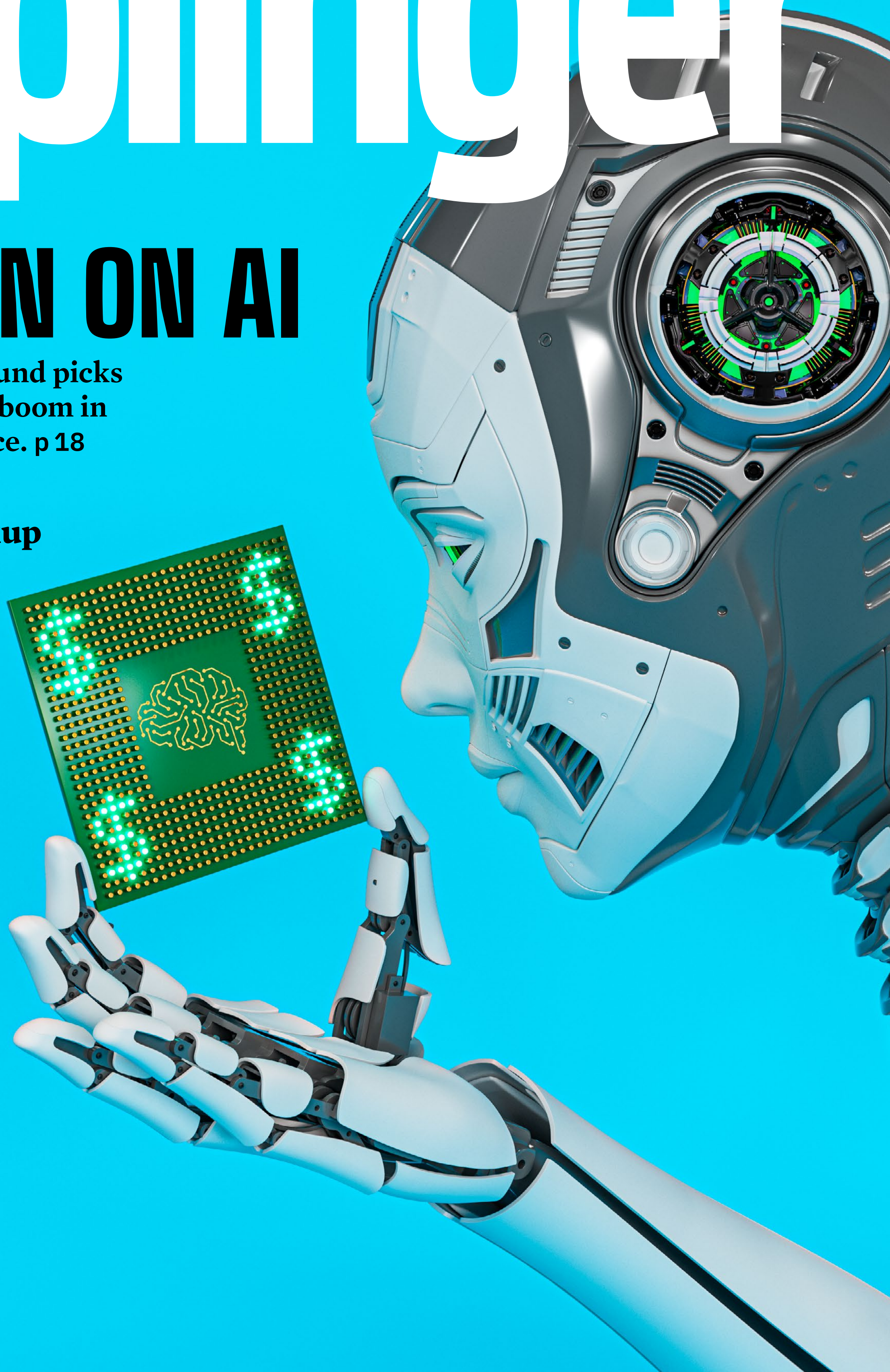
OUR FAVORITE EXCHANGE-TRADED FUNDS **p 24**

Kiplinger PERSONAL FINANCE



CASH IN ON AI

Use our stock and fund picks to benefit from the boom in artificial intelligence. p 18

Insurance Checkup
Are your auto and home policies up to date? **p 40**

Guide to Streaming TV
Cutting the cable cord is easier than ever—and it can save you money. **p 66**

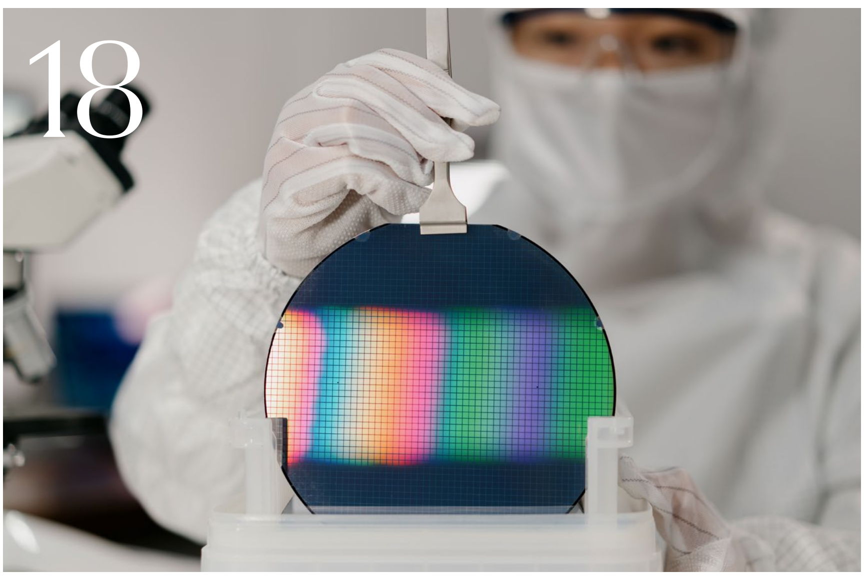
New Rules for Inherited IRAs
Take these steps to minimize your tax bill. **p 54**

September 2023
www.kiplinger.com

September Contents

Kiplinger Personal Finance | Founded in 1947 | Vol. 77 No. 9

GETTY IMAGES



Cash in on AI.

↑
Cover illustration by Lisa Sheehan

66

Streaming TV services offer something for everyone.

GETTY IMAGES

AMERICAN CRUISE LINES

THE TENNESSEE RIVERS

One of America's Best Kept Secrets

Aboard the newest American Riverboat™, experience a captivating 8-day journey along the picturesque Tennessee River Valley. Explore Nashville, the songwriting capital of country music. Visit Decatur, where the first rockets were developed that sent men to the moon. Discover Savannah, with a Civil War history that helped define the nation. From the comfort of your private balcony, admire the passing landscapes and breathtaking Appalachian Mountain range.

Small Ship Cruising Done Perfectly®

Call
888-240-4951
to request a
★ FREE ★
Cruise Guide

HOW TO REACH US: Subscriptions. For inquiries about ordering, billing or renewing a subscription, or to report address changes, please have your mailing label handy to reference your account number and visit us online at kiplinger.com/customer-service or call 800-544-0155, Monday through Friday between 7 a.m. and 9:30 p.m. Central Time, or Saturday between 8 a.m. and 5 p.m. Central Time. You can also write to Kiplinger Personal Finance, P.O. Box 37234, Boone, IA 50037-0234, or send an e-mail to KPFservice@kiplinger.com. **Reprints.** PARS International Corp. (212-221-9595, ext. 237; e-mail, jennifer.eclipse@parsintl.com). **Content licensing.** E-mail licensing@kiplinger.com. **Mailing lists.** From time to time we make our subscriber mailing list available on a one-time basis to carefully screened companies whose products may be of interest to you. If you would rather not receive such solicitations, send your mailing label to P.O. Box 37234, Boone, IA 50037-0234 and instruct us to exclude your name.

Kiplinger.COM

→ What You'd Have If You Had Invested in Microsoft 20 Years Ago

Microsoft stock has lost almost $500 billion in value since its all-time high, but was it still a good investing idea in the long run?
kiplinger.com/kpf/microsoft

→ 7 Reasons You Should Retire in California

Believe it or not, there are plentiful reasons to consider the Golden State for your golden years.
kiplinger.com/kpf/retire-cali

→ Will the IRS Consider Your Hobby a Business?

Determining whether your revenue stream qualifies as hobby income isn't always easy.
kiplinger.com/kpf/hobby-income

Kiplinger TODAY

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

Sign up for our Kiplinger Today e-newsletter at **kiplinger.com/links/ktoday.**

FACEBOOK: KiplingerPersonalFinance
TWITTER: @Kiplinger
INSTAGRAM: @KiplingerFinance

GETTY IMAGES

Letters

Headaches With Vanguard

I read with interest "Vanguard Faces the Future" (July). I had been a loyal Vanguard customer for more than 40 years when I closed my account last year. I transferred an inherited IRA to Vanguard, and waiting on hold for nearly an hour with customer service and being passed from one associate to another was excruciating. It was then I learned, without notice, that I was no longer a "Flagship" customer with a point person to quarterback issues like these; our assets were just short of the new minimum qualification. The straw that broke the camel's back was when I received an e-mail touting a program to purchase certificates of deposit. When I clicked on links to learn more, I found out I was ineligible. It became clear to me that Vanguard made intentional, systemic changes and no longer focused on customers like me.
Larry Hento, Keizer, Ore.

We have a great personal adviser with Vanguard, we like all of their investing options, and the monthly statements arrive online more quickly than with other fund companies. My biggest problem is with the new website, which seems to have been designed by video-game programmers. There are large photos that take up all the space on the screen, and I have to page through additional screens to find the links to the information I need.
Chas Hansen, Ocean, N.J.

A FAMILY AFFAIR

I read with such nostalgia "Aunt Kim Starts a Family Investing Contest" (July). In 1985, I invested $500 in stocks, and my father matched my contribution. If I made money, I could keep it. If I lost money, I'd need to pay back his original investment. Over the course of the next three years, I followed the stocks' ups and downs and learned how to wait out the noise. I taught my children in the same way. Thank you for the smile!
Susan Feldman, Bellefonte, Pa.

PROPERTY TAX APPEALS

I recently received notice of a 58% increase in my home's assessment for property-tax purposes ("The Cost of Rising Home Values," July). In an appeal, I supplied data about homes near me that were recently sold or currently on the market, and I obtained a new assessment with a 38% increase.
C.H., Waukesha, Wis.

A REINVENTED DOW

In your July edition, columnist James K. Glassman proposes his vision of a "reinvented Dow." He drops current Dow component Walmart and states that he would instead include Amazon.com, which he describes as "the world's largest retailer." According to the most recent Fortune 500 listing, Amazon is not only NOT the world's largest retailer but trails Walmart in global annual revenue by more than $100 billion.
Bob DeMoss, Navarre, Fla.

Editor's note: According to CFRA Research, Amazon.com is the world's largest online retailer, but second, behind Walmart, in revenues. Amazon's place in Glassman's Top Thirty stands.

CORRECTIONS

- The independent website for fans of Vanguard founder Jack Bogle is Bogleheads.org ("Vanguard Faces the Future," July).
- A couple with $70,000 in Social Security benefits and $65,000 in withdrawals from traditional IRAs would pay taxes on 76.6% of their benefits ("Cut Your Social Security Taxes," July).
- Seattle's sales tax rate is 10.25%. In New York, clothing items and footwear costing less than $110 per item are exempt from state sales tax ("You'll Pay More to Shop in These States," Aug.).
- Toyota's luxury car brand is Lexus ("The Non-EV Buyer's Guide," Aug.).
- In our Rule of 72 example, 72 should be divided by 5% to arrive at 14.4 years ("Investing Jargon, Explained," Aug.).

CONTACT US: Reader Feedback 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.

New Look, Same Mission

FOR my first issue as editor of this magazine, I couldn't be happier to present a fresh look from cover to cover. It has been several years since the magazine has undergone a total redesign, and we wanted to create an elevated feel that reflects the sensibilities of both you, our readers, and the content within. Dean Usher, head of design for a collection of lifestyle and photography magazines published by our parent company, Future, spearheaded the redesign, and Kiplinger art director Will Tims and art editor Steve Mumby carried the vision through to each page.

The redesign is also an opportunity for us to address reader requests. Some of you have said that the text was difficult to read in certain areas, so we've altered a few of our fonts and are mindful of the backgrounds on which we place text, ensuring enough contrast that you can read every word.

We also received feedback on the line-drawing columnist portraits that we introduced earlier this year. Many of you were not keen on them, and you wrote to us with convincing reasons to reconsider. Says reader Danielle Greco, "In the era of ChatGPT, it's nice to know your columns are written by humans. Seeing their photos makes me feel more connected to them in a way drawings do not." We took your letters to heart and have put in new photographs of our columnists.

Although we value the personal touch as artificial intelligence rises in prominence, we can't overlook the impact that AI has on the economy and stock market. The cover story, which starts on page 18, advises investors on how to cut through the noise and identify companies that have the wherewithal to come out ahead as AI finds its footing.

On our refreshed cover, you may have noticed a subtle modification to the beginning of our title: We've switched from the possessive *Kiplinger's* to simply *Kiplinger,* so you can refer to us as *Kiplinger Personal Finance* from here on out. As editor emeritus Knight Kiplinger notes on page 14, this publication launched in 1947 as the *Kiplinger Magazine,* so the adjustment moves us a little closer to our roots.

One other notable change: We feel that our Millennial Money column has run its course, so we're replacing it with Family Finances, which will explore the many aspects of managing money issues as a family. In the first edition, on page 62, staff writer Ella Vincent offers advice for caregivers of older adults and features real stories from people who have found themselves in the role.

What isn't changing. We may have updated our look, but our talented staff will continue delivering the astute analysis and advice that you expect. Although I'm new to the editor position, I've worked for this magazine since 2007, and I'm no stranger to our mission. In the office building that Kiplinger occupied during my first few years with the company, a placard hung on the wall that read, "We are guided by the expectation that our readers will act on what we write about and benefit from doing so." I used the statement as a guidepost when I was a reporter, and I will keep it front of mind as I oversee the publication.

I also want to keep the lines of communication open. In his first column as editor, my predecessor Mark Solheim invited more conversation with readers, and I wholeheartedly agree that it's important for us to hear what's on your mind. I'd especially like to know what you think of the redesign and of this issue's cover. Please drop me a line if you'd like to share your thoughts.

PHOTO BY MATT STANLEY

Lisa Gerstner

LISA GERSTNER, EDITOR
LISA_GERSTNER@KIPLINGER.COM

Kiplinger

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

ART
ART DIRECTOR **Will Tims**
ART EDITOR **Steven Mumby**
GROUP ART DIRECTOR **Nicole Cobban**

SALES
VICE PRESIDENT SALES, WEALTH & NEWS **Stevie Lee (stevie.lee@futurenet.com)**
SENIOR ACCOUNT DIRECTOR **Maggie Kinsky (maggie.kinsky@futurenet.com)**
ACCOUNT DIRECTOR, WEALTH **Dominick Cerritelli (dominick.cerritelli@futurenet.com)**
ACCOUNT MANAGER **Rebecca Haber (rebecca.haber@futurenet.com)**
ACCOUNT DIRECTOR, WEALTH & DIRECT RESPONSE **Anthony Smyth (914-409-4202; anthony@smythps.com)**

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

CREATIVE SOLUTIONS
CREATIVE DIRECTOR, WEALTH **Michael Holstein**
ASSOCIATE DIRECTOR **Megan Harmon**
SENIOR EDITOR **Eileen Ambrose**

KIPLINGER.COM
SENIOR DIGITAL EDITOR **Alexandra Svokos**
SENIOR EDITORS **Esther D'Amico, Kelley Taylor, Alexandra Twin**
CONTRIBUTORS EDITOR **Joyce Lamb**
INVESTING EDITOR **Karee Venema**
STAFF WRITERS **Erin Bendig, Dan Burrows, Donna LeValley**
ASSOCIATE EDITOR **Ellen Kennedy**
AUDIENCE ENGAGEMENT MANAGER **Ben Demers**
DIGITAL PRODUCER **Quincy Williamson**

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

EXECUTIVE STAFF
SENIOR VICE PRESIDENT, FUTURE PLC **Sarah Rees**
MANAGING DIRECTOR, WEALTH PRINT **Shaun Inglethorpe**
CONTENT DIRECTOR, WEALTH **Louise Okafor**
VICE PRESIDENT, CONSUMER MARKETING – GLOBAL SUPERBRANDS **Nina La France**
VICE PRESIDENT, MARKETING **Christopher Moffa**

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

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

PRINTED IN USA

FUTURE
Connectors. Creators. Experience Makers.

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

Chief Executive Officer **Jon Steinberg**
Non-Executive Chairman **Richard Huntingford**
Chief Financial and Strategy Officer **Penny Ladkin-Brand**
Tel +44 (0)1225 442 244

KIPLINGER PERSONAL FINANCE (ISSN 1528-9729) is published monthly by FUTURE US LLC, except for double issues as indicated on the cover of each double issue, and any other occasional combined or extra issues. Frequency of issues is subject to change without notice, which may include changes in the number of double issues. If the post office alerts us your issues are undeliverable, we have no further obligation unless we receive a corrected address within one year. Editorial and Executive Offices: 130 West 42nd Street, 7th Floor, New York, NY 10036 (202-887-6400). Subscription Center/Customer Service: Visit us online at kiplinger.com/customer-service or call 800-544-0155. POSTMASTER: Send all UAA to CFS. NON-POSTAL AND MILITARY FACILITIES: Send address corrections to Kiplinger Personal Finance, P.O. Box 37234, Boone, IA 50037-0234. GST# 123395253. Volume 77, Issue 9. Periodical postage paid at Washington, DC, and at additional mailing offices. Subscription prices: In U.S. and possessions $34.95 for one year, $59.95 for two years, $84.95 for three years. Additional international postage: $25.00 per year. Single-copy price: $7.95, except for double issues, which are $9.99.

ILLUSTRATION BY WILL TIMS/ GETTY IMAGES

BYE-BYE, BEAR

A new bull market became official in June. But it looks a little wobbly. BY ANNE KATES SMITH

A summer rally has closed the books on the bear market of 2022, but plenty of market experts remain skeptical about the new bull market. It became official in early June, when the S&P 500 index closed 20% above its October 2022 bottom, the traditional indication that a new round of market gains is under way. The blue-chip barometer closed at 4450 on June 30.

As stocks have continued to grind higher this year, a number of Wall Street analysts have become bull-market converts, boosting their year-end forecasts for stock prices overall. "Admittedly, we entered the year more cautious given the host of uncertainties the market faced, but it seems that all the doom and gloom that many others were prognosticating has yet to come to fruition," says strategist Brian Belski, at BMO Capital. He now sees the S&P 500 at the 4550 level by year-end, up from a prior forecast of 4300. Strategists at Goldman Sachs boosted their year-end S&P 500 target to 4500, from 4000. Sam Stovall, chief investment strategist at investment-research firm CFRA, reiterated the firm's original year-end forecast of 4575 for the index but reset the firm's 12-month target to 4820, implying an 8% gain by June 2024.

If history is a guide, says Stovall, the prognosis for further gains from here is good. Since World War II, whenever the S&P 500 closed 20% above its prior bear-market low, the index gained an average 11.3% over the subsequent five months before stumbling into a correction of 10%, on average. Even with a correction, 12 months after crossing the new-bull-market threshold, the S&P 500 was higher by nearly 20%, says Stovall, rising in 12 of 13 instances.

THIS YOUNG BULL IS ANYTHING BUT HARD-CHARGING, AND WORRISOME SIGNS PERSIST.

RED FLAGS

And yet, this young bull is anything but hard-charging, and worrisome signs persist. "We continue to see increasing warning flags that something is not right with this bull market," says longtime market historian Jim Stack, president of InvesTech Research. Many bull markets lift off from a V-shaped bottom that indicates stocks have reached extreme oversold and undervalued levels, he notes. Not this one. "This has turned into a grueling struggle," says Stack of the market's advance.

The concentrated aspect of the market's rally has been disappointing, with most of the gains coming from a few big-name tech stocks. Through early June, the 10 largest tech stocks in the S&P 500, representing 25% of the benchmark's weighting, accounted for 95% of its gains, notes Saira Malik, chief investment officer of investment firm Nuveen. Shares in Apple closed out the first half at a record high, giving the stock a market value of more than $3 trillion. In recent weeks, stock gains have broadened a bit. But advances in small-company stocks aren't confirming the rally in mega-cap stocks. "Small caps typically lead with some of the sharpest and largest gains in the first year of a new bull," says Stack. "The small-cap Russell 2000 index is a fraction of what it should be eight months into a new bull market."

Recession indicators continue to flash warning signs. "I understand the contrarian instinct about the recession—that it's been the most telegraphed in history, so it's not going to happen," says Doug Ramsey, chief investment officer at money-management firm Leuthold Group. Nonetheless, he notes that an inverted yield curve—which occurs when short-term yields are higher than longer-term yields—has a good track record of predicting recessions, especially when you compare yields of three-month Treasury securities with those of 10-year notes. "It has been eight for eight in predicting the last eight recessions," he says.

He and Stack also point to weakness in the U.S. Leading Economic Index, which tracks forward-looking indicators such as consumer sentiment to forecast turns in the economy. The index is currently predicting a recession within the next 12 months. Meanwhile, the Federal Reserve's battle against inflation is far from over, with one or more interest rate hikes expected from the central bank before the end of the year.

The outlook for corporate profits might be too optimistic, says Sameer Samana, senior global strategist at Wells Fargo Investment Institute. "The market seems to be pricing in a rosy scenario for earnings. But if we're going to be in a highly volatile, higher-inflation and higher-rate environment, where the Fed may or may not be done hiking, then I don't want to pay price-earnings multiples that are all that high," he says.

WHAT TO DO NOW

Recognize that even if the bull market is off to a rocky start, it will find its legs eventually. "We're not perma-bears," says Samana. "We do see brighter days ahead." For now, you'll find a good balance of risk and reward with high-quality holdings, such as those found in exchange-traded fund JPMorgan U.S. Quality Factor (symbol JQUA), newly added to the Kiplinger ETF 20, the list of our favorite ETFs. (For more, see "Back in the Black," on page 24.)

If you're worried about hitching your hopes to just a handful of hot stocks, consider an index fund that weights each holding equally, so that a handful of Goliaths can't dominate. "We see continued risks in mega-cap growth stocks," say strategists at BofA Securities. "We prefer the equal-weight S&P 500 to the market-cap-weighted S&P 500." BofA recently pegged the return potential of the equal-weight index as double that of the market-cap-weighted one. Leuthold Group's Ramsey agrees with an equal-weight approach, which makes more room for more attractively priced small- and mid-cap stocks in a portfolio. "The average stock stands to do much better than the averages themselves over the next three to five years," he says. Invesco S&P 500 Equal Weight (RSP) is a popular choice. The ETF has an expense ratio of 0.20%. K

INTERVIEW

What Hospice Patients Can Teach Us About Money

As you build wealth, include your life's purpose and meaning in the framework.

INTERVIEW BY SANDRA BLOCK

COURTESY OF JORDAN GRUMET

JORDAN GRUMET is associate medical director for Journeycare Hospice and author of *Taking Stock: A Hospice Doctor's Advice on Financial Independence, Building Wealth, and Living a Regret-Free Life.*

In 2018, you left a lucrative career as a physician in private practice to work with hospice patients. How has working with people who are dying affected your attitudes about money?
All these financial experts could tell me how to make money, how to build a business, how to invest. But what they couldn't tell me was what that all meant. I started realizing some of those answers were coming from my hospice patients. When people are told they have six months to live, they look at what's important to them. They've been putting it off because it's much easier to concentrate on their careers and money. When they were told they were dying, they regretted they didn't have the courage or time to do the things they wanted to do.

By saving and investing, you've achieved financial independence—the ability to live on savings and passive income without relying on a paycheck—yet you've been critical of the FIRE (Financial Independence, Retire Early) movement. What do FIRE followers get wrong?
The FIRE movement is good at telling people how to accumulate and keep wealth, but it doesn't always tell people what to do with that wealth, so they may end up depressed and anxious about what to do next. If we start with a purpose, we can use that financial framework to live the life we want to live. I'm 50. I feel as though I retired in 2018, when I decided that money would no longer drive the decisions I make about what I do every day. I still do hospice work 15 to 20 hours a week because it fulfills my sense of purpose. I also spend about 30 hours a week hosting a podcast, doing public speaking and writing, for which I make some money, but not much.

In your book, you argue that true financial independence comes when you master the "art of subtraction." What do you mean by that?
People in the FIRE movement think they're buying time by saving enough money to leave work. My take is different. I think time passes no matter what we do. One of the only powers we have is control over the activities we do during that time. So looking at different time slots—hours, days, weeks or months—winning the game is filling those time slots with things that have purpose and meaning. You don't have to be financially independent to decide what you want to do and how you want to do it. The whole process of extracting myself from medicine was the art of subtraction. Hospice work is something I would do even if I weren't being paid for it.

You've also been critical of budgeting. How can people save and achieve financial independence if they're not on a budget?
There are people who love using spreadsheets and apps to build a budget, but that's probably not the majority of people. Instead, look at how to build habits into your life so you don't have to use a spreadsheet or app. When my wife and I were young and both working, we saved one salary and put the other into our checking account. If there was money in the account, we could spend it, and if there wasn't, we couldn't.

We used our credit cards, which we always paid off, to track what we spent. We never had cash, so it was easy not to spend money on silly things. If we wanted to buy something big, we never bought it the first time we went to the store. We would have a waiting period so we could decide whether we really needed it. We also bought a lot of things used. Thrift shops are cool now, but we've been going to them for a long time. ■

Celebrating 100 Years of The Kiplinger Letter

Editor emeritus Knight Kiplinger reflects on an enduring legacy of clear-eyed, unbiased journalism.

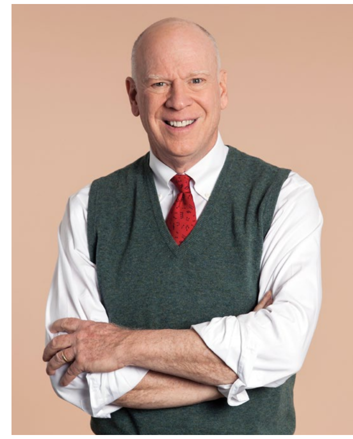


PHOTO BY LISE METZGER

AS a reader of the personal finance advice in this magazine and at Kiplinger.com, you probably know our long Kiplinger tradition of accuracy, clear writing and, above all, utility—practical information to help you live better.

When this magazine was founded more than 75 years ago, it followed in the footsteps of its famous big brother, *The Kiplinger Letter,* which for 25 years had been providing advice to clients for managing their businesses and professional affairs. The *Kiplinger Magazine,* launched in 1947, was designed to give people advice on managing their personal affairs, especially their household budgets, taxes and investments. It was a pioneer of today's personal finance journalism.

You can subscribe to The Kiplinger Letter and other Kiplinger publications at https://store.kiplinger.com.

This fall marks the 100th anniversary of *The Kiplinger Letter,* the oldest and still most widely read business newsletter in the world. Thousands of men and women rely on the *Letter* for forecasts and advice to help them manage their enterprises and their personal investments. I, in the third generation of journalist Kiplingers, am honored to serve as editor emeritus of the *Letter* and this magazine.

AN INNOVATIVE APPROACH

In 1923, my grandfather W.M. Kiplinger, a 32-year-old former Associated Press reporter in Washington, thought that people in management were overwhelmed with too much information that was hard to make sense of. He felt they needed concise, objective and practical information about what lay ahead in the economy, government regulation, politics, technology and investing. He summarized his forecasts in a tightly written, four-page weekly bulletin, and he offered his readers more information on any item they wanted to know more about.

There were other newsletters before Kiplinger's, but he used a unique new style: terse, colloquial writing that saved the reader's valuable time. He also was a pioneer in using unnamed—but highly reliable—

CALENDAR
SEPTEMBER 2023

GETTY IMAGES

1 It's the height of hurricane season in much of the Southeast. Consider taking steps to prepare for a natural disaster so you can protect yourself and your home. This is also a good time to review your insurance coverage, especially if you haven't updated it for a while. See page 40 for a guide to reviewing your homeowners and auto insurance policies.

12 If you're in a Medicare plan, be on the lookout for your Annual Notice of Change. The document lists any changes in plan coverage, service area or cost that will go into effect in 2024, and it can help you decide whether your current coverage still meets your needs.

government sources to provide readers with information they couldn't find elsewhere. These innovations were years ahead of their time. In a recent book by journalism professor Rob Wells (*The Insider: How the Kiplinger Newsletter Bridged Washington and Wall Street*), Wells says that techniques W.M. Kiplinger used in the 1930s were forerunners of today's business and government reporting in the likes of Politico, Axios and digital newsletters from major publishers.

IMPARTIAL ADVICE

It's no mean feat for a paid-circulation publication to survive and thrive for a century, and *The Kiplinger Letter* has done it by sticking to its core values. Our small staff of savvy reporters and editors provide forecasts that are nonpartisan and devoid of wishful thinking.

We know that some of our readers are rooting for the outcomes we foresee, while others will view them as anathema. But we call the shots as we see them. That's the only way we know how to be useful to our readers, who must make decisions based on likely outcomes, whether they want them or not.

We've done this through times of bitter acrimony in public affairs—the tumultuous 1930s, 1960s and today, when there is a degree of political polarization not seen in America since the 19th century. We never take sides, hewing to our mission of unbiased analysis and judgment.

Most of our readers get this and appreciate it. Even with an ocean of free information on the internet, they pay for our independent journalism through subscriptions to our flagship weekly letter and our biweekly *Kiplinger Tax Letter,* the most widely read tax advisory service. The high renewal rates are an annual referendum on how useful our readers find them to be.

We're honored that many of our Kiplinger clients subscribe to several of our publications, whether the weekly letter, tax letter, this magazine, *Kiplinger Retirement Report* or *Kiplinger Investing for Income*. These all share the same editorial culture that started 100 years ago and lives on today. It's our pleasure to serve you. K

→ DEAL OF THE MONTH:

Back-to-school shopping season tends to wind down in September, so it's a good time to shop for notebooks, backpacks and lunch boxes. Watch for discounts of up to 85% off a variety of school supplies, says Julie Ramhold, consumer analyst for DealNews.com.

23 Fall is the beginning of the new TV season, when the major networks and streaming platforms often release new shows and unveil new seasons of existing hits. Take the opportunity to review your subscriptions. Are you using all the services you're paying for? If any of your entertainment avenues have been gathering dust, see our guide to cord-cutting and streaming services on page 66.

Briefing

INFORMATION ABOUT THE MARKETS AND YOUR MONEY

THE FED MAY NOT BE DONE HIKING INTEREST RATES

→ After lifting the federal funds rate at a rapid clip throughout most of 2022 and at a more moderate pace in the first half of 2023, the Federal Reserve put its series of rate hikes on pause at its June policy meeting. As inflation cools, the Fed is taking a step back to see how its policies are affecting the economy.

To combat inflation, the Fed pushed up its benchmark rate over the course of 10 consecutive meetings before the one in June, with the rate rising from near 0% in early 2022 to a recent range of 5% to 5.25%. Despite the break in rate increases, the Fed is likely to raise rates a bit more as it continues the drive toward its goal of a 2% inflation rate. In May (the most recent month for which data was available at press time), the Consumer Price Index rose 4% from a year earlier. And core inflation—which excludes prices from the volatile energy and food sectors—has been more difficult to tame, rising at a 5.3% yearly rate in May. Following the June meeting, most Fed officials expected two more rate increases of one-quarter of a percentage point each in 2023.

What it means for your money. With interest rates likely to climb more this year, borrowers will continue to feel the pain. Kiplinger expects mortgage rates to remain elevated until the fight against inflation progresses further. Recently, the average interest rate for a 30-year, fixed-rate mortgage was 7.15%, according to Bankrate.

If you have debt with a variable interest rate—which may include a credit card balance, a home equity line of credit or a private student loan—your rate will tick up along with the Fed's increases. Credit card debt can be especially onerous, with average rates recently reaching nearly 21%, according to the Fed. If you haven't already made moves to pay down or refinance your debt, review your options. You may be able to transfer your credit card balance to a card with a lower rate. The ***BankAmericard Credit Card*** offers a 0% rate for 21 months on balance transfers made within the first 60 days of opening the account (after the 0% rate expires, a variable rate applies—recently, it was 15.99% to 25.99%).

Savers enjoy the bright side of rate boosts. Several savings accounts and money market deposit accounts available to bank customers nationwide recently

GETTY IMAGES

yielded 5% or more. They include the ***Popular Direct Savings*** account (www.populardirect.com), which charges no monthly fee and offers a 5.05% yield, and the ***CFG Bank High Yield Money Market*** account, with a 5.17% yield (www.cfg.bank; maintain a $1,000 balance to earn interest and avoid a $10 monthly fee).

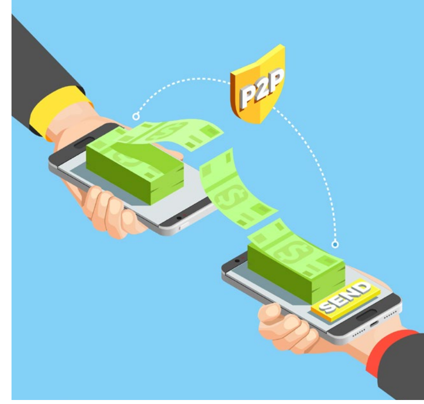
Yields are even higher on some short-term certificates of deposit, including 5.48% on a ***one-year CD from First Internet Bank*** (www.firstib.com; $1,000 minimum deposit). Yields are as of July 3. For more top-yielding accounts, see the tables on page 53. **LISA GERSTNER**

FROM THE KIPLINGER LETTER

Fees to Drive in Congested Cities

More cities are looking at charging drivers a fee to enter downtown areas. New York City is the first place on track to implement congestion pricing. In much of lower and midtown Manhattan, drivers can expect to pay as much as $23 at peak hours, with reduced pricing for low-income motorists as well as taxis and rideshare drivers. The city is targeting a spring 2024 rollout. Other major U.S. cities will study the use of this pricing system for downtowns.

THE RISKS OF USING PEER-TO-PEER PAYMENT APPS



→ A recent report from the Consumer Financial Protection Bureau found that billions of dollars stored in major peer-to-peer payment apps, such as Cash App, PayPal and Venmo, may lack the same federal deposit insurance coverage that protects users of standard U.S. banks and credit unions from total ruin in a crisis.

Check an app's user agreement to see whether it keeps your money in a bank or credit union account or invests your money in loans and bonds. Also check for details on whether your money may be insured at a bank or credit union, as well as what happens in the case of the payment app's collapse or bankruptcy.

Certain apps offer pass-through insurance, which protects you against the failure of the bank or credit union where the company holds your funds. If you follow the insurance criteria, this can offer an additional layer of protection for app users. However, pass-through coverage doesn't protect you against a payment app failing. Even if your money is stored safely in an external bank backed by the Federal Deposit Insurance Corp. or a credit union insured by the National Credit Union Share Insurance Fund, you could still experience significant delays in accessing your funds if the payment app collapses.

It's wise to regularly transfer your balance from the payment app's holding fund into your federally insured bank or credit union account. Try to check your app balance monthly. **BENJAMIN DEMERS**

DEPOSIT PROTECTION FOR MAJOR PAYMENT APPS

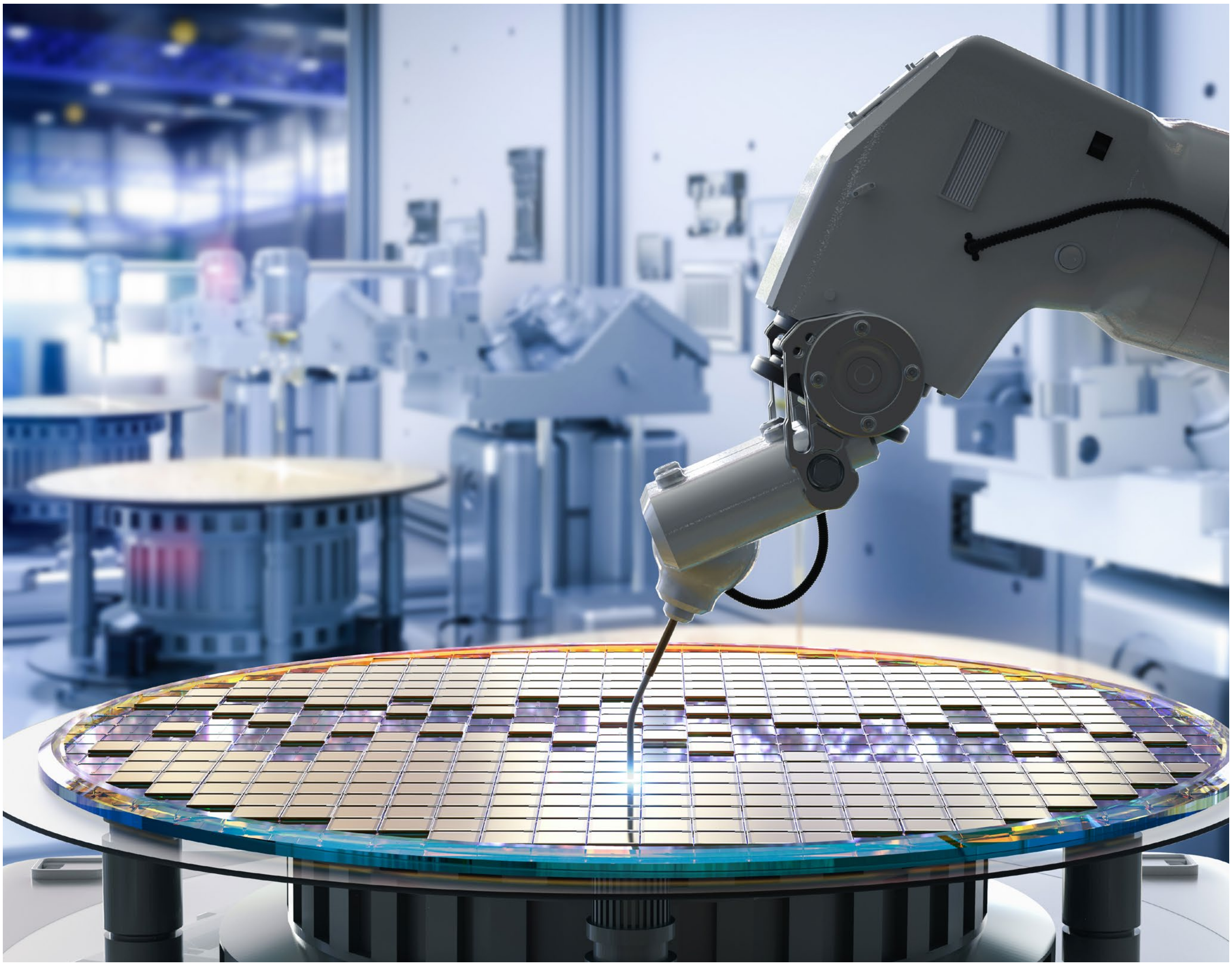
Insurance coverage for balances in popular payment apps is spotty or nonexistent.

Provider	Account Type	Deposit Insurance Eligibility
PayPal	PayPal Balance account	Funds are eligible for pass-through insurance if the customer engages in certain activities using the account, including opening a PayPal debit card account, enrolling in direct deposit, or using the account to buy or receive crypto assets.
Venmo	Venmo Account	Funds are eligible for pass-through insurance if the customer engages in certain activities using the account, including adding funds using direct deposit or the cash-a-check feature, or using the account to buy or receive crypto assets.
Cash App	Cash App Balance account	Funds are eligible for pass-through insurance if the account is linked to a Cash App prepaid card or the account sponsors/is a Sponsored Account.
Apple Pay	Apple Cash account	Funds are eligible for pass-through insurance if the customer registers the account with Green Dot Bank.
Google Pay	Google Pay Balance Account	None

SOURCE: Consumer Financial Protection Bureau

$157,500

The average amount a 65-year-old retiring this year can expect to spend on health care and medical expenses throughout retirement, according to an estimate from Fidelity Investments. For the first time in nearly a decade, the anticipated cost remains flat from the previous year.



HOW TO INVEST IN AI

It's too early to pick the ultimate winners in artificial intelligence, and it's already expensive to get in on the ground floor. But these companies stand to benefit from the boom.

BY KIM CLARK

GETTY IMAGES

ARTIFICIAL intelligence is already writing our kids' essays, driving cars, producing new computer programs and helping scientists seek cures for cancer. It also promises lower costs and bigger profit margins for millions of businesses. By 2030, a new report from the consulting firm McKinsey predicts, AI could increase global productivity by more than 3%, adding trillions to the world's wealth. Microsoft founder Bill Gates, who knows a thing or two about technology, calls AI a "revolutionary" development that will likely soon "be able to do everything that a human brain can, but without any practical limits. This new technology can help people everywhere improve their lives."

There's a dark side to AI, too: It might also empower criminals, eliminate millions of jobs or even spin out of control and kill us all, say AI alarmists.

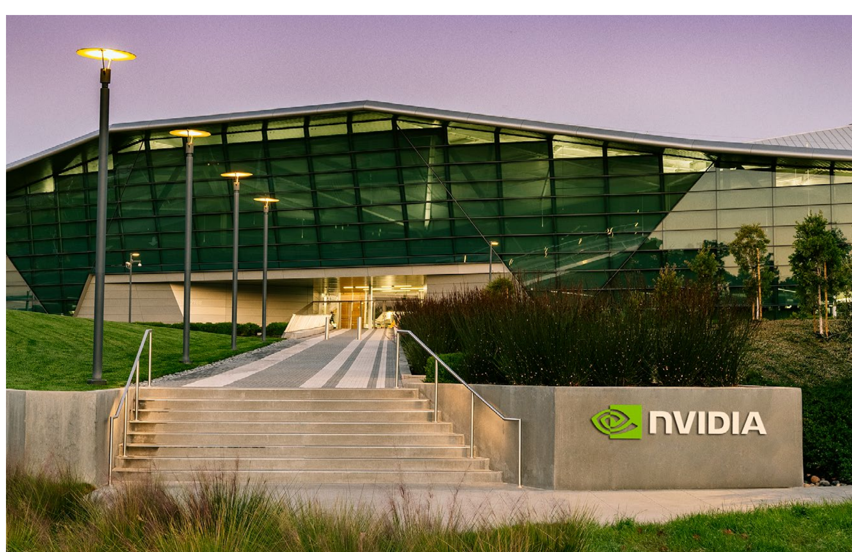
Extravagant claims about the potentially world-changing impacts of computers that can learn and reason on their own are raising hopes—and fears—around the world. The hype is also sending the stocks of AI-related companies soaring. The tech-heavy Nasdaq Composite index rose at almost double the S&P 500's 17% pace in the first half of 2023. And most of that was driven by a handful of AI-related firms. Nvidia, which designs the chips used in more than 90% of AI applications (according to technology industry research firm CB Insights), returned an eye-popping 190% over the period. Many AI-related stocks trade at more than 40 times next year's expected earnings—about twice the level of the overall market.

That creates challenges for investors interested in benefiting from AI but afraid of a repeat of 2000, when the dot-com bubble burst. Big technological innovations "are often overhyped in the near term," warns Dan Fletcher, portfolio manager of the DWS Science and Technology fund. But "they are underappreciated for the long term." He predicts that AI will have "very profound effects" over the next decade.

Right now, "the market is indiscriminate," Fletcher says, inflating many companies with only tangential connections to AI, whose transformative promise is only beginning to be understood. But there's still opportunity for disciplined investors who do their homework and either have an investment horizon long enough to withstand potential volatility or who can wait to buy during the inevitable dips. Veteran tech analysts say investors should ask three key questions to find companies with good chances to win the AI race:

How real is the firm's commitment to AI? During the current frenzy, "every company is going to be saying it is using AI," says Afroz Jaffri, an artificial intelligence expert at research firm Gartner. "Those claims need to be verified." Longtime portfolio manager Gregg Fisher, who currently runs Quent Capital, an asset management firm, says he checks the résumés of company leaders and in-house technologists to see if they really have AI expertise. And he looks at company statements from the past several years: Did the company use data analytics and machine learning before AI became all the rage? And, importantly, what percentage of a firm's revenues and profits are AI-related?

Are the business and the stock fundamentally sound? Ryan Jacob, manager of the Jacob Internet Fund, says one lesson from the dot-com bust is that investors who ignore fundamentals will get burned. A strong balance sheet showing that a company has the resources to compete and expand is a must, he says. As for stocks, recognize that fast-growing companies should be ana-



COURTESY OF NVIDIA

→ Nvidia, headquartered in Santa Clara, Calif., designs the chips used in more than 90% of AI applications.

lyzed with growth and opportunity in mind, says Fisher. But don't fall for claims that "price-earnings ratios don't matter anymore," he says.

What part of the AI chain does the company serve? Businesses in nearly every sector will be experimenting with ways to profit from AI. Many, if not most, of those efforts will fail. Many experts say that for now, it is safer to invest in the companies that provide AI tools to the experimenters. DWS's Fletcher says that means generally focusing on firms that design or make AI-related equipment or software for others to use. "We think infrastructure is the first place to go," he says.

Below, we list five companies that are well grounded in AI and should have the wherewithal to survive in a highly volatile sector. Prices, returns and other data are as of June 30, unless otherwise noted.

BROADCOM

Chip designer Broadcom, a big player in cable set-top boxes and ethernet routers, has ramped up production of AI-related semiconductors. Chief executive Hock Tan told investors in June that AI revenue will likely hit $4 billion in fiscal 2023 (ending in October), making up about 11% of total annual revenue. He expects AI-related sales to soar to as much as $7 billion in fiscal 2024. The firm is on a pace to earn more than $42 a share in fiscal 2023, up 12% from the prior year and about 50% from fiscal 2021.

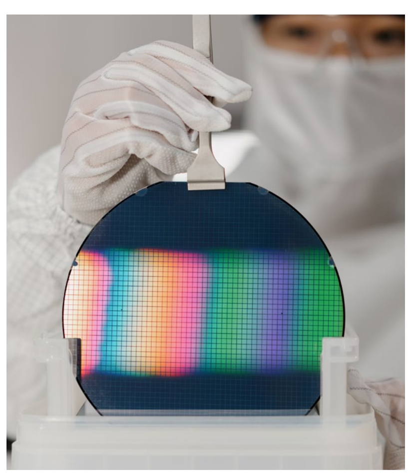
Broadcom has benefited from this year's AI stock boom. The shares jumped 57% in the first half. But in part because Broadcom's profits are booming as well, the stock's price-earnings ratio based on expected earnings was below the tech industry average of about 20. That is one reason the company is a favorite of the Columbia Seligman Technology and Information fund, whose mission is to find "growth at a reasonable price." The stock is one of the fund's top three holdings. Comanager Shekhar Pramanick says Broadcom should benefit in 2024 as firms increase spending on AI to infuse it into more of their processes. "Everybody wants to experiment," he says.

MICROSOFT

Thanks to its $13 billion investment in OpenAI, the creator of ChatGPT, 48-year old tech survivor Microsoft has a head start on making money from AI. It is already incorporating ChatGPT into its Bing internet search engine. And Microsoft is licensing its AI services, such as its speech recognition model, so smaller companies can create their own AI applications.

Angelo Zino, senior stock analyst at CFRA Research, expects annual AI-related sales at Microsoft to reach $10 billion by the end of 2023—equivalent to almost 5% of the company's expected $211 billion in annual sales—then "grow exponentially" for the next few years. Microsoft "is an obvious play" for any investor who wants to jump on the AI train, he says. Its investment in OpenAI gives Microsoft a say in which companies will get access to that system. Combine that with the company's huge size and dominance in areas such as office software, and you get "extreme pricing power," he says.

Dominic Rizzo, manager of T. Rowe Price's Global Technology fund, likes the prospects for Microsoft's "Copilot" AI services. The applications are already helping programmers generate code faster and are being added to Windows and Microsoft 365 to help office workers with tasks such as creating Excel spreadsheets and PowerPoint presentations. Microsoft makes up more than 10% of the fund's portfolio. Though the shares trade at 32 times expected earnings, Rizzo calls the premium P/E "reasonable when you consider Microsoft's best-in-class business model, customer relationships and AI positioning."



↑

Silicon wafers are used in the fabrication of semiconductor chips.

NVIDIA

This company, long prized for its video game graphics cards, is at the heart of the AI revolution. Its chips, which can handle many more tasks concurrently than can standard chips, make up the brains behind ChatGPT and are the basis for AI applications such as smartphone digital assistants, self-driving cars and surgical robots.

The chip industry overall suffered as sales of cell phones and laptops slumped over the past year. But Nvidia's sales have skyrocketed from $11 billion in the fiscal year ending January 26, 2020, to almost $27 billion for the most recent fiscal year. For the quarter ending April 30, the company reported earnings of $1.09 a share, down from $1.36 a share in the same quarter a year ago but well above the 92 cents a share expected by a consensus of Wall Street analysts. Sales were $7.2 billion for the quarter, compared with expectations of $6.5 billion. Nvidia executives said they expected sales of roughly

GETTY IMAGES

$11 billion for the July quarter.

Nvidia's potential is no secret—the stock has shot up from roughly $100 a share in the summer of 2020 to $423 recently. It remains well loved on Wall Street, with nearly three-fourths of the analysts who follow the stock recommending it. But the run-up has led many investors not yet holding Nvidia shares to ask whether they've missed out. Others worry about the firm facing increasing competition or stricter regulation here and abroad.

Whether to buy now depends on your time horizon, says Matthew Moberg, manager of the Franklin DynaTech Fund, which has 6% of its portfolio in Nvidia shares. The stock, trading at 47 times expected earnings, will likely be volatile and is not a good choice for short-termers at current levels, he says. "If you have a long-term investing time frame—five to 10 years—you shouldn't worry about the run-up," he says. "I feel really good about Nvidia. It still has room to grow."

SYNOPSYS

This Mountain View, Calif.–based company provides software to help

Many fund managers say that for now, it is safer to invest in the companies that provide AI tools to the experimenters.

companies such as Nvidia design and produce AI chips. Synopsys gets a double benefit from AI, says Gary Mobley, an analyst at Wells Fargo Securities, because it makes money by selling software to AI designers and saves money by using AI to help write the software it sells.

Demand for new kinds of AI chips is expected to increase the company's revenues by more than 14%, to $5.8 billion for fiscal 2023, which ends October 31; earnings are expected to jump over 20%, to nearly $11 per share. The stock has returned 36% so far in 2023. Despite the gain and a P/E of 37, Mobley says he thinks the stock is "still relatively undiscovered." Fletcher, the DWS portfolio manager, says Synopsys is in great shape to ride the AI boom, with no debt and very few competitors, which gives the company some pricing power.

TAIWAN SEMICONDUCTOR MANUFACTURING

Investors focused on AI chip designers, such as Broadcom and Nvidia, may not realize that another company—Taiwan Semiconductor—actually produces most of the silicon circuits that power artificial brains. As the world's largest contract semiconductor foundry, the firm's fortunes rise and fall with the notoriously cyclical chip sector.

AI demand helped boost TSM's annual sales by roughly 30% in 2022, to about $73 billion. Because of the time and expense required to build new chip factories, the firm has few competitors, resulting in high profit margins during booms. The company reported its net profit margin (profits as a percentage of sales) expanded by more than seven percentage points in 2022, to 45%.

The shares trade as American depositary receipts on the New York Stock Exchange at a P/E below the U.S. market's average. One reason for the discount: Many investors are concerned about mainland China's threats to claim Taiwan. The firm is building plants in the U.S. and Japan to reduce its geopolitical risk.

For now, the shares attract value-seekers such as T. Rowe Price's Rizzo, who has made the company the fund's third-largest holding. "Taiwan Semiconductor is the best-in-class semiconductor foundry," he says, adding that AI will power significant growth for the company over the next 18 to 24 months. Morningstar analyst Phelix Lee agrees that the shares are attractively priced, trading about 30% below his estimate of their fair value.

KEY DATA

Bet on AI Infrastructure

The stocks below should be able to outlast the inevitible shakeouts that come with the spread of new technology.

Company	Symbol	Price	Price-earnings ratio	Market value (billions)	Estimated EPS growth*	Total return 1 year
Broadcom	AVGO	$867	20	$358	14%	82.2%
Microsoft	MSFT	341	32	2,532	12	33.6
Nvidia	NVDA	423	47	1,045	36	179.2
Synopsys	SNPS	435	37	66	17	43.4
Taiwan Semi. Mfg.	TSM	101	18	523	14	25.5
S&P 500			20		8	19.6

As of June 30. *Annualized, over the next three to five years. Sources: Morningstar Direct, S&P Global Market Intelligence, Refinitiv

SPREAD YOUR BETS

CONSIDER AN AI FUND

Artificial intelligence could define this decade. Get well-rounded exposure with these funds. **BY KYLE WOODLEY**

INVESTORS have had access to artificial intelligence–related stocks and funds for years. But rapid developments in the technology have turned the present into a pivotal moment for the industry—and for investors. Exchange-traded funds deliver a diversity of holdings at a low cost, cutting the risk that you'll make a concentrated bet on the wrong stock and lose big even if AI continues to take off. Funds that invest in AI tend to share an interest in robotics, too; there's a lot of overlap between the two industries. The ETFs below, all passively managed index funds, have a healthy dose of AI in their portfolios but differ in how much they focus on AI, robotics or both. Prices and returns are as of June 30.

GLOBAL X ARTIFICIAL INTELLIGENCE & TECHNOLOGY (SYMBOL AIQ, $28, EXPENSE RATIO 0.68%). This five-year-old fund has roughly $372 million in assets. It invests in companies that are developing AI products and services as well as in companies responsible for hardware that helps facilitate AI for big-data uses. The nearly 90-stock portfolio is made up of firms that concentrate on three main areas: consumer-focused AI, including companies such as Meta Platforms; back-end services, including Salesforce; and hardware manufacturers, such as semiconductor giant Nvidia. Nearly three-fourths of the portfolio consists of U.S.-based firms, but the fund also holds stocks from other countries, including China (7%), South Korea (4%) and Germany (4%). The fund, up 34% over the past 12 months, ranks in the top half of all technology funds for the past one-, three- and five-year periods, according to fund tracker Morningstar.

ROBO GLOBAL ARTIFICIAL INTELLIGENCE (THNQ, $36, 0.68%). Launched in May 2020, this fund has just $48.5 million in assets so far. It focuses both on companies bringing artificial intelligence to the masses and other businesses and on companies whose products make AI possible. The ETF sorts its portfolio of nearly 70 stocks into two buckets: infrastructure businesses (61% of assets), ranging from big-data and cloud-computing providers to semiconductor manufacturers; and applications and services businesses (39%), including e-commerce companies, consulting services, factory-automation firms and more.

Each of these companies has to check several AI boxes to be considered. Among other things, a firm must have a high level of investment allocated to AI, and AI must contribute a significant amount to revenues. Microsoft, a top-five holding, is considered an AI leader after the recent launch of its ChatGPT-powered Bing AI. Another holding, Shopify, uses artificial intelligence to personalize website experiences. The fund, up 35% over the past year, ranks in the top 19% of tech funds for the period.

Funds that invest in AI tend to share an interest in robotics, too; there's a lot of overlap between the two industries.

FIRST TRUST NASDAQ ARTIFICIAL INTELLIGENCE AND ROBOTICS (ROBT, $46, 0.65%). With $376 million in assets, this fund's portfolio holds nearly 110 stocks. Foreign stocks account for roughly half of assets. The ETF looks for three types of companies involved in AI, robotics or automation, using a classification system from the Consumer Technology Association. *Enablers* develop the building-block components for robotics or AI, such as advanced machinery, autonomous systems (used in smart robots, for example), self-driving vehicles, semiconductors and databases used for machine learning. *Engagers* are companies that design, create, integrate or deliver robotics or AI via products, software or systems. *Enhancers* are involved with robotics or AI, but not as part of their core business.

The fund constructs the portfolio with 60% in Engagers, 25% in Enablers and 15% in Enhancers. Stocks are equally weighted within each category, so single-stock risk is minimal. The greatest weighting currently, for instance, is cybersecurity firm Palo Alto Networks, at just 2.2%. Other holdings include UiPath, whose software uses AI to automate business processes such as extracting information from documents or updating databases, and smartphone-maker-turned-cybersecurity-firm BlackBerry. The fund has returned 24% over the past year.

ISHARES ROBOTICS AND ARTIFICIAL INTELLIGENCE MULTISECTOR (IRBO, $33, 0.47%). The

ETF invests in companies that are considered developers or enablers in both the robotics and artificial intelligence industries. Among the fund's more than 100 holdings, Chinese internet services giant Baidu has developed a conversational artificial intelligence system dubbed DuerOS. This technology allows humans to talk with or give commands to their personal devices. Splunk is an example of an AI enabler, as the firm's software allows customers to analyze big data for a number of uses, including IT security and systems monitoring. U.S. stocks account for just over half of assets; China accounts for 12%; Japan, 10%. The fund ranks in the top half of tech funds for the past year, returning 25%. K

Questions or comments? Send an e-mail to Feedback@kiplinger.com.

BRAVE NEW WORLD

Crunching Big Data to Pick Stocks

This firm uses artificial intelligence to look for stocks to beat the market. BY DAN BURROWS

→ Artificial intelligence that leverages the raw power of big data is not new to the world of stock picking, although it has traditionally been available only to institutional investors.

Financial technology firm Danelfin uses AI-driven analytics to give regular folks access to institutional-level technology. The firm's platform, available through both free and premium plans, uses artificial intelligence to analyze more than 900 fundamental, technical and sentiment data points per day for all U.S.-listed shares and 600 stocks listed in Europe. Fundamentals include earnings growth and valuation measures, for example; technical factors include a stock's price momentum and relative strength; sentiment indicators include analysts' price targets and insiders' trades, to name two.

After churning through 10,000 daily indicators, Danelfin's algorithms produce a series of scores. The AI Score, which ranges from 1 to 10 (higher is better), indicates a stock's probability of beating the market over the next three months, or roughly 60 trading sessions. Danelfin also assesses stocks' volatility and their potential for nasty drawdowns. Stocks with superior Low Risk Scores should help tactical investors and traders sleep better at night. The last step is to combine the AI and Low Risk scores to suss out stocks that offer not only the highest probability of short-term outperformance but also the lowest risk of loss.

Below are 10 stocks to watch, based on Danelfin's analysis as of June 30. We've included only stocks for which Danelfin has been sharp with its buy signals in the past (going back to 2017), measured three months out and, to give these picks a little longer shelf life, after one year. For good measure, we also took a look at the consensus opinions of Wall Street analysts.

LET AI DO THE PICKING. The stocks below have a near-term probability of outperforming the market, according to fintech firm Danelfin. Human analysts don't necessarily agree.

Company	Symbol	Price	Industry	Market value (billions)	Price-earnings ratio	1-year total return	AI risk/reward score	Analysts' opinion
American States Water	AWR	$87	Utilities - Regulated Water	$3.2	28	8.7%	8.5	Hold
Thermo Fisher Scientific	TMO	522	Diagnostics & Research	201.3	22	–3.7	8.0	Outperform
Selective Insurance	SIGI	96	Insurance - Propt & Caslty	5.8	15	11.7	8.0	Hold
Brady	BRC	48	Security & Protection Serv	2.4	12	2.6	8.0	Outperform
UnitedHealth Group	UNH	481	Health Care Plans	447.5	19	–5.1	8.0	Outperform
AutoZone	AZO	2,493	Specialty Retail	45.3	17	16.0	7.5	Outperform
Teledyne Technologies	TDY	411	Scientific & Tech Instrmt	19.3	22	9.6	7.5	Outperform
General Mills	GIS	77	Packaged Foods	44.9	17	4.5	7.5	Hold
Delek Logistics	DKL	55	Oil & Gas Refining & Mktg	2.4	13	20.4	6.5	Underperform
Greif	GEF	69	Packaging and Containers	3.4	12	13.6	6.5	Hold

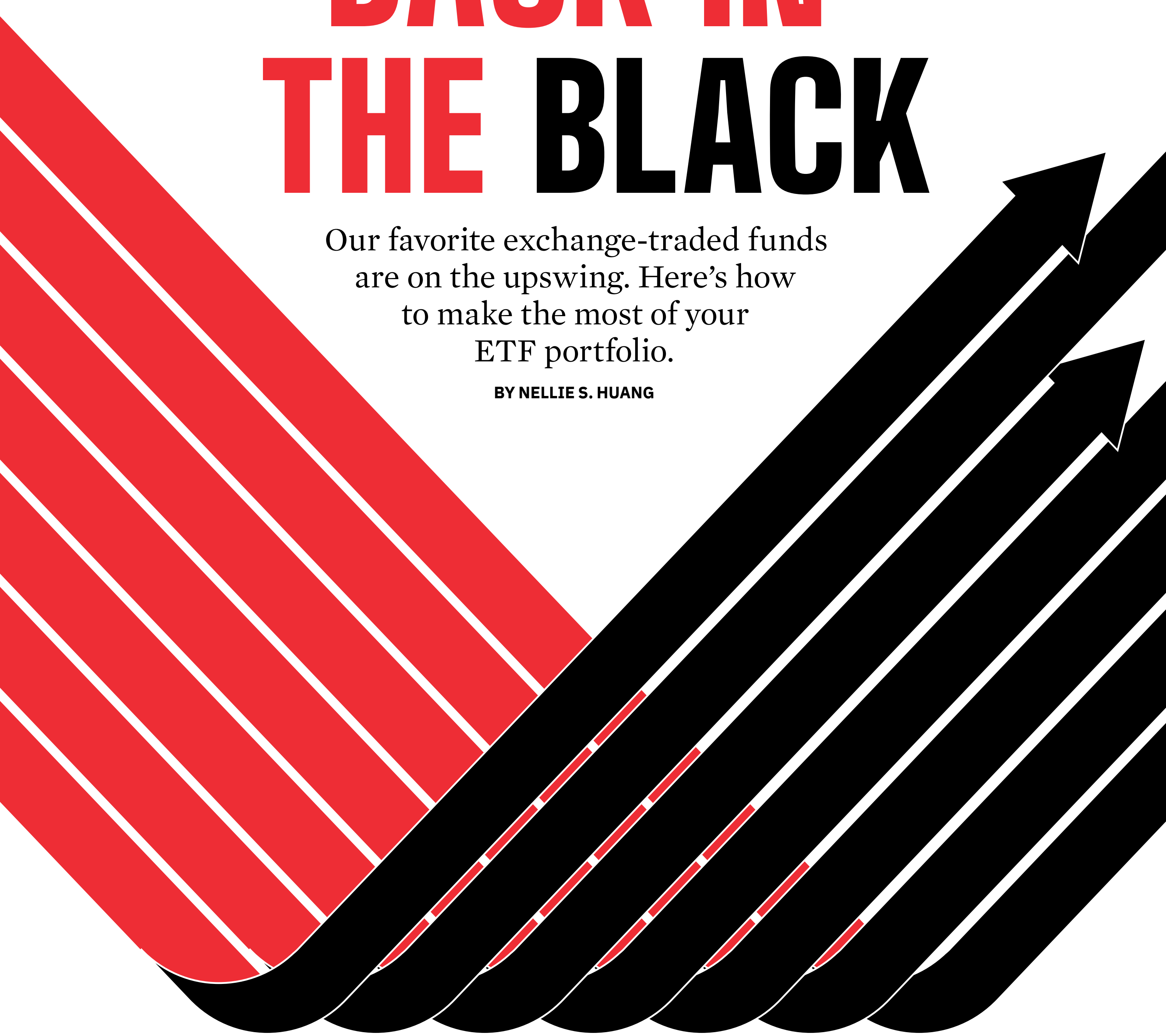
As of June 30. SOURCES: Danelfin, Morningstar Direct, S&P Global Market Intelligence

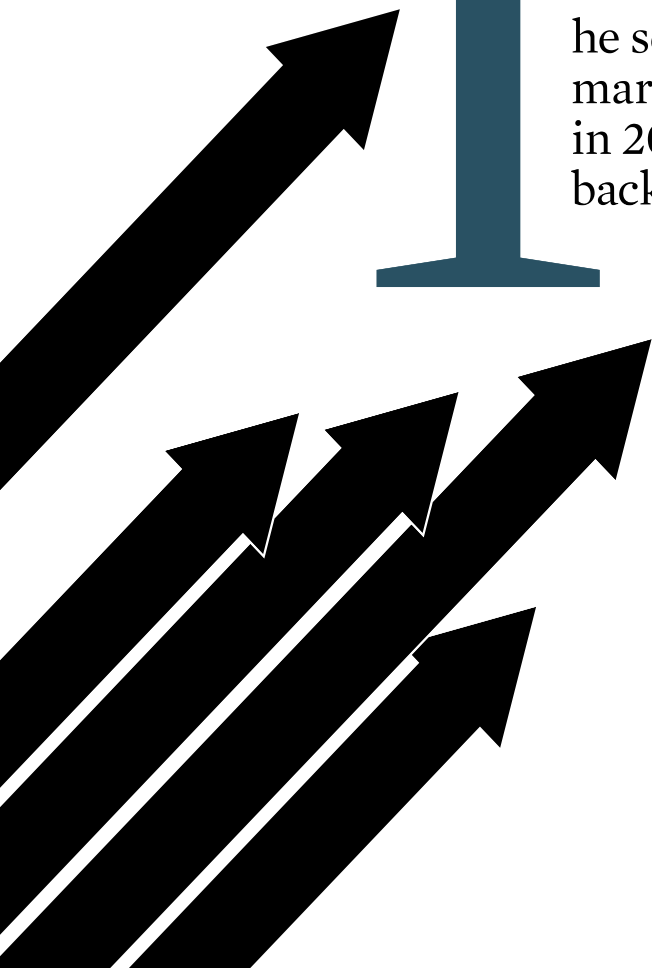
THE KIPLINGER ETF 20

BACK IN THE BLACK

Our favorite exchange-traded funds are on the upswing. Here's how to make the most of your ETF portfolio.

BY NELLIE S. HUANG





The scars we suffered during 2022's bear market are on the mend. After losing 18.1% in 2022, the S&P 500 has clawed its way back to a 16.9% gain so far in 2023.

→ Bonds are clambering up, too. The Bloomberg U.S. Aggregate Bond index, a broad bond market barometer, returned 2.1% over the first six months of 2023, after a 13.0% loss in 2022. (All returns in this story are through June 30, unless otherwise noted.) And the bear? It's gone, at least technically speaking, because the broad stock market benchmark has gained more than 20% from its bottom in October 2022.

The funds in the Kiplinger ETF 20, the list of our favorite exchange-traded funds, are recovering, too. Most of our picks have regained enough ground since the start of the year to push their one-year returns into positive territory. All told, in this, our annual review of the ETF 20, things look a lot better than a year ago, when all but two of our funds (Schwab U.S. Dividend Equity and Invesco Optimum Yield Diversified Commodity Strategy No K-1) sported negative one-year returns.

Meanwhile, the ETF industry continues to evolve. Though total net assets in ETFs dropped in 2022 to $6.5 trillion, compared with $7.2 trillion the previous year, 12% of all U.S. households now own ETFs. And ETFs accounted for 30% of daily U.S. stock market trading activity in 2022, up from 25% in 2021. "We'll get to a point where generations of investors don't treat ETFs as new or unique or even particularly clever," says Ben Johnson, of investment research firm Morningstar, who formerly directed ETF research for the firm and now works with asset managers as they build out and bolster their ETF offerings. "They're going to be ETF natives the way our kids are tech natives."

Navigating a complex field. But there's no question that ETFs are getting more complex. New products are coming to market with intricate investment strategies, and investors are gobbling them up, says Aniket Ullal, head of ETF data and analytics at CFRA Research. Ullal sees lot of interest in options-based strategies, such as defined-outcome or buffered ETFs. These products offer some protection against stock downturns in exchange for a cap on potential gains (see "Limit Losses With These ETFs," June 2021). "There's a greater need for education" with these kinds of products, adds Ullal.

What hasn't changed are the launches of niche-y ETF strategies that aren't for everyone. These include thematic funds that are trying to capitalize on trendy topics, such as Defiance Pure Electric Vehicle or the Subversive Mental Health ETF, which began trading in December under the symbol SANE. Also new, and more specialized, are single-stock ETFs. These funds use derivatives to give you a leveraged or inverse position in one company, such as Amazon.com or Apple or Nvidia. The first of its kind launched last summer; now there are nearly two dozen.

GETTY IMAGES

(See "Single-Stock ETFs Come With Plenty of Risk," November 2022.)

This parade of new ETFs, which Johnson refers to as "spaghetti" that fund sponsors throw at the wall to see what sticks, will likely continue because of a Securities and Exchange Commission rule passed in late 2019 that makes fund launches easier for investment companies. The so-called ETF rule "made it expedient and less costly for new ETFs to come to market," says Johnson. Largely as a result, he adds, "virtually every single large asset management firm has jumped into the ETF pool at this point." BNY Mellon, Calvert and T. Rowe Price, to name a few, have all launched multiple funds in recent months. More important, some mutual fund companies that were previously sold only through advisers, including Capital Group—the firm behind American Funds—now offer ETFs that any investor can buy. They don't have long track records, but some are worth a look (see the box on page 32).

Finding ETFs that will best serve your portfolio is the goal of the Kiplinger ETF 20. We have been shepherding this list since 2015. Every year, we make small adjustments to the roster, mostly for tactical reasons, but seven of the original ETF 20 remain on our list. This year, we're making two changes, which we explain in the box on page 28. As always, we make suggestions for how to put those ETFs to work in four model portfolios, on the facing page. For a look at vital stats and key performance figures for the 20 funds, see the table on page 30. Read on for a summary of each of our favorite ETFs.

Most of our picks have regained enough ground since the start of the year to push their one-year returns into positive territory.

CORE STOCK ETFS

ISHARES CORE S&P 500 For broad market exposure, you can't do much better than this fund, which tracks the S&P 500, the ubiquitous barometer of the broad U.S. stock market. With an expense ratio of 0.03%, the fund charges one of the lowest annual fees around. It holds stakes in the 503 constituents of the S&P 500, ranked by market value (stock price times shares outstanding). The usual suspects top the portfolio: Apple, Microsoft, Amazon.com, Nvidia and Alphabet.

ISHARES CORE S&P MID-CAP There are many midsize-company index funds, but we like this ETF because it pairs well with its sibling core stock funds, iShares Core S&P 500 and iShares Core S&P Small-Cap. There's no overlap among the three funds' holdings, which makes it easier to manage any tilt in your portfolio toward company size. Shares in midsize firms beat the S&P 500 over the past month, and many strategists expect that rally to continue. This fund holds shares in 406 companies, with an average market value of $6 billion. Two industrials (the fund's biggest sector) top the portfolio: Hubbell (electrical equipment) and Builders FirstSource (building products).

ISHARES CORE S&P SMALL-CAP Historically, small-company stocks have outperformed the broad market when the economy starts to recover. Smart investors will buy before the recovery begins. This particular small-cap index fund skews toward profitable firms, giving it a quality tilt. That helped in 2022; the fund held up better than the Russell 2000 small-company index. The fund tends to lag when riskier fare is in vogue, but it shines over long hauls. Over the past 10 and 15 years, Core S&P Small-Cap has led the Russell 2000. Just over 600 stocks, with an average market value of $1.9 billion, fill the fund.

ISHARES MSCI USA ESG SELECT Companies that score well on certain environmental, social and corporate governance measures get big play in this fund, but MSCI USA ESG Select maintains the profile of a core stock fund, holding shares in a diverse group of 184 large and midsize firms in all sectors, in line with the MSCI USA index. Certain businesses are excluded, including those involved in firearms, nuclear weapons and tobacco. But the fund still devotes 4% of its assets to energy companies, such as ONEOK and Halliburton. Its hefty exposure to technology stocks (30% at last report) was a drag on performance in 2022, as those shares stumbled. But that stake should help this year because the sector has bounced back in recent months.

VANGUARD TOTAL INTERNATIONAL STOCK After spending years in the shadow of U.S. stocks, some other countries' markets are starting to stand out, including several in Europe (Ireland, Italy and Spain, among others), some emerging markets (Taiwan, Mexico, Greece and Hungary) and even Japan. Total International Stock makes it easy to add or build foreign exposure into your portfolio. The fund shows no favoritism to investing style, company size or geography: It simply holds nearly every stock—just under 7,900—in developed and emerging markets, weighted by market value. Over the past three years, the fund has returned 7.6% annualized, about average for its peer group—funds that invest in a mix of foreign stocks with growth or value characteristics.

DIVIDEND STOCK FUNDS

SCHWAB U.S. DIVIDEND EQUITY Like snowflakes, it seems, no two dividend funds are exactly alike. This fund focuses on high-yielding dividend payers. Only companies that have paid a dividend for at least 10 years and score well on certain financial measures, such as return on equity (a profitability measure) and free cash flow relative to total debt, are included. (Free cash flow is the money left over after expenses to run, maintain and expand the business.) The fund's strategy, and its stake in energy stocks, helped in 2022. It lost 3.2% that calendar year, compared with an 18.1% loss in the S&P 500. Over the past 10 years, the fund's 11.7% annualized record ranks among the top 2% of all large value-oriented funds. That lags the S&P 500, but Schwab U.S. Dividend Equity has been consistently less volatile than the stock benchmark over that period. Broadcom, PepsiCo and Cisco Systems are top holdings. The fund yields 3.7%.

VANGUARD DIVIDEND APPRECIATION Companies that consistently raise their payouts are the focus here. The fund includes only those firms that have increased dividends for at least 10 consecutive years. That makes the portfolio more growth-oriented than the other dividend fund in the Kip ETF 20, Schwab U.S. Dividend Equity ETF. Top holdings in Dividend Appreciation include Microsoft, Apple, ExxonMobil and UnitedHealth Group. Over the past 10 years, the ETF boasts an 11.6% annualized return. The fund yields 1.9%.

STARTING POINTS

Four Portfolios to Reach Your Goals

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

SIMPLE	%	
75% Stock	55	iShares Core S&P 500
	20	Vanguard Total International Stock
25% Bond	25	Fidelity Total Bond
GROWTH		
80% Stock	40	iShares Core S&P 500
	15	Vanguard Total International Stock
	10	Vanguard Dividend Appreciation
	10	iShares Core S&P Mid-Cap
	5	iShares Core S&P Small-Cap
20% Bond	10	SPDR DoubleLine Total Return Tactical Bond
	10	Invesco BulletShares 2026 Corporate Bond
BALANCED		
60% Stock	25	iShares MSCI USA ESG Select
	20	Schwab U.S. Dividend Equity
	10	WisdomTree Global ex-US Quality Dividend Growth
	5	Vanguard Total International Stock
40% Bond	15	Invesco BulletShares 2026 Corporate Bond
	15	SPDR DoubleLine Total Return Tactical
	10	BlackRock Ultra Short-Term Bond
CONSERVATIVE		
45% Stock	25	iShares Core S&P 500
	10	Schwab U.S. Dividend Equity
	10	WisdomTree Global ex-US Quality Dividend Growth
55% Bond	20	Fidelity Total Bond
	15	Invesco BulletShares 2026 Corporate Bond
	10	Invesco Senior Loan
	10	BlackRock Ultra Short-Term Bond

WISDOMTREE GLOBAL EX-US QUALITY DIVIDEND GROWTH This fund's growth tilt, relative to other foreign dividend-stock ETFs, was a drag in 2022, but it's helping now. So far this year, the fund's 11.9% return outpaces the 9.5% gain in the MSCI All Country World ex-USA index. The ETF focuses on high-quality companies with steady profits. Holdings are weighted by payout—the bigger the dividend, the bigger the stock's position in the fund. The portfolio holds mostly large stocks—with a smattering of shares in midsize companies—in developed and emerging countries. The U.K., Taiwan, Switzerland, France and India are the ETF's biggest country exposures. The fund yields 2.0%.

STRATEGIC STOCK AND ALTERNATIVE FUNDS

INVESCO OPTIMUM YIELD DIVERSIFIED COMMODITY STRATEGY NO K-1 This ETF aims to capture the rise and fall of commodity prices by investing in futures and other financial instruments. Commodities can be a good portfolio diversifier—the fund gained 19.3% in 2022 as bonds and stocks plummeted in price—and a good inflation hedge, too. But 2023 has been a transition year. Gold leads the sector now, as oil prices have retreated, and that in part explains the fund's 7.6% decline so far in 2023. Even so, many strategists say this is a blip in a commodity supercycle—a several-years-long bull market, albeit with pauses along the way. Wells Fargo Investment Institute strategists expect a "strong" 2024 that will feature gains in all commodities sectors. As its name suggests, the fund is structured to avoid the troublesome Schedule K-1 tax form, which is required for an investment in a partnership.

INVESCO S&P 500 EQUAL WEIGHT HEALTH CARE In June, this fund adopted a new trading symbol, RSPH, and dropped its old one, RYH. But the fund's strategy is the same: It holds, in equal measures, shares in the 65 health care companies that are members of the S&P 500 index. An equal-weight approach helps even out the influence of the largest companies. UnitedHealth Group, Johnson & Johnson and Eli Lilly, for instance, would make up 25% of the portfolio if shares were weighted traditionally by market value. The approach also means the "growthier" sides of health care (think biotechnology) get as much attention as the sector's defensive side (drugmakers). That has helped recently: The fund's 11.9% one-year return beat the S&P 500 Health Care sector index, which ranks companies by market value, by more than six percentage points.

NEW→ JPMORGAN US QUALITY FACTOR With a recession likely on the way, many strategists are advising investors to stick with high-quality businesses. We sifted through numerous quality-focused ETF choices, but this one stood out. It boasts the best risk-adjusted returns of the bunch. The index it tracks focuses on 10 quality measures that home in on profitability, financial risk and earnings quality. The fund holds 241 stocks; Nvidia, Meta Platforms and Microsoft are top holdings. In 2022, JPM US Quality Factor held up better than the S&P 500, with a 13.4%

WHAT'S IN, WHAT'S OUT

Changes to Our Roster

When we added Invesco Wilderhill Clean Energy to the Kiplinger ETF 20 in 2020, renewable energy use was gaining ground. It still is. But since early 2021, WilderHill Clean Energy shares have been in a free fall.

What happened? A surge in oil prices in 2021 turned investor attention away from clean energy to fossil fuels. And interest rate hikes in 2022 weighed on the value of the many high-growth companies in this fund. Plus, WilderHill Clean Energy holds mostly small companies, which have lagged their large-company counterparts.

We're still keen on alternative energy. But we're swapping out the WilderHill Clean Energy fund for an ETF that spreads its assets across multiple innovative and disruptive products and services, including alternative energy. SPDR S&P Kensho New Economies Composite (symbol KOMP) holds shares in many of the green-energy stocks that Invesco WilderHill owns, including Ormat Technologies (geothermal power) and Maxeon Solar Technologies (solar products). But its 550-odd holdings also cover other kinds of disruptive innovation, including drones, smart homes and electric vehicles.

Financial sector stocks got socked earlier this year with the collapse of three regional banks. Most strategists are neutral on the sector for now, which means they're neither bullish nor bearish. But "the damage to the investment appeal of regional banks likely will persist," say strategists at Wells Fargo Investment Institute. Higher capital requirements and regulatory oversight may render financials "less-compelling investments" compared with other financial services firms and companies in other sectors.

So we're removing Invesco S&P 500 Equal Weight Financials to make room for a quality-focused fund, JPMorgan US Quality Factor (JQUA). We think it could offer some resilience and stability to your portfolio in these economically uncertain times. Read more about these new ETF 20 members in the summaries that begin on page 26.

loss. It beats the market when conditions get wobbly, and it tends to lag a little in go-go years. But over the past three and five years, the ETF outperformed the S&P 500 and was less volatile, too.

NEW→ SPDR S&P KENSHO NEW ECONOMIES COMPOSITE
Not all innovation happens in the tech sector. This fund casts a wider net by investing in disruptive products and solutions in all sectors of the broad market but one (the exception is real estate). It tracks a customized index that employs artificial intelligence to scan company regulatory filings for key terms to pinpoint cutting-edge businesses, such as robotics, clean energy and, well, artificial intelligence, among other things.

The result is a portfolio of nearly 550 stocks in companies of all sizes in so-called new-economy businesses, including 3D printing, cleantech (products or services that reduce environmental impact), autonomous and electric vehicles, genetic engineering, smart factories, sustainable farming, and space exploration. The fund can be volatile, so be prepared for

Vital Stats: The Kiplinger ETF 20 at a Glance

		Share	Annualized total return (%)			Yield	Expense
CORE STOCK FUNDS	**Symbol**	**price ($)**	**1 yr.**	**3 yrs.**	**5 yrs.**	**(%)**	**ratio (%)**
iShares Core S&P 500	IVV	446	19.6	14.6	12.3	1.6	0.03
iShares Core S&P Mid-Cap	IJH	262	17.6	15.4	7.7	1.7	0.05
iShares Core S&P Small-Cap	IJR	100	9.7	15.1	5.2	1.8	0.06
iShares MSCI USA ESG Select	SUSA	94	17.9	13.3	12.3	1.5	0.25
Vanguard Total International Stock	VXUS	56	12.4	7.6	3.7	3.0*	0.07
DIVIDEND STOCK FUNDS							
Schwab U.S. Dividend Equity	SCHD	73	5.2	15.8	11.8	3.7	0.06
Vanguard Dividend Appreciation	VIG	162	15.6	13.6	11.9	1.9	0.06
WisdomTree Global ex-US Qual Div Growth	DNL	36	16.9	7.4	7.2	2.0	0.42
STRATEGIC STOCK FUNDS							
Invesco Optm Yld Dvrs Cmdty Strat No K-1	PDBC	14	–14.2	22.7	5.7	3.8	0.59
Invesco S&P 500 Equal Weight Health Care	RSPH	298	11.9	10.9	10.9	0.7	0.40
JPMorgan US Quality Factor	JQUA	44	20.8	15.0	12.7	1.5	0.12
SPDR S&P Kensho New Economies Composite	KOMP	45	11.4	7.5	–	1.1	0.20
Technology Select Sector SPDR	XLK	174	38.1	19.5	21.5	0.8	0.10
Vanguard FTSE Europe	VGK	62	20.8	10.5	5.1	3.1*	0.11
CORE BOND FUNDS							
Fidelity Total Bond	FBND	45	1.1	–2.5	1.6	5.3	0.36
Invesco BulletShares 2026 Corporate Bond	BSCQ	19	1.4	–1.8	3.1	5.3	0.10
SPDR DoubleLine Total Return Tactical	TOTL	40	0.5	–3.0	0.3	5.5	0.55
OPPORTUNISTIC BOND FUNDS							
BlackRock Ultra Short-Term Bond	ICSH	50	3.8	1.3	1.9	5.2	0.08
Invesco Senior Loan	BKLN	21	10.3	4.1	2.8	8.6	0.65
Vanguard Tax-Exempt Bond	VTEB	50	3.2	–0.5	1.8	3.4	0.05
INDEXES							
S&P 500			19.6	14.6	12.3	1.6	
MSCI EAFE			18.8	8.9	4.4	3.2	
Bloomberg U.S. Aggregate Bond			–0.9	–4.0	0.8	4.8	

As of June 30, 2023. *12-month yield (all other yields are 30-day SEC yields). –Fund not in existence for entire period.
SOURCES: Morningstar Direct, MSCI, S&P Dow Jones Indices.

Some mutual fund companies that were previously sold only through advisers, including Capital Group—the firm behind American Funds—now offer ETFs that any investor can buy.

choppy times. Top holdings include Teledyne Technologies, an industrial conglomerate that makes digital imaging sensors and monitoring instruments for environmental use, among other things; Meta Platforms, formerly Facebook; and PTC, which makes digital technology that helps companies, including General Electric, HP and Volvo, make more efficient and innovative products.

TECHNOLOGY SELECT SECTOR SPDR Size matters in the tech world. Dominant, cash-rich players tend to stay on top (think Microsoft), which is why we selected a market-value-weighted ETF for this sector. That decision has worked in our favor so far (we added the fund to the Kip ETF 20 in mid 2022) because for a period earlier this year, a handful of mega-size tech companies led the market. Over the past 12 months, Technology Select Sector SPDR has gained 38.1%, outpacing the 19.6% gain in the S&P 500. Among the best performers are three top holdings, Nvidia (up 179%), Advanced Micro Devices (49%) and Broadcom (82%).

VANGUARD FTSE EUROPE Our bet on Europe has taken off. Over the past 12 months, Vanguard FTSE Europe has returned 20.8%, outgaining the MSCI EAFE index, which tracks large companies in foreign developed countries. This index fund invests in companies of all sizes based in 16 developed European countries, all for a superlow fee of 0.11%. Michael Arone, chief investment strategist for State Street Global Advisors US SPDR business, sees an improving economic backdrop in Europe and better earnings prospects, too.

CORE BOND FUNDS

FIDELITY TOTAL BOND In each of the past four consecutive calendar years, this actively managed fund has delivered returns that beat at least 70% of its peers (intermediate-term core plus bond funds). And its five-year annualized record outpaced the broad bond market, as measured by the Bloomberg U.S. Aggregate Bond index. The fund holds mostly investment-grade-rated debt (triple-A to triple-B) but it can own up to 20% of assets in bonds rated below investment grade (double-B to triple-C). It currently holds 12% in so-called junk-rated securities. That's more than offset by the fund's nearly 60% exposure to triple-A-rated debt—mostly government bonds and government-guaranteed mortgage-backed securities. The fund yields 5.3%.

INVESCO BULLETSHARES 2026 CORPORATE BOND This fund yields 5.3% (more than the Agg index) and boasts lower volatility than the benchmark, too, allowing investors to strike a good balance between risk and return. It focuses on high-quality corporate debt with maturities of one to five years. Over the past five years, the ETF has returned 3.1% annualized, ahead of the 0.8% average annual gain in the Agg index. In 2022, it held up better than the benchmark as well, albeit with an 8.3% loss. This isn't a typical bond fund; it has a target-date maturity. In 2026, the fund's debt holdings will mature, and on or around December 15 of that year, the fund will close and return remaining assets to shareholders. Given this quirk, we will be watching this fund closely as we get closer to the target year.

SPDR DOUBLELINE TOTAL RETURN TACTICAL This fund, run by DoubleLine's two Jeffs—Jeffrey Gundlach and Jeffrey Sherman—held up better than the Agg bond index in 2022, even with a 12.1% loss. So far this year, the ETF leads the bogey, too, with a 3.1% gain. The two Jeffs have been more defensive lately, incrementally beefing up stakes in Treasuries and government-backed mortgage bonds and easing up on stakes in other sectors, including emerging-markets debt, high-yield corporate bonds and commercial mortgage-backed securities. The fund yields 5.5%.

OPPORTUNISTIC BOND FUNDS

BLACKROCK ULTRA SHORT-TERM BOND Many strategists favor ultra-short and short-term bond funds these days because they offer greater yields than the broad bond index and experience far less volatility. This actively managed ultra-short bond ETF yields 5.2%.

That's better than the 4.8% yield of the Bloomberg U.S. Aggregate Bond index. And over the past five years, the managers have delivered a 1.9% annualized return—better than the 0.8% average annual gain in the Agg, with a fraction of the benchmark's volatility.

INVESCO SENIOR LOAN A rising-rate environment is the best time to own senior loans (also known as bank loans). That's because the coupon rate on these securities adjusts every few months in step with a short-term-bond benchmark. Though the Federal Reserve paused its rate hikes in June, it signaled that there may be more rate hikes before the end of 2023. So we're keeping this ETF in the family for now. The loans in which this fund invests are typically issued by banks and financial firms to companies with below-investment-grade credit ratings. Bank loans pay fat yields—this fund currently yields 8.6%. They are good bond portfolio diversifiers, too, because bank loans tend to zig when other bond sectors zag. In 2022, this fund lost 1.7% while the Bloomberg U.S. Aggregate Bond index sank 13.0%.

VANGUARD TAX-EXEMPT BOND During the debt-ceiling crisis, municipal bonds, which typically pay interest that's exempt from federal income tax, held up better in price and yield than government and corporate debt. That's a sign that state and local finances are in good shape. State and local government rainy-day funds are at record highs, says Jared Woodard, of BofA Global Research, and municipal revenue-to-debt ratios are at their highest level since 2003. In a slowing economy, municipal bonds tend to be more resilient than corporate bonds, too. In other words, it's a good time to consider these tax-exempt bonds. This fund tracks an index of medium-maturity, investment-grade IOUs. Its current yield, 3.4%, is better than its peers. The fund's taxable-equivalent yield is 4.5% for investors who fall in the 24% federal income tax bracket. K

You can contact the author at Nellie_Huang@kiplinger.com.

PROMISING NEWBIES

No Adviser Necessary

These ETFs offer access to standout strategies formerly unavailable to most investors.

A host of new exchange-traded funds now let you invest with some of the best fund managers in the business. Since the start of 2022, Capital Group, home to the mostly adviser-sold American Funds mutual funds, has launched nine actively managed ETFs. Two more are coming later this year: Capital Group Core Bond ETF and Capital Group Short Muni Income ETF.

The low-cost ETFs are based on the firm's seasoned strategies and all are managed in the Capital Group way, in which multiple managers divide fund assets among one another to run independently.

Similarly, Dimensional Fund Advisors, the firm behind the adviser-sold DFA mutual funds, now offers 23 stock ETFs in addition to five bond ETFs and two real-estate ETFs; 16 launched in 2022.

Also new to the scene are 17 ETFs (and a full suite of mutual funds, too) from Avantis Investors, a unit of American Century Investments led by former executives of Dimensional.

The track records of these new ETFs are short, but some are off to a great start and worth watching. Capital Group Dividend Value (symbol CGDV, $27, expense ratio 0.09%), for instance, has returned 23.4% over the past 12 months, a performance that ranks among the top 1% of all large value funds. The ETF yields 1.9%—more than the 1.6% yield of the S&P 500.

Two small-value ETFs from Avantis shine: Avantis US Small Cap Equity (AVSC, $46, 0.25%) and US Small Cap Value (AVUV, $78, 0.25%). Although both fall within the small-value category, Small Cap Equity is less focused on bargain-priced fare than is Small Cap Value.

Dimensional Emerging Markets Value (DFEV, $24, 0.43%) has outpaced the MSCI Emerging Markets index by nearly fivefold, with an 8.4% return over the past 12 months. The ETF is skewed more toward economically sensitive stocks than is the MSCI EM index.

On the bond side, Capital Group U.S. Multi-Sector Income (CGMS, $26, 0.07%) has impressed since its launch in late 2022. The fund's 4.1% return so far this year ranks among the top 14% of multisector bond funds.

Pick Businesses, Not Stocks

STREET SMART BY JAMES K. GLASSMAN

WARREN Buffett, the chairman of ***Berkshire Hathaway***, is the most successful investor of our time. His daughter, Susan, worked as my assistant when I was publisher of a magazine 40 years ago. Just before she got married, Susie told me she worried that her fiancé's parents had bought a couple shares of Berkshire stock—and what if it tanked? At the time, the price was about $1,000 a share. Today, it's $507,000 a share. I hope the in-laws hung on.

In his latest annual report, Warren Buffett calculates that the average yearly gain in market value from his acquisition of Berkshire in 1965 through the end of 2022 was 19.8%, compared with 9.9% for the S&P 500—an astounding difference, matched by no one of whom I'm aware. And Berkshire beat the market in two-thirds of the years.

So, as it turns out, you can beat the averages—or at least Warren Buffett can. What can mere mortals learn from his success?

First, let's understand Berkshire Hathaway Inc. Buffett writes that in 1965 it was a "one-trick pony, the owner of a venerable—but doomed—New England textile operation." Buffett switched to insurance and bought National Indemnity, a company he still owns.

Today, Berkshire has three major kinds of investments: cash (a war chest of $104 billion, as of March 31); companies that Berkshire operates and typically owns in full, ranging from GEICO to BNSF Railway to See's Candies; and publicly traded stocks that you can buy yourself.

At last count, Berkshire owned shares of 46 different public companies, but a few dominate, with just five stocks accounting for three-fourths of the value of Buffett's stock holdings: ***Apple***, ***Bank of America***, ***Coca-Cola***, ***American Express*** and ***Chevron***. Buffett doesn't worry about concentration. He likes to quote the actress Mae West: "Too much of a good thing can be wonderful!" But the overall portfolio (operating companies plus stocks) is certainly diversified by sector. He owns tech, banks, energy companies, consumer-goods firms, health care, automakers, retailers, media, railroads, charter jets, furniture, homebuilders, insurance and more.

Think like a partner. His goal, Buffett writes in the Chairman's Letter of Berkshire's 2022 annual report, "is to make meaningful investments in *businesses* with both long-lasting favorable economic characteristics and trustworthy managers." The italics are his—and they're essential. Buffett thinks of investing not as buying a symbol with a number attached but as becoming a silent partner in a business. "Charlie and I are not stock-pickers; we are business-pickers." (Charlie Munger, Buffett's longtime partner, turns 100 on January 1; Buffett, the youngster, was 93 in August.)

The great advantage of owning publicly traded businesses, he writes, is that you can buy pieces of them—from time to time—"at wonderful prices." Buffett's mentor, the Columbia University scholar Benjamin Graham, used a metaphor in his 1949 book, *The Intelligent Investor*, to explain why. Imagine a character called Mr. Market who is a manic-depressive. Some days, he buys stocks in a mood of euphoria, pushing their prices to absurd heights; other days, he is depressed or panicked and sells at absurd depths. In the latter instances, Mr. Market presents opportunities for you to buy, especially businesses that throw off cash.

In his annual report, Buffett uses Coca-Cola as an example. Between 1987 and 1994, he bought $1.3 billion worth of shares and never bought any more. In 1994, Coke's dividend came to $75 million for Berkshire. In 2022, the payout from those shares was $704 million. "Growth

It turns out, you can beat the averages—or at least Warren Buffett can. Here's what mere mortals can learn from his success.

PHOTO BY NOAH WILLMAN

occurred every year, just as certain as birthdays. All Charlie and I were required to do was cash Coke's dividend checks." The value of Buffett's Coke shares grew to $24.1 billion as of late June, an 18-fold increase.

Buffett writes that the "lesson for investors" is this: "The weeds wither away in significance as the flowers bloom. Over time, it takes just a few winners to work wonders."

"Over time" is the operative phrase. Buffett's preferred holding period is forever. He does sell, but not often. In 2022, for example, he unloaded 50 million shares of U.S. Bancorp and made minor reductions in a few other holdings, including General Motors and Chinese electric vehicle manufacturer BYD. When a firm's prospects change, move your money. As Munger says, "Don't bail away in a sinking boat if you can swim to one that is seaworthy."

The wisdom of patience. Buffett follows the wisdom of Graham: "Day to day, the stock market is a voting machine; in the long term it's a weighing machine." Translation: In the short term, stock prices might reflect little more than a popularity contest, but eventually fundamental value will be revealed.

Berkshire companies I find attractive include Verisign, an internet infrastructure firm, and Moody's, the credit ratings agency.

I frequently hear from readers who say that I tell them to invest for the long term, but they are already 70 years old, for goodness' sake! If you believe your own time horizon is too short for the long term, you might remember that Buffett and Munger are patient in their nineties. Or pass the wisdom of patience on to the ones who really need it: your children and grandchildren. "Having a long attention span and the ability to concentrate on one thing for a long time is a huge advantage," says Munger, and, to the delight of their shareholders, Munger and Buffett have concentrated on Berkshire—and we can expect their handpicked successors to do the same.

For your own portfolio, you can pick and choose among Berkshire's stock holdings, which are widely tracked by the financial press, including Kiplinger. Among the companies I find particularly attractive: ***Verisign***, which manages internet infrastructure; ***Moody's***, the credit ratings agency; and ***Occidental Petroleum***, of which Berkshire owns 25%.

Or you can buy Berkshire's own stock. The Class A shares, which have never split, may cost a half-million bucks each, but the B shares, which were launched in 1996, were recently $341. Berkshire is now the eighth-largest U.S. company by market capitalization (shares outstanding times price).

No longer increasing at twice the rate of the S&P 500 index, Berkshire over the past 10 years has performed roughly the same, with an annualized gain of 11.6%. Is Buffett losing his touch? Has Berkshire become so big that its days of beating the market are over? Perhaps, but I'm betting on Buffett, Munger and their successors. The stock might even be a bargain. K

A PORTFOLIO FOR PATIENT INVESTORS

Berkshire Hathaway considers itself a partner in the businesses it invests in.

Company	Symbol	Price	Yield	Price-earnings ratio	Market value (billions)	Total return 1 yr	Total return 3 yrs *
American Express	AXP	$174	1.4%	16	$129	26.9%	23.6%
Apple	AAPL	194	0.5	29	3,051	42.6	29.2
Bank of America	BAC	29	3.1	8	229	−5.0	9.4
Berkshire Hathaway B	BRK.B	341	—	22	745	24.9	24.1
Chevron	CVX	157	3.8	10	294	12.7	24.9
Coca-Cola	KO	60	3.1	23	260	−1.4	13.5
Moody's	MCO	348	0.9	36	64	28.9	9.0
Occidental Petroleum	OXY	59	1.2	11	52	0.9	48.3
Verisign	VRSN	226	—	35	24	35.0	3.0
S&P 500				20		19.6	14.6

As of June 30. *Annualized. — Does not pay a dividend. Source: Morningstar Direct

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

A Sensible Approach

This intermediate-term bond fund aims for consistency.

MUTUAL FUND SPOTLIGHT BY KIM CLARK

Many investors who pulled out of bond funds over the past 18 months have reversed course. For those who want to add some fixed income back into their portfolio, intermediate bond funds are a good option.

Launched in 2000 and helmed by a team of managers led by veteran Mary Ellen Stanek, ***Baird Intermediate Bond Fund*** has ranked in the top fifth of its category over the past one, three and five years, according to research firm Morningstar. Stanek received Morningstar's Outstanding Portfolio Manager award in 2022. With an expense ratio of 0.55%, the fund yields 4.3%. (Yields and other data are through June 30.)

Moneyball for bonds. Stanek and her team follow a strategy similar to baseball's "Moneyball" approach: "We don't try to hit home runs, and we don't want to strike out. We want to hit a lot of singles, be consistent and have high batting averages," she says. U.S. Treasuries, at 45% of assets recently, are the fund's largest exposure.

Baird Advisors research director Jay Schwister says the fund is preparing for a potential about-face in rates. "It is at least a coin flip" whether the economy will head into a recession, and the Federal Reserve will have to cut interest rates to restore economic growth, he says. The fund has a duration (a measure of interest rate sensitivity) of 3.9, implying a 3.9% gain if rates fall by one percentage point.

INTERMEDIATE CORE BOND FUNDS
Funds are ranked by 1-year returns.

	Name	Symbol	Annualized total return 1 yr.	3 yrs.	Max. sales charge	Exp. ratio
1	Hartford Schroders Tax-Aware Bond A	STWVX	3.2%	−1.3%	4.50%	0.71%
2	Mesirow Enhanced Core Plus Inv	MFBVX	3.1	−2.2	none	0.79
3	Putnam Core Bond Fund A	PTRNX	2.4	0.1	4.00	0.71
4	Curasset Capital Management Core Bond Funds	CMBEX	1.3	–	none	0.36
5	Guggenheim Core Bond Fund A	SIUSX	0.1	−3.3	4.00	0.78
6	Fidelity Intermediate Bond @	FTHRX	0.0	−2.2	none	0.45
7	Western Asset Intermediate Bond A	WATAX	−0.3	−3.2	3.75	0.81
8	PACE Intermediate Fixed Income A	PIFAX	−0.3	−4.1	3.75	0.86
9	Baird Intermediate Bond Inv	BIMSX	−0.3	−2.6	none	0.55
10	Fidelity Investment Grade Bond @	FBNDX	−0.5	−3.5	none	0.45
	Bloomberg US Aggregate Bond Index		−0.9%	−4.0%		
	Category Average		−1.02	−3.75		

20 LARGEST STOCK AND BOND MUTUAL FUNDS

Funds are ranked by asset size.

STOCK MUTUAL FUNDS

	Name	Symbol	Assets† (billions)	Annualized total return 1 yr.	5 yrs.	Max. front load
1	Vanguard Total Stock Mkt Idx Adm	VTSAX	$979.8	18.9%	11.3%	none
2	Vanguard 500 Index Admiral	VFIAX	526.8	19.5	12.3	none
3	Fidelity 500 Index@	FXAIX	392.0	19.6	12.3	none
4	Vanguard Total Intl Stock Index Admiral	VTIAX	307.5	12.3	3.7	none
5	American Funds Growth Fund of America A	AGTHX	231.8	22.3	9.9	5.75%
6	American Funds American Balanced A	ABALX	202.1	8.6	6.7	5.75
7	American Funds Washington Mutual A	AWSHX	159.1	13.3	10.4	5.75
8	American Funds Europacific Growth A	AEPGX	138.7	15.4	3.9	5.75
9	American Funds New Perspective A	ANWPX	120.5	19.2	9.8	5.75
10	American Funds Income Fund of America A	AMECX	118.3	5.6	6.2	5.75
	S&P 500 INDEX			19.6%	12.3%	
	MSCI EAFE INDEX			18.8	4.4	

BOND MUTUAL FUNDS

	Name	Symbol	Assets† (billions)	1 yr. total return	SEC yield	Max. front load
1	Vanguard Total Bond Market Index Adm	VBTLX	$202.7	−0.9%	4.4%	none
2	PIMCO Income A	PONAX	121.9	4.9	4.9	4%
3	American Funds Bond Fund of America A	ABNDX	76.2	−1.4	3.0	3.75
4	Vanguard Interm-Term Tx-Ex Inv	VWITX	69.5	3.2	3.3	none
5	Dodge & Cox Income I	DODIX	63.4	1.8	4.6	none
6	Metropolitan West Total Return Bond M	MWTRX	62.0	−1.5	4.1	none
7	Fidelity US Bond Index@	FXNAX	59.6	−1.0	4.1	none
8	Vanguard Short-Term Investment-Grade Inv	VFSTX	57.9	1.5	5.1	none
9	PIMCO Total Return A	PTTAX	55.0	−1.3	4.3	3.75
10	Lord Abbett Short Duration Income A	LALDX	46.0	1.2	4.9	2.25
	BLOOMBERG US AGGREGATE BOND INDEX			−0.9%	4.8%	
	ICE BOFA AAA US MUNICIPAL SECURITIES INDEX			2.4	2.9	

As of June 30, 2023. — Fund not in existence for the entire period. @Only share class. Unless otherwise indicated, funds come in mulitple share classes; we list the share class that is best suited for individual investors. †For all share classes combined. MSCI EAFE tracks stock in developed foreign markets. SOURCE: Morningstar Direct.

The Appeal of Mortgage Bonds

INCOME INVESTING BY JEFFREY R. KOSNETT

Recall the line from *Hamlet* imploring us to neither a borrower nor a lender be? Shakespeare was spot-on about so much, but not credit. Lenders do hold the stronger hand. A 30-year, fixed-rate mortgage, with the principal guaranteed by the Federal Housing Administration, currently originates at 6.6%, marking an unusually big spread over the 30-year Treasury bond's yield, now 3.9%. Even Series I savings bonds are down from 9.6% to 4.3% and are set to shrink again in November. (Yields and other data are as of June 30.)

One explanation for the high rate is that anxious lenders fear economic distress and missed mortgage payments. Also, because there are so few takers for costly home loans, lenders reason they may as well soak those folks who are cavalier or desperate enough to apply. The result is that bond pros are duly excited about U.S.-backed mortgages. "The agency mortgage market is at an extremely attractive price for now," says Eric Bernum, of Smith Capital Investors.

More tailwinds. Mortgage IOUs have a couple of other bonuses: First, new, high-coupon mortgage bonds are scarce, even with the Federal Reserve selling part of its hoard. In April, banks issued $80 billion of mortgage securities with loans assured by Ginnie Mae, the Government National Mortgage Association. That is down from $356 billion in November 2020, during the COVID-era relocation boom. Second, not only is mortgage activity quiet, so is refinancing. A peril of investing in fixed-rate mortgages is the speed at which homeowners ditch high-rate loans when lower rates are available. Investors then get a return of capital and forfeit future yield. Mortgage bonds do best when rates are high but stable—a reasonable prospect to continue into 2024.

How best to participate in this market is a conundrum. GNMA securities issue in $25,000 units, and unlike with Treasuries, the government does not sell direct. And these pools are missing from the click-and-buy listings at most brokers. Call your broker's bond desk and ask about high-coupon, freshly dated, government-guaranteed mortgage-backed securities. Expect a talk about liquidity and prepayment risk, but your broker should give you an offer.

Or you can choose among mutual and exchange-traded funds, as well as mortgage real estate investment trusts. Each has drawbacks. Consider an index fund such as iShares MBS ETF (symbol MBB). It was acquiring assets long before yields accelerated. So although its distribution is growing monthly, the payout works out to just 3.5%.

The spread between yields on long-term Treasuries and mortgage IOUs makes bond pros excited about U.S.-backed mortgages.

PHOTO BY BOB CROSLIN

Closed-end funds are the next step. Nuveen Mortgage and Income Fund (JLS) pays income of 6.9% and trades 15% below net asset value. It is having a fine 2023. But the fund is light on government home mortgages and heavier on pools of commercial loans and other, riskier IOUs rated BBB or below.

Which brings us to agency mortgage REITs. Two I have often cited are Annaly Capital Management (NLY) and AGNC Investment (AGNC). Their enormous yields, 14.2% for AGNC and 13.0% for Annaly, are chronically offset by falling share prices. But since the banking scare, the shares have stabilized, net interest margins (a measure of profitability for financial firms) are reassuring, and more high-rate loans are in the portfolios.

And so, you'll find warts and annoying history aplenty in this sector—but if not now, when?

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

Momentum Overseas

KIPLINGER 25 UPDATE BY NELLIE S. HUANG

It has been two years since we checked in with Jed Weiss, manager of ***Fidelity International Growth***. Over that time, the fund has soared (in 2021) and fallen (in 2022—in step with markets all over the world). Since last October, the fund has been on the rise again. Its 21.0% return over the past 12 months dwarfs its five-year annualized gain of 7.3%. But in both periods, the fund beat the MSCI EAFE index, the benchmark for large and midsize firms in developed foreign countries.

Several stocks helped boost the fund's one-year results, including luxury goods purveyor LVMH Moët Hennessy Louis Vuitton (up 57% over the period) and semiconductor equipment maker ASML Holding (up 54%).

Weiss favors foreign companies with good multiyear growth prospects and a stronghold position in their industry. A recent focus has been on firms that have emerged from the pandemic in a stronger business position. Commercial catering firm Compass Group, rocket-engine maker Safran and travel technology company Amadeus IT Group are three examples. "COVID was a crazy period, but in select industries there have been changes in the competitive landscape that will drive revenues and profitability dramatically higher," says Weiss.

Portfolio shifts. In late 2022, Weiss says he was "buying low and selling high." As share prices in economically defensive companies shot higher, he trimmed his stakes in consumer goods company Nestlé (the stock is still a top holding). And as prices in economically sensitive stocks sank, Weiss beefed up stakes in Japanese industrial exporter Keyence, ASML Holding and Safran.

Weiss's playbook has worked out well for shareholders. Over the past 15 years, International Growth has returned 6.1% annualized—better than the 3.4% gain in the MSCI EAFE index over the same period. The fund has been one of the Kiplinger 25 since February 2016.

Nellie_Huang@kiplinger.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	14.9%	8.5%	11.1%	0.0%	0.85%
Dodge & Cox Stock	DODGX	12.4	10.0	11.4	1.4	0.51
Fidelity Blue Chip Growth	FBGRX	34.8	15.4	16.9	0.0	0.76
Heartland Mid Cap Value	HRMDX	15.1	10.1	—	0.5	1.10
Mairs & Power Growth	MPGFX	19.8	12.2	11.3	0.7	0.61
T. Rowe Price Dividend Growth	PRDGX	13.4	11.9	12.1	1.2	0.64
T. Rowe Price Int US Sm-Cap Gr	PRDSX	20.5	7.0	10.7	0.0	0.80
T. Rowe Price Small-Cap Value	PRSVX	5.3	5.0	8.2	0.3	0.82
Primecap Odyssey Growth	POGRX	19.5	8.0	12.2	0.5	0.66
Vanguard Equity-Income	VEIPX	8.8	9.3	10.2	2.8	0.28

International Stock Funds	Symbol	Annualized total return 1 yr	5 yrs	10 yrs	Yield	Expense ratio
Baron Emerging Markets	BEXFX	2.4%	0.1%	3.4%	0.0%	1.38%
Brown Cap Mgmt Intl Sm Co	BCSVX	17.7	6.3	—	0.0	1.31
Fidelity International Growth	FIGFX	21.0	7.3	7.6	0.2	1.01
Janus Henderson Glbl Eq Inc	HFQTX	9.2	4.1	4.9	3.9	1.02

Specialized Funds	Symbol	Annualized total return 1 yr	5 yrs	10 yrs	Yield	Expense ratio
Fidelity Select Health Care	FSPHX	12.3%	9.2%	13.6%	0.0%	0.69%
T. Rowe Price Global Technology	PRGTX	26.7	6.9	16.4	0.0	0.95
TCW Enhanced Comm Strategy	TGABX	–10.6	5.6	0.1	4.0	0.75

Bond Funds	Symbol	Annualized total return 1 yr	5 yrs	10 yrs	Yield	Expense ratio
Baird Aggregate Bond	BAGSX	–0.6%	0.8%	1.7%	2.7%	0.55%
Fidelity Interm Muni Income	FLTMX	2.7	1.8	2.2	2.3	0.35
Fidelity Strategic Income	FADMX	4.6	2.4	3.1	4.2	0.68
T. Rowe Price Floating Rate	PRFRX	10.4	3.7	3.6	6.5	0.75
TIAA-CREF Core Impact Bond	TSBRX	–1.0	0.4	1.8	3.1	0.64
Vanguard Emerg Mkts Bond	VEMBX	12.2	4.4	—	6.3	0.55
Vanguard High-Yield Corporate	VWEHX	8.4	3.3	4.1	5.5	0.23
Vanguard Short-Term Inv-Grade	VFSTX	1.5	1.4	1.6	2.5	0.20

Indexes	Annualized total return 1 yr	5 yrs	10 yrs	Yield
S&P 500 INDEX	19.6%	12.3%	12.9%	1.6%
RUSSELL 2000 INDEX*	12.3	4.2	8.3	1.6
MSCI EAFE INDEX†	18.8	4.4	5.4	3.2
MSCI EMERGING MARKETS INDEX	1.7	0.9	3.0	3.4
BLOOMBERG U.S. AGG BOND INDEX#	–0.9	0.8	1.5	4.8

As of June 30. —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.

Is Your Insurance Coverage Up to Date?

Costs are rising to repair or replace your most valuable assets. Make sure your home and vehicles are adequately insured.

BY DAVID RODECK

IMAGINE that after dutifully paying your auto or homeowners insurance premium for years you finally try to make a claim, only to get a nightmare answer: Your insurer won't pay for all the damages or, even worse, won't cover you at all.

It's a situation that happens more often than you may think. "People usually discover this shortage only when they're filing a claim," says Mary Parsons, executive vice president of personal risk services at Chubb. "By then, it's too late."

Auto and homeowners insurance policies limit how much they'll pay for damage and other losses. These policies also have exclusions that catch people off-guard. For that reason, it's important to understand how well you're protected and whether there are any gaps you should fill before you run into an insurance issue.

Property damage is a hot topic these days, as climate change has led to unpredictable and damaging weather patterns and more-intense natural disasters, ranging from wildfires in California to blizzards in the Midwest to hurricanes in the Southeast. Nearly one-third of homeowners say they've been negatively impacted by a harmful weather event over the past five years. The vast majority of those affected expect it will happen again soon, according to a 2023 survey from the Insurance Information Institute (III).

The risk of weather damage is so high in some areas that major insurers are rethinking whether to provide coverage. For example, Allstate and State Farm recently decided to stop selling new property insurance policies in California. Auto insurers, meanwhile, have their own concerns. There's been a post-pandemic surge in dangerous behavior, such as speeding and impaired driving, and traffic fatalities are at a 16-year high.

You can't prevent every accident or weather event, but you can manage the financial hit with the right insurance. If you haven't checked your policies recently, use our guide to make sure you're safely covered.

HOMEOWNERS INSURANCE

For most Americans, their home is their most valuable asset. If you still have an outstanding mortgage, the lender likely requires you to have proof of insurance. And if you own the property outright, chances are you want to protect it. But even if you have insurance, some coverage issues could take you by surprise.

How to Find Coverage in Disaster-Prone Areas

If you live in a state where insurers are leaving the market, you still have options, says Loretta Worters, spokeswoman for the Insurance Information Institute. If you already have a policy with an insurer that leaves the state, you won't lose your coverage and should be able to renew it. Worters also says that in most parts of these states, there are still insurers competing for your business. (To read a Kiplinger editor's account of shopping for homeowners insurance in Florida, turn to page 47.)

Finding coverage can be more challenging in a high-risk region, such as a forested area recently hit by wildfires. Worters suggests first contacting a broker representing your area's remaining insurers. It's possible that even if standard policies are unavailable, you could buy something called excess and surplus insurance. These policies charge higher premiums, but that's not uncommon in high-risk areas. The premium increase is set on a case-by-case basis and depends on the level of risk in your area and your past insurance claims history, Worters says.

To offset the higher premiums, State Farm spokesman Dave Phillips recommends taking every risk-mitigation step possible, such as rebuilding your roof with fire-resistant materials and maintaining a defensible zone around your property by removing leaves, debris and other flammable materials. You may qualify for an insurance discount while protecting your home.

Finally, if you can't buy from private insurers, state agencies such as the California FAIR Plan and Citizens Property Insurance in Florida operate as insurers of last resort. The FAIR Plan, for example, offers a basic policy that pays for damages caused by fire, lightning and smoke, Worters says. However, these plans are expensive and offer less coverage. The California FAIR Plan costs three to four times the price of a typical homeowners policy and doesn't include coverage for standard risks, such as earthquakes, theft and personal liability.

GETTY IMAGES (PREVIOUS PAGE)

YOU CAN MANAGE A FINANCIAL HIT WITH THE RIGHT INSURANCE.

Rising construction costs. Your homeowners insurance will pay to repair or rebuild your house after damage from a covered cause, such as fire, wind or vandalism. However, the policy sets a limit on how much it will pay. The limit should be the cost of rebuilding your entire home.

Give some thought to the last time you compared your policy limit to the value of your house, Parsons says. The median sales price of homes is up by about one-third compared with prices before the COVID-19 pandemic, even after factoring in a housing-market slowdown during 2023. If you underinsure your home and it's destroyed, your policy won't cover all the repairs.

Parsons says your policy should cover the replacement cost to rebuild your home, not its market value. The former could be higher due to rising construction costs. "There have been double-digit increases in the cost of materials like lumber, paint and copper plumbing, not to mention labor shortages," she says. Ask your insurer to estimate your home's replacement value, and make sure it matches your policy limits. You could also set up an inflation guard on your policy, which automatically increases coverage when you renew each year to keep up with rising costs.

Loretta Worters, spokeswoman for the Insurance Information Institute, says that after a major weather event, construction costs can soar even higher as everyone rebuilds at the same time.

She suggests adding an extended replacement cost coverage endorsement to your policy. An endorsement can pay an extra 5% to 25% above the policy's limits to protect against a spike in costs, she says.

Furnishings and upgrades. Whenever you make significant upgrades and improvements to your home, you should let your insurer know so it can adjust your coverage.

Bill Jeppe, personal lines manager for CBM Insurance, an independent insurance agency in New Castle, Del., says condo owners frequently overlook this because they believe their building association will cover all repairs. Your condo homeowners association (HOA) likely provides coverage for damage outside your unit, including your walls, as well as your cabinets, countertops and flooring as long as they haven't been altered. However, the association won't pay to repair any upgrades and renovations to your condo, Jeppe says. He recommends keeping track of any upgrades you've made, along with those made by previous owners, to get them covered.

Living expenses. If your home is unlivable as it is undergoing repairs, your homeowners policy should pay for temporary housing, including hotel bills and restaurant meals. Worters recommends checking how much coverage you have for these temporary living expenses. She says some policies pay a fixed amount—up to 20% of the coverage on your house, for example—while others pay your bills for a limited amount of time, such as one or two years. "Since repairs are taking more time due to supply-chain issues, your coverage for living expenses should be longer," Worters says.

Personal belongings. Homeowners insurance will pay to replace your belongings if your house is damaged or

GETTY IMAGES

destroyed in a covered event. The typical policy offers between 50% and 75% of the coverage on your house to replace your belongings. So if you insure your home for $400,000 and the policy offers 50% for personal property, you'd receive up to $200,000 to replace all your belongings. Your insurance policy should also cover your belongings outside the house, protecting against events such as the theft of jewelry from your luggage while you're traveling.

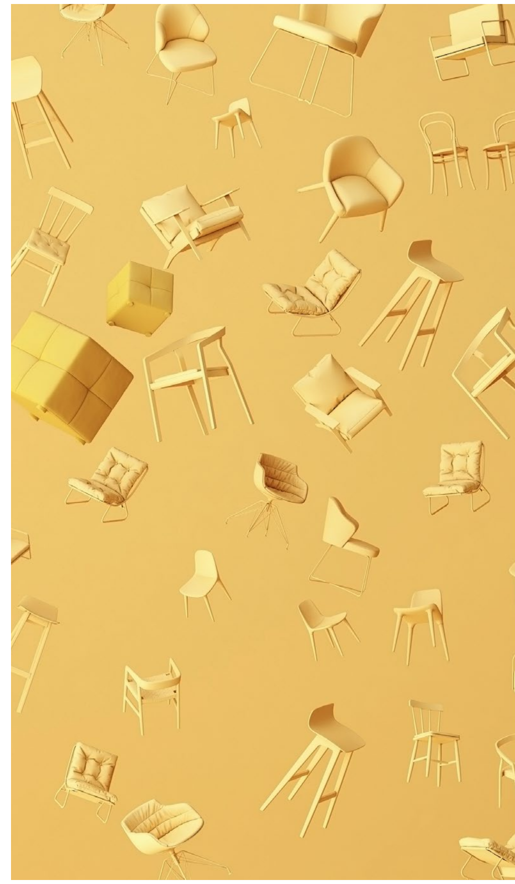
But to get paid, you'll need to provide your insurer with an accurate list of everything you own, which may not be easy to recall after a stressful event. "Don't wait until a storm has thrown everything all over the neighborhood before you try to take stock," says Dave Phillips, a spokesman for State Farm. He recommends annually taking inventory of everything you own to have an up-to-date list ready. Phillips also recommends taking photos or videos of your belongings. Apps such as Encircle and HouseBook offer an easy way to keep track of your possessions.

Homeowners insurance policies limit how much they'll pay per item (up to $1,500, for example). If you have expensive belongings, such as antiques, jewelry or silverware, Phillips says you should consider buying an additional endorsement for those items. If you rent your home, you could buy renters insurance to replace your belongings if they are destroyed or stolen. Jeppe says renters might be surprised at the cost of replacing their belongings if they're destroyed in a fire or other catastrophe. "People don't know how much they have until they lose it all."

FLOOD DAMAGE ISN'T COVERED BY STANDARD HOMEOWNERS INSURANCE POLICIES.

Liability. Although a homeowners insurance policy is primarily designed to protect your home, it should also shield you from lawsuits. If someone gets seriously hurt on your property—from tripping on a broken staircase, for example—they could sue you for damages. If the lawsuit is successful, you could lose your savings, investments and home equity. In most states, they could even garnish your wages.

Your homeowners insurance policy should help cover these legal claims, which will protect your assets. If you can afford it, Jeppe recommends maxing out your liability limits. "The difference in premium to go from $100,000 in coverage to $300,000 or $500,000 is usually small enough that it seems silly not to do it," he says.



Flooding. A standard homeowners insurance policy doesn't cover flood damage, something many homeowners learned the hard way after hurricanes Katrina and Sandy. That's a concern even for those who don't live on the beach or the coastline. According to the Federal Emergency Management Agency, 99% of U.S. counties were impacted by a flooding event between 1996 and 2019.

There are a few ways to fill this coverage gap. The federal government's National Flood Insurance Program (NFIP) may be the only option in high-risk areas. These policies cap protection at $250,000 for property damage and $100,000 for contents.

Some private insurers sell extra flood insurance, either as an endorsement on a homeowners insurance policy or as a separate policy.

For help finding a policy, Parsons suggests contacting an independent insurance broker in your area. Such brokers represent multiple insurance companies for this specialty (and can also get you a policy through the NFIP). You can search for an independent agent at www.trustedchoice.com; you could also use FEMA's online provider locator tool at www.floodsmart.gov.

Water/sewer backup. Homeowners insurance doesn't automatically cover damage from a sewer backup or a sump pump failure. Jeppe highly recommends buying an additional endorsement to cover these damages, especially if you have a finished basement. He encourages clients to buy at least $5,000 to $10,000 of extra coverage to protect against damages from a sewer backup or sump pump failure, and even more if they have a finished basement.

GETTY IMAGES

Wear and tear. Homeowners insurance won't pay to repair or replace parts of your home damaged by normal wear and tear. If you're worried about these costs, you could buy a home warranty, which pays to repair covered items, such as electrical, HVAC and plumbing systems. A warranty will also pay to repair or replace major home appliances when they break down. The average home warranty typically costs between $300 and $600 per year, depending on how many systems and appliances you cover. You'll also need to pay a service fee of $60 to $100 each time you file a claim.

AUTO INSURANCE

Every state except New Hampshire requires drivers to buy auto insurance. But there's a big difference between meeting the legal minimums and having enough insurance to cover the cost of a major accident. Consider the following for your auto and other vehicle policies.

Liability (damage to others). Auto liability coverage pays others when you are at fault for an accident that hurts someone else, damages their property or both. Although nearly every state government requires you to buy this coverage before you go on the road, the limits are very low. In New York, for example, you need only enough insurance to cover $10,000 for property damage, $25,000 for bodily injury to one person and $50,000 total for injuries caused to multiple people.

Jeppe, the insurance agent from Delaware, believes these limits aren't sufficient to handle the soaring cost of vehicles and medical expenses. He recommends buying at least enough insurance to cover up to $100,000 for vehicle damage and up to $300,000 for total medical bills. If you cause more damage than your liability covers, you're responsible for the difference. Jeppe warns that discount insurers promising rock-bottom prices in radio and TV commercials are only able to offer those premiums because they're providing rock-bottom limits.

Damage to your vehicle. Auto insurance can also pay to repair or replace your vehicle after an accident. There are two categories of auto insurance: collision, which covers damage from an accident you cause, and comprehensive, which covers damage from non-accidents, such as a break-in, a fire or a falling object.

Parsons, from Chubb, advises that you check how a policy would cover replacement parts. "Today's vehicles are very complex and should be repaired using parts from the original manufacturer," says Parsons. Some insurers will pay only for aftermarket parts, which may not have been crash tested on your vehicle, she says.

Gap insurance for loans. Auto insurance typically covers only up to a vehicle's value on the day of an accident. Carfax data found that a vehicle loses 10% of its value within a month of the purchase and 20% after the first year. As a result, if you total your vehicle, you might owe more on an auto loan than the insured value, and you won't get enough from your insurance to pay off your loan balance. Gap insurance will pay for the difference so you aren't stuck making loan payments on a vehicle you no longer own. Gap insurance from insurers costs about $20 to $200 per year, with the cost depending on your vehicle and loan size. You could also buy gap insurance from lenders and dealers for a single payment ranging from $200 to more than $500.

Uninsured/underinsured motorist. Roughly one of eight drivers are uninsured, according to the Insurance Research Council. If one of these drivers crashes into you, they won't have insurance to pay for your damages, and your auto insurance policy won't pay either. Instead, you'll have to sue the other driver—and even if you win in court, the other person might not have any money to pay you.

Parsons says many drivers carry only the state minimums, which means they may not have enough coverage to pay for your damages or injuries if they're at fault for a major accident. She recommends adding uninsured/underinsured motorist coverage, which would help pay your bills in these situations. You need to decide whether you want protection against both bodily injury and property damage in addition to protection against both uninsured and underinsured drivers. The cost for full protection ranges from $150 to $300 per year, based on several factors, such as the value of your vehicle, Jeppe says.

Boats, RVs and other vehicles. For auto insurance, the insurer determines a vehicle's worth when issuing coverage. But that's not the case for boats, RVs and other recreational vehicles, Jeppe says. Instead, you pick the value for the coverage. Jeppe recommends checking the current sales price of your vehicle and choosing enough coverage to match that. You could use J.D. Power's website (www.jdpower.com) to get estimates for both new and used vehicles.

Be realistic about usage. "Someone might plan on using their boat only half the year and cancel insurance for the other half," Jeppe says. "But then they go out on an unseasonably warm winter's day and aren't covered."

UMBRELLA INSURANCE FOR LIABILITY PROTECTION
Most auto and homeowners insurers will offer liability coverage up to a limit of $500,000. Although that's a

ROUGHLY ONE IN EIGHT DRIVERS ARE UNINSURED.

decent amount of protection, it's not hard to imagine a severe accident—such as someone incurring a life-changing injury on your property—causing more damage than that.

A personal liability umbrella policy provides protection beyond the standard limits. To buy umbrella insurance, you must have already purchased a sizable amount of liability coverage on your existing policies—typically at least $250,000 for auto and $300,000 for homeowners, Worters says. Umbrella insurance is sold in increments of $1 million, typically ranging from $150 to $250 a year per $1 million in coverage. The extra protection kicks in after a claim exceeds your other policies' maximums. For example, if you have $250,000 on your auto policy, your umbrella policy would kick in for damages over that. K

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

Save Money When You Buy Insurance

To stay well protected with insurance, the name of the game is usually buying more coverage. But that's easier said than done when you're on a budget. These tips can help you afford the coverage you need.

SHOP AROUND. Collect a few quotes for your auto and homeowners insurance policies. Insurers make it simple to get quotes online or over the phone. Even if you're happy with your current insurer, it might be worth collecting new quotes if it has been a few years since you signed up. Mary Parsons, a vice president at Chubb, suggests meeting with an independent agent who represents multiple companies at once. "They can evaluate your exposures and craft a program for your needs using their different access points," she says. Search for one at www.trustedchoice.com.

COMBINE POLICIES FOR A BUNDLE DISCOUNT. If you buy multiple types of insurance from one insurer, you may qualify for a discount on all the premiums. You may also get a reduction if you have more than one vehicle insured with the same company, says Insurance Information Institute spokeswoman Loretta Worters.

INCREASE YOUR DEDUCTIBLE AND REDUCE COVERAGE ON OLDER VEHICLES. The deductible is what you pay before your insurance kicks in. Increasing your deductible will reduce your premiums, although you'll pay more out of pocket for a claim. For paid-off older vehicles that aren't as valuable, Worters says to consider dropping the collision and comprehensive coverage and plan to pay for repairs yourself. "If your car is worth less than 10 times the premium, this coverage may not be cost-effective," Worters says.

PROTECT YOUR PROPERTY. State Farm spokesman Dave Phillips recommends taking all possible steps to safeguard your property against losses, such as installing a burglar alarm, smoke detector and water shut-off valve in your home and getting an anti-theft device for your vehicle. You'll lower the risk of a claim and qualify for insurance discounts, he says.

PAY ON TIME. You might qualify for a discount for making your payments via automatic payments, especially if you pay in full annually. Using autopay also helps you avoid the risk of having your policy canceled because of a missed payment.

MAINTAIN A GOOD CREDIT SCORE. Insurers in most states consider your credit history when determining auto insurance rates. Check your credit report for mistakes, and make loan and credit card payments on time.

What It Takes to Buy Insurance in Florida

Kiplinger editor Elaine Silvestrini shares her story.

THE chaos in the Florida property insurance market has engulfed most every homeowner in the state, myself included. In the six years that my husband and I have lived in our house in Orlando, our homeowners insurance bill has more than quintupled.

Florida's vulnerability to hurricanes, problems with fraudulent roofing claims, and regulatory issues are big contributors to the state's property-insurance crisis. National insurers barely have a presence in the state. Smaller insurers are folding up their tents, refusing to take on new customers or teetering on regulators' watch lists. The ones that soldier on are charging rates three or four times the national average.

The hunt for a new insurer. We decided to search for a new insurance company after we read a *Washington Post* investigation that showed some companies, including our carrier, paid only a fraction of claims for people who suffered losses during hurricanes Ian and Nicole last year.

I told my insurance agent that we needed a new provider. He said we wouldn't get a new insurer without replacing our roof. It's 15 years old and in good shape, but many insurance companies are forcing customers to replace their roofs if they're more than 10 or 15 years old, regardless of condition. So we got some estimates—which started at $16,000—and asked to see what was available.

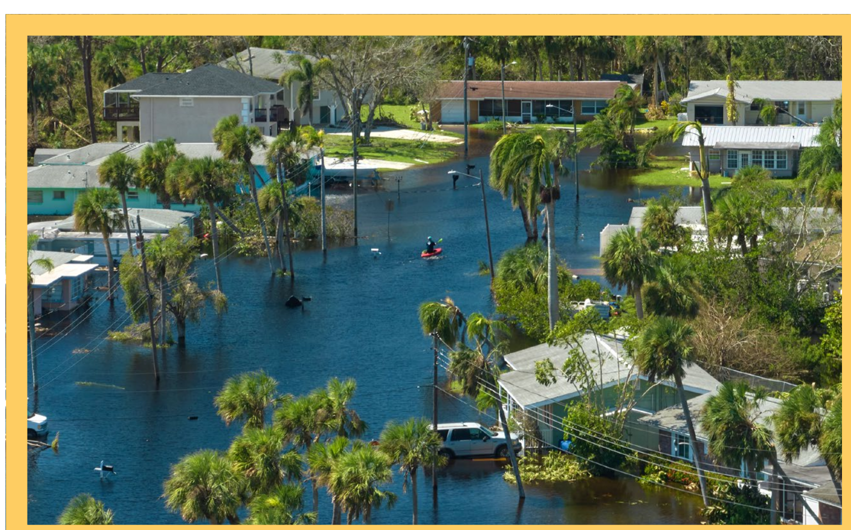
A possible option was Citizens Property Insurance, the state's insurer of last resort. But our agent said we don't qualify because by law, you can't get a Citizens policy unless the cost of your alternatives is at least 20% higher than what Citizens would charge, and the quote from the company we had been using was $3,628. If we replaced our roof, we could get a policy from another insurer for about $7,000.

I called our auto insurer, AAA, and was told that it has stopped writing homeowners policies in Florida for homes built before 1995. I called Allstate and was told it was providing insurance in Florida, but we needed to get two inspections—a "four-point inspection," which looks at the roof, electrical system, plumbing and HVAC system, and a wind-mitigation inspection. The inspectors said our roof was fine, but we were told that we had to replace our 17-year-old water heater, which was not broken.

Homeowners in the state pay private insurers an average of $6,000 a year, compared with a national average of $1,700.

We learned that Allstate doesn't exactly write insurance in Florida. Instead, it partners with smaller companies—in this case, a reciprocal insurance exchange, through which policyholders insure one another, and share the risks and any benefits. The concept made me a little nervous. But our policy was expiring, so we plunged into a reciprocal exchange run by a company called Tower Hill. After complying with all the demands, we paid the policy premium in full. But about three weeks after the policy went into effect, we were notified that it would be canceled in three weeks for a long list of reasons.

We were defeated. We returned to the insurance company we have had for years—the one investigated by the *Washington Post*—and told the Allstate agent to cancel the policy. We plan to get a new roof in the next year and hope to start looking for a new insurer well before our current policy expires. I'm telling myself we would have had to get a new water heater soon anyway. K



GETTY IMAGES

GETTY IMAGES

MAKE A PLAN TO RESTART STUDENT LOAN PAYMENTS

A three-year pause on federal loan payments ends in October. Here's how to prepare.

BY LAURA PETRECCA

IF you're among the millions of borrowers who took advantage of the hiatus on federal student loan payments, it's time to tighten your belt. With the Supreme Court's June decision to strike down President Joe Biden's student loan forgiveness plan—which would have given qualifying borrowers up to $20,000 in federal student debt relief—and repayments beginning in October, you'll need to make monthly payments again soon.

The thought of parting with that cash might evoke the same sense of dread you felt during your final exams in college. Yet, just as in those college days, the more you prepare, the better off you'll be.

GET THE FACTS STRAIGHT

A lot has happened since loan payments and interest accrual were first suspended in early 2020: A pandemic swept the globe, a new U.S. president took office, and civilians went on the first trip to space without any professional astronauts. Much has likely happened in your personal life as well. Perhaps you moved, landed a new job or got married. Maybe all three.

In the meantime, there's a good chance you may not remember who your student loan servicer is or how much you owe. In addition, your home address, e-mail address and bank information may have changed. On top of that, you may have a new loan service provider or platform. More than 17 million accounts for federal student loans have been transferred, and more transfers—either to different servicers or different servicing technology platforms—are expected in the coming months, ultimately reaching more than 30 million accounts, according to a June report from the Consumer Financial Protection Bureau.

Start by logging in to your account at StudentAid.gov to review the list of all your federal loans and get details about them, such as the service provider's name, how much you've paid, and your remaining balance. Make sure your contact information is correct so you'll receive important notices. You should also go to your service provider's website to review the financial information there and, if needed, update your personal data.

Listing accurate contact information is crucial, says Mark Kantrowitz, a student loan expert and author of *How to Appeal for More College Financial Aid*. "The repayment is going to restart regardless of whether you get those notices or not," he says. "If you miss a payment or you're late, you'll be charged penalties, and the interest will accrue."

If you can't find answers to your questions online, call the Federal Student Aid Information Center (FSAIC) at 800-433-3243 or your loan provider for assistance. Congress didn't approve a call-center-related funding request from the Department of Education, so hours of operation have been cut. Don't procrastinate on making this call, or you may need to wait to get a live person on the line.

REASSESS YOUR BUDGET

During the pause in payments, many borrowers used funds previously designated for student loans for other purposes. It's now time to take a hard look at where your money is going and, if necessary, slash your expenses. Track your spending for a month and scrutinize those numbers, Kantrowitz recommends. Determine what is need-based, or mandatory, and what is want-based, or discretionary. Some of those discretionary purchases may have to go by the wayside so you can afford your loan repayment.

Make sure you've signed up to have payments transferred from your bank account to the loan servicer automatically. With automatic payments, not only are you less likely to be late with a payment, but you'll also get a quarter of a percentage point interest rate reduction.

REVIEW YOUR OPTIONS

The DoE offers several repayment options, each with its own nuances. They include the standard repayment plan, the graduated repayment plan and income-driven repayment plans (IDR). With IDRs, payments are based on your income.

Your loan servicer or a financial adviser can walk you through your choices and explain the pros and cons of each. The DoE's loan simulator is also a useful tool. It will let you see the plans you might qualify for and help you estimate your monthly and total loan payments.

To protect against pay cuts, furloughs and unemployment, federal loan borrowers may want to consider an IDR plan, says Ross Riskin, chief learning officer at the Investments & Wealth Institute. You can adjust your monthly payments—to as little as zero if your income is low enough—without having to go through the arduous process of negotiating with a bank or lender, he says. Income-driven plans have additional benefits, such as potential loan forgiveness after 20 to 25 years of payments. However, you may also end up paying more in interest in the long run.

If you're already enrolled in an IDR plan, compare your current income to what it was the last time you had to recertify, which was likely before the payment pause. If your income is lower now, submit income information to have the monthly payment amount adjusted downward, Riskin says.

As you explore repayment options, be wary of any offers to refinance, as the only way to refinance a federal loan is to take out a new private loan to pay off the existing student loan balance, Riskin says. Some private loans have variable interest rates, while federal student loans come with fixed rates. Although a private loan may have a lower rate,

Student Debt By the Numbers

$1.8 trillion
Total student loan debt in the U.S. (includes federal and private)

$1.6 trillion
Federal student loan debt in the U.S.

43.6 million
Number of federal student loan borrowers

The average published tuition and fees for full-time students in 2022–23

$10,950
Public four-year in-state

$28,240
Public four-year out-of-state

8%
Percentage of employers that offer student loan repayment benefits

SOURCES: Board of Governors of the Federal Reserve System, Federal Student Loan Portfolio/National Student Loan Data System, College Board, Society of Human Resource Management.

you're likely to lose many of the benefits that come with federal loans, such as the potential for forgiveness or forbearance or the opportunity to use repayment plans based on your income. You'll also lose the opportunity to obtain loan forgiveness under the Public Service Loan Forgiveness (PSLF) program.

The PSLF program is designed for those who work in public service in federal, state, tribal or local government or for a nonprofit organization. The program forgives the remaining balance on certain loan plans after you've made 120 qualifying monthly payments under a qualifying repayment plan while working full-time for an eligible employer. You can determine whether your employer qualifies for PSLF by typing in your organization's name at https://studentaid.gov/pslf/employer-search.

CUSHION THE BLOW

In addition to PSLF, there are other ways an employer can help you foot your student loan bill. Under an updated provision in the Coronavirus Aid, Relief and Economic Security (CARES) Act, employers can provide annual educational assistance of up to $5,250 per employee to help repay qualifying student loans. The money is free from federal income taxes, too.

And starting in 2024, employers will be able to make matching contributions to retirement plans such as 401(k) and 403(b) accounts for employees who make qualified student loan payments of a certain amount on an annual basis.

You can also soften the economic blow by earning more money. It's still a tight labor market, so now could be a good time to make your case for a raise. Just keep in mind that if you're in an income-based student loan plan and make more money, your monthly loan payment may increase after you recertify your income.

WHERE TO GET HELP

If you have crunched the numbers and investigated ways to get additional cash but money is still tight, you still have options. Ask your loan provider whether you should consider unemployment deferment, economic hardship deferment or forbearance.

You must be out of work to qualify for unemployment deferment. You may qualify for economic hardship if you're receiving federal or state public assistance, you're a Peace Corps volunteer, you're working full-time but earn the federal minimum wage or less, or you have income that's less than or equal to 150% of the poverty line for your family size and state ($29,580 for a two-person household).

With forbearance, principal payments are postponed, but interest continues to accrue. You can pay the interest as it accrues or allow it to accrue and be added to your loan principal balance at the end of the forbearance period.

Both of the deferment options, as well as general forbearance, are available for up to three years, and you can use a combination of deferments and forbearance for up to nine years.

Repaying federal student loans may feel stressful, but ignoring your obligation will add even more angst to your life in the long term. If you don't make payments, the loan will eventually go into default, which can have disastrous consequences. Your credit will be ruined, which will affect all other outstanding debts and make it hard to get any other loans. Worse, your wages can be garnished up to 15%, and if you're still in default when you retire, your Social Security benefits can be offset up to 15%.

"Don't take the ostrich approach," says Kantrowitz. "If you ignore the problem, it just gets worse." K

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

FRESH START

Help for Borrowers Who Fell Behind

If you were one of the 7 million borrowers in default before the federal loan payment pause, there's good news for you. A Department of Education program called the Fresh Start initiative will set your loan status as current on payments, restore your eligibility for federal student aid and remove the default from your credit history. Opting in to Fresh Start can have far-reaching positive effects. Your credit score could increase, enabling you to get lower interest rates on a variety of loans, from mortgages to car loans.

Note that Fresh Start has a time limit: You must make payment arrangements within one year of the end of the payment pause. To take advantage of the program, contact your loan holder or the DoE. For more information, you can also call the DoE's Default Resolution Group at 800-621-3115. Keep in mind that if you don't make payments after a year, the loans will go back into default.

Defusing Financial Flash Points

MONEY SMART WOMEN BY JANET BODNAR

ONE thing I learned when writing about gray divorce (see "Money Smart Women," July) is that money is often a factor in later-in-life divorces, but not always how you would expect. Even though women may take a big hit money-wise when they leave a long-term marriage, they sometimes file for divorce anyway because they chafe under the financial control of their spouse.

Financial control is one of a number of money hot spots that flare up between couples. That's because when it comes to money, opposites often attract. One of you may be a saver while the other is a spender. One of you tracks your cash with bean-counter zeal while the other can't be bothered even to look at the bank or credit card statements.

Frequently, the root of the problem is a reluctance to talk about money, and sometimes even a temptation to lie about it. In a recent survey by Forbes Advisor on the topic of financial infidelity, 38% of those interviewed admitted to lying to a partner about finances.

With money being such a difficult topic to address, couples can benefit from practical strategies to help defuse common financial flash points.

Marching to different drummers. Don't assume that your spouse or partner has the same goals you do. You may want to buy a house while he has his eye on a new car. Get your dreams out in the open and be ready to compromise. He may have to settle for a less-expensive car, and you may have to resign yourself to renting an apartment for a few more years.

Spending too much—or too little. Look at the numbers to see whether you're on track to achieve your goals. Once you see where you stand, the spender may be convinced that you need to beef up your savings, or the saver may feel more comfortable about spending more.

Another solution: Each of you gets a slush fund to spend as you wish. Or you could agree that on purchases above a certain amount—say, $500—you'll consult with each other first.

Passing the buck. Even with two spenders, one partner generally ends up keeping the books. That can make the bookkeeper feel frustrated about being stuck with a thankless task or the other spouse resentful about being controlled or left out of the loop. Sometimes the solution is as simple as taking turns paying the bills—or at least having regular conversations so both of you know what's going on. If all else fails, you can always hire a bookkeeper.

Taking risk—or not. Investing doesn't have to be an all-or-nothing proposition. To control an impulsive investor, set a limit on how much he or she can risk—say, 10% of your assets. If you're leery about moving beyond the safety of a bank account, start with a total-stock-market fund, such as Vanguard Total Stock Market Index (symbol VTSAX), that spreads your risk among thousands of companies. (The symbol for the exchange-traded version is VTI.)

Don't assume that your spouse or partner has the same goals you do.

PHOTO BY NOAH WILLMAN

Joint or separate accounts? There's no right or wrong answer, just the one that both of you can agree on. With young people marrying at later ages—and managing their own money in the meantime—it often makes sense to start out by maintaining individual accounts and pooling money for household expenses. But if your marriage develops into a strong relationship, you may feel comfortable combining your resources.

The key to avoiding financial blowups is to play to your respective strengths and compensate for each other's weaknesses.

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

Adding Users to Your Card

BY ELLA VINCENT

IF you want to give your child—say, a college student heading to campus this fall—a leg up on developing a credit history, consider adding him or her as an authorized user on your credit card account. An authorized user is issued a card that is linked to your account, and the user can make purchases with the card in the same way the account holder does. Authorized users do not have to undergo a credit check, so it's a good option for someone who has a thin credit profile.

You can also add your spouse, another relative or even a friend as an authorized user, as long as they meet the card issuer's age requirements. American Express's age minimum for authorized users is 13; some other issuers, including Chase, have no minimum. If the card has an annual fee, you may have to pay extra for an authorized user.

Creating healthy habits. Even if they don't use their cards, authorized users can benefit from account activity that contributes to a positive credit history, such as on-time bill payments and a low credit-utilization ratio (the amount of credit used expressed as a percentage of the card's limit). To ensure that your child is building a credit history through the account, check whether the issuer reports authorized users to the credit bureaus (Equifax, Experian and TransUnion)—most issuers do, although they may require the user to reach a minimum age of about 15 to 18 before reporting the account.

The primary card holder is responsible for paying the bills, regardless of whether the authorized user contributes. Set guidelines to make sure the user's spending is in line with your budget and the card's credit limit, and monitor account transactions online or on monthly statements. K

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 Jun. 27	Minimum investment	Website
DWS Gov & Agency (DTGXX)*	5.17%	$1,000	fundsus.dws.com
Gabelli U.S. Treasury MMF (GABXX)	5.15	10,000	gabelli.com
Victory MMF (USAXX)	5.00	1,000	vcm.com
T.Rowe Price Cash Res (TSCXX)*	5.00	2,500	troweprice.com

Tax-Free Money Market Mutual Funds	30-day yield as of Jun. 26	Tax eq. yield 24%/35% bracket	Minimum investment	Website
Morgan Stanley T-F Daily (DSTXX)*	3.20%	4.21%/4.92%	$5,000	morganstanley.com
Fidelity Muni MMF (FTEXX)	3.15	4.14/4.85	1	fidelity.com
American Cent T-F MMF (BNTXX)	3.10	4.08/4.77	2,500	americancentury.com
BNY Mellon Ntl Muni (MOMXX)	3.10	4.08/4.77	10,000	bnymellon.com

Savings and Money Market Deposit Accounts	Annual yield as of July 3	Minimum amount	Website
CFG Bank (Md.)#	5.17%	$1,000	cfg.bank
Western State Bank (N.D.)#	5.15	5,000	westernbanks.com
TotalDirectBank (Fla.)#†	5.07	25,000	totaldirectbank.com
Popular Direct (N.Y.)†	5.05	100	populardirect.com

Certificates of Deposit 1-Year	Annual yield as of July 3	Minimum amount	Website
Merchants Bank of Indiana (Ind.)	5.65%	$1,000	merchantsbankofindiana.com
First Internet Bank (Ind.)†	5.48	1,000	firstib.com
Prime Alliance Bank (Utah)†	5.40	500	primealliance.bank
USAlliance Financial (N.Y.)&	5.40	500	usalliance.org

Certificates of Deposit 5-Year	Annual yield as of July 3	Minimum amount	Website
Lafayette FCU (Md.)&	4.68%	$500	lfcu.org
Dept of Commerce FCU (D.C.)&	4.67	500	docfcu.org
Self-Help CU (N.C.)&	4.65	500	self-help.org
First Internet Bank (Ind.)†	4.59	1,000	firstib.com

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

TOP-YIELDING CHECKING

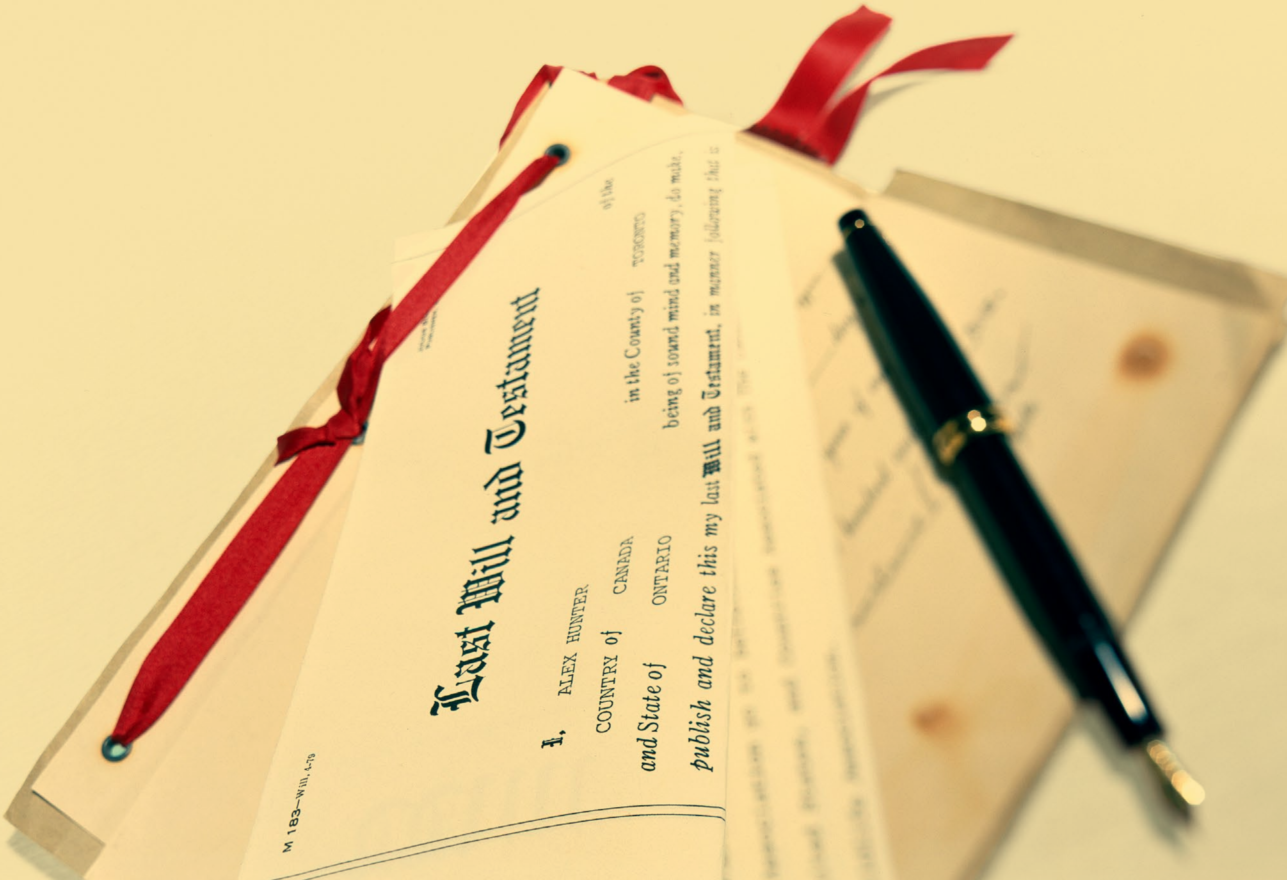
Must meet activity requirements*

High-Yield Checking	Annual yield as of July 3	Balance range^	Website
Orion FCU (Tenn.)&	6.00%	$0–10,000	orionfcu.com
All America Bank (Okla.)	5.30	0–15,000	allamerica.bank
Redneck Bank (Okla.)†	5.30	0–15,000	redneck.bank
Veridian Credit Union (Iowa)&	5.25	0–20,000	veridiancu.org

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

YIELD BENCHMARKS	Yield	Month-ago	Year-ago
U.S. Series EE savings bonds	2.50%	2.50%	0.10%
U.S. Series I savings bonds	4.30	4.30	9.62
Six-month Treasury bills	5.53	5.50	2.52
Five-year Treasury notes	4.19	3.84	2.88
Ten-year Treasury notes	3.86	3.69	2.88

AS OF JULY 3, 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



AN INHERITANCE WITH STRINGS ATTACHED

New rules for inherited IRAs could leave some heirs with a hefty tax bill.

BY SANDRA BLOCK

In the first quarter of 2023, Americans held more than $12 trillion in IRAs. If your parents saved diligently throughout their lives, there's a good chance you'll inherit some of that money.

GETTY IMAGES

But before you quit your day job—or buy a Maserati—make sure you factor in the amount of your inheritance you'll have to share with Uncle Sam. Thanks to recent changes in the law, along with a new interpretation of those changes from the IRS, your tax bill could be larger than you expect.

Beneficiaries of traditional IRAs have always had to pay taxes on inherited accounts, but before 2020, you could minimize the tax bill by extending withdrawals over your life expectancy. If you inherited an IRA before 2020, you can still take advantage of that strategy to stretch out withdrawals—and taxes—over your life expectancy. Spouses also have that option, among others; the choices are outlined on page 57.

But the Setting Every Community Up for Retirement Enhancement (SECURE) Act, which was signed into law in 2019, put an end to this tax-saving strategy for most adult children, grandchildren and other non-spouse heirs who inherit a traditional IRA on or after January 1, 2020.

Those heirs now have two options: Take a lump sum and pay taxes on the entire amount, or transfer the money to an inherited IRA that must be depleted within 10 years after the death of the original owner. (The clock starts the year after the original owner dies, and the time runs out on December 31 of the 10th year following the year of the owner's death, so you actually have a little more than a decade to empty the account. For example, if you inherited an IRA in 2020, year one is 2021 and the account needs to cleaned out by December 31, 2030.)

The 10-year rule also applies to inherited Roth IRAs, but with an important difference: You are not required to pay taxes on the withdrawals, and you don't have to take required minimum distributions (RMDs) because the original owner didn't have to take them, either. That gives you plenty of flexibility with respect to withdrawals, but if you can afford to wait until year 10 to deplete the account, you'll enjoy more than a decade of tax-free growth.

Initially, tax experts and financial planners believed that non-spouse heirs who inherited a traditional IRA would be in compliance with the law as long as they depleted the account in 10 years. That would provide them with the ability to minimize withdrawals during high-income years and take out more when their income declined—for example, during their retirement years. However, guidance issued by the IRS in February 2022 torpedoed that strategy for some heirs.

If your parent died before he or she was required to take minimum distributions, you can withdraw the money at any time, in any amount you choose, as long as the account is depleted in year 10. But under the IRS interpretation of the SECURE Act, if your parent died on or after the date he or she was required to take minimum distributions, you must take RMDs based on your life expectancy in years one through nine and deplete the balance in year 10. Basically, once the original owner has started taking RMDs, you can't turn them off, says Ed Slott, founder of IRAhelp.com, although the IRS doesn't require you to withdraw the same amount as your parent would have been required to withdraw.

UNLESS YOU PLAN ON CASHING OUT, YOU NEED TO OPEN AN INHERITED IRA ACCOUNT.

In response to confusion about the proposed rules, the IRS waived penalties for those who did not take RMDs that should have been taken from inherited IRAs in tax years 2021 and 2022. But that reprieve ends this year. If you inherited an IRA in 2020 or later from a parent who died on or after the date he or she was required to start taking RMDs, you must take a minimum distribution by December 31 to avoid a penalty of up to 25% of the amount you should have withdrawn. (The penalty will be reduced to 10% if you make up the missed RMD within two years.)

DOING THE MATH

If you're required to take a minimum distribution from an inherited IRA, use the factor in the IRS Single Life Expectancy Table (you can find it in IRS Publication 590-B at www.irs.gov) to figure out how much you must withdraw. You'll use the factor for your age this year and the balance of

NO MARRIAGE PENALTY

Spouses Have More Options

If you inherit an IRA from your spouse, you have more flexibility than non-spousal heirs, but you'll still have some important decisions to make. Your options:

Treat it as your own IRA. In this case, the IRA will be treated as if you had owned it all along, with the same minimum withdrawal requirements.

Roll the IRA into your own new or existing IRA. Once you've rolled over the funds, you can postpone withdrawals until you reach the age at which you must take required minimum distributions—73 in 2023, increasing to 75 in 2033. You'll have this option even if your spouse had started taking RMDs, although if your spouse died before taking a required distribution, you must take an RMD for that year.

After you've completed the rollover, you can also convert some of the funds in your traditional IRA to a Roth. This strategy may be worth considering if you have sufficient funds outside the IRA to pay taxes on the conversion and expect to move into a higher tax bracket in the future.

If you inherit a Roth, you can roll it into your own Roth and let the money grow tax-free until you need it. There are no minimum withdrawal requirements for Roths.

Transfer the funds into an inherited IRA. You may want to consider this option if you're younger than 59½ and need money to pay expenses. If you roll the funds into your own IRA and take withdrawals before age 59½, you'll pay taxes on the withdrawals as well as a 10% early-withdrawal penalty. By transferring the funds to an inherited IRA, you won't get hit with the early-withdrawal penalty.

You'll be required to take distributions from your inherited IRA, based on your life expectancy, but you have the option of postponing them until the latter of the year your spouse would have turned 73 or December 31 in the year following your spouse's death. You'll also have the option of rolling the account into your own IRA after you turn 59½. This will allow you to postpone distributions until you reach the age at which you're required to take RMDs.

the IRA at the end of the previous year to calculate your distribution. For example, if you're 50 and inherited a traditional IRA from someone other than your spouse with a balance of $500,000 at the end of 2022, you would divide the balance by a life expectancy factor of 36.2, for a required minimum withdrawal of $13,812.

You can, of course, withdraw more than the minimum—and in some instances, that may be a tax-savvy strategy. Distributions from a traditional IRA are taxed as ordinary income and subject to federal and, in some cases, state taxes. Even if you have the option of waiting until year 10 to empty the account, you could end up with a large distribution that will vault you into a larger tax bracket. For example, if you inherit an IRA worth $1 million and wait until year 10 to take a withdrawal, "you'll have a mammoth tax bill," Slott says.

Even if you take RMDs each year, you could end up with a large taxable withdrawal when you reach year 10 and are required to withdraw the remaining funds in the account, says Sallie Mullins Thompson, a certified financial planner and certified public accountant in Washington, D.C. Mullins Thompson advises her clients who are non-spouse beneficiaries to estimate their annual income over the next 10 years in order to calculate how much to withdraw each year. She factors in upcoming events that could affect clients' income, such as filing for Social Security benefits or taking RMDs from their own retirement accounts, in figuring out how much they should withdraw. If a client has a year in which his or her income declines—they're between jobs, for example—she'll recommend taking a larger distribution.

With the help of a financial planner, you should be able to estimate how much you can withdraw while remaining within your existing tax bracket. If you're not sure what your income in the future will be, another strategy is to withdraw 10% from your account every year. That will be sufficient to avoid IRS penalties and enable you to avert a large taxable distribution in year 10.

MANAGING THE LOGISTICS

Unless you plan on cashing out an inherited IRA—which, in the case of a traditional IRA, will trigger taxes on the entire amount—you need to open an inherited IRA account. You can't leave the money in the original owner's account, and unless you're a surviving spouse, you can't roll the money into your own IRA. Instead, you must

THE NEW (AND OLD) RULES FOR INHERITED IRAS

Rules for taking withdrawals from an inherited IRA vary, depending on when you inherited the IRA, your relationship to the original owner and when the original owner died.

SPOUSES

Option 1
Withdraw the entire amount in a lump sum.

Option 2
Roll the funds into your own IRA.

Option 3
Retitle the account as an inherited IRA and withdraw funds as needed (without penalty if you're younger than 59½). After age 59½, you can roll the inherited IRA into your own IRA.

ADULT CHILDREN
(along with grandchildren, siblings and other non-spouses)

IRA inherited before 2020

Option 1
Withdraw the entire amount in a lump sum.

Option 2
Transfer the funds to an inherited IRA and take withdrawals based on your life expectancy.

IRA inherited in 2020 or later

Option 1
Withdraw the entire amount in a lump sum.

Option 2
If original owner had not started taking required minimum distributions:

- Deplete the account in 10 years.

If original owner had started taking RMDs:

- Take annual distributions, based on life expectancy, in years one through nine. Deplete the balance of the account in year 10.

GETTY IMAGES

request a trustee-to-trustee transfer of funds to your inherited IRA. This is critical because if you receive a check instead, you'll be taxed on the entire amount—it doesn't matter if you turn around and reinvest the funds in an IRA.

Even if you set up an inherited IRA with a financial institution that's home to your other retirement accounts, your inherited IRA will occupy a room of its own. It will remain in the name of the original owner, with you listed as the beneficiary, and it can't be merged with other retirement accounts. Typically, the financial institution will title the account in this manner: John Smith (IRA, deceased on 1/5/2021) FBO Michael Smith, beneficiary.

Once you've set up your inherited IRA, you can invest the money in any way you choose, based on your goals and risk tolerance. Taxes on the funds will be deferred until you take distributions, so even if you think you may empty the account in the near future, transferring funds to an inherited IRA gives you more flexibility. That said, be prepared to make a few phone calls when transferring funds to your inherited IRA. In addition to the application for an inherited IRA account, you may need to produce a death certificate and documents verifying that you're the beneficiary.

If the original owner died before taking all or part of an RMD, you're required to withdraw the remaining amount of the required distribution by December 31 of the year of death. The year-of-death RMD will be calculated as if the original owner were still alive, usually based on the IRS Uniform Lifetime Table.

In most cases, you can arrange to take the distribution after you've transferred the assets to your inherited IRA. If the IRA had multiple beneficiaries, you may decide to divide the year-of-death RMD equally, but the IRS doesn't care how it's allocated as long as the RMD is taken. The payout will be reported on your tax return (as well as the tax returns of any other beneficiaries who received payouts), not the estate tax return. K

You can contact the author at Sandra_Block@kiplinger.com.

A FINAL GIFT

Leaving a Tax-Friendly Legacy

Although your adult children are unlikely to complain if you leave them a large inheritance, taxes could significantly reduce the amount they'll ultimately receive. As detailed on page 57, non-spouse heirs will be required to deplete an inherited IRA in 10 years. They may also have to take required minimum distributions in years one through nine. Depending on their income, these withdrawals could vault them into a higher tax bracket.

If you'd like to lighten that burden, one strategy is to convert some of the funds in your traditional IRA to a Roth. Non-spouse heirs are required to deplete a Roth within 10 years, but withdrawals are tax-free. Better yet, because the original owner isn't required to take RMDs, your heirs won't have to take them, either. They can leave the funds alone until the 10th year, allowing the money to grow tax-free, or take withdrawals as needed, without worrying about a tax hit.

Before converting any funds, compare your tax rate with those of your heirs. If your tax rate is much lower, converting some of your IRA funds to a Roth could make sense. The math is less compelling if your heirs' tax rate is lower than yours, particularly if a conversion would kick you into a higher tax bracket. Be aware, too, that a large Roth conversion could trigger higher Medicare premiums and taxes on your Social Security benefits.

A less costly strategy: Consider which heirs will benefit most from inheriting a traditional IRA. In addition to spouses, certain other heirs—including minor children—can still stretch out withdrawals over their lifetime.

Consider the financial status of your beneficiaries. You may want to bequeath your IRA to an adult child who is in a low tax bracket, for instance, and give other assets to a child who earns a six-figure income.

Your heirs will owe little or no tax on investments and other assets that aren't held in tax-deferred accounts. The cost basis for these assets is "stepped up" to their value on the day of the original owner's death. For example, if you paid $50 for a share of stock and it's worth $250 on the day you die, your heirs' basis will be $250. If they sell the stock immediately, they won't owe any taxes. The step-up also applies to the value of your family home (and any other property you inherit), a big benefit at a time when many older homeowners have seen the value of their homes skyrocket.

Three Cheers for Grandkids!

LIVING IN RETIREMENT BY JANET BODNAR

Thanks to reader contributions to this column, I have been able to write about what makes a satisfying retirement—everything from socializing to finding a sense of purpose. But reader Nicholas Constantakis has taken me to task for not putting enough emphasis on what he considers the "real joy of retirement": grandchildren.

"While we enjoy spending more time with our spouses and friends, traveling, and keeping fit, the most important thing is spending time with our grandkids," writes Constantakis. "Some of us relocate to be nearer to them, buy or rent a summer home to have them visit, or just go to their school plays or ball games."

Mr. Constantakis, as a grandmother of six, I certainly never intended to give grandkids short shrift. In fact, after six years in retirement, I can honestly say they are my top priority. They all live some distance away from us, so my husband and I spend a lot of time on the road, and I plan all my other activities around our time with them. Judging by my correspondence, many other readers feel the same.

"Our goals of grandchildren, travel and giving back to our community are our focus," writes Jay Joyce. For Ken Mills, "Spending time with grandchildren was an important factor in my decision to retire. I realized that my grandkids would grow fast and wanted to have more time with them."

Many of you have also become road warriors to visit far-flung grandchildren and have found other ways to keep in touch. "We have taken family vacations with each of our three daughters and their children," writes Ermel Quevedo.

Kris Korte-Evans enjoys the "freedom and flexibility to be able to assist when a last-minute babysitter is needed for the grandchildren." But some of you have found yourselves in the sobering position of becoming permanent caregivers, stepping in after a family member has been incapacitated. "At the age of 65, I adopted a one-year-old toddler," writes one reader. After almost 10 years, "she has given me more than I have given her." (Grandparents who are permanent caregivers can find resources at www.grandfamilies.org.)

Money matters. Many of you are passing along the financial wisdom you've gained over the years. Judy Maloney writes that when each of her grandchildren was born, she opened a $100 custodial account in which she invested on their behalf. "My purpose wasn't necessarily to save for college or other large expenses but to whet their appetites," says Maloney. "Now they are getting old enough to ask about the shares of companies they 'own.' "

When Allen Nixon's grandchildren were younger, he started giving them $75 birthday gifts: $25 for them to spend as they wished, $25 to save and $25 to donate to their favorite charity. "The $25 that excited them most was the donation to charity," writes Nixon.

As for me, I am trying to follow the gift-giving advice I gave to grandparents almost 20 years ago when I wrote my book *Raising Money Smart Kids*. My husband and I set up 529 college-savings accounts for each of our grandchildren when they were born, and we make a contribution each year. I like to be spontaneous with small gifts, but when it comes to bigger purchases, I consult with their parents to see what would be appropriate.

If you'd like to share your grandchildren stories, please let me know.

You can contact the author at Janet_Bodnar@kiplinger.com.

GETTY IMAGES

THE CHECK'S IN THE MAIL

More companies are paying out special dividends this year. Here's what that means.

PRACTICAL PORTFOLIO BY KIM CLARK

THE first half of 2023 was exciting for investors, as a new bull market was born and tech stocks went on a tear. Even supposedly staid dividends got a little spicier, as 36 firms in the broad-market S&P 1500 index paid out special dividends—extra, one-time payments on top of their regular dividend payouts—from January through June, according to S&P Global Market Intelligence. That's the highest rate in at least six years. Redistributing windfall cash via special dividends is a fairly common practice among energy and commodity companies. This year, investors also received extra payouts from firms including Ford, Host Hotels & Resorts, and truck maker Paccar. And more bonuses are likely coming. Costco Wholesale has been building up cash and is expected by many analysts to soon distribute much of that to shareholders, for example.

It is always nice to receive an extra check, of course. "It's like chocolate Easter eggs: It's a thrill to find one," says Sam Stovall, chief investment strategist for CFRA Research.

In many cases, if not most, a special dividend simply reflects a welcome policy of returning excess cash to shareholders. But special dividends can also pose conundrums for investors. They can be difficult to work into a budget for investors who depend on dividend income, and they complicate the analysis for those trying to value a stock. In some cases, such as when a company can't really afford it, a special dividend can be a bearish sign.

To understand the corporate reasoning behind special dividends, it helps to consider dividends generally. Think of them as profit-sharing checks issued by more than 40% of U.S. public firms. (Smaller and fast-growing companies tend not to pay dividends because they want to reinvest in the business.) U.S. dividend payers typically make distributions every three months—usually in cash, sometimes in stock.

Most companies strive to maintain a steady payment and are conservative about committing to a dividend increase. If they can't support the dividend in perpetuity and must eventually cut the payout, the stock price typically plunges. "Dividend cuts are an abomination," says Jay Hatfield, portfolio manager of the InfraCap Equity Income Fund ETF.

The cash challenge. The market's premium on predictable dividends poses a challenge to firms in boom-and-bust cyclical industries as well as to firms receiving one-time cash infusions from, for example, the sale of a factory or some other asset. Those companies can either buy, develop or expand businesses; buy back their company's stock; or pay

GETTY IMAGES

out the money as a dividend.

Some firms have decided to ignore the market's preference for stable payouts and vary their regular dividend distributions according to their financial situation. For example, asset management firm Blackstone, a member of the Kiplinger Dividend 15, the list of our favorite dividend stocks, makes four scheduled dividend payments a year. But the amount of each varies. Variable payouts are also common overseas. But most U.S. companies looking to share a cash surplus follow a hybrid strategy: They maintain a consistent payout with regular quarterly dividends and issue a special bonus when they can.

The best special dividends, from an investor's point of view, are those that combine a reliable regular payment and a clear and consistent policy for the timing and amount of special dividends, says Grace Lee, lead portfolio manager of the Columbia Dividend Opportunity Fund. Otherwise, she says, "to the extent that a dividend is unpredictable, it is hard to put a value on it."

Oil giant ConocoPhillips says it plans to return 9% of its market capitalization (the value of all of its outstanding shares) to investors each year in the form of dividends or stock buybacks. Conoco has issued special dividends ranging from 30 cents a share to $1.40 on top of its regular dividend (currently 51 cents a share) every quarter since the start of 2022. Over the past 12 months, the stock's total return was 21%—twice the return of the overall energy category, according to research firm Morningstar.

"Not all special dividends are created equal," says Steve Sosnick, chief strategist at Interactive Brokers. Some firms struggle to pay dividends they can ill afford. Borrowing to pay a special dividend is especially controversial. The grocery chain Albertson's borrowed $1.5 billion of the $4 billion it paid out in a special dividend in January, a move opposed by several states' attorneys general who worried it would weaken the firm.

Special dividends in lieu of regular-dividend hikes might also indicate that a company is expecting a downturn in profits or cash flow, says Infracap's Hatfield. That's one reason the firms that use special dividends the most tend to be subject to swings in business cycles and have volatile stocks, he says.

MOST COMPANIES STRIVE TO MAINTAIN A STEADY PAYMENT AND ARE CONSERVATIVE ABOUT COMMITTING TO A DIVIDEND INCREASE.

Finally, a special dividend can also serve as a hint that a stock is fully valued or even overvalued, says Alex Edmans, a finance professor at the London Business School. "If a company's shares are undervalued, it should prefer a share buyback," Edmans says.

So it pays to be picky about investing in firms that rely on special dividends. A "poster child" for handling special dividends smartly, according to Hatfield: oil company EOG Resources. EOG's stated policy is to return 60% of free cash flow (money left after expenses and investing to maintain or expand the business) to shareholders through a combination of regular and special dividends and stock buybacks. Since January 2021, the company has raised its regular dividend from 37.5 cents per quarter to 82.5 cents and has issued seven special dividends.

But EOG did not issue a special dividend in the second quarter this year. The company had already started buying back its shares, which over a volatile first half ended up with a price decline of more than 5%. In terms of deploying cash, "that is the way to manage it," Hatfield says. Hatfield nonetheless limits his stake in EOG, given its exposure to the ups and downs of the commodity market and economic cycles.

It's the same with special dividends. Just like chocolate Easter eggs, you can't live on them, but they are a sweet treat—sometimes best enjoyed in small bites. K

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

A LITTLE SOMETHING EXTRA

Special Dividends Are on the Rise

The chart below shows the number of companies in the S&P 1500 index paying special dividends each year, and so far in 2023.

Year	Companies
2018	48
2019	43
2020	45
2021	54
2022	55
2023*	36

* Through June 30. SOURCE: S&P Global Market Intelligence

The High Costs of Caregiving

Caring for aging parents can exact a financial and emotional toll on adult children.

FAMILY FINANCES BY BY ELLA VINCENT

MORE than 38 million Americans provide unpaid caregiving to seniors and other loved ones, spending an average of more than $7,000 a year on out-of-pocket costs, according to AARP. In 2021, the value of that care topped $600 billion, an increase of $130 billion from 2019. But because caregiving is often physically and mentally exhausting—particularly when you're caring for elderly parents—many caregivers fail to focus on their own finances.

Amy Goyer, caregiving expert for AARP, had to quit her full-time job to care for her mother, who died in 2013, and her father, who died in 2018. Goyer eventually had to file for bankruptcy to pay off the debts she incurred while caring for her parents, whose income made them ineligible for the Medicaid public health-insurance program. That's not unusual. Many middle-class families make too much money to qualify for Medicaid, which means they have to pay for expenses Medicare doesn't cover. Those include everything from home health care to incontinence products. In Goyer's case, while Medicare covered some expenses, they weren't up to her standards. "I had to buy my mom a new wheelchair cushion because the one Medicare sent was not soft enough," she says.

Nicole Jorwic, chief of advocacy and campaigns at Caring Across Generations, a caregiving advocacy organization, is caring for her grandparents, who also earn too much to qualify for government assistance. She's a long-distance caregiver—she lives in Virginia, and her grandparents live in Florida—which adds to her out-of-pocket costs. Because her grandparents

GETTY IMAGES

are ineligible for Medicaid, she has to pay for their home health care out of her own savings, and she frequently flies to Florida to help out. Jorwic says the financial strain of caregiving has made it difficult for her to save for retirement.

That's not unusual, either. A MetLife study found that one-third of caregivers reduce their work hours or stop working entirely to care for a family member. MetLife estimates that caregivers who leave the workforce prematurely lose an average of $304,000 in wages, pensions and Social Security benefits.

A Transamerica Institute survey of 3,000 caregivers also noted the economic hardships caregivers endure. Only 56% of caregivers surveyed described their financial status as stable. Eighteen percent said they had to take out hardship loans and early withdrawals from their retirement accounts to cover expenses.

Fortunately, there are steps you can take to lower your caregiving costs.

Tax breaks. If one or both of your parents live with you, you may be able to claim them as dependents on your tax return, which will significantly reduce your tax bill. To claim your parents as dependents, their income must have been less than $4,400 in 2022, they must be U.S. citizens, and you must have paid for more than half of their expenses.

Even if you don't claim your parents as dependents, you may be able to deduct their out-of-pocket medical expenses, as long as you provide more than half of their support. To qualify, you must itemize deductions on your tax return, and your total medical expenses, including costs for prescription drugs, hospital care and doctor's visits, must exceed 7.5% of your adjusted gross income.

Help from employers. Talk to your employer about programs or benefits that support caregivers, such as

COURTESY OF CARING ACROSS GENERATIONS

Nicole Jorwic, chief of advocacy and campaigns at Caring Across Generations, a caregiving advocacy organization, is caring for her grandparents, who earn too much to qualify for government assistance.

flexible schedules and remote work.

If your employer offers a dependent care flexible spending account, you can contribute up to $5,000 a year to cover expenses related to caring for your parents. The money is exempt from federal income taxes, as well as Social Security and Medicare taxes; it may also avoid state income taxes. Your parents must live with you and be incapable of caring for themselves. To use the account, you must also be able to claim them as dependents on your tax return and have provided more than half of their financial support in the past year.

If your caregiving responsibilities make it difficult for you to work, you may be able to take advantage of the federal Family and Medical Leave Act. This law requires employers to give you up to 12 weeks of unpaid leave per year to care for a family member who has a serious health condition. Your job and health benefits are protected during the leave. You're eligible for family leave if your employer has at least 50 employees, you have worked for your employer for at least a year, and you worked at least 1,250 hours over the past 12 months. Your state may offer even more assistance. Eight states and Washington, D.C., provide paid family leave for caregivers, and three other states have enacted legislation that will take effect within the next few years. The amount of pay and length of leave varies depending on the state. You can find more information at www.ncsl.org/labor-and-employment/state-family-and-medical-leave-laws.

Government support. Even if your parents are ineligible for Medicaid, they may qualify for other programs that will help defray caregiving costs. If your parent is a veteran, the U.S. Department of Veterans Affairs could help pay for some expenses to reduce the costs of paying for home health aides, Goyer says. President Biden recently issued an executive order that offers support to caregivers by providing home health aides after veterans are discharged from the hospital. The VA is also considering adding more home-based caregiving assistance to veterans through its Program of Comprehensive Assistance for Family Caregivers and providing more mental health support for caregivers enrolled in the program.

Respite care programs give caregivers a break from their day-to-day responsibilities. The Family Caregiving Alliance provides a guide to respite services in each state at www.caregiver.org/connecting-caregivers/services-by-state.

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

How to Redeem Savings Bonds

Whether you bought savings bonds during inflation's peak last year or have older bonds collecting dust, take these steps to cash them in.

BASICS BY ELLA VINCENT

THANKS to rising inflation, Series I savings bonds have enjoyed a boom in popularity. I bonds issued from May 2022 through October 2022 earned a composite rate of 9.62% for the first six months, which prompted investors to stash more than $1 billion in I bonds in October alone. I bonds issued from May 2023 through October 2023 pay a composite interest rate of 4.3% during the first six months—a significant drop but still an attractive return for a no-risk investment.

Although savings bonds can earn interest for up to 30 years, you may want to redeem them earlier. You can cash in I bonds, as well as EE bonds (which pay a fixed 2.5% rate for bonds issued from May through October 2023), after you've owned them for a year. But if you redeem bonds within five years, you'll lose the last three months of interest. Here are the steps you need to take if you're ready to cash in your savings bonds.

Determine the value of your bonds. Before you cash in your bonds, find out how much they are worth. Go to www.treasurydirect.gov and log in to your account. There you'll find a list of securities you own and their current value. If you own paper savings bonds, which were mostly phased out in 2011, go to www.treasurydirect.gov/BC/SBCPrice.

Redeeming electronic bonds. Log in to your account at the TreasuryDirect website and click on the link to cash out your securities. The minimum redemption amount is $25. If you cash out part of your bond, you'll only receive interest on the redeemed amount.

Redeeming paper bonds. Unlike electronic bonds, paper bonds must be redeemed for their full value. One option is to take them to a bank that will redeem savings bonds (not all do). Fill out FS Form 1522, which is available at www.treasurydirect.gov/forms/sav1522.pdf, and bring it with you to the bank. You'll need a certified signature, such as one from a notary public, if you're cashing out more than $1,000.

If you can't find a bank that will cash your savings bonds, fill out FS Form 1522 and mail it to the Treasury address listed on the form. Paper bonds are only cashed out through direct deposit, so you have to include your bank's routing and account number. If you have older paper bonds that are no longer drawing interest, or if you want to find out whether a deceased loved one has matured paper bonds, go to the Treasury Hunt website (www.treasurydirect.gov/savings-bonds/treasury-hunt). You'll need to enter your Social Security number (or the deceased owner's SSN) to locate the bonds. If your bonds are listed on the site, you can contact TreasuryDirect.gov to find out how to claim and redeem them. If you're not named as the owner of a bond, you must mail in documentation to prove you have a legal right to redeem it.

Interest on savings bonds is free of state and local income taxes, and you can defer federal tax until you cash in the bond. Once you redeem your savings bond, though, you'll owe taxes on the interest you've accrued. If you redeemed your bonds online, the Treasury will mail you a Form 1099-INT, which you'll use to report taxable interest on your tax return. If you cashed out your bonds through a bank, the bank should send you a Form 1099-INT.

If you own paper savings bonds, which were mostly phased out in 2011, go to www.treasurydirect.gov/BC/SBCPrice to determine how much your paper bonds are worth.

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

CORD CUTTING MADE EASY

With an expanding menu of streaming services, saying goodbye to your cable company's entertainment options has never been easier.

BY EMMA PATCH

THE world of streaming media is constantly evolving and expanding. All you need to enjoy TV shows and movies is a good internet connection and a smart TV or internet-capable device.

And unlike traditional cable, streaming services are typically paid month-to-month and have no cancellation fees. Signing up takes only minutes online, and it's easy to cancel your subscription or temporarily pause it.

"Today, over 80% of households have one of the top three streaming services: Netflix, Hulu or Amazon Prime," says Bruce Leichtman, of Leichtman Research Group, which specializes in research and analysis of the broadband, media and entertainment industries. And lately, the options for streaming live TV, such as live sports, news or events as they broadcast, have been growing. Not only do streaming services offer on-demand video content and a reserve of popular shows and films to tap into whenever you'd like, but you can also watch major broadcast TV events such as the Super Bowl, the Oscars and the Olympics with a live TV streaming plan.

Finding the best sports coverage can still be dicey. Many live TV streaming services ask you to pay for an add-on, such as ESPN+, NFL RedZone, NFL Network, MLB.TV or NHL Network, to get your favorite sports content live.

STREAMING LIVE TV

Cable bills have increased by 52% in the past three years alone, according to CordCutter News.com, averaging about $147 per month. So it comes as no surprise that replacing cable with a streaming service continues to be a popular trend among value-conscious consumers. Cable providers lost about 2,215,000 subscribers in the first quarter of 2023, the steepest loss of any previous quarter, according to Leichtman Research Group.

But cable clings to consumers by using long-term contracts and cancellation fees, often connected to their internet plan. Streaming services, meanwhile, are comparatively low cost and low commitment, with monthly subscription plans typically ranging from about $10 to $70, depending on the type of service, and no cancellation fees. If you're looking to cut the cord and transition to streaming services, consider these options for live TV.

Hulu + Live TV

Best for: Cable replacement
Cost: $69.99 a month

Hulu + Live TV gets you access to ad-supported versions of Hulu, Disney+ and ESPN+, as well as a number of live TV streaming options. Hulu and Disney+ don't include live TV on their own, but ESPN+ features both on-demand content and live sports streaming. Hulu + Live TV also offers live and on-demand TV from more than 90 channels. You can catch news coverage from ABC News, CNN, MSNBC and Fox News and live sports from the CBS Sports Network, ESPN, FS1 and the NFL Network with the plan. The Hulu + Live TV plan also includes TLC, the History Channel, National Geographic, Disney Channel, Turner Classic Movies, Telemundo, Vice and Bloomberg Television.

GETTY IMAGES / COURTESY OF NETFLIX
PREVIOUS SPREAD: GETTY IMAGES / COURTESY OF AMAZON, APPLE, HULU, MAX

YouTube TV

Best for: News and entertainment
Cost: $72.99 a month
YouTube TV checks almost all the same boxes as Hulu + Live TV in terms of major news networks, although it includes channels such as BBC News and PBS rather than Bloomberg Television and Vice. Sports coverage is solid as well; YouTube TV includes NBA TV in addition to the major local and national networks (ABC, CBS, Fox, NBC, ESPN, TBS and TNT), CBS Sports Network, the NFL Network and FS1.

Peacock Premium Plus

Best for: NBC content
Cost: $9.99 a month
NBC's proprietary streaming service, Peacock, offers a mix of free and paid content. Although it is primarily an on-demand streaming service, Peacock Premium Plus also streams more than 50 channels of live TV and your local NBC channel. It doesn't include major sports networks such as ESPN and FS1, but it does grant access to MLB Sunday Leadoff, Premier League, WWE and PGA Tour live streams, among a handful of other sports stations. You can also catch live news from the *Today Show,* CNBC and MSNBC with Peacock Premium Plus.

Sling TV

Best for: Sports and news
Cost: $40–$55 a month
Sling TV has three different live TV streaming options. Sling Orange & Blue, the most comprehensive plan, costs $55 per month and gets you access to 46 channels, including NBC, ESPN, FS1, NFL Network, TBS, CNN, FOX News, CNN, BBC America, Bloomberg Television, TBS, Vice and TNT. Sling Blue charges $45 per month and is tailored more to entertainment and news, and Sling Orange ($40 monthly) focuses more on sports and family channels.

DirecTV Stream Choice

Best for: Niche sports fans
Cost: $74.99–$154.99 a month
DirecTV Stream offers live TV with wide coverage of sports, news and entertainment, albeit at a pricey monthly cost. At $74.99 per month, DirecTV Stream Entertainment is the most inexpensive plan and includes BBC America, Bloomberg Television, CNN, Disney, ESPN, Fox News, FS1, MSNBC, TBS, Turner Classic Movies, and Vice, as well as many other major news and entertainment essentials. For $99.99 per month, the Choice package offers all the same channels as well as MLB Network, college sports networks, NBA TV and the Tennis Channel. Upgrade to the Ultimate package for $109.99 per month for those channels plus FS2 and the NHL Network. Or go for the most comprehensive plan, the Premier plan, for $154.99 per month, and get access to Max (formerly HBO Max), Showtime and Starz, as well as more than 55 channels in Spanish.

In the past three years alone, cable bills have increased by

52%

↑

Fubo TV

Best for: General sports fans
Cost: $74.99–$94.99 a month
Fubo's base plan is $74.99 per month, but for $84.99 per month, the Elite plan gets you more than a hundred additional channels. With roughly 150 channels streaming live sports, Fubo TV Elite is a favorite of sports fans, but it also features a handful of the major news, lifestyle and entertainment channels. The sports offerings include the NFL Network,

KIPTIP

The Art of Bundling

Many streaming services allow you to combine your account with another streaming service. For instance, you can add Max to either your Hulu account or your Prime Video account. That kind of account pairing lets you stream more content from one service. (For example, over 100 streaming service add-ons are available to pair with your Prime account.) But that doesn't necessarily mean savings.

One service that offers a discount for bundling is Disney, which now has three versions of the Disney Bundle. There are two ad-supported offerings: Duo Basic combines Hulu and Disney+ for $9.99 per month, and Trio Basic combines Hulu, Disney+ and ESPN+ for $12.99 per month.

The ad-free bundle, Trio Premium, is $19.99 per month and gives you the option to download select content—but note that you may still see ad-supported content on ESPN+. Be on the lookout for limited-time deals on the Disney Bundle as well. Earlier this year, you could get both Hulu and Disney+ for just $4 per month.

GETTY IMAGES

ESPN, beIN Sports, BIG Network, the MLB Network, NBA League Pass, the NHL Network, PickleTV, RealMadrid.tv, the Tennis Channel, Stadium, NBC's Golf Channel and the World Fishing Network, among others. The news channel lineup includes ABC News, Fox News, CBS News, CNBC and Bloomberg Television. For $94.99 per month, Fubo Premier gets you about 10 additional channels and includes Showtime.

Philo TV

Best for: Budget news and entertainment
Cost: $25 a month
Another relatively low-cost option, Philo TV has more than 70 live channels. Offerings are limited when it comes to sports broadcasting, but many popular news and entertainment channels are available. While you won't have access to major news networks like NBC, CNN, Fox News, ABC or CBS, you can watch the live news streams from BBC America, BBC World News, Vice, Cheddar News and USA Today. Entertainment favorites such as the Food Network, MTV, TLC, the Hallmark Channel and the History Channel are also available.

Fire TV Channels

Best for: Amazon fans who don't mind ads
Cost: Included with Fire TV sticks ($39.99 on Amazon)
This spring, Amazon announced the launch of Fire TV Channels, a free, ad-supported live TV service, for the summer of 2023. It is not a single live, subscription streaming service but rather free content pulled from 400 partners, available from any Fire TV device. You can watch sports content for free from the NHL and PGA on Fire TV channels, and you can view both national and local news coverage from more than 330 local news channels and news channels from NBC and Telemundo.

ESPN+

Best for: Sports on a budget
Cost: $9.99 a month
If you're just after sports coverage, you can subscribe to ESPN+ as a one-off. It doesn't give you access to the traditional ESPN channel, but you get both on-demand sports streaming and live sports. Fans of soccer, baseball, hockey, UFC MMA, boxing, golf and college sports can all find live streaming content. Football and basketball live streaming is also available, but the NFL content is limited, and there are no NBA games.

Paramount+

Best for: Low-cost live news plus movies and TV shows
Cost: $5.99 a month
Also a low-cost option for live TV streaming, this service provides access to thousands of TV episodes and movies on demand, as well as live TV. The live TV offerings include streaming NFL coverage on CBS, and for soccer fans, the UEFA Champions League and the CBS Sports Golazo Network. For news coverage, you can catch the CBS News national broadcast and live local news from New York, Miami, Los Angeles, Chicago, Baltimore, the Bay Area, Boston, Colorado, Dallas–Fort Worth, Minnesota, Philadelphia, Pittsburgh and Sacramento.

Pluto TV

Best for: Anyone
Cost: Free
Pluto TV comes at no cost to subscribers and features a variety of live TV channels, including news, entertainment and sports. It lets you stream ABC News, Bloomberg, CBS News, CNN, Cheddar News, NBC News, Newsy, RT America and more. It also streams classic series such as *Friends, Cheers* and *Star Trek*. Fox Sports, the NFL Channel, the PGA Tour and Major League Soccer are available, but they're not live sports streams; you'll only be able to watch past games, highlights or analysis.

CRACKING DOWN

Sharing Passwords May Cost You More

Earlier this year, Netflix unveiled its new policy that effectively charges an additional $7.99 per month to share your account with someone who doesn't live with you. The plan was set to take effect in the summer of 2023, but it wasn't fully implemented when this issue went to press. In order to prove that you are a member of the household, you will have to stream from your home Wi-Fi at least once a month or so.

Hulu lets users share passwords liberally for on-demand content but has been strict about sharing live TV. Although Max allows non-household password sharing, its terms of service advise subscribers not to. Disney+, Amazon Prime Video, Peacock, Paramount+, Apple TV+ and Sling TV haven't signaled any imminent password-sharing restrictions.

CONTENT ON DEMAND
The on-demand content offered exclusively by streaming services has been steadily capturing rave reviews from viewers and critics alike in recent years. TV series and movies from streaming services dominated the 2022 Emmy awards. You can pick and choose which services you want to subscribe to and when, depending on the offerings that interest you.

Netflix

Best for: Variety of content
Cost: $6.99–$19.99 a month
With over 200 million subscribers, Netflix is the most popular video-on-demand streaming service. The standard ad-supported plan, which includes all but a few movies and TV shows available on the higher-cost tiers and supports streaming on up to two devices, costs just $6.99 per month. The Basic plan, at $9.99 per month, is ad-free and grants access to unlimited movies and TV shows, although you can only watch or download streaming content on one supported device at a time. Meanwhile, the Standard plan—the most popular plan, at $15.49 per month—offers unlimited ad-free movies and TV shows, too, but it also allows you to stream or download on two supported devices at a time. (The days of Netflix mailing DVDs to your house are coming to an end; it is shipping the final discs on September 29, 2023.) Netflix now charges an additional $7.99 per month to share your account with someone who doesn't live with you (see the box on the facing page), but the Standard plan lets you add one extra member who doesn't live with you before that fee would apply. You can also opt for the Premium plan for $19.99 per month, which features enhanced audio quality, ups simultaneous viewing to four supported devices and allows downloading on up to six. It also lets you add up to two extra members who don't live with you.

80%
of households have one of the top three streaming services: Netflix, Hulu or Amazon Prime

GETTY IMAGES

Hulu

Best for: Low-cost original content
Cost: $7.99–$14.99 a month
At $7.99 per month (or $79.99 per year) for the ad-supported plan, you can stream Hulu's full library of TV series and movies on two screens at a time and create up to six profiles in your household. Pay $14.99 per month for the ad-free version and you can also download select TV shows and movies to your device for offline viewing. Hulu's content includes *The Americans, It's Always Sunny in Philadelphia* and *New Girl,* as well as original content such as *The Handmaid's Tale, Only Murders in the Building* and *Little Fires Everywhere.*

Disney+

Best for: Families
Cost: $7.99–$10.99 a month
You can choose the $7.99 ad-supported plan or the $10.99 ad-free plan, which also allows you to download content to your device for offline viewing. Both plans grant you access to the full library of content from Disney, Pixar, Marvel, Star Wars and National Geographic. The Star Wars and Marvel content draws the most viewership to the platform, including *The Mandalorian* and *The Book of Boba Fett* from Star Wars and *WandaVision, The Falcon, The Winter Soldier, Loki* and *Hawkeye* from Marvel.

Prime Video

Best for: Amazon Prime subscribers
Cost: Included with Prime ($14.99 a month or $139 a year)
Amazon Prime members have access to a diverse library of free and paid series and movies for streaming, including a number of Amazon original and exclusive series. Popular titles include *Jack Ryan, Citadel,* and Emmy-award-winning *The Marvelous Mrs. Maisel.*

Max

Best for: Original content
Cost: $9.99–$19.99 a month
Formerly known as HBO Max, Max is the new HBO streaming offering merged with Discovery+. The ad-supported plan costs $9.99 per month and lets you stream on two devices at once. The ad-free version costs $15.99 per month; it allows dual simultaneous viewing and lets you download up to 30 episodes or films. Or pay $19.99 per month for the Ultimate ad-free plan, which allows for simultaneous streaming on up to four devices, enhanced video and audio quality, and up to 100 downloads for offline viewing. Such critically acclaimed hits as *The Sopranos, Game of Thrones* and *Succession* are on Max.

Apple TV+

Best for: Apple fans
Cost: $6.99 a month
Apple TV+ is ad-free. You can enjoy up to six simultaneous streams from the same account, and downloads are unlimited. Popular offerings include *Shrinking, Hijack* and the critically acclaimed *Ted Lasso.* K

You can contact the author at Emma_Patch@kiplinger.com.

Fixing Your Relationship With Money

This psychologist helps clients address complex issues involving their finances. **INTERVIEW BY EMMA PATCH**

DR. TRACI WILLIAMS
Clinical Psychologist and Certified Financial Therapist
Atlanta, GA

What is financial therapy? Financial therapy helps people have a healthier relationship with their money by tailoring how they think about and behave with money. Common reasons to seek financial therapy include experiencing financial abuse, trauma or fraud; over- or under-spending; and recovery from debt, gambling addiction or divorce. People also often seek financial therapy for prenup guidance, estate planning, navigating wealth acquisition and to become empowered with financial decisions.

How did you get involved? I have been a clinical psychologist for 10 years, but I was a stranger to the world of finance. I was never good at math. I thought I would never be good at money and wasn't really interested in money. But during the pandemic, when people were making banana bread and candles, I was learning about money.

At the time, I had patients across the socioeconomic spectrum. I was helping people who were trying to figure out rent assistance and finding food for their families, as well as patients who were at their vacation homes. I realized that there is more to money than just dollars and cents, that there are human emotions behind money and what we do with money. In the course of learning more, I discovered the field of financial therapy. I became engrossed in it, did my studies and got certified.

What personal finance education did you receive? To become a financial therapist, you have to have a background either in finance or in mental health. I am a psychologist first and foremost, so my course of study included the basics of personal finance, as well as financial planning and estate planning. The Financial Therapy Association has a self-study curriculum. They say it usually takes about six to nine months to prepare for the exam.

How does financial advising help people as they seek out mental health counseling? It depends on what people show up for. For instance, if you have a couple who have recently received a windfall—an inheritance or whatever the case might be—they might seek out a financial therapist because they're also dealing with whatever caused the windfall. If they have grief, they may need to process that, as well as the emotional consequences of having a windfall. A lot of people experience guilt around windfalls, so we talk through the emotional experience and offer guidance around what to do with their money.

Does financial therapy help people to make financial decisions that align with their values? Yes, absolutely. We can definitely help you better understand what is important and how to use assets to make changes in your life.

What advice do you have for people who want to seek out a financial therapist? Ensure that you're working with someone who is certified and licensed in their area in addition to being a certified financial therapist—whether that is in the financial world or in the mental health world. And aside from financial therapists, there are similar professions that might be helpful. For instance, there are financial social workers and accredited financial counselors who do some similar things to what we do. K

PHOTO BY LYNDSEY HOBBY PHOTOGRAPHY