OPEN ENROLLMENT: MAKE THE RIGHT CHOICES p 42

Kiplinger PERSONAL FINANCE

BE A BETTER

How to use baskets of stocks and bonds to build your portfolio. p 18

What $1,000 Can Do

We found 21 rewarding ways to put a thousand bucks to work. p 64

Is Retiring Abroad Right for You?

It's easier and more affordable than you might expect. We guide you through the perks and pitfalls. p 52

NOVEMBER 2023
www.kiplinger.com

November

Contents

Kiplinger Personal Finance | Founded in 1947 | Vol. 77 No. 11

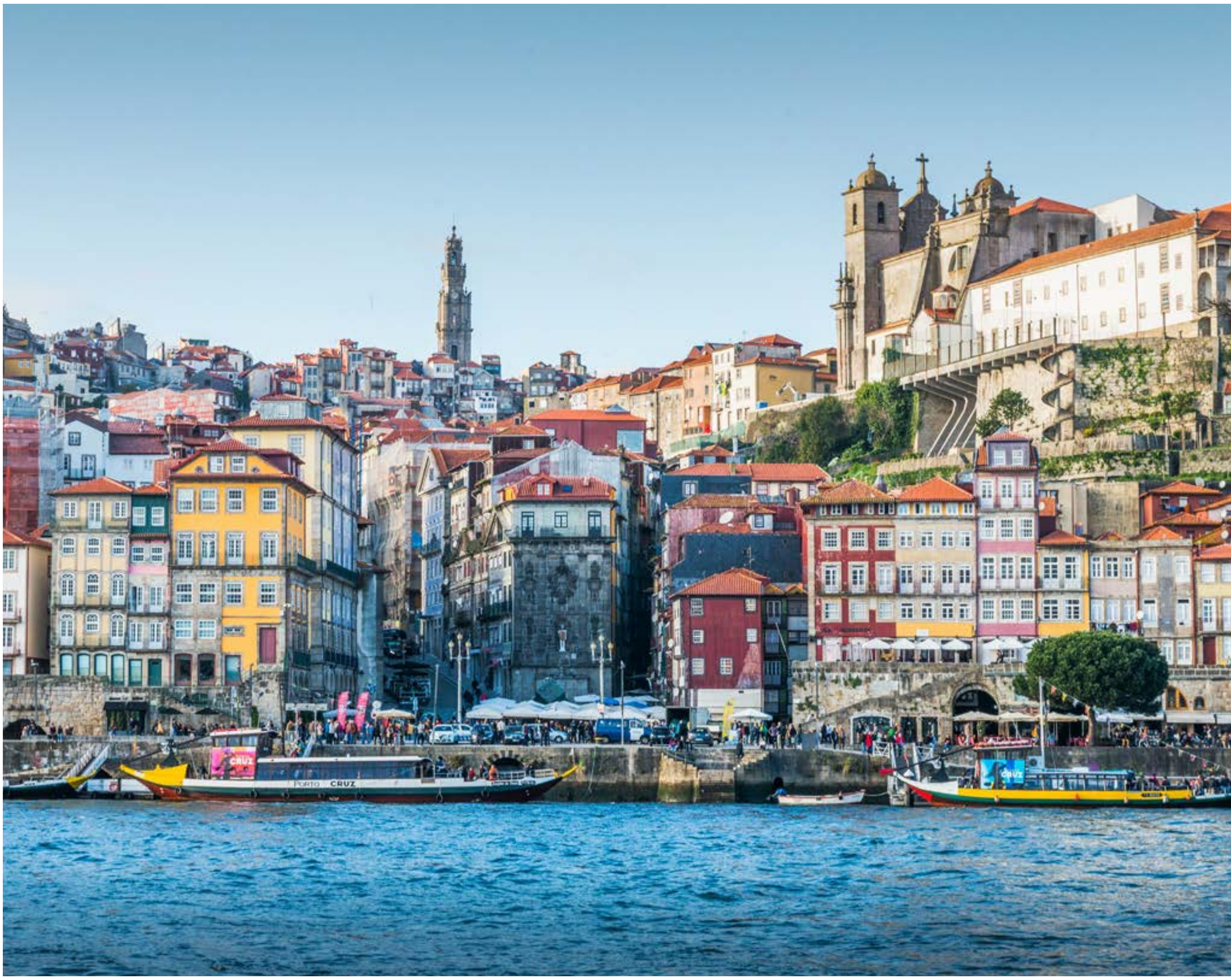
18

GETTY IMAGES

Soften the blow of market downturns with a buffered ETF.

↑
Cover illustration by Alissandra Seelaus

Contents



GETTY IMAGES

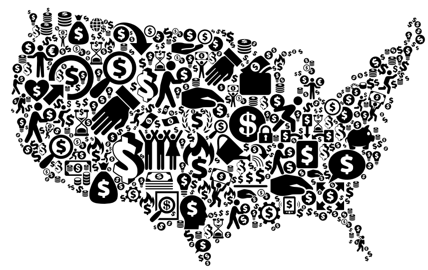
↑

52

Cities such as Porto, Portugal, have plenty to offer for American retirees.

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



→ Where Inflation Is Causing Property Tax Increases
Some states have laws that allow inflation to dictate higher property taxes. Is your state one of them?
kiplinger.com/kpf/tax/inflation

→ 5 Books to Prepare You for Retirement
With nonfiction and fiction, these books will offer perspectives to help you get ready for your golden years, from financial preparation to considering the importance of relationships.
kiplinger.com/kpf/books

→ How to Find the Best Vanguard ETFs
Investors would be wise to follow the philosophy of the asset manager's founder, John Bogle.
kiplinger.com/kpf/vanguard

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

INSURANCE INS AND OUTS

As a Florida homeowner, I, too, recently found myself running on the hamster wheel of finding new home insurance after receiving a non-renewal notice from Progressive for a policy that had been in effect for only one year ("What It Takes to Buy Insurance in Florida," Sept.). My wife and I were able to secure coverage through AAA and moved our auto insurance there as well. With all due regard to fraudulent claims and regulatory issues, I'd like to point out that insurers evaluate a wide range of risks. Claims for many common damages, such as water leaks, have an impact on premiums.
G.D., Ponte Vedra, Fla.

For homeowners who are displaced while their home is undergoing repairs, most policies pay only for food expenses beyond the policyholder's normal standard of living ("Is Your Insurance Coverage Up to Date?" Sept.). For example, if the insured

person typically spends $250 a week on food expenses and submits food receipts for $350, their policy would reimburse $100. And if the policyholder's temporary accommodations include a functional kitchen, food expenses are typically not covered at all.
James Valle, Rockwall, Texas

If you live in an area prone to sinkholes, consider adding sinkhole coverage to your homeowners insurance policy. Damage from sinkholes is not usually covered in a basic policy.
Diane Halasz, Easton, Pa.

INHERITED IRAs

It is the account owner's death date, not the date that the beneficiary inherited an IRA, that dictates whether an inherited IRA is subject to the 10-year rule for depleting the account ("An Inheritance With Strings Attached," Sept.). This is an important distinction for someone who may have inherited an IRA in 2020 from an account owner who died in 2019.
Matt Patrick, Narbeth, Pa.

BOND REDEMPTION DELAYS

After I mailed my paper Series EE savings bonds to the Treasury for redemption, I got an e-mail that said, "Please allow up to 13 weeks for review and processing" ("How to Redeem Savings Bonds," Sept.). I called customer service 13 weeks later, and the agent said that they were behind schedule. It has now been 19 weeks, and I still don't have my bond proceeds.
Richard W. Pekala, Corvallis, Ore.

STREAMING LIVE TV

In your live-TV comparison, you forgot an important feature: DVR ("Cord Cutting Made Easy," Sept.). We love YouTube TV for its unlimited DVR space in the cloud, as well as the ability to share the YouTube TV service with five other people (only three can stream simultaneously). For all streaming services, another great feature to look for is the ability to download programs so you can watch them offline.
MaryAnn Colchin, Colorado Springs

BUDGET BALANCING ACT

As a financial-literacy instructor, I take exception to Jordan Grumet's criticisms of budgeting ("What Hospice Patients Can Teach Us About Money," Sept.). Budgeting is not just spreadsheets and apps, although those are tools that can be used to create and execute your budget. Budgeting involves being aware of how much you have available to spend, identifying what expenses you have and balancing the two.
Donald R. Dawson, Chesapeake, Va.

CORRECTION

The state of Washington applies its 6.5% sales tax to clothing ("You'll Pay More to Shop in These States," Aug.).

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

Support for Our Nation's Veterans

IN honor of Veterans Day this November, I'd like to extend heartfelt gratitude to everyone who has served in the armed forces. As a military spouse, I have a firsthand view of the sacrifices that service members and their families make. My husband is currently a full-time instructor pilot in the Air National Guard, and he previously spent more than a decade as an active-duty member of the Air Force. I also grew up hearing my father's stories of his time in the service. He received a draft notice on his 18th birthday, in 1964, and spent six years in the Army National Guard.

Service members receive various financial benefits—among them, a tax-exempt monthly allowance for housing expenses, access to VA home loans (which don't require a down payment or private mortgage insurance), and the GI Bill, which helps veterans and their family members pay for higher education. But the challenges can mount for troops who have health conditions related to their service or are undergoing other hardships. On page 72, we feature an interview with Trace Chesser, the president and CEO of USA Cares, a nonprofit organization that, among other services, provides financial assistance to service members and veterans who are receiving treatment for PTSD or serious injuries.

Many other charities support veterans, too. To see a list of those that are highly rated by Charity Navigator, go to www.charitynavigator.org, select "Best Charities" under the "Discover Charities" menu, then click on the link to charities dedicated to service members and veterans.

Government help. Recent moves from the federal government are designed to provide more assistance for military families and veterans. The 2022 PACT (Promise to Address Comprehensive Toxics) Act expands eligibility for veterans of the Vietnam War, Gulf War and post-9/11 era to receive health care and benefits related to toxic exposures, such as from burn pits and Agent Orange.

The Department of Veterans Affairs assumes that military service was the cause of certain health conditions in veterans who served in specific locations during certain periods. For example, those who served in Afghanistan, Yemen or any of several other countries on or after September 11, 2001, are presumed to have been exposed to toxic substances and may be eligible for care or benefits if they develop certain cancers, emphysema or other specified illnesses. Veterans who are enrolled in VA health care can get free toxic-exposure screenings, too. For more, go to https://VA.gov/PACT.

Last June, the White House issued an executive order aimed at enhancing economic security for military and veteran spouses, caregivers, and survivors. Military spouses often struggle with career stability as they relocate frequently and deal with other challenges. Among other provisions, the order aims to improve hiring and retention of military spouses. It also establishes dependent-care flexible spending accounts for service members, who can use them to set aside up to $5,000 yearly in pretax earnings for expenses related to child care (or care of other eligible dependents) while they and their spouses work, look for work or attend school full-time.

PHOTO BY MATT STANLEY

We're listening. Thank you to everyone who answered my call in the September issue for feedback on our magazine redesign. We appreciate the positive words that we received and are considering the criticisms. Based on your responses, we've made a couple of tweaks, increasing the size of the type for our cover date as well as in our data tables. K

Lisa Gerstner

LISA GERSTNER, EDITOR
LISA.GERSTNER@FUTURENET.COM

Kiplinger

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 11. 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.

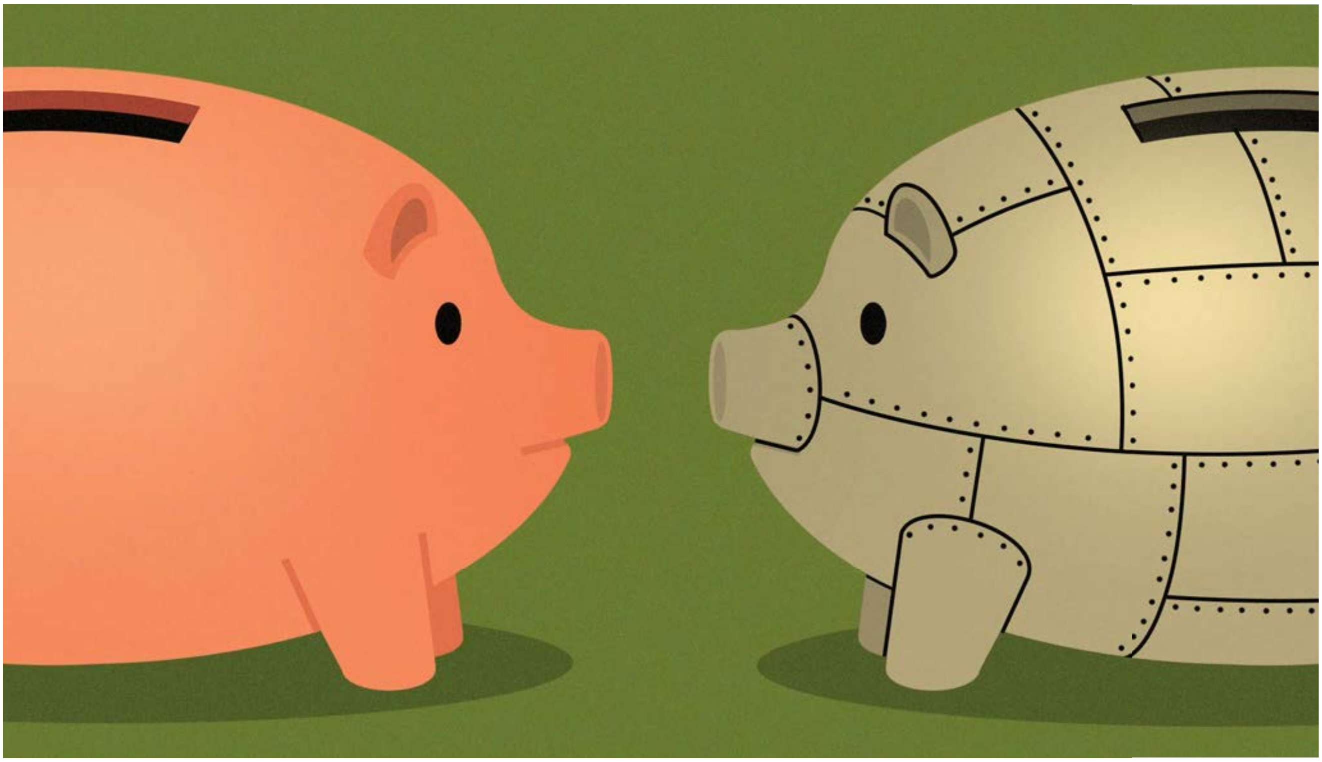


ILLUSTRATION BY DAN PAGE

A DISAPPEARING TAX DEDUCTION

High earners will be required to put their catch-up contributions in a Roth 401(k). That's not a bad idea. **BY SANDRA BLOCK**

THANKS to the recent stock market rally, checking your 401(k) balance is no longer a cause for fear and trepidation. Fidelity Investments reported that the average 401(k) account balance in plans it manages rose nearly 8.3% in the second quarter of 2023 from a year earlier. Meanwhile, the number of 401(k) participants with $1 million or more in their accounts rose nearly 29% from a year earlier.

Whether you have $1 million or $100,000 in your account, there's no question that contributing to a 401(k) or similar employer-provided plan is one of the most effective ways to ensure you'll enjoy a comfortable retirement. But there's a downside to traditional 401(k) plans, especially if you fall into the millionaire category: All of that money will be taxed when you take it out—possibly at a higher tax rate than you're paying now.

One way around this dilemma is to direct some of your savings to a Roth 401(k). As is the case with a Roth IRA, contributions to a Roth 401(k) are after-tax, but withdrawals will be tax-free as long as you're 59½ and have owned the Roth for at least five years. And while income thresholds prevent high earners from contributing to a Roth IRA, there are no income limits on contributions to a Roth 401(k) plan. More than 75% of large employers offer Roth 401(k)s, but only about 14% of employees invest in them, according to Fidelity.

By 2026, some workers may be required to contribute to a Roth 401(k), whether they like it or not. The legislation known as SECURE Act 2.0, a broad package of changes to rules governing retirement and retirement savings plans, will require workers age 50 and older who earned $145,000 or more in the previous year to funnel catch-up contributions to Roth 401(k) plans. The change was originally scheduled to take effect in January 2024, but the IRS announced in late August that it will postpone implementation of the rule until 2026.

The IRS announcement came after major employers and plan providers—particularly those who don't yet offer a Roth 401(k)—said they needed more time to implement the provision. Plan providers "can't just cut and paste a new plan when they're not even sure of the rules," says Ed Slott, founder of IRAhelp.com. In a July 14 letter to the House Ways and Means Committee, the American Benefits Council, which represents large employers and plan providers, said that without a delay, many retirement plan participants would lose the ability to make catch-up contributions at all.

In its August 25 guidance, the IRS also clarified that plan participants age 50 and older can make pretax catch-up contributions in 2023. Earlier, plan sponsors said technical language in SECURE Act 2.0 may have inadvertently banned all catch-up contributions. In 2023, workers 50 and older can make catch-up contributions of up to $7,500, in addition to the standard $22,500 maximum for 401(k) and other employer-provided plans.

MANY HIGH EARNERS RESIST CONTRIBUTING TO A ROTH 401(K) BECAUSE THEY ASSUME THEIR TAX RATE WILL BE LOWER IN RETIREMENT.

The case for Roth contributions. Even with the delay, employees who have access to a Roth 401(k) should consider contributing to it, especially those who have accumulated a large balance in a tax-deferred 401(k) plan. Although you'll lose the up-front tax break you receive when you contribute to a traditional 401(k) plan, that deduction is "really a loan that will have to be paid back in the future," Slott says.

Many high earners resist contributing to a Roth 401(k) because they assume their tax rate will be lower in retirement, when they'll eventually be required to take taxable required minimum distributions. But that's not a safe bet, especially if you're a serious saver, Slott says. The funds you invest in a tax-deferred account will continue to compound and grow until you're required to take RMDs (currently at age 73, increasing to age 75 in 2033). Depending on the size of your account, those RMDs may be larger than your pay was during your final year of work, he says. And with a traditional 401(k), you'll have to take taxable RMDs for the rest of your life; starting in 2024, though, you won't have to take RMDs from your Roth 401(k). In addition, Slott says, many retirees lose other tax breaks, such as tax credits for dependent children and deductions for mortgage interest. The loss of those tax breaks, combined with substantial RMDs, could easily push you into a higher tax bracket in retirement, he says.

Large RMDs can lead to other issues as well, including increasing taxes on your Social Security benefits and triggering a surcharge on your Medicare Part B and Part D premiums.

Sheltering some of your retirement savings in an after-tax account can help avoid that, and it will protect you from future tax increases, Slott notes. The personal income tax cuts included in the 2017 Tax Cuts and Jobs Act are scheduled to expire at the end of 2025, and while some lawmakers who support the law have vowed to extend it, there's no guarantee that will happen. The end of the 2017 tax cuts would be particularly painful for high earners because the top tax rate would increase to 39.6% from 37%. If you invest in a Roth 401(k) (or Roth IRA), "you never have to worry about higher rates," Slott says.

Not only for high earners. Even if you make considerably less than $145,000 a year or are too young to make catch-up contributions, you should consider investing some of your 401(k) contributions in a Roth, if your employer offers one. In fact, the case for contributing to a Roth 401(k) is often even stronger for a young person, financial planners say. If you're not making a lot of money, the tax deduction provided by a traditional 401(k) is less valuable. Plus, your funds will have more time to grow tax-free.


CHARLES TYRWHITT
JERMYN STREET LONDON
ALL MERINO
$79
NORMALLY $129
OFFER CODE: INVESTING
SAVE $50
We Know Merinos
5 neck styles, 100% wool, 22 colors
PURE NEW WOOL
100% Merino Wool
Machine Washable
XS – XXXL
Sizes XS-XXXL
SHOP CONFIDENT – 6-MONTH GUARANTEE
CHARLESTYRWHITT.COM
OR SHOP IN ONE OF OUR STORES
This offer expires on December 6th, 2023. Please see our website for more terms and conditions.

INTERVIEW

CREDIT CARD REWARDS ARE SAFE FOR NOW

Legislation that could curb rewards has stalled, but it's always a good time to maximize cash back and points.

INTERVIEW BY EMMA PATCH

TED ROSSMAN is senior industry analyst for CreditCards.com and Bankrate.

Merchants pay "swipe fees" to transaction networks such as Mastercard and Visa each time a customer pays with a credit card. The Credit Card Competition Act, which is designed to lower swipe fees by giving merchants more choices among networks, was sidelined over the summer, but supporters say they'll continue to push for passage. How would this legislation affect consumers? If the bill becomes law, the largest source of credit card rewards funding could dry up, diminishing consumers' rewards. There's also the possibility that customers' data will be at risk because we don't really know whether the nascent card-processing networks competing for merchants' transaction business would be as secure as more-established networks. Access to credit could be curtailed as well because if banks aren't making as much money from credit cards, they may not be as willing to lend—especially to borrowers with lower incomes or lower credit scores. Banks may also raise fees in other areas. Maybe the current system isn't perfect, but I think it's the best for consumers, especially those who are able to avoid interest by paying off their balance every month and take advantage of credit card rewards. In our research, a little more than half of credit card users fit that description.

With so many rewards cards available, how can consumers choose the best one for them? I think it's really important to evaluate your individual spending and usage habits because there's no one-size-fits-all answer to this. Different cards give different rewards. Travel is often the most lucrative reward, but it's also the most complicated. And not everybody has the flexibility to travel on the optimal dates (which typically fall outside of peak travel times) or wants to travel at all.

Cash back is America's favorite type of credit card reward, according to our research. It's very straightforward and transparent. Most people don't want to juggle a whole bunch of cards. They'd rather use the same one or two cards as widely as possible. I think the best credit card is a very simple, no-annual-fee, 2% cash-back card, such as Citi Double Cash or Wells Fargo Active Cash.

As the holidays approach, how can credit card users maximize the rewards they earn for shopping and travel? You can stack discounts by using a rewards credit card on an online shopping portal offered by credit card brands. For instance, I use the Shop Through Chase portal a lot. Many airlines and some third-party brands, such as Rakuten, have them, too. Just log in to the portal and click the link to wherever you're going to shop, and you may receive bonus rewards on your credit card. Combine that with a coupon for additional savings on the same purchase.

When is the best time to cash in on travel rewards? Oftentimes, airlines will release award tickets 11 or 12 months ahead of time, so in that case, the early bird gets the worm. Other deals come on and off the market periodically, and you may get a deal on short notice as well.

The biggest takeaway is to just use your rewards. A CreditCards.com study found that one-quarter of rewards card holders didn't use any rewards over the past year. Airline miles tend to lose value over time because of program changes. It may cost 50,000 miles for a free flight today, but in a year, the airline could change the rules and require 60,000 miles for a free trip. You don't want to hoard rewards and become a points millionaire. It makes sense to earn and burn strategically. K

PHOTO BY RILEY ARTHUR

IS IT A GOOD TIME TO CASH IN YOUR I BONDS?

As inflation eases, investors are redeeming their I bonds and putting the money elsewhere. **BY SANDRA BLOCK**

IN 2022, a spike in inflation made normally staid Series I savings bonds almost as popular as tickets to Taylor Swift's Eras tour. I bonds issued between May and October 2022 earned a six-month composite rate of 9.62%, creating a surge in demand from yield-hungry investors that briefly overwhelmed the TreasuryDirect website.

I bond rates have since come down to earth; bonds issued between May and October 2023 pay a composite rate of 4.3%. Meanwhile, some certificates of deposit and high-yield savings accounts are paying more than 5% (see the tables on page 51), and the recent yield on one-year Treasury bills topped 5.3%. Yields on Treasury inflation-protected securities (TIPS)—government securities that are indexed to the rate of inflation—are also attractive now, says David Enna, founder of Tips watch.com, a website that focuses on I bonds and TIPS.

I bonds issued between May and October 2022 earned a six-month composite rate of 9.62%.

But I bonds may still provide some benefits for long-term investors, particularly those issued between May and October 2023. And cashing in your I bonds may mean giving up some interest—if you can cash them in at all.

I bonds consist of two components: an inflation rate, which is based on the consumer price index and is adjusted every six months from the bond's issue date, and a fixed rate that remains the same for the life of the bond (up to 30 years). You can't redeem an I bond in the first year, and if you cash it in before five years have passed, you'll forfeit the most recent three months of interest. (If you check your bond's value at TreasuryDirect .gov within the first five years of owning it, the amount you'll see will have the three-month penalty subtracted from it.)

Weighing the options. With that penalty in mind, if you've owned an I bond for longer than a year but less than five years, is it worth redeeming the bond—which means giving up some of the interest you've earned—so you can reinvest the money in a higher-yielding investment?

The answer depends on your goals, when you bought the

CALENDAR

NOVEMBER 2023

1 Now is a great time to sign up for a community-supported agriculture (CSA) program for next year; depending on the scale of the farm, CSA spots can sell out fast. These programs allow participants to buy a weekly box of fresh produce from a regional farmer during the growing season. Some offer winter veggies, too. Go to www.localharvest.org to find one near you.

6 For many workers, this is the time of year to choose a health insurance plan from their employer. Coverage and costs can vary, so it's important to review all of your options. If you don't use employer coverage, this is also the time to select a plan from the individual marketplace at HealthCare.gov. For advice on how to pick the best plan for you and your family, see page 42.

GETTY IMAGES

I bond and the fixed rate for the bond, says Enna. For example, if you bought one in October 2022—when many investors snapped up I bonds to capture the 9.62% rate for six months before the rate reset—your optimal redemption date is January 1, 2024, Enna says. The reason: Those bonds earn a 0% fixed rate and transitioned in October 2023 to a composite rate of 3.38%, which is well below what you can get from short-term Treasuries. If you wait to cash in the bond until three months after the rate resets, the interest penalty will apply entirely to the 3.38% rate, rather than some portion of the penalty applying at the higher 6.48% rate that the bond earned during the previous six months. For I bonds purchased in September 2022, the optimal redemption date is December 1, 2023; for bonds purchased in August 2022, the optimal redemption date is November 1, 2023.

For I bonds purchased in November 2022 through April 2023—which can't be redeemed until at least November 2023—your optimal redemption date will to some extent depend on the inflation-adjusted rate announced on November 1. Based on the consumer price index through the first eight months of 2023, Enna predicts that the bonds' inflation rate will range from 3.2% to 3.4%. But those I bonds have a 0.4% fixed rate, so you may want to hold on to them, Enna says.

You can check your bond's current value online at TreasuryDirect.gov.

Likewise, you may want to hold on to I bonds issued between May and October 2023, even if the new six-month inflation-adjusted rate is underwhelming. Those I bonds have a fixed rate of 0.9%, which is the highest fixed rate in 16 years. No matter what happens to inflation in the future, you'll lock in that rate for as long as you own the bonds. "My rule of thumb is, if you have a very attractive fixed rate, hold on to it as long as possible," Enna says. ■

→ DEAL OF THE MONTH

The end of the month will bring a flood of Black Friday sales, but it's worth watching for early deals—many retailers are running sales all month. Sign up for free loyalty programs so you'll receive early access to deals, says Julie Ramhold, consumer analyst for DealNews.

23 Thanksgiving Day. People are optimistic and planning to celebrate this year, but inflation is top of mind for many, according to Butterball's 2023 Thanksgiving Outlook Report. Although holiday hosts remain committed to serving turkey, 79% of consumers expect inflation to affect their plans, the report says. Consider hosting a potluck if money is tight: About 30% will ask guests to bring part of the meal.

Briefing

INFORMATION ABOUT THE MARKETS AND YOUR MONEY

A STEP FORWARD FOR CRYPTO ETFs

→ A federal court has overturned a decision by the Securities and Exchange Commission to block Grayscale Investments from creating a bitcoin exchange-traded fund. If the ETF ultimately gains SEC approval, it could clear the path for a host of new bitcoin ETFs to join the market.

The Grayscale fund would be a "spot" ETF that trades on the market price of bitcoin, allowing investors a way to access the cryptocurrency without owning it directly. Last year, the SEC rejected Grayscale's application to convert its Bitcoin Trust (symbol GBTC) to a spot ETF, arguing that the proposal failed to meet standards to prevent fraud and protect investors. For the same reasons, the regulator has denied applications to create spot bitcoin ETFs from other asset managers, including Fidelity.

Grayscale appealed the SEC's decision, and in August, the U.S. Court of Appeals for the D.C. Circuit said that the SEC's arguments were "arbitrary and capricious," failing to explain why the SEC has barred spot bitcoin ETFs but approved ETFs that buy futures contracts tied to bitcoin prices, such as ProShares Bitcoin Strategy ETF (BITO).

Both futures ETFs and spot ETFs track underlying assets, giving you exposure to an asset without having to hold it. But the underlying assets in a bitcoin futures ETF are contracts speculating on a price of bitcoin in the future, whereas a spot bitcoin ETF (at least the one Grayscale has proposed) is backed by actual bitcoin and so is more closely related to current prices.

Future implications. The SEC said that it would postpone its pending decisions on other spot bitcoin ETF proposals until at least mid October—the point by which it must decide whether to appeal the D.C. court's ruling. In a research note, JPMorgan said the ruling implies that the SEC would have to withdraw its previous approvals of futures-based bitcoin ETFs to defend its rejection of the Grayscale ETF—and that's unlikely to happen because of the disruption it would cause, JPMorgan notes.

While the crypto industry is eager to welcome spot bitcoin ETFs to the market, JPMorgan has said they probably wouldn't be a game changer, noting that existing spot bitcoin ETFs in Canada and Europe haven't garnered significant interest from investors. **LISA GERSTNER**

GETTY IMAGES

Reining in Medicare Drug Costs

→ The Biden administration has released a list of the first 10 prescription medications that will be up for price negotiation between Medicare and pharmaceutical companies. The Inflation Reduction Act of 2022 includes a provision that allows Medicare to directly negotiate prices of certain high-price medications, which come from single manufacturers and have no competition from generic or biosimilar drugs. The negotiated prices are scheduled to take effect in 2026.

These 10 medications accounted for about $50 billion in total costs for prescription drugs covered by Medicare Part D between June 2022 and May 2023. **LISA GERSTNER**

Drug Name	Commonly Treated Conditions	Total Part D Gross Covered Prescription Drug Costs, June 2022–May 2023
Eliquis	Prevention and treatment of blood clots	$16,482,621,000
Jardiance	Diabetes; heart failure	$7,057,707,000
Xarelto	Prevention and treatment of blood clots; reduction of risk for patients with coronary or peripheral artery disease	$6,031,393,000
Januvia	Diabetes	$4,087,081,000
Farxiga	Diabetes; heart failure; chronic kidney disease	$3,268,329,000
Entresto	Heart failure	$2,884,877,000
Enbrel	Rheumatoid arthritis; psoriasis; psoriatic arthritis	$2,791,105,000
Imbruvica	Blood cancers	$2,663,560,000
Stelara	Psoriasis; psoriatic arthritis; Crohn's disease; ulcerative colitis	$2,638,929,000
Fiasp; Fiasp FlexTouch; Fiasp PenFill; NovoLog; NovoLog FlexPen; NovoLog PenFill	Diabetes	$2,576,586,000

SOURCE: Centers for Medicare & Medicaid Services

FROM THE KIPLINGER LETTER

Lights Out on Incandescent Bulbs

Retail sales of most incandescent lightbulbs are now effectively off limits, with the Department of Energy fully enforcing rules that prohibit the import, manufacture and retail sales of most incandescent bulbs. Such enforcement includes slapping steep financial penalties on companies. Most, if not all, incandescent bulbs can't meet new efficiency requirements of 45 lumens per watt, prohibiting them despite the absence of a blanket ban.

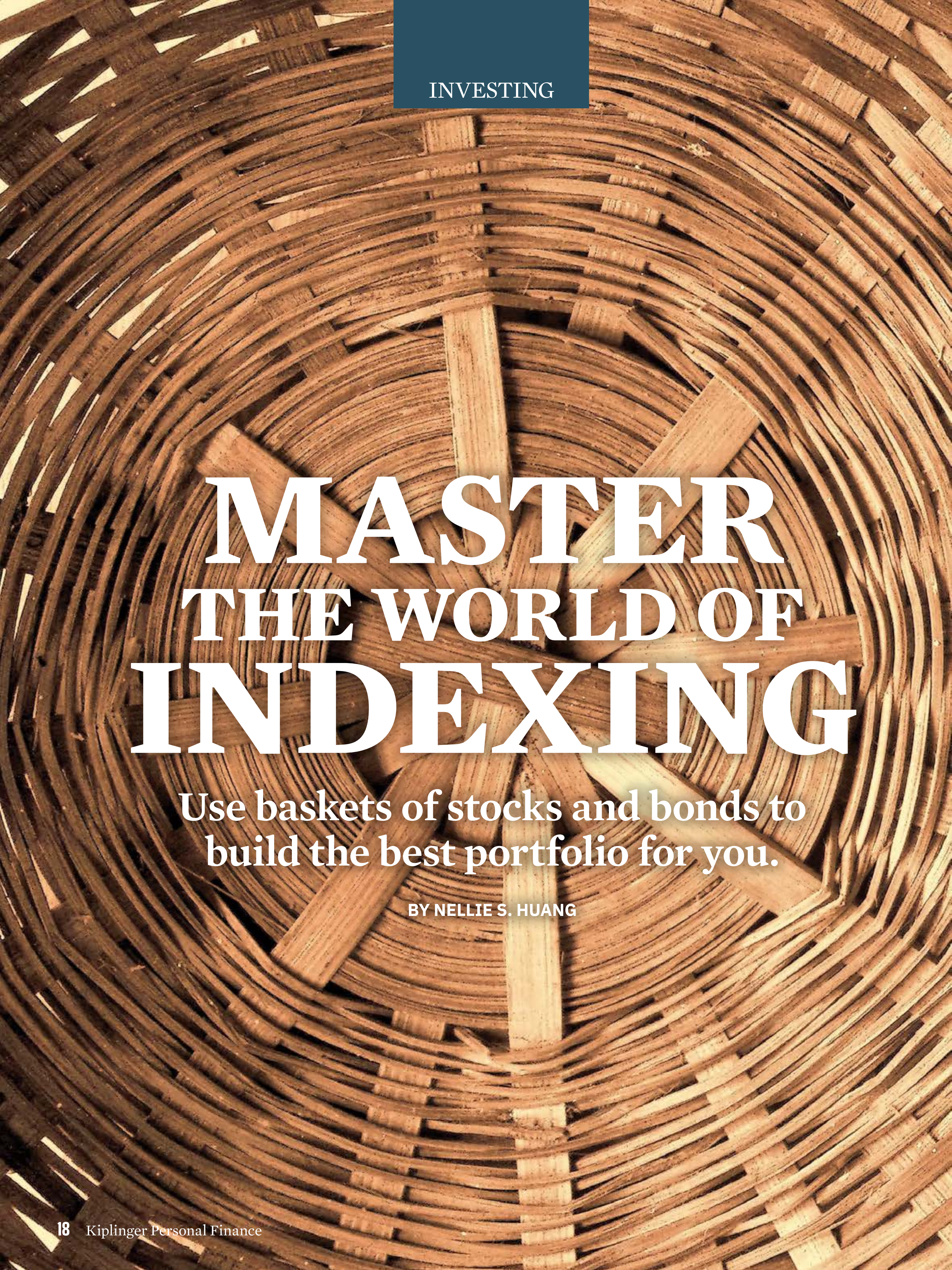
$1.8 MILLION

The average amount workers think they need to save for retirement, according to the Charles Schwab 2023 401(k) Participant Study.

NEW REQUIREMENTS FOR EUROPEAN TRAVEL

→ Starting next year, Americans will have to apply online for approval under the European Travel Information and Authorization System (ETIAS) to enter countries in the European Union. The authorization, which will be linked to your passport, allows for short-term stays—up to 90 days in a 180-day period. The application fee is €7, which was recently about $8 (but there's no fee for people younger than 18 or older than 70). Once you're approved, the authorization lasts three years or until your passport expires, whichever comes first. If you renew your passport, you'll have to apply for ETIAS authorization again.

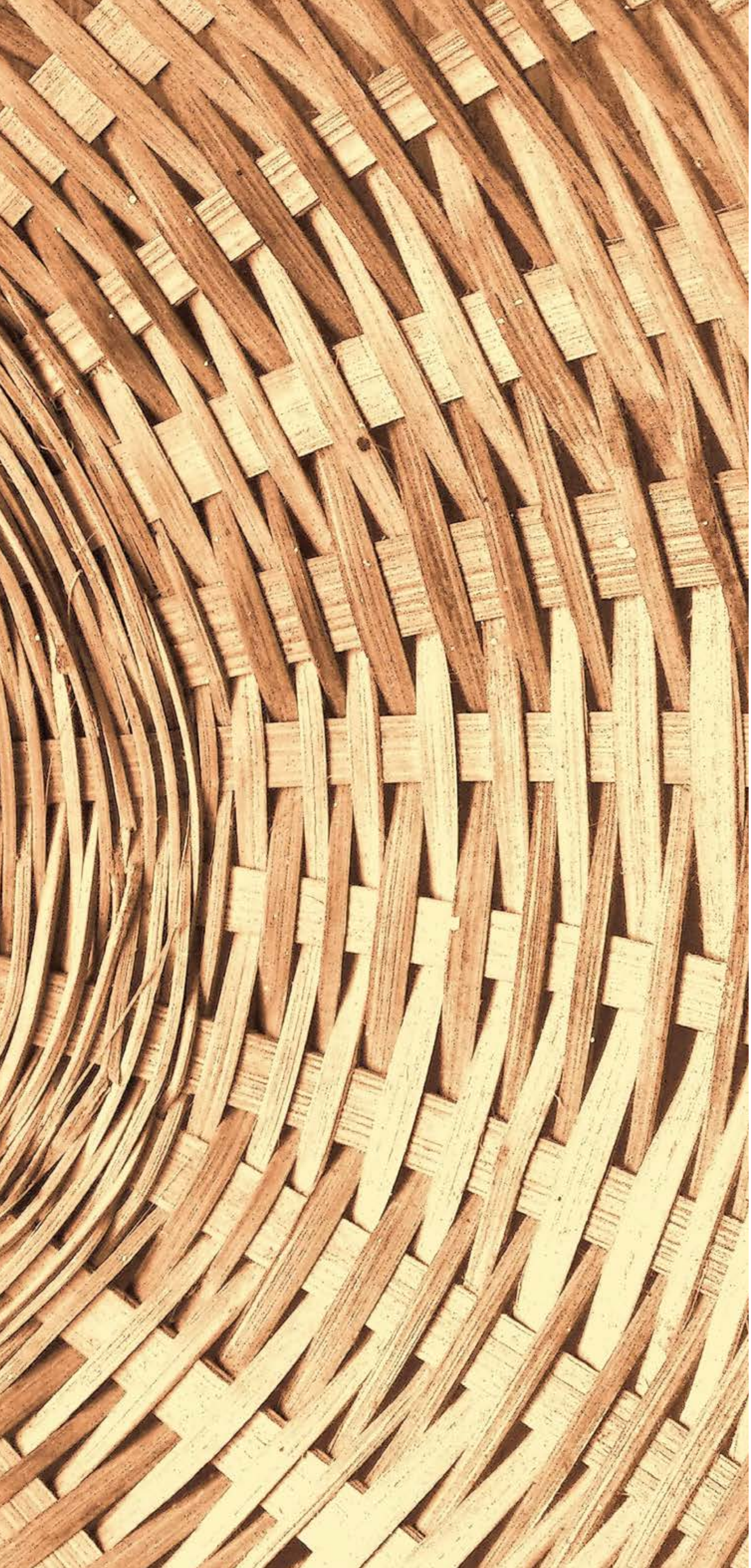
The ETIAS website (https://travel-europe.europa.eu/etias_en) says that most applications should be processed in minutes. But some requestors may be asked for additional documentation, which could extend the process by up to 14 days, or to do an interview, which could take 30 days. So if you're planning to travel, apply well before you have to go. **ALEXANDRA SVOKOS**



MASTER THE WORLD OF INDEXING

Use baskets of stocks and bonds to build the best portfolio for you.

BY NELLIE S. HUANG



WHY struggle to find a needle in a haystack when you can buy the haystack? That was Vanguard founder Jack Bogle's argument for indexing nearly half a century ago when he launched the first index fund for individual investors. The investment approach was easy to execute and offered instant diversification, all for a low fee. And as it turns out, returns have been tough to beat.

Index mutual funds and exchange-traded funds have done better, on average, than most actively managed funds for years. The Vanguard 500 Index fund, which mirrors the S&P 500 index, has outpaced 76% of all active large-company U.S. stock funds over the past 15 years. (Returns and other data are through August 31; funds we recommend are in bold.)

Today, index funds account for nearly 60% of assets in diversified U.S. stock mutual funds and exchange-traded funds (through July), up from one-third of assets a decade ago. And now, "there's an index-based strategy for whatever an investor wants to get exposure to," says Todd Rosenbluth, head of research at financial data firm VettaFi.

We're still fans of active funds, of course, albeit selectively. But on average, active managers have found it tough to beat the S&P 500, which has made indexing a popular strategy. "That's why we prefer index investing over active," says Alvin Carlos, an adviser in Washington, D.C. "We don't want to invest in a losing strategy."

In recent years, however, this simple investing strategy has become more complicated. And education has failed to keep up. "Fifteen years ago, indexing was about just measuring the broad market," says Aniket Ullal, head of exchange-traded fund data and analytics for CFRA Research. Then came designer index funds, or funds that track customized benchmarks with the goal of beating the traditional bogeys. Now, complex options-based strategies are hitting the market. Some index funds "can be tricky even for the most-sophisticated investors to understand," says Ullal.

To help you master the art of indexing, use our guide, below, to explore different parts of the indexing world for both stocks and bonds. The choices range from traditional broad-market funds to funds that zero in on certain investing styles and strategies or particular market themes to complex offerings that bear little resemblance to Bogle's big idea.

STOCK INDEXING

Traditional index funds. Funds in this category have two defining traits: They track a broad, well-known index, such as the S&P 500, the Nasdaq 100 or the MSCI EAFE, and they weight portfolio holdings by stock market value. The bigger a company's market capitalization, the bigger its position in the fund.

What you see in the index is what you get in the fund, which is why traditional index funds are good choices for your core portfolio. "That's the nice thing about indexing," says Chris Huemmer, a senior client portfolio manager at FlexShares ETFs. "It's all rules-based, so there's no strategy drift."

Even so, take the time to understand exactly what kind of index fund you're buying, the rules that govern its underlying holdings and how it has behaved in past markets. "Two products may have similar names and objectives but own different stocks," says Rachel Aguirre, head of U.S. iShares products.

Consider, for example, three small-company index funds: iShares Russell 2000 ETF, SPDR Portfolio S&P 600 Small Cap ETF and Vanguard Small Cap Index. Each fund tracks a different index, so performance varies. Companies in the Vanguard portfolio, for instance, are twice as big by market value, on average, than the companies in the other two funds. That has helped the Vanguard fund perform better in recent months because bigger companies outperformed small ones. Similarly, companies in the SPDR fund are more profitable overall compared with holdings in the other two funds because its index, the S&P SmallCap 600, limits constituents to firms with profits. That helped the SPDR ETF outperform the other two small-company funds in 2021.

Another tip: Stick with the same index family if you're buying individual funds to get large-, small- and midsize-company exposure.

Take the time to understand exactly what kind of index fund you're buying, the rules that govern its underlying holdings and how it has behaved in past markets.

Pair an S&P 500 index fund, for instance, with an S&P SmallCap 600 index fund to avoid any overlap in stock holdings. We did that in the Kiplinger ETF 20, our favorite exchange-traded funds, matching ***iShares Core S&P 500 ETF (symbol IVV, expense ratio 0.03%)*** with ***iShares Core S&P Mid-Cap ETF (IJH, 0.05%)*** and ***iShares Core S&P Small-Cap ETF (IJR, 0.06%)***.

Investors who prefer mutual funds should consider ***Fidelity 500 Index (FXAIX, 0.02%)*** or ***Schwab S&P 500 Index (SWPPX, 0.02%)*** for large-cap exposure. Otherwise, invest in a total market fund, which owns nearly every publicly traded stock. ***Vanguard Total Stock Market*** trades as a mutual fund ***(VTSAX, 0.04%)*** and an ETF ***(VTI, 0.03%)***.

Strategic funds. These funds still aim to beat a broad benchmark, but they come with a twist. Funds that aren't weighted by market cap fall into this category, for instance. The main types of strategic funds are focused on factors (defined as stock or company traits that have been

GETTY IMAGES

proven to drive returns), company fundamentals or a thematic trend.

We'll start with factor funds. There are six main factors: value (inexpensive stocks), size (small-cap stocks, say), momentum (stocks with upward-trending prices), volatility (stocks with low price fluctuations), quality (financially healthy firms) and yield (stocks that pay dividends). Invest in these funds alongside your core holdings to enhance returns or reduce risk.

Factors can take years to pay off. That's why these funds are best considered long-term, buy-and-hold investments, says Nick Kalivas, head of factor and core equity product strategy for Invesco ETFs. Size and value, for instance, win over multiple decades. "Ten years is too short," he says. Quality, value and momentum, on the other hand, can reward in five-plus years.

But factor investing has some quirks. The strategies don't all work—as in outperform the indexes—at the same time. When the economy is contracting, low-volatility, value and quality factors outperform, and momentum and size tend to lag. During an economic recovery, size, value and quality fare best; momentum and volatility lag.

You can find funds that focus on a single factor—Fidelity and BlackRock's iShares each have several, to name just two shops. And some funds group factors because they pair well. Momentum and low volatility, for instance, work well together. And quality and value are good pairs, too. But the jury is out on whether you should own all the factors at once—Invesco's Kalivas says yes because it adds diversification benefits; FlexShares' Huemmer says no because it could water down returns.

That's why we favor a flexible approach. ***Invesco Russell 1000 Dynamic Multifactor ETF (OMFL, 0.29%)*** stresses different factors depending on whether the economy

PERSONALIZE IT

CREATE THE RIGHT MIX FOR YOU

Use the suggestions below as a starting point to build a portfolio that suits your needs.

SIMPLE

75%	**Stock**	**Symbol**
55%	iShares Core S&P 500	IVV
20%	Vanguard Total International Stock	VXUS
25%	**Bond**	
25%	iShares Core U.S. Aggregate Bond ETF	AGG

GROWTH

80%		
40%	iShares Core S&P 500	IVV
15%	Vanguard Total International Stock	VXUS
10%	Invesco Russell 1000 Dynamic Multifactor ETF	OMFL
10%	iShares Core S&P Mid-Cap ETF	IJH
5%	iShares Core S&P Small-Cap	IJR
20%	**Bond**	
10%	iShares U.S. Aggregate Bond ETF	AGG
10%	FlexShares High Yield Value-Scored Bond Index Fund	HYGV

BALANCED

60%	**Stock**	
25%	iShares Core S&P 500	IVV
20%	Schwab U.S. Dividend Equity	SCHD
10%	WisdomTree Global ex-US Quality Dividend Growth	DNL
5%	Vanguard Total International Stock	VXUS
40%	**Bond**	
30%	iShares Core U.S. Aggregate Bond ETF	AGG
8%	SPDR Portfolio High Yield Bond ETF	SPHY
2%	Invesco Senior Loan	BKLN

CONSERVATIVE

45%	**Stock**	
25%	iShares Core S&P 500	IVV
10%	Schwab U.S. Dividend Equity	SCHD
10%	Vanguard Total International Stock	VXUS
55%	**Bond**	
20%	iShares Core U.S. Aggregate Bond ETF	AGG
15%	SPDR Portfolio High Yield Bond ETF	SPHY
10%	Invesco Senior Loan	BKLN
10%	iShares Preferred & Income Securities ETF	PFF

PREVIOUS SPREAD: GETTY IMAGE

is expanding, slowing down, contracting or recovering. Over the past one, three, five and 10 years, the fund has outpaced the S&P 500 (and the Russell 1000) and boasts a better risk-adjusted return, but it has been more volatile, too.

Equal-weight funds are factor funds because they emphasize size, in a way—every company, small or large, gets an equal share of assets. They're a way to avoid overweighting the most popular stocks of the day. Just remember, over shorter periods, performance can be choppy. For instance, the Russell 1000 index has notched a 15.4% gain over the past 12 months, but ***Invesco Russell 1000 Equal Weight ETF (EQAL, 0.20%)*** is up just 3.8%. And although ***Invesco S&P 500 Equal Weight ETF (RSP, 0.20%)*** beat the S&P 500 index over the past three and 20 years, it lagged over five, 10 and 15 years.

With fundamentals funds, business metrics, such as revenue and free cash flow (a company's cash from operations after capital expenditures), matter most. ***Invesco S&P 500 Revenue ETF (RWL, 0.39%)***, for instance, ranks stocks by trailing 12-month revenue and rebalances every quarter. Walmart and Amazon.com are top holdings. The fund bested the S&P 500 over the past three-year period, but it was a step behind the index over the past five and 10 years. ***WisdomTree US Earnings 500 ETF (EPS, 0.08%)*** holds profitable large stocks ranked by earnings. The fund also beat the S&P 500 over three years but lagged over the past five and 10 years. Companies that throw off cash are the focus at ***Pacer U.S. Cash Cows 100 ETF (COWZ, 0.49%)***. Stocks are ranked by trailing 12-month free cash flow. Over the past five years, the fund beat the S&P 500. Finally, ***Schwab Fundamental US Large Company Index (ETF symbol FNDX; mutual fund symbol SFLNX; expense ratios 0.25%)*** tracks an index that ranks stocks using a combination of sales, cash flow, and dividends plus buybacks. The fund lagged the Russell 1000 over the past one and five years, but it beat the majority of large value funds in every calendar year over the past decade except 2022. Fit funds like these into your portfolio as complements to your core holdings to boost returns.

↑

Some ETFs allow investors to cash in on long-term growth themes, such as the increasing demand for clean energy.

Funds that fall into the thematic subcategory let you follow your passion. These days, whatever your interest, you can find an ETF that captures the trend. There's one for working at home (Direxion Work From Home) and one for pet care (ProShares Pet Care ETF), and there are several clean-energy offerings (iShares Global Clean Energy and Invesco Solar). Several are technology related (Global X Robotics & Artificial Intelligence and Global X Autonomous and Electric Vehicles ETF). Some market watchers, including Invesco's Kalivas, count funds that invest according to environmental, social and corporate governance principles in the thematic category.

In most cases, thematic funds are best reserved for money you can

GETTY IMAGES

OVER 1.5 MILLION SOLD!

RECHARGEABLE In-Your-Ear Hearing Aid

BUY 1 GET 1 FREE

~~REG $299.98~~

ONLY $149.99

Each When You Buy a Pair

PLUS FREE SHIPPING

Limited Time Only!

How can a rechargeable hearing aid that fits inside your ear and costs only $149.99 be every bit as good as one that sells for $2,400 or more?

The answer: Although tremendous strides have been made in Hearing Aid Technology, those cost reductions have not been passed on to you. Until now...

The MDHearing™ NEO uses the same kind of technology incorporated into hearing aids that cost thousands more at a small fraction of the price. Satisfied MDHearing customers agree: High-quality, digital, FDA-registered rechargeable hearing aids don't have to cost a fortune. **NEO** is a medical-grade, digital, rechargeable hearing aid offering sophistication and high performance; and works right out of the box with no time consuming "adjustment" appointments. You can contact a licensed hearing specialist conveniently online or by phone — even after your purchase at no cost. No other company provides such extensive support. Now that you know...why pay more?

PLUS... It fits inside your ear.

"I was amazed! Sounds I hadn't heard in years came back to me!"

— Don W., Sherman, TX

CHARGE AT NIGHT AND GO ALL DAY

Actual size | Charging case

Our smallest hearing aid ever!

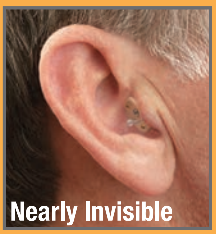
45-DAY RISK-FREE TRIAL!

If you are not completely satisfied with your hearing aids, return them within 45 days for a FULL REFUND!

For the Lowest Price Call

1-800-484-9535

www.TryMDNeo.com



Use Code **GZ54**

and get **FREE** Shipping

Over 7,000 5-STAR ★★★★★ Google Reviews

MDHearing™

DOCTOR DESIGNED | AUDIOLOGIST TESTED | FDA REGISTERED

Proudly designed in America and supported by US audiologists afford to set aside for the long haul. "These funds tap growth drivers that will play out over a long time period," says iShares's Aguirre. You should buckle up, too, because they can be volatile. Ark Innovation ETF, for instance, soared 153% in 2020, only to lose 23% in 2021 and another 67% in 2022, before it rebounded sharply in 2023.

QUASI-INDEX FUNDS

The lines between index funds and active funds are blurring. Some consider the strategies we describe below as actively managed. But their outcomes are tied to an index, so we consider them quasi-index funds.

Buffered ETFs. Investors who want to stay invested in stocks but can't afford—or stomach—big downdrafts are flocking to "defined outcome" funds, also called buffered ETFs, which invest in options tied to a broad index. The ETFs offer some protection from stock market losses over a 12-month period in exchange for a cap on potential gains. How much you give up in returns (the cap) depends in part on the amount of downside protection (the buffer) the fund offers. The bigger the buffer, the lower the cap.

Take the Innovator S&P 500 Buffer ETF July fund. Investors who bought shares in this ETF at the start of July had a 9% buffer against losses and a cap on returns of 19.24%. If the S&P 500 ETF drops by up to 9% over the 12-month period ending in June 2024, shareholders lose nothing. If the S&P 500 declines by 15%, shareholders will suffer only a 6% loss.

Most buffered ETFs are linked to the S&P 500 index, but some are tied to the Nasdaq 100, the Russell 2000 or the MSCI EAFE, among others. At the end of the one-year period, the fund resets by buying new options, which will define the buffer and cap parameters over the next 12-month period. That's why these funds typically have a month tied to their name. But you can buy and hold these funds if you like; there's no termination date.

Look for buffered ETFs from Innovator, First Trust, AllianzIM, TrueShares and Pacer. Be sure to buy shares in a defined-outcome ETF within a week of the start of its 12-month stretch in order to benefit from the fund's full downside buffer. In late October or early November, for example, buy a November-dated ETF. And stay invested for at least the full year. For investors who don't buy at the start of the period, the buffer and cap shift a bit depending on the fund's net asset value each day.

Direct indexing. This strategy once was reserved for high-net-worth individuals, largely to goose after-tax returns. It is now accessible to regular investors, thanks to free and fractional-share stock trading, as well as lower minimums to invest.

In direct indexing, also called "personalized indexing," you directly own the individual stocks of an index (or a representative set; more on that later). Plus, you can tweak your holdings to suit your needs or values. If you work for Apple, say, and don't want or need added exposure to the stock, you can exclude it from your personalized index.

Tax-loss harvesting, which aims to reduce your capital gains tax, is key to direct indexing. Say you're tracking the S&P 500, and ExxonMobil shares trade at a loss in your portfolio. With tax-loss harvesting, you would sell the shares—locking in losses to offset gains in other investments—and replace Exxon with a stake in a different but similar index stock (Chevron, say) to maintain proper allocation in your portfolio. "The end result is less of your money goes to taxes, and more stays invested and working for you," says Eric Walters, an adviser in Greenwood Village, Colo. You wouldn't own every stock in the benchmark index when you use direct indexing—otherwise you'd limit your options

←
Investors who prefer to stay in stocks but want some downside protection can consider buffered ETFs, which cushion declines in exchange for a cap on gains.

GETTY IMAGES

to reinvest in a similar security, according to IRS rules.

Tax-loss harvesting can add up to 0.5 to 1.5 percentage points a year in returns by reducing taxes, adds Walters. Of course, the more money you have in the portfolio, the more effective the strategy, and it only works in a taxable account.

Not everyone is a believer. “You can gain tax benefits, but you risk underperforming, too,” says Carlos, the Washington, D.C., adviser. Some advisers say you need to invest at least $2 million to make direct indexing worthwhile. Others say only the wealthiest investors—those in the highest tax bracket or those who know they will leave the account to their heirs—should consider it. Fees are between 0.2% and 0.4% of assets per year.

If you’re interested, consider going with an adviser who offers the service. Not all do. “It’s an extra expense and takes time, so the client has to really care about it,” says Eric Figueroa, a certified financial planner in Folsom, Calif. Minimums range between $25,000 and $250,000 or more. Figueroa prefers that clients have at least $50,000.

Some brokerage firms offer personalized indexing services, too. Fidelity’s Managed FidFolios have a minimum of $5,000 and charge a 0.4% fee. At Schwab, the minimum is $100,000, and fees are 0.40% for balances below $2 million. You must work with a Schwab financial consultant.

BOND INDEXING

Indexing with bonds hasn’t received as much attention as stock indexing. That may be because historically, most actively managed bond funds have outpaced their benchmark, at least over long hauls.

But that’s changing. In 2022, the worst year for fixed income in decades, bond index funds fared better than their active counterparts. Lately, investors have been rushing headlong into bond funds, particularly passive ones, as higher yields have made fixed-income investing more attractive.

That said, bond indexing comes with some caveats. Rather than hold every security in the bogey they track the way stock index funds do, bond

MAKE THE RIGHT CHOICE

ETF or Mutual Fund?

Should you go with an exchange-traded or mutual index fund? It’s largely a matter of personal preference. Mutual funds and ETFs are both easy to trade and offer diversified exposure to a swath of the market in one step. They both pool assets from shareholders and invest in diversified baskets of stocks or bonds or other assets. And both ETFs and mutual funds charge an annual expense ratio. But they differ in key ways, too.

Trading. Mutual fund trades are executed once a day, after the market closes. In some cases, you may have to pay a transaction fee to purchase shares in a mutual fund. ETF shares trade during the trading day, just like stocks do, for no fee at most brokers.

Minimums. Some mutual funds have no minimums. But the initial investment for a Vanguard index fund is $3,000. No ETF is that pricey—the minimum is the price of one share.

Expense ratios. ETFs have lower expense ratios than mutual funds, generally speaking. Part of the reason is that most ETFs are index funds, which are less expensive to run than actively managed funds. But ETFs also don’t incur certain expenses that mutual funds do, such as fees paid to list the mutual fund on a brokerage firm’s no-transaction-fee platform, for instance.

Capital gains distributions. ETFs are structured to be more tax-efficient than mutual funds. ETFs don’t actually buy and sell the underlying securities in their portfolios; third parties called authorized participants do it for them. Because an ETF isn’t making actual cash transactions, it is less likely to make capital gains distributions to shareholders. (You still owe capital gains taxes when you sell shares.)

That’s not the case with a mutual fund. If a mutual fund sells a security in its portfolio and pockets a profit, it is required to pass on those gains to shareholders at least once a year in the form of a capital gains distribution. This doesn’t apply if you hold the fund in an IRA or a 401(k). These investments are shielded from tax until you withdraw from the account. But if you hold the fund shares in a taxable account, you’re vulnerable to an unexpected tax bill.

index funds hold a sampling. Sometimes, that can drive up tracking error (the divergence between the return of the fund and the return of the index it tracks). Also, unlike an individual bond that you buy and hold to maturity, bond fund yields can shift as the mix of securities in the portfolio changes and as interest rates fluctuate (because bond prices and yields move in opposite directions).

Traditional offerings. Traditional bond index funds are weighted by market value of debt. The U.S. bond market yardstick is the Bloomberg U.S. Aggregate Bond index, better known as the Agg. It was "never meant to be a comprehensive market benchmark," says Jason Bloom, Invesco's head of fixed-income ETF strategy. It's not diversified, for a start. Nearly 70% of the index is made up of government and government-agency bonds. And it excludes some key sectors, including high-yield debt.

That said, an Agg-based index fund works as a core holding. Our favorites are ***Fidelity U.S. Bond Index Fund (FXNAX, expense ratio 0.03%)***, which yields 4.5%, and ***iShares Core U.S. Aggregate Bond ETF (AGG, 0.03%)***, which yields 4.3%.

Fill in the gaps of the Agg by peppering your portfolio with small doses of bank loans, high-yield corporate credit and even preferred securities (bond investments with stock-like features) to boost your return over time. For high yield, we favor ***SPDR Portfolio High Yield Bond ETF (SPHY, 0.05%)***, which yields 8.5%. Our favorite floating rate fund is ***Invesco Senior Loan ETF (BKLN, 0.65%)***. It yields 8.6%. For preferreds, we like ***iShares Preferred & Income Securities ETF (PFF, 0.46%)***, which yields 6.6%.

To smooth out current income, you can build a bond ladder, which involves buying bonds that mature at increasing intervals, say, every year over the next 10 years.

Factor funds for bonds. It's a new-ish category, so there aren't many factor-based bond funds. But we found a few we like. ***FlexShares High Yield Value-Scored Bond Index Fund (HYGV, 0.37%)*** and ***iShares High Yield Bond Factor ETF (HYDB, 0.35%)*** emphasize securities that score well on quality and value measures, though their approaches are different. Over the past five years, both funds outpaced the typical high-yield bond fund, with better than 3.2% annualized returns. The FlexShares fund yields 9.7%; the iShares fund, 8.6%. Securities in the ultra-short-term bond fund ***Fidelity Low Duration Bond Factor ETF (FLDR, 0.15%)*** are weighted by interest rate sensitivity. Over the past 12 months, the fund's 4.9% return outpaced 77% of other ultra-short bond funds. It yields 5.7%. ***Invesco Fundamental Investment Grade Corporate Bond ETF (PFIG, 0.22%)*** relies on book value (assets minus liabilities), sales, dividends and cash flow to weight securities. Over the past five years, the fund beat 60% of corporate bond funds. It yields 5.2%.

Laddering for income. To smooth out current income, some investors build a bond ladder, which involves buying bonds that mature at increasing intervals, say, every year over the next 10 years. As each bond matures, you reinvest the principal in the long end of the ladder.

Now, thanks to Invesco and iShares, you can build a bond ladder with index ETFs. These target-maturity funds, dubbed ***Invesco BulletShares*** and ***iShares iBonds***, offer instant diversification and more liquidity than you'd get by buying individual bonds.

You can invest in a ladder of investment-grade corporate debt or high-yield IOUs with ***Invesco BulletShares*** funds. Maturity dates stretch between 2023 and 2032. Expense ratios for the investment-grade corporate funds are 0.10%; the high-yield BulletShares funds cost 0.42% a year. The ***iShares iBonds*** suite has a Treasury track or an investment-grade corporate debt track, with maturity dates that fall between 2023 and 2033. Expense ratios for the Treasury ETFs are 0.07%; the corporate iBonds funds charge 0.10%. K

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

THE KIPLINGER ESG 20

STOCKS AND FUNDS: ON THE DEFENSIVE

Our favorite stocks and funds focused on environmental, social or corporate governance issues have survived a tough year.

BY KIM CLARK AND NELLIE S. HUANG

It has been a challenging year for ESG investing, or investing with an eye toward environmental, social and corporate governance issues. After years of booming growth, U.S. investors last year started pulling money out of funds billing themselves as environmentally or socially aware, with a total net outflow of $7 billion in the 12 months ending July 31, according to fund data company Lipper. Republican leaders in Texas and Florida pulled state funds out of BlackRock, the nation's largest money manager, for its support of ESG investing. And BlackRock rewrote much of its promotional material to replace the term ESG with words such as *sustainability*. Also this year, major brands such as Target and Budweiser suffered sales drops due to backlashes from consumers upset at promotions highlighting gay and transgender communities.

Politics aside, ESG investing is "suffering a major identity crisis that is perhaps deserved," says Robert

Jenkins, global head of research for Lipper, which publishes the Refinitiv ESG ratings. Investors and others have pushed back hard against overhyped ESG credentials (a practice sometimes called greenwashing). But ESG is far from dead. Now, corporate executives and fund managers are more often seeking to provide investors with precise terminology and specific facts to show a company's commitment to issues that are truly material to the firm's business. "It is a maturing, necessary step," says Jenkins.

A further step toward maturity may be in the works: The Securities and Exchange Commission is considering new rules to standardize ESG-related data so that investors can better compare options. Proposals under consideration would require companies to post information on climate risks they face and crack down on investment funds that misleadingly claim to focus on ESG-friendly stocks.

For now, although the nomenclature is changing and standards are evolving, the very real risks that companies are addressing still fall under the broad environmental, social and governance rubric, says Andrew Behar, chief executive officer of As You Sow, a nonprofit that uses shareholder advocacy to advance environmental and social causes. "You can't spell *investing* without the letters *E, S* and *G*," he quips.

The Kiplinger ESG 20. This issue marks the two-year anniversary of the debut of the Kiplinger ESG 20, the list of our favorite stocks and funds with an environmental, social or governance focus and healthy financial prospects. Each of our 15 stock picks has a strong record on at least one ESG pillar. But no company can be all things to all people; a firm we've highlighted for its strong governance focus, for example, may not also be an environmental star. Our five favorite ESG funds are all focused on sustainability, but each has a unique approach.

The mix of our 15 stocks handily beat the S&P 500 over the past 12 months, returning a combined 32%, compared with 16% for the broad market index. Only one of our funds was competitive with its broad-market benchmark over the past year, however. Still, we're sticking with all but one of our recommendations. We're replacing Kellogg, down 13% over the past year, but solely for business reasons: It's in the process of dividing into two separate companies.

For details on how our picks have performed and why we think they are standouts, read on. All returns and data are as of August 31, 2023.

Levi Strauss is moving to power its stores and offices with renewable energy and to offer repair services at some of its stores.

GETTY IMAGES

ENVIRONMENTAL STEWARDS

First Solar. This U.S.-based photovoltaic cell maker returned a scorching 48% in the past year, and analysts expect continued growth thanks to federal green-energy subsidies. The shares suffered a setback in August after an audit of a Malaysia factory found that local managers were holding back passports and wages from some immigrant workers. First Solar said it would return the passports and wages. Forced labor clearly violates the social pillar of ESG standards, but some analysts noted that it is a widespread issue and praised the firm for addressing the problem quickly. As a major producer of environmentally friendly solar modules, First Solar maintains high scores for its environmental impact from ESG analysts.

Levi Strauss. The jeans maker was one of the worst-performing stocks on this list over the past year. But Stifel analyst Jim Duffy hopes for a rebound as the company seeks to boost profit margins by selling directly to consumers through its own stores and expanding into niches such as yoga wear. ESG investors appreciate the firm's efforts to reduce pollution along its products' life cycle. Rachel Kitchin, a staffer for Stand.Earth, an environmental nonprofit, highlights Levi's moves to power its more than 1,000 stores and offices with renewable energy and to offer repair services at some of its stores, keeping old jeans out of landfills.

Microsoft. The stock of the software giant has been rising thanks to enthusiasm for its new artificial intelligence "copilot" assistance on search engine Bing and other offerings. Microsoft's combination of a rosy financial outlook and industry-leading antipollution measures—the company says it will be carbon-negative by 2030—are why its shares are held by three of our

ESG funds. Impax Global Environment Markets comanager Hubert Aarts likes Microsoft's commitment to slashing its greenhouse-gas emissions by switching to renewable energy sources to run its cloud computing operations.

Prologis. Real estate investment trusts have had a tough year, but the bulls believe this REIT will outperform the sector because it specializes in warehouses, which enjoy sustained demand thanks to the growth in online shopping. Prologis has installed so many solar panels on its warehouse roofs to reduce greenhouse gas emissions that it is the nation's second-largest generator of solar energy on company-owned and -used property, according to the Solar Energy Industries Association.

Xylem. Shares of this manufacturer of water equipment, such as pumps, filters and treatment systems, nearly matched the S&P 500's 16% return over the past year. Goldman Sachs analyst Brian Lee expects the stock to forge ahead thanks to a recent acquisition that he believes will raise 2024 earnings per share by 40% over 2022's levels. Xylem is a favorite of many ESG investors because it sells tools and services that help reduce water waste. Data firm MSCI gives Xylem its top ESG grade of AAA, calling it a leader in clean technology.

SOCIAL STANDOUTS

Nvidia. The designer of video game and artificial intelligence chips was the best-performing stock in Kiplinger's ESG list over the past year. And Wall Street analysts overwhelmingly think there is more room to run, as they project a 33% average annual earnings growth rate over the next few years. Nvidia has an annual staff turnover rate of just 5%, about one-fourth the overall rate for the semiconductor industry. The company matches employees' charitable donations and contributes up to $350 a month to its workers' student loan payments.

→ **NEW Novo Nordisk.** We added this Danish pharmaceutical giant to the ESG 20 because Novo Nordisk is addressing health problems such as diabetes and obesity. It has also been hailed for its labor management, making several lists of the best places to work. Refinitiv gives the company an A+ on the social pillar of its ESG rating. And MSCI rates it AAA, calling it a leader in human capital development.

Anthony Eames, managing director of responsible investment strategy for Calvert Research and Management, notes that no pharmaceutical company is immune from criticism. But Calvert's veteran ESG fund managers invest in the stock because of the way the company balances profits with providing medicine at no or low cost to consumers facing financial difficulties.

Meanwhile, driven in part by demand for its popular new weight loss drugs Ozempic and Wegovy, Novo's revenue-growth prospects through 2025 are "double that of its peers, with stronger durability," says Morgan Stanley analyst Mark Purcell. Trading at more than 30 times expected earnings, the stock is a good one to pounce on when the market dips.

Salesforce. The largest customer relationship management software company has reduced staff and has stopped booking bands such as U2 for its annual conference. But it still provides industry-leading benefits to remaining employees, such as up to 26 weeks of paid parental leave. And it provides free or deeply discounted software to more than 51,000 schools and nonprofits. The combination of social benefits and renewed attention to profitability are why it's a top-10 holding for the ESG-focused Parnassus Growth Equity Fund, says co-manager Andrew Choi.

↑ **Salesforce provides industry-leading benefits to employees, such as up to 26 weeks of paid parental leave.**

GETTY IMAGES

Trane Technologies. Stock in this maker of heating, ventilation and air-conditioning equipment has returned nearly 36% over the past year. Its ESG bona fides have made it a choice of two of our ESG 20 funds. MSCI awards Trane a triple-A ESG rating, highlighting its leadership in health and safety. Trane, with more than 37,000 employees worldwide, had a workplace injury rate in 2022 of about one-fourth the level of the average manufacturing employer in the U.S., at last report.

W.W. Grainger. Founded in 1927, Grainger is a leading distributor of industrial supplies to a broad range of business, government and institutional customers. The stock returned 30% over the past 12 months. Baird analyst David

Manthey likes the company as a long-term play, suggesting new investors wait for a pullback to buy in. Grainger was named a best place to work by the Human Rights Campaign and a leading employer by the National Organization on Disability.

GOVERNANCE LEADERS

Applied Materials. Although shares of the biggest maker of semiconductor manufacturing equipment boomed along with other tech stocks over the past year, most Wall Street analysts who follow the stock remain bullish, with 19 of 34 recommending the shares. Parnassus's Choi, whose fund owns the stock, appreciates the chip maker's independent and knowledgeable board of directors.

CBRE Group. Most analysts expect the largest provider of commercial real estate services to outperform its troubled industry over the next year or so in part because it provides services, such as facility management, that can cut costs for its corporate tenants. Just Capital, a sustainable-investing research nonprofit, ranked CBRE tops in its industry for governance because of its independent and diverse board, as well as anti-corruption policies such as scheduled audits of ethics policy compliance and mandated anti-corruption training for all employees.

Clorox. The easing of the pandemic appears to have dampened demand for cleaning products, so most Wall Street analysts are currently leery of Clorox stock, giving it a collective "hold" rating. Patient investors can meanwhile appreciate the stock's 3% yield. And Just Capital ranks Clorox first in its industry for account-

VALUES INVESTING

THE KIPLINGER ESG 20 AT A GLANCE

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

ENVIRONMENTAL STEWARDS

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

Company	Symbol	Price	Price-earnings ratio	Annualized total return 1 yr.	3 yrs.
First Solar	FSLR	$189	24	48.3%	35%
Levi Strauss	LEVI	14	10	–15.6	6.4
Microsoft	MSFT	328	30	26.4	14.1
Prologis	PLD	124	53	2.4	9.2
Xylem	XYL	104	30	15.1	10.1

SOCIAL STANDOUTS

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

Company	Symbol	Price	Price-earnings ratio	Annualized total return 1 yr.	3 yrs.
Nvidia	NVDA	$494	47	227.1%	54.6%
Novo Nordisk	NVO	187	32	76.9	42.2
Salesforce	CRM	221	30	41.9	–6.7
Trane Technologies	TT	205	24	35.6	21.7
W.W. Grainger	GWW	714	21	30	26.2

GOVERNANCE LEADERS

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

Company	Symbol	Price	Price-earnings ratio	Annualized total return 1 yr.	3 yrs.
Applied Materials	AMAT	$153	19	63.6%	36.3%
CBRE Group	CBRE	85	21	7.7	21.8
Clorox	CLX	156	27	11.7	–8.7
Hilton Worldwide Holdings	HLT	149	25	17.2	18.3
Target	TGT	127	18	–18.4	–3.1

ESG FUNDS & ETFs

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

Mutual Fund/ Exchange-Traded Fund	Symbol	Expense Ratio	Annualized total return 1 yr.	3 yrs.
Brown Advisory Sustainable Bond Investor	BASBX	0.49%	–3.2%	–4.5%
FlexShares STOXX Global ESG Select Index Fund	ESGG	0.42	18.1	8.8
Green Century Balanced	GCBLX	1.46	4.5	3.6
Impax Global Environmental Markets Inv	PGRNX	1.16	13.8	5.5
Putnam Sustainable Future ETF	PFUT	0.64	8.1	—

INDEXES

	Annualized total return 1 yr.	3 yrs.
S&P 500 INDEX	15.9%	10.5%
BLOOMBERG U.S. AGGREGATE BOND INDEX	–1.2	–4.4
MSCI ALL COUNTRY WORLD INDEX	14.0	7.2

As of August 31, 2023. —Fund not in existence entire period.
SOURCE: Morningstar Direct

ability to stakeholders for its independent board and a policy of tying executive pay to ESG metrics, such as making all containers recyclable or reusable.

Hilton. The hotel company returned more than 17% in the past year, and the outlook is bullish thanks to continued expansion of Hilton's hotel offerings and loyalty programs. Refinitiv's ESG analysts say Hilton also outperforms its peers on governance. The board's committee chairs are all independent. Half of the directors are women, and a significant part of CEO pay is tied to the stock's performance over the next three years, aligning executive incentives with the interests of shareholders.

Target. The retailer was the ESG 20's worst-performing stock over the past year, losing more than 18%. Some consumers took offense at June's gay pride displays in stores, which hurt sales. Target has said it will "pause, adapt and learn so that our future approach to these moments balances celebration, inclusivity and broad-based appeal." Despite the challenges of navigating this societal foment, ESG raters including Just Capital say Target maintains strong governance policies, such as mandatory ethics training and a highly independent, diverse board.

Hilton's board committee chairs are all independent. Half of the directors are women, and a significant part of CEO pay is tied to the stock's performance over the next three years.

ESG FUNDS

Brown Advisory Sustainable Bond. This fund is heavy in securities issued by multinational development banks, which "have a mission to provide investments to address sustainability and social issues," says comanager Amy Hauter. Last year, the fund purchased debt issued by the Council of Europe to provide loans to Ukrainian and Russian war refugees. The managers lightened up on corporate debt to position the fund more defensively over the past 12 months, which hurt performance. Sustainable Bond lost 3.2% over the past year, lagging the Bloomberg U.S. Aggregate Bond index. The fund yields 4.0%.

FlexShares STOXX Global ESG Select Index ETF. This is the sole index fund in the ESG 20. It tracks a benchmark of 800 U.S. and foreign stocks that comply with the principles of the U.N. Global Compact, which calls for companies to operate responsibly in terms of human rights, labor and the environment, among other issues. Firms that stand out on key ESG measures within their industry are included in the index; the highest scorers get greater weight. Microsoft and Apple are top holdings. The fund's one-year gain of 18.1% beat the MSCI ACWI index.

Green Century Balanced. Holding roughly 60% of its assets in stocks of sustainable companies and 40% in green bonds makes this fund a good all-in-one option. The firm is active in shareholder advocacy, engaging on behalf of a sister fund with Kraft Heinz, which recently committed to eliminating deforestation in its global supply chain by 2025, and Colgate-Palmolive, which announced it would cut back its use of single-use plastic. Avoiding energy firms hurt the fund in 2022. Its one-year gain of 4.5% lags a 9.1% gain in a composite benchmark of 60% S&P 500 and 40% Aggregate Bond index.

Impax Global Environment Markets. This fund invests in foreign and U.S. companies that strive to reduce food waste or improve energy efficiency, water infrastructure or waste management. During 2022, the managers prized stable earnings growth and an ability to pass on rising costs. Among the fund's top 10 holdings, for instance, Waste Management and Republic Services have built-in rate increases to accommodate inflation. The fund's one-year return, 13.8%, beat its category peers but trailed the 14.0% return of the MSCI ACWI index.

Putnam Sustainable Future ETF. The fund homes in on "companies that will benefit from solving the problems of the world," says fund comanager Katherine Collins. Many of the managers' picks are small and fast-growing, which adds an "extra element of reward and risk," she says. The fund lost 33.7% in 2022, but so far this year it is up 16.8%. Gainers include Exact Sciences, which makes at-home colorectal cancer screening kits; its stock climbed 34% over the past six months. Stock in engineering and construction firm Quanta Services gained 30%. K

You can contact the authors at Kim.Clark@futurenet.com and Nellie.Huang@futurenet.com.

GETTY IMAGES

What Warren Buffett Is Up To

Berkshire Hathaway sold more stocks than it bought in the second quarter.

BY DAN BURROWS

WARREN Buffett's Berkshire Hathaway initiated positions in three homebuilders, added to a couple of existing stakes and cut or closed out bets on eight other stocks during the second quarter of 2023. Before we get into the stocks Berkshire bought and sold in Q2, it's helpful to note that Buffett has always run a highly concentrated portfolio. ***Apple (symbol AAPL)*** alone accounted for 51% of Berkshire's total portfolio value as of June 30. Berkshire's five largest holdings made up about 80% of the portfolio; the top 10 positions accounted for 90%.

On the buy side of the ledger, Berkshire opened a small position in homebuilder ***D.R. Horton (DHI)***, acquiring 6 million shares worth $726.5 million as of June 30, representing 0.2% of Berkshire's portfolio. Buffett also nibbled on ***NVR (NVR)***, buying 11,112 shares worth $70.6 million (0.02% of the portfolio), and he bought 152,572 shares of ***Lennar (LEN.B)*** worth $17.3 million (0.01%).

Berkshire's new homebuilder stocks fit with a number of its other stock positions and wholly owned subsidiaries. For example, Berkshire holds stakes in ***Louisiana-Pacific (LPX)*** and ***Floor & Decor Holdings (FND)***. Housing-related subsidiaries owned by Berkshire include Acme Brick, Benjamin Moore, Clayton Homes, Jordan's Furniture and Nebraska Furniture Mart, among other businesses.

Apple alone accounted for 51% of Berkshire's total portfolio value as of June 30.

Elsewhere in the plus column, Buffett added 12.4 million shares of ***Occidental Petroleum (OXY)***, boosting the number of shares Berkshire holds in the company by 5%. Buffett has typically added to Berkshire's Occidental stake when the share price falls below $60. At 224.1 million shares worth $13.2 billion as of June 30, the stock accounts for 3.8% of Berkshire's portfolio, making it the sixth-largest holding. Berkshire owns more than one-fourth of Occidental Petroleum's common shares outstanding.

Buffett also upped Berkshire's stake in ***Capital One Financial (COF)*** by 25%, to 12.5 million shares worth $1.4 billion as of the end of the second quarter (0.4% of the portfolio).

Berkshire has dumped most of its bank stocks in recent years, though Buffett remains a fan of ***Bank of America (BAC)***.

Stocks Buffett is selling. On the sell side of Berkshire's ledger, the holding company slashed its position in ***General Motors (GM)*** by 45%, or 18 million shares. The investment, which is thought to be handled by Ted Weschler or Todd Combs (comanagers of the portfolio), now stands at 22 million shares worth $848.3 million as of June 30, with a portfolio weighting of 0.2%.

Buffett trimmed Berkshire's stake in ***Chevron (CVX)*** by 7%, to 123.1 million shares worth $19.4 billion as of June 30. Chevron remains Berkshire's fifth-largest holding with a 5.6% weighting in the portfolio.

Buffett slashed Berkshire's stake in video game publisher ***Activision Blizzard (ATVI)*** by 70%; he now holds 14.7 million shares worth $1.2 billion. Buffett's interest was as an arbitrage play—a bet that regulators would approve Activision's acquisition by Microsoft. The deal has cleared most regulatory hurdles, but U.K. authorities have yet to approve it.

Berkshire also reduced its position in ***Celanese (CE)*** by 39%, to 5.4 million shares worth $620.5 million as of June 30 (0.2% of the portfolio). And Buffett sold 60% of his stake in ***Globe Life (GL)***. The insurer accounted for 0.08% of Berkshire's portfolio as of June 30.

Finally, Berkshire exited positions in pharmaceutical distributor ***McKesson (MCK)***, insurance company ***Marsh & McLennan (MMC)*** and ***Vitesse Energy (VTS)***.

If you have questions or comments, please e-mail feedback@kiplinger.com.

WARREN'S FAVORITES

Berkshire Hathaway's Top Holdings

	Symbol	% of portfolio
Apple	AAPL	51.0
Bank of America	BAC	8.5
American Express	AXP	7.6
Coca-Cola	KO	6.9
Chevron	CVX	5.6

As of June 30. Source WhaleWisdom

GETTY IMAGES

A Good Time to Reach for Yield

INCOME INVESTING BY JEFFREY R. KOSNETT

DIVIDEND stocks such as banks and utilities are lagging in 2023. But it's not curtains for dividends in general, and I find investments yielding 8% or so widely worthwhile. A climate of soaring oil prices and high mortgage rates together with the absence of scary loan delinquency rates favor business development companies, royalty trusts, master limited energy and infrastructure partnerships, mortgage lenders, and selected real estate investment trusts.

These high-yield offerings are wagers on a "soft landing," which I define as a drawdown of inflation via higher interest rates without provoking a recession. The chances of this outcome are much better than they were six or even three months ago. This, in turn, portends enough demand for energy, property, transportation and other products and services to forestall an upturn in loan and bond defaults that would drain shareholder value and threaten dividend distributions. This optimistic vision is not a secret, so lots of these investments have already posted good year-to-date gains.

But it is not too late. A bevy of BDCs, bank-loan funds, high-rate credit companies and the like remain reasonably priced relative to their net asset value. For example, three bellwether closed-end Eaton Vance funds, ***Senior Income Trust (symbol EVF)***, ***Floating Rate Income Trust (EFT)*** and ***Senior Floating-Rate Trust (EFR)***, all raised their distributions in August and trade 6% to 8% below their net asset values. Their current yields—which don't include any returned capital—are 11.7%, 11.3% and 10.8%, respectively. Each fund was more deeply discounted a few months ago, but in effect you are still getting a sound portfolio for 93 cents on the dollar.

Another way to piggyback on soft-landing conditions—and this is also no secret, as it is timely—is via investments in lenders that borrow at fixed rates and lend at high and variable ones. This is where BDCs, which are tax-advantaged lenders to small and midsize businesses, come in. According to *BDC Reporter,* 28 of the 42 publicly traded BDCs were priced below NAV at the start of September, although the group has a year-to-date total return approaching 20% and a net interest margin (the difference between interest paid and interest earned) of 8.5 percentage points that is still expanding; it was 6 points a year ago. That margin—think of borrowing at 4% and lending at 12.5%—is ample enough to withstand a slight increase in write-downs or loan delinquencies. (Remember, I see an improving U.S. financial economy, not a high-stress scenario.)

High-yield offerings are wagers on a soft landing, the chances of which are much better than they were six months ago.

The largest BDC, ***Ares Capital, (ARCC, $19, yield 9.9%)***, is trading slightly above NAV, but even at $1.03 for $1 of assets, you get a portfolio whose net interest margin is nearly 10 percentage points, with almost no bad loans. To spread your risk, ***VanEck BDC Income (BIZD)***, an exchange-traded fund that spans the sector, is up 18% for the year to date and yields 10.5%. I have recommended BIZD seemingly forever, and it delivers fine results.

Finally, a royalty trust is the most direct pass-through from the oil well to your bank. Most trusts emphasize natural gas, but ***Permian Basin Royalty Trust (PBT, $20, 4.0%)*** takes 85% of its income from West Texas oil. Its share price bounces around in the low $20s, but the production, reserves and cash distributions are all trending in the right direction. It is cheap insurance if economic vigor, world politics and traders' exuberance push oil closer to $100 a barrel from the mid-to-high $80s recently.

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

PHOTO BY BOB CROSLIN

CONSUMERS ARE STILL STRONG

ETF SPOTLIGHT BY KIM CLARK

ECONOMISTS, often referred to as "dismal scientists," have been predicting a recession for more than a year. But Americans have so far ignored the doomsayers and are spending enough to power the economy. Companies in the consumer discretionary sector—those providing nonessential consumer goods or services—tallied the highest number of positive earnings surprises of any sector in the second quarter, according to data firm FactSet.

Some firms have warned that continued high interest rates and the October restart of student loan payments could start to dampen spending. But CFRA senior analyst Arun Sundaram says consumer-company profit margins and earnings should keep growing because of moderating inflation and company cost controls.

Vanguard Consumer Discretionary Index Fund holds 309 stocks, including those of retailers, automakers, apparel companies, restaurants, hotels and more. Like many other consumer discretionary funds that apportion holdings by market value, the fund is dominated by Amazon.com, which accounts for 23% of its portfolio. Even if consumers pull back, Amazon is on track to increase its retail market share as well as profits from other businesses, such as cloud computing, Sundaram says. McDonald's, another top-five holding, tends to benefit when consumers economize with lower-cost restaurant meals. The fund also holds stakes in smaller companies, such as DoorDash and Lululemon. ■

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

Vanguard Consumer Discretionary Index Fund

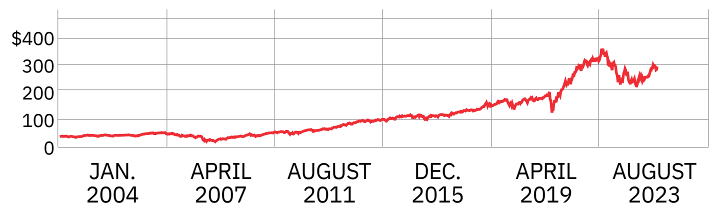
Key Facts

SYMBOL: VCR
RECENT PRICE: $287
ASSETS: $5.2 BILLION
START DATE: JANUARY 26, 2004
STOCK HOLDINGS: 309
AVG. PRICE-EARNINGS RATIO: 25
AVG. MARKET VALUE: $135.6 BILLION

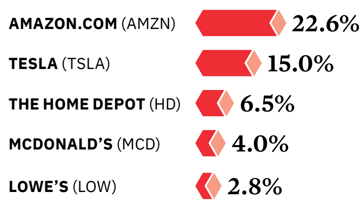
VANGUARD CONSUMER DISCRETIONARY INDEX FUND

Performance Since Inception

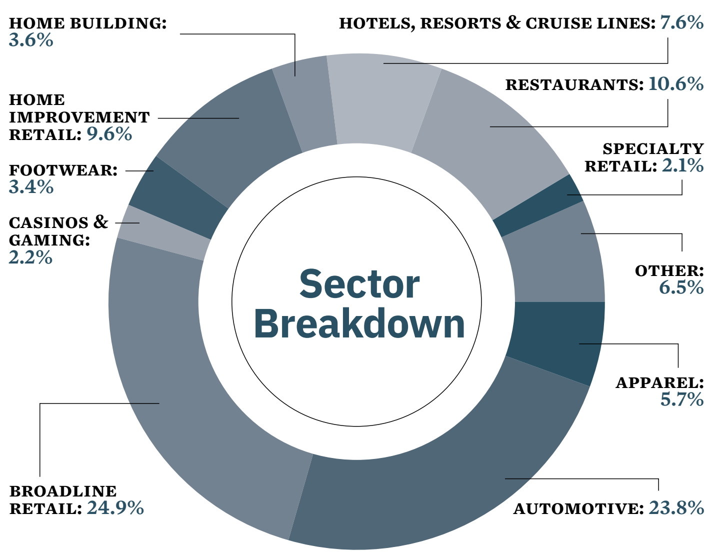
Weekly closing prices (January 26, 2004–August 28, 2023)



Top Five Holdings



0.10%
Annual Expense Ratio
$10 annually on a $10,000 investment



Select Consumer Discretionary ETFs

Ranked by assets

	Symbol	Price	Expense ratio	Assets (billions)	Annualized total return 1 yr.	3 yr.
Consumer Discretionary Select Sector SPDR	XLY	$171	0.10%	$17.6	32.9%	5.2%
Vanguard Consumer Discretionary Index	VCR	287	0.10	5.2	31.7	6.5
First Trust Consumer Discretionary AlphaDEX	FXD	54	0.61	1.5	13.3	8.5
Fidelity MSCI Consumer Discretionary Index	FDIS	74	0.08	1.3	31.6	5.4
Invesco S&P 500 Equal Weight Consumer Discretionary	RSPD	45	0.40	0.5	15.6	10.4
SPDR S&P Retail	XRT	64	0.35	0.5	7.3	9.3
S&P 500 Index					18.7%	10.5%

As of August 31. Source: Morningstar Direct.


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

BE PATIENT WITH COMMODITIES

KIPLINGER 25 UPDATE BY NELLIE S. HUANG

WE added a commodity-focused fund to the Kiplinger 25 two years ago because of rising inflation. ***TCW Enhanced Commodity Strategy*** aims to beat an index that tracks a basket of commodities, including copper and cotton, by investing in futures contracts backed by high-quality short-term bonds.

Since then, however, inflation rates have declined and, on the whole, commodity prices have as well, despite recent gains in the value of oil and gold. Over the past 12 months, the Bloomberg Commodity index has dropped 8.7%. The fund has fared even worse, losing 9.8% over the past year. It lagged the benchmark and peer funds that invest in a broad basket of commodities.

The short explanation is that in the back half of 2022, the fund's short-term bond portfolio, which accounts for about 90% of assets, was a drag on performance, as the Federal Reserve raised interest rates to fight inflation and cool the economy. (Bond prices and interest rates move in opposite directions.) And so far in 2023, the decline in commodity prices overall has weighed on the fund's returns. "When you see slowing economies across the globe, you generally see softness in commodity prices," says Ruben Hovhannisyan, who comanages the fund with three other TCW bond strategists.

A turnaround. Some strategists expect commodity prices to move higher in 2024. The "commodity super-cycle bull continues to march on," says John LaForge, head of real asset strategy at Wells Fargo Investment Institute. Hovhannisyan, on the other hand, says it's difficult to predict commodity cycles but that the fund should recover when the Fed begins to cut interest rates. "When the interest rate cycle turns," he says, "you should see some payback."

Commodities can be volatile assets at times. But a small stake in this fund as part of a broad portfolio can help hedge inflation and boost diversification. On the latter aim, the fund didn't disappoint in 2022. It gained 13% as both stocks and bonds posted double-digit declines. ◼

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

KEY DATA FOR OUR MUTUAL FUND PICKS

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

U.S. Stock Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
DF Dent Midcap Growth	DFDMX	9.8%	6.7%	10.4%	0.0%	0.85%
Dodge & Cox Stock	DODGX	12.3	9.2	11.4	1.3	0.51
Fidelity Blue Chip Growth	FBGRX	27.4	14.6	16.6	0.0	0.76
Heartland Mid Cap Value	HRMDX	14.1	9.4	—	0.5	1.10
Mairs & Power Growth	MPGFX	15.5	10.2	10.9	0.7	0.61
T. Rowe Price Dividend Growth	PRDGX	9.7	10.7	12.0	1.2	0.64
T. Rowe Price Int US Sm-Cap Gr	PRDSX	12.3	5.2	10.0	0.0	0.80
T. Rowe Price Small-Cap Value	PRSVX	0.0	4.0	8.1	0.3	0.82
Primecap Odyssey Growth	POGRX	18.7	6.6	12.0	0.5	0.66
Vanguard Equity-Income	VEIPX	7.8	8.5	10.3	2.7	0.28

International Stock Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Baron Emerging Markets	BEXFX	1.7%	0.2%	3.1%	0.0%	1.38%
Brown Cap Mgmt Intl Sm Co	BCSVX	11.5	4.6	—	0.00	1.31
Fidelity International Growth	FIGFX	16.3	6.3	7.1	0.19	1.01
Janus Henderson Glbl Eq Inc	HFQTX	11.3	3.8	4.5	3.40	1.02

Specialized Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Fidelity Select Health Care	FSPHX	4.4%	6.6%	12.4%	0.0%	0.69%
T. Rowe Price Global Technology	PRGTX	15.2	6.8	15.3	0.0	0.95
TCW Enhanced Commod Strat	TGABX	−9.8	7.6	0.1	2.4	0.75

Bond Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Baird Aggregate Bond	BAGSX	−0.8%	0.6%	1.7%	4.2%	0.55%
Fidelity Interm Muni Income	FLTMX	1.9	1.6	2.3	3.2	0.35
Fidelity Strategic Income	FADMX	3.3	2.4	3.2	5.6	0.68
T. Rowe Price Floating Rate	PRFRX	8.9	3.9	3.7	8.6	0.75
TIAA-CREF Core Impact Bond	TSBRX	−1.5	0.2	1.8	4.5	0.63
Vanguard Emerg Markets Bond	VEMBX	9.6	4.4	—	7.5	0.55
Vanguard High-Yield Corporate	VWEHX	6.5	3.1	4.2	7.0	0.23
Vanguard Short-Term Inv-Grade	VFSTX	2.2	1.5	1.6	5.3	0.20

Indexes	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield
S&P 500-STOCK INDEX	15.9%	11.1%	12.8%	1.5%
RUSSELL 2000 INDEX*	4.7	3.1	8.0	1.5
MSCI EAFE INDEX†	17.9	4.1	4.9	3.1
MSCI EMERGING MARKETS INDEX	1.3	1.0	3.0	3.1
BLOOMBERG U.S. AGG BOND INDEX#	−1.2	0.5	1.5	5.0

AS OF AUGUST 31, 2023. —Fund not in existence for the entire period. *Small-company U.S. stocks. †Foreign stocks. #High-grade U.S. bonds. SOURCES: Fund companies, FTSE Russell, Morningstar Inc., MSCI, S&P Dow Jones Indices. Yields listed for bond funds are SEC yields, which are net of fees; stock fund yields are the yield for the past 12 months.

A Case for Health Care Stocks

STREET SMART BY JAMES K. GLASSMAN

HEALTH care stocks have had a rough few years. So why invest in them? First, I'm a contrarian. I like what's down. Second, health care is a booming industry, accounting for 18% of gross domestic product in 2021, up from 12% in 1991. Third, the sector adds stability to any portfolio.

On this last point, consider ***Health Care Select SPDR (symbol XLV)***, an exchange-traded fund linked to an S&P Global sector index. During the most recent bear market, for instance, when the S&P 500 dropped 25% between January and mid October 2022, the health ETF fell only 13%.

It stands to reason that health care is less volatile than other sectors. After all, in both good times and bad, people get sick and need the services of hospitals, pharmaceutical makers, drugstores, health insurers, medical device manufacturers and the whole apparatus of health care. In 2021 (the most recent year for statistics), the U.S. spent $4.3 trillion on health care. About one-third of that went to hospitals; one-fifth to doctors, nurses and clinical care; and one-tenth to pharmaceuticals.

Four out of five hospitals are non-profit, and opportunities for investing in physicians and their infrastructure are limited, so pharmaceutical companies tend to dominate health care mutual funds and ETFs. That has been a problem. S&P's pharmaceutical index has lost an annual average of close to 2% over the past five years, compared with an annualized gain of 11% for the S&P 500 as a whole. Shares of Pfizer, maker of three of the expected top 10 medicines in 2023, have lost nearly 30% so far this year, compared with a gain of 19% for the S&P 500.

Just say no. Investors are clearly nervous. Drug companies are unpopular with the public, and they have become a political target of both parties. Donald Trump issued an executive order to link the costs of our pharmaceuticals to lower ones in Europe, and under the Inflation Reduction Act of 2022, Congress launched a system of Medicare negotiations that will lead to price cuts for certain advanced medicines (see "Briefing," on page 16). Limits are also on tap in several states, including Colorado and Maryland.

Some drug stocks, including Pfizer and AbbVie, look beckoningly cheap, but there is just too much regulatory risk. I would stay away from prescription pharmaceuticals.

As an alternative, look at stocks such as ***Kenvue (KVUE, $23)***, which Johnson & Johnson earlier this year spun off as a separate company. Kenvue has an impressive portfolio of over-the-counter medicines, such as Tylenol, Sudafed and Benadryl, plus other consumer brands (Band-Aid, Listerine and Neutrogena). The stock has dropped since its spring debut and now trades at a reasonable price-earnings ratio of 18, based on a consensus of analysts' profit forecasts. The projected dividend yield is 3.5%. By the way, with the spin-off, J&J agreed to retain all liabilities related to lawsuits over its talcum powder and to indemnify Kenvue. (Stocks and funds I like are in bold; prices and returns are as of August 31.)

Another non-pharmaceutical choice is ***Stryker (SYK, $284)***, which makes knee and hip replacements—a growth industry as America gets older—as well as spinal implants for injuries and disease. With a P/E of 25, Stryker is not cheap, but profits have risen impressively and consistently.

As for hospitals, they have not been a good business in recent years as profitable surgical and diagnostic procedures (such as knee replacements and colonoscopies) have migrated to outpatient centers. But ***HCA Healthcare (HCA, $277)*** owns both traditional hospitals and freestanding surgical, urgent care and rehab

It stands to reason that health care is less volatile than other sectors. After all, in both good times and bad, people get sick.

PHOTO BY NOAH WILLMAN

facilities. HCA has also managed to keep costs under control at a time when shortages of nurses and other staff are pushing expenses up elsewhere. Shares have nearly doubled since late 2019, but the P/E is just 14.

The best of the best. Probably the best health care business is insurance, and the best company in that subsector is ***UnitedHealth Group (UNH, $477)***. Shares have doubled in the past four years, but the price is still attractive at a P/E of 17. United also owns a pharmacy benefit manager called Optum Rx, which negotiates with drug companies on prices and takes a cut—an excellent business. I also like ***Cigna Group (CI, $275)***, which also owns a PBM and sells life insurance, too. It yields 1.8%, and its P/E is only 10. My favorite mutual fund in the sector, ***Fidelity Select Health Care Services (FSHCX)***, recently loaded up on Cigna stock, now its third-largest holding (UnitedHealth is first).

There's one more attractive category for health investors. Call it innovation. Consider ***Illumina (ILMN, $165)***, which provides tools that detect genetic variations. Its products

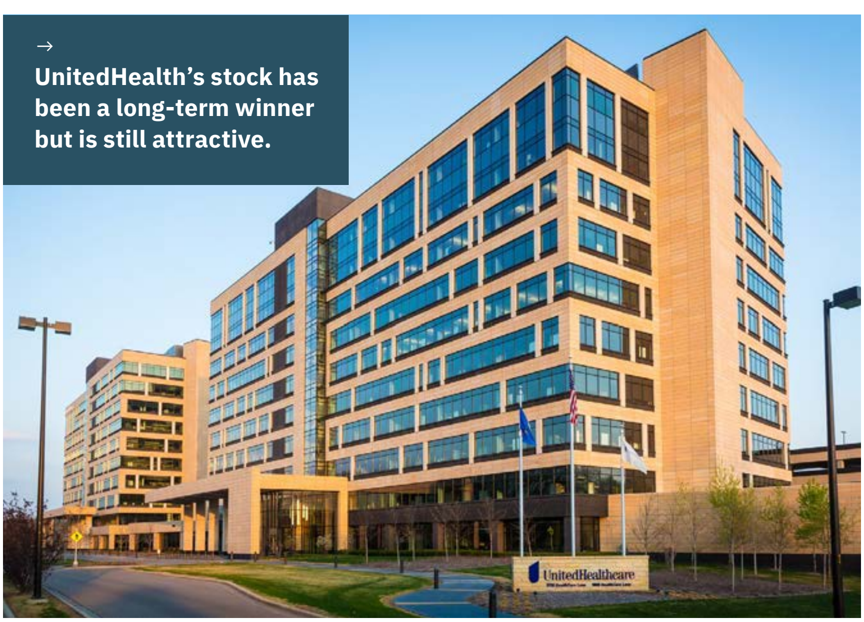
Probably the best health care business is insurance, and the best company in that subsector is UnitedHealth Group.

are used by research institutes and companies that screen for cancer and other diseases. The stock became a darling of growth investors, rose too fast and lost roughly half its value in the first six months of last year. It's on the cutting edge of its field and attractive for risk-tolerant investors. Also look at ***Danaher (DHR, $265)***, which began life making industrial products and has evolved into a diagnostics and research company that provides physicians and scientists with instruments, including microscopes and blood-analyzing tools.

Artificial intelligence has the potential to transform a sector that has been notoriously inefficient, but at this point, most AI-focused health care firms are still private. One that isn't is ***Augmedix (AUGX, $5)***, with a market capitalization (shares outstanding times price) of just over $200 million. The firm's software extracts data from conversations between physicians and patients and immediately turns it into medical notes. The notes are then transferred to the electronic record systems of health care providers, saving time and money. Augmedix, which went public in March 2021, is a risky stock with a big potential payoff but a potentially serious downside, too.

West Pharmaceutical Services (WST, $407) has been bucking the flat-to-downward trend in health care shares, its stock returning 73% since the start of 2023. West makes delivery systems for injectable drugs—a business segment that could see a boost from price controls, which can benefit drugs that are injected rather than swallowed. Also rising lately is ***Intuitive Surgical (ISRG, $313)***, whose robotics and other tools make surgeries less invasive.

Although I'm eschewing individual pharmaceutical stocks, I can enthusiastically recommend ***Invesco S&P 500 Equal Weight Health Care (RSPH)***, an ETF with 65 holdings that are each weighted the same (about 1.6% when the fund is rebalanced each quarter) rather than by market cap, which would make the portfolio lopsided with big drugmaker stocks. Pharmaceuticals represent just 15% of assets; equipment and supplies, 29%. The fund's expense ratio is just 0.4%.



→ **UnitedHealth's stock has been a long-term winner but is still attractive.**

COURTESY OF UNITEDHEALTHCARE

James K. Glassman chairs Glassman Advisory, a public-affairs consulting firm. He does not write about his clients. He owns none of the stocks listed here. You can contact him at JKGlassman@gmail.com.

A VALUE PROPOSITION

This fund looks for bargain-priced stocks.

MUTUAL FUND SPOTLIGHT BY KIM CLARK

OVER most of the past decade, the stocks of fast-growing (even if unprofitable) tech companies have soared past so-called value stocks that trade at bargain levels based on earnings per share, book value or other measures. But there have been periods when value stocks were among the best performers, such as during the decade after the turn-of-the-century dot-com crash.

Investors who believe a value cycle is due to return can consider a value fund such as the ***Oakmark Fund***. It holds 59 stocks the managers believe have above-average growth prospects, purchased at prices the managers estimate equated to less than two-thirds of the company's value.

VALUE FUNDS

Funds are ranked by their year-to-date returns.

			Annualized total returns		Max. sales	Exp.
		Symbol	YTD	3 yrs.	charge	ratio
1	Gabelli Global Mini Mites I	GGMMX	28.6%	17.7%	none	0.9%
2	Brandes International Small Cap Equity A	BISAX	27.3	18.4	5.75%	1.36
3	Natixis Oakmark A	NEFOX	21.1	18.5	5.75	1.05
4	Oakmark Fund	OAKMX	20.8	18.8	none	0.89
5	Brandes International Equity A	BIEAX	20.5	13.4	5.75	1.13
6	Eaton Vance Emerg & Frntr Countrs Eq A	EACOX	20.0	12.5	5.25	1.42
7	Clipper@	CFIMX	19.9	8.6	none	0.71
8	Davis NY Venture A	NYVTX	19.3	8.4	4.75	0.91
9	Hennessy Midstream Investor	HMSFX	18.6	32.4	none	1.76
10	Oakmark Global Select Investor	OAKWX	18.5	9.3	none	1.10
S&P 500			18.7%	10.5%		
Category average			6.2	12.5		

William Nygren, who has comanaged the fund for 23 years, believes "natural economic forces" will eventually raise the prices of stocks currently trading below the market's average price-earnings ratio (19 times expected earnings as of August 31).

Nygren is bullish on credit card issuer Capital One Financial, which was trading at about eight times next year's expected earnings. Another top-10 holding: oil giant ConocoPhillips, with a 2.3% regular-dividend yield, a history of special-dividend payments and a multibillion-dollar stock-buyback program.

Of course, Nygren doesn't know exactly when the tide will turn toward value, but he's confident it will. Value investors "are buying things other people don't want to own, so they need patience" to wait for the world to wise up, he says. ■

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

20 LARGEST STOCK AND BOND MUTUAL FUNDS

Funds are ranked by asset size.

STOCK MUTUAL FUNDS

	Name	Symbol	Assets† (billions)	Annualized total return 1 yr.	5 yrs.	Max. sales charge
1	Vanguard Total Stock Mkt Idx Adm	VTSAX	$1,074.0	14.7%	10.2%	none
2	Vanguard 500 Index Admiral	VFIAX	580.5	15.9	11.1	none
3	Fidelity 500 Index@	FXAIX	436.9	15.9	11.1	none
4	Vanguard Total Intl Stock Index Admiral	VTIAX	333.4	12.1	3.5	none
5	American Funds Growth Fund of Amer A	AGTHX	234.6	17.6	9.4	5.75%
6	American Funds American Balanced A	ABALX	202.3	7.9	6.3	5.75
7	American Funds Washington Mutual A	AWSHX	160.4	12.9	9.7	5.75
8	American Funds Europacific Growth A	AEPGX	134.7	13.7	3.7	5.75
9	American Funds New Perspective A	ANWPX	120.9	16.2	9.1	5.75
10	American Funds Invmt Co of Amer A	AIVSX	118.2	19.8	9.6	5.75
S&P 500 INDEX				15.9%	11.1%	
MSCI EAFE INDEX				17.9	4.1	

BOND MUTUAL FUNDS

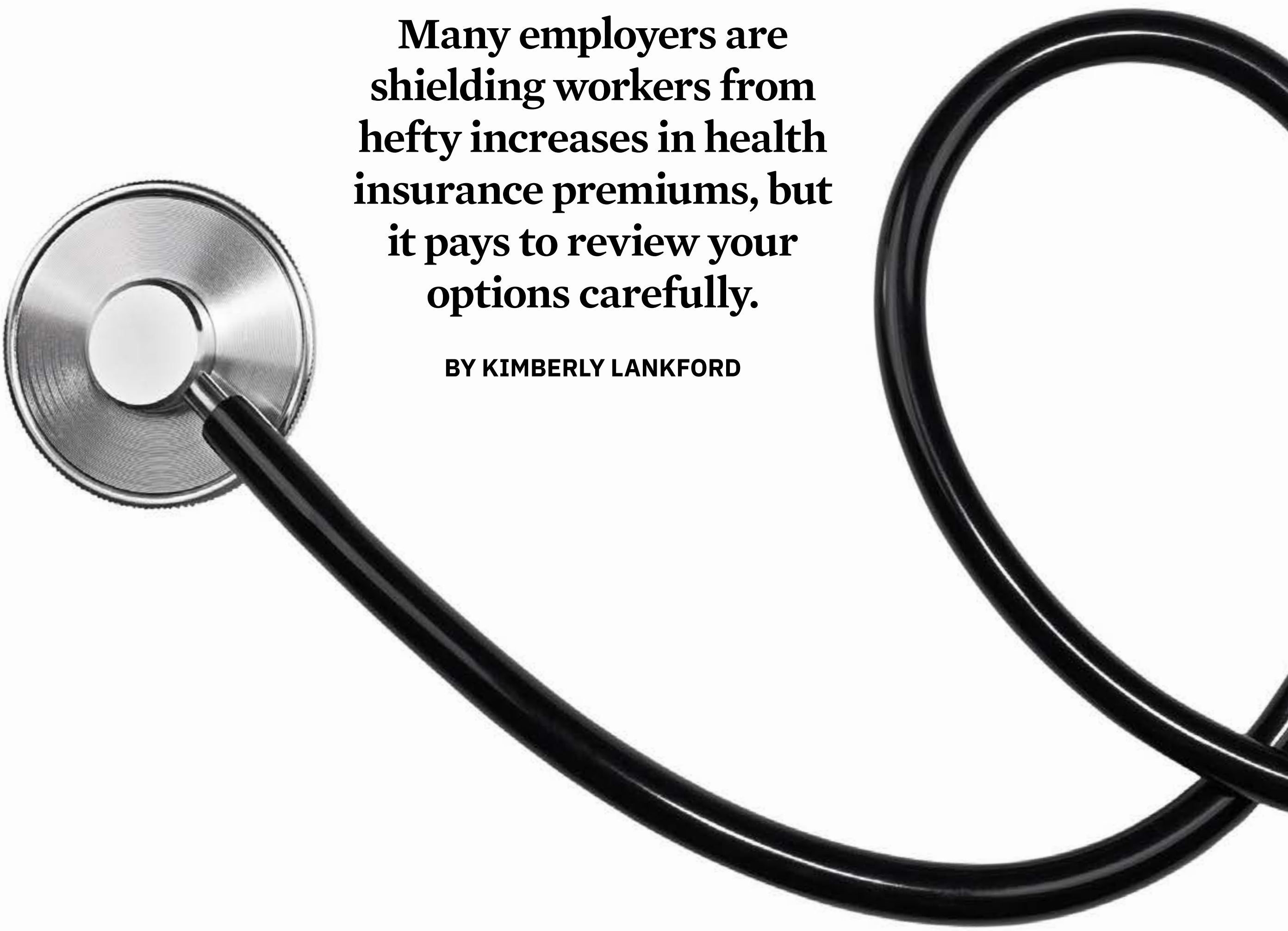
	Name	Symbol	Assets† (billions)	1 yr. total return	SEC yield	Max. sales charge
1	Vanguard Total Bond Market Index Adm	VBTLX	$203.4	–1.0%	4.6%	none
2	Pimco Income A	PONAX	126.7	3.8	4.9	3.75%
3	American Funds Bond Fund of Amer A	ABNDX	76.5	–2.0	4.3	3.75
4	Vanguard Interm-Term Tax-Exempt Inv	VWITX	70.6	2.1	3.5	none
5	Dodge & Cox Income I	DODIX	65.3	1.3	4.7	none
6	Metropolitan West Total Return Bd M	MWTRX	61.3	–2.0	4.1	none
7	Fidelity US Bond Index@	FXNAX	60.2	–1.2	4.4	none
8	Vanguard Short-Term Investment-Grade Inv	VFSTX	57.1	2.2	5.3	none
9	Pimco Total Return A	PTTAX	54.6	–1.0	4.5	3.75
10	Lord Abbett Short Duration Income A	LALDX	44.9	1.9	5.1	2.25
BLOOMBERG US AGGREGATE BOND INDEX				–1.2%	5.0%	
ICE BOFA AAA US MUNICIPAL SECURITIES INDEX				1.5	3.2	

AS OF AUGUST 31, 2023. @Only share class. Unless otherwise indicated, funds come in multiple 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

SMART STRATEGIES FOR OPEN ENROLLMENT

Many employers are shielding workers from hefty increases in health insurance premiums, but it pays to review your options carefully.

BY KIMBERLY LANKFORD



AFTER two years of relatively small increases in the cost of employer health insurance, the average cost will rise by 8.5% in 2024, to more than $15,000 per employee, according to Aon, a benefits consulting firm. Average costs are also rising for coverage sold on the Affordable Care Act marketplaces, with a median proposed increase of 6%, according to an analysis of insurers' preliminary rate filings by KFF, formerly the Kaiser Family Foundation.

The higher price tags are due primarily to the delayed impact of inflation, expensive prescription drugs and greater use of medical services by people who delayed health care during the COVID pandemic. But the effect on you may be very different. Because of the tight labor market, employers are looking for ways to reduce their costs rather than passing on most of the increases to employees. "Employers are a little reluctant to make large plan design changes or push as much of the extra costs onto employees because they want to attract and retain employees," says Debbie Ashford, North America chief actuary for health solutions with Aon.

Most people who buy health insurance on the ACA marketplaces qualify for a premium subsidy to reduce their payments—and the enhanced subsidies that expanded the financial assistance during COVID have been extended through 2025. Many people will be able to find plans that have no premiums or plans that cost as little as $11 a month, says Cheryl Fish-Parcham, director of private coverage at Families USA, a consumer health care advocacy organization. Some states are offering additional subsidies. →

GETTY IMAGES

The coverage and costs can vary a lot, and it's important to make smart decisions during open enrollment to choose the best plan for the upcoming year. Some new developments make it easier to compare plans, save money and benefit from extra coverage. The following strategies can help, whether you're choosing an employer plan or buying your own coverage on an ACA marketplace for 2024.

If you and your spouse work, one spouse's plan may be a much better deal than the other's.

FINDING THE BEST EMPLOYER HEALTH INSURANCE PLAN

Even though the average cost of employer health insurance is rising by 8.5% next year, many employees will not see a hit that big to their paychecks.

"The labor market is making a big impact in terms of how companies are responding," says Tim Stawicki, chief actuary of health and benefits, North America, for benefits consulting firm WTW. "Employers are walking a tightrope: How do they manage the rising costs in a way that does not impact their employees? I think there's the recognition that for the past 20 years or more, there has been continued shifting of more costs to employees, and how much is too much?"

Overall, covered workers contributed an average of 17% of the premium for single coverage and 28% for family coverage (with employers picking up the remainder) in 2022, according to KFF's most recent employee health-benefits survey. Covered workers at small companies contribute a higher percentage for family coverage, averaging 36% of the premium. The average employee contribution for single coverage was 16% at small firms and 18% at large firms.

The averages also vary by industry, and some industries have been more reluctant to pass on increases to employees than others. For example, health insurance costs at manufacturing employers rose by an average of 3.1% from 2022 to 2023, and average employee paycheck contributions went up by 2.9%, according to the Aon study. But in the health care industry, employer costs increased by 3.2% while employee paycheck contributions rose by only 1.2%. In retail and wholesale trade, employer costs rose by 3.5% but paycheck contributions actually decreased by 0.5%.

Because of these variations, it's important to consider all of your family's options during open enrollment. Even if you've been happy with your plan, review all of your choices because the costs, provider networks and coverage for your health care and drugs can change—and your needs can change, too.

Compare options for both spouses. If you and your spouse work, one spouse's plan may be a much better deal than the other's. Consider the variations: You could each stay with your employer's plan and include your children on the plan with better family coverage and costs. Or you could all go on one employer's plan—although some employers do not permit spouses who have coverage available from their employer to join the plan, and others impose a spousal surcharge.

Consider whether anyone in your family has specific needs for the year—such as an upcoming surgery, mental-health counseling or expensive prescription drugs—and find out how each plan covers their needs when you make your decision.

Compare all costs, not just premiums. Premiums are only one part of the costs. Also consider deductibles, co-payments and coinsurance (a percentage of the cost of a service). "Understand the costs coming out of your paycheck, your out-of-pocket costs and the network," says Stawicki. "All of those are important in selecting a plan, and usually there are trade-offs."

For example, a policy with low premiums may have high deductibles or a limited provider network. And some employers that began offering only high-deductible policies years ago are once again offering lower-deductible options.

"As we face this affordability challenge, different people have different needs," says Stawicki. "The reintroduction of a plan with a lower deductible and maybe a higher premium is something more employers are looking into as supporting the full breadth of their employee population."

A low-deductible plan may have higher premiums but fewer out-of-pocket expenses and more-predictable costs throughout the year. If you're healthy and don't have many medical expenses, you could come out ahead with a low-premium, high-deductible plan. But you never know when you could get hit with a big bill.

"You want to consider the trade-offs between the premium and your deductible and what it means to have a large deductible in terms of your costs. Things do happen, and you could end up with a pretty big expense," says Sara Collins, senior scholar and vice president of health care coverage and access for the Commonwealth Fund, which has been conducting health care policy research for more than 100 years.

If you have an eligible high-deductible plan, your employer may contribute to a health savings account, which you should also factor into your calculations (see the box on page 49). Many employers offer tools to help you assess your options.

Evaluate coverage for your providers. Find out whether your health care providers are covered by the plan, and consider how important it is to keep each of them. A plan with low premiums may have a limited provider network, and you could save money if you don't mind changing some of your providers. Also find out whether the plan charges higher co-payments to see doctors who aren't in the plan's network or offers no coverage at all for out-of-network providers.

More employers are introducing lower-cost plans with "high-performing networks," which are smaller networks of providers who are chosen because of their costs and health outcomes. "A high-performing network does not just focus on the cost but also wants to drive the best health outcomes for people," says Stawicki.

A low-deductible plan may have higher premiums but fewer out-of-pocket expenses and more-predictable costs throughout the year.

Compare costs for your prescription drugs. The rising cost of prescription drugs is a big factor in health care inflation. Some plans have a separate deductible for prescription drugs, and the co-payments or coinsurance can vary significantly.

Coverage rules can vary, too. For example, interest in GLP-1 drugs, such as Ozempic and Wegovy, has surged. Most plans—94% in a survey from the Business Group on Health—will cover approved GLP-1 drugs for diabetes. However, only 49% cover such drugs for weight loss, and the plans that do generally limit coverage to members with a body mass index of 30 or higher (or a BMI of 27 or higher for those who have other medical conditions). The plans usually require participation in a lifestyle-modification program as well.

Consider special health insurance needs for the year. "Look at your own personal situation and that of your family," says Janet Faircloth, senior vice president of innovation and integrated solutions at Aon. For example, she says if you know you're going to have surgery, you may want to look for a plan that has an arrangement with a "center of excellence"—a well-known hospital, often outside of the area, that specializes in the procedure you're having. Your plan may even cover travel costs, and your out-of-pocket costs may be lower, too.

Many employers also offer employee-assistance and wellness programs, as well as support programs for people with chronic conditions—for example, a support counselor for someone with diabetes. "Employees may not know these resources and support are available," says Stawicki.

Employers are also offering more tools to help employees choose a plan and make decisions when they need care. "They're helping individuals navigate the health care system more effectively, finding the best providers based on quality of services," says Faircloth.

Find out about subsidies. If your employer's coverage is unaffordable, you may qualify to get a less-expensive policy with premium subsidies from an ACA marketplace.

Enhanced subsidies can reduce your costs significantly, and some states are offering additional help.

In 2024, nearly 80% of the large employers surveyed by the Business Group on Health will have arrangements with centers of excellence for transplants, 72% will have them for bariatric surgery, and at least half will have them for fertility treatments, musculoskeletal procedures, and cancer and cardiac care.

Learn about extra coverages. Expanding coverage for mental-health issues is a priority for many employers: 70% of the large employers surveyed by the Business Group on Health will offer no- or low-cost virtual counseling in 2024, and about one-third are offering on-site mental-health counselors. More than one-third will cover out-of-network treatment for mental-health and substance-abuse disorders.

You generally can't get a subsidy to buy marketplace coverage if your employer offers health insurance, but there is an exception if your employer's plan is unaffordable based on premiums or out-of-pocket costs. A policy is considered to be unaffordable if the premium is more than 9.12% of your income or the actuarial value of the policy is less than 60%, which means the health plan pays an average of less than 60% of enrollee health care costs. "A lot of people aren't aware that if they have a plan that isn't affordable by ACA standards, they are eligible for marketplace subsidies," says Collins.

The calculations can be complicated, but you can get help from a navigator in your area who assists with marketplace plans. Go to www.healthcare.gov/localhelp and type in your zip code. Under "type of local help" you can click on "assister" to find a navigator who is trained and certified to help with marketplace questions.

BUYING HEALTH COVERAGE IN THE MARKETPLACE

If you buy health insurance on your own through HealthCare.gov or your state's marketplace, you may benefit from some new developments. Enhanced subsidies can reduce your costs significantly, and some states are offering additional help. It has also become easier to compare plans, thanks to the streamlined coverage options that were introduced in 2023.

Open enrollment for states that participate in the federal marketplace at HealthCare.gov runs from November 1 to January 15. You need to enroll by December 15 for coverage to start January 1. The states that run their own marketplaces have similar open-enrollment periods. The following steps can help you choose a marketplace plan.

Focus on the after-subsidy price. Find out whether you qualify for a premium subsidy, and focus on the after-subsidy cost—that's what you'll actually pay. The subsidies were expanded significantly in 2021 and extended through 2025. Previously, they were available only to people whose income was less than 400% of the federal poverty level, but that's no longer the case. Instead, the enhanced subsidies assume that a household should contribute no more than 8.5% of household income for health insurance costs, with lower-income households contributing a smaller percentage to the premiums. "The enhanced subsidies have really made a big difference for a lot of people," says Collins.

You can get a quick estimate by using the calculator at www.kff.org/interactive/subsidy-calculator. You'll be able to get specifics at HealthCare.gov or your state marketplace as soon as the 2024 plans are available. See HealthCare.gov for links to the 17 states (and the District of Columbia) that run their own health insurance marketplaces. "I think the really important takeaway for consumers is that the full price is not the price a lot of consumers have to pay," says Fish-Parcham. "A lot of people are eligible for reduction in premium costs, so they should check what their premiums would be before they panic."

The subsidy is a premium tax credit based on your income for the full year. Estimate your annual income when you apply for a policy, and then reconcile that number with your actual income when you file your federal tax return. If you earn more than expected, you may have to pay back some of the subsidy. If you end up earning less, you could get more money as a tax refund.

Find out whether you're eligible for cost-sharing subsidies. Premiums are only part of the decision. Some policies with low premiums have high deductibles, co-payments and other out-of-pocket costs. But people whose income is less than 250% of the federal poverty level can also qualify for cost-sharing subsidies to help reduce their deductibles and co-payments. For 2024, the income limit will be $36,450 for an individual, $49,300 for a couple and $75,000 for a family of four (higher in Alaska and Hawaii). You can get the subsidy only if you buy a silver-level plan.

Some states offer additional help. "About 600,000 of our enrollees will see reduced out-of-pocket costs," says Jagdip Dhillon, a spokesperson for Covered California, the state's health insurance marketplace. They may qualify for a zero-dollar deductible and reduced costs for primary-care visits, specialist visits, generic drugs and other expenses for several of the silver plans.

GETTY IMAGES

↑

Some plans have a separate deductible for prescription drugs, and the co-payments or coinsurance can vary significantly.

Compare the standardized plans. One of the biggest developments in the HealthCare.gov federal marketplace was the introduction of standardized plans in 2023.

The Affordable Care Act originally created four levels of plans on the marketplaces labeled with different types of metals. Platinum plans offer the most coverage and usually have the highest premiums. At the other end of the spectrum, bronze plans have the highest cost-sharing and lowest premiums. Gold and silver plans fall between platinum and bronze. These plans are divided by category based on their overall actuarial value, but they could have different deductibles and co-payments.

The standardized plans set a specific deductible, co-payment or coinsurance for each type of service—such as a $2,000 individual in-network deductible in 2023 for the standardized gold policy; a co-payment of $30 for a visit to a primary-care doctor or $60 for a specialist visit; 25% coinsurance for inpatient hospital services; and a $15 co-payment for a generic drug or $30 for a preferred brand-name drug.

"You know exactly what these plans cover in terms of your cost-sharing responsibilities, so you can compare the various premiums and networks. It simplifies choice," says Collins. Insurers can also offer a limited number of non-standardized plans.

How to put it all together. When it comes to selecting a health insurance plan, consider the coverage you can afford, whether a particular plan offers the services you need before you pay a deductible, whether the cost-sharing for the services is affordable, and the plan's provider networks and quality ratings, says Fish-Parcham.

Preventive care is not subject to a deductible, and some plans cover other care without requiring you to meet the deductible first. "Think of the services you regularly use. Do you have to meet the deductible before the plan will pay for them or not?" asks Fish-Parcham. "With some plans, the deductible will apply to hospital and emergency care and brand-name drugs, but you may get generic drugs, mental-health care and preventive care without it." A health care navigator can help you with these complicated decisions, too.

"In my county, there are 150-some plans. People get overwhelmed," says Jodi Ray, a senior consultant for Florida Covering Kids & Families, a program that provides navigators throughout Florida (www.coveringflorida.org). "I try to look for the best option based on their health-care needs, their doctors and their financial needs." K

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

SAVINGS BOOST

Make the Most of a Tax-Advantaged HSA

One of the most-effective ways to make a high-deductible health insurance policy more affordable is to take advantage of the triple tax break from a health savings account. You'll get a tax break for your contributions, the money grows tax-deferred in a savings account or mutual fund, and you can withdraw the money tax-free for eligible health care expenses anytime in the future.

You can contribute to an HSA in 2024 if you have an HSA-eligible health insurance policy with a deductible of at least $1,600 for single coverage or $3,200 for family coverage. The maximum contribution has increased significantly—it will be $4,150 if you have single coverage or $8,300 if you have a family plan, plus $1,000 if you are 55 or older.

Your contributions are tax-deductible if you buy your own coverage or pretax through your employer. Many employers match employees' contributions or offer a fixed amount for all participants. Alternatively, your employer may add money to the HSA if you agree to participate in a wellness program.

Unlike a flexible spending account (FSA), there is no use-it-or-lose-it rule. You can use the money for deductibles; co-payments; prescription drugs; over-the-counter medicines; out-of-pocket costs for dental, hearing and vision care; and even long-term-care insurance premiums (the amount you can withdraw for LTC premiums increases with age). After you turn 65, you can also withdraw money tax-free to pay premiums for Medicare Part B, Part D and Medicare Advantage plans (but not medigap policies). You can't contribute to an HSA after you enroll in Medicare, but you can withdraw money you have already accumulated at any time.

If you use money for ineligible expenses before age 65, you'll have to pay a 20% penalty and taxes on the withdrawals. But the penalty goes away at 65, so if you do so at that point, "you just have to pay taxes on it," says Stephen Durso, director of benefits accounts at WTW, an employee-benefits consulting firm.

You can withdraw money tax-free for any eligible expenses you have incurred since opening the HSA—even if several years have passed. "If you can afford it, pay out of pocket and create a file with your receipts so you can cash them in later," says Durso. "More and more people are banking their receipts for the future." By keeping your account balance larger now, you may benefit from greater investment growth over time.

Singles: You Can Afford to Retire

MONEY SMART WOMEN BY JANET BODNAR

IT'S perhaps not surprising that single, never-married women workers are less confident than their married counterparts that they will have enough money to retire comfortably. Research by the Employee Benefit Research Institute found that single women are more likely to have lower levels of income and assets than married women. And in their spouses, married women "have that second resource," says Craig Copeland, director of wealth benefits research at EBRI.

Also, says Copeland, single women trended younger and were focused on more-immediate goals, such as buying a home or starting a business. Still, he says, "at some point you're going to have to think about your future."

So what can be done to boost their confidence—and their retirement account balances? In the absence of a magic bullet for singles, the key is to double down on existing tools and use financial hacks to make it easier to save.

Found money. In the EBRI study, singles felt less knowledgeable than married women about managing their day-to-day finances. So step one is getting a handle on expenses to free up money for retirement savings (see "Money Smart Women," March). Kelli Smith, director of financial planning for Edelman Financial Engines, advises new clients to write down, in two columns, how they are spending now and how they would like to spend. (Hint: Paying off high-interest-rate debt should be a top priority.) "Younger women should be aware of the growth potential of even $50 or $100 a month," says Smith.

One simple hack is to set up auto-enrollment with your workplace retirement plan—which allows your employer to deduct money before you even see it—and to increase the amount each year. Aim to contribute at least enough to get any employer match. Bonus: Starting next year, employers can make a matching contribution to your retirement account based on your student loan payment.

Don't have a retirement plan at work? You can contribute up to $6,500 to a traditional IRA in 2023 and get a full tax deduction. If your income is less than $138,000, you can make a full, taxable contribution to a Roth IRA and qualify for tax-free distributions in retirement.

The younger you are, the more you should tilt toward the stock market to make your money work harder for you. That brings us to the second savings hack: a target-date retirement fund, which automatically allocates your money to the appropriate mix of stocks, bonds and cash based on your age and years until retirement. Besides boosting your returns,

PHOTO BY NOAH WILLMAN

it can boost your confidence if you're a novice investor.

Older workers trying to make up for lost ground or make a big push toward retirement can take advantage of hack number three: catch-up contributions. If you are age 50 or older and you have maxed out your 401(k) contribution of $22,500 this year, you can save an additional $7,500 or chip in an extra $1,000 to an IRA.

In the EBRI study, nearly half of single women said they don't know where to go for good financial planning or retirement advice and would value more online education. Virginia Wilkins, a longtime *Kiplinger* reader and single woman who has a lifetime of experience managing her own money, offers these words of wisdom: "Find yourself a good financial magazine, newsletter or website that you trust and pay attention to their advice," she says. "My early retirement was enabled by the tips I found in *Kiplinger*."

The key is to double down on existing tools and use financial hacks to make it easier to save for retirement.

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

KEEP YOUR CREDIT CARDS ACTIVE

BY ELLA VINCENT

AT first blush, letting your credit card sit idle may seem harmless. And if you're digging out of debt or struggling to keep your spending in check, minimizing credit card usage may be the best choice for your overall financial health. Otherwise, consider putting any credit cards that you haven't used in a while into the rotation for making purchases.

The reason? If your credit card is inactive for a long period—anywhere from about six months to three years, says Ted Rossman, senior industry analyst at Bankrate—the card issuer may close it or reduce your credit limit. That could hurt your credit score. An important credit score factor is your credit-utilization ratio. It's calculated by dividing your credit card balances by your card limits (both on individual cards and in the aggregate across all your accounts) and reflected as a percentage. Generally, the lower your utilization ratio, the better for your score, and you should try to keep utilization to no more than 30%. If the available credit on one of your cards is reduced or disappears, the utilization ratio calculated across all of your accounts could increase if you have balances on other credit cards. If your card issuer reduces your credit limit, Rossman suggests asking the issuer to restore it to the previous limit.

Making a small purchase with your credit card even just once every few months can help keep the account active. That may be a good strategy for a card that you'd rather not use often—say, because it offers rewards that are inferior to those your other cards provide. Or set it on autopilot, using the card for recurring, automatic purchases such as bills or subscription services. ■

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

RATE UPDATES

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

TOP-YIELDING SAVINGS

Taxable Money Market Mutual Funds	30-day yield as of Aug. 29	Minimum investment	Website
DWS Gov & Agency (DTGXX)*	5.39%	$1,000	fundsus.dws.com
Gabelli U.S. Treasury MMF (GABXX)	5.39	10,000	gabelli.com
Putnam MMF (PDDXX)	5.24	500	putnam.com
T. Rowe Price U.S. Treas (PRTXX)*	5.22	2,500	troweprice.com

Tax-Free Money Market Mutual Funds	30-day yield as of Aug. 28	Tax eq. yield 24%/35% bracket	Minimum investment	Website
Fidelity Muni MMF (FTEXX)	3.30%	4.34%/5.08%	$1	fidelity.com
BNY Mellon Ntl Muni (MOMXX)	3.30	4.34/5.08	10,000	bnymellon.com
American Cent T-F MMF (BNTXX)	3.29	4.33/5.06	2,500	americancentury.com
Fidelity Tax-Exempt (FMOXX)*	3.21	4.22/4.94	1	fidelity.com

Savings and Money Market Deposit Accounts	Annual yield as of Sept. 1	Minimum amount	Website
Milli Bank (Neb.)†	5.25%	$0	milli.bank
Newtek Bank (Fla.)†	5.25	0	newtekbank.com
Valley Direct (N.J.)†	5.25	1	valleydirect.com
Evergreen Bank Group (Ill.)^	5.25	100	evergreenbankgroup.com

Certificates of Deposit 1-Year	Annual yield as of Sept. 1	Minimum amount	Website
Connexus Credit Union (Wis.)&	5.61%	$5,000	connexuscu.org
Limelight Bank (Utah)†	5.60	1,000	limelightbank.com
Colorado Federal Savings Bank (Colo.)	5.55	5,000	coloradofederalbank.com
Forbright Bank (Md.)†	5.50	1,000	forbrightbank.com

Certificates of Deposit 5-Year	Annual yield as of Sept. 1	Minimum amount	Website
Dept of Commerce FCU (D.C.)&	4.67%	$500	docfcu.org
Latino Credit Union (N.C.)&	4.65	500	latinoccu.org
Self-Help Credit Union (N.C.)&	4.65	500	self-help.org
First Nat Bank of America (Mich.)	4.65	1,000	fnba.com

*Fund is waiving all or a portion of its expenses. †Internet only ^UFB Direct and Vio Bank offer a similar yield. &Must be a member; to become a member, see website or call. SOURCES: Bankrate, DepositAccounts, Money Fund Report (iMoneyNet).

TOP-YIELDING CHECKING

Must meet activity requirements*

Account Issuer	Annual yield as of Sept. 1	Balance range^	Website
Orion FCU (Tenn.)&	6.00%	$0–10,000	orionfcu.org
Pelican State CU (La.)&	5.50	0–10,000	pelicanstatecu.com
All America Bank (Okla.)	5.30	0–15,000	allamerica.bank
Redneck Bank (Okla.)†	5.30	0–15,000	redneck.bank

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

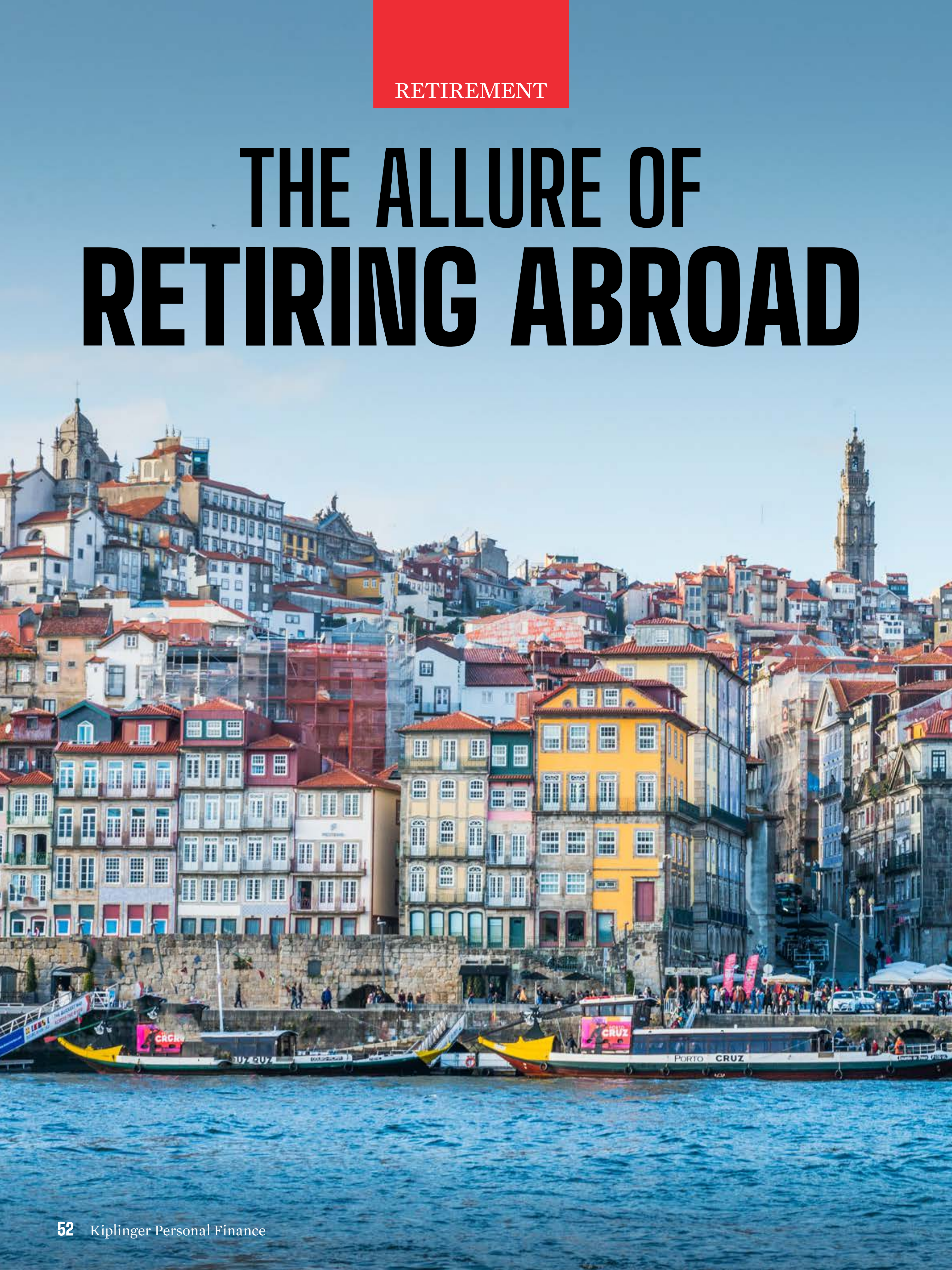
YIELD BENCHMARKS

	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	5.47	5.54	3.34
Five-year Treasury notes	4.29	4.24	3.39
Ten-year Treasury notes	4.18	4.05	3.26

AS OF SEPT. 1, 2023. ↳ EE savings bonds purchased after May 1, 2005, have a fixed rate of interest. ↳ Bonds purchased before May 1, 1995, earn a minimum of 4% or a market-based rate from date of purchase. ↳ Bonds bought between May 1, 1995, and May 1, 2005, earn a market-based rate from date of purchase. SOURCE FOR TREASURIES: U.S. Treasury

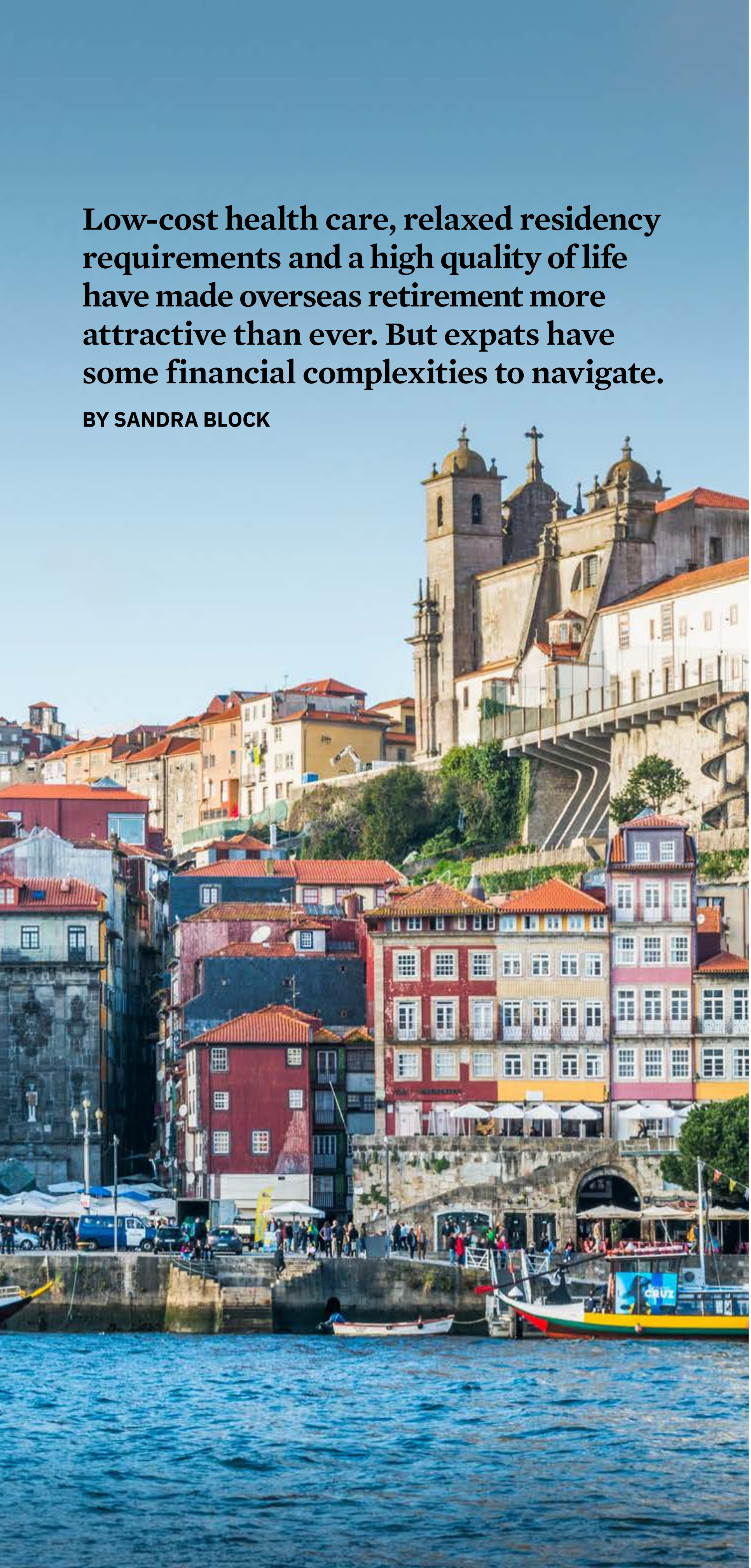
RETIREMENT

THE ALLURE OF RETIRING ABROAD



Low-cost health care, relaxed residency requirements and a high quality of life have made overseas retirement more attractive than ever. But expats have some financial complexities to navigate.

BY SANDRA BLOCK



MANY older Americans dream about traveling in retirement, but a growing number of intrepid retirees are taking their wanderlust to another level. Instead of visiting a country outside the U.S. and returning home with a lot of memories and digital photos, they're packing up and moving there.

At the end of 2021, about 450,000 people received Social Security benefits outside the U.S., up from 307,000 in 2008. And because not all expat retirees have filed for Social Security, the number of retirees living abroad is likely even higher. The pandemic was a wake-up call for retirees and near-retirees who had contemplated living overseas but had put it off because of family and work obligations, says Kathleen Peddicord, founder of Live and Invest Overseas, a website and newsletter publisher that focuses on living, retiring and investing abroad. "Tomorrow is not guaranteed, so if you have a dream of a lifestyle you've wanted to pursue and you're healthy enough, act on it when you can."

While expats have long been drawn to Central America for its low cost of living and mild climate, Europe has become increasingly popular with retirees in search of culture and high-quality health care. Many countries are eager to attract U.S. expats, but retiring to Costa Rica or Portugal is more complicated than buying a condo in Florida. Here's what you need to know.

←

Portugal's mild climate and old-world charm make cities such as Porto appealing to retired American expats.

MEETING RESIDENCY REQUIREMENTS

Countries in Central America have long promoted relaxed residency requirements for expats. For example, Belize's qualified retirement program offers residency to anyone 45 or older who has income of at least $2,000 a month from a pension or another source of retirement income. Panama's *pensionado* program offers residency to expats with a valid passport and income of at least $1,000 a month from Social Security or a government or private pension.

But in recent years, European countries have relaxed their own residency requirements to help attract foreign dollars and shore up declining populations, says Ted Baumann, chief global diversification expert for *International Living,* a magazine and website that covers overseas retirement and investment. "They need wealthier retirees who are in the spending stage of their lives and who aren't going to compete for jobs," he says.

Portugal, which has become a haven for expats from around the world, provides a one-year residency visa to retirees from outside the European Union who have retirement income of at least €760 a month (about $828) and proof of a place to live. The visa can be renewed twice for up to two years, and after five years expats are eligible for permanent residency.

Italy offers a similar elective residency visa, also known as a retirement visa, if you have retirement income of at least €32,000 a year (about $34,880), a valid passport, and proof that you have health insurance and a place to live. Greece, France and Spain have their own versions of retirement visas as well, Baumann notes. In most cases, the income requirements are modest, he says. If you receive Social Security payments, you probably qualify.

Prospective expats who have vacationed in Europe and are accustomed to the higher prices that tourists typically encounter may be surprised to discover that the cost of actually living there can be quite reasonable, says Peddicord, whose family divides their time between Paris and Panama City, Panama. "You can live in Paris on $2,000 a month," she says. Prices for groceries and other items vary dramatically, depending on where you live, where you shop and how you spend your time, she adds. "In a place like Paris, the longer you're there, the lower your costs, because you get to know it better."

Chip Stites, who retired to Rieti, Italy, in 2017 with his wife, Shonna, says their cost of living is about 60% lower than it was when they lived in the U.S. "To a tourist, Europe is expensive," he says. "But Italians live on about $24,000 a year."

FINDING HEALTH CARE

It's no secret that health care in most countries costs a fraction of what it does in the U.S. That makes retiring abroad appealing to expats who are interested in lowering what for many is the largest expense in retirement.

Tammy Wahpeconiah, 64, and Fred Sisk, 56, wanted to retire early and travel the world but soon realized that the cost of buying health insurance before Medicare kicked in made that plan unaffordable. Instead, in September 2022, they moved to Porto, a city of about 231,000 people in northern Portugal. They get their health care through a health insurance plan at a private hospital. Sisk, a physical therapist, says their combined monthly premiums of €248, or about $270, are lower than what he paid for individual coverage through an employer-provided plan in the U.S. With the assistance of a local service that connects individuals to doctors and sets up appointments (which helped with the language barrier), they've found a family doctor and dentist. "Everything has been state

PHOTO BY MAKSYM KAGARLYTSKYI

→
Tammy Wahpeconiah and Fred Sisk say moving to Portugal made it possible for them to retire early.

↑ Saint-Antoine Hospital is among several highly regarded health facilities in Paris.

of the art so far," Wahpeconiah says.

Medicare generally doesn't cover medical care that you receive outside the U.S., so even if you return to the U.S. for planned surgeries and procedures, there's a good chance you'll need a plan for health care in your adopted country. Some expat retirees pay out of pocket for their medical expenses, which may work out if you move to a country with low-cost health care. Other options to consider:

A hospital insurance plan. These plans, which are popular in South America, cover all of your care, from routine check-ups to major surgeries, at a specific local hospital. The plans are extremely affordable, Baumann says. "I've spent a lot of time in Uruguay, and my contacts there love this," he says. "A family of six pays premiums of $150 a month."

The downside is that coverage is limited to treatment at the hospital that offers the plan. If you travel to other parts of the country or aren't satisfied with the hospital, you'll need to pay extra for your care.

An international policy. These policies are more expensive than in-country hospital plans but offer much more coverage, generally providing access to networks of doctors and hospitals around the world. Consider one of these policies if you plan to become a retired globetrotter or want more options than a hospital plan will provide. Providers include Bupa (www.bupa.com), HTH Worldwide (www.hthtravelinsurance.com) and the Group Medical Insurance Plan from the Paris-based Association of Americans Resident Overseas (www.aaro.org).

The premium varies depending on your age, where you live and the amount of coverage you want. For example, a 65-year-old who enrolls in the AARO's gold medical plan, which covers 100% of medical expenses, would pay about €382 (about $416) a month; a silver plan, which covers 80% to 100% of expenses, would cost €329 (or $358) a month. If you're eligible for a country's national health coverage, you may be able to buy a "top off" supplemental plan for considerably less—about $129 a month for an AARO gold plan, for example.

Coverage through the government-run system. Once you've established residency, you may be eligible for the country's publicly funded health care program, which provides comprehensive health care at a nominal cost. That has led many U.S. expats to retire in Europe, Baumann says, because countries in the European Union are required to provide residents with uniform standards of comprehensive health care at a low cost. However, wait times for nonemergency care can be long, so you may opt to supplement public coverage with a private insurance plan, he says.

Whichever option you choose, once you turn 65, you should sign up for Medicare and pay monthly premiums for Part B, which covers doctor's visits and outpatient procedures in the U.S., and Part D, which covers prescription drugs. Otherwise, if you return to the U.S., you'll have to wait until the general enrollment period (which runs from January 1 through March 31, for coverage starting July 1) to enroll. Worse, your monthly Part B premium will increase by 10% for every year that you delay signing up after your initial enrollment period (unless you have other coverage of similar value) and you'll pay the penalty for as long as you're covered by Medicare. In addition, if you delay signing up for Part D for more than two months, your premium will increase by 1% of the base beneficiary premium—$32.74 in 2023—for each month you lacked coverage.

You should also consider signing up for a medigap policy or a Medicare Advantage plan, which cover costs not included with Medicare. Otherwise, if your health declines, you may also have difficulty qualifying for a supplemental plan when you return to the U.S.

Some expats who are enrolled in Medicare travel to the U.S. for nonessential care. Bob Datz, 71, who retired to San Miquel de Allende, Mexico, in October 2022, has scheduled his six-month check-ups to coincide with visits to see family in western Massachusetts. He's familiar with emergency rooms in San Miquel de Allende in case he needs to go to one.

NAVIGATING TAXES

Even if you've prepared your own tax return for years, you're probably going to need help filing it after you relocate overseas. As long as you're a U.S. citizen, you're responsible for paying taxes in the U.S., no matter where in the world you live. Depending on where you lived before you relocated, you may owe state taxes, too.

Meanwhile, your new country probably has its own tax requirements, which means there's a good chance you'll have to file a tax return there as well. Fortunately, there are policies in place designed to prevent double taxation, says Katelynn Minott, a certified public accountant and chief executive officer of Bright!Tax, which provides tax-preparation services for U.S. expats.

The Foreign Earned Income Exclusion allows you to exclude a specific amount of foreign-earned income from U.S. taxes. The threshold is adjusted annually; for 2023, you can exclude up to $120,000 ($240,000 if both spouses work and meet the eligibility requirements) from U.S. taxes.

The exclusion is limited to income from wages, salaries and self-employment; income from your retirement accounts, Social Security, pensions and your investments isn't eligible. Still, you may be able to take advantage of the exclusion if you decide to work for a few years overseas before retiring abroad or have income from a part-time job after retirement.

In addition, several countries, particularly in Europe, have enacted tax provisions designed to attract expats, says Alex Ingrim, a financial adviser with Chase Buchanan, a global financial services firm. France, for example, doesn't tax Americans on withdrawals from their retirement accounts and pensions, Ingrim says. (You'll still pay U.S. taxes on those withdrawals, however.) Other countries, such as Portugal and Greece, tax those withdrawals at a flat rate, but you'll receive a credit against your U.S. taxes to avoid double taxation, Ingrim says.

Several countries, particularly in Europe, have enacted tax provisions designed to attract expats.

Unfortunately, other countries do not have an equivalent of a Roth IRA, says Michael Hansen, a certified financial planner with Frontier Wealth Strategies in Walnut Creek, Calif., who specializes in cross-border financial planning. As a result, while withdrawals from Roth IRAs are tax-free in the U.S. as long as you're 59½ or older and have owned an account for at least five years, not all countries recognize that exclusion, he says.

For that reason, it's important to review the tax implications of your move well before you start to pack. If the country taxes Roth withdrawals, for example, you may opt to postpone tapping that account until you return to the U.S. (or take withdrawals before you leave). Understanding your tax obligations will also help you get a more accurate view of the cost of living in a particular country, Minott says.

American Citizens Abroad, an advocacy group for expats, provides a directory of services that provide tax preparation for Americans who live abroad. You can find it at www.acareturnpreparerdirectory.com.

MANAGING FINANCIAL ACCOUNTS

Whether you plan to retire abroad for a few years or live outside the U.S. permanently, you'll probably need two bank accounts—one stateside for direct deposit of your retirement-account distributions and Social Security benefits (although Social Security will deposit benefits in bank accounts in most foreign countries) and one account at a local bank to pay bills and cover expenses. In fact, some countries require expats to establish a local bank account to qualify for residency. Give yourself plenty of time to navigate potential resistance points.

For example, some U.S. banks will reject expats who have no permanent U.S. address. One way around that problem is to open a checking account that the State Department Federal Credit Union (www.sdfcu.org) provides in partnership with American Citizens Abroad. Accustomed to serving employees of the U.S. Department of State, who work all over the world, the credit union offers the account to other Americans living abroad who have no domestic address. You must be a member of ACA to use the account (annual fee $70, or $55 if you're 65 or older).

Likewise, some foreign banks refuse to accept U.S. customers to avoid contending with the Foreign Account Tax Compliance Act, which requires overseas banks to report assets held in foreign accounts by U.S. taxpayers to the IRS or face a stiff penalty. Fortunately, now that the law has been in effect for a few years, more financial institutions have learned to adapt.

FATCA also imposes obligations on expats with accounts overseas. U.S. citizens residing abroad must report their holdings in foreign accounts (including investment accounts) on Form 8938 if total funds exceed $200,000 on the final day of the tax year or $300,000 at any point during the year; for married couples who file a joint tax return, the thresholds are $400,000 and $600,000, respectively. In addition, expats must file a Report of Foreign Bank and Financial Accounts (FBAR) with the U.S. Treasury Department if their total assets in foreign financial and investment accounts exceed $10,000 at any time during the calendar year.

Penalties for overlooking these requirements are steep—up to the greater of $124,588 or 50% of the total balance in all your overseas accounts for failing to comply with FBAR, and from $10,000 up to $50,000 if you fail to file Form 8938 on time.

You'll probably want to periodically transfer funds from your U.S. account to your account with a local bank. To avoid hefty transfer fees, consider a service such as Wise, which applies a market-based exchange rate to transfers (banks and other services often use less-favorable exchange rates) and charges you a percentage of the transaction.

↑ **Chip Stites and his wife, Shonna, retired to Rieti, Italy, where they enjoy this view from their terrace. They say the cost of living is about 60% lower than when they lived in the U.S.**

COURTESY OF CHIP STITES

RENTING A HOME VS. BUYING

When Chip Stites and his wife, Shonna, decided to retire outside the U.S., they made a list of nine countries that fit their criteria of fresh food, fresh water, tranquility and a stable economic system. They whittled that list down to four—Ireland, Portugal, Spain and Italy—and hit the road. "We loved Ireland, but it rained a lot," Stites says. They weren't comfortable with language barriers in Portugal, and while Spain was appealing, they were concerned they wouldn't adapt to the country's late-night culture. "By 10 p.m., I'm done, and they're just going to dinner," Stites says.

Then a friend invited them to visit his home in Rieti, a town of about 48,000 in central Italy. Stites spent time in Italy as a child and remembers it as one of the happiest times of his life. After three days in Rieti, the couple agreed that they wanted to live there. Most of the food they eat is locally grown, they get fresh water from springs under their home, and they've fallen in love with the people. "If you look at the hierarchy of things in Italy, it's family first, friends second, community third, and maybe fourth is a job," Stites says. "Money doesn't drive things."

The couple rent their home in Italy for about €700 (roughly $763) a month. Stites says they chose to rent because they were able to get a long-term lease, and it's difficult to get a mortgage in Italy.

Many expats opt to rent because buying real estate is more expensive—and more difficult—than it is in the U.S. Transaction costs can total up to 10% of the home sale price, and most countries don't have a U.S.-style Multiple Listing Service, which allows real estate agents to share listings. Instead, you must usually deal with a separate agent for every home you're interested in buying, Peddicord says.

Even if you're determined to put down roots in your adopted country, renting will give you time to find a neighborhood that meets your needs. Tammy Wahpeconiah and Fred Sisk say that renting for a year gave them time to determine where they wanted to settle down. They recently signed a contract to buy a home in Vila Nova de Gaia, which is across the river from Porto. The home fits their budget and their lifestyle, which includes Portuguese lessons, wine and coffee meet-ups with friends, and for Sisk, an occasional game of pool. "We plan on staying here forever," he says. ■

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

THE LOWDOWN ON STOCK SPLITS

The market seems to love it when a company splits its shares. But should you?

PRACTICAL PORTFOLIO BY CHARLES LEWIS SIZEMORE

AMAZON.COM, Tesla and Alphabet (Google's parent company) made headlines last year with high-profile stock splits. It's common for high-growth companies to split their shares to make them easier for smaller investors to trade and to add liquidity. But what does that really mean? And how does it affect you as an investor? Let's start with the basics.

What's a split, and how does it work? A stock split is when a company issues more shares of stock to its existing shareholders without diluting the value of their holdings. For example, let's say you start with 100 shares worth $100 apiece. After a two-for-one split, you'd have 200 shares each worth $50. Assuming no other movement in the stock price, you have $10,000 in stock both before and after the split.

Why do companies split their stock? It comes down to making the shares easier to buy and sell, which increases liquidity. This is best explained by example: Before Amazon.com split its stock last year, shares traded hands at $2,447 each. After the split, the stock traded for about $125. Now, if you're a small investor interested in buying the stock, it's a lot easier to come up with $125 than $2,447. It's also easier to properly balance a portfolio. Say you want to make Amazon a 3% piece of your portfolio. With the stock at $138 a share (as of August 31), you'd need a total portfolio size of only about $4,600 to make that possible—but you would have needed more than $81,000 to make Amazon a 3% portfolio position when it traded for $2,447.

Of course, Amazon's pre-split pricing looks extremely affordable compared with the Class A shares of Warren Buffett's Berkshire Hathaway, which trade for $546,725 apiece. But Buffett specifically wanted to *reduce* day-to-day trading in his company's stock, preferring to attract loyal, long-term investors. On a typical trading day, only about 7,000 Berkshire Hathaway Class A shares change hands. But small investors have not been locked out of Berkshire. In 1996, the company issued Class B shares that had limited voting rights and were worth about one-thirtieth of the Class A shares at the time. And in 2010, when the Class B shares traded at more than $3,000 apiece, they split 50-for-1. They recently closed at $362 a share.

What do stock splits mean for you as an investor? If you are an

GETTY IMAGES

existing shareholder, it's debatable what the immediate impact for you will be. Often, the buzz surrounding a stock split causes the price to rise leading up to the split and then in the trading days immediately following. But the data is mixed and certainly not conclusive enough to suggest buying a stock simply *because* it's planning or has recently completed a split.

You might also have some administrative issues to deal with after a split. For example, an outstanding stop-loss order with your broker may not be automatically adjusted to reflect the new price, so you might need to make changes manually. You'll also want to keep good records, because you can't always depend on your broker to correctly adjust your cost basis for tax purposes. With modern record keeping, mistakes like these are less common today, but they can happen.

As a practical matter, stock splits don't matter all that much. Sure, they make it easier for prospective investors to start a new position and for existing investors to rebalance or sell part of their holdings, but nothing fundamentally changes. That said, a stock split is often a sign that a company is healthy and growing. After all, if the stock price has become high enough for a company to consider splitting the shares, then it's clearly doing something that is getting the attention of investors.

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

BY THE NUMBERS

Stock Splits Have Been on the Wane

With the exception of a relatively busy 2022, stock splits among S&P 500 companies have been rare.

Year	No. of splits
2023*	4
2022	10
2021	5
2020	6
2019	3
2018	3

*As of August 22. Source: S&P Global Market Intelligence.

THREE TO CONSIDER

Welcome to Splitsville

The stocks below have recently split. More important is their bullish outlooks. Prices and returns are as of August 31.

Churchill Downs (symbol CHDN, $125). This company, with a market value of $9.4 billion, is best known for hosting the Kentucky Derby but also counts online betting and casinos among its businesses. Churchill split its shares two-for-one in late May, when the stock traded at $287 a share. But the stock has hit a speed bump this year and is down nearly 13% since the split. The company recently reported second-quarter earnings that, while solid, came in below expectations. Analysts at Truist Securities remain bullish: "Churchill Downs is one of the best growth platforms in gaming," says Truist's Barry Jonas. It also offers investors "a chance to own one of the most iconic assets across sports," he says.

Monster Beverage (MNST, $57). Shares in Monster, well known to consumers for the panoply of energy drinks that it markets and distributes, split two-for-one on March 28. Over the past five years, the company has increased sales and earnings per share at an annualized rate in the 13%-to-15% range, according to Argus Research. The stock price has risen 29% over the past year and 10% since its split, yet Argus analysts believe it remains a good value, despite a price-earnings ratio of more than 36 times the research firm's estimate for 2023 earnings. Over the past three years, the P/E has ranged from 12 to 48, says Argus analyst John Staszak, who adds, "Monster is a rare growth company in the mature consumer staples sector."

Sempra (SRE, $70). Sempra is a utility operating in the U.S. and Mexico, with regulated power companies in California and Texas. The company also has some non-utility businesses, including liquid natural gas and renewable-energy projects. The company's shares split two-for-one on August 22. Just prior to the split, investment research firm CFRA hiked its recommendation on the shares from "Hold" to "Buy." The utility sector overall has struggled this year, and that includes Sempra, whose share price is down nearly 13% over the past 12 months. But CFRA is bullish on both Sempra's strong position in attractive regulated-utility markets and the prospects for its LNG assets, as U.S. exports are expected to remain strong. **ANNE KATES SMITH**

Managing Adoption Costs

Adopting a child can be expensive, but subsidies and tax breaks are available.

FAMILY FINANCES BY BY ELLA VINCENT

NOVEMBER is National Adoption Month, and there are currently 4.5 million adopted children in the U.S., according to the Adoption Network. For many people who want to open their homes to children in need of adoption, the significant expenses are a hurdle to overcome.

If you're adopting a child through a U.S. private agency, costs may range from $30,000 to $60,000. Even if you pursue an independent adoption, in which you work directly with the birth parents without using an agency (or the public welfare system), you'll still need to pay attorney fees and other expenses, which can range from $25,000 to $40,000. International adoption may cost from $20,000 to more than $50,000—plus travel expenses, which can add thousands of dollars more.

If you're adopting from a relative, however, the fees can be as low as $3,000, says William Gentry, family law attorney and founder of Gentry Law Firm. Costs are also lower to adopt children who are in foster care, which we'll discuss below.

Before you bring a child home, you'll be required to undergo a home study to determine your fitness to be an adoptive parent. Every state and Washington, D.C., require all prospective adoptive parents (with the possible exception of stepparents who want to adopt their spouse's biological child) to participate in a

← **Shannon and Cody Pinkerton received a monthly stipend to help pay for their adopted sons' medical expenses.**

COURTESY OF SHANNON PINKERTON

home study, during which a social worker or a professional from an adoption agency will inspect your home. The home study also includes background checks, child-care training and administrative costs. The total cost for a home study, which may be included in the agency adoption fee, ranges from $1,000 to $3,000, depending on your state's policies.

You may also be required to cover services for the birth parents, such as pre- and post-adoption counseling, as well as their medical and legal expenses if they don't have health insurance or legal representation. If you arrange an open adoption, which allows the birth parents to maintain contact with your adopted child on an agreed-upon basis, you may have to provide funds to cover the birth parents' travel expenses to see the child.

Foster-care adoption can cut costs. There are 400,000 children in foster care who need permanent homes, according to the U.S. Department of Health and Human Services. Because the demand for adoptive parents for foster children outweighs the supply, adoptive parents may be eligible for incentives and subsidies, particularly if they're willing to adopt a child who is older or has special needs.

Shannon and Cody Pinkerton, of Glenrock, Wyo., have 10 children, six of whom they adopted. Shannon grew up with a sister with Down syndrome, so she and Cody always wanted to adopt children with special needs. The Pinkertons adopted Joey, 22, in 2011. Tracee, 27, and Anthony, 24, were adopted in 2013 and 2014, respectively. Biological brothers Cameron, 22, and Julian, 20, joined the family in 2016, and Devlin, 17, was adopted in 2021. Joey, Tracee, Anthony, Julian and Devlin have Down syndrome, and Cameron is blind and developmentally disabled.

Wyoming provides a one-time subsidy of $2,000 per child for families who adopt special-needs children to reimburse them for adoption-related expenses. The Pinkertons also received $1,200 a month for Devlin and $2,000 a month for Cameron and Julian until they turned 18 to cover hospital care and other medical expenses (their sons are also covered by Medicaid). Monthly adoption stipends range from $250 to $2,500 per child, depending on the state.

Even with public assistance, prospective foster parents should be prepared to cover some adoption costs. The Pinkertons paid more than $4,000 combined for their children's home studies before they were adopted, plus additional fees associated with the process—for example, they paid $100 for each child's post-adoption home visit, typically conducted by social workers to check on the children's well-being. The Pinkertons also had to pay a total of $2,500 in court costs to be named the legal guardians of their children when they turned 18 because they continued to require care. And because the Pinkertons adopted their children from various states, they spent more than $3,000 on total travel expenses.

A social worker or adoption advocate can help you apply for adoption subsidies and fill out the paperwork. You can find an adoption advocate in your state at the website of the North American Council on Adoptable Children (www.nacac.org).

Because the demand for adoptive parents for foster children outweighs the supply, adoptive parents may be eligible for incentives and subsidies.

Tax breaks and employee benefits. If you're considering adoption, see whether your employer's benefits package includes assistance for adoptive parents. For example, some employers, such as Netflix and Citizens Bank, reimburse their employees for a portion of their adoption expenses. For 2023, you can exclude up to $15,950 in employer-provided adoption expense reimbursement from your taxable income (the amount is adjusted each year to account for inflation). You may also be eligible for paid parental leave once you bring your adopted child home.

You may qualify for a generous tax break to offset your adoption costs, too. In 2023, you can claim a tax credit for qualified adoption expenses of up to $15,950 per child if your modified adjusted gross income is less than $239,230. A tax credit is more valuable than a deduction because you receive a dollar-for-dollar reduction in your tax bill. You can claim a reduced credit if your MAGI is between $239,230 and $279,230. If you adopt a special-needs child, the full credit is available even if you spent less than the amount of the credit on adoption expenses. You can't claim the credit for expenses that your employer has reimbursed.

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

WHY YOU NEED A POWER OF ATTORNEY

A time may come when you can't make health and financial decisions on your own.

BASICS BY ELLA VINCENT

IT'S not pleasant to think about, but someday you may be unable to make decisions for yourself. Designating a power of attorney will protect your interests.

A durable power of attorney gives someone you designate, known as your agent, the authority to make decisions if you become incapacitated. An agent who has durable power for health care, sometimes known as a health care proxy, can make decisions about your medical and end-of-life treatment. An individual who has durable power of attorney for finances has the authority to handle your financial matters, such as paying bills and managing your property. You can give the same individual both medical and financial power of attorney or name separate agents, based on their expertise.

Selecting a power of attorney should be part of your estate plan, says Ashwani Prabhakar, a trust and estate lawyer with Davidoff Hutcher & Citron. While many people assign power of attorney to an adult child or other family member, it's not necessary to pick a relative—and it's not always wise. You can, for example, choose your financial adviser to manage your investment decisions if you don't think a family member would be able to handle that responsibility.

Put it in writing. Once you've selected your agent (or agents), you can have an estate attorney draft a form identifying the kind of power of attorney that individual will have. Legal fees vary, but the average cost of having an attorney draw up power-of-attorney paperwork ranges from $200 to $300. You can also find power-of-attorney forms on do-it-yourself websites such as LegalZoom (www.legalzoom.com), Nolo (www.nolo.com) and Rocket Lawyer (www.rocketlawyer.com). You'll pay about $40 to create the forms online.

Regardless of how you draw up the power-of-attorney document, you should have it notarized to make the arrangement official (some states require this). Estate attorneys can act as notaries if they're commissioned by the state where they're practicing law, Prabhakar says. He recommends that you also arrange to have a witness when you and your agent sign the form.

Some banks and brokerage firms use their own power-of-attorney form, or they may not honor a power of attorney unless certain conditions are met. Make sure you and your agent complete the paperwork required by your financial institutions, and ask them to keep a copy on file.

It's a good idea to include a provision in your power of attorney document that you reserve the right to change the agent at any time.

Changing your mind. Selecting a trustworthy agent is critical because an individual with power of attorney has broad authority over your finances and health care. In April 2023, Terry Lynn Culver was sentenced to three years in prison after he was convicted of stealing more than $426,000 from a 92-year-old Wisconsin woman as he was acting as her agent using a power of attorney. He wrote checks from the woman to himself without her knowledge, took possession of her home and sold multiple real estate properties she owned.

If you suspect an individual who has your power of attorney may make decisions that aren't in your best interest, you can revoke the agent's authority as long as you're mentally competent. It's a good idea to include a provision in your power-of-attorney document that states you reserve the right to change the agent at any time. To avoid legal challenges, you should document any change on a power-of-attorney revocation form. Go through the same process you went through initially, such as having the document notarized, and inform the previous power-of-attorney agent of the change.

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

GETTY IMAGES

ILLUSTRATION BY JOHN TOMAC

GREAT WAYS TO USE $1,000

HIGH inflation has taken a toll, so your dollars don't stretch quite as far as they once did. But if you have $1,000 to spare, you can still give your savings and investments a boost, make an impact on causes you care about, or reward yourself with a vacation or home upgrades. We've rounded up 21 ideas to make the most of a thousand bucks.

→ **INVEST IT WISELY**

Buy a long-term bond. Even though you can still find higher yields on a six-month Treasury bill (5.5% in late August) than you can on a 10-year T-note (4.1%), it's time to consider locking in today's higher yields for longer, says Wells Fargo Investment Institute fixed-income strategist Brian Rehling. "Remember, those 5%-plus yields are temporary—when the economy slows, those rates will fall," he says. Long-term yields may not yet have peaked as the Federal Reserve continues to battle inflation, so Rehling advises building a stake gradually in long-term, high-quality bonds (think 10-year Treasuries and up).

You can buy Treasuries at auction directly from Uncle Sam at TreasuryDirect.gov, with a minimum purchase of $100. You may also be able to buy them either at auction or on the secondary market via your brokerage account. Or try a fund—although you can't truly "lock in" any given rate because bonds move into and out of a fund's portfolio. Still, yields are "stickier" at long-term funds than at short-term counterparts. ***Vanguard Long-Term Treasury ETF (symbol VGLT, $60)*** yields 4.4% and has a reported turnover rate of 19%, meaning that just 19% of the portfolio changes over the course of a year. Vanguard Short-Term Treasury (VGSH) yields 5% but with a turnover rate of 59%.
ANNE KATES SMITH

Find a Wall Street bargain. Putting some of your focus on an out-of-favor sector or investment strategy can pay off over time. Investors have given dividend stocks the cold shoulder so far this year. The Morningstar Dividend Composite index has returned 5.1% in 2023 through August 31, well below the 18.7% gain in the S&P 500. Sectors with big dividend payers, including health care and energy, have lagged, too. But these dividend-rich sections of the market are now attractively priced, says Morningstar strategist Dan Lefkovitz. For a broad-market dividend fund, consider ***Vanguard Dividend Appreciation ETF (VIG, price $163, yield 1.8%)*** or ***Schwab US Dividend Equity ETF (SCHD, $75, 3.6%)***.

The energy sector was on a roll last year, but 2023 has been tough so far. Oil prices are rising, though, which is a boon to energy firms. Consider ***Energy Select Sector SPDR (XLE, $89)***, which charges a low 0.10% expense ratio. Health care stocks are this year's "forgotten sector," says SoFi head strategist Liz Young. It includes defensive plays (drug and health care providers), while its innovative side (biotech) offers good growth opportunity. ***Invesco S&P 500 Equal Weight Health Care ETF (RSPH, $29)*** smooths out the impact of the sector's bigger stocks. Investors looking for more-traditional exposure to the sector should consider ***Health Care Select Sector SPDR ETF (XLV, $133)***.
NELLIE S. HUANG

Start an investing habit. It's cheap and easy to open an investment account, whether you're doing it for yourself or seeding an account for a loved one. And now is a good time to do it, because a few companies are offering signing bonuses that promise an immediate profit.

You only need $50 to open a ***Charles Schwab Starter Kit account,*** which offers investing how-to tools and videos and includes a bonus of $101 worth of stock in the five biggest firms in the S&P 500 index. (Given the prices of mega-cap S&P stocks such as Apple, Microsoft and Amazon.com, Schwab deposits fractional shares.)

Fidelity also allows you to start small and offers investing tutorials and cash bonuses for several kinds of newbie accounts. Put at least $50 in its new ***Bloom app***, or its "starter pack" of a brokerage and cash account, and you'll get a $100 sign-up credit added to your balance. If you want to get a youngster started in the market, Fidelity offers $50 opening bonuses for its ***Youth Account***, which empowers those ages 13 to 18 to control investments while allowing their adult cosigners to monitor activity.
KIM CLARK

Donor-advised funds from Fidelity and Schwab have no minimum investment.

← **Some investment accounts offer signing bonuses.**

→ SHARE YOUR GENEROSITY

Contribute to a donor-advised fund. There's no shortage of worthwhile causes to support, and as the year draws to a close, you may not have time to decide which charity (or charities) will make the best use of your dollars. A donor-advised fund allows you to donate now, deduct the contribution on this year's tax return (as long as you itemize) and decide later which charities you want to support.

When donor-advised funds were created, you needed to invest a significant amount of money to meet their minimums, but that's no longer the case. Donor-advised funds from Fidelity and Schwab have no minimum investment. Once you've set up your fund, you can continue to make contributions as cash becomes available. Most also accept contributions of appreciated stock, so if your $1,000 consists of shares of a stock you bought long ago, you can donate them to your account. You won't have to pay capital gains taxes on the appreciated stock, so you'll get a tax break even if you don't itemize.
SANDRA BLOCK

Fund a small business with a microloan. Through microloans, which distribute small amounts of money to entrepreneurs, you can help small-business owners who have difficulty borrowing from traditional lenders, such as banks. Entrepreneurs can use the money for inventory, repairs, hiring employees or other needs.

One avenue to fund microloans is through the websites of reputable regional nonprofit organizations, such as ***LiftFund*** (www.liftfund.com), a community-development institution that serves mostly southern states. With a tax-deductible $1,000 donation to LiftFund's Dream Makers Fund, you become a member of the President's Circle and receive two gifts from a LiftFund borrower. Repaid loans are reinvested in other small businesses, and interest goes

GETTY IMAGES

↑
Volunteers process donations in Kahului, Hawaii, after last summer's devasting wildfires.

toward LiftFund's operational expenses.

You can also fund microloans through a worldwide nonprofit organization such as ***Kiva*** (www.kiva.org). Kiva crowdfunds loans for small-business owners, and you can choose which businesses to support. When a business owner repays a loan, your principal is deposited into an account you create on Kiva's website. (Kiva doesn't collect interest from business owners, although its partners that disburse the loans typically do.) If you wish, you can fund another microloan with your repayment. **ELLA VINCENT**

Help victims of natural disasters. Extreme weather events—including intense wildfires in Hawaii, Washington State and Canada, a tropical storm that struck Mexico, California and Nevada, and a suffocating heat wave across the central and southern U.S.—disrupted and took many lives this past summer. Donations to the ***Maui Strong Fund*** from the Hawai'i Community Foundation (www.hawaiicommunityfoundation.org) support victims of the devastating fires in Maui; the fund allocates resources to local charities that assist the most-vulnerable groups. Another organization to consider, ***All Hands and Hearts*** (www.allhandsandhearts.org), provides volunteer-powered disaster relief across the country and around the world and works to rebuild communities to help prevent future devastation from extreme weather.

Beware of scams when donating to an unfamiliar charity. Charity Navigator (www.charitynavigator.org) is a great resource for vetting and researching charities. Any charity that solicits donations in Hawaii must be registered with the Hawaii Department of the Attorney General; its status can be verified at https://charity.ehawaii.gov/charity/search.html. **EMMA PATCH**

Adopt a rescue pet. The story about 4,000 beagles rescued from the Envigo lab in Virginia had a happy ending—most of the beagles are living their best lives—but thousands of dogs are still awaiting their forever home. Adoption fees range from \$50 to \$350 or more, depending on the shelter and the type of dog you adopt (puppies are usually more expensive). The adoption fee may include the cost of vaccinations and spaying or neutering, but you'll still need to put aside money for supplies, such as a crate (you can often find used crates for a low cost), a leash and food. Petfinder.com estimates that the minimum cost of owning a dog or puppy for the first year is \$395, which should leave you with some additional funds to pay for a few training sessions and replace your chewed-up Birkenstocks.

Are you more of a cat person? The adoption fee is usually lower—typically up to \$200, or you may pay no fee at all—but you'll still need to put aside funds for food, a litter box, a carrier and, to preserve your furniture, scratching posts or mats. **S.B.**

↑
Petfinder.com estimates that owning a dog or puppy costs at least \$395 the first year.

→ BOOST YOUR SAVINGS

Open a certificate of deposit. To fight inflation, the Federal Reserve has raised short-term interest rates from near zero in March 2022 to a recent target range of 5.25% to 5.5%. As a result, CD rates have jumped, too. Many one-year CDs with minimum-deposit requirements of \$1,000 or less offer yields of more than 5%, and some five-year CDs offer rates north of 4.5%. Although rate cuts are unlikely in the near future, the Fed is winding down its rate-boosting campaign, so now may be a good time to lock in a high yield on a CD.

Recently, the ***one-year CD from Rising Bank*** (www.risingbank.com) had a 5.5% rate, with a \$1,000 minimum deposit. The ***five-year CD from First National Bank of America*** (www.fnba.com) yielded 4.65% and has a \$1,000 minimum deposit. For more top-yielding CDs, see page 51. You can also search for the best CD rates that are available in your area by visiting www.depositaccounts.com/cd.

GETTY IMAGES

↑
Contributing $1,000 a year to a Roth IRA could provide a nest egg of more than $434,000 for a child.

If you withdraw from a CD before it matures, you'll typically pay a penalty of at least a few months of interest. If you'd rather avoid penalties, you can look for a no-penalty CD, such as the one from online bank ***Ally Bank*** (www.ally.com). It has an 11-month maturity, a 4.55% yield and no minimum-deposit requirement. **E.V.**

Top off your emergency fund. Only 43% of Americans say they could cover a $1,000 emergency expense—say, an unexpected car repair or medical bill—according to a Bankrate.com survey. If you're single or child-free, you should have an amount equal to about six months of your salary saved for a rainy day. If you have a family to support or are nearing retirement and will have a reduced income soon, it's wise to stash away about a year's worth of your salary for emergencies.

Look for a high-yield, low-minimum money market deposit account or savings account to store your emergency fund. An MMDA can be an especially strong option because you can typically withdraw money directly from it with a debit card or check. To withdraw funds from a savings account, you usually have to link it to a checking account to transfer the money first.

Recently, ***Vio Bank*** (www.viobank.com) offered an MMDA with a 5.25% yield, a $100 minimum opening deposit and no monthly fees. The high-yield savings account from ***Evergreen*** (www.evergreenbankgroup.com) has a 5.25% yield, no monthly fees and a minimum-deposit requirement of $100. You can search for other top-yielding MMDAs and savings accounts at www.depositaccounts.com. **E.V.**

Give your child (or grandchild) a jump start on retirement. If your child has earned income from a part-time or summer job this year, give the gift that keeps on giving by opening a custodial Roth IRA and contributing to it on his or her behalf. In 2023, individuals younger than 50 can contribute up to $6,500 to a Roth, but contributions can't exceed the child's income—so if your kid earned $1,000 this year, that's the maximum you can contribute.

Contributions can be withdrawn tax- and penalty-free anytime, and after your child has had the Roth IRA for at least five years, he or she can withdraw up to $10,000 of investment earnings tax- and penalty-free for a first-time home purchase. But ideally, your child will let the money grow tax-free until retirement. Even if your child never contributes another dime to the account, an initial $1,000 investment will be worth more than $29,450 in 50 years (based on an average annual return of 7%). If your child is inspired to continue contributing to the Roth, adding just $1,000 a year could provide a nest egg of more than $434,000 when your child retires. **S.B.**

If you're single or child-free, you should have an amount equal to about six months of your salary saved for a rainy day.

→ PAY DOWN DEBT

Rising interest rates may be good news for savers, but they're a detriment for borrowers. In the second quarter of 2023, credit card balances reached an all-time high of $1.03 trillion, and total household debt hit $17.06 trillion, according to the Federal Reserve Bank of New York.

Credit card debt is particularly troublesome because interest rates usually run high—recently an average 22%, according to the Fed—and most cards have variable rates that rise along with the Fed's interest rate target. A $1,000 payment toward your card debt could take a bite out of the amount of interest you owe and the time you spend whittling the debt. For example, say you have an $8,000 card balance with a 22% rate and make a $200 monthly payment. It'll take you a little more than six years to eliminate the debt, and you'll

GETTY IMAGES

pay interest of $6,551. If you knock $1,000 off the debt, leaving you with a $7,000 starting balance, and then make $200 monthly payments, you'll owe $4,298 in interest and spend less than five years paying off the balance. **LISA GERSTNER**

→ GET A NEW-ACCOUNT BONUS

Some credit cards offer a heap of extra cash, points or miles if you spend a certain amount in the first few months of opening the account. Recently, for example, the ***Bank of America Customized Cash***, ***U.S. Bank Altitude Go*** and ***Wells Fargo Autograph*** cards all offered a bonus worth $200 if you spend $1,000 in the first three months. The ***U.S. Bank Cash+ Visa*** gives you a little more time to earn the bonus, offering $200 back if you spend $1,000 in the first 120 days. And the ***Capital One Quicksilver***, ***Chase Freedom Flex***, ***Chase Freedom Unlimited*** and ***Wells Fargo Active Cash*** cards offer a $200 bonus if you spend just $500 in the first three months.

Similarly, some banks offer a cash bonus if you open an account and deposit a certain amount. The online ***SoFi Checking and Savings account*** (www.sofi.com), which has no monthly fee, offers a $50 cash bonus if you have a direct deposit of $1,000 to $4,999 within the first 25 days ($250 bonus if your deposit is $5,000 or more). The account yields a healthy 4.5% if you have a direct deposit, too. You can search for account bonuses available in your area at www.bankbonus.com. **L.G.**

→ MAKE UPGRADES AT HOME

Enhance your home cinema experience. It has been a big year for movie debuts. Many of the films that had to suspend or postpone production because of the pandemic were finally able to premiere over the summer. Whether you're looking to bring the movie theater home or you want the best possible viewing experience as you enjoy your favorite sports and TV shows, investing in a high-quality TV has its perks.

Consider TCL's latest 6-Series Roku TV. For a price of about $1,000, you can get a 65-inch model (the ***TCL 65R655***). The 4K Ultra HD picture quality provides 2160p resolution, and mini-LED technology and QLED Wide Color ensure superior brightness and color. The Roku interface is easy to navigate and offers applications for a number of video-on-demand and live-streaming services, such as Netflix, Hulu and Disney+.

Another compelling option is the $950 ***Samsung 65-inch Class Q60C QLED 4K Smart Tizen TV***, which carries many of the same features, including high-quality resolution, color and brightness, as well as video-streaming applications. **E.P.**

For about $1,000, you can get a 65-inch TCL 6-Series Roku TV.
↓

←
The Ring Floodlight Cam Wired Pro comes with motion detection as well as a speaker.

Fortify your security. Locking the door only goes so far in securing your home. Installing multiple security cameras that monitor your front door, back and side doors, yard, and garage can help you keep an eye out for trespassers (and may also be handy for monitoring your kids). Try the ***Ring Floodlight Cam Wired Pro with Bird's Eye View and 3D Motion Detection*** ($250 each on Amazon), which comes with a floodlight, motion detection and a speaker so you can hear and speak to anyone on camera. It's also compatible with Amazon's Alexa voice assistant, so you can tap into the feed from any of the cameras with an Alexa device, such as an Echo Show, a Fire TV or a Fire Tablet. **E.P.**

Hire a professional organizer. Home organization has reached new heights of popularity in recent years, thanks in part to the pandemic—when many people were spending plenty of time at home—as well as popular books and TV shows such as Marie Kondo's *The Life-Changing Magic of Tidying Up* and Netflix's *Get Organized With The Home Edit*. If you're compelled to declutter and organize but would rather not do it all yourself, consider outsourcing the project to an expert who can provide an outsider's perspective, ease the decision-making burden, and create effective and efficient storage solutions. The National Association of Productivity & Organizing Professionals lets you search for providers by type of service, distance from your location, or both. Visit www.napo.net and select "Find a Pro" to get a list of professionals in your area, along with information about their businesses, including links to their websites and contact information.

TOP: COURTESY OF RING / BOTTOM: COURTESY OF TCL

Fees vary widely based on the professional's experience, your location and the scope of services you request. Many pros charge by the hour, while others charge by the package or project. According to HomeAdvisor, a digital marketplace that connects homeowners with local service professionals, you can expect to spend between $80 and $140 per hour, on average, for a professional organizer's services. Also check for any initial consultation fees, extra costs for needed materials and supplies, and disposal fees. **E.P.**

Create a hydroponic indoor garden. Growing your own garden is a satisfying way to enjoy fresh produce while also saving on your grocery bill. But not everyone has the luxury of living somewhere with a long growing season, lots of yard space or the right climate for the produce they consume most. A hydroponic indoor garden can serve as a convenient, reliable source of fresh lettuces, herbs and fruiting plants year-round. These gardens require relatively little maintenance; a high-quality hydroponic garden setup includes its own irrigation system (typically a large tank that you top off weekly) and automated lighting for the plants.

At $899, the ***Gardyn Home 3.0*** (www.mygardyn.com) provides an indoor hydroponic garden setup with 30 starter plants of your choosing, a growth assistant that relies on artificial intelligence to look after your garden 24/7 via cameras and sensors, and automated lighting and watering. The system is soil-free, so you must feed the plants with liquid nutrients that you add to the water tank.

For a smaller garden tailored to lettuce lovers, try the ***Farmstand Nook by Lettuce Grow*** (www.lettucegrow.com) to grow fresh herbs, greens and edible flowers all year long. At $699, the Nook supports up to 20 plants and fits well in tight spaces. **E.P.**

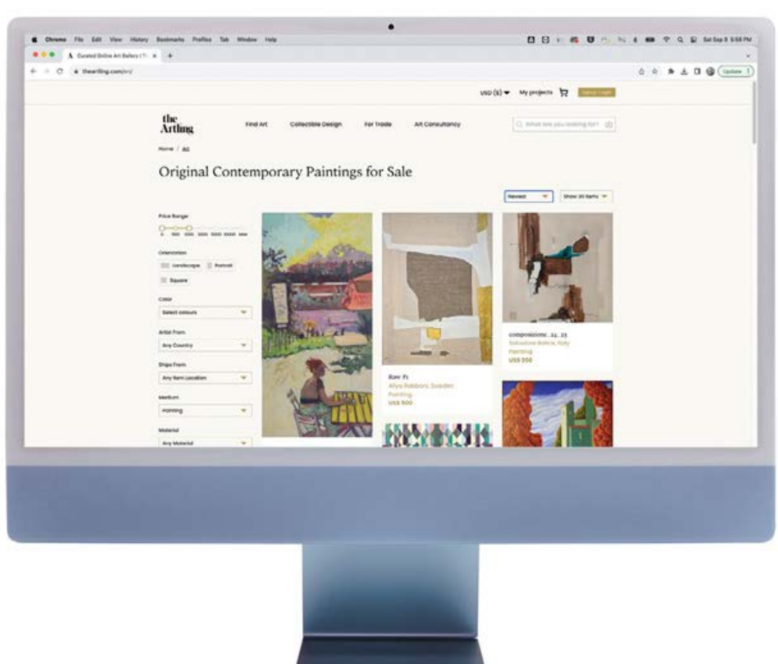
A hydroponic indoor garden can serve as a convenient, reliable source of fresh fruit and vegetables year-round.

Buy artwork online. You don't need to have deep pockets to buy fine art—and you can build your collection by shopping at online galleries. You may be able to find more-affordable artwork through online galleries than traditional ones, and you can easily compare prices. With The Artling (www.theartling.com) and Zatista (www.zatista.com), for example, you can filter your search for pieces with price tags of less than $1,000.

Similar to traditional galleries, online galleries have a wide range of artwork, such as sculptures, photographs and paintings. The Artling, for example, recently offered a minimalist painting titled *Black Glitter Bucket,* by Jose Ricardo Contreras Gonzalez, for $1,000, and Zatista had a striking, colorful photograph called *Kaleidoscope 55,* by Michael Filonow, for $920. Make sure you shop with sites that provide authentic artwork. The Artling and Zatista provide certificates of authenticity with each purchase. Some galleries, including The Artling, have a no-return policy. Others, including Zatista, let you return artwork if you're not satisfied with your purchase. **E.V.**

You can build your art collection by shopping at online galleries.

Get a new mattress. You should replace your mattress about every six to eight years, according to the Sleep Foundation. Although quality mattresses commonly cost more than $1,000, you can find solid options at lower prices, too. In its online review of mattresses, TechRadar.com deems the memory-foam ***Nectar*** mattress as the best value for the money, suitable for a wide range of sleepers. A king-size foam mattress from Nectar was recently $899, or $999 for a hybrid version with both memory foam and springs. TechRadar also highlights the ***DreamCloud Hybrid*** mattress, offering "hotel-like luxury" at a lower price than



COURTESY OF APPLE AND THEARTLING.COM

some other brands and relief for those who suffer from joint pain. The king-size model is $999. If you run warm when you sleep, check out the ***Cocoon by Sealy Chill*** mattress, a strong and affordable candidate among cooling mattresses, which draw heat away from the sleeper. The king-size version is $899. **L.G.**

←
The holiday season is one of the best times to book flights for your vacation next summer.

→ GET READY FOR YOUR NEXT VACATION

Reserve summer flights. The holiday season is one of the best times to book flights for the next summer's vacation, says Scott Keyes of Going .com. With a $1,000 budget, you should be able to buy at least one round-trip ticket for a trip abroad. A typical good deal on a round-trip flight to Europe this past summer was $813, according to Hopper, a flight-tracking and travel app. Meanwhile, the average good deal on a round-trip flight was between $400 and $500 for travel to Mexico, Central America, the Antilles and Canada, and a good deal on a round-trip flight to South America came out at just over $700, on average.

If you're planning a vacation within the U.S., you may be able to score a few tickets for $1,000. Average domestic round-trip airfares ran less than $300 last summer, according to Hopper. Use flight-tracking and cost-comparison tools such as Hopper, Google Flights and SkyScanner to look for deals.

Replace your luggage. Whether it makes sense to invest in a small suitcase to carry onboard an airplane and stash in overhead bins, a larger piece to check in the luggage hold or both may depend on which airlines you frequent. Southwest Airlines is the only major U.S. airline that doesn't charge fees for one or two checked bags. Carry-on bags are often free, although some airlines—including Frontier and Spirit—charge fees for them, and JetBlue and United charge for them if you book a Basic Economy ticket.

If you need both types of luggage, consider buying a set. The two pieces in the $840 ***Travelpro Platinum Elite Carry-On/Large Check-In Hardside Set*** are "spinners" that stand upright on four wheels, and they have an ultra-strong 100% polycarbonate shell that flexes upon impact to prevent cracking and protect the bags' contents. Travelpro luggage has a lifetime warranty against any defects, and you can register for free within 120 days of your purchase for a five-year warranty to cover the cost of any repairs for damage caused by an airline. If you don't need both pieces, you can opt for the large spinner for $470 or the carry-on spinner for $370.

All of the major U.S. airlines let passengers bring a small personal item (a shoulder bag, backpack or laptop bag that fits under the seat in front of you) free. The $98 ***Beis Mini Weekender*** includes a built-in padded laptop sleeve and a separate bottom compartment that's perfect for shoes. Or check out ***Travelpro's Crew VersaPack Rolling UnderSeat Carry-On***. At $230, this bag comes with a removable personal organizer that has water-resistant compartments, padded sleeves for your laptop or tablet, exterior side pockets to fit an umbrella or water bottle, a built-in USB charger, and wheels for rolling.

Travelpro luggage offers a lifetime warranty against any defects.
↓

Book a volunteer vacation. A more hands-on approach to philanthropy than dollar donations, volunteer vacations offer the chance to broaden your perspective, connect with the community you're visiting and make a difference in a cause that you care about. ***International Volunteer HQ*** (www.volunteerhq.org) organizes journeys to more than 50 destinations around the world, and the programs cost as little as $20 per day.

Accommodations, meals and in-country support are all included. You'll just have to cover the cost of flights. You could teach English in Antigua or help conduct research in the wild forests of Madagascar, for example. The organization also accepts medical volunteers who have a professional background in health care. Some programs have a foreign-language proficiency requirement. The organization uses information that you provide in your application to determine whether you're eligible for your program of choice. **E.P.**

GETTY IMAGES / COURTESY OF TRAVELPRO

Paying It Forward

GIVING BACK TO THE MEN AND WOMEN WHO SERVE

This group offers financial and career help to military members and veterans. **INTERVIEW BY EMMA PATCH**

TRACE CHESSER
President and CEO, USA Cares
LOUISVILLE, KY.

What is the mission of USA Cares? We provide financial and emergency assistance for post-9/11 military members and veterans. Often, we assist those who can't work and pay their bills while undergoing inpatient treatment for PTSD or a serious injury. We stop evictions and foreclosures, reactivate utilities, and get them access to food, for example. We also provide skills training for those who have left or are leaving military service to help them build a foundation for stability. But the primary thing that we know we're doing is reducing factors that can contribute to veteran suicide. As of mid August, we've provided support to more than 600 service members, veterans and their families this year.

What kind of skills training do you provide? Anyone who gets funding from us has to go through an online basic financial literacy course. It covers balancing checkbooks, spending, budgeting and saving for the future. The second program we have covers career transition. We help veterans build a résumé, learn how to do a job search and obtain a job.

What other special challenges do military families face that bring them to USA Cares? In some cases, we have seen active-duty service members stationed in locations such as Hawaii and Alaska, where the cost of living is very high, and the cost-of-living allowance they receive is not enough to cover their expenses. Army Emergency Relief has referred several soldiers to us to assist.

How did the organization come about? In 2003, a big surge of our military members headed back into Iraq just as the forces in Iraq had become much more sophisticated and organized since the Gulf War, building and implementing effective weapons systems and IEDs [improvised explosive devices]. A lot of service members were coming home with some serious injuries—often missing limbs. It was pretty traumatic. The Army created a "wounded warrior transition unit" at Fort Knox, near Louisville, Ky., that helped these service members transition into the VA [Veterans Affairs] system from active duty. The community saw the service members at the Louisville airport and in other places around the area, and a lot of people were very moved. They got together with the grocery chain Kroger and a local TV station, Wave TV, started selling yard signs, and raised a lot of money really quickly to help these people. They created an organization that they called Kentuckiana Cares, which later became USA Cares.

How did you get involved? I was a service member for a long time. My time in the military was great; I learned a lot, and it helped me to form a lot of skills and abilities, and those experiences transitioned over to some civilian jobs. I was okay with those jobs, but I still had a passion for trying to take care of service members. Then someone introduced me to USA Cares, and here I am.

What do you wish more people understood about the work you do? Even though the Iraq combat mission has ended, there is still a massive need for our support services. Over the past 20 years, millions of service members have struggled, and many still are as the economy and inflation drive costs up. Our work is actually increasing all the time. ■

COURTESY OF USA CARES