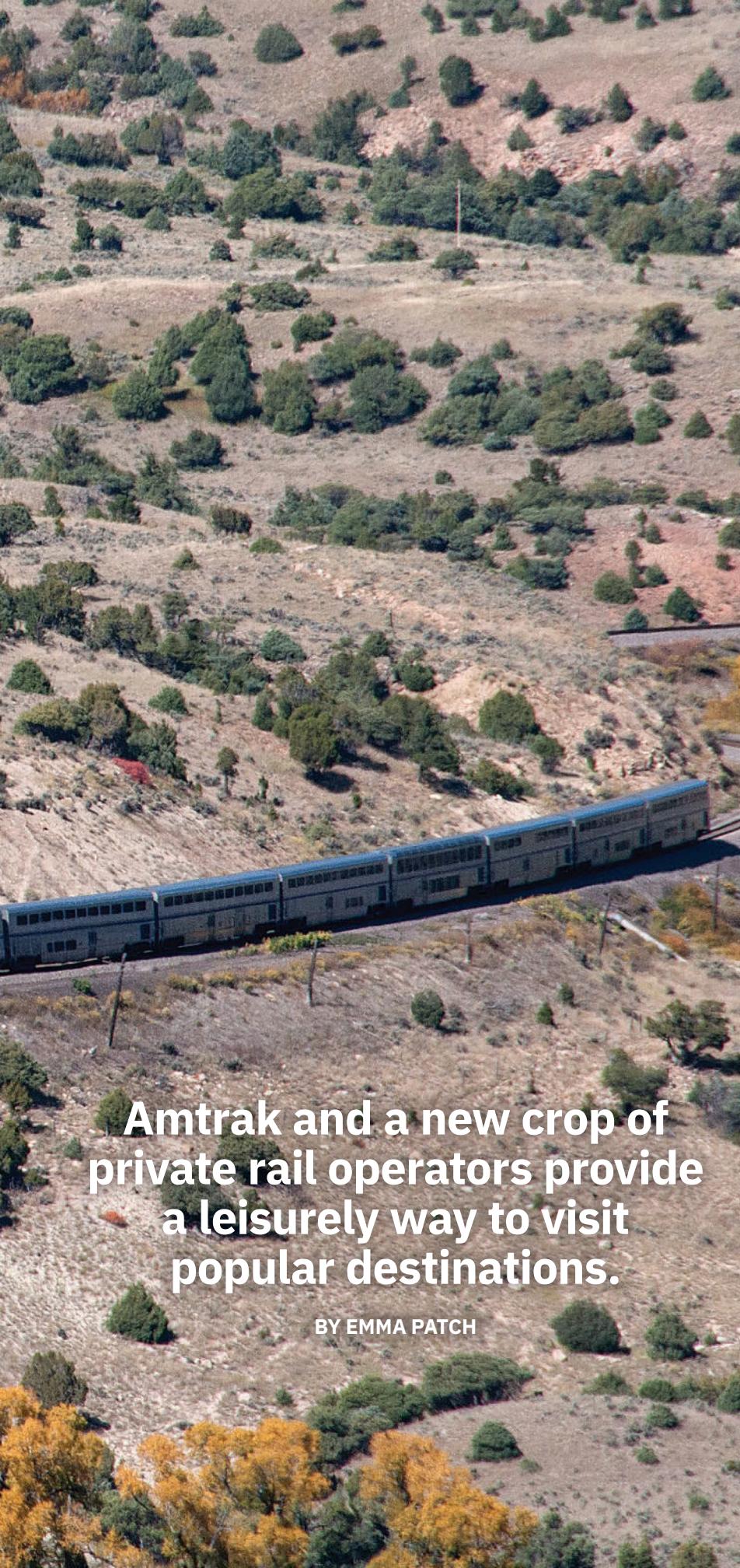
**84%** were given a higher credit limit

SOURCE: LendingTree

An aerial photograph of a desert landscape with a train. The train, consisting of a blue and silver locomotive and several passenger cars, is traveling along a track that runs horizontally across the middle of the frame. The terrain is arid, with sparse green and yellowish vegetation on a light-colored, rocky hillside. At the top center, there is a solid red rectangular box containing the word "REWARDS" in white, uppercase letters.

REWARDS

# ENJOY THE VIEW ON A VACATION BY TRAIN



# Amtrak and a new crop of private rail operators provide a leisurely way to visit popular destinations.

BY EMMA PATCH

**F**OR your next vacation, consider hitting the rails. The Wi-Fi might be spotty, particularly on long journeys through rural America, but some find it a welcome opportunity to unplug and take in the view. And passengers who are weary of the hassles that come with air travel may relish the simplicity of booking and boarding a train.

Amtrak's cross-country rail itineraries have been in very high demand since the pandemic, says Bob Johnston, a passenger rail expert and writer for *Trains* magazine. As a result, the long-distance train trips have become more expensive and sell out quickly. "There just isn't enough equipment to meet demand," he says. He recommends booking your trip as soon as you know where you want to go. Generally, the best fares are offered well in advance, but you can occasionally find a deal at the last minute, he says.

While Amtrak remains the primary option for cross-country journeys, several private operators offer shorter trips, often with luxury accommodations, to well-known landmarks and attractions. Dedicated train buffs can create itineraries that link Amtrak's long-distance lines to trains that will take them directly to some of the country's most popular destinations in style. If you head overseas, you'll find that some countries—especially in Europe and Asia—offer advanced rail networks with an extensive reach.

Below, we feature a collection of both domestic and international journeys by rail. Whether you're looking for a days-long excursion or a short outing, an all-inclusive vacation package or a simple and scenic way to get to your destination, we have something for every type of train traveler. →



Grand Canyon Railway

## ADVENTURES IN THE AMERICAN WEST

**Grand Canyon Railway.** Departing from Williams, Ariz., the privately owned Grand Canyon Railway takes passengers directly to Grand Canyon National Park's South Rim, the most popular part of the park and home to some of the best views. The journey lasts about two hours, and passengers can choose from a variety of seating options, ranging from about \$45 to \$120 each way. (Summer travelers should note that the least-expensive seats are in cars that do not have air conditioning.) The ride often includes onboard entertainment, such as historical reenactments, while you soar past grasslands, forests and wildlife. The rail line also offers packages that include accommodations at the Grand Canyon Railway Hotel in Williams.

The Luxury Dome, a window-topped car, offers panoramic views as well as comfortable, air-conditioned

seating areas, complimentary breakfast on the outbound route, and a white-wine toast on the return route in the evening (this seating is restricted to passengers 15 and older). Round-trip tickets in the Luxury Dome were recently available for \$240 per person. Families with young children can also enjoy views from a smaller observation dome with bar service and complimentary snacks, recently priced at about \$200 per person round-trip.

Once at the South Rim, train travelers can take advantage of the National Park Service's free shuttle system to visit major attractions, such as Hopi Point, Mather Point, and the Bright Angel and Rim trails. Bright Angel Bicycles offers bike rentals for \$50 per person, per day.

Although no train will get you directly to the Grand Canyon Railway rail stop in Williams, Amtrak offers routes that stop in Flagstaff, where you can catch a shuttle to Williams

for \$22 to \$30. Amtrak's Southwest Chief route from Chicago to Flagstaff covers diverse scenery, including the Mississippi River, the Great Plains and the red-rock landscapes of the Southwest. The entire journey lasts 34 hours; most passengers will want to book a ticket with sleeping accommodations. Prices vary depending on when you book, your dates of travel and where you board the train, but September fares for roomettes from Chicago to Flagstaff were recently selling for about \$860 (for details on Amtrak's room types, see the box on page 71).

Travelers coming from the West Coast can take the Southwest Chief from Los Angeles to Flagstaff, a ride that lasts 10 hours. September fares for roomettes from Los Angeles to Flagstaff were recently selling for about \$280 one way and \$560 round-trip.

**Amtrak to Glacier National Park.** Montana's Glacier National Park, also

known as the “Crown of the Continent,” is easily accessible by Amtrak’s Empire Builder train. The historic Glacier Park Lodge is just steps away from Amtrak’s East Glacier Park train station, so no transfers are necessary—although if you need help with your luggage you can request a pickup. Tour buses that take guests through the park make regular stops at the lodge. Rooms at the Glacier Park Lodge start at about \$320 per night during the summer months, when the park is most accessible.

The Empire Builder, which runs between Chicago and Portland or Seattle (the route splits in Spokane), boasts views of the Great Plains, Rocky Mountains and Cascade Mountains. If you’re coming from California, you could first catch a ride on the Coast Starlight, which travels from Los Angeles to Seattle. It passes the Cascade Mountains, Mount Shasta and wine country before connecting to the Empire Builder in Portland and Seattle. For the roughly 45-hour journey on the Coast Starlight and Empire Builder from Los Angeles to Glacier, you could recently get a roomette for about \$1,350. A roomette on the Empire Builder from Chicago to Glacier—a ride that takes about 30 hours—was \$1,220.

If you’d like to outsource your itinerary and get a better chance at booking your preferred dates, consider one of Amtrak Vacations’ tour packages for Glacier National Park. Starting at about \$2,279 per person, packages for a six-day trip include round-trip tickets between Chicago and the East Glacier station, accommodations, a boat cruise on the lake in the Two Medicine Valley, and a tour along the Going-to-the-Sun Road. Keep in mind that most of the park is inaccessible after Labor Day.

**Rocky Mountaineer to Arches National Park.** The privately owned Rocky Mountaineer train line offers

luxury excursions between Denver and Moab, Utah, home to Arches National Park and the iconic Delicate Arch. Passengers spend one night in Glenwood Springs, Colo., and two days on the train, which provides views of Ruby Canyon, Mount Garfield and the Colorado Rockies from panoramic windows as well as an outdoor platform. Glass-topped coaches allow passengers to take in spectacular views without leaving their seats.

Other amenities include gourmet meals prepared by the train’s culinary team. The journey runs from the spring through the fall, with two excursions per week. Fares range



Amtrak’s Downeaster line

from \$1,699 to \$2,269 each way per person, with discounts for members of the military.

To get to Denver, you could take Amtrak’s California Zephyr, which runs between Chicago and San Francisco along a sought-after route that winds its way through the Rockies. Fares for private rooms on the Zephyr’s 19-hour ride from Chicago to Denver and 33-hour ride from Emeryville, Calif., to Denver were recently available starting at \$929 and \$1,117, respectively.

## EAST COAST EXCURSIONS

### Amtrak from New York to Montreal.

Amtrak’s Adirondack route, which runs daily, is arguably Amtrak’s most scenic route east of the Mississippi. Trains depart from New York City’s Moynihan Train Hall, where the urban landscape quickly transitions to natural splendor as you move through the Hudson Valley, the Adirondack Mountains and along Lake Champlain before arriving in Montreal. The resplendent reds, oranges and yellows of the tree-lined route are sure to make an appearance in at least one part of your trip if you travel in September or October. To experience peak foliage in Montreal, con-

sider taking the trip in early to mid September. September fares for the approximately 12-hour journey were recently available for \$72 in coach.

**Coastal Maine via Amtrak.** Whether you seek a coastal summer getaway or a peaceful winter weekend by the sea, this 3.5-hour journey from Boston to Brunswick, Maine, on Amtrak’s Downeaster line has a lot to offer. You can disembark in Portland for the lively arts and entertainment scene or stop at Freeport,

home to the L.L.Bean flagship store, which is steps away from the Amtrak station. If you'd like to get on the water, you can book a cruise on Seacoast Tours of Freeport, which provides shuttle service from downtown Freeport to the harbor. Cruises start at \$45 per person ([www.seacoasttoursme.com/tours/private-charters](http://www.seacoasttoursme.com/tours/private-charters)). In Brunswick, you can visit the historic home of Harriet Beecher Stowe or go for a walk through the city's downtown. Round-trip fares for the 3.5-hour journey between Boston and Brunswick were recently available for \$58.

**Orlando, Miami and West Palm Beach by Brightline.** Most travelers visit Florida by car, but Brightline, a new, privately owned high-speed train line that runs between Miami and Orlando, provides a less stressful way to tour the most heavily trafficked parts of the Sunshine State. The route from Orlando launched

last September, while the route from West Palm Beach to Miami has been in service since 2018. Trains run every hour, with 16 round-trips a day. Because the service is frequent, there's often very little demand for a certain departure, and you may not have to pay much for a ticket, Johnston says. For example, fares between Orlando and West Palm Beach, a two-hour journey, are generally available for \$59, although tickets for popular times can be more expensive. Passengers who disembark in Orlando can take a shuttle to Disney World for \$16.

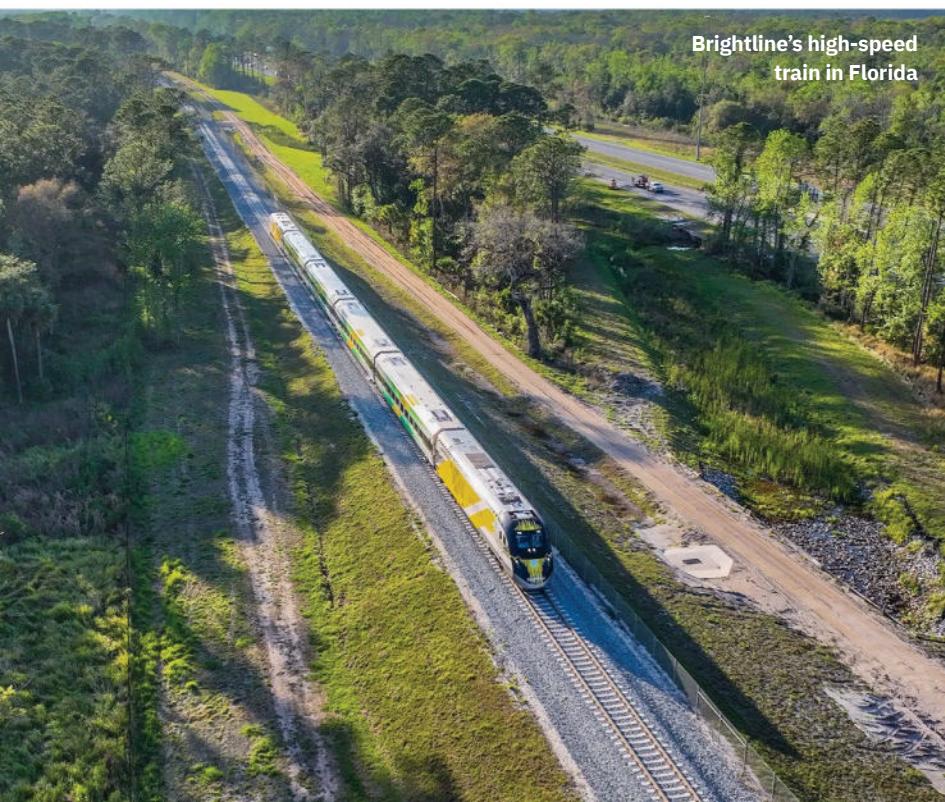
**INTERNATIONAL JOURNEYS**  
**Rocky Mountaineer to Banff.** Rocky Mountaineer's two-day Canadian trip on the First Passage West route begins in Vancouver, stopping overnight halfway through the journey in Kamloops, British Columbia. From there, passengers make their way eastward through the Shuswap

region, enjoying stunning lake views the entire way. Breakfast is included onboard, along with a gourmet lunch and wine service. The trip ends in Banff National Park, home to rugged, snow-capped mountains, turquoise waters and diverse wildlife. One-way tickets from Vancouver to Banff were recently available starting at \$1,720 per person.

**Hiram Bingham to Machu Picchu.** The Hiram Bingham train, operated by hospitality company Belmond, brings travelers from Cusco, Peru, to the entrance of the 15th-century citadel of Machu Picchu, a popular destination for adventurers and students of history alike. Round-trip service (the ride is three to four hours each way) comes with access to a vintage-style cocktail bar and a gourmet lunch. The fare includes a transfer from the train station to the citadel, an entrance ticket to the site and a tour guide for a group of up to 14 people. Entrance tickets are difficult to get on short notice, so book this tour at least 45 days in advance to help ensure access to the historic site.

After a day experiencing Machu Picchu's grandeur, passengers can enjoy complimentary tea service at Belmond's luxury Sanctuary Lodge, the only hotel located next to Machu Picchu. Room rates at this hotel are pricey, averaging about \$2,250 a night during the June high season. Round-trip train fare includes a return bus to the train station and a gourmet dinner on your return trip. A September round-trip journey aboard the Hiram Bingham between Cusco and Machu Picchu was recently available for about \$1,000 per adult.

**La Dolce Vita Orient Express through Italy.** For a rail excursion reminiscent of the fabled Orient Express, consider booking a ride on La Dolce Vita Orient Express's luxurious journey through Italy. Depending on the season, the train



Brightline's high-speed train in Florida

takes passengers through various routes on different lines. Cities and regions in the wide range of itineraries include Rome, Portofino, Venice, Siena, Sicily and Palermo, among others. Accor, the train operator, recently started taking reservations for spring 2025. The trains feature 12 deluxe cabins and 19 suites—all with en suite bathrooms. La Dolce Vita Orient Express also has a restaurant, a lounge and a bar. Prices for a one-night journey start at 3,500 euros (about \$3,800) per person for a deluxe cabin and 4,700 euros (about \$5,050) per person for a suite. Prices vary depending on travel dates.

**Japan by bullet train.** Japan's Shinkansen—commonly known as bullet trains—connect almost every major city in the country. While residents of Japan use these efficient and reliable trains to get around, they also offer a fast and convenient way to tour Japan, currently a popular destination for U.S. visitors because of the favorable currency-exchange rate.

Tickets for the two-hour, 40-minute route between Tokyo and Kyoto, for example, were recently available for about \$120 to \$160 round-trip. Travelers can purchase tickets in advance through various online

Japan's bullet train to Hakone



platforms or at ticket offices located in major stations. The trains are punctual, so you'll always arrive promptly, giving you plenty of time to explore Kyoto's rich cultural heritage and historic sites, such as the Kiyomizu-dera Buddhist temple or the Fushimi Inari Shrine.

Other scenic routes out of Tokyo include the 90-minute ride to Hakone, which takes you from Tokyo Station to Odawara Station via the Tokaido Shinkansen line.

Aboard this train, passengers can watch as the urban sprawl of Tokyo transitions to picturesque countryside. On a clear day, you'll be able to enjoy views of Mount Fuji from the train. Once in Hakone, travelers can enjoy a variety of outdoor adventures, including boating, hiking and visiting hot springs. The cost for a round-trip ticket is about \$50. **■**

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## GET A GOOD NIGHT'S SLEEP ON AMTRAK



Unless you're on a tight budget or you don't mind sleeping sitting up, you'll want to book sleeping accommodations for one of Amtrak's long-distance journeys.

Amtrak offers two types of sleeping arrangements: roomettes and bedrooms. Roomettes are typically less expensive, and they include two bunks, the lower of which is big enough to fit an adult and small child, says Jim Marini, senior vice president of strategic partnerships for Amtrak Vacations. Bedrooms offer the same two-bed setup, but they include

private sinks and showers as well.

Tickets for sleeping accommodations include meals onboard, and the quality of the cuisine has improved notably in recent years on western long-distance trips, says Bob Johnston, a passenger rail expert and writer for *Trains* magazine. Bedroom occupants get priority in selecting their meal-times, but roomettes offer better views from the comfort of your bed. While beds in a bedroom are perpendicular to the window, roomette beds rest just beside the window so you can watch the views roll by.

# Paying It Forward

## HELPING TEACHERS SUPPLY THEIR CLASSROOMS

Through DonorsChoose, you can contribute to projects that benefit educators and their students.

INTERVIEW BY EMMA PATCH



**What is DonorsChoose?** DonorsChoose is a national nonprofit organization focused on supporting teachers. Public-school teachers anywhere in the country can come to DonorsChoose.org and create a request for items that they need for their classrooms, and individuals can come to the site to donate to projects that interest them. We also work with companies and foundations, state governments, and other entities for larger-scale gifts, which go toward the same purpose of supporting teacher needs.

A big differentiator between us and other crowdfunding platforms is that when a teacher's request is funded, we don't send cash. Instead, we procure the requested items our-

selves and send them to the schools so they become district property. That creates a layer of transparency: Donors can see exactly where their funds are going, districts know what's coming in, and we can be sure that the teachers' instructional objectives are being met.

### **How did DonorsChoose get its start?**

Many public-school teachers pay out of pocket—hundreds of dollars a year per teacher, on average—to help supply their classrooms, and our founder, Charles Best, was one of them when he was a high school history teacher in the Bronx. He wanted to bring some books into his classroom, but he didn't have the resources to do it. So Charles started DonorsChoose for himself and for his colleagues at that Bronx high school. DonorsChoose grew to support other schools in New York, and eventually it became available to teachers across the country. At last count, nearly 90% of American schools have had at least one DonorsChoose project fulfilled since our founding in 2000.

### **What kind of projects get funded?**

It's a big range. Classroom basics are common: papers, pencils, markers, rulers, books, furniture and technol-

ogy such as headphones for computer workstations. But it goes as far as you can imagine. Teachers are doing creative arts projects as well as sports, music and entrepreneurial projects. A category that we call warmth, care and hunger has also been growing. Teachers may use DonorsChoose to create a food pantry or a stock of health supplies for their classrooms. Coming back from the pandemic, for example, getting hand sanitizer was big. But teachers also use DonorsChoose to help kids who might need a backpack or warm clothing. So really, the projects in-

volve gathering the most important resources that teachers know they need to bring to their classrooms to maximize their students' learning.

**ALIX  
GUERRIER**  
CEO of  
DonorsChoose  
Washington, D.C.

### **Do donors get to see how teachers used their gifts?**

Teachers send feedback about how the donations impacted their project, so donors get a chance to see the results firsthand and understand that this is a transformational model that really opens up new opportunities for kids. Some of the most fun conversations that I have are with individuals who almost make it a hobby to come to the site, read through what teachers are trying to do and donate to projects.

### **Is the beginning of the school year a time of need in many classrooms?**

Yes. We have a few different periods of high interest during the year, and back-to-school season is one of the biggest; there's a lot of excitement. Teachers are either preparing for or getting started on new stuff that they want to do. It's a great time to support a project. **■**

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