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PERSONAL FINANCE

Kiplinger

HOW TO LOWER YOUR TAXES

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Cover illustration by
Giordano Poloni

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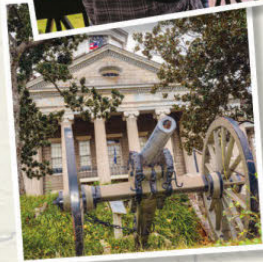
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But there was no mistake. And after returning home, I had **49 carats of these exquisite emeralds strung up with 14K-gold clad beads** and wrapped as a gift for my wife's birthday. That's when my trouble began. She loved it. Absolutely adored it. In fact, she rarely goes anywhere without the necklace and has basked in compliments from total strangers for months now.

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To make matters worse, my wife's become obsessed with emeralds. She can't stop sharing stories about how **Cleopatra cherished the green gem** above all others and how emeralds were **worshiped by the Incas and Mayans** and prized by **Spanish conquistadors** and **Indian maharajahs**. She's even

buying into ancient beliefs that emeralds bring intelligence and good luck to anyone who wears them. I don't have the heart to tell her that I'm never going to be lucky enough to find another deal like this.

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Letters

The Elements of a Happy Retirement

One habit of happy retirees that could be added to “What Science Reveals About Money and a Happy Retirement” (Jan.) is volunteering, which gives many people a purpose in retirement. I volunteer at our local food bank. Most of the volunteers are retirees, and everyone seems to be glad to be helping others. My wife volunteers in the local public library. We both talk about our experiences in a positive way.

John C. Paxson, Mountville, Pa.

Three and a half years ago, I retired at age 59, and I am the happiest I’ve ever been. I spend lots of time with family and friends, volunteer, travel, work out three times a week, and pursue my hobbies. Your article is spot on with the secret sauce: planning and reduced consumer debt. Two years before I retired, I started elimi-



nating debt, and I refinanced my mortgage to lower the monthly payment. I also ran simulations for retirement income, tax planning and more. A couple more thoughts: Set up multiple income sources to maximize flexibility, and decide where to retire years in advance. Ten years before I retired, I purchased a home in a beach community.

Tim Grimes, Santa Barbara, Calif.

for our property in Massachusetts (“What to Know About Flood Insurance,” Jan.). After nine consecutive days of rain several years ago, water flooded our basement, causing severe damage. The insurance company told us to get it remediated immediately, and the cost came to more than \$50,000. But when the insurance company’s representative assessed the damage, they told us that it involved groundwater, not a flood, and that we were not covered at all. The entire cost of remediation was our burden. The lesson: Do not assume, even if you have flood insurance, that what looks like a flood really is a flood.

Sidney Berger, Paradise Valley, Ariz.

LESSONS LEARNED

I enjoyed Sandra Block’s column “My Retirement Learning Curve” (Jan.). The hardest thing for me in retirement, since I took a lump-sum pension distribution, is remembering to look often to make sure I have enough in my checking account to pay the monthly bills! Something else I’ve learned: People who take more than two trips a year may want to get an annual travel insurance plan from a company such as Allianz. I have been convinced by friends to do so, and it has given me peace of mind, especially since Medicare does not cover medical expenses outside the U.S.

B.Z., via e-mail

CAR COSTS

“Get a Handle on the Soaring Cost of Owning a Car” (Jan.) may have missed one important point: When I buy a car, I will not choose one that requires premium gasoline. Premium gas is expensive.

Roman Novak, Silver Spring, Md.

DIY PLANNING

As a user of Boldin’s financial-planning software, I found your article informative (“Create a Financial Plan With These Tools,” Jan.). I was surprised you didn’t mention the retirement-planning tools offered by brokers such as Fidelity and Schwab. I have found Fidelity’s planning tool to be very useful. Also, for Social Security decisions, I’ve used Open Social Security (opensocialsecurity.com). I cannot imagine a better tool for

individuals or couples to figure out when to take their benefits.

Frank Mix, Marietta, Ga.

I’ve used Boldin, MaxiFi and MoneyGuidePro (through an adviser). The best I’ve found is Pralana Online (pralanaretirementcalculator.com). It has more features, it’s very easy to use, and it has an excellent interface.

P.R., Eagan, Minn.

FLOOD INSURANCE CAVEAT

My wife and I had flood insurance

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Fresh Takes That Keep You in the Know

IN most issues of our magazine, you'll find a feature story or two that runs each year on a core theme—one that is perennially relevant to our readers—but with a new twist or with updates to reflect what's currently going on in the area it covers. For one, as tax season rolls around, we dedicate our March cover story to helping you prepare your return, with the latest information on how to claim all the breaks you're owed.

This year's edition of the article is especially noteworthy. The One Big Beautiful Bill Act, passed last summer, introduced a breadth of changes that could affect your 2025 tax return, including a bonus deduction for those 65 and older, an enlarged deduction for state and local taxes (if you itemize), a deduction on loan interest for buyers of qualifying vehicles, a heightened child tax credit, and more. We share the details you need to know in the article on page 40, along with other pointers to keep in mind as you work your way through your return. Plus, we have guidance on what you can do now to lower your tax bill for 2026.

Another long-standing March-issue feature is our annual mutual fund guide. In it, we take a look at the top-performing mutual funds in multiple categories, from large-, midsize- and small-company stock funds to funds that focus on emerging markets or specific regions of

the world. As we point out in the introduction to our guide, which starts on page 18, we assemble these rankings to show you how different types of funds have performed over various stretches, ranging from one to 10 years; it's not a list of recommendations. The guide's value, says executive editor Anne Kates Smith, is that it can help you spot long-term trends, note performance consistencies and see where the momentum is.

And as usual, alongside our well-established features, we have plenty of other material, too. In fact, in this issue we're introducing "Your Turn," a monthly page where we'll tap your wisdom, publishing reader responses to a question we pose. In my January column, I asked you to e-mail me your answers to the first couple of questions. Thank you to everyone who responded—I enjoyed reading each of your messages. On page 72, you'll find a collection of money-saving travel tips from readers, as well as the next question to answer. (From here on out, you can send your responses to the monthly questions to yourturn@futurenet.com.)

If you're a retiree with an appetite for learning, don't miss the article on page 52. In it, deputy editor Diane Harris dives into the variety of opportunities available, from courses and programs tailored to older adults to university-based retirement communities, which are affiliated with a nearby college and allow residents to take advantage of its classes, facilities



and events. The story also reveals some fascinating—and heartening—research on the improvement in cognitive skills among older adults who took courses on subjects they previously knew little about. The benefits of learning new things throughout your life are evident and abundant.

The 2026 Kiplinger Readers' Choice Awards. Once again, it's time to evaluate the financial products and services that you use for our annual Readers' Choice Awards. At kiplinger.com/awards, you'll find a brief survey where you can rate your experiences with credit cards, banks, brokers, wealth managers, annuity providers, insurance companies and more. After you complete the survey, which is open until February 19, you may enter a drawing to win one of five \$250 Amazon gift cards. In a few months, we'll publish the winners for 2026. **K**

Our annual mutual fund guide can help you spot trends, note performance consistencies and see where the momentum is.

Lisa Gerstner

LISA GERSTNER, EDITOR
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Ahead



NEW WAYS TO KEEP ONLINE ACCOUNTS SAFE

As cybercrime evolves, the strategies you use to protect yourself need to evolve, too. **BY MARTHA C. WHITE**

LAST year, in one of the largest data breaches in history, more than 16 billion log-in credentials were exposed from Apple, Facebook, Google and other platforms. Add that to the long list of recent cyber threats putting your personal online accounts at risk.

All told, the internet privacy and

security company NordVPN reports that more than half of Americans say they've been the victim of a data breach. And two-thirds suspect their personal information could be for sale on the dark web.

Advances in technology make these cyberattacks increasingly easy to execute, says Robert Raymond,

first vice president at HUB Private Client, a high-net-worth insurance provider. "It used to be that all of this criminal activity was done by hobbyists who were tech experts. Now you can be a nobody," using software from the dark web, he says.

The result is that the traditional steps you may be taking to protect

yourself—say, using varied and complex passwords as well as two-factor authentication—are likely no longer sufficient to thwart the bad guys. According to a 2025 report from the Federal Bureau of Investigation, Americans lost \$16 billion to internet crime in 2024, a 33% increase from the year before, with adults over age 60 filing the most complaints. Meanwhile, a November 2025 study from the financial industry research group PYMNTS Intelligence found that 30% of victims never recover a dime.

Fortunately, just as tech developments have enabled cybercrime to grow, there are now more technologically sophisticated ways to fight back. Here's what experts advise.

AMERICANS LOST \$16 BILLION TO INTERNET CRIME IN 2024, A 33% INCREASE FROM THE YEAR BEFORE.

Set up multifactor authentication.

For years, two-factor authentication—say, having to enter a one-time-use code, sent by e-mail or text, in addition to your password before you can log in—has been the gold standard in protection. Experts say that's not exactly true anymore.

"Two-factor has evolved," says Michael Sherwood, vice president of consumer product at cybersecurity company Malwarebytes.

The new iteration is multifactor authentication, or MFA, which mostly relies on more than two steps—maybe requiring a password and code sent to your phone, but one that can only be accessed with your fingerprint or an app. Some forms require using more than one device, such as a push notification sent to your phone when you log in to an account on your laptop.

"The fact that you're asked to show that you're the same person on two different systems that are uncorrelated gives confidence that it's really you," says Ran Canetti, co-director of the Center for Reliable

Information Systems and Cyber Security at Boston University.

If you're prompted to set up multifactor authentication at a trusted site when you log in, it's smart to do so, experts say. Or go to the security settings on your account; if multifactor authentication is supported, you'll be able to find and enable it.

Download an authenticator app.

These apps are one of several methods used in MFA to verify your identity. They work by generating a new code, typically on your mobile device, each time you log in to an online account. After you enter your password, you'll get a prompt to enter the code. This is more secure

than verification protocols that use e-mail or text messages, which can be intercepted by criminals.

Typically, each code is good for only 30 seconds, which further narrows the window of opportunity for crooks, says Eva Velasquez, CEO of the Identity Theft Resource Center, a nonprofit organization. "If someone's trying to brute-force their way in, the codes aren't good for long."

How you access an authenticator app depends on your mobile device platform and manufacturer. Options include using built-in authenticator software or downloading an app such as Cisco's Duo Mobile from Apple's App Store or Google Play.

Enable biometric identification.

Biometric identification uses unique physical characteristics such as your fingerprints, voice or face to verify you are who you say you are when you log in to an online account.

"I'm not going to say biometric IDs are a silver bullet," Velasquez says. "But they do eliminate an entire source of account access because you

can't self-compromise"—meaning that you can't easily be tricked into giving a criminal your fingerprint.


You should back up biometric authentication with a secondary means of access, such as a PIN. Then share that method with a trusted individual, such as your spouse, suggests Patrick Simasko, a financial adviser and elder and estate law attorney in Mount Clemens, Mich. Otherwise, he says, if you suddenly die or become incapacitated with no backup access, "that's an absolute nightmare for families. They need some other method to get into those accounts."

Use a passkey, when prompted. A

passkey is like a password, but with a lot more sophisticated computer firepower behind it. Each one is unique to your device and to the platform using it, and you have to be in physical possession of your phone, tablet or computer for a passkey to work.

If a criminal gets hold of your username and password, he or she can log in to an account from anywhere; if passkeys are enabled, though, the prompt is pushed to your physical device, which the criminal wouldn't have.

Each passkey consists of a pair of encrypted keys, one stored on your device and the other on the platform's server. When you attempt to log in, the remote server sends a cryptographic "challenge," often via text or push notification, to request access to your device. You'll be prompted to perform an action such as entering a single-use code or using your fingerprint, which sends your device's half of the passkey back to the remote server to unlock access.

Crucially, because half of the passkey is held by the platform, you can't access it—which means you can't give a criminal access to it unwittingly, either. Says Raymond, "A passkey is the best way, I believe, to secure your online identity." 

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INTERVIEW

EASING THE SQUEEZE ON AFFORDABILITY

A 50-year mortgage probably isn't the answer, but there are other ways to alleviate the continuing sting of high prices.

BY PENELOPE WANG



Matt Schulz

It seems that most Americans, even many with higher incomes, are facing affordability issues these days. Is this something you're seeing in LendingTree data? Yes, it's clear that affordability issues aren't just hitting lower-income Americans. For example, data from a recent report we put out on rising theft from self-checkout showed that the biggest reason people steal is because prices are high—and, surprisingly, self-checkout users making \$100,000 or more a year are more likely to say they've intentionally taken an item without scanning. We've also found in a recent survey that the higher your income is, the more likely you

are to say you expect to use a buy now, pay later plan, splitting the cost of an item into four no-interest payments, for an upcoming purchase.

Still, while many people are struggling, many others, especially those with higher incomes, are thriving. They're spending confidently because they feel good about their financial situation.

Recently, the Trump administration floated the idea of 50-year mortgages as a way to improve housing affordability. Would that help would-be home buyers? I get the appeal, but the math just doesn't work. Our analysis found that with a \$500,000 mortgage at a 6.1% interest rate, your payment might drop from \$3,030 a month to around \$2,700. But you would pay an eye-popping \$1.1 million in interest on a 50-year loan—86% more than the \$590,000 in total interest you might pay on a 30-year mortgage. You also build equity very slowly. Even after 40 years, you would have paid down only 52% of the principal. The average first-time home buyer now is close to 40 years old. Taking out a mortgage that you would not pay off until you are 90 seems ill advised.

Auto loans are another challenge for people, given how expensive new cars are now. What issues are you seeing? We're already seeing terms getting longer with auto loans—six or seven years, versus the usual three to five. The initial loan balance, which now averages around \$42,000, is not as high as a mortgage, but it's still a lot of money stretched out over a long time, especially with something that depreciates in value as quickly as a vehicle. If you need to finance a car for that long, you may want to consider whether that's the



MATT SCHULZ
is chief consumer
finance analyst
at LendingTree
and author of *Ask
Questions, Save
Money, Make More.*

right vehicle for you. Used cars have gotten more expensive, but they can still save you money.

Many people are also struggling with credit card debt. Does that in-

clude higher-income households?

What strategies can help? It's a real pain point. And higher-income consumers definitely still wrestle with debt, in part because they have more access to credit and may be able to get a higher spending limit. The higher the limit, the more opportunity for debt.

Recently, the national average for card debt among cardholders with unpaid balances was \$7,321, up from \$6,921 a year ago, with interest rates averaging 24% on new card offers. If you have good credit, moving your debt to a balance-transfer card with a 0% introductory rate is your best weapon. Or simply call and ask for a lower rate. Last year, we found that 83% of those who asked got their request granted, with a reduction of 6.7 points on average.

You point out in your book that you can use that tactic with other businesses, too. What's the best way to negotiate a better deal?

Try to make a connection with the person on the other end of the phone or standing in front of you. It can help to give them a reason for giving you a lower rate for, say, a streaming service, or waiving a bank fee. Perhaps you're a longtime customer, or you have a personal emergency. Do your homework, so you can point to the cheaper pricing available from competitors. Sometimes, if you don't get that lower rate, you may get a counteroffer with other perks—maybe a better hotel room or discounts on other purchases. Try not to leave money on the table. **K**

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WHY FIDO SHOULD BE IN YOUR ESTATE PLAN

Including your wishes in your will or in a pet trust can ensure proper care when you can't provide it.

BY RICHARD EISENBERG

WHEN actress Diane Keaton died last year, she reportedly left her golden retriever, Reggie, around \$5 million through a pet trust. While the amount may seem like the kind of over-the-top gesture only a celebrity might make, experts say taking steps to ensure a beloved pet will be cared for if you die or become incapacitated is a gift of love.

"If you have no plan, you're really leaving your pet's fate up to chance," says Vicki Stevens, director of program management and communications for the companion animals department of the nonprofit Humane World for Animals.

Yet while a Pew survey found that 97% of owners consider their pets to be part of their family, only half of those with estate plans have specified who would care for their animal companions if they're unable to, according to FreeWill, an online estate-planning service. When an owner doesn't

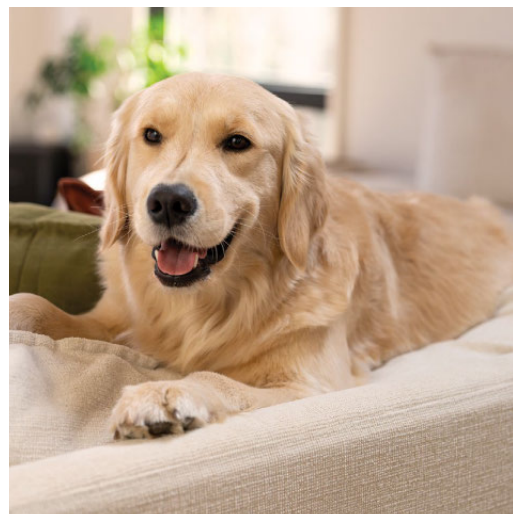
make arrangements in advance, the pet can wind up in a shelter rather than a permanent home.

Here's how to save your animal pal from that fate.

Name your successor. Identify a friend or relative who can take over as your pet's caregiver in case you become incapacitated or upon your death, either informally via a verbal agreement. Or, to better ensure your wishes will be followed, get a written, legal arrangement, such as a will or pet trust.

Look for someone whose personality would be a good match for your pet and who would have both the time and an appropriate home. Naming a backup is also a smart idea.

"Double-check on a yearly basis and say, 'If something happens to me, are you still able to take care of my pet?'" says Stevens. "Encourage people to be honest, so you have time to make alternate plans."



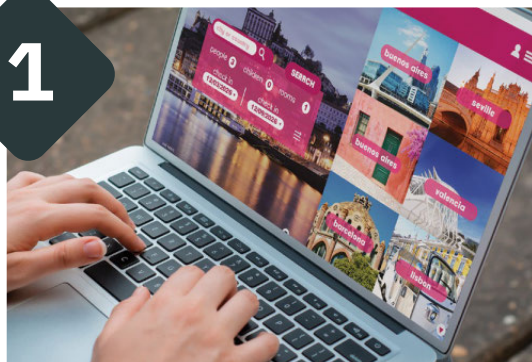
Set aside money for care. Allocate funds via your will or a pet trust to help cover the caregiver's costs, such as pet food and vet bills. The amount depends on your financial circumstances and your pet's specific needs (on average, pet owners spend \$1,700 a year on dogs and cats), as well as your pet's age and life expectancy.

"If your cat is 2, you might leave a lot more money than if your cat is 15," said Allison Tait, a University of Richmond law professor.

CALENDAR

MARCH 2026

1



1

To nab the best deals, now is a good time to start planning summer

activities. Camps often offer early-bird price cuts of 10% to 20% to families who register before spring. Meanwhile, airline discounts can run up to 25% off if you book your flight for summer travel at least three months in advance. Set up free alerts on various travel websites such as Google Flights ([google.com/travel/flights](https://www.google.com/travel/flights)) and Expedia ([expedia.com](https://www.expedia.com)) to get notifications when prices drop.

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If you have money left in a 2025 flexible spending account (FSA) for health

care costs and your employer offers a grace period to incur expenses for reimbursement, today is likely the deadline to spend the remaining funds. FSA contributions aren't subject to payroll taxes, so you can save an average of 30% on health care expenses, according to FSAsFeds.gov. The site also provides a full list of eligible items, from dental work to vision care.

Make it legal. You cannot leave money directly to a pet in your will. Instead, you leave the animal, which is considered property, to the person you want to care for it, along with instructions and, ideally, a bequest to cover costs.

That's stronger protection than a verbal agreement but no guarantee your wishes will be followed, says Ronald Siegel, of the Brinkley Morgan law firm in Boca Raton, Fla. A will also can't address your pet's care if you become incapacitated.

That's why experts instead recommend setting up a pet trust, which allows you to name the caregiver, allocate funds for care, specify how the money should be spent, and identify a person or organization to receive any remaining funds when your pet dies.

Lawyers include the cost as part of their estate-planning fee; online wills and trusts run about \$100 to \$300.

Can't think of a suitable caregiver? Authorize your executor to use funds from your estate to find a home. One option: Some pet sanctuaries, which are havens for rescued or neglected animals, find owners to "rehome" animals, typically for \$50 to \$250. Find one at the Global Federation of Animal Sanctuaries (sanctuaryfederation.org). ■

31

Today is the last day of the Medicare Advantage open-enrollment period,

allowing people to switch Advantage plans or move to original Medicare. Among the changes for 2026 to the Medicare-approved private insurance plans is a \$100 drop in the federal annual out-of-pocket limit for in-network services, from \$9,350 to \$9,250. No longer offered as part of Medicare Advantage plans: special supplemental benefits for the chronically ill, such as life insurance and funeral expenses.



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Briefing

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probably hold. Both nations will want to maintain some stability in trade relations ahead of the midterm elections here. Vietnam, India and Thailand will make inroads in the U.S. market at China's expense.

Look for Democrats to take back the House of Representatives from Republicans, who hold a precariously thin margin of five seats. The swing in power won't be substantial, with Democrats to hold a similarly small advantage of 10 seats at best. Despite this, the House will pour cold water on the remaining two years of President Trump's legislative agenda, forcing him to cut deals with Democrats, a scenario he has been able to avoid so far with the GOP in total control of Congress. But Republicans will retain control of the Senate and may even gain a seat or two.

A FORECAST FOR THE MONTHS AHEAD

→ The experts at *The Kiplinger Letter*, which publishes weekly business and economic forecasts, recently shared their predictions for the economy, politics, new technologies and more throughout 2026. Here are some of their expectations.

The economy will hold up relatively well. But it won't feel especially good for everyone. The pattern of K-shaped spending—high-income folks splurging due in part to their investments doing well, while lower-income households curb their spending—figures to continue and may grow more pronounced. Once again, inflation won't return to

the 2% level the Federal Reserve aims for, while anemic hiring appears set to continue.

After spiking in 2025, U.S. tariff rates will pull back a bit in 2026, on average, as trade deals or negotiated exemptions take effect, and some duties are likely nixed by the Supreme Court. The uneasy stalemate in the trade war between the U.S. and China will

Financial regulators will be busy policing AI "autonomous agents," artificial intelligence-powered algorithms that can already approve loans and execute trades on their own. The Securities and Exchange Commission and the Fed will introduce new

4.5%

***The Kiplinger Letter's* forecast for the unemployment rate at the end of the year.**

regulations requiring banks to treat their AI agents as digital employees subject to dedicated monitoring. Look for the emergence of a new role at banks, the chief AI risk officer (CAIRO), to ensure compliance.

Expect lots of stock market and business jitters around AI investment. But major tech companies won't let up on the astronomical spending that is required to maintain leadership with leading-edge AI. Frontier AI models, as leading AI is called, require huge amounts of computing power to get better. Tech giants and start-ups don't see any way around the spending spree for now, since it's the only reliable way to improve AI and stay at the forefront. Even as their financing gets stretched and grows riskier, big tech firms will forge on. Expect glimmers of lower-cost AI to make investors jumpy in 2026, especially as analysts closely scrutinize the cheaper AI models coming out of China.

SpaceX's initial public offering will be a wild ride with lots of risk to early investors. The targeted valuation—reportedly \$1.5 trillion—stems from very rosy predictions for the future of the rocket and satellite broadband firm. Its Starlink internet service is poised to gross about \$16 billion in 2026, and future growth could get harder. SpaceX needs fresh funding for data centers in space, a Mars mission, a moon base and more. Space data centers could take a decade or more to pan out, and even then, they will be small in scale. **K**

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B.

I guess I was a little bored. For the past hour, I'd been on the phone with Daniele, the head of my office in Italy, reviewing our latest purchases of Italian gold, Murano glass and Italian-made shoes and handbags.

"Daniele," I said, "What is the hottest jewelry in Italy right now?"

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The background of the page is a dark blue gradient. It features several stylized, glowing blue candlestick charts that appear to be floating or moving across the frame. Interspersed among these charts are various numerical values in a light blue, semi-transparent font, such as '18.125', '22.82', '1.25', '1.91', '51', '366', '2.21', '15', '51.725', '93.14', '58.45', and '51.9'. These elements create a sense of dynamic financial activity.

INVESTING

2026 MUTUAL FUND GUIDE

A banner year for stocks created winners the world over, in companies of all sizes. The top funds in 11 categories crushed the averages.

BY NELLIE S. HUANG



AT long last, the market story of the year—at least the good news—didn’t center on U.S. stocks. Instead, foreign markets topped the charts, lifted in part by a weakening dollar.

The MSCI All Country World Index ex USA—representing all markets except the U.S.—returned 32% in 2025, a whopping 14 percentage points ahead of the 18% gain in the S&P 500. European stocks led with a 35% return, but other developed regions and emerging markets were close behind. The MSCI Emerging Markets index gained 34%; Asian stocks climbed 30%.

Here at home, 2025 was tarnished mostly by uncertainty surrounding the impact of tariffs. That fueled a lot of market volatility, starting with an early spring downturn that brought the S&P 500 to near-bear-market territory, but the index recovered after that.

Artificial intelligence chatter, particularly about massive spending

on AI infrastructure, dominated business headlines, and communications services and technology continued to lead S&P 500 sector returns. But market gains broadened, albeit only a bit. Financials, industrials, utilities and even the health care sector each posted better than 15% returns in 2025.

AI still dominated business headlines, but stock market gains broadened a bit.

The good times expanded to shares in small companies, eventually. The Russell 2000 index of small stocks finished 2025 with a 13% gain overall, but that doesn't tell the whole story. The benchmark started the year badly, falling 21% through early April—that's a bear market. But from its nadir, the index rallied 42%, outpacing large- and midsize-company stocks on the rebound.

A guide to the winners tables. On the following pages, we show the top-performing stock mutual funds in 11 categories, using information from Morningstar, the financial data firm. Only funds with a minimum investment of \$10,000 or less are included. We removed funds that are only available to institutional inves-

tors or that are sold only to certain advisory clients of specific investment management firms. In those instances when two individual-investor share classes of a particular fund ranked among the winners, in most cases we chose to include the share class of the top-performing fund.

Many of the top-ranked funds, you'll notice, are A-share classes, which typically charge a front-end

load. In truth, most (but not all) are available at major online brokers for no sales charge, load or transaction fee. A few funds aren't available through a brokerage firm. Instead, you must buy shares the old-fashioned way, from the mutual fund directly. Some of the funds are closed to new investors, which we've noted.

It's important to note that these lists are not recommendations from Kiplinger. We report the top-performing stock funds in these categories as a service for readers who would like to see how certain broad categories of funds performed over the past one, three, five and 10 years. Use the tables as a starting point for your own research; again, they are not investment suggestions. All data is through December 31.

David Milstead and Anne Kates Smith also contributed to this guide.

LARGE-COMPANY STOCK

The reign of growth continues.

Nothing says mid 2020s investing success like high-growth stocks. Three funds from growth shop Fred Alger Management make the one-year winners list, including Focus Equity, a winner in all four time periods. Capital Appreciation and Spectra also place on the three-year honor roll. Common threads: longtime comanagers Patrick Kelly and Ankur Crawford, with Alger CEO Dan Chung on two of the funds. Nvidia and Microsoft are the top two holdings for all three funds. Fidelity Blue Chip Growth, a member of the Kiplinger 25, the list of our favorite actively managed no-load funds, places twice; manager Sonu Kalra has nearly half the fund's assets in tech stocks. Kip 25 fund Primecap Odyssey Growth bounced back from near the bottom of its category to notch fourth place among one-year winners. With nearly 44% of assets in health care and industrial stocks, the fund's top holding is drugmaker Eli Lilly.

1 YEAR	1-YEAR TOTAL RETURN
1 Alger Focus Equity A	39.9%
2 Tanaka Growth	39.3
3 Permanent Portfolio Aggressive Growth I	36.9
4 Primecap Odyssey Growth	33.0
5 Upright Growth & Income	32.4
6 Alger Capital Appreciation A	31.1
7 Vanguard Primecap Core Inv	30.2
8 Vanguard Primecap Inv	29.9
9 Midas Special Opportunities	29.9
10 Alger Spectra A	29.4
CATEGORY AVERAGE	15.4%

5 YEARS	5-YEAR ANNUALIZED RETURN
1 Permanent Portfolio Aggressive Growth I	20.4%
2 Tanaka Growth	19.4
3 Upright Growth & Income	18.8
4 Alger Focus Equity A	18.6
5 Fidelity New Millennium	18.5
6 Fidelity Mega Cap Stock	18.4
7 Midas Special Opportunities	18.2
8 Fidelity Large Cap Stock	18.2
9 Fidelity Advisor Capital Development A	18.0
10 Gotham Index Plus Investor	17.7
CATEGORY AVERAGE	11.8%

3 YEARS	3-YEAR ANNUALIZED RETURN
1 Alger Focus Equity A	45.2%
2 Alger Capital Appreciation A	41.1
3 Permanent Portfolio Aggressive Growth I	40.0
4 Morgan Stanley Inst Growth A	39.7
5 Alger Spectra A	39.2
6 Zevenbergen Genea Investor	38.6
7 Morgan Stanley Insight A	38.5
8 Fidelity Blue Chip Growth	37.6
9 Upright Growth & Income	37.3
10 Value Line Larger Companies Focused Inv	37.3
CATEGORY AVERAGE	20.3%

10 YEARS	10-YEAR ANNUALIZED RETURN
1 Baron Partners Retail	24.0%
2 Fidelity Growth Company Fund	20.7
3 Alger Focus Equity A	20.1
4 Fidelity Advisor Growth Opps A	19.9
5 Baron Opportunity Retail	19.8
6 Fidelity Blue Chip Growth	19.5
7 Victory Nasdaq-100 Index	19.2
8 Shelton Nasdaq-100 Index Investor	19.0
9 Fidelity OTC	18.9
10 American Century Focused Dynamic Gr Inv	18.7
CATEGORY AVERAGE	13.0%

Funds marked with an asterisk are closed to new investors; those with a double asterisk are closed to all investors.

MIDSIZE-COMPANY STOCK

Multiple ways to win.

Four of the funds here are three-peat winners, ranking in the top 10 for three of the four time periods. The eclectic list includes mid-cap blend fund Tarkio, which has its biggest stake in industrials and scored well in 2025 with GE Aerospace and spin-off GE Vernova. Marsico Midcap Growth Focus (note that the fund's record prior to 2022 belongs to another manager) and Hodges skew toward "growthier" fare. The Marsico fund owns GE Vernova as well (the top holding at last count), but it also won big in 2025 with tech company Amphenol and Rolls-Royce Holdings. Hodges profited from bets on Palantir Technologies and bitcoin miner TeraWulf. FullerThaler Behavioral Unconstrained Equity seeks to capitalize on behavioral biases that may cause the market to over- or underreact to information. Top holdings include Ross Stores and Union Pacific. Each of the four funds runs a trim portfolio, with fewer than 40 stocks at last count.

1 YEAR	1-YEAR TOTAL RETURN
1 American Beacon ARK Transfmt Innov Inv	35.7%
2 Tarkio	30.3
3 Gabelli Value 25 AAA	28.9
4 Primecap Odyssey Aggressive Growth	28.7
5 Patient Opportunity A	27.4
6 Hennessy Focus Investor	26.7
7 Marsico Midcap Growth Focus Fund	25.9
8 Hodges Retail	24.0
9 Eventide Gilead N	23.5
10 FullerThaler BehvrlI Uncnstd Eq A	22.4
CATEGORY AVERAGE	7.8%

5 YEARS	5-YEAR ANNUALIZED RETURN
1 Invesco Value Opportunities A	19.9%
2 Kinetics Market Opportunities No Load	19.5
3 Kinetics Paradigm No Load	19.0
4 Ave Maria Value Focused	18.8
5 Nuveen Multi Cap Value A	15.4
6 Hotchkis & Wiley Value Opps A	14.6
7 KIRR Marbach Partners Value	13.8
8 Hodges Retail	13.8
9 FullerThaler BehvrlI Uncnstd Eq A	13.7
10 Poplar Forest Partners	13.7
CATEGORY AVERAGE	6.9%

3 YEARS	3-YEAR ANNUALIZED RETURN
1 American Beacon ARK Transfmt Innov Inv	35.0%
2 Morgan Stanley Inst Discovery A	33.2
3 Patient Opportunity A	30.9
4 Marsico Midcap Growth Focus Fund	27.8
5 Baron Focused Growth Retail	26.2
6 Tarkio	26.1
7 FullerThaler BehvrlI Uncnstd Eq A	24.8
8 Hodges Retail	23.4
9 Catalyst Insider Buying A	23.4
10 Federated Hermes MDT Mid Cap Growth A	22.8
CATEGORY AVERAGE	13.0%

10 YEARS	10-YEAR ANNUALIZED RETURN
1 Baron Focused Growth Retail	20.7%
2 Kinetics Market Opportunities No Load	18.9
3 Kinetics Paradigm No Load	16.7
4 ClearBridge Select A	15.7
5 Federated Hermes MDT Mid Cap Growth A	14.6
6 Marsico Midcap Growth Focus Fund	14.6
7 Ave Maria Value Focused	14.5
8 Invesco Value Opportunities A	14.2
9 Tarkio	13.8
10 Virtus Silvant Mid-Cap Growth A	13.5
CATEGORY AVERAGE	10.1%

SMALL-COMPANY STOCK

Smalls catch a big wave.

The smallest of small caps fared best in 2025. Several funds with hefty exposure to the stocks of micro-size companies outperformed, including Jacob Small Cap Growth, Driehaus Micro Cap Growth (closed to new investors) and Needham Aggressive Growth. These are high-volatility funds, but the risk can pay off: Needham Aggressive Growth is the only fund to rank among the top 10 in all four time periods. Oberweis Small-Cap Opportunities, a KIP 25 fund, earns a spot on the 10-year table. Manager Ken Farsalas leads the strategy, which focuses on taking advantage of stock-price inefficiencies after a company appreciably beats analysts' earnings expectations. The fund is volatile, but no more so than the typical small growth fund. Hood River Capital Management, a firm with an investment process that focuses on market inefficiencies, has two funds in 2025's top 10, but one, Hood River Small-Cap Growth, is closed to new investors.

1 YEAR	1-YEAR TOTAL RETURN
1 Jacob Small Cap Growth Investor	41.7%
2 Hood River New Opportunities Investor	35.4
3 Jacob Discovery	32.4
4 Emerald Growth Investor	31.4
5 Driehaus Micro Cap Growth*	30.9
6 Auer Growth	30.2
7 Needham Aggressive Growth Retail	26.5
8 Calamos Timpani Small Cap Growth A	25.6
9 Easterly Snow Small Cap Value A	25.0
10 Hood River Small-Cap Growth Investor*	23.5
CATEGORY AVERAGE	7.5%

5 YEARS	5-YEAR ANNUALIZED RETURN
1 Auer Growth	22.9%
2 Kinetics Small Cap Opportunities No Load	21.1
3 Invesco Small Cap Value A*	20.7
4 Hennessy Cornerstone Mid Cap 30 Inv	18.7
5 Oberweis Micro-Cap	18.1
6 Brandes Small Cap Value A	17.0
7 Pimco RAE US Small A	15.4
8 James Small Cap	15.4
9 Hennessy Cornerstone Growth Investor	15.1
10 Needham Aggressive Growth Retail	14.7
CATEGORY AVERAGE	6.3%

3 YEARS	3-YEAR ANNUALIZED RETURN
1 Hood River Small-Cap Growth Investor*	26.5%
2 Morgan Stanley Inst Inception A	26.1
3 Needham Aggressive Growth Retail	25.8
4 Calamos Timpani SMID Growth A	24.9
5 Calamos Timpani Small Cap Growth A	24.7
6 FullerThaler Behavioral Sm-Cp Gr Inv	24.1
7 Driehaus Micro Cap Growth*	24.0
8 Jacob Small Cap Growth Investor	23.8
9 Carillon Chartwell Small Cap Growth A	23.7
10 Columbia Small Cap Growth A	23.7
CATEGORY AVERAGE	11.8%

10 YEARS	10-YEAR ANNUALIZED RETURN
1 Driehaus Micro Cap Growth*	19.6%
2 Kinetics Small Cap Opportunities No Load	18.2
3 Oberweis Micro-Cap	17.7
4 Needham Aggressive Growth Retail	17.1
5 Hood River Small-Cap Growth Investor*	16.3
6 Oberweis Small-Cap Opportunities	15.0
7 Virtus KAR Small-Cap Core A	14.9
8 Invesco Small Cap Value A	14.6
9 Columbia Small Cap Growth A	14.6
10 Lord Abbett Micro Cap Growth A	14.3
CATEGORY AVERAGE	9.5%

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HYBRID

A multi-asset strategy.

Funds that hold stocks, bonds and cash fit in here. Think target-date funds, which shift the asset mix over time; or allocation funds, which hold a static blend of stocks and bonds; or convertible funds, which invest in hybrid securities such as bonds that can be exchanged for common shares. That said, funds with unusual asset mixes can also slip into this category. Kinetics Global, for instance, holds roughly 65% of its assets in stocks and 35% in cash; a bitcoin exchange-traded fund is the top holding. Funds with hefty foreign-stock stakes did well in 2025, including Thornburg Investment Income Builder (60% in non-U.S. stocks) and Templeton Global Dynamic Income (43%). Value Line Capital Appreciation has proven it has staying power—it ranks well over three and 10 years. The balanced fund holds 68% in stocks and leans on the firm's "Timeliness Ranking System" to choose securities; the rest of the portfolio sits in bonds and cash.

1 YEAR	1-YEAR TOTAL RETURN
1 Kensington Dynamic Allocation A	37.2%
2 Thornburg Investment Income Builder A	36.5
3 First Eagle Global A	31.6
4 Permanent Portfolio Permanent I	28.8
5 Templeton Global Dynamic Income A	28.2
6 Arrow DWA Tactical Macro A	27.7
7 First Eagle Global Income Builder A	26.2
8 Appleseed Investor	25.7
9 Potomac Defensive Bull Fund	25.4
10 Centerstone Investors	24.7
CATEGORY AVERAGE	15.2%

5 YEARS	5-YEAR ANNUALIZED RETURN
1 Kinetics Global No Load	16.6%
2 Potomac Defensive Bull Fund	16.0
3 Thornburg Investment Income Builder A	14.9
4 Allspring Diversified Cap Bldr A	13.5
5 Davis Balanced Fund A	12.9
6 First Eagle US A	12.7
7 Putnam Retirement Advantage 2065 A	12.5
8 Permanent Portfolio Permanent I	12.5
9 Teberg Investor	12.5
10 Putnam Retirement Advantage 2060 A	12.3
CATEGORY AVERAGE	6.8%

3 YEARS	3-YEAR ANNUALIZED RETURN
1 Quantified STF Investor	27.1%
2 Kinetics Global No Load	25.6
3 Value Line Capital Appreciation Investor	25.4
4 Upright Assets Allocation Plus*	24.9
5 Teberg Investor	23.6
6 American Funds Growth Portfolio A	23.1
7 Putnam Retirement Advantage 2065 A	22.6
8 Putnam Retirement Advantage 2060 A	22.1
9 Thornburg Investment Income Builder A	22.1
10 Allspring Diversified Cap Bldr A	22.0
CATEGORY AVERAGE	13.4%

10 YEARS	10-YEAR ANNUALIZED RETURN
1 Kinetics Global No Load	15.6%
2 Quantified STF Investor	14.7
3 Allspring Diversified Cap Bldr A	13.5
4 American Funds Growth Portfolio A	12.5
5 Franklin Convertible Securities A*	12.1
6 Virtus Convertible A	12.0
7 Calamos Growth & Income A	12.0
8 Value Line Capital Appreciation Investor	11.9
9 Lord Abnett Convertible A	11.5
10 Allspring Spectrum Aggressive Gr A	11.5
CATEGORY AVERAGE	7.9%

FOREIGN LARGE-COMPANY STOCK

A good year to explore abroad.

Some one-year winners, including Wasatch International Value and Vaughan Nelson International, were helped by a hefty slug of European stocks, the best-performing broad region in 2025. Note that both funds feature new managers with less than two-year tenures. Colin McQueen has run T. Rowe Price International Value since 2019, and his three- and five-year records rank among the winners. The fund's expenses are below average, too. Fidelity International Value is a five-year winner; it has outpaced its peers in eight of the past 11 calendar years. WCM Focused International Growth sports an above-average expense ratio, but it ranks well over three and 10 years, with a trim portfolio of 30 to 40 stocks in industry-leading foreign firms. Finally, despite a draggy turn from 2021 through 2023, Vanguard International Growth's 10-year record ranks among the top 1% of its peers.

1 YEAR	1-YEAR TOTAL RETURN
1 EuroPac International Dividend Income A	61.9%
2 Kopernik International Investor	54.5
3 Touchstone International Value A	53.7
4 Vaughan Nelson International Investor Cl	49.5
5 JPMorgan Developed International Value A	48.0
6 Dunham International Stock A	47.5
7 EuroPac International Value A	47.2
8 Wasatch International Value Investor	46.6
9 Hartford Schroders Intl Multi-Cp Val A	45.5
10 Columbia Overseas Value A	45.3
CATEGORY AVERAGE	29.2%

5 YEARS	5-YEAR ANNUALIZED RETURN
1 Smead International Value Inv	19.1%
2 JPMorgan Developed International Value A	16.1
3 Hartford International Value A	15.5
4 Brandes International Equity A	14.6
5 Carillon ClariVest Intl Stock A	14.5
6 Franklin Mutual International Value A	14.1
7 EuroPac International Dividend Income A	13.9
8 T. Rowe Price International Value Eq	13.8
9 Fidelity International Value	13.8
10 Vanguard Intl Hi Div Yield Adm	13.1
CATEGORY AVERAGE	7.5%

3 YEARS	3-YEAR ANNUALIZED RETURN
1 Marsico International Opportunities	26.3%
2 JPMorgan Developed International Value A	24.4
3 Brandes International Equity A	24.0
4 Carillon ClariVest Intl Stock A	23.9
5 Dunham International Stock A	23.2
6 WCM Focused International Equity Inv*	23.1
7 T. Rowe Price International Value Eq	22.7
8 PGIM Quant Solutions International Eq A	22.7
9 Causeway International Opps Inv	22.6
10 Causeway International Value Inv	22.1
CATEGORY AVERAGE	16.4%

10 YEARS	10-YEAR ANNUALIZED RETURN
1 Kopernik International Investor	11.6%
2 Smead International Value Inv	11.6
3 EuroPac International Value A	11.4
4 Dunham International Stock A	10.9
5 Pimco StocksPLUS Intl (USD-Hedged) A	10.8
6 Vanguard International Growth Inv	10.6
7 Marsico International Opportunities	10.4
8 WCM Focused International Growth Inv*	10.4
9 Touchstone Non-US Equity A	10.3
10 Saturna International	10.3
CATEGORY AVERAGE	8.0%

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FOREIGN SMALL- AND MIDSIZE-COMPANY STOCK

Keeping up with bigger brethren.

Small-company stocks in foreign developed and emerging countries fared well in 2025. The MSCI ACWI Ex USA Small index logged a 29% gain. Causeway International Small Cap did better than that but didn't finish among the top 10. It wins instead over longer hauls with a focus on low valuations, superior growth, quality and momentum, among other factors. Oakmark International Small Cap stands out over five years, despite some middling calendar-year returns. Fidelity International Small Cap Opportunities, a 10-year winner, is run by Jed Weiss, a solid manager who also runs a foreign large-cap growth fund that is in the Kiplinger 25. Brown Capital Management International Small Company, on the 10-year list, is another Kip 25 member. The fund's managers focus on "exceptional" small growth companies that deliver must-have products or services and sport increasing sales or profits.

1 YEAR	1-YEAR TOTAL RETURN
1 Kopernik Global All-Cap A	64.4%
2 Segall Bryant & Hamill Intl Sm Cp Ret	47.4
3 Brandes International Small Cap Equity A	45.5
4 Hood River International Opportunity Inv	42.9
5 Goldman Sachs Intl Sm Cp Insghts A	42.2
6 Victory Trivalent International Sm-Cp A*	41.5
7 Moerus Worldwide Value N	40.0
8 Gabelli International Small Cap A*	39.6
9 Voya Multi-Manager International Sm Cp A	38.7
10 Nationwide International Sm Cp A	36.8
CATEGORY AVERAGE	26.3%

5 YEARS	5-YEAR ANNUALIZED RETURN
1 Brandes International Small Cap Equity A	21.9%
2 Moerus Worldwide Value N	20.4
3 Causeway International Small Cap Inv	14.7
4 Kopernik Global All-Cap A	14.4
5 Pzena International Small Cap Value Inv	13.9
6 Segall Bryant & Hamill Intl Sm Cp Ret	12.7
7 Goldman Sachs Intl Sm Cp Insghts A	9.4
8 Voya Multi-Manager International Sm Cp A	9.4
9 VELA International A	9.2
10 Oakmark International Small Cap Investor	8.9
CATEGORY AVERAGE	5.1%

3 YEARS	3-YEAR ANNUALIZED RETURN
1 Brandes International Small Cap Equity A	35.1%
2 Moerus Worldwide Value N	26.3
3 Segall Bryant & Hamill Intl Sm Cp Ret	22.9
4 Kopernik Global All-Cap A	22.7
5 Causeway International Small Cap Inv	22.7
6 Goldman Sachs Intl Sm Cp Insghts A	19.7
7 Victory Trivalent International Sm-Cp A*	19.3
8 Voya Multi-Manager International Sm Cp A	18.6
9 Virtus International S/C A	18.4
10 Pzena International Small Cap Value Inv	18.4
CATEGORY AVERAGE	14.1%

10 YEARS	10-YEAR ANNUALIZED RETURN
1 Kopernik Global All-Cap A	15.7%
2 Brandes International Small Cap Equity A	11.1
3 Causeway International Small Cap Inv	10.1
4 Brown Capital Mgmt Intl Sm Co Inv	9.3
5 Driehaus International Small Cap Growth	9.0
6 Voya Multi-Manager International Sm Cp A	8.9
7 Victory Trivalent International Sm-Cp A*	8.6
8 Fidelity International Small Cap	8.6
9 Federated Hermes Intl Small-Mid Co A	8.6
10 Fidelity International Small Cap Opp	8.5
CATEGORY AVERAGE	7.2%

GLOBAL STOCK

Globetrotting pays off.

Global funds invest all over the world, including the U.S. Vanguard Global Capital Cycles tops the one-, five- and 10-year tables. The fund invests in developed and emerging countries, favoring companies with business models that cannot be easily replicated. It also holds at least 25% in precious metals and mining securities—basic materials stocks made up one-third of the portfolio, at last report. The fund tilts heavily overseas, too. More than 70% of assets are invested in non-U.S. stocks. Causeway Global Value is more evenly divided between U.S. and foreign stocks and across sectors. It wins a spot in the one-year table, but the fund boasts solid long-term returns, too. Fidelity Worldwide shines over five and 10 years, in part because of an above-average exposure (66%) to U.S. stocks. That hurt its relative performance in 2025, but the fund's 16% return still kept pace with the typical global stock fund.

1 YEAR	1-YEAR TOTAL RETURN
1 Vanguard Global Capital Cycles Investor	65.9%
2 Artisan Global Equity Investor	45.5
3 Victory Pioneer Global Equity A	41.1
4 Thornburg Global Opportunities A	40.7
5 Third Avenue Value Investor	35.1
6 Artisan Global Value Investor	34.0
7 Causeway Global Value Inv	33.5
8 Brandes Global Equity A	33.2
9 AMG Yacktman Global N	32.4
10 Calvert Global Energy Solutions A	32.3
CATEGORY AVERAGE	18.0%

5 YEARS	5-YEAR ANNUALIZED RETURN
1 Vanguard Global Capital Cycles Investor	19.9%
2 Nomura Climate Solutions A	18.1
3 Third Avenue Value Investor	17.7
4 Brandes Global Equity A	15.5
5 Victory Pioneer Global Equity A	15.4
6 AQR Global Equity N	15.1
7 Causeway Global Value Inv	14.6
8 Franklin Global Equity A	14.5
9 Hotchkis & Wiley Global Value A	13.9
10 Thornburg Global Opportunities A	13.5
CATEGORY AVERAGE	7.9%

3 YEARS	3-YEAR ANNUALIZED RETURN
1 Morgan Stanley Inst Global Insgt A	37.0%
2 Marsico Global	33.4
3 Morgan Stanley Global Endurance A	31.2
4 Morgan Stanley Inst Global Opp A	28.6
5 American Funds New Economy A	27.9
6 First Trust WCM Focused Global Gr Inv	27.3
7 Baron Global Opportunity Retail	26.3
8 AQR Global Equity N	26.1
9 Guinness Atkinson Global Inntns Inv	26.1
10 Gabelli Global Growth A	25.7
CATEGORY AVERAGE	16.7%

10 YEARS	10-YEAR ANNUALIZED RETURN
1 Vanguard Global Capital Cycles Investor	15.1%
2 Marsico Global	14.7
3 Guinness Atkinson Global Inntns Inv	14.6
4 T. Rowe Price Global Stock	14.6
5 First Trust WCM Focused Global Gr Inv	14.5
6 Morgan Stanley Inst Global Opp A	13.8
7 American Funds New Economy A	13.8
8 Baron Global Opportunity Retail	13.7
9 PGIM Jennison Global Opportunities A	13.5
10 Fidelity Worldwide	13.0
CATEGORY AVERAGE	10.2%

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DIVERSIFIED EMERGING-MARKETS STOCK

This rally is for real.

Buoyed by a weakening dollar and strong economic growth, emerging-markets stocks celebrated their best calendar year since 2017, rising 33%. Pzena Emerging Markets Value (five- and 10-year lists) sifts among the cheapest stocks to find companies capable of a turn-around. China, South Korea and Brazil are its top country exposures. Artisan Developing World (10-year table) is more growth-focused, investing in large firms that generate positive free cash flow (money left after operating expenses and spending to maintain or upgrade property and equipment). The outsize one-year return in Nomura Emerging Markets gives us pause. It comes thanks to 15% stakes each in two Korean firms that rose four- and fivefold in 2025. It's likely the reason the fund ranks well over the past three and 10 years, too. The fund has been significantly more volatile than its peers over the past decade.

1 YEAR	1-YEAR TOTAL RETURN
1 Nomura Emerging Markets A	86.5%
2 Brandes Emerging Markets Value A	47.5
3 RBC Emerging Markets Value Equity A	47.0
4 Oaktree Emerging Markets Equity A	45.8
5 Voya Multi-Manager Emerg Markets Eq A	45.7
6 Vaughan Nelson Emerging Markets Inv Cl	45.1
7 Templeton Developing Markets A	44.7
8 Artisan Sustainable Emerging Mkts Inv	42.7
9 Lazard Emerging Markets Equity Open	41.0
10 Hartford Schroders Emerging Mkts Eq A	39.9
CATEGORY AVERAGE	31.3%

5 YEARS	5-YEAR ANNUALIZED RETURN
1 LSV Emerging Markets Equity Inv	12.5%
2 Eaton Vance Emerg & Frntr Countrs Eq A	12.4
3 Ashmore Emerging Mkts Frontier Eq A	11.5
4 Pimco RAE PLUS EMG A	11.2
5 Pzena Emerging Markets Value Investor	11.1
6 Pimco RAE Emerging Markets A	11.0
7 Cullen Emerging Markets High Div Retail	10.8
8 Lazard Emerging Markets Equity Open	10.5
9 Seafarer Overseas Value Investor	10.4
10 Segall Bryant & Hamill Em Mkts Retl	10.3
CATEGORY AVERAGE	3.6%

3 YEARS	3-YEAR ANNUALIZED RETURN
1 Nomura Emerging Markets A	32.5%
2 WCM Focused Emerging Mkts Ex Chn Inv	27.2
3 Brandes Emerging Markets Value A	23.3
4 Eaton Vance Emerg & Frntr Countrs Eq A	23.0
5 Lazard Emerging Markets Equity Open	22.7
6 Segall Bryant & Hamill Em Mkts Retl	22.7
7 Causeway Emerging Markets Investor	22.1
8 LSV Emerging Markets Equity Inv	22.1
9 Cullen Emerging Markets Hi Div Retail	21.8
10 Artisan Sustainable Emerging Mkts Inv	21.8
CATEGORY AVERAGE	16.0%

10 YEARS	10-YEAR ANNUALIZED RETURN
1 Nomura Emerging Markets A	13.2%
2 Pimco RAE PLUS EMG A	12.0
3 Artisan Developing World Investor	11.9
4 Ashmore Emerging Markets Equity A	11.4
5 Pzena Emerging Markets Value Investor	11.0
6 Pimco RAE Emerging Markets A	11.0
7 Schwab Fundamental Emerg Mkts Eq Idx	10.8
8 Eaton Vance Emerg & Frntr Countrs Eq A	10.7
9 Templeton Developing Markets A	10.3
10 Fidelity Advisor Focused Em Mkts A*	10.2
CATEGORY AVERAGE	8.0%

REGIONAL AND SINGLE-COUNTRY

Asia, no matter how you slice it.

Winners in this group include funds that focus on a specific country or region. But funds that invest in Asia—developed or emerging, across the region or in a single country—dominate the tables. Japan-focused funds Matthews Japan and Fidelity Pacific Basin rank well in the three-year table, in part because the period encompasses the 2024 record high set by the Nikkei index after 34 years. India funds, including Wasatch Emerging India, stand out over five and 10 years. Regional funds can lessen the risk of investing in a single-country market, and they have done well, too. Matthews Asia Innovators holds stocks in China, Taiwan, India and South Korea. Closer to home, the manager behind long-term winner Fidelity Canada, who took the helm in 2018, can claim responsibility for its five-year record, but not its 10-year results. Royal Bank of Canada and Shopify, based in Ottawa, are its top holdings.

1 YEAR	1-YEAR TOTAL RETURN
1 Timothy Plan Israel Common Values A	56.3%
2 DWS Latin America Equity A	54.0
3 Commonwealth Africa	51.4
4 RBC China Equity A	50.3
5 T. Rowe Price Latin America	45.8
6 T. Rowe Price Emerging Europe**	45.4
7 Fidelity China Region	42.6
8 AMG Veritas Asia Pacific N	41.6
9 JPMorgan Europe Dynamic A	41.5
10 Oberweis China Opportunities	40.9
CATEGORY AVERAGE	29.5%

5 YEARS	5-YEAR ANNUALIZED RETURN
1 Fidelity Canada	13.4%
2 Timothy Plan Israel Common Values A	13.3
3 Commonwealth Africa	12.4
4 T. Rowe Price Africa & Middle East	12.4
5 JPMorgan Europe Dynamic A	11.5
6 Janus Henderson European Focus T	11.1
7 Vanguard European Stock Index Adm	10.1
8 Matthews India Investor	8.0
9 Kotak India Equity Fund Class Investor	7.9
10 Eaton Vance Greater India A	7.8
CATEGORY AVERAGE	3.6%

3 YEARS	3-YEAR ANNUALIZED RETURN
1 T. Rowe Price Emerging Europe**	43.5%
2 Fidelity Emerging Asia	23.6
3 Timothy Plan Israel Common Values A	23.2
4 Fidelity Advisor Emerging Asia A	23.2
5 Fidelity China Region	20.5
6 JPMorgan Europe Dynamic A	20.1
7 Fidelity Pacific Basin	19.6
8 Janus Henderson European Focus T	19.2
9 Matthews Japan Investor	19.0
10 Commonwealth Africa	18.8
CATEGORY AVERAGE	13.9%

10 YEARS	10-YEAR ANNUALIZED RETURN
1 Timothy Plan Israel Common Values A	13.7%
2 DWS Latin America Equity A	12.8
3 Fidelity Emerging Asia	12.6
4 Fidelity Advisor Emerging Asia A	12.4
5 Fidelity Canada	11.2
6 Fidelity Pacific Basin	10.8
7 Fidelity China Region	10.6
8 Matthews Asia Innovators Investor	10.3
9 Wasatch Emerging India Investor	10.1
10 Hennessy Japan Small Cap Investor	9.6
CATEGORY AVERAGE	8.1%

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SECTOR FUNDS

The golden touch.

Gold was great in 2025—the precious metal jumped more than 60%, and the shares of the companies that mine it fared even better. The result? Every fund that ranked in the top 10 for one-year returns specialized in gold or precious metals. And several of those funds now make the 10-year top 10: OCM Gold Atlas, Franklin Gold and Precious Metals, and Rydex Precious Metals. The run-up in gold has reordered the dominance by tech and energy funds in years past. At the end of 2024, those funds topped sector returns for all four periods. Although many of the funds have departed the top rankings this year, energy still dominates the five-year table, and tech funds make up more than half of the 10-year list. Fidelity Select Semiconductors is the best-performing sector fund for the three- and 10-year periods and ranks third on the five-year list. It first bought Nvidia (now nearly 24% of assets) in 2007.

1 YEAR	1-YEAR TOTAL RETURN
1 Midas Discovery	195.8%
2 Franklin Gold and Precious Metals A	195.2
3 OCM Gold Atlas	168.0
4 US Global Investors Gld & Prec Mtls	167.5
5 Gabelli Gold A	167.3
6 VanEck International Investors Gold A	165.9
7 Allspring Precious Metals A	163.5
8 American Century Global Gold Inv	158.5
9 Victory Precious Metals and Minerals	156.1
10 Rydex Precious Metals Inv	149.0
CATEGORY AVERAGE	20.7%

5 YEARS	5-YEAR ANNUALIZED RETURN
1 Victory Global Energy Transition A	34.7%
2 Invesco SteelPath MLP Alpha Plus A	32.8
3 Fidelity Select Semiconductors	30.4
4 Fidelity Advisor Semiconductors A	30.1
5 Goehring & Rozencwajg Resources Retail	28.1
6 Eagle Energy Infrastructure A	27.6
7 Invesco SteelPath MLP Alpha A	26.1
8 MainGate MLP A	25.9
9 Virtus Duff & Phelps Sel MLP & Engy A	25.1
10 Hennessy Energy Transition Investor	24.9
CATEGORY AVERAGE	9.7%

3 YEARS	3-YEAR ANNUALIZED RETURN
1 Fidelity Select Semiconductors	54.0%
2 Fidelity Advisor Semiconductors A	53.9
3 Franklin Gold and Precious Metals A	52.4
4 OCM Gold Atlas	51.6
5 Allspring Precious Metals A	51.5
6 VanEck International Investors Gold A	49.6
7 Gabelli Gold A	49.1
8 American Century Global Gold Inv	47.3
9 US Global Investors Gld & Prec Mtls	46.9
10 Midas Discovery	46.1
CATEGORY AVERAGE	15.2%

10 YEARS	10-YEAR ANNUALIZED RETURN
1 Fidelity Select Semiconductors	30.3%
2 Fidelity Advisor Semiconductors A	29.9
3 OCM Gold Atlas	24.3
4 Rydex Electronics Inv	24.1
5 Fidelity Select Technology	22.8
6 Columbia Seligman Tech & Info A	22.5
7 Columbia Seligman Global Tech A	22.5
8 Franklin Gold and Precious Metals A	21.9
9 Rydex Precious Metals Inv	21.5
10 VanEck International Investors Gold A	21.5
CATEGORY AVERAGE	9.6%

ALTERNATIVE

Portfolio diversifiers packing a punch.

These strategies are a motley crew of approaches, but they all aim to hedge against a market downturn and offer portfolio diversification. Some capitalize on stock-price swings that occur before, during or after a merger or spin-off; others use hedging techniques to limit losses. Fees are high: The average expense ratio for funds in this category is 2.01%. Funds that shine over short and long stretches include AQR Equity Market Neutral, which buys stocks its managers believe will outperform (such as Novartis and Walmart, recently) and sells short stocks that they think will underperform (Nike and Starbucks). Gabelli Enterprise Mergers & Acquisitions invests in stocks of global firms involved in takeovers, liquidations and other corporate moves. AQR Diversifying Strategies tactically invests in a mix of six alternative AQR funds (including several that pepper the winners tables). It ranks in the top 10 over one, three and five years. **A**

1 YEAR	1-YEAR TOTAL RETURN
1 AQR Equity Market Neutral N	26.2%
2 AQR Alternative Risk Premia N	23.1
3 AQR Trend Total Return Class N	22.9
4 Gabelli Entpr Mergers & Acquisitions A	20.1
5 BlackRock Global Equity Mkt Netrl A	18.0
6 AQR Managed Futures Strategy HV N	18.0
7 AQR Diversifying Strategies N	15.7
8 Goldman Sachs Multi-Strategy Alts A	15.0
9 DWS Global Macro A	14.6
10 Bridgeway Global Opportunities Fund N	14.6
CATEGORY AVERAGE	7.0%

5 YEARS	5-YEAR ANNUALIZED RETURN
1 AQR Equity Market Neutral N	22.4%
2 AQR Style Premia Alternative N	20.3
3 AQR Alternative Risk Premia N	17.3
4 AQR Managed Futures Strategy HV N	13.6
5 Federated Hermes MDT Market Neutral A	12.7
6 Vanguard Market Neutral Inv	12.6
7 AQR Diversifying Strategies N	12.4
8 BlackRock Global Equity Mkt Netrl A	11.3
9 AQR Managed Futures Strategy N	10.7
10 Arrow Managed Futures Strategy A	10.2
CATEGORY AVERAGE	5.1%

3 YEARS	3-YEAR ANNUALIZED RETURN
1 Bitcoin ProFund Investor	61.3%
2 Vest Bitcoin Strategy Mgd Vol Inv	50.7
3 AQR Trend Total Return Class N	26.8
4 AQR Equity Market Neutral N	22.6
5 BlackRock Global Equity Mkt Netrl A	17.8
6 Rational Strategic Allocation A	16.2
7 AQR Alternative Risk Premia N	16.0
8 AQR Style Premia Alternative N	15.8
9 AQR Diversifying Strategies N	12.4
10 Gabelli Entpr Mergers & Acquisitions A	10.7
CATEGORY AVERAGE	6.5%

10 YEARS	10-YEAR ANNUALIZED RETURN
1 Camelot Event Driven A	9.9%
2 Catalyst/Millburn Hedge Strategy A	8.0
3 Federated Hermes MDT Market Neutral A	7.4
4 Rational Strategic Allocation A	6.7
5 AQR Equity Market Neutral N	6.7
6 AQR Diversified Arbitrage N	6.3
7 Driehaus Event Driven	6.3
8 BlackRock Global Equity Mkt Netrl A	6.1
9 DWS Global Macro A	5.7
10 AQR Style Premia Alternative N	5.7
CATEGORY AVERAGE	3.8%

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Health Care Stocks: Bet on a Recovery

The flagging sector has perked up a bit lately. **BY DAVID MILSTEAD**

INVESTORS' fever for artificial-intelligence stocks left other areas of the market looking sickly by comparison. One was health care, which was decidedly out of favor as 2025 began. A larger-than-normal amount of regulatory uncertainty weighed down pharmaceutical companies, insurers and most of the other players in the multitrillion-dollar U.S. health ecosystem.

As the AI fever broke and some of those regulatory concerns settled, health care stocks got healthier, if not fully robust. "Valuations are still below historical levels," as the sector's recovery is in its early days, says Mike Perrone, a specialist in health care at investment firm Baird. In the meantime, investors are getting more comfortable that the firms are managing the risks of changing health care policies, he says.

The beginning of 2025, in the early months of the Trump administration, was marked by discomfort. The president's rhetoric on prescription-drug prices inspired fear among pharmaceutical companies, because their profits would be deeply damaged if the U.S. were to mandate European-style pricing for prescriptions.

It was also unclear how the new leadership of the Food and Drug Administration would run the drug-approval process and whether new medicines could easily make it to market. Huge



budget cuts at the National Institutes of Health threatened research programs that are major customers for medical supplies and tools. And the Trump tariff policy threatened health care firms that import or export.

As the year closed, however, most of the companies' worst nightmares hadn't come true. The major turning point was the "most-favored-nation" deal on pricing that the federal government struck with pharmaceutical giant Pfizer in September. The deal exempted the firm from tariffs while reducing drug costs for Medicare and state health plans. The government made deals

with more pharma companies after that. "Investors viewed those deals to be pretty industry-friendly overall, relative to some of the fears that were out there," says Westfield Capital Management's Matt Renna, who manages the Harbor Health Care exchange-traded fund.

On the mend. The change in mood was reflected in State Street Health Care Select Sector SPDR, an ETF that jumped 5.6% in the first two days after the Pfizer announcement and is up 12% since September 29, the day before the Pfizer announcement. Another bullish sign: The

December initial public offering of equipment company Medline raised more than \$6 billion, making it one of the biggest debuts of the past decade. The shares then jumped 40% on their first day of trading.

But the health care sector as a whole remains below its historical valuation, says Eddie Yoon, the health care sector lead at Fidelity Investments and the manager of the Fidelity Select Health Care fund, a member of the Kiplinger 25, the list of our favorite actively managed no-load funds. Some health care subsectors are pricier than others, he says.

Health care providers—think companies that own hospitals—and equipment distributors are closer to the upper end of their historical valuation ranges. Health insurance companies are near the lower end, because profits have been dinged by costs that rose faster than the companies could increase their premiums. Biotech stocks have been strong performers, in part because investors see a wave of mergers-and-acquisitions activity coming. (For more on M&A, see “The Merger Market Heats Up,” on page 31.) The strength in biotech has helped pull up the stocks of companies in the life-sciences tools sector, many of which had stumbled post-pandemic, Yoon says.

Within that varied landscape, we found a handful of health care stocks that are poised for gains as the sector overall recovers its health. Prices, yields and other data are as of December 31, unless otherwise stated.

Boston Scientific (symbol BSX, \$95). The company makes devices that treat gastrointestinal and urological conditions, but it's the cardiology business that's at

the heart of its growth story. Boston Scientific's Watchman has long been a leading product for what's called left atrial appendage closure, a procedure that blocks blood clots and minimizes the risk of strokes. The company's products also serve the market for cardiac ablation, in which a catheter uses heat or cold to create scars and treat arrhythmia.

Now, the company's Farapulse product is a leader in a new technique: pulsed-field ablation, which works faster and causes less damage to the heart than conventional ablation.

The firm's cardiology division, which accounts for about two-thirds of its sales, posted a sales gain of 22% in the quarter that ended September 30. All told, Boston Scientific's top line rose

the shares increasing 21% over the next 12 months.

The stock trades at 29 times estimated earnings for the next 12 months, which is slightly above the average of 25 for the S&P 500's health care equipment and supplies industry, according to S&P Global Market Intelligence.

CVS Health (CVS, \$79). A former CEO of the drugstore chain said the company's name stood for “convenience, value and service.” Investors have had trouble looking beyond the firm's 9,000-odd retail locations, but they're beginning to see that the company has a three-part business that can deliver on the motto.

In addition to those stores, CVS owns Aetna, a giant of the health insurance industry, and

Investors are beginning to see that CVS has a three-part business that can deliver on its principles: convenience, value and service.

by more than 20%, to \$5.1 billion, with profits up about 60%.

Those are impressive results considering the firm's tough competition: Medtronic—another pioneer in pulsed-field ablation—Stryker, Johnson & Johnson, and Abbott Laboratories are all jockeying to sell their wares to medical providers.

Nonetheless, analyst Joshua Jennings of investment firm TD Cowen says Boston Scientific is his top recommendation for 2026 and “the most attractive growth story in the medical devices sector.” He believes the company can continue to report double-digit sales and earnings growth while expanding profit margins. Farapulse and Watchman “should remain needle-moving product drivers” in 2026, says Jennings, who sees

CVS Caremark, a company that manages pharmacy benefits for insurers. CVS added a chain of private medical clinics in 2023 with hopes of integrating the services into its retail chain. Fitting those businesses together, CEO David Joyner said at an investor day in December 2025, means that a customer of both Aetna and Caremark who walks into a CVS store should get better health outcomes at a lower cost than if they'd gone elsewhere. The combination of complementary businesses is a differentiator from the deeply distressed Walgreens, which saw its share price crumble before going private in 2025. Rite Aid was in worse shape, and it went out of business completely in 2025.

But CVS paid up for its acquisitions, and the company has had

challenges putting everything together. Aetna had been a problem spot, with profit margins below its peers, but the insurer began to reverse that in 2025. “We’re betting on a turnaround,” says Daniel Matviyenko, a managing director of Jennison, an investment division of PGIM, and manager of the PGIM Jennison Health Sciences Fund. The fund started buying CVS shares in early 2025 and continued adding to its stake, making CVS a top-10 position as of mid December. “We do think this promise of integrated health care is finally here, and CVS is leading the charge.”

Investors are getting on board. CVS stock gained 84% in 2025—but the shares are still

Danaher has long been acquisitive, snapping up companies to take advantage of growing areas in health care, and selling off subsidiaries that no longer fit. Analyst Sel Hardy, of research firm CFRA, says Danaher’s portfolio “transformation” created a focused company that can accelerate its revenue growth rates and improve its profit margins. Hardy has a “buy” rating on the stock and sees it hitting \$258 in 12 months, implying a gain of 13% from its recent close.

Analyst Sidharth Sahoo, of investment firm HSBC, says Danaher management has set conservative sales-growth forecasts in the low single digits for 2026 that are appropriate, given the

There are advantages to not making medicines for humans. There are no huge government insurance programs pushing for drug-cost cuts, so Zoetis has more pricing power than conventional pharmaceutical companies. And the drug-approval process for animals is faster than for humans, so Zoetis can bring its big sellers to market relatively quickly.

And the company says its pipeline of drugs is promising. Zoetis executives told investors in December it believes it has 12 “blockbuster” products—defined as \$100 million or more in annual sales—in the works, including one debut per year from 2026 to 2029. The lineup includes treatments for chronic kidney disease, which Zoetis says is the number-one disease in cats and dogs yet has no products addressing it in the market today.

Zoetis shares went on sale in November after the company tweaked its 2025 revenue forecast (while leaving its profit targets intact). The shares fell 14% on the news, and the market seems to be waiting for the company’s final 2025 earnings report before getting back in.

This has created a rare opportunity. Shares trade at 19 times earnings—a level Zoetis hasn’t seen since 2014. A 6% hike in the dividend, announced in December, has pushed the stock’s yield to 1.7%. Navann Ty, an analyst for investment firm BNP Paribas, is one of Wall Street’s bulls. Zoetis minimizes costs with efficient research-and-development processes, he says, and it’s the best innovator among animal-drug companies. ■

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Danaher is acquisitive, snapping up companies to take advantage of growing areas in health care, and selling subsidiaries that no longer fit.

cheap, at 12 times estimated earnings. For now, the V in CVS still stands for *value*.

Danaher (DHR, \$229). This Washington, D.C.–based company saw its business boom in the pandemic after its Cepheid subsidiary developed the first point-of-care test for COVID-19 to receive emergency-use authorization from the U.S. government. Per-share profits nearly doubled, to \$9.66, from 2020 to 2022, and the stock price doubled as well. Although COVID isn’t gone, the world’s attention has waned, and Danaher has retreated from its peaks. The stock is down about 30% from its pandemic highs. Danaher defenders say investors can now see the post-COVID prospects for the maker of diagnostic tools and devices—and they should like what they see.

struggle of the company—and the entire life-sciences tools industry—to hit targets post-COVID. Sahoo sees the shares reaching \$255 in the next 12 months. But if the firm hits 6% sales growth (the high end of its forecast), Sahoo can see profit margins expanding, too, pushing earnings growth into double digits and sending shares close to \$300.

Zoetis (ZTS, \$126). Fighting like cats and dogs could soon become a thing of the past: Many pets are already on anti-anxiety medication, as their owners boost what they spend to keep their companion animals healthy and happy. Zoetis is the biggest provider of the products that do it. Spun off from pharmaceutical giant Pfizer more than a decade ago, Zoetis is all animal. It sells nearly \$10 billion worth of drugs for pets and livestock annually.

The Merger Market Heats Up

Investing in takeover deals can be a low-volatility way to diversify your portfolio.

BY ANNE KATES SMITH

IT'S got all the drama of a movie, only it's playing out in boardrooms instead of theaters. First came the \$82.7 billion offer from Netflix to buy the film and TV studios of Warner Bros. in December. Warner's Discovery Global unit, which includes CNN, Discovery and TNT Sports, would be spun off to the public in late 2026. Though not all rejoiced at the union, the two seemed destined to plight their respective troths, until Paramount showed up like a suitor shouting objections at the altar with a competing, hostile offer to buy all of Warner Bros. Discovery for \$108.4 billion. Cue the cliffhanger.

It's not clear how investors—or movie watchers—will make out. But the Hollywood deal is just one of an increasing number playing out on Wall Street, which turns out to be good news for investors looking for a low-volatility way to diversify their portfolio. Merger arbitrage, an alternative investment strategy that seeks to profit from the gap between the price of an acquisition target's stock and the takeover price after a deal is announced, tends to deliver returns that are a few percentage points above cash levels, independent of the stock or bond markets, says Mark Steffen, an alternatives strategist with Wells Fargo Investment Institute who currently recommends the strategy.

The more deals there are, the more opportunities, and deals are on the upswing after a few

slow years following a blockbuster 2021. “The third quarter's number was good—a continuation of the momentum we've seen,” says Steffen. Increased volume, stable premiums over the target price and an easier regulatory climate that is helping to close deals more quickly all provide support for M&A, he says, adding that lower interest rates will help with financing.

A market-neutral approach. A good way to invest is via *Merger Fund* (symbol *MERFX*). And “now is a good time,” says Roy Behren, longtime comanager of the fund. “If you think the market has gotten ahead of itself, or things look a little topsy with AI, or the market has had a great run and you want to take some money off the table—the strategy's value lies in its ability to be a diversification tool for someone's portfolio,” he says. Gaps can persist between a target's price and an offer price because there's always some uncertainty about whether a deal will receive

the regulatory approval, shareholder votes or financing it needs. The fund's payday comes when the deal goes through. “If a transaction closes, we make money regardless of whether the market goes up, down or sideways,” says Behren. “It's a market-neutral investment.”

Behren and comanager Michael Shannon are skilled at handicapping the odds of completion. “We're fairly disciplined. We only invest in announced transactions; we don't speculate about future targets or invest on rumor,” he says. The fund has returned 8.1% over the past 12 months. That might not seem like much compared with 17.9% for the S&P 500, but during the market's early-2025 tariff tantrum, the fund was essentially flat while stocks sank 12% and bonds dropped 1%. In 2022, when the S&P 500 cratered 18% and the Bloomberg U.S. Aggregate bond benchmark lost 13%, Merger Fund eked out a 0.7% gain. The fund carries a sales charge of 5.5% but can be purchased load-waived with no transaction fee at platforms including Fidelity and Schwab. The expense ratio is 1.56%.

For the record, Behren, who says the fund has a stake in Warner Bros., has no spoilers about how the current bidding war ends. “I think it's going to play out with a higher price for Warner Bros., but it's unclear who is going to win,” he says. ■

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Warner Bros. Discovery is a high-profile takeover target in an M&A market that is gaining momentum.



In Search of Almost-Safe Stocks

STREET SMART BY JAMES K. GLASSMAN

IS there really such a thing as a safe stock? When you buy a share, you own a tiny piece of a business, and any business can develop problems no one suspects. Consider Enron, a consistent money-maker in energy trading, which went from \$90 a share to 26 cents in a little over a year. Or Sears, once a solid retail giant and now reduced to just a handful of stores. Eastman Kodak, Polaroid and Blockbuster were all solid citizens that went bankrupt.

No stock is *safe* in the sense that a short-term Treasury bill is safe. But looking at a firm's business, its longevity and the performance of its stock in the past, we can make educated guesses about which stocks are likely to provide relatively smooth sailing and limited anxiety.

Consistency beats excitement.

Begin by examining volatility—the extremes of the ups and downs of a stock's price. Volatility and risk are closely related. A stock that shoots up 80% one year and then falls 35% the next is considered far more risky than a stock that returns 8% in both years—even though both stocks return almost precisely the same over the two years.

Market analysts use a measure called beta to determine the volatility of a stock compared with that of the market over a given period. A

beta of 1.0 means a stock's volatility is equal to the market's. A beta lower than 1.0 means it's less volatile; higher than 1.0, more volatile.

For example, **Johnson & Johnson** (symbol **JNJ**, \$207), which has been making pharmaceuticals and other medical products since 1886, has a beta of just 0.35, meaning its stock has been 65% less volatile than the market over the past five years. During that period, shares have traded in a narrow band, between about \$140 and \$180, before breaking out in August and climbing above \$200. Key metrics including sales and earnings per share have risen annually, with only a few brief dips over the past decade. The balance sheet is impressive. (Stocks I like are in bold; prices and other data are as of December 31, unless otherwise noted.)

The drawback: Value Line projects profits will rise only 5.0% on average for the next five years. Still, if it's safety you're after, this is the right company. Johnson & Johnson has been ordered to pay billions after being hit with massive lawsuits over claims its powder was linked to cancer, but the company is so sturdy that what would have been a tsunami for some firms caused only a few waves.

Nasdaq provides a valuable list of stocks with the lowest beta. Besides J&J, I like **CME Group** (**CME**, \$273), the former Chicago Mercantile Exchange, which profits as trading increases; it has a beta of just 0.29.



Sporting a 0.38 beta is **Procter & Gamble** (**PG**, \$143), the packaged-goods giant with probably the best brand lineup in the U.S., including Pampers, Tide and Gillette. Most large electric utility companies have a low beta, and with rising demand for power, they are gaining new followers. One of the best is Atlanta-based **Southern** (**SO**, \$87), which also owns extensive natural gas pipelines; it has a beta of 0.44.

I am especially fond of **Pepsico** (**PEP**, \$144), with a beta of 0.42 and earnings that have risen in what I call a beautiful line, dipping slightly in just two of 10 years from 2014 through 2024. Pepsico is a purveyor of soft drinks and snacks, with such brands as Gatorade and Frito-Lay in addition to its eponymous 132-year-old cola drink. Low volatility does not guarantee big gains for investors, and Pepsico has returned just 13% cumulatively over the past five years, compared with 96% for the S&P 500. But its robust dividend yield (4.0%) makes the stock particularly attractive for the long term.

A dividend payout that increases year after year is another sign of relative safety. Businesses hate to lower dividends, so they raise them only

No stock is completely safe, but we can make educated guesses about which ones are likely to provide smooth sailing.



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when they're sure they see profits ahead. Currently, 69 stocks are termed Dividend Aristocrats, meaning they have increased their payouts for at least 25 years in a row. For Johnson & Johnson, the string is 63 years; for Procter & Gamble, 69 years.

A plump safety cushion. S&P Global calculated that since 1989, the Dividend Aristocrats have beaten the S&P 500 a little more than half the time. But in months when the market was down, the Aristocrats outperformed two-thirds of the time.

An exchange-traded fund that owns all such stocks, **ProShares S&P 500 Dividend Aristocrats (NOBL, \$104)**, has been a poor performer over the past five years, returning an annual average of 7.7%—a little more than half the return of the full large-cap index, which is now dominated by huge tech stocks. But times change.

Among the Aristocrats I find enticing are **Fastenal (FAST, \$40)**, a wholesale distributor of mundane industrial supplies such as nuts and bolts, which has boosted its dividend for 26 straight years and has a beta of 0.88, and **McDonald's (MCD,**

Stock in insurer Chubb has doubled in the past five years, but it has a low valuation and a 32-year streak of higher dividends.

\$306), with a streak of 49 years and a beta of 0.52. **Chubb (CB, \$312)**, with a strong reputation as an insurer of upscale customers, has more than doubled in the past five years but also has a low valuation, a 32-year streak of higher dividends and a beta of 0.52.

Although many mutual funds have been chasing hot tech stocks, others lean toward safety. **Dodge & Cox Stock (DODGX)** has managed a five-year average annual return of 13.3% even though its top tech holding, Microsoft, ranks 10th among its assets. Number one is the broker **Charles Schwab (SCHW, \$100)**, and second is the aerospace and defense contractor **RTX (RTX, \$183)**. Each has a beta below 1.0. Both stocks qualify as almost safe, an accolade that cuts across nearly all sectors—including technology, where **International Business**

Machines (IBM, \$296), with a beta of 0.69 and 30 consecutive years of rising dividends, makes the grade.

No tour of the lower-risk horizon is complete without a recommendation of one of my all-time favorite funds, **Voya Corporate Leaders (LEXCX)**, established in 1935 as a portfolio that doesn't change unless a stock leaves the exchange. The fund has grown top-heavy, with **Union Pacific (UNP, \$231)** and **Berkshire Hathaway (BRK.B, \$503)** representing more than half of assets. Corporate Leaders (originally run by Lexington) also has several integrated energy stocks, including **Chevron (CVX, \$152)**, with a beta of 0.67, that qualify as almost safe in my book.

I can't tell you whether stocks are headed for trouble in the months ahead. Certainly, there are big questions about whether investors have become too optimistic about the prospects of AI-related businesses, or whether Washington policy decisions, such as high tariffs, will boost future inflation and slow economic growth. It's understandable to be looking for safer ports in anticipation of rough weather ahead. To invest is to endure risk, but you can lower the overall riskiness of your portfolio by adding stocks and funds like these. ■

*James K. Glassman chairs Glassman Advisory, a public-affairs consulting firm. He does not write about his clients. His most recent book is **Safety Net: The Strategy for De-Risking Your Investments in a Time of Turbulence**. He owns none of the securities listed here. You can reach him at JKGlassman@gmail.com.*



Focus on Income First

INCOME INVESTING BY JEFFREY R. KOSNETT

EVERY reader knows I am unfazed at the sacrifice of a percentage point or two of share price or net asset value to secure a higher yield or cash distribution. That underscores my reverence for short-term high-yield bonds, packaged car leases and credit card bills, floating-rate corporate bank loans, and the many multisector and flexible exchange-traded and closed-end funds that own these assets or some of each. These investments reliably distribute upward of 5% and sometimes 7%. Add funds or ETFs that write options on stocks or stock indexes to pay out 8% or more, and you might easily overlook how the Federal Reserve has slashed the interest rate it controls to 3.5%—the low since September 2022—with further cuts to follow this year.

Yields on money market funds, Treasury bills and online savings accounts are not done dropping. But it will remain simple to net better than 3.5% even if you do lose a point or two of principal, which you might not.

Don't worry, stay put. That should comfort savers and investors who tell me they are worried their distributions from debt and credit funds will track Fed rates downward and undermine the market value of those portfolios. Since the Fed started its cutting cycle, virtually all of my favorite

short-term high-yield stalwarts continue to pass through about as much, or more, every month as in early 2025, and with only mild declines in NAV. Most, such as *Fidelity Low Duration Bond Factor* (symbol *FLDR*), *PGIM Short Duration High Yield Income* (*HYSAX*), *PGIM Short-Term Corporate Bond* (*PBSMX*) and *RiverPark Floating Rate CMBS* (*RCRFX*), barely budged in price from the first Fed cut on September 17 through the end of 2025.

Others, such as *Janus Henderson AAA CLO* (*JAAA*), have shed about a half-point of principal since September but without trimming their distributions; the Janus fund's portfolio yields more than 5% to maturity. In addition, fear of economic strife that might spark a rise in defaults and credit downgrades has abated, removing another immediate threat to the value of bonds and loans.

The Fed isn't a total nonfactor, however. The payouts from some credit investments, such as those you find in bank-loan funds, are repriced every few months as they float with Fed-influenced base rates such as SOFR, the Secured Overnight Financing Rate. SOFR has dropped from 4.5% to 3.7%, so a typical holding of a bank-loan fund yields 0.8 percentage point less. However, although bank-loan funds have mostly lost more principal than short-term bond funds of late, meaning their 2025 total returns of about 4% lag the



other categories here, their monthly cash distributions are still generous compared with less-compelling rates from the money markets.

But funds such as Fidelity Low Duration and PGIM Short-Term Corporate have an advantage over floating-rate alternatives: piles of fixed-rate bonds that do not mature until 2027 or 2029 and yet pay 5% to 6%, providing both strong income but also potential capital appreciation if the shorter end of the Treasury yield curve tracks lower. The PGIM bond fund returned 6.4% in 2025; PGIM's high-yield version returned 7.5%. Lest you think PGIM has some special sauce, its competitors are also faring well. A yield to maturity that is still 5% or more is a buy signal for such funds. That may ease down this year and next as some of the bonds come due, but the payout will drop more slowly than anything tied to Fed funds. I see no reason to avoid any credit instrument with a short duration and a reasonable performance history. ■

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

Yields are not done dropping. But it will remain simple to net better than 3.5% from my favorite stalwarts.

INTERNATIONAL STOCKS PULL AHEAD

KIPLINGER ETF 20 UPDATE BY NELLIE S. HUANG

In a market dominated by artificial intelligence, international stocks were the sleeper hit over the past 12 months. In 2025, for the first time in 16 calendar years, foreign shares significantly outpaced their U.S. counterparts.

Vanguard Total International Stock, one of our favorite exchange-traded funds and a member of the Kiplinger ETF 20, gained more than 32% over the 12-month period ending December 2025. By contrast, **iShares Core S&P 500**, tracking the U.S. benchmark, returned 18%. Meanwhile, shares in developing countries did even better; **iShares Core MSCI Emerging Markets** climbed nearly 33% over the same one-year period.

The weakening dollar was a tailwind. Its 9.4% drop in value in 2025 relative to a basket of foreign currencies meant any revenues and profits generated overseas became more valuable when converted into dollars. Lower interest rates in the U.S. helped nudge investment capital abroad, while improving economic conditions there provided a favorable backdrop. Stepped-up spending on defense and security in European countries was a boon to those markets.

The setup fueled robust, double-digit returns for most foreign markets. Top performers among developed markets included Spain and Austria, which returned 82% and 78%, respectively, for the year ending in December. Emerging markets South Korea and Greece logged 100% and 83% gains, respectively. All told, European bourses returned more than 35% over the same period. And China shares rallied 31%.

Global momentum. Most global strategists expect at least some of that momentum to continue, especially if the dollar weakens further or even stabilizes at its current weaker position. Strategists at BofA Global Research expect the dollar, indexed against a basket of other currencies, to end 2026 near \$95; it was just below \$99 in late 2025. A global “economic rebalancing” is under way, they write in a recent report, which they believe could be a plus for European and Chinese stocks. 

Send feedback to Nellie.Huang@futurenet.com.

VITAL STATS: THE KIPLINGER ETF 20 AT A GLANCE

Core Stock Funds	Symbol	Price	Annualized total return				Expense ratio
			1 yr.	3 yrs.	5 yrs.	Yield	
iShares Core S&P 500	IVV	\$685	17.8%	23.0%	14.4%	1.0%	0.03%
iShares Core S&P Mid-Cap	IJH	66	7.4	12.5	9.1	1.3	0.05
iShares Core S&P Small-Cap	IJR	120	5.9	10.1	7.2	1.5	0.06
iShares ESG Optimized MSCI USA	SUSA	139	15.7	20.6	12.5	1.1	0.25
Vanguard Total International Stock	VXUS	75	32.3	17.2	8.1	3.2*	0.05

Dividend Stock Funds

Capital Group Dividend Value	CGDV	\$44	25.5%	24.7%	—	1.4%	0.33%
iShares International Dividend Growth	IGRO	83	25.0	15.9	8.3%	2.5	0.15
Vanguard Dividend Appreciation	VIG	220	14.2	15.2	11.3	1.6	0.05

Strategic Stock Funds

State St Health Care Select Sector SPDR	XLV	\$155	14.5%	6.2%	8.1%	1.6%	0.08%
Invesco S&P 500 Equal Weight	RSP	192	11.2	12.6	10.3	1.6	0.20
iShares Core MSCI Emerging Markets	IEMG	67	32.6	16.4	4.6	2.1	0.09
JPMorgan US Quality Factor	JQUA	63	11.7	19.2	13.5	1.1	0.12
State St SPDR S&P Kensho New Economies Comps	KOMP	60	19.7	16.5	2.1	0.7	0.20
State St Technology Select Sector SPDR	XLK	144	24.6	33.2	18.2	0.5	0.08

Core Bond Funds

Fidelity Total Bond	FBND	\$46	7.6%	5.5%	0.4%	4.5%	0.36%
Invesco BulletShares 2026 Corp Bond	BSCQ	20	5.0	5.2	1.0	4.0	0.10
State Street DoubleLine Total Return Tactical	TOTL	40	7.7	5.4	0.5	5.1	0.55

Opportunistic Bond Funds

iShares Short Duration Bond Active	NEAR	\$51	5.9%	6.1%	3.8%	4.1%	0.25%
JPMorgan Income	JPIE	46	7.4	6.9	—	6.1	0.39
Pimco 0-5 Year High Yield Corporate Bond	HYS	95	8.8	9.5	5.4	6.1	0.56

Indexes

S&P 500	17.9%	23.0%	14.4%	1.2%
MSCI EAFE	31.2	17.2	8.9	2.8
Bloomberg U.S. Aggregate Bond	7.3	4.7	-0.4	4.3

AS OF DECEMBER 31, 2025. *12-month yield (all other yields are 30-day SEC yields). —Fund not in existence for the entire period. SOURCES: Morningstar Direct, fund companies, MSCI, S&P Dow Jones Indices, WSJ.com.

THIS FUND CHARTS ITS OWN COURSE

KIPLINGER 25 UPDATE BY NELLIE S. HUANG

AFTER two lackluster years, *Primecap Odyssey Growth* is back. In 2025, the fund gained 33%, beating the S&P 500 index, which climbed 18%, as well as 99% of all large-company stock funds. Moreover, the fund did so without a big allocation to communications services and information technology companies, which top the performance charts and dominate the broad market. Combined, the communications services and information technology sectors account for nearly half of the S&P 500 (they advanced 34% and 24%, respectively, over the past 12 months). But those sectors make up just over one-third of the Primecap portfolio.

Instead, the fund has hefty exposure to health care (26% of the fund's assets) and industrial stocks (18%). Health shares struggled for much of 2025 but rallied to finish with a 15% gain. And industrials returned 19%, just ahead of the broad market.

The fund's outperformance boils down to good stock picking, not sector exposures. Its best performers in 2025 included tech firms, of course, such as Micron Technology, which soared 240%. But a few drug companies—BeOne Medicines (up 64%) and Rhythm Pharmaceuticals (up 91%), for example—and a consumer-sector stock, Chinese e-commerce behemoth Alibaba Group Holding (up 75%), pepper the top contributors, too.

Going their own way. Five managers divide the assets at Odyssey Growth and run their portion independently. But they all focus on growing companies priced at a discount with a catalyst to drive prices higher. The process tends to create a portfolio that bears little resemblance to the S&P 500. For example, instead of the usual mega-size tech names, the fund's top holdings are pharma giant Eli Lilly; Xometry, a Maryland-based machinery maker; and the aforementioned BeOne Medicines.

Over the past decade, the fund's 14.1% annualized return beat 65% of large-cap stock funds but lagged the 14.8% record of the S&P 500. **K**

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

KEY DATA FOR OUR MUTUAL FUND PICKS

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

U.S. Stock Funds	Symbol	Annualized total return			Yield	Expense ratio
		1 yr.	5 yrs.	10 yrs.		
Dean Mid Cap Value	DALCX	9.4%	12.0%	10.4%	1.0%	0.85%
DF Dent Midcap Growth	DFDMX	0.5	1.4	10.3	0.0	0.93
Dodge & Cox Stock	DODGX	13.7	13.3	12.8	1.3	0.51
Fidelity Blue Chip Growth	FBGRX	19.9	14.5	19.5	0.0	0.61
Mairs & Power Growth	MPGFX	10.5	11.5	12.7	0.7	0.62
Oberweis Small-Cap Opps	OBSOX	14.3	14.4	15.0	0.0	1.25
T. Rowe Price Dividend Growth	PRDGX	14.7	10.8	12.7	0.9	0.64
T. Rowe Price Small-Cap Value	PRSVX	8.2	6.6	9.7	0.8	0.77
Primecap Odyssey Growth	POGRX	33.0	13.6	14.1	0.5	0.66
Vanguard Equity Income	VEIPX	17.1	12.7	11.6	2.2	0.27

Foreign Funds	Symbol	Annualized total return			Yield	Expense ratio
		1 yr.	5 yrs.	10 yrs.		
Baron Emerging Markets	BEXFX	29.8%	0.9%	6.6%	1.8%	1.37%
Brown Capital Mgmt Intl Small Co	BCSVX	-2.3	-0.4	9.3	0.0	1.31
Fidelity International Growth	FIGFX	17.9	5.8	8.7	0.7	0.86
Janus Henderson Glbl Eq Inc	HFQTX	29.8	10.2	7.7	6.8	0.95

Specialized Funds	Symbol	Annualized total return			Yield	Expense ratio
		1 yr.	5 yrs.	10 yrs.		
Fidelity Select Health Care	FSPHX	14.4%	4.0%	9.0%	0.4%	0.63%
T. Rowe Price Global Technology	PRGTX	27.3	5.3	15.8	0.0	0.92
Vanguard Wellington	VWELX	16.5	9.3	10.0	2.1	0.25

Bond Funds	Symbol	Annualized total return			Yield	Expense ratio
		1 yr.	5 yrs.	10 yrs.		
Baird Aggregate Bond	BAGSX	7.1%	-0.4%	2.2%	3.9%	0.55%
Dodge & Cox Income	DODIX	8.3	1.0	3.3	4.3	0.41
Fidelity Interm Muni Income	FLTMX	5.0	1.3	2.3	3.0	0.37
Fidelity Strategic Income	FADMX	9.0	3.2	4.7	4.3	0.65
T. Rowe Price Floating Rate	PRFRX	6.5	6.2	5.2	6.7	0.76
Vanguard Emerging Markets Bond	VEMBX	14.3	3.5	—	5.1	0.50
Vanguard High-Yield Corporate	VWEHX	9.3	4.1	5.6	5.6	0.22
Vanguard Short-Term Inv-Grade	VFSTX	6.7	2.2	2.7	4.1	0.20

Indexes	Annualized total return			Yield
	1 yr.	5 yrs.	10 yrs.	
S&P 500 INDEX	17.9%	14.4%	14.8%	1.2%
RUSSELL 2000 INDEX*	12.8	6.1	9.6	1.2
MSCI EAFE INDEX†	31.2	8.9	8.2	2.8
MSCI EMERGING MARKETS INDEX	33.6	4.2	8.4	2.3
BLOOMBERG U.S. AGG BOND INDEX#	7.3	-0.4	2.0	4.3

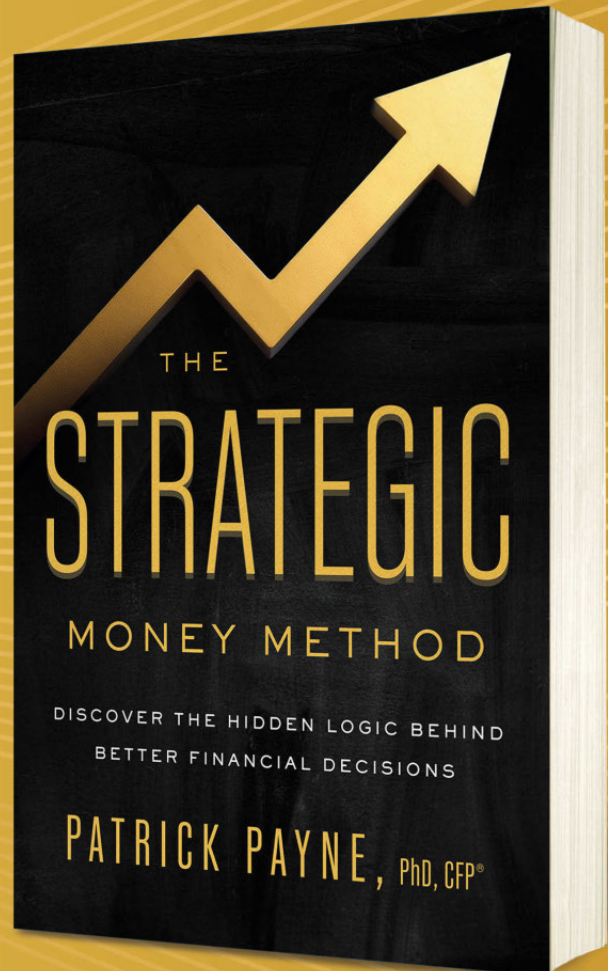
AS OF DECEMBER 31, 2025. *Small-company U.S. stocks. †Foreign stocks. #High-grade U.S. bonds. —Fund not in existence for the entire period. SOURCES: Fund companies, FTSE Russell, Morningstar Direct, MSCI, S&P Dow Jones Indices. Yields listed for bond funds are SEC yields, which are net of fees; stock fund yields are the yield for the past 12 months.

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HOW TO LOWER YOUR TAX BILL

The One Big Beautiful Bill Act brought a host of changes that could affect your 2025 tax return. We'll show you how to make the most of them and get other breaks that reduce what you owe—or maximize your refund.

BY SANDRA BLOCK

FILING your taxes as early as possible has always been a good idea. It's the most effective way to thwart crooks from submitting a fraudulent return in your name, claiming a refund. And if you are due a refund, the sooner you file, the sooner you'll have the money in your pocket.

This year, it's even more important than usual to get a head start on preparing your return. As a result of legislation enacted in July 2025, known as the One Big Beautiful Bill Act (OBBBA), you'll need to navigate a thicket of new provisions, covering

everything from car loans to property taxes to an extra deduction for those 65 and older.

The good news is that thanks to the OBBBA, reductions in federal income tax rates that were included in the 2017 Tax Cuts and Jobs Act—and that were set to expire at the end of 2025—are now permanent, so taxpayers won't face a tax hike in 2026. In addition, the OBBBA made permanent an enlarged estate tax exemption that was included in the TCJA. In 2026, estates worth up to \$15 million, or \$30 million for a married couple, won't be subject to federal estate taxes. With an exemption

of that size, the vast majority of taxpayers won't have to worry about paying federal estate taxes at rates that range from 18% to 40%. The exemption will be adjusted annually for inflation; without congressional action, it would have dropped to about \$7 million per person in 2026.

Along with extending TCJA provisions that are favorable for many taxpayers, the OBBBA contains several tax breaks, expiration dates and other changes that you might miss if you wait until the last minute to file. Here's a look at provisions in the bill that could increase your 2025 refund or lower the amount you owe, along

with other information to keep in mind as you prepare your return—including ways to make sure you get all the tax breaks you're owed.

NEW AND NOTEWORTHY

Below are some of the most significant tax-related changes from the One Big Beautiful Bill Act.

Senior bonus deduction. Many taxpayers who are 65 or older will be eligible to claim an additional deduction of \$6,000 on their 2025 tax return. This bonus deduction, which is scheduled to expire at the end of 2028, comes on top of an existing increase in the standard deduction of \$2,000 for single filers who are 65 or older or, for married couples who file jointly, \$1,600 for each spouse who is 65 or older. The expanded deduction means a single taxpayer who is 65 or older will be able to deduct up to \$23,750 from taxable income, while a married couple who file jointly will qualify for a deduction of up to \$46,700, assuming both are 65 or older. You can claim this additional deduction whether you itemize or take the standard deduction on your 2025 tax return.

The bonus deduction will apply only to taxpayers whose income exceeds the amount of the deduction, so low-income seniors won't benefit from this tax break. At the other end of the spectrum, high-income taxpayers could see the amount of the bonus deduction reduced or eliminated altogether. The deduction starts to phase out for married couples with modified adjusted gross income of more than \$150,000 and is fully phased out at MAGI of \$250,000 (\$75,000 and \$175,000, respectively, for single filers). Your modified adjusted gross income is your adjusted gross income with certain deductions added back.

The additional deduction won't affect how your Social Security benefits are taxed. Taxes on Social Security benefits are based on your combined

(or provisional) income, which consists of half of your benefits, your adjusted gross income and any tax-exempt interest, such as interest from municipal bonds. Depending on the amount of your combined income, up to 85% of your benefits are taxable.

The senior bonus deduction is a so-called below-the-line deduction, which means it reduces your taxable income but doesn't lower your AGI. "Taxation of Social Security hasn't changed, but your overall tax bill may be lower because of this deduction," says Catherine Valega, a certified financial planner and enrolled agent with Green Bee Advisory in Burlington, Mass.

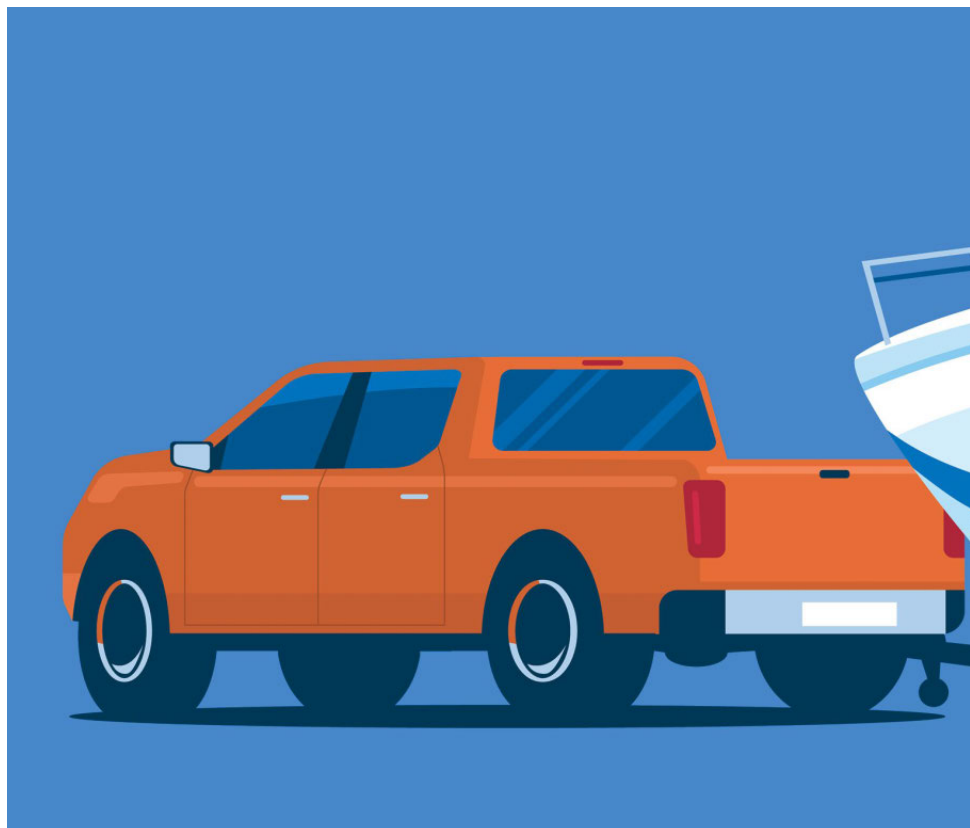
Likewise, the bonus deduction won't shield high-income Medicare

beneficiaries who pay a surcharge, known as the income-related monthly adjustment amount (IRMAA), on their Part B and Part D premiums. The surcharge is based on your MAGI, which is also calculated before the deduction applies.

Higher deduction for state and local taxes. Those who itemize will be able to deduct up to \$40,000 in state and local taxes (SALT), up from a cap of \$10,000 in 2024. The cap will be increased by one percentage point each year through 2029, then returns to \$10,000 in 2030.

The SALT deduction allows taxpayers who itemize to deduct property taxes, including personal property taxes on cars and boats. You can

The SALT deduction allows taxpayers who itemize to deduct property taxes, including personal property taxes on cars and boats.



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also deduct either state and local sales taxes or state and local income taxes, but not both. The increased SALT cap will primarily benefit taxpayers in states with high property taxes, such as New Jersey and New York.

But like the senior bonus deduction, the cap is phased out for higher-income taxpayers. It's gradually reduced for taxpayers with MAGI above \$500,000 (\$250,000 for a married individual filing separately), and taxpayers with MAGI of \$600,000 or more will be limited to deducting \$10,000 on their tax returns.

Since the 2017 Tax Cuts and Jobs Act expanded the standard deduction, only about 10% of taxpayers have itemized. However, the higher cap for state and local taxes will likely increase the percentage of taxpayers who are better off itemizing, says Laurette Dearden, a CFP and certified public accountant in Laurel, Md. If your 2025 property taxes

exceeded the \$10,000 cap, it's worth taking the time to track down your 2025 spending on charitable contributions, mortgage interest, unreimbursed medical expenses that exceed 7.5% of your AGI, and other expenses that qualify as itemized deductions to see whether it makes sense to itemize instead of taking the standard deduction.

Expanded tax breaks for families.

For 2025, eligible parents can claim a tax credit of \$2,200 per child, up from \$2,000 for 2024. The credit phases out for singles with modified adjusted gross income of \$200,000 or more and married couples who file jointly with MAGI of \$400,000 or more. Eligible taxpayers can claim a credit of up to \$500 for other dependents, such as an aging parent or another adult relative whom you support and claim as a dependent on your tax return.

If you adopted a child in 2025, you can claim a credit of up to \$17,280 of eligible expenses, and up to \$5,000 of the tax credit will be refundable. That means taxpayers with tax liability of less than \$5,000 can still claim that portion of the credit, and some of that amount could be returned as a refund.

A deduction for car buyers. A \$7,500 tax credit to buy or lease qualified electric vehicles, along with a \$4,000 credit for eligible used EVs, ended September 30, 2025. (You can find the complete list of vehicles that qualify for the credit at fuelconomy.gov/feg/taxcenter.shtml.) If you purchased an eligible vehicle before September 30 and claimed the credit when you bought the vehicle—meaning, basically, that you transferred the credit to the dealer, who passed it on to you in the form of a discount—you must report the transaction on Form 8936.



The seller should have given you a document that shows the vehicle's eligibility for the credit, which you'll use to complete the form. You can also use Form 8936 to claim the credit if you didn't receive it when you purchased your EV.

Prices for cars and trucks rose in 2025, pushing the average monthly loan payment to \$748 for a new car and \$532 for a used car, according to Experian. However, depending on the type of vehicle you bought, you may be able to deduct up to \$10,000 of loan interest. You don't have to itemize to claim this deduction, but it's available only for loans taken out to buy new cars assembled in the U.S., which rules out many popular models.

The location of final assembly should be located on the vehicle-

on the amount of your income.

But stocks, mutual funds and exchange-traded funds weren't the only big winners in 2025. If you cashed in on any of these assets or activities, you may also owe the IRS a piece of the pie:

Cryptocurrency. Bitcoin hit a record high in 2025, attracting professional and mainstream investors alike. If you invested in bitcoin or other cryptocurrency and took some of your profits off the table, those gains are taxed the same way that gains from the sale of stocks, bonds and other capital assets are taxed. You'll owe taxes on your gains even if you used your bitcoin to buy something. When you fill out Form 1040, you'll be asked whether you received, sold,

links for a couple of hundred dollars to a "We Buy Gold for Cash" retailer. But dealers are required to report sales of gold bars and coins on Form 1099-B if certain conditions related to purity and quantity are met. If you receive a Form 1099-B, you'll owe taxes on the difference between the amount you paid for the items—known as the basis—and the amount you received in the sale. If you received the items as a gift, the basis is the amount the gift-giver paid for the items; for inherited collectibles, the basis is the fair market value of the items on the date of the donor's death. Tracking down the basis is critical, because otherwise the IRS will tax you on the entire proceeds of the sale, says Miklos Ringbauer, a CPA in Los Angeles.

Your profits from selling cryptocurrency are taxed the same way that gains from the sale of stocks and bonds are taxed.

information label attached to the car or truck at the dealer's lot; you can also find out where the vehicle was assembled by plugging the vehicle identification number (VIN) into the National Highway Traffic Safety Administration's VIN decoder website (nhtsa.gov/vin-decoder). The deduction, which is available for qualified vehicles purchased between 2025 and 2028, phases out for individuals with a modified adjusted gross income higher than \$100,000 or married couples making over \$200,000.

TAXES ON YOUR WINNERS

Last year was a great year for investors in the stock market, with the S&P 500 index rising 18%. If you sold investments held for one year or less, your gains will be taxed at your ordinary income tax rate, which tops out at 37% for high earners. Assets held for more than a year are taxed at long-term capital gains rates, which range from 0% to 20%, depending

exchanged or otherwise disposed of a digital asset in 2025, which indicates that the IRS takes these transactions seriously.

Gold. If you took advantage of record gold prices to sell shares of gold-mining companies, or mutual funds and ETFs that invest in gold-mining companies, you'll pay the same capital gains tax you'd pay for any investment. But the IRS treats profits from the sale of physical gold—such as gold bars and coins—differently. Those assets are taxed as collectibles, with a top long-term capital gains rate of up to 28%, depending on your income. If you invested in an ETF that's backed by physical gold, such as SPDR Gold Shares, you'll also pay the higher collectibles rate for long-term capital gains.

While you're supposed to report the profits from any sale of gold, the IRS is unlikely to come after you if you sold your grandfather's cuff

Gambling. The rapid growth of online sports gambling has made it possible to bet on everything from the outcome of a college basketball game to the length of the national anthem at the Super Bowl. Nearly 60% of Americans participated in some form of gambling in the past year, according to the American Gambling Association.

If your bet paid off, your winnings are taxable. If you received at least \$600 and your payout was at least 300 times the amount of your wager, you'll probably receive a Form W-2G, which you'll use to report your payout as "other income" on Form 1040. In most cases, if you win more than \$5,000 and the payout is at least 300 times the amount of your bet, the IRS requires the payer to withhold 24% of your winnings for income taxes.

You can reduce taxes on your winners by deducting your losses—but only if you itemize, and you can't deduct losses that exceed the amount of your winnings. For example, if you won \$100 and lost \$300 at the casino, you can deduct only \$100. A provision in the One Big Beautiful Bill Act adds another

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wrinkle: Starting in 2026, you will be allowed to deduct only 90% of your losses, Valega says.

LAST-MINUTE TAX SAVERS

Before you send your tax return to the IRS (or instruct your tax preparer to do the same), make sure you've made the most of tax-advantaged contributions that could lower your 2025 tax bill while enhancing your retirement and health care security.

IRAs. You have until April 15, 2026, to contribute to a tax-deductible IRA. Deductible contributions to a traditional IRA will reduce your adjusted gross income on a dollar-for-dollar basis, which could also make you eligible for other tax breaks tied to your AGI.

If you're not enrolled in a workplace retirement plan, for 2025 you can deduct IRA contributions of up to \$7,000, or \$8,000 if you were 50 or older. Workers who have a company retirement plan but earn less than a certain amount may qualify to deduct all or part of their IRA contributions. For 2025, this deduction phases out for single taxpayers with AGI between \$79,000 and

\$89,000 and for married couples who file jointly with AGI between \$126,000 and \$146,000. If one spouse is covered by a workplace plan but the other is not, the spouse who isn't covered can deduct the maximum contribution as long as the couple's joint AGI doesn't exceed \$236,000. A partial deduction is available if the couple's AGI is between \$236,000 and \$246,000.

If you worked for yourself in 2025 or had a side gig, you can sock away even more money. You have until April 15—or October 15 if you file for an extension—to set up and contribute to a SEP IRA, a retirement plan designed for self-employed workers, small businesses and sole proprietors. For 2025, you can deduct contributions of as much as 20% of net income, up to a maximum of \$70,000.

You also have until April 15 to contribute to a Roth IRA for 2025. Contributions to a Roth are after-tax, so they won't lower your tax bill. But as long as you're 59½ or older and have owned your Roth for at least five years, withdrawals are tax-free. Here, too, there are income limits. For 2025, single taxpayers with modified adjusted gross income

of less than \$150,000 can contribute the full amount; those with income between \$150,000 and \$165,000 can make a partial contribution. Married couples who file jointly can make the full contribution if their MAGI is less than \$236,000; those with MAGI between \$236,000 and \$246,000 can make a partial contribution. In the past, you could make only pretax contributions to a SEP, but legislation enacted in late 2022 allows SEP providers to offer a Roth option.

Health savings accounts. You have until April 15 to set up and fund an HSA for 2025. An HSA offers a triple tax break: Your contributions are tax-deductible (or pretax if made through payroll deduction), the money grows tax-deferred, and withdrawals used to pay qualifying medical expenses are tax-free.

To contribute to an HSA, you must have had an eligible high-deductible health insurance policy that went into effect no later than December 1, 2025. The deductible must have been at least \$1,650 for individual coverage or \$3,300 for family coverage. You can contribute up to \$4,300 to an HSA for 2025 if you had single coverage, or \$8,550 if you had family coverage. Those who were 55 or older in 2025 can stash away an additional \$1,000. The money in your account will grow tax-free, and withdrawals to pay medical expenses are also tax-free.

PLANNING FOR 2026

Once you've filed your 2025 tax return, we wouldn't blame you for taking a hard-earned break. Walk the dog, go to a movie, or do something else that's more relaxing than poring over your Form 1099s. But after that, carve out some time to plan ways you can lower your 2026 taxes. With your tax information readily available, this is the ideal time to do it. Some new provisions could affect your 2026 tax bill:

WHERE TO GET FREE HELP

The Trump administration shut down the IRS Direct File program, which allowed taxpayers in more than two dozen states to file their 2024 tax returns directly with the IRS at no cost. However, IRS Free File, a partnership between the IRS and private tax-preparation companies, will still be available to eligible taxpayers. This year, taxpayers with 2025 adjusted gross income of \$84,000 or less can prepare and electronically file their federal tax returns for free through

one of the participating Free File programs.

If you need help preparing your return, the AARP Foundation Tax-Aide service provides free assistance from IRS-certified volunteers at more than 3,600 libraries, malls and other locations around the U.S., with a focus on taxpayers older than 50 who have low to moderate income. Use the AARP Tax Locator at aarp.org/money/taxes/aarp-taxaide/locations to find a site near you.

New rules for charitable contributions. If you usually claim the standard deduction, you may have fallen out of the habit of tracking your charitable contributions. But starting in 2026, taxpayers who don't itemize can deduct up to \$1,000 in charitable contributions, or up to \$2,000 for married couples who file jointly. Donations to donor-advised funds and private foundations aren't eligible for this new deduction.

Meanwhile, those who itemize on their tax returns will be subject to a new limit on the amount of charitable contributions they can deduct. That amount has long been limited to a percentage of their adjusted gross income, ranging from 20% to 60%, depending on the type of gift and the recipient. The amount of cash gifts donors can deduct will remain at 60% of AGI in 2026. However, the deduction will be limited to the amount of charitable contributions that exceeds 0.5% of your adjusted gross income. For example, a couple with an AGI of \$300,000 can only deduct charitable donations in excess of \$1,500.

If you're 70½ or older, one way around this new cutoff is to use qualified charitable distributions to benefit your favorite charities, says Tim Steffen, director of advanced planning at Baird. In 2026, taxpayers who are 70½ and older can transfer up to \$111,000 from a traditional IRA directly to charity. QCDs can be done only from an IRA, either one that you own or an inherited IRA. A QCD will reduce your adjusted gross income, and it isn't subject to the 0.5% haircut on charitable contributions.

Larger catch-up contributions for workplace retirement accounts. The total employee contribution limit to all 401(k) and 403(b) plans for those younger than 50 will increase from \$23,500 in 2025 to \$24,500 in 2026. The limit for catch-up contributions will rise from \$7,500 in 2025 to



In 2026, those who are 70½ and older can transfer up to \$111,000 tax-free from a traditional IRA directly to charity.

\$8,000 in 2026, so if you're 50 or older, you can contribute up to \$32,500 in 2026. Participants who are between ages 60 and 63 in 2026 are eligible for a special catch-up contribution of \$11,250, meaning they can contribute a total of \$35,750.

Changing requirements for high earners who contribute to a 401(k).

Starting in 2026, if you earn more than \$150,000 in the previous calendar year, all catch-up contributions at age 50 or older will need to be made with after-tax dollars to a Roth 401(k), 403(b) or 457(b).

There are a lot of good reasons to add a Roth to your retirement port-

folio. Withdrawals are tax-free as long as you're at least 59½ and have owned the account for five years. And you won't have to take required minimum distributions from a Roth account. But if you're a high earner and lose the ability to deduct catch-up contributions to a traditional 401(k), that may cause your 2026 adjusted gross income to increase, which could make you ineligible for tax breaks tied to your AGI. You may want to consult with a tax professional about strategies to offset the loss of this deduction. ■

Send comments about this article to sandra.block02@futurenet.com.

RESOLVE CONFLICTS WITH YOUR ADVISER

Knowing how to deal with a disagreement can improve both your finances and your relationship with your planner.

BY BRUCE HOROVITZ

IT can be a good thing to disagree with your financial adviser occasionally. After all, if you're active in managing your financial life, rather than handing it all over to a pro, you're sure to have your own views. And once you've worked through a disagreement, it can bring clarity to both of you.

Still, dealing with a difference in opinion or approach can be uncomfortable. How do you know who is right, or how to move forward? Use these guidelines to navigate a disagreement—and to decide whether your adviser is still a good fit for you.

Hold a meeting, and make sure you're ready for it. To discuss a substantive disagreement, schedule an in-person meeting so you can gauge your adviser's reactions. When you send an e-mail or make a phone call, you can't see your adviser's face or read their body language, which can be critical, says Tom Balcom, a certified financial planner in Lighthouse Point, Fla. Even in a video call, you may miss these things, he says.

Ahead of your meeting, do some prep work. Write down the questions you want to ask. It can also help to pinpoint the source of your frustration by including specific examples of financial moves your adviser made that you didn't like, says Robert Laura, author of the

book *Retirement Intelligence*.

Get aligned with your spouse or partner beforehand, too. Most financial disagreements are not between an investor and their financial planner, but between an investor and their spouse, says Laura. For example, the husband might want to invest more money in the stock market, while the wife, who manages

the family's day-to-day finances, wants to set aside some of those funds for living expenses and emergencies.

Push for clarity. If you don't see eye-to-eye with your adviser on a certain aspect of your investing strategy or financial plan, the problem may be a lack of clarity. For example, if you



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haven't reviewed your risk tolerance lately, it's time to have a discussion and put it in writing. "You need to know if you are bullish or bearish. Are you trying to grow your money or protect your money?" says Cary Siegel, author of *Why Didn't They Teach Me This in School?: 99 Personal Money Management Principles to Live By*.

As you select investments that suit your risk tolerance and goals, your adviser should articulate several options and provide the reasons for making those suggestions, says Ramit Sethi, author of *I Will Teach You to be Rich*. If you don't understand, ask your adviser to explain further.

Worried about fees? Request a detailed list of all charges, including trading or annuity fees, says Laura. He jokingly refers to this as the "birds and fees" conversation because it often feels so difficult to discuss. But it shouldn't be hard at all, he says. Your adviser should be able to spell it out clearly.

Finally, keep your adviser posted on significant life changes—anything from a divorce to a health issue to

a job loss, says Balcom. "Your portfolio should evolve over time based on your needs, and your adviser needs to know if things change," he says.

Manage your expectations.

A handful of Balcom's clients will call and complain when the market goes down and their portfolio heads south—then call and complain later when the market is up and their return doesn't match the benchmarks,

As you select investments that suit your risk tolerance and goals, your adviser should articulate several options and provide the reasons for making those suggestions.



he says. "They want to be in when the market goes up and out when the market goes down." The best way to contend with the inevitable ups and downs, he says, is to have a well-diversified portfolio.

Remember: It's your money.

In the end, says Siegel, "It's your money, not theirs. They advise and you decide." If your adviser is sidestepping your questions or making moves you find too risky or that you specifically asked your adviser not to do, it's time to find a new one, says Laura.

Or, even if your adviser acts in good faith, you may conclude that you would feel more comfortable working with someone else. If your disagreements are more than occasional, that may be a sign it's time to move on. "It's normal to disagree with your financial adviser, but it's not normal to disagree regularly," says Sethi. **K**

Send comments to feedback@kiplinger.com.

Longevity Advice for Women

MONEY SMART WOMEN BY JANET BODNAR

IN recent columns, I have written about longevity literacy and the need for long-term-care planning (see “Living in Retirement,” Dec. 2025 and Feb. 2026). To see how women fit into this picture, I interviewed Maddy Dychtwald, cofounder of AgeWave, a research and consulting firm focused on aging, and author of *Ageless Aging: A Woman’s Guide to Increasing Healthspan, Brainspan and Lifespan*. Dychtwald interviewed dozens of researchers, scientists and physicians for her book, and these are some of her key takeaways.

What do women in particular need to know about aging? For women, there is good news, bad news and better news. The good news is that we have won the longevity lottery; on average, women live between five and six years longer than men. The bad news is that we spend more years in poor health in our later years. We are twice as likely to suffer from cognitive decline and Alzheimer’s.

What’s the better news? Up to 90% of our health and well-being is within our control. We used to think genetics was the be-all and end-all in determining our health, but now we know that lifestyle and environment have far more to do with how well we live than we thought.

Can you give an example? If there were a silver bullet, it would be exer-

cise. If you exercise regularly, the impact on heart and brain health can be extraordinary. And muscle strengthening is the longevity superpower. Building your muscle strength can reduce the risk of dementia, improve your mood and lower the risk of chronic ailments such as heart disease and stroke.

You say that social connections are also crucial. Healthwise, loneliness is the equivalent of smoking 15 cigarettes a day. That doesn’t mean you have to be a social butterfly. You just need a handful of people—your spouse or partner, a best friend—whom you can go to for companionship. And don’t neglect what we call micro connections. Smile and strike up a conversation with the clerk at the supermarket checkout line.

What advice do you have for women who are single? Women seem to thrive with strong networks, so build your support ecosystem. Cultivate a few close friends. Make sure you know your neighbors. Have a physician you can count on to answer your calls in an emergency. Strengthen your social network via micro connections. Also, you need to have clear legal and financial documents and a financial plan.

How should women approach long-term care? Start the conversation early with your family, friends or trusted advisers. Let them know what your wishes are and how you



plan to pay for the costs, whether through savings, long-term-care insurance or tapping home equity. Many people assume that long-term care will mean a nursing home, but that’s not always the case. For an older woman who is single, living in a planned community that offers services and socialization can be a great option. It’s not about looking at your ultimate decline but about preserving dignity, control and a sense of choice.

Let’s talk about finances. Your earning power is one of your greatest longevity assets, so keep working as long as you can. While you’re in the workforce, take advantage of contributions to your 401(k) or similar retirement plan, and automate wherever you can. When you retire, consider part-time work, eliminate debt, create a little security with paycheck-for-life insurance products. Talk about finances with your spouse or partner and with your friends. Having the right knowledge is a powerful tool. Financial literacy is longevity literacy. ■

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The impact of regular exercise on heart and brain health can be extraordinary.

Earn Rewards With These Debit Cards

BY ELLA VINCENT

WHEN it comes to providing cash back, points or miles on purchases, credit cards dominate. But they aren't the only game in town. Over the past year, Southwest Airlines, United Airlines, and Wyndham Hotels & Resorts have introduced rewards debit cards.

The Southwest Rapid Rewards Debit Card (\$7 monthly fee if your account balance is less than \$2,500) provides one point per \$1 spent with Southwest, as well as on dining and eligible subscriptions; you earn one point per \$2 spent on other purchases. The United MileagePlus Debit Rewards Card (\$4 monthly fee if your account

RATE UPDATES

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

balance is less than \$2,000) offers one mile per \$1 of United purchases and one mile per \$2 of other spending. The Wyndham Rewards Debit Card (\$6 monthly fee if your account balance is less than \$2,500) provides one point per \$1 spent with Wyndham, as well as on gas and grocery purchases; you get one point per \$2 of other spending. The cards also offer initial bonuses and annual bonuses of extra points or miles for cardholders who meet certain spending or activity requirements.

You have other options among rewards debit cards, too. With the PayPal Debit Card, you get 5% cash back on up to \$1,000 spent monthly in a category of your choice, such as gas or groceries. Discover's Cashback Debit checking account provides 1% back on up to \$3,000 in monthly purchases. American Express Rewards Checking offers one Amex Membership Rewards point per \$2 spent.

Generally, credit cards come with more-plentiful rewards. One example: The Wyndham Rewards Earner credit card, which has no annual fee, offers five points per dollar on Wyndham and gas purchases, two points at restaurants and grocery stores, and one point on other purchases. For responsible spenders, a credit card may be the most attractive choice for most purchases. **■**

Reach the author at Ella.Vincent.com.

TOP-YIELDING SAVINGS

Taxable Money Market Mutual Funds	30-day yield as of Dec. 30	Minimum investment	Website	
Gabelli US Treasury MMF (GABXX)	3.89%	\$10,000	gabelli.com	
Elfun Govt MMF (ELMXX)	3.77	500	ssga.com	
Payden Cash Reserves MMF (PHBXX)*	3.77	5,000	payden.com	
DWS Govt & Agency MF (DTGXX)	3.75	1,000	dws.com	
Tax-Free Money Market Mutual Funds	30-day yield as of Dec. 29	Tax eq. yield 24%/35% bracket	Minimum investment	Website
Fidelity Muni MMF (FTEXTX)	2.56%	3.37%/4.18%	\$1	fidelity.com
Schwab AMT Tax-Free MF (SVWXX)*	2.52	3.32/4.12	1	schwab.com
American Cent T-F MMF(BNTXX)	2.48	3.26/4.05	2,500	americancentury.com
Fidelity Tax-Ex MMF (FMOXX)*	2.47	3.25/4.04	1	fidelity.com
Savings and Money Market Deposit Accounts	Annual yield as of Jan. 2	Minimum amount	Website	
Pibank (Fla.)†	4.60%	\$0	pibank.com	
TIMBR (Minn.)†	4.40	1,000	timbrfinancial.com	
Quontic Bank (N.Y.)†#	4.25	100	quontic.com	
Brilliant Bank (Kan.)†#	4.00	1,000	brilliant.bank	
Certificates of Deposit 1-Year	Annual yield as of Jan. 2	Minimum amount	Website	
Sallie Mae Bank (Utah)†‡	4.10%	\$2,500	salliemae.com	
AmeriCU (N.Y.)&	4.00	500	americu.org	
Alliant CU (Ill.)†&	4.00	1,000	alliantcreditunion.org	
CoVantage CU (Wis.)&^	4.00	1,000	covantagecu.org	
Certificates of Deposit 5-Year	Annual yield as of Jan. 2	Minimum amount	Website	
Mountain America CU (Utah)&	4.00%	\$500	macu.com	
Utah First FCU (Utah)&	4.00	2,000	utahfirst.com	
Sallie Mae Bank (Utah)†	4.00	2,500	salliemae.com	
Advancial FCU (Texas)&	3.97	1,000	advancial.org	

*Fund is waiving all or a portion of its expenses. †Internet only. #Money market deposit account. ‡CD term is 11 months. &Must be a member; to become a member, see website or call. ^CD term is 10 months. SOURCES: Bankrate, DepositAccounts, Money Fund Report (iMoneyNet).

TOP-YIELDING CHECKING Must meet activity requirements*

Account Issuer	Annual yield as of Jan. 2	Balance range^	Website
Genisys CU (Mich.)&	6.75%	\$0–7,500	genisyscu.org
City National Bank (Texas)	5.75	0–20,000	cnbt.bank
Andrews FCU (Md.)&	5.25	0–25,000	andrewsfcu.org
Dow CU (Mich.)&	5.12	0–20,000	dowcreditunion.org

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

YIELD BENCHMARKS

	Yield	Month ago	Year ago
U.S. Series EE savings bonds	2.50%	2.50%	2.60%
U.S. Series I savings bonds	4.03	4.03	3.11
Six-month Treasury bills	3.58	3.72	4.25
Five-year Treasury notes	3.74	3.66	4.38
Ten-year Treasury notes	4.19	4.09	4.57

As of January 2, 2026. 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

MAKE LEARNING A LIFELONG AFFAIR

GOING back to live on a college campus, taking classes, and mixing and mingling with students young enough to be their grandchildren wasn't originally on Anna and Jeffrey Young's retirement bingo card. Yet that's their life these days.

The Youngs' grand plan when they stopped working several years ago had been to eventually move to a life-plan retirement community near their home in Monte Sereno, Calif.;

the couple had even put money down to hold spots on waiting lists at two places. Then, while on a 2024 vacation in Arizona, Jeffrey, 78, a retired hospital chief of nephrology, and Anna, 74, a former operating-room nurse supervisor, decided to take a tour of Mirabella, an upscale retirement community on the campus of Arizona State University in Tempe. It offered the amenities and continuum of health care options they'd been looking for, along with the ben-

efits of being an ASU student—full access to classes, clubs, facilities and academic, sporting and cultural events, all at their doorstep.

They were immediately hooked. "We just couldn't walk away from this," Anna says. "It felt like the retirement we wanted and needed."

The Youngs moved into a two-bedroom, two-bath apartment at Mirabella last May and have been on an academic tear ever since. Between the two of them, they've taken classes



→ **Educational opportunities for older adults are plentiful, and the payoff—in terms of enrichment, health and community—is great.**

BY DIANE HARRIS

on the Constitution, health care economics, and the future of technology. They play in weekly intergenerational bridge games, and they have joined or helped start bird-watching, foreign-policy-discussion and many other special-interest groups. They enjoy concerts by student musicians who live and work at Mirabella, and Jeffry attends an ethics coffee hour with students and other residents.

“It makes you feel like you’re a kid in an academic candy store here,”

says Jeffry. Adds Anna, “Moving here in retirement has been quite a gift we’ve given ourselves.”

Whether it’s taking advantage of the many academic courses that welcome seniors on college campuses, enrolling in a program that helps older adults navigate the transition to retirement and redefine purpose in their post-career years, or choosing to live in a retirement community affiliated with a university, the opportunities for people 50 and

older to pursue lifelong learning are abundant. And the demand, experts say, has never been greater as recent increases in life spans lead to a redefinition for many people of what a satisfying retirement is all about.

“With people living longer than ever, looking at possibly a 90- to 100-year life, longevity is forcing us to see that work-centric learning, focused around employability, is incomplete,” says Simon Chan, founder and CEO of Adapt with Intent, a consulting firm that helps organizations identify opportunities for innovation and growth at the intersection of longevity, work, higher education and retirement. “There’s also great value in learning centered around enrichment, identity, purpose and social connection.”

“Lifelong learning means that you’re curious and open to new experiences, premised on the idea that learning is a personal journey that makes your life more meaningful,” says Chip Conley, cofounder and executive chairman of the Modern Elder Academy, which runs workshops and online courses to help people navigate midlife transitions.

Plus, there are other tangible benefits, Conley notes. “Learning to become a beginner again, whatever the topic, is positively correlated with longevity and improved health—something we should be pursuing our whole lifetime,” he says.

Here is a closer look at the payoffs of lifetime learning and the programs specifically designed for or likely to be of interest to older adults.

WHY LIFELONG LEARNING MATTERS

Learning new things has long been touted as a way to stem cognitive decline—the gradual decrease in memory, judgment and other mental skills that often happens as we age. And research supports that those brain-function benefits are real.

In one study, for instance, older adults ranging in age from 58 to 86

(average age: 72) signed up for three to five classes over 10-12 weeks, the equivalent of a college semester, with instructions to choose courses (options included Spanish, music composition and photography) based on how little they knew about the topic so the learning curve would be challenging. After six weeks, the participants' cognitive skills, measured by a standardized test, had improved to be on par with people 30 years younger. And their brain function continued to get sharper until, at the one-year mark, well after the experiment had concluded, the participants' cognitive abilities were similar to those of college undergraduates—a 50-year improvement, on average, compared with their scores before the classes began.

It's not yet clear how long the cognitive improvement will last, and most older students won't take that many challenging classes at once. Still, the results are promising. "It was crazy how much of an improvement in functional abilities there was in every measure we put out there," says Rachel Wu, an associate professor of psychology at the University of California-Riverside and head of its Cognitive Agility Across the Lifespan lab (CALLA), which conducted this and similar studies.

An even more important benefit of ongoing education when you're older, says Wu, is simply that it helps you get comfortable with learning again, given how rapidly the world and personal circumstances can change and the importance of being able to adapt. For example, she says, during the pandemic, many people had to learn how to bank online and access telehealth to keep their financial and medical affairs in order. If you're buying a new car for the first time in 20 years, you'll need to master how to start the engine without a key and other digital controls. There are constant updates to smart phones, and knowing how to navi-



Research has shown dramatic improvements in brain function among older adults who have taken a series of challenging classes.

gate artificial intelligence is rapidly becoming integral to daily life.

"Learning new things is not something you can avoid if you want to stay independent," says Wu. "If something happens that you have to adapt to and it's the thirtieth thing you're learning in the past five years, you'll be fine; if it's the first thing you're learning in 20 years, maybe not so much."

Perhaps the greatest benefit, says Wu: "We found learning gave our older participants a sense of empowerment, the feeling that they are in control of their own lives."

TAKING CLASSES THAT ENRICH YOUR LIFE

Fortunately, there are plenty of ways to access educational opportunities, with hundreds of programs across the country designed specifically with older adult learners in mind.

Have a hankering, for instance, to take a college class or two, without the stress of homework, exams and grades? Most states make it relatively easy—and inexpensive—to audit courses at community colleges and public universities by offering free tuition or deep discounts to older learners, usually on a space-available basis. Typically, you need to be at least 60 or 65 to participate, and you're on your own for the cost of books, other course materials, and registration fees. (Find a list of the different rules by state at kiplinger.com/kpf/college-retirees.)

There are also more than 400 college-affiliated Lifelong Learning Institutes nationwide that offer courses and activities primarily designed for people 50 and older. These include 124 membership organizations in the Osher Lifelong Learning Institute Network, known as OLLIs for short,

which offer noncredit courses, activities and lectures on topics ranging from history and science to art and current events, with a goal of intellectual stimulation and social connection without grades or tests.

Each OLLI sets its own rules, courses, schedules and pricing. Some may charge a single all-inclusive membership fee that covers classes and activities, while others may charge separately for membership, then on an à-la-carte basis for individual offerings. Total annual costs range from \$60 to about \$1,000, says Steve Thaxton, executive director of the National Resource Center for Osher Lifelong Learning Institutes at Northwestern University.

History is by far the most popular subject area, says Thaxton—not just traditional courses such as ancient or

early American history, but also more offbeat topics such as the history of punk rock, baseball or the local community. “These people have often lived that history—served in that war or worked in that administration—and can share that knowledge with other students, which makes for a very different classroom experience,” says Thaxton.

Members also often make connections beyond the classroom, creating special-interest groups, such as the science book group, the hikers, the travelers or the dinner-out group. “The secret sauce is building community,” Thaxton says. “You get the cognitive benefits that come with academic and intellectual exploration. But it’s as much about developing a friend group where you can talk about what you’re learning and enjoy it.”

HELP NAVIGATING LIFE'S TRANSITIONS

With the advent of longer life spans, the definition of retirement is changing for many people. While preretirees and retirees typically describe this period in their parents’ lives as a time for rest and relaxation, just 27% of them view their own retirement this way, according to a joint study by the financial services firm Edward Jones and the consulting firm Age Wave. The majority, some 55%, instead view it as “a new chapter in life.”

The big question, of course: What will that next chapter be?

To provide answers, a new educational category is emerging: the midlife transition program, which aims to help people find purpose and direction in the second half of life. Most, but not all, are university-

WHERE TO LEARN ABOUT LEARNING

Find out more about continuing education opportunities for older adults, including identifying local programs in your areas of interest, by tapping into these resources.

ENRICHMENT CLASSES

National Resource Center for Osher Lifelong Learning Institutes
sps.northwestern.edu/oshernrc/resources/lifelong-learning

You can learn more about university-based programs for older adult learners here, plus find an institute near you. The site also maintains a directory of all the Lifelong Learning Institutes in the U.S., whether affiliated with Osher or not.

AARP Learning and Education at 50+
aarp.org/pri/initiatives/lifelong-learners

Get the lowdown on tuition waivers in various states for older learners and other continuing education in-

formation here (also available at kiplinger.com/kpf/college-retirees). You can also access the Senior Planet program from AARP (seniorplanet.org), which offers a wide range of free virtual classes, often focused on technology.

Age-Friendly University Global Network
afugn.org

This group maintains a list of colleges and universities in the U.S. and around the world that adhere to principles that welcome older adult learners and encourage their participation in a school’s core activities.

MIDLIFE PROGRAMS
Modern Elder Academy
meawisdom.com

Find information on all the workshops and online classes offered by what cofounder Chip Conley calls the world’s first midlife wisdom school.

NEXEL Collaborative
thenexel.com

This nonprofit alliance supports the development of midlife transition programs at colleges and universities. The list of members on its website can help point you to a program that suits your needs.

UNIVERSITY-BASED RETIREMENT COMMUNITIES
University Retirement Communities.com

This site is a comprehensive resource for information about senior living communities associated with a college or university, founded by Andrew Carle, a member of the adjunct faculty in the Georgetown University Aging and Health program. Carle has developed certification standards for these communities and his site maintains a directory of UBRCs in the U.S., in addition to providing information about costs and services.

based. And while the programs vary widely in structure, length and cost, the common thread is a focus on personal growth, introspection and exploration that leads to a plan for moving forward, to help determine how you want to spend your time and the impact you hope to have.

“People know what they’re retiring from but not necessarily what they’re retiring to,” says Chan, of Adapt with Intent. “These programs provide a bit of structure and scaffolding to help people with this transitional period, which right now is largely a do-it-yourself adventure.”

Who attends? “The programs largely appeal to people who don’t necessarily want to spend all their time in retirement golfing, resting, relaxing and hanging with the grandkids, not that there’s anything wrong with that,” Chan says. “But the programs tend to draw people who are looking to stay engaged and thinking about how they can still make a contribution.”

A new educational category is emerging: the midlife transition program, which aims to help people find purpose and direction in the second half of life.

“Gaining knowledge and intellectual stimulation are important parts of these programs, but so are the community and friendships formed,” says Marc Freedman, founder and co-CEO of Cogenerate, a nonprofit focused on impactful intergenerational collaboration, and the founding faculty director of Yale’s midlife transition program, the Experienced Leaders Initiative (ELI), where he currently chairs the advisory board. The shared bond: “People come in with two questions. One is, What am I going to do next? The other, which may not be articulated but is also key, is, Who am I going to be next?”

The earliest iterations of the midlife transition model: year-long residential programs pioneered more

than a decade ago by Harvard University’s Advanced Leadership Initiative and Stanford’s Distinguished Careers Institute. As well as a hefty time-and-location commitment, the programs also come with a hefty price tag—as much as \$75,000 or more. Graduates often go on to encore careers, starting or working at nonprofits or social-impact businesses or becoming teachers and mentors.

Newer programs are experimenting with the format, offering shorter terms; hybrid, remote and in-person classes; and lower prices. For instance, the Yale initiative is a six-month program that mixes remote classes with on-campus gatherings and costs about \$25,000. Public institutions are launching their own versions, such as the University of Colorado Denver’s Change Makers, a four-month program with twice-weekly evening classes that costs \$3,600, and the University of Minnesota’s Midlife Academy, an eight-week program priced at \$1,200.

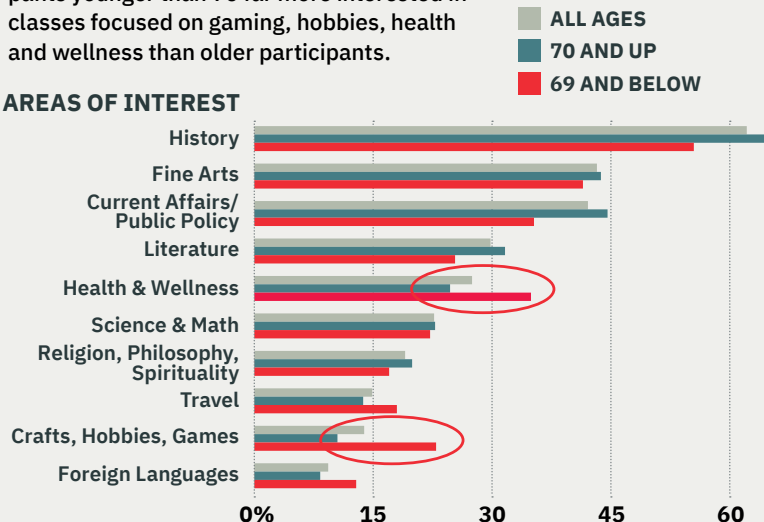
“Democratization of these programs is critical because the cost, particularly of the private university programs, is inaccessible to 99% of the population,” says Freedman. “We need more options that are widely available at lower price points.”

Outside of academia, the pre-eminent program in the space is the Modern Elder Academy (MEA), which combines a vacation-like setting, high-wattage speakers and practical guidance on cultivating purpose and making the most of life after 50 at campuses in Santa Fe, N.M., and Baja, Mexico. Online classes are available as well. Says cofounder Conley, “Longevity has given people a sense that they need

WHAT OLDER ADULTS LOVE TO LEARN

History is everyone’s favorite subject, according to a survey of about 6,000 members of the Osher Lifelong Learning Institutes network. But students show some distinctly different preferences by age, with participants younger than 70 far more interested in classes focused on gaming, hobbies, health and wellness than older participants.

AREAS OF INTEREST



SOURCE: Osher Lifelong Learning Institutes National Resource Center

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to be more conscious and intentional about the curation of the second half of their adulthood.”

The in-person workshops typically last three to five days and range in price from \$2,000 to \$6,700, including accommodations and meals. Attendees are often at a turning point in their lives—on the cusp of retirement, going through a divorce, becoming empty nesters. “One of the things we’re known for is our teaching around transitional intelligence, what we call TQ, and how to navigate the three stages—the ending of something, the messy middle and the beginning of something else,” Conley says.

As with other lifelong learning

campus facilities, and attend sporting and cultural events.

The experience doesn’t come cheap, though prices vary widely. Costs can typically range from \$100,000 to more than \$1 million for a one-time entrance fee, plus a monthly fee from \$2,500 to \$10,000 or more that covers dining, housekeeping, programming and other amenities.

Mirabella at Arizona State University (ASU), where Jeffry and Anna Young live, is one example—a 20-story high-rise with 238 independent living units and 58 health care units located right on ASU’s main campus. Others include the Village at Penn State in State College, Pa.; Oak Hammock at

puzzles and activities like that,” she says. “But abundant literature shows that the way to keep your brain plastic is to encounter new challenges and be motivated and enticed by new world views, things that fundamentally change the way our brain thinks. There’s a lot of learning that happens just by virtue of venturing outside of your bubble.”

No matter what kind of learning experience you choose, be prepared to embrace being a beginner again, which can be more of a challenge than many people realize. “It’s hard to be a beginner at something after you’ve enjoyed the experience of mastery,” says Beagley. “To be a lifelong learner is to accept the idea that you’re going to be bad at something, at least for a while, because learning is clunky if you’re doing it right.”

Advises Wu, the professor who studies cognitive abilities across ages, “Give yourself some grace, and try to be patient with the learning process,” she says. “It’s like anything else that’s healthy for us, similar to exercise. It takes time to get stronger at it and see the benefits.”

For Mirabella residents Anna and Jeffry Young, one of the most rewarding parts of life on a college campus has been the social interaction with people of a different generation. “That aspect is not what guided us here, but it’s turned out to be a valuable added benefit,” Jeffry says.

Recently, he says, he was walking his dog on campus and a couple of students came over to chat. He asked them what their majors were and was tickled when, after finding out that he was a student too, they wanted to know what his major was as well. When Young recounted the incident to a fellow Mirabella resident, his neighbor told him—accurately, says Jeffry—“You should have said you were majoring in fun.” ■

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University-based retirement communities (UBRCs) offer, to varying degrees, an immersive environment for both formal and informal learning.

programs, Conley emphasizes that the bonds people form with other attendees is the X factor. “People are so thirsty to be in community, among a group of people who are at the same stage of life with similar challenges,” he says. “Many of our cohorts continue monthly Zoom calls after they graduate and have annual get-togethers. That’s the collateral benefit people don’t expect.”

LIVING IN A LEARNING ENVIRONMENT

University-based retirement communities (UBRCs) offer, to varying degrees, an immersive environment for both formal and informal learning. Nationwide, there are an estimated 75 to 100 of these communities, which typically combine a senior living community, often with a continuum of care options—from independent living to assisted living, memory care and skilled nursing—with a formal affiliation with a college that allows residents to audit classes, use the

the University of Florida in Gainesville; and Lasell Village at Lasell University in Newton, Mass.

The opportunities for informal learning and bonding with younger students over shared interests in these communities are features that are just as compelling for residents as taking classes, experts say. “A college campus is so ripe with different kinds of experiences that you’re learning every day, even if you never take a class—just by being on the grounds, encountering new ideas, participating in events, discovering new technology, even figuring out how to get to the life sciences building,” says Lindsey Beagley, senior director of lifelong university engagement at ASU, where she spearheaded the Mirabella initiative.

In addition to the intrinsic satisfaction of these experiences, Beagley points out that there are health benefits as well. “There’s an outdated idea that you can keep yourself cognitively sharp by doing crossword

Cleaning Up the Paper Clutter

THE NEW WORLD OF RETIREMENT BY SANDRA BLOCK

AFTER I retired last year, I resolved to complete household projects I didn't have time to tackle when I was working full-time. I'm not alone in this regard: One of my friends spent his first week of retirement cleaning out his garage. I don't have a garage, but I have a file cabinet that contains almost as many documents as the National Archives, so I spent a recent snowy afternoon going through old tax returns and other financial ephemera.

I used to believe it was a good idea to hold on to a copy of your tax return forever, because it's a useful snapshot of your financial situation at different stages of your life. But once you hit retirement age, keeping tax returns from your twenties and thirties can become unwieldy, and it's unlikely you—or the IRS—will need to see 30-year-old mortgage interest documents or 1099 forms.

The IRS has three years from the date you file your return to audit it, so the general rule of thumb is to keep supporting documents for at least that long. You may need to hold on to some types of documents for longer than that—records of home improvements, for example, as well as brokerage statements that show when you purchased a stock or fund (you can find a good rundown of these rules at kiplinger.com/kpf/save-shred).

Another important caveat if you (like me) have self-employment in-

come: The IRS has six years to audit your return if you underreported your income by 25% or more. While that's probably not a concern while you're working and having taxes withheld from your paycheck, self-employed people who receive 1099s from multiple sources may overlook some of that income. With that in mind, I plan to create a large file (either on paper or digitally) for my 1099s and business expenses.

Managing Medicare forms. In addition to general housekeeping, I had another reason to thin out my tax files: making room for other paperwork. Now that I'm retired and eligible for Medicare, I receive a ton of mail from the Centers for Medicare & Medicaid Services, the Social Security Administration, my medigap supplemental plan and my health care providers. Since I'm new to Medicare and encountered some problems when I first enrolled, I've saved most of these documents, particularly my Medicare Summary Notices (MSNs). These notices list all of your Medicare Part A and Part B charges billed during the past four months and the maximum amount that you may be billed. The statements also show which claims have been sent to your medigap provider. If you have a Medicare Advantage plan, you'll receive an Explanation of Benefits that contains similar information. You will also receive an EOB for your Medicare Part D prescription-drug plan.



You can use these notices to monitor your out-of-pocket costs and check for errors—for example, a denial of a claim because a provider gave the wrong information to Medicare. The MSNs also provide a form you can use to appeal a claim that was denied, along with the deadline for filing an appeal. Financial experts recommend keeping your MSNs for at least a year—longer if you expect to deduct medical expenses on your taxes.

I pay my monthly premiums with an online account at Medicare.gov, and I use the account to check details of my claims and determine whether I've met my Part B deductible, too. You can also have your MSNs or EOBs delivered electronically. I may eventually sign up for that, but for now, I like the idea of having a paper document on hand in the event I need to contact Medicare or a provider. I also need to set up a better system for storing and accessing digitized documents. Sounds like a good resolution for 2027. ■

Sandra Block is a former senior editor of Kiplinger Personal Finance. Send comments to sandra.block02@futurenet.com.

Once you hit retirement, keeping tax returns from decades ago can become unwieldy.

Fundamentals

THE LIFE CYCLE OF A BOND

Your bond portfolio's return depends on everything from interest rate swings to defaults. Here's what to watch for.

PRACTICAL PORTFOLIO BY DAVID MILSTEAD

SHAKESPEARE'S "neither a borrower nor a lender be" is good advice for maintaining harmony with friends and family. But if everyone followed it, investors would lose out on an entire asset class: bonds.

Bonds allow individual investors to be lenders. Companies or governments, which issue the bonds, are the borrowers. The money generated from bond sales pays for roads, airports, factories and the start-up costs for all manner of innovative products. Bonds also happen to benefit your portfolio. Referred to more formally as fixed income, they are an essential part of a balanced stable of investments.

Bonds are less volatile than stocks, and they're far less likely than stocks to go to zero. They typically—but don't always—trend in a different direction from the stock market, providing balance in your portfolio. And they provide income that non-dividend-paying stocks do not.

They're not as simple as that, though. From issuance to maturity, a number of things can impact a bond's return, and it helps to be familiar with those dynamics, whether you plan on buying bonds yourself or getting your exposure through a mutual or exchange-traded fund.

First things first: When interest rates fall, bond prices rise. And when rates rise, bond prices fall. It's all about demand. When new bonds are

issued at lower yields, they're less attractive to investors than higher-yielding bonds already on the market, so existing bonds that pay more interest get bought—and vice versa. Investors can get cranky when rates rise and they see their bond holdings fall in value (this is supposed to be the safe part of their portfolio, after all), but regularly replenishing a portfolio with new, higher-yielding bonds will eventually cushion those losses, and

then some. In this way, "bond prices are self-healing," says Collin Martin, the head of fixed-income research and strategy at the Schwab Center for Financial Research.

The ins and outs of bonds. A key difference between stocks and bonds is that while stocks are perpetual—for the most part, you can buy and hold them forever—bonds mature. That means the borrower pays back your



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principal and your ownership ends. To maintain your portfolio, you need to buy a new bond.

In many cases the bond has a set term, such as 10 years. If you hold the bond to the end, you get the payment you expected. The interest rate the bond pays is called the coupon, and many bonds pay a fixed rate. Other bonds have rates that vary, pegging payments to a widely used benchmark such as the U.S. federal funds rate.

The longer the term of the bond, the more sensitive its price is to interest rate moves. The measurement of a bond's sensitivity to interest rate moves is called duration. The number is an estimate, typically expressed in years, of how long it will take a bond investor to get paid back. A longer duration means the bond's price will move more when interest rates move. A duration of 6, for example, implies that if interest rates rise by one percentage point, the price of a bond will fall roughly 6%; the price will rise by a like amount if rates fall one point.

Things get a little more complicated when the issuer of the bond has the right to pay it off early, or "call" the bond. The issuer might have just one date when it can call, or it might have multiple chances. Typically, the issuer pays the bondholders a penalty (a "call premium") for calling the bond before it reaches maturity. This creates "call risk"—which you'll find most often in a declining-rate environment when borrowers want to retire bonds paying a higher rate of interest and replace them with cheaper debt.

Everything that happens to a bond along its life cycle impacts its yield, or the return relative to the price of the bond. Consequently, there is a lexicon of yields to get to know:

Current yield is the bond's annual interest payments as a percentage of

the bond's current price. If a bond's price drops below its issue price, the current yield increases. If the bond is trading above its issue price, the current yield is lower than the coupon rate when you bought the bond.

Yield to maturity is the return an investor will get by holding the bond to maturity, as long as the borrower makes all the promised payments and the investor is able to reinvest those payments at the same rate of return.

Yield to call calculates the return for the investor if the company calls the bond on a specific date before maturity. A bond that allows the issuer

they're called junk bonds, and they are rated below triple-B by Standard & Poor's. As interest rates tumbled after COVID-19, so too did defaults on high-yield bonds, according to S&P. But defaults on high-yield bonds have returned to more normal levels of roughly 4.5%.

"The default risks are not negligible, so that puts a fair bit of onus on you as an investor to be gauging exactly what's happening with the company," says Robin Marshall, director of fixed-income research at FTSE Russell, an index and analytics company.

Everything that happens to a bond before it matures impacts its yield, or the return relative to the price of the bond.


multiple opportunities to call it has multiple yield-to-call returns.

Yield to worst sounds yucky, and it is. If there are multiple call dates, yield to worst is the yield attached to the call date that gives investors the worst possible return.

So far, everything we've talked about assumes the borrower pays you back. If it's the U.S. government that issued your bond, that's safe to assume. But if you're buying corporate bonds—issued by companies—there's a risk that you won't get your money back at all. That's called credit risk. As an investor, you're paid for taking that risk by the difference in interest between what's considered the risk-free rate on a U.S. Treasury note or bond and the rate paid by your bond.

Ratings agencies that evaluate bonds, borrowings and debt assign grades to them—and the riskiest bonds are considered non-investment grade, or high-yield bonds (for their premium yields). Colloquially,

All of this is a lot to keep track of. For many investors, funds that hold bonds may be a better choice than individual bonds themselves. Funds typically disclose the average duration of the bonds in their portfolio—meaning an investor can see which funds are most sensitive to interest rate moves—and also give an idea of the credit quality of their portfolio by disclosing the percentages of bonds in each ratings category.

Baird Aggregate Bond (symbol BAGSX), a member of the Kiplinger 25, the list of our favorite no-load, actively managed funds, is a good investment-grade, intermediate-maturity fund with a duration of 6 years. Its expense ratio is 0.55%, and it yields 3.9%. ***Vanguard High-Yield Corporate (VWEHX)***, another Kip 25 fund, has traditionally taken a more conservative approach to the junk-bond market than its peers. With expenses of 0.22% a year, it yields 5.6%. 

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Trim Your Child-Care Costs

Working parents can take advantage of tax breaks and local assistance programs.

FAMILY FINANCES BY ELLA VINCENT

ALTHOUGH having children can be a source of great joy, paying for their care while you work is less than blissful. In 2024, the typical parent spent at least \$9,600 on child care, with 22% of their household income going toward the costs, according to a study from Care.com, an online marketplace that connects families with caregivers. One-third of parents dipped into their savings to cover care expenses.

How big a bite child care takes from your own budget depends on several factors, including who provides the care, the cost of living in your area, and whether you're eligible for programs and resources that help reduce your expenses. As you navigate the balance of working and ensuring high-quality care for your child, consider these tips to take the edge off the costs.

Pick your provider. The type of care you choose has a sizable effect on your expenses. Usually, you'll pay less to take your kids to day care than to have a nanny come to your home. The average weekly cost for a day-care center is \$343 for an infant and \$315 for a toddler, according to Care.com. The costs are similar for an in-home day care, at an average \$344 for an infant or \$319 for a toddler.

Some day-care centers offer a sliding-scale fee, in which the price varies depends on the family's income. If you have more



than one child in day care, ask the provider whether it offers a multi-child discount, says Anne Hedgepeth, senior vice president of policy and research at Child Care Aware of America, a nonprofit child-care assistance and advocacy organization.

Having a nanny come to your home while you work is convenient, and your child may receive more-focused attention than they would at a day-care center. But you'll usually pay significantly more. A full-time nanny's typical weekly rate to care for an infant is \$827, or \$858 for a toddler, according to Care.com.

Also, because a nanny is your employee, you have to withhold and pay tax if they earn more than a certain amount annually from their work for you; for 2025, it's \$2,800, and for 2026, it's

\$3,000. You must pay your share of Social Security and Medicare (FICA) taxes—an amount equal to 7.65% of the nanny's wages—as well as federal and state unemployment taxes. Plus, you must withhold from the nanny's pay their share of FICA tax, which is 7.65% of wages. The nanny's earnings are subject to federal and state income tax, too.

To simplify the task of withholding and paying taxes, you can use a payroll service. Poppins Payroll (poppinsspayroll.com, \$49 monthly), for example, deducts tax from the nanny's pay, arranges direct deposit of paychecks into their bank account, and remits taxes to the government for you. Simple Nanny Payroll (simplenannypayroll.com, \$29 annually) helps you track taxes and figure out

how much you owe, but you file and send tax payments yourself.

One way to reduce costs is to create a nanny share, in which a nanny provides care for both your family and another family, says Sean Lacey, general manager of child care at Care.com. Each family typically pays two-thirds of the nanny's hourly rate. For example, if your nanny's rate is \$27 an hour, you and the other family each pay \$18 an hour, so the nanny receives \$36 an hour total.

Another option is to hire an au pair, a care provider from outside the U.S. who lives with you for a set amount of time, usually a year. An au pair's rate may be lower than what you'd pay a nanny; the typical weekly stipend ranges from \$195 (the minimum mandated by the U.S. Department of State) to \$300, says Devon Kapler, executive director of au pair agency Go Au Pair. But you'll need to be comfortable with them staying in your home, and you must provide them a private bedroom.

You can find an au pair agency approved by the Department of State at j1visa.state.gov/participants/how-to-apply/sponsor-search. Au pair agencies handle logistics such as conducting background checks and setting up a J-1 work visa for the au pair, says Kapler.

Claim tax breaks. You may be able to defray some of your care costs by claiming the child and dependent care tax credit, which is available if you paid for care for a dependent child who is younger than 13 while you worked or actively looked for work. Qualified expenses include day care, preschool, a nanny, day camps and after-school programs.

For the 2025 tax year, you can claim 20% to 35% of your child-

care costs, up to a maximum of \$3,000 in expenses for one qualifying child or \$6,000 for two or more children. The percentage you can claim varies depending on your adjusted gross income. Those who make more than \$43,000 are limited to claiming 20% of expenses; if your income is \$15,000 or less, you can claim 35%. For the 2026 tax year, the maximum percentage for those earning \$15,000 or less increases to 50%, and those with moderate incomes may be able to claim a larger percentage of expenses than in 2025. To claim the credit, file IRS Form 2441 (irs.gov/forms-pubs/about-form-2441).

If your employer offers a dependent care flexible spending account (FSA), take advantage

claim \$2,000 toward the child and dependent care credit.

Find local assistance. Check whether you're eligible for state and local programs that reduce child-care costs. For example, New Mexico residents get free child care at state-approved day-care facilities (including eligible home-based day-care centers), after-school programs and summer programs, with no income requirements.

Some states offer free or subsidized pre-kindergarten programs. Florida, Oklahoma, Vermont and Washington, D.C., for example, enroll 4-year-olds in free pre-kindergarten regardless of their family's income. There's a patchwork of local

This year, families can stash away as much as \$7,500 of pretax money per household in a dependent care flexible spending account.

of it. You can save pretax money from your paycheck in an FSA to pay for qualified out-of-pocket care expenses for dependent children younger than 13. The annual contribution limit for the 2025 tax year was \$5,000. However, thanks to changes in the One Big Beautiful Bill Act, signed into law last summer, you can stash away up to \$7,500 per household in a dependent care FSA in 2026 (\$3,750 if you're married and filing separately).

Note that you can't "double dip," claiming the same expenses that your FSA reimburses for the child and dependent care tax credit. But you can benefit from both. For example, for 2025, if you paid \$7,000 in total care expenses for your two children and maxed out your FSA contribution at \$5,000, you could

free or reduced-cost programs across the country, too, such as New York City's free pre-K for 4-year-olds.

Child Care Resource & Referral offices provide information on local programs and resources; you can search for one near you with Child Care Aware of America's tool at childcareaware.org/resources/ccrr-search. The organization also offers fee-assistance programs for military families; learn more at childcareaware.org/fee-assistance-respite. And at ChildCare.gov, you'll find a state-by-state resource guide, including tools to search for child care providers near you and information on financial-assistance options. ■

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NAVIGATING MEDICARE ENROLLMENT

Failing to sign up on time can be a costly mistake.

BASICS BY DONNA LEVALLEY

TURNING 65 should be a milestone to celebrate, not a source of financial stress.

Yet, for millions of Americans, navigating Medicare's initial enrollment period can be a confusing, high-stakes gamble.

The IEP is a critical seven-month window centered on your 65th birthday, and missing it can result in lifetime late-enrollment penalties added to your Part B and Part D premiums, along with costly gaps in coverage. Whether you are ready to retire or plan to keep working when you reach age 65, make sure you understand this deadline.

Enrollment and late penalties.

Medicare's IEP includes the three months before the month you turn 65, the month you turn 65, and the three months after your birthday. Note that if your birthday falls on the first day of the month, your initial enrollment period starts four months before the month you turn 65 and ends two months after the month of your 65th birthday.

If you don't sign up during your IEP and aren't eligible for a special enrollment period (usually due to having employer coverage—more on that below), you pay penalties once you do enroll. For Part B medical insurance, the penalty is an extra 10% of the standard premium for every full 12-month period you were eligible but didn't enroll.




And if you go 63 days or more after your IEP ends without prescription-drug coverage that Medicare deems "creditable," you'll owe a penalty for Part D prescription-drug coverage. (For a plan to be creditable, it must be expected to pay, on average, at least as much as standard Medicare Part D coverage.) Medicare calculates the Part D penalty by multiplying 1% of the "national base beneficiary premium" (\$38.99 in 2026) by the number of full, uncovered months you were eligible but didn't enroll.

If you or your spouse is still working and covered by a group health plan from an employer with 20 or more employees, you can use it in place of Part B and delay Part B enrollment without penalty. (Since Part A hospital insurance is usually premium-free, many people enroll in it at 65, even while working.) You can also delay Part D penalty-free if your employer offers creditable coverage. But even if your employer-provided health insurance meets Medicare's

standards, its prescription-drug coverage may not. You should receive a notice every September from your employer that lets you know whether your prescription-drug coverage is creditable.

When your current employment ends or your employer coverage ends (whichever comes first), you qualify for a special enrollment period to enroll in Medicare. This SEP lasts for eight months. If you fail to meet that deadline, you may be barred from enrolling in Medicare until the next general enrollment period, which runs from January 1 to March 31 every year.

How to sign up. You will be automatically enrolled in Part A and Part B if you are already receiving Social Security retirement benefits at least four months before you turn 65. In that case, you'll receive your Medicare card in the mail about three months before your 65th birthday. You can opt out of Part B if you have qualifying employer coverage.

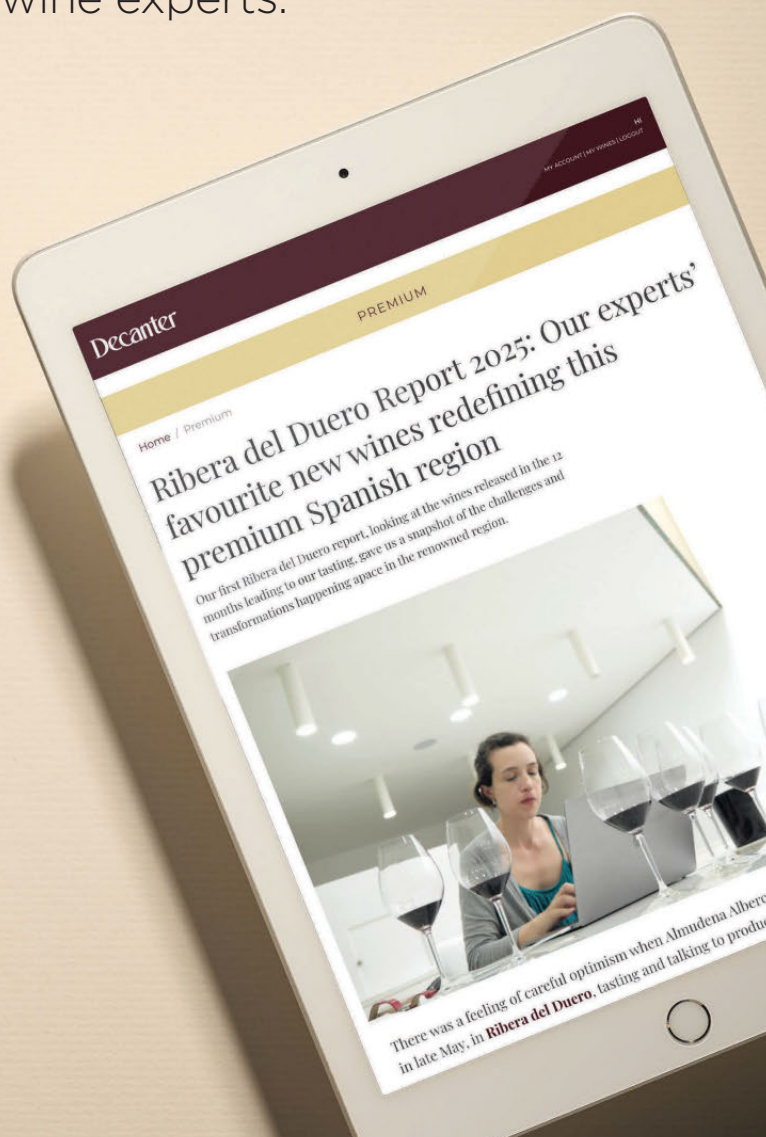
If you are not receiving Social Security benefits at age 65, you must sign up for Medicare manually during your IEP. The fastest method is to apply online through your Social Security account, at ssa.gov. Alternatively, you can call the Social Security Administration at 800-772-1213 or go to your local Social Security office (click on the "Find an office" link at ssa.gov). 

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REWARDS



A tropical landscape featuring a dense forest of palm trees and other lush vegetation. In the foreground, there is a body of water reflecting the sky and trees. The sky is filled with soft, golden clouds, suggesting a sunset or sunrise. The overall scene is peaceful and scenic.

GREAT TRIPS FOR SOLO TRAVELERS

Planning a vacation for one? From mountain treks to wellness retreats, you can find a getaway that suits your style—and that builds in some companionship, too.

BY EMMA PATCH

FOR travelers who enjoy their own company, taking a solo vacation has a timeless appeal. You can go where you want, when you want, without accommodating a companion's schedule and interests. And since the pandemic, solo travel's popularity has reached new heights, says Alexandria Sanchez, consumer marketing manager for G Adventures, a small-group adventure-travel company. When travel came to a halt dur-

ing the COVID-19 shutdown, many people realized how important traveling was to them. Once they were able to start taking trips again, they were eager to get going—even if that meant doing it on their own.

Solo travel should keep growing for years to come. Its estimated global market value was nearly \$500 billion in 2024, and that figure is expected to double by 2030, according to Grand View Research, a market research and consulting



firm. “People are starting to realize that they don’t want to wait for somebody to be available. It’s now or never,” says Wendy Marley, a travel adviser for AAA Northeast.

The majority of people who travel solo—62%—are baby boomers, and more than two-thirds of those who travel alone are women, according to the 2025 Virtuoso Global Luxury Traveler Report, which reflects preferences and trends among clients of more than 2,200 luxury travel advisers in Virtuoso’s network. Solo travel is especially popular among women 45 and older. “Many are at an inflection point in their lives. They are looking for a fresh start on a new chapter, a new perspective, or context after a major change in their personal lives,” says Jeannie Ralston, founder of Next-Tribe, a tour operator that organizes group tours for older women traveling alone.

A variety of destinations and experiences appeal to solo travelers, but they lean toward places where they will feel safe and that have a strong transportation infrastructure. The top destinations are Italy,

By going on guided tours of sites and cities, you benefit from local expertise, the company of other travelers and an added layer of safety.

France, Japan, Canada and the United Kingdom, according to the Virtuoso report. “Ease of transportation and safety make places like Italy, Spain and Portugal ideal for solo travelers,” says Marley. Many Asian countries fit the bill, too—and they’re affordable. “Asia offers incredible value—four- or five-star hotels for the price of a three-star in Europe,” says Sarah Lang, luxury travel adviser for Pique Travel Design in San Francisco.

Thinking of embarking on your own solo journey? We have guidance here on how to design a trip that prioritizes your comfort and security, along with suggestions of top experiences and destinations.

GAIN PEACE OF MIND

Safety is a chief concern for solo travelers as they navigate new places without a trusted travel companion.

For that reason, it may make sense to invest more than you otherwise would in certain aspects of your trip. “Think about where it makes sense to spend more so you feel comfortable, instead of stressed and anxious,” says Lang.

Buying travel insurance, for one, is often a good choice. “Travel insurance is especially important if you’re on your own in another country,” says Marley. A comprehensive travel insurance plan will include medical coverage; reimbursement if you have to cut a trip short due to illness, injury or a family emergency back home; 24/7 assistance in case of other emergency situations, such as a lost passport; help finding doctors and emergency transportation; and coverage for essentials and accommodations in the event of flight delays or lost luggage. You can compare travel insurance plans on web-

sites such as SquareMouth.com and InsureMyTrip.com. These plans are typically priced at about 4% to 10% of the cost of your trip.

Some of the best travel credit cards provide trip insurance as well, although it may not be as robust as what you would get with a stand-alone policy. Chase Sapphire Reserve (\$795 annual fee) and Chase Sapphire Preferred (\$95) provide benefits including trip cancellation and interruption coverage and trip delay reimbursement for unexpected hotel stays, meals and essential expenses. Several other premium travel cards, including the Platinum Card from American Express (\$895) and Capital One Venture X (\$395), offer similar protections, such as reimbursement for lost or delayed baggage and emergency assistance services.

Reliable transportation is also a worthwhile investment for your solo trip. Try to arrive at your destination during daylight hours, when possible, and choose direct routes over complicated transfers, especially in unfamiliar areas. Hotel-arranged transfers are usually reliable, or use a well-known rideshare app such as Uber. BlaBlaCar (blablacar.com) in Europe is another safe choice, typi-

cally offering shared shuttle rides between cities. It provides a women-only option, too, allowing travelers to ride exclusively with female drivers and co-passengers.

By going on guided tours of sites and cities on your trip, you benefit from local expertise, the company of other travelers and an added layer of safety. You can book tours through companies such as Viator.com, ToursByLocals (toursbylocals.com) and Airbnb Experiences (airbnb.com/experiences). Before you sign up for a tour, check recent reviews from other travelers, and don't rely only on star ratings. Look for positive comments regarding communication, punctuality and safety awareness.

Although you may spend a little extra on measures that help ensure your safety, you can opt to save money in other ways. One idea is to skip the upscale lodging and book budget-friendly accommodations instead. "You don't have to spend a lot on a hotel. Put your money into experiences," says Ralston. Redeeming credit card rewards points or miles for travel reservations can also take the edge off your costs. And consider going on your trip during an off-peak season for tourists. Not only are

prices often lower during these periods, but you'll avoid big crowds, too.

TRIPS WITH COMPANIONSHIP

Traveling solo doesn't mean you have to be truly alone. Some tour companies design trips for solo travelers who seek a built-in community without sacrificing their independence. "You don't have to be alone when you're traveling—unless you want to be," Lang says.

You can find small-group trips to destinations all over the world, created with solo travelers in mind, from tour operators such as Intrepid Travel (intrepidtravel.com), G Adventures (gadventures.com), Road Scholar (roadscholar.org), Overseas Adventure Travel (oattravel.com) and Go Ahead Tours (goaheadtours.com), to name a few. And some organize tours for specific types of solo travelers. Road Scholar, for example, hosts trips for older adults, and NextTribe (nexttribe.com) focuses on women age 45 and older. Tour group FTLO Travel (ftlotravel.com) arranges trips for solo travelers in their twenties and thirties.

Below, we've highlighted trips—many of them from the above-mentioned tour operators—in five

SIDESTEP THE SINGLE SUPPLEMENT

One pesky feature that may come with traveling alone is the single supplement—an extra fee solo travelers pay for hotel rooms, cruise cabins or tours. Travel vendors charge the fee when a service is designed with the expectation that two people will use it, such as a double-occupancy room. As a solo traveler, you may end up paying the full rate for two or face a surcharge on the price for one to cover lost revenue from a second guest. For

example, a group tour priced at \$2,200 per person may offer a private-room option for an additional \$300 to \$500 total for the trip, depending on the destination and length. On cruises or luxury tours, single supplements can be higher, sometimes adding 50% or more to the base fare.

You may be able to avoid the fee. Before you book a tour, cruise or other accommodations, ask the vendor about discounts for solo

travelers, which may get you access to unpublished deals—especially with smaller operators. And some travel companies offer cabins for single travelers, waive the supplement or provide other special discounts. Adventure-travel company G Adventures, for example, doesn't charge a single supplement on its "Solo-ish" trips—group trips for those traveling on their own, says Alexandria Sanchez, consumer marketing manager for G Adventures.

Rewards

categories that may be especially attractive for solo ventures.

Set out on an adventure. Adventure trips suit many solo travelers, calling on their independence, self-reliance and courage, opening the opportunity for self-growth, and offering the chance to truly unplug from daily life. “Solo travelers lean heavily toward adventure travel—especially women,” Lang says. Guided adventure trips offer valuable safety measures and ease the logistics.

G Adventures offers a 15-day trek to Nepal’s Everest Base Camp, the starting point for climbing to Mt. Everest’s summit. Even without scaling to the top of the mountain, travelers enjoy a challenging trek and unparalleled natural scenery. The trip, which starts at about \$1,200 per person in a small group of solo travelers, includes an English-speaking local guide, all necessary permits, porters (people who carry gear for you), lodging (two hotel stays and 12 nights in teahouse lodges) and transportation between destinations, including internal flights that take place during the trip; you pay separately for your flights from and to home.

For a European excursion into the mountains, G Adventures offers a trek of Mont Blanc, the iconic peak in the French Alps, for solo travelers. On the 10-day small-group hiking trip through France, Italy and Switzerland, a professionally trained and certified guide leads a journey along the Mont Blanc routes. The trip includes nine breakfasts, five dinners, group transport, and stays in hotels and mountain refuges (basic lodging, typically with bunk beds and shared bathrooms). Pricing starts at \$2,249 for 2026 tours.

If an adventure that blends Arctic thrills with cultural experiences sounds up your alley, check out FTLO Travel’s eight-day small-group trip to Lapland, a region that stretches across Finland, Norway and Sweden.



At \$6,599, the journey includes seven nights in shared accommodations (upgrades to private rooms are available), meals, and activities such as dog sledding, snowmobiling, reindeer encounters and sauna sessions. Guided tours of local towns and the world’s northernmost brewery are part of the package, too, and you’ll have multiple chances to see the northern lights.

Go on a health and wellness journey.

From peaceful walking tours to full-blown retreats, wellness trips can take a variety of forms. “Many people travel solo after a life milestone—they’re looking for a reset,” says Sanchez. If you’d like to go on a retreat, you can search among a range of options at BookRetreats.com. The possibilities include retreats designed for those experiencing grief from the loss of a loved one, those

recently divorced or separated from their partner, and even those who are newly retired from specific professions. Many travelers are drawn to the joy, connection and satisfaction that wellness retreats can elicit. “These trips really can change how you see the world,” Ralston says.

Resorts devoted to wellness are forging a strong presence, too. At Canyon Ranch in Tucson, Ariz., an all-inclusive wellness resort, guests enjoy experiences such as spa treatments, yoga and fitness classes, aromatherapy, and more. For the “All You Can Spa” package, which lets you indulge in unlimited spa services during your stay, nightly rates start about \$1,500 per guest.

Some independent yoga studios organize retreats for their patrons, traveling to far-flung destinations and offering lodging, meals, yoga classes and tours. The Madeira

Cultural Yoga Retreat, hosted by the Washington, D.C.-based studio Mimi Rieger Yoga, for example, offers an eight-day, seven-night immersive wellness and cultural experience at the historic Reid's Palace in Madeira, Portugal. Travelers enjoy daily yoga, meditation and mindfulness sessions alongside curated meals, two excursions (a sunrise hike and a catamaran cruise) and access to hotel amenities such as pools and spa services. Pricing starts at about \$4,800 per person for shared accommodation or \$5,800 for single occupancy.

Take a guided tour. Guided tours have come a long way in recent years. "Tours today aren't 80 people following a guide with a flag," Marley says. Modern tours offer curated experiences, often in small groups and with the flexibility to opt in or out of certain parts of the tour if you wish. And for those interested in true cultural immersion, traveling in a small group can make all the difference. "Small groups allow for cultural immersion you can't always get on your own," Marley says.

NextTribe recently offered a 12-night trip to Marrakesh, the Atlas Mountains and the Sahara Desert in Morocco for a small group of solo women travelers (up to 13 people) for \$4,899. The trip includes 12 nights of accommodations, daily breakfasts and dinners, 10 lunches, all transfers and transport (besides your airfare from and to home), an English-speaking guide, and entrance fees to monuments and activities. Another small-group journey for women from NextTribe: the seven-night "Spring Insider Guide Through Paris Neighborhoods," during which an experienced local guide leads an exploration through Paris's diverse districts. The trip includes accommodations and most meals. Double occupancy pricing for this trip is about \$5,399, and single-room pricing is about \$6,899.

"Ireland for Solo Travelers," from Go Ahead Tours, is an eight-day guided tour tailored to solo adventurers, letting you explore Ireland's highlights with a group of 15 to 28 fellow travelers while visiting places such as Dublin, the Rock of Cashel, Blarney Castle, Galway Bay and the Cliffs of Moher. The tour includes six nights in private hotel rooms, six breakfasts, three dinners with beer or wine, a beer tasting, four sightseeing tours, expert guides, and private deluxe motorcoach transportation. If you prefer a longer trip, you can add a 10-day Dublin extension. Pricing varies by departure and season, often starting between \$3,400 and \$3,900.

duration of the trip. You can also add on a street-food and market tour of Palermo, Sicily's capital, for \$68.


Embark on an educational expedition. Have a passion for learning? You can join other solo travelers on a tour that allows you to delve into the history of a particular region, immerse yourself in the language and culture, or study its environment and engage in a conservation project. For example, Road Scholar, which focuses on educational programming, recently offered a nine-day group journey to Costa Rica, during which you can study nature alongside other solo travelers, explore

From shared meals to cooking classes, culinary experiences can bring a solo venture to life, allowing you to forge bonds with other travelers and locals alike.

Focus on the cuisine. From shared meals to cooking classes to market tours, culinary experiences can bring a solo venture to life, allowing individuals to forge bonds with other travelers and locals alike. Shared meals are a central part of many guided trips designed for solo travelers, such as those offered by G Adventures. "Day one always includes a shared dinner—food brings people together immediately," Sanchez says. Some tour companies, including NextTribe, may arrange dinners and other experiences hosted by locals, too. "Meeting locals in their homes is what makes travel truly enriching," says Ralston.

G Adventures recently offered an eight-day group trip for solo travelers around Sicily, from Catania to Palermo. At \$2,249, the trip includes a cooking class in Catania, guided tours, seven nights in hotels (with the option to pay an additional \$379 for your own room; otherwise, travelers typically share rooms), nine meals, and transportation throughout the

volcanic terrain and tropical gardens, meet residents in local communities, and learn more about Costa Rica's culture and history. At \$2,849, the trip includes eight nights of accommodations, 22 meals (eight breakfasts, six lunches and eight dinners), five expert-led lectures and 11 guided field trips.

Road Scholar also recently offered a journey to Bhutan for solo travelers, who join to explore the region's museums, temples and natural wonders, as well as the country's traditions and local life. The Bhutan program includes 14 nights of accommodations, 41 meals (14 breakfasts, 13 lunches and 14 dinners), four expert-led lectures, and 24 guided field trips that provide deep cultural and historical context. Two in-country flights are included, along with the support of an experienced group leader throughout the trip. 

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

Your Turn

Readers share their insights and advice.

What's your favorite tip to save money when you travel?

I typically book hotels and rental cars well ahead of time with cancelable, non-prepaid reservations. As my travel date approaches, I replace them with prepaid reservations if the price improves enough to be worthwhile.

David Tyl, Livonia, Mich.

Get a rental car from an off-airport location. The cost is much lower than renting from the airport's on-site service.

Mary Brunn, Richmond, Va.

Use public transportation. I recently returned from three days in Manhattan. Total transportation cost, including trains from and to LaGuardia Airport: \$17.40.

K.T.S., St. Paul

When visiting a large city, stay in a smaller town nearby, where lodging is usually much cheaper. Most European countries have great public transportation, so I explore the options for small towns within one hour of the city center. I've stayed at farm bed-and-breakfasts outside Copenhagen and Florence and a winery outside Dubrovnik. The villages had their own ambience, cafés, parks and sights to see.

Steve Holsenbeck, Milledgeville, Ga.

Especially if you are traveling as a family, stay in condos or homes (through sites such as Airbnb.com or VRBO.com). It's usually cheaper than booking multiple hotel rooms, and you can save additional money by making your own meals or buying prepared foods from grocery stores.

Janine Schaub, Mount Laurel, N.J.

Consider an all-inclusive vacation, especially if you're traveling with kids. It's freeing not to think about how much each meal and activity costs. And you do not return home to a surprisingly large credit card bill!

Lisa Barnes, Simi Valley, Calif.

Stay at a hotel with a free breakfast and eat heartily. We eat a cheap, healthy snack for lunch and then pay only for dinner each day!

Doug Myers, via e-mail

We look for local restaurants away from the main tourist areas, with good reviews, and we typically find wonderful cuisine, friendly people and large portions for the price. We recently traveled to Hawaii and had three fantastic meals from a grill inside a local convenience store.

Andrew Bartlett, Lawrenceville, Ga.

We occasionally pack a picnic lunch and local wine. Whether you're watching wildlife while hearing the waves splash in Newfoundland, looking at the beaches in Normandy or taking in the views at Machu Picchu, a picnic lunch, especially during a great hike, makes you stop and enjoy the scenery.

Eric Lindhult, Fort Washington, Pa.



When you travel internationally, use a rewards credit card with no foreign-transaction fee, and always have transactions processed in the local currency (not U.S. dollars).

Mike Fleming, Umatilla, Fla.

Join a local art or science museum that has reciprocal membership benefits with other museums across the country. Our family has visited 33 such museums over the years free with our membership.

Tom Sandman, via e-mail

When my wife and I travel to a city, we see whether it participates with a program such as CityPASS or the Go City pass [providing admission to multiple attractions for a single price]. For example, in Nashville, we used a pass to see sites such as the Country Music Hall of Fame and Museum, Ryman Auditorium, and Andrew Jackson's Hermitage for about half of what it would have cost if we had bought full-price tickets.

D.W., via e-mail

ANSWER OUR NEXT QUESTION:

→ **What's the best thing you've ever splurged on?**

Send an e-mail to yourturn@futurenet.com with your response, which we may publish on this page in a future issue. Please include your name (initials will be used on request) as well as your city and state. Responses may be edited for clarity and space.

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Russell Pullan reflects on his father's LifeBook



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