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Kiplinger PERSONAL FINANCE

WHERE TO INVEST IN 2024

In a bull market still finding its footing, investors will need to be choosy. **p 22**

"The overarching focus for investors should be on high-quality stocks."

LIZ ANN SONDERS, chief investment strategist at Charles Schwab

We Review the Biggest 401(k) Funds

Optimize your retirement plan with our buy, sell and hold ratings. **p 32**

Smart Ways to Downsize

Overcome high interest rates and tight home supplies with these strategies. **p 56**

Become a Master Negotiator

Use our tips to get the best deal on cars, cable bills and more. **p 68**

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↑
Cover photo by Nicole Nixon

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1920s Style for a 1920s Price

It was a warm summer afternoon and my wife and I were mingling with the best of them. The occasion was a 1920s-themed party, and everyone was dressed to the nines. Parked on the manse's circular driveway was a beautiful classic convertible. Never ones to miss an opportunity, we climbed into the car's long front seat. Among the many opulent features on display was a series of dashboard dials that accentuated the car's lavish aura. One of those dials inspired our 1920s Retrograde Watch.

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Letters

Strategies for Index Investors

For those of us who wish to keep it simple, could you clarify whether these new varieties of indexing are becoming necessary to build a solid and balanced indexed portfolio ("Master the World of Indexing," Nov.)?
J.G., via e-mail

From the author, Nellie Huang: The article offers a primer on the various types of index funds out there now, with some advice on how we at Kiplinger might utilize them in a portfolio. But if you'd rather not fuss, you'll be fine with an S&P 500 index fund or with a total stock market fund paired with an aggregate bond fund.

You say that some asset classes have multiple indexes and that one needs to understand the rules governing their underlying holdings. I address this issue by dividing my allocation for a single asset class into multiple exchange-traded funds. In your example of three small-company ETFs, I would invest one-third

of my desired allocation into each ETF. This complexifies your portfolio and creates some overlap, but you get exposure to the strengths of each index.
John Chakmakas, Cohoes, N.Y.

In comparing ETFs and mutual funds, you didn't mention that only mutual funds can handle automatic investments. I'd prefer to take advantage of the tax benefits that ETFs offer, but I often find myself buying mutual funds so that I can automatically transfer money into them each month.
Jared Anderman, Croton-on-Hudson, N.Y.

CASHING IN I BONDS

Over the past 2.5 years, I have purchased $50,000 in Series I savings bonds in my name, my wife's name and the name of our trust, and I was planning on keeping the bonds indefinitely. However, after reading "Is It a Good Time to Cash in Your I Bonds?" (Nov.), I realized that it probably makes sense to redeem some of them because I can get higher returns on certificates of deposit while keeping other bonds that have a relatively high fixed rate. Kudos to Sandra Block for breaking down this somewhat complicated topic very well.
Daryl Walker, Orange, Calif.

TAX RATES IN RETIREMENT

"A Disappearing Tax Deduction" (Nov.) cites concerns that one's tax rate could be higher in retirement due to being a "serious saver." I have not only found that to be true, but I also received a large inheritance from my last surviving parent two years ago. My income is now double what it was when I was working, subjecting me to a higher tax rate. Having more money in retirement is a nice "problem," but I wonder if I would have benefited by not saving so much in traditional IRAs during my working years, or at least withdrawing a lot of money from them in my last few years of work.
Britt W. Wilson, Palm Desert, Calif.

CREDIT CARD FEES

Ted Rossman noted that the Credit Card Competition Act may negatively impact rewards because the credit card companies would get less money from lower swipe fees ("Credit Card Rewards Are Safe for Now," Nov.). However, I have noticed that an increasing number of businesses have started to pass on the fees to consumers. When I use my credit card at such businesses, my 2% cash-back rewards are negated (and then some) by paying a 3%-to-4% fee.
Janine Schaub, Mt. Laurel, N.J.

UPDATE

In "New Requirements for European Travel" (Nov.), we wrote that starting in 2024, Americans would have to apply online for approval under the European Travel Information and Authorization System (ETIAS) to enter countries in the European Union. Since then, the expected start date for the authorization has shifted to mid 2025.

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

A Peek Behind the Scenes

OUR annual investing outlook, which starts on page 22, is the latest installment in a decades-long January tradition of advising our magazine's readers on where they may want to put their money in the year ahead. Since 2012, executive editor Anne Kates Smith has skillfully authored the piece, surveying the stock market and economy and synthesizing her findings into key takeaways.

That's no small task, given the broad and dynamic nature of the market. Along with conducting plenty of research, Anne relies on the depth of her experience to draw out the most important trends and likely winners in the coming year. "This is my 13th year writing this story, but I've been an investing writer for far longer," says Anne. "I've seen investors through a lot of bull and bear markets."

She has honed a rigorous process for shaping the outlook, interviewing many economists, market strategists and money managers for their perspectives on what's to come. Anne also attended several investment webinars and read dozens of pieces of Wall Street research and analysis to inform the outlook this year.

Typically, Anne says, "it takes an enormous amount of reporting just to start hearing common themes come through" on where the market is headed and how investors should respond. But for 2024, amid the usual diversity of opinion among her sources, she quickly encountered broad acknowledgement that the best line of defense for investors in an uncertain macroeconomic environment is being disciplined and selective as they seek out high-quality companies. That means looking beyond factors such as company size (small-capitalization and large-capitalization stocks, for instance) or investing style (such as growth or value) and searching for stocks of companies with consistent profits, good cash flow and other indicators that reflect quality, says Anne.

Tailoring a plan for you. Anne also points out that although our outlook provides context and advice related to general market trends, individual investors have their own risk tolerance and time horizon to consider. A good financial adviser can help you compose and manage a portfolio that suits your situation. But finding an adviser who has the right expertise, with whom you feel comfortable (both in managing your investments and on a more personal level) and who charges fees that seem commensurate with the services provided can be a challenge.

The article on page 48 takes you through the options—especially when it comes to price. The story was inspired by a few readers who recently wrote to us with requests that we cover the topic. All of them were hesitant to hand over a percentage of their assets for advice and portfolio management, and some wanted to know whether paying a flat fee—by the session or project, for example—makes more sense.

Our article outlines the pros and cons of various fee structures and offers guidance on finding the right overall match, too. A 2023 survey from research firm J.D. Power found that just 11% of financial advisers offered comprehensive advice, including a financial plan, personalized guidance that addresses all financial and wealth-management needs, an intimate understanding of the client's lifestyle and goals, a fiduciary standard to put the client's best interests first, a clear explanation of fees, and a relationship that is an integral part of the client's life. Along with figuring out how you'll pay, decide how deep of a relationship you prefer—and ask the advisers you're considering whether they provide the services you want. K

PHOTO BY MATT STANLEY

Given the market's broad and dynamic nature, writing the outlook is no small task.

Lisa Gerstner

LISA GERSTNER, EDITOR
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ADVERTISING OPERATIONS
ADVERTISING OPERATIONS EXECUTIVE **Mike Roche (Mike_Roche@kiplinger.com)**
MEDIA PLANNING MANAGER **Andrea Crino (Andrea_Crino@kiplinger.com)**

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Ahead

GETTY IMAGES

GET A TAX BREAK FOR GOING GREEN

Provisions in the Inflation Reduction Act could lower the cost of everything from heating your home to buying an electric vehicle. **BY SANDRA BLOCK**

THE toxic combination of higher interest rates, persistent inflation and supply shortages has made the cost of buying and owning a car more expensive than ever. But if you're thinking of purchasing an electric vehicle in 2024, you may be eligible for a significant reduction in the price of your new (or used) set of wheels.

Starting January 1, eligible buyers will be allowed to claim a tax credit of up to $7,500 for a new EV, or $4,000 for a used one, at the point of sale, either as a rebate or as a reduction in the cost of the vehicle. Buyers who purchased an EV in 2023 and are eligible for the credit have to claim it when they file their 2023 federal tax return.

Clean-energy advocates say the up-front credit will make EVs more affordable for many consumers, particularly lower-income buyers.

"It's huge," says Ingrid Malmgren, policy director for Plug In America, which promotes the shift from gas-powered cars to EVs. "Nobody likes to wait until they file their tax return. It's money right off the hood."

Not all buyers qualify for the credit. Taxpayers with modified adjusted gross income of more than $150,000 for an individual or $300,000 for a married couple who file jointly can't claim the credit for a new vehicle. For a used EV, you're ineligible for the credit if your MAGI exceeds $75,000 ($150,000 for a married couple who file jointly). You can use your MAGI for the year you buy your EV or the previous year, whichever is less.

For that reason, even if you claim the tax credit up front, you'll still need to report it on IRS Form 8936 when you file your tax return. If your income exceeds the limit, you'll have to pay it back. However, if your income is within the required limits and the credit you received exceeds your tax liability, you won't have to pay back the difference.

Not all EVs qualify for the credit, either. Trucks, vans and SUVs with a manufacturer's suggested retail price of more than $80,000 are ineligible for the credit. Other new cars with an MSRP or more than $55,000 or used cars with an MSRP of more than $25,000 are also ineligible.

In addition, vehicles that are otherwise eligible must meet specific standards designed to promote U.S. manufacturing. If an EV contains components that weren't sourced in the U.S. or one of its partner countries, the vehicle may be ineligible for a full credit, or it may not qualify at all.

The Treasury Department is still finalizing rules regarding eligibility, and manufacturing updates or price drops could cause some previously ineligible EVs to become eligible for the credit. Go to https://fueleconomy.gov/feg/tax2023.shtml for updated information before you head to the dealership.

Along with the federal tax credit, 19 states offer an additional tax break for residents who purchase an EV. For example, California and Connecticut provide tax credits of up to $7,500 on some EVs. However, 24 states charge a higher registration fee for EV owners to make up for the loss in revenue from gas taxes. Five states both offer an incentive and charge a higher registration fee. For a complete rundown on state EV tax incentives, go to www.taxfoundation.org/data/all/state/electric-vehicles-ev-taxes-state.

IF YOU MADE YOUR HOME MORE ENERGY EFFICIENT IN 2023, YOU MAY BE ELIGIBLE FOR AN EXPANDED ENERGY TAX CREDIT.

Tax breaks for home improvements. If you made your home more energy efficient in 2023, you may be eligible for expanded tax credits contained in the Inflation Reduction Act when you file your tax return. Understanding how the credits work could also help you budget for improvements you'd like to make in the future.

The Inflation Reduction Act credit revised and expanded a tax credit for energy-efficient home improvements, replacing a modest $500 lifetime limit ($200 for windows) with a $1,200 annual limit on the credit amount. There is no lifetime limit on the amount of the credit. The annual limits for specific types of qualifying improvements are also increased, effective for 2023:

- $150 for home energy audits.
- $250 for an exterior door ($500 total for all exterior doors).
- $600 for exterior windows and skylights; central air conditioners; electric panels and certain related equipment; natural gas, propane or oil water heaters; and natural gas, propane or oil furnaces or hot water boilers.
- The law also created a separate, $2,000 annual credit for electric or natural gas heat-pump water heaters, electric or natural gas heat pumps, and biomass stoves and boilers.

A tax credit is more valuable than a deduction because it provides a dollar-for-dollar reduction in your tax bill. This credit is nonrefundable, so you can't claim more than you owe in taxes, nor can you carry over excess credits to future years. But if you spread out your qualifying home projects, you can claim the maximum each year through 2032, when the revised credit is scheduled to expire. Starting in 2025, you'll be required to include an item's product identification number on your tax return to be eligible for the credit.

Credits for major upgrades. The Inflation Reduction Act also revised a tax credit designed to lower the cost of installing solar panels, solar-powered water heaters, wind turbines and geothermal heat pumps. Through 2032, homeowners are eligible for a 30% tax credit on expenses related to these improvements. The credit falls to 26% for 2033 and 22% for 2034; it expires in 2035.

With an exception for fuel-cell technology, which is capped at $500 for each half-kilowatt of capacity, there's no annual or lifetime dollar limit on the credit, although it can't exceed your tax bill. You must claim the credit in the year the property is installed, not just purchased. K

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INTERVIEW

RESOLVE TO STEP UP YOUR SAVINGS GAME

Contributing early and often to your retirement plan is key.

BY SANDRA BLOCK

A recent Charles Schwab survey found that 99% of Generation Z workers say they face obstacles to saving for retirement, yet the majority also say they'd like to retire as early as 61, compared with 64 for millennials, 64 for Gen X workers and 68 for boomers. What do you think accounts for this disconnect? There are a couple of things at play. Gen Zers are just getting started, and these are their lower-income years. They're also establishing themselves, which means maybe getting an apartment or making major purchases, so it's easy to see why they would have obstacles. As far as Gen Z's desire to retire earlier than Gen Xers, millennials and boomers, you might think that's really aggressive, but I think about that a little differently. Gen Z has access to more tools to develop healthy savings habits than previous generations at their age, including financial coaching, workplace wellness programs, digital advice through their workplace, and things like student loan assistance programs that a lot of employers are offering. And perhaps as powerful as all of that, they also have time on their side.

MARCI STEWART is director of communication consulting and participant education at Schwab Workplace Financial Services.

Young people have always faced challenges when it comes to saving for retirement. What's different about Gen Z? One of the things we can point to right now is the economic environment. While the rate of inflation is slowing, the goods and services people are paying for every day are still more expensive than they were a year ago. That's going to impact you disproportionately if you have a lower income, compared with people who have more discretionary income and can absorb those higher costs. The other thing to note is rising interest rates. When Gen Zers have to borrow to make major purchases, such as a car, they're borrowing at the highest rates we've seen in years.

This is the time of year when workers often resolve to save more, but many young people say that by the time they've paid their rent, bills, student loans and other debts, there's nothing left to put aside for retirement. How do you advise these workers? We encourage workers to prioritize saving. First, try to contribute at least up to the amount your company matches in your 401(k). If you don't, it's like leaving free money on the table. Second, focus on paying off high-interest debt, such as credit card debt. Next, build up an emergency fund, and then focus on maximizing contributions to your 401(k). We know you can't always do every step at once, but if your employer allows you to automatically increase contributions to your 401(k), even just by 1% to 2% a year, you'll continue increasing your savings.

People often think they need to save an exorbitant amount of money out of the gate to be able to retire. We offer a tool that shows how even a small contribution from your paycheck can make a big impact on your retirement savings over time. You can find it at www.workplace.schwab.com/learning-center/eight-savings-fundamentals.

Are employers doing enough to help young workers save for retirement? We've seen a really large increase in the number of financial wellness and retirement counseling programs offered, and many employers are helping with student loan repayments, too. Our survey found that most Gen Zers and millennials say their employer is helping them deal with financial stress. It's a really positive sign that Gen Z is so engaged. Our survey found that Gen Zers, much more than other generations, believe they have a right to financial advice and guidance. We talk to so many people in their forties and fifties who've never talked to anyone about their finances because they didn't think they had enough money saved up yet. We believe that no matter the amount you've saved, the sooner the better when it comes to getting retirement advice. K

CREDIT: CHARLES SCHWAB

YOU CAN SET ASIDE MORE FOR HEALTH CARE IN 2024

Funding a health savings account can help prevent medical expenses from derailing your finances. **BY SANDRA BLOCK**

EVEN as the inflation rate cools, medical costs continue to rise, forcing millions of American families to make difficult decisions about their care. A recent survey by the Nationwide Retirement Institute found that nearly 20% of Americans have put off a physical exam, medical procedure or medication renewal in the past 12 months to save money. Nearly 60% said they worry about their ability to afford health care costs as they age.

A health savings account provides one of the most-effective ways to save for out-of-pocket medical costs, both now and in the future. HSA contributions are pretax (or tax-deductible if your HSA is not provided through your employer), funds grow tax-free, and withdrawals are tax-free as long as the money is used for eligible health care expenses. And thanks to continued increases in health care costs, the amount you'll be able to contribute to an HSA will rise significantly in 2024. If you have an individual health insurance plan, you'll be allowed to contribute up to $4,150, an increase from $3,850 in 2023. For family coverage, you'll be allowed to contribute up to $8,300, up from $7,750 in 2023. If you'll be 55 or older at the end of the year, you can put in an extra $1,000 in catch-up contributions.

To qualify for an HSA, your health plan must have a deductible of at least $1,600, up from $1,500 in 2023, or $3,200 for a family plan, up from $3,000 in 2023. The plan must limit out-of-pocket expenses to $8,050 for self-only coverage, or $16,100 for family coverage. If you had an HSA in 2023, you have until April 15, 2024, to make any final 2023 contributions to the plan.

Despite the advantages that HSAs offer, about half of Americans are unfamiliar with how they work, according to Fidelity Investments. More than 45% of adults surveyed by Fidelity mistakenly believe HSAs are subject to a "use it or lose it" rule that requires them to spend funds in the account by year-end. While flexible spending accounts for health care are subject to that restriction, funds in an HSA can be rolled over to future years. And if you leave your job, you can take your account with you.

An HSA also provides a tax-efficient way to save for health care costs in retirement.

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Long-term benefits. Although an HSA provides an important backstop in the event of a medical emergency, it can also provide a way save for health care expenses in retirement. You can use HSA funds to pay for medical costs that Medicare doesn't cover, as well as monthly premiums for Medicare parts B and D and Medicare Advantage plans. You can use HSA money to pay a portion of long-term-care insurance premiums, too; the amount you can withdraw tax-free depends on your age.

You could have even more funds for retirement expenses if you invest a portion of your HSA contributions in the stock market, providing the opportunity for growth. But while many of the largest HSAs offer an investment option, research by the Employee Benefit Research Institute found that only 12% of account holders invest in assets other than cash. Fewer than half of Americans surveyed by Fidelity were aware that their HSA contributions could be invested.

If your HSA has an investment option, one strategy is to set aside enough in a cash account to cover your estimated co-payments, deductibles and other near-term medical expenses and invest the remaining amount for long-term costs. Financial-data firm Morningstar rates a handful of the biggest HSA plans every year based on a variety of investing criteria, giving high grades to firms that charge low fees and offer high-quality, low-cost core investment options. Its 2023 report gives top marks for investing options to HSAs offered by Fidelity, Associated Bank and HealthEquity. You can find details at www.morningstar.com/specials/the-best-hsa-providers. K

RETIREES WILL RECEIVE A SMALLER RAISE

With inflation slowing, Social Security benefits won't go up as much in 2024 as in recent years. **BY SANDRA BLOCK**

RETIREES will receive a raise from Social Security in 2024, but the annual cost-of-living adjustment to their monthly payments will be significantly lower than the increases they received in 2023 and 2022.

Starting in January, monthly benefits will rise by 3.2%, which will boost the average monthly benefit by $59, to $1,907—or by $94, to $3,033, for a couple who are both are receiving benefits.

The annual cost-of-living adjustment is based on the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in the third quarter from the same period a year earlier. In 2023, beneficiaries received a record 8.7% increase, reflecting the sharp rise in consumer prices following the pandemic's onset. Although the 2024 increase is still above average, advocates for seniors say it doesn't reflect the continued impact of inflation on seniors' actual costs. Nearly 70% of retirees surveyed by the Senior Citizens League said their household expenses are still 10% higher than they were a year ago.

Medicare Part B premiums, which are deducted from Social Security benefits, typically increase at a faster rate than the annual COLA. In 2024, standard Part B premiums will rise by 5.9%, to $174.70 a month. Beneficiaries with 2022 income between $103,000 and $500,000 (or between $206,000 and $750,000 for married couples who file jointly) will pay a high-income surcharge for their Part B and Part D prescription drug benefits (see the box below for details).

Other adjustments. Most employees pay 6.2% in Social Security payroll taxes, while employers pay an additional 6.2%, for a total payroll tax of 12.4%. However, payroll tax is not withheld on the portion of income that exceeds a certain threshold, which is adjusted annually to account for inflation. In 2024, workers will pay Social Security taxes on up to $168,600, a 5.2% increase from $160,200 in 2023.

The annual cost-of-living adjustment also affects how much retirees can earn without reducing their Social Security benefits. If you file for Social Security before you reach full retirement age and earn income from a job, Social Security will withhold a portion of your benefits once your earnings exceed a certain threshold. In 2024, you can earn up to $22,320 before Social Security will withhold $1 in benefits for every $2 you earn over that amount. If you reach full retirement age in 2024, you can earn up to $59,520 before Social Security will withhold $1 in benefits for every $3 you earn over the limit. In the month you reach full retirement age, the earnings test disappears.

While the earnings test can present a problem for seniors who "unretire" after claiming benefits, the benefits aren't lost forever. Once you reach full retirement age, your monthly amount is adjusted upward to account for forfeited benefits. K

2024 Medicare High-Income Surcharges

Modified adjusted gross income			
Single	**Married filing jointly**	**Part B surcharge**	**Part D surcharge**
Less than or equal to $103,000	Less than or equal to $206,000	$0.00	$0.00
Greater than $103,000 and less than or equal to $129,000	Greater than $206,000 and less than or equal to $258,000	69.90	12.90
Greater than $129,000 and less than or equal to $161,000	Greater than $258,000 and less than or equal to $322,000	174.70	33.30
Greater than $161,000 and less than or equal to $193,000	Greater than $322,000 and less than or equal to $386,000	279.50	53.80
Greater than $193,000 and less than $500,000	Greater than $386,000 and less than $750,000	384.30	74.20
Greater than or equal to $500,000	Greater than or equal to $750,000	419.30	81.00

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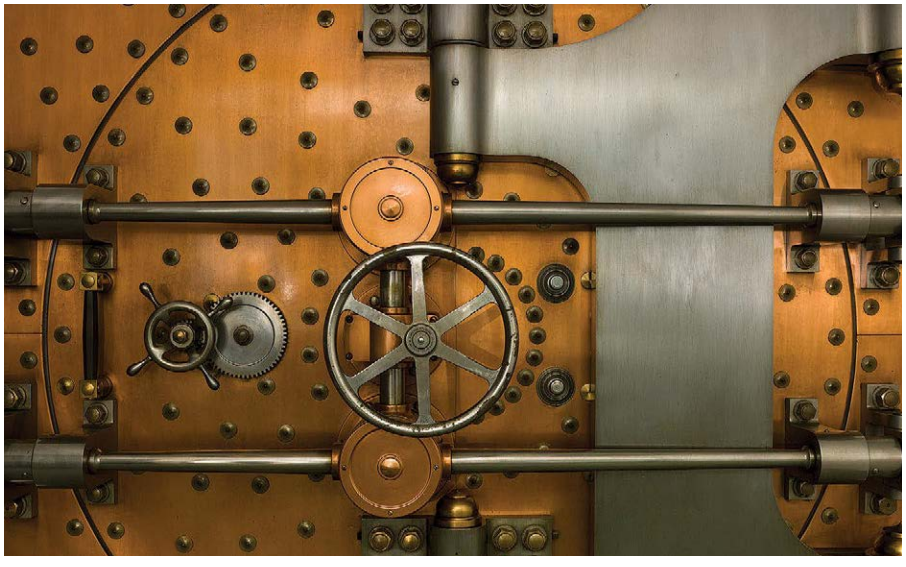

CONTRIBUTION LIMITS FOR 401(K)S AND IRAS ARE GOING UP

→ Because the inflation rate is no longer climbing rapidly, the amount you'll be able to contribute to tax-advantaged retirement accounts in 2024 won't increase as much as it did in 2023. Still, you will be able to put aside more funds to enlarge your nest egg.

The IRS will let savers stash up to $23,000 in 401(k) and other employer-sponsored plans, up from $22,500 in 2023. The catch-up contribution for workers 50 and older will remain at $7,500, which means those workers will be able to save up to $30,500 in their plans in 2024. If you have access to a Roth 401(k) and a traditional 401(k), you can contribute up to the annual maximum across both accounts. In other words, your total contributions can't exceed the $23,000 limit, or $30,500 if you're 50 or older, no matter how many accounts you have.

The IRS will increase the maximum contribution to a traditional or Roth IRA to $7,000, up from $6,500 in 2023. The catch-up limit of $1,000 will remain the same, which means workers 50 or older will be able contribute up to $8,000 to one of these accounts.

The earnings threshold for deductible IRA contributions will increase. Single workers who are covered by a 401(k) or other qualified retirement plan will be able to deduct a full contribution to an IRA if their modified adjusted gross income is $77,000 or less, up from $73,000 in 2023. For married couples who file jointly, the MAGI threshold will rise to $123,000, up from $116,000 in 2023. (For details on retirement plans for the self-employed, see "Self-Employed? Make a Plan to Save," on page 66.)

If you're not covered by a workplace plan, you can deduct contributions to an IRA no matter how much money you make. If one spouse is covered by a workplace plan but the other isn't working, the couple will be able to deduct the maximum contribution to a spousal IRA as long as the couple's MAGI is $230,000 or less, up from $218,000 in 2023.

The inflation adjustments will also allow more savers to contribute to a Roth IRA. In 2024, married couples with MAGI of up to $230,000 will be able to make the full Roth contribution, up from $218,000 in 2023. Singles with MAGI of up to $146,000 will be able to contribute the maximum, up from $138,000 in 2023.

SANDRA BLOCK

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Household Net Worth Surges

→ Despite the disruptions that the coronavirus caused, Americans grew wealthier during the pandemic. Even after adjusting for inflation, the median net worth for American families leapt by 37%, to $192,900, between 2019 and 2022, according to the Federal Reserve's recently released Survey of Consumer Finances, which the central bank conducts every three years. That's the largest three-year increase since the Fed began fielding the modern version of the survey in 1989. Overall improvements in economic performance, including positive trends in the housing and stock markets that exceeded high inflation, contributed to the gains.

The mean, or average, net worth surpassed the million-dollar mark for the first time, growing by 23%, to $1,063,700. Although a small percentage of ultra-wealthy Americans skew the average higher, the overall patterns in average and median net worth increases imply some narrowing of the wealth distribution, the Fed says. **LISA GERSTNER**

NET WORTH BY AGE GROUP

The table below lists median net worth in thousands of dollars. Those younger than 35 made the biggest strides, with a net-worth increase of more than 140% between 2019 and 2022.

Age	2019*	2022	% change 2019–2022
Younger than 35	$16.1	$39.0	143
35–44	105.9	135.6	28
45–54	195.4	247.2	27
55–64	246.3	364.5	48
65–74	308.8	409.9	33
75 or older	295.4	335.6	14

*Figures are inflation-adjusted to reflect 2022 dollars.
SOURCE: Federal Reserve

C+

The grade the U.S. retirement-income system receives, according to the Mercer CFA Institute Global Pension Index 2023. Denmark, Iceland, Israel and the Netherlands received A grades.

NEW I BONDS: A GOOD LONG TERM VALUE

→ **Inflation-adjusted Series I savings bonds issued from November 2023 through April 2024 will pay a combined rate of 5.27%. An I bond's rate consists of two components: an inflation rate, which is based on the consumer price index and adjusted every six months from the bond's issue date, and a fixed rate that remains the same for the life of the bond (up to 30 years). The new I bonds carry a fixed rate of 1.3%, the highest since May 2007.**

A spike in inflation led to a composite rate of 9.62% for I bonds issued between May and October 2022. While the 5.27% composite rate reflects a slowdown in inflation since then, the 1.3% fixed rate may make these I bonds appealing to long-term investors.

Short-term investors may opt instead for one-year Treasury bills, which are currently paying a rate of about 5.4% and can be redeemed without penalty after one year. You can't redeem an I bond in the first year, and if you cash it in within five years, you'll forfeit the most recent three months of interest. But I bonds offer advantages including deferral of taxes on interest and exemption from state taxes. SANDRA BLOCK

FROM THE KIPLINGER LETTER

Feds Aim to Improve Crypto Transparency

The Treasury Department wants to designate cryptocurrency "mixers" as money-laundering hubs threatening national security. Mixers are software tools that can conceal the source or owners of digital assets. The proposed rule would require financial institutions to report any information about their transactions involving crypto mixers.

The proposal is aimed at stopping the use of crypto to support terrorism. The Biden administration has been under pressure to do something about the use of crypto to support terrorist groups after the Hamas attack on Israel. Hamas and Hezbollah have raised millions of dollars in crypto. But that is dwarfed by the sums handled by hostile states such as North Korea and Russia via crypto mixers.

Kiplinger's 2024 Money Calendar

Keep your finances in shape all year long.

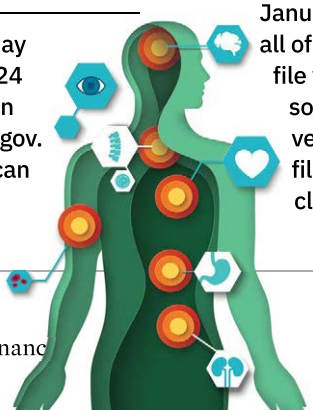
BY ELLA VINCENT

January

2 Today is the first trading day of 2024. For Kiplinger's investing outlook, see page 22.

10 The first Social Security checks of the year are sent out today. The 3.2% cost-of-living adjustment is smaller than the COLAs of 2023 and 2022, reflecting a slowdown in inflation. Social Security payments are made on the second, third and fourth Wednesday of the month, depending on which day of the month you were born.

15 This is the last day to enroll in a 2024 health insurance plan through HealthCare.gov. After this date, you can enroll in or change plans only if you lose health coverage, get married, have a baby or experience other life events that qualify you for a special enrollment period.



16 If you pay estimated taxes, this is the final installment date for 2023 payments. However, you don't have to make a payment by this date if you file your 2023 return (Form 1040 or Form 1040-SR) and pay all tax due by January 31.

31 Your W-2 or 1099 tax forms should arrive by the end of January. Once you receive all of your tax documents, file your tax return as soon as possible to prevent scammers from filing in your name and claiming a refund.

February

9 Today is National Cut the Cord Day. Switching from cable to video-streaming services can save you money, but only if you pay attention to costs. Research providers that offer the programs you want to watch, and consider ad-based streaming plans, which start at about $6.99 a month.

17 This is about the time the IRS will start issuing tax refunds for filers who elect to receive direct deposit.

29 Leap Day. Take this extra day to look for a post-holiday deal on your summer vacation.

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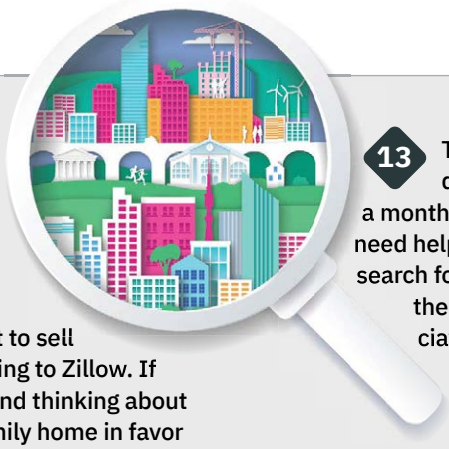
March



1 March is the best month to list your house for sale if you want to sell quickly, according to Zillow. If you're retired and thinking about selling your family home in favor of a smaller place, turn to page 56 for downsizing strategies.

13 The tax-filing deadline is about a month away. If you need help from a pro, search for one through the National Association of Tax Professionals (www.natptax.com) or the National Association of Enrolled Agents (www.naea.org). Certified public accountants and enrolled agents must pass competency exams and can represent you before the IRS if you're audited.

15 If your 2023 flexible spending account for health care had a grace period, it probably ends today. For a list of items that are eligible for unused FSA funds, go to https://fsastore.com/fsa-eligibility-list.

April

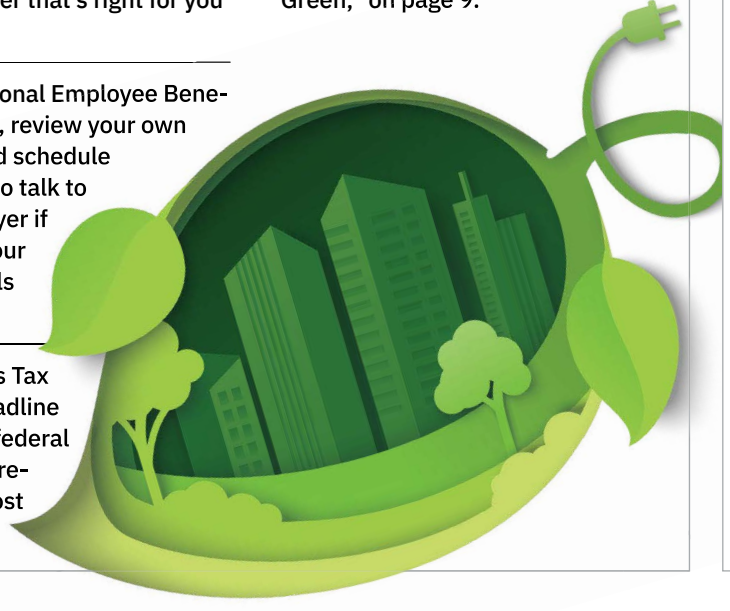
1 If you turned 73 in 2023 and didn't take a required minimum distribution, today is the deadline to take your first RMD from your traditional IRA or from your 401(k) or other employer-sponsored plan.

2 April is Financial Literacy Month. If you're thinking about hiring a financial planner but aren't sure how much advice you need—or what that advice will cost—see our guide to finding an adviser that's right for you on page 48.

6 On National Employee Benefits Day, review your own benefits and schedule some time to talk to your employer if you think your package falls short.

15 Today is Tax Day, the deadline to file your federal income tax return and most state returns. You can ask for an extension until October 15 to submit your return, but keep in mind that although an extension gives you more time to file, you must pay any tax due by April 15.

17 Earth Week starts today. If you reduce your carbon footprint by purchasing an electric vehicle, you may be eligible to claim a $7,500 tax credit immediately. Used EVs qualify for a credit of up to $4,000. For more on energy-saving tax credits, see "Get a Tax Break for Going Green," on page 9.



May

2 It's National Life Insurance Day. Take time today to review your life insurance policy to make sure it meets your needs. If you're interested in buying a policy or looking for a better deal than the one you have, compare policies at AccuQuote.com or PolicyGenius.com.

15 If you haven't received your tax refund, track it at www.irs.gov/refunds, or call the IRS refund hotline at 800-829-1954.

20 On National Be a Millionaire Day, increase (or start) contributions to your 401(k) plan or IRA so you can be on your way to save $1 million (or more) for retirement.

25 Memorial Day weekend is a great time to find deals on mattresses, patio furniture and camping gear.

June

1 Today is International Children's Day. Give your children or grandchildren a head start on saving for their future education expenses by opening a 529 college-savings plan. To compare plans, go to www.savingforcollege.com.

17 If you owe estimated taxes, your payment for the second quarter of 2024 is due today.

30 Today is the final day to file the FAFSA (Free Application for Federal Student Aid) for the 2023–24 academic year. Although many states and universities impose earlier deadlines, this could be your last chance to secure federal aid or student loans for this academic year.

July

1 The new interest rate for federal student loans goes into effect. The rate is adjusted each May for the upcoming academic year based on the 10-year Treasury rate.

2 Retailers such as Target and Amazon.com commonly hold sales this month. Be on the lookout for deals on furniture, jewelry and electronics.

17 Many workers have performance reviews in July. For advice on how to advance your career, go to kiplinger.com/personal-finance/careers.

20 Consider scheduling a midyear portfolio review with your financial adviser, or set aside some time for your own review.

September

1 Investors: Brace for a stock sell-off. September has historically been a bad month for the stock market, which provides a good opportunity for a gut check of your risk tolerance. But if you're a long-term investor, resist the temptation to bail on your investments.

5 If you live in a state that experiences harsh winters, a home energy audit could help you make changes that will lower your energy bills. Before the weather turns cold, find an auditor at www.hersindex.com.

10 Hurricane season in southern states peaks around this time of year. Review your homeowners insurance policy, which may not

August

1 Several states hold sales tax holidays this month. Take advantage of this tax break to stock up on back-to-school supplies for your kids.

17 Today is National Black Cat Appreciation Day, and there are plenty of black cats in shelters in need of homes. Although it's a myth that black cats bring bad luck, they—like all pets—can run up scary vet bills. Shop around for pet insurance at www.lemonade.com and www.fetchpet.com.

20 More babies are born in August than in any other month. You can plan for your child's future by purchasing Series EE or I bonds, which earn interest for up to 30 years. Find the latest yields on EE and I bonds on page 55.

31 Labor Day weekend is a good time to look for deals on major appliances, such as refrigerators and dishwashers, as retailers prepare to bring in newer models.

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include coverage for all types of hurricane damage, to make sure you're protected against disaster.

16 If you're self-employed or a gig worker, your third-quarter estimated taxes are due.

20 Hoping to take on a side job during the holiday season? Begin searching now. Many employers start hiring seasonal help this month.

October

1 The Free Application for Federal Student Aid (FAFSA) for the 2025–26 school year is available. You'll have until June 30, 2026, to submit the form for federal aid, but some states and schools impose earlier deadlines.

15 Today is the first day of open enrollment for Medicare Advantage and Medicare Part D. Enrollment ends December 7.

15 This is the last day to file your 2023 tax return if you received an extension from the IRS.

20 October is often a good time to apply for a rewards credit card. Credit card companies tend to roll out attractive bonuses before the holiday season.

November

5 Election Day. The choices you make on the ballot affect your pocketbook, so before you head to the polls, brush up on the policies that candidates support for taxes, health care and other issues.

7 National Cash Back Day. Look for credit cards with the best cash back deals at kiplinger.com/kpf/rewardscards.

10 Choose your health insurance plan. If you're offered coverage through your employer, it will likely launch open enrollment in the coming weeks. This is also the time of year to pick a plan from the individual marketplace at www.healthcare.gov.

December

3 On Giving Tuesday, look for tax-efficient ways to support your favorite nonprofit. If you itemize deductions on your tax return, consider a donor-advised fund, which will allow you to deduct contributions of cash, securities or other appreciated assets on your 2024 return and decide later which charities you want to support.

8 If you're older than 73, you have until December 31 to take your RMD from your IRA or 401(k) plan. (If you turn 73 in 2024, you have until April 1, 2025, to take your first distribution.) Contact your provider now to make sure your transaction is processed before the deadline.

26 Americans have a total of $21 billion in unused gift cards, according to CreditCards.com. Resolve to use any gift cards that you receive over the holidays to take advantage of post-holiday sales. K

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

WHERE TO INVEST IN 2024

In an uncertain market, investors will need stocks they can depend on.

BY ANNE KATES SMITH

AS investors look ahead to 2024, the bull market is embarking on its second year. But this is no victory lap for the bull.

From the start of 2023 through October, the S&P 500 index returned 10.7%, including dividends—a decent run on the face of it. But the index's reputation as a "broad market benchmark" was misleading in 2023. In fact, most—and at times all—of the S&P 500's gains came from a handful of stocks, nicknamed on Wall Street the Magnificent Seven. Without them, the index would be barely positive, up just 0.03%—a sign that the wider market has been plagued by doubts and uncertainties. (Returns and other data in this story are through October 31.)

There have been plenty of reasons to question the rally's underpinnings. Although a heavily telegraphed recession never materialized in 2023,

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hard times have nonetheless rolled through several sectors of the economy, and some economists have not yet ruled out a recession in 2024. We did get a recession in corporate earnings growth, with three quarters of negative growth starting in the fourth quarter of 2022. That means that the stock market's recent gains have not been driven by the engine of rising profits, but by expanding price-earnings ratios—think of it as investors shelling out increasingly more for each dollar of corporate earnings. Notably, sectors that typically lead fledgling bull markets, including small-company stocks and financials, have failed to launch.

In the battle against persistent inflation, interest rates have surged, fueled by Federal Reserve hikes at the short end of the yield spectrum and by bond traders pushing yields higher at the long end. A market mantra of "higher for longer" has raised questions about the ability of consumers, companies and the U.S. government to continue borrowing and servicing their IOUs comfortably while still powering the economy and financial markets forward. And those higher yields, on bonds and cash accounts alike, are providing stiff competition for stocks.

Several trends are heading in the right direction for investors, including inflation (down), corporate profits (up) and interest rates (peaking, pausing, perhaps falling).

It's not surprising, then, that after peaking at the end of July, stocks pulled back, dipping into official correction territory in late October with a 10% drop in the S&P 500. Not one of the Magnificent Seven (Alphabet, Amazon.com, Apple, Meta Platforms, Microsoft, Nvidia and Tesla) bucked the downturn. Stocks have subsequently bounced a bit. But it's still fair to ask: Can this wobbly bull find surer footing in 2024?

In a year with more wild cards than most, including dysfunction in Congress, a U.S. presidential election and two global wars, prognosticating the course of the market is harder than ever. "We're tracking a swirling vortex of news," says Matthew Bartolini, a managing director at State Street Global Advisors. "Geopolitics will be something the markets have to contend with in 2024."

But several trends are heading in the right direction for investors, including inflation (down), corporate profits (up) and interest rates (peaking, pausing, perhaps falling). That's enough for stocks to deliver worthwhile returns. Given the challenges ahead, strategists at UBS Wealth Management have pushed their 2024 forecast of 4700 for the S&P 500 from midyear to year-end. But that still implies a 12% gain from the October 31 close of 4194, and dividends will add nearly two percentage points to returns. The current target for the S&P 500 a year from now from a consensus of Wall Street strategists is a more optimistic 5063.

In general, as we head into 2024, we'd tilt toward large-company, U.S. stocks, and we'd be mindful of valuations when buying. However, investors will do best this year by looking beyond broad market labels and zeroing in on stocks with high-quality hallmarks, regardless of company size, market value or investing style. In other words, 2024 "will be the year for the stocks that can show you the money, with high-margin and high-cash-flow businesses," says Jim Cahn, chief investment officer for investment management firm Wealth Enhancement Group in Plymouth, Minn.

WATCH THE ECONOMY

A question likely to be answered in 2024 is whether U.S. central bankers have achieved the rare success of bringing down inflation without pushing the economy into a recession. The corollary to that question is whether they can stop hiking rates. Eleven increases, starting in the spring of 2022, have pushed the Fed's benchmark rate from near zero to a target range of 5.25% to 5.50%.

Another hike wouldn't be a surprise, especially given the most recent reading on gross domestic product growth that showed the economy expanding at the shockingly high annualized rate of 4.9% in the third quarter, buoyed by high-spending consumers. Although consumers, the backbone of the U.S. economy, are expected to remain

LAUNCH TRAJECTORY

FIRST YEAR BULL MARKET GAINS

The 12-month rebound from 2022's bear-market low was among the weakest in 60 years.

Bull market start	S&P 500 price gain
6/26/1962	32.7%
10/7/1966	32.9
5/26/1970	43.7
10/3/1974	38.0
8/12/1982	58.3
12/4/1987	21.4
10/11/1990	29.1
10/9/2002	33.7
3/9/2009	68.6
3/23/2020	74.8
10/12/2022	21.6

SOURCE: InvesTech Research

resilient in a weakening but still strong job market, it's worth noting that credit card delinquencies have been rising, albeit only back to pre-pandemic levels for now. Many forecasters anticipate an economic slowdown in 2024, if not outright recession. Kiplinger sees average GDP growth of 2.4% for 2023, slowing to 1.6% on average in 2024.

Meanwhile, even the stickiest aspects of inflation appear to be moderating, including rents and recently hot new-car prices, says David Kelly, chief global strategist at J.P. Morgan Asset Management. Overall, Kelly sees inflation falling from a recent rate of 3.7%, as measured by the consumer price index, to 2.2% by the fourth quarter of 2024, right around the Fed's target level. Kiplinger currently forecasts a CPI rate of 2.4% by the end of 2024.

Inflation falling back to earth would ease the upward pressure on interest rates and open the door to cuts. "At some point in 2024, the Fed will cut—we don't know when or by how much, but we know they're highly likely to cut, if only to test the waters," says State Street's Bartolini. After briefly breaching the 5% level for the first time in 16 years, yields on 10-year Treasury notes could float lower in 2024. But don't expect a return of the low, low levels that became the norm following the Great Financial Crisis. "We're going back to a normal environment for bond yields," says economist Ed Yardeni, of Yardeni Research, roughly in the 4.5% to 5% range.

LOOK FOR VALUE

Growth in corporate profits appears to have troughed in the third quarter and is expected to rebound in 2024, but the extent of the pickup so far remains unclear. A consensus of analysts' estimates shows a nearly 12% uptick in 2024 profits over 2023 levels. But those forecasts might be too optimistic, or not based on

→ **LIZ ANN SONDERS is the chief investment strategist at Charles Schwab.**

PHOTO BY NICOLE NIXON

INTERVIEW

WILL A STRUGGLING BULL STRENGTHEN IN 2024?

KIPLINGER: The bull market, which recently passed its first birthday, seems surprisingly resilient but also wobbly. What's your take?

Sonders: If indexes suggest resilience, it's because those indexes, weighted by market capitalization, have been driven by a handful of stocks in 2023. Nearly all of the S&P 500's gains have come from seven stocks, with the rest of the market significantly underperforming the index. Even if you simply look at the S&P 500's one-year price gain of roughly 22% from the October 2022 market low, that's among the weakest ever for first-year gains. Not to mention that there's been almost no participation by small caps and a negative performance by financials, neither of which has ever happened—typically, both of those have been ripping a year after major market lows.

Does the bull market strengthen or fade away in 2024? The stock market probably has an okay year if we get more stability and less uncertainty with regard to monetary policy and, in turn, inflation and interest rates. For the stock market to do well sustainably—and to continue

to broaden out—may require a combination of a Federal Reserve that at least remains in pause mode, inflation that continues to ease, and a bond market that calms down so we don't continue to see the kind of shoot up in yields that we saw recently. That would allow more confidence that earnings growth will turn higher, which of course is at the heart of stock performance.

Are you in the higher-for-longer camp, or do you think interest rates are headed lower soon? The recent surge in the 10-year Treasury yield has done some of the tightening for the Fed, so it's possible they're done hiking. It also wouldn't surprise me if they have another hike coming. There are few conditions presently that give the Fed a green light to pivot to rate cuts. A pause is justifiable, but *pause* and *pivot* are two entirely different things. Without inflation having come back to the Fed's 2% target, with the economy growing and only nascent slowing in the labor market, it's hard to envision the Fed shifting from the most aggressive tightening cycle in 40 years to cutting rates. They already have a credibility problem after holding rates so low, for arguably too long.

Have we sidestepped a recession? What's your economic outlook? We've been using the term *rolling recession* to describe the economy. It's a more nuanced way to look at this cycle, compared with a simplistic soft landing versus recession debate. Segments of the economy that were beneficiaries of the early lockdown phase of the pandemic—for example, manufacturing, housing and housing-related industries, as well as many consumer-oriented goods categories—have had their individual recessions or hard landings. But there has been offsetting strength on the services side. Assuming services gets its turn on the downside, the hope is that areas that have had their hard landings—like manufacturing—could provide some offsetting stability or even improvement. There had been some budding improvement in housing and manufacturing, but it looks like they're rolling over again. The best-case scenario is more of a continued roll through, segment by segment, without the entire economy succumbing to recession pressure. That said, I think an officially declared recession is more likely than not.

Will we see a pickup in earnings after multiple quarters of declining growth? The consensus of analysts' estimates suggests a bottom may be in view for earnings. The rub is that looking beyond the next quarter, those earnings estimates are not based on precise guidance from companies. Relative to the pre-pandemic era, many companies are providing much-less-precise guidance, although it's not as stark as in 2020 and 2021, when a record percentage of companies withdrew guidance altogether. Currently, expectations are for earnings to increase 12% in 2024 over 2023 levels, and about the same for 2025. I'm not saying those growth rates are way too high and have to come down; it's just that they're not based on concrete forward guidance from companies.

What impact will higher borrowing rates have on companies? That depends on the company. We're seeing a big acceleration in the amount of corporate debt coming due in 2024 compared with 2023; it will lift again in 2025 and 2026, before settling down. That's not necessarily a calamity because many companies that have fairly high debt loads have more than enough cash flow to cover interest expense, or they can easily refinance. In many cases, companies have extended their debt maturities. Where it becomes a problem is with much weaker companies—specifically among "zombie" companies, which don't have the cash flow to fund the interest on their debt.

Where do you see the best opportunities in 2024? Sectors that look pretty good on the combination of factors that the Schwab Equity Ratings team looks at are energy, financials and materials. However, we encourage investors to go a step beyond the sector level and focus more on factors, or particular stock characteristics. We have been emphasizing quality, which includes factors such as a company's ability to cover interest payments on its debt; profitability; positive earnings surprises; and low volatility.

Stocks can have an okay year if we get less uncertainty on monetary policy, inflation and interest rates.

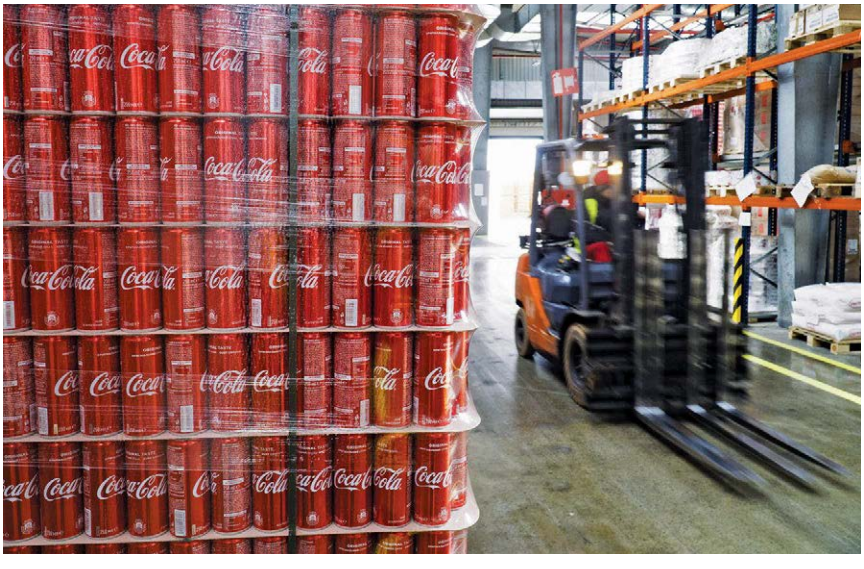
What's your preference in terms of company size? Or growth-oriented versus value-priced stocks? The overarching focus for investors should be on quality. With size, you've got to be more specific. The Russell 2000, a common small-cap benchmark, has 2,000 stocks in it, so it's not a monolith. Look for high-quality, profitable companies with decent earnings outlooks and strong balance sheets. Another small-cap index, the S&P 600, has a profitability filter that weeds out most of the zombie companies. What's nice about a quality wrapper for stocks is that it typically incorporates both growth-oriented and value-oriented factors. Interest coverage, balance-sheet strength and strong free cash flow are generally considered more value-oriented characteristics. But given limited earnings growth overall, we've also been emphasizing growth factors such as positive earnings-estimate revisions and positive earnings-report surprises.

enough input from company executives. Earnings-growth forecasts from strategists we spoke to for this story range from 5% to 9% for 2024.

The more important question is whether stock prices, especially in competition with higher-yielding cash and fixed-income options, will be a good value. "When you can get 4% to 5% in a money market fund, valuation matters more for stock investors," said Josh Nelson, head of U.S. equity at fund company T. Rowe Price, in a presentation to financial advisers. The recent correction brought the price-earnings ratio for the S&P 500, based on estimated earnings, down to 17.6, from 19.7 in mid June, according to earnings tracker Refinitiv. That puts the recent P/E roughly in line with the 10-year average, says FactSet Research, another earnings-data firm. "Multiples are at a reasonable if not super-attractive level," says Nelson. But he adds that investors will "need to be more disciplined" when they buy. "You'll want to have a lot of free cash flow and earnings support for the companies you're investing in."

Sector-wise, David Lefkowitz, head of U.S. equities at UBS Global Wealth Management, likes energy and consumer staples. UBS sees favorable supply-demand dynamics pushing the per-barrel price of Brent crude oil into the mid $90s, up from the mid $80s recently. "And energy is a hedge if things get materially worse on the geopolitical front," Lefkowitz adds. In mid October, strategists at research firm CFRA turned from neutral to bullish on energy, with oil and gas equipment and services firms, followed by integrated oil companies, the highest-rated subsectors. CFRA also boosted its call on ***ExxonMobil (XOM, $106)*** from "hold" to "buy," with a 12-month share-price target of $121. Columnist James Glassman favors services firm ***ONEOK (OKE, $65)***. For more on his picks for 2024, see page 40. Exchange-traded fund ***Energy Select Sector SPDR (XLE, $85, expense ratio 0.10%)*** provides broad exposure to the sector.

The consumer staples sector fell 7.5% in 2023 through October as investors gravitated to higher yields in cash and fixed income and worried about changing tastes in soft drinks and snack foods, especially with the rollout of new drugs to treat obesity. But that rollout is slow-moving , and the market may be overestimating its impact, says Lefkowitz. "Innovation is the hallmark of any good company, and that's true of staples as well. If there are changes in consumer buying patterns, they'll adjust," he says. CFRA is not keen on the sector overall but gives "strong buy" ratings to ***Coca-Cola (KO, $56)*** and ***PepsiCo (PEP, $163)***. (For more on Coca-Cola, see "8 Stocks to Buy," on page 29.)



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Watch for traps. Investors in 2024 will need to sidestep sand traps when seeking stock bargains. That doesn't mean dumping stocks that provide portfolio diversification or income, say, but being careful about new buys. For example, typically the epitome of "defensive" stocks, utilities have been anything but as interest rates have climbed. Prices for stocks in the sector fell 16.2% overall in 2023 through October, a performance that left utilities ranked last among S&P 500 sectors. For these heavy borrowers, a higher-for-longer regime might not bode well for 2024.

International stocks have beckoned for some time, with prices that are tempting compared with U.S. counterparts. But even if valuations are compelling, earnings trends are not. Says David Bailin, chief investment officer at Citi Global Wealth: "International markets are cheap but don't necessarily have a catalyst. There's a value-trap possibility there."

The exception many strategists agree on is Japan. Structural corporate reforms are driving greater shareholder value there, and earnings have upward momentum. A fund we like is ***Fidelity Japan (FJPNX, 1.13%)***, with a one-year return of 10.0%. (For a newly launched international fund that bears watching, see "Mutual Fund Spotlight," on page 46.)

INSIST ON QUALITY

One troubling aspect of the stock market, according to Michael Hunstad, deputy chief investment officer at Northern Trust Asset Management, is that the reward, relative

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to the risk of investing in stocks, has been well below average, measured by a wonky stat called the equity risk premium. "There's a lot of risk-seeking behavior in the face of macroeconomic uncertainty, and we're not getting paid for the risk," he says.

One way to counter risk is to emphasize high-quality stocks, such as those with strong balance sheets, consistent earnings growth, strong free cash flow, and either low debt or the ability to cover interest payments comfortably. The ETF ***iShares MSCI USA Quality Factor (QUAL, $130, 0.15%)*** holds large and midsize stocks with high returns on equity (a measure of how efficiently a company generates profits), stable earnings growth, and low debt. Top-10 holdings include four of the Magnificent Seven, but also payment giants ***Visa (V, $235)*** and ***Mastercard (MA, $376)***, drugmaker ***Eli Lilly (LLY, $554),*** and oil and gas producer ***ConocoPhillips (COP, $119)***.

Companies must have a 10-year history of earnings and dividend growth and stability to make it into CFRA's High Quality Capital Appreciation Portfolio. A recent addition is ***Tractor Supply (TSCO, $193)***, a specialty retailer serving people who enjoy a rural lifestyle.

Find cash-rich companies with ***Pacer US Cash Cows 100 (COWZ, $48, 0.49%)***, an ETF that targets companies with high free cash flow (cash left over after operating expenses and spending to maintain or expand the business). Top holdings include pharmaceutical products distributor ***McKesson (MCK, $455)***, ***CVS Health (CVS, $69)*** and ***Marathon Petroleum (MPC, $151)***.

The high-quality theme is not exactly undiscovered, and many choices are expensive, best bought on dips if your investment horizon is short. Or consider ***SPDR MSCI USA StrategicFactors (QUS, $119, 0.15%)***. The ETF blends high-quality and low-volatility factors with a value filter. Stocks in the portfolio, on average, have a below-market P/E of 15.8. The one-year return is 9.8%.

FIXED-INCOME ADVICE

When the books close on 2023, it's possible that bond investors will have logged their third losing year in a row. But 2024 should be an improvement. Quality is the watchword for bond investors, too.

Fund investors should do well with a core holding such as ***Baird Aggregate Bond (BAGSX, 0.55%)***, a member of the Kiplinger 25 (the list of our favorite no-load mutual funds) that invests in high-quality U.S. bonds, including government IOUs, asset- and mortgage-backed securities, and corporate debt. It yields 4.5%. ***Fidelity Intermediate Municipal Income (FLTMX, 0.35%)***, another Kip 25 fund, focuses on high-quality, medium-term bonds exempt from federal taxes. It yields 4.1% (equivalent to 5.3% for someone in the 24% federal tax bracket).

Individual-bond investors should consider locking in longer-term yields. The recent 5.5% yield on a six-month Treasury bill still beats the 4.9% yield on a seven- or 10-year note, but recognize the reinvestment risk on the shorter end if rates come down. Finally, for ideas on how to earn more on your cash, see "Income Investing," on page 44.

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

HOW WE DID

OUR 2023 OUTLOOK: MOSTLY ON TARGET

When we published our outlook for 2023, stocks were just coming out of a bear market. We said 2023 would brighten as the year went on, and sure enough, a new bull market became official by June. We called for double-digit total returns, quoting an S&P 500 price target of 4100 from RBC Capital Markets strategist Lori Calvasina, pictured on the cover of last year's outlook issue. Roughly a year since we published, as of October 31, the S&P 500 stands at 4194, with a total return (including dividends) of 13.1%.

A hypothetical portfolio of the eight stocks we recommended ("8 Stocks to Buy Now") would have returned 32.4% overall, according to financial data firm Morningstar. That's almost 20 points ahead of the broad market benchmark. Five of the eight gained, with top performers including footwear and accessories company Deckers Outdoor, up 69%; chipmaker Advanced Micro Devices, up 58%; and human resources software provider Workday, up 60%. Disappointments included Rexford Industrial Realty, down 18%; wireless carrier T-Mobile, down 3%; and health care stock Amgen, down 2%.

Three of our five stocks to sell did indeed rack up losses, but the group overall was up some 5%, according to Morningstar's portfolio calculations, thanks to a massive miscall on Meta Platforms, which tripled in price after executing a stunning turnaround. Homebuilder D.R. Horton was also more resilient than we anticipated, up 40%.

8 STOCKS TO BUY

These companies could do well in 2024.

BY ANNE KATES SMITH AND NELLIE S. HUANG

CADENCE DESIGN SYSTEMS (SYMBOL CDNS, $240)
Chip designs are increasingly complex, and that's driving demand for Cadence's products, which help companies design and test semiconductors. Customers such as Nvidia, Broadcom and Tesla can't stay away. Cadence's sales related to artificial intelligence tripled in 2023, and analysts at Zacks Investment Research expect even faster growth in 2024. They predict earnings growth of 19% over each of the next three years. But the stock is pricey, so snap up shares on dips. Competition is stiff in the electronic design automation space—Cadence is number two—and that may create opportunities as firms jockey for market share in this fast-growing industry.

COCA-COLA (KO, $56)
Coke is a stronger company than it was at the start of the pandemic, after slimming its offerings by 600 products and moving away from sugary sodas with acquisitions such as coffee company Costa, says Argus Research analyst Taylor Conrad. Coke beat analysts' expectations in the most recent quarter. Operating profit margins widened, too, and the firm boosted its guidance for 2023 sales and profits. More of the same is expected in 2024, says Conrad. Shares are a bargain as well, after slipping 9% since the start of 2023. Coke is a dividend stalwart—it has raised its dividend for 61 consecutive years. At $56, it boasts a 3.3% dividend yield.

DELTA AIR LINES (DAL, $31)
Despite turbulence elsewhere in the travel industry, Delta is on a smooth course, with the seatbelt sign switched off for investors, according to analysts at Morgan Stanley, where Delta is a top pick. Delta should generate per-share earnings of $7-plus in 2024 and more than $10 per share beyond, "which is still not close to being priced into the stock," they say. Domestic flights are "holding up" while corporate and international travel remain "robust." Morgan Stanley analysts believe Delta's management has been conservative in its guidance about fuel costs but acknowledge potential volatility there. Still, the analysts see the stock soaring to a 12- to 18-month price target of $77 a share.

DIAMONDBACK ENERGY (FANG, $160)
Diamondback Energy, with a market value of $29 billion, is the premier pure-play shale driller in the Southwest's Permian Basin, according to analysts at The Carson Group, an investment management firm. Diamondback has an exceptionally low cost of production, they note, and generates attractive free cash flow. "If you're bullish on oil prices, which we are, then Diamondback is a good bet," they say. Income-oriented investors will appreciate Diamondback's juicy 4.3% yield. And the shares trade at just 7.8 times the consensus of analysts' expected earnings for the next 12 months. The consensus price target for Diamondback's shares is an average $182, which implies a gain of nearly 14% from the stock's recent close.

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DISCOVER FINANCIAL SERVICES (DFS, $82)
Stock in credit card company Discover trades at nearly half its fair value, says Morningstar analyst Michael Miller. About 70% of Discover's revenue is interest income from its credit cards—a plus if interest rates remain high. He adds that Discover's credit card business has historically generated better results than most of its peers. If economic wobbles mean consumers spend less—or worse, fail to make their card payments—that's a worry. But Discover is financially strong; Morningstar gives it an "A" for financial health. Analysts expect flat earnings growth through 2024 compared with 2023, but they see a 26% jump in 2025, which bodes well for the shares.

PFIZER (PFE, $31)
Jefferies analysts say they're being contrarian with their buy call on the pharmaceutical giant. Pfizer shares fell 38% in 2023 through October, largely due to waning demand for COVID-related products. But the bulls at Jefferies see several catalysts for better days, including a $3.5 billion cost-cutting program that will make earnings targets more achievable. Jefferies sees earnings of $3.19 a share in 2024 and $3.44 in 2025. Other potential bright spots include the firm's oral obesity drug, currently in clinical trials. If viable, it has annual sales potential of $4 billion, according to Jefferies. The firm's price target for the stock is $39, implying a 26% gain.

THERMO FISHER SCIENTIFIC (TMO, $445)
Scientific research may ramp up in 2024, and that is promising for Thermo Fisher, which makes equipment that researchers need to do their jobs. The turnaround may take time, but Thermo Fisher shares are down 19% so far in 2023 and are now attractively priced. The company's solid execution record is a plus, says R.W. Baird analyst Catherine Ramsey Schulte, who rates the stock "outperform." A diverse array of customers, including biopharma firms, hospitals, diagnostic labs, universities and research institutions, among others, helps. Some of those end markets have been improving recently. Schulte's 12-month price target, $524, represents an 18% gain in price.

VULCAN MATERIALS (VMC, $196)
Vulcan is the largest U.S. producer of construction aggregates—think crushed stone, sand and gravel. It's also a major producer of asphalt and concrete. The company faces challenges in its residential housing construction business, but that's offset by momentum in highways and other public infrastructure. "We remain intrigued by the generational increase in funding" for projects driven by the Infrastructure Investment and Jobs Act of 2021, write analysts at investment firm Raymond James. Vulcan isn't cheap, trading at 27 times earnings estimates from a consensus of analysts. But they see the stock trading at $239 within 18 months, up 22% from recent levels.

... AND 5 TO SELL

BOISE CASCADE (BCC, $94)
Boise Cascade makes wood products and distributes building materials. Much of the company's products are used in residential construction and remodeling, as well as some commercial construction and industrial projects. The stock gained 42% in 2023 through October. Given today's higher-for-longer interest rate climate, now is a good time to take profits. "With mortgage rates at or above 7%, we think Boise is due for a pause, and we downgrade the stock to 'underperform,' " say analysts at BofA Securities. They expect Boise's profits to fall in 2024 and 2025, as home-building and remodeling activity slows. And builders are beginning to push back on higher prices for wood and building products.

CARVANA (CVNA, $27)
Prices of used cars are starting to come down, and that's crimping growth at Carvana, an e-commerce platform for buying and selling used cars. "The used vehicle market will at least tread water" near term, says Needham analyst Chris Pierce, as inventory remains low. He sees 2023 revenues falling 21% compared with 2022, and rising just 3.2% in 2024. Carvana is cutting costs, but those efforts aren't enough to "ignite a bullish sentiment on its shares," says Pierce, who rates the stock "hold." Meanwhile, the company isn't profitable yet, and shares are up 470% since the start of 2023. We think it's a good time to cash in some stock.

FOOT LOCKER (FL, $21)
Athletic footwear retailer Foot Locker operates roughly 3,000 stores in malls across North America, Europe, Asia and Australia. And that's a problem, says CFRA analyst Zachary Warring, who issued a "sell" call on the stock in October. Manufacturers are increasingly connecting with customers directly, via their own stores and online, he says, while "malls have been on the decline." He also sees pressure on U.S. consumers as savings shrink, student loan payments resume and higher interest rates squeeze spending. CFRA has a 12-month price target of $15 on the shares, implying a nearly 30% fall.

INTERNATIONAL BUSINESS MACHINES (IBM, $145)
Most of the analysts who cover this granddaddy of tech firms have a "hold" rating on its shares, in part because corporate spending on technology is slowing. IBM's Red Hat unit had been a bright spot, but growth seems to be decelerating. IBM has a potential new growth driver in artificial intelligence, but it won't contribute much in the near term. And at $145, the stock is not cheap. Based on estimated earnings, it trades at a price-earnings multiple of 15—above its three-year median P/E. UBS analyst David Vogt rates the stock a "sell," saying the value is "stretched given the company's slowing growth."

TRANSUNION (TRU, $44)
Hard-pressed to see any near-term catalyst for gains, analysts at BofA Securities in October slashed their opinion on shares in the consumer credit reporting agency from "buy" to "underperform." A slowdown in lending will persist into mid-to-late 2024, they believe, as lenders tighten standards against weakening household finances, rising delinquencies and higher constraints on household capital. BofA analysts cut earnings estimates from $3.62 to $3.28 per share for 2023, and from $4.37 to $3.39 for 2024. "There's no escaping this difficult operating environment," they write. K

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MAKE THE MOST OF YOUR 401(k)

Use our guide to boost the performance of your retirement plan.

BY NELLIE S. HUANG

THESE days, 401(k) plans make it relatively easy to save for retirement, but the task of figuring out which funds to invest in is still tricky. A good target-date fund is an easy box to check—and most plans offer one. Low-cost index funds are another no-brainer. But if your plan offers a top-notch actively managed fund as well, it could add some punch to your overall performance.

To help you make good fund choices, we used data from BrightScope (an institutional shareholder services business) to scrutinize the most widely held funds in employer-based retirement savings plans. Then we picked the funds apart, analyzing them and rating each one "buy," "sell" or "hold."

Here, we highlight the 10 largest actively managed funds in 401(k) plans, ranked in order of retirement plan assets. Six funds earn a "buy" and one a "sell." Another three funds rate a "hold," a neutral rating that we view as akin to "don't sell if you already hold shares" with added caveats. A table of the 75 biggest 401(k) funds appears on page 35. In it, we cite data and returns for the share class of each fund that is available to the most retail investors, but your 401(k) plan may offer a different share class with a different expense ratio. Returns are through October 31.

American Funds EuroPacific Growth: HOLD

This fund has a low expense ratio and an experienced army of 12 managers. Like other funds from American Funds, comanagers run a portion of assets individually, but overall, they favor large, growth-oriented stocks in international markets. The biggest exposures are developed Europe, emerging Asia and Japan.

We're lukewarm on EuroPacific Growth, however, because the fund's calendar-year returns between 2017 and 2021 lagged the average return of funds in its category (foreign large growth). Over the past decade, the fund's risk-adjusted returns were average compared with its category, though they were better than the MSCI ACWI ex USA index. That's why the fund may work well if paired with a total international stock index fund (if one is offered in your retirement savings plan). A total foreign stock index fund holds both growth and value stocks, which could balance the growth-style skew of EuroPacific Growth.

Vanguard Target Retirement 2030 Fund: BUY

In 2022, a terrible year for stocks and bonds, Vanguard Target Retirement 2030 held up well relative to peers. The fund, best for investors retiring in less than 10 years, lost 16%, but that beat

nearly 60% of 2030-dated target-date funds. Its 10-year annualized return ranks among the top 19% of its peers. Vanguard's target-date funds are popular in 401(k) plans; the firm's 2030 fund is the most popular of those. We use it as a proxy for the series.

Target-date funds are diversified portfolios. Experts decide on the appropriate mix of stocks, bonds and other assets, then shift the mix over time as you age and even after you retire. Vanguard's target-date funds adjust the blend of stocks and bonds for seven years after the target year, for instance. At last report, the firm's 2030 fund held 62% in stocks, 36% in bonds and the rest in cash. These funds are ideal for investors who don't want to deal with investment decisions.

Dodge & Cox Stock: BUY

Buying at a bargain and holding is the crux of this fund's strategy. The managers will wait years, if necessary, for a turnaround. Some stock picks can be contrarian. Early in 2023, the managers added Norfolk Southern, a stock that sank after one of its trains derailed in Ohio in February. When stocks turn around and get pricey, the managers sell. In the first half of 2023, for instance, they reduced the fund's stake in Meta Platforms, which had climbed 138% in the first six months of 2023.

Their approach can lead to stretches of good and bad performance, which makes Dodge & Cox Stock best for patient investors who seek a value-oriented fund. The fund's 10-year annualized return, 9.8%, trails the S&P 500 by an average of 1.4 percentage points per year, but it outpaces 95% of other large-company value funds, which posted an average annual return of 7.6%.

Vanguard Primecap: BUY

This standout fund is closed to most new investors, but if it's offered in your employer-sponsored retirement savings plan, you can still buy shares even if you're new to the fund. Five managers divvy up the assets among themselves and then pick their own stocks. But they all look for fast-growing companies with solid prospects that trade at a discount. The end result is a portfolio of 175 medium- and large-company stocks. At last report, Eli Lilly, Biogen and Adobe were among the fund's top holdings. Primecap suffers inevitable bumps at times, as it did between 2019 and 2021, but investors who held on have been rewarded lately. Long-term returns are exceptional: Primecap outpaced the S&P 500 over the past 10, 15 and 20 years.

Vanguard Wellington: BUY

Wellington is Vanguard's oldest mutual fund. The balanced fund, which holds about 60% of its assets in stocks and 40% in bonds, was founded in 1929 and has long delivered category-beating returns. The fund's current managers—Daniel Pozen on the stock side, Loren Moran on the bond side—are relative newcomers. As a duo, they have been running the fund only since early 2019. But their record since pairing, 6.2% annualized, beats the typical 4.5% gain in the average moderate allocation fund. Pozen's biggest stakes include Microsoft, Alphabet and Amazon .com. On the bond side, Moran's high-quality portfolio has an average maturity of just over 10 years and is loaded with corporate debt. Investors with long time horizons who seek growth and muted volatility could consider this a core holding. At last report, the fund held 65% of assets in stocks and 34% in bonds (the rest in short-term reserves). It yields 2.8%.

T. Rowe Price Blue Chip Growth: HOLD

Since Paul Greene took over as manager of T. Rowe Price Blue Chip Growth two years ago, the fund has delivered a cumulative loss of 17.6%. That trailed the S&P 500, which lost 0.5%, as well as the average large-company growth stock fund, which declined a cumulative 13.7%. Greene is not to blame for the 2022 bear market, of course, but neither is he to credit for the fund's past record, which was earned under longtime manager Larry Puglia. Given Greene's short tenure, we are hesitant to step into Blue Chip Growth for now. If you already own shares, we advise holding on, given the market trough. We'll keep watching to see how Greene settles in. The fund has regained some ground since hitting bottom in 2022—in fact, it has climbed 30.3% since the start of 2023, ahead of the S&P 500's 10.7% rise. Big stakes in Microsoft, Nvidia and Meta Platforms have helped.

If your plan offers a top-notch actively managed fund, it could add some punch to your overall performance.

Fidelity Contrafund: BUY
Contrafund is a solid choice for investors who want the verve of a large-company growth fund but less volatility. Over the past decade, Contrafund has outpaced its peers and the S&P 500, with below-average volatility. Will Danoff has run the fund since 1990 and delivered spectacular long-term returns. He favors companies with what he calls "best of breed" qualities, including a strong competitive position, high returns on capital and management teams that act in the best interests of shareholders. Last year, he pared back on the fund's exposure to software firms, and he beefed up his stake in energy stocks to 4% of assets. That helped performance in 2022 relative to peers, though the fund still lost 28%. Over the past 12 months, the fund has been on a tear, beating 89% of large growth funds with a 23% climb. This fund's a keeper.

American Funds Growth Fund of America: SELL/HOLD
Over the past 10 and 15 years, you would have been better off in a large-company index fund than in Growth Fund of America. Of course, past performance is no indication of future returns. But Growth Fund doesn't fare well, either, next to its peers (funds that invest in fast-growing large-company stocks). The fund posted below-average returns relative to its category in seven out of the past 10 full calendar years.

Growth Fund is unlike its large-growth fund peers in key ways, however. It holds fewer tech stocks, bigger stakes in energy and economically sensitive companies, and a double helping of foreign stocks. It also tilts more toward midsize companies than the behemoths found in most large-growth funds. And stocks in the portfolio, on average, sport lower prices relative to earnings and sales. That gives the fund a slight value tilt, which may have helped the fund outperform the S&P 500 over the past 12 months.

If you hold shares in Growth Fund, decide what role it will play in your portfolio. Is it your core large-company stock fund? A U.S.-stock index fund would offer similar returns and lower volatility, at a lower cost. But as a complement to a core index fund, with its midsize-stock and value tilt, it may be worth holding on to a small dose.

A good target-date fund is an easy box to check because most employers include them in their plans.

Fidelity Freedom 2030: BUY
The only target-date series besides Vanguard's to crack the top 10 in terms of 401(k) assets is Fidelity's suite of Freedom funds—the ones that hold actively managed funds. The active funds hold other funds that are managed by star Fidelity managers, including Steve Wymer of Growth Company and Will Danoff of Contrafund. At last report, Freedom 2030 held roughly 60% in stocks—nearly half of that in foreign shares—and 40% in bonds, including high-quality U.S. bonds, junk-rated and floating-rate debt, and international IOUs. This fund is designed for workers who will retire in the next eight to 10 years. It has a decent five-year record that ranks in the top 36% of its peer group. We like this series and recommend it if you're looking for an all-in-one fund.

Metropolitan West Total Return Bond: HOLD
MetWest Total Return, the biggest bond fund in 401(k) plans, is in a slump. It has lagged the Bloomberg U.S. Aggregate Bond index in six of the past 10 full calendar years. And over the past one, three, five and 10 years, its annualized returns rank among the bottom 79% of its fund category (intermediate core-plus bond) or lower. A changing of the guard among the managers gives us pause, too. Longtime manager Tad Rivelle retired, and the fund added two new co-managers, bringing the manager total to five. Overall, the managers are struggling to overcome a 14.9% loss in 2022—greater than the 13.0% loss in the Agg index—when interest rates rose fast and furiously (bond prices and interest rates move in opposite directions). The fund's returns are improving—helped by gains in corporate debt in 2023—but the managers are still digging themselves out of a hole. Hold on if you currently own shares. But if you're considering the fund anew, step in slowly, or invest in a bond index fund. K

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

The 75 Biggest 401(k) Funds

The funds below, listed alphabetically, hold most of the trillions of dollars that Americans have invested in workplace retirement savings plans, according to financial data firm BrightScope, an ISS Market Intelligence business.

FAMILY	Fund	Symbol	Category	Annualized total return % 1 yr.	5 yrs.	10 yrs.	Exp. ratio %	Buy, sell or hold
American Funds	2025 Trgt Date Retirement	AADTX	Target date	4.2	4.9	5.4	0.67	BUY
	2030 Trgt Date Retirement	AAETX	Target date	5.4	5.6	6.1	0.67	BUY
	2035 Trgt Date Retirement	AAFTX	Target date	6.6	6.6	6.9	0.69	BUY
	2040 Trgt Date Retirement	AAGTX	Target date	7.8	7.1	7.3	0.70	BUY
	2045 Trgt Date Retirement	AAHTX	Target date	8.0	7.2	7.4	0.71	BUY
	2050 Trgt Date Retirement	AALTX	Target date	8.4	7.2	7.4	0.72	BUY
	American Balanced	ABALX	Hybrid	4.9	6.0	6.8	0.57	BUY
	Europacific Growth	AEPGX	Foreign stock	10.0	4.1	3.6	0.84	HOLD
	Growth Fund of America	AGTHX	U.S. stock	13.7	9.8	10.6	0.60	S/H
	New Perspective	ANWPX	World stock	12.2	9.4	8.7	0.72	BUY
	Washington Mutual	AWSHX	U.S. stock	6.5	9.6	9.9	0.57	HOLD
Dodge & Cox	Income	DODIX	Bond	2.4	1.1	1.9	0.41	BUY
	International Stock	DODFX	Foreign stock	14.0	4.7	3.1	0.62	BUY
	Stock	DODGX	U.S. stock	4.7	9.2	9.8	0.51	BUY
Fidelity	Balanced	FBALX	Hybrid	9.1	8.7	8.2	0.50	BUY
	Blue Chip Growth	FBGRX	U.S. stock	25.5	15.1	14.6	0.69	BUY
	Contrafund	FCNTX	U.S. stock	22.9	12.1	12.1	0.55	BUY
	Freedom 2020	FFFDX	Target date	5.0	3.9	4.6	0.57	BUY
	Freedom 2025	FFTWX	Target date	5.6	4.4	5.1	0.61	BUY
	Freedom 2030	FFFEX	Target date	6.4	5.1	5.8	0.66	BUY
	Freedom 2035	FFTHX	Target date	8.0	6.2	6.6	0.70	BUY
	Freedom 2040	FFFFX	Target date	9.4	6.9	7.0	0.74	BUY
	Freedom 2045	FFFGX	Target date	9.5	6.9	7.0	0.75	BUY
	Freedom 2050	FFFHX	Target date	9.6	6.9	7.0	0.75	BUY
	Freedom Index 2030	FXIFX	Target date	5.6	4.9	5.6	0.12	BUY
	Freedom Index 2040	FBIFX	Target date	8.4	6.6	6.8	0.12	BUY
	Growth Company*	FDGRX	U.S. stock	19.7	16.2	15.5	0.86	BUY
	Harbor Capital Appreciation	HCAIX	U.S. stock	22.4	12.0	12.5	1.03	HOLD
	JPMorgan Large Cap Growth	OLGAX	U.S. stock	12.7	14.8	14.1	0.94	HOLD
	Metro. West Tot. Ret. Bond	MWTRX	Bond	–0.4	–0.4	0.6	0.67	HOLD
	MFS Value	MEIAX	U.S. stock	–0.1	7.3	7.9	0.80	HOLD
	PIMCO Total Return	PTTAX	Bond	0.6	–0.4	0.6	0.83	HOLD
T. Rowe Price	Blue Chip Growth	TRBCX	U.S. stock	24.9	9.3	11.6	0.71	HOLD
	Growth Stock	PRGFX	U.S. stock	20.8	9.2	11.0	0.67	HOLD
	Large-Cap Growth	TRLGX	U.S. stock	21.9	11.6	13.2	0.55	BUY
	Mid-Cap Growth	RPMGX	U.S. stock	3.4	6.7	9.3	0.77	BUY
	New Horizons	PRNHX	U.S. stock	–2.7	7.0	10.5	0.79	BUY
	Retirement 2030	TRRCX	Target date	6.7	6.0	6.3	0.57	BUY
	Retirement 2040	TRRDX	Target date	8.2	6.9	7.0	0.60	BUY
Vanguard	Equity-Income	VEIPX	U.S. stock	–1.0	8.2	8.9	0.28	BUY
	Explorer Investor	VEXPX	U.S. stock	–2.3	6.7	8.0	0.45	BUY
	Inflation-Protected Secs	VIPSX	Bond	–1.0	2.0	1.4	0.20	HOLD
	International Growth	VWIGX	Foreign stock	7.6	6.0	5.7	0.45	BUY
	Primecap**	VPMCX	U.S. stock	13.8	10.1	12.1	0.38	BUY
	Trgt Retirement 2020	VTWNX	Target date	5.0	4.2	4.8	0.08	BUY
	Trgt Retirement 2025	VTTVX	Target date	6.0	4.7	5.3	0.08	BUY
	Trgt Retirement 2030	VTHRX	Target date	6.6	5.2	5.7	0.08	BUY
	Trgt Retirement 2035	VTTHX	Target date	7.3	5.7	6.2	0.08	BUY
	Trgt Retirement 2040	VFORX	Target date	8.1	6.3	6.6	0.08	BUY
	Trgt Retirement 2045	VTIVX	Target date	8.8	6.8	6.9	0.08	BUY
	Trgt Retirement 2050	VFIFX	Target date	9.1	6.9	7.0	0.08	BUY
	Trgt Retirement 2055	VFFVX	Target date	9.1	6.9	7.0	0.08	BUY
	Trgt Retirement 2060	VTTSX	Target date	9.2	6.9	7.0	0.08	BUY
	Trgt Retirement Income	VTINX	Target date	3.8	2.9	3.3	0.08	BUY
	U.S. Growth	VWUSX	U.S. stock	15.3	10.3	11.7	0.34	HOLD
	Wellington	VWELX	Hybrid	5.9	6.7	7.1	0.25	BUY
	Windsor II	VWNFX	U.S. stock	7.0	9.9	9.1	0.34	HOLD

INDEX FUNDS

FAMILY	Fund	Symbol	Category	Annualized total return % 1 yr.	5 yrs.	10 yrs.	Exp. ratio %	Buy, sell or hold
Fidelity	500 Index	FXAIX	U.S. stock	10.1	11.0	11.2	0.02	BUY
	Extended Market Index	FSMAX	U.S. stock	–1.2	5.4	6.9	0.04	BUY
	International Index	FSPSX	Foreign stock	15.4	4.4	3.3	0.04	BUY
	Mid Cap Index	FSMDX	U.S. stock	–1.0	7.2	8.0	0.03	BUY
	Small Cap Index	FSSNX	U.S. stock	–8.4	3.4	5.8	0.03	BUY
	Total Market Index	FSKAX	U.S. stock	8.4	10.1	10.4	0.02	BUY
	U.S. Bond Index	FXNAX	Bond	0.3	–0.1	0.9	0.03	BUY
Vanguard	500 Index	VFIAX	U.S. stock	10.1	11.0	11.1	0.04	BUY
	Developed Markets Index	VTMGX	Foreign stock	12.9	4.3	3.3	0.07	BUY
	Extended Market Index	VEXAX	U.S. stock	–1.1	5.4	6.9	0.06	BUY
	Growth Index	VIGAX	U.S. stock	20.9	13.7	12.9	0.05	BUY
	Institutional Index	VINIX	U.S. stock	10.1	11.0	11.1	0.04	BUY
	Mid Cap Index	VIMAX	U.S. stock	–1.1	7.3	8.2	0.05	BUY
	Small Cap Index	VSMAX	U.S. stock	–3.6	5.6	7.0	0.05	BUY
	Total Bond Market Index	VBTLX	Bond	0.5	0.0	0.9	0.05	BUY
	Total Intl Stock Index	VTIAX	Foreign stock	12.3	3.8	2.9	0.11	BUY
	Total Stock Market Index	VTSAX	U.S. stock	8.4	10.2	10.5	0.04	BUY
	Value Index	VVIAX	U.S. stock	–0.1	7.8	9.0	0.05	BUY

BENCHMARKS

Name	Category	Annualized total return % 1 yr.	5 yrs.	10 yrs.
S&P 500	Large U.S. company stocks	10.1	11.0	11.2
Russell 2000	Small U.S. company stocks	–8.6	3.3	5.6
MSCI EAFE	Foreign stocks	14.4	4.1	3.1
Bloomberg U.S. Aggregate Bond	High-quality U.S. bonds	0.4	–0.1	0.9

As of October 31, 2023. *Closed to new investors outside of 401(k) plans. **Closed to most investors outside of 401(k) plans. SOURCES: BrightScope, fund companies, Morningstar Direct.

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LESSONS IN MONEY MANAGEMENT

A University of Kentucky program provides students with seed money to become better savers and investors.

BY KIM CLARK

IN a first-of-its-kind effort to get college students saving and investing early, the University of Kentucky is offering to seed brokerage accounts for all of its 31,500 students. It's free money, ostensibly, but the program, called UK Invests, requires that students accomplish certain tasks before the school deposits any money in their accounts.

Many colleges have investment clubs, and some universities offer classes on personal finance. What sets UK Invests apart is that it is university-wide, and cash-strapped students don't have to scrape together a penny of their own money (although they can if they wish). The school is offering to contribute up to $250 a semester into each student's account, depending on which tasks they complete.

Some payouts are tied to learning about money. Complete a noncredit online course on budgeting and get $15. Attend a talk on the magic of compounding and other investing topics, and Kentucky will deposit $30 in your account. But students can also earn money in other ways: by attending a workshop on coping better with stress ($10) or by uploading their résumé to the career center ($25).

By offering incentives for tasks that can improve students' health, academic performance and employability, the university is hoping to "hardwire habits that will lead to a lifetime of meaning and purpose," says Kirsten Turner, Kentucky's vice president for student success.

↑ **As of late October, more than 3,700 students had opened brokerage accounts, and the university had deposited more than $160,000 in incentives.**

Studies show that teens who receive personal finance instruction tend to have fewer financial struggles later in life.

Fidelity, the brokerage firm connected with UK Invests, is adding incentives as well. Once a student has a balance of at least $50, Fidelity throws in $100. And it is matching 10% of the first $300 deposited. In all, Kentucky Wildcats who signed up last fall can get up to $630 this academic year.

How it works. To get started, students must sign up for the Fidelity Bloom for UK Invests app, which consists of two brokerage accounts, one for cash and one for savings or investments. Students also must fund their accounts—with their own money, the school's contributions or both.

GETTY IMAGES

Once that's done, the Fidelity Bloom app suggests three basic low-cost mutual fund options, depending on the student's tolerance for risk. There's a fund for students who are "cautious" about risk, a "balanced" option for more moderate risk takers, and a "bold" one for more aggressive investors. Kentucky students can purchase shares in the mutual funds in the Bloom app for as little as $1.

Although only a few mutual funds are available to trade in the Fidelity Bloom app, UK students can invest in other mutual funds, exchange-traded funds and stocks or bonds by logging into their Bloom account through the firm's primary website (www.fidelity.com) to execute a trade. Money that's not invested will earn interest (currently 4.3%) in a Fidelity money market fund.

Of course, students can withdraw cash at any time, but the university hopes they stay invested. Time is their biggest advantage, says Eric Monday, the university's executive vice president for finance and administration.

Some students have gotten the message. Sophomore Elizabeth King has received more than $200 since she opened her account in the fall of 2023, in part by attending career fairs. She invested in a low-cost S&P 500 index fund and plans to hold it for the long haul. "I'm choosing to put it aside and use the power of compounding," she says, a concept she learned at an investing presentation. She's also looking forward to market dips. "I like to invest when the market is low because I can buy it at a cheaper price," which she believes will pay off when the market rebounds. "It's kind of fun!"

As of late October, more than 3,700 University of Kentucky students had opened accounts, and the university had deposited more than $160,000 in incentives. One caveat: Any money received from the university or Fidelity is taxable as income in the year it is received.

Investing lessons. It is too early to tell whether this experiment will turn Kentucky students into Gen-Z Warren Buffetts. Kentucky tested the program in the 2020–21 school year with university athletes. It went well, so the school expanded the offering to all students this academic year. Next year, it hopes to offer UK Invests to its employees.

Young people who aren't at the University of Kentucky could consider investing with financial service firms that allow you to buy shares in an ETF or a stock for as little as $1, such as Fidelity, M1 Finance and Robinhood. Schwab, Acorns and SoFi customers can invest with as little as $5 a time. As you invest, keep these basic guidelines in mind:

Kentucky Wildcats who signed up last fall can get up to $630 deposited into a brokerage account this academic year.

Keep it simple. Monday says Kentucky purposefully designed UK Invests to nudge students into low-cost, broad-market index funds. ***Fidelity Zero Total Market Index (symbol FZROX, expense ratio 0.0%)*** holds more than 2,600 stocks. Or consider ***Vanguard Total Stock Market ETF (VTI, 0.03%)*** and ***iShares Core S&P 500 ETF (IVV, 0.03%)***.

Take on a little risk. College students might find a broad index fund boring, says Michael Kelly, a Lafayette College economics professor and adviser to the school's investment club. He recommends they explore the middle ground between plain-vanilla index funds and what he calls "lottery ticket stocks" by buying sector or style stock funds.

Small-company stocks are cheap these days, says Kelly. Two funds to consider: ***iShares Core S&P Small Cap 600 ETF (IJR, 0.03%)*** or ***Vanguard Small Cap Index (VSMAX, 0.05%)***.

Sector funds offer a safer way to invest in long-term trends than individual stocks do. Two of our favorites include ***Invesco S&P 500 Equal Weight Health Care ETF (RSPH, 0.40%)*** and ***Technology Select Sector SPDR ETF (XLK, 0.10%)***.

Or go active and invest for growth. "When you're 19 years old, you need growth, not income," says Omar Aguilar, chief executive of Schwab Asset Management. Two actively managed growth funds we like are ***Fidelity Blue Chip Growth (FBGRX, 0.69%)*** and ***Primecap Odyssey Growth (POGRX, 0.66%)***.

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

My Top 10 Stock Picks for 2024

STREET SMART BY JAMES K. GLASSMAN

MY annual list of 10 stock selections for 2023 delivered a positive return in a tumultuous year, but the benchmark S&P 500 index did better: up 13.1% roughly a year since we published, compared with my collection's 7.9%. Still, for the past decade the average performance of my list was an annual gain of roughly 13%, including dividends, compared with less than 12% for the S&P. (Returns throughout the story are through October 31.)

Stocks go up and down, but they have proven to be fabulous investments over the long run. Between the start of 1957, when the S&P 500 assumed its current size and form, through October, the index has returned an annual average of 10.2%. No guarantees, of course, but at that rate, your original investment doubles in about seven years. At the end of 30 years, $100,000 becomes $1.6 million.

Through the genius of modern finance, you can now stash your nest egg in an S&P 500 index fund and do awfully well in the long term. So why pick stocks? As I've shown over the past decade and more, you might do better. Also, you'll be engaging in an exercise that millions of people find intellectually stimulating, fun and, unlike other forms of diversion, profitable. Picking stocks is not for everyone, but my guess is that it's for you—otherwise you wouldn't be reading this.

Annually since 1993, I have offered a list of stocks to buy for the year ahead. I select nine from the broader choices of experts that I trust, and I include one of my own. The best performer for 2023 was Nu Holdings, a Latin American fintech company whose shares had recently been purchased by Warren Buffett's Berkshire Hathaway. Nu returned a juicy 68%. According to tradition, Buffett, as the top picker, gets the first choice for the upcoming year. Among his new purchases in 2023 were three homebuilding stocks: D.H. Horton, Lennar and my own favorite, ***NVR***, which serves the Mid Atlantic, Midwest and South. High interest rates have knocked NVR off its peak, but with resale inventory tight (owners hesitate to sell if it means giving up a cheap mortgage), sales of new homes continue to rise.

Another leading performer last year was Lululemon, chosen from the holdings of Fidelity Growth Company fund, which has a stellar record. Steve Wymer, manager for the past 27 years, has lately been buying more shares of ***Tesla***, a stock he has owned since 2011. The future of mobility is clearly electric, and Tesla has a huge edge over the legacy automakers. The price is right: down nearly $100 from its mid-summer peak.

In his first appearance on my list, Tobias Fabian Mueller, the manager of the T. Rowe Price European Stock fund, was a big winner last year with LVMH Moët Hennessy Louis Vuitton, the luxury goods conglomerate. The fund, like the continent, has been sluggish for a decade, but the portfolio has some attractive assets, such as ***ASML Holding***, a Dutch company with a monopoly on the technology used to mass-produce advanced semiconductors. After soaring, share prices have dropped considerably in the past two years, offering a good entry point.

PHOTO BY NOAH WILLMAN

Terry Tillman, the Truist Securities software analyst, was far and away my best source of big winners for nearly a decade. But he has had three tough years in a row. For 2024, I'm trying something different: going with a stock that Tillman rated "buy" immediately after an initial public offering in September. It's ***Klaviyo***, a marketing platform that sends personalized e-mails to customers. Klaviyo is a young company with fast-rising revenues.

At the end of last year, Parnassus Endeavor changed its name to Value Equity, which is a good description of its orientation. The fund's pick last year, Merck, was a mediocre

Stocks go up and down, but they have proven to be fabulous investments over the long run.

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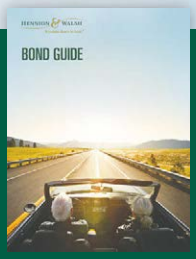

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performer. This year, I am going with one of the fund's top 10 holdings, ***Bank of America***. There's still considerable risk that consumers and businesses will cause loan losses for the bank if the economy goes into recession, but if the yield curve reverts to its traditional configuration, Bank of America can make rich profits by borrowing short term and lending long term.

In a sector that has performed poorly, Oberweis Micro-Cap is a standout, outpacing the typical small-company fund by an average of eight percentage points over each of the past five years. One of the fund's top holdings is ***Blue Bird***, a school bus manufacturer with a market capitalization (price times shares outstanding) of just $600 million. Recently, the company delivered its 1,500th electric bus—a category that could bring burgeoning profits as school districts convert their fleets.

Amazon, the online retail giant, carries a forward price-earnings ratio of 40-plus, based on analysts' profit forecasts for 2024. But ***Alibaba***, its China-based analogue, has a P/E in the single digits. The comparison is far from exact, but Alibaba is definitely cheap, and the main reason is the political risk created by the animosity between the U.S. and China. Shares have fallen by more than two-thirds in three years, and my guess is that all the risk (and more) is already reflected in the price. Alibaba is the number-one holding of Matthews China, managed by an excellent team of Asia specialists.

I project these stocks will beat the market in the coming 12 months, but I don't advise buying stocks unless you intend to hold them for at least five years.

Few stocks are given the top ranking ("1") for both timeliness and safety by the Value Line Investment Survey, and I usually choose one for my list each year. For 2024, it's ***Brown & Brown***, an 85-year-old Florida-based property and casualty insurer that also manages health claims. The mid-cap company's earnings have risen in what I like to call a beautiful line, year after year. So has the share price, but it's still reasonable.

ARK Innovation, the tech-focused exchange-traded fund, has had its ups and downs (gaining 153% in 2020, losing 67% in 2022), but manager Cathie Wood has lots of good ideas. One is ***DraftKings***, the online gaming company, which has gained 75% over the past year. Competition is intense, but this is one of the great businesses of the future. Revenues are soaring, but be aware that the company still loses money.

My own choice last year, Alphabet, the former Google, was the second-best performer on the 2023 list. For 2024, I'm picking a stock that has been kind to my own portfolio, ***ONEOK***, the well-managed Oklahoma-based natural gas pipeline and processing company. Natural gas exports are booming, and the fuel will be essential domestically—as a complement to solar and wind—to run the power plants that make electric vehicles run.

Some warnings: I project these stocks will beat the market in the coming 12 months, but I don't advise buying stocks unless you intend to hold them for at least five years. Supplement my brief descriptions with your own research, and please diversify. Happy hunting!

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

STOCKS THAT COULD PAY OFF IN 2024

The companies below represent a range of sectors and industries. Nine are ideas from experts Glassman trusts; one is his own.

Company	Symbol	Price	Market value (billions)	Price-earnings ratio*	1-year total return
Alibaba Group	BABA	$83	$208,541	9	29.8%
ASML Holding	ASML	599	236,044	28	28.0
Bank of America	BAC	26	208,701	8	–24.4
Blue Bird	BLBD	18	586	13	98.6
Brown & Brown	BRO	69	19,757	24	19.1
DraftKings	DKNG	28	12,815	NM	74.8
Klaviyo	KVYO	28	7,175	66	—
NVR	NVR	5,413	17,374	14	27.7
ONEOK	OKE	65	37,977	14	16.4
Tesla	TSLA	201	638,455	55	–11.7

As of October 31, 2023. *Based on estimated earnings for 2024. NM Not meaningful. — Stock not in existence for the entire period. SOURCE: Morningstar Direct

TIPS FOR A BOND LADDER

These target-maturity funds are a new tool for investors who are concerned about inflation.

ETF SPOTLIGHT BY KIM CLARK

BLACKROCK recently launched a suite of exchange-traded funds that make it easy to invest in Treasury inflation-protected securities (government bonds that move in step with inflation and pay a fixed coupon rate on top) of different maturities. All of the 10 new iShares iBonds ETFs—so-called target-maturity funds—come due in different years and sport target dates that range between 2024 and 2033.

Target-maturity ETFs aren't new; Blackrock and Invesco started offering them nearly a decade ago. But the earlier versions focus on corporate, municipal or Treasury bonds, which don't adjust with inflation. By eliminating the hassles of buying individual bonds, these ETFs make it easy to build a bond ladder, which involves spreading your investments among bonds with staggered maturities—the ladder "rungs." The goal is to provide steady income or minimize interest rate risk (bond prices and interest rates move in opposite directions). As bonds mature, you reinvest the proceeds in a rung further up the maturity line, spend the cash or invest it elsewhere.

TIPS may be timely given current inflation rates. Kiplinger expects inflation to average 2.4% by late 2024 (which is a smidge below its 30-year average). Inflation-protected securities work differently than traditional Treasuries. The principal, or face value, of TIPS, which are issued with five-, 10- and 30-year maturities, rises or falls monthly in step with the consumer price index. On top of that, TIPS pay a fixed rate of interest, or coupon rate, every six months. As of October 31, a 10-year TIPS had a yield of 2.5%. By contrast, the standard 10-year Treasury yielded 4.9%.

Target-maturity funds need some explaining, too. The iShares iBonds Oct 2024 Term TIPS ETF (symbol IBIA), for example, holds TIPS that come due between January 2024 and mid October 2024. Interest payouts are made quarterly. As the portfolio's bonds mature, the proceeds are reinvested into October-dated bonds or held in a money market fund within the ETF. On October 15, 2024, the ETF will officially close and return all of the capital to shareholders. It's best to buy and hold these funds to maturity. Each of the 10 funds charge a 0.10% expense ratio, and all sport a yield of at least 6% or better. But those yields include both interest income and inflation adjustments to the principal.

GETTY IMAGES

Blackrock likes to say these investments "mature like a bond and trade like a stock." You can buy shares in the ETFs for as little as the price of one share or less if your broker offers fractional-share purchases. That's less than the $1,000 minimum to buy Treasuries on most broker platforms, as well as the $100 minimum outlay required to buy the securities directly from TreasuryDirect.gov. And you can reinvest your interest income and buy more shares in the ETF. "I'm a fan of TIPS ladders. And if you like TIPS ladders, you'll like these funds," says Morningstar's John Rekenthaler.

Whether you hold TIPS directly or invest through an ETF, the tax implications are the same: Interest payments are exempt from state and local taxes, but you'll owe federal income tax on interest income and inflation adjustments to the principal—due in the tax year they occur, even if you don't sell the bond—if you hold these assets in a taxable account. K

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

Smart Options for Your Cash

INCOME INVESTING BY JEFFREY R. KOSNETT

I NEVER prescribe one overall asset-allocation formula because no such solution suits everyone. That includes the popular 60-40 stocks-to-bonds ratio, which advisers frequently recommend to retirees or preretirees who are afraid to lose principal but still need growth alongside immediate income. I also avoid dictating how much cash to hold, unless your answer is 100%—especially if you limit yourself to money market funds, Treasury bills and bank deposits. The closest I shall venture here to a 2024 forecast is that those 5% risk-free yields will not vanish before summertime.

However, there is another, often overlooked cash-management opportunity you can employ after you decide what percentage of your portfolio to keep in ready money: how best to distribute savings in interest-earning investments. I take an expansive view of what counts as cash, with ultra-low duration (a measure of the price sensitivity of a fund or bond to changes in interest rates) high on my list. (Bond prices and interest rates move in opposite directions.) The goal is to collect substantial income with mild price risk and everyday liquidity. Consider the following ideas reasonable for most everyone:

Maximum yield. You can outdo the best money market and certificate of deposit rates (see page 55) by impersonating a banker: Invest in funds that hold high-yielding assets, such as commercial loans, credit card portfolios, home-equity credit lines, and so forth. Duration in these types of funds is minimal, and the payouts dwarf those of CDs and T-bills. For example, ***Fidelity Floating Rate High Income Fund (symbol FFRHX, yield 9.4%)*** and the discounted closed-end fund ***Nuveen Credit Strategies Income (JQC, distribution rate 13.0%)*** transmit enough income to offset even a small uptick in delinquencies and write-offs. ***RiverPark Floating Rate CMBS Fund (RCRFX, yield 7.7%)*** and ***Janus Henderson AAA CLO ETF (JAAA, yield 6.7%)*** focus on different kinds of creditors but boast similar duration, yield and return. So far, 2023 has been friendly to this quartet, which has averaged a 7.3% total return through October.

A better lockbox. If those ideas are too spicy, you can still add value. The yield curve is screaming for you to target three- to-six-month maturities; anything that goes out one to two years or longer is silly. If you have a one- or three-year CD coming due, or any 401(k) savings sitting in a stable-value account yielding 3%, consider transferring the cash to ultra-short options such as money market funds or T-bills. On $50,000, the difference between a 3.0% and 5.5% yield is $1,250 a year—too much to ignore. And if you have cash in a brokerage account, be sure it sits in an actual money market fund and not a brokerage's or bank's holding tank paying no more than 1%.

The goal is to collect substantial income with mild price risk and everyday liquidity.

PHOTO BY BOB CROSLIN

High flexibility. If the economy weakens, or if the Federal Reserve hints that it can refrain from further rate hikes, the managers of actively managed ultra-short bond funds may be able to boost their net asset values a percentage point or two over and above the yield. Funds such as ***T. Rowe Price Ultra Short-Term Bond Fund (TRBUX, yield 4.9%)*** have done that in 2023—the fund is on pace to return 6% for the calendar year—and it may pick up some upside on price for several more quarters until higher-yielding assets, which include corporate notes and consumer loans, roll over and new ones pay less. If you give the pros the flexibility to find snippets of extra yield on favorable terms, you should take home more cash with ease. K

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

A BOND FUND RECOVERS

KIPLINGER 25 UPDATE BY NELLIE S. HUANG

At long last, "there's income back in fixed income," says ***Fidelity Strategic Income*** fund comanager Ford O'Neil. The Bloomberg Aggregate U.S. Bond index now yields better than 5%, which "makes us optimistic about this asset class," he adds.

The backdrop, of course, is the terrible year that bonds had in 2022, as the Federal Reserve raised interest rates. (Bond prices and interest rates move in opposite directions.) Strategic Income lost 11% that year, compared with a 13% decline in the Agg index.

But over the past 12 months, the multisector bond fund has excelled, with a 4.0% return, outpacing the Agg index and its peers.

Strategic Income invests in bonds from multiple sectors, keeping in mind a benchmark of 45% of assets in high-yield bonds (debt that's rated double-B to triple-C), 30% in U.S. government and other high-quality issues, 15% in emerging-markets debt, and 10% in IOUs from developed foreign countries. The lead managers, O'Neil and Adam Kramer, decide how much to devote to each sector; other Fidelity bond sector specialists pick the securities.

Over the past 12 months, the managers tilted toward high-yield bonds, specifically corporate bonds and leveraged loans (short- to medium-term loans issued to firms with below-investment-grade ratings). That shift paid off as both bond sectors posted double-digit returns over the past year. Emerging-markets debt and the fund's foreign developed bond sleeve performed well, too, beating their respective benchmarks. But the fund's U.S. government debt was flat and a bit of a drag on returns.

These days, the managers are choosing to hew closely to their benchmark's weighting. "There's a wide range of macroeconomic outcomes that could unfold in the next six to 12 months and we would prefer a neutral position," he says. In 2024, he adds, smart security selection will matter more than asset allocation.

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

KEY DATA FOR OUR MUTUAL FUND PICKS

Kiplinger 25 funds are no-load; you can buy them without sales charges. For more about the funds, visit kiplinger.com/links/kip25.

U.S. Stock Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
DF Dent Midcap Growth	DFDMX	2.9%	6.4%	8.1%	0.0%	0.85%
Dodge & Cox Stock	DODGX	4.7	9.2	9.8	1.5	0.51
Fidelity Blue Chip Growth	FBGRX	25.5	15.1	14.6	0.0	0.69
Heartland Mid Cap Value	HRMDX	1.2	9.2	—	0.5	1.10
Mairs & Power Growth	MPGFX	8.2	9.8	9.1	0.8	0.63
T. Rowe Price Dividend Growth	PRDGX	3.8	10.4	10.6	1.2	0.64
T. Rowe Price Int US Sm-Cap Gr	PRDSX	0.0	5.4	7.7	0.0	0.80
T. Rowe Price Small-Cap Value	PRSVX	–9.7	4.2	5.9	0.4	0.82
Primecap Odyssey Growth	POGRX	9.3	7.6	10.4	0.5	0.66
Vanguard Equity-Income	VEIPX	–1.0	8.2	8.9	2.8	0.28

International Stock Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Baron Emerging Markets	BEXFX	8.5%	0.6%	1.4%	0.0%	1.38%
Brown Cap Mgmt Intl Sm Co	BCSVX	1.2	4.9	—	0.0	1.31
Fidelity International Growth	FIGFX	10.6	6.6	5.2	0.2	1.01
Janus Henderson Glbl Eq Inc	HFQTX	7.4	4.0	3.2	3.8	1.02

Specialized Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Fidelity Select Health Care	FSPHX	–7.7%	6.4%	10.3%	0.0%	0.69%
T. Rowe Price Global Technology	PRGTX	22.7	9.2	13.5	0.0	0.95
TCW Enhanced Commod Strat	TGABX	–3.4	7.3	0.3	4.2	0.75

Bond Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Baird Aggregate Bond	BAGSX	0.8%	0.0%	1.0%	4.5%	0.55%
Fidelity Interm Muni Income	FLTMX	2.5	1.3	1.8	3.7	0.35
Fidelity Strategic Income	FADMX	4.0	2.1	2.6	6.0	0.68
T. Rowe Price Floating Rate	PRFRX	10.7	3.9	3.7	8.7	0.78
TIAA-CREF Core Impact Bond	TSBRX	0.4	–0.4	1.1	4.9	0.63
Vanguard Emerg Markets Bond	VEMBX	11.4	3.7	—	8.1	0.55
Vanguard High-Yield Corporate	VWEHX	5.5	2.9	3.6	7.8	0.23
Vanguard Short-Term Inv-Grade	VFSTX	4.0	1.4	1.4	5.7	0.20

Indexes	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield
S&P 500-STOCK INDEX	10.1%	11.0%	11.2%	1.7%
RUSSELL 2000 INDEX*	–8.6	3.3	5.6	1.6
MSCI EAFE INDEX†	14.4	4.1	3.1	3.2
MSCI EMERGING MARKETS INDEX	10.8	1.6	1.2	3.1
BLOOMBERG U.S. AGG BOND INDEX#	0.4	–0.1	0.9	5.7

AS OF OCTOBER 31, 2023. — Fund not in existence for the entire period. *Small-company U.S. stocks. †Foreign stocks. #High-grade U.S. bonds. SOURCES: Fund companies, FTSE Russell, Morningstar Inc., 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.

A Stable Path Overseas

Vanguard's new international fund targets dividend growth.

MUTUAL FUND SPOTLIGHT BY NELLIE S. HUANG

INTERNATIONAL stocks have long been out of favor and somewhat volatile, which has some investors skittish about venturing overseas. But a new actively managed fund focused on companies that are committed to raising their dividends may offer a more stable ride.

Vanguard International Dividend Growth (symbol VIDGX) launched in November. It's run by the same Wellington Management team that's behind Vanguard Dividend Growth, the longtime standout U.S. stock fund, and the two funds share the same investment philosophy and approach. The new fund is designed, in fact, to be paired with the U.S.-focused Dividend Growth fund.

Homing in on dividend growth is a way to find superior businesses, says manager Peter Fisher, who as of the end of 2023 heads both Dividend Growth and International Dividend Growth. "Companies committed to paying and raising a dividend are disciplined about how they allocate capital," he says. "They tend to be less risky and less cyclical businesses, and they have clean balance sheets." The end result is a portfolio of high-quality companies that tends to do relatively well when markets are weak.

Fisher is not a new hand at foreign stock investing or dividend growth stock investing. He has been working with Wellington's dividend growth strategy team since 2012. And he has run a global dividend growth strategy since 2016, as well as an international dividend growth strategy since 2019, geared for both wealthy clients and institutional clients.

The fund, which charges a 0.54% expense ratio, is too new to talk about many specifics, including performance. But Fisher says the portfolio will hold about 40 stocks in well-known, multinational companies based in Europe, Japan, Hong Kong and Canada. He expects the fund to yield roughly 3% and that companies in the portfolio will boast annual dividend increases of 10%, on average. And there will be little turnover of names in the portfolio. "We're buying to own for the life of the fund," says Fisher. "We want to find businesses that we can be partners with and owners of for the long term." We'll be watching it carefully for now, until it has a longer track record. K

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

20 LARGEST STOCK AND BOND MUTUAL FUNDS

Funds are ranked by asset size.

STOCK MUTUAL FUNDS

	Name	Symbol	Assets† (billions)	Annualized total return 1 yr.	Annualized total return 5 yrs.	Max. sales charge
1	Vanguard Total Stock Mkt Idx Adm	VTSAX	$999.6	8.4%	10.2%	none
2	Vanguard 500 Index Admiral	VFIAX	543.7	10.10	10.97	none
3	Fidelity 500 Index@	FXAIX	407.6	10.14	11.00	none
4	Vanguard Total Intl Stock Index Admiral	VTIAX	309.5	12.35	3.79	none
5	American Funds Growth Fund of Amer A	AGTHX	214.3	13.69	9.77	5.75%
6	American Funds American Balanced A	ABALX	190.7	4.93	5.99	5.75
7	American Funds Washington Mutual A	AWSHX	150.5	6.49	9.55	5.75
8	American Funds Europacific Growth A	AEPGX	121.8	10.01	4.07	5.75
9	American Funds New Perspective A	ANWPX	111.2	12.24	9.37	5.75
10	American Funds Invmt Co of Amer A	AIVSX	110.8	14.93	9.57	5.75
	S&P 500 INDEX			10.1%	11.0%	
	MSCI EAFE INDEX			14.4	4.1	

BOND MUTUAL FUNDS

	Name	Symbol	Assets† (billions)	1 yr. total return	Yield	Max. sales charge
1	Vanguard Total Bond Market Index Adm	VBTLX	$197.0	0.5%	5.0%	none
2	PIMCO Income A	PONAX	127.4	4.8	4.9	3.75%
3	American Funds Bond Fund of Amer A	ABNDX	73.6	–0.3	4.6	3.75
4	Vanguard Interm-Term Tx-Ex Inv	VWITX	68.1	2.7	4.1	none
5	Dodge & Cox Income I	DODIX	64.6	2.4	5.0	none
6	Vanguard Short-Term Investment-Grade Inv	VFSTX	55.4	4.0	5.7	none
7	Metropolitan West Total Return Bd M	MWTRX	53.7	–0.3	4.1	none
8	Fidelity US Bond Index@	FXNAX	53.7	0.3	4.7	none
9	PIMCO Total Return A	PTTAX	52.5	0.6	4.7	3.75
10	Lord Abbett Short Duration Income A	LALDX	43.2	3.7	5.3	2.25
	BLOOMBERG US AGGREGATE BOND INDEX			0.4%	5.7%	
	ICE BOFA AAA US MUNICIPAL SECURITIES INDEX			1.5	4.0	

AS OF OCTOBER 31, 2023. †For all share classes combined. @Only share class. Unless otherwise indicated, funds come in multiple share classes; we list the share class that is best suited for individual investors. MSCI EAFE tracks stock in developed foreign markets. SOURCES: Morningstar Direct, ICE.

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FIND ADVICE THAT'S WORTH THE PRICE

Many financial advisers provide valuable guidance, but it doesn't come cheap—and the fee structures can be confusing. We'll show you how to sort through the options.

BY DAVID RODECK

YOU probably know that financial advisers don't give away their expertise for free. But if you're searching for an adviser for the first time, you may suffer sticker shock when you find out what they charge for their services. That was the experience of C.J. Shank, who is semiretired and has been interviewing advisers to help her plan for her upcoming full retirement. "The fees seemed awfully high. Many wanted a percentage of all the money I saved over the last 40 years," says Shank, who is 67 and lives in Hagerstown, Md.

Whether fees or other roadblocks turn them away from advisers, most Americans manage money on their own. Only 35% reported working with a financial adviser in a 2022 Northwestern Mutual survey, even though 62% admitted their financial plans needed improvement. And most investors are not excelling with their portfolios. The typical investor underperformed the S&P 500 by nearly three percentage points a year over the past 30 years, which can mean losing out on hundreds of thousands of dollars over a lifetime. Compared with those missed earnings, an adviser's fees might seem like a pittance.

"If someone's sick, they pay for a doctor; if someone needs legal advice, they pay for an attorney. For some reason, when people need financial advice, they go to their brother, neighbor or father-in-law. It's only when they're really out of options that they pay for help," says J.J. Williams, CEO of Williams Financial in Sarasota Springs, N.Y., and a board member of the National Association of Personal Financial Advisors.

The industry may have itself to blame, at least partially, because fee structures aren't always clearly explained to clients. A 2022 study by the Financial Industry Regulatory Authority found that 21% of investors didn't realize they were paying any fees, and another 17% didn't know what they were paying.

Industry trade groups and associations, such as NAPFA and the Certified Financial Planner Board

of Standards, are working to make adviser compensation more transparent and aligned with the interests of consumers. That said, there is still wide variation in how advisers charge, the services they offer and the regulations they need to follow. If you're looking for an adviser, here's what you need to know about assessing their fees and finding one whose services fit your needs.

TYPES OF ADVISER FEES

Adviser fee models fall into a few main categories:

Assets under management. An adviser who uses an AUM model deducts a percentage of your total portfolio value each year. For example, if you hire an adviser to manage your $1 million portfolio and he charges 1% for the AUM fee, you would owe $10,000 per year. In exchange for the fee, the adviser builds your portfolio and manages the investments on your behalf.

AUM fees have been the longtime standard for the advisory business. Because advisers earn more as your portfolio grows, they have an incentive to perform well. "They have more skin in the game versus advisers who charge a flat fee that's the same each year," says Loren Paul Fiffik, a CFP with Confluence Financial Partners in Pittsburgh.

The percentage charged for AUM fees usually decreases as your portfolio grows. On average, advisers charge 1.12% per year for a portfolio of $100,000, 1.02% for a portfolio of $1 million and 0.91% for a portfolio of $2 million, according to a 2021 survey by Advisory HQ.

Advisers who charge using an AUM model typically require that clients have a minimum portfolio size, such as $250,000 or $1 million. That means hiring an adviser who charges by assets under management might not be possible if you have just started investing. And

advisers charge the AUM fee whether your portfolio goes up or down—you won't find a professional financial adviser who is willing to be paid only if your portfolio has a positive return.

↑ **There's usually no investment minimum required with a flat-fee structure because what you pay isn't based on how much money you bring to the table.**

Flat fees. Under a flat-fee system, you pay your adviser a set amount for their work. There are a few ways to do this. You could pay by the hour whenever you need help or want to ask questions. You could pay a flat amount for a specific job, such as creating a financial plan that you will then manage yourself. And some advisers charge a monthly or annual fee as a retainer for ongoing support, for answering your questions or for managing your portfolio.

The flat-fee structure is becoming more popular with younger financial professionals, especially millennials and members of Generation Z, says Adriel Tam, CEO of AdvisorCheck, an online platform for comparing advisers. He thinks this system is fairer to clients because you pay the same amount regardless of portfolio size. "It takes the same work to manage a $2 million account as a $1 million account. Why should an adviser charge twice as much?"

There's usually no investment minimum required with a flat-fee structure because what you pay isn't based on how much money you bring to the table. An adviser may charge $200 to $400 per hour, or $1,500 to $6,000 to build a financial plan. For ongoing investment management, the adviser may charge between $2,000 to $10,000 a year, depending on the level of service provided. "Financial advisers are gradually becoming more like attorneys. They charge for their time, and it's expensive, but you only pay when you use them," says Tam.

If you pay a flat fee for advice only, you owe that money whether you follow through or not, whereas with an AUM structure, the adviser earns the money by running your portfolio. Daniel Milan, managing partner at Cornerstone Financial Services in Southfield, Mich., uses both approaches. He charges a flat fee to advise clients who are early in their careers and still building wealth.

GETTY IMAGES (INCLUDING PREVIOUS SPREAD)

Once clients have a larger portfolio that needs more hands-on investment management, they switch to the AUM model.

Commissions. Under a commission model, the financial professional makes money if you buy a financial product such as a stock, bond, annuity or insurance policy. Insurance agents and stockbrokers work on a commission model. They might give you financial advice for free and even refer to themselves as financial advisers, but they make money by closing a sale.

A commission structure could make sense if you know what kind of investment or insurance product you'd like and just want to buy it, Tam says. Because you aren't paying for advice, you can save money by working with a commission-based agent or broker.

But the commission model can be problematic for clients who aren't sure what to buy and instead rely on a recommendation from an agent or broker who might make more money by selling one product instead of another. For example, life-insurance commissions are often based on the total premiums paid, meaning an agent earns much more by recommending more-expensive, permanent life insurance products, such as whole life or variable universal life insurance, compared with term life insurance. "If they made the commissions more uniform, that would remove the conflict of interest. But right now, they don't," says Fiffik, the CFP from Pittsburgh.

A fee-based adviser charges you for advice but may also earn commissions, while a fee-only adviser makes money only by giving advice.

Insurance agents and stockbrokers are legally required to recommend products that are suitable and appropriate for your situation—but these professionals don't have to put your interests ahead of their own. In other words, if two suitable products are available and one is slightly less desirable for your situation and pays a higher commission, the agent or stockbroker can recommend it.

Advisers who follow a fiduciary standard must put your interests above their own in these situations, recommending the best product even if it means less money in their pocket. Tam believes there are plenty of quality stockbrokers and insurance agents who put your interests first despite the financial incentives for them. Still, it's essential to understand these possible conflicts before buying.

You should also ask how the commission will affect your investment. Commission-based mutual funds usually deduct a fee known as a load when you buy and/or sell the fund. Life insurance policies and annuities

HIGH-TECH HELP

Should You Use a Robo Adviser?

If you want low-cost investment management and you are computer-savvy, a robo adviser might be the answer. These tools use technology to design your portfolio and automatically make trades as needed to match your listed goals. The fee is considerably lower than what you'll pay to hire a human adviser. Betterment and Wealthfront, two major robo advisers, charge 0.25% per year, compared with the typical 1% for a human adviser.

Robo advisers make the portfolio-management process less labor-intensive and more commoditized, but these tools still can't match a human adviser for delivering on the emotional side of your financial plan, says J.J. Williams, CEO of Williams Financial in Sarasota Springs, N.Y. "A robo adviser isn't going to talk to you. It won't give feedback on your goals or what you're trying to accomplish with your life."

If you would like to add human expertise, consider a hybrid robo-advisory service that combines automated portfolio management with access to human advisers. The robo handles your investments, but you can speak with an adviser for questions and advice on setting up your portfolio. Fees and minimum-balance requirements are higher with hybrid robos than for those that provide only automated services, but the costs are still usually lower than they are to hire a human adviser for broader services. Merrill Guided Investing charges 0.85% per year and requires a $20,000 asset minimum for its hybrid option. Vanguard Personal Advisor requires a $50,000 minimum and charges a fee starting at 0.35% of assets.

can include hefty surrender charges if you cancel within the first three to 10 years. Shank, the semiretiree from Maryland, ran into this problem after buying an annuity recently. "I liked that it paid a guaranteed 5.8% return for five years, but I didn't realize I had to wait 10 years to touch my money."

Fee-based versus fee-only. As if sorting through fee models wasn't tricky enough, another issue is that some advisers switch between roles and regulations. A *fee-based* adviser charges you for advice but may also earn commissions when you buy products.

"It's confusing. For the first 30 minutes, while reviewing your plan, the adviser works as a fiduciary. But then when it's time to start making investments, they take that hat off, and the standard changes," says Williams, the financial adviser on NAPFA's board.

Fee-only advisers do not earn commissions and make money only by giving advice. They always work as fiduciaries, putting your interest first.

The Garrett Planning Network and NAPFA limit membership to fee-only advisers and offer an online database of these professionals. This past summer, NAPFA made an exception to allow members who are still earning commissions from sales at past jobs if they've tried to renounce those earnings and their former employer refuses to stop paying them for legal reasons. These ongoing commissions must total no more than $2,500 annually, and the adviser must donate the money to charity.

NARROWING DOWN THE CHOICES

With the adviser fee structures in mind, you can then consider what role, if any, an adviser should play in your life. As you check out the market, these tips can help you find the ideal solution.

Consider the type of advice and support you want. You should decide whether you want investment and portfolio management, broader financial planning—through which an adviser helps you figure out your goals and the steps needed to reach those goals—or both. Advisers who offer only financial planning tend to charge flat fees, whereas investment managers typically charge by assets under management.

From there, consider how involved you want your adviser to be. Picking the right style of adviser is similar to renovating your kitchen, says Tam, the CEO of AdvisorCheck. "Are you looking for a small, specific job, like replacing the countertops, and you're comfortable figuring out the necessary steps yourself? Or do you want a contractor to manage the entire process for a full remodel?" If you are confident in your investment knowledge and know you'll follow through on recommendations, an adviser who charges a flat fee by the plan or by the hour is probably the best fit.

Even if you don't need ongoing support from a financial adviser, you might want to hire one every few years for a short portfolio review.

If you want someone to oversee and run your entire financial plan and investment portfolio, you likely are better off with an adviser charging an AUM fee. Although some flat-fee advisers offer more-comprehensive support and portfolio management, it's more common for those services to be offered by advisers working under an AUM model, says Fiffik, the CFP from Pittsburgh.

Research your local market. Adviser fees vary by market, says Milan, the investment adviser from Michigan. He recommends contacting several advisers to gauge what's fair and common in your area. You can search for local advisers through the CFP Board (www.cfp.net), the Financial Planning Association (www.plannersearch.org) or NAPFA (www.napfa.org). If you aren't happy with the availability in your region, you can try broadening your search to other areas, as it's becoming more common for advisers to work with remote clients. The XY Planning Network (www.xyplanningnetwork.com) has a database of advisers who will work remotely.

Ask advisers about their fees and what's included. When you interview potential advisers, ask about the fees for their services, including whether they earn commissions. Most should disclose their fee structure up front; if they don't, it's a red flag. You should also ask what's included. Many advisers working under an AUM model also include tax and estate planning and insurance services for no additional charge. There's a wide range of what you may get for that 1% a year.

Weigh the fees against the value. Hiring an adviser is often a costly undertaking. Just remember that the typical investor who goes it alone underperforms the market, and mistakes such as selling in a panic after a market crash and missing the future rebound contribute to that underperformance. "Delegating investment decisions to a third party can take out the emotions," says Milan.

Although the exact value of a financial adviser is hard to quantify, Vanguard estimates the amount at roughly 3% a year in extra return be-

cause of factors such as proper asset allocation (which adds about 0.6%), more cost-effective investment implementation (0.3%), portfolio rebalancing (0.14%), spending strategies (up to 1.2%) and behavioral coaching (up to 2%). "There have been times when we've made a couple of decisions in a client's plan that paid for 10 years or more of fees," says Williams, of Williams Financial.

If you are already a hands-on manager of your portfolio, you feel confident in your ability to pick the right investments for your goals, you're a disciplined saver, and you keep a cool head when the market goes nuts, you may not need ongoing support from an adviser. But every few years you might want to hire an adviser by the hour for a short portfolio review to confirm that your plan is on track and you're up to date with the latest laws relevant to your situation.

Wait for the right match. Your adviser will help you handle some of your most important financial decisions. Don't trust just anyone in this role. "It's better to take your time and make the right decision versus forcing a relationship that doesn't work," says Milan. After you sign up, recheck the financial-advice market every few years to ensure your adviser's fees and level of service remain competitive.

Shank hired an adviser in 2022 who charged a $2,500 flat fee for a year of support, but she ultimately did not renew and is still searching for her ideal match. "She looked at my investments and made some recommendations, but I didn't feel comfortable turning over my portfolio to her firm," says Shank, who felt that the firm didn't provide a clear picture of how it would manage her investments. "In the end, I'd like someone I can communicate with." K

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

LEARN THE LINGO

The ABCs of Adviser Credentials

Trying to decipher the abbreviations on an adviser's business card? Here are some common credentials, what they mean and what an adviser did to earn them.

CERTIFIED FINANCIAL PLANNER (CFP): Covers a broad range of areas in a financial plan, including investing, insurance, estate planning and budgeting. A CFP must take an extensive course, pass a standardized exam, have at least three years of financial planning experience and commit to being a fiduciary.

CHARTERED FINANCIAL CONSULTANT (CHFC): Completes a course covering the same subjects as a CFP. A ChFC must also have at least three years of financial planning experience and commit to the fiduciary standard. However, a ChFC does not have to pass a standardized board exam.

REGISTERED INVESTMENT ADVISER (RIA): A company that must register with either the Securities and Exchange Commission or the company's state regulatory agency, depending on the firm's total assets under management. An **investment adviser representative (IAR)** works for an RIA to give investment advice to clients. IARs follow the fiduciary standard when recommending investments (stockbrokers do not have to follow this standard).

CHARTERED FINANCIAL ANALYST (CFA): Specializes in investment management, such as designing portfolios and giving investment advice. CFAs must pass a three-part exam and have three years of investment-related work experience.

CERTIFIED PUBLIC ACCOUNTANT (CPA): Specializes in tax issues. CPAs can provide services that go far beyond preparing your annual tax return, such as audit support and strategic tax planning. Each state's requirements for CPAs are different, but they usually involve having an advanced degree, one to two years of accounting and tax experience, and passing an exam. CPAs can also get a personal financial specialist (PFS) designation showing their expertise in financial planning and wealth management. This requires passing another exam and having five years of work experience in financial planning.

CHARTERED LIFE UNDERWRITER (CLU): Focuses on insurance and estate-planning issues. CLUs must complete a course, pass an exam and have at least three years of experience in the life insurance industry.

RETIREMENT INCOME CERTIFIED PROFESSIONAL (RICP): Specializes in retirement-planning issues, including Medicare, Social Security and retirement saving. RICPs must complete a specialized course, pass an exam and have three years of financial planning experience.

Stay Involved in Family Finances

MONEY SMART WOMEN BY JANET BODNAR

AFTER I wrote about gray divorce (see "Money Smart Women," July 2023), I received a thought-provoking response and query from reader Gail Jarvis that I thought deserves a follow-up. Gail, 58, lives in a suburb of Atlanta, where, she says, "so many women my age are like me—college-educated stay-at-home moms with traveling husbands who volunteered at our children's schools."

Gail returned to the workforce eight years ago as a substitute teacher, and she earns $175 a day. She is funneling her earnings into her own Roth IRA, but most of the couple's retirement assets are in her husband's name with her as the beneficiary. Married for 31 years, she has no plans to divorce and admits that "when I was younger, I was so busy raising children that I never thought about our finances. But I do now. How can I make my future financially more secure?"

Gail and other women in her situation should start with rule number one: Know where your money is. Discuss your finances with your spouse on a regular basis, or at least "schedule a 'money date' a couple of times a year so that you know your income and expenses, where your accounts are and how much you have," advises Leslie Thompson, a chartered financial analyst and cofounder of Spectrum Wealth Management in Indianapolis.

One alternative to a discussion is to go through your tax return to see a rundown of all your accounts. "I'm surprised by how many women only see the signature page on their tax returns," says Thompson.

If you have a financial adviser, "ask for a one-on-one conference," says Kimberly Foss, a certified financial planner and partner with Mercer Global Advisors in Roseville, Calif. "Ask him or her to run a 'Monte Carlo' simulation to see the probability of running out of money."

It's also important to control money in your own name outside of a retirement account so that you can get access to it if you need it. "All women should have their own emergency fund, whether it's to buy a nice gift for your spouse or to run the household for a few months," says Foss.

A high price. Gail feels "very blessed to have had the opportunity to be able to be at home with my children as they were growing up. If I had a redo, I would still have done the same thing." But many women in that situation "are paying a very big price financially," says Lisa Zeiderman, managing partner at the Miller Zeiderman law firm in New York City.

In Gail's case, one option might be to boost her earnings by tutoring, for example, or finding a job that pays more—and using the extra money to set up an emergency fund as well as funding her retirement savings.

PHOTO BY NOAH WILLMAN

Gail and her husband still have a mortgage on their house, so a life insurance policy on his life could still make sense. Even better, says Zeiderman, Gail could own the policy as well as being the beneficiary, which would give her more control. And she and her husband should consider long-term-care insurance.

For women who plan to stay out of the workforce for long periods to raise children, Zeiderman is a strong advocate for a prenuptial or postnuptial agreement. "If a woman knew in advance that she would have sufficient funds in case of divorce or widowhood, she could have the luxury of being the non-breadwinner," says Zeiderman.

Absent that, keep your foot in the door, whether by working on a part-time basis, volunteering in your community or continuing to maintain your network. Says Zeiderman, "That's an absolute necessity."

It's important to control money in your own name outside of a retirement account so that you can get access to it if you need it.

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

BEAT PESKY FEES AT THE ATM

BY ELLA VINCENT

WHEN you use an out-of-network ATM, you may be hit with a double whammy when it comes to fees, facing charges from both your bank and the ATM operator. A recent survey from Bankrate found that on average, you'll pay a record-high $4.73 in total fees for an out-of-network transaction.

One way to beat the fees is to use ATMs within your financial institution's network. Your bank may operate its own machines, participate in a broad network such as Allpoint or MoneyPass, or both. Citibank customers, for example, can withdraw cash fee-free from machines at Citi branches as well as at MoneyPass ATMs. Customers of Ally Bank, an online institution, can make surcharge-free withdrawals from ATMs in the Allpoint network.

Another option is to sign up for a checking account that reimburses out-of-network fees. TD Bank, for example, refunds such charges (and waives its monthly maintenance fee) if you have a minimum of $2,500 in its Beyond Checking account. Online bank Axos Bank reimburses ATM fees with its Essential, Rewards and CashBack checking accounts—and the accounts charge no monthly fees.

A third trick: While you're shopping, see whether you can get cash back at checkout when you make a purchase with your debit card. Target and Lowe's, for example, allow this. This option usually comes with no fee, but stores commonly impose a limit of $40 to $50 per transaction.

If triggering out-of-network fees is unavoidable, consider withdrawing larger amounts of cash at each ATM visit to reduce the number of withdrawals you make and the amount of the fees you pay. If you need only $20 now, for example, take out $100 and save the extra money for later. K

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

RATE UPDATES

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

TOP-YIELDING SAVINGS

Taxable Money Market Mutual Funds	30-day yield as of Oct. 24	Minimum investment	Website
Gabelli US Treasury MMF (GABXX)	5.49%	$10,000	gabelli.com
DWS Gov & Agency (DTGXX)*	5.41	1,000	fundsus.dws.com
Putnam MMF (PDDXX)	5.27	500	putnam.com
Payden Cash Reserves MMF (PBHXX)*	5.27	5,000	payden.com

Tax-Free Money Market Mutual Funds	30-day yield as of Oct. 23	Tax eq. yield 24%/35% bracket	Minimum investment	Website
Fidelity Municipal MMF (FTEXX)	3.46%	4.55%/5.32%	$1	fidelity.com
BNY Mellon Ntl Muni (MOMXX)	3.45	4.54/5.31	10,000	bnymellon.com
American Cent T-F MMF (BNTXX)	3.43	4.51/5.28	2,500	american century.com
Fidelity Tax-Exempt MMF (FMOXX)*	3.37	4.43/5.18	1	fidelity.com

Savings and Money Market Deposit Accounts	Annual yield as of Nov. 1	Minimum amount	Website
Elevault (Ark.)†@	5.65%	$0	elevault.app
Popular Direct (N.Y.)†	5.40	100	populardirect.com
Brilliant Bank (Kan.)†#	5.35	1,000	brilliant.bank
BrioDirect (N.Y.)†	5.35	5,000	briodirectbanking.com

Certificates of Deposit 1-Year	Annual yield as of Nov. 1	Minimum amount	Website
Credit Human (Texas)‡	6.00%	$500	credithuman.com
Forbright Bank (Md.)^	5.75	1,000	forbrightbank.com
Popular Direct (N.Y.)†	5.67	10,000	populardirect.com
Merrick Bank (Utah)†	5.67	25,000	merrickbank.com

Certificates of Deposit 5-Year	Annual yield as of Nov. 1	Minimum amount	Website
Self-Help FCU (N.C.)&	4.86%	$500	self-help.org
Workers Credit Union (Mass.)&	4.75	500	wcu.com
Bread Financial (Utah)†	4.75	1,500	breadfinancial.com
Merrick Bank (Utah)†	4.70	25,000	merrickbank.com

*Fund is waiving all or a portion of its expenses. †Internet only. @Available only through a mobile app. #Money market deposit account. ‡CD term is 12–17 months. ^CD term is 9 months. &Must be a member; to become a member, see website or call. SOURCES: Bankrate, DepositAccounts, Money Fund Report (iMoneyNet).

TOP-YIELDING CHECKING

Must meet activity requirements*

Account Issuer	Annual yield as of Nov. 1	Balance range^	Website
Pelican State CU (La.)&	6.05%	$0–10,000	pelicanstatecu.com
Credit Union of New Jersey (N.J.)&	6.00	0–25,000	cunj.com
Orion FCU (Tenn.)&	6.00	0–10,000	orionfcu.com
All America Bank (Okla.)†#	5.30	0–15,000	allamerica.bank

*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. †Internet only. #Redneck Bank offers a similar yield. SOURCE: DepositAccounts.

YIELD BENCHMARKS

	Yield	Month ago	Year ago
U.S. Series EE savings bonds	2.70%	2.50%	2.10%
U.S. Series I savings bonds	5.27	4.30	6.89
Six-month Treasury bills	5.51	5.53	4.58
Five-year Treasury notes	4.67	4.60	4.27
Ten-year Treasury notes	4.77	4.59	4.07

AS OF NOVEMBER 1, 2023. ↳ 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.

HOW TO DOWNSIZE IN TODAY'S HOUSING MARKET

Rising prices, higher interest rates and a tight supply of smaller homes present challenges for home buyers. But retirees have an edge.

BY SANDRA BLOCK

GETTY IMAGES

IF you spent your teenage years waiting anxiously for one of your siblings to get out of the shower, the idea of selling your spacious, multi-bathroom home and moving into a smaller house or condo may feel like a reversal of fortune.

Yet for many retirees, downsizing makes financial and practical sense. Younger baby boomers—those currently ranging in age from 57 to 66—made up 17% of recent home buyers, while older boomers—ages 67 to 75—accounted for 12%, according to a 2022 report from the National Association of Realtors Research Group. Boomers' primary reasons for buying a home were to be closer to friends and family, as well as a desire to move into a smaller home, the report said. Both younger and older boomers were more likely than others to purchase a home in a small town, and younger boomers were the most likely to buy in a rural area.

Not all retirees move into a smaller home. A survey by Age Wave and Merrill Lynch found that about one-third of retirees opted to "upsize" to a larger home. But a smaller house or condo typically requires less maintenance and may be more accessible than a two-story suburban house. And at a time when homeowners age 62 and older have more than $12 trillion in home equity, downsizing offers a way to free up some of that equity for other purposes, such as shoring up retirement accounts or saving for long-term care.

Boomers' primary reasons for buying a home are to be closer to friends and family, as well as a desire to move into a smaller home.

For retirees Fred and Shelby Bivins, selling their home in Green Valley, Ariz., will enable them to realize their dream of traveling in retirement. The Bivinses have put their 2,050-square-foot Arizona home on the market and plan to relocate to their 1,600-square-foot summer condo in Fish Creek, Wis., a small community about 50 miles from Green Bay. They plan to live in Wisconsin in the spring and summer and spend the winter months in a short-term rental in Arizona, where they have family.

Fred, 65, says the decision to downsize was precipitated by a two-month stay in Portugal last year, one of several countries they hope to visit while they're still healthy enough to travel. "We've had Australia and New Zealand on our list for many years, even when we were working," says Shelby, 68. The Bivinses are also considering a return visit to Portugal. Eliminating the cost of maintaining their Arizona home will free up funds for those trips.

With help from Chris Troseth, a certified financial planner based in Plano, Texas, the Bivinses plan to invest the proceeds from the sale of

their home in a low-risk portfolio. Once they're done traveling and are ready to settle down, they intend to use that money to buy a smaller home in Arizona. "Selling their primary home will generate significant funds that can be reinvested to support their lifestyle now and in the future," Troseth says. "Downsizing for this couple will be a positive on all fronts."

CHALLENGES FOR DOWNSIZERS

For all of its appeal, downsizing in today's market is more complicated than it was in the past. With 30-year fixed interest rates on mortgages recently approaching 8%, many younger homeowners who might otherwise upgrade to a larger home are unwilling to sell, particularly if it means giving up a mortgage with a fixed rate of 3% or less. More than 80% of consumers surveyed in September by housing finance giant Fannie Mae said they believe this is a bad time to buy a home and cited mortgage rates as the top reason for their pessimism. "This indicates to us that many homeowners are probably not eager to give up their 'locked-in' lower mortgage rates anytime soon," Fannie Mae said in a statement. As a result, buyers are competing for limited stock of smaller homes, says Hannah Jones, senior economic research analyst for Realtor.com.

Retirees can cast a wider net than younger buyers, whose choice of homes is often dictated by their jobs or a desire to live in a well-rated school district.

Here, though, many retirees have an advantage, Jones says. Rising rates have priced many younger buyers out of the market and made it more difficult for others to obtain approval for a loan. That's not an issue for retirees who can use proceeds from the sale of their primary home to make an all-cash offer, which is often more attractive to sellers.

Retirees also have the ability to cast a wider net than younger buyers, whose choice of homes is often dictated by their jobs or a desire to live in a well-rated school district. While the U.S. median home price has soared more than 40% since the beginning of the pandemic, prices have risen more slowly in parts of the Northeast and Midwest, Jones says. "We have seen the popularity of Midwest markets grow over the last few months because out of all of the regions, the Midwest tends to be the most affordable," she says. "You can still find affordable homes in areas that offer a lot of amenities."

Meanwhile, selling your home may be somewhat more challenging than it was during the height of the pandemic, when potential buyers made offers on homes that weren't even on the market. The Mortgage Bankers Association reported in October that mortgage purchase applications slowed to the lowest level since 1995, as the rapid rise in mortgage rates has pushed many potential buyers out of the market. Sales of previously

LET IT GO

Say Goodbye to Excess Stuff

Downsizing forces you to make some difficult and often emotional decisions about the possessions you've accumulated over the years. "We tell people to give it more time than they think they need because we want it to be a thoughtful process," says Mary Kay Buysse, co-executive director of the National Association of Senior and Specialty Move Managers. "You don't want to have any regrets."

Margareta Magnusson, author of the best-selling book *The Gentle Art of Swedish Death Cleaning: How to Free Yourself and Your Family From a Lifetime of Clutter,* recommends starting with large items, such as furniture, and working your way down to smaller things. Cleaning out your clothes closet is another task to tick off early because it's usually easy to figure out which items you no longer wear. Save letters and photos for last, Magnusson recommends, because you may get stuck on memory lane and fail to get around to anything else.

GETTY IMAGES

owned single-family homes fell a seasonably adjusted 2% in September from August and were down 15.4% from a year earlier, according to the National Association of Realtors. "As has been the case throughout this year, limited inventory and low housing affordability continue to hamper home sales," NAR chief economist Lawrence Yun said in a statement.

However, because of tight inventories, there's still demand for homes of all sizes, Jones says, so if your home is well maintained and move-in ready, you shouldn't have difficulty selling it. "The market isn't as red-hot as it was during the pandemic, but there's still a lot to be gained by selling now," she says.

OTHER COSTS AND CONSIDERATIONS

If you live in an area where real estate values have soared, moving to a less expensive part of the country may seem like a logical way to lower your costs in retirement. While the median home price in the U.S. was $394,300 in September, there's wide variation in individual markets, from $1.5 million in Santa Clara, Calif., to $237,000 in Davenport, Iowa. But before you up and move to a lower-cost locale, make sure you take inventory of your short- and long-term expenses, which could be higher than you expect.

Selling your current home, even at a significant profit, means you will incur costs, including those to update, repair and stage it, as well as a real estate agent's commission (typically 5% to 6% of the sale price). In addition, ongoing costs for your new home will include homeowners insurance, property taxes, state and local taxes, and homeowners association or condo fees.

Nicholas Bunio, a certified financial planner in Berwyn, Pa., says one of his retired clients moved to Florida and purchased a home that was $100,000 less expensive than her home in New Jersey. Florida is also one of nine states without

Take the time to talk to children and other family members about items they may want to keep. Although your children probably don't want your leather couch or china cabinet, they might like to have photos and other keepsakes. If you have an attachment to an item you rarely use, take photos, Buysse says. Otherwise, the item will likely end up in your garage, taking up space. "We're just a country of stuff," she says. "We've got to get over it."

Don't succumb to the temptation to put unwanted items in storage while you make up your mind about what to keep, Buysse warns. If you plan to store items for a couple of months—until your granddaughter gets married and takes possession of your dining room set, for example—renting a storage unit is fine, she says. But if you're doing it to postpone getting rid of items you can't bring yourself to donate or sell, you could end up renting the unit for years at a potential cost of thousands of dollars.

If the task becomes overwhelming, consider hiring outside assistance. A senior move manager will help you organize and sort your items; dispose of items through estate sales, consignment and donation; oversee professional movers; and provide other related services, such as cleaning. The move manager will walk through your home and give you an estimate of the costs while working within your budget, Buysse says. You can search for a move manager in your area at www.nasmm.org. If you can handle the move but need help getting organized, consider hiring a professional organizer. Search for one in your area at www.napo.net, the website for the National Association of Productivity and Organizing Professionals.

income tax, which makes it attractive to retirees looking to relocate. Once Bunio's client got there, however, she discovered that she needed to spend $50,000 to install hurricane-proof windows. Worse, the only homeowners insurance she could find was through Citizens Property Insurance, the state-sponsored insurer of last resort, and she'll pay about $8,000 a year for coverage. Her property taxes were higher than she expected, too. When it comes to lowering your cost of living after you downsize, "it's not as simple as buying a cheaper house," Bunio says.

Once you've settled on a community, consider renting for a few months to get a feel for the area and a better idea of how much it will cost to live there.

Before moving across the country, or even across the state, you should also research the availability of medical care. "Oftentimes, those considerations are secondary to things like proximity to family or leisure activities," says John McGlothlin, a CFP in Austin, Texas. McGlothlin says one of his clients moved to a less expensive rural area that's nowhere near a sizable medical facility. Although that's not a problem now, he says, it could become a problem when they're older.

If you use original Medicare, you won't lose coverage if you move to another state. But if you're enrolled in Medicare Advantage, which is offered by private insurers as an alternative to original Medicare, you may have to switch plans to avoid losing coverage. To research the availability of doctors, hospitals and nursing homes in a particular zip code, go to www.medicare.gov/care-compare.

At a time when many seniors suffer from loneliness and isolation, a sense of community matters, too. Bunio recounts the experience of a client who considered moving from Philadelphia to Phoenix after her daughter accepted a job there. The cost of living in Phoenix is lower, but the client changed her mind after visiting her daughter for a few months. "She has no friends in Phoenix," he says. "She's going on 61 and doesn't want to restart life and make brand-new connections all over again."

TIME IS ON YOUR SIDE

Unlike younger home buyers, who may be under pressure to buy a place before starting a new job or enrolling their kids in school, downsizers usually have plenty of time to consider their options and research potential downsizing destinations. Once you've settled on a community, consider renting for a few months to get a feel for the area and a better idea of how much it will cost to live there. Bunio says some of his clients who are behind on saving for retirement or have high health care costs have sold their homes, invested the proceeds and become permanent renters. This strategy frees them from property taxes, homeowners insurance, homeowners association fees and other expenses associated with homeownership.

The boom in housing values has boosted rental costs, as the shortage of affordable housing increased demand for rental properties. But thanks to the construction of new rental properties in several markets, the market has softened in recent months, according to Zumper, an online marketplace for renters and landlords. A Zumper survey conducted in October found that the median rent for a one-bedroom apartment fell 0.4% from September, the most significant monthly decline this year.

In 75 of the 100 cities Zumper surveyed, the median rent for a one-bedroom apartment was flat or down from the previous month. (For more on the advantages of renting in retirement, see "8 Great Places to Retire—for Renters," Aug.).

GETTY IMAGES

AGING IN PLACE

For all the talk of downsizing, a significant number of retirees don't want to go anywhere. A 2021 survey by AARP found that about three-fourths of adults over 50 want to stay in their current homes for as long as possible. That's not surprising: Many retirees have deep ties to their communities and want to provide room for their children and grandchildren when they come to visit.

Even if you opt to age in place, you can tap your home equity by taking out a home equity line of credit, a home equity loan or a reverse mortgage. At a time when interest rates on home equity lines of credit and loans average around 9%, a reverse mortgage may be a more appealing option for retirees. With a reverse mortgage, you can convert your home equity into a lump sum, monthly payments or a line of credit. You don't have to make principal or interest payments on the loan for as long as you remain in the home.

To be eligible for a government-insured home equity conversion mortgage (HECM), you must be at least 62 years old and have at least 50% equity in your home, and the home must be your primary residence. The maximum payout for which you'll qualify depends on your age (the older you are, the more you'll be eligible to borrow), interest rates and the appraised value of your home. In 2023, the maximum you could borrow was $1,089,300 (the 2024 loan limit hadn't been announced at press time).

There's no restriction on how homeowners must spend funds from a reverse mortgage, so you can use the money for a variety of purposes, including making your home more accessible, generating additional retirement income or paying for long-term care. You can estimate the value of a reverse mortgage on your home at www.reversemortgage.org/about/reverse-mortgage-calculator.

Up-front costs for a reverse mortgage are high, including up to $6,000 in fees to the lender, 2% of the mortgage amount for mortgage insurance, and other fees. You can roll these costs into the loan, but that will reduce your proceeds. For that reason, if you're considering a move within the next five years, it's usually not a good idea to take out a reverse mortgage.

Another drawback: When interest rates rise, the amount of money available from a reverse mortgage declines. Unless you need the money now, it may make sense to postpone taking out a reverse mortgage until the Federal Reserve cuts short-term interest rates, which is unlikely to happen until late 2024 (unless the economy falls into recession before that). Even if interest rates decline, they aren't expected to return to the rock-bottom levels seen over the past 15 years, according to a forecast by *The Kiplinger Letter*. And with inflation still a concern, big rate cuts such as those seen in response to recessions and financial crises over the past two decades are unlikely. K

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

KIP TIP

Managing Taxes on the Sale of Your Home

As long you've owned and lived in your main home for at least two out of the past five years, up to $250,000 ($500,000 for couples filing a joint tax return) of your gain is tax-free. However, if you bought your home 20 or 30 years ago in a location that has become an extremely desirable real estate market—Austin, Texas, for example, or San Jose, Calif.—your proceeds may exceed the exclusion, which hasn't been adjusted since 1997.

In that case, any excess gain is taxed at long-term capital gains rates, which range from 0% to 23.8%, depending on your taxable income. However, there are steps you can take to reduce or eliminate this tax bill. Your taxable gain is based on the sale price of your home, minus the home's basis—what you originally paid for the home. But you can increase the basis—and reduce the size of your gains—by adding the cost of capital home improvements. Eligible capital improvements include everything from storm windows to a new addition—essentially, anything that added to the home's value, prolonged its life or adapted it to new uses. Basic repair and maintenance costs don't count. You can find a complete list of eligible home improvements from IRS Publication 523, available at www.irs.gov.

MAKING SENSE OF SHARE CLASSES

Your returns may differ depending on your mutual fund share class.

PRACTICAL PORTFOLIO BY KIM CLARK

YOU have to be careful in the supermarket cookie aisle. If you're in a hurry and thoughtlessly grab a package of Oreos, you might get a rude surprise at home when you bite into an unexpected flavor from the company's growing menu, such as peanut butter, birthday cake or lemon.

The need for vigilance is greater—and the stakes higher—when you're shopping for mutual funds. Fund firms have a dizzying array of share classes for their funds. If you find a fund you like, you may have to decide which of its varieties is right for you. Different companies offer different options, but the share classes you might see include A, ADV, B, C, F, I, J, K, L, M, N, R, S, T, V, W, Y and Z.

Some classes and names are simply marketing ploys. Jensen Investment Management named its retail investor class "J" to reinforce the company's name. Vanguard's "Admiral" class is a nod to the HMS Vanguard, the British ship that inspired the firm's name. And Karner Blue Capital named its only fund class "Butterfly" for the endangered Karner blue butterfly.

Indeed, there is no standard for naming fund share classes. The labels can have different meanings from fund to fund. "Deciphering mutual fund share classes can be a time-consuming and overwhelming process for retail investors," says Matthew Garasic, a fee-only financial adviser in Pittsburgh. Fund share classes, in addition to having different rules about who can purchase them and varying minimum initial investments, usually charge different expense ratios. In some cases you could pay a separate sales charge, too. Those costs can add up. "The share class an investor chooses can have a long-term impact on wealth accumulation," says Garasic.

To help you figure out which share class of any given mutual fund is right for you, we'll break down common share classes and offer some guidelines to keep in mind as you shop for funds.

Dividing lines. The main reason mutual fund companies create share classes is to pay the assorted middlemen that sell their funds, such as financial advisers, insurance companies, brokerage platforms and 401(k) plans, among others, says Eric Jacobson, a director of the research firm Morningstar. The compensation for these intermediaries often comes out of the funds' fees, hence the different share classes and their wide-ranging expense ratios. "It is all driven by dollars," says Jacobson. The dividing lines between share classes boil down to three factors:

Sales charges. In mutual fund speak, a "load" fund imposes a sales

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charge or commission when you buy or sell shares. Front-end-load classes, typically labeled "A" shares, levy a median toll of 4.25% when you purchase them. These shares are commonly sold through advisers, who pocket the load as a commission. On the flip side, share classes with a back-end load, typically labeled "B" and "C," can charge you on the way out, when you sell them. B and C share classes often have higher expense ratios than A shares.

Initial investment size. Share classes typically vary by initial minimum investment, too. Some are built for deep-pocketed investors, such as pension funds and retirement plans. These classes, often called Institutional or I shares, can require large initial deposits of $500,000 or more. In return, institutional shares typically have low expense ratios.

Some fund firms also offer a break on annual fees for individual investors who are willing to fork over heftier minimum initial investments. For instance, investors can buy the investor class of the Vanguard Wellington fund for an initial outlay of $3,000 and pay 0.25% in fees per year. But for an initial investment of $50,000, the fund's Admiral share class charges 0.17% in annual fees.

Channel. Where you hold your fund shares—in a personal account or a 401(k), for example—or whether you use a financial adviser, may dictate the share class you own. In a 401(k) plan, you may be offered the I share class of T. Rowe Price Mid-Cap Growth. If your adviser purchases fund shares for you, they will likely be Advisor shares. But if you buy shares in the fund on your own, you'll get the investor shares. Every class charges a different expense ratio: Mid-Cap Growth Advisor charges 1.02% in annual fees, the investor share class charges 0.77%, and the I share class charges 0.63%.

In addition, each brokerage negotiates its own deal with fund firms, says Steve Sanders, executive vice president of marketing and product development at Interactive Brokers. For example, you can buy the A share class of the John Hancock Regional Bank fund without paying a load at E*Trade and Fidelity, but at Schwab it'll cost you 5% up front.

Finally, some fund firms create share classes to sell on broker platforms. For example, although American Funds' A shares are generally adviser-sold, the firm's F-1 share class is open to anyone, without a sales charge, at online brokers such as Fidelity and Schwab. The F-1 shares typically sport a slightly higher expense ratio than the A shares, but the difference is small.

THE MAIN REASON FUND COMPANIES CREATE SHARE CLASSES IS TO PAY THE ASSORTED MIDDLEMEN THAT SELL THEIR FUNDS.

Shop smart. The best way to navigate this alphabet soup is to stick with funds that trade free of commissions and transaction fees at your online broker, such as those available from Schwab's Mutual Fund OneSource, Fidelity's FundsNetwork or E*Trade's menu of funds. If a fund is offered in a no-fee network, there's usually just one share class available, so there's no choosing required. And you won't pay a front-end or back-end load. But you may pay the brokerage a short-term-trading fee if you turn around and sell the shares within 60 or 90 days, depending on the firm.

If you must pay a sales charge to buy a fund, opt for the share class with the lowest expense ratio, if a choice is available, and plan to hold the shares for the long haul.

And consider checking the full list of your fund's share classes to make sure you're getting the best deal available to you. Morningstar (www.morningstar.com) lists all the share classes of any given fund, including symbols, loads, expense ratios, investment minimums and purchase constraints (institutional, say). Just look up a fund, then scroll down the landing page to "Review Other Classes." The Fund Analyzer tool from the Financial Industry Regulatory Authority (https://tools.finra.org/fund_analyzer) also lists each fund's share classes and lets you compare up to three classes to see how their respective fee schedules may impact potential returns over time—three or 10 years, say, assuming a certain annualized return. However, you'll have to check with your brokerage firm to find out which classes are available to you.

The complexity of mutual fund share classes may be one reason investors are flocking to exchange-traded funds. "All the different mutual fund share classes can create the perception of special deals for some people," says Danan Kirby, a vice president at Ariel Investments. ETFs trade commission-free at most brokerages and charge all investors the same expense ratio. "Simplicity is beauty. Everyone gets the same deal," says Kirby. K

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

DON'T EXPECT A LARGE INHERITANCE

Older Americans are living longer, which could reduce how much they'll leave behind.

FAMILY FINANCES BY ELLA VINCENT

BABY boomers have accumulated significant wealth, in terms of both their home equity and their retirement savings. But if you're a millennial or Gen Xer, the amount you inherit from your boomer parents may be fairly modest—if you receive anything at all.

A 2020 Federal Reserve analysis found that the average inheritance was $46,200. And even that figure was inflated by legacies passed down in wealthy families, the Fed said. If you're depending on an inheritance to make up for what you haven't saved for retirement, think again.

Longer life expectancies. One reason your parents may leave a smaller inheritance than you expect is that their generation is living longer than previous ones. While the average life expectancy in 2021 was 79.1 years for American women and 73.2 years for men, there's a good chance your parents will live much longer than that because of medical advances that could extend their lives. The number of Americans who are 95 and older grew 48.6% from 2010 to 2020, according to the 2020 Census. For a 65-year-old couple, there's a 50% chance that one spouse will live to age 93 and a 25% chance that one will live to 97, according to the Society of Actuaries.

Medical expenses and long-term-care costs could also reduce the amount of money you'll receive when your parents die. Seven out of 10 people age 65 or older will need some kind of long-term care in their lifetime, and one in five will require care for more than five years, according to the National Center for Health Statistics. The average cost of a semi-private room in a nursing home is $7,500 a month, according to Genworth's Cost of Care survey.

Other threats to your parents' savings. Even if your parents don't require nursing home care, other factors could reduce the size of their nest egg, says Bill Schretter, a certified financial planner with wealth-management firm Allworth Financial. "People's assets at 60 can be greatly reduced by the time they're 85," he says. "Inflation, the stock market going up and down, and even mismanagement of their finances can lead to parents having less money to leave their children."

Fraud losses are another concern. As individuals age, they're increasingly at risk for cognitive decline, which makes them more vulnerable to scams, Schretter says. Older Americans lose more than $28 billion a year because of fraud, according to AARP.

Debts and taxes. When your parent passes away, the executor of the estate must pay all out-

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standing taxes and debts before distributing assets to heirs. The executor may also have to pay funeral expenses (unless those costs were paid in advance), along with attorney fees and other fees associated with managing the estate.

Schretter recommends that you hold on to any valuable items you inherit in case you discover other outstanding debts. You may need to sell those items to pay them off, he explains.

After the estate's debts are paid, you may have to pay inheritance taxes, depending on where you live. In contrast to an estate tax, which is paid by the estate, heirs are responsible for paying inheritance taxes. Fortunately, there is no federal inheritance tax. And though most states with an inheritance tax exempt children of the deceased, Nebraska and Pennsylvania do not. Nebraska's inheritance tax rate is 1% for children, while Pennsylvania taxes those heirs at a rate of 4.5%. (For more on inheritance taxes, see kiplinger.com/retirement/inheritance/601551/states-with-scary-death-taxes.)

In addition, if you inherit a parent's traditional IRA or 401(k) plan, you'll be required to pay taxes on withdrawals, which could significantly reduce the size of the account. Before 2020, you could lower the tax bill by taking withdrawals based on your life expectancy. But the Setting Every Community Up for Retirement Enhancement Act (known as the SECURE Act), passed in 2019, eliminated that strategy by requiring nonspouse heirs to withdraw all of the funds within 10 years of the original owner's death. Consider getting professional help to manage the tax bill and avoid any potential penalties, says Erica Parker Ellis, an advanced planning attorney at Hargrove Firm LLP.

Managing your inheritance. If you do inherit money from your parents, Schretter recommends postponing any major purchases. "When you're in mourning, don't make any rash decisions," he says. Pay off your credit card and other high-interest debt, and then put the money in a savings account until you've decided how to make the most of your legacy.

Schretter suggests using some funds from your inheritance to meet with an attorney and set up your own estate plan. A study by Caring.com found that more than two-thirds of Americans don't have a will, and 40% of those individuals say they plan to wait until they have a serious medical diagnosis to draw one up. In many cases, that's too late to provide for your loved ones in the event of your death. K

IF YOU'RE DEPENDING ON AN INHERITANCE TO MAKE UP FOR WHAT YOU HAVEN'T SAVED FOR RETIREMENT, THINK AGAIN.

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

NO SURPRISES

Why You Should Discuss Estate Planning With Your Parents

To avoid unrealistic expectations, it's a good idea to talk with your parents about their estate plans. Ideally, you'll want to have this conversation while your parents are still healthy and able to discuss a range of topics, including whether they plan to give some of their assets to charity or family members while they're still alive.

If you have siblings, you should talk to your parents about how much money and which items each sibling will receive, says Bill Schretter, a certified financial planner with wealth-management firm Allworth Financial. If, say, one sibling is receiving more than another because of income differences, it's better to clear the air while your parents are still alive, he says. Just keep in mind that ultimately, the decision about how your parents will distribute their estate belongs to them. An objective third party, such as a financial adviser or estate attorney, can help guide the conversation and ease any tensions that arise.

Don't limit the conversation to your parents' estate. Discuss your parents' health care directives and steps they've taken to protect themselves from fraud.

"The key is to ensure the conversation is framed as collaborative planning for the family's future, rather than focusing solely on inheritance," says Erica Parker Ellis, an advanced planning attorney at Hargrove Firm LLP.

SELF-EMPLOYED? MAKE A PLAN TO SAVE

These tax-advantaged accounts will help you build a nest egg.

BASICS BY ASHLYN BROOKS

FIGURING out the most effective way to save for retirement can be confusing for anyone, but for the self-employed, the challenge is often amplified. Without the options that traditional employers provide, freelancers, consultants and other solo entrepreneurs must carve their own path.

For most, the choice boils down to two plans: the solo 401(k) and the Simplified Employee Pension (SEP) IRA. Here's the rundown on both plans, including advice on how to decide which is the best fit for you.

Solo 401(k). Often referred to as a solo-k or individual 401(k) plan, the solo 401(k) is tailored specifically for businesses in which the only employee is the owner (and possibly their spouse).

The solo 401(k) has a dual contribution structure. As an employee, you can make elective deferrals up to the standard 401(k) limit, which is $23,000 in 2024, with catch-up contributions of up to $7,500 allowed for those 50 and older. As an employer, you can also contribute up to 25% of your compensation. The combined total cannot exceed $76,500.

While traditional solo 401(k) contributions are tax-deferred, some providers offer a Roth option. Contributions to a Roth solo 401(k) are after-tax, but the money will grow tax-free, and contributions and earnings can be withdrawn tax-free as long as you're 59½ and have owned the plan for at least five years.

Another distinctive feature of the solo 401(k) is the ability to borrow from your account. Although this can slow the growth of your retirement savings, it provides a source of funds in an emergency or cash-flow crisis.

SEP IRA. The SEP IRA allows business owners to set up individual retirement accounts for themselves and, if they have them, their employees.

For 2024, if you're self-employed you can contribute the lesser of 20% of your net income or $69,000 to a SEP IRA. Unlike a solo 401(k), a SEP offers no option for elective deferrals or catch-up contributions. SEP IRAs generally have fewer administrative requirements than solo 401(k) plans, which may make them attractive for workers looking for a streamlined way to save. However, you can't borrow from a SEP IRA, so your only choice to raise cash in an emergency would be taking a taxable distribution from your plan.

For most, the choice boils down to two plans: the solo 401(k) and the Simplified Employee Pension (SEP) IRA.

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Legislation enacted in late 2022 allows SEP providers to offer a Roth option, but it may be a while before providers make the administrative changes necessary to offer a Roth SEP IRA.

Choosing the best fit. If you're looking to maximize your contributions, the solo 401(k)'s dual contribution structure provides the most effective way to save. Likewise, if you're keen on post-tax retirement savings, the Roth feature of some solo 401(k) plans could be a game-changer, allowing for tax-free withdrawals in retirement.

If you prioritize simplicity and want to minimize paperwork, the SEP IRA has an edge. It's straightforward to set up and maintain. And if you anticipate hiring employees other than your spouse, a SEP IRA is probably the better choice, although keep in mind that you'll be required to contribute an equal percentage of salary for all eligible employees. A certified financial planner who has experience working with business owners can help you choose a plan that aligns with your long-term goals. Search for a planner at www.financialplanningassociation.org/about/for-consumers. K

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

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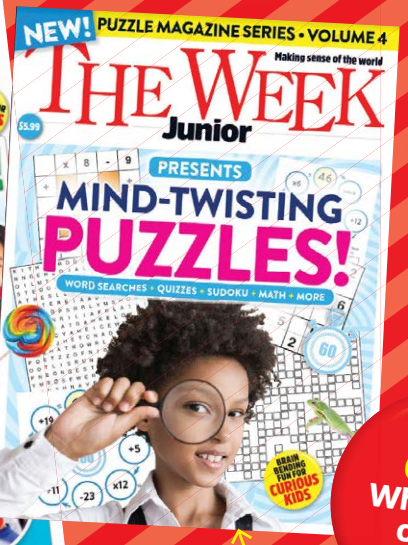

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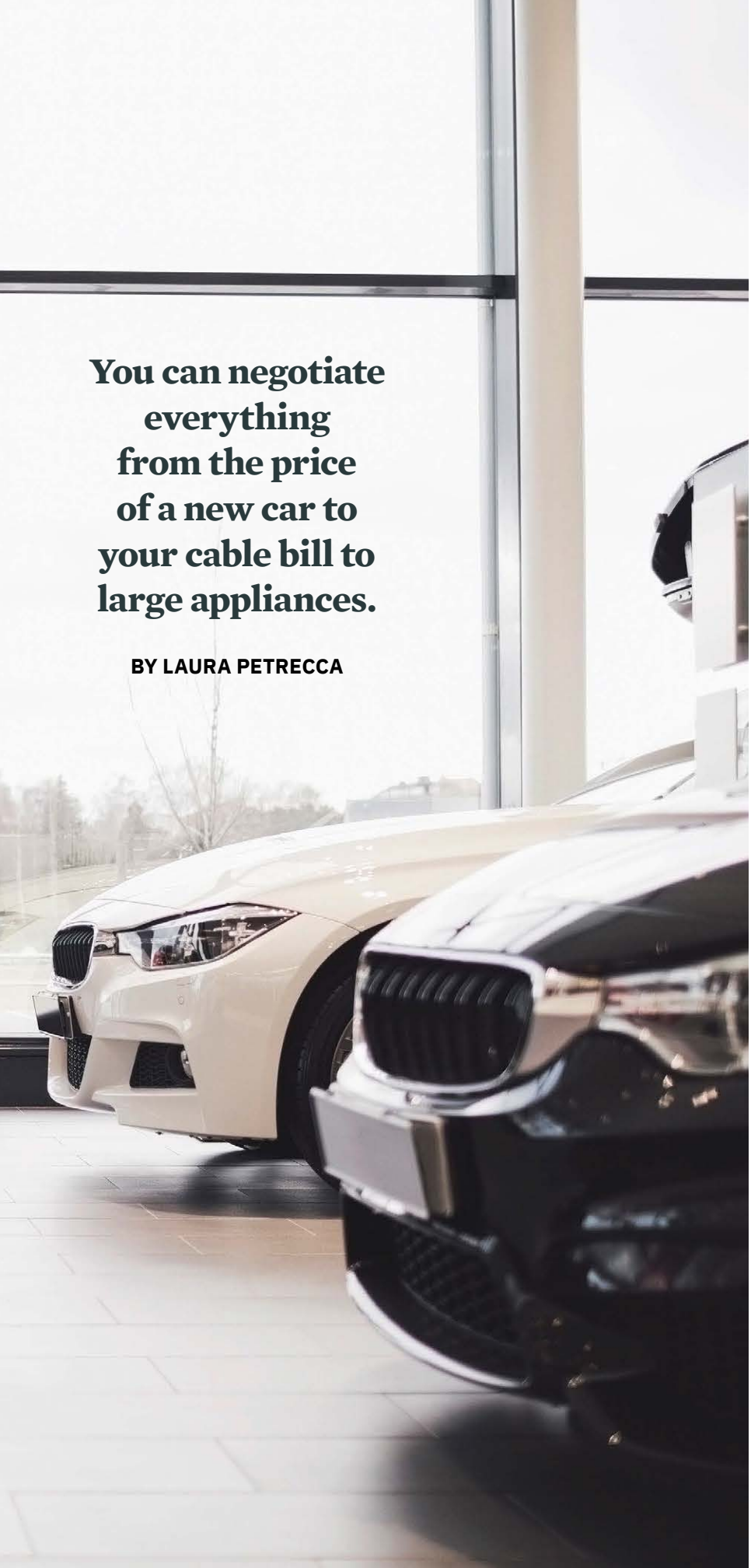

You can negotiate everything from the price of a new car to your cable bill to large appliances.

BY LAURA PETRECCA

KIM Svoboda's knack for negotiation has saved her a bundle through the years. She has clinched deals on everything from cars and insurance policies to painting services and garage sale finds.

"I could give a whole long list of things I've negotiated on," says Svoboda, 49, of Cape Coral, Fla., whose technique combines creativity, patience and flexibility, along with attention to her budget. "It feels great to get a good deal."

As the cost of living continues to climb, negotiating is one of the most effective ways to lower your expenses. While it helps to have years of negotiating experience like Svoboda—who uses the practice in both her personal life and her professional life, creating large-scale partnerships and sponsorships—anyone can up their game. Here's how to get the best deal on everything from major purchases to everyday bills.

NEW CARS

Take some test-drives to determine the car and features you want. But don't do any immediate dealmaking on site, says Oren Weintraub, founder of Authority Auto, a car-buying consulting service that negotiates on a buyer's behalf.

Instead, call multiple dealers to get quotes. Ask for the internet sales department, which typically handles online inquiries and deals with customers who buy vehicles online, and give them specifics on the vehicle and features you want and how you'd like to pay. Let them know you're shopping around for the lowest price.

Once you get the quotes, you can use them as leverage to get the best deal on your desired vehicle from the dealership you prefer. For instance, you may want to buy from a specific

dealership because it has stellar customer service or provides perks such as free car washes or tire rotations.

Once you've established how much you'll pay for the car, focus on other areas, such as the price for a trade-in vehicle, if you have one, and the interest rate you'll get if you need to take out an auto loan. Go to Kelley Blue Book (www.kbb.com) or AutoNation (www.autonation.com) for estimates on trade-in values. For financing, check with local banks and credit unions to see whether they can provide a better deal than the one offered by the dealership.

"It's important to separate each item you're negotiating," says Weintraub. "You want to know the exact sales price of the car, the interest rate they're charging you, how much they're giving you for the trade-in, and the cost of accessories."

As you move along in the process, you're likely to have in-person discussions at the dealership. Be mentally prepared for some pressure, as the salesperson will likely attempt to sell you potential upgrades, extra warranties and insurance.

"There are a ton of products that they will bombard you with and try to get you to buy," says Weintraub.

If you feel confused or pressured, take a breather.

"Dealers are known for creating false urgency," Weintraub says. "Go have lunch or go home. Regroup and come back when you feel comfortable."

TV AND INTERNET BILLS

As with car buying, it's crucial to get prices from a few competing cable and internet companies. You can check costs online or call local providers. A reliable resource for getting internet prices is BroadbandNow.com, says Ben Kurland, director of strategy and growth at Experian Consumer Services. Kurland is the cofounder of what is now called Experian BillFixers, which negotiates with providers on customers' behalf.

A higher quote doesn't automatically mean better-quality service, and a lower price doesn't necessarily indicate shoddy work.

Jot down the quotes you receive and write out the key points you want to make to your provider. When you talk with customer service representatives, they'll have a script. You can use the same tactic by having your talking points at the ready.

Contact your provider by phone. You're apt to get a better deal than if you ask for a discount via e-mail or through an online chat, says Kurland. Once connected, press the prompt to cancel your service. "You'll likely be transferred to the retention agent or an escalation agent," Kurland says. "Their whole job is to give you a discount to keep you as a loyal customer."

Once you get an agent on the phone, be cordial. "A common mistake people make about negotiation is thinking that it has to be hard-charging and adversarial," Kurland adds. "If you are friendly and reasonable, you can get a lot further."

Don't agree to the agent's first offer—there's usually room for more concessions. "Say, 'I really appreciate it, but is there anything else you can do for me?' " Kurland says. "Almost never are they going to rescind that original offer, so you've got nothing to lose by asking."

Although you can get cash savings, providers are more inclined to offer service enhancements, such as faster internet speed or additional TV channels. If that suits your needs, focus on getting the most benefits that you can. Additionally, bundling services (by purchasing both broadband internet and cable TV, for example) with one provider can lead to more freebies and extra savings.

If your haggling feels fruitless or you can't establish a rapport with the representative, you have an easy out. Politely end the conversation, call back another time, and begin negotiations anew with a different agent.

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HOME RENOVATIONS AND REPAIRS

Contractor prices vary widely for the same service, so your best bet is to get three to five quotes, says Kevin Brasler, executive editor at the nonprofit consumer advocacy group Consumers' Checkbook.

"The biggest mistake consumers make, especially for home repairs and renovations, is they don't think there are big price differences among local services," Brasler says. In reality, contractors are likely to provide a wide range of price quotes to install items such as heat pumps, air conditioners and furnaces, even if they're offering the same model from the same wholesaler.

Provide candidates with specifics on your project, giving details on what you need and your time frame so they can give you an accurate estimate. Let each potential contractor know you are soliciting multiple offers and looking for the best price.

Once you get the bids, don't assume there will be a correlation between price and quality, Brasler says. A higher quote doesn't automatically mean better-quality service, and a lower price doesn't necessarily indicate shoddy work. Whomever you choose should be licensed and insured and have positive online reviews or references.

As with haggling for other services, you can use different quotes as leverage in your price negotiations with a contractor. You can also offer perks in exchange for a lower price, such as putting down a deposit even if the contractor doesn't ask for one (or, if it does request a deposit, you can offer a larger one than required). You could also give workers extra time to get the job done or pay in cash, which enables the provider to avoid credit card processing fees.

When Svoboda and her longtime partner had their new Florida condo painted, they got a reasonable rate in exchange for giving the painter 80% of the total price up front and offering to pay with cash instead of a credit card. Plus, "we gave him flexibility, saying, 'You can come anytime over the next month,' " Svoboda says. "It worked out perfectly for all of us."

MAJOR APPLIANCES

As the saying goes, if you don't ask, you don't get. A *Consumer Reports* survey found that less than one-fourth of those shopping for a major appliance tried to negotiate prices. Among those who didn't, more than one-fifth said it never occurred to them or that they didn't know they could do so.

Shoppers who successfully negotiated large-appliance prices at Best Buy and Lowe's saved a median of more than $140, according to the survey. Those who successfully negotiated at Home Depot saved $114, and shoppers at independent stores saved $123.

As with other categories, the best way to start the negotiation process is to do some research. Once you pick the models that interest you, e-mail or call sales managers at local stores. "Say, 'I'm shopping around and contacting other stores. I'm asking them to give me their best price, and they only have one chance. I'm going to buy from the one that offers me the lowest price,' " says Brasler.

Although it can't hurt to haggle at national chains such as Home Depot and Lowe's, independent stores often have more flexibility on price. The *Consumer Reports* survey found that of the 32% of people who tried to get a better deal for a major appliance at an independent retailer, 64% were successful.

If you don't mind potential scratches or dents on your appliance, ask about getting the floor model at a discount. And if you have a special status, such as a senior or veteran, mention it.

Also, expand your negotiations beyond price. Ask for free delivery, installation, or removal of your old appliance if those services are not already included. If you'd like to patronize a specific store—for instance, one where a salesperson gave you a good amount of their time—don't necessarily rule it out if you find a better deal somewhere else. Tell the salesperson at your preferred store about the better price and ask if the store can match it or come close.

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

Paying It Forward

A YOUTHFUL TAKE ON PERSONAL FINANCE

He has created more than 700 free educational videos for kids—and he's only 14. **INTERVIEW BY EMMA PATCH**

RISHI VAMDATT
Founder of
Easy Peasy Finance
JERSEY CITY, N.J.

How did you become interested in personal finance? When I was 6 years old, my parents were reading the book *I Will Teach You to Be Rich,* by Ramit Sethi. I read the book, too, and was really interested in it. After that, my parents bought me other books and magazines about finance. I started reading *Kiplinger Personal Finance* at that time, and I still subscribe and read it every month.

Why did you start Easy Peasy Finance? As I got interested in finance, I didn't mind reading materials that were geared more toward adults. But I realized that there weren't many resources that were tailored to kids. Given how critical a life skill personal finance is, I thought that offering a resource that can help teach these topics to kids in a way that they can understand and benefit from, and that actually makes it fun for them to learn, was really important.

So five and a half years ago, I began making videos with that idea in mind. Each video that I publish on my website, www.easypeasyfinance.com, and YouTube channel is about three minutes long because kids have shorter attention spans than adults. The videos are in a question-and-answer format between two animated characters to help break down the concepts. I try to use as much simple, everyday language as possible to explain even complex concepts.

Why do you think kids should learn about finance? First, it's a key life skill. Just like any other skill, whether it's skiing or skating or learning to ride a bike, it's easier to learn as a kid. In addition, the number one reason for stress among all adults is money. One way to address this is to learn finance from an early age. Then, when people actually have to start managing money, they won't be as scared about it because they'll already have a good foundation. And learning important lessons, such as distinguishing between needs and wants, at an early age can help people avoid costly financial mistakes. They'll be less likely to get into credit card debt, for example.

What topics do you like to cover most? I cover many different topics—investing, banking, taxes, credit cards, retirement—because they're all important. But personally, I'm most interested in investing, and especially in compounding interest. Because I'm young, I can really take advantage of compounding as I invest for my retirement.

Has your audience grown over time? Definitely. When I started Easy Peasy Finance, I didn't really understand how big this could become and how many people I could help. Now, Easy Peasy Finance has grown into something that's appreciated not just by kids but also by many teachers, parents, grandparents and other adults, some of whom wish they had a resource like Easy Peasy Finance when they were growing up. The positive feedback gives me immense satisfaction and a lot of motivation.

What are your hopes for the future? With Easy Peasy Finance, I want to continue publishing one video a week on financial concepts and to continue helping people. For financial literacy in general, I hope that soon, all schools will teach personal finance and its practical applications. Many states have started putting personal finance in their high school curriculums. K

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