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PERSONAL FINANCE

Kiplinger

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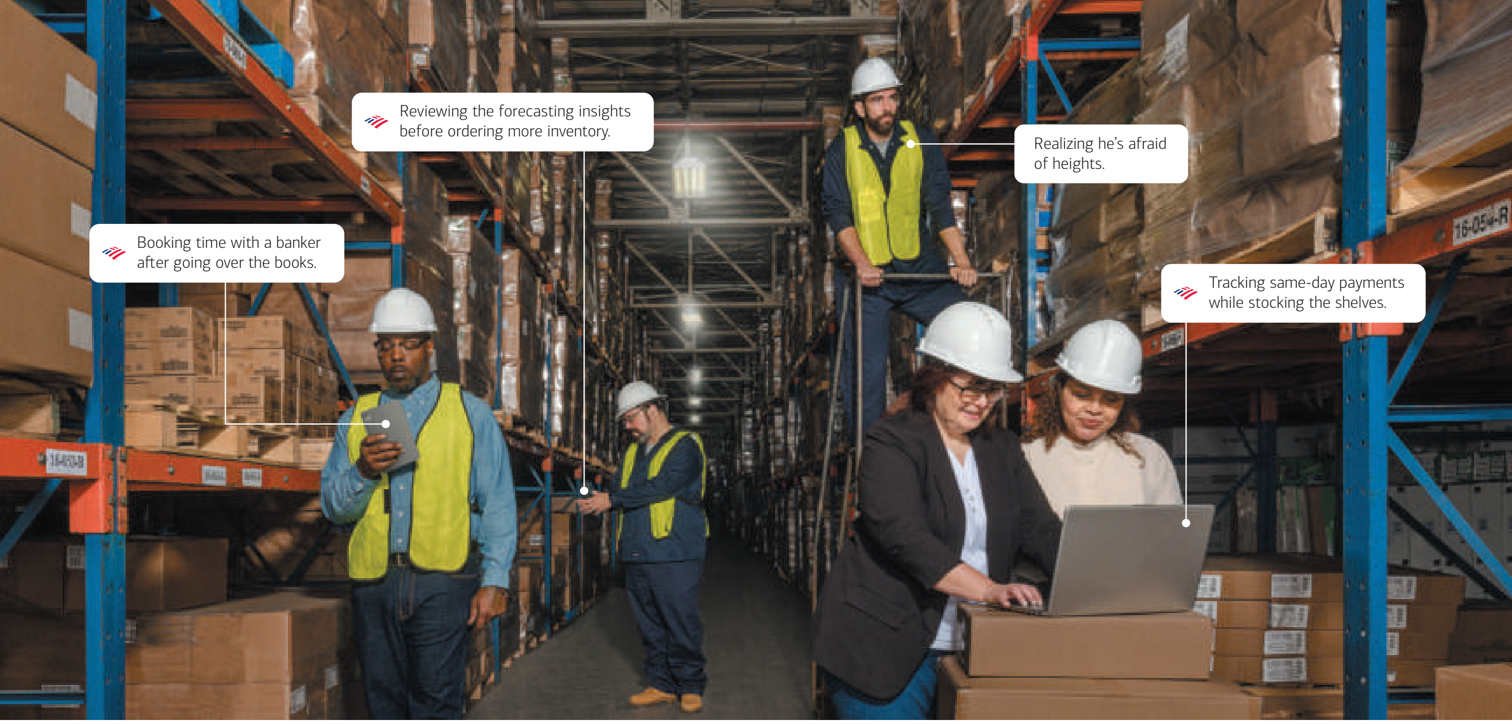

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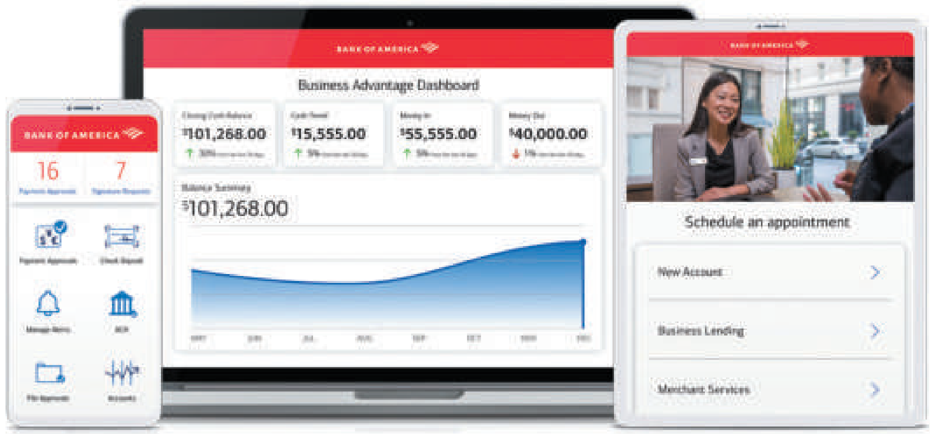

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November

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Cover illustration by Mark Frudd

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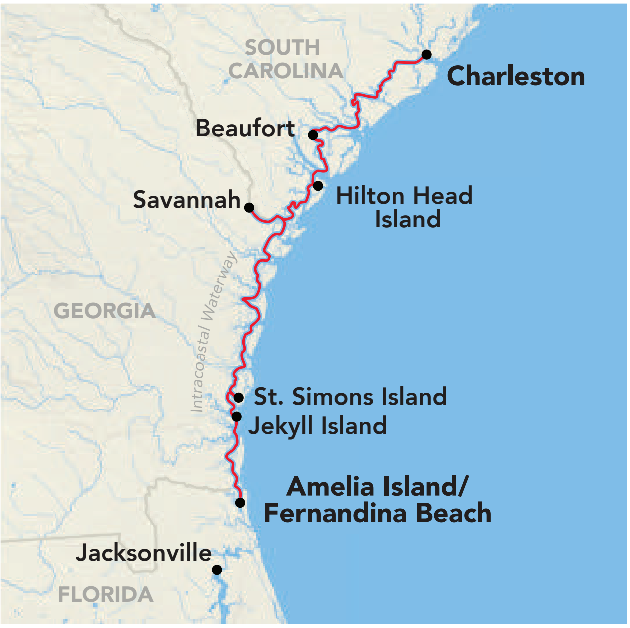
GETTY IMAGES



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Letters

More Advice for Train Travelers

“Enjoy the View on a Vacation by Train” (Sept.) overlooked Amtrak’s Auto Train, which transports passengers and their vehicles between Sanford, Fla. (near Orlando), and Lorton, Va. (near Washington, D.C.). The nonstop, 17-hour overnight trip is an enjoyable and relaxing alternative to white-knuckle interstate travel.
Ken Kranz, Tallahassee, Fla.

Check the Amtrak website to see what (if any) food service a train offers before you go on a trip. On many regional and corridor routes, your choices are limited to counter service with prepackaged sandwiches and reheated entrees.
Charles Nekvasil, Columbus, Ohio

Do not count on sleeping if you take an overnight trip on Amtrak. When my mom, my husband and I rode on Amtrak from Riverside, Calif., to Philadelphia, our bedrooms were located near the front of the train. Overnight, the engineer blew the whistle at each crossing—about every five minutes. If the loud noise doesn’t keep you from sleeping, the bumpy, swaying ride certainly will.
Cathy Sherrill, Big Bear City, Calif.

My wife and I have the Amtrak Guest Rewards Mastercard, which accumulates points on every dollar charged. Cardholders can purchase train tickets with the points.
David A. Highfield, via e-mail

RETIREMENT LESSONS

I enjoyed Mark Solheim’s reflections on one year of being retired (“Seven Lessons for New Retirees,” Sept.). I’m coming up on 20 years since jumping ship at age 54, and I totally agree with him—how did I have time to work? It’s a pleasure to give back by volunteering at schools, the local food pantry, the cancer clinic and church.
Nila Whitfield, via e-mail

I retired in 2014, and based on my experience, I recommend two tactics. One, avoid major decisions, if you can, during your first year of retirement. This includes moving assets to a new brokerage firm. Two, track all expenses in a spreadsheet. This mundane exercise is powerful: It gives you a sense of control while providing peace of mind. Relying on *Kiplinger* and a robust market, I have watched my portfolio increase 75% over the past 10 years.
Ginny Perez, Charlotte, N.C.

I have one more lesson to add. Something that became clear to me after I retired was that every person and organization out there needs help. You will be overwhelmed if you don’t set limits. Say no to things that do not fit your priorities.
Scott Schmidt, Cozad, Neb.

GROCERY TAXES

In North Carolina, groceries are subject to a 2% local tax, which is lower than the regular state sales tax (“States are Backing Away From Taxing Groceries,” Sept.).
Gerri Hans, Hendersonville, N.C.

Georgia does not apply sales tax to groceries, but the state allows localities to impose a food tax.
John Workman, Thomasville, Ga.

ELECTRIC VEHICLE TAX CREDIT

When you lease an EV, the tax credit goes to the lessor and not to you, the lessee (“How to Claim an EV Tax Credit,” Sept.). Lessees should negotiate it into the lease terms.
G.L., via e-mail

CORRECTIONS

The name of the Chicago certified financial planner quoted in “Seven Lessons for New Retirees” (Sept.) is Andy Baxley.

The modified adjusted gross income (MAGI) calculation used to determine whether Medicare beneficiaries are subject to the income-related monthly adjustment amount (IRMAA) includes only adjusted gross income plus tax-exempt interest income (“Expect a Lower COLA for 2025,” Oct.).

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

Is Your Investing Plan on Track?

I started my career at this magazine, and learning the ins and outs of personal finance in my twenties had its benefits. I lived in Washington, D.C., and although saving money on an entry-level salary in a city with a high cost of living was a challenge, I took on *Kiplinger's* advice to set aside some funds from each paycheck, even if the amounts are small. I invested my 401(k) contributions in a simple target-date fund and started to scrape together a rainy-day fund in a savings account.

Now that I'm in the middle stages of my life and career, my savings and investments have become more complex. My husband, Tom, and I each contribute to our workplace retirement plans, and we invest in IRAs, 529 college-savings plans for our kids, and a taxable brokerage account, too. We've also enlarged our emergency fund to help ensure that we can cover day-to-day living costs for our family of four in the event of a job loss or an unexpected large expense.

For the most part, I think Tom and I are doing a decent job of handling our investments and savings—again, thanks in no small part to the wisdom I've absorbed over the years through my work. But even if you're on top of your financial game, it's smart to regularly check in to make sure that your investing plan is on track. In our cover story, which starts on page 18, senior associate editor Nellie Huang has crafted a comprehensive look at how to manage your investments at each stage of life, from the early days of setting a strong foundation to keeping your portfolio on target during your retirement years.

The article blends long-standing strategies and rules of thumb—I now know that at my age, my retirement savings should be approaching an amount equal to about three times my current income—with fresh ideas on where to put your investments, from "buffered" exchange-traded funds that provide downside protection in market declines to target-date funds that offer an annuity component, delivering a regular stream of income during retirement. You'll also find tips on maintaining an investment mix that is diverse and incorporates an appropriate level of risk for your age. After reading the story, I have a few tweaks in mind for my own portfolio.

Election 2024. I don't need to remind you about the November 5 election, but I would like to point you toward our coverage in two key areas—investing and taxes. On page 27, we review how market moves in the months leading up to an election tend to correlate with who takes the presidency and how the makeup of the White House and Congress may affect your portfolio. On page 14, we outline where Vice President Kamala Harris and former President Donald Trump stand on a range of tax issues, including income tax rates, taxes on investment gains and the child tax credit.

Here at the magazine, we don't predict who will win elections, but our colleagues at *The Kiplinger Letter* do. In 100 years of forecasting presidential-election winners, they've missed only twice (with the victories of Harry S. Truman in 1948 and Donald Trump in 2016). The *Letter* has been offering insight into the 2024 election for months and expects to publish its predictions in mid October. And throughout the year, election season or not, you'll find relevant updates on what's happening in Congress and the White House in the *Letter*. You can subscribe to it and other Kiplinger publications at *https://subscription.kiplinger.com*. K

Our cover story blends long-standing strategies and rules of thumb with fresh ideas on where to put your investments.

Lisa Gerstner

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PHOTO BY MATT STANLEY

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Ahead

TOPIC
A

GETTY IMAGES

NEW RULES ARE SHAKING UP THE RESIDENTIAL REAL ESTATE MARKET

Buyers and sellers have more room to negotiate commissions, and that could reduce home prices over the long run. BY SANDRA BLOCK

ALTHOUGH the spring home-buying season is several months away, buyers and sellers have some motivation to come off the sidelines. In early September, a 30-year fixed-rate mortgage had an average 6.35% interest rate, down from 7.12% a year earlier, according to Freddie Mac. And a $418 million settlement reached earlier this year with the National Association of Realtors led to new requirements for real estate transactions in ways that could save you money on the purchase or sale of a home.

The settlement stemmed from class-action lawsuits that claimed the industry-wide practice of requiring seller's agents to specify the commission being offered to buyer's agents artificially inflated real estate commissions. The NAR, which agreed to settle the lawsuits but denied the allegations, says commissions have always been negotiable, but they've generally held at 5% to 6% of the sale price for years.

Under rules that took effect in August, listing agents are prohibited from offering commission splits to buyer's agents on Multiple Listing Services, which real estate professionals use to share information about homes for sale in a particular area. Sellers who list a home on an MLS can negotiate a fee with a seller's agent and decide whether to pay the buyer's agent. Meanwhile, home buyers who choose to work with a buyer's agent will be required to sign an agreement that details how much they'll pay for the agent's services. When the buyer agrees to purchase a home, the money to pay the buyer's agent can come from the seller's agent, the seller or the buyer, depending on the terms negotiated.

BECAUSE YOU MUST ENTER INTO A CONTRACTUAL AGREEMENT, IT'S MORE IMPORTANT THAN EVER TO WORK WITH A COMPETENT, REPUTABLE AGENT.

In the long run, the change could result in lower home prices, according to *The Kiplinger Letter.* Although buyers haven't paid for commissions directly, they've paid for them indirectly through the higher prices sellers sought to cover the agents' fees. Under the previous rules, Americans paid roughly $100 billion in real estate commissions a year. A homeowner looking to sell a $500,000 home, for example, could expect to spend up to $30,000 on commissions alone.

Information for buyers. Home buyers who use a buyer's agent will probably be the first to notice how the rules have changed, because they'll be required to enter into a written agreement that details how much they'll pay the agent in commissions if the seller doesn't agree to pay the full amount. (Some states required written contracts before the new rules took effect, but now buyers in all states will have to sign contracts.) In the past, home buyers would typically work with a buyer's agent without a formal contract in place because it was understood that the seller would pay the entire commission.

Don't commit to a long-term, exclusive contract until you've had an opportunity to view several homes and determine whether you want to work with the agent, the Consumer Federation of America (CFA) says. Zillow, the online real estate brokerage, recommends signing a seven-day touring agreement before entering into a contract with an agent. You can find samples of state-specific touring agreements at *www.zillow.com/agent-resources/blog/zillow-touring-agreement-nar-settlement* (not all states are represented). Zillow's touring agreement states that buyers won't be charged a fee for touring services and stipulates that if the buyer wants to hire the agent for additional services, the parties will reach a separate agreement. Consumer Advocates in American Real Estate, a nonprofit group, offers a template for an agreement to tour homes at *www.caare.org/2024/07/14/consumer-friendly-compensation-suggestions*. The site also offers templates of compensation agreements for buyer's and seller's agents.

If after touring homes you decide to hire a buyer's agent, don't hesitate to negotiate, says Steve Brobeck, executive director of the CFA. He recommends offering 2% of the sale price or lower, depending on the services required. If you're willing to do some of the work yourself—for example, you prefer to do your own home search but want help making an offer—the agent may be willing to accept a flat fee for specific services, says Richard Hopen, founder of SmartBuyers AI, which provides education and advice for home buyers. Some real estate brokerage firms are already experimenting with new pricing models, such as offering buyers and sellers a menu of services, with a billing rate for each service available.

When reviewing a contract, look for red flags, such as a requirement to compensate an agent before you decide to become a client, or a provision that combines compensation for the listing agent and buyer's agent, which violates the spirit of the new rules, the CFA says.

Because you must enter into a contractual agreement, it's more important than ever to work with a competent, reputable real estate agent, Brobeck says. Start by asking friends and relatives who have purchased homes for referrals, with the goal of identifying at least three prospective agents to interview, he says. Use real estate websites such as Zillow and Realtor.com to research an agent's recent sales and customer reviews. Finally, a prospective agent should provide you with a copy of the contract, be willing to discuss the terms and give you plenty of time to review it.

What sellers need to know. If you have decided to put your home on the market, you still have the option of offering compensation to a buyer's agent. This decision will depend on several factors, including your local housing market and whether you think paying a buyer's agent or broker will make your home more attractive to potential buyers.

Your own real estate agent (if you use one) must receive your approval for any agreement to pay a buyer's broker, as well as the amount of the payment. The terms of the agreement must be disclosed to you in writing. K


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INTERVIEW

HOW TO STEP CONFIDENTLY INTO YOUR LIFE AFTER RETIREMENT

Creating a new identity and developing relationships are key to making the transition.

BY SANDRA BLOCK


Teresa Amabile

You and your colleagues conducted more than 200 interviews, including multiple interviews over several years, with 14 professionals who were making the transition to retirement. Why did you focus on that demographic? So much research has shown how health and wealth affect retirement decisions and experiences. We wanted to take those two factors out of the equation and uncover the psychological, social and life-restructuring issues that face people who are financially secure and reasonably healthy. Of course, those factors weren't completely out of the equation. Nearly everybody said they hoped they and their life partner would stay healthy and fit for many years. And except for maybe one or two C-suite people, nearly everyone worried to some extent about money.

TERESA AMABILE is a professor emerita at the Harvard Business School and coauthor of *Retiring: Creating a Life That Works for You.*

Why do some older people continue to work past retirement age, even if they can afford to retire comfortably? Our research uncovered three basic issues. The first is identity. So many of us who are professionals have really invested ourselves in our work, often for decades. We take great pride in what we've been able to accomplish, and that's a big piece of who we are. It's difficult to think of ourselves in a new way when we see that identity ending.

Second, if you've been a really engaged professional, you have developed strong relationships with colleagues, customers and clients who mean a lot to you. Many people find that it's difficult to retain those relationships after they retire.

The third thing that's really scary for people is realizing that the life structure of work, which consumed up to 70% of their waking hours for decades, will be gone. Even if you were tired of working, you knew what you were going to be doing every day.

Does phased retirement—working part-time, for example—make it easier for some people to transition to retirement? Phased retirement can be quite helpful, even if it's just reducing your work by one day a week. Because it's a gradual transition, you have time to adjust your sense of self, explore other things and realize there is something on the other side. When one of the 14 people we followed reduced his work week to four days, his daughter asked him to babysit her toddler on part of his day off. He agreed to help her out, a bit reluctantly, but was surprised by how it deepened his identity as a grandfather. He loved how the little boy lit up when he saw him. It gave him the sense that there was something waiting for him in retirement and, within a year after retiring, he had built a very satisfying life for himself.

What lessons would you like readers to take from the experiences of the people you interviewed? The first thing we want people to know is that retiring isn't just about financial planning. If you want to have a satisfying retirement, it's not a bad idea to think about retiring as a different kind of work. Allocate some time to deepening relationships that will endure.

You may also want to reactivate an identity from earlier in your life that used to be important to you. One guy I interviewed who had risen to the highest level of his company had been an avid hot-rodder as a teenager. As he was approaching retirement, he started thinking about hot-rodding again, so in the six months before he retired, he got a hot rod—a nicer one this time—and started tinkering with it in his garage. He got reengaged with the hot rod community, which led to a great retirement activity for him and a great set of new relationships. K

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ELECTION 2024: WHERE THE CANDIDATES STAND ON TAXES

Kamala Harris and Donald Trump propose a range of tax breaks for parents, home buyers and retirees.

BY SANDRA BLOCK

REFORMING the tax code isn't always top of mind for a new commander-in-chief, but the next president will face a fast-approaching tax deadline that will demand the attention of the president and members of Congress.

A broad menu of individual tax provisions in the 2017 Tax Cuts and Jobs Act are scheduled to expire at the end of 2025. If Congress and the White House fail to extend those provisions, millions of Americans will see their taxes rise in 2026. (For a rundown on expiring provisions, see the box on page 15.)

Both Vice President Kamala Harris and former President Donald Trump have outlined proposals to address the expiring tax cuts and advance their policy initiatives. Complicating the issue is the burgeoning U.S. budget deficit, which the Congressional Budget Office says will approach $2 trillion in the 2024 fiscal year.

To address the budget gap and pay for tax breaks for low- and middle-income families, Kamala Harris has proposed raising taxes on corporations and wealthy Americans. Donald Trump wants to pay for his proposals by imposing a 10% worldwide tariff on imported goods and a 60% tariff on imports from China.

Here's a look at the candidates' proposals. (To see more on corporate taxes and the election's impact on financial markets, see "Election 2024: Politics and Your Portfolio," on page 27.)

↑ **Both candidates propose exempting tip income from federal taxes.**

KAMALA HARRIS/TIM WALZ

Income tax rates. Harris has proposed extending tax cuts for taxpayers who earn less than $400,000 a year. The top marginal federal income tax rates for single taxpayers with taxable income of $400,000 or more and married taxpayers with taxable income of $450,000 or more would rise from 37% to 39.6%.

If Harris adopts President Biden's budget proposal, she would also increase the net investment income tax from 3.8% to 5%, for a top marginal rate of 44.6%. The net investment income tax affects taxpayers who have investment income and whose modified adjusted gross income tops $200,000 for single taxpayers or $250,000 for married taxpayers who file jointly.

Home buyers tax credit: A federal tax credit of up to $10,000 for eligible first-time home buyers.

CALENDAR

NOVEMBER 2024

1 For many workers, this is the time of year to choose a health insurance plan for coverage that will begin January 1. If you do not have access to health insurance through your employer, this is also the time to select a plan from the individual marketplace at HealthCare.gov. For guidance on how to navigate deductibles, co-payments, co-insurance and other features of health insurance plans, see page 42.

5 Election Day. Economic issues such as inflation, jobs and wage growth are top concerns for voters. No matter which political party you support, take time to research where candidates stand on matters that affect your finances. Dig into candidates' positions and find out what's on your local ballot at *www.ballotready.org.* (And see page 27 for a look at how the election outcome may affect your portfolio.)

GETTY IMAGES

Investment income. Long-term capital gains for households making at least $1 million would be taxed at a rate of 28%. When combined with the net investment income tax, the top capital gains rate would be 33%.

Unrealized capital gains above an exclusion of $5 million per person would be taxed at death. An unrealized capital gain is the increase in value of an asset, such as a stock or mutual fund, that has been purchased but never sold. Currently, individuals who inherit taxable accounts don't pay taxes on unrealized capital gains because the cost basis is "stepped up" to the investment's value on the day of the original owner's death.

Child tax credit. Up to $3,600 per child for low- and middle-income families, plus an additional $2,400 during the first year of a child's life.

Tip income. Eliminate federal taxes on tips for workers, although Harris's advisers have reportedly discussed limiting the exemption to workers who earn $75,000 or less a year.

DONALD TRUMP/J.D. VANCE

Income tax rates. Permanently extend tax rates from the Tax Cuts and Jobs Act for all income levels.

Social Security. Eliminate taxes on Social Security benefits. Currently, benefits are taxed if your provisional income, which consists of half of your Social Security benefits, plus income from other sources that contribute to your adjusted gross income, exceeds certain thresholds.

If your provisional income ranges from $25,000 to $34,000 for single filers, or $32,000 to $44,000 for joint filers, up to 50% of benefits are taxable; 85% if your provisional income is more than $34,000, or $44,000 for joint filers.

Child tax credit. Increase the tax credit from $2,000 to $5,000 per child.

Tip income. Exempt all tip income from federal taxes. K

→ DEAL OF THE MONTH:

Look for deals on air fryers, coffee makers and other small appliances from retailers such as Walmart, Amazon and Best Buy, says Louis Ramirez, deals editor-in-chief at Tom's Guide. Large appliances, such as washers and dryers, should also go on sale at Home Depot, Lowe's and other big-box stores.

30 Consider shopping local on Small Business Saturday. American Express estimates that shoppers spent $17 billion at small businesses during the holiday season in 2023. Many small businesses will offer early-bird and doorbuster deals, discounts, gift cards, and limited-edition products to entice customers. Look for local, independently owned businesses to support at *www.shoplocal.org/directory.cfm.* K

TAX DEADLINE

TIME IS RUNNING OUT

If Congress fails to extend the 2017 Tax Cuts and Jobs Act, these provisions will expire at the end of 2025.

Tax rates. The current individual income tax rates of 10%, 12%, 22%, 24%, 32%, 35% and 37% will revert to 10%, 15%, 25%, 28%, 33%, 35% and 39.6%.

Standard deduction and personal exemptions. The standard deduction, which was more than doubled by the 2017 law, will revert to previous amounts, adjusted for inflation. Personal exemptions, which were eliminated in the TCJA, will return.

Alternative minimum tax. Exemption amounts and phaseouts will expire, causing more taxpayers to pay the AMT.

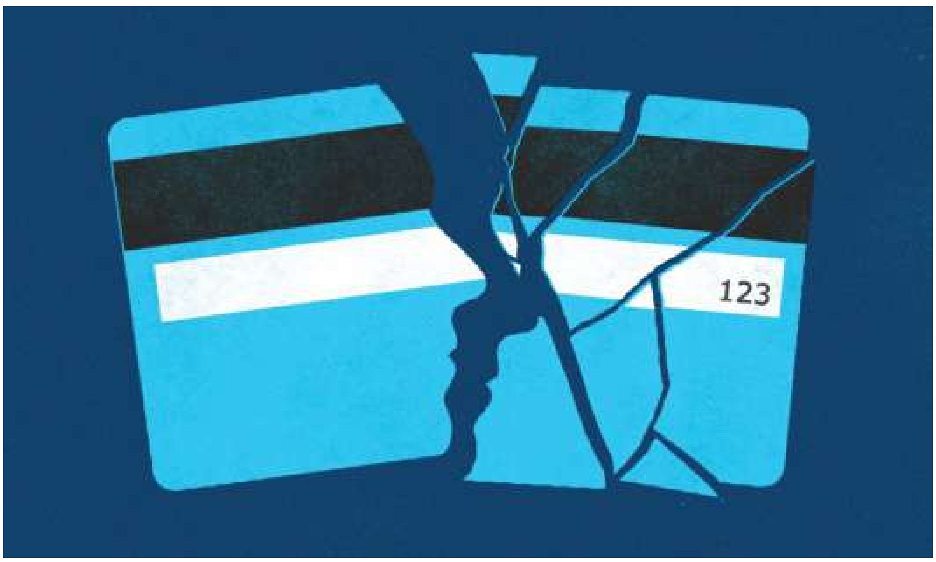
Estate tax exemptions. The current exemption of $13.6 million ($27.2 million for married couples) will drop to pre-2017 levels, adjusted for inflation, or about $7.5 million (about $15 million for a married couple).

Child tax credit. This credit will drop to $1,000 per qualifying child (down from $2,000), and the $500 credit for each dependent who isn't a child will disappear.

State tax deduction. The $10,000 cap on deductions for state and local taxes will disappear, enabling taxpayers to deduct the entire amount of property and/or state income taxes. JOY TAYLOR

Briefing

INFORMATION ABOUT THE MARKETS AND YOUR MONEY



PROTECT YOURSELF AGAINST ID THEFT

→ Major data breaches have made headlines in recent months. In August, National Public Data, a consumer data broker that performs background checks, confirmed that earlier in the year, hackers had obtained and leaked Social Security numbers, e-mail addresses, phone numbers and mailing addresses. More than 2.9 billion records were stolen, according to lawsuit filed against National Public Data.

Additionally, in late July, Change Healthcare, which assists with billing and insurance processing for many health care providers, began mailing out notices to individuals who were affected by a ransomware attack that targeted the company's data in February and "could cover a substantial proportion of people in America." Hackers extracted data including health insurance information, such member identification numbers; personal health information, such as diagnoses and test results; billing and payment information, such as bank account and credit card numbers; and Social Security numbers.

These breaches are significant not only for their scale but also for the damage criminals can do with the data. A fraudster who has your Social Security number may be able to pose as you to open credit cards or loans, file a tax return to get a fraudulent refund, or apply for Social Security benefits. With your health information, an identity thief may get medical care in your name—a dangerous prospect if his or her own health information becomes commingled with yours.

What you should do. Monitor your bank and credit card statements for unauthorized charges. Review insurance explanation of benefits (EOB) statements to make sure they don't list services you did not receive. Keep an eye on your credit reports for signs of identity theft, such as a new credit card or loan that you don't recognize. You can check your report from each of the major credit-reporting companies—Equifax, Experian and TransUnion—free once a week at *www.annualcreditreport.com*.

To prevent criminals from opening new credit accounts in your name, consider putting a credit freeze on your reports. When a freeze is in place, creditors can't check your reports in response to an application for new credit—and in turn, lenders are unlikely to grant credit to a con artist pretending to be you. When you shop for credit, you can temporarily lift the freeze. At Equifax.com, Experian.com and TransUnion.com, you can initiate a freeze. **LISA GERSTNER**

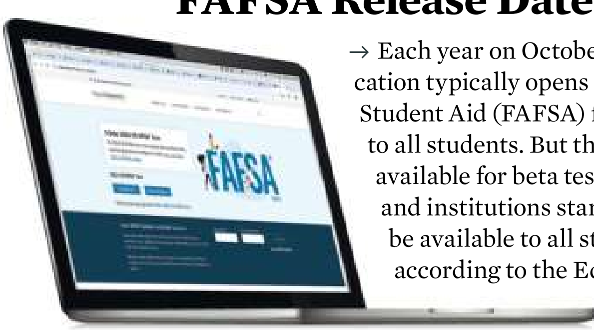
GETTY IMAGES

MEDICARE BENEFICIARIES WILL SEE LOWER DRUG PRICES

→ Medicare has revealed prices that it negotiated with pharmaceutical companies for 10 expensive and commonly used medications. The Inflation Reduction Act of 2022 provided Medicare the ability to negotiate prices with drug manufacturers, and Medicare will select additional medications for negotiation in coming years. The first 10, listed below, treat conditions including diabetes, heart failure, blood clots and cancer. The new prices will go into effect in 2026 for people who have Medicare Part D.

Drug name	Negotiated price for 2026 (30-day supply)	Discount from 2023 price
Eliquis	$231	56%
Enbrel	2,355	67
Entresto	295	53
Farxiga	179	68
Fiasp and NovoLog (various insulin pens)	119	76
Imbruvica	9,319	38
Januvia	113	79
Jardiance	197	66
Stelara	4,695	66
Xarelto	197	62

FAFSA Release Date Shifts



→ Each year on October 1, the U.S. Department of Education typically opens the Free Application for Federal Student Aid (FAFSA) for the following academic year to all students. But this fall, the 2025–26 FAFSA will be available for beta testing only to a limited set of students and institutions starting October 1. The application will be available to all students on or before December 1, according to the Education Department. **LISA GERSTNER**

FROM THE KIPLINGER LETTER

Election 2024: The Candidates and Crypto

Crypto has found a prominent role in the presidential election. Both candidates are trying to strike a friendlier tone toward cryptocurrency, compared with even just a few years ago, in a big push to try to win over the industry. Former President Trump talks about the U.S. becoming a global leader and vows to replace the head of the Securities and Exchange Commission with a friendlier pick. Vice President Kamala Harris is trying to reset relationships with the industry, vowing to help it, while also signaling interest in establishing regulatory safeguards. The crypto industry has balked at the Biden administration's regulatory approach.

Perhaps not surprisingly, the industry is becoming a big campaign donor, making up almost half the money given by corporations to political action committees so far this year. Major players Coinbase and Ripple are among the largest donors.

NO MORE NEW PAPER I BONDS

→ Since 2012, buyers of U.S. savings bonds have been limited to making their purchases electronically, with one exception: You could buy up to $5,000 in paper Series I savings bonds with your tax refund each year. But starting January 1, 2025, that option will no longer be available. If you received an extension to file your 2023 tax return with a deadline of October 15, 2024, you can still use your refund to purchase a paper I bond with Form 8888.

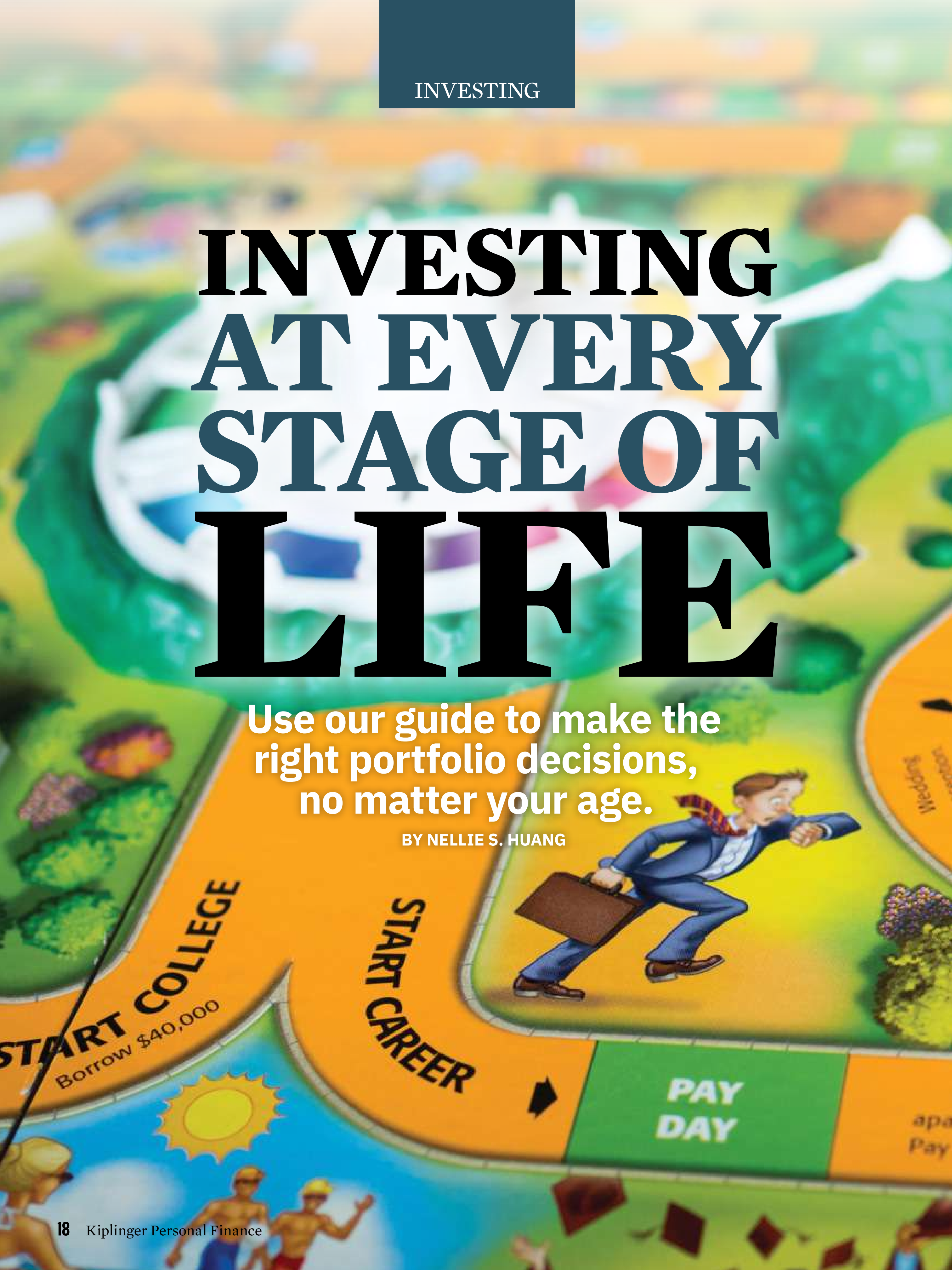
On average, just 0.03% of all tax filers used the tax-refund program to purchase paper bonds, according to the IRS. The IRS also said the program is costly and that mailing paper bonds left them subject to fraud, theft, loss and delays.

At TreasuryDirect.gov, you can buy up to $10,000 in electronic I bonds each year. Bonds issued from May through October 2024 have a composite yield of 4.28%, including a fixed rate of 1.3% and an inflation rate (which adjusts every six months) of 1.48%. In November, the Treasury Department will set a new semiannual inflation rate based on the consumer price index, as well as a fixed rate for bonds issued from November 2024 through April 2025.
LISA GERSTNER

INVESTING AT EVERY STAGE OF LIFE

Use our guide to make the right portfolio decisions, no matter your age.

BY NELLIE S. HUANG



LIFE rarely goes as planned, but moving forward with no idea of where you want to end up is never the way to go. As Benjamin Franklin once said, “If you fail to plan, you’re planning to fail.” That’s especially true when it comes to saving and investing. Wealth isn’t typically built overnight. It takes a series of deliberate moves over time. With that in mind, we’ve crafted a game plan for how best to save and invest at every stage of life.

But first, know that there are several good-practice tenets that apply to all stages. Among them:

Take advantage of free money. No matter what stage of life you’re in, if you have access to a 401(k) or other employer-sponsored retirement-savings plan, aim to contribute at least enough money to earn the full company match—most employers offer one. Many employers contribute to a health savings account, too, if you’re eligible for one.

Automate your savings. There will always be a rationale to put off saving. In your twenties, it’s that you have decades to go before retiring. In your middle years, it’s the financial demands of a house and family. Later, it may be that bucket-list trip you’ve always dreamed of. “People have limited willpower and discipline. Make a one-time good decision and automate your savings,” says SoFi’s Brian Walsh, a certified financial planner. Just as your 401(k) contributions are deducted automatically from your paycheck, you can set up recurring transfers from your bank account to an IRA, a taxable brokerage account or a 529 college-savings plan.

Save more with every pay raise. The more we make, the more we spend. To keep "spending creep" in check as your income grows, make it a habit to carve out a certain amount of each salary hike for savings first. If you get a raise, set aside one-third to one-half of it to increase your savings. "What young professionals do with future raises has a bigger impact on future savings goals than how much they save today," says Walsh. Most 401(k) plans allow you to set up automatic annual increases to your contribution.

Maintain an emergency fund. Conventional wisdom is that you should have at least three to six months' worth of expenses in cash sitting in a high-yield savings account or money market fund. It's to cover emergencies—a car repair, a new furnace or other sudden expenses. But the stash can help keep your investing plans on track, too. It provides peace of mind, and it may keep you from making a bad money decision, such as selling in a down market, tapping your retirement savings to cover a needed house repair or running up a balance on your credit cards. How much cash you need sitting on the sidelines varies, depending on your situation. For emergency fund how-tos, see the box on page 24.

Keep the long game in mind. Fight the urge to watch the market too closely. "Investing goals aren't day to day, so don't get wrapped up in the day-to-day fluctuations of the stock market. It sounds cliché, but slow and steady wins the race," says Bobbi Rebell, a CFP with BadCredit.org.

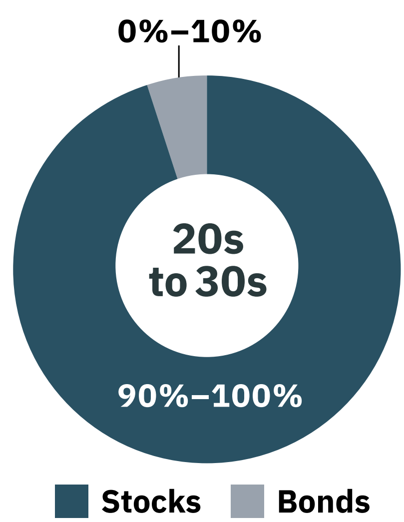
With a good grounding in the basics, investors can better focus on best practices specific to their age and stage in life. Read on for how to save and invest, whether you're just starting your first job, raising a family or navigating retirement.

STARTING OUT

You've landed your first job or are only a few years into building your career. Even if your paycheck doesn't show it, consider yourself lucky. In your twenties or thirties, you have the biggest investing advantage on your side: a long time horizon.

Saving strategies. Start putting away money, even if it's just a little, for the long term by investing in your workplace retirement plan. If you don't have one, open an individual retirement account at a brokerage firm. In general, younger investors will do better with a Roth IRA, which allows you to make after-tax contributions and grows tax-free. Though a traditional IRA offers a tax deduction on your contributions, chances are your tax rate is low, minimizing the benefit. "The biggest thing is to just get started," says Tim Steffen at Baird Private Wealth Management.

→ STAY AGGRESSIVE



Generally, people just starting out don't earn much and tend to give saving short shrift. But there's probably no easier time to do it, says Rebell. "Young people say they have too little money to save. I tell them the percentage of their income that's discretionary will never be higher."

You may have college loans to pay off, but expenses for a home and kids are likely still in your future. "It's the best time to save money. Later in life, you may not get a choice. It's either save or buy your kid braces."

The main reason to start saving early, even if it's just \$10 or \$25 a month, is the time value of money—the idea that a dollar today is more valuable than it will be in the future because inflation hasn't yet eroded its value, and because of the returns that dollar can earn over time. But starting early has other benefits, too. "It's about taking advantage of a combination of things—the time value of money, the benefit of compounding returns over time, and having ample recovery time for market declines," says Catherine Irby Arnold, a Seattle-based adviser with U.S. Bank's private wealth management division. "If you start investing in your twenties, you have a better chance of building a comfortable nest egg. If you wait until you're 50, it's harder to do." You can't buy more time.

Of course, the more you save, the better. "Put in your 401(k) as much as you can," says Baird's Steffen, and aim to increase your savings rate over time until you reach 15% of your salary a year. According to T. Rowe Price, a 25-year-old earning \$40,000 who saves 6% of her salary every year for the next 40 years will have contributed roughly \$200,000 by the time she's 65. Assuming a 7% rate of return, her portfolio balance would be roughly \$1 million. But if she increases her savings rate by just one percentage point every year (until she hits 15% in her mid thirties), her portfolio will top \$2 million when she's 65. Ideally, your portfolio should be worth one to 1½ times your salary by the time you're 35 and 1½ to 2½ times your salary by the time you're 40.

If you have competing goals or obligations—student loans, credit card debt, a house down payment—attack

ALAMY (PREVIOUS SPREAD)

them all. "You have to chip away at all of them, otherwise you won't get to any of them," says Arnold. Just avoid shutting down your 401(k) contributions—ever. "Once you turn it off it's hard to turn on again," says Steffen. Instead, consider dialing back other expenses or getting a side hustle and devoting the extra earnings to the high-rate credit card bills.

Establishing good habits early in your working life will make your financial life easier as you get older. "Paying off debt and saving is a part of everyday life," says SoFi's Walsh. "If you can do this when you have little money, you start with good habits for the rest of your life."

Investing strategies. "In your twenties and thirties, the issue is *that* you invest rather than *how* you invest," says Paul Winter, a CFP in Salt Lake City. Be aggressive. Put 90% to 100% of your long-term savings in stocks or stock funds. "Your portfolio positioning can be at its most aggressive because you have time to recover from even a very steep market decline," says Eric Figueroa, a CFP in Folsom, Calif. Whether your portfolio's stock holdings tilt toward 90% or toward 100% will depend on your tolerance for risk. Just bear in mind that if it's money you won't touch for decades, you can afford to take on more risk.

Keep it simple. If you're unsure about what to invest in, buy shares in a broad-market index mutual or exchange-traded fund. Your 401(k) likely includes a low-cost mutual fund that tracks the S&P 500 stock index or a benchmark that represents the total stock market. If you're investing on your own, consider ***iShares Core S&P 500 ETF (symbol IVV, $567, expense ratio 0.03%)*** or ***Vanguard Total Stock Market Index ETF (VTI, $278, 0.03%)***, which includes nearly every publicly traded U.S. large-, midsize- and small-company stock.

Another option is to buy a target-date fund, which holds stocks and bonds. Choose the fund with the target year that's closest to the time you want to retire; a 25-year-old would invest in a 2060- or 2065-dated fund. Experts make the investing decisions and rebalance holdings to an appropriate mix according to your age. Your workplace retirement-savings plan likely offers one, and the target-fund series from most issuers are solid. But if you're buying a fund on your own, our favorite series are ***American Funds Target Date Retirement*** and ***T. Rowe Price Retirement***.

As you grow more comfortable, or maybe more interested in investing, you may want to venture beyond the simplest choices. But pay close attention to staying diversified. Consider adding some small- or midsize-company stocks to your portfolio, for instance. These shares are more volatile than large-company stocks but more rewarding over the long haul, too. We like ***iShares Core S&P Mid-Cap ETF (IJH, $62, 0.05%)*** and ***iShares Core S&P Small-Cap ETF (IJR, $117, 0.06%)***. When combined with their large-stock counterpart, iShares Core S&P 500 ETF, there's no overlap in holdings.

Unsure about what to invest in? Buy shares in a broad-market index mutual fund or ETF.

Foreign stocks should be a part of a diversified portfolio, too. Stocks in foreign markets have lagged U.S. stocks in recent years, but that won't always be the case. ***Vanguard Total International Stock Index Fund ETF (VXUS, $63, 0.08%)*** holds about 8,500 foreign stocks, in both developed and emerging countries.

If you want to be more aggressive, you might consider adding a sector fund to your portfolio that focuses on technology, health care or even energy, says U.S. Bank's Arnold. "Those sectors are volatile individually, but as a group they work well," she says, in part because each sector tends to shine in different market environments. ***Technology Select Sector SPDR ETF (XLK, $220, 0.09%)*** and ***Health Care Select Sector SDPR ETF (XLV, $157, 0.09%)*** are both in the Kiplinger ETF 20, the list of our favorite ETFs. For broad-based exposure to energy companies, consider ***Energy Select Sector SPDR ETF (XLE, $91, 0.09%)***. ***Fidelity Select Health Care Portfolio (FSPHX, 0.65%)*** is a member of the Kiplinger 25, the list of our favorite actively managed, no-load mutual funds. Finally, though tech wrecks are a recurring phenomenon in the stock market (witness the recent rout in stocks related to artificial intelligence), investors with long time horizons should consider a Nasdaq index fund. Over the past quarter century, no other broad index has done better than the tech-heavy Nasdaq 100. Consider ***Invesco QQQ Trust (QQQ, $476, 0.20%)***.

Embrace market volatility, don't fear it. If you're stashing money away at regular intervals and spreading your investments over time—a process known as dollar-cost averaging—you're likely lowering the average cost of the securities you hold. "Volatility is your friend when you're young," says Gordon Achtermann, a Fairfax, Va., CFP. You're compensated for investing aggressively, and you have the luxury of time to recover market declines.

THE MIDDLE YEARS

In your forties and fifties, you are mid career, pulling in good money, but your expenses have never been higher. You've got a house and a car, and if you've got kids, you're spending money to give them the best experiences possible and saving for college, too. Don't worry. Time is still on your side.

Saving strategies. The biggest saving mistake people make at this stage is actually a spending one: Buying too big a house or too nice a car. "What someone spends on where they live and how they get around has the biggest impact on whether they will struggle to live within their means or be comfortable enough to save for the future," says SoFi's Walsh. It's not about skipping the Starbucks runs or dropping Netflix. "You never want to waste money, but if you bring your own coffee to work every day but your car has a $1,000 monthly lease payment, it kind of defeats the purpose," says Walsh. So focus on keeping the big-ticket expenses at bay.

Don't sacrifice retirement saving to save for your kid's college bills. Prioritize your own financial stability first, then fund future tuition. If your kids incur college loans, you can help them pay the debt off if you've saved enough for retirement, says Rebell of BadCredit.org. But no one other than you will fund your retirement.

Don't sacrifice retirement saving to save for your kid's college bills.

If you add a taxable investment account to your retirement accounts, pay attention to which assets are housed where. In general, stocks you plan to buy and hold, ETFs, foreign fund holdings, and dividend-paying stocks (which typically qualify for preferential tax treatment) can work well in taxable accounts. Try to aggregate mutual funds—especially actively managed ones—closed-end funds and real estate investment trusts in tax-deferred accounts, where your investments will grow tax-free and you won't pay Uncle Sam until you sell. If you trade actively, consider doing it through a tax-free Roth. (Though for retirement funds we favor more of a buy-and-hold strategy.)

Investing strategies. Generally, investors in their forties should hold roughly 80% to 100% of their retirement savings in stocks and the rest in bonds and cash. With a couple of decades left until quitting day, it's important to maintain the growth potential of your portfolio with an appropriate allocation to stocks.

But in your mid fifties, unless you have a high tolerance for risk and a large net worth that can weather any kind of volatility, you'll want to start dialing back your stock allocation. Consider shifting slowly down to 65% to 85% of assets in stocks between ages 55 and 59.

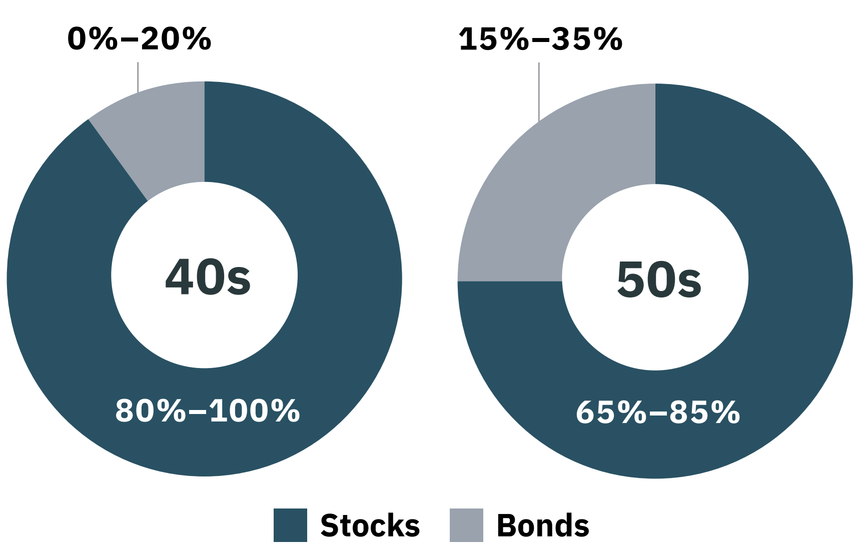
Much depends on where you are on your savings journey. If you're 55 and just getting started, you can't afford to "ease your foot off the gas pedal in your portfolio," says Achtermann. "You're not going to make it unless you have mostly stocks." Ideally, at 45, your retirement portfolio should be worth roughly three times your current income, according to T. Rowe Price. At age 50, that jumps to between four and six times your salary; at 55, it's roughly 4½ to eight times your salary.

If you aren't close to those milestones, you might need to step up contributions to your 401(k). The maximum in 2024 is $23,000; 2025 limits will be announced in the coming months. Workers who are 50 or older can make catch-up contributions to workplace retirement-savings plans of another $7,500 this year, for a total of $30,500.

The end game is to have a portfolio that's worth seven to 14 times your salary when you retire, says Roger Young, a certified financial planner with T. Rowe Price. High earners should gun for 14, simply because they will get a smaller portion of their income in retirement from Social Security, so they'll need more assets in relation to their income.

But this is also the stage when different investing goals appear—college tuition, a second home. When you invest for those goals,

→ **BROADEN YOUR MIX**

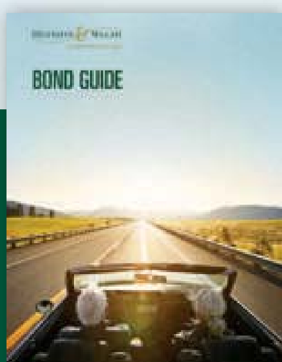


TAX-FREE INCOME, PROTECT YOUR FREEDOM.

INVEST IN MUNICIPAL BONDS.

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

Potential Safety of Principal
When investing in municipal bonds, investors are paid back the full face value of their investment at maturity or earlier if called, unless the bond defaults. This is important because many investors, particularly those nearing retirement or in retirement, are concerned about protecting their principal. In April of 2022, Moody's published research that showed that rated investment grade municipal bonds had an average cumulative 10-year default rate of just 0.09% between 1970 and 2021. That means while there is some risk of principal loss, investing in rated investment-grade municipal bonds can be an important part of your portfolio.



FREE BOND GUIDE

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In the Bond Guide, you'll learn:

- The benefits and risks of municipal bonds
- Strategies for smart bond investing
- Municipal bond facts every investor should know

CALL (800) 318-4850

Potential Regular Predictable Income
Municipal bonds typically pay interest every six months unless they get called or default. That means that you can count on a regular, predictable income stream. Because most bonds have call options, which means you get your principal back before the maturity date, subsequent municipal bonds you purchase can earn more or less interest than the called bond. According to Moody's 2022 research, default rates are historically low for the rated investment-grade bonds favored by Hennion & Walsh.

Potential Tax-Free Income
Income from municipal bonds is not subject to federal income tax and, depending on where you live, may also be exempt from state and local taxes. Tax-free can be a big attraction for many investors.

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

Our FREE Gift To You
We're sure you'll want to know more about the benefits of tax-free Municipal Bonds. So our specialists have written a helpful Bond Guide for investors. It's free and comes with no obligation whatsoever.

HENNION & WALSH

It comes down to trust.®

think carefully about timing. If you plan to use the money in less than three years, stay out of the stock market and opt for a high-yield savings account, short-term Treasury bills or a money market fund. If the goal is seven to 10 years away or beyond, keep the money in stocks.

Investments earmarked for mid-term goals—those that are three to seven years away—are "the most challenging" part of your portfolio to figure out how to invest, says Walsh. Consider a mix of short- and intermediate-term bond funds. Our favorite intermediate-term bond funds include ***Fidelity Total Bond ETF (FBND, $46, 0.36%)***, ***Baird Aggregate Bond (BAGSX, 0.55%)*** and ***Dodge & Cox Income (DODIX, 0.41%)***. We also like ***Vanguard Intermediate-Term Bond ETF (BIV, $78, 0.05%)*** and ***Fidelity Investment Grade Bond (FBNDX, 0.45%)***. For shorter-term allocations, we favor ***BlackRock Short Duration Bond (NEAR, $51, 0.25%)***, ***BlackRock Ultra Short-Term Bond (ICSH, $51, 0.08%)*** and ***Vanguard Short-Term Investment Grade (VFSTX, 0.20%)***.

"Get some dividend-paying stocks in there, too," says U.S. Bank's Arnold. Stocks of companies that pay dividends tend to be less volatile than the broad stock market. ***ProShares S&P 500 Dividend Aristocrats ETF (NOBL, $105, 0.35%)*** tracks an index of companies in the broad benchmark that have raised their payouts annually for at least 25 years. In 2022, when the S&P 500 lost roughly 18%, the ProShares ETF declined just 6.5%. Kip ETF 20 member ***Schwab U.S. Dividend Equity ETF (SCHD, $85, 0.06%)*** held up even better, falling just 3.2%.

PRE-RETIREMENT

You're in the home stretch. If retirement is five to seven years away, you're probably checking your portfolio a little more frequently.

Planning strategies. Assess your "retirement readiness" if you haven't already, says Young. Review and calculate your spending needs in retirement. Incorporate Social Security benefits as well as any pension you may have in this plan. If you haven't

DISASTER PLAN

A Cash Cushion Is a Must at Every Age

You know the drill: Responsible adults of any age should have at least three to six months of expenses on hand in cash. That's true even if interest rates start to come down as the Federal Reserve starts easing. In late August, the biggest money fund, ***Fidelity Government Money Market (symbol SPAXX, expense ratio 0.42%)***, yielded 4.96%; ***Schwab Value Advantage Money Fund (SWVXX, 0.34%)*** yielded 5.11%. High-yield savings accounts yielded north of 4%.

But let's be honest. Most people, whether they're 20 or 45, find it hard to shore up a fund for emergencies. Start small by setting a goal to save up one month of expenses, then focus on slowly and systematically adding to the account over time to work up to several months' worth.

Many families rely on a home equity line of credit as their rainy-day fund. "That's not ideal," says Roger Young, a certified financial planner with T. Rowe Price, in part because you'll pay interest to borrow that money, and rates are still high. But as a last resort, "it is something you can draw on in an emergency and not max out on your credit card."

How much is enough? Your emergency fund "should be big enough to provide enough of a cushion so that if you lose your job, you won't have to make many adjustments to your spending" before you find another, says Brian Walsh, a certified financial planner with SoFi.

One month of expenses might be a good base for young people starting out. If you're single (or married), don't own a home, have little debt and are (both) employed, aim for at least three months. Contract workers or people with uneven income streams should lean toward a stash of six months or more, says Young. A family with only one income earner, or a highly paid professional whose job might be hard to replace quickly, might set aside enough for nine months to a year.

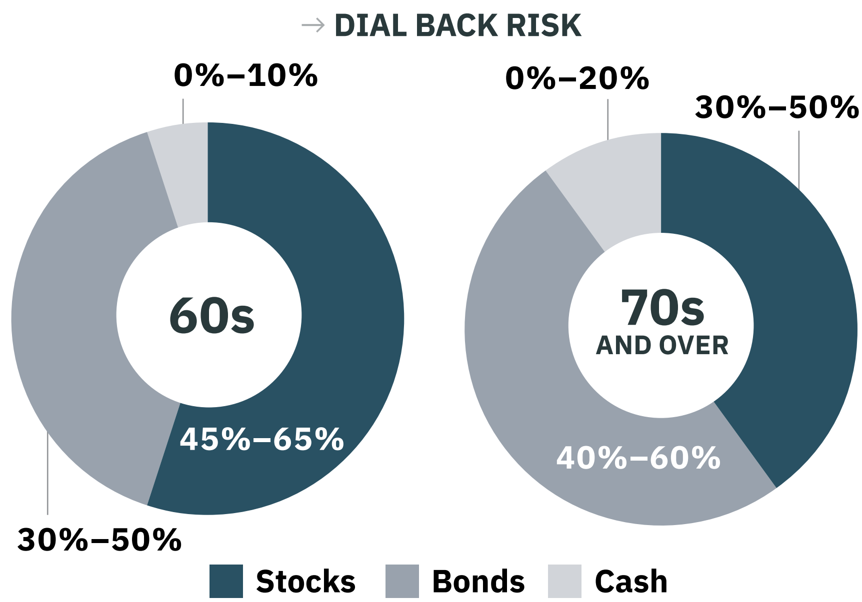
You'll need an even bigger cash pile the closer you get to quitting, because in retirement, your emergency fund will morph into the account that you draw on for spending money. Two to three years ahead of your retirement, set aside at least 18 months of expenses in cash, and safeguard the next three to five years with a "bucket" of short- and intermediate-term bond funds. With a healthy emergency fund, says Arizona CFP David Edmisten, "the world can throw anything at you, and it's going to be okay."

already, go to the Social Security website to get an estimate of your benefits (*www.ssa.gov/prepare/get-benefits-estimate*). You can file as early as age 62 to receive benefits, but your payments will be reduced because those born in 1960 or later aren't typically entitled to 100% of their benefits until age 67. Note that for every year you put off claiming benefits past your full retirement age until age 70, your benefit increases by 8%.

Consider working with an adviser. Hiring one doesn't have to mean you hand over all your money. Some will work by the hour, meeting once a year to make sure you're on track. He or she can help you develop a plan to get to and through retirement, from helping you figure out what your expenses will be, to setting up a plan for managing short- and medium-term expenses, to deciding when to take Social Security—among other issues. "These decisions have big consequences," says Walsh, so you'll want to work through them carefully. To find a certified financial planner, check out the CFP Board website (*www.letsmakeaplan.org*), which allows you to search by city and state. Or try the National Association of Personal Financial Advisors (*www.napfa.org*) and search by zip code.

Your biggest question is probably whether you have enough saved. The answer depends on how much you've saved so far, what kind of lifestyle that sum will provide for the rest of your life—and whether that's enough for you. "One million is not nearly enough for some," says Baird's Steffen. For others, especially those with a pension, it's more than enough. As a benchmark, the folks at T. Rowe Price say a 60-year-old should have a portfolio equal to six to 11 times your salary; a 65-year-old, seven to 14 times.

Investing strategies. In your sixties, as you did in your fifties, keep progressively lowering the risk in your portfolio. "Statistically," says Figueroa, "this is the most dangerous time to take on portfolio risk."



Young, at T. Rowe Price, suggests savers in their sixties consider a 45% to 65% allocation to stocks, with 35% to 55% in bonds and cash. Divide the bond portfolio, in rough proportions, into 45% U.S. investment-grade debt, 20% U.S. government bonds, and the remaining 35% in bond sectors such as high yield, international debt and emerging-markets IOUs. Keep it simple by investing in bond mutual funds or ETFs. In addition to the previously mentioned Baird Aggregate Bond and Dodge & Cox Income, we like ***Vanguard Core Bond (VCORX, 0.25%)*** and ***Fidelity Strategic Income (FADMX, 0.68%)***. Our favorite high-yield bond funds include ***Vanguard High-Yield Corporate (VWEHX, 0.23%)*** and ***Manning & Napier High Yield Bond S (MNHYX, 0.91%)***. In small doses, add in funds such as ***Vanguard Emerging Markets Bond (VEMBX, 0.55%)*** and ***T. Rowe Price Floating Rate (PRFRX, 0.78%)***.

This is a good time to examine your stock portfolio. You still want to stay diversified, but it may behoove you to dial down risk. Pare your exposure to midsize- and small-company stocks, for instance. Consider adding a dividend stock fund, such as the aforementioned ProShares S&P 500 Dividend Aristocrats ETF or Schwab U.S. Dividend Equity. Focus on high-quality, well-established companies, which tend to be less volatile and more resilient in economically uncertain times. You'll find plenty of such stocks in ***JPMorgan US Quality Factor (JQUA, $56 0.12%)***. A market decline that dents your portfolio around the time you retire can permanently reduce the income you'll have available, a phenomenon known as sequence-of-returns risk. Making withdrawals during a bear market locks in losses that you have little time to make up, dampening returns for the life of a portfolio.

Not surprisingly, Wall Street has stepped up with a slew of new ETFs that offer downside protection from stock market declines in exchange for forgoing some of the upside. So-called buffered or defined-outcome ETFs invest in options linked to a broad benchmark that define the parameters for how much protection you get and what you might give up. For example, ***Innovator U.S. Equity Power Buffer ETF-July (PJUL, $40, 0.79%)*** limits losses to 15% in the

S&P 500 for those who purchased the ETF's shares in early August—in exchange for a 12-month cap of 13.7% on returns.

You can also defray that risk with a bigger emergency fund, especially if you're two to three years away from retirement. An 18-month to two-year hoard of cash will offer peace of mind if a bear market hits just before you retire. "If you're spending anything in less than five years, don't put it anywhere near the stock market," says Prescott, Ariz., CFP David Edmisten.

Before you retire, backstop another three to five years' worth of expenses with short- and immediate-term bond funds. Those include some of the funds recommended above, including the BlackRock Short Duration and Ultra-Short ETFs and Vanguard's Short-Term Investment Grade fund. For the intermediate-term funds, consider Fidelity Total Bond, Baird Aggregate and Dodge & Cox Income, as well as Vanguard Intermediate-Term and Fidelity Investment Grade.

An 18- to 24-month hoard of cash will provide peace of mind if a bear market hits just before you retire.

POST-RETIREMENT

Three to five years after retirement is still a sensitive time for your investments. You're getting a "paycheck" in the form of distributions from your cash account, and now is the time to make changes to your portfolio to make your money last.

Spending strategies. "I haven't met anyone who spent in retirement what they thought they would spend. Sometimes it's more, sometimes it's less," says Edmisten. Part of the problem is that spending varies from the beginning of retirement to the end. Expenses over the first 10 years tend to be high, then wane over the following 10 years. But in the final stretch, expenses tend to rise. Housing (which might be a nursing home or assisted-living center) and health care tend to be the biggest outlays.

Once retired, maintain two to three years of spending money in a high-yield cash account—that includes money you'd spend to enjoy life as well as to cover basic month-to-month expenditures. And "set up a monthly distribution from the account, just like a paycheck," to your checking account, says Edmisten.

Investing strategies. The three- to five-year stretch after retirement can be tricky, because that is when retirees have the most amount of money in their portfolio. If it's invested incorrectly, says Walsh, that can have a very big negative consequence on their lifestyle. That's why, in addition to your emergency cash fund, it's important to maintain that three- to five-year bucket of expenses in a short-term bond portfolio you set up in your sixties.

But retirement can last a few decades, so don't get too conservative. "We see people get to retirement and assume they have to dial the stock portion way back," says Baird's Steffen. "Be careful not to pull back too far. You don't need every dollar of the money that you've saved for retirement on day one." Indeed, you should slowly increase portfolio risk in the years after you retire to guard against longevity risk—the risk that you outlive your money.

In your seventies and older, consider holding at least 30% to 50% of your assets in stocks and the rest in bonds and cash. "It's not uncommon for retirees to hold 60% in stocks and 40% in bonds and cash," Steffen adds. Whether you tilt toward more or fewer stocks will depend on your risk tolerance and how much you've saved. "If you under-saved, you need to earn a higher return. That means taking on more risk. But if you've saved a ton of money, you don't need to take on risk," says Walsh.

Stay diversified. Some retirees make the mistake of focusing too much on generating income. "If you'd focused on the highest-yielding dividend sectors over the past 15 years, you'd have missed out on the biggest rally in large-company growth stocks, which tend to pay little to no dividends," says Winter, the Salt Lake City CFP.

Increasingly, there are options for retirees who want help figuring out how to turn their nest egg into a source of income. Your 401(k) plan may offer a target-date fund with an annuity component that offers regular, paycheck-like payments. ***BlackRock's LifePath Paycheck*** and ***Nuveen's Lifecycle Income*** series are two examples. T. Rowe Price has a version, too. And some fund firms are offering products designed to provide a consistent amount of cash per month. ***T. Rowe Price Retirement Income 2020 (TRLAX, 0.53%)*** and ***T. Rowe Price Retirement Income 2025 (TRAVX, 0.54%)*** are two; they aim to generate an annual income of about 5% of the fund's average net asset value over the past five years. Schwab's Monthly Income funds—***Schwab Monthly Income Payout (SWLRX, 0.21%)***, ***Schwab Monthly Income Target Payout (SWJRX, 0.25%)*** and ***Schwab Monthly Income Flexible Payout (SWKRX, 0.25%)***—all provide a monthly income stream with varying parameters and payouts. K

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ELECTION 2024: POLITICS AND YOUR PORTFOLIO

Who wins the White House matters—but only at the margins when it comes to your investments. BY ANNE KATES SMITH

THE U.S. presidential election has gripped the nation. Should it take hold of your portfolio, too? The short answer: no. Financial fundamentals such as the direction of interest rates and corporate earnings hold more sway, especially over the long term. But it doesn't hurt to be aware of what history tells us about elections and financial markets and to consider how potential policy moves could impact your investments.

Predicting election outcomes is more art than science, and at this writing, we don't yet know who will move into the White House in January. One clue will come from the market itself. If the S&P 500 index moves higher in the three months leading up to the election, the incumbent party tends to win; the opposite is true when the benchmark is down. This simple indicator has been on target in 20 of the past 24 elections, according to LPL Financial.

In late summer, the race for president was a toss-up between Donald Trump and Kamala Harris; the odds were in favor of Republican control of the Senate and a Democratic House of Representatives. Going back to 1945, the best scenario for stocks has been a Democratic president and a split congress, says Sam Stovall, chief investment strategist at CFRA Research. That configuration has resulted in average calendar-year price gains for the S&P 500 of 16%, compared with an average annual gain of 9.2% over the entire period. The second-best scenario has been a Democratic president and a unified Republican Congress, with average gains of 13%, followed by a Republican sweep, with average gains of 12.9%. This time, "gridlock is likely," write strategists at BofA Global Research. "Historically, legislative stagnancy has fostered equanimity in the stock market," they add.

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Some of the big themes investors are watching this election: global trade, immigration, and the corporate tax rate.

What to watch. Of the big themes investors are watching, including global trade and immigration, "the market is most worried about changes in the corporate tax rate," says Shannon Saccocia, chief investment officer of Neuberger Berman Private Wealth. Harris has talked about raising the rate to 28%, up from 21%; Trump has floated lowering it to 15% for U.S. manufacturers.

A change would impact small stocks the most, says Saccocia. Unlike giant multinational firms, with global sources of income and access to a number of deductions, "small, domestically oriented companies pay the full ride. For them, the corporate tax lever is really important." (For more on taxes, see "Election 2024: Where the Candidates Stand on Taxes," on page 14.)

Sector-wise, the Republican policy platform favors energy, financials, industrials and materials, according to investment strategists at BCA Research. Harris's agenda would benefit consumer discretionary and industrial stocks but put regulatory pressure on financials and technology, although BCA believes that a split or opposing Congress would constrain a Democratic wish list. Even in a contentious election season, there are areas of agreement. "Bipartisan themes around infrastructure and growing U.S. manufacturing should benefit 'old economy' sectors like industrials, materials and energy," according to BofA.

Leading up to the election, expect more volatility. That argues for a near-term tilt toward defensive sectors such as health care and utilities. And keep politics in perspective as just one of many factors that could impact your investment strategy. K

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THE KIPLINGER ESG 20

OUR ESG PICKS ARE THRIVING

Despite an ongoing backlash, our favorite stocks and funds focused on environmental, social and corporate governance issues had a good year overall.

BY KIM CLARK AND NELLIE S. HUANG

WITH headlines trumpeting a widespread retreat from efforts to advance certain environmental, social and corporate governance goals, you might think that investors sticking with such values-based portfolios are falling far behind, too.

Wrong. Despite the backlash, most of the 15 stocks and five funds that Kiplinger has highlighted as ESG leaders have kept up with or beaten the broad market or their category peers over the past 12 months. Our portfolio of 15 stocks returned an average of 40.1% over the period, compared with 27.1% for the S&P 500. Ten of our 15 stock picks outpaced the index. Of our favorite ESG funds, three outperformed their respective peer groups; two funds lagged, including our sole fixed-income fund.

Consider the backdrop to these solid showings. U.S. investors have pulled approximately $19 billion from ESG-focused mutual and exchange-traded funds in the year ending July 31, according to research firm Morningstar. And several major money managers, including Goldman Sachs Asset Management, J.P. Morgan and Nuveen, have quit a group that was coordinating large investors to pressure companies to reduce pollution. Some regulators have also tapped the brakes on ESG efforts. The Securities and Exchange Commission in April delayed a new rule requiring companies to publicly report their greenhouse gas emissions and climate-related risks. The stay was sparked by lawsuits challenging the rule filed by several Republican attorneys general. And a few high-profile companies, including John Deere, Tractor Supply and Harley-Davidson, have recently rescinded "diversity, equity and inclusion" human resources policies.

But veteran ESG analysts say the current challenges may, in the end, have a beneficial effect by clarifying which companies are truly committed to what some are now describing with less politically charged terms, such as "sustainability" or "transition (to alternative energy) investing."

"We want to invest in companies that will create sustainable value over time," says Robert Klaber, director of sustainability research and portfolio manager for Parnassus Investments. The best way to do that, he says, is to "ignore the noise" generated by political attacks on ESG and identify firms that have strong balance sheets and profit outlooks but are also taking actions relevant to their business that advance their long-term success. That might include, for example, reducing the risk of weather-related supply chain interruptions or developing human resource practices that retain top employees.

The ESG 20. Kiplinger has identified 15 stocks with good prospects for long-term gains and strong records on at least one ESG pillar. Of course, no company is perfect. A firm we like for its commitment to the environment may not also be a leader in corporate governance, for example. Our funds practice ESG investing in different ways, from focusing on a single aspect or integrating ESG considerations into a broader strategy to seeking a measurable impact on a particular challenge or engaging with companies to improve their own practices.

Keep reading to see how our picks have performed over the past year and why they may be attractive to ESG-focused (or sustainability-minded) investors. All returns and data are as of August 31, 2024.

ENVIRONMENTAL STEWARDS

Recent events such as wildfires in California, power brownouts in Texas and floods in Connecticut have caused billions of dollars in losses. That reality is making corporate investments addressing the *E* part of ESG more common, despite political debates, says Yan Zelener, research director for Humankind, which focuses on investments it considers to be socially responsible. Overall, the average 12-month return for the five companies we have chosen as environmental standouts was 26.4%.

The past year's best-performing stock among our picks for environmental leaders was ***Levi Strauss***, which returned 43.5% over the past 12 months. The company wins praise from environmentalists for efforts to reduce greenhouse gas emissions at its company-operated facilities and along its supply chain as well. "They are moving further and faster than many competitors," says Rachel Kitchin, who specializes in climate-related issues in the fashion industry for Vancouver-based nonprofit Stand.Earth. The stock, however, took a tumble in June and could remain jumpy in the near term as investors sort out sales trends, with strong direct-to-consumer revenues contrasting with more-sluggish sales at retailers. Analyst Jim Duffy, from investment firm Stifel, remains bullish and says long-term investors can bet on Levi's strong brand.

Xylem, a leading producer of water-filtration equipment, makes the cut to be one of just 40 stocks in the Parnassus Mid Cap Fund. In part, says Klaber, that's because new federal rules setting caps on "forever" chemicals, such as PFAS in drinking water, should boost demand for

Xylem's equipment can geolocate leaks, such as those in water pipes at this pumping station in southern France.

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Xylem's water-cleaning products and services for at least the next three years. The stock is up 34.2% over the past 12 months, ahead of the S&P 500.

One of the so-called Magnificent Seven stocks that dominated the market for much of 2024, ***Microsoft***, is up 28.2% over the past year. It continues to be a darling on Wall Street thanks to its mix of software, artificial intelligence and cloud-computing businesses.The company is also a leader in its use of alternative energy. Environmentalists appreciate actions such as the $10 billion contract Microsoft signed in May to develop renewable energy to power its computer banks.

First Solar is a U.S.-based producer of photovoltaic cells. Despite facing competition from low-cost Chinese manufacturers, First Solar's 2024 earnings per share are on pace to nearly double 2023 levels. The company has benefited from federal rules promoting U.S. manufacturers, for example, with subsidies from the Inflation Reduction Act. Customers have already ordered all the panels the company can make through 2026.

Prologis, a real estate investment trust specializing in warehouses, notched the lowest return of our 15 stock picks, gaining just 5.9% over the past year. Still, analysts are generally positive, expecting that continuing growth in e-commerce will increase demand for the company's storage facilities. Prologis continues to reduce costs by mounting solar panels on its warehouse roofs.

SOCIAL STANDOUTS

Although legal challenges to human resources policies addressing diversity dominate the headlines, diversity is only one of the criteria for this category, which addresses a company's treatment of its employees, customers, suppliers and community.

The set of stocks we've picked that shine in this category boast a remarkable average annual return of 64.9%. Leading the pack is ***Nvidia***, the biggest winner by far among the ESG 20. Stock in the artificial-intelligence chip designer nose-dived in August as investors began to view the AI boom more skeptically. But the stock still returned 141.9% over the past year. A slight slowing in sales-growth momentum shows that Nvidia is "transitioning from a crazy growth story to simply a marvelous growth story," says Paul Meeks, chief investment officer of Harvest Investment Management. He's watching for pullbacks and says he'll add the stock to client portfolios at prices below $100. Meanwhile, Nvidia has one of the lowest employee turnover rates in the tech industry, in part because of perks such as up to 22 weeks of paid parental leave.

First Solar's 2024 earnings per share are on pace to nearly double from 2023 levels, despite competition from China.

Another outperformer is ***Novo Nordisk***. Stock in the Danish drugmaker has returned 51.5% over the past year, in large part because of its new anti-obesity medications. Providing many free or low-cost drugs to low-income patients globally makes Novo a social standout. Most Wall Street analysts who cover the stock say it is still a good buy, as they expect profits to increase by at least 22% annualized for the next three to five years.

Salesforce is a social leader in part because it offers free software to nonprofits. It also has a loyal and growing customer base for its business-management software. Noting that Salesforce retains more than 90% of its customers from year to year and is rolling out AI programs to help businesses increase sales, Morningstar analyst Dan Romanoff calls the company "one of the best long-term investment opportunities in software." The stock returned 14.6% over the past 12 months.

Two other social standouts have performed so well lately that some analysts say their shares appear to have overshot fair value. That doesn't mean they should be jettisoned from your portfolio, and we're keeping them on our roster. But investors who are rebalancing portfolio assets or searching for places to skim outsized profits might look here.

Trane Technologies returned 77.4% in the past year, in part because climate change is strengthening demand for its heating and air conditioning equipment. Trane wins plaudits for its safety record and benefits—such as paying tuition benefits for its workers up front, instead of requiring them to wait for reimbursement. As for its valuation, CFRA analyst Jonathan Sakraida suggests that investors looking to buy wait for dips below $330 a share.

Likewise, shares in industrial supplier ***W.W. Grainger***, ranked as a "best place to work" by several organizations, have gained 39% in the past year. That rise has made the stock look pricey,

COURTESY OF FIRST SOLAR

say several analysts. RBC Capital Markets analyst Deane Dray, who refers to the company as the "Marines of industrial distribution" because of its disciplined execution, says that given Grainger's run-up she does not expect the stock to outperform the market for now.

GOVERNANCE LEADERS

The average return of the five stocks we highlight for investor-friendly governance policies, such as diverse and independent boards, topped the overall market by two percentage points. The two best performers over the past year were ***Hilton Worldwide Holdings***, returning 48.2%, and real estate services company ***CBRE Group***, up 35.4%. They both boast governance safeguards such as independent audit and compensation board committees.

As with a couple of the other stocks on our list, recent stock-price gains have made many analysts who follow these two companies cautious about continued big gains in the near future, but they note long-term bullish underpinnings. Morningstar analyst Dan Wasiolek notes that Hilton has the most-loyal customers in the industry. And because most of its customers book directly with Hilton, the company has higher profit margins than competitors that rely more on booking sites.

CBRE has a strong and steady profit stream, says Morgan Stanley analyst Ronald Kamdem. Its mortgage-servicing and property-management lines should help boost earnings per share by 18% annualized over the next two years, he believes. But he advises new investors to wait for dips below $105 to buy the stock.

Within our governance group, semiconductor equipment man-

VALUES INVESTING

THE KIPLINGER ESG 20 AT A GLANCE

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

ENVIRONMENTAL STEWARDS

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

Company	Symbol	Price	Price-earnings ratio	Annualized total return 1 yr.	Annualized total return 3 yrs.
First Solar	FSLR	$227	18	20.2%	34.2%
Levi Strauss	LEVI	19	13	43.5	–7.7
Microsoft Corp	MSFT	417	31	28.2	12.1
Prologis	PLD	128	55	5.9	0.7
Xylem	XYL	138	32	34.2	1.2

SOCIAL STANDOUTS

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

Company	Symbol	Price	Price-earnings ratio	Annualized total return 1 yr.	Annualized total return 3 yrs.
Novo Nordisk	NVO	$139	41	51.5%	41.8%
Nvidia	NVDA	119	43	141.9	74.7
Salesforce	CRM	253	26	14.6	–1.5
Trane Technologies	TT	362	34	77.4	23.1
W.W. Grainger	GWW	985	25	39.0	32.4

GOVERNANCE LEADERS

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

Company	Symbol	Price	Price-earnings ratio	Annualized total return 1 yr.	Annualized total return 3 yrs.
Accenture	ACN	$342	26	7.2%	1.8%
Applied Materials	AMAT	197	20	30.1	14.1
CBRE Group	CBRE	115	29	35.4	6.1
Hilton Worldwide Holdings	HLT	220	32	48.2	21.0
Target	TGT	154	17	24.9	–12.4

ESG FUNDS & ETFs

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

Mutual fund/ exchange-traded fund	Symbol	Expense ratio	Annualized total return 1 yr.	Annualized total return 3 yrs.
Brown Advisory Sustainable Bond Investor	BASBX	0.52%	6.6%	–2.9%
FlexShares STOXX Glbl ESG Select ETF	ESGG	0.42	23.4	7.1
Green Century Balanced	GCBLX	1.46	16.6	2.2
Impax Global Environmental Markets Inv	PGRNX	1.16	20.0	0.7
Putnam Sustainable Future ETF	PFUT	0.64	25.8	–4.3

INDEXES

	Annualized total return 1 yr.	Annualized total return 3 yrs.
S&P 500 INDEX	27.1%	9.4%
BLOOMBERG U.S. AGGREGATE BOND INDEX	7.3	–2.1
MSCI ALL COUNTRY WORLD INDEX	23.4	5.8

As of August 31, 2024. SOURCE: Morningstar Direct ufacturer ***Applied Materials*** has the highest percentage of bulls among analysts who follow the stock, which returned 30.1% over the past year. The stock is at risk from escalating trade tensions with China, but analysts at investment firm William Blair note that the most recent quarterly report showed China's contribution to the firm's revenues fell to 32% from 43% in the previous quarter. Applied Materials scores points with corporate governance watchdogs in part because chief executive pay is aligned with the interests of long-term shareholders, with more than 70% of CEO compensation tied to achieving certain profitability and total-shareholder-return goals over a three-year time frame.

Shares of big-box retailer ***Target*** struggled in 2022 and much of 2023, but they started rebounding late last year and have notched a 24.9% gain over the past 12 months. Cheryl Smith, portfolio manager of the Green Century Balanced Fund, expects more gains, bolstered by sales of Target's private-label goods, which are expanding profit margins at the retailer. Governance monitor ISS STOXX, formerly Institutional Shareholder Services, gives Target top marks for shareholder rights—including its one share, one vote policy, at a time when dual share classes and unequal voting rights are on the rise.

The worst-performing stock in the governance group was consulting firm ***Accenture***. We added it to our list six months ago, in part because of its strong ethics policies. The stock lost 8.8% over the past six months; it is up 7.2% over the past year. Lance Garrison, a portfolio manager of the ESG-friendly Calvert Equity Fund, says he remains invested because Accenture has been "a good business through up cycles and down cycles" that is strengthened by its attention to ESG factors such as leadership diversity. It's "one of the best-run companies in the industry and an excellent earnings compounder," he says.

ESG FUNDS

We're watching ***Brown Advisory Sustainable Bond***. Up 6.6% over the past year, it has lagged the Bloomberg U.S. Aggregate Bond index (up 7.3%). There's still much to commend the fund: It beat the Agg in 2018, 2019 and 2020, and held up well in 2022. Plus, Sustainable Bond stands out with a portfolio packed with companies sporting low-to-negligible ESG risk. But it has struggled since 2023, when the managers lightened up on corporate debt to position the fund more defensively. The fund yields 4.6%.

FlexShares STOXX Global ESG Select tracks an index of U.S. and foreign ESG companies that comply with the U.N. Global Compact principles of behavior covering human rights, labor, the environment and anti-corruption. Top holdings include Apple, Microsoft and Amazon .com. Over the past year, it gained 23.4%, which outpaced 65% of its peers (global large-company stock funds).

Impax Global Environmental Markets invests in firms that strive to cut food waste, boost energy efficiency or improve water infrastructure.

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The managers of ***Green Century Balanced***, an all-in-one fund of roughly 60% stocks and 40% bonds and cash, invest in stocks that pass strict ESG criteria. And the fund firm actively engages companies. It played a key role, for instance, in Apple's new-ish policy that allows customers to independently repair select iPhones and other products, thereby reducing electronic waste. The fund's 16.6% one-year return beat the typical moderate allocation fund.

Environmentally focused ***Impax Global Environmental Markets*** invests in foreign and U.S. companies that strive to reduce food waste, increase energy efficiency or improve water infrastructure. Among the fund's top holdings are Waste Management and American Water Works. Over the past 12 months, the fund returned 20.0%, lagging the MSCI All-Country World index (up 23.4%).

Only companies with solutions to the world's social, environmental and economic development problems will find a home at ***Putnam Sustainable Future ETF***. A top holding, for example, is waste-management firm Casella Waste Systems. In 2022, Casella recycled 1.213 million tons of waste (such as household and food waste, mattresses, and tires), and it aims to recycle 2 million tons in 2030. The fund's 77-stock portfolio is heavy in tech and health care relative to other mid-cap growth funds. And its 12-month, 25.8% return beat 89% of its peers. K

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Let the Good Times Roll On

INCOME INVESTING BY JEFFREY R. KOSNETT

NOW that the Federal Reserve is finally pushing the magic interest rate button, let me advise everybody to temper expectations. If you are dreaming about a rate-led bonanza, wake up. Bonds, and especially stocks, are already enjoying a fine run. Nearly everything is up over the past few weeks and months amid investor optimism, strong profits and continuing economic growth. The markets clearly reject fatuous theories that the Fed must be hiding secret evidence that the economy is way weaker than the official numbers. Kiplinger forecasts final GDP growth of 2.6% for 2024 and 2.0% for next year. This absolutely remains an investor's world. A few bad days are inevitable. They are also irrelevant.

Also, as I have insisted all year, electoral politics do not materially affect near-term investment returns. Whether you are reading this before or after Election Day, and whatever your political opinions, do not discard what is working or assume certain sectors shall boom or collapse. The Biden administration was supposed to be hostile to oil and gas investors. Instead, since the start of 2021, shares of ExxonMobil have logged a total return of 232% and pipeline giant ONEOK is up 205%, compared with 60% for the SPDR S&P 500 exchange-traded fund that includes big slugs of Amazon.com, Apple and Nvidia. Always keep energy stocks and funds. The cash flow is immense, and a key principle of investing for income is to tap fast-rushing cash streams anywhere and everywhere.

Speaking of cash, the big change coming to fixed-income markets is an assumed 4% money market rate by early next year. That is not much of a reduction. And although the Fed has cut short-term rates as many as 11 times in one year (2001), this is a non-crisis situation. In cases similar to the current environment—1995 and 2019—the bank voted to trim its benchmark rate three times over three to six months for a total reduction of 0.75 percentage point. That might still motivate some savers to move marginal cash into high-dividend stocks and high-yield bonds, but some of those are already richly valued based on economic vigor. That is why I don't see a raging rally ahead in, say, the net asset value of BB-rated bond funds.

What to consider now. Where rate cuts may come into play, though, is to help lenders that borrow in the short-term cash markets and invest in floating-rate loans and pools of other IOUs. A reduction in the federal funds rate implies the same for SOFR, the Secured Overnight Financing Rate. A business development company that presently borrows at 5% and lends at an overall 7.5% (with positions typically tied to SOFR) earns a 50% interest margin. Borrowing at 4% and lending at 6.5% produces a bigger profit, and lenders can demand

a higher premium over SOFR when it is time to renegotiate. BDCs are not dirt-cheap, but their 9%-to-12% dividends should win over skeptics as their yield spread over risk-free cash and high-quality bonds expands. Same holds for mortgage lenders.

Another opportunity involves long-term bond yields. As short-term interest rates ease, the yields of 10-year and longer Treasuries and other bonds, anticipating the stimulative impact on the economy, ought to pop by a quarter- or half-point, especially if the inflation readings hew closer to 3% than 2%. Trust the able men and women who run flexible or multi-sector funds and ETFs to read the tea leaves. I cited two last month: ***BlackRock Flexible Income (symbol BINC, $53)*** and ***Fidelity Strategic Income (FADMX)***. I would add ***Pimco Multisector Active Bond (PYLD, $26)*** and ***TCW Flexible Bond (FLXR, $39)***. In the month that ended August 31, this quartet returned 1.4% to 2.1%; they recently yielded 5.6%, 4.2%, 5.7% and 5.6%, respectively. As I said, times are good.

This remains an investor's world. A few bad days are inevitable. They are also irrelevant.

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

PHOTO BY BOB CROSLIN

WE CHECK IN ON EMERGING MARKETS

KIPLINGER 25 UPDATE BY NELLIE S. HUANG

A debt crisis is brewing in Africa. The continent's debt obligations—which topped $1 trillion at the end of 2023—could compromise future economic growth, according to the African Development Bank. And in recent years, a handful of countries, including Ghana, Zambia and Ethiopia, have defaulted. This news prompted us to check in with ***Vanguard Emerging Markets Bond***.

Managers Dan Shaykevich and Mauro Favini invest mostly in dollar-denominated government debt issued in developing countries. At last report, the fund held 13% of its assets in African IOUs. That's a greater percentage than in the fund's benchmark, the JPMorgan Emerging Markets Bond index, but less than that of the fund's typical peer.

The managers are not worried, though. Despite the hefty debt burden in Africa overall, defaults in African sovereign bonds so far have been small in size relative to the benchmark, says Favini. And the "overall asset class of dollar-denominated emerging-markets debt hasn't experienced material drawdowns or contagion," he says.

Meanwhile, the fund is still outpacing its peers. Over the past 12 months, it returned 14.4%, beating 65% of other emerging-markets bond funds. A "cautious" positioning heading into 2024 contributed to the fund's performance over the past year. The managers took profits in their "down-in-quality" holdings, for instance.

Making the right macroeconomic calls in 2023 helped, too, says Favini. Among them: Bumping up the fund's duration, a measure of interest rate sensitivity, to 6.5 years from 3 years. Bond prices and interest rates move in opposite directions, so a duration of 6.5 years implies that if rates fall by one percentage point over the course of one year, the fund's net asset value will rise by 6.5%. Over the past 12 months, some emerging central banks, including China, Brazil and Mexico, have cut interest rates. The fund yields 6.4%. K

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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 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
DF Dent Midcap Growth	DFDMX	18.2%	7.8%	10.7%	0.0%	0.87%
Dodge & Cox Stock	DODGX	23.6	15.1	11.1	1.3	0.51
Fidelity Blue Chip Growth	FBGRX	35.1	21.5	17.2	0.0	0.48
Heartland Mid Cap Value	HRMDX	12.5	13.1	—	0.6	1.10
Mairs & Power Growth	MPGFX	26.6	14.8	11.5	0.8	0.64
T. Rowe Price Dividend Growth	PRDGX	23.0	12.9	12.2	1.0	0.64
T. Rowe Price Int US Sm-Cap Gr	PRDSX	22.4	9.9	10.1	0.0	0.80
T. Rowe Price Small-Cap Value	PRSVX	17.4	9.2	8.3	0.6	0.80
PRIMECAP Odyssey Growth	POGRX	16.4	12.9	11.5	0.4	0.66
Vanguard Equity-Income	VEIPX	20.2	11.9	10.2	2.6	0.27

Foreign Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Baron Emerging Markets	BEXFX	13.2%	3.1%	2.3%	0.4%	1.37%
Brown Capital Mgmt Intl Sm Co	BCSVX	16.0	9.4	—	0.0	1.31
Fidelity International Growth	FIGFX	20.2	9.3	7.6	0.4	0.84
Janus Henderson Glbl Eq Inc	HFQTX	16.5	8.1	4.6	3.4	0.98

Specialized Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Fidelity Select Health Care	FSPHX	17.5%	11.1%	10.0%	0.0%	0.65%
T. Rowe Price Global Technology	PRGTX	36.5	13.0	14.6	0.0	0.94
Vanguard Wellington	VWELX	18.8	9.1	8.3	2.3	0.26

Bond Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Baird Aggregate Bond	BAGSX	7.9%	0.2%	1.8%	4.1%	0.55%
Dodge & Cox Income	DODIX	9.2	1.8	2.7	4.8	0.41
Fidelity Interm Muni Income	FLTMX	5.6	1.2	2.1	3.1	0.36
Fidelity Strategic Income	FADMX	10.7	3.2	—	5.0	0.66
T. Rowe Price Floating Rate	PRFRX	9.7	5.1	4.3	8.2	0.77
Vanguard Emerg Markets Bond	VEMBX	14.4	4.3	—	6.4	0.55
Vanguard High-Yield Corporate	VWEHX	11.4	3.7	4.3	6.1	0.22
Vanguard Short-Term Inv-Grade	VFSTX	7.8	1.9	2.1	4.2	0.20

Indexes	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield
S&P 500 INDEX	27.1%	15.9%	13.0%	1.3%
RUSSELL 2000 INDEX*	18.5	9.7	8.0	1.3
MSCI EAFE INDEX†	19.4	8.6	5.2	3.0
MSCI EMERGING MARKETS INDEX	15.1	4.8	2.6	2.7
BLOOMBERG U.S. AGG BOND INDEX#	7.3	0.0	1.6	4.4

AS OF AUGUST 31, 2024. *Small-company U.S. stocks. †Foreign stocks. #High-grade U.S. bonds. —Fund not in existence for the entire period. Yields listed for bond funds are SEC yields, which are net of fees; stock fund yields are the yield for the past 12 months. SOURCES: Fund companies, FTSE Russell, Morningstar Direct, MSCI, S&P Dow Jones Indices.


This holiday
the gift of
Share the best with your clients, colleagues, or loved ones.
Give them the most trustworthy source of advice and guidance available today on investing and saving, cutting taxes, building wealth, planning a worry-free retirement, making major purchases such as a home, college education or car, and much more.

LIKE THE ETF? CHECK OUT THE CHEAPER CLONE

ETF SPOTLIGHT BY KIM CLARK

THERE may be comfort in stocking your portfolio with large and well-known exchange-traded funds such as the nation's biggest ETF, SPDR S&P 500, or the soaring Invesco QQQ, which tracks the 100 largest non-financial stocks traded on Nasdaq. But you may not realize that you could be paying a little extra for such comfort—or that you have another choice.

Several name-brand ETFs offer lower-cost, higher-returning clones, nicknamed "mini-mes." Although informally named after the small sidekick of Dr. Evil in the Austin Powers movies, mini-me funds are heroes for investors, says Dan Sotiroff, a senior analyst for investment research firm Morningstar.

They have some drawbacks. For example, because they are newer and less liquid than their bigger siblings, there are fewer options contracts linked to them. And they trade less efficiently, carrying slightly wider spreads between the prices a buyer is willing to pay and a seller is willing to accept. But for long-term investors, "the mini is a better deal," says Sotiroff. Or, as Austin Powers would say: "Yeah, baby!"

Of course, many ETFs attempt to replicate benchmarks such as the S&P 500 index. However, a true mini-me fund is an exact clone of a larger, well-established fund. A mini-me is managed by the same firm and holds the same portfolio but charges lower expenses and typically trades at lower prices.

Why are firms such as State Street, Invesco and BlackRock creating cheaper versions of their famous funds? They are trying to prevent their customers from switching to lower-cost competitors, explains Aniket Ullal, head of ETF data and analytics at CFRA Research. "The logic is that cannibalizing one's own product is preferable to losing share to a competitor," he says.

In addition, most of the mini-mes launched so far offer some additional profit opportunities for their fund sponsors. The mini-mes tend to be updated versions of older funds that were created before the Securities and Exchange Commission modernized rules for ETFs. Those original funds are technically trusts and have higher costs because they are legally barred from immediately reinvesting dividends received from stock investments, for example, or making money by lending securities.

See the table below to compare five mini-me ETFs with their larger, original versions. ■

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HOW THE CLONES STACK UP

Clone: Red / Original: Blue

Fund name	Symbol	Price	Exp. ratio	1-yr. total return
SPDR Portfolio S&P 500	SPLG	$64	0.02%	27.1%
SPDR S&P 500	SPY	540	0.09	27.0
Invesco NASDAQ 100	QQQM	187	0.15	27.1
Invesco QQQ Trust	QQQ	455	0.20	27.0
SPDR Gold MiniShares	GLDM	50	0.10	29.3
SPDR Gold Shares	GLD	231	0.40	28.9
Grayscale Bitcoin Mini Trust	BTC	5	0.15	—
Grayscale Bitcoin Trust	GBTC	46	1.50	98.7
iShares Gold Trust Micro	IAUM	25	0.09	29.3
iShares Gold Trust	IAU	47	0.25	29.1

AS OF AUGUST 31, 2024. — Fund not in existence over entire period.
SOURCES: Morningstar Direct, CFRA Research.

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Keep Faith in These Stocks

STREET SMART BY JAMES K. GLASSMAN

IN 1997, I coined the phrase "faith-based investing." It has nothing to do with religion or with picking stocks at random. The idea is that a company with a great brand, attractive products, a history of success and a solid balance sheet will find a way to prosper even if it makes mistakes or otherwise experiences tough times.

The "faith" part is that you may not know exactly how such a company will get back on track, but you have blind confidence that it will.

Faith-based investing (let's call it FBI) should not be confused with "buying the dips," the practice of purchasing shares of a stock when it temporarily falls in price, often because the whole market is down. Instead, FBI focuses on companies that are perceived as having a great past but a miserable future.

Consider ***Starbucks (symbol SBUX, $95)***. The 53-year-old company has been a consistent winner for decades, planting 40,000 coffeehouses around the world. Shares, however, have been flat for the past five years while the S&P 500 index, the large-stock benchmark, has more than doubled. (Prices are as of August 31; stocks I like are in bold.)

Starbucks shares languished because profits stalled amid management failures. As a *Harvard Business Review* piece in June put it: "Starbucks is struggling. It has strayed from its successful strategy of offering customers exceptional experiences and, in the process, has commoditized itself." Worst of all, the chain was losing what former CEO Howard Schultz called its "soul."

Still, Starbucks remains the largest global restaurant chain by far, and it has increased its dividend for the past 13 years in a row. How to fix the company? I really don't know. What I do know is that this is the classic FBI stock, and it will find a way.

Challenge accepted. As I was writing these words, Starbucks surprised investors the way an FBI stock should by hiring a new CEO, Brian Niccol, the man who turned Chipotle around. Starbucks stock shot up 25% in a single day, but it's still cheaper than in the summer of 2019, and it's a solid FBI buy.

FBI can produce big winners. A quarter-century ago, I encouraged investors to put their faith in what was then called Apple Computer. It was relatively new as FBI companies go, but it had innovative technology and a brilliant brand.

The first Mac, introduced in 1984, was a huge technology breakthrough, but by the '90s, sales had fallen by one-third, and the company was a mess. In 1997, the board called Steve Jobs back as CEO. No one knew whether Apple would even survive, but Jobs immediately set to work destroying the silos—the compartmentalized business-unit structure—that were stifling creativity and making the company tough to manage. Since then, the stock has risen by a factor of more than 600.

Faith-based investing can produce big winners. Years ago, I urged investors to put their faith in a firm called Apple Computer.

In 2012, I recommended that readers "consider Netflix, the firm that utterly disrupted the movie-rental business." Shares had dropped by four-fifths in just four months after Netflix introduced a new pricing scheme that infuriated customers. Again, I didn't know how Netflix would recover, but I had faith that it would. And it did. An investment of $10,000 at the time would be worth hundreds of thousands today.

Another FBI stock from the same era was Merck, the pharmaceutical giant that had fallen from a high of $89 a share in 2000 to $39 in mid 2012. I pointed out then that Merck is "one of the strongest consumer brands in the world," and, although some of its best medicines were losing patent protection, I had faith the stock would come back.

With many FBI stocks, investors can collect a nice dividend while they wait for a revival. If had you bought Merck at $39, you'd have seen its annual payout nearly double, with the annual dividend yield on that initial

PHOTO BY NOAH WILLMAN

investment rising to about 8%. The stock, meanwhile, now trades at $118.

Stocks for the faithful. Like Apple and Netflix, Merck can't be called an FBI stock today. It's doing too well. But look at ***Johnson & Johnson (JNJ, $166)***. Over the past five years, its average annual return has been about half that of the S&P 500. The company has suffered financial and reputational harm from health risks tied to its iconic brand of talc-based baby powder, and Stelara, its blockbuster immunology drug (accounting for 13% of revenues last year), is facing stiff competition from clones. Wall Street seems to believe J&J has lost its shine, but I see a company that has raised its dividend for 62 straight years, weathered the Tylenol poisoning scandal in the 1980s, and will get its mojo back—somehow.

The most obvious FBI stock today is ***Boeing (BA, $174)***. Just to type the word makes me queasy. In the past five years, two of the company's 737 Max jets crashed, and a door blew off another in flight. More recently, doubts about the safety of Boeing's Starliner are forcing two astronauts to spend an extra six months waiting to come down from space. Boeing has serious quality-control problems with its system of outsourcing the design, engineering and manufacturing of most of its planes.

The faith-based strategy holds that Boeing will thrive again. The century-old business, vital to U.S. interests, is too important not to.

Shares are down by more than half over the past five years as each year the company sustained losses. Boeing last paid a dividend in the first quarter of 2020. For the first half of 2024, Boeing delivered 175 aircraft—138 fewer than rival Airbus.

Amid these horrors, Boeing named a respected new CEO in August, but how will he fix a company with what seems like a sick culture? I don't know the answer, but the FBI strategy holds that Boeing will thrive again. The business, more than a century old and vital to U.S. national interests, is too important not to.

Here are a few more FBI stocks I find attractive: 40-year-old ***Cisco Systems (CSCO, $51)***, maker of internet networking products and trading below 2018 levels; ***McDonald's (MCD, $287)***, trying to find its bearings during one of its occasional periods of slow growth; and ***Walt Disney (DIS, $90)***, with its stock flat for a decade and making mistakes such as losing 11 billion on its streaming venture but still owning one of the 10 most recognized brands in the world—plus the most famous mouse.

Finally, there's my longtime favorite, ***Lululemon Athletica (LULU, $259)***, buffeted by competition from new yoga-wear retailers and from a new-product flop (leggings) but unmatched in service and innovation. Unlike most FBI stocks, it's showing powerful earnings gains (17.5% in the latest quarter compared with the same period in 2023).

Of course, the FBI strategy can't guarantee winners. General Electric, now GE Aerospace, which I recommended in 2013, has risen less than 60% (cumulatively) over the past decade and trades 100 points below its 2000 high. Another recommendation at the rime, DuPont, has returned just over 20% over the past 10 years.

There will be disappointments, even big losers. But the FBI strategy has paid off—big—in the past. Keep the faith.

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

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A TURNAROUND FOR REAL ESTATE?

MUTUAL FUND SPOTLIGHT BY KIM CLARK

THE 2021–23 interest rate spike deflated many real-estate-related stocks. But as interest rates have moderated, the sector has rebounded, returning 22% in the 12 months ending August 31. That lagged the S&P 500's 27% gain, but some analysts expect real estate stocks to at least catch up to the broad market, and if the U.S. economy skirts a recession, do even better.

Columbia Real Estate Equity Fund has ranked in the top half of its category every year since 2019. The current managers can't take full credit for the returns; they took the helm in July of 2023. But they have continued the fund's outperformance by combining investments in thriving niches, such as health care real estate, with bets on declines in real estate investment trusts in troubled areas, such as commercial real estate. One of the fund's biggest gainers has been Welltower, a REIT specializing in senior housing and health care facilities, up 49% in the past year.

The managers say the fund should benefit from stakes in booming data centers and from sector-wide gains that typically follow central bank rate cuts. The fund charges an up-front sales fee but is available load-free from several major brokerages, including Fidelity and Schwab. Expenses are 1.25%, below the category average.

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REAL ESTATE FUNDS

Funds are ranked by their one-year returns.

			Annualized total returns		Max. sales	Exp.
		Symbol	1 yr.	5 yrs.	charge	ratio
1	PGIM Real Estate Income A	PRKAX	26.5%	5.1%	5.50%	1.35%
2	Commonwealth Real Estate Securities	CNREX	21.9	7.5	none	2.72
3	Columbia Real Estate Equity A	CREAX	21.5	6.1	5.75	1.25
4	Cohen & Steers Real Estate Securities A*	CSEIX	21.4	5.9	4.5	1.10
5	PGIM US Real Estate A	PJEAX	21.4	6.9	5.5	1.25
6	Neuberger Berman Real Estate A	NREAX	21.1	4.5	5.75	1.22
7	Virtus Duff & Phelps Real Estate Secs A	PHRAX	21.2	6.4	5.5	1.36
8	Cohen & Steers Realty Shares A	CSJAX	20.4	5.6	4.5	1.15
9	DWS RREEF Real Estate Securities A	RRRAX	20.1	4.4	5.75	0.99
10	BlackRock Real Estate Securities Inv A	BAREX	19.1	4.8	5.25	1.00
S&P 500 index			27.1%	15.9%		
Category average			19.0	4.4		

20 LARGEST STOCK AND BOND MUTUAL FUNDS

Funds are ranked by asset size.

STOCK MUTUAL FUNDS

	Name	Symbol	Assets† (billions)	Annualized total return 1 yr.	5 yrs.	Max. sales charge
1	Vanguard Total Stock Mkt Idx Adm	VTSAX	$1,257.5	26.1%	15.1%	none
2	Vanguard 500 Index Admiral	VFIAX	715.9	26.9	15.9	none
3	Fidelity 500 Index@	FXAIX	585.4	26.9	15.9	none
4	Vanguard Total Intl Stock Index Admiral	VTIAX	366.7	17.1	7.8	none
5	American Funds Growth Fund of Amer A	AGTHX	284.9	30.3	15.7	5.75%
6	American Funds American Balanced A	ABALX	233.9	19.3	9.1	5.75
7	American Funds Washington Mutual A	AWSHX	190.3	25.4	13.8	5.75
8	American Funds Invmt Co of Amer A	AIVSX	149.6	29.9	15.5	5.75
9	Fidelity Contrafund	FCNTX	145.9	38.8	18.1	none
10	American Funds New Perspective A	ANWPX	143.6	22.3	13.2	5.75
S&P 500 INDEX				27.1%	15.9%	
MSCI EAFE INDEX				19.4	8.6	

BOND MUTUAL FUNDS

	Name	Symbol	Assets† (billions)	1 yr. total return	Yield	Max. sales charge
1	Vanguard Total Bond Market Index Adm	VBTLX	$218.2	7.5%	4.15%	none
2	PIMCO Income A	PONAX	158.3	9.3	4.82	3.75%
3	American Funds Bond Fund of Amer A	ABNDX	88.2	7.4	4.37	3.75
4	Dodge & Cox Income I	DODIX	82.1	9.4	4.75	none
5	Vanguard Interm-Term Tx-Ex Inv	VWITX	73.8	6.1	3.23	none
6	Fidelity U.S. Bond Index@	FXNAX	58.5	7.4	4.10	none
7	Vanguard Short-Term Investment-Grade Inv	VFSTX	54.7	7.9	4.23	none
8	PIMCO Total Return A	PTTAX	51.0	8.3	4.52	3.75
9	Baird Aggregate Bond Inv	BAGSX	48.1	8.0	4.07	none
10	PGIM Total Return Bond A	PDBAX	48.0	9.0	4.86	3.25
BLOOMBERG US AGGREGATE BOND INDEX				7.3%	4.40%	
ICE BOFA AAA US MUNICIPAL SECURITIES INDEX				5.8	3.0	

AS OF AUGUST 31, 2024. *Closed to new investors. †For all share classes combined. @Only share class. Unless otherwise indicated, funds come in multiple share classes; we list the share class that is best suited for individual investors. MSCI EAFE tracks stock in developed foreign markets. SOURCES: Morningstar Direct, ICE.

YOUR GUIDE TO OPEN ENROLLMENT

With health care costs on the rise, it's critical to select a plan that fits your needs at the right price. BY LAURA PETRECCA

GET ready for one of the most important shopping periods of the year—and it has nothing to do with buying holiday gifts. As 2024 winds down, millions of Americans will choose their 2025 health insurance coverage through their employer, the Affordable Care Act marketplace or Medicare. While not as exciting as other seasonal shopping sprees, this period presents some of the most consequential buying decisions you'll make.

"Most individuals get to shop only once a year, unless you have a qualifying event such as getting married, having a baby or a spouse losing their job. So take the time to understand what's offered to you," says Regina Ihrke, a senior director and North America health, equity and well-being leader for benefits consulting firm WTW.

Although the choices you make every year are important, what you select for 2025 is especially crucial, Ihrke says, because the accelerating pace of health care cost increases means you may pay more in premiums and other expenses.

If you do not have coverage from an employer, see the box on the facing page for information on purchasing ACA marketplace coverage. For a guide to Medicare open enrollment, which runs from October 15 through December 7, see the story on page 52.

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ASSESS YOUR NEEDS

Start by pulling up each explanation of benefits you've received in 2024 and reviewing the health care services you used, says Paul Fronstin, director of health benefits research at the Employee Benefit Research Institute. This should give you a baseline for what you'll need in 2025.

"See how many visits you had with specialists and primary care physicians. Look at what prescriptions you filled and how much they cost," he says. While you can't fully predict the expenses you'll have next year, "you can make as informed a decision as possible based upon what you know."

Make a list of the providers and facilities you regularly use, from your acupuncturist to your teenager's allergist. Take note of who was in your plan's network and who was out of network. Also, decide which professionals and practices you want to stick with and which ones you're okay replacing.

Then think ahead to any upcoming medical procedures or treatments you might need in 2025. Do you plan to undergo fertility treatments? A knee replacement? Will you need continuing care for a chronic condition? This information will factor in when making your selection.

UNDERSTAND THE PLANS

Here's a look at some of the options that may be available to you through an employer-offered plan.

- **Health maintenance organization (HMO):** With this type of plan, a primary care physician manages your care; if you need to see a specialist, you usually must obtain a referral from your primary care doctor to get coverage.

WHAT TO KNOW ABOUT AFFORDABLE CARE ACT PLANS

If you purchase health insurance through the Affordable Care Act marketplace, you'll need to familiarize yourself with the types of plans available. In most states, open enrollment for ACA plans runs from November 1 through December 15 for coverage that begins January 1, 2025. During this period, you can enroll in, renew or change ACA plans.

All ACA plans must cover a set of core health benefits, including preventive services, maternity care and emergency services. Your options will be categorized into four metal tiers: bronze, silver, gold and platinum. The tiers represent the percentage of health care costs shared by the insurer and policyholder. Generally, bronze plans have the lowest premiums and highest deductibles, while platinum plans have the highest premiums and lowest deductibles. Silver and gold plans fall in between.

You can review plans and prices in your state at *www.healthcare.gov/see-plans*. And you can find contact information for an agent, broker or assister who is trained to help consumers apply for and enroll in a marketplace plan at *www.healthcare.gov/localhelp*.

Unlike most workers who have employer-offered health insurance, participants in ACA plans have to pay the entire premium. However, you may qualify for a government subsidy—which comes as a tax credit—based on your annual household income. Previously, these subsidies were available only to people whose income was less than 400% of the federal poverty level, but the subsidies were expanded significantly in 2021 and extended through 2025, which means people at higher income levels can qualify, too. At lower income levels, you may also qualify for a cost-sharing subsidy to help cover the deductible and co-payments.

With the calculator at *www.kff.org/interactive/subsidy-calculator*, you can get an estimate of your premiums and eligibility for subsidies.

HMOs typically cover care only from network providers unless you need emergency assistance.

- **Exclusive provider organization (EPO):** EPOs are similar to HMOs but don't require referrals to specialists.
- **Preferred provider organization (PPO):** PPOs allow you to see both in-network and out-of-network providers, with no referral needed. However, out-of-network care costs more and often requires you to meet a separate deductible before coverage starts.
- **Point of service (POS):** These plans offer a combination of HMO and PPO features. They cover out-of-network care but require referrals from primary care providers to see specialists.
- **High-deductible health plan (HDHP):** An HDHP offers lower premiums in exchange for a higher deductible. This plan is available with different network options, such as an HMO, EPO, PPO or POS. Many HDHPs are paired with a health savings account (HSA), which allows you to save pretax money for qualified medical expenses. Employers may contribute to your HSA as well.

HSAs come with some valuable benefits. The funds in an HSA don't expire—the balance rolls over from year to year. And HSAs are triple tax-advantaged: Contributions are made pretax, the funds grow tax-free, and withdrawals for qualified medical expenses are tax-free. You can use the funds for future expenses, such as health care costs in retirement.

For 2025, you're eligible to contribute to an HSA if your plan has an annual deductible of at least $1,650 for individual coverage or $3,300 for family coverage. Individuals with self-only coverage can contribute up to $4,300 for 2025; those with family coverage can contribute up to $8,550. Those who are 55 or older can contribute an additional $1,000 to their accounts.

COMPARE COSTS AND COVERAGE DETAILS

Employers often cover a portion of your premium expenses. According to the Business Group on Health, in 2024, large employers contributed an average of $12,932 to each employee's premium annually, while employees paid $2,983.

Still, even if you get financial assistance, coverage can be expensive, so it's important to be proactive when doing your research and considering your options. Don't wait until the last minute. You'll need time to pick a plan that's right for you.

A helpful initial step is to understand how much will be withheld from your paycheck to cover premiums. Next, get a good grasp of deductibles, co-payments, coinsurance and out-of-pocket maximums. If you're considering an HDHP with an HSA, factor in any money your employer will contribute to that account when deciding what plan to go with, says Fronstin. Of the 60% of employers that offer an HSA, 62% contribute to their employees' accounts, according to the Society for Human Resource Management. On average, the maximum annual employer contribution is about $1,033 for individual plans and $1,633 for family plans.

Don't forget to evaluate cost information for prescription drugs, especially if you or your family members take any medications for ongoing conditions.

Many employers offer online tools to simplify this comparison. You can also review the Summary of Benefits and Coverage (SBC) for each plan offered. SBCs, which plans are required to distribute, should provide key information in a clear, understandable manner.

While costs are important, don't make a decision based solely on the numbers. Dig a little deeper to see whether your frequently used providers are in network. Often, you can do this by looking through an online directory on the insurer's website. Call your providers as well, as websites

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are not always up to date, says Fronstin. If your providers are not in the plan you want, and you don't want to switch providers, you'll need to factor in the costs of going out of network.

Keep in mind that you'll have to make some trade-offs, such as choosing between a low premium or low out-of-pocket expenses. "Think about what you value and decide what's important," Fronstin says.

You don't have to navigate this process on your own. Many workplaces offer group information sessions, in-person and virtual office hours, and the ability to directly contact a human resources representative, a benefits administrator or another educator for help.

There's one more step to take if you're married or have a domestic partner who works at an employer that allows spouses and domestic partners to join its plan, or vice versa. Compare your options to your partner's plans, factoring in any potential spousal surcharges.

Be aware that while most employers have open enrollment in the fall, not all sign-up periods are the same, notes WTW's Ihrke.

"If your open-enrollment windows overlap, you can truly compare and contrast what you can get from two different employers," she says. If they don't, you'll have to compare using material for 2025 plans from one employer, and then make some assumptions based on what was offered by the other in 2024.

CAPITALIZE ON ADDITIONAL BENEFITS

Besides health insurance, employers may extend other benefits that can save you money, provide helpful resources and enhance your mental, physical and financial health. Many employees don't take full advantage of these additional perks, often "leaving money on the table," Ihrke says. Offerings vary by employer, but in general, here's what to look for:

Supplemental insurance. Many workplaces provide discounted group rates for extra insurance, such as disability insurance, critical illness insurance, enhanced life insurance, and vision and dental care. Before enrolling, be sure to get details on what's covered, along with any exclusions and limitations.

Flexible spending accounts (FSAs). These accounts let you set aside pretax dollars to pay for qualifying expenses. There are three main types: health care FSAs for health-related expenses, dependent-care FSAs for costs related to children and adults who are qualified dependents, and limited-purpose FSAs for vision and dental expenses. FSAs have restrictions and rules that can affect your contributions, so be sure to familiarize yourself with those. For instance, FSAs have a set period to use the money, or you lose it. Additionally, if you leave your job with money still in your account, you may forfeit those funds. If you have a high-deductible plan and contribute to an HSA, you can't fund an FSA for health-related expenses.

Education assistance. Nearly half of employers offer graduate or undergraduate tuition assistance for employees, according to SHRM. And 10% of large employers contribute to student loan repayment or will contribute in 2025, while 13% will provide refinancing assistance, according to benefits consultant Mercer.

Free and discounted services. Employers are increasingly providing access to investment and financial planning services, which may include free consultations with advisers, as well as connections to discounted legal services for tasks such as creating wills and power-of attorney documents. Other perks may include discounted pet insurance, free subscriptions to meditation apps, subsidized gym memberships and identity theft protection services.

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

TAKE ADVANTAGE OF WORKPLACE PERKS

Many employers provide a number of benefits that go beyond health insurance. Below are a variety of perks and the percentage of large employers that offered them in 2024 or plan to offer them in 2025.

- Financial wellness programs (such as financial coaching and investment advice): 68%
- Subsidized phone or internet for remote working: 21%
- Employer-provided or subsidized transportation (including commuter cards): 18%
- Free or subsidized meals at work: 17%
- Stipend for home office set-up or supplies: 16%
- Lifestyle account for well-being activities, life needs and hobbies: 15%
- Student-loan refinancing assistance: 13%
- Employer-paid identity protection/password programs: 13%
- Employer-paid legal services (including virtual solutions): 12%
- Contributions toward student-loan repayment: 10%

SOURCE: Mercer Survey on Health & Benefit Strategies for 2025

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MONEY MANNERS
FOR THE MODERN AGE

The customs for splitting a restaurant check, purchasing a wedding gift, tipping and more have evolved. These guidelines can help. **BY EMMA PATCH**

TALKING about money can be uncomfortable and awkward. But if you want to be considerate of others while staying within your budget, you should establish guidelines on matters such as dining out with friends, attending a wedding or deciding how much to tip. A lot of people think money is not polite conversation, but contemporary etiquette guidelines indicate the opposite. "We really want money to be an approachable topic," says Lizzie Post, great-great-granddaughter of famed etiquette expert Emily Post and co-author of *Emily Post's Etiquette*.

Etiquette norms are cultural, and expectations are often driven by common behaviors that vary depending on where you are and who you're with. Although there is no one-size-fits-all approach to many money matters, consider these common-sense strategies when navigating social and service settings.

DINING OUT WITH FRIENDS

When dining with a group, Post says, it's important to identify the difference between organizing and inviting. If you're hosting the meal, you should be prepared to pay the bill, she says. If you and your friends are organizing a meal out together, it's okay to split the bill, but talk in advance about how you'll share the costs. Especially for groups in which individuals expect to order different amounts—one person may join just for a drink, for example, while others get full meals and desserts—ask your server whether you can get separate checks so that diners can pay their own way.

Bring at least enough cash to pay your portion of the bill, Post says. This may seem old-fashioned in the age of payment apps such as Venmo and Zelle, which many people use to split a restaurant bill. But it's a good idea to have cash on hand, especially if you're dining out with new friends who may not use those payment methods.

Birthday dinners can create their own money dilemmas, making advance planning even more important. For example, some people assume that everyone should split the check and pay for the honoree's meal, even if the honoree issued the invites. But if you're planning to host your own birthday event, you should plan to pick up the tab for your friends. Similarly, if you're hosting a dinner party, don't ask friends to help with the costs after the fact; no one wants to receive a surprise $20 Venmo request after a simple pasta night at your house. If you want to split the costs of a dinner party, then organize a potluck dinner and ask everyone to bring a dish to share.

CELEBRATORY GIFTING

Gifting is a practice steeped in tradition, especially at weddings. You're not required to use the gift registry, Post says, but it can help you avoid purchasing redundant gifts, because you can usually see whether something has already been purchased for the couple.

A common myth is that the wedding gift should be equal to or greater in value than the cost of your dinner plate at the reception. But hosts typically don't share information on dinner costs with their guests, and it's difficult to estimate the expense yourself. Give what you can afford to give, even if the reception features surf and turf.

If you can't afford to attend a wedding or other celebration, offer your regrets using the reply card or RSVP link provided. You don't need to provide the reason that you're not attending, Post says, but consider sending a gift or small acknowledgement to thank the hosts for including you in their celebration. "An old-school tradition is that if you decline a wedding invitation, you should still send a gift," Post says. "I would say fewer and fewer people know about that tradition these days, but we haven't changed our advice yet."

Cash is acceptable as a graduation or wedding gift, and some people—particularly older couples who have all the appliances they need—welcome it. But in other situations, such as birthdays and anniversaries, try to come up with something meaningful and reflective of your relationship with the recipient, Post says. Avoid regifting something simply because you'd rather not keep it. And if you're planning to give a gag gift as a joke, run it by at least a few other people before you do. Sometimes even the most well-intended jokes can land poorly. The type of birthday matters, too: Gifts aren't usually expected for adult birthdays, but you probably shouldn't show up empty-handed at a child's birthday party (unless you're asked not to bring a gift).

IF YOU AND YOUR FRIENDS ARE ORGANIZING A MEAL OUT TOGETHER, TALK IN ADVANCE ABOUT HOW YOU WILL SHARE THE COSTS.

PAYING FOR GROUP VACATIONS

Whether it's a weekend with friends or an extended stay for a family get-together, shared expenses should be discussed in detail well in advance of a group trip. Otherwise, you run the risk that someone else in the group will feel obligated to cover expenses they can't afford.

Consider discussing your travel style with your friends or family

members. For instance, do members of the group like to shop at local markets and prepare shared meals at the vacation rental, or do they prefer to eat out and take a break from food prep and dish duty? When it comes to lodging, do they care more about location or amenities? Do they want to split a rental car or rely on public transportation? And if you're splitting a vacation rental rather than booking rooms at a hotel, be sure to discuss whether you'll divide up the rent on a per-person or per-room basis, because the distribution of costs on a per-room basis may fall disproportionately on single people compared with couples sharing a bed.

Research your destination ahead of time so you can estimate costs, such as drinks, meals, entertainment, recreation and any other activities. That way, members of the group who can't afford the trip can bow out before they sink any money into it. Likewise, if you've been invited to a group trip that's shaping up to be too costly for you, don't be afraid to speak up. It's normal for people to approach travel spending differently, and voicing your preference for a lower-cost excursion will probably resonate with more people than you think. Someone might offer to find a way to make the trip more affordable for you and other members of the group.

When traveling with a group, research your destination ahead of time so you can estimate shared costs, such as meals and entertainment.

Realistically, you're probably not going to anticipate every expense, particularly if it's an extended stay, but consider keeping a tally of who pays for what during the trip. TravelSpend is a free app that allows you to invite travel companions to enter their expenses by category. The app automatically calculates how much each person has spent, which makes it easier to share costs. Or you can simply bring a pen and notebook that everyone can use to write down expenses they cover so you can sort it out at the end of the trip. They key is to have a system of accountability in place.

TIPPING IN SERVICE SETTINGS

There are several major motivations behind tipping, says Michael Lynn, a social scientist at Cornell University. One is to reward good service. A second is to ensure good service in the future if you continue to visit the establishment. In addition, many customers are aware that service workers, especially in restaurants, receive low wages and want to help them out. But regardless of why we tip, whether when dining out, riding in a taxi, staying at a hotel or getting a haircut, tipping is expected in our culture. It's even baked into our laws: The minimum-wage requirements for tipped servers are lower than for those who don't work for tips.

The appropriate amount for a tip varies depending on the service provided. You can always tip more than what is standard, but you should never forgo tipping when you get table service at a restaurant, Post says. If the service was inadequate, you should communicate that with a manager or other supervisor, not with your dollars, she says.

At restaurants, the standard tip is still 15% to 20% on top of your pretax bill. However, it's

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becoming increasingly common for restaurants to add a 15%-to-20% service charge to your bill. When you make a reservation at a restaurant, consider asking whether you'll see a service charge on the bill and, if so, who receives it. If you'd like to reward good service, you should leave a tip even if there is a service charge, although it's okay to tip just 10% to 15%.

A standard tip for a taxi ride is typically around 10% to 20% of the total fare. However, if a taxi driver helps load and unload your luggage or other items, an additional tip of $2 to $10 is appropriate.

For salon or spa services, such as haircuts, massages, facials or other forms of pampering, the standard tip is usually between 15% and 20% of the total bill. It's customary not to tip the salon owner. If you're not sure whether your service provider accepts tips, ask them, Post says.

When it comes to counter service, you do not always have to tip, even though it may feel expected when the cashier flips a touch-screen card reader around with a prompt to add a gratuity. Whether you're presented with an electronic device or a tip jar, tipping is optional, Post says. (For more on how to handle proliferating tip prompts at service counters, go to *kiplinger .com/kpf/tipping-guide*.)

HOLIDAY TIPPING

Tipping around the holidays is a traditional way to say thank you to the service providers in your life. The quality of the service you've received and your personal budget will dictate the amount you give. The amount that you pay for one appointment or session is a typical holiday tip for a dog groomer, hair stylist, regular cleaning person, personal trainer or massage therapist. A week's pay is a suitable holiday tip for a caregiver such as a senior care aid or a regular babysitter, nanny or au pair. If you'd like to give a tip to your child's daycare provider or teacher, check the daycare or school's policies first; cash gifts may be prohibited. You might also consider donating to help fund a classroom project as a way to support your child's teacher (to learn more about DonorsChoose, an organization that crowdfunds school projects, see "Helping Teachers Supply Their Classrooms," Sept.).

If you use grocery-delivery or curbside-pickup services, consider tipping the attendant or driver in recognition of the provider's hard work during the holiday season. For people who work as a team, such as gardeners, landscapers, or trash and recycling collectors, tip anywhere from $10 to $30 each.

Not all professionals can accept tips. For example, postal workers may not accept cash gifts or checks but are allowed to accept small gifts that are worth no more than $20, such as travel mugs, hand warmers or gift cards (as long as the gift cards aren't exchangeable for cash). FedEx drivers are prohibited by work rules from accepting payments from customers; UPS drivers are not barred from taking tips but are encouraged to decline them. For these workers, consider leaving a basket of prepackaged snacks and drinks at your door as a form of gratuity.

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

THE QUALITY OF SERVICE YOU'VE RECEIVED AND YOUR PERSONAL BUDGET DICTATE THE AMOUNT YOU GIVE SERVICE PROVIDERS FOR HOLIDAY TIPS.

You can always tip more than what is standard, but you should never forgo tipping when you get table service at a restaurant.

WHEN TO GET FINANCIAL HELP FROM A PRO

KIPLINGER ADVISOR COLLECTIVE

MANY Kiplinger readers are do-it-yourself types, using our guidance to help them stay on top of their investment portfolios, save for a comfortable retirement, lower their tax bill, set a budgeting strategy and more. But sometimes, hiring an adviser, who can address the particulars of your situation, is well worth the fee.

Members of the Kiplinger Advisor Collective have assisted countless people as they navigate the complexities of money management. Here, seven members outline instances in which you may want to consult a professional and why doing so may save you a lot of hassle—and money—in the long run.

When you're facing a major life event. Consult a professional when you encounter life changes such as entering retirement, gaining an inheritance or a making a significant investment decision. This guidance can help you achieve long-term goals and ensure you preserve your wealth. **Greg Welborn, principal of First Financial Consulting**

When you're expecting children. Get assistance from an estate attorney when you expand your family. You want to ensure that your will, trusts and guardianship designations are updated and legally sound, protecting your loved ones' futures. **Shawn Plummer, founder of The Annuity Expert**

When you're planning for retirement. A professional can help you create a tailored strategy that considers your unique financial situation, goals and risk tolerance. A pro can also ensure that you avoid costly mistakes, stay on track with investment and tax planning, and adjust your strategy as your circumstances change. **Amrita Choudhary, accounting manager at Wasabi Technologies**

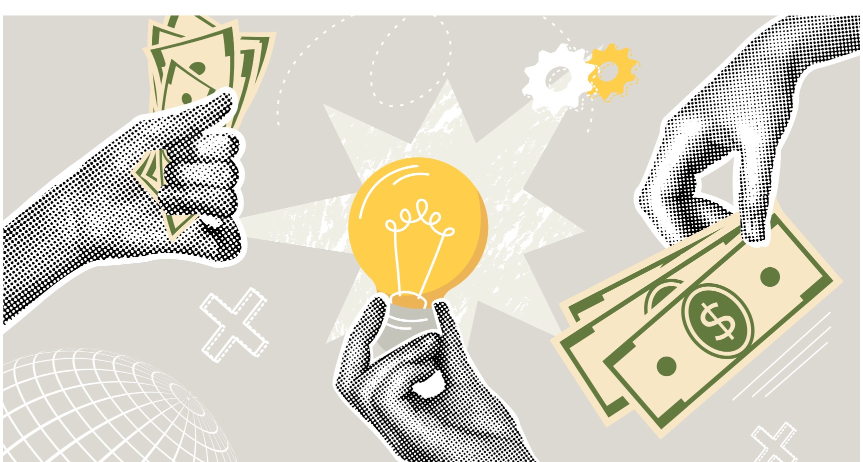
When you're creating an estate plan. Estate planning has both legal and tax implications, and you don't want to leave the results to chance. The stakes are high for you and your heirs. **Stephen Kates, principal financial analyst at Annuity.org**

When you're trying to decipher the fine print. Sorting through insurance policies and statements for your brokerage accounts, bank accounts and mortgage is no easy task. A fee-only adviser can give you an objective perspective and help you focus on the areas that will most impact your goals. **Deborah W. Ellis, president of Ellis Wealth Planning**

When you're selling an asset that has appreciated significantly. Talk to a tax professional when you are thinking of selling an appreciated asset—such as a business, building or stock—with a taxable gain of $1 million or more. Seek advice two years prior to the desired sale date to permit the best possible tax savings. **John Goralka, president of The Goralka Law Firm**

When you're thinking of exploring alternative investments. Especially if you're new to alternative investments, such as private equity or real estate, consult a professional—even if it's just to get advice on how to choose the right type of asset class for you. **Justin Donald, founder of The Lifestyle Investor**

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



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

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Tips for Financing Big Purchases

BY ELLA VINCENT

WITH the holiday shopping season right around the corner, you may be considering ways to finance gifts or other large purchases. If you have a credit card, taking advantage of the grace period—the amount of time between the end of a billing cycle and the payment due date, during which you aren't charged interest—is one way to get at least a few weeks to pay off a purchase interest-free.

If you don't pay your card balance in full before the due date, you'll usually owe interest on the remaining amount. But some card issuers offer installment plans that allow you to spread payments for specific purchases over the course of several months for a fixed fee or a lower interest rate than the standard one your card offers.

With American Express's Plan It service, for example, you can split eligible purchases of $100 or more into a monthly payment plan with a fixed monthly fee. The fee is a small percentage of the purchase amount and depends on factors including the plan duration and your card's annual percentage rate. Chase's Pay Over Time feature lets you pay in installments on eligible purchases of $100 or more. The monthly fee may be up to 1.72% of each eligible transaction.

RATE UPDATES

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

Get a 0% intro rate. If you open a credit card with a 0% introductory interest rate on purchases, you may avoid interest and fees for a year or more—but be sure to pay off the balance before the no-interest period expires. ***Wells Fargo Reflect*** charges no interest on purchases for the first 21 months. ***American Express Blue Cash Preferred*** ($95 annual fee, waived the first year) offers a 0% rate for a year, and with ***Chase Freedom Flex***, you pay no interest for 15 months. ■

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

TOP-YIELDING SAVINGS

Taxable Money Market	30-day yield as of Aug 27	Minimum investment	Website
Gabelli U.S. Treasury MMF (GABXX)	5.38%	$10,000	gabelli.com
DWS Govt & Agency MF (DTGXX)*	5.35	1,000	fundsus.dws.com
Pimco Govt MMF (AMAXX)	5.29	1,000	pimco.com
AB Govt Money Market (AEAXX)*	5.28	2,500	alliancebernstein.com

Tax-Free Money Market Mutual Funds	30-day yield as of Aug 26	Tax eq. yield 24%/35% bracket	Minimum investment	Website
Fidelity Municipal MMF (FTEXX)*	3.26%	4.29%/5.33%	$1	fidelity.com
Schwab AMT Tax-Free MF (SWWXX)*	3.20	4.21/5.23	1	schwab.com
Amer Cent T-F MMF (BNTXX)	3.20	4.21/5.23	2,500	americancentury.com
Fidelity Tax-Exempt MMF (FMOXX)*	3.17	4.17/5.18	1	fidelity.com

Savings and Money Market Deposit Accounts	Annual yield as of Aug. 30	Minimum amount	Website
Brilliant Bank (Kan.)†#	5.35%	$1,000	brilliant.bank
Peak Bank (Idaho)†	5.33	0	peak.bank
Forbright Bank (Md.)	5.30	0	forbrightbank.com
BrioDirect (N.Y.)†	5.30	5,000	briodirectbanking.com

Certificates of Deposit 1-Year	Annual yield as of Aug. 30	Minimum amount	Website
Merchants Bank of Indiana (Ind.)	5.25%	$1,000	merchantsbankofindiana.com
Eagle Bank (Md.)†	5.22	1,000	eaglebankcorp.com
National Cooperative Bank (Ohio)	5.18	2,500	ncb.coop
All In Credit Union (Ala.)&	5.12	1,000	allincu.com

Certificates of Deposit 5-Year	Annual yield as of Aug. 30	Minimum amount	Website
Pima Federal CU (Ariz.)&	4.50%	$250	pimafederal.org
Dept of Commerce CU (D.C.)&‡	4.35	25,000	docfcu.org
Lafayette CU (Md.)&	4.32	500	lfcu.org
Advancial FCU (Texas)&	4.31	500	advancial.org

*Fund is waiving all or a portion of its expenses. †Internet only. #Money market deposit account. &Must be a member; to become a member, see website or call. ‡CD term is 48–59 months. SOURCES: Bankrate, DepositAccounts, Money Fund Report (iMoneyNet).

TOP CHECKING ACCOUNTS

Must meet activity requirements*

Account Issuer	Annual yield as of Aug. 30	Balance range^	Website
Genisys CU (Mich.)&	6.75%	$0–7,500	genisyscu.org
Andrews FCU (Md.)&	6.00	0–25,000	andrewsfcu.org
CU of New Jersey (N.J.)&	6.00	0–25,000	cunj.org
Oklahoma Central CU (Okla.)&	6.00	0–10,000	oklahomacentral.creditunion

*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	4.89	5.16	5.51
Five-year Treasury notes	3.71	4.03	4.27
Ten-year Treasury notes	3.91	4.15	4.12

As of August 30, 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.

CHOOSE A MEDICARE PLAN THAT'S RIGHT FOR YOU

Consider your health care needs over the long term as you weigh costs and coverage. BY SANDRA BLOCK

WHEN President Lyndon B. Johnson signed a bill creating Medicare in 1965, the goal of the legislation was straightforward: provide government-funded health insurance for older Americans. Within the first two years, about 20 million individuals had enrolled.

Today, Medicare is more popular than ever, but it has become increasingly difficult to navigate. If you're approaching your 65th birthday, you've probably already received a mountain of mail and a flurry of phone calls from insurance companies promoting Medicare Advantage and medigap plans. You've probably also seen TV commercials featuring well-preserved celebrities extolling the multiple benefits available to Medicare Advantage participants. Nearly all Americans 65 and older say they've seen some marketing for Medicare plans, according to the Commonwealth Fund, a nonprofit health care research group, and one-third of those the group surveyed say they have received seven or more phone calls a week from companies marketing the plans.

A plan offering low-cost coverage when you're in your sixties could fall short of your needs when you're in your eighties.

The aggressive marketing reflects a big change from the early days of Medicare, when the program was administered by the federal government and seniors' only real decision was when to sign up. Over the past 25 years, private insurers have become an increasingly important component of Medicare, offering more choices for consumers but also more potential for confusion. The plan you choose will affect the quality of your care and your out-of-pocket costs, which can be substantial. For that reason, when the time comes to enroll in Medicare, it's critical to review the pros and cons of the plans available to you.

As you evaluate your options, consider not only what you need now but what you may need 20 or even 30 years down the road. A plan that offers low-cost coverage when you're in your sixties and going to the gym three times a week could fall short of your needs when you're in your eighties and require care from a specialist. "You're making a 35-year decision, but too many

GETTY IMAGES (INCLUDING PREVIOUS SPREAD) people look at it from a short-term perspective," says Ari Parker, co-founder of Chapter, an independent insurance firm that helps individuals select a Medicare plan.

ORIGINAL OR ADVANTAGE?

Since 1997, Americans who are 65 or older have had two primary choices: original Medicare, which is provided directly by the federal government, or Medicare Advantage (also known as Medicare Part C), which is provided by private insurance companies. Both plans are required to include Part A, which covers hospital services and is free for most beneficiaries, and Part B, which covers doctor visits and outpatient services and comes with a monthly premium—$174.70 in 2024 for most retirees. If you're eligible for a hip replacement, for example, it doesn't matter whether you're enrolled in original Medicare or Medicare Advantage—you'll get your hip. The difference comes down to who performs the surgery, how long you may need to wait for that new hip, and your out-of-pocket costs.

If you sign up for original Medicare, you'll be on the hook for an annual deductible for Part B services ($240 in 2024). Plus, you'll pay a Part A deductible ($1,632 in 2024) for the first 60 days of hospital care you receive each benefit period, which starts when you're admitted to a hospital and ends when you haven't received inpatient hospital care for 60 consecutive days. For inpatient hospital stays of longer than 60 days, beneficiaries must pay a coinsurance amount of $408 per day for the 61st through the 90th day of a hospitalization per benefit period. There's no limit to the number of benefit periods you can have.

To cover those costs, most beneficiaries who enroll in original Medicare sign up for a medigap supplemental insurance plan. These plans are provided by private insurance companies and charge monthly premiums that vary depending on the level of coverage, which we'll discuss below.

Original Medicare doesn't cover prescription drugs, so if you want coverage for those expenses, you will need to sign up for a Part D

ORIGINAL MEDICARE VERSUS MEDICARE ADVANTAGE

	ORIGINAL MEDICARE	MEDICARE ADVANTAGE
COST		
Monthly premium	$174.70 a month for standard Part B premium	Part B premium plus the plan's premium, although many plans have no premiums and may pay a portion of Part B
Deductible	$240 for Part B; $1,632 for each hospital stay covered by Part A	Varies depending on plan and services provided
Out-of-pocket maximum	None (unless covered by a separate medigap plan)	Varies, but all plans are required to cap the amount you pay out of pocket each year
COVERAGE		
Prescription drugs	None. Participants who want drug coverage must enroll in Part D	Included in most plans
Vision, hearing and dental services	Not covered	Covered by some plans, along with other benefits, such as gym memberships
CHOICE OF PROVIDERS AND SERVICES		
Doctor or hospital	Any doctor or hospital that accepts Medicare	Doctors and hospitals must be in-network, except for some emergency situations
Referrals	Usually not required	Usually required
Approval for services and supplies	Usually not required	May be required

prescription-drug plan. Premiums average $55.50 a month, but they vary based on coverage levels and the deductible. You can search for Part D plans in your area at *www.medicare.gov/plan-compare*.

If you enroll in a Medicare Advantage plan, you'll still have to pay Part B premiums. But monthly premiums for an Advantage plan are usually lower than those for medigap, and some plans have no premiums. Deductibles and co-payments vary depending on the plan you choose, but Advantage plans are required to cap your annual out-of-pocket expenses. (Original Medicare doesn't have a cap on out-of-pocket charges, which is why you need a medigap policy.) Most Advantage plans include prescription drug coverage, so you probably won't need to enroll in Part D. Many Medicare Advantage plans also offer a range of benefits, from dental care to gym memberships, and those perks are often mentioned in advertisements for the policies. (For a side-by-side comparison, see the table on page 55.)

Once you've selected a plan, review it annually to make sure it's still a good fit for you.

However, you'll be required to use doctors, hospitals and other providers that are in the plan's network. That network might not include your primary care physician or your preferred hospital, says Julie Newnam, a volunteer with Washington State's State Health Insurance Assistance Program, which provides free counseling to Medicare beneficiaries. In that case, you'll either have to find a new physician or enroll in original Medicare (plus medigap), because most physicians accept Medicare.

Most Advantage plans also require plan participants to obtain a referral to see a specialist and obtain prior authorization for high-cost services, such as inpatient hospital stays or chemotherapy. The prior-authorization requirement is designed to keep costs down, but it can lead to delays in care or, in some cases, denial of care. In 2022, insurers fully or partially declined 7.4% of prior-authorization requests, according to a survey by KFF (formerly the Kaiser Family Foundation). Some lawmakers and patient advocates have raised concerns that insurers' use of artificial intelligence will increase the number of prior-authorization delays and denials. Referrals are usually not required for original Medicare, and only a limited number of services require prior authorization.

If you've had insurance through an employer plan, you've probably already had to search for in-network providers, so the trade-off may be worth the cost savings you could realize by choosing a Medicare Advantage plan. But keep in mind that as you age, your need for health care will likely increase, and you may be unable to find suitable in-network providers. Likewise, you may have trouble finding in-network providers if you move or divide your time between homes in two different states. In addition, providers that participate in your plan may change, so even if you find a doctor you like, there's no guarantee the physician will remain in your network. Costs, such as the amount of your deductibles and co-payments, can change too.

For that reason, you should understand the plan's coverage and network before you sign up. Scrutinize the extra benefits, too, Newnam says. "Some of them can be really good, but you have to dig," she says. "Call the insurance company or go

Did you know:

5+ million

Medicare beneficiaries have – or know someone who has – experienced challenges accessing a doctor who accepts Medicare.

35+ million

Medicare beneficiaries have reported experiencing health care access delays of more than one month.

When you retire, you should be able to reap the benefits of Medicare – a program you've paid into for years through hard-earned tax dollars.

AMA
AMERICAN MEDICAL ASSOCIATION

FIX MEDICARE NOW

online. Does the dental coverage pay for two cleanings a year or cover crowns and bridges? Where do you have to go to get it? Maybe a dentist you'd like to see in the plan network isn't taking new patients."

Once you've selected a plan, review it annually to make sure it's still a good fit for you. Medicare Advantage and Part D plans typically send beneficiaries an annual notice of coverage (ANOC) in late September that outlines any modifications to your plan in the coming year. The document will disclose any increases in premiums, deductibles and co-pays, along with changes to the plan's network that could affect your providers and pharmacies. In the case of Part D, review adjustments to the plan's formulary that could affect your prescriptions and the amount you pay for them.

During Medicare's annual enrollment period, which runs from October 15 until December 7, you can join, drop or switch Part D plans, switch to another Medicare Advantage plan, or switch from Medicare Advantage to original Medicare (or vice versa). During the Medicare Advantage enrollment period, which runs from January 1 to March 31, Medicare Advantage participants can change plans or switch to original Medicare and enroll in a Part D prescription-drug plan.

There is, however, one important exception that could hamstring your ability to switch plans. If you enroll in a Medicare Advantage plan and decide a few years later that you'd rather be covered by original Medicare, you can make the switch during open enrollment, but there's no guarantee you'll be able to enroll in a medigap plan. Federal law mandates a six-month open-enrollment period for medigap, which starts the first month you have Part B and are 65 or older. During this period, plans can't charge higher premiums if you have a preexisting condition, such as diabetes or heart disease. You can cancel a medigap plan after 30 days and receive a full refund; however, if you decide after that to switch to original Medicare, medigap plans can charge you a higher rate or decline to cover you. This could be a problem if you've developed a serious illness, which is one of the most common reasons retirees decide to switch to original Medicare. So it's wise to view your

COVERAGE FOR VETERANS AND FEDERAL GOVERNMENT RETIREES

If you're eligible for TRICARE, the health insurance program provided to members of the military and their families, you'll still need to sign up for Medicare Part A and B when you qualify for benefits. But once you do that, you'll be automatically eligible for TRICARE For Life. Your spouse will also be eligible for TFL when he or she turns 65. TFL covers most of your deductibles, coinsurance and copayments, so you won't need to enroll in a medigap plan. However, to keep that coverage, you must pay Part B premiums; you'll lose it if you fail to sign up for Part B and pay the monthly premium. TFL also includes a prescription-drug benefit, so if it meets your needs, you won't need to sign up for Part D.

Federal workers who have been continuously enrolled in the Federal Employees Health Benefits (FEHB) program for at least five years are eligible to continue their coverage when they retire. (Spouses are also eligible if they've been covered by the plan.) As long as you pay the premiums, which vary depending on the FEHB plan you choose, you'll be eligible for the same coverage you received while you were working.

Your FEHB benefits will cover you whether or not you enroll in Medicare, but signing up for Medicare when you're eligible could reduce your out-of-pocket costs, says Wes Battle, a certified financial planner in Rockville, Md., whose practice includes many federal-government employees. Part A, which includes hospital care and is free for most beneficiaries, could cover deductibles, coinsurance and other charges not covered by your FEHB plan. If you enroll in Part B, you'll have to pay monthly premiums to Medicare in addition to the premiums you pay for your FEHB plan, but Part B will cover expenses that aren't covered (or are only partially covered) by your FEHB plan. For that reason, paying both premiums could eventually pay off if you require a lot of care when you're older, Battle says. Keep in mind, too, that if you decline to enroll in Part B but change you mind years later, you'll probably be subject to stiff late-enrollment penalties.

FEHB also provides prescription-drug coverage for eligible retirees, so you may not need to enroll in Part D, which imposes a monthly premium. However, you should compare your FEHB coverage to Part D plans available to you to see which plan best meets your needs.

choice of a medigap plan as a long-term commitment, says Parker, co-founder of the advisory firm Chapter. His rule of thumb: "Date your Medicare Advantage and Part D plans but marry your medigap plan."

There are some exceptions to this medigap restriction. If you sign up for Medicare Advantage and switch to original Medicare during the first year of coverage, you have the right to medigap coverage at the same rate as new beneficiaries. And four states—Connecticut, Maine, Massachusetts and New York—require medigap providers to guarantee coverage to seniors who switch plans. However, these states have higher medigap premiums than states that don't require guaranteed coverage, according to an analysis by the Center for Retirement Research at Boston College.

CHOOSING A MEDIGAP PLAN

Parker recommends signing up for a medigap plan before your enrollment in Medicare Part B becomes effective. That way, your Medicare and medigap coverage will start at the same time.

Medigap plans are identified by capital letters—A through N—and each lettered plan is required by law to offer the same standardized coverage. So, for example, Plan A benefits from one insurer must match Plan A benefits from another insurer. The only difference is how much you'll pay in premiums, which vary based on the insurance provider and where you live. In choosing a plan, you should consider the monthly premium, the amount of coverage available and your out-of-pocket costs. For example, Plan A charges a low monthly premium—about $71 for a female nonsmoker in Virginia—but it doesn't cover care in a skilled nursing facility or the Part A deductible.

Plan F, which was widely popular because it offered the most generous benefits—including coverage of the Part B deductible—is no longer available to those who became eligible for Medicare on or after January 1, 2020. Plan C, which also covered the Part B deductible, is closed to new beneficiaries, too. (Beneficiaries already enrolled in those plans can keep that insurance.) With Plan F out of the picture, Plan G has become one of the most popular choices because it offers the most comprehensive coverage. For example, Plan G covers "excess charges" by doctors who don't accept the full Medicare-approved amount as payment (excess charges are banned in some states). Premiums range from $85 to $145 a month, depending on where you live. Plan N offers similar benefits to Plan G for a lower premium but doesn't cover excess charges.

Just as you would when choosing a Medicare Advantage plan, you should consider your future health needs when selecting a medigap plan. Although you can save on premiums by enrolling in Plan A or Plan B, that choice could end up costing you if you end up needing a lot of hospital care. As is the case with employer-provided health insurance, you can also choose plans that charge a lower monthly premium in exchange for higher out-of-pocket costs. Here, again, your choice will depend on the amount of health care you expect to need.

Medicare offers a tool you can use to review medigap plans in your zip code at *www.medicare.gov/medigap-supplemental-insurance-plans*.

WHERE TO GET HELP

State Health Insurance Assistance Programs (SHIPs) offer free and unbiased insurance counseling and assistance to Medicare-eligible individuals, their families and caregivers. SHIP counselors are trained to help you understand original Medicare, Medicare Advantage, Medicare prescription-drug coverage, supplemental insurance options (medigap) and long-term-care insurance. Go to *www.shiphelp.org* to find a counselor in your state.

A licensed Medicare insurance agent can help you sort through Medicare Advantage, Part D and medigap plans and choose one that's right for you. Look for an independent agent who works with a number of carriers, not just one. K

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Fundamentals

BREAKING UP WITH YOUR BROKER

Be aware of these challenges when you move your money to a new home.

PRACTICAL PORTFOLIO BY KIM CLARK

MAYBE you're unhappy with your portfolio. Or the fees on your investments seem too high. Or you struggle to get questions answered. It's tempting to shoot off a "you're fired!" message to your financial adviser, broker or brokerage house.

But as satisfying as that might feel, impulsive action could expose you to tax liabilities or cause you to repeat the errors that aggravated you in the first place. "I can't think of too many things where acting impulsively and quickly usually works out better than coming up with a plan," says Elliott Appel, a certified financial planner based in Madison, Wis.

Before you make any decisions, let your emotions settle by writing down the minuses and pluses of your current adviser or platform. "Writing forces you to slow down" and allows you to think more rationally about this important decision, advises Samantha Lamas, a senior behavioral researcher at investment research firm Morningstar.

Evaluate your grievances carefully. If you're unhappy with your fees, for example, research what competitors charge for the services you want. If you think your returns are subpar, check your returns against index funds that are suitable for your goals and risk tolerance, says Jim Dahle, author of *The White Coat Investor*. Look beyond oft-cited indexes such as the all-stock S&P 500, Dahle says. Instead, he suggests comparing your results over as long a time as possible against a few target-date funds with asset allocations to bonds and other lower-risk assets appropriate to your situation.

If you still want to make a change, Lamas suggests comparing your new options against a checklist of what's important to you to make sure you don't end up in a similar circumstance. Once you've found your alternative, start the process of opening new accounts there. Your new adviser or brokerage will help you transfer your portfolio.

Before your assets are transferred, make sure you have your own records in case of a dispute. Log in to your original account and download all important documents, including recent statements, portfolio summaries, tax documents and messages, advises Daphne Jordan, a Texas-based CFP and member of the board of the National Association of Personal Financial Advisors.

Once you've settled on a new home for your portfolio and backed

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up your files, you can safely fire your broker or brokerage. Your new adviser or brokerage can manage much of this, but it pays to read any agreement you signed with your original adviser or brokerage to find the firm's specific account closure procedures. Some advisers and brokerages, for example, require written notification, charge fees for account closures or fund transfers, and give themselves as much as two weeks to complete the requested transfer.

The big move. As in any type of breakup, ending a relationship with a human adviser or broker can be painful. But it can be handled gracefully. If you don't mind a potentially difficult conversation, NAPFA's Jordan says advisers appreciate the courtesy of a call and an explanation of your decision. If that's too much to muster, however, a drama-free path is to just let your new adviser handle everything, she says. If your new adviser uses the same brokerage platform as your old adviser, in many instances a simple phone call to your brokerage will immediately remove the old adviser from your accounts. You'll have to fill out a form to add a new adviser, but that process usually takes only a day or two, says Richard Zak, a regional market executive for Charles Schwab. "Your account numbers don't change. Your log-ins and passwords don't change. It's very easy," he says.

Changing brokerages, on the other hand—jumping from Vanguard, say, to E*Trade, Fidelity or Schwab—is more challenging. Switching these so-called custodians of your portfolio requires careful attention, can take weeks to complete, and can result in fees and extra taxes.

One of the most common ways that investors trip up is by filling out transfer forms incorrectly, say brokerage officials. Mistakes or omissions can give the original brokerage grounds for refusing the transfer, and that will cause delays as you correct and refile your transfer request. You must attach a recent statement of each account you want to transfer, for example. And investors need to use the specific transfer request form for their situation. Transferring an IRA to Fidelity, for instance, requires a different form than transferring a taxable account. Details matter. When transferring a trust, says Schwab's Zak, you must fill in the exact legal name of the trust, as well as the exact legal name of the trustees in their correct roles (such as who is the primary trustee) to match the names and roles on the original accounts. In other words, you can be delayed by a simple oversight such as filling in a nickname like "Tom" Smith instead of, say, Thomas J. Smith, if that's what appears on the original account.

The entire process of finding a new brokerage, creating new accounts, filing all the forms and transferring your portfolio can take several weeks. The transfer stage is the most crucial part and can take the most time. Most major brokerages participate in a system called the Automated Customer Account Transfer Service, often referred to by its acronym, ACATS. If you use the online system and fill out all your forms correctly, the transfer should take no more than six business days, according to the Securities and Exchange Commission. But you should expect longer waits if you make any mistakes in the online forms or if you use paper forms instead. That potential for delay is one reason Miguel Gomez, an El Paso, Texas-based CFP, advises his clients who rely on cash withdrawals from their investment accounts to withdraw enough to cover several extra weeks of expenses before starting a transfer.

IF YOU WANT TO MAKE A CHANGE, COMPARE YOUR NEW OPTIONS AGAINST A CHECKLIST OF WHAT'S IMPORTANT TO YOU TO MAKE SURE YOU DON'T END UP IN A SIMILAR CIRCUMSTANCE.

Keep an eye on costs. Some brokerages charge account closure or transfer fees, typically ranging from $50 to $150 per account. But bigger potential costs can arise when you transfer your portfolio. The simplest and cheapest option is to have all investments transferred "in kind." That way, your 100 shares of Microsoft, say, get shipped over to your new account without triggering any potential tax liability. Unfortunately, that's not always possible. Many brokerages offer proprietary mutual funds or other investments, such as annuities, that won't transfer. Selling those proprietary investments to move cash can be costly. Redeeming insurance products bought within the past several years often incurs surrender charges, for example. And if you sell proprietary investments held in taxable accounts for a profit, you'll face taxes on those gains.

If you decide instead to keep those proprietary investments, you'll have the hassle and costs of maintaining and managing both your old and new accounts. If you no longer need or want to be served by an adviser associated with the old account, Appel suggests asking to be assigned to a "house" account, which typically means you are served by just the company's support team. ■

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Navigating Finances as a Blended Family

Money matters can get complicated when two families unite. Planning is key.

FAMILY FINANCES BY ELLA VINCENT

NONTRADITIONAL families are becoming more traditional. For more than 20% of opposite-sex couples who lived together in 2021, at least one partner had children with another partner, according to the most recent data available from the U.S. Census Bureau. And there were more than 2.4 million stepchildren in the U.S. in 2021, according to the Census Bureau.

If you're planning to become part of a blended family, consider these financial issues as you and your spouse start a new life.

Prepare with a prenup. Before you tie the knot, consider signing a prenuptial agreement (and don't wait until the last minute to accomplish this task). A prenup can determine how your assets will be divided among your children from a past marriage along with any future children or grandchildren you have with your current spouse. For instance, if you have a house from your first marriage that you want children from that marriage to inherit, you could designate that as separate property in your prenup. Additionally, your prenup can spell out whether you or your partner will receive spousal support if the marriage ends, which could be critical if you have minor children from your first marriage, your current marriage or both.

You may want to use your prenup to outline whether you'll be responsible for debts your spouse brings to the marriage, which is particularly important if your spouse is paying child support. A prenup will help clarify how you'll handle premarital debt as well as debt you incur after the marriage. Without a prenup, a judge could hold you responsible for your spouse's debt if you divorce in one of the nine community-property states, even if the debt is not in your name.

A prenup can also help couples address different spending habits and expenses related to children from previous marriages, says Cameron Normand, chief executive officer of Stepfamily Solutions, which provides educational resources to blended families. "You don't want to have these conversations after the fact," she says. "It's not what you're thinking about when you get married, but conversations about money can alleviate a lot of stress."

A prenuptial agreement can determine how your assets will be divided among your children from a past marriage along with any future kids or grandkids.
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When Cameron became a stepmother to four children, she and her husband, Craig, set up a joint checking account for pooled expenses, such as their mortgage and monthly bills, and separate checking accounts for individual expenses, such as Craig's child-support payments and expenses related to Cameron's business.

Shweta Lawande, a certified financial planner with Francis Financial, suggests clearly delineating how you'll split expenses for your kids, such as funding a 529 college-savings plan. You can do this on a spreadsheet or with help from a financial planner.

Not all expenses can be kept separate, which is why it's important to have a family budget. For example, Cameron and Craig share educational costs for his stepchildren, including expenses for after-school sports and school supplies.

If your stepchildren are of college age, your remarriage will affect their eligibility for financial aid. Cameron recalls that when one of her stepchildren applied to college, her financial information, as well as Craig's, had to be included in his financial aid applications. Even if

you're not contributing to your stepchild's educational costs, federal law requires that your finances must be included on your stepchild's Free Application for Federal Student Aid (FAFSA), which the federal government as well as colleges and universities use to determine aid eligibility.

Update your estate plan. After her marriage, Cameron updated her will, life insurance, health care directive forms and other crucial documents to include her husband and stepchildren as designated beneficiaries. If you don't update these documents, your current spouse may not be able to manage your finances and health care decisions if you become incapacitated, and your former spouse may inherit some of your assets. You should also update beneficiaries for your retirement plans, such as IRAs and 401(k)s. Even if your will states that you want your new spouse to inherit those accounts, the first will inherit them if he or she is listed as the beneficiary, says Tim Maurer, a CFP and chief advisory officer at Signature FD. A divorce decree doesn't override a beneficiary designation.

Everyone needs a will or trust, but it's especially important to have a solid estate plan if you're in a blended family. Otherwise, your estate will be distributed according to the probate laws of your state, and those laws generally default to your spouse and biological or legally adopted children—not stepchildren—when they reach the age of majority. Plus, if you fail to update your estate plan, your adult children from your previous marriage could be disinherited in favor of your second spouse.

Tasha Dickinson, estate attorney and partner at Day Pitney LLP, recommends that you and your spouse consult with an estate attorney to create a revocable trust—also known as a living trust—that determines how assets will be distributed among your new family and children from your previous marriage. A living trust is a legal agreement that allows you, the grantor, to control how your assets are managed and distributed during your lifetime and after your death. This document should include a designated trustee who is responsible for managing assets in the trust according to what's best for its beneficiaries. You can amend it to include more beneficiaries from your blended family if you and your new spouse have more children.

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Everyone needs a will or trust, but it's especially important to have a solid estate plan if you're in a blended family.

In addition to a living trust, Maurer suggests that you and your spouse create a testamentary trust to determine how assets will be distributed to your children after your death. A testamentary trust is created by your will and, unlike a living trust, goes into effect only after you die. This tool is often recommended for couples who have minor children and want to impose some restrictions on how the inheritance is distributed. The terms of a testamentary trust can't be changed after the death of the individual who created it, known as the testator. ■

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DO YOU NEED UMBRELLA INSURANCE?

A policy can protect you from financially devastating events.

BASICS BY ELLA VINCENT

INSURANCE is supposed to shield you from significant financial losses in the event of a disaster, such as a fire, car accident, medical emergency or unexpected death. But sometimes, your insurance doesn't go far enough or cover all of life's misfortunes. For that, you may need umbrella insurance.

An umbrella insurance policy provides additional coverage outside the limits of other policies you have, along with certain expenses not typically included in your existing insurance policies. For example, umbrella insurance protects you if a guest in your home falls and sues you for damages, if you're sued for libel or slander, or if you're involved in a catastrophic car accident that seriously injures another person. (Circumstances that umbrella policies typically don't cover include liability or damages related to your business, your personal belongings, or oral or written contracts.)

Peter Piotrowski, chief claims officer at insurance provider Hippo Insurance, says people who own potentially aggressive dogs or high-risk possessions, such as a swimming pool, should consider adding an umbrella policy. He also recommends purchasing umbrella insurance if you have teenage drivers, since they're more likely to get involved in an accident that exceeds coverage provided by your existing car insurance. Additionally, umbrella insurance is a good idea if you have a high net worth—say, $500,000 or more—because individuals with a lot of assets are more likely to get sued, he says.

To qualify for an umbrella insurance policy, you must already have homeowners and auto coverage. In addition, you'll usually need to have at least $250,000 of liability coverage on your car insurance policy and $300,000 of liability coverage on your homeowners policy, according to the Insurance Information Institute.

You may be able to get a discount on your policy if you bundle it with your car or home insurance, depending on the amount of umbrella insurance you purchase and your state of residence. If you're shopping around for a stand-alone umbrella policy with a new insurer, you can comparison shop on websites such as *www.valuepenguin.com* and *www.thezebra.com*.

Figure out how much coverage you may need. Add up the value of all your assets, including the amount of equity in your home and the value of your brokerage and retirement accounts. Kiplinger provides a calculator you can use to estimate the amount of coverage you need at *kiplinger.com/kpf/umbrella-insurance*.

If you have a teenage driver or a high net worth, you should consider an umbrella insurance policy.

The application process for umbrella insurance is similar to that for other types of coverage. You'll need to submit info about your income, assets and existing insurance policy limits before gaining approval. The amount of insurance you need will vary depending on your location, age, credit history and other factors, says Divya Sangameshwar, insurance expert with ValuePenguin, a consumer website that provides insurance research and analysis.

The cost. Umbrella policies are usually sold in increments of $1 million of coverage, up to $5 million. Premiums for $1 million in umbrella coverage range from $150 to $350 a year, and annual premiums on policies of $2 million to $5 million can range from $650 to $1,000, Sangameshwar says. As is the case with other types of insurance, rising labor costs and an increase in catastrophic weather events have led insurers to raise umbrella insurance premiums. The number of umbrella insurance claims more than doubled between 2010 and 2020, and the size of payouts increased by 67%, according to Safeco Insurance, a division of Liberty Mutual. ■

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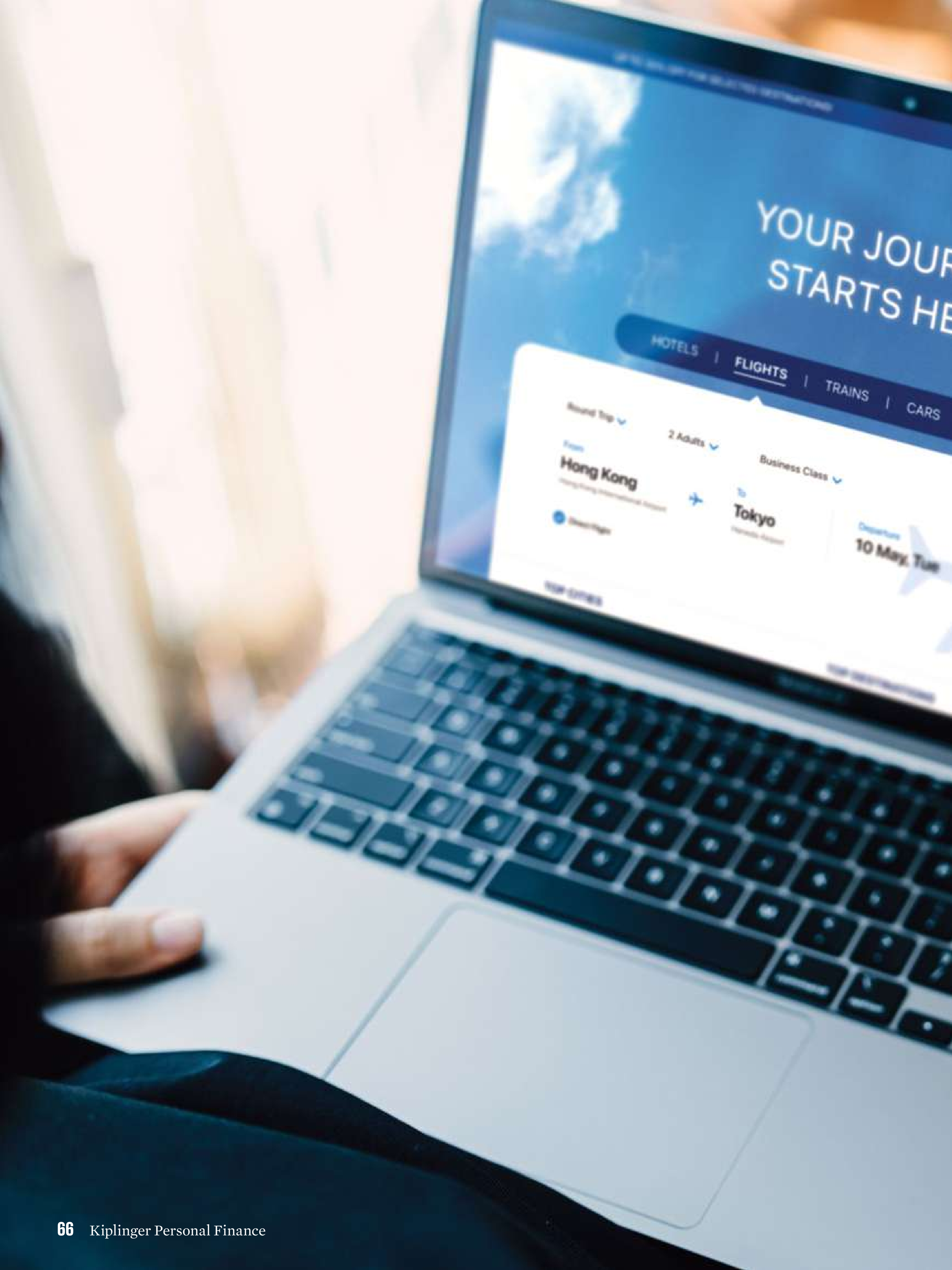
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MAXIMIZE YOUR CREDIT CARD REWARDS

Your cash back, points or miles may be worth hundreds—or even thousands—of dollars each year, if you know the best ways to earn and use them.

BY LAURA PETRECCA

EARNING rewards based on your credit card spending can be thrilling. After all, who doesn't love to get more bang for their buck?

Used strategically, "rewards are free money," says Ted Rossman, senior industry analyst for CreditCards.com and Bankrate. For instance, Rossman earned more than $2,300 in cash back last year by paying for everyday expenses such as food, gas and streaming services for his family of four using three credit cards: American Express Blue Cash Preferred ($95 annual fee, waived the first year), Chase Freedom Flex and Wells Fargo Active Cash. "That's meaningful," he says. "Credit card rewards are an inflation buster."

As the holiday season approaches, this is an ideal time to get some extra cash back in your bank account, as well as to capitalize on credit card perks that can make everything from gift buying to travel more affordable and enjoyable. (Just make sure you pay off your credit card balance in full each month to avoid interest charges.)

Ready to get more out of your credit card rewards? Here's what to do.

UNDERSTAND YOUR CURRENT CARD'S REWARDS

Familiarize yourself with the rewards that each of your credit cards provide. Rewards typically come in one of three forms: cash back as a percentage of your purchases; points, which can be redeemed for items and services such as merchandise, gift cards, cash and travel; or miles, which are mainly exchangeable for travel-related awards, such as flights or hotel stays.

To get details, call your credit card issuer's customer service line or look up your benefits on its website or app. When you review rewards information online or on paper, pay attention to the asterisks and plus signs that designate footnotes, as they often list additional perks and restrictions. "Read the fine print," advises Daisy Hernandez, credit cards editor at The Points Guy, a website that provides tips and tools for managing

GETTY IMAGES (INCLUDING PREVIOUS SPREAD) rewards. There may be limits, for example, on the total amount of rewards you can earn in a certain category or over a specific period.

Then make a list of which cards are best to use for specific spending situations, such as buying groceries, getting gas and dining out. For instance, you may get 6% cash back on groceries with one card and 2% cash back with another. In that case, you'll want to pull out the former when you shop for food. "Know the ins and outs of your program, and match your lifestyle to your card," says Rossman.

If memorization isn't your strong suit, create a quick-reference guide that lists which cards to use for different purposes. Keep it in a handy place, such as in your wallet or the notes app on your phone. You can even jot down details directly on your credit cards in permanent marker or wrap the card in a sticky note that specifies where to use it.

Keeping track may feel daunting at first, but you'll eventually develop a routine, says Hernandez. "It can take a little while to get there, but once it's set in your head, you'll automatically know what to reach for," she says.

EXPLORE OTHER CARDS

If you're still using a credit card that you opened decades ago, it's likely time for an upgrade. In fact, all of your low- or no-reward cards might need a refresh. "If you have old cards languishing, there's probably something better out there for you," says Rossman.

But be aware that if you close any of your existing cards, eventually they'll stop contributing to the length of your credit history—and a long credit history boosts your credit score. (Accounts that are closed in good standing, however, remain on your credit report and contribute to your credit-history length for up to 10 years.) In addition, your overall credit limit among all the cards you have will decrease when you close a card. If you have balances on other cards that you keep open, your credit-utilization ratio—the percentage of available credit that you use on your cards—could rise, and a high utilization ratio hurts your credit score. It's often best to leave a card open even if you don't plan to use it much, unless you're paying an annual fee.

Alternatively, you could ask your issuer about a "product upgrade," which allows you to switch to a different card from the same provider while keeping your account history and available credit. You can also explore getting a completely new card that matches your spending patterns and goals. To see a list of Kiplinger's favorite rewards credit cards in a dozen categories, go to *kiplinger.com/kpf/rewardscards*.

Avoid applying for several credit cards at once. Each application creates a "hard" inquiry from the lender on your credit report, and multiple card inquiries that appear in a short period can ding your credit score. The general advice is to apply for credit no more than once every six months or so, says Rossman.

The holiday season can be an ideal time to apply for a new card. Many come with sign-up bonuses of extra cash or other perks, which can offset gift-buying bills or help with travel expenses. In addition, you often need to spend a certain amount to earn those bonuses, which can tie in nicely during a period when most people naturally increase their spending.

Before applying, carefully assess a card's advantages and restrictions. Check to see whether it has an annual fee. If so, make sure the rewards will outweigh the cost for you. As an example, Hernandez says that one of her credit cards has a $95 annual fee. Yet she's earned more than five times that amount back in rewards within a year. "That card is more than worth it," she says. "That's money back in my pocket."

Both she and Rossman caution that you should sign up for a new card only if you can pay off the balance in full each month. Also, prioritize paying off any existing credit card debt before opening a new card. "If you have credit card debt, don't play the rewards game," says Rossman. "It's not worth paying 20% interest to get 1%, 2% or even 5% in cash back."

When choosing the card that's best for you, use a "know thyself" approach, he adds. Find one that matches your preferences, spending style and comfort level.

In general, you'll get the most value if you redeem your rewards in a way that aligns with your card's primary purpose.

If juggling multiple rewards cards feels overwhelming, you can still reap significant value from a basic card that offers 2% cash back on all spending. In fact, for many people, a 2% card could outperform a card that gives you, say, 5% in one category and 1% on everything else. Consider Citi Double Cash and Wells Fargo Active Cash, which both offer 2% back on everything you buy.

SUPERCHARGE YOUR REWARDS

In general, you'll get the most value if you redeem your rewards in a way that aligns with your card's primary purpose, says Rossman. If you have a travel card, it's usually best to redeem points or miles that you earn with it for travel-related perks. With Chase Sapphire Preferred ($95 annual fee), for example, points are worth 1.25 cents apiece when you use them to book reservations through Chase Travel; otherwise, you get a value of

1 cent per point if you redeem them for cash back or gift cards. With many American Express cards, point values are often strongest if you trade points for certain travel-related purchases, such as flights booked through American Express Travel.

If you have a standard cash-back card, resist the urge to use your rewards when shopping online or paying at a store checkout counter; the redemption value is usually weaker than what you'll get if you exchange the rewards for a statement credit or a check. "Normally, when you redeem at Amazon or another retailer, you'll get a rate of something like 0.8 cent per point," Rossman says. (Some cash-back cards issue rewards as points, which can be redeemed for cash or other options.) "Whereas with a statement credit, you're going to get a full cent per point. So if you have a 2% cash back card and you redeem your rewards at Amazon, you're probably getting the equivalent of about 1.6% cash back."

Your cards may snag you hard-to-get reservations at top restaurants, better seats on a flight, or access to more-convenient parking areas at events.

But there is a method to get better value out of points or miles when you redeem them with retailers, airlines and hotels that you frequently patronize: Use a co-branded credit card. Co-branded cards, such as the Delta SkyMiles Gold American Express card ($150 annual fee, waived the first year) and the Amazon Visa and Prime Visa cards, often offer the best rates when you use rewards to make purchases from the corresponding brand.

Another way you can earn extra rewards and score discounts is by shopping through your credit card's online portal, which may offer everything from beauty products and electronics to travel-related purchases. Keep an eye out for notifications about special offers and promotions through which you can get additional benefits during a certain period, such as the holiday season. In general, you'll have to opt in for these deals.

While it's easy to get caught up in the excitement of maximizing rewards, it's also critical to make decisions based on your needs and desires. "Consider your financial goals," Hernandez says. Do you want cash back to use on gifts? Are you aiming to earn enough miles for a free flight to your friend's New Year's Eve extravaganza? Or do you desire enough points for a free night at a hotel, so you have somewhere to stay when attending family get-togethers? These decisions should all factor into which cards you choose to prioritize.

→ DON'T OVERLOOK THESE EXTRAS

Many credit cards offer even more perks and protections than you might realize. "Certain cards will give you everything from rental car insurance to trip cancellation and interruption protection to coverage for lost or delayed luggage," says Ted Rossman, senior industry analyst for CreditCards.com and Bankrate. "Some airline cards will give you a free checked bag for each member of your family when you travel, which can save you a ton of money."

Here are some of the many benefits to check into:

- A credit to cover the cost of an application for TSA PreCheck, Global Entry or CLEAR Plus, all of which provide expedited security screening at the airport. If you already have these services or don't need them, you can use the credit to pay for someone else's application and still get reimbursed, says Daisy Hernandez, credit cards editor at The Points Guy, a website that provides tips and tools for managing rewards.
- Extended-warranty coverage and purchase protection, which provide a repair, replacement or reimbursement if eligible merchandise is damaged or stolen. These benefits, which usually provide coverage within a certain window of time, often apply to items such as TVs, appliances and cell phones. Note that you typically need to pay for the item with the credit card to get coverage. (In the case of your cell phone, you usually must pay the monthly bill with that card, and a deductible may apply if you have to replace the phone.)
- Limited roadside-assistance services, such as tire changes, jump starts and short-distance towing. These benefits vary, and fees may apply.
- Credit-score updates and identity theft protection, which may include monitoring of your credit reports for signs of fraudulent activity and assistance with recovery if you become an ID theft victim.

ACCESS EXCLUSIVE EXPERIENCES AND EVENTS

Certain credit cards can grant you early, exclusive and even free entry to a wide range of experiences, from concerts and music festivals to theater performances, museums and sporting events.

For instance, holders of Capital One Visa and Mastercard credit and debit cards were able to access an allocation of presale tickets for Taylor Swift's The Eras Tour. And Bank of America credit and debit card holders get free general admission during the first full weekend of every month to more than 225 U.S. cultural institutions, which include space and science museums, botanical gardens, and cultural centers.

In addition, your cards may snag you hard-to-get reservations at some of the world's top restaurants, better seats on a flight, or access to more-convenient parking areas at events. You may also enjoy entry into airport and venue lounges that often have Wi-Fi, complimentary snacks, and free or discounted drinks. At hotels, you may get free breakfast, late check-out, and dining and spa credits. "It's the whole champagne-travel-on-a-beer-budget kind of thing," says Rossman.

If you're planning to catch any shows, be sure to check out your card's perks. For instance, Chase cardholders who plan to attend the Christmas Spectacular Starring the Radio City Rockettes in New York City can get preferred seating and 20% off food and nonalcoholic beverages.

You may even come across perks that benefit the kids. For instance, families who have the Disney Visa card can get special access to Disney and Star Wars characters at Walt Disney World.

And if the holidays are a time when you give back to others, your rewards can help there as well: Many credit card issuers allow you to exchange rewards for charitable donations.

GETTY IMAGES

MONITOR AND MANAGE YOUR REWARDS

Staying on top of your credit card rewards takes some effort, but you'll make the most of what you have coming to you if you're organized. For starters, make sure you know whether your rewards will expire. Most credit card programs don't impose expiration dates on rewards you earn while your account remains in good standing. But there are exceptions, so check your card's terms.

Along with staying on top of the cash back, points or miles you've earned, it's important to track one-time or yearly perks such as a free night at a hotel, complimentary streaming-service subscriptions, or shopping credits at select retailers. Also monitor annual fee amounts and their renewal dates, and check your issuer's policies on account inactivity if you rarely use a card; the issuer may lower your credit limit or close the card if you don't use it much.

Many credit card issuers have apps and online dashboards where you can track rewards, view your benefits and activate offers. Third-party apps, such as those from AwardWallet, MaxRewards, CardPointers and The Points Guy, can help you to monitor your rewards, too.

For Hernandez's part, she keeps tabs on her seven personal credit cards in a more traditional, hands-on way. "I track everything on a spreadsheet," she says. This approach helps her stay on top of perks, annual fees and more. "I want to make sure I'm getting the most value out of my cards."

If you have questions or comments about this article, send an e-mail to feedback@kiplinger.com.

MAKING A DIFFERENCE IN THE LIVES OF DISABLED VETERANS

He suffered grave injuries in the line of duty. Now he helps other veterans who have disabilities.

INTERVIEW BY EMMA PATCH

Can you tell us about your own military service and how it has influenced your life? I was a young man when I joined the U.S. Army, and I deployed to Kosovo for a peacekeeping mission with the United Nations in 2001. While I was there, I was exposed to toxins in the dust of a dirt road, causing a chemical burn in my body. It attacked my lungs, and I suffered a brain injury from the lack of oxygen. I spent two months in a coma in a German medical facility and was at death's door. They even mailed a burial flag to my mother.

I hung on and made it home, but I had lost a lung and about 100 pounds of body weight. I was an athlete, and I used to play sports with my children, but I couldn't move when I came home. At Walter Reed, the military medical center, they told me I was medically retired, and I just cried and cried. I felt like I had failed my country, my unit and my family. For a long time, the only feelings I had were anger and hatred, but I never really showed it.

ADAM GREATHOUSE
U.S. Army veteran and volunteer with Disabled American Veterans
Kenna, W.Va.

What eventually motivated you to start helping other disabled veterans? I ended up finding the true brotherhood and sisterhood of the U.S. Army that I missed so much at a recreational-therapy winter sports clinic for disabled veterans in Colorado. That's what really turned things around for me. It took 11 years to get there after my injury, and I was holding on by a thread every day until then. The experience saved my life. That's why I chose to volunteer for the DAV [Disabled American Veterans], a nonprofit dedicated to helping disabled veterans and their families.

What kind of volunteer work do you do for the DAV? I have numerous roles. As a department commander, I check in with various DAV chapters to make sure all is going well. I also oversee the driving program. Volunteers with the driving program take veterans to their appointments at the nearby VAMC [Veterans Affairs Medical Center]. They also haul medical equipment, such as scooters and medical beds, to and from veterans' homes.

I've been involved with a disaster-relief program, too. When floods hit West Virginia last year, we supported veterans as they filed insurance claims, and we provided direct financial assistance, handing out $12,000 to veterans for hotel rooms, clothes and other needs before the Red Cross, FEMA [the Federal Emergency Management Agency] and other relief groups came through.

How do you balance your own needs and limitations with your volunteering commitments? There's no magic pill for what I deal with. A lot of us veterans like to stay as busy as possible. If you have PTSD or significant physical injuries, that really can harm you mentally. I go to the mental health clinic at the VAMC, and I'm also the chairman of its mental health council because I want to be a stigma buster. I know what it feels like not to trust anybody, so I try to make other veterans feel comfortable asking for help.

I wake up, and when my feet hit the ground, I treat every day as a gift—I don't take anything for granted. I'm able to walk to the bathroom by myself and go to the refrigerator to get a drink. I believe I was spared for a reason, and I love what I do, helping other veterans. It motivates and pushes me every day.

PHOTO COURTESY OF STACY GREATHOUSE