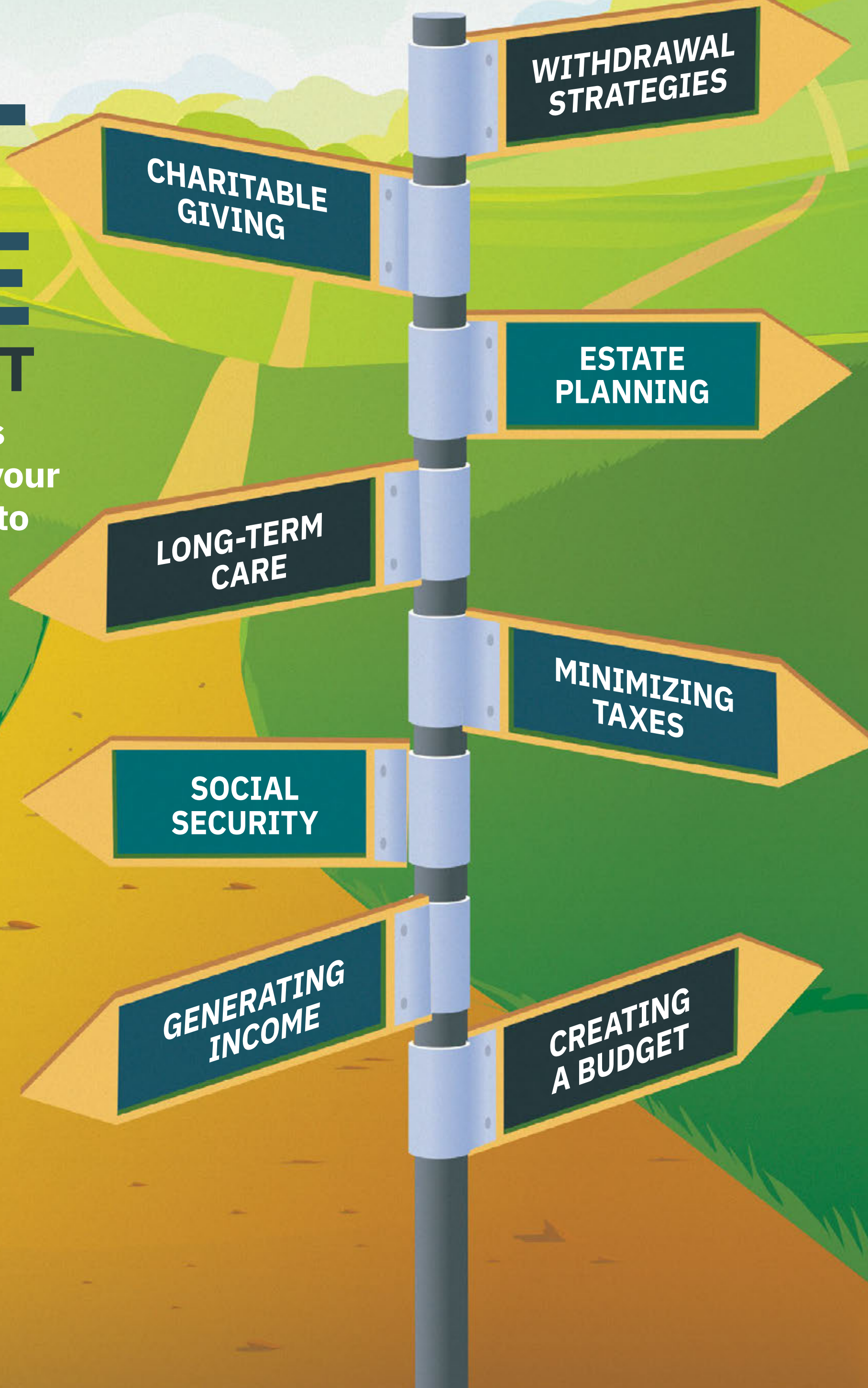
OUR GUIDE TO OFF-PEAK TRAVEL BARGAINS p 66

Kiplinger PERSONAL FINANCE

GET THE RIGHT ADVICE IN RETIREMENT

Big financial services firms want to help you manage your money. We show you how to evaluate the options. p 52



Infrastructure Stocks and Funds to Buy Now p 18

Smart Estate Planning for Every Situation p 40

FEBRUARY 2025
$7.95 www.kiplinger.com


Charleston
SOUTH CAROLINA
Beaufort
Hilton Head Island
Savannah
GEORGIA
Intracoastal Waterway
St. Simons Island
Jekyll Island
Amelia Island/ Fernandina Beach
Jacksonville
FLORIDA


9000

February

Contents

Kiplinger Personal Finance | Founded in 1947 | Vol. 79 No. 2

COURTESY OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

Updates to airports are only a part of the increase in infrastructure spending.

↑
Cover illustration by Giordano Poloni

LETTERS

5 **Living in a 55+ Community**
Plus your thoughts on thousand-dollar ideas and the Social Security cost-of-living adjustment.

FROM THE EDITOR

6 **Show You Care With Smart Planning**
Drafting a will and other estate-planning documents can protect your loved ones.

AHEAD

9 **Topic A**
How the second Trump term could affect your finances ... Confronting the challenges facing the U.S. retirement system ... Medicare Part B premiums to rise 6% in 2025.

16 **Briefing**
Bitcoin gets a post-election boost ... What to do with unused gift cards.

INVESTING

18 **Cash In on the Infrastructure Building Boom**
We found stocks and funds that stand to benefit as firms “re-shore” many industries in the U.S. and the government upgrades roads, bridges and more.

26 **The Pros and Cons of Private Debt**
Ordinary investors can now buy funds that hold loans made to nonpublic companies.

30 **Is a Lost Decade Ahead for Stocks?**
Some are predicting the market’s high valuations will translate to years of tepid gains.

32 **Street Smart**
How to hedge against tariffs, by JAMES K. GLASSMAN.

37 **Income Investing**
Aim for the middle of the curve, by JEFFREY R. KOSNETT.

↑ 66

Enhance your travel experience by choosing a better time to go.

35 **More About Investing**
ETF 20 update (35). ETF spotlight (36). Mutual fund spotlight (38).

MONEY

40 **Estate Planning: Protect Your Wishes and Your Legacy**
The courts will decide who gets your property unless you have proper, up-to-date legal documents in place. Here's what you need to know.

46 **Check Your College's Financial Health**
Some small schools are struggling as enrollment shrinks and expenses rise.

50 **Kiplinger Advisor Collective**
Shield yourself from fraud.

51 **Credit/Yields**
Should you use add-on CDs?

RETIREMENT
COVER STORY

52 **Get the Right Advice in Retirement**
Your financial services firm likely offers planners who can assist you post-retirement. Find out whether it's a good choice for you.

60 **Living in Retirement**
Lessons for retirement success, by JANET BODNAR

FUNDAMENTALS

62 **Practical Portfolio**
Brokers' apps and websites sometimes use subtle nudges to encourage excessive trading.

64 **Family Finances**
Give the gift of life insurance.

65 **Basics**
A tool to add to your ID theft arsenal.

REWARDS

66 **The Allure of Shoulder Season Travel**
Traveling at off-peak times can be less crowded, offer better weather and cost less.

PAYING IT FORWARD

72 **Empowering Families With Financial Planning**
A certified financial planner volunteers her services to people in need.

GETTY IMAGES

Kiplinger.COM

→ **Extra Tax Deduction for Those 65 and Older** The IRS announced inflation adjustments to credit and deduction amounts set to take effect in 2025, including the extra deduction for people 65 and older. **kiplinger.com/kpf/65-deduction**

→ **Should You Retire Early or Take a Sabbatical?** If you're itching to call it quits but not sure you're ready to retire early, taking a sabbatical may be just what you need. Here's how. **kiplinger.com/kpf/sabbatical-retirement**

→ **What a President Can Do About Inflation** Inflation was a key issue in the 2024 election, but what levers does a president have to help fix it? **kiplinger.com/kpf/president-inflation**

Kiplinger TODAY

Profit from the best of Kiplinger delivered to your e-mail inbox every weekday.

Sign up for our Kiplinger Today e-newsletter at **kiplinger.com/go/kiptoday**

FACEBOOK: KiplingerPersonalFinance
X (formerly Twitter): @Kiplinger
INSTAGRAM: @KiplingerFinance

HOW TO REACH US: Subscriptions. For inquiries about ordering, billing or renewing a subscription, or to report address changes, please have your mailing label handy to reference your account number and visit us online at kiplinger.com/customer-service or call 800-544-0155, Monday through Friday between 7 a.m. and 9:30 p.m. Central Time, or Saturday between 8 a.m. and 5 p.m. Central Time. You can also write to Kiplinger Personal Finance, P.O. Box 37234, Boone, IA 50037-0234, or send an e-mail to KPFservice@kiplinger.com. **Logo and accolade licensing, reprints and permissions.** Adcetera (call 713-522-8006 or e-mail Kiplinger@adcetera.com). **Content licensing.** E-mail licensing@futurenet.com. **Mailing lists.** From time to time we make our subscriber mailing list available on a one-time basis to carefully screened companies whose products may be of interest to you. If you would rather not receive such solicitations, send your mailing label to P.O. Box 37234, Boone, IA 50037-0234 and instruct us to exclude your name.

Letters

Living in a 55+ Community

After 15 years in a 55+ community in Pennsylvania, we moved out about a year ago ("Is a 55+ Community Right for You?" Dec.). In addition to rising homeowners association fees, one of the major reasons we left was the issue of "special assessments." When a serious stucco problem was discovered, each resident was hit with a $28,000 remediation fee, regardless of the amount of stucco their units had.
S. Miller, via e-mail

Here's something to keep in mind when shopping for a home. A retired friend of mine flips houses. About a year after he bought a 55+ house in a neighborhood that offered both a 55+ section and a section without age restrictions, he decided to sell. Then he realized that he had a smaller pool of potential buyers than the sellers of homes that weren't in the age-restricted area. He eventually sold the house, but it took a while.
Peter Burke, Henrico, Va.

I am 85, and my wife and I have lived in a continuing-care retirement community for seven years. With a CCRC, you typically move in as a healthy senior, and you can transfer into assisted living and ultimately skilled nursing care if your medical condition deteriorates. Your family does not need to worry about you needing to move in with them. My CCRC has excellent socialization and many sponsored activities. Food is provided for those who want it, and the property is maintained for you. All of our friends are convinced they made a good decision to live here.
Burton Endsley, Fairfield, Calif.

$1,000 IDEAS

Cruise prices are often listed per person with double room occupancy assumed ("The Power of $1,000," Dec.). So a $1,000 cruise price is likely to translate into a $2,000 price for two people. A few cruise lines have single rooms available, but the prices are not discounted that much for single travelers.
Donna Skelcy, Decatur, Ga.

Your article shared some great ideas, but pumping up an emergency fund is just one of many steps that should be taken to deal with the increasing number of disaster emergencies we are facing. Making your home more resistant to disasters or creating an emergency kit with two weeks of food and essentials are other important actions to consider.
Roland Arper, Port Orchard, Wash.

I recommend SimpliSafe for home protection. Its systems include break-in sensors; detectors for water leaks, smoke and carbon monoxide; indoor and outdoor cameras; and more. You can monitor and control the system with a phone app.
O.H.M., Little Rock, Ark.

SOCIAL SECURITY COLA

You may want to provide information on possible offsets to the 2.5% cost-of-living adjustment for Social Security benefits ("Retirees Will Receive a Lower Raise in 2025," Dec.). Last year, my wife's check was $40 less than it was the previous year, and mine was $4 less. My review at the time indicated that the culprits were increases to Medicare premiums as well as federal taxes on the benefits.
John Buyers, Bluffton, S.C.

EDITOR'S NOTE

Shares in Schwab U.S. Dividend Equity (symbol SCHD), a member of the Kiplinger ETF 20, split three-for-one after the close on October 9, 2024. The $85 share price shown on page 35 of our December 2024 issue ("This Bond Fund is Totally on Track") is, as noted in the article, as of September 30, 2024, and does not reflect the stock split.

CORRECTIONS

The 2025 Social Security cost-of-living adjustment of 2.5% is the smallest since 2021, when the COLA was 1.3% ("Social Security Beneficiaries Will Receive a Smaller Raise in 2025," Jan.).

The editor of *The Prudent Speculator* is John Buckingham ("7 Stocks to Buy In 2025," Jan.).

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.

Show You Care With Smart Planning

WHEN I assigned an article on estate planning for our February issue, I wasn't thinking about wrapping it into a Valentine's Day theme; it's not a topic that sparks thoughts of romance. But as I read the draft, it occurred to me that putting together a solid estate plan is one of the most loving things you can do for the people you care about. If you don't draw up a will to outline where you want your assets to go after you die, state laws will determine how your property is divided, leaving your family to contend with the court processes—and potentially creating tension and hurt feelings among them. If you don't have a living will in place, your loved ones may have to make heart-wrenching decisions about your end-of-life care.

The article that starts on page 40 runs through the basics of estate planning and offers tips tailored for those in specific circumstances, too, including singles, childless couples, unmarried partners and parents who have children with disabilities. Even if your estate plan is in good shape, it's wise to review it periodically to make sure it's up to date—and to refresh your memory of what you put in it. Our article prompted me to look over my own will and other estate documents, which I prepared years ago with the help of an attorney. I realized that now is a good time to remind the relatives whom I'd appointed as executors of my estate and guardians for my children of their status. And especially since I've moved a few times since I first drafted my estate plan, I'm also telling them where they can track down the documents should the worst happen to my husband and me.

If you have aging parents who haven't talked about their estate-planning wishes with you, sharing your own plan with them can be an avenue into a discussion about it. It's also not a bad idea to introduce yourself to any attorneys or financial advisers who work with your parents. Likewise, if you have adult children, make sure they're aware of your plans and know where your will and other documents are located. If they haven't put together their own estate plan, going over yours can be a good starting point in encouraging them to create one.

Another smart way to love and protect your family members is to get a life insurance policy, which can provide them some financial security if you pass away unexpectedly. We go through the ins and outs of choosing the right policy and determining the amount of coverage you need on page 64.

How are we doing? We want *Kiplinger Personal Finance* to be as engaging, relevant and helpful as possible for our readers, and one of the best ways to judge whether we're hitting the mark—and to learn how we can improve—is to get your feedback. If you'd like to participate in our reader survey, you can find it at *https://bit.ly/KIPLINGER24* or by scanning the QR code below. It includes questions about your subscription, your general attitude toward the magazine and how useful you find our content. The survey should take about 10 minutes to complete, and once you're done, you can enter a drawing to win a $250 Amazon gift card. K

PHOTO BY MATT STANLEY

→ To take the Kiplinger reader survey, scan the QR code.

Putting together a solid estate plan is one of the most loving things you can do for the people you care about.

Lisa Gerstner

LISA GERSTNER, EDITOR
LISA.GERSTNER@FUTURENET.COM

Kiplinger

EDITORIAL
EDITOR **Lisa Gerstner**
EXECUTIVE EDITOR **Anne Kates Smith**
MANAGING EDITOR **Frederic Fane Wolfer**
SENIOR EDITOR **Sandra Block**
SENIOR ASSOCIATE EDITORS **Kim Clark, Nellie S. Huang**
EDITOR AT LARGE **Janet Bodnar**
CONTRIBUTING EDITORS **James K. Glassman, Jeffrey R. Kosnett**
SENIOR WRITER **Emma Patch**
STAFF WRITER **Ella Vincent**

ART
ART DIRECTOR **Will Tims**
DESIGNER **Eva Garis**
HEAD OF DESIGN, FUTURE PLC **Rodney Dive**

SALES
VICE PRESIDENT SALES, WEALTH & NEWS **Stevie Lee (Stevie.Lee@futurenet.com)**
SENIOR ACCOUNT DIRECTOR **Maggie Kinsky (Maggie.Kinsky@futurenet.com)**
ACCOUNT DIRECTOR, WEALTH & NEWS **Mary Gallagher (Mary.Gallagher@futurenet.com)**
ACCOUNT DIRECTOR, WEALTH & NEWS **Jeff Nicholson (Jeff.Nicholson@futurenet.com)**
ACCOUNT MANAGER **Rebecca Haber (Rebecca.Haber@futurenet.com)**
ACCOUNT EXECUTIVE **Hannah Keenan (Hannah.Keenan@futurenet.com)**
ACCOUNT DIRECTOR, WEALTH & DIRECT RESPONSE **Anthony Smyth (914-409-4202; anthony@smythps.com)**

ADVERTISING OPERATIONS
ADVERTISING OPERATIONS EXECUTIVE **Michael Roche (Michael.Roche@futurenet.com)**
ASSOCIATE DIRECTOR, MEDIA PLANNING **Andrea Crino (Andrea.Crino@futurenet.com)**

FUTURE CREATIVE
ASSOCIATE DIRECTOR **Megan Harmon**

KIPLINGER.COM
SENIOR DIGITAL EDITOR **Alexandra Svokos**
SENIOR EDITORS **Kelley Taylor, Alexandra Twin, Karee Venema**
CONTRIBUTORS EDITOR **Joyce Lamb**
EDITORS **Carla Ayers, David Dittman, Ellen Kennedy**
AUDIENCE ENGAGEMENT MANAGER **Ben Demers**
NEWSLETTER EDITOR **Quincy Williamson**
STAFF WRITERS **Dan Burrows, Gabriella Cruz-Martínez, Sean Jackson, Donna LeValley, Kate Schubel**

CIRCULATION
SENIOR CIRCULATION MANAGER **Roseann Ciccarello**
DIRECTOR, COMMERCIAL ART **Lori Smedley**

EXECUTIVE STAFF
SENIOR VICE PRESIDENT, SUBSCRIPTIONS MEDIA AND EVENTS **Sarah Rees**
MANAGING DIRECTOR, WEALTH **Shaun Inglethorpe**
CONTENT DIRECTOR, WEALTH **Louise Okafor**
VICE PRESIDENT, MARKETING **Christopher Moffa**

FOUNDERS
W.M. Kiplinger (1891–1967), Founder
Austin H. Kiplinger (1918–2015), Former Chairman and Editor
Knight A. Kiplinger, Editor Emeritus

CUSTOMER SERVICE
Visit kiplinger.com/customer-service
Call 800-544-0155 or write P.O. Box 37234, Boone, IA 50037-0234
PRINTED IN USA

FUTURE Connectors. Creators. Experience Makers.

Future plc is a public company quoted on the London Stock Exchange (symbol: FUTR)
www.futureplc.com

Chief Executive Officer **Jon Steinberg**
Non-Executive Chairman **Richard Huntingford**
Chief Financial Officer **Sharjeel Suleman**
Tel +44 (0)1225 442 244

KIPLINGER PERSONAL FINANCE (ISSN 1528-9729) is published monthly by FUTURE US LLC, except for double issues as indicated on the cover of each double issue, and any other occasional combined or extra issues. Frequency of issues is subject to change without notice, which may include changes in the number of double issues. If the post office alerts us your issues are undeliverable, we have no further obligation unless we receive a corrected address within one year. Editorial and Executive Offices: 130 West 42nd Street, 7th Floor, New York, NY 10036 (202-887-6400). Subscription Center/Customer Service: Visit us online at kiplinger.com/customer-service or call 800-544-0155. POSTMASTER: Send all UAA to CFS. NON-POSTAL AND MILITARY FACILITIES: Send address corrections to Kiplinger Personal Finance, P.O. Box 37234, Boone, IA 50037-0234. GST# 123395253. Volume 79, Issue 2. Periodical postage paid at Washington, DC, and at additional mailing offices. Subscription prices: In U.S. and possessions $34.95 for one year, $59.95 for two years, $84.95 for three years. Additional international postage: $25.00 per year. Single-copy price: $7.95, except for double issues, which are $9.99.

HOW THE SECOND TRUMP TERM COULD AFFECT YOUR FINANCES

Income tax cuts are likely to be extended, but electric vehicle tax credits could disappear. BY SANDRA BLOCK

PRESIDENT Trump proposed a number of personal finance initiatives during the presidential campaign, many of which could have a direct effect on your savings and investments. Here's a look at what you can expect from the new administration.

GETTY IMAGES

Income taxes. Trump has pledged to extend the individual income and estate tax provisions of the 2017 Tax Cuts and Jobs Act, and with the House of Representatives and Senate in Republican control, that effort is expected to succeed. Those provisions, which were set to expire at the end of 2025, doubled the standard deduction, lowered income tax rates and increased the estate tax exemption to a level that makes federal estate taxes a nonissue for the vast majority of taxpayers. In 2025, estates of up to $13.99 million will be excluded from federal estate taxes or up to $27.98 million for a married couple.

The Tax Cuts and Jobs Act also doubled the child tax credit from $1,000 to $2,000 per child, and Trump has said he wants to make the increase permanent. The credit phases out for single parents with $200,000 or more in income and married couples who file jointly and have $400,000 or more in income. Vice President J.D. Vance has said he would like to increase the child tax credit to as much as $5,000 per child and extend it to all families regardless of income. However, such a tax break would be enormously expensive and face opposition from Republican lawmakers.

DURING THE 2024 CAMPAIGN, TRUMP SAID HE WOULD PRESERVE THE AFFORDABLE CARE ACT BUT MAKE CHANGES THAT COULD AFFECT INSURANCE COSTS.

During the presidential campaign, Trump said he supported eliminating the $10,000 cap on the deduction for state and local taxes, a move supported by lawmakers from high-tax states. However, scrapping the cap would increase the cost of extending the Tax Cuts and Jobs Act tax cuts, which would already add $3.9 trillion to the federal deficit through 2035, or $4.5 trillion with interest, according to the Committee for a Responsible Federal Budget, a nonpartisan nonprofit organization.

EV tax credit. Under the 2022 Inflation Reduction Act, eligible buyers can claim a tax credit of up to $7,500 for a new electric vehicle, or $4,000 for a used one, at the point of sale, either as a rebate or as a reduction in the cost of the vehicle. Members of Trump's transition team reportedly want to scrap the tax credit as part of broader tax-reform legislation. Elon Musk, founder of EV manufacturer Tesla and a close adviser to Trump, opposes the tax credit, which he says primarily benefits Tesla competitors.

The credit probably won't disappear overnight. Congress would need to amend the Inflation Reduction Act or enact a new law to eliminate it. And any effort to get rid of the tax credit faces opposition from U.S. automakers. Still, given the uncertainty surrounding the credit, it's probably wise to buy soon if you've had your eye on an eligible EV. You can research makes and models that are eligible for the credit at *https://fueleconomy.gov/feg/taxcenter.shtml*.

Health insurance. During his first term, President Trump tried unsuccessfully to torpedo the Affordable Care Act. During the 2024 campaign, Trump said he would preserve the ACA but make changes to the law that could affect the cost of ACA insurance.

One of the most likely scenarios doesn't require any action by the White House or Congress. ACA subsidies enacted in 2021 in response to the COVID pandemic and extended by the Inflation Reduction Act are scheduled to expire at the end of 2025. If Congress doesn't extend the subsidies, premiums for individuals who currently receive the subsidies will rise significantly, more than doubling in some states, according to an analysis by health-policy research organization KFF (formerly the Kaiser Family Foundation). KFF provides a calculator you can use to estimate eligibility for subsidies in 2025 at *www.kff.org/interactive/subsidy-calculator*.

Student loans. President Trump has made no secret of his opposition to student loan forgiveness, and lawsuits filed by Republican governors blocked some of the Biden administration's debt-relief initiatives.

While the Trump administration's position raises questions about the future of loan-relief programs, it won't affect loans that have already been forgiven, says Mark Kantrowitz, a financial aid expert and author of *How to Appeal for More College Financial Aid*. Once the federal government discharges a borrower's debt and the borrower has received notification, "the forgiveness is permanent and final," Kantrowitz said in an analysis on The College Investor, a website that helps families manage college savings and debt (*www.thecollegeinvestor.com*).

For updated information on student loan forgiveness and repayment programs, go to the federal student aid website, *https://studentaid.gov*.

Credit card late fees. The Trump administration is likely to roll back many of the regulations proposed by the Consumer Financial Protection Bureau, including one that would cap credit card late fees at $8. That proposal has been on hold following a court challenge by the banking industry, and the hold will likely become permanent under the new administration.

However, during the presidential campaign, Trump said he supported capping credit card interest rates at 10%. Such a cap would almost certainly be challenged by the banking industry and is unlikely to pass muster in Congress.

Given that major changes to current credit card late fees and interest rates are unlikely, your best bet is to try to pay off your balance every month and make payments on time. Experian provides a calculator you can use to estimate how long it will take to pay off your credit card balance at *www.experian.com/blogs/ask-experian/credit-card-payoff-calculator*.

INTERVIEW

CONFRONTING THE CHALLENGES FACING THE U.S. RETIREMENT SYSTEM

Many still lack access to a workplace retirement plan.

BY MALLIKA MITRA


Alicia Munnell

ALICIA MUNNELL is the former founding director of the Center for Retirement Research at Boston College. She recently stepped down after more than 25 years.

You founded the Center for Retirement Research in 1998. Which of the Center's accomplishments since then are you most proud of? We started as just two people. Now, we have roughly 22 employees, and we're a recognized, credible name that is trusted to not be left- or right-leaning. We created the National Retirement Risk Index, which measures how many working-age households are at risk of not maintaining their preretirement standard of living once they're in retirement, and we publish authoritative, first-class research that ends up in economic journals. One of our major contributions is making complex economic concepts that have big policy implications understandable and accessible.

What types of concepts do you help clarify? Take something like Social Security. There is a ton of panicky news about the program going bankrupt, but that's not what is happening. There's a gap between outlays and revenues, and the U.S. is filling that gap with money from a trust fund, which will become exhausted in 2033 if policymakers don't act to shore it up. Even if that trust fund is depleted, money from payroll taxes will cover almost 80% of benefits. So Social Security is not going to disappear, and defining that gap for people is really important.

How does the Center for Retirement Research's work translate into actual policy changes? We've done a lot related to 401(k) plans. We emphasize how much of a burden it is for individuals to decide whether to join a plan, figure out how to invest that money, know what to do when they change jobs and more. Alongside similar organizations, our research helped bring about changes to the system—including through automatic enrollment of employees in 401(k) plans, automatic escalation of the percentage of salary contributed to the plans over time, and use of target-date funds—that have made it easier for people to save.

What is the biggest challenge facing Americans who want to save for a comfortable retirement? Other than the financing issues with Social Security, it's access to retirement savings plans. If you take a snapshot of the private-sector workforce at any moment in time, only about 50% of people are working for an employer that offers a retirement plan, and those retirement plans are the only way most people save.

What changes do you hope to see for the retirement system? Before 2033, when retirement benefits would have to be cut by 21%, I'd like to see Social Security fixed. I'd also like to see more access to workplace retirement savings plans. We have a number of experiments at the state level that would require employers that don't offer a retirement plan to automatically enroll their employees in an IRA and put contributions from employees' earnings into that account (employees can opt out if they wish). Those programs are in their nascent stage but becoming increasingly popular. At the federal level, Congressman Richard Neal (D-Mass.) has introduced the Automatic IRA Act of 2024, which would require employers that don't offer a retirement plan and have 10 or more employees to enroll workers in an IRA or similar retirement plan.

Is there anything else that should be done now to get more Americans to save? I think that lecturing people to save more is not helpful. We need is a system where the appropriate portion of your income is put aside for you. People are busy—parents have jobs, and they need to get their kid to soccer, put meals on the table, figure out their finances and have some fun. Asking them to manage their savings is asking a lot, so making contributions automatic and easy is absolutely necessary. K

PHOTO BY CAITLIN CUNNINGHAM, BOSTON COLLEGE

MEDICARE PART B PREMIUMS TO RISE 6% IN 2025

But out-of-pocket costs for Part D prescription drugs will be capped at $2,000. **BY SANDRA BLOCK**

MEDICARE enrollees will see their premiums for Part B increase by about 6% in 2025, and premiums for Part D prescription drug plans will go up, too. But the amount you'll ultimately pay will depend on your income from two years ago. Here's a rundown on what to expect:

In 2025, standard monthly Medicare Part B premiums, which are typically deducted from Social Security payments, will rise to $185.00 from $174.70 in 2024. For seniors who are subject to the high-income surcharge, premiums will range from $259.00 to $628.90, depending on their 2023 modified adjusted gross income (see the box on the next page).

A high-income surcharge also applies to premiums for Part D. In addition to the standard premium for their Part D plan (which varies, depending on the plan), high-income beneficiaries will pay a surcharge of $13.70 to $85.50. Seniors who enroll in a Medicare Advantage plan that includes drug coverage are also subject to the surcharge.

Other changes to Medicare in 2025 include:

- The annual deductible for Medicare Part B beneficiaries will be $257 in 2025, an increase of $17 from $240 in 2024.
- The Medicare Part A deductible for a hospital stay will increase to $1,676 in 2025, up from $1,632 in 2024. The Part A inpatient hospital deductible covers beneficiaries' share of costs for the first 60 days of Medicare-covered inpatient hospital care in a benefit period. Beneficiaries will be charged a coinsurance amount of $419 per day for the 61st through 90th day of a hospitalization, up from $408 per day in 2024. For beneficiaries in skilled nursing facilities, the daily coinsurance for days 21 through 100 of extended-care services in a benefit period will be $209.50 a day, up from $204.00 in 2024.
- Starting in 2025, out-of-pocket costs for prescription drugs

GETTY IMAGES

CALENDAR

FEBRUARY 2025

14 Today is Valentine's Day. According to the National Retail Federation, Americans spent an estimated $14.2 billion on gifts for their significant other in 2024. Instead of buying candy and flowers, consider purchasing life insurance to protect your sweetheart if something should happen to you. For tips on buying a policy that's right for you and your family, see "Family Finances," on page 64.

17 The average tax refund in 2024 was $2,869, according to the IRS. If you file your tax return online at the start of the tax season and elect to receive your refund by direct deposit, your payment should arrive in your bank account around this date. You can check the status of your refund at *www.irs.gov/wheres-my-refund.*

GETTY IMAGES

2025 MEDICARE PART B PREMIUMS

The standard monthly Part B premium for 2025 is $185. But if your 2023 modified adjusted gross income exceeds certain thresholds, you'll pay a surcharge.

2023 MODIFIED ADJUSTED GROSS INCOME		2025 PART B PREMIUM
Single	Married filing jointly	
Up to $106,000	Up to $212,000	$185.00
$106,001 to $133,000	$212,001 to $266,000	$259.00
$133,001 to $167,000	$266,001 to $334,000	$370.00
$167,001 to $200,000	$334,001 to $400,000	$480.90
$200,001 to $499,999	$400,001 to $749,999	$591.90
$500,000 or more	$750,000 or more	$628.90

Source: Centers for Medicare & Medicaid Services

covered by Medicare Part D will be capped at $2,000 a year. The cap covers co-payments, coinsurance and deductibles for covered drugs. In addition, the maximum Part D deductible will be capped at $590, up from $545 in 2024. However, many Part D plans have lower deductibles, and some have no deductible at all.

How to appeal the Part B surcharge. The Medicare income-related monthly adjustment amount (IRMAA) is based on your modified adjusted gross income (MAGI) from two years ago, so you'll need your 2023 tax return to determine whether you're subject to the surcharge in 2025.

If your income has dropped substantially since 2023, you can file an appeal with the Social Security Administration, which determines whether you must pay the surcharge For example, if you were working full-time in 2023 and have since retired, you may qualify for an appeal. Other life-changing events that could make you eligible for a reduction in your premiums include divorce, the death of a spouse, loss of income-producing property or the loss of pension income.

However, if your surcharge was triggered by a one-time spike in income, you're probably out of luck. A conversion to a Roth IRA, which will increase your MAGI, is one of the most common reasons retirees get hit with a Medicare high-income surcharge. A large withdrawal from a traditional IRA could also push your income into surcharge territory—something to consider if you're 63 or older and considering a Roth conversion or large IRA withdrawal this year.

If you're subject to the surcharge, you should have received a notice from Social Security known as an initial determination. To request a review, complete Form SSA-44, available at *www.ssa.gov/forms/ssa-44.pdf,* and provide supporting documents. If your income dropped because you retired, include a copy of the tax return for the year your income declined, along with a letter from your former employer stating that you've retired. If your income declined because your spouse died, include a copy of the death certificate. You can mail or fax the form and supporting documents to your local Social Security office or take them there in person. ■

→ DEAL OF THE MONTH:

Presidents Day is the first major sale day of the year. Look for discounts on 4K TVs, laptops, small kitchen appliances, apparel and doorbell cameras at major retailers such as Amazon, Walmart, Target and Best Buy, says Louis Ramirez, deals editor-in-chief at Tom's Guide.

21 Today is National Caregivers Day. Guardian Life Insurance estimates that 53 million people in the U.S. are caregivers for a parent, spouse or special-needs child. Consult a tax professional to determine whether you're eligible for tax breaks that could lower your caregiving expenses. You can also contact your state's Department of Aging to see whether you can become a paid caregiver. ■

Briefing

INFORMATION ABOUT THE MARKETS AND YOUR MONEY

BITCOIN GETS A POST-ELECTION BOOST

→Donald Trump's victory in the presidential election has been a boon for bitcoin. In the weeks following the November election, the price of a single bitcoin rose by more than 40%, hitting record highs and surpassing $100,000 in early December.

Bitcoin's rally reflects a surge of optimism in the cryptocurrency market as Trump prepares to take office. During his campaign, he promised to make the U.S. the "crypto capital of the planet," a turnaround from his skepticism regarding crypto just a few years earlier. Once elected to his second term, Trump began considering a group of crypto-friendly candidates for certain positions in his cabinet, including a nomination for hedge-fund manager Scott Bessent to lead the Treasury Department. And in November, reports emerged that Trump's team was considering a new White House staff position that would focus on crypto policy.

Additionally, the next chair of the Securities and Exchange Commission is likely to have a more welcoming attitude toward crypto than outgoing chair Gary Gensler, who oversaw the SEC's litigation against major crypto exchanges, claiming that they engage in selling unregistered securities. Paul Atkins, who was an SEC commissioner during George W. Bush's presidency, is Trump's pick to head the SEC. Atkins is co-chair of the Token Alliance, a crypto industry advocacy group.

Riding the crypto wave. Even before the election, investors were pouring billions of dollars into digital currency exchange-traded funds. In January 2024, "spot" ETFs that trade on the market price of bitcoin gained SEC approval, allowing investors a way to access the cryptocurrency without owning it directly; among the largest ETFs are iShares Bitcoin Trust (symbol IBIT), Grayscale Bitcoin Trust ETF (GBTC) and Fidelity Wise Origin Bitcoin ETF (FBTC). In July, the SEC approved several ETFs that invest directly in ethereum, the second-largest digital currency.

Despite the fresh enthusiasm surrounding crypto, investors who want to dabble in it should proceed with caution. It's notoriously volatile and best limited to a small slice of your portfolio—about 1% to 3% of holdings is a common recommendation.

LISA GERSTNER

GETTY IMAGES

WHAT TO DO WITH UNUSED GIFT CARDS

→ According to a recent Bankrate survey, 43% of Americans have at least one unused gift card sitting around—and following the December holidays, you may find yourself among them.

If you don't intend to use a gift card (say, for a restaurant chain that has no locations in your area or a big-box store where you'd rather not shop), one way to salvage at least some of the value is to sell it on a website that buys unwanted gift cards. Recently, for example, you could sell a $50 Starbucks gift card to CardCash.com for $40.25. Or, to get a better value, you could trade it for a gift card from a different merchant. You could get a Walmart gift card with a $41.26 value, for instance, or a Hotels.com gift card worth $44.68.

Even if you don't have anything to sell, you can buy gift cards at a discount on resale websites. Recently, for example, CardCash offered a $100 electronic gift card for CVS Pharmacy for $91, and you could get a $25 gift card for restaurant IHOP for $21.38.

LISA GERSTNER

82%

The percentage of full-time workers who got a raise after asking for one, according to LendingTree.

FROM THE KIPLINGER LETTER

More Oversight for Digital Payment Services

Major digital payment providers could soon be subject to bank-like regulation. The Consumer Financial Protection Bureau will treat them more like banks, as long as they handle more than 50 million transactions a year. Payment services from Amazon, Apple and Google will be covered, as well as financial-technology firms, such as PayPal and Block, and peer-to-peer services such as Venmo and Zelle. Apps that work only at a particular retailer, like Starbucks, are excluded from the rule.

While the CFPB can already take action against firms that break the law, the new rule would let it supervise large digital-wallet and payment firms and their practices.

Digital wallets are becoming increasingly popular in the U.S. Sixty-two percent of shoppers used them last year, up from around 47% in 2022. Most buyers use them for online shopping.

It's unclear whether the new Trump administration will implement the rule. The regulation has the support of the banking industry, which has long been opposed to high-tech firms making inroads in financial services. The rule is also backed by consumer advocates who welcome stricter supervision of Big Tech payment apps.

FREE (OR CHEAP) COLLEGE COURSES FOR RETIREES

→ Across the country, retirees can take advantage of free (or close to it) college courses for older residents at various public and private institutions. Some programs and organizations allow individuals as young as 50 to participate. Keep in mind that most free-tuition programs make older students wait until registration for classes has closed and the add/drop period has ended. In other words, paying students generally get first priority, and you'll be able to enroll only as space permits.

Many free-for-retirees programs only allow you to audit classes, meaning you won't get college credit. But that might be right up your alley if you're not looking to complete a degree. Many classes are offered online as well as in person, so if mobility or commuting is a problem, you can still attend. Kiplinger.com has put together a list of free or low-cost programs for retirees in all 50 states; you can see it at *kiplinger.com/kpf/college-retirees*.

GETTY IMAGES

CASH IN ON THE INFRASTRUCTURE BUILDING BOOM

Consider these stocks and funds to make the most of the U.S. industrial renaissance.

BY NELLIE S. HUANG

AMERICA'S manufacturing industry, after waning for decades, is adjusting to a world that has ditched globalization for reshoring—bringing production back home. That has set the stage for an infrastructure building boom, much of it backed by the U.S. government. "The U.S. is in the early innings of reindustrialization, a multi-decade investment opportunity that will restore growth to the U.S. industrial economy following 20-plus years of stagnation," Morgan Stanley research analyst Chris Snyder wrote in a recent report.

The big infrastructure buildout is worth paying attention to because it encompasses a broad range of businesses in a number of sectors. Many infrastructure companies are old line industrials, including businesses that make heavy machinery or parts for industrial production. Other companies provide services to such businesses or transport goods or people. Also included under the infrastructure tent are companies in the materials, energy and utilities sectors. Even some tech firms are considered infrastructure plays these days.

GETTY IMAGES

DAWN OF A NEW ERA

America's manufacturing industry is beginning to reassert itself. The dominance of U.S. industrial firms began to decline when China joined the World Trade Organization in 2001. Back then, American industrial companies made up roughly 12% of the market value of the S&P 500. But cheap labor abroad and a focus on globalization helped to undermine the sector, as companies moved manufacturing overseas. (At the same time, the soaring fortunes of technology-related firms shifted market leadership in their direction.) Today, industrials represent just over 8.5% of the S&P 500.

But the tide is turning. The COVID-19 pandemic highlighted the downsides of operating some businesses on an international scale. Think back to the floating traffic jam of 50 container ships in the Pacific Ocean waiting to dock in California in 2021. Such supply-chain snafus increasingly spurred domestic companies to bring production back to the U.S., and some foreign firms are building manufacturing plants in the U.S. to be closer to their American customers.

As the shift got under way, it became abundantly clear that the country's aging infrastructure, after decades of underinvestment, badly needed an upgrade, from the power grid to railways, bridges, highways and airports. Politicians on both sides of the political aisle agreed. Between 2021 and the end of 2022, lawmakers decided to allocate nearly $2 trillion in federal funding and other incentives to restore manufacturing in America and upgrade the country's infrastructure through a combination of three acts: the Infrastructure Investment and Jobs Act, the Inflation Reduction Act and the CHIPS and Science Act. "This massive investment could drive long-term growth for the industrials sector for years to come," says Fidelity's David Wagner, who runs the firm's Select Industrials Portfolio.

More than 60,000 projects have been announced as part of the $1.2 trillion Infrastructure Investment and Jobs Act, including 10,000 bridge projects, 175,000 miles of roadway repairs and 1,100 airport modernization projects, among other things. Nearly $60 million, for instance, will pay for a seventh runway, as well as other upgrades, at Denver International Airport. And $30 billion of the $280 billion CHIPS and Science Act has been earmarked to help fund 23 projects, including 16 new semiconductor manufacturing facilities in 15 states so far. Two years ago, the U.S. produced none of the world's most advanced chips, according to the government. By 2032, the country will produce nearly 30% of the global supply of leading-edge chips.

Indeed, an unprecedented amount of spending is being "funneled into a relatively small area of the U.S. economy," says Yung-Yu Ma, chief investment officer of BMO Wealth Management, who has been recommending that investors allocate a bigger percentage of their portfolio to U.S. infrastructure since early 2023. "These trends are strong and durable," he says. (To see how infrastructure spending might fare under the Trump administration, see the box on page 24.)

Room to run. Judging by the soaring returns in some bellwether stocks, the industrial renaissance is well under way. Industrial giants such as Caterpillar, GE Aerospace and RTX have each posted gains of more than 50% over the past 12 months—ahead of the 34% climb in the S&P 500. There's even an artificial intelligence angle to some infrastructure stocks that is fueling share-price increases. Mounting demand for data centers to handle AI tasks, for instance, has pushed shares in Digital Realty Trust, a real estate investment trust that specializes in data centers, up 45% over the past 12 months. The stock now trades at a five-year-high price-earnings ratio based on estimated earnings for the year ahead.

But it's not too late for investors to cash in on the infrastructure rally. For starters, only a relatively small portion—roughly 20%—of the total money set aside in the spending bills has been spent so far. And these projects take time to get up and running. "We're in the middle of the third inning of the infrastructure trend. There's still a good way to go," Ma says.

WAYS TO INVEST

Given the breadth of spending that the infrastructure bills cover, there are many ways for investors to cash in on the industrial renaissance. "You're seeing this wide array of project announcements—in the energy sector, in commercial infrastructure, public infrastructure, utilities," says Fidelity's Wagner. "It's multifaceted, which is different than other up cycles in industrials. It's not a play on one end market or one subindustry cycle."

↑

Aecom agreed in September to manage construction of a new terminal at San Diego International Airport, rendered above, among other improvement projects.

COURTESY OF SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY

We've highlighted seven companies, in a variety of industries, that we expect to benefit from infrastructure spending. Be patient with these investments. Some may win over the near term, but most may take time to pay off. "We're not building these factories in days or months. They're going to take quarters and years," says Jason Adams, who runs T. Rowe Price Global Industrials fund. "There's still a lot of buildout to go." Returns and data for the investments below are through November 30, unless otherwise noted.

Aecom

Big construction projects need to be managed efficiently, and that's what Aecom does. The infrastructure professional-services firm plays the role of maestro over the life of a building project. It also offers advisory, planning, design and engineering services—and more. "Aecom is a high-quality, low-risk way to play secular growth in global infrastructure," says Truist Securities analyst Jamie Cook, who recommends the stock.

New contracts at home and abroad are flowing in. Roughly three-fourths of the company's business is stateside. In October, Aecom won a Texas Department of Transportation contract to provide design services for a segment of highway I-45 in Houston. And in September, it agreed to manage the construction of a new terminal at San Diego International Airport, among other improvement projects there.

Another fourth of Aecom's business is overseas, and last fall it won separate contracts for services in water-supply programs in South Africa and the U.K., as well as a rapid-transport project in Bangkok to design tunnels and tunnel ventilation systems, among other things. "We expect growing demand for environmental, road and water projects to provide the company's design and consulting service with a stable source of revenue," says Argus Research analyst John Staszak, who rates the stock a "buy."

The recent contract wins have helped boost shares 28% since the start of 2024. Yet the stock is still relatively inexpensive. It trades at 23 times expected 2025 earnings—

a discount to other engineering and research-and-development services firms, which trade at a median P/E of 26, according to Zacks Investment Research.

Eaton

Electricity demand is expected to soar thanks to the use of artificial intelligence, reshoring efforts, and the growing adoption of electric vehicles and renewable energy. "We expect electricity demand to double between now and 2050," says Bernstein Research analyst Chad Dillard. To put that in perspective, over the next five years, electricity demand could increase at an average annual pace of 1.7%, which is far faster than the 0.4% annual growth rate in demand over the past decade.

To keep up, utilities must upgrade their electrical infrastructure. Spending on electrical equipment could rise by as much as 3% to 7% per year, on average. As a result, electrical-equipment manufacturers such as Eaton are poised to deliver double-digit earnings growth, says Dillard.

Eaton makes electrical systems and components for end users in multiple sectors and industries, including utilities, manufacturing, commercial and residential property, automakers, aviation, and technology. The company's broad array of customers makes Eaton a beneficiary of several megatrends, including the upgrade of America's power grid as well as the buildout of data centers. An aging airplane fleet amid a rise in air-travel demand is boosting orders for Eaton's aerospace equipment.

Shares have climbed 67% over the past 12 months, so don't expect a similar pop in 2025. But there's still upside left, says UBS Securities analyst Amit Mehrotra, whose 12-month price target for the stock, $431, represents a 15% gain from the current share price. "We think the company can sustain high-single-digit revenue growth for several years to

STREAMLINED CHOICES

Investing in individual stocks can be rewarding, but some investors may prefer to diffuse the risk by investing in several companies via a focused infrastructure fund. Here are our favorites.

Global X U.S. Infrastructure Development (symbol PAVE, $46) is an exchange-traded fund that offers broad exposure to companies involved in "the nuts-and-bolts buildout of bridges and roads, as well as to companies that play a role in electric-grid enhancements and even companies that rent out equipment," says chief investment officer of BMO Wealth Management Yung-Yu Ma. The index fund boasts a robust, 22.1% annualized return over the past five years—the top return of all infrastructure funds. Trane Technologies (a member of the Kiplinger ESG 20), Parker Hannifin and Eaton are the fund's top holdings. It charges a 0.47% expense ratio.

Invesco Building & Construction ETF (PKB, $87) holds only building and construction companies, as its name implies, and fund-tracker Morningstar classifies it as an industrials sector fund. Compared with Global X U.S. Infrastructure Development, its portfolio is more concentrated (30 stocks), and it charges a higher expense ratio (0.57%). But its five-year annualized return of 21.1% beat 93% of its industrial-fund peers. One-third of the portfolio is devoted to homebuilder stocks, including Lennar, NVR and PulteGroup, which Global X U.S. Infrastructure Development doesn't own. Even so, the two ETFs share some of the same top holdings, including Trane Technologies, Martin Marietta Materials and Argan.

We have our eye on **Fidelity Infrastructure (FNSTX)**, though the fund is relatively new; it launched in November 2019. The 48-stock portfolio includes a slug of industrials (Waste Connections, Norfolk Southern), utilities (NextEra Energy, Southern Co.), real estate firms (American Tower) and energy stocks (Williams Companies, Targa Resources). But the fund's global focus—23% of assets are invested in foreign stocks—has been a drag. Over the past five years, Fidelity Infrastructure has delivered a 9.1% annualized return. That was not as remunerative as some of the other funds mentioned here, but it beat the typical infrastructure fund. The fund's expense ratio is 0.95%.

Other industrials sector funds to consider include **Fidelity MSCI Industrials ETF (FIDU, $77)**; the **Industrial Select Sector SPDR ETF (XLI, $144)**; and **Vanguard Industrials ETF (VIS, $280)**. All boast low fees and five-year annualized returns of better than 13%. Finally, though **Fidelity Select Industrials (FCYIX)** manager David Wagner is relatively new, the fund has returned a cumulative 49.6% since he took over in mid 2023—better than the 36.8% gain in the S&P 500 Industrials Sector index over the same period. The fund charges 0.69% annually.

come," says Mehrotra—a respectable pace for a company with a $148 billion market value. The company's plan to buy back nearly $14 billion in shares over the next four years also bodes well for the stock.

And despite the runup, Eaton's stock isn't expensive relative to peers. Its P/E of just 31 is a tad below the machinery and electrical equipment industry and is justified by estimates of 12% earnings growth over each of the next three years—a smidge ahead of its peers. Still, we'd be on the lookout for lower entry points to pounce on the stock.

↑

At the James M. Barry power plant, outside Mobile, Ala., GE Vernova engineers led a study that found more cost-effective ways to cut carbon emissions.

COURTESY OF GE VERNOVA

GE Vernova

This energy equipment and services company was formed last year from the merger and then spin-off of General Electric's various energy businesses, including renewable energy, power, digital and energy financial services. The stock has been trading only since April 2024. (General Electric shareholders received one share of GE Vernova for every four shares of GE.) But given its provenance, GE Vernova is a powerhouse. Its natural-gas and wind turbines generate roughly 30% of the planet's electricity, according to the company.

That puts the firm in position to gain from the world's rising demand for power. But GE Vernova is also a player in the transition to a larger and more sustainable electric power system. About $73 billion of the Infrastructure Investment and Jobs Act is pegged to grants that will encourage investment in energy efficiency, greenhouse-gas emission reduction and clean-energy technologies—and that's the stomping ground of GE Vernova's electrification business segment, which among other things is working to leverage AI to build a digital power grid.

It is possible that under President Trump, renewable energy may get less attention and money, which would be bad news for GE Vernova's electrification business. But William Blair Research analyst Jed Dorsheimer says Trump's nominee for Secretary of Energy, Chris Wright, is likely good news for GE Vernova's power-generation business, which is dominated by natural-gas power and represents 40% of overall revenue. The reason: Wright is chief executive of Liberty Energy, a fracking company. (Vernova's power business also includes hydroelectric, nuclear and steam power.)

GE Vernova's sky-high P/E of 50 is a negative, for sure. But "the Street is underestimating the company's growth potential," says Jefferies Financial Group analyst Julien Dumoulin-Smith. After a 7% climb in revenues in 2024, he expects sales growth to tick up 12% in 2025 and 9% in 2026. All of the firm's three business segments—power, wind and electrification—seem poised to do well in 2025, he adds; its wind business has been a drag of late but is improving. For the company overall, Dumoulin-Smith estimates 40% average annual growth in earnings before income tax and interest over the next three years, due in part to pruning of the unprofitable wind business and big gains in its larger businesses, power and electrification. We'd still be choosy about entry points with this stock; it's best to buy on dips.

Rockwell Automation

A significant portion of the equipment in factories dates to the 1970s and 1980s and needs an upgrade, says Morningstar stock analyst Nicholas Lieb. That works in Rockwell's favor because the company makes equipment and software products that help factories automate their processes and operate more efficiently. Rockwell's analytic software helped Kraft Heinz improve the operational efficiency of its Ore-Ida potato products facility in Oregon. From peeling potatoes to packaging the products, the system increased Ore-Ida's production capacity by 10%.

Rockwell also helps its customers maintain and update their systems. A dedicated phone line at a mill for International Paper is connected to Rockwell engineers to help monitor and troubleshoot operations. "Without this help from Rockwell, International Paper would be forced to hire another engineer," says Lieb,

which could cost the company more.

But a slump in global manufacturing has weighed on Rockwell shares over the past 12 months. Elevated interest rates (and thus higher borrowing costs) made many of the company's customers cautious about spending on new equipment. At the same time, a surfeit of goods (a post-pandemic outcome following supply-chain challenges) prompted many manufacturers to pause production and wait for demand to catch up with supply. In its most recent fiscal year, which ended in September, Rockwell's revenues dipped by 9% and earnings by 20%. That drag could extend into 2025.

Rockwell hasn't been sitting on its hands. In the summer of 2024, the company announced plans to lay off 3% of its global workforce. It has been buying back stock, too. In 2024, it repurchased 2.2 million shares at an average price of $270. Even so, investors have been unenthusiastic, and the stock has gained just 9% over the past 12 months.

Though Rockwell shares are not expensive, they're not a screaming bargain either. The stock trades at 31 times earnings, which is on par with the stock's median P/E over the past decade. But for patient investors, Rockwell could pay off. Although a consensus of analysts expect earnings growth to contract by 2.5% in 2025 compared with 2024 levels, things will look up in 2026, when analysts project a 19% jump in profits.

United Rentals

Reshoring requires equipment to build things. But construction companies have been opting more and more to rent equipment rather than to buy and maintain it on their own, says Jason Adams, manager of T. Rowe Price Global Industrials fund. That puts United Rentals, a rental company with a large and diverse fleet of construction equipment, in good shape to benefit from large infrastructure projects.

United is already busy. It has been supplying equipment for several large-scale construction projects, including a 131-acre entertainment and shopping complex in Miami that will feature a new stadium for the city's major-league soccer team. Smaller projects have been on pause, but as interest rates continue to fall, lower borrowing costs should spur more activity on that front, says Value Line analyst Nils Van Liew. And acquisitions of smaller companies that complement United's business could boost growth.

HOW TRUMP MAY IMPACT INFRASTRUCTURE SPENDING

Generally, most market watchers expect infrastructure spending to continue apace under President Trump. "Historically, spending money on roads, public works, airports, ports and harbors, and various parks has been something that Democrats and Republicans agree on," says Bruce Kennedy, manager of DF Dent Midcap Growth fund. "Representatives like to go back home for a ribbon cutting."

Indeed, changes to any of the three major infrastructure acts—the Infrastructure Investment and Jobs Act of 2021 and the Inflation Reduction Act and the CHIPS and Science Act (both passed in 2022)—will likely be line by line, not a wholesale repeal, says Jake Schurmeier, a Harbor Capital manager of multi-asset portfolios. "Trump is a populist, and 60% of the spending under these acts goes to Republican states, so it isn't in his interest to cut back on spending," he adds.

The $280 billion CHIPS and Science Act passed with a lot of bipartisan support, too. "I expect by and large that will be untouched," says Schurmeier. About $55 billion has been spent, with Intel, Micron Technology, Taiwan Semiconductor Manufacturing and Samsung having received some of the funds.

Most at risk are the environmental tax credits in the $400 billion Inflation Reduction Act. Even so, Republicans will likely "take a scalpel, not a sledgehammer," to the IRA, says John Duncan, a principal with the Meridian Research Group, which provides insight on public policy to investors and corporations. Among the credits likely to go on the chopping block is the $7,500 credit for buyers of new electric vehicles, as well as tax credits for companies that generate clean power (solar, wind) or that develop clean energy technologies.

Finally, Trump's America-first agenda means his administration "has a clear interest in building out America and building up America," says Bob Robotti, founder of Robotti & Company Advisors. Whatever your politics, that bodes well for infrastructure spending and the stocks that will benefit from it.

INFRASTRUCTURE PLAYS TO CONSIDER

Stocks	Symbol	Industry	Price	Market value (millions)	P/E ratio*	Total return 1-year
Aecom	ACM	Engineering & Construction	$117	$14,590	23	32.6%
Eaton	ETN	Specialty Industrial Machinery	375	143,730	31	66.5
GE Vernova	GEV	Utilities - Renewable	334	93,722	50	—
Rockwell Automation	ROK	Specialty Industrial Machinery	295	31,401	31	9.0
United Rentals	URI	Rental & Leasing Services	866	53,886	18	83.3
Vulcan Materials	VMC	Building Materials	288	36,714	32	35.8
Xylem	XYL	Specialty Industrial Machinery	127	29,695	27	21.9

Indexes	P/E ratio*	Total return 1-year
S&P 500	24	33.9%
S&P 500 Sec/Industrials	24	36.6

AS OF NOVEMBER 30, 2024. *Based on year-ahead earnings estimates. — Security not in existence for entire period. SOURCES: Morningstar Direct, Yahoo Finance.

The catch: Shares are up 83% over the past 12 months. They currently trade at 18 times earnings—level with the rest of the building- and construction-products market, but ahead of the stock's 10-year historical P/E of 12. Shares could tread water while United digests recent gains.

Vulcan Materials

Vulcan is the leading rock quarry company in the U.S. That means as more liquid natural gas facilities, warehouses, battery plants and factories are constructed here, "Vulcan is going to sell a lot of rock to build the foundations," says Bruce Kennedy, a portfolio manager of DF Dent Midcap Growth. "Rock has been used to build roads since the days of Babylon," he adds. "And there are no other substitutes."

Vulcan makes money by selling crushed rock—and it pulls in even more to ship it. Many of Vulcan's quarries and distribution yards are near fast-growing metro areas of the U.S. (cities in Texas, North and South Carolina, and Florida, for example). New permits for quarries are hard to come by, which diminishes threats from competitors, giving the company both "pricing power and low obsolescence risk," says Kennedy. And Vulcan boasts a materials reserve of 69 years, at current levels of production.

According to Zacks, analysts expect average annual earnings growth of 14.5% over the next three years, better than the 9.6% pace the company recorded over the past five years. Kennedy expects earnings to jump 22.5% in 2025 compared with 2024. The stock trades at an above-market 32 times earnings, but that's in line with its 10-year historical P/E.

Xylem

The Infrastructure Investment and Jobs Act will provide $50 billion to improve our nation's drinking water, wastewater and stormwater infrastructure. It's the single largest investment in water the government has ever made, according to the Environmental Protection Agency. Xylem, a global water technology company, is primed to benefit, because it makes equipment for water transport, treatment, testing and use.

Supply-chain bottlenecks have been a hurdle for Xylem of late, but its high-tech products, such as its smart water meters, have been in big demand, says CFRA Research analyst Jonathan Sakraida, who rates the stock a "strong buy." When all the numbers are in, he expects them to show revenues jumped 16% in 2024 compared with 2023. That's ahead of the firm's five-year historical revenue growth rate of 12%. "Xylem is benefiting from the digital transformation of the water business, with accelerating industry adoption of digital solutions," Sakraida says. Another boost will come from updated regulations on forever chemicals and other contaminants in drinking water.

We appreciate Xylem's environmental stewardship, and the stock has earned a place in the Kiplinger ESG 20, the list of our favorite stocks and funds with an environmental, social or corporate governance focus. But this pure-play water infrastructure company deserves mention in a list of infrastructure beneficiaries, too.

Even so, the stock has been a bit "underappreciated" in recent months, says Sakraida, as investors realized that the allocation of Infrastructure Investment and Jobs Act funds would be more of a "slow burn" than "explosive" to the water company's sales and earnings growth. Shares have climbed just 12% since the start of 2024. But that means they're a relative bargain. Xylem stock trades at 27 times expected earnings—well below the stock's five-year median P/E of 34, according to Zacks. Analysts expect annualized earnings growth of 13% over the next three years, or a tad better than the 12% growth rate logged over the past five years. K

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

THE PROS AND CONS OF PRIVATE DEBT

Acting as banker to nonpublic companies can be lucrative for intrepid investors.

BY KIM CLARK

FOR decades, only financial institutions, such as banks and insurance companies, and wealthy investors got to collect the double-digit interest rates on loans made to small and midsize private companies.

Now, however, a growing number of investment firms and entrepreneurs are working to help regular investors gain access to those attractive yields. At least six new publicly traded funds specializing in private credit launched in the first 11 months of 2024, gathering about $8 billion in assets. In all, publicly traded funds giving investors access to private credit now hold more than $355 billion, up from $190 billion in 2019, according to research firm CFRA. And investors can expect more opportunities. Early December saw the launch of two exchange-traded funds specializing in private collateralized loan obligations, or securitized pools of private loans. And several major fund companies have applied to the Securities and Exchange Commission for permission to launch other funds in 2025 that attempt to offer more private investments to the general investing public.

The democratization of private credit opportunities "represents a ton of potential for investors," says Elliot Dole, a certified financial planner in St. Louis. "There are very compelling reasons to invest in them," he says. For exam-

GETTY IMAGES

ple, the values of private investments don't necessarily follow the same daily up-and-down patterns of publicly traded stocks and bonds, so these alternative investments can diversify portfolios.

And the returns are attractive, adds Dole, especially compared with other income options. Many private-credit funds were boasting yields in excess of 10% at the end of November. And they notched an average one-year total return of 10.9% for the 12 months ending June 30 (the most recent date for which private return data was available), according to data firm Pitchbook. In comparison, the Bloomberg Aggregate Bond index reported a current yield of 4.7% and a total return of 2.6% in the year ending June 30.

These alternative investments have risks. Many analysts warn that the flood of investor money pouring into this sector can't help but push returns down, as the expanding supply of money available to lend exerts downward pressure on the interest rates on the loans and, hence, the yields earned by investors. In addition, private investments are, by their nature, more difficult to evaluate, raising the risks of unpleasant surprises. Publicly traded funds of private investments have plunged and soared more dramatically than funds tracking publicly traded stocks or bonds in recent years. The average publicly traded fund invested in private credit had a maximum drop of 34.4% in the past three years, compared with a 24% maximum drop in the S&P 500 index and a 7.4% maximum drop in the overall bond market.

TAKE A LONG-TERM VIEW

Those combinations of risks and rewards make private-credit investments appropriate for income-seeking investors who can afford to leave money untouched for several years, says Dole, who has put some of his own money into the category. For some investors, that might mean only 1% to 2% of their portfolio assets; for others, it might mean allocations in the low-double-digit percentages, he says.

Finding the right investment vehicle to tap the private-credit market takes a little work. The largest market for private credit involves loans to healthy private businesses. But investors can also seek out riskier options, such as financing lawsuits, purchasing music copyrights and buying life insurance settlements. The vast majority of private-credit funds are not publicly traded, have long lockup periods and are offered only to wealthy investors, such as those who can meet the SEC's threshold for an accredited investors by proving a net worth of at least $1 million, not counting their home.

These alternative investments have risks. Private credit is appropriate for investors who can leave money untouched for several years.

Regular investors who want more-liquid investments and prefer to stick with funds operating under stricter SEC regulations can explore publicly traded business development corporations, typically referred to as BDCs, and standard exchange-traded funds that may hold stakes in BDCs. You may also be hearing more about "interval funds," which a growing number of fund sponsors are using to offer private investments to the public. More than 20 new interval funds have been launched so far this year, according to research firm Morningstar. And large alternative asset managers, including a partnership between KKR and the Capital Group, have proposed forming more interval funds in 2025.

Both BDCs and interval funds have special rules that enable them to pool many untraded private loans and equity stakes in private companies into investment vehicles that can be purchased daily from brokerages. But while interval funds allow investors to purchase shares at any time, they accept only a limited number of sales at certain intervals, generally quarterly. Many major brokerages require purchases to go through advisers to ensure that investors are warned about liquidity limitations.

Because they can be bought and sold like stocks or ETFs, BDCs are generally considered to be more familiar and attractive to individual investors. These funds typically make loans to or equity investments in small and midsize private firms. Such loans and investments generally aren't expected to pay off for years, which means BDCs can't easily get cash to redeem shares if their own investors want out. So BDCs trade as closed-end funds with a fixed number of shares, the price of which can trade at a premium or discount to the value of the BDC's underlying holdings.

BDCs are similar to real estate investment trusts in that they are required to distribute 90% of their profits to their investors annually. BDC fund managers are also allowed to use leverage, using borrowed funds to acquire portfolio assets—in this case, borrowing at low short-term rates to lend out at higher, longer-term rates. That increases risks, but also holds out the potential for raising returns.

Morningstar lists 58 publicly traded BDCs, six of which were launched this year. BDCs come with high fees, including operating and interest expenses, as well as performance-based management fees—and these fees may be broken out separately, together or a combination of the two. Some ETFs that hold shares in many BDCs report expense ratios in excess of 12%. For context, consider that mutual funds consisting of publicly traded bonds—funds that face intense competition and don't collect performance compensation—charge an average expense ratio of 0.37%, according to the Investment Company Institute.

HOW TO INVEST

Because many private-investment funds are comparatively small, or focused on particular niches, analysts say the safest way to dip your toes in the private market is to look for large and broadly diversified BDCs that opt for the most secure types of investments—typically business loans, sometimes referred to as direct lending.

One standout is ***Ares Capital Corp. (symbol ARCC, $22)***. As the nation's largest BDC, it has lent money to or invested in 535 private companies. One-fourth of the BDC's approximately $26 billion in assets are invested in software or technology services firms; another fourth of the portfolio is allocated to health care and commercial services companies. Ares Capital uses leverage to enhance its yield, but more than half of the loans in the portfolio are classified as "senior," meaning that they get paid off first in the event of a bankruptcy. Ares has notched a total return of 21.4% over the past year and 10.6% over the past five years. The fund's dividend yield was 8.7% as of November 30. Twelve of the 14 analysts who follow the fund are bullish and say the portfolio boasts a good balance of safety and returns.

For more diversification, investors can opt for one of several ETFs that hold shares of many BDCs. ***Virtus Private Credit (VPC, $23)*** holds 35 BDCs, including Ares Capital, and other major players such as ***Golub Capital BDC (GBDC, $16)***. Golub holds about $8 billion worth of floating-rate loans to businesses and yields 10.2%. Because Virtus invests in BDCs with high expense ratios, the ETF itself has an expense ratio of 9.7%. But even after those fees, it yields 11.7%. Its one-year total return of 16.4% puts it in the top percentile for its category, as does its five-year annualized return of 8.2%.

Another, more diversified option is ***Invesco Global Listed Private Equity (PSP, $72)***, with 58 holdings, including some BDCs but also the stocks of some asset managers that are big players in the private debt market. The fund's yield is comparatively low by BDC standards, at 2.5%. But its 36.9% total return for the past year places it in the top 5% of its category. The fund ranked at least seventh in its category in three of the past five years.

Among Invesco's standout holdings is ***Blackstone (BX, $191)***, a member of the Kiplinger Dividend 15, the list of our favorite dividend payers. Blackstone yields 1.8%. With $1.1 trillion worth of real estate loans, business loans and equity holdings in private companies, Blackstone is the largest alternative asset manager in the world. Interest rate cuts and a continuing strong economy helped lift the stock to a 72% return over the past 12 months.

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

GETTY IMAGES


Kiplinger
ALL NEW
RETIREMENT PLANNING 2025
YOUR GUIDE TO A SECURE RETIREMENT
+ Are Your Savings on Track?
+ The Power of a Trust
+ Retirement Investing at Every Age
+ Create an Income Stream with These Funds
+ Choose the Best Funds in Your 401(k)
+ Be Tax-Smart When You Make Withdrawals
+ And much more!
For fastest service, order online:
kiplinger.com/go/retire2025

IS A LOST DECADE AHEAD FOR STOCKS?

Some Wall Street strategists foresee stagnant returns, but not all agree.

BY ANNE KATES SMITH

A battle between the bulls and the bears is brewing on Wall Street, and the argument is not about where the stock market is headed in the next year or two but for the rest of the decade and beyond. Depending on who's right, investors could be in for another lost decade—like the one from 2000 through 2009, when the S&P 500 index ended not far from where it began. Or investors could enjoy 10 years' worth of decent gains, if not the to-the-moon returns we've seen lately.

Analysts at Goldman Sachs kicked off the debate in late October when they released their latest 10-year forecast, which calls for total returns of 3% annualized for the S&P 500 over the next 10 years. The firm believes that's the most likely return scenario, within a range of –1% and 7%. For context, the broad-market benchmark returned 13% over the past 10 years. Goldman's baseline, 3% forecast would rank in the seventh percentile for 10-year S&P 500 returns going back to 1930. The forecast implies a 72% probability that the broad-market index will underperform bonds and a 33% likelihood that stocks will generate a return that trails the rate of inflation.

Goldman's rationale for the dismal outlook hinges on the market's current, high valuation at the starting point of the forecast horizon—typically, high valuations signal subpar returns are ahead. But another drag on future returns is the current concentration of market value in a small number of tech-related behemoths. "Our forecast would be four percentage points greater if we exclude market concentration that currently ranks near the highest level in 100 years," Goldman's strategists write.

They're not the only ones sounding a super-cautious note. Looking over the span of the next seven years, analysts from asset management firm GMO expect U.S. large-company stocks to deliver returns in a range from roughly 0.5% to 3%–4% annualized—an outlook that blends a few of the firm's scenarios into one multiyear view. "It's not quite a lost decade, but it's not good," says Rick Friedman, a partner on GMO's asset-allocation team. "You should be making 7% to 8%" considering long-term average returns, he adds.

The bulls push back. Investment professionals at J.P. Morgan Asset Management acknowledge that the future certainly holds challenges for global financial assets. "Stubbornly elevated deficits, increasing geopolitical tensions, income inequality and a rising tendency to economic nationalism all pose threats to our outlook," they write in a recently released forecast for long-term (10- to 15-year) market returns. In the U.S., large-capitalization stocks are particularly challenged by high valuations, which shave J.P. Morgan's forecast for annualized returns over the period by 1.8 percentage points.

Nonetheless, J.P. Morgan's strategists and economists still expect decent returns of 6.7% a year, on average, over their forecast period. Developed-market economies will grow at a healthy clip, they believe, aided by the transformative potential of artificial intelligence to boost productivity. That trend should support higher corporate revenue growth and profit margins, especially for large companies in the U.S., according to J.P. Morgan.

To investors of a certain age, that argument may sound vaguely familiar, harkening back to the promise of the internet back in the '90s, before the dot-com bubble burst at the turn of the century, ushering in the lost decade. "AI skeptics see those high valuations as one of several signs of a tech bubble," says the J.P. Morgan report. "But we believe today's tech narrative is very different from the dot-com bubble of the late 1990s." For one, AI stocks have

DELIVERING OVER THE LONG HAUL

S&P 500 annualized total returns

10 Years	13.3%
15 Years	14.2
20 Years	10.7
25 Years	8.1

Through November 30.
Source: S&P Dow Jones Indices

GETTY IMAGES

delivered significant earnings growth to go along with those meteoric stock-price gains. And while many of the 1990s highfliers were low-quality, speculative names, today's tech winners are marked by more-diversified revenue streams, strong balance sheets and other quality markers.

The roaring '20s. Strategist Ed Yardeni, at Yardeni Research, believes that a long-term forecast of 7% returns "might not be optimistic enough." Instead, he sees a "roaring 2020s" scenario, with the economy growing at a year-over-year average of 3.0% and inflation moderating to 2.0%—a setup for returns more on the order of 11%. "A looming lost decade for U.S. stocks is unlikely if earnings and dividends continue to grow at solid paces, boosted by higher profit margins thanks to better technology-led productivity growth," he says. "The Roaring 2020s might lead to the Roaring 2030s." Yardeni sees the S&P 500 hitting the 10,000 milestone by the end of 2029, implying a cumulative 66% return from its 6032 close at the end of November, or 10.6% annualized.

But what if the pessimists are right? What if we're due for a long span during which the broad market simply treads water? The key then will be to remember that the market is not a monolith and that there likely will be plenty of opportunities for decent-to-good returns in pockets of the market that aren't reflected in the broad, large-company indexes. It's worth remembering that as the S&P 500 languished in the early aughts, for example, U.S. small-company stocks returned an annualized 6.5%, emerging markets returned an annualized 11%, and gold soared 14% a year, on average.

The winners may not be the same this time around, although a number of strategists are currently bullish on small stocks, emerging markets (depending on fiscal policies in China) and gold. Friedman, the asset-allocation expert at GMO, thinks investors will gain by investing in bargain-priced stocks overseas, where returns could reach the mid-teen percentages—more so in developed markets than emerging markets. He's particularly bullish on small-company, value-priced stocks in Japan. In the U.S., deep-value stocks—the cheapest 20%—are "attractive and ownable," Friedman says.

Regardless of whether we face another lost decade, it's a good idea to maintain a well-diversified portfolio. You may tilt tactically one way or another depending on market conditions, but you should explore both U.S. and international assets, stocks of all sizes, investing styles that touch on value-oriented as well as growth-focused themes—and perhaps add an equal-weighted index fund to guard against undue concentration in the most-popular names of the day. If you rebalance your portfolio periodically, you'll be able to take advantage of peaks and valleys that you'll inevitably encounter along the way, even if the market's path, measured end-to-end over a period of time, turns out to be flat. K

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

How to Hedge Against Tariffs

STREET SMART BY JAMES K. GLASSMAN

IN keeping with the newly elected president's motto of "promises made, promises kept," Donald Trump can be expected to boost tariffs on imports in the coming months. Most economists believe the effects will likely include a stronger dollar, higher inflation and interest rates, a decline in growth for countries that export to the U.S., and retaliation by at least some of them. In the short term, the fallout will probably depress the profits of American companies with strong sales abroad.

S&P Global reports that international sales represent 28% of the total revenues of the 103 members of the S&P 500 that report such statistics. For example, the proportion of foreign sales is 70% at Boeing, 57% at Nike and 41% at John Deere. If you want to hedge against the probability of a trade war, then you should stay away from the exporters and think domestic.

Goldman Sachs recently listed 50 constituents of a "domestic sales basket," with emphasis on such sectors as consumer staples, financials, homebuilders and health care. The list has some good choices—and I will get to them. But first, understand why many of these all-domestic stocks will, nevertheless, be harmed by tariffs.

Here come higher prices. Target immediately caught my eye. Although its stores are all in the U.S., the company noted in its 2022 annual report that "a large portion of the merchandise that we offer is sourced, directly or indirectly, from outside the U.S., with China as our single largest source." Any major change in tariff or tax policy "could require us to take certain actions, including raising prices on products we sell." Those higher prices—not just at Target but elsewhere in the economy, too—will probably discourage spending overall. Even with 100% domestic sales, Target and other retailers will be hurt by tariffs.

Another stock in the Goldman Sachs basket is Duke Energy, which operates utilities in the South and Midwest and will benefit from the growing domestic demand for electricity. But a trade war will cause interest rates to rise with inflation—bad news for a company that has to issue debt continually. Similarly, Union Pacific has no foreign revenues, but the railroad depends heavily on shipping grain, automobiles and other goods that eventually transit to and from Mexico and Canada, a business that could stagnate in a trade war.

Clearly, in a search for companies shielded from the impacts of tariffs, having zero international revenues is not a sufficient criterion on its own. Finding such companies requires further analysis. Also, in my search for a tariff hedge, I am leaning toward value-oriented stocks rather than highfliers that may have further to fall.

In the short term, the fallout from tariffs will probably depress the profits of U.S. companies with strong sales abroad.

PHOTO BY NOAH WILLMAN

One of my top choices is ***Allstate (symbol ALL, $207)***, the fourth-largest U.S. property and casualty insurer and a company with zero foreign sales. Insurers such as Allstate actually benefit from high interest rates and a strong dollar because their assets are heavily invested in bonds. The stock has risen 49% in the past year, thanks to higher premiums triggered by extreme weather events. Analysts at stock-research firm Value Line project that earnings will grow by an incredible 30% on average for the next five years, but Allstate's price-earnings ratio, based on analysts' estimates for 2025 profits, is just 11. (Stocks I like are in bold; prices and other data are through November 30.)

Most large banks have extensive operations outside the United States, with foreign commercial customers that could be hurt by higher U.S. tariffs. ***Capital One Financial (COF, $192)***, another stock in the Goldman Sachs basket, is an exception: a domestic bank that makes its money through credit cards and consumer lending. The company is in the process of acquiring Discover Financial Services, another credit card lender.

Capital One stock looks attractive at a P/E of 13.

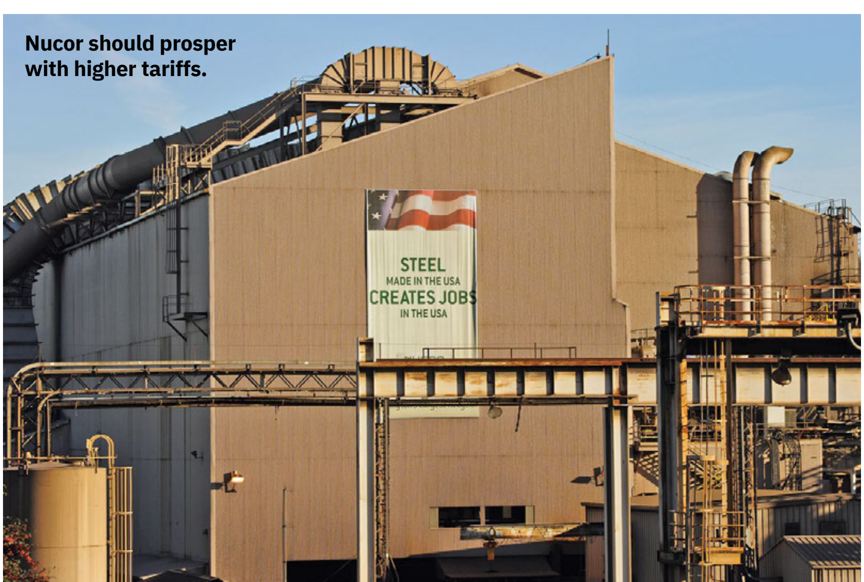
CVS Health (CVS, $60) gets little love from investors, but it's a good example of my "faith-based investing" model: It has such a strong brand and widespread presence it has to be restored to health. The company's retail stores have been hurt by online competitors, and its Medicare Advantage and pharmacy benefits management businesses are having trouble containing costs. As a result, the stock price has been sliced roughly in half in the past three years and now trades at a P/E of just 9.5, with a dividend yield of 4.4%.

Nucor (NUE, $155), a pioneer in the use of electric arc furnaces to make steel, is one of the great American manufacturers. Its foreign competitors selling into the U.S. market were hurt by tariffs on steel during the first Trump administration, and Nucor benefited as well from the bipartisan infrastructure bill and green manufacturing subsidies during the Biden administration. (For more on infrastructure beneficiaries, see "Cash In on the Infrastructure Building Boom," on page 18.) Lately, Nucor has suffered as the price of steel has fallen. But if President Trump ratchets up tariffs again, Nucor will be a major beneficiary. The stock trades at a P/E of 15.

Homebuilder stocks may be affected if interest rates rise because of tariffs but seem well-positioned to weather a trade war.

It's no secret that the new president's favorite cable network is Fox News. Its parent, ***Fox (FOX, $45)***, is an all-domestic business with a P/E of just 11. Fox also owns local network affiliate stations and Tubi, an ad-supported streaming service. Shares jumped with Trump's victory, but remain modestly priced.

Homebuilder stocks may be affected if interest rates rise because of inflationary tariffs. But despite that drawback, they seem well positioned to weather a trade war. Two large builders with no foreign sales are ***D.R. Horton (DHI, $169)*** and ***Lennar (LEN, $174)***. Both have low valuations. Unlike retailers, builders tend to use domestic suppliers. My favorite homebuilder is ***NVR (NVR, $9,236)***, which has risen by a factor of 15 since I recommended it in 2010.



Nucor should prosper with higher tariffs.

Another good sector for domestic-stock hunters is oil and gas exploration and production. ***Marathon Petroleum (MPC, $156)***, which primarily drills in Texas, North Dakota, Oklahoma and New Mexico, should profit thanks to higher petroleum prices from inflation—unless a trade war broadly depresses economic growth or a "drill, baby, drill" policy produces a surfeit of supply. The stock, which has been relatively flat for the past two and a half years, trades at 16 times expected earnings.

Trying to guess the effect of specific public policies on stock prices is usually a fool's errand. Businesses are brilliantly adaptive, figuring out how to dodge the obstacles that governments set for them. But I worry that a new, onerous tariff regime will be different. Yes, by making it more expensive for foreigners to sell goods here, tariffs may encourage more U.S. manufacturing. But there's little historical evidence that the cause-and-effect pattern is so simple. More likely, retaliation and higher prices will take their toll.

My strategy, therefore, is to find companies that will be hurt less than others—or may even benefit. If tariffs end up being benign, these stocks, as cheap as they seem, will make good additions to your portfolio anyway.

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

A BETTER FUND FOR FOREIGN DIVIDENDS

KIPLINGER ETF 20 UPDATE BY NELLIE S. HUANG

WE don't lightly make changes to our "favorites" lists, such as the Kiplinger ETF 20. But we're moving on from WisdomTree Global ex-US Quality Dividend Growth. The exchange-traded fund has had a few good years over the past decade, but those have been outnumbered by disappointing returns in other years. Its three-year return, a 0.7% annualized loss, lags that of its peers (foreign large-company growth ETFs).

We think we can do better, so we're swapping the WisdomTree fund for ***iShares International Dividend Growth ETF***. It boasts better returns and lower volatility over one, three and five years, as well as a 2.4% dividend yield and a low expense ratio of 0.15%. (The WisdomTree ETF yields 1.9% and charges a 0.42% annual fee.)

Like the WisdomTree ETF it replaces, iShares International Dividend Growth favors companies that steadily increase their payouts. Firms that do so, the thinking goes, tend to be prudent about how they manage their business, too, which can lead to better results.

The fund tracks a Morningstar index that starts with foreign companies of all sizes in developed and emerging markets. Only firms with at least five years of uninterrupted dividend increases and a payout ratio (the percentage of a company's earnings paid out as dividends) of less than 75% make the cut. A high payout ratio can be a sign of deteriorating earnings at the company, among other things. Real estate investment trusts get the boot, as do the stocks with the highest dividend yields in each region (Asia Pacific, Europe, the Middle East or Africa, for example). A high dividend yield may be inflated, for example, by a stock price that is falling in step with the firm's financial woes.

The end result is a portfolio of almost 400 companies ranked by the value of the annual dividend. Top holdings include Spanish energy firm Iberdrola; Japanese financial services giant Mitsubishi UFJ Financial Group; Novartis, a Swiss drug company; and Royal Bank of Canada. K

Send feedback to Nellie.Huang@futurenet.com

VITAL STATS: THE KIPLINGER ETF 20 AT A GLANCE

			Annualized total return				
Core Stock Funds	**Symbol**	**Price**	**1 yr.**	**3 yrs.**	**5 yrs.**	**Yield**	**Expense ratio**
iShares Core S&P 500	IVV	$605	33.9%	11.4%	15.7%	1.2%	0.03%
iShares Core S&P Mid-Cap	IJH	67	33.4	9.3	12.6	1.4	0.05
iShares Core S&P Small-Cap	IJR	127	33.3	6.3	10.8	1.6	0.06
iShares MSCI USA ESG Select	SUSA	126	32.7	8.7	15.5	1.1	0.25
Vanguard Total International Stock	VXUS	62	13.7	2.9	5.8	3.0*	0.08
Dividend Stock Funds							
iShares International Dividend Growth	IGRO	$71	18.2%	6.1%	6.8%	2.4%	0.15%
Schwab US Dividend Equity	SCHD	30	27.1	9.1	13.1	3.5	0.06
Vanguard Dividend Appreciation	VIG	205	26.8	10.2	12.9	1.7	0.06
Strategic Stock Funds							
Health Care Select Sector SPDR	XLV	$147	14.0%	6.0%	10.1%	1.6%	0.09%
iShares Core MSCI Emerging Markets	IEMG	54	12.7	−0.5	4.0	2.3	0.09
JPMorgan US Quality Factor	JQUA	60	32.2	12.8	15.9	1.3	0.12
SPDR S&P Kensho New Economies Comps	KOMP	55	32.2	−2.5	10.6	0.5	0.20
Technology Select Sector SPDR	XLK	234	27.2	12.4	22.7	0.6	0.09
Vanguard FTSE Europe	VGK	66	10.4	3.6	6.4	3.1*	0.09
Core Bond Funds							
Fidelity Total Bond	FBND	$46	8.1%	−0.9%	1.2%	4.8%	0.36%
Invesco BulletShares 2026 Corp Bond	BSCQ	19	6.2	0.6	1.9	4.7	0.10
SPDR DoubleLine Total Return Tactical	TOTL	40	9.0	−0.9	0.1	5.5	0.55
Opportunistic Bond Funds							
Invesco Senior Loan	BKLN	$21	10.0%	6.3%	4.6%	6.9%	0.65%
iShares Short Duration Bond Active	NEAR	51	6.2	4.2	2.9	4.6	0.25
Vanguard Tax-Exempt Bond	VTEB	51	5.3	0.1	1.4	3.5	0.05
Indexes							
S&P 500			33.9%	11.4%	15.8%	1.2%	
MSCI EAFE			11.9	4.1	5.9	3.1	
Bloomberg U.S. Aggregate Bond			6.9	−2.0	0.0	4.6	

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

GOLD CONTINUES TO SHINE

ETF SPOTLIGHT BY KIM CLARK

COSTCO shoppers have been clearing shelves of the retailer's one-ounce gold bars. U.S. investors have poured almost $2 billion over the past 12 months into exchange-traded funds that hold gold bullion. And central bankers around the world have been snapping up 67% more gold bricks so far this year than they did as recently as 2021.

There are plenty of reasons investors should include at least a little gold in their portfolios. Although gold prices can be volatile, over the long sweep of history, the precious metal has maintained value. Giovanni Staunovo, a commodities analyst at UBS Securities, says persistent inflation in the U.S. and wars in Ukraine and the Middle East have been key reasons gold prices have more than doubled in the past decade, to more than $2,600 an ounce. He expects gold prices to reach $2,900 in 2025 thanks to continuing demand from central banks and interest rate cuts that are likely to weaken the U.S. dollar, which typically moves inversely to gold prices. For many investors, a 5% allocation to gold strikes the right balance of risk and return, he says.

SPDR Gold Minishares

Key Facts

SYMBOL: GLDM
RECENT PRICE: $53
ASSETS: $9.1 billion
START DATE: June 25, 2018
HOLDINGS: 3.4 billion oz.
NET INFLOWS (past 12 months): $1 billion
MAXIMUM PRICE DROP (past 3 yrs.): 15.7%

It may be fun to jingle an ounce of gold in your pocket, but ETFs have other advantages. You don't have to worry about storage, and you can turn your gold ETF into money with the click of a button.

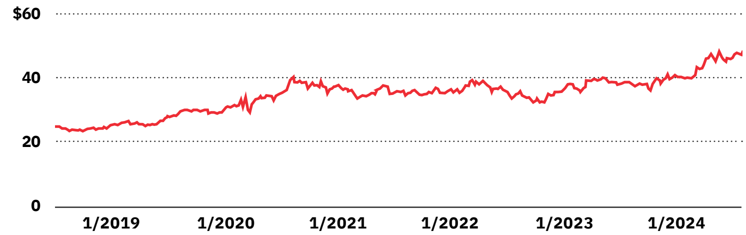
SPDR Gold MiniShares (symbol GLDM) is one of the largest and fastest-growing gold ETFs. The fund has garnered more than $1 billion in net inflows over the past year, bringing assets to $9.1 billion. With an expense ratio of 0.1%, it is a lower-priced clone of SPDR Gold Shares (GLD), which has more than $74 billion in assets and charges 0.4% in annual expenses. The mini fund has slightly higher returns than its larger counterpart thanks to a lower expense ratio, but because it is smaller, it trades a bit less efficiently.

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

SPDR Gold MiniShares

PERFORMANCE SINCE INCEPTION

Weekly closing prices (June 25, 2018 – November 30, 2024)



1/51

Each share of **GLDM** is equivalent to 1/51st of an ounce of gold.

0.10%

Annual Expense Ratio

$10 annually on a $10,000 investment

SOURCES OF GOLD DEMAND (in metric tons)

SOURCE	Jan. 1 – Sep. 30, 2024
Jewelry	1,488
Industry	244
Investors	834
Central banks	694
Total gold demand	3,259*

SOURCE: World Gold Council

Gold ETFs

Ranked by assets

	Symbol	Price	Assets (billions)	Expense ratio	Annualized total return 1 yr.	Annualized total return 5 yrs.
SPDR Gold Shares	GLD	$246	$74.9	0.40%	30.1%	12.2%
iShares Gold Trust	IAU	50	33.5	0.25	30.4	12.4
SPDR Gold MiniShares	GLDM	53	9.1	0.10	30.5	12.5
abrdn Physical Gold Shares	SGOL	25	3.8	0.17	30.5	12.4
iShares Gold Trust Micro	IAUM	27	1.4	0.09	30.6	—
S&P 500 Index					33.9%	15.8%

Data as of NOVEMBER 30, 2024. SOURCES: Morningstar Direct, S&P Global Intelligence. *Numbers do not add up due to rounding. —Fund not in existence for the entire period.

Aim for the Middle of the Curve

INCOME INVESTING BY JEFFREY R. KOSNETT

THE interest rate picture is clearing up, and so is my judgment as to where to find the most reward for the least risk. It is in the middle, the so-called belly of the yield curve, where maturities of three to seven years offer a sweet combination of yield, safety and total return. My reasoning is simple and has much to do with the downsides of the alternatives. Shorter-term money rates from banks, as well as money market and ultra-short funds, are still heading lower, with the Federal Reserve sounding committed to another cut or two. Long-term Treasury and other bond yields are not finished climbing (nicking prices and the net asset values of mutual and exchange-traded funds), even after spiking from September to November on a parade of inflation reports and economic growth indicators that make bond traders nervous.

This leaves the middle of the curve, where the yield is not directly under the purview of Federal Reserve decisions, the portfolios often have low duration (sensitivity to interest rate swings)—which means your principal value is resistant to bond bears' sell-offs—and the funds' cash distributions are steady or still rising a bit. The idea is to target investments with a yield of at least 3.5% and possibly above 4%, a duration around 2, an average maturity in that belly of the curve, and an active management team known for adding positive, risk-adjusted returns over one year, five years, and longer.

DoubleLine Low Duration Fund (symbol DLSNX) sports a duration of 1.6, a weighted average maturity of 2.7 years and, based on its past four monthly distributions, a yield of 5.0%. And the past four payouts have grown despite the Federal Reserve's rate cutting. ***Pimco Low Duration Income (PFIAX)*** is much the same, with a 2.4 year maturity, a duration of 2 and a current distribution rate of 5.2%. ***PGIM Short Duration Bond (SDMAX)***, ***Invesco Short-Term Bond (STBAX)***, ***Baird Short-Term Bond (BSBSX)*** and a host of others also check the boxes.

Where these funds differ is that some have more leeway to invest in pools of mortgages or credit card and car loan receivables rather than plain old short-maturity government and corporate debt. But until you have even the slightest reason to feel wary of such workday credit instruments, do not fret. And if one month's distribution drops, the next is apt to make it up. "There is a little bit of mystery in the magic math of the accounting," notes Warren Pierson, a Baird bond honcho, when asked about fluctuating payments. Pierson thinks some payouts will fall as higher-coupon investments mature, but when we asked BlackRock that same question, they said short-term funds are adept at maintaining income levels without returning capital.

Short-term rates are heading lower. Long-term yields are climbing, nicking prices. That leaves the middle of the yield curve.

PHOTO BY BOB CROSLIN

A note on troubles at Western Asset Management. A unit of Franklin Templeton, the bond-fund manager is in hot water after regulators accused chief investment officer Ken Leech of improper trading. Western's Core Bond fund has lost one-third of its assets, and other Western open-end funds are under the same scrutiny. I would skip them out of an abundance of caution. (Sometimes, such funds merge into others from the same family, which is dicey.) However, Western's closed-end funds are unaffected, and the market has not punished them. I have praised Western's high-yield and municipal CEFs and see no reason to drop them. In fact, they are having a good run up to the end of 2024. K

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

OFFENSE OR DEFENSE: WHY CHOOSE?

MUTUAL FUND SPOTLIGHT BY KIM CLARK

EVEN in bull markets, plenty of stocks can lose money. For example, the S&P 500 index overall was up more than 28% in 2024 through November, while more than 100 of its members were down, reports S&P Dow Jones Indices.

For one type of fund manager, that isn't a stock market bug, it's a feature. Managers of "long-short" funds buy stocks that they like and sell short those they think will fall (by borrowing shares, then selling them, in the hopes that they can repay the loans with cheaper stocks).

The opportunity to profit when stocks drop offer investors some stability. The category notched an average maximum loss in the past three years of just 15.6%, compared with a maximum 23.9% loss for the S&P 500. The trade-off: Long-short funds tend to lag in bull markets. They returned an annualized 7.2% over the past five years, compared with 15.8% for the S&P 500.

Boston Partners Long/Short Equity (symbol BPLEX) has fallen no more than 11.6% in the past three years and has placed at or above the top 40% of its category in four of the past five years. A big contributor to returns recently has been Newmark Group, which provides property management, mortgage brokerage and other services to commercial real estate owners.

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

GLOBAL STOCK FUNDS
Funds are ranked by their five-year returns.

			Annualized total returns			
		Symbol	1 yr.	5 yrs.	Max. sales charge	Exp. ratio
1	**Invenomic Investor***	BIVRX	−11.3%	23.2%	none	3.33%
2	**Gator Capital L/S Fd**	COAGX	54.0	20.2	none	3.08
3	**AQR Long-Short Equity N**	QLENX	27.3	16.2	none	5.18
4	**Boston Partners Long/ Short Equity Inv**	BPLEX	23.7	12.9	none	2.27
5	**Counterpoint Tactical Equity A**	CPAEX	44.7	12.9	5.75%	2.03
6	**Nuveen Equity Long/ Short A**	NELAX	25.9	11.5	5.75	2.21
7	**Alger Dynamic Opportunities A**	SPEDX	31.0	11.3	5.25	2.05
8	**Waycross Managed Risk Equity Fund**	WAYEX	19.9	11.0	none	2.29
9	**Longboard A**	LONAX	30.3	10.3	5.75	2.24
10	**Federated Hermes MDT Market Neutral A**	QAMNX	16.0	10.1	5.50	2.18
S&P 500			33.9%	15.8%		
Category average			17.0	7.2		

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

STOCK MUTUAL FUNDS

				Annualized total return		
	Name	Symbol	Assets† (billions)	1 yr.	5 yrs.	Max. sales charge
1	**Vanguard Total Stock Mkt Index Admiral**	VTSAX	$ 1,294.4	35.0%	15.1%	none
2	**Vanguard 500 Index Admiral**	VFIAX	740.9	34.4	15.7	none
3	**Fidelity 500 Index@**	FXAIX	592.7	34.4	15.8	none
4	**Vanguard Total Intl Stock Index Admiral**	VTIAX	364.7	13.5	5.7	none
5	**American Funds Growth Fund of Amer A**	AGTHX	306.4	39.2	16.0	5.75%
6	**American Funds American Balanced A**	ABALX	241.1	22.2	8.9	5.75
7	**American Funds Washington Mutual A**	AWSHX	195.9	28.7	13.2	5.75
8	**American Funds Invmt Co of Amer A**	AIVSX	157.1	34.3	15.3	5.75
9	**Fidelity Contrafund**	FCNTX	148.3	42.8	18.4	none
10	**American Funds New Perspective A**	ANWPX	145.8	25.1	12.3	5.75
S&P 500 INDEX				33.9%	15.8%	
MSCI EAFE INDEX				11.9	5.9	

BOND MUTUAL FUNDS

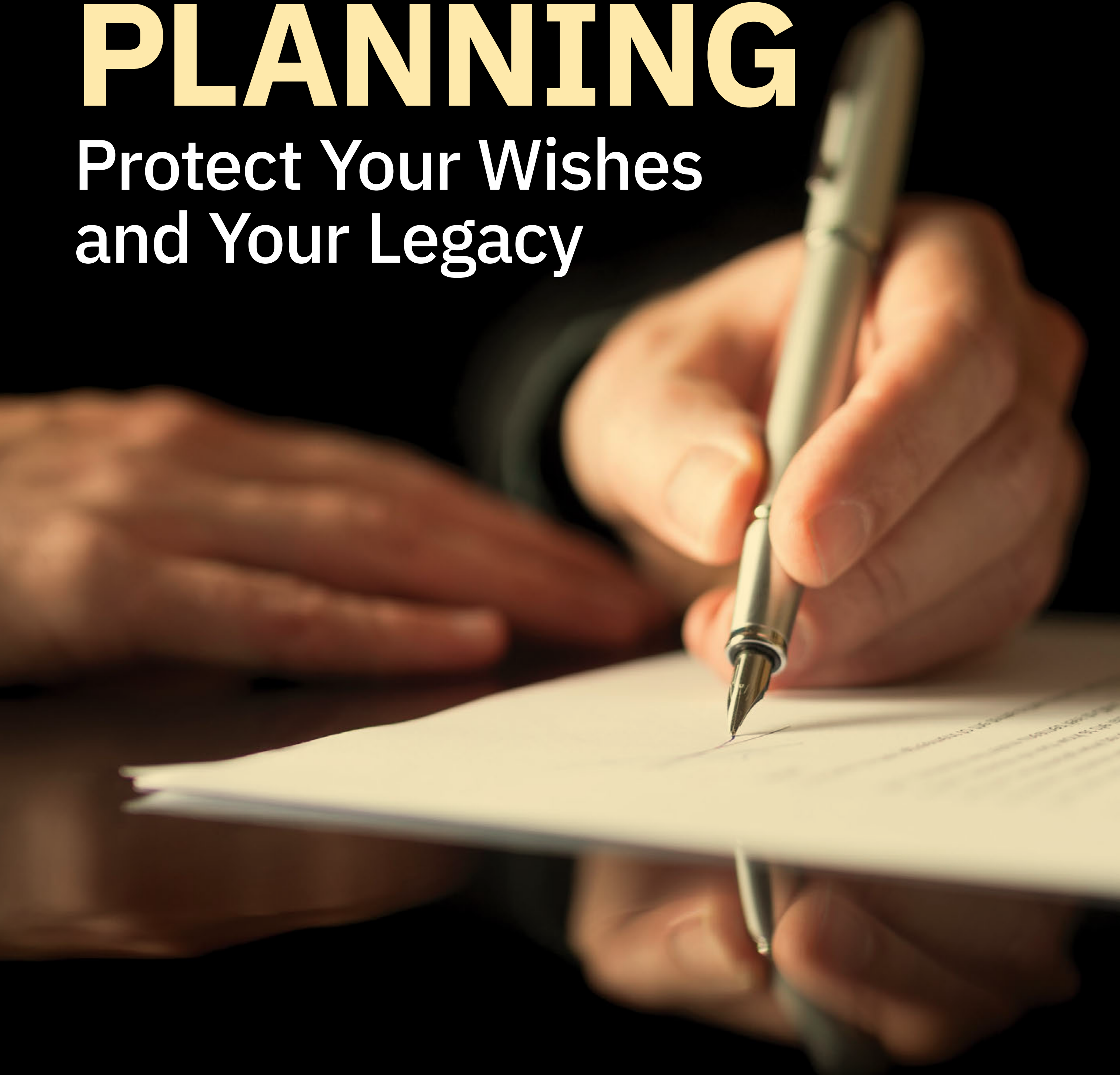
	Name	Symbol	Assets† (billions)	1-yr. total return	Yield	Max. sales charge
1	**Vanguard Total Bond Market Index Adm**	VBTLX	$ 220.3	6.5%	4.4%	none
2	**Pimco Income A**	PONAX	166.9	9.0	4.5	3.75%
3	**American Funds Bond Fund of Amer A**	ABNDX	91.9	6.0	4.2	3.75
4	**Dodge & Cox Income I**	DODIX	87.9	8.0	4.3	none
5	**Vanguard Interm-Term Tx-Ex Inv**	VWITX	76.0	5.2	3.3	none
6	**Fidelity U.S. Bond Index**	FXNAX	60.3	6.5	4.4	none
7	**Vanguard Short-Term Investment-Grade Inv**	VFSTX	54.6	6.9	4.5	none
8	**Baird Aggregate Bond Inv**	BAGSX	50.9	7.1	4.0	none
9	**PGIM Total Return Bond A**	PDBAX	49.9	8.2	4.7	3.25
10	**JPMorgan Core Bond A**	PGBOX	49.3	6.8	3.6	3.75
BLOOMBERG US AGGREGATE BOND INDEX				6.9%	4.6%	
ICE BOFA AAA US MUNICIPAL SECURITIES INDEX				4.7	3.0	

AS OF NOVEMBER 30, 2024. †For all share classes combined. @Only share class. *Fund closed to new investors. 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.


SCIENCE + ANIMALS + PUZZLES + PEOPLE + APPS + PHOTOS + BOOKS + SPORTS + TAP-DANCING FROGS
MULTI AWARD WINNING!
THE WORLD'S BEST NEWS & FACTS FOR YOUNG PEOPLE
THE WEEK Junior
CELEBRATE
EARTH DAY 2024
READ ACROSS AMERICA
Take part in the nation's celebration of reading with our list of 50 books for 50 states p12
Making sense of the world
Give

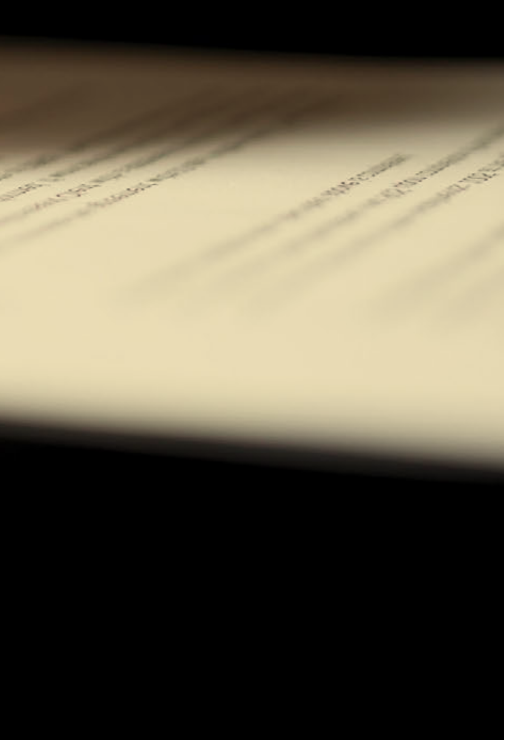
ESTATE PLANNING

Protect Your Wishes and Your Legacy



Whatever your circumstances, you can take these steps to build an estate plan that benefits both you and your loved ones.

BY DAVID RODECK



NO one likes to imagine getting seriously ill, injured or worse, but these occurrences are a reality of life. Although you can't prevent every catastrophic scenario, you can better manage the consequences by figuring out what you want to happen if you become incapacitated or pass away. Who should manage your money when you can't? What are your preferences for health care? Who will inherit your property?

A comprehensive estate plan includes multiple legal documents that lay out your instructions for medical professionals, the financial institutions managing your money, and the courts that will distribute your assets after your death. "An estate plan ensures your wishes are honored when you're no longer there or able to enforce them," says Joe Fresard, an attorney with Simasko Law in Mount Clements, Mich.

If you don't put together an estate plan, the government and the courts will make these decisions on your behalf, following state law. Your loved ones will be required to apply for legal permission to manage your money and make your health care decisions, creating extra work during a highly stressful time.

"If you don't have everything prepared, you're leaving your loved ones with a mess and leaving yourself unprotected," says Mary Kate D'Souza, chief legal officer at Gentreo, a digital estate-planning service. For example, the court may pick someone you don't trust to make decisions on your behalf. Your assets could go to people you haven't spoken to in years.

Despite the importance of establishing an estate plan, only 32% of Americans reported having one, according to a 2024 survey for Caring.com, an online review site for caregiving services. The number of Americans with an estate plan has fallen since 2023—the first decline since 2020, when the COVID-19 pandemic made estate planning feel more urgent.

That decrease is unfortunate, because "we're just one car accident or fall away from having to rely on others," says Bruce Tannahill, a director of estate planning for MassMutual. With a solid estate plan, you can rest easier knowing you are prepared for the worst.

KEY COMPONENTS

An estate plan is a combination of legally binding documents that outline your instructions and desires to "protect your voice when you can no longer speak," says Lindsay Graves, an elder-law attorney in North Canton, Ohio.

Each document plays a different role. A complete estate plan should include the following.

Living will. A living will lays out your desires for medical care. Are there any treatments that you'd refuse, such as artificial nutrition through feeding tubes or blood transfusions? How aggressively do you want doctors to manage end-of-life care, such as when you're alive but will never regain brain function?

If you have no documents in place, doctors typically will do whatever it takes to keep you alive, even if that care is more aggressive and invasive than you'd like. In addition, loved ones may be required to make these end-of-life decisions. "It's such a difficult decision to ask someone else to make. They always feel like they killed the person," Graves says.

Health care power of attorney. A health care power of attorney (POA) names someone to make medical decisions on your behalf when you cannot. That individual serves as your health care agent/proxy, communicating with the doctors and deciding what course of treatment is best based on what they think you would want and the instructions in your living will.

If you don't name a health care proxy ahead of time, your loved ones will need to go to court to be legally assigned this role, which could become contentious if they disagree with one another about your wishes.

The Terri Schiavo case in Florida is a famous example. In 1990, 26-year-old Schiavo suffered cardiac arrest and fell into a vegetative state. Schiavo had never shared her wishes for care in such a situation, and for years, her husband and parents fought in court over whether she should stay on life support. She died in 2005 after courts ruled that doctors could remove her feeding tube.

Even if your family members are on the same page, they'll be locked out of guiding your medical care while they seek legal authority to make decisions on your behalf. For that reason, every adult should have these health care documents set up, D'Souza says. "You might still be paying for your 19-year-old child's health insurance, but you still need legal permission to make health care decisions for them."

Financial power of attorney. A financial power of attorney names someone to manage your money when you're unable to do it yourself. Typically, your named agent will be allowed to access your financial accounts to pay your bills and manage your assets. Once again, if you don't pick someone ahead of time, the courts will decide for you. "It might end up being the last person you would ever trust with your money, like your child with drug problems," D'Souza says.

When you set up a financial power of attorney, you decide whether you want it to be effective immediately or to take effect if you're declared incapacitated. Although you might not want the other person to have access to your money until you need help, this can create problems down the line. "I had a case where a woman needed to use her mom's POA because she had dementia, but she could fake it through a competency test," Graves says. As a result, the daughter had a hard time getting permission to manage her mother's money.

One alternative is to set up the POA to be effective immediately and store the document in a safe place, such as a locked file cabinet in your home office, where the other person will only access it when you need help.

Last will and testament. A last will and testament explains who should inherit your assets. It also names an executor to oversee the distribution of your final estate and pay any last bills. If you have minor children or other dependents, you should also use this document to designate who will take over as their guardian. For this reason, creating a will makes sense even if you don't have a lot of property.

If you die without a will, known as dying intestate, the courts will distribute your assets to your closest family members according to state law. For example, New York intestate law says the money will go to your spouse and children, then your parents if you don't have a spouse or children, then your siblings, and so on down the family line. The money won't go to charity, a friend or

GETTY IMAGES (INCLUDING PREVIOUS SPREAD)

anyone else unless you lay out those instructions in a will.

You can create these documents with an estate-planning attorney. Expect to pay between $1,000 to $3,000, depending on the complexity of your situation. You could also use an online estate-planning service (see the box on page 44).

TRANSFERRING ASSETS SMOOTHLY

A basic will is a good start toward leaving an inheritance, but there are additional steps you can take to save time, taxes and trouble for your loved ones.

Avoid probate. When you pass away, the courts will review your will and distribute property according to the instructions through a process called probate. Probate can take months and require considerable legal expenses, depending on the state.

Probate is also public. Others can see what you're passing along and challenge the decision in probate court. For example, an estranged sibling could try to claim some of your assets.

You could avoid these problems by reducing the assets transferred at probate. One option is to set up a transfer-on-death designation on assets such as real estate, vehicles, bank accounts and brokerage accounts. The accounts transfer directly to your heirs without going through probate.

Another option is to set up a revocable trust. You control assets in the trust while you're alive. When you die, the assets pass through the trust to the named beneficiaries, avoiding probate. One advantage of a trust over TOD designations is that you can store all of your accounts in one place. In addition, a trust is private and offers protection against creditors. If an heir has financial problems or is facing a divorce, the trust could preserve their inheritance.

GETTY IMAGES

ESTATE PLANNING BEST PRACTICES

These tips can help you avoid common trouble spots and create a more effective plan.

Have backups for different roles. You should name a backup for estate-planning roles such as executor of your will, financial power of attorney and health care agent. That way, if one predeceases you, someone else will be able to step up. If your primary selection is about your age, name a younger loved one as a backup.

Communicate with your loved ones. Your loved ones should know where to find your estate-planning documents. You should also discuss inheritance plans while you're alive so people aren't surprised. "That way, you aren't creating turmoil after you pass. Money can destroy families," says Bryan Bell, a certified financial planner with First Horizon Advisors in Brentwood, Tenn.

Check your state's laws. Each state has its own laws for estate planning. If you move to a different state, you will likely need to update your documents to conform with that state's laws.

Remember your pets. If you have pets, you could lay out in your will who will take care of them after you die and leave them money to do so. You could also set up a pet trust designed to pay out enough money each year to cover your pet's bills.

Share with health care providers. Proactively give health care providers your living will and health care POA, especially before a major surgery. Most will ask for these documents as part of the admitting process.

Don't forget to put assets in your trust. If you set up a trust, retitle your assets so they're under the trust's name and tax ID. "I see revocable trusts that don't end up doing anything because the client never retitled the assets," says Bell.

Review and update regularly. Review and update your estate-planning documents every three to five years or after significant life events. Financial institutions will likely refuse a POA that's more than three years old because of concerns that your circumstances have changed.

Finally, you could use a trust to control how and when assets are distributed after you die. Rather than leaving a large inheritance to your 18-year-old grandchild, for example, you could set up the trust so your grandchild gets the funds only after completing college or turning 25.

Update beneficiary designations. Some financial accounts, such as life insurance policies, annuities and retirement plans, are transferred to your heirs by a beneficiary designation rather than through your will. The accounts go straight to the beneficiary and avoid probate.

Beneficiary instructions take precedence over your will. If you fail to update your beneficiaries, your money could go to the wrong person, such as an ex-spouse, even if your will states otherwise, says Bryan Bell, a certified financial planner with First Horizon Advisors in Brentwood, Tenn. You should update your beneficiary designations whenever you undergo a major life change, such as marriage, the birth of a child, divorce or the death of a spouse.

Plan for taxes. Most families don't have enough assets to be concerned with federal estate taxes. In 2025, you can leave up to $13.99 million to heirs without triggering federal estate taxes, or $27.98 million for married couples. However, 17 states and Washington, D.C., also charge estate and inheritance taxes, some with much lower thresholds. Oregon taxes estates that exceed $1 million, and Massachusetts taxes estates that exceed $2 million.

You could potentially minimize estate taxes by transferring property during your lifetime, either by making gifts to your loved ones or by placing property in an irrevocable trust. You can't take assets back from an irrevocable trust, but it removes the property from your estate for taxes. If your estate is potentially large enough to trigger federal or state taxes, talk to an estate attorney about your options.

SHOULD YOU CREATE AN ESTATE PLAN ONLINE?

These days, you can create your entire estate plan online with services such as Gentreo, LegalZoom, Wealth.com and Trust&Will. Once you sign up for an online account, the software walks you through a series of questions before creating your estate-plan documents.

Using one of these services typically costs much less than hiring an estate attorney. For example, Gentreo charges $150 to generate the three primary documents: will, living will and financial power of attorney. After that, it charges $50 a year to store your documents on the software with the option to update them later. In comparison, a lawyer might charge between $1,000 to $3,000 to create your documents and then hundreds more later to revise them.

Online services can be convenient. You can handle everything from home at your own pace. "People sometimes get started on estate planning and want to learn more before making decisions. You aren't sitting in front of an attorney, feeling as though you need to figure it out on the spot," says Mary Kate D'Souza, chief legal officer at Gentreo. After you complete your plan, online services make it easy to share your documents with others electronically.

Generally, however, online options are most appropriate for those in a straightforward situation, such as a single adult with no children. If your circumstances are more complex, you'll benefit from the guidance and counseling of a lawyer, who can help you weigh your options and discuss possible issues. "If you have significant assets, or if you have children from multiple marriages, there are more estate-planning landmines to watch out for," says Bruce Tannahill, a director of estate planning for MassMutual.

SPECIAL SITUATIONS

Most laws related to estate planning are designed for a traditional nuclear family: a married couple with adult children. However, a growing number of American households don't fit this definition. Singles, unmarried couples and couples without children have additional estate-plan issues to address to make sure their wishes are honored.

Childless couples. Spouses will likely choose each other to inherit property and handle roles such as the financial agent and health care proxy. However, it makes sense to list a backup, too. "What happens if you're in a car accident together?" Graves asks.

You could name a sibling or friend, but if they're about your age or older, they may no longer be physically able to handle the role when needed, or they could predecease you. Consider naming a younger family member, such as a niece or nephew.

You should also decide where your assets will go after you and your partner die, especially if you want money to go to charity or someone who is not a member of your family. If you don't lay this out in your will, the courts will automatically give everything to your closest living relatives.

Unmarried couples. Estate planning is even more critical for unmarried couples because, in the eyes of the courts, they have no legal connection to each other. If one person becomes incapacitated, their partner may not have the right to make their medical decisions. Estate-planning documents can protect your ability to care for each other.

The same applies to distribution of your assets. Your unmarried partner won't inherit the property unless you name them in your will and beneficiary designations.

Beware state estate and inheritance tax laws, too. For example, New Jersey charges taxes based on relationships. While spouses and civil-union partners do not pay inheritance taxes, unmarried couples can pay up to 16% for transferring property to each other at death. Start thinking about strategies to avoid these taxes, such as gifting assets to your partner while you're alive.

Singles. If you're single, divorced or a widow(er) without children, you may have to give some extra thought to who will make health care and financial decisions on your behalf. You could, for example, name a family member or a close friend.

Make sure you select someone who is well positioned to take on the responsibility and that they are aware you chose them to do it. "If you name your nephew who lives across the country, he might not realize you're incapacitated and that you picked him for these roles until it's too late," says Fresard from Simasko Law. Because this role can be a big responsibility, you could let the relative or friend know they will be compensated by inheriting part of your estate.

Consider who you would like to inherit your money, especially if it's a charity or friend. If you don't clarify your wishes in your will, the money will go to the closest living relative, which could be a distant cousin you haven't seen in years.

Parents of a child with a disability. If you have a child with a severe disability who receives government support, you need to be very careful about how you provide for them after you die. Government programs such as Medicaid and Supplemental Security Income have extremely low asset limits for eligibility. Your child could be disqualified simply for owning more than $2,000 of cash and other assets outright.

Instead of leaving money to a disabled child directly, you could pass along property using a special-needs trust (SNT). Your child can receive money from the trust for vacations, entertainment, electronics, and other discretionary products and services without losing government support.

You should also decide whether another family member or professional guardian will take care of your child after you die. "It's a huge ask to have someone take on this role, especially since siblings tend to move away from the family home," Graves says. "The key is to figure it out while you're alive rather than leaving it to the system to decide." ■

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

GETTY IMAGES

CHECK YOUR COLLEGE'S FINANCIAL HEALTH

Declining enrollment has forced a growing number of small colleges to shut down.

BY KIMBERLY LANKFORD

CHRISTOPHER ROSE was close to finishing his third year at Fontbonne University in St. Louis last March when the entire student body received a message to meet in the school's main gymnasium. After the students gathered, the college's president announced that Fontbonne would be closing at the end of the summer term in August 2025.

"It shook a lot of students," says Rose. "A lot of kids were in the same position as me, with uncertainty about the future and having to scramble to find a path forward. It had been a close community, like a second home. Everybody worried about financial aid and transferring credits."

Fontbonne made agreements with 25 colleges that offered to accept most credits and charge students no more than they were paying at Fontbonne. But the disruption of having to change schools and possibly add extra semesters hit the students hard.

Several colleges came to Fontbonne's campus in April to discuss their programs and transfer process. After meeting with a few schools, Rose decided to switch to the University of Missouri–St. Louis starting in fall 2024. Because the university didn't offer a marketing major, he had to change his major from marketing to business administration with a concentration in marketing and add an extra year to his studies.

Even though he liked the close-knit community of a small school, Rose chose to finish up at a large public university because he worried about the stability of some of the small schools. "With the financial uncertainty, it was the safest bet for me," he says.

COURTESY OF FONTBONNE UNIVERSITY

↑

Enrollment has dropped significantly at Fontbonne University, which has announced that it will close in August 2025.

Colleges throughout the country are struggling financially as enrollment shrinks and expenses rise. Nearly 100 higher-education institutions closed between the 2022–23 and the 2023–24 academic years, according to the Department of Education's National Center for Education Statistics. Many were for-profit programs or two-year colleges that merged into other programs. But some were traditional four-year colleges with long histories.

Fontbonne University, for example, recently celebrated its 100th anniversary. Founded by the Sisters of St. Joseph of Carondelet in 1923 as a women's liberal arts college primarily to educate teachers, the school became well known for its deaf-education program. It went co-ed in the 1970s and expanded to 44 undergraduate majors and 19 graduate majors. But enrollment dropped significantly over the past decade—from 1,781 students in fall 2014 to 874 students in fall 2023—and the school couldn't keep up financially.

"It became clear to the leadership team that it was too risky to try to continue the institution," says Adam Weyhaupt, Fontbonne's executive vice president and provost. "It seemed like the most responsible thing to do was to wind down the institution in an orderly, dignified way."

Fontbonne didn't have a large endowment (something it had in common with many colleges). With a significant number of its graduates focusing on careers known for service rather than salaries, such as special education and social work, large gifts from alumni were rare.

The school also took pride in its mission to provide opportunities to students in need: 56% of Fontbonne's current students are eligible for Pell Grants, and one-third are first-generation college students, like Rose. "We can't just increase tuition," says Weyhaupt.

The majority of small private colleges rely primarily on tuition and fees to remain afloat, and those numbers aren't looking good. A drop-off in births after the 2008 recession, combined with a decline in the percentage of high school graduates going directly to college after the COVID pandemic, has left a smaller pool of potential students to go around.

"We're entering a period when fewer students are going to college—there are fewer 18-year-olds—and this was predictable years ago," says Dick Startz, distinguished professor of economics at the University of California, Santa Barbara, who wrote a paper for the Brookings Institution in October 2024 about the college-enrollment cliff. "There's been lots of expansion in colleges, and for a long time the number of students going to college was going up. But that's leveled off and come down some, and that's going to be a problem for colleges that are weaker financially."

The headlines about colleges with record numbers of applications and minuscule acceptance rates apply only to a very small percentage of schools, says Sara Harberson, a former dean of admissions and founder of Application Nation, which helps families navigate the college admission process. "Ivy League universities, elite colleges with large endowments, and nationally known institutions dominate the news stories. But most colleges are experiencing the effects of a declining enrollment and a shrinking pool of high school graduates."

Some of these troubled schools were temporarily bolstered by federal COVID relief funds, but closures have increased as those funds have dried up. "There were few closures during the pandemic because of all the pandemic relief funds, but we're seeing a few more closures now than before the pandemic," says Robert Kelchen, professor and head of the department of educational leadership and policy studies at the University of Tennessee, Knoxville. "Enrollment as a whole is down, and operating costs are up."

Because of the demographic trends, with fewer young people applying to college, it's going to get even worse, says Robert Massa, vice president emeritus for enrollment at Dickinson College, who spent more than 50 years in the enrollment and business side of college administration.

The majority of small private colleges rely primarily on tuition and fees to remain afloat, and those numbers aren't looking good.

ASSESSING A COLLEGE'S FINANCIAL STABILITY

If you're looking at college for your child or yourself, it's important to check out schools' financial situation as you narrow down your list.

"Most families do not consider a college's financial stability until after the student has been admitted and is deciding where to enroll," Harberson says. By then, she says, the student may have become attached to the college, making it difficult to change course.

Even if a struggling college doesn't shut down, your child's education could suffer—and you may need to pay for additional semesters—if professors are laid off or departments are eliminated. A financially stressed school also may also cut back on student support programs, such as academic advising and the student health center, and may neglect its buildings' upkeep.

Here are some steps to take to research a college's financial situation and questions to ask if you find red flags.

Look at enrollment trends. One of the early warning signs that a college is in trouble is a shrinking freshman class, says Emily Wadhwani, senior director and the sector lead for the higher education team at Fitch, the ratings agency. "That will translate into lower enrollment as that smaller class cycles through, and it can become unmanageable if that persists."

Tuition and fees account for more than 70% of revenue at most schools, and more than 90% at some, Wadhwani says. "Those schools are extremely vulnerable to changes in enrollment."

Massa recommends reviewing enrollment numbers in the Common Data Set, an easy-to-read resource most colleges provide for college rankings research. "My advice to parents is to go to a college's website and type 'common data set' in the search bar," he says. "Go back five to seven years and look at the enrollment section of the report." Compare the numbers for freshman enrollment, number of applicants and the percentage that were accepted to the most recent figures.

"If you see a big drop-off in applications and an increase in acceptance rate, that will impact applications in the future because the less selective you are, the less students want to go there," he says. "If there's a big drop-off in freshman enrollment, that's a red flag."

You can also find statistics using the Department of Education's College Scorecard (*https://collegescorecard.ed.gov*) and the comprehensive but less user-friendly Integrated Postsecondary Education Data System (IPEDS; *https://nces.ed.gov/ipeds*).

Search for news stories about the college's finances. "Google the college and see what articles come up," says Massa. "If there are financial issues, it's going to show up in the press, whether it's the regional press or the higher-ed press." You may find reports of faculty layoffs, departments closing, debt problems or attempts by the college to redirect endowment funds.

"For most of the schools that close, it's not actually a big surprise," says Startz. "There are often news stories about the school cutting back and having financial difficulties." He also recommends checking the school's student-run paper.

Review college finance watch lists. The Scholarship Foundation of St. Louis has been analyzing colleges' finances since 2019 and keeps a watch list of colleges with special financial concerns. The November 2024 list, available at *https://tinyurl.com/ywbsb8w4*, includes 35 schools. "We understood the impact of students attending under-resourced schools," says Faith Sandler, the program's executive director. "We felt that we owed it to our students to help them broaden the information that they had before making a decision." Chris Rose is a scholarship recipient and senior fellow with the Scholarship Foundation, and he reviewed its list when deciding where to transfer.

The Department of Education lists schools it has concerns about in its Heightened Cash Monitoring list (*https://studentaid.gov/data-center/school/hcm*). The criteria include student-aid compliance issues as well as a college's finances. If a school you're interested in is on the list, it's worthwhile to ask questions.

If a school is on probation with its accreditor or on the HCM list, you should ask representatives what led to the situation and what plans they have to improve, Kelchen says.

When a college issues bonds to help fund large capital projects, bond rating agencies assess the college's financial strength.

Look up bond ratings. When a college issues bonds to help fund large capital projects, bond rating agencies assess the college's financial strength.

"By and large, the colleges that close have been unrated or have had ratings at the low-triple-B or high-double-B level or below," says Wadhwani of Fitch Ratings (*www.fitchratings.com*). "Our median rating for institutions is in the A category." At Fitch, you can find ratings by typing in the name of the school.

You can also research colleges at Standard and Poor's (*www.spglobal.com*) and Moody's (*www.moodys.com*), two of the largest bond rating agencies. At Moody's, you need to register, but it's free. For Standard and Poor's, you'll also need to sign up for free registration. Once you've registered, search for reports on not-for-profit colleges; these reports list ratings for various schools.

Notice the condition of the campus. A Pennsylvania woman whose daughter went to a small liberal arts college in the Northeast says she sensed the college was in trouble when she noticed that its landscaping and overall campus condition were visibly in disrepair (she asked that her name not be used). Then, the bathroom ceiling in her daughter's dorm caved in. Soon after, the college cut several majors, laid off faculty and sold off campus buildings to reduce its debt. Her daughter transferred to another school.

"Take a look at the housing and academic buildings as you tour the campus," she recommends.

Ask questions of the college's business office. If you find any red flags in your research, Massa recommends asking the admissions office whether you can speak to someone in the business office about the school's financial situation. "Talk to the finance people and get a candid appraisal," he says. If the school gives you the runaround, that can be a sign of trouble.

Investigate the stability of the major you're considering. A much more common problem than colleges closing is schools eliminating departments and majors. That has been an issue at both public and private colleges, says Startz.

"Even if a student wants to pursue something entirely different, their educational journey will be impacted as more students are forced into other majors and programs. This can lead to a longer undergraduate experience—and a more costly one," says Harberson.

Sandler recommends talking with faculty in the department you're considering to find out more about the program's stability and size.

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

SHIELD YOURSELF FROM FRAUD

KIPLINGER ADVISOR COLLECTIVE BY MARIO R. HERNANDEZ

RECENTLY, one of my clients shared a harrowing experience. The client's parents received a phone call from someone claiming to be their grandson. The connection was filled with static, but the grandparents made out that the grandson was allegedly in jail and urgently needed them to wire bail money to him. Frantic, they assured him they would immediately send the funds.

As soon as they hung up, they began to feel uneasy. They decided to call their grandson directly, who, much to their relief, answered the phone. The grandson confirmed that he was safe and sound, and the client's parents narrowly avoided falling victim to a common scam.

In the same few weeks, news emerged that a hacking group called "USDoD" managed to break into the systems of National Public Data, which handles background checks. The scale of the breach, which potentially exposed nearly 3 billion records, is mind-boggling. Following the breach, criminals released Social Security numbers, addresses and other personal data—information that criminals can use to steal identities—on the dark web.

Those are just two examples among many when it comes to financial and identity crimes, which are growing more widespread and sophisticated. It is essential for us all to take proactive measures to protect ourselves.

Keep your guard up. Staying alert and trusting your instincts are key to shielding your confidential information. In the case of my client's parents, they did everything right. Though the scammer did an excellent job of creating a sense of urgency, they slowed down, didn't give out any personal or financial information, and verified the source of the request.

Besides exercising caution, there are other moves you can make to reduce the risk of financial harm from scams or data exposed in a breach.

- **Freeze your credit with the three major credit-reporting companies: Equifax, Experian and TransUnion.** You can request a freeze by phone or online, and you must contact each company separately.

COURTESY OF MARIO R. HERNANDEZ

↑

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

- **Arrange e-mail or text notifications for your financial accounts.** You'll receive alerts when a withdrawal is made from your bank account or a charge is posted to your credit card account, for instance.
- **Enable multifactor authentication.** If someone attempts to log into an account of yours that is set up with multifactor authentication, you'll get a code by text message or e-mail, and the code is required to access the account. This helps prevent criminals from entering your account, even if they have your password.
- **Set up a Social Security account at *www.ssa.gov/myaccount*.** Doing so prevents identity thieves from establishing an account in your name and using it to collect benefits.
- **Use a password manager to store all your login credentials.** This allows you to create more sophisticated passwords and ensures that you won't lose track of them.
- **Don't click on links in an e-mail or text message unless you're certain they're from a safe source.** If in doubt, reach out to the sender separately to verify that the message is legitimate. If you click on a fraudulent link or attachment, it may download malware on your device or lead you to a scam website.
- **Install virtual private network software.** A VPN encrypts your data while you browse the internet. You should have it on when you use your computer outside your home.

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

Should You Use Add-On CDs?

BY ELLA VINCENT

FOLLOWING the Federal Reserve's recent moves to cut short-term interest rates, yields on certificates of deposit have been falling. But because the Fed is likely to keep lowering rates—Kiplinger expects cuts to continue into 2026—locking in current yields with a new CD can still be a smart strategy.

With most CDs, you must make the entire investment when you open the account. But with a special type of certificate known as an add-on CD, you can put in extra funds after the initial deposit. As with a traditional CD, the interest rate remains the same until the certificate's maturity. So if you expect to have more money to deposit during its term, you may benefit from the ability to keep adding funds and earning the same yield, especially if prevailing rates fall during that time.

On the downside, add-on CDs aren't as widely available as traditional CDs—and many of the institutions that offer them are credit unions with membership restrictions. SchoolsFirst Federal Credit Union (*www.schoolsfirstfcu.org*) has a six-month add-on CD with a 4.4% yield ($500 minimum opening deposit), but you have to be a California school employee or family member to join. Navy Federal Credit Union (*www.navyfederal.org*) offers a 4.25% yield on a 12-month add-on CD ($50 minimum opening deposit), but membership is limited to those with a military affiliation.

Plus, rates for add-on CDs may not be as attractive as those you can get with top-yielding traditional CDs. For example, the 24-month Investment CD from Bank5 Connect (*www.bank5connect.com*), which lets you add funds anytime during the term after you deposit at least $500, recently offered a 3.3% yield. That compares with yields surpassing 4% on some traditional two-year CDs. ■

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

RATE UPDATES

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

TOP-YIELDING SAVINGS

Taxable Money Market Mutual Funds	30-day yield as of Nov. 26	Minimum investment	Website
Gabelli U.S. Treasury MMF (GABXX)	4.83%	$10,000	gabelli.com
DWS Govt & Agency MF (DTGXX)*	4.71	1,000	fundsus.dws.com
Elfun Govt MMF (ELMXX)	4.69	500	ssga.com/us
AB Govt MMP (AEYXX)*	4.69	2,500	alliancebernstein.com

Tax-Free Money Market Mutual Funds	30-day yield as of Nov. 25	Tax eq. yield 24%/35% bracket	Minimum investment	Website
Fidelity Municipal MMF (FTEXX)*	2.93%	3.86%/4.79%	$1	fidelity.com
Schwab AMT Tax-Free MF (SWWXX)*	2.90	3.82/4.74	1	schwab.com
Amer Cent T-F MMF (BNTXX)	2.90	3.82/4.74	2,500	americancentury.com
Fidelity Tax-Exempt MMF (FMOXX)*	2.86	3.76/4.67	1	fidelity.com

Savings and Money Market Deposit Accounts	Annual yield as of Nov. 29	Minimum amount	Website
Pibank (Fla.)†	5.50%	$0	pibank.com
TIMBR Financial (Minn.)†	5.25	1,000	timbrfinancial.com
Bank of Hope (Calif.)†	5.10	1	bankofhope.com
Brilliant Bank (Kan.)†#	4.85	1,000	brilliant.bank

Certificates of Deposit 1-Year	Annual yield as of Nov. 29	Minimum amount	Website
Fort Liberty FCU (N.C.)&	4.65%	$500	myfortlibertyfcu.org
Eagle Bank (Md.)†	4.60	1,000	eaglebankcorp.com
Grow Financial FCU (Fla.)&^	4.59	500	growfinancial.org
Community FCU (Ind.)&	4.50	1,000	comwide.com

Certificates of Deposit 5-Year	Annual yield as of Nov. 29	Minimum amount	Website
Credit Human (Texas)‡	4.11%	$500	credithuman.com
BMO Alto (Ill.)†	4.00	0	alto.bmo.com
Synchrony Bank (Utah)†	4.00	0	synchronybank.com
KS StateBank (Kan.)	4.00	500	ksstate.bank

*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 6–11 months. ‡CD term is 36–59 months. SOURCES: Bankrate, DepositAccounts, Money Fund Report (iMoneyNet).

TOP CHECKING ACCOUNTS Must meet activity requirements*

Account Issuer	Annual yield as of Nov. 29	Balance range^	Website
Genisys CU (Mich.)&	6.75%	$0–7,500	genisyscu.org
Andrews FCU (Md.)&	6.00	0–25,000	andrewsfcu.org
Oklahoma Central CU (Okla.)&	6.00	0–10,000	oklahomacentral.creditunion
Orion FCU (Tenn.)&	6.00	0–10,000	orionfcu.com

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

YIELD BENCHMARKS

Must meet activity requirements*	Yield	Month ago	Year ago
U.S. Series EE savings bonds	2.60%	2.70%	2.70%
U.S. Series I savings bonds	3.11	4.28	5.27
Six-month Treasury bills	4.42	4.45	5.38
Five-year Treasury notes	4.05	4.11	4.22
Ten-year Treasury notes	4.18	4.28	4.27

As of November 29, 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

GET THE RIGHT ADVICE IN RETIREMENT

If you've saved up a decent-size nest egg with a financial services firm, chances are good it has offered you financial advice—for a price. Is it worth it? BY SANDRA BLOCK

If you're approaching retirement or have already stopped working, it may have occurred to you that saving for retirement was the easy part.

Most likely, you had contributions to a 401(k) or other employer-provided retirement savings account automatically deducted from your paycheck. Target-date funds, which automatically adjust your investments as you approach retirement, have taken the guesswork (and hopefully the stress) out of investing those contributions. For investments outside of your workplace plan, many brokerage firms have harnessed digital tools to provide low-cost investment advice. (For our evaluation of the online services that many major brokers provide, see "Ranking the Online Brokers," Oct.)

But once you retire and need to start withdrawing from your nest egg, the task of managing your money becomes more difficult. Fewer than half of retirees say they've estimated how much they'll need to withdraw from their savings and investments to cover their expenses, according to the Employee Benefit Research Institute's 2024 Retirement Confidence Survey. Even if you've nailed down the amount of income you'll need each month to retire comfortably, you'll have to wrestle with a host of decisions that can't be put on autopilot, such as which accounts you should tap first, how to lower taxes on your withdrawals and when you should sign up for Social Security. Add to the mix concerns about long-term care, estate planning and charitable giving, and you may start to feel as though managing your savings is a full-time job.

With the stakes so high, you're probably going to want some advice. For many retirees, that means hiring a financial planner. A qualified certified financial planner can manage your portfolio and provide advice on

a range of other subjects, from withdrawal rates to legacy planning. To earn the CFP designation, an individual must complete a course of study, pass a rigorous exam, have 6,000 hours of experience related to financial planning, and commit to continuing education. In addition, CFPs are required to act as fiduciaries, which means they must put their clients' interests above their own.

Many CFPs provide excellent advice, but their guidance doesn't come cheap. Compensation structures vary, but a common one is an assets under management (AUM) model, in which the planner bases his or her fees on a percentage of your portfolio. For example, if you have a $1 million portfolio and your planner charges a 1% fee, you would pay the planner $10,000 a year. The percentage typically decreases as your portfolio grows. On average, advisers charge 1.12% per year for a portfolio of $100,000, 1.02% for a portfolio of $1 million and 0.98% for a portfolio of $2 million, according to a 2023 survey by Advisory HQ, a marketing organization. Supporters of this model, a longtime standard for the advisory business, say it gives advisers a strong incentive to perform well, because as your portfolio grows, so does their compensation.

Increasingly, though, brokerage and financial services firms such as Charles Schwab, Fidelity Investments, T. Rowe Price and Vanguard are offering financial advice to retirees and preretirees at a lower cost. Depending on the amount you have invested, you may be able to get advice on account-withdrawal rates, taxes, estate planning and more, often from a dedicated financial planner, for a fee of 0.5% or less of assets under management. The firm may limit advisory services to assets it manages—so it may not include your former employer's 401(k), for example, or a taxable brokerage account you inherited that's with another brokerage firm.

ILLUSTRATION BY GIORDAN POLONI (LEFT); GETTY IMAGES (PREVIOUS PAGE)

TOOLS FOR DIY INVESTORS

Before you sign up for an advisory service, check out the free tools that your financial services firm offers. You may determine that, at least initially, you can manage your portfolio without giving up a percentage of your assets.

Even if you conclude you'd like to hire an adviser, these tools will provide information you and your adviser can use to come up with a comprehensive retirement plan. And in many cases, these tools are free for everyone, not just the firms' customers. Some examples:

The **Vanguard retirement expenses worksheet** (*https://investor.vanguard.com/tools-calculators/retirement-expenses-worksheet*) provides a handy way to estimate your monthly or annual expenses, which you can plug into other worksheets to gauge whether your retirement savings will generate enough income to cover your expected lifestyle.

The **Vanguard retirement income calculator** (*https://investor.vanguard.com/tools-calculators/retirement-income-calculator*) offers a snapshot of your retirement readiness based on your age, how much you earn, your savings and your estimate of the amount of income you'll need to replace in retirement.

Schwab's retirement calculator (*www.schwab.com/retirement-planning-tools/retirement-calculator*) provides a retirement analysis, based on the amount you've saved, how much you expect to receive from Social Security and your anticipated spending in retirement.

The **Schwab Roth IRA conversion calculator** (*www.schwab.com/ira/ira-calculators/roth-ira-conversion*) will help you determine whether converting to a Roth IRA makes sense based on the combined value of your traditional IRAs, the amount you'd like to convert, and your current and estimated future tax rates.

The **Fidelity Retirement Score** (*www.fidelity.com/calculators-tools/fidelity-retirement-score-tool*) reviews your retirement readiness based on six questions.

For higher-income taxpayers, the **Fidelity retirement strategies tax estimator** (*https://myguidance.fidelity.com/ftgw/pna/public/planning/retirement/ris-calculator/welcome*) can help you estimate how various actions, such as converting a traditional IRA to a Roth, giving to charity or withdrawing from different types of accounts, will affect your tax bill.

The **T. Rowe Price retirement income calculator** (*www.troweprice.com/usis/advice/tools/retirement-income-calculator*) will help you determine whether you're on track to retire based on your age, income, estimated annual expenses and investing style (aggressive, moderate or conservative).

The **T. Rowe Price Social Security optimizer** (*www.troweprice.com/usis/advice/tools/social-security-optimizer*) provides a comprehensive report on your estimated benefits based on different scenarios.

If you've accumulated a significant amount of assets with a particular financial services firm, you've likely already received promotions for its financial-planning services. Enrolling in one of these programs could give you the confidence to spend money you've worked so hard to save. That's not easy for many retirees: A 2018 survey by the Employee Benefit Research Institute found that retirees with at least $500,000 or more in savings had spent down less than 12% over 20 years.

Here are some questions to ask before signing up.

HOW MUCH DO I NEED TO HAVE INVESTED TO QUALIFY FOR ADVISORY SERVICES?
The amount required to be eligible for guidance from a dedicated adviser varies. For example, Schwab Wealth Advisory provides a dedicated financial adviser and personalized wealth-management strategy to clients with $500,000 or more in assets. Through Fidelity Wealth Management Services, you can get a dedicated financial adviser and portfolio management if you have at least $500,000 in assets. T. Rowe Price, a relative newcomer to wealth-advisory services, will provide a dedicated adviser to clients with at least $250,000 in assets. For customers with a minimum of $100,000 in assets, Ally Invest Personal Advice offers a personalized financial plan from a dedicated adviser using portfolios of exchange-traded funds; Ally will also provide withdrawal strategies for retirement accounts, but it doesn't offer tax advice.

Some firms have expanded services for wealthier clients—typically those with $2 million or more. For example, Vanguard's Wealth Management program, available to clients with $5 million or more in Vanguard mutual funds and ETFs, provides investment-advisory services, wealth and estate planning, tax strategies, and other services through a dedicated CFP. Fidelity's Private Wealth Management Services, available to clients with investable assets of at least $10 million—with $2 million or more managed through Fidelity—provides investment management, trust and estate planning, and other services.

HOW MUCH DOES THE SERVICE COST?
Fees range from 0.3% to more than 1% of assets, typically depending on the amount you have invested and the services provided. Vanguard's Personal Advisor Select, which provides access to a financial adviser, a customized financial plan and ongoing investment advice to customers with at least $500,000 in Vanguard IRAs, brokerage accounts and trusts, charges 0.3% of assets, or $3,000 a year for an account with $1 million in assets. The fee for Schwab's Wealth Advisory service starts at 0.8% of assets and decreases at higher asset levels.

When considering costs, it's important to look at the expense ratios imposed by the underlying mutual funds and exchange-traded funds in the firm's recommended portfolio.

When considering costs, though, it's also important to look at the expense ratios imposed by the underlying mutual funds and exchange-traded funds in the firm's recommended portfolio. Although index funds and ETFs typically have low fees, your adviser may recommend actively traded funds—emerging-markets funds, for example, or small-company stock funds. While these funds may offer the potential for higher returns, they tend to come with higher expense ratios than ETFs and index funds.

When inquiring about advisory services, ask whether you'll qualify for any breaks on fees. T. Rowe Price, for example, caps fees so that its combined investment-advisory service fee and fund expense ratio doesn't exceed 1%, says Lindsay Theodore, a thought leadership manager at T. Rowe Price. For example, if the client's portfolio has a weighted average expense ratio that exceeds 0.5%, the advisory service fee of 0.5% will be reduced. And depending on the amount of assets invested in Vanguard funds, participants in Vanguard's advisory program may be eligible for Admiral class shares, which have an average expense ratio of 0.14%, or institutional shares, which have an average expense ratio of 0.08%.

WHAT'S AVAILABLE FOR FREE?
Before you agree to pay a percentage of your assets, look into what's offered at no cost. For example, Fidelity's advisers will help clients create a financial plan that covers everything from withdrawal rates to Social Security claiming strategies for no extra charge, and clients can contact a member of Fidelity's advisory team at any time to update the plan, says Ryan Viktorin, a CFP and financial consultant for Fidelity. The service is particularly valuable for clients who are retired or approaching retirement, she says. "It can be mental shift when you get to retirement, and it's scary for a lot of people," she says. There's no investment minimum for this service, but clients with a large amount of assets may qualify for a dedicated financial adviser at no cost, Viktorin says. If you want an adviser to manage your portfolio,

Enjoy a worry-free retirement... and the lowest price we offer.

DOWNLOAD YOUR FREE ISSUE
kiplinger.com/go/retirementreport

1. *Take Charge of Your Investment Portfolio*
2. *Boost Your Social Security Benefits*
3. *Maximize Your Medicare Benefits*

Kiplinger
RETIREMENT REPORT

When your retirement advice is right on the money, your decisions are, too.

SAVE 50% AND GET 3 FREE GIFTS

YES! Start my subscription to *Kiplinger Retirement Report* at the lowest price you offer, 12 monthly issues for just $29.95. **I save 50% off the regular price.**

Rush me my 3 FREE GIFTS upon receipt of payment.

☐ $29.95 payment enclosed. ☐ Bill me.
(payable to *Kiplinger Retirement Report*)

Applicable sales tax will be added to credit card and bill-me orders.

For credit card orders call toll free 1-877-364-2309.

Name ____________________

Address ____________________

City ____________ State ______ Zip ______

E-mail ____________________

Mail to: *Kiplinger Retirement Report*, P.O. Box 37234, Boone, IA 50037-0234

KRPN3ZRZ00Z

GETTY IMAGES

however, you'll have to use one of Fidelity's paid services.

For clients with at least $250,000 in assets, T. Rowe Price provides a complimentary financial plan that includes a recommended portfolio of investments, analysis of Social Security benefits, proposed spending adjustments, and a score showing the likelihood they won't outlive their savings. Schwab clients with at least $1 million in assets are automatically enrolled in Schwab Private Client Services, which provides them with a dedicated consultant who will direct them to resources at Schwab in areas such as income, tax and estate planning. This service is primarily designed for self-directed investors; clients who want ongoing investment management will need to enroll in Schwab's Wealth Advisory service and pay the fee.

In addition, most financial services firms provide a range of tools you can use to estimate income and expenses, analyze your Social Security benefits, determine whether you should convert to a Roth IRA, and more. Even if you eventually decide to hire a financial planner, these tools will help you get a handle on your finances and figure out where you need help. See the box on page 55 for a rundown of tools available.

One of the upsides of paying for advice from your financial services firm is that the firm already knows a lot about you—and you know a lot about it.

WILL THE ADVICE BE COMPREHENSIVE ENOUGH?

One of the upsides of paying for advice from your financial services firm is that the firm already knows a lot about you—and you know a lot about it. If you're comfortable with the company's customer service and investment offerings, paying for a dedicated financial adviser and other features could make sense.

But if the advice is limited to assets you own within the firm, the adviser—or team of advisers—may not have a complete picture of your financial health. Many retirees have multiple retirement, taxable and savings accounts with different banks and brokerage firms. Your net worth may also include life insurance, a pension and home equity, all of which will contribute to your retirement security. While some advisory services "are great for DIY investors who want a little bit of help, it's not holistic financial advice or planning," says Pam Krueger, chief executive officer and founder of Wealthramp (*www.wealthramp.com*), which connects investors with vetted, fee-only advisers.

Most CFPs will provide a free consultation, which should give you an opportunity to ask about their skills, specializations and fees before you commit to what could be a long-term relationship. You can search for a CFP in your area at the Financial Planning Association's website, *www.plannersearch.org*.

Look for a fee-only planner. These individuals are compensated for giving advice, and they don't earn commissions by recommending specific products or services. They're also required to act as fiduciaries, which means they must put your interests above their own. Be wary of any adviser who declines to discuss their fee structures up front. If you're paying a percentage of assets under management, you should expect to receive, along with investment advice, help with estate planning, insurance and other aspects of your financial life.

If you're not comfortable paying a percentage of your assets, it's easier than ever to find CFPs who use different—and possibly less expensive—compensation methods. Some Wealthramp advisers charge by the hour or work on retainer, Krueger says. Planners in the Garrett Planning Network (*www.garrettplanningnetwork.com*) are fee-only CFPs who charge by the hour, typically at hourly rates ranging from $100 to $300. ■

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

ADVISORY SERVICES AT A GLANCE

Here's a look at what some of the largest retail brokerage firms are offering their clients.

Ally Invest Personal Advice
Minimum assets: $100,000 in cash, stocks, mutual funds and retirement accounts invested with Ally
Advisory fee: 0.75% to 0.85%, depending on the amount of assets
Services provided: A dedicated adviser and retirement withdrawal and income strategies; does not include tax advice or legal advice, such as estate planning

Fidelity Wealth Management Services
Minimum assets: $500,000 invested in retirement, brokerage and other accounts managed by Fidelity
Advisory fee: 0.5% to 1.5%
Services provided: A dedicated adviser will create a customized plan, and Fidelity will professionally manage your portfolio

Fidelity Private Wealth Management
Minimum assets: $10 million or more in investable assets, of which at least $2 million are managed through Fidelity
Advisory fee: 0.2% to 1.04%
Services provided: A team of advisers will create a customized financial plan and provide services such as cash flow analysis and estate planning; you also get access to alternative investments such as private equity and real estate

Schwab Wealth Advisory
Minimum assets: $500,000 in brokerage, bank and retirement accounts held at Schwab
Advisory fee: 0.8%, with the percentage decreasing at higher asset levels
Services provided: A dedicated adviser will help you manage investments and portfolio risk, generate income in retirement, develop tax-efficient strategies, and plan your estate

Schwab Private Client Services
Minimum assets: $1 million in brokerage, bank and retirement accounts at Schwab
Advisory fee: None; clients are automatically enrolled
Services provided: A dedicated financial adviser as well as access to specialists in tax, trust and estate planning, retirement planning, and equity compensation

Schwab Private Wealth Services
Minimum assets: $10 million in brokerage, bank and retirement accounts at Schwab; sole-proprietorship accounts may also qualify
Advisory fee: None; clients are automatically enrolled
Services provided: Banking and wealth management, with access to a senior banker from Charles Schwab Premier Bank to help design personal borrowing strategies

T. Rowe Price Retirement Advisory Service
Minimum assets: Clients must invest at least $250,000 in IRAs, 401(k)s and/or taxable accounts—including assets such as stocks, exchange-traded funds, bonds and mutual funds—in a recommended portfolio of T. Rowe Price funds.
Advisory fee: 0.37% to 0.57%
Services provided: A dedicated financial planner; investment management; ongoing financial planning, such as recommended retirement-account withdrawal rates, Social Security claiming strategies

Vanguard Personal Advisor Select
Minimum assets: $500,000 in Vanguard retirement accounts, brokerage accounts and trusts
Advisory fee: 0.3%
Services provided: Access to a dedicated certified financial planner; customized investment advice; tax strategies that address account withdrawals and Roth conversions; Social Security strategies

Vanguard Personal Advisor Wealth Management
Minimum assets: $5 million in Vanguard retirement accounts, brokerage accounts and trusts
Advisory fee: 0.05% to 0.3%, depending on the amount of assets under management
Services provided: All the benefits that Personal Advisor Select clients receive, plus estate and legacy planning and access to alternative investments available through private equity funds

Lessons for Retirement Success

LIVING IN RETIREMENT BY JANET BODNAR

CHRISTINE Benz is director of personal finance and retirement planning for Morningstar and author of *How to Retire: 20 Lessons for a Happy, Successful, and Wealthy Retirement* (see a related podcast at Morningstar.com). Benz devotes a chapter each to advice from 20 specialists in all aspects of retirement, from social and healthy living to income, investing and taxes. I spoke with Benz about highlights from her book.

One key point in your book is that social relationships are the most powerful predictors of longevity—more critical than even genetics or wealth. That's why it's important to be thoughtful about maintaining and growing your relationships. Your social networks naturally winnow down as you age, but that's not necessarily bad. Just put yourself in situations where you can have contact with a variety of people and age groups, from visiting kids and grandkids to volunteering or attending church activities. Stay in touch with faraway friends, even if it's a phone call once a month. Exercise is good for both your health and your social relationships, so walking outside with a friend ticks a lot of boxes.

After saving all their working lives, many retirees are reluctant to spend their money. How can they make the transition? Research shows that retirement spending takes the shape of a smile curve, trending downward as you age and then upward toward the end of life due to high health care outlays. But even then, a fairly small subset of people with catastrophic long-term-care costs inflate the average. So you should give yourself permission to spend more to enjoy the early years of retirement. Assuming that spending patterns will decline as you age, we at Morningstar estimate that the safe withdrawal rate to start will be more like 5% of assets, adjusted for inflation, rather than the oft-cited 4%.

And you talk about setting a "worry-free number." Instead of sweating the small stuff, give yourself permission to spend an amount every day on small purchases that you enjoy. Align your spending with things you value, even if they are different from what your peers value. And having something to look forward to is a huge component of quality of life, whether it's a family vacation or a weekly restaurant dinner with friends.

How should you generate income in retirement? First, be aware of your retirement income style. Do you want safety with a steady stream of income, even though your investment portfolio will grow less over your lifetime? Or are you comfortable with a total-return approach, which probably means holding more stocks? That second approach is a bit more complicated and risky, but it gives you more control and flexibility.

In a new book, 20 specialists weigh in on everything from investing to healthy living.

You prefer a "bucket" strategy. With my three-bucket structure, the first bucket holds two years' worth of portfolio withdrawals in cash or cash equivalents. Bucket number two holds high-quality short- and intermediate-term bonds, with some Treasury inflation-protected securities, to cover the next five to eight years' worth of living expenses. With 10 years of expenses covered, you can put the rest of your money in a growth bucket that holds stocks. And people who have enough assets could create a fourth, "contingency" bucket for potential long-term-care costs.

How much attention should you pay to your investments? Some retirees tend to want to spend a lot of time toiling over their portfolio and watching financial news on TV. But a once-a-year review in November or December is enough for most people. K

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

PHOTO BY NOAH WILLMAN

WATCH OUT FOR NUDGES THAT STEER YOU TO TRADE TOO MUCH

PRACTICAL PORTFOLIO BY KIM CLARK

ANYONE who has shopped for groceries with a toddler knows to be on high alert for the impulse items the store has thoughtfully placed at a child's eye height. And these days, grown-ups investing using web platforms or mobile apps must also be on high alert for carefully placed virtual nudges that might encourage impulsive trades. A growing body of research has found that many seemingly innocuous design decisions embedded in investment websites or apps—such as replacing check boxes with swipes or highlighting lists of stocks that have had the biggest price moves—can encourage investors to trade more. That can generate profits for the brokerage, but research has long shown that it can also reduce investors' long-term returns.

Even in an era of zero trading commissions, brokers benefit from trading volume. They might receive a commission for directing your order to a particular market maker, for instance. Or they might simply want to keep you engaged so they can entice you into more-expensive or fee-generating products and services.

Brokerages are in a bind: On the one hand, they want to make their sites as engaging, easy to use and profitable as possible. But they also need to retain their customers' trust.

And regulators are watching as investing moves increasingly online. "Securities regulators have been focused on digital engagement practices to ensure that these technological advances incorporate adequate investor protections," says Amanda Senn, director of the Alabama Securities Commission. "They should not be allowed to encourage poor investment practices or incorporate manipulative tactics."

In January 2024, for example, Robinhood Markets settled charges by the Massachusetts Securities Division and agreed to eliminate from its app game-like features such as digital confetti that celebrated trades. Although Robinhood did not admit or deny any wrongdoing (and it had removed the confetti back in 2021), as part of the Massachusetts settlement, the firm also agreed to stop sending out emoji-laced e-mail messages about the day's "top movers," which the state agency argued prompted recipients to make impulsive trades. (Robinhood did not respond to requests for comment for this article.)

Brokerages have tamped down on most of the game-like features, regulators say. Still, worrisome "dark patterns"—the term for design choices that users may not realize are steering them to take certain actions—remain. Dark patterns are typically made up of two kinds of design choices: "nudges," which encourage users toward some action, and "sludge," which makes it more difficult to take an action.

Experts who've studied online investment platform designs recommend that investors watch for characteristics that might influence how they make investing decisions—especially those that might negatively affect their portfolio. Here are some of the things to look for:

Digital engagement practices should not be allowed to encourage poor investment practices or incorporate manipulative tactics.

Urgency. On many brokerage websites and apps, among the first things investors see are the one-day returns of their portfolios, news headlines, or lists of "biggest movers" or "most traded" stocks. Brokerages say their research indicates that's what clients want. "On any given day, who's logging into the app? It's active traders, who tend to want to know, 'How am I doing today? What's driving the performance of the market and my account?' " explains Jon Nelson, director of digital trading experience at Charles Schwab. He adds that the Schwab site also typically displays longer-term results next to one-day returns.

But James Tierney, an assistant professor at Chicago Kent College of Law and former attorney for the Securities and Exchange Commission, says that by highlighting short-term news and returns, brokerages "are pushing the idea that there are short-term swings in prices that are potentially tradeable and profitable. This gives rise to the false belief that by trading you can capture those gains.... And there is a ton of academic research showing the more you trade, the worse you do."

Many online brokerages enable clients to personalize landing pages, so you can reduce the short-term distractions. But news headlines are everywhere. Benjamin Schiffrin, director of securities policy for Better Markets, a nonprofit focused on investor protection, suggests a self-imposed waiting period before making portfolio decisions based on headlines or short-term price swings.

Ease. Of course, investors want their brokerage platforms to be easy to use. But investors should be wary if the website or app makes things too easy. Schiffrin, for example, is worried about platforms' expansion of trading hours late into the night. That makes trading easier for those whose day jobs don't allow for time on brokerage apps. But, he says, "people are more apt to act impulsively in the middle of the night."

And in a January 2024 report, the Ontario Securities Commission said it was concerned about U.S. and Canadian investing websites and apps that enabled "one-click trading," rather than the more typical practice of requiring a second step to confirm orders. The commission said it was also monitoring apps and sites that made it easy for unsophisticated investors to start trading options. And it alerted investors to notice mobile apps that enable trade confirmations with a swipe. A recent experiment found that users made larger investments when they could execute trades using swipes instead of clicking on boxes. The commission said that investors are better served when platforms inject a little extra "friction into processes where it is known that users are making fast decisions—for example, placing a trade—to help prompt vigilance and thoughtfulness in decision-making." Investors can think of such friction as "good sludge."

Interactive Brokers' basic web trading platform is one of the services that enables one-click trading. And Interactive, like many other brokerages, also promotes after-hours trading. Steve Sanders, the company's executive vice president of marketing and product development, notes that these options are permitted by law, and users like them. Interactive also uses good sludge to slow down certain trades. For example, it requires a confirmation screen for those placing market orders, which are orders to buy or sell a stock at the market price when the order is executed, no matter what that price is. Interactive uses the extra step to nudge customers to use a limit order, which specifies the most a buyer is willing to pay for the shares, or the least a seller is willing accept, which prevents investors from being victimized by sudden price movements, Sanders says.

GETTY IMAGES

Too much fun. To keep customers engaged, investing platforms have experimented with design tweaks, including social media–like features such as emojis and indicators of popularity, or using vibrant colors—such as green, which traditionally denotes gains. "At best, these practices encourage motivation and engagement," says Tierney, the former SEC lawyer. But there can be too much of a good thing. The more a brokerage app looks and feels like a gambling or gaming site, the warier investors should be, he says. ■

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

Give the Gift of Life Insurance

Show your love for your sweetheart by protecting against disaster.

FAMILY FINANCES BY ELLA VINCENT

PURCHASING life insurance with your loved ones in mind may not be as romantic as giving them flowers or candy, but it's the most effective way to preserve your family's standard of living in the event of your untimely death. Life insurance, which provides a payout to your beneficiaries after you die, can also pay off any outstanding debts and allow you to pass on more wealth to your children. If you're thinking of buying life insurance, here are some factors to consider.

The amount of coverage that's right for your family. One way to determine the amount of insurance you need is to use a method known as DIME, which stands for debt, income, mortgage and education. Calculate how much non-mortgage debt you have, your annual income multiplied by the number of years you want insurance coverage, the balance on your mortgage, and the estimated cost of your children's college education. Then purchase a life insurance policy that would cover all of those expenses.

Even in a household in which one spouse works and the other doesn't, the nonworking spouse may want to have a life insurance policy, says Byron Udell, founder and chief executive officer of life insurance broker and quote-comparison website AccuQuote. If that spouse dies, the surviving spouse will be able to use the death benefit to cover the cost of child care and other household assistance provided by the nonworking spouse. Likewise, even if you and your partner both work and don't have children, your household income may be greatly reduced if you died. Life insurance would enable your partner to continue to pay the mortgage and cover other expenses.

Term versus whole life insurance. Term life insurance policies provide coverage for a specific period, typically 10 to 30 years. If you die while the policy is active, your beneficiary receives the payout specified in the policy. If you outlive the term, no one will receive a payout. Udell says a 20-year term life policy could be a good choice if you have a young family and want to provide coverage for your children until they become adults.

Whole life insurance policies provide coverage during your lifetime as long as you pay the premiums. The policies have an investment component that includes tax-deferred cash growth over time, which could provide you with supplemental income in retirement. However, whole life insurance costs up to six times more than a term policy with the same death benefit, so if your primary goal is protecting your family, a term policy could be a better choice.

Many employers provide group term life insurance as a benefit, so you may already have some coverage. However, typical workplace insurance coverage is equal to one to three years of your salary, which may fall short of your family's needs. For that reason, you may want to look for a policy to supplement any coverage you already have.

You can get quotes on policies from websites such as AccuQuote (*www.accuquote.com*), Policygenius (*www.policygenius.com*) and SelectQuote (*www.selectquote.com*). Before purchasing a policy, check with your state department of insurance to make sure the insurance company is licensed to operate in your state. You'll also want to check its financial stability. Agencies such as A.M. Best (*https://web.ambest.com*) and Standard & Poor's Insurance Ratings Service (*www.spglobal.com*) rate insurance companies' financial soundness. K

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

GETTY IMAGES

A TOOL TO ADD TO YOUR ID THEFT ARSENAL

Credit-monitoring services can help you detect fraud quickly.

BASICS BY ELLA VINCENT

IF you've been the victim of a data breach—and there's a good chance you have—you've probably been offered free monitoring of your credit reports. Credit-monitoring services scan your files from the three credit-reporting companies—Equifax, Experian and TransUnion—and notify you of activity that could signal you're the victim of fraud, such as a new account opened in your name. If you act quickly, you may be able to close the account before the fraudster has a chance to use it.

Free options. It's not unusual for businesses that have suffered a data breach to provide free credit monitoring to those whose personal information was exposed. If you're offered a free service, it's usually a good idea to accept it.

If you don't have access to credit monitoring as a breach victim, there are other avenues to get it without charge. Chase Credit Journey (*www.chase.com/creditjourney*), for example, will monitor your Experian credit report free, even if you don't have financial accounts with Chase. Similarly, Capital One's CreditWise (*www.capitalone.com/creditwise*), which provides free monitoring of your TransUnion and Experian reports, is available regardless of whether you are a Capital One banking customer. Another option is personal finance company Credit Karma (*www.creditkarma.com*), which provides monitoring of your TransUnion and Equifax reports; the service is free once you set up an account.

Ideally, you'll get alerts of changes on your reports from all three credit-reporting companies. If you don't have free access to a single service that monitors all your reports, you may want to sign up for a couple of different ones to be fully covered.

Paid services. For a monthly fee, the credit-reporting companies offer services that provide three-bureau credit monitoring and additional protection. For example, for $24.99 a month, Experian's IdentityWorks provides insurance of up to $1 million to cover legal fees, lost wages and other costs incurred if you're the victim of identity theft. TransUnion Credit Monitoring, which is $29.95 a month, notifies you when your personal information is detected on the "dark web," where criminals buy and sell personal data, and gives you daily access to your credit score. For $19.95 a month, Equifax's Complete Premier service provides identity theft recovery assistance from specialists and ID theft insurance of up to $1 million.

Credit expert Gerri Detweiler says a paid service may be worthwhile if you've been the victim of identity theft; otherwise, free credit monitoring should suffice. Keep in mind that the federal government's IdentityTheft.gov website provides free resources for victims. You can also contact the Identity Theft Resource Center (*www.idtheftcenter.org*; 888-400-5530) for help in the aftermath of identity theft.

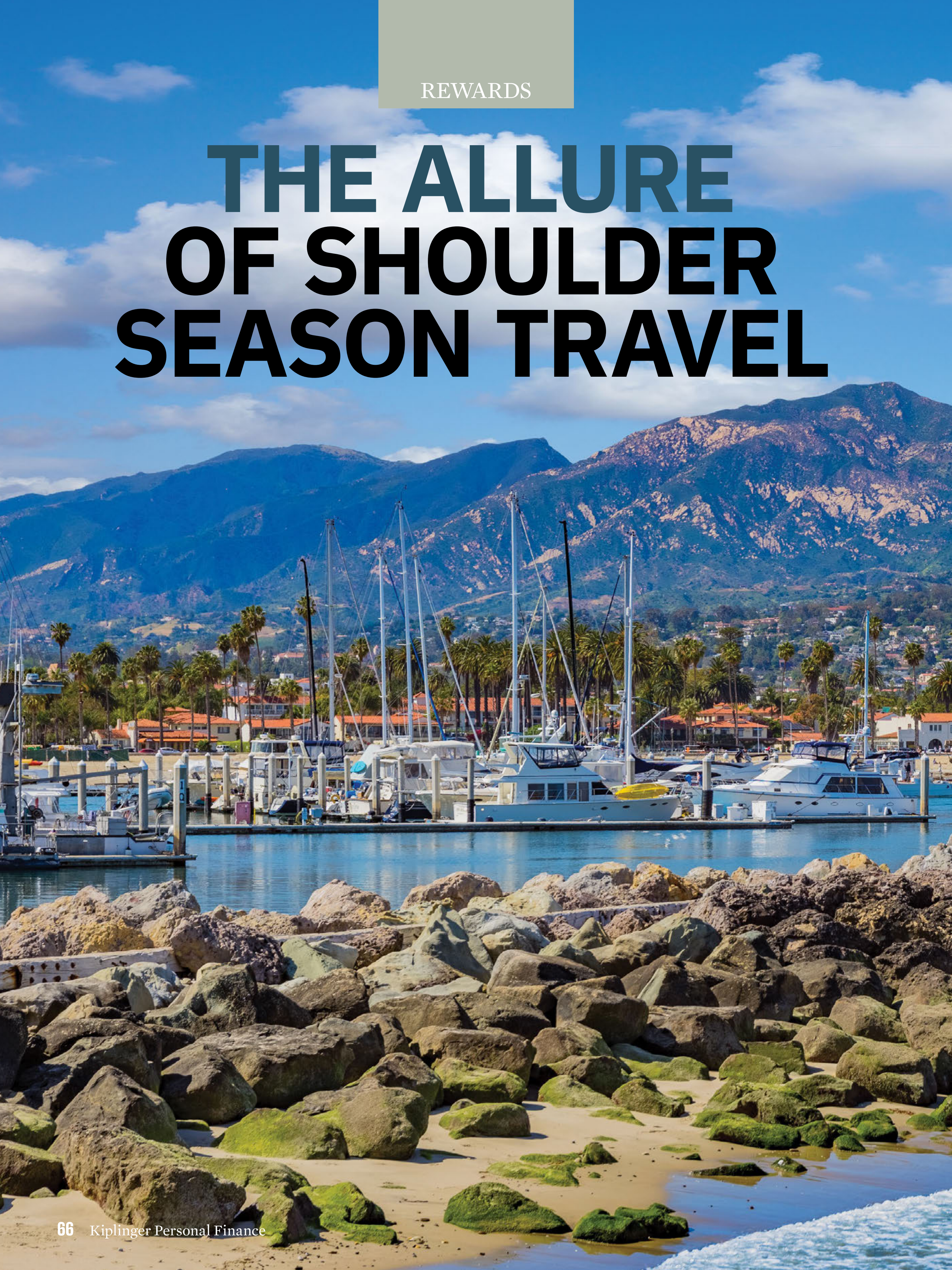
Consider a credit freeze. While credit-monitoring services detect fraud after the fact, a freeze can prevent criminals from opening accounts in your name. When a freeze is in place, creditors can't review your report in response to an application for a new loan or credit card. Contact each of the three credit-reporting companies to implement a freeze (for a step-by-step guide, visit *kiplinger.com/kpf/freeze*). Even if you've frozen your credit, you should still check your credit reports regularly because a freeze may not stop all suspicious activity. You can view your reports from the three credit-reporting companies weekly for free at *www.annualcreditreport.com.* ■

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

GETTY IMAGES

REWARDS

THE ALLURE OF SHOULDER SEASON TRAVEL



Lighter crowds, lower prices and mild weather are attractive reasons to take a vacation outside of peak periods.

BY EMMA PATCH

Relax by the sea in Santa Barbara.

SHOULDER season can be a great time for a vacation. Usually defined as the travel period between the peak summer and low winter seasons, shoulder season typically brings with it thinner crowds and lower prices for flights and accommodations compared with the most in-demand times in popular locations.

Shoulder season travel has grown in popularity in recent years, especially as vacationers try to avoid increasingly hot summers. Seventy-eight percent of travel advisers say clients are opting for shoulder season or off-peak travel, while 76 percent say they now favor destinations with more moderate weather, according to a report from travel advising network Virtuoso. So if you're an experienced shoulder season traveler, you might see more crowds than you're used to. Still, airfares, hotels and car rentals are reliably less costly than they are during peak periods in most destinations.

Generally, certain portions of autumn and spring are in shoulder season, providing the best combination of decent weather and off-peak pricing. Flight prices typically drop by about 30% in the fall compared with summer, says Hayley Berg, lead economist for Hopper, a travel-booking app that helps users find deals on flights, hotels, rental cars and vacation rentals. (There's a similar dip in price during the January and February low season.) You'll also usually see falling prices for flights and hotels following spring break and Easter, typically beginning in late April or early May, depending on when Easter falls, and lasting until June, says Berg.

Below, we've selected a mix of U.S. and international destinations that make for great shoulder season getaways. A good rule of thumb to get the best price on a domestic flight is to book one to two months ahead of your departure date—so there's still time to grab a spring bargain if you'd like to travel within the U.S. To snag the best deal on an international flight, start monitoring prices six to seven months in advance, then aim to book three to five months ahead of the trip. With that in mind, we've focused on the fall for the places we've highlighted abroad.

DOMESTIC TRIPS

→ Santa Barbara, California

Spring is one of the best times to visit the Los Angeles area, with mild weather, blooming flowers and lighter crowds than in the peak summer season. The fall has fewer tourists compared with summer, too, and the weather is pleasant, especially in September and October.

If you opt to visit Santa Barbara during a trip to L.A., you can take in the excitement and amenities of the city as well as the adventure and serenity of the Gaviota Coast. The roughly 2.5-hour drive on the Pacific Coast Highway between Los Angeles and Santa Barbara features beautiful natural scenery. Once you're in Santa Barbara, wine tasting, relaxing by the sea and whale watching are among the activities available. (Whale-watching hopefuls should consider traveling in early to mid September to see humpback and blue whales, or in January or February to observe gray whales during their migration.)

Just north of Santa Barbara, the coastline is dotted with campsites and state parks. El Capitan Canyon, near El Capitan State Beach, is a 350-acre wilderness resort that offers "glamping," with fully furnished cabins, yurts and safari tents. Guests can rent out complimentary beach cruisers, enjoy wine tastings and concerts, or take a dip in the heated pool. Reservations start at about $230 per night.

The average domestic round-trip flight to L.A. goes for $297 in the summer, according to Hopper. But average round-trip fares during the fall shoulder season drop more than 30%, to $197. In May, flights average $283. A stay at the Hideaway Santa Barbara hotel was recently available for $364 per night in May 2025, down from $591 per night in March 2025, when prices run higher during the spring-break season.

Orlando is a convenient base to explore Florida.

→ Orlando, Florida

Known as the Theme Park Capital of the World, Orlando is home to Walt Disney World, Universal Orlando Resort and SeaWorld. The crowds at popular amusement parks subside when much of the usual clientele is in school, and you're less likely to be stuck waiting in line for hours in blistering heat if you visit during the shoulder season. Plus, beyond the world-famous parks, tourists also head to Orlando because it's a convenient base to explore the rest of what Florida has to offer, from golf outings to beach excursions.

You can find promising flight deals in the fall, with the typical round-trip airfare to Orlando averaging $194, down from $273 in the summer, according to Hopper. Keep in mind, however, that in recent years, some intense hurricanes have hit Florida in September and October. (See the box on page 71 for more on what to consider when traveling during hurricane season.) Additionally, you may see a dip in airfares and hotel rates in January and February, when the weather in Orlando is mild and predictable, as well as in late April through the end of May, following spring break but before the summer crowds hit. A May 2025 stay at the Omni Orlando at ChampionsGate was recently available starting at $225 per night.

→ Seattle, Washington

Natural beauty, arts and culture draw travelers to Seattle. The summer is peak season, and you may want to avoid the rainy season—generally October to April. But late spring could be the ideal time for a shoulder season visit to the city and its scenic nat-

GETTY IMAGES (INCLUDING PREVIOUS PAGE)

ural surroundings, including the nearby Cascade and Olympic mountain ranges. Pike Place Market and the Space Needle are popular tourist hot spots in the city and are conveniently located near institutions such as the Museum of Pop Culture and the Chihuly Garden and Glass Museum.

Average round-trip domestic airfares to Seattle in the May 2025 shoulder season come out to $330, compared with $349 in the summer, according to Hopper's data. Average hotel costs are typically lower in late spring than in the summer, too. A May 2025 stay at the Fairmont Olympic Hotel in Seattle recently started at $256 per night. Those who venture to Olympic National Park will find lodging available inside the park. A room at the Olympic Lodge by Ayres, for example, goes for $119 per night.

EUROPEAN DESTINATIONS

→ Amalfi Coast, Italy

A UNESCO World Heritage Site, featuring verdant cliffs above sparkling blue waters, the Amalfi Coast in Italy's Campania region attracts about 5 million visitors each year. But with a fall trip, you can avoid the most-intense crowds. Consider a visit to the romantic and picturesque hilltop town of Ravello, situated on a high ridge above Amalfi and set "closer to the sky than the sea," according to French writer André Gide.

Average airfares to Naples drop from $1,077 in the summer to $753 in the autumn months, according to Hopper's flight data. Throughout the year, bus operator SitaSud runs buses from Naples to Amalfi, a journey of approximately 2 hours. You might book a stay at one of Amalfi's most charming and historic hotels. For about $1,700 per night (down from about $2,100 per night in the summer), stays were recently available at the Anantara Hotel Convento di Amalfi, a medieval monastery turned luxurious resort. You can also find deals on vacation rentals in Amalfi; the average daily rate for an Airbnb on the Amalfi Coast is about $170.

The Cliffs of Moher are a must-see if you visit Galway.

GETTY IMAGES

→ Galway, Ireland

Galway, a 2.5-hour train ride from Dublin, beckons travelers from all over the world with its stunning sights and distinct Irish cultural charm. Although temperatures cool to about 50 degrees during the fall, autumn's colors add a vibrant touch. The Cliffs of Moher, a popular tourist attraction and film-director favorite (you may recognize the "Cliffs of Insanity" from *The Princess Bride* or Voldemort's Horcrux cave in the *Harry Potter* films), are a short distance from the city.

After an excursion to the cliffs, return to Galway to enjoy the local cuisine and entertainment. Galway Bay Oysters are famous for their quality and unique flavor. If you travel in September, you might enjoy the world's longest-running oyster festival, held annually in Galway. Galway is also home to Charlie Byrne's Bookshop, one of Ireland's most popular independent bookstores.

The average round-trip airfare in fall from the U.S. to Dublin is just $552, down from an average of $821 in the summer, according to Hopper. A typical accommodation in Galway costs about $207 a night, on average, year-round, according to Kayak, a travel search engine. A November 2025 stay at The g Hotel & Spa in Galway was recently available starting at $186 per night.

→ Paris, France

Fall is an inviting time in Paris. The crowds are lighter than in the summer, the weather is milder, the businesses are open following an August hiatus for many, and you can enjoy the golden fall foliage in Tuileries Garden. For tennis fans, tickets to the Rolex Paris Masters, which takes place in October, are a bargain compared with tickets to the French Open. Plus, Paris's Fashion Week, showcasing collections for the following spring and summer, is held in late September and early October. Although many of the runway shows are invitation-only, some are open to the public, and the city comes alive with parties and performances.

While round-trip airfares to Paris from the U.S. average $890 in summer, fall airfares average $600,

Bruges is known for its picturesque canals.

according to Hopper. The average cost of a hotel in Paris in November may be higher than usual, however, at $361 per night, according to SkyScanner, a travel search engine. Consider traveling earlier in the fall for lower hotel prices.

→ **Bruges, Belgium**

Bruges is known not only for its picturesque canals and well-preserved medieval architecture but also for its delicious chocolate (the city boasts more than 60 chocolate shops). The cobblestoned historic city center is a UNESCO World Heritage Site, and within it you'll find the 12th-century Basilica of the Holy Blood, home to a relic said to contain a drop of Jesus Christ's blood.

Consider an early- to mid-fall trip to enjoy mild weather and limited crowds. For the fall months, flights to Brussels (an hour from Bruges by car) from the U.S. average $595, down from $954 during the summer months, according to Hopper—a savings of nearly 40%. A stay at the Hotel De Tuilerieen, an extravagant 15th-century mansion turned hotel, was recently available for $262 in the fall of 2025, compared with about $300 in the summer.

ADVENTURES IN ASIA

→ **Tokyo, Japan**

Enjoy diverse cuisine, a thriving arts and cultural scene, and beautiful outdoor spaces during an autumn trip to Japan's capital city. Consider visiting one of the traditional bathhouses, or see a Kabuki performance—you can enjoy the classical Japanese dance-drama art form at some Tokyo venues, such as Kabukiza Theatre, for as little as $23 per show. Fall in Tokyo offers other unique joys as well. You can hop on a high-speed train to the mountains for a leaf-peeping tour, or stay in the city and take in the foliage during a walk in one of Tokyo's many beloved parks. Traveler tip: Even if you love the cuisine and service at Tokyo's restaurants, avoid leaving tips, which may be seen as offensive.

Because fall foliage season in Tokyo draws its share of tourists, you may see an increase in hotel rates in late October to mid November. But while summer airfares to Tokyo from the U.S. average $1,366, fares dip to an average of $1,035 in the fall, according to Hopper. A typical flight from Los Angeles to Tokyo takes about 12 hours. Flights from Honolulu are about 8 hours and 30 minutes, however, so a stopover in Hawaii may be a good choice for those who prefer to break up their time in the air.

→ **Shanghai, China**

Travelers love visiting Shanghai for its rich culture, modern and historic architecture, and vibrant nightlife and food scene. The Bund, a historic waterfront district located on the west bank of the Huangpu River, offers views of the Pudong skyscrapers and features shops, restaurants, bars and nightclubs. You may also want to see the Buddhist Jing'an Temple, in the heart of the city, and the Yu Garden, with its intricate pavilions, lotus ponds and rock gardens.

Late September through October is the optimal time to visit Shanghai;

it is neither too hot nor too rainy. And while summer round-trip airfares average a hefty $1,759, fall airfares are $1,252, on average, according to Hopper. An October 2025 stay at the URBN Boutique hotel, near the Jing'an Temple, recently started at $122 per night.

→ **Bangkok, Thailand**

Bangkok is both modern and ancient. The lively city is sprinkled with centuries-old temples and palaces, and in Bangkok's many museums you can learn more about Thai culture and history. October is the best time to avoid crowds, but November can be a delightful time to visit Thailand, too. The rainy season should be over (it typically lasts between May and October), and temperatures are cooler and more comfortable. Plus, you can experience unique festivals, such as Loy Krathong, during which Thais pay homage to the goddess of rivers and waterways, Mae Khongkha. People gather at rivers and lakes nationwide to float *krathongs*—small baskets with candles and incense.

The average round-trip airfare to Bangkok in the fall comes out to just over $1,000, according to Hopper, down from $1,440 in the summer. You may pay from around $20 to $50 per night for a midrange hotel in the fall, depending on location and amenities, with budget options starting as low as $10 and luxury hotels reaching upward of $100 per night, according to Kayak.

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

Bangkok is a blend of the modern and the ancient.

BE PREPARED IN CASE A HURRICANE HITS

If you plan to visit a hurricane-prone area during hurricane season—in the Atlantic Basin, it's June through November—be prepared for the possibility that a storm could throw your plans off track. Last fall, for example, Hurricane Milton shut down airports in Florida for days, causing numerous delays and cancellations.

If a hurricane disrupts your flight, the airline will likely rebook you automatically on a different flight. If you choose not to accept your rebooking, and the change in departure time is more than 3 hours for a domestic flight or more than 6 hours for an international flight, you're entitled to a prompt refund, according to U.S. Department of Transportation guidelines implemented in 2024.

Hotels in hurricane-prone regions tend to have flexible cancellation and rebooking options in the event of a hurricane. You should contact your hotel directly if you need to cancel or change your reservations. And some hotels may offer an extended stay at a discount if you need to stay longer because of a hurricane-related flight delay.

But to help ensure that you'll be fully reimbursed for additional costs if your journey home is delayed by a storm, consider buying a travel insurance policy that includes a hurricane and weather benefit (most policies include it within trip cancellation and trip interruption coverage). To qualify for coverage, you must purchase the policy before a storm is named, so compare plans well in advance of your trip. You can shop for plans at *www.squaremouth.com* or *www.travelinsurance.com*.

For most policies, you'll pay anywhere from 4% to 10% of the cost of your trip. The amount you can be reimbursed depends on the limits listed in your policy, so be sure to read the fine print. Some policies have a per-person limit, and some may cover only the portions they deem otherwise nonrefundable, which may leave you responsible for securing some refunds yourself should you choose to cancel a trip due to a hurricane.

GETTY IMAGES

EMPOWERING FAMILIES WITH FINANCIAL PLANNING

Through her pro bono work, this CFP provides free help with budgeting, saving and more.

INTERVIEW BY EMMA PATCH

ERICA JAMES
Volunteer certified financial planner with Britepaths and board member of the Foundation for Financial Planning
Fairfax, Va.

Tell us about your job and your volunteer work. I am a certified financial planner, a certified public accountant and the director of financial planning at Signify Wealth, which helps professional and collegiate athletes manage their wealth. I also volunteer with a nonprofit called Britepaths, which operates in northern Virginia and provides short-term safety-net services to our neighbors in need—people who have low or middle incomes—while empowering them to work toward long-term self-sufficiency. Britepaths pairs me with an individual or a family, and I provide them free help with financial planning. I typically work with them from about six to nine months.

What motivated you to start doing pro bono work? Once I got into the financial planning industry, I realized that most professional planning is done for high-net-worth individuals—they often have millions of dollars to manage. And yet that is not my background; I did not grow up in a family that has millions of dollars. I saw how the skills that I had learned as a CFP would benefit everybody, and I wanted to offer that service to as many people as I could. Pro bono work has been an awesome way to do that.

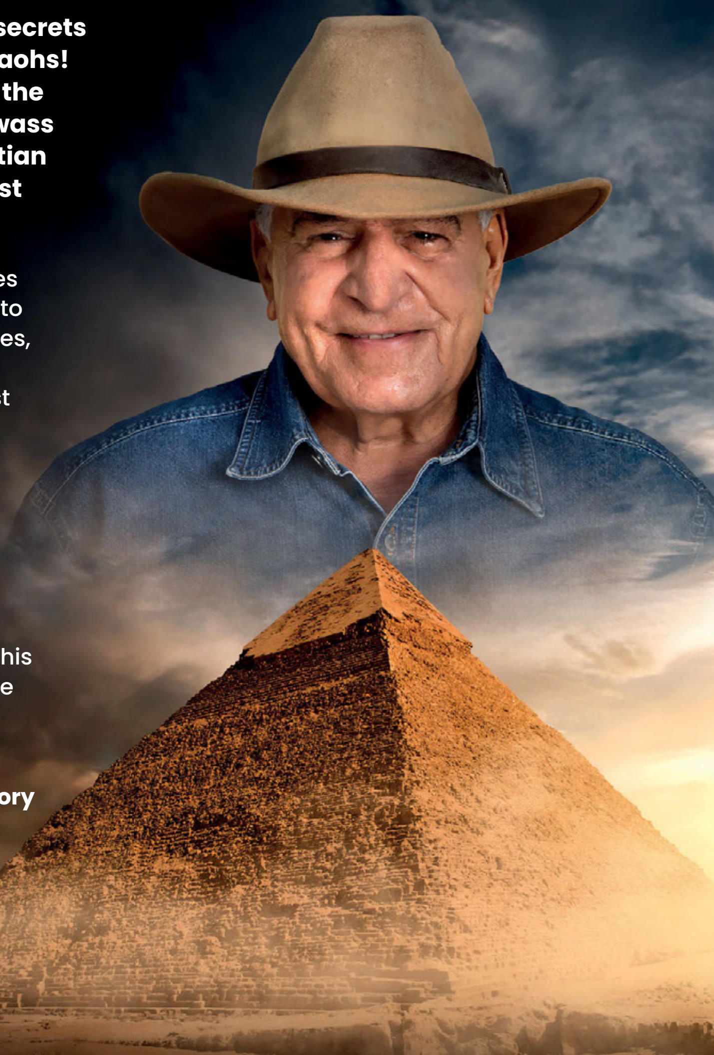
What do you typically focus on with your pro bono clients? Depending on what they need, I may help them create a broad financial plan, but I don't manage their investments or provide tax advice. Generally, they have questions about budgeting, saving for retirement as well as their kids' education, and managing debt and credit. We work on knowing how to manage limited resources and apply them to a budget. Sometimes people need to reduce their debt and work with creditors to create a debt-payoff plan. Some people have unpaid back taxes, and I help them understand what their options are and that it's better to face the problem than ignore it.

What's the optimal time for someone to start working with a financial planner? The earlier in your career, the better. Every stage of life has its unique financial challenges. We encourage people who are in the early years of their career to open Roth IRAs, because that's when you can get the money in; younger people typically have incomes that fall below the limits for making Roth contributions.

When you're in your thirties and forties, you likely are having children and looking at purchasing a home, so we talk about the best way to go about doing that while continuing to build your retirement savings. As you get closer to retirement, the way that your assets are invested is especially important because you want to make sure that they will last. So you want to start pulling back on the risk and thinking about what your paycheck will look like in retirement, since you won't be getting one from a job.

What do you wish more people understood about pro bono financial advising? There's a misconception that it's only for low-income people, but I've had clients who make $90,000 a year. I wish more people were aware of that, because everyone can benefit from some level of personal financial planning and working with an adviser, even if it's not a long-term relationship. K

PHOTO COURTESY OF ERICA JAMES



YOUR STOCK MARKET INVESTMENTS DESERVE A SECOND OPINION

You get one when looking for a contractor. You definitely get one with medical advice. So why not with your stock market investments? We can help you see opportunities you may be missing.

It only takes a second to schedule your **free second opinion** at **hennionandwalsh.com**

HENNION & WALSH
ASSET MANAGEMENT

THE SECOND OPINION PEOPLE