Kiplinger's
PERSONAL FINANCE

Make the Most of Your BIGGEST ASSET

Strategies for buying and selling your home, tapping your equity and helping your kids buy their first house. p 40

APRIL 2023

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THOMAS A. MORRIS

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RUI RICARDO

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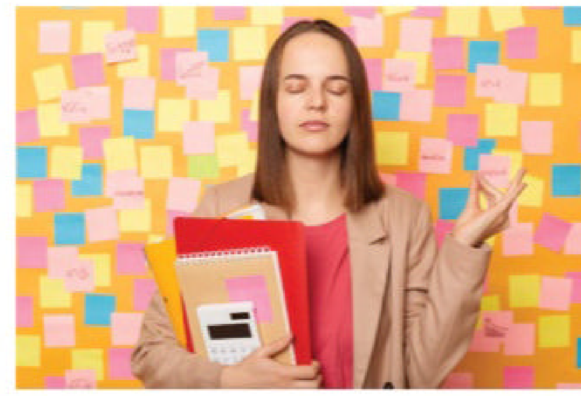

7 PRACTICES FOR A STRESS-FREE TAX SEASON

Most taxpayers dread doing their taxes—it's basically like homework for adults. But we have seven ways to be more organized for tax season so you can stop dreading the paperwork and get back to your life.

kiplinger.com/kpf/tax-season

THE BEST GOLD ETFs WITH LOW COSTS

These seven gold ETFs provide investors with numerous ways to play the metal on the cheap, from direct exposure to stock-related angles.

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A Long Retirement

As I was reading "How to Prepare for a Really Long Retirement" (Feb.), I kept asking myself, *What if federal income taxes don't go up, and I am not in a higher tax bracket in retirement?* I have been reading for years about how everyone should invest in Roth accounts so they don't have to pay taxes later (when those recommending this idea are suggesting taxes will be higher). In reality, no one knows where income taxes will be in even five years. We have a huge divide on income tax rates in this country and more and more federal politicians wanting to lower income taxes to get elected or re-elected. I have always tried to split my retirement investments between traditional accounts and Roth accounts so that I am covered regardless of what Congress decides to do with income taxes in the future.

DAVID GREENE
ANNAPOLIS, MD..

You write about a couple that faces a 35% federal income "tax bomb" (plus potential state taxes) under a traditional 401(k) required minimum distribution. As written, the article suggests that the 35% marginal tax rate would be applied to the entire withdrawal, which is, of course, not the case.

TEX PASLEY
CHICAGO

I took the LivingTo100.com test and shuddered at the result: 95. I can add half a year if I cut out sweets. *Hard pass.* I concur with my friend Rod, who says, "Sure, if I lose 20 pounds, I could live a few extra years. But guess what? Those are the worst years." My hope is to have my nieces take me to Switzerland (or Oregon, if I've spent too much) when the time is right.

TRACY HARGER
COLUMBUS, OHIO

Auto insurance. You quote a source who states that you may reach a point at which you're "spending more on full coverage than it's worth for the vehicle" ("Reshopping Auto Insurance in a High-Inflation World," Feb.). Collision coverage and "full coverage" are two separate and distinct items. On an older vehicle, all you do is delete collision and comprehensive coverage. You keep not only sufficient liability but also uninsured/underinsured motorist and, in many cases, medical payments coverage. As a personal injury attorney and former auto insurance adjuster, I can tell you how much trouble this confusing advice has caused.

SAM EAGLE
HUNTINGTON BEACH, CALIF.

Medical tourism. As a surgeon in Arizona, I see many patients who have obtained care abroad, primarily in Mexico or Canada ("Health Care Bargains Abroad," Feb.). Your article fails to discuss the major pitfall of obtaining care abroad, and that is when complications occur after the individual returns to the U.S. It is quite rare in the U.S. for plastic surgeons to be on call at local emergency rooms, and therefore if a complication does arise, the individual is most likely to see a general surgeon. That surgeon is not typically as concerned about the cosmetic result as they are about treating the complication efficiently and expeditiously, and subsequent care is subject to deductibles and co-pays despite the person having paid cash overseas. This can still result in substantial medical bills back home in the U.S.

CHARLES ATKINSON, M.D., FACS
TUCSON, ARIZ.

I am a retired orthopedic surgeon from L.A. and was head of the joint program in our hospital. I never liked sending big surgeries out of the area. Post-operative complications should be anticipated. If one of these complications occurs, the patient now has difficulty finding a local M.D. to take care of them, and the cost could be more expensive than the original.

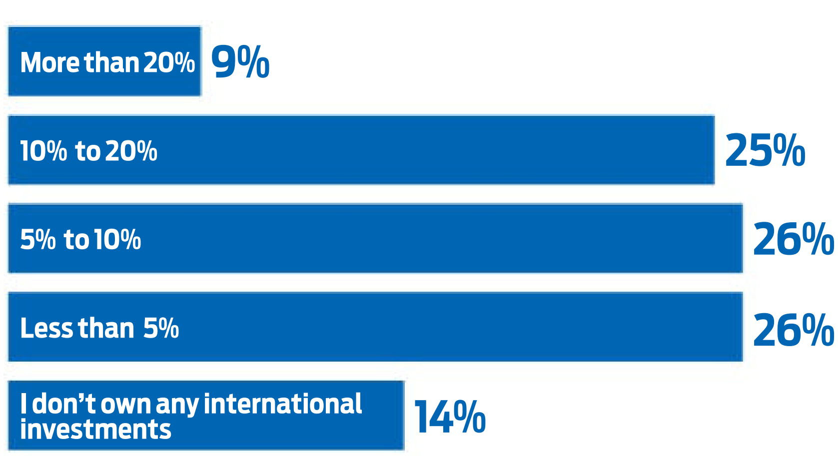
DOUG GARLAND
VIA E-MAIL

Corrections. Due to a data-provider error, the one-year return for the Pioneer Multi-Asset Income A fund was incorrect ("Fund Guide," March). It is 0.3%, not –0.1%. The fund's 10th-place ranking among one-year returns for hybrid funds doesn't change.

Taxpayers at least 65 years old can claim an additional 2022 standard deduction of $1,750 if you claim the single or head of household filing status, or an extra $1,400 if you file jointly ("How to Trim Your Tax Bill," March). If you file jointly and are both 65, the additional $1,400 deduction is doubled, for a total standard deduction of $28,700.

READER POLL

What percentage of your stock portfolio is invested in international holdings?



For our international fund and stock picks, turn to page 20.

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FROM THE EDITOR

Mark Solheim

No Place Like Home

Spring is the traditional time to buy and sell a home, but advice for buyers and sellers is only a part of our cover-story package on profiting from your home, starting on page 40. We know that our readers, who tend to be established and settled, aren't trading up (or down) all that often. Many of you have also paid off your mortgage.

So we focus on the changing value of the most expensive purchase you've ever made. Plus, we explore smart ways to tap your equity, including a reverse mortgage, which can provide retirement income or temporary cash while investments recover from a down market. We also explain financially sound ways to help a first-time buyer, such as a son or daughter, make the leap to homeownership.

OVER THE PAST THREE YEARS, THE NATIONAL MEDIAN SALE PRICE OF EXISTING HOMES JUMPED NEARLY 40%.

A changing real estate market. The pandemic played havoc with the housing market. As remote and hybrid work became the norm, workers formerly tethered to the office bought homes in far-flung suburbs and even states far from their workplace. Urban condos lost value, and single-family homes shot up in price, aided by super-low mortgage rates and tight supply. From January 2020 through the end of 2022, the national median sale price of existing homes jumped nearly 40%, although the appreciation slowed considerably in 2022 after mortgage rates spiked.

That has padded the equity in your homes considerably. According to ATTOM, a provider of real estate data, 48% of U.S. homes with mortgages were considered "equity-rich" in the fourth quarter of 2022, meaning that the combined loan balances secured by those properties was no more than half their estimated market value. The number of equity-rich properties has doubled over the past three years.

It's a different story for commercial real estate. Large-city downtowns turned into ghost towns during the lockdown three years ago, and many urban hubs are still eerily quiet, especially on Mondays and Fridays. The Kastle Back to Work Barometer, from the access-card company, tracks the weekday average of employees who swipe into the buildings it serves in the 10 largest U.S. cities. The 10-city average hit 50% of pre-pandemic activity at the end of January—the highest since the lockdowns.

Chicago and Texas cities have the highest swipe rates. Cities on both coasts have the lowest. That includes my hometown of Washington, D.C. As in other cities, D.C.'s empty office buildings and vacant storefronts are dinging revenues, as owners of buildings with high vacancies challenge tax assessments. D.C.'s mayor is talking about turning commercial space into apartments, but that doesn't always work without new construction because office buildings have a shortage of windows.

This is a long windup to my news that Kiplinger has closed its D.C. office, and the staff is now fully remote. Our parent company did the math, and our new digs, completed just days before the lockdown in March 2020, didn't have enough workers to justify keeping the lights on. Our U.S. headquarters are now in New York City (the mailing address is on page 5). The pandemic forced us to make use of new technology and procedures to publish the magazine and communicate with each other remotely, so there will be no disruption for readers and few ramifications for our staff—other than, for me at least, a wistful nostalgia for water cooler conversations and my old, windowed office.

Our columns get a new look. The full-body photos that graced our columns for many years are gone. I think the new line-drawing portraits better reflect the mission and straight-ahead sensibility of our magazine. I hope you agree.

Also, we are launching a new project, the Kiplinger Readers' Choice Awards. Please take a few minutes to weigh in on the financial products and services you think are best. To vote, go to www.kiplinger.com/awards between February 28 and March 31.

Mark Solheim

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ILLUSTRATION BY PATRICK WELSH

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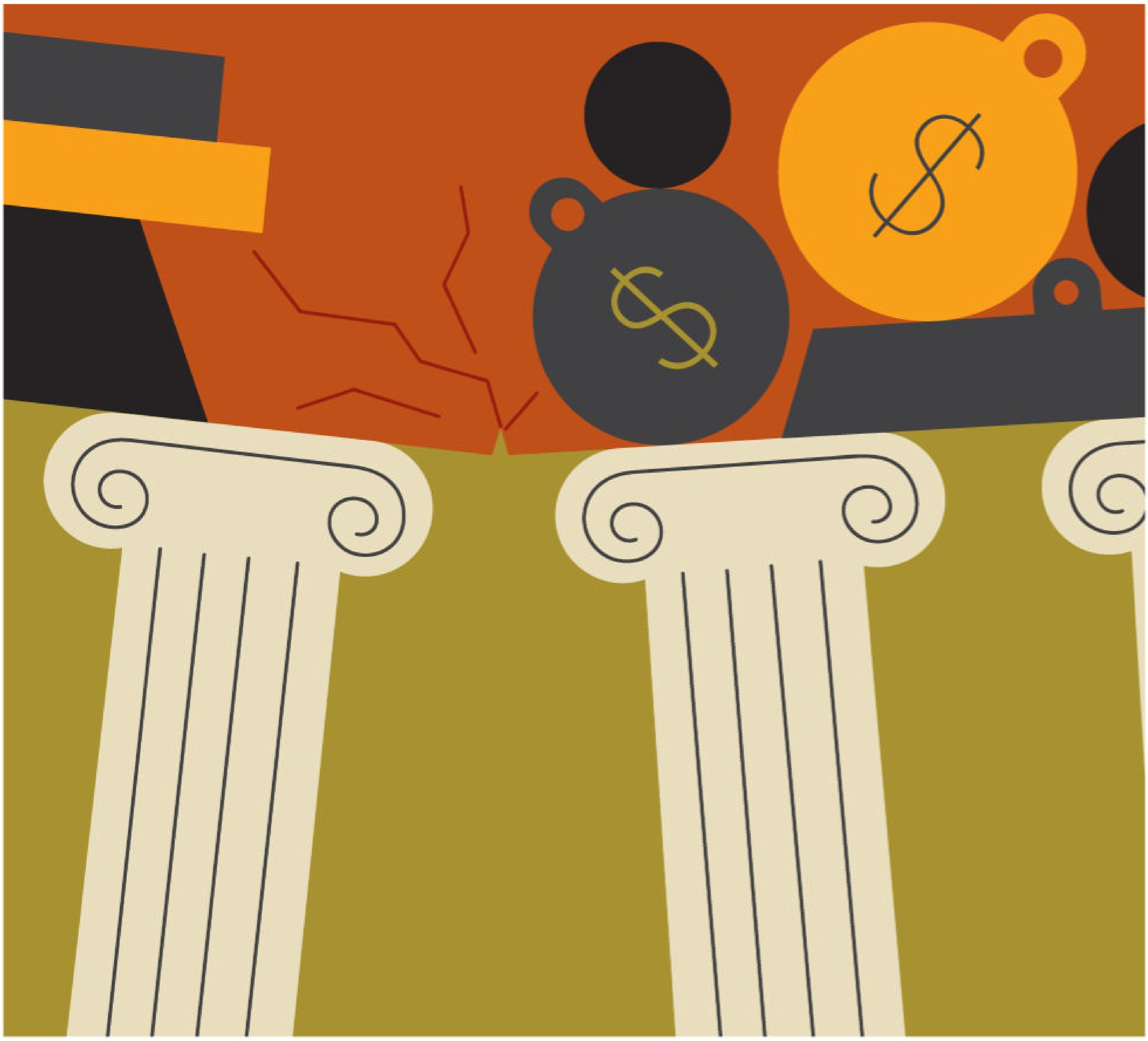
AHEAD



TOPIC A

BUMPING INTO THE DEBT CEILING

As the standoff over raising the U.S. borrowing limit plays out, here's what to expect. **BY SANDRA BLOCK**

BRINKMANSHIP IS NOTHING NEW in Washington, D.C., but the current showdown over increasing the debt limit is more fraught than most partisan clashes, with potentially far-reaching implications for your investment portfolio and the broader economy.

The U.S. hit its borrowing limit in January, but the Treasury Department is taking what Treasury

ILLUSTRATION BY ASIA PIETRZYK

Secretary Janet Yellen calls "extraordinary measures" to prevent the country from defaulting on its debt, now at about $31.5 trillion. These measures could give Congress until June to reach an agreement, but Yellen has said the timing is uncertain.

Kiplinger expects Congress to reach an agreement to stave off default, but if history is any guide, it will happen at the last minute. In 2011, an agreement was reached between Congress and the Obama administration on July 31—after Treasury estimated it would no longer be able to borrow as of August 2. Although default was averted, there were economic consequences in the lead-up to the deal: a market sell-off, an increase in interest rates on three-month and six-month Treasury bills, and the downgrade of U.S. government debt from AAA to AA+ by credit-rating agency Standard & Poor's.

Another debt-limit showdown in 2013 led to a 0.06 to 0.12 percentage point increase in 10-year Treasury yields, according to an analysis by Moody's Analytics. Short-term interest rates also jumped. While rates declined after an agreement was reached, "the episode likely cost taxpayers nearly a half-billion dollars in added interest, not including the costs to households and businesses of higher interest rates on the funds they borrowed," Mark Zandi, chief economist for Moody's, wrote in a recent report.

Higher stakes. The potential for an impasse appears higher in 2023. In 2011, Republicans were able to extract spending concessions from the Obama administration, which increases the chance that the new Republican House will try the same thing. Speaker of the House Kevin McCarthy has stated that an increase in the debt ceiling must be accompanied by spending cuts, a position demanded by Republican holdouts during the run-up to McCarthy's election as speaker. However, the Biden administration has refused to tie the debt ceiling to negotiations over reductions in spending.

EMERGENCY KIT

How to Position Your Portfolio

At press time, investors appeared to believe that a deal would be reached to raise the debt ceiling. That could change as we get closer to the deadline. In 2011, the S&P 500 index fell by more than 16% in the five weeks before Congress and the Obama administration reached a compromise to lift the debt ceiling. Consider this a good test of your tolerance for risk, along with a reminder of why it's not a good idea to invest money in stocks that you'll need in the near future. Retirees should have two to three years' worth of household expenses in low-risk accounts.

David Kelly, chief global strategist for JPMorgan Funds, suggested in a recent report that investors should consider assembling a disaster emergency-response kit, which he likened to the stockpiles of batteries, bottled water and duct tape that many households assembled following the September 11 terrorist attacks. Kelly's debt-ceiling disaster emergency kit would start with broad diversification and include high-quality international stocks and bonds, denominated in foreign currencies.

"We, of course, hope that disaster is avoided," Kelly said. "However, given still relatively cheap overseas valuations and the current under-exposure of U.S. investors to overseas assets, these adjustments may well make sense even if Washington doesn't trigger a debt-ceiling disaster."

The economy is also more vulnerable to shocks this time around. Many economists expect the economy to fall into recession this year. A default, even for a brief period, would likely cause the stock market, which has been struggling to regain traction after last year's bear market, to plummet. Treasury yields, mortgage rates and other consumer and corporate borrowing rates would spike. Depending on how long the stalemate lasts, payments to Social Security and Medicare beneficiaries could be delayed.

An economic model developed by Moody's Analytics predicts that a default of even a few weeks would cause a 4% decline in the inflation-adjusted gross domestic product, a rise in unemployment to 7% and a stock sell-off that would wipe out $12 trillion in household wealth. Even if the debt ceiling is ultimately increased, Moody's said, interest rates would not fall back to previous levels because global investors would no longer perceive Treasury securities as risk-free.

Workarounds. The specter of economic calamity has led policy wonks, lawmakers and others to consider measures to prevent default in the event a deal isn't reached. The most audacious suggestion is for the Biden administration to issue a trillion-dollar platinum coin to pay the government's bills. While absurd enough to inspire a 1998 episode of *The Simpsons*, some academics argue that it would be legal. Yellen has rejected the idea, stating that it would likely be rejected by the Federal Reserve.

Another proposal is for the Biden administration to bypass Congress and lift the debt ceiling unilaterally. The argument in favor of this approach is that the 14th Amendment of the U.S. Constitution states that the federal government is required to pay its debts. But this maneuver would almost certainly spark a constitutional crisis, and court challenges that could last for months.

Finally, some Republican lawmakers have argued that if the debt ceiling isn't lifted the government could prioritize payments to holders of U.S. government securities and delay paying other bills that keep the government running. While this would technically avoid a default, Yellen contends that it would upend global markets.

INTERVIEW

SPRING CLEANING? DONATE THE RIGHT ITEMS

There's demand for good-quality clothes, as well as jewelry, housewares and electronics.

Bill Parish, senior donated-goods retail consultant for Goodwill, has been directing and supporting the retail operations for Goodwill for more than a decade.

This is the time of year when many people clean out their closets for spring cleaning. What does Goodwill need? Clothing is our number-one category, and good-quality clothing is always in demand. But Goodwill appreciates all types of donations, including collectibles, jewelry, antiques, furniture, housewares, shoes, computer items and accessories.

What items shouldn't be donated? Items that shouldn't be donated at all include firearms, ammunition, fireworks, and broken and unusable items. For other items, local Goodwill team members can advise you on what can or can't be donated. There are local and regional laws that cover certain items. For example, some municipalities don't allow the resale of bedding and pillows, and others do.

How much of the stuff that's donated to Goodwill gets sold? In 2021, Goodwill received more than 107 million donations of used goods, totaling an estimated 5.7 billion pounds.

About half of the total donations we receive meet our quality standards for our traditional retail and online stores.

It's difficult to put clothing on our sales floors that has stains, tears, missing buttons, missing or nonfunctional zippers, or severe damage.

The Goodwill model is based on trying to reduce products from going to waste, so we make every effort to sell, repurpose or recycle donations locally with multiple retail channels, including our outlet stores. After exhausting all of those channels, remaining items are sold in bulk to buyers who put materials into different categories for recycling and exporting, depending on the needs of their network of buyers.

Should people donate luxury goods? Absolutely. If a local Goodwill organization has an online presence, it will put those types of items up for auction, similar to retail auction sites. We also have some specialty stores, which go by different names, that feature luxury or higher-priced items. They're still a good value—lower than the retail price or even what's sold on the secondary market.

It's important for people to understand that revenue from items they donate that we're able to sell in our stores helps to support Goodwill's mission, which provides people in need with job training and placement programs, as well as support services such as child care, financial education, free tax preparation and transportation.

When is Goodwill's busiest time of year for donations? Heavier donation times are spring and summer, as temperatures warm up. At year-end, when individuals have time off for the holidays, they clean out closets and donate items so they can deduct the value on their taxes, so that's a big donation time too. **EMMA PATCH**

PHOTO BY WILL TIMS

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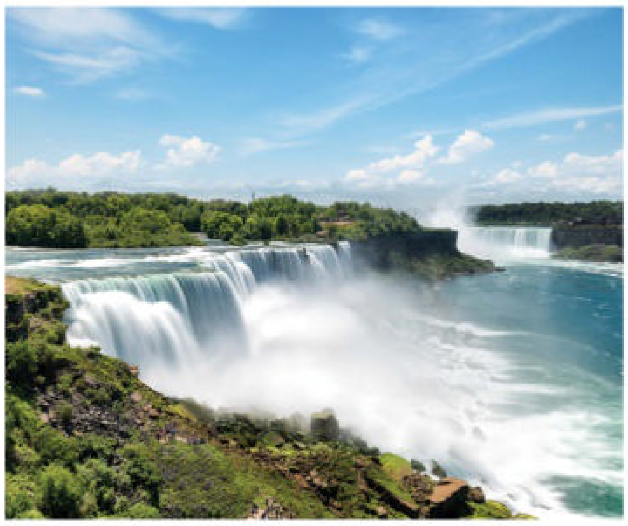

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Even modest cash outs when you're young can significantly reduce the amount of money you'll have when you retire.

AMOUNT OF CASH OUT	PROJECTED LOSS IN BALANCE AT AGE 67
One cash out at age 24 of $3,000	$23,000 (5%)
Additional cash out at age 26 of $4,500	$56,000 (12%)
Third cash out at age 28 of $5,000	$91,000 (19%)

SOURCE: Alight Solutions. Assumes a 5% annual return on investments.

WHEN WORKERS CHANGE jobs, they usually pack up their photos and coffee mugs, but they often leave behind a far more valuable asset: their 401(k) plan. Worse, many employees with small balances in their plans cash them out, which could jeopardize their long-term retirement security.

In an effort to encourage workers to leave money in their plans, three of the largest retirement-plan administrators, Fidelity Investments, Vanguard Group and Alight Solutions, are launching a service that will automatically roll over 401(k), 403(b) and 457 accounts with small balances to a new employer's plan. The providers will use a service developed by Retirement Clearinghouse LLC, a financial technology company that works with retirement-plan sponsors.

The Portability Services Network, which is expected to become available for some employees as early as this summer, will be limited to workers with $5,000 or less in accounts at participating plans. But increased collaboration among retirement plans could eventually make it easier for workers with large balances to roll over their plans, which can be an administrative headache even for sophisticated investors. Kathleen Kennedy Townsend, special assistant for retirement to the U.S. Secretary of Labor, has likened the rollover process to solving a Rubik's Cube.

How it will work. If you leave a job and have less than $1,000 in your 401(k) plan, your employer has the right to cash out the plan and send you a check. If you have more than $1,000 but less than $5,000, the employer can't cash out the account unless you request it, but the employer is allowed to roll the money into an IRA, where it will be invested in a low-earning cash account (the threshold will increase to $7,000 in 2024). Those accounts tend to have high fees, and employees often don't even know how to find the accounts, says Steve Holman, a principal in Vanguard's Institutional Investor Group.

However, if your plan is part of the auto-enrollment consortium, you'll receive a letter stating that the balance will be rolled over to your new employer's plan unless you opt out. If you do nothing, the money will be invested in the new plan's default option, which for many employees is a target-date fund.

Supporters of the new program believe it will significantly reduce "leakage," which occurs when workers cash out their 401(k) plans. The Labor Department estimates that workers cash out from $60 billion to $100 billion of their retirement savings a year.

And for young workers, even small balances can add up over time, says Greg Long, head of public policy for Alight Solutions. "Just a few thousand dollars for someone who is 26 translates to meaningful money when they're 65."

A lost and found for 401(k) plans. If you leave a job and you have more than $5,000 in your 401(k) plan, you usually have the option of leaving the money in your former employer's plan. But that raises the risk that you'll lose track of the account, particularly if the balance is small. Capitalize, a financial technology company that helps workers roll over their retirement plans, estimates that there are more than 24 million "forgotten" 401(k) accounts containing some $1.35 trillion in assets.

Employees may lose track of their plans because a former employer moved, changed its name or merged with another company. Retirement plans are also misplaced when one spouse dies and the survivor is unaware of accounts with the spouse's former employers.

Legislation signed into law last year should make it easier for workers to track down orphaned plans. A provision in SECURE Act 2.0 directs the Department of Labor to create a searchable database to help people track down lost retirement benefits. The database will also help workers locate pension benefits from former employers. It's scheduled to be up and running in two years.

For more on how SECURE Act 2.0 could affect retirement saving plans, turn to page 56. **SANDRA BLOCK**

CALENDAR
4/2023

JOSEPH SOHM/SHUTTERSTOCK

MONDAY, APRIL 3
Look for companies to start publishing their first-quarter earnings. Check the schedules of publicly traded companies' annual shareholder meetings, and turn to page 16 for what to expect from shareholder meetings during this proxy season.

TUESDAY, APRIL 18
Today marks the official federal tax-filing deadline for 2022; it's also the deadline for many state tax returns. If you haven't filed your return, you can request an extension until October 15. However, if you owe taxes, filing an extension won't give you more time to pay. If you've already filed your return, hold on to your W-2 forms and any 1099 forms generated from freelance income, unemployment benefits or investment income, as well as receipts for deductible expenses, for at least four years. You'll need these documents if you need to file an amended return or if you're audited.

SATURDAY, APRIL 22
Earth Day. Sustainable habits are often cost-effective, too. Consider switching to Energy Star appliances to trim utility bills and forgoing single-use plastics in favor of reusables. Donating used clothing or items is another way to reduce waste. For advice from Goodwill's donated goods retail consultant on what types of items Goodwill needs, see page 12.

▲ SATURDAY, APRIL 22
Through April 30, the National Park Service is offering free admission to national parks, monuments and sites that typically charge entry fees. Parks across the country will also host a variety of special programs. Visit www.nps.gov/subjects/npscelebrates/national-park-week.htm for details. **EMMA PATCH**

DEAL OF THE MONTH
Big-box stores such as Target, as well as home improvement retailers such as Lowe's and Home Depot, will likely offer deals on select gardening products in April. Expect sales on vegetable and herb seeds, growing kits, and even live plants, including trees and packs of herbs, says Julie Ramhold, consumer analyst for DealNews.

BRIEFING

INFORMATION ABOUT THE MARKETS AND YOUR MONEY.

■ SO FAR FOR 2023, AMAZON HAS RECEIVED THE MOST SHAREHOLDER RESOLUTIONS.

WHAT'S ON SHAREHOLDER AGENDAS

Proxy season, that period from roughly April through June when public companies hold annual meetings, is when shareholders can vote on new board members and support or reject proposals to change how companies operate. Such proposals are not binding, but they send strong signals to corporate management. And they have garnered more interest in recent years as large mutual fund companies that vote on behalf of investors and proxy advisory companies add their support to various resolutions.

On tap for 2023. Last year's proxy season demonstrated three trends that are likely to continue into 2023. First, the total number of shareholder resolutions jumped dramatically, fueled in part by new regulations that made filing easier. Second, environmental, social and corporate governance proposals received less support in 2022, with the average number of votes dropping from 40% of votes cast to 34%, according to Broadridge Financial Solutions. Third, proposals that were overly prescriptive did poorly—for example, asking a company to revise a specific carbon-emissions goal. Those asking for disclosure or research did better.

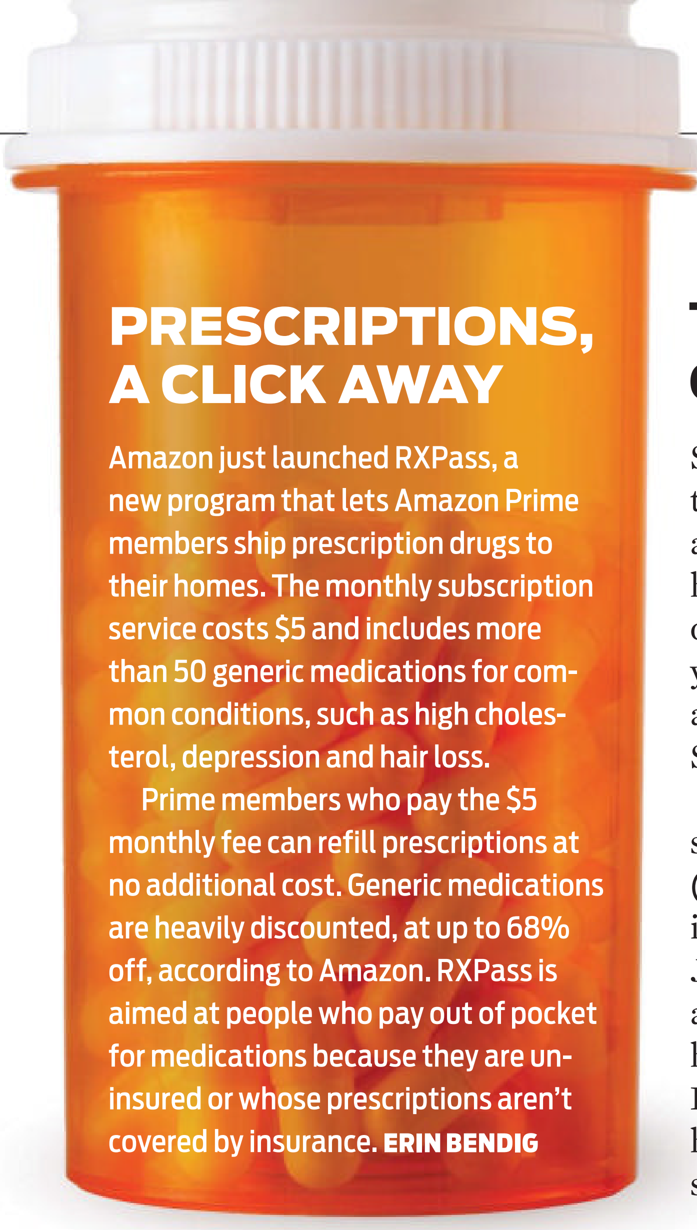
One reason votes for ESG resolutions sagged last year was that investors voicing opposition to the sustainable-investing trend made their first serious foray into filing resolutions. Those investors introduced 52 shareholder resolutions in 2022, most arguing that the business expense of diversity or climate-change programs is not justified. The resolutions largely failed to attract investor interest, garnering about 3% average support. (For a look at exchange-traded funds offering an alternative to ESG-focused investing, see "Funds Aimed at ESG Skeptics," on page 26.)

At least 100 resolutions have already been filed for the 2023 season; most ask companies to disclose their plans for reducing greenhouse-gas emissions or workplace discrimination. Regulatory and policy changes might also impact the 2023 proxy season.

Upcoming requirements by the Securities and Exchange Commission to disclose information about climate-related risks, coupled with European disclosure requirements, could increase support for greater disclosure of greenhouse-gas emissions and reduction targets. If the U.S. Supreme Court decides to limit racial-equity considerations in college admissions this spring, it could have a chilling effect on corporate diversity efforts and lower support for related resolutions. **ELLEN KENNEDY**

The amount you'd spend on coffee in a year by buying one cappuccino each weekday at the nationwide average cost of $4.76, according to Clever, a real estate advice and data website.

TOP: ALAMY. BOTTOM: GETTY IMAGES



PRESCRIPTIONS, A CLICK AWAY

Amazon just launched RXPass, a new program that lets Amazon Prime members ship prescription drugs to their homes. The monthly subscription service costs $5 and includes more than 50 generic medications for common conditions, such as high cholesterol, depression and hair loss.

Prime members who pay the $5 monthly fee can refill prescriptions at no additional cost. Generic medications are heavily discounted, at up to 68% off, according to Amazon. RXPass is aimed at people who pay out of pocket for medications because they are uninsured or whose prescriptions aren't covered by insurance. **ERIN BENDIG**

THREE NEW STOCKS JOIN THE RANKS OF THE DIVIDEND ARISTOCRATS

Standard & Poor's annual review of the S&P 500 Dividend Aristocrats—an index of S&P 500 companies that have increased their dividends without fail for at least 25 consecutive years—identified three firms that were added to the group on February 1. Stock prices are as of January 27.

The best-known newcomer is consumer staples company **J.M. SMUCKER (SYMBOL SJM, $4.80, YIELD 2.7%)**. Its brands include Folgers and Dunkin' coffees, Jif peanut butter, and Smucker's jams and jellies. Over the past year, SJM has generated a total return of 8.4%. However, its recent outperformance has Wall Street mostly sitting on the sidelines at the stock's current price, and the analysts' consensus recommendation is "hold."

Next up is **NORDSON (NDSN, $240, 1.1%)**, which designs and manufactures systems that dispense, apply and control fluids such as adhesives, coatings and sealants. Nordson's 42-year streak of dividend increases proves the company's commitment to returning cash to shareholders, and shares have consistently outperformed the broader market. Analysts' consensus: "buy."

C.H. ROBINSON WORLDWIDE (CHRW, $98, 2.5%) provides freight transportation and logistics services to industries worldwide. Analysts aren't bullish on the stock's near-term prospects, and the consensus is a "hold." **DAN BURROWS**

MILLION-DOLLAR CITIES FOR RETIREES

You'll need more than $1 million in savings to retire with an "average" lifestyle in 147 of 384 U.S. metro areas, according to a study by LendingTree, an online loan marketplace. The study subtracted Social Security income from average spending by retirees in each city, then used the 4% rule to calculate the size of the nest egg needed to generate that income. For the full list, go to www.lendingtree.com/home/mortgage/most-to-retire-study. At right are the five highest-cost and five lowest-cost cities.

Metro	Average spend	Implied pretax need	Average Social Security retirement income	Income needed from retirement funds	Nest egg size
HIGHEST COST					
San Francisco, CA	$64,545	$78,745	$24,111	$54,635	$1,365,870
New York, NY	63,501	77,471	24,847	52,623	1,315,587
San Diego, CA	62,346	76,062	24,111	51,952	1,298,796
Honolulu, HI	62,566	76,331	24,780	51,551	1,288,763
San Jose, CA	61,631	75,190	24,111	51,080	1,276,997
LOWEST COST					
Duluth, MN	$48,711	$59,428	$26,585	$32,843	$821,084
Florence, AL	45,303	55,269	22,770	32,499	812,485
Danville, IL	46,622	56,879	24,707	32,172	804,301
Cumberland, MD	48,436	59,093	26,973	32,120	802,988
Johnstown, PA	46,347	56,544	25,353	31,191	779,765
U.S.	**$54,979**	**$67,074**	**$24,229**	**$42,845**	**$1,071,127**

From *The Kiplinger Letter*

U.S. POPULATION GROWTH: STILL SLOW

U.S. population growth will pick up a tad this year. But it won't gain much from the suppressed level seen during the pandemic. Figure on a 0.5% uptick this year, compared with the pre-COVID normal of 0.7% annually, if you count only legal immigration. (Counting illegal immigrants would up the rate significantly.) Within the states, the population is shifting to the Southeast. Florida had the greatest population growth in the U.S. last year, due to both immigration and people from other states moving in. The Mountain West, which saw a big influx during the pandemic, is slowing now due to soaring home prices. Twenty-five states saw more people move out than move in last year, including most of the Northeastern states, the West Coast, the Midwest and the Plains. California, Hawaii, Illinois and New York lost the most.

GETTY IMAGES

The *Kiplinger* Readers' Choice Awards aim to recognize and celebrate the very best products and services in personal finance. These are the products and services that you, our readers, vote on to determine which are best. By shining a spotlight on the brands leading the way in helping you make better financial decisions, the *Kiplinger* Readers' Choice Awards serve as a guide to the products and services that can help all our readers make informed and confident decisions about their finances.

Choose your favorite offerings from the top financial firms, including:

- **Credit cards**
- **Banks**
- **Brokers**
- **Robo advisers**
- **Insurers**
- **Tax software**
- **Financial apps**
- **Annuities**
- **And more**

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INVESTING

TIME TO EXPLORE INVESTMENTS ABROAD

Use our international picks to broaden the reach of your portfolio.

BY NELLIE S. HUANG

■ FRANKFURT, GERMANY'S BUSINESS DISTRICT: GERMANY SHOULD BENEFIT FROM IMPROVING ECONOMIC GROWTH IN EUROPE AND FROM CHINA'S REOPENING.

ALAMY

International stocks: Why bother? For the greater part of the past decade, it hasn't paid to invest abroad. U.S. stocks beat their overseas counterparts in eight of the past 10 calendar years. It's little wonder that many investors now avoid foreign stock markets. "Our clients see international investing as a greater risk," ignoring any diversification benefits the asset class may provide, says Lewis Altfest, chief executive of Altfest Personal Wealth Management.

But it may pay to bother now. The stars are aligning for foreign shares. Inflation is easing, for a start, in much of the developed world and some emerging countries. "A lot of last year's headaches—higher inflation and rising interest rates—should subside throughout this year," says Nicole Kornitzer, manager of Buffalo International, "so the big question is how much of those rate hikes will flow through and cause a recession" and how bad the downturn will be.

But the economic outlook this year may not be as gloomy as economists once thought. Though the International Monetary Fund expects global growth to slow to 2.9% this year, down from an estimated 3.4% in 2022, many market strategists and economists think that in certain key markets, particularly the eurozone, any recession will be shallower than originally expected. Some say Europe may avoid a recession entirely.

What's more, foreign shares are cheap—cheaper than they have been in 15 years relative to U.S. stocks, according to some calculations. Of course, "you could have made the same observation anytime over the last two years, and still, international markets didn't outperform," says Jed Weiss, a Fidelity international-stock fund manager. "But starting points matter. They were cheap two years ago and they're even cheaper today." The dollar is weakening, too, which can be a boon for emerging markets.

Open for business. And then there's China. It's still the world's growth engine. Thanks to its early January reopening, which improved the outlook on lingering supply-chain snags and on trade to and from China in Asia and Europe, international markets are off to a great start this year. In the first month of 2023, two broad MSCI benchmarks, the EAFE and the Emerging Markets index, logged gains of 8%—or close to it. The MSCI China index climbed 12%. And markets in Germany and Korea, which strategists say will benefit most from China's reopening, gained more than 12%. The S&P 500, by contrast, is up 6%.

Many strategists predict this trend will continue. "We expect international stocks to deliver a superior return to the S&P 500 over the next several market cycles," says UBS chief investment officer of global wealth management Mark Haefele. In other words, it's time for American investors to pack up their stay-at-home strategy and go abroad. Indeed, many investors are already rushing in, particularly in emerging markets. So far this year, emerging-markets stock and bond funds have experienced huge net inflows.

But investing in foreign markets can be tricky. Uncertainty lingers about just what will happen with global economies. The war in Ukraine continues. And investors tend to be fickle about international stocks. "People get very hot and very cold quickly" about foreign stock markets, says David Marcus, chief executive of Evermore Global Advisors, often with little due diligence.

It's time for American investors to pack up their stay-at-home strategy and go abroad.

And international investing comes with an extra set of challenges, given the array of different countries, and their respective currency, regulatory and political risks. The MSCI emerging-markets benchmark, for instance, comprises 24 countries; the developed market benchmark, 21. On top of that, emerging markets carry greater liquidity risk, meaning it's not always easy to buy or sell securities quickly and efficiently. We've come up with several ways to help you navigate overseas markets. Starting with mutual funds and exchange-traded funds, we lay out what we see as the best opportunities, first by broad geographical area and then by region and country. We also highlight six foreign stocks worth buying now. But dip in slowly. "While we expect elevated levels of volatility to persist for the foreseeable future, we also see opportunities for investors amid the fog," says Ben Kirby, cohead of investments at Thornburg Investment Management. Returns and data are as of January 31.

START WITH FUNDS

A broad-based foreign-stock index fund is a good starting place to boost your overseas holdings. **VANGUARD TOTAL INTERNATIONAL STOCK ETF** (SYMBOL VXUS, $56, EXPENSE RATIO 0.07%) owns nearly every publicly traded foreign stock in developed and emerging markets. For a quick dose of emerging-markets exposure, consider **ISHARES CORE MSCI EMERGING MARKETS ETF** (IEMG, $51, 0.09%), which tracks the MSCI EM index.

Actively managed mutual funds offer an opportunity to outpace the indexes. **JANUS HENDERSON GLOBAL EQUITY INCOME** (HFQTX, 1.02%), a member of the Kiplinger 25 (our favorite no-load funds), which focuses on dividend-paying foreign stocks trading at discount prices, has done just that over the past one, three and five years. Looking ahead, comanager Ben Lofthouse thinks the fund is well positioned. The stocks in the fund sport an average price-earnings multiple of nine, based on estimated earnings for the year ahead. "It's quite unusual to see a diversified portfolio invested across all sectors trading at that multiple," he says. "And there's still so much value out there." The fund yields 3.8%.

Say *ja* to Europe. "Growth in Europe is likely to accelerate in the coming months," says UBS's Haefele, thanks to lower-than-expected gas prices and a mild winter. **ISHARES CORE MSCI EUROPE** (IEUR, $52, 0.09%) holds shares in more than 1,000 eurozone and U.K. companies. The U.K., France, Switzerland and Germany are its biggest country exposures.

BUFFALO INTERNATIONAL (BUFIX, 1.03%) is worth considering, too. It's an actively managed, diversified foreign-stock fund, but more than 70% of its portfolio is invested in European and U.K. stocks. Manager Nicole Kornitzer looks for "premier growth companies and well-priced stocks." Her focus on free cash flow (cash left after expenses to maintain and invest in the business) in relation to a stock's market value means the fund avoids high-momentum stocks trading at ridiculous prices—and that helped last year. Over the past 12 months, the fund's loss of 6% outpaced 82% of its peers (funds that invest in large, growing foreign companies). Its long-term record shines, too. Over the past decade, the fund's 7.6% annualized return beat 88% of its peers.

ALAMY

Finally, Germany stands to be a big beneficiary from improving economic growth in Europe and China's reopening because it has an export-focused economy. **ISHARES MSCI GERMANY ETF** (EWG, $28, 0.50%) is an easy way to build a little exposure. The ETF holds shares in 58 firms, including SAP and Mercedes-Benz Group.

Find green shoots in emerging Asia. Certain Asian countries could offer "green shoots for growth," say Morgan Stanley strategists. **BARON EMERGING GROWTH** (BEXFX, 1.33%), a Kip 25 fund, is big on the region—more than 60% of its assets are invested in China, India and Korea, its three biggest country exposures. Among its top holdings are Samsung Electronics and two Indian giants, Reliance Industries and Bajaj Finance.

China's economy is expected to grow 5.2% in 2023 thanks to a rebound in domestic consumption and its reopening. The catch is that the government can throw a wrench in company fortunes without warning, as it did in its 2021 regulatory crackdown on tech firms. We're cautious on China and prefer investing in its growth indirectly. But for intrepid investors, we like the approach of **MATTHEWS CHINA DIVIDEND** (MCDFX, 1.12%), which boasts above-average returns with below-average volatility over the past three, five and 10 years.

Korea dominates China's import market for intermediate goods (raw materials or semi-finished products used to make other goods), so Korea is a prime candidate to benefit from China's reopening. **MATTHEWS KOREA** (MAKOX, 1.13%) is the granddaddy of the ultrashort list of Korea-focused funds. Over the past decade, the fund has returned 5.0% annualized.

India is the region's best long-term growth story, but it will take time. "India is set to surpass Japan and Germany to become the world's third-largest economy by 2027 and will have the third-largest stock market by the end of this decade," says Ridham Desai, Morgan Stanley's chief India strategist, which means it could be a "once in a generation" opportunity for investors. **WISDOMTREE INDIA EARNINGS** (EPI, $33, 0.84%) stands out for its solid long-term returns and average volatility relative to peers. It tracks a proprietary index focused on profits. The more profitable the company and greater a stock's accessibility (ease of trading) to foreign institutional investors, the bigger its weight in the portfolio.

STOCKS TO BUY NOW

All but one of the stocks highlighted below trade as American depositary receipts (the exception is a Canadian company). ADRs trade on U.S. exchanges. Shares are priced in dollars, and dividends are paid in dollars, converted from their home currency—so the shares are still subject to the risk of currency swings. And depending on the type of ADR, the amount of financial information available can vary.

DEUTSCHE POST DHL (DPSGY, $43). This German mail and parcel company is the biggest in Europe. Its well-known shipping business, DHL, accounts for the largest chunk of revenues—79% of total sales. It's part of an oligopoly, along with FedEx and UPS, in the international express shipping business. DHL also provides other services, such as supply-chain management, e-commerce logistics and freight transport, in 220 countries worldwide.

Tweedy, Browne International Value managers picked up shares in Deutsche Post last summer, when the stock traded at a discount after a nearly 50% drop in price. Shares have since recovered a bit but are still a bargain: The stock trades at 13 times expected earnings for the year ahead—below its five-year average forward P/E of 16. And it pays a dividend yield of 4.1%. Tweedy comanager Andrew Ewert says Deutsche Post is well positioned to benefit from ongoing growth in e-commerce. He also notes that DHL is the kind of business that can raise prices with little impact to overall revenue if inflation lingers.

KINAXIS (KXSCF, $116). The pandemic changed how companies think about managing their supply chains. Instead of fixing problems "just in time" or as they occur, companies now want a "just in case" system that can head off complications earlier, says Zoey Zuo, a comanager at Brown Capital Management International Small Company, a Kiplinger 25 fund. Kinaxis, a small

Canadian software firm, makes the go-to software to achieve that end. BMO Capital Markets analyst Thanos Moschopoulus says the software offers customers a "control-tower view of their supply chain, highlighting issues that may affect their ability to meet customer demand." The price tag is high, and the software can take months to install, so once a business buys Kinaxis's software, it tends to stick with it.

Although the firm said recently that demand is "continuous and accelerating," sales growth isn't as robust as it was in 2022, when it jumped an estimated 47%. Moschopoulus still rates the stock "outperform," expecting the company to report a 12% boost in revenues in 2023 from the previous year, in line with its pre-COVID sales trend.

Brown Capital's Zuo says the stock remains one of her favorites in part because the company recently began to allow customers to choose from a "chef's menu" of its software, with the ability to add new options over time. The new model shortens the software installation time and has expanded the company's addressable market from 3,000 firms to more than 10,000.

LVMH MOËT HENNESSY LOUIS VUITTON (LVMUY, $175). Shares in this luxury goods purveyor have climbed 8% over the past 12 months, mostly because people are spending money after being locked down during the pandemic. China's reopening and the lifting of travel restrictions in Hong Kong were boosts, too—much of the stock's gain was notched in recent weeks.

Uncertainty looms over many of the world's economies—inflation, risk of recession and declining consumer confidence—but luxury-goods buyers may not feel the pinch as much. Analysts Claudia D'Arpizio and Federica Levato, at investment firm Bain & Co., expect continued growth for the global luxury-goods market for the rest of the decade, even in the face of present economic turbulence.

The run-up in the stock's price makes LVMH one of the largest stocks in Europe by market value. But the stock is still cheap: At an ADR price of $175, shares trade at 25 times expected earnings, a discount to its average forward P/E over the past five years of 34.

The semiconductor business is highly cyclical and currently in the middle of a down stretch.

SIEMENS (SIEGY, $78). Once a stodgy industrial firm involved in power generation and distribution, Siemens is now helping companies digitize and automate their factories and shift away from fossil fuels to more renewable energy sources. Its transformation has fattened operating profit margins and boosted its free cash flow to all-time highs in recent years, according to a report from CFRA Research.

It's a sprawling business. Siemens's digital industries business, which accounted for 27% of revenues in its most recent fiscal year (ending in September), provides products and software that help other companies automate factories, motors, drives and the like. Its smart-infrastructure segment (24% of revenues) builds sustainable buildings and makes products and software to support the transition to renewable energy sources. But its fastest-growing business segment is medical imaging and laboratory diagnostics.

CFRA analyst Alan Lim Seong Chun rates the shares a "buy" in part because of the firm's "bright earnings prospects" due to solid demand for automation and sustainability globally.

STMICROELECTRONICS (STM, $47). This European semiconductor producer is one of the world's largest. It makes chips for many products, including Apple's iPhones. But it also outfits cars with chips that help with a variety of electronic functions, from collision warnings and airbags to reducing fuel consumption. Tesla is a big customer.

Now it's working to gain share in the market for silicon-carbide chips, says Buffalo International's Kornitzer. The chips are in high demand for electric vehicles because silicon-carbide-based electronics can operate at high-temperature settings. Industry groups estimate global revenues for silicon-carbide chips will reach $2.2 billion by 2026—double the revenues in 2022.

The semiconductor business is highly cyclical, and it's now in the middle of a down stretch. STMicroelectronics shares have been flat over the past 12 months. Kornitzer says the stock is "attractively priced" in part because the firm's silicon-carbide business will boost overall profit margins over the next five years and "the stock is not priced for that scenario."

UNILEVER (UL, $51). If you know Dove soap, Hellmann's mayonnaise and Ben & Jerry's ice cream, then you know Unilever. It is the leading supplier of home and personal-care products, with an expansive geographic footprint of more than 190 countries and some 2.5 billion customers. It's also a relatively safe way to tap into the growth of the middle class in many emerging markets. Its fastest-growing markets include Brazil, India, Pakistan, Turkey and Vietnam.

Just don't expect go-go growth. "Moving the needle on Unilever's €52 billion in sales in a low-growth environment is challenging," says Morningstar analyst Philip Gorham. But the company's broad portfolio of products across multiple categories "creates a virtuous cycle" of competitive and cost advantages that new entrants simply cannot replicate, he adds.

At an ADR price of $51, the stock trades at a P/E multiple of 17, a small discount to its five-year average P/E of 20. But that's a 30% discount to the multiple of its biggest competitor, Procter & Gamble. And the stock boasts a fat, 3.6% dividend yield. ■

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BACKLASH

Funds Aimed at ESG Skeptics

A new crop of ETFs seeks to offer an alternative to investments that focus on environmental, social and corporate governance issues. BY KIM CLARK AND ELLEN KENNEDY

There's a new wrinkle in the growing controversies over the rise of investment funds that promise to address environmental, social or corporate governance concerns. Amid investigations into allegations of "greenwashing," or false promises of environmental improvements, and opposition to ESG measures from conservative political leaders, individual investors are gaining new opportunities to direct their money to funds pitched as contrarian responses to the ESG trend.

At least nine new exchange-traded funds—some signaling their purpose with symbols such as DRLL—launched last year in reaction either to ESG issues specifically or to what some of the new fund founders label as a liberal political agenda behind ESG. In their short history, the 2022 crop of funds has cumulatively gathered more than a half-billion dollars in investments, though that is dwarfed by the more than $101 billion in assets currently invested in 279 U.S. ESG ETFs. In 2022 alone, investors put over $5 billion more into ESG ETFs than they took out, according to CFRA.

The nine funds making their debut last year are often lumped with a handful of others introduced since 2017 that promise to advance conservative political issues. Aniket Ullal, head of ETF data and analytics at CFRA, expects more political debates within the investment world. "Political intervention in ETFs is going to be an important story this year," he says. Some state financial officials are already threatening to pull money from managers they charge are improperly using investments to further political agendas, and the new Republican leaders of the House of Representatives threaten investigations into ESG investing.

At the root of the debate is whether shareholders are helped or hurt by companies' efforts to report on or address issues such as climate change or socioeconomic inequalities. We won't debate that here, and federal financial regulators have been challenged by the task of determining exactly what ESG risks are material to shareholders. And now, a backlash has begun.

A long history. Over the long term, the financial record of ESG investing and its progenitor, socially conscious investing, is mixed. Such values-based strategies have been around since Methodist and Quaker settlers refused to invest in businesses they saw as sinful. Backlash funds reflecting opposing views have a long history as well. In reaction to the "socially responsible investing" boom of the 1990s, for example, some mutual fund companies developed so-called vice funds that focused on firms profiting from tobacco, alcohol, gambling or firearms. But there is no clear evidence that either strategy consistently outperformed the broader market.

A few of the funds started in reaction to the current ESG trend have delivered market-beating returns recently. Still, most of the funds are too small or too new to warrant an investment recommendation one way or the other yet. Indeed, some funds are struggling to gather enough assets to cover their management and marketing costs.

And just as investors must do when weighing pro-ESG investments, those who are intrigued by choices promoted as alternatives must wade through a variety of options. The new funds vary greatly: They offer different (and sometimes conflicting) portfolios and strategies, as well as a range of costs. Below, we examine the various strategies used by some of this recent crop of funds and their plans

for charting a course that diverges from the ESG investing trend. Returns and other data are through January 31.

STRIVING TO ENGAGE

By far, the most successful of the counter-ESG funds, in terms of attracting assets, are from Strive Asset Management. Strive was founded last year by Anson Frericks and *Woke, Inc.* author Vivek Ramaswamy. The firm launched seven index funds in 2022.

Strive's strategy is to promise investors market-like returns through index funds—thus avoiding the danger of significant underperformance—while using its share ownership to vote proxies and engage with executives and board members to focus on, as Strive's literature proclaims, "excellence over politics." Strive's argument is that an ESG investing framework often detracts from profits. An analysis by the firm found more than 30 risk factors that investors might consider before buying a stock, says Matt Cole, Strive's chief investment officer. He calls ESG-related risks "important," but adds, "Where should those rank among the 30 to 40 risk factors? Probably, in our view, closer to the bottom."

Strive is already engaging with corporate management directly. For example, following the 2021 addition of new members of the board of directors at ExxonMobil with experience in climate science and clean energy, Strive wrote to and met with executives to argue that the board was now too focused on climate change. It is unclear how much influence Strive had over the company, but ExxonMobil did, indeed, add two members to the board last December with more-conventional business expertise.

Strive plans to engage with Chevron and Home Depot in 2023, filing resolutions if need be, to counter recent successful ESG campaigns. In 2021, 61% of Chevron shareholders supported a proposal asking for greater climate disclosure. And in 2022, almost 63% of Home Depot shareholders supported a resolution seeking a racial equity audit to assess, among other things, treatment of minority customers and the effectiveness of the firm's diversity, equity and inclusion programs. In addition to filing its own shareholder resolutions, Strive in January launched a new, alternative proxy voting advisory service, aimed at "advancing long-run value, not progressive social and political agendas," according to Justin Danhof, Strive's head of corporate governance.

ALAMY

EXXONMOBIL IS THE TOP HOLDING OF THE STRIVE U.S. ENERGY ETF, ACCOUNTING FOR SOME 22% OF ASSETS.

Strive has quickly attracted more assets than the rest of the ESG-alternative funds combined. The Strive U.S. Energy ETF (symbol DRLL) has gathered roughly $400 million in assets since its August 2022 inception. The passively managed fund tracks a U.S. energy industry index, produced by index provider Solactive, that includes a wide array of energy subsectors, but is most heavily weighted to oil and natural gas. The ETF's top holdings are ExxonMobil, Chevron and Conoco Phillips.

For context, Strive's energy fund portfolio contains all of the 23 stocks found in the more established Energy Select Sector SPDR Fund (XLE), as well as about 30 additional companies, such as utility Exelon and gas driller Ovintiv. The Strive offering comes with an expense ratio of 0.41% and has returned 1.1% over the three months ending January 31, below the 1.7% return of XLE, which has an expense ratio of 0.10%.

Strive's large-company index ETF, Strive 500 (STRV), is also based on a Solactive index and shares 424 names with the much larger SPDR S&P 500 ETF (SPY), which tracks the S&P 500 index. Top holdings in both funds are Apple and Microsoft. Strive's large-cap fund charges a rock-bottom expense ratio of just 0.05% and has earned 4.7% in the past three months. In comparison, SPY charges an expense ratio of 0.09% and has returned 4.95%. Strive's large-cap index fund has garnered more than $113 million in assets since its August 2022 launch.

Another sector fund, Strive U.S. Semiconductor ETF (SHOC), has collected more than $17 million in assets. Strive Emerging Markets Ex-China (STXE) debuted on January 31, 2023, and quickly attracted investor assets. As the name implies, it's a bet on developing economies outside of China. Strive's four other index funds—a value-oriented fund (STXV), a growth fund (STXG), a dividend-growth fund (STXD) and a fund focused on small and midsize companies (STXK)—have not attracted much investor attention. Charging expense ratios from 0.18% to 0.35%, each of the four reports assets of less than $6 million.

VOTING WITH DOLLARS

At least six other funds are focusing on using their assets—investor dollars—to either shun companies they believe are too liberal or bet on firms they believe are being improperly boycotted by ESG-focused investors. Although many of these fund managers plan to vote their proxies, most say they are primarily focused on shaping portfolios that fit their values: "We believe disinvestment is more effective than engagement," explains Bill Flaig, cofounder of the American Conservative Values Fund (ACVF), with about $36 million in assets. "The success that ESG investing had raising assets did validate to us that people will invest with their values," he says.

Flaig starts with the universe of firms with a market value of at least $4 billion, then screens out companies "perceived as hostile to conservative values." He uses news reports and tips from his investors to identify targets such as Visa, because of new credit card reporting codes making sales of firearms more trackable; Amazon.com, because of actions such as kicking conservative social media platform Parler off Amazon Web Services (founder Jeff Bezos's ownership of the *Washington Post* "doesn't help" he adds); and money management behemoth BlackRock,

At the root of the debate is whether shareholders are helped or hurt by companies' efforts to report on or address issues such as climate change or socio-economic inequalities.

because "they and their CEO are the poster child for ESG investing."

But because Flaig tries to keep his fund's sector allocations close to that of the S&P 500, he ends up investing in companies that often look similar to the boycotted ones. Mastercard, which also has firearms purchase coding practices, is one of the fund's largest holdings, for example. "The reality is we need to have some exposure to that industry. A lot of times it does wind up being a lesser of two evils," he says.

The fund generally holds between 200 and 400 names. Only four of its top-10 holdings match those of the S&P 500: Microsoft, Berkshire Hathaway, Nvidia and ExxonMobil. In the year ending January 31, the fund, which has an expense ratio of 0.75%, lost 5.9%—finishing well ahead of the S&P 500, which lost 8.2%.

Late last year, a South Carolina–based financial adviser and radio personality launched a somewhat similar politically conservative (and anti-ESG) investing option, the God Bless America ETF (YALL). With more than $30 million in assets, founder Adam Curran starts with the universe of companies with market values of at least $1 billion, screens out companies he believes are espousing liberal politics, and then tries to make sure he provides exposure to all 11 main sectors in the S&P 500.

Besides nixing conservative targets such as Walt Disney and Google-owner Alphabet, he says he also avoids the 118 companies whose executives signed the Business Roundtable's Stakeholder Capitalism commitment, which calls on companies to shift from focusing solely on shareholder returns to also consider concerns of customers, employees, suppliers and communities. "We certainly don't like ESG. And we are the first ETF with the word *woke* in the prospectus," Curran says.

But he says ESG ratings don't play into his decisions. Curran's largest holding is Tesla, followed by Nvidia. Tesla has received middling rankings from ESG analysts; Nvidia's are more positive. Curran has been buying those stocks at what he believes are bargain prices since launching the fund in October. Their recent rebound is one reason the fund's three-month return is 8.9%, compared with 5% for the S&P 500.

One new ETF specifically focused on anti-ESG investing is 2022's Constrained Capital ESG Orphans ETF (ORFN). But the stance isn't political. The name and symbol come from the idea stated in the prospectus that certain kinds of businesses are " 'orphaned,' discarded or excluded by ESG-centric mutual funds," and thus can be bought at lower prices. Top holdings: ExxonMobil, tobacco firm Philip Morris International and defense contractor Raytheon Technologies. Overall, the fund's holdings were recently priced at an average multiple of just 14.7 times estimated earnings—below the 17.4 average for similar funds, according to the research firm Morningstar. The fund has lagged the broader market in the past three months, up 3.9%, compared with 5% for the S&P 500 index. With just $3.6 million in assets, the fund charges 0.75% in expenses.

These funds are a sample of what is sure to be a wave of new market entrants in reaction to the ESG tsunami. Time will tell if these alternative offerings can garner the assets and deliver the returns they need to in order to thrive over the long haul. ■

FOR QUESTIONS OR COMMENTS, SEND AN E-MAIL TO FEEDBACK@KIPLINGER.COM.

THE KIPLINGER DIVIDEND 15 UPDATE

Our Picks Shine in a Challenging Market

WHEN THE GOING GETS TOUGH IN THE stock market, it helps to hold high-quality companies that pay dividends. To wit: The stocks in the Kiplinger Dividend 15, our favorite dividend payers, have lost 0.3% over the past 12 months. That's a slim loss, but compared with the 8.2% loss in the S&P 500 index over the same period, it's a stunning performance. Eleven of the 15 stocks beat the benchmark.

As a group, the Dividend 15 boast an average 3.2% yield. (The S&P 500 dividend yield is 1.7%.) Since we last checked on the group in late 2022, seven companies have announced increases in their payouts. **MCDONALD'S** raised its quarterly dividend more than 10%; **MASTERCARD**, nearly 9%; **AIR PRODUCTS & CHEMICALS**, nearly 8%; and **ABBVIE**, 5%. **EMERSON ELECTRIC**, **ENTERPRISE PRODUCTS PARTNERS** and **REALTY INCOME** had more-modest hikes.

AbbVie was among the group's best-performing stocks, with a 12% return over the past 12 months. That's better than the 4% gain in the typical large-company drug stock. Looking ahead, however, Wall Street has mixed opinions on AbbVie. Its patents on the blockbuster drug Humira are expiring, and a recession could pinch demand for its cosmetic treatments (think Botox). But any headwinds are "near term," says Gary Nachman, an analyst at investment firm BMO Research, who rates the stock "outperform." He says the long-term outlook for the firm's immunology drugs Skyrizi and Rinvoq is robust.

Energy stocks held up well in 2022, so it's little surprise that Enterprise Product Partners, a provider of natural gas and natural gas liquids services, gained 16% over the past year. CFRA Research analyst Stewart Glickman says he sees "ongoing strength" in natural gas prices.

The Dividend 15 had some laggards, too: **BLACKSTONE** shares fell 24%, and **VERIZON COMMUNICATIONS** slipped 17%.

Shares in Blackstone, an alternative asset manager, were already under pressure in 2022 because of rising inflation and higher interest rates. Then in December, after a rush of redemptions, the firm's Blackstone Real Estate Income Trust, which is not publicly traded, limited the size of shareholder withdrawals. The move spooked shareholders of the parent company, and Blackstone stock sank. Blackstone quickly secured funding for the REIT, largely righting the ship, at least for now.

Finally, after Verizon shares significantly lagged in 2022, Morgan Stanley analyst Simon Flannery upgraded the stock to "outperform" recently, saying he expects a boost in free cash flow (cash left over after operating expenses and investments in the business) as the firm's capital expenditures for its 5G network wind down. That bodes well for the dividend; the stock yields a whopping 6.3%. **NELLIE S. HUANG**

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THE KIPLINGER DIVIDEND 15: BY THE NUMBERS

Picking some stocks from each of the groups below will give you a mix of dividend income and growth.

Company (symbol)	Share price	Dividend yield	Annual dividend*	Consecutive years of increases	5-year dividend growth rate†	1-year total return
DIVIDEND STALWARTS Companies in this category have raised dividends for at least 20 straight years.						
Air Products & Chemicals (APD)	$321	2.2%	$7.00	41	11.4%	15.9%
Emerson Electric (EMR)	90	2.3	2.08	66	1.4	0.4
Johnson & Johnson (JNJ)	163	2.8	4.52	60	5.9	-2.6
McDonald's (MCD)	267	2.3	6.08	46	7.8	5.2
Procter & Gamble (PG)	142	2.6	3.65	66	5.5	-9.0
Walmart (WMT)	144	1.6	2.24	49	1.9	4.5
DIVIDEND GROWTH Companies in this category should continue a history of robust dividend increases.						
AbbVie (ABBV)	$148	4.0%	$5.92	10	17.9%	12.1%
Home Depot (HD)	324	2.3	7.60	13	19.1	–9.6
Mastercard (MA)	371	0.6	2.28	9	18.3	–3.6
Texas Instruments (TXN)	177	2.8	4.96	19	20.8	1.4
UnitedHealth Group (UNH)	499	1.3	6.60	13	18.7	7.0
HIGH YIELD Companies in this category have a five-year average yield of 4% or more.						
Blackstone (BX)	$96	3.8%	$3.64	2	16.6%	–23.5%
Enterprise Products Ptnrs (EPD)	26	7.7	1.96	25	2.5	16.3
Realty Income (O)	68	4.4	2.98	28	3.4	2.0
Verizon Communications (VZ)	42	6.3	2.61	16	2.1	–17.0
INDEX						
S&P 500 INDEX		**1.7%**	**$17.39‡**	**13**	**6.5%**	**–8.2%**

As of January 31. *Annualized based on the most recent dividend. †Annualized. ‡The weighted sum of dividends paid by companies in the index. SOURCES: Company websites, Morningstar Inc.

STREET SMART | James K. Glassman

An Insurance Policy for Investors

Alfred Winslow Jones is credited with inventing the hedge fund in 1949. It was an investment pool that sold some stocks short to minimize the risk of owning other stocks. In a short sale, you make money when a stock's price falls, so if the market takes a sharp drop, the profits from short sales would provide a cushion for Jones's clients.

Today, some hedge funds deploy Jones's strategy, but most invest in a more opportunistic way, taking positions in mergers, buying and selling currency, or using leverage to purchase pieces of companies their managers like. "Do Hedge Funds Hedge?" was the title of a well-known 2001 paper in the *Journal of Portfolio Management*. The answer: not so much. Instead, they try to make money any way they can.

Still, there's no reason *you* can't build a hedge against the vicissitudes of the market—a buffer against a severe decline in stocks. This may sound odd, coming from me. I'm an evangelist for long-term investing and a believer that you should just ride out the rough seas. I have also been optimistic during the past six months that the bottom won't drop out of the economy.

Stocks have certainly had their ups and downs, but the Dow Jones industrial average, my favored index for its relative stability, was at roughly the same level at the end of January 2023 as it was a year earlier. Yes, the S&P 500 index, which is broader, has fallen about 8%. (Returns and other data in this article are as of January 31.) But considering that the war in Ukraine and COVID are still raging and the Fed has raised rates by 4.50 percentage points since March 2022, well ... down 8% isn't that bad.

ILLUSTRATION BY PATRICK WELSH

THE THEORY BEHIND HEDGING YOUR PORTFOLIO IS TO SACRIFICE SOME OF THE UPSIDE TO LIMIT YOUR DOWNSIDE.

And that's what worries me. As they used to say in the Old West: It's just too quiet out there.

The hedging trade-off. Hedges are useful for several reasons. If you have built up a nest egg and are about to retire, you don't want to see one-third of it vaporize overnight. Ditto if you have accumulated enough to send your teenage twin daughters to college in a few years. Or perhaps you just feel queasy about world events and a federal debt that has grown from 57% to 123% of gross domestic product in the past 20 years. The theory behind hedging is to sacrifice some of the upside to limit your downside. In effect, you're paying an insurance premium.

Use bonds for ballast. One simple way to build your own hedge fund is by shifting the asset allocation in your portfolio away from stocks and toward bonds. You can change the proportions from, say, 80% stocks and 20% bonds to 50-50 by selling the former and buying the latter. According to Vanguard, an 80-20 portfolio produced losses in one-third more years between 1926 and 2019 than a 50-50 portfolio.

The cost of the extra safety from the balanced portfolio is about two percentage points. The average annual return over 94 years for the 80-20 portfolio was 10.3%; for 50-50, it was 8.3%. Two points may not sound like much, but over time the difference is notable. In 10 years, an investment of $100,000 becomes $229,000 at 8.3%, but it becomes $279,000 at 10.3%. Also, be aware that in a single year (1931), the 50-50 portfolio tracked by Vanguard lost 23.5%. Nor would bonds have provided much protection in 2022, when stocks lost 18% and the broad bond market dropped 13%. But those years were outliers; normally, bonds are portfolio life preservers.

You can also achieve a higher allocation of bonds by changing the funds you own. Sell growth-stock funds, or even broad-market funds based on the S&P 500 index, and buy balanced funds. Among the best: **VANGUARD BALANCED INDEX ADMIRAL** (SYMBOL VBIAX), with 59% stocks, 40% bonds and 1% cash; **WISDOM TREE U.S. EFFICIENT CORE** (NTSX), an exchange-traded fund, at 59% stocks and 41% bonds; **T. ROWE PRICE BALANCED** (RPBAX), with 64% stocks and 36% bonds; and **DODGE & COX BALANCED** (DODBX), with 66% stocks and the rest bonds and cash.

Finding a top-notch balanced fund with as little as 50% stocks isn't always easy these days, so you may have to supplement with a bond fund. Also, be aware that many so-called balanced funds at times reach for higher returns by increasing their stock allocation. For example, iShares Core Balanced (XBAL) recently had 87% of its assets in stocks.

Zigging when stocks zag. Another easily purchased insurance policy comes in the form of "bear" funds, or funds that use derivatives to produce gains when the market goes down and losses when it goes up. Good mutual fund choices are **RYDEX INVERSE S&P 500 STRATEGY** (RYURX) and **RYDEX INVERSE NASDAQ-100 STRATEGY** (RYAIX), which provides a safety net for your high-tech holdings. One problem with these funds is their high expense ratios. Another is that their returns are not precisely the opposite of the market. For example, over the past 12 months, the S&P 500 lost 8.2%, but the Rydex Inverse S&P 500 fund gained only 5.8%. The difference, of more than two points, is more than can be accounted for by its 1.39% expense ratio.

An option with more complexity. Investors who want a more sophisticated approach to hedging can consider "principal-protected notes." The best known were first issued by Merrill Lynch in 1992 and called MITTS, or market index target-term securities.

THE COST OF THE EXTRA SAFETY FROM A BALANCED PORTFOLIO IS ABOUT TWO PERCENTAGE POINTS ANNUALIZED.

I first wrote about MITTS 25 years ago, calling them an "answer for market anxieties."

Take a typical MITTS security that was issued in December and will mature in six years. If the Dow Jones industrial average rises a total of roughly 60% or less over that period, you get your original investment back plus all the profits. But those profits are capped at about 60%, so if the increase is 70% or 300%, you still get only 60%—and no dividends. If the market *falls,* however, you have insurance. You get your entire original investment back without a loss.

Although this deal may sound too good to be true, understand that you may be giving up a lot of gains, even if the Dow performs at its average long-term return of about 10% annually. Over six years at that rate, your investment would rise by 95%. (For the six years ending December 31, 2022, the Dow rose 68%, not including dividends.) It's a rare event when the Dow has an aggregate decline over a period as long as six years. Of course, it can happen—the Dow dropped a cumulative 6.8% (price only) between January 1, 2000, and December 31, 2005.

What MITTS and similar securities offer is peace of mind—although for some investors, the anxiety of watching the market rise well above the cap could prove unbearable.

Understand that MITTS are actually bonds, issued by global financial institutions such as the Royal Bank of Canada, and the return of your principal depends on the creditworthiness of the issuer. Instead of getting a fixed rate of interest, you get paid based on what the stock market does. Unless you hold the securities in a tax-exempt account, there are some tax disadvantages to owning MITTS. For example, even in a losing year for stocks, you will have to pay tax on imputed interest based on a "comparable yield" from a bond. And if you sell at a profit prior to maturity, you'll pay taxes at your ordinary income rate, not your capital gains rate. But consult a tax adviser to be sure. In addition, says the prospectus, purchasers have to be "willing to accept limited or no market for sales prior to maturity."

If you are a true buy-and-hold investor, then you can ignore these hedging techniques, secure in the knowledge that if the past is prologue, falling markets bounce back over time.

I know, however, that investing often inspires fear. I wrote an entire book to help investors who need an antidote to the anxiety they feel trying to maintain their nest egg. It all comes down to this question: Do you want to pay the insurance premium? ■

PORTFOLIO BALANCERS

FUNDS THAT HEDGE YOUR BETS

The funds below should provide a cushion when stocks are falling by either allocating assets to bonds or using derivatives to move in the opposite direction of the market.

Mutual fund/ETF	Symbol	Expense ratio	Annualized total return 1 yr.	3 yrs.	5 yrs.
Dodge & Cox Balanced	DODBX	0.5%	–2.7%	8.6%	6.8%
T. Rowe Price Balanced	RPBAX	0.5	–8.8	4.3	4.7
Vanguard Balanced Index	VBIAX	0.1	–8.3	4.9	6.0
WisdomTree U.S. Efficient Core	NTSX	0.2	–15.2	6.0	—
Rydex Inverse S&P 500 Strategy	RYURX	1.4	5.8	–14.2	–11.6
Rydex Inverse NASDAQ-100 Strategy	RYAIX	1.4	13.6	–17.5	–16.0
S&P 500 INDEX			**–8.2%**	**9.9%**	**9.5%**

As of January 31. — Fund not in existence entire time period. SOURCE: Morningstar Direct

JAMES K. GLASSMAN CHAIRS GLASSMAN ADVISORY, A PUBLIC-AFFAIRS CONSULTING FIRM. HE DOES NOT WRITE ABOUT HIS CLIENTS. HIS MOST RECENT BOOK IS *SAFETY NET: THE STRATEGY FOR DE-RISKING YOUR INVESTMENTS IN A TIME OF TURBULENCE*. HE OWNS NONE OF THE SECURITIES LISTED. YOU CAN REACH HIM AT JKGLASSMAN@GMAIL.COM.

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The Main Advantages of Municipal Bonds

Investors are attracted to municipal bonds for three reasons; safety of principal, regular predictable income and the tax-free benefits. Together, these three elements can make a compelling case for including tax-free municipal bonds in your portfolio.

Potential Safety of Principal

When investing in municipal bonds, investors are paid back the full face value of their investment at maturity or earlier if called, unless the bond defaults. This is important because many investors, particularly those nearing retirement or in retirement, are concerned about protecting their principal. In July of 2021, Moody's published research that showed that rated investment grade municipal bonds had an average cumulative 10-year default rate of just 0.10% between 1970 and 2020. That means while there is some risk of principal loss, investing in rated investment-grade municipal bonds can be an important part of your portfolio.

Potential Regular Predictable Income

Municipal bonds typically pay interest every six months unless they get called or default. That means that you can count on a regular, predictable income stream. Because most bonds have call options, which means you get your principal back before the maturity date, subsequent municipal bonds you purchase can earn more or less interest than the called bond. According to Moody's 2021 research, default rates are historically low for the rated investment-grade bonds favored by Hennion & Walsh.

Potential Tax-Free Income

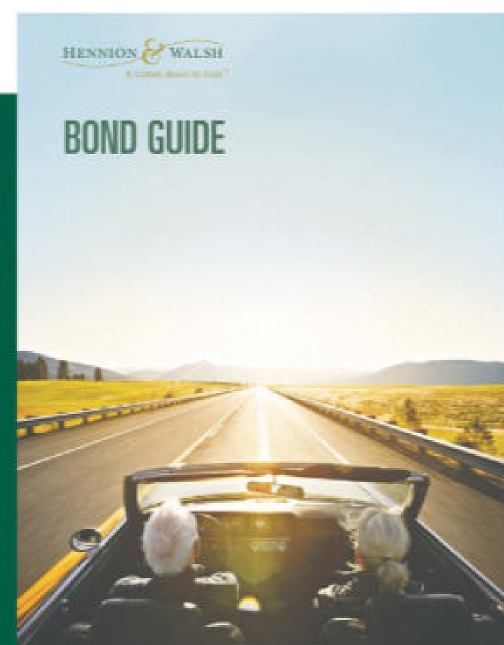
Income from municipal bonds is not subject to federal income tax and, depending on where you live, may also be exempt from state and local taxes. Tax-free can be a big attraction for many investors.

About Hennion & Walsh

Since 1990 Hennion & Walsh has specialized in investment-grade tax-free municipal bonds. The company supervises over $3 billion in assets in over 16,000 accounts, providing individual investors with institutional quality service and personal attention.

Our FREE Gift To You

We're sure you'll want to know more about the benefits of tax-free Municipal Bonds. So our specialists have written a helpful Bond Guide for investors. It's free and comes with no obligation whatsoever.



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INCOME INVESTING | Jeffrey R. Kosnett

High Yields From High-Rate Lenders

A likely peak in inflation, along with interest rates that are thereby also at or near their apex, stands to revitalize the long-running global search for yield. That should mean more demand for high-yielding credit securities, which include business development companies, or BDCs (typically high-rate lenders to small or midsize firms, with similar tax advantages to those of real estate investment trusts), nonbank lenders, and a few financial REITs. If 5% is the new 1% in the broad bond market, then it is not far-fetched to proclaim 8% the new 5% for these securities.

Although some investments priced to yield 8% are unappealing if you swallow all the economic gloom, the majority of these publicly traded lenders are having no trouble disbursing interest and dividends to their investors in full and on time. And lending at higher interest rates helps these firms build up their underlying asset values. Until and unless the economy falls apart, that will continue. Even in a struggling economy, your investment income should be okay.

IF 5% IS THE NEW 1% IN THE BROAD BOND MARKET, IT IS NOT FAR-FETCHED TO PROCLAIM 8% THE NEW 5% FOR THESE SECURITIES.

Mostly reliable. According to the statistical wizards at Closed-End Fund Advisors, in the fourth quarter of 2022, 100%—50 out of 50—publicly traded BDCs saw their net asset values rise. That, in turn, influences their share prices, which are widely up 5% to 15% so far this year and more generally up since October, yet still trade well below their NAV. And that is in addition to dividend yields in the 8%-to-10% range. The primary assets are well-secured senior loans and first liens on a smorgasbord of midsize businesses and their properties, ranging from car-wash chains to software developers to military contractors to construction firms. BDCs usually tell you who owes them; for example, Carlyle Secured Lending lists 141 customers. A few of those are other funds, but the bulk are consumer and industrial businesses.

There is a trust-me aspect, because you cannot know if one or more of these businesses might struggle under its 10% floating-rate debt to Carlyle or whomever else, but the reliability record is encouraging. The 10-year annualized total return for all BDCs was just over 9.3% in late January; investment-grade corporate bonds were at nearly 3% and regular junk bonds were at about 4%. That provides a cushion if the sector does experience an uptick in defaults and bankruptcies, though there is little sign of this for now.

VANECK BDC INCOME (SYMBOL BIZD) is an easy way to participate. Based on its latest quarterly distribution, the exchange-traded fund yields 11%.

ARES CAPITAL (ARCC) is the largest BDC and is often described as the one with the highest portfolio quality. At a late-January price of $19.62, it yields 9.8%. Ares just raised its quarterly dividend by 12%.

Turning to other types of lenders, I've long followed an unusual firm called **READY CAPITAL** (RC), which is organized as a REIT for tax reasons but better described as a nonbank small-business lender. It lends to buyers and renovators of small apartment complexes and extends small-business credit that is 75% guaranteed by the federal Small Business Administration. Many of its credits are short-term acquisition and bridge loans that come off its books once the borrower finds permanent bank financing, which reduces the chance of a default. From an investor's standpoint, RC covers its dividends, trades in a narrow price range and suffered relatively little during the early-2020 COVID crash. At a recent price of $12.96, RC trades well below its reported net asset value and yields 12.3%.

A calculated risk. I am aware that high-rate lending can be dangerous. Misadventures and misjudgments by General Electric's infamous capital unit caused great pain for GE and its shareholders, eventually forcing a restructuring. But companies like Ares and Ready Capital borrow at low or moderate fixed rates and have the market power to exact wide net interest spreads from their customers. They have protected their turf from the likes of GE, Goldman Sachs and Citigroup and get good marks from analysts who run worst-case loan-loss scenarios. ■

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ILLUSTRATION BY PATRICK WELSH

MUTUAL FUND SPOTLIGHT

Real Estate: Turning the Corner

Following a brutal 2022, funds see value in select markets.

REAL ESTATE INVESTMENT trusts lost 24.9%, on average, in 2022—the worst year since 2008 for stock-focused REITs, according to industry group Nareit. But with inflation receding and interest rates nearing a peak, real estate may be finally turning a corner. "We're really excited about certain sectors," says Mathew Kirschner, one of three portfolio managers for **COHEN & STEERS REALTY SHARES FUND**.

The managers start by analyzing macroeconomic trends to choose real estate subsectors with the best growth prospects. Single-family housing rentals and health care facilities look promising, Kirschner says. A team of analysts helps identify the best investment options, says Kirschner. One of the fund's biggest REIT holdings is Invitation Homes, a single-family-home landlord that rents out more than 80,000 houses, mostly in the West and Southeast. Young families, especially in growing areas, still want space and good neighborhoods, Kirschner says.

Some metrics commonly used to evaluate other kinds of stocks, such as price-earnings ratios, aren't useful for REITs, so Cohen & Steers considers factors such as dividend growth. Invitation Homes has quadrupled its dividend since 2017. The shares yield 2.8%.

Kirschner also sees profits in another demographic trend: aging. COVID devastated many nursing homes and assisted-living facilities, but the pandemic has eased, and long-term demand for elder care will grow, he believes. Another top fund holding is Welltower, a Toledo-based owner of about 1,900 senior housing facilities, outpatient medical offices and acute care facilities. Kirschner says the firm is on the rebound, noting that its funds from operations, a measure of REIT profitability, have started to recover.

Cohen & Steers, which originated the first REIT fund, only made its 32-year-old Realty Shares fund easily available to small investors in 2019 with the creation of Class A shares. The Class A shares have no minimum and are available load-free through platforms such as Fidelity and Schwab. The shares have an expense ratio of 1.15%, about average for the category. **KIM CLARK**

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REAL ESTATE FUNDS

Ranked by one-year returns

Rank/Name	Symbol	Annualized Total return 1 yr.	3 yrs.	Max. sales charge	Exp. ratio
1. PGIM Real Estate Income A*	PRKAX	−4.8%	0.4%	5.50%	1.35%
2. Fidelity Real Estate Income	FRIFX	−6.6	1.7	none	0.71
3. Commonwealth Real Est Securities	CNREX	−7.5	3.4	none	2.44
4. Fidelity Real Estate Investment Port	FRESX	−8.5	2.6	none	0.71
5. Columbia Real Estate Equity A	CREAX	−9.8	3.4	5.75	1.26
6. Invesco Real Estate Investor*	REINX	−10.0	0.9	none	1.16
7. American Century Real Estate Inv	REACX	−10.1	1.4	none	1.14
8. Cohen & Steers Realty Shares A	CSJAX	−10.7	4.1	4.50	1.15
9. Cromwell CenterSquare Real Est Inv	MRESX	−10.8	3.5	none	1.02
10. Guggenheim Risk Mngd Real Est A*	GURAX	−11.1	4.8	4.75	1.38
S&P 500 INDEX		−8.2%	9.9%		
CATEGORY AVERAGE		−12.3	2.5		

*Only available to existing shareholders.

20 LARGEST STOCK AND BOND MUTUAL FUNDS

Ranked by size. See returns for top funds in 12 categories at kiplinger.com/kpf/funds.

STOCK MUTUAL FUNDS

Rank/Name	Symbol	Assets† (billions)	Annualized total return 1 yr.	5 yrs.	Max. sales charge
1. Vanguard Total Stock Market Idx Adm	VTSAX	$960.2	−8.5%	9.0%	none
2. Vanguard 500 Index Adm	VFIAX	513.0	−8.3	9.5	none
3. Fidelity 500 Index@	FXAIX	373.8	−8.2	9.5	none
4. Vanguard Total Intl Stock Idx Adm	VTIAX	318.9	−6.3	1.6	none
5. American Growth Fund of America A	AGTHX	211.3	−15.5	7.6	5.75%
6. American Balanced A	ABALX	199.5	−5.4	5.7	5.75
7. American Washington Mutual A	AWSHX	154.3	−2.1	8.6	5.75
8. American EuroPacific Growth A	AEPGX	141.5	−9.3	1.7	5.75
9. American Income Fund of Amer A	AMECX	121.7	−2.1	5.4	5.75
10. American New Perspective A	ANWPX	113.0	−12.8	7.6	5.75
S&P 500 INDEX			−8.2%	9.5%	
MSCI EAFE INDEX			−2.8	2.1	

BOND MUTUAL FUNDS

Rank/Name	Symbol	Assets† (billions)	1-year total return	Current yield	Max. sales charge
1. Vanguard Total Bond Market Idx Adm	VBTLX	$200.9	−8.4%	4.0%	none
2. Pimco Income A	PONAX	111.4	−4.06	4.7	3.75%
3. Amer Funds Bond Fund of America A	ABNDX	74.0	−8.1	3.5	3.75
4. Vanguard Interm-Term Tx-Ex Inv	VWITX	68.9	−2.2	2.9	none
5. Metropolitan West Total Return Bd M	MWTRX	65.2	−9.9	4.3	none
6. Vanguard Short-Term Inv-Grade Inv	VFSTX	59.9	−3.2	4.6	none
7. Fidelity US Bond Index	FXNAX	58.4	−8.4	4.1	none
8. Dodge & Cox Income	DODIX	58.1	−5.8	4.5	none
9. Pimco Total Return A	PTTAX	54.8	−9.7	3.9	3.75
10. Lord Abbett Short Duration Income A	LALDX	49.7	−2.9	4.5	2.25
BLOOMBERG US AGGREGATE BOND INDEX			−8.4%	4.3%	
ICE BOFA AAA US MUNICIPAL SECURITIES INDEX			−3.10	2.6	

As of January 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 mutual fund share classes combined. MSCI EAFE tracks stocks in developed foreign markets. SOURCE: Morningstar Direct

Homeowners, we've got something to talk about

Get in on our 'retirement secret'

Across the nation, most seniors' biggest asset is their home. Every day, older homeowners like you are discovering how to convert a portion of their home equity into cash to fund a more comfortable and secure retirement. They can do this through the features of a Home Equity Conversion Mortgage (HECM), commonly known as a reverse mortgage loan. The reverse mortgage professionals at American Advisors Group (AAG) could help you unlock a part of your home equity to help you weather the storm of inflation, market volatility, and economic uncertainty.

At AAG, we pride ourselves on being the country's premiere reverse mortgage lender. By your side, we could help you discover if now could be the right time to use your home equity to help supplement your needs. Throughout the years, you've made some of the smart moves, like buying a home and taking care of it. With a reverse mortgage from AAG, now your home could take care of you.

In the United States, current senior housing wealth is over $10 trillion ($11.81 trillion to be exact[1]). That's a staggering amount of untapped, unrealized potential that could be unlocked by a reverse mortgage to help you fund a better and more comfortable retirement.

You could be among a million homeowners across the industry who have already used a government-insured HECM reverse mortgage loan to turn a part of their home equity into extra tax-free cash for retirement.

And for good reason: **reverse mortgage loans are designed to help older homeowners stay in their homes**, requiring no monthly mortgage payments. (Borrowers remain responsible for paying homeowners insurance and property taxes, maintaining the home, and complying with the loan terms.) What would being spared a monthly mortgage payment mean to you?

Learn the many wonders of the reverse mortgage loan

You may have already heard, but the tax-free proceeds from a reverse mortgage loan can be used for just about anything. Homeowners have used the proceeds to **make home improvements, pay off medical bills and higher-interest credit card debt,** and help loved ones with their own most pressing financial needs.

This money could help cover the rising cost of everyday expenses and could also be used as a safety net during uncertain financial times. With this in mind, **homeowners 62 and older** would do well to search their own imagination for ways the reverse mortgage loan could benefit them and those dearest to them.

To learn more, please visit the CFPB's Reverse Mortgage: A Discussion Guide.
https://files.consumerfinance.gov/f/documents/cfpb_reverse-mortgage-discussion-guide.pdf

What some of our customers are sharing

"AAG explained everything. And I didn't know that kind of reverse mortgage was available to me. I bought my home with it, and it allowed me to live in my home and not have to make payments.*"

– Joanne C.

"I didn't want to draw down my retirement savings each month to pay the mortgage. My thinking was it would be better and easier, when the time comes, to disburse cash rather than equity to my kids. It's very relaxing not writing out a mortgage check from your retirement savings each month.*"

– Ken H.

*Borrowers remain responsible for paying homeowners insurance and property taxes, maintaining the home, and complying with the loan terms. AAG clients were compensated for their time. Their statements are their own.

Why Choose American Advisors Group?

- #1 reverse mortgage lender in the country
- More than 9/10 clients are satisfied with AAG's services[2]
- Accredited by BBB, member of the National Reverse Mortgage Lenders Association (NRMLA), and approved lender of the U.S. Department of Housing and Urban Development

With such strong credentials, why would you choose anyone other than AAG to help you navigate your retirement journey?

Call America's #1 Reverse Mortgage Lender (800) 790-1553
And get your free, no-obligation info kit.

Sources

[1]https://reversemortgagedaily.com/articles/senior-housing-wealth-has-hit-a-new-record-at-11-81-trillion/
[2]Based on client satisfaction surveys as of September 13, 2021.

A reverse mortgage increases the principal mortgage loan amount and decreases home equity (it is a negative amortization loan). NMLS# 9392 (www.nmlsconsumeraccess.org). American Advisors Group (AAG) is headquartered at 18200 Von Karman Ave., Suite 300, Irvine, CA 92612. Licensed in 49 states. Please go to www.aag.com/legal-information for full state license information. Advertisement not intended for OR residents.

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EQUAL HOUSING LENDER

ETF SPOTLIGHT

Bet on Bonds With This Fund

If there's anything investors seem to agree on, it's that after a disastrous 2022, bonds are back. U.S. fixed-income exchange-traded funds pulled in $20.8 billion in the first month of 2023, more than any other asset class, according to ETF tracker ETF.com. The old-style portfolio of 60% stocks and 40% bonds has regained popularity. Given a bond market he calls "demonstrably cheap," fixed-income guru Jeffrey Gundlach goes even further: "I recommend not a 60-40 portfolio but more like a 40-60 portfolio," he says. "Bond allocations will prove much more rewarding this year."

A no-fuss way to invest in a wide swath of the high-quality bond market is with a fund that follows the Bloomberg U.S. Aggregate Bond index, which includes a broad range of investment-grade bonds (those rated triple-B or better). **ISHARES CORE U.S. AGGREGATE BOND ETF**, launched in September 2003, is the Goliath among Agg funds, with $86.7 billion in assets. (The slightly bigger Vanguard Total Bond Market ETF tracks a tweaked version of the index.)

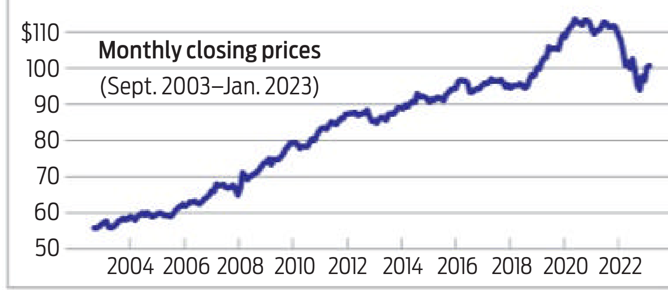
The iShares ETF holds 10,660 bonds, mostly U.S. Treasuries, agency-issued mortgage-backed securities and corporate IOUs from the likes of Bank of America, J.P. Morgan Chase and Morgan Stanley. Nearly three-fourths of the bonds in the portfolio carry a triple-A rating. The ETF's main risk comes from interest rate movements. A one-point rise in rates could nick the fund's value by roughly 6%. But if rates drop as the economy falters, the fund will gain in value by a similar amount. And for rock-bottom expenses of 0.03%, the fund delivers a generous 3.8% yield. **ANNE KATES SMITH**
Anne_Smith@kiplinger.com

iShares Core U.S. Aggregate Bond ETF

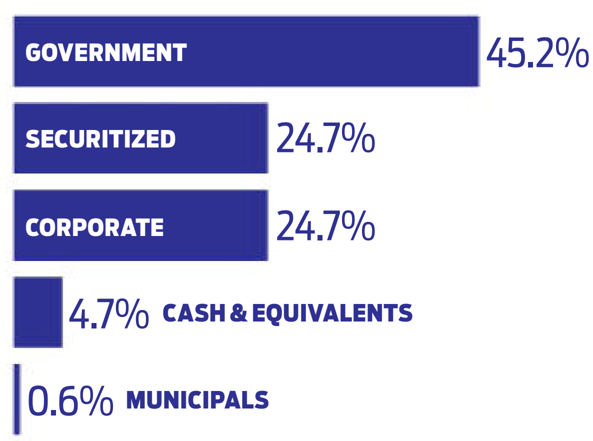
KEY FACTS

SYMBOL: AGG
RECENT PRICE: $100
ASSETS: $86.7 billion
EXPENSE RATIO: 0.03%
YIELD: 3.8%

PERFORMANCE SINCE INCEPTION



TOP FIVE BOND CATEGORIES*



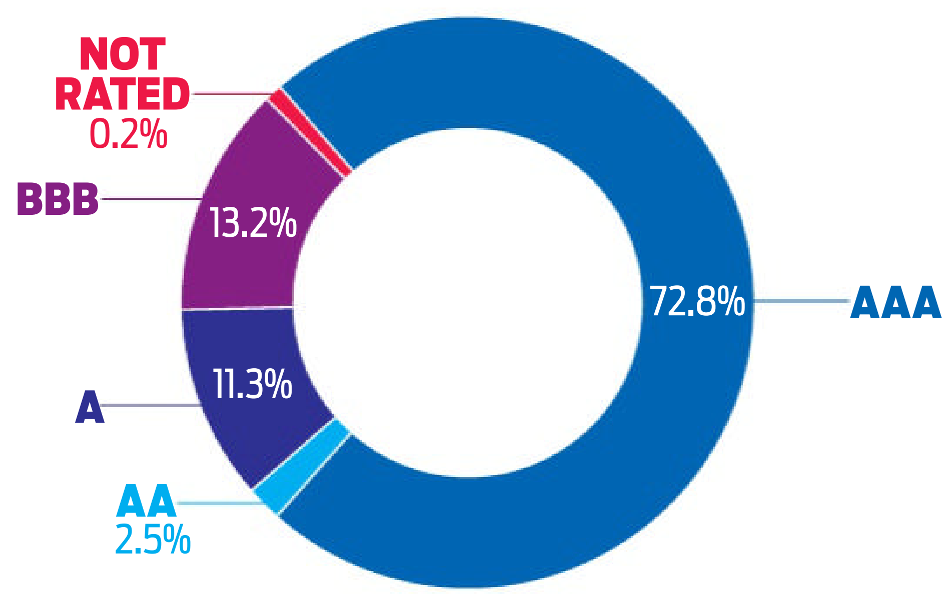
DURATION

6.4

YEARS

Implies a 6.4% gain if interest rates fall one percentage point; a 6.4% loss if rates rise one point.

RATINGS BREAKDOWN*



Select Investment-Grade Core Bond Index ETFs

Name	Symbol	Price	Assets (billions)	Expense Ratio	Annualized total return 1-yr.	5-yrs.	Yield
iShares Core U.S. Aggregate Bond	AGG	$100	$86.7	0.03%	–8.3%	0.8%	3.8%
Schwab U.S. Aggregate Bond	SCHZ	$47	7.2	0.04	–8.4	0.8	3.9
SPDR Portfolio Aggregate Bond	SPAB	$26	6.4	0.03	–8.4	0.8	3.9
Vanguard Total Bond Market	BND	$75	88.4	0.03	–8.4	0.9	4.0
BLOOMBERG U.S. AGG BOND INDEX					**–8.4%**	**0.9%**	**4.3%**

As of January 31. *Figures do not add up to 100% due to rounding. SOURCES: Fund companies, Morningstar Direct.

THE KIPLINGER 25 UPDATE

This Growth Fund Pulls Out a Win

IT HAS BEEN A DOWN AND up year for **PRIMECAP ODYSSEY GROWTH**. In the end, the fund finished with a 2.0% loss over the past 12 months, which outpaced the S&P 500 index and 98% of its peers.

Until last fall, Odyssey Growth had been lagging the S&P 500. The managers attributed it to "unfavorable stock selection that offset favorable sector allocation" relative to the broad U.S. stock market benchmark.

First, the good stuff: The past year's performance was aided by a relatively light exposure to communication services stocks—5% in late 2022, compared with the S&P 500's 9%—as that was the worst-performing sector in the index, with a 27% loss over the past 12 months. The fund's hefty 30%-plus stake in health care stocks (double that of the index) helped, on the other hand, as that sector gained 3.2% over the past year.

Losers that turned into winners. Certain stocks that were a drag for much of the year ended up helping the fund achieve its standout 12-month return. Over the first 10 months of 2022, for instance, shares in Alibaba Group Holding, the Amazon.com of China, slipped 46%, and stock in BeiGene, a global biotechnology company founded in Beijing, swooned 38%. In recent months, however, those stocks have rebounded in a big way, thanks in part to China's reopening. From its low in October 2022, Alibaba shares have bounced up 75%, and stock in BeiGene has nearly doubled since its October low. In January, the FDA approved BeiGene's treatment for chronic lymphocytic leukemia. Both stocks were top 20 holdings in late 2022 and together made up nearly 4% of assets.

The five managers at Odyssey Growth divide and run a portion of the fund's assets independently. But they all favor stocks in fast-growing firms with long-term growth potential that they think the market has underestimated. When they buy, they tend to hold.

The last time we updated readers on Odyssey Growth in the magazine, the fund was trailing the S&P 500 and was among the worst-performing stock funds in the Kiplinger 25. Today it's one of the best performers. Patience pays. **NELLIE S. HUANG**

Nellie_Huang@kiplinger.com

KEY DATA FOR OUR MUTUAL FUND PICKS

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

U.S. Stock Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
DF Dent Midcap Growth	DFDMX	–13.9%	7.8%	11.3%	0.0%	0.85%
Dodge & Cox Stock	DODGX	–2.3	8.9	12.5	1.3	0.51
Fidelity Blue Chip Growth	FBGRX	–21.7	11.4	15.4	0.0	0.76
Mairs & Power Growth	MPGFX	–9.7	8.6	10.8	0.7	0.61
Parnassus Mid-Cap	PARMX	–7.7	5.7	9.2	0.0	0.96
T. Rowe Price Dividend Growth	PRDGX	–2.4	10.5	12.6	1.1	0.62
T. Rowe Price QM US Sm-Cp Gro	PRDSX	–4.5	6.5	11.2	0.0	0.78
T. Rowe Price Small-Cap Value	PRSVX	–3.3	6.8	9.4	0.3	0.78
Primecap Odyssey Growth	POGRX	–2.0	7.0	13.1	0.5	0.65
Vanguard Equity-Income	VEIPX	2.9	8.6	11.4	2.7	0.28

International Stock Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Baron Emerging Markets	BEXFX	–17.6%	–2.6%	3.1%	0.0%	1.33%
Brown Cap Mgmt Intl Sm Co	BCSVX	–13.7	5.6	—	0.0	1.31
Fidelity International Growth	FIGFX	–7.6	4.9	7.1	0.2	1.01
Janus Henderson Glbl Eq Inc	HFQTX	–1.9	2.3	5.0	3.8	0.94

Specialized Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Fidelity Select Health Care	FSPHX	3.3%	10.0%	15.0%	0.0%	0.68%
T. Rowe Price Global Technology	PRGTX	–37.8	1.6	14.5	0.0	0.86
TCW Enhanced Comm Strategy	TGABX	5.7	7.2	–0.2	3.7	0.75

Bond Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Fidelity Interm Muni Income	FLTMX	–2.1%	1.9%	2.0%	3.1%	0.32%
Fidelity Strategic Income	FADMX	–6.3	2.0	2.8	5.7	0.66
Met West Total Return Bond	MWTRX	–9.9	0.8	1.4	4.3	0.65
T. Rowe Price Floating Rate	PRFRX	1.6	3.1	3.3	7.3	0.75
TIAA-CREF Core Impact Bond	TSBRX	–9.2	0.6	1.7	4.0	0.64
Vanguard Emerg Mkts Bond	VEMBX	–7.7	3.6	—	6.7	0.55
Vanguard High-Yield Corporate	VWEHX	–3.4	2.8	3.9	6.6	0.23
Vanguard Short-Term Inv-Grade	VFSTX	–3.2	1.4	1.5	4.6	0.20

Indexes	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield
S&P 500 INDEX	**–8.2%**	**9.5%**	**12.7%**	**1.7%**
RUSSELL 2000 INDEX*	**–3.4**	**5.5**	**9.4**	**1.5**
MSCI EAFE INDEX†	**–2.8**	**2.1**	**4.9**	**3.1**
MSCI EMERGING MARKETS INDEX	**–12.1**	**–1.5**	**2.1**	**3.2**
BLOOMBERG U.S. AGG BOND INDEX#	**–8.4**	**0.9**	**1.4**	**4.3**

As of January 31, 2023. *Small-company U.S. stocks. †Foreign stocks. #High-grade U.S. bonds. —Fund not in existence for the entire period. SOURCES: Fund companies, FTSE Russell, Morningstar 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. NA indicates not available.

MONEY

HOME PRICES SETTLE DOWN

SPECIAL REPORT

Profit From Your Home

After three years of big increases, expect average prices to be flat in 2023. For buyers and sellers, this market is a mixed bag.

BY DANIEL BORTZ

ILLUSTRATION BY SOL COTTI

The past three years have been painful for price-conscious consumers, but they've been a boon for homeowners. The median existing-home sale price in December was $366,900, a 38% jump since January 2020, according to the National Association of Realtors.

But annual double-digit home price gains—a hallmark of the pandemic era—are going away, economists say. Home sale prices stalled after mortgage rates spiked in 2022, and some forecasters predict that prices will fall in 2023. Lawrence Yun, chief economist at the NAR, expects the median sale price to stay mainly flat. "Housing affordability has gotten out of hand, and we're going to see price corrections as home supply increases and mortgage rates stabilize," Yun says.

Freddie Mac forecasts a price decline of 0.2%, and Redfin projects the median sale price will drop by roughly 4%. But economists at CoreLogic are more optimistic, predicting that home prices will grow 2.8% from November 2022 to November 2023. And Danielle Hale, Realtor.com's chief economist, foresees median home prices rising 5.4% this year. "We think home prices are going to lose momentum but still go up," she says. "Inventory is going to increase in 2023, but it's still going to trail pre-pandemic levels, so I don't think it's going to be a buyer's bonanza."

■ MARIANNE AND RICHARD WATT LOWERED THEIR HOME-PURCHASE TARGET PRICE AFTER RISING RATES CUT INTO THEIR BUYING POWER.

As for new construction, the median price of new houses sold in December 2022 was $442,100, up from $430,500 in January 2022. But don't expect price cuts this year. Although new construction is expected to pick up, "builders will not be delivering enough housing to close the housing shortfall," says Lisa Sturtevant, chief economist at Bright MLS, a multiple listing service in six Mid-Atlantic states and Washington, D.C.

Builders are taking longer to get shovels in the ground. According to Realtor.com's forecast, single-family housing starts will decline 5.4% this year. That comes on the heels of more than a decade of insufficient home building, with the U.S. facing a shortfall of 5.5 million housing units as of June 2021, the NAR reports.

HOT AND COLD MARKETS

Only time will tell whose crystal ball is clearer. But there's one thing housing market analysts agree on: What happens to home prices this year will have a lot to do with where you live.

Sturtevant says home price gains will be strongest in the Midwest. According to her calculations, in Minneapolis the median home price (based on home sales) will jump 11% in 2023, followed closely by St. Louis (with a 9% year-over-year increase), Virginia Beach, Va. (8%), Louisville, Ky. (6%), and Indianapolis (4%).

California will likely be on the other end of the spectrum. The Golden State's median home price is on track for an 8.8% decline, dropping to $758,600 by the end of the year, according to the California Association of Realtors. The outlook is also looking bleak in pandemic-migration hot spots such as Austin, Texas; Boise, Idaho; and Phoenix, where outsize price gains leave room for home values to fall, Redfin reports.

All in all, it's a mixed bag, says Jeff Tucker, a senior economist at Zillow. "Some parts of the country have shifted to what some would call a buyer's market, particularly on the West Coast, where inventory is up substantially and home prices are softening," he says. "But sellers still have the upper hand in a lot of other parts of the country." According to an analysis of America's 100 largest metro areas by Knock, a home finance technology company, by the end of this year, 34 housing markets are forecast to be buyer's markets, 34 will be seller's markets, and 32 will be neutral.

Mortgage rates will play a big role in the direction of homes prices. The 30-year fixed-rate average roughly doubled in 2022, closing out the year at 6.42%. "The Federal Reserve raised [its benchmark rate] seven times last year to try to rein in inflation, but how quickly mortgage rates went up caught everyone by surprise," says Jeff Ostrowski, a mortgage analyst at Bankrate.

The economists *Kiplinger's* spoke with say mortgage rates will tick down

PHOTO BY THOMAS A. MORRIS

this year. (See the box on page 44 for interest rate predictions.)

AN AFFORDABILITY CRUNCH

Last year was a tough one for home buyers. House hunters wrestled with a severe housing shortage, soaring mortgage rates and rapidly rising home prices. Those conditions pushed some buyers out of the market and forced others to make trade-offs, such as lowering their budgets.

Richard and Marianne Watt, who purchased a four-bedroom house in Silver Spring, Md., in December for $540,000, discovered that rising mortgage rates cut into their buying power. "We're fairly conservative in terms of our finances, and because mortgage rates jumped up in such a short span of time, we had to lower our price range from $625,000 to $550,000," says Richard, an architect.

Rocketing mortgage rates, exacerbated by 41-year-high inflation, squeezed many home buyers' wallets last year, with 30-year rates briefly surpassing 7% in the fall. Aspiring homeowners—many of whom were already struggling to put together a down payment—suffered: Only 26% of buyers in 2022 were first-timers, the lowest share the NAR has ever recorded. And last year the median age of first-time buyers reached a record high of 36, up from 33 in 2021.

Those aren't the only signs of an affordability crisis. Home-value growth outpaced income growth in all 50 states from 2019 through 2021, according to a recent study by LendingTree, an online mortgage marketplace. On average, median home values rose 17.4% during that period, while median household incomes increased by just 6%.

The housing affordability gap has become so bad that more than half (54%) of American renters said they don't think they will ever be able to purchase a home, an October Credit Karma survey found. The poll also found that 21% of renters reported they had moved in with family and friends because they could no longer afford rent.

"A lot of buyers hit an affordability wall last year due to the one-two punch of higher mortgage rates and higher home prices," says Zillow's Tucker. Janneke Ratcliffe, the vice president of the housing finance policy center at the Urban Institute, agrees. "The fact that people have to make a larger monthly payment now to afford the same-priced home is a real challenge," she says.

Allie McClintock says she had to recalibrate her budget from the time she started looking for a home in Montpelier, Vt., in April 2022 to the time she purchased a house in November. "I was comfortable with a $2,000 mortgage payment, and because mortgage rates increased significantly, I had to drop my budget from $300,000 to $250,000," says McClintock, a national marketing manager at health care holding company Vivant Behavioral Health. She says it was "painful" to watch 30-year mortgage rates jump from 5% to well over 6%. Ultimately, McClintock bought a four-bedroom house at the very top of her budget, using a 30-year conventional loan with a 6.125% interest rate.

ADVICE FOR BUYERS

Look into mortgages with low down-payment requirements. The average down payment across the nation's 50 largest metro areas clocked in at $62,611, based on data collected from January through October 2022, a LendingTree study found. That was up 35.3% from the average based on data collected from January through September 2021. Home buyers in San Jose, Calif., shelled out the most money, with the city's average down payment notching $142,006.

Many financial experts recommend that conventional loan borrowers put at least 20% down to avoid paying private mortgage insurance, but nearly two-thirds of millennials plan to put down less, according to a December survey by Real Estate Witch, a website with information for home buyers and sellers. Fortunately, a conventional loan isn't the only mortgage product out there.

If you're a first-time buyer, you may be eligible for Freddie Mac's Home-One loan program or Fannie Mae's similar HomeReady program, which permit down payments of as low as 3%. Federal Housing Administration (FHA) loans—aimed at lower-income home buyers—allow for down payments as low as 3.5%. There are also zero-down mortgages, such as U.S. Department of Agriculture (USDA) Rural Development loans for qualified home buyers in towns with a population of 20,000 or less (or 35,000 or less in special cases), and U.S. Department of Veterans Affairs (VA) loans for active-duty service members, veterans and surviving spouses.

Talk to a mortgage lender to see what types of home loans you qualify for based on factors such as your income, down payment and credit score. A lender can also help assess the pros and cons of each loan product. "Loan programs are constantly changing, and the incentives may be different for a detached home versus a condo," says Wendy Wright, a real estate agent at Keller Williams in the greater Washington, D.C., metro area.

Consider a mortgage-rate buydown. With high mortgage rates squeezing many buyers' finances, interest-rate buydowns are making a comeback, says Bankrate's Ostrowski. A buydown typically entails a seller or buyer paying "discount points"—also referred to as mortgage points or prepaid interest points—at closing to get a lower mortgage rate. Buydowns can be permanent (lasting for the life of the loan) or temporary (reducing the interest rate for the first one to three years, then resetting to a higher rate for the remainder of the loan).

Generally, one point is equivalent to 1% of the loan amount, with each point reducing the interest rate by about 0.25%. For example, if you've qualified for a $300,000 30-year mortgage at a fixed interest rate of 6%, paying $3,000 would lower the interest rate to 5.75%, saving you more than $17,000 over the life of the loan. (You can run your own numbers at www.mortgagecalculator.org.)

Some lenders are offering borrowers temporary buydowns free of charge to drum up business in today's competitive market, says Jacob Channel, senior economist at LendingTree. For instance, Rocket Mortgage rolled out a program last fall that reduces a borrower's monthly mortgage payment by one percentage point for the first year of their loan.

Shopping for a new home? A number of homebuilders are also offering buydowns to attract buyers, so keep an eye out for that when you go house hunting.

Protect yourself with contingencies. Many buyers waived home inspection and appraisal contingencies in the past couple of years. Buyers are abandoning that strategy, says Denise Supplee, a real estate agent at Long & Foster in Doylestown, Pa. "Contingencies are back in full force," she says. A November Zillow survey found that more than four out of 10 real estate agents said buyers are including more contingencies in their offers.

Last October, Jordan Lyndaker and Isela Walldez made an offer on a three-bedroom ranch-style house in Charlotte, N.C., contingent on a home inspection and appraisal. The home appraisal justified the sales price, but the inspection uncovered several problems. The first-time buyers used the inspection results as leverage to negotiate a price reduction.

Find a seasoned real estate agent. It's been a hot seller's market since mid 2020, but now that things are shifting, you should pick an agent who also has experience in a more balanced market.

That said, you'll also want an agent who is active on social media—that's where a lot of home transactions start. Dig into an agent's online reviews from past buyers. And find someone who is plugged in to your local market and knows what's coming up for sale. "We see off-market opportunities in our area a lot," says Jennifer Reddington, a Compass real estate agent in Rye, N.Y. It's something she always keeps an eye out for, she says.

HOME LOANS

Where Mortgage Rates Are Headed

The yield on 10-year Treasury notes—which help determine 15- and 30-year mortgage rates—spiked in 2022, ending the year at 3.9%, up from 1.6% at the beginning of the year (in early February the yield was about 3.6%). Mortgage rates soared: The 30-year fixed-rate average nearly doubled. After briefly surpassing 7% in October for the first time in two decades, the average rate recently retreated to 6.1%, according to Freddie Mac. The 15-year fixed-rate mortgage averaged 5.1%, down from a high of nearly 6.4% last November.

From January to December 2022, the median monthly mortgage payment surged 43%, to $1,977, the Mortgage Bankers Association reports. "It was sticker shock for buyers," says Mike Fratantoni, chief economist at the MBA.

As a result, "some buyers pulled out of the market completely," says Janneke Ratcliffe, vice president of the housing finance policy center at the Urban Institute. Others were forced to curtail their budgets.

Given high rates, it's no surprise that adjustable-rate mortgages have become more popular. ARMs made up 7.3% of all home loan applications in the week ending January 6, 2023, up from 3.1% a year earlier. A seven- or 10-year ARM could be a good option if you're planning to sell your prospective home before the introductory rate expires (see "Basics," Feb.).

The good news? Mortgage rates appear to have peaked, Lawrence Yun, chief economist at the National Association of Realtors, said in December. Fannie Mae predicts 30-year fixed rates will edge down this year, dropping to 6% by the fourth quarter. The MBA expects 30-year rates to decline gradually, finishing this year at 5.2%. Redfin's forecast falls in the middle, with the brokerage anticipating the average 30-year rate to decrease to around 5.8%.

If you're thinking about buying a home this year, be sure to shop around because what lenders charge for rates and fees can vary widely. According to Freddie Mac research, borrowers save an average of $1,500 over the life of their mortgage by getting two rate quotes instead of just one, and they save an average of about $3,000 by getting five quotes—yet 36% of 2021 home buyers received only one mortgage quote, a Fannie Mae survey found. Shopping around could save you even more money when rates are high.

ADVICE FOR SELLERS

Set a reasonable list price. More than half of homes sold below asking price in November 2022, Zillow data found—something that hadn't happened since July 2020. Translation: Sellers are no longer in the position to price their homes high. "At the beginning of 2022, bidding wars were the norm and houses were flying off the market," Supplee says. "Now I'm seeing more properties sitting and more sellers dropping prices." Price your home too high and it could gather dust on the market, Supplee warns.

Lean on your agent to determine how much your house is worth in the current market. "Take into account any home renovations or repairs that your house needs when you're pricing it out," Reddington says. "Your house may not be worth the same as the one that just sold across the street."

Don't neglect repairs. A Zillow and Thumbtack survey found that 30% of recent home sellers said they think more home improvements or repairs would have helped them fetch a higher sale price. When Richard and Marianne

LOCATION, LOCATION, LOCATION

Home Sale Prices in the 50 Largest Metro Areas

Median existing-home sale prices in the U.S. rose an average of only 2.3% year-over-year in 2022, according to data from the National Association of Realtors. Nationwide, the median home sale price in December 2022 was $366,900. Figures in the table are for the 50 largest cities in the U.S. as of the third quarter of 2022, the latest data available at press time. The Tampa, Fla., area topped this list, and Oklahoma City was close behind. Jacksonville, Orlando and Miami also made a strong showing, as a mix of immigrants and U.S. residents settled in the Sunshine State.

Metro area	Median Home Sale Price	Year-Over-Year Change*
Atlanta-Sandy Springs-Marietta, GA	$371,200	14.0%
Austin-Round Rock, TX	541,600	8.7
Baltimore-Columbia-Towson, MD	390,600	5.5
Birmingham-Hoover, AL	308,000	12.6
Boston-Cambridge-Newton, MA-NH	698,900	6.2
Buffalo-Cheektowaga-Niagara Falls, NY	243,800	5.2
Charlotte-Concord-Gastonia, NC-SC	400,600	10.2
Chicago-Naperville-Elgin, IL-IN-WI	349,400	3.4
Cincinnati, OH-KY-IN	268,400	5.9
Cleveland-Elyria, OH	227,700	7.0
Columbus, OH	312,100	9.0
Dallas-Fort Worth-Arlington, TX	390,100	13.0
Denver-Aurora-Lakewood, CO	666,000	8.3
Detroit-Warren-Deaborn, MI	266,000	2.5
Hartford-West Hartford-East Hartford, CT	344,100	9.3
Houston-The Woodlands-Sugar Land, TX	349,500	12.8
Indianapolis-Carmel-Anderson, IN	301,400	12.0
Jacksonville, FL	398,000	17.4
Kansas City, MO-KS	314,500	11.0
Las Vegas-Henderson-Paradise, NV	463,500	12.6
Los Angeles-Long Beach-Glendale, CA	893,200	3.8
Louisville/Jefferson County, KY-IN	263,800	7.5
Memphis, TN-MS-AR	276,700	8.9
Miami-Fort Lauderdale-West Palm Beach, FL	570,000	16.3
Milwaukee-Waukesha-West Allis, WI	358,300	7.6

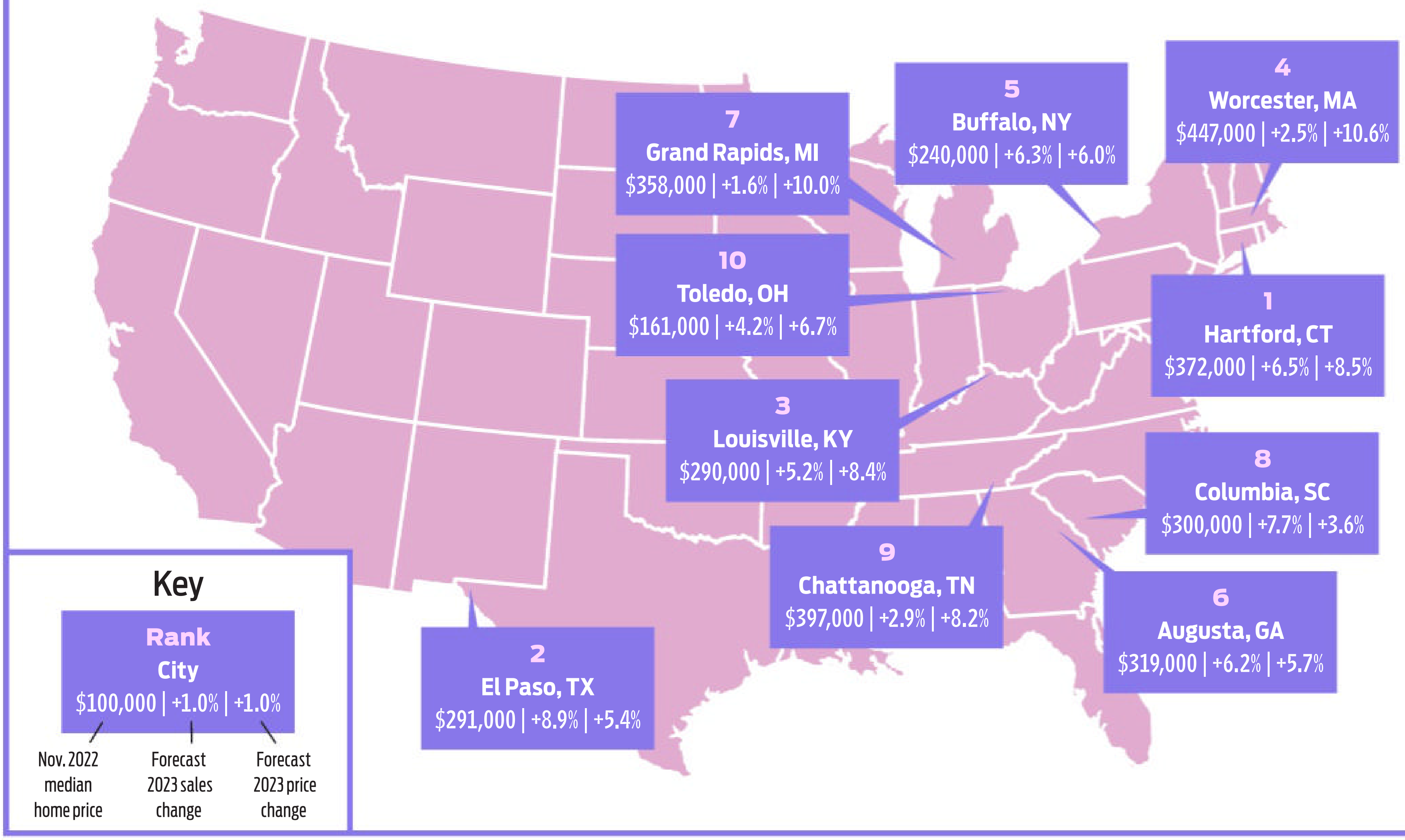
Metro area	Median Home Sale Price	Year-Over-Year Change*
Minneapolis-St. Paul-Bloomington, MN-WI	$381,100	5.3%
Nashville-Davidson-Murfreesboro-Franklin, TN	408,300	14.9
New Orleans-Metairie, LA	278,900	1.3
New York-Newark-Jersey City, NY-NJ-PA	627,400	6.9
Oklahoma City, OK	235,300	18.5
Orlando-Kissimmee-Sanford, FL	425,000	16.4
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	349,200	7.5
Phoenix-Mesa-Scottsdale, AZ	474,400	10.4
Portland-Vancouver-Hillsboro, OR-WA	594,300	8.2
Providence-Warwick, RI-MA	453,800	8.9
Raleigh, NC	460,500	14.1
Richmond, VA	384,400	8.2
Riverside-San Bernardino-Ontario, CA	567,000	8.2
Rochester, NY	224,000	8.4
Sacramento-Roseville-Arden-Arcade, CA	535,000	4.5
Salt Lake City, UT	561,200	12.1
San Antonio-New Braunfels, TX	342,700	13.9
San Diego-Carlsbad, CA	900,000	5.9
San Francisco-Oakland-Hayward, CA	1,300,000	-3.7
San Jose-Sunnyvale-Santa Clara, CA	1,688,000	2.3
Seattle-Tacoma-Bellevue, WA	741,300	4.6
St. Louis, MO-IL	256,800	9.0
Tampa-St. Petersburg-Clearwater, FL	405,100	18.8
Virginia Beach-Norfolk-Newport News, VA-NC	327,300	12.9
Washington-Arlington-Alexandria, DC-VA-MD-WV	581,300	6.0

*As of third quarter 2022. SOURCE: National Association of Realtors

FORECAST

Top 10 Markets in 2023

These metro areas are poised to see the strongest growth in home sales and listing prices in the coming year, according to Realtor.com. And because they have experienced lower pandemic-era price increases, they are also more affordable than many other U.S. cities. The cities are ranked by the combined 2023 forecast home sales change and home price change.



Watt put their Silver Spring, Md., house on the market last October, the basement level's bedroom and bathroom were still under construction. The rest of the house was turnkey: It featured new appliances, new windows and custom kitchen cabinets. But Richard says the unfinished bedroom and bathroom held a lot of buyers back. "Our thought process was to get the property on the market before mortgage rates went up even higher, but it backfired," he says. "I believe a lot of buyers had trouble envisioning the finished product." He says they probably left about $20,000 on the table by not finishing the basement before they listed their home for sale.

Be open to concessions. The hard truth for sellers is that the market is cooling. That means saying goodbye to crazy bidding wars and sight-unseen offers, and saying hello to seller concessions, such as credits for home repairs, closing-cost assistance and mortgage-rate buydowns—in addition to financing and inspection contingencies. Buyers got concessions in 42% of home sales in the fourth quarter of 2022, up from 31% a year earlier, Redfin reports.

Focus on the big picture. Paying a couple thousand dollars toward a buyer's closing costs is a small price to pay when you're selling a $500,000 home.

Maximize your listing's visibility. Promoting your property on social media is a must. Erin Murphy-Kubiak, a real estate agent at Re/Max North in Buffalo, N.Y., goes a step further. She frequently uses sponsored ads on Facebook to build buzz around new listings and open houses. When you're interviewing potential agents, ask what they will do to promote your listing.

Get creative. Don't be afraid to think outside the box when wooing buyers. That could involve you offering buyers a one-year home warranty—"it makes the deal a little sweeter, and it usually only costs a few hundred bucks," says Alejandro Franqui, an agent at Solo Real Estate in Philadelphia. "I've also seen sellers offer to pay for a buyer's off-street parking for a year, because parking is extremely scarce here in Philly," he adds. Or consider offering to help fund a buyer's move—that could be an attractive proposal considering moving costs recently reached an all-time high, a HireAHelper study found. ■

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Purchase a Call Option On Your Home

USING A HECM TO REDUCE MARKET VOLATILITY

By Matt Neumeyer

Home Equity Conversion Mortgages (HECMs), and reverse mortgages in general, have a poor reputation, but much of that is undeserved. When you stack the product next to a forward mortgage or home equity line of credit, it is going to lose on interest rate and closing costs. Where it thrives is in the features outside of what we have been trained to look at when it comes to mortgages.

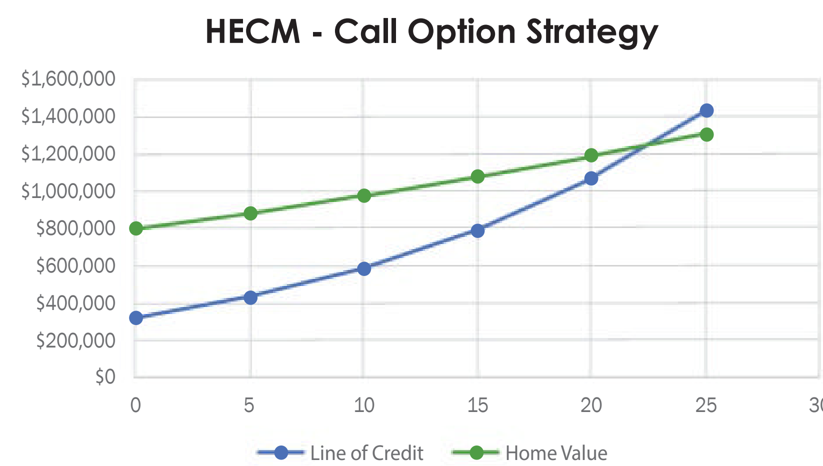
The strategy of integrating housing into a retirement portfolio could use another look. It is commonly recommended to spend down more liquid assets first, and then look to borrow against your home as a last resort. Often the advice from financial advisors is to sell and downsize/rent or to move in with family. In reality there is often little interest in those two options, so how best to use home equity becomes critical.

> If left to grow for 15-25 years...the line of credit balance might exceed the current market value of the home.

When you are down to a limited fixed income, after exhausting your liquid assets, your borrowing power is greatly reduced. Qualifying for a conventional mortgage or a sizable HELOC is difficult at that point, due to the debt-to-income requirements. That is where reverse mortgages come in, but the question is when is the best time to take one out? We have a good solution for those 62 or older, who own their home free and clear, or are nearly there, and want to hedge against outliving their retirement portfolio.

When it comes time to tap home equity via a HECM, you just hope that it is a peak in the market and not a trough. Since you do not have the ability to predict exactly when the need will arise, why not remove home value volatility from the equation? The call option strategy of setting up a HECM well before you need to tap into home equity could be your best plan of action.

The key factor in why it is best to set up early is that there is monthly compounding growth in a line of credit. Unlike HELOCs, the line of credit cannot be frozen, canceled, or reduced at the bank or servicer's discretion. As long as you keep the property your primary residence and pay the property charges on time, the line of credit will continue to grow.



If left to grow for 15-25 years, this opens up the possibility of an arbitrage opportunity where the line of credit balance might exceed the current market value of the home. Whether you choose to exercise the option then, or earlier due to outliving your other assets is completely up to you. Let's take a look at an example.

John & Jane Smith are retired, 65 years of age, own an $800K home free and clear that they do not plan on leaving, and are looking to exhaust their retirement portfolio at 85 years old unless they reduce their spending. Using the current 10-year treasury plus margin to project line of credit growth, and with them opting to pay closing costs out of pocket, they would have a line of credit that exceeds their home value with 2% appreciation in year 23 (see graph above).

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Turn Home Equity Into Income in Retirement

A reverse mortgage allows you to tap the increase in your home's value without selling. BY SANDRA BLOCK

ILLUSTRATION BY SOL COTTI

SPECIAL REPORT
Profit From Your Home

In the second quarter of 2022, homeowners age 62 and older possessed a record $11.2 trillion in home equity, according to the National Reverse Mortgage Lenders Association. In some high-cost parts of the U.S., the homes seniors bought years ago for a modest amount are now worth $1 million or more.

But owning a home worth $1 million isn't the same as having an equivalent amount of money in the bank. To cash in on the rise in your home's value, you usually need to sell—something many retirees are reluctant to do. And while looking up your address on Zillow may make you feel rich, an increase in your home's value typically means higher property taxes and potentially higher homeowners insurance premiums, too. Modifications to make your home more senior-friendly could put additional pressure on your finances.

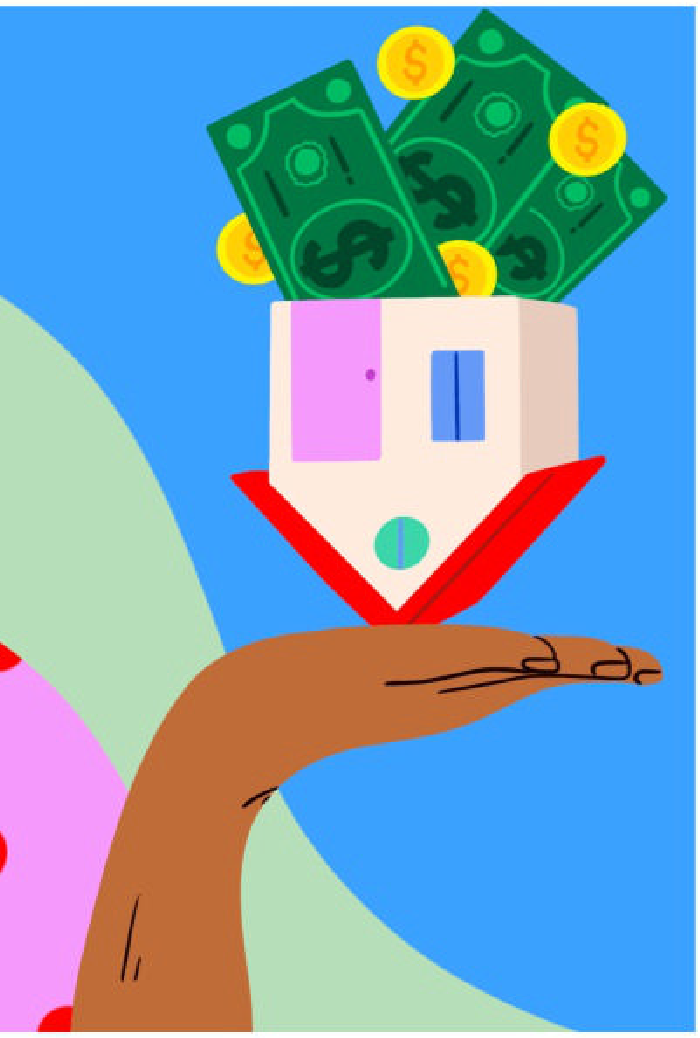
A reverse mortgage is one way to solve this problem. With a reverse mortgage, you can convert your home equity into a lump sum, monthly payments or a line of credit. But unlike a traditional mortgage or home equity line of credit, you don't have to make principal or interest payments on the loan for as long as you remain in the home.

If you're retired and making withdrawals from your nest egg, taking out a reverse mortgage line of credit as early as age 62 could protect your investment portfolio against what's known as sequence-of-return risk: If you take withdrawals from a portfolio that has been diminished by a bear market during the early years of retirement, you have fewer assets to generate returns when the market recovers. That will increase the risk that you'll run out of money in your later years. But with a reverse mortgage line of credit, you can withdraw funds to pay expenses until the market rebounds and your portfolio recovers.

Do you qualify? To be eligible for a government-insured home equity conversion mortgage (HECM), you must be at least 62 years old and have at least 50% equity in your home, and the home must be your primary residence. The maximum payout for which you'll qualify depends on your age (the older you are, the more you'll be eligible to borrow), the current interest rate and the appraised value of your home. For example, a 65-year-old couple with a home valued at $400,000 and no outstanding mortgage would be eligible for a line of credit of up to $134,001, based on current interest rates. You can estimate the value of a reverse mortgage on your home at www.reversemortgage.org/about/reverse-mortgage-calculator.

The maximum amount you can borrow through a HECM is adjusted annually, based on home prices in the preceding year. In 2023, the maximum amount you can borrow through a HECM is $1,089,300, up from $970,800 in 2022. (Some private lenders offer larger, "jumbo" reverse mortgages.) A HECM is a "nonrecourse" loan, which means the amount you or your heirs owe when the home is sold will never exceed the value of the home. As long as you remain in the home, you retain ownership, but you're responsible for paying taxes and insurance and maintaining the property.

You may qualify for a reverse mortgage if you still have an existing mortgage, but you must pay off the balance with funds from the reverse mortgage or other sources, such as your savings. This is probably the primary reason seniors on a fixed income apply for a reverse mortgage, says Steve Irwin, president of the National Reverse Mortgage Lenders Association. Eliminating the mortgage payment "has a huge positive impact on a retiree's cash flow," he says. Still, it's important



to understand that paying off an existing mortgage with funds from the reverse mortgage will reduce the money available to you from that loan.

The impact of interest rates. Reverse mortgages aren't as attractive as they were a year ago, when interest rates were at record lows. When rates rise, the amount you're able to borrow declines. Although the Federal Reserve is expected to continue to increase short-term interest rates in 2023 in an effort to rein in inflation, it may reduce them if the economy falls into recession.

With that in mind, some homeowners may want to postpone taking out a reverse mortgage. However, "there's no benefit to waiting if you need the money now," Irwin says. Keep in mind, too, that rising interest rates and an economic downturn could cause the value of your home to decline, which would also reduce the amount you're eligible to borrow.

A reverse mortgage compared with a home equity line of credit. One drawback to taking out a reverse mortgage is the up-front costs, which may include up to $6,000 in fees to the lender, 2% of the loan amount for mortgage insurance, and other fees. These costs can be rolled into the loan, but that will reduce the proceeds available to you.

Closing costs for a home equity line of credit are lower, typically ranging from 2% to 5% of the loan amount. You can usually borrow up to 85% of your home's value, minus the outstanding mortgage amount. Currently, interest rates on HELOCs average about 7.7%—higher than a year ago but still considerably lower than credit card debt, which is averaging around 20%. A home equity line of credit could help you pay off high-interest debt or provide a source of emergency funds in the event of a financial setback.

But home equity lines of credit (and home equity loans, which provide you with a lump-sum payment) have downsides, too. When you apply for a HELOC, the lender will look at your credit score and income. If you're retired, you may not have sufficient income to qualify. For a HECM, you must simply be age 62, the primary homeowner and have sufficient equity to qualify for the loan.

But perhaps the most significant difference between reverse mortgages and HELOCs (or home equity loans) is that the latter must be repaid. Home equity lines of credit typically have a draw period of up to 10 years; at the end of that period, you must start repaying the loan. If you're unable to make payments, you could lose your home. In addition, if the value of your home declines, you lose your job or your credit score declines, your lender may freeze your line of credit, preventing you from making any additional withdrawals.

An economic downturn could also affect your line of credit: During the Great Recession, many lenders froze or canceled lines of credit because of concerns that more borrowers would default on their loans. That will never happen with a reverse mortgage as long as you continue to meet your obligations and continue to reside in the home. (For details about HELOCs and home equity loans, see page 50.) ■

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Caveats Before You Apply

Reverse mortgages have a troubled history. Some seniors have lost homes to foreclosure because they couldn't meet their obligations. In recent years, the Department of Housing and Urban Development has strengthened consumer protections and now requires potential HECM borrowers to receive counseling at HUD-approved sites before closing on a loan. Here are some factors you should consider before you sign on the dotted line:

Up-front costs are steep. Because of the high closing costs, it's usually not a good idea to take out a reverse mortgage if you think you'll move within the next five years or so.

You are on the hook for property taxes and insurance. You don't have to repay a reverse mortgage as long as you stay in your home, but you're required to pay property taxes and homeowners insurance premiums and maintain the home. If you don't meet these obligations, your lender could foreclose.

It could complicate your estate plans. If your heirs (other than a co-borrower or eligible spouse) want to keep your home after you die, they'll need to pay off the balance of the loan. If they sell the home, they'll have to repay the full loan balance, or 95% of the appraised value of the home if the loan balance exceeds the home value. For that reason, it's a good idea to discuss your plans with family members before applying for a reverse mortgage.

Cash In on Your Home Equity

A home equity line of credit or loan can help you fund home renovations or refinance high-rate debt, but consider other uses, too. BY EMMA PATCH

SPECIAL REPORT
Profit From Your Home

For the nearly two-thirds of Americans who own a home, tapping into home equity can be an affordable and flexible way to borrow money. Of the two main ways to access your home equity—a loan and a line of credit—a home equity line of credit (HELOC) is the most flexible because it lets you borrow and repay funds as you need them.

HELOCs and home equity loans are usually available at relatively low interest rates because they are secured by your home—which also makes them riskier for you. HELOC rates recently averaged 7.7%, according to Bankrate.com, and home equity loans averaged 7.8%. If you have a strong credit score (often 740 or above), that will help you qualify for a lower rate.

You can lock in the rate and the payments for a loan, but HELOCs usually have a variable rate—often tied to the prime rate—that rises or falls as the Federal Reserve changes short-term rates, and you typically have the option to pay only interest on your debt for a number of years. To fight inflation, the Fed is expected to continue pushing up rates in 2023, although it may lower them if a recession takes hold. (For details on how HELOCs work, see the box at right.)

How to use a HELOC. You can draw on your home equity for just about anything—to buy an investment property, finance education expenses for your children or invest in your own business. But the most common (and often the most beneficial) uses of a home equity line of credit are home improvements and debt consolidation.

As short-term interest rates have risen over the past year, interest charges on credit cards have gone up; rates recently averaged about 20%. If you have a large balance on a high-interest credit card, using a HELOC to pay off that debt would likely save interest and lower your monthly payment. (A credit card balance transfer is another option for refinancing card debt. For more, see "The Best 0% Credit Card Offers," on page 54.)

Using a HELOC to refinance debt could help you get your financial life back on track, but be sure that you understand the risks. If you struggle to keep your spending in check—a common reason that people rack up credit card debt—or to keep up with debt payments, you could put your home on the line. Most HELOCs come with a "curtailment clause," which allows lenders to cut off access to the line of credit if they detect a significant change in your financial situation or the value of your home.

Home improvements are a less-controversial reason to apply for a HELOC. A project that enhances your home's value is one of the most com-

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The Nuts and Bolts of a HELOC

Closing costs for a HELOC may run anywhere from 2% to 5% of the loan amount. But in some cases, lenders will waive the fees if you keep the credit line open for three years or more.

HELOCs allow homeowners to borrow from their home equity during the draw period, which typically lasts for up to 10 years. During the draw period, borrowers can often make interest-only payments. To drive the HELOC balance down, you may choose to pay principal at any time or agree with the lender to make a minimum principal payment during the draw period, typically 1% to 2% of the HELOC balance. Because a HELOC is a revolving line of credit, you can tap it whenever you need money—by using a check, a credit or debit card connected to the account, or an electronic transfer.

If you owe money on the HELOC at the end of the draw period, you enter a repayment period—typically up to 20 years—during which you pay principal and interest at prevailing rates. Payments are usually made monthly, amortized to retire the debt by the end of the repayment period. By the time the repayment period starts, many homeowners with a significant balance and sufficient equity choose to refinance their first mortgage, adding the home equity debt to the new mortgage.

ILLUSTRATION BY SOL COTTI

mon and arguably one of the best uses of the equity in your home, says Keith Gumbinger, vice president of financial publisher HSH. And if you itemize deductions on your tax return, the interest you pay on home equity that is used to buy, build or improve your primary residence or qualified second residence may be tax-deductible.

A HELOC can be a good source of bridge financing for people in or approaching retirement as well. For example, if you have a home remodel budget of $50,000, you might pay the up-front cost of the remodel using a HELOC and then direct money from IRA withdrawals to pay off the HELOC balance over the course of a few years. Or you could use HELOC funds as a way to avoid selling investments at a loss when the stock market is down, then repay the balance when your investments rebound.

But tread lightly when borrowing in retirement. "Tapping into a HELOC should not be thought of as an income stream to prop up or supplement your retirement. This should be a one-time withdrawal that you plan on paying back," says Christopher Lyman, certified financial planner for Allied Financial Advisors in Newtown, Pa. (For another option, see "Turn Home Equity Into Income in Retirement," on page 48.)

Home equity loans. Unlike HELOCs, home equity loans provide a single lump-sum disbursement. Home equity loans and HELOCs offer similar interest rates at the outset. But home equity loans typically have a fixed rate.

Whether a line of credit or a loan better suits you depends on your time line of financial need and your desire for a fixed or variable interest rate. Because you get your funds in a single disbursement with home equity loans, they serve a one-time credit need well, such as financing a single renovation project, buying a costly item or consolidating debt. If you're concerned about rising rates in the future and your credit needs are suited to a one-time disbursement, then a home equity loan is likely the better option for you.

There is a workaround for homeowners who have already opened a HELOC but would rather have a fixed rate. "Many lenders allow you to open a home equity line of credit and then break off a piece of that line of credit into a fixed-rate, lump-sum repayment opportunity," Gumbinger says. For example, a homeowner who sets up a line of credit for $25,000 and borrows $10,000 of it might break that balance off into a 10-year repayment period with a fixed rate.

Ultimately, tapping home equity makes more sense in some situations than others, and whether it's the best tool can depend a lot on how high interest rates are or how strong the real estate market is. "Cautious use of your home equity is always a good idea, particularly right now when home values are less certain to continue increasing," says Gumbinger. ■

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How to Help Your Children Buy a Home

Options range from family loans to outright gifts.

BY EMMA PATCH

SPECIAL REPORT
Profit From Your Home

Lofty home prices, rising mortgage rates and tight inventory of homes for sale have shut many young buyers out of the housing market. In 2022, the median age of home buyers was 53, the highest on record, according to a survey from the National Association of Realtors—which means first-time buyers are delaying their purchases. The typical first-time buyer was 36, also an all-time high.

With that in mind, parents (and grandparents) of would-be home buyers are often interested in helping out. Options include co-signing a mortgage, jointly owning a home, making a loan, and buying a home outright for your children or grandchildren. Each of these avenues of financial support has its own perks and pitfalls.

First, consider how any assistance could affect family relationships. Your children or their spouses may be anxious or uncomfortable about accepting financial help from parents or in-laws. Siblings' feelings matter, too. "If you have multiple children, spend some time up front to understand how giving or loaning to one child might affect family dynamics," says Mitchell Kraus, a certified financial planner based in Santa Monica, Calif. "We've seen years of resentment coming from a small loan to one family member when it was not available to another."

The lowdown on loans. One option that could benefit both parties is an intra-family loan. You may be able to offer your child a lower interest rate than a conventional mortgage lender would while still earning a higher interest rate than you could earn from a savings account. For example, if you provide your child with a mortgage at a 4.5% interest rate, you'll earn more than four percentage points more than the 0.23% average yield for a bank savings account. Your child, meanwhile, will pay significantly less than the national average for a 30-year fixed-rate mortgage, which was 6.1% in early February.

An intra-family loan works especially well for well-off individuals who can afford to give their children the money but prefer the financial discipline that comes with a loan, says Tim Burke, chief executive officer of National Family Mortgage, a family lending agency. "For many parents, the motivation to lend money over gifting it is just about personal accountability," he says. "Parents feel the responsibilities that come with homeownership, and the satisfaction that comes with meeting these responsibilities builds character."

That was the case for Mary and Terry Shaffer of Pittsburgh, who lent money to both of their children to buy homes in that city. "Our son and our daughter do not like things handed to them, although they deserve to be helped," says Mary, 68. "They have

worked hard, and they both had accumulated savings for their closing costs."

If parents need assurance that their child can afford the monthly payments, they should ask the child to get preapproved for a conventional mortgage, Burke says. However, that could be difficult for some children, especially if they're self-employed borrowers. Even if a self-employed individual's debt-to-income ratio may support a loan, a single year in which income declines may cause a bank to reject the application.

If your child can't get preapproval, it comes down to your judgment. "If you think your family member is not going to repay you, then don't go through the exercise of setting up a loan that isn't going to work," Burke says.

Put the terms of the intra-family loan in writing so they're clear and it's an arm's-length transaction, says Brian Lamborne, senior director of advanced planning at Northwestern Mutual. Putting the terms of the loan in writing can also help you deal with instances in which your children are unable to make payments. For example, you can agree ahead of time that should your child suffer a financial hardship, payments will be deferred for a certain period of time—perhaps six months or up to a year—and moved to the end of the loan.

The loan agreement should contemplate worst-case scenarios as well. For example, you may want to state the conditions under which the parents could foreclose on the property so they can sell it and pay off the loan.

It's also important to understand the tax implications for intra-family loans. Borrowers who itemize can only deduct interest on a loan secured by a mortgage if the mortgage has been properly recorded. In order to do that, families need to obtain a deed of trust and file it with the borrower's local government authority, such as the registrar of deeds or country clerk's office. A real estate attorney can help you draw up these documents.

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Less-Attractive Options

If your child can't qualify for a mortgage based on their own income and credit record but can afford monthly payments, co-signing a mortgage is one way to help them buy a home. However, it can be risky.

A co-signer acts as a guarantor for the primary borrower, promising to assume responsibility for repayment if the primary borrower doesn't pay as required. The lender will review your sources of income and your credit to ensure your income is high enough and your credit strong enough to qualify for a mortgage.

If your child falls behind on monthly payments, your own credit could suffer. Plus, co-signing for a mortgage will increase your own debt-to-income ratio—the amount of debt you owe as a percentage of your monthly income—which could make it more difficult for you to borrow for your own purposes. Also, some lenders don't allow co-signers.

In another arrangement, a co-borrower or joint applicant shares ownership of the loan and assumes responsibility for payments from the start. In general, you and your child combined must put down at least 20%, and your child must cover the first 5% of the down payment from their own funds. Otherwise, the property may qualify as an investment, in which case you'll be charged a higher interest rate for the loan and be required to have more financial reserves. But If your child fails to pay the mortgage, property taxes or insurance on time, that could ding your credit history or result in a lien against the property.

If the loan exceeds $10,000, the IRS requires you to charge an interest rate equal to or above the Applicable Federal Rate (AFR), which the IRS publishes monthly. The AFR for long-term loans is 3.79% as of February 2023. The interest must be reported as income on your tax return.

If you don't want to act as the loan servicer, you could use National Family Mortgage to set up, document and service the loan. It will e-mail payment reminders and monthly statements, collect and credit payments, and issue year-end IRS 1098 and 1099-INT tax forms. Cost: a one-time fee of $725 to $2,100, depending on the size of the loan, and optional loan servicing starting at $15 per month.

Making a gift. For some families, the easiest solution is to give children enough money to make a down payment or buy a house outright. Gifting spares families the hassle of a loan and damage to their relationships if a loan can't be repaid. Mortgage lenders generally allow a relative to supply the entire down payment, but they will require a letter that provides the name of the giver, the amount of the gift and a statement that the giver doesn't expect to be repaid.

As is the case with a loan, it's important to understand the tax implications of this transaction. In 2023, you can give up to $17,000 per person to as many people as you'd like without having to file a gift tax return. Married couples can give up to $34,000 per person.

Any amount over the annual limit will reduce your exemption from the federal estate and gift tax. This isn't a problem for most families because the federal estate tax exclusion is $12.92 million for 2023, or $25.84 million for married couples. However, if Congress fails to extend the 2017 Tax Cuts and Jobs Act, the exclusion will drop to about $6 million in 2026.

In any event, parents or grandparents should only give a gift they can afford without jeopardizing their own financial security. "There are no loans when it comes to your own retirement," says Jennifer Weber, a CFP in Lake Success, N.Y. "So only help in ways that you can afford now and in the future." ■

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CREDIT

THE BEST 0% CREDIT CARD OFFERS

ALTHOUGH AVERAGE CREDIT card interest rates have risen significantly over the past year, credit cards that offer a 0% introductory rate on balance transfers have become more widely available than they were in early 2022, according to online loan marketplace LendingTree. If you're looking to refinance high-rate credit card debt, consider these cards. Most of them offer a 0% introductory window on purchases, too.

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 0% offers. The **BANKAMERICARD** credit card charges no interest on purchases and balance transfers for a lengthy 21 months (transfers must be made within 60 days to qualify for the 0% rate); after that, the rate is a variable 16.24% to 26.24%. The balance-transfer fee is 3% of the amount transferred ($10 minimum).

The **WELLS FARGO REFLECT** card offers a 0% rate on purchases and balance transfers for 18 months, and cardholders who make on-time payments during the intro period get an extra three months with no interest, for a total 21 months; the variable rate afterward is 17.24% to 29.24%. To qualify for the 0% rate and a 3% balance-transfer fee ($5 minimum), you must make the transfer within 120 days of opening the card. Otherwise, you pay the standard rate and a 5% transfer fee.

Rewards-card winners. Several of our picks for the top rewards credit cards (see "The Best Rewards Credit Cards for You," page 64) offer 0% intro rates. **AMERICAN EXPRESS EVERYDAY**, **CAPITAL ONE SAVORONE**, **CHASE FREEDOM FLEX**, **CHASE FREEDOM UNLIMITED**, **DISCOVER IT MILES**, **U.S. BANK CASH+** and **WELLS FARGO ACTIVE CASH** all charge no interest on purchases and balance transfers for the first 15 months and have a 3% balance-transfer fee. (Standard ongoing rates vary, as do requirements to obtain the 0% intro rate and 3% transfer fee; see the card issuers' websites for more information.) **CITI DOUBLE CASH** customers who transfer a balance within four months of opening the card get a 0% rate for 18 months on the transfer and pay a 3% transfer fee ($5 minimum).

Offers change regularly, so make sure to check a card's current terms and conditions with the issuer before you apply. **LISA GERSTNER**
Lisa_Gerstner@kiplinger.com

TOP-YIELDING SAVINGS

Taxable Money Market Mutual Funds	30-day yield as of Jan. 24	Minimum investment	Website
Fidelity MMF (SPRXX)	4.24%	$1	fidelity.com
Putnam MMF (PDDXX)	4.23	500	putnam.com
Gabelli U.S. Treasury MMF (GABXX)	4.23	10,000	gabelli.com
USAA MMF (USAXX)	4.20	1,000	vcm.com

Tax-Free Money Market Mutual Funds	30-day yield as of Jan. 23	Tax eq. yield 24%/35% bracket	Minimum investment	Website
Morgan Stanley T-F Daily (DSTXX)*	2.73%	3.59%/4.20%	$5,000	morganstanley.com
Fidelity Muni MMF (FTEXX)*	2.68	3.53/4.12	1	fidelity.com
BNY Mellon Ntl Muni (MOMXX)	2.66	3.50/4.09	10,000	im.bnymellon.com
American Cent T-F MMF (BNTXX)	2.58	3.39/3.97	2,500	americancentury.com

Savings and Money Market Deposit Accounts	Annual yield as of Feb. 2	Minimum amount	Website
Republic Bank of Chicago (Ill.)†#	4.47%	$2,500	republicebank.com
BankPurely (N.Y.)†#	4.45	25,000	bankpurely.com
iGObanking (N.Y.)†#	4.45	25,000	igobanking.com
MySavingsDirect (N.Y.)†	4.35	0	mysavingsdirect.com

Certificates of Deposit 1-Year	Annual yield as of Feb. 2	Minimum amount	Website
Merchants Bank of Indiana (Ind.)†	5.13%	$1,000	merchantsbankofindiana.com
CFG Bank (Md.)	4.85	500	cfg.bank
Tampa Bay FCU (Fla.)&	4.75	500	tampabayfederal.com
First Internet Bank (Ind.)†^	4.75	1,000	firstib.com

Certificates of Deposit 5-Year	Annual yield as of Feb. 2	Minimum amount	Website
Lafayette FCU (Md.)&	4.63%	$500	lfcu.org
Popular Direct (N.Y.)†	4.55	10,000	populardirect.com
GTE Financial CU (Fla.)&	4.54	500	gtefinancial.org
CFG Bank (Md.)§	4.50	500	cfg.bank

*Fund is waiving all or a portion of its expenses. †Internet only. #Money market deposit account. &Must be a member; to become a member, see website or call. ^Colorado Federal Savings Bank, Limelight Bank and Popular Direct offer a similar yield. §Bread Financial, Crescent Bank and Seattle Bank offer a similar yield. SOURCES: Bankrate, DepositAccounts, Money Fund Report (iMoneyNet).

TOP CHECKING ACCOUNTS

Must meet activity requirements*

High-Yield Checking	Annual yield as of Feb. 2	Balance range^	Website
Genisys Credit Union (Mich.)&	5.25%	$0–$7,500	genisyscu.org
Pelican State CU (La.)&	5.11	0–10,000	pelicanstatecu.com
Consumers Credit Union (Ill.)&	5.00#	0–10,000	myconsumers.org
Farmers Insurance FCU (Calif.)&	5.00	0–5,000	figfcu.org

*To earn the maximum rate, you must meet requirements such as using your debit card several times monthly and receiving electronic statements. ^Portion of the balance higher than the listed range earns a lower rate or no interest. &Must be a member; to become a member, see website. #Requires spending $1,000 or more monthly in CCU Visa credit card purchases. †Internet only. SOURCE: DepositAccounts.

YIELD BENCHMARKS

	Yield	Month-ago	Year-ago
U.S. Series EE savings bonds	2.10%	2.10%	0.10%
U.S. Series I savings bonds	6.89	6.89	7.12
Six-month Treasury bills	4.76	4.77	0.45
Five-year Treasury notes	3.49	3.94	1.60
Ten-year Treasury notes	3.40	3.79	1.78

As of February 2, 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.

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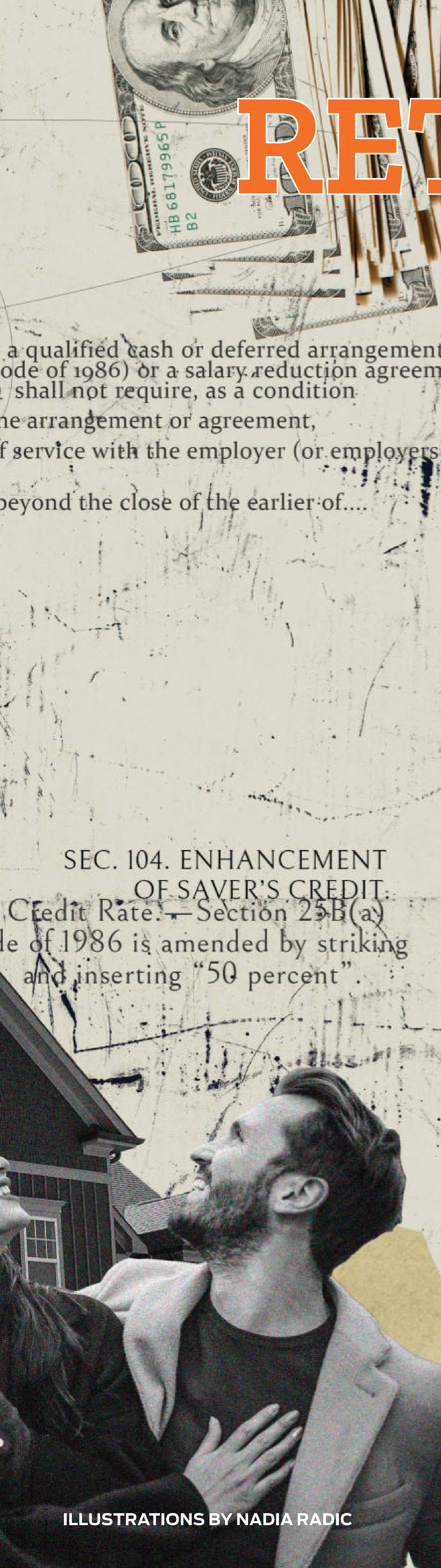

ILLUSTRATIONS BY NADIA RADIC

NAVIGATE THE NEW RULES

SECURE Act 2.0 could provide the impetus you need to save more for retirement—and help you make your money last after you stop working.

BY SANDRA BLOCK

Congress has given retirement savers and retirees a huge gift: a slew of changes designed to help you achieve a more comfortable, financially secure retirement. SECURE Act 2.0, which was signed into law late last year, will affect every stage of retirement planning, from how much you can save in tax-advantaged accounts to how you'll manage your nest egg after you've stopped working. Some of the provisions in this legislative juggernaut won't take effect for a few years, and others will affect only a small percentage of savers. Still, "there's something for everybody" in the legislation, says Catherine Collinson, chief executive officer and president of the Transamerica Institute and Transamerica Center for Retirement Studies. Here's a look at how SECURE Act 2.0 could affect you.

MORE FLEXIBILITY FOR RETIREES AND NEAR-RETIREES

In 2023, the starting age for taking required minimum distributions from traditional IRAs, 401(k)s and other tax-deferred plans increases to 73, up from 72. In 2033, the starting age for RMDs will increase to 75.

The change means that individuals who turn 72 this year will get a one-year delay in RMDs. (Technically, you can wait until April 1, 2025, to take your first RMD, but that means you'll need to take two RMDs in 2025.)

The change will be particularly useful to seniors who are still working in their early seventies because they'll be able to delay distributions until they retire and fall into a lower tax bracket. Almost 40% of workers expect to retire at age 70 or older or do not plan to retire, according to the Transamerica Center for Retirement Studies.

The delay could also give retirees more time to convert some of the money in their traditional IRAs to a Roth IRA. Roth IRAs have no RMDs, and because the accounts are funded with post-tax dollars, withdrawals are tax-free. But once RMDs kick in, you can't convert to a Roth until you've taken your required distribution—and the combination of the RMD and IRA balance you convert could result in a hefty tax bill.

Still, postponing RMDs could result in some serious tax blowback. Your required distributions are calculated based on the amount of money in all of your tax-deferred accounts at the end of the year and your life expectancy as determined by the IRS's Uniform Lifetime Table. The longer you delay distributions, "the shorter the window when all the money has to come out," says Ed Slott, founder of IRAHelp.com. That means you, or your beneficiaries, will be hit with a higher tax bill when you're eventually required to take distributions, he says. For that reason, many financial planners recommend taking modest distributions from your tax-deferred plans long before you're required to do so.

Reduced penalties for missing an RMD. SECURE Act 2.0 also significantly reduces the penalty for missing an RMD or taking out less than you're required to withdraw. Starting this year, the penalty drops to 25% of the amount you should have withdrawn, down from 50%. The penalty drops to 10% if you take the necessary RMD by the end of the second year following the year the RMD was due.

However, the sharp reduction in the penalty could have a downside, Slott says. Because the 50% penalty was so draconian, the IRS routinely granted requests for waivers. The IRS may be more inclined to enforce the penalty when it's as low as 10%, Slott says. To avoid that prospect, make sure you calculate your RMDs and take them by year-end (or April 1 of the following year for your first RMD).

Higher limits for QCDs. If you're 70½ or older, you can donate up to $100,000 a year from your IRAs directly to charity through what's known as a qualified charitable distribution. After you turn 73 (or 75 after 2033), the QCD will count toward your required minimum distribution. A QCD isn't deductible, but it will reduce your adjusted gross income, which besides lowering your federal and state tax bill can also lower taxes on items tied to your AGI, such as Social Security benefits and Medicare premiums.

SECURE Act 2.0 indexes the maximum charitable contribution to inflation, effective for tax years after 2023. It also allows seniors to make a one-time QCD of up to $50,000 to fund either a charitable remainder unitrust, a charitable remainder annuity trust or a charitable gift annuity. However, retirees are still prohibited from making a QCD to donor-advised funds, a far more popular way to support charities.

A boost for QLACs. The law expands the amount you can invest in qualified longevity annuity contracts. QLACs allow seniors to reduce their RMDs by using funds in their IRAs or 401(k) plans to purchase a deferred income annuity that provides guaranteed payments on or before age 85. Effective this year, the maximum you can invest in a QLAC increases to $200,000, up from $145,000. The law also eliminates a provision that

HARDSHIP RELIEF

More Penalty-Free Withdrawals

Traditional 401(k) plans and IRAs provide a tax break for retirement savers, but with a catch: If you need the money before you're 59½, you'll usually have to pay taxes on the money, plus a 10% early-withdrawal penalty. SECURE Act 2.0 includes several provisions that will waive the 10% penalty for some early withdrawals. You will still have to pay federal income taxes, and in many cases state taxes, on the withdrawals.

- Up to $1,000 per year for personal or family emergency expenses, with the option of repaying the amount within three years.

- Up to $10,000 or 50% of the account's vested balance, whichever is less, for victims of domestic abuse. Individuals have the option of repaying the money in three years; if they do, income taxes will be repaid on the withdrawn funds.

- Up to $22,000 for individuals who suffer an economic loss as a result of a federally declared disaster. The withdrawal can be repaid in three years, and taxes can be spread over three years. The change is effective for disasters that occurred on or after January 26, 2021.

- Withdrawals (no specified limit) for an individual who is suffering from a terminal illness.

- Up to $2,500 a year (starting in 2025) to pay for premiums for qualified long-term-care insurance policies. Unfortunately, this change is unlikely to encourage more Americans to purchase long-term-care insurance, says Jesse Slome, director of the American Association for Long-Term Care Insurance. Most individuals buy long-term-care insurance when they are between the ages of 55 and 60, which means they would only benefit from the waiver for a few years, if at all, because there is no penalty on withdrawals after age 59½. In addition, after you pay income taxes on the money, you could have a significantly reduced amount available for insurance premiums.

limited QLAC investments to 25% of your plan balance.

Larger catch-up contributions. Starting in 2025, workers who are ages 60 through 63 can contribute the greater of $10,000 or 150% of the age 50 catch-up amount to their 401(k) or other employer-sponsored plans. (In 2023, the catch-up contribution for workers 50 and over is $7,500.) Catch-up contributions by workers over 50 who earned at least $145,000 from their employer will be required to go into a Roth 401(k). In addition, catch-up contributions to IRAs, which have been stuck at $1,000 since 2006, will be indexed to inflation starting in 2024.

Roths for everybody. Contributions to a Roth IRA or Roth 401(k) are after-tax, but withdrawals are tax-free as long as you're at least 59½ and have owned the account for at least five years. That makes Roths attractive for young savers who can benefit from years of tax-free growth, but they're also popular with older savers who want to accumulate a pool of tax-free funds to draw on in retirement. Several provisions in SECURE Act 2.0 will make it easier for savers of all ages to contribute to a Roth or Roth 401(k).

Starting in 2023, if you have a Roth 401(k), you can request that your employer match go into that account (although it may take a while for plan sponsors to offer this option and update their payroll systems). Like Roth IRAs, Roth 401(k) plans allow you to make after-tax contributions that will be tax-free in retirement. But unlike Roth IRAs, there are no income restrictions on contributions. Previously, employer matches were required to go into a pre-tax 401(k) account, even if the employee invested all of his or her contributions in the Roth account.

The legislation also eliminates required minimum distributions from Roth 401(k) plans, effective in 2024. In the past, you could avoid this requirement by rolling your Roth 401(k) into a regular Roth, but if you prefer your employer's plan options, you'll have the option of leaving the money there until you need it.

Finally, parents will be permitted to roll over unused funds in their 529 college-savings plans to a Roth IRA—

as long as they can meet several restrictions on these rollovers. The 529 plan must have been open for at least 15 years, and you can't roll over contributions (or earnings on the contributions) made in the past five years. The rollover amount is limited to the maximum IRA contribution for that year ($6,500 in 2023 for individuals younger than 50), with a lifetime maximum of $35,000. In addition, the owner of the Roth IRA must be the beneficiary of the 529 plan. If the beneficiary of the 529 plan is your child, for example, the Roth IRA must be set up for that child (although you can get around this requirement by changing the beneficiary to yourself).

In the past, if you withdrew 529 plan funds for noneducational expenses—because your child received a scholarship, for example, or decided not to go to college—you were required to pay income taxes and a 10% penalty on the withdrawal. That restriction may have discouraged some parents from contributing to a 529 plan, because it's difficult to predict what choices a child will make by the time he or she reaches college age. This provision offers a tax-advantaged alternative for funds that aren't needed for education, Slott says. Unlike contributions to Roth IRAs, there are no income restrictions on rollover contributions to a Roth from a 529 plan.

SAVINGS INCENTIVES FOR YOUNG AND NONTRADITIONAL WORKERS

A study by the Vanguard Group, one of the largest 401(k) providers, found that 90% of workers who are automatically enrolled in their employer's retirement plan remain in the plan. However, only 23% of plan sponsors have adopted automatic enrollment, according to Transamerica.

Starting in 2025, businesses adopting new 401(k) or 403(b) plans will be required to enroll new employees automatically at a contribution rate between 3% and 10% of compensation. They'll also be required to increase the contribution rate by 1% each year, to a maximum of at least 10% but no more than 15% of compensation. Employees who don't want to participate will have to opt out of the plan. Businesses with 10 or fewer employees and start-ups that have been in business for less than three years will be excluded from this requirement.

Other provisions designed to increase participation in retirement plans:

Student loan matches. Starting in 2024, employers can make a matching contribution to an employee's retirement plan account based on the individual's student-loan payment amount. The provision is "an innovative solution to help people who otherwise wouldn't be able to save at an age where they have a long-term saving horizon," Transamerica's Collinson says.

A revamped Saver's Credit. Beginning in 2027, the Saver's Credit, which is designed to encourage low- and moderate-income workers to save for retirement, will be renamed the Saver's Match and expanded. Eligible individuals will receive a credit of up to 50% of the first $2,000 contribution to an IRA or other retirement plan. Instead of reducing the individual's tax bill, the credit will be deposited directly into a retirement account. The match phases out for single taxpayers with income between $20,500 and $35,500; for married taxpayers who file jointly, the match phases out at income between $41,000 and $71,000.

Collinson says these changes could result in a significant increase in participation in this program. "A matching contribution is part of our national dialogue about retirement because it's common with employer matching contributions," she says. "It could inspire more people to start saving."

Roths for more plans. Starting in 2023, participants in SEP and SIMPLE plans will be permitted to make after-tax contributions to a Roth account. Previously, contributions to these plans, which provide a way for self-employed workers and employees of small businesses to save for retirement, were required to go into pretax accounts.

Faster access to employer plans for part-timers. Currently, employers are required to allow part-time employees to participate in their retirement plan after they've worked at the company for at least 500 hours a year for three years, or over 1,000 hours for one year. Starting in 2025, the eligibility threshold will decline to 500 hours a year for two years.

New emergency savings accounts. According to Transamerica, workers have a median amount of $5,000 in savings for emergencies, and 14% of employees have no emergency savings at all. That shortfall compels some workers who have fallen on hard times to tap their retirement-savings plans, which can jeopardize their retirement security. (For more on hardship withdrawals, see the box on page 58.) Starting in 2024, employers will be allowed to offer employees a Roth-like emergency savings account of up to $2,500 a year, which could include matching contributions. Employees will be permitted to take up to four tax- and penalty-free withdrawals a year. The accounts will only be available for non-highly-compensated employees, which the IRS defines as workers who earn less than $150,000 in 2023. ■

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ABLE ACCOUNTS

More Options for People With Disabilities

Although most of the changes in SECURE Act 2.0 concern retirement savings, the legislation also includes provisions that will allow more people with disabilities to save for a variety of financial goals.

Starting in 2026, individuals who became disabled before age 46 will be eligible to open an ABLE account, a tax-advantaged account that allows individuals to save for ongoing expenses without threatening their eligibility for government benefits. Previously, ABLE accounts were only available for individuals who became disabled before their 26th birthday.

Tom Foley, executive director for the ABLE National Resource Center, says the change will allow an additional 6 million to 8 million people to qualify for ABLE accounts, including up to 1 million veterans.

First established in 2014, ABLE accounts (the acronym stands for Achieving a Better Life Experience) allow individuals with disabilities, as well as their families, friends or even strangers, to contribute to a tax-advantaged account that can be used to pay for a broad range of expenses, including housing, transportation and college tuition. Before ABLE accounts were created, individuals with disabilities who had more than $2,000 in total assets were ineligible for Supplemental Security Income or Social Security Disability Insurance, making it difficult for them to live independently.

Annual maximum contributions are tied to the IRS gift tax exclusion, which is $17,000 in 2023. Contributions aren't deductible from federal taxes, but several states allow residents to deduct a portion of their contributions from state income taxes. Michigan, for example, allows residents who contribute to its ABLE account to deduct up to $5,000, or $10,000 for a married couple.

Foley, who conducts ABLE account seminars around the country, says the accounts have been a "game-changing experience" for people who want to save for a home or other long-term goal. However, the age cutoff for ABLE accounts significantly limited the number of people who could take advantage of them, he says. During training sessions, "someone would put up a hand and say, 'I got sick,' or 'I was in a traffic accident,' or 'I'm a vet and have a battle-induced injury that happened at age 28—am I eligible?' and I had to say no," Foley says. "As of January 2026, anyone who is up to age 46 we can say yes to."

All but four states—Idaho, North Dakota, South Dakota and Wisconsin—offer ABLE programs, and if you live in a state that doesn't offer one, you can create an account offered by another state. For more information about opening an account, go to the ABLE National Resource Center, www.ablenrc.org.

LIVING IN RETIREMENT | Janet Bodnar

Keys to a Satisfying Retirement

What's your advice for enjoying a comfortable retirement without financial regrets? I posed that question to readers in a column about the "secret sauce" to cooking up a satisfying retirement (see "Living in Retirement," Dec.). Many thanks for the flood of responses, which generally fell into two categories: financial and social. This month I'll pass along your financial advice, and next time I'll offer your recipes for a healthy social life in retirement.

Overall, "the 'secret sauce' you wrote about was so spot on," writes reader David Gelb. "We followed the formula to a T: We started investing in mutual funds when we were in our early thirties, lived below our means most of our working lives, maxed out our 401(k) contributions when we could, never carried any debt other than our mortgage (which we paid off two years prior to retiring)." In addition, Gelb says, they "sought the advice of a professional money manager for a portion of our investments as we neared retirement."

Many of you added your own personal spin to that guidance. "Remember that it's a marathon and not a sprint," writes one reader. "Regarding investments, aim for singles; don't swing for the fences."

Once you're in retirement, diversification beyond stocks and bonds is key. "My cash, real estate investment trust, inflation-protected bond fund and annuities have helped balance stock fund losses in my retirement portfolio," says another retiree. "Result? Sleeping like a baby even in a down market."

Reader Rayner Kelsey "highly recommends" taking a financial planning 101 course at an adult night class, community college or some other venue.

ILLUSTRATION BY PATRICK WELSH

DIVERSIFY YOUR INVESTMENTS, CREATE AN INCOME STREAM AND KEEP SPENDING IN CHECK.

And Brooks Rimes swears by the MaxiFi Planner software developed by Laurence Kotlikoff, author of *Get What's Yours: The Revised Secrets to Maxing Out Your Social Security.*

Pension perks. Those of you who are fortunate enough to have traditional pensions appreciate the steady income and have figured out ways to maximize that perk. "We agreed to a benefit setup in which when one spouse passes on, the surviving spouse retains 100% of the departed spouse's benefit," says John Edwards. "Not the most fun conversation, but it gives us peace of mind. Now, on to more travel!"

Will Bradley served for 20 years in the U.S. Army Reserve and now enjoys a pension and health benefits in retirement. "There are Army Reserve units all over the country, so joining and staying for 20 years part-time is easy," says Bradley. (Note: Remember that even if you don't have a formal pension, you can create a steady stream of income for yourself with a fixed-income annuity or a portfolio of stocks that pay dividends throughout the year.)

For many of you, living below your means is comforting. "I continue to live fairly frugally," writes Melissa Nasea, based on the advice of a financial adviser who recommended that people should plan for their money to last till age 100. "My paternal grandfather lived to be about 103, and there's Alzheimer's in my family, so my money may have to pay for that kind of care," says Nasea.

Tim Pedersen credits his financial adviser with stressing the retirement rule that once you have made your money, you need to learn how to live off it. "I had to be led kicking and screaming into that line of thinking, but I've adapted," writes Pedersen.

A number of you find yourselves in the position of owing more in taxes than you anticipated, which has caused a few regrets. "I would recommend that people save in Roth retirement accounts whenever possible," says Ron Willis, because withdrawals are tax-free. "If you don't, you'll pay a price in retirement."

Many of you who followed the recipe for financial success years ago are breathing a sigh of relief now. "I generally followed the 'secret sauce' advice from when I first started working 30 years go," writes Michael Venuto. "Sometimes I've wondered if we played it too safe, but after reading your column I feel like I will not have any regrets." ■

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PRACTICAL PORTFOLIO

How Much Stock Can You Put in These Truisms?

A closer look at these rules of thumb reveals important nuances. BY KIM CLARK

WITH THOUSANDS OF investments and zillions of competing strategies vying for investors' allegiance, it can be tempting to fall back on a few simple rules of thumb. Such often-repeated and seemingly time-proven investing axioms are valuable because they "give people a basis to get started investing" and on a path to improved long-term financial security, says Kathy Carey, who is director of private wealth management research for investment firm Baird.

But just like simplistic medical advice, these bromides don't help all people in all situations. Chicken soup has many curative properties, but isn't a fix for a broken leg, after all. And in many cases, following some investing prescriptions without adjusting for your own circumstances could end up damaging your returns, Carey says.

To help you personalize the maxims and maximize your returns, consider the nuances of some oft-quoted adages.

DOLLAR-COST AVERAGE

More than 70 years ago, investing great Benjamin Graham recommended that investors make regular contributions to their investment funds so that the overall price they ended up paying for each holding would be the average of its price over many ups and downs and not the (possibly high) price on any one day.

Research has since found that those with a lump sum to invest would, on average, earn higher returns over the long haul by dumping it in all at once. A 2019 study by research firm Morningstar found that going back to 1926, lump-summers would have beaten dollar-cost-averagers over 10-year periods in more than 90% of the cases. The main exception: investors plonking down their lump sum at the start of a bear market.

Dollar-cost averaging works best in up-and-down markets, and not as well in uptrends, which the market tends to be in over the long haul. And unleashing the magic of compound growth as soon as you can is key. As another saying goes, returns come from time in the market, not timing the market.

Still, Christine Benz, Morningstar's director of personal finance and retirement planning, recommends dollar-cost averaging because it helps keep people on track with a minimum of anxiety. Lump-sum investing is best for those with iron stomachs and long horizons who can shrug off the possibility that they are buying at a high and could lose money for years, she says. Besides, most people don't have lump sums to invest but instead set aside a portion of their paychecks, which is automatic dollar-cost averaging.

REBALANCE YOUR PORTFOLIO

The simplest but often most-challenging investing adage is to buy low and sell high. Rebalancing seems like an easy way to do that. If your desired portfolio split is 60% stocks and 40% bonds, for example, then when rising prices push the stock portion of your portfolio to, say, 70%, you sell the higher-valued stocks and buy presumably lower-valued bonds to get back to your preferred balance.

But studies have found that such stock-to-bond rebalancing has generally sapped returns because stocks have out-returned fixed-income holdings over the long term, albeit with more risk, says William Bernstein, author of *The Four Pillars of Investing*. Former Fidelity guru Peter Lynch likened rebalancing to "pulling out the flowers and watering the weeds."

A more nuanced strategy may deliver better results. Bernstein's research shows regular rebalancing among stock sectors—adjusting the mix of domestic and international stocks, say, or small- and large-company stocks—does typically enhance returns. And he recommends investors rebalance to their preferred stock and bond allocation whenever their portfolio is so lopsided that they feel nervous. "Rebalancing between stocks and bonds in the long run reduces returns, but that's okay because it reduces risk to the sleeping point."

HARVEST TAX LOSSES

During bear markets, financial advisers like to highlight what seems like a lucrative silver lining: selling losers in your taxable accounts to lower your taxes. You can use losses to offset profits on other investments, cutting your capital gains bill. Remaining losses can offset up to $3,000 in ordinary

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income, and you can carry unused losses forward to reduce future taxes. Ideally, you'll keep a now smaller stake working in that corner of the market by buying a similar (but not too similar) investment with the proceeds of the sale.

But in some cases, the strategy might be more of a hassle than it's worth, says Mike Piper, a St. Louis–based certified public accountant and author of The Oblivious Investor blog. If you later sell the replacement investment for a profit, you could end up paying more in taxes because by buying a similar security at a lower price, or cost basis, you'll likely have a bigger gain than you would have had originally.

Moreover, the federal tax code has a potential *gotcha* in the form of the wash-sale rule. If within 30 days before or 30 days after the tax-loss sale you or your spouse buy a security that the IRS deems "substantially identical" to the one you sold—even if it is in a different account—you'll lose the tax benefit altogether.

Piper says tax-loss harvesting works best for organized investors with long horizons who can wait for modest tax savings to compound into something substantial, or for those who will pass on the replacement investments to charities or heirs—and thus never face the second tax bill.

DOWNSHIFT INTO BONDS AS YOU AGE

The older you get, the less time you have to make up for investment losses, so it is tempting to protect what you have by shifting out of volatile stocks into steady, if lower-paying, bonds. One common rule of thumb: Your stock allocation should be 100 minus your age.

The problem is that up until the pandemic, Americans' life expectancies were growing, and a longer life span increases the possibility that a bond-heavy portfolio won't keep pace with inflation or expenses. And, of course, such one-size-fits-all arithmetic doesn't take into account individual factors such as your health, pension and earning prospects.

Jean Keener, a fee-only adviser based in Keller, Texas, suggests that some of her clients raise their stock allocations starting at about age 70. New research, she says, indicates that a V-shaped approach (lowering then raising stock allocations in your portfolio) can boost spending capacity for retirees during their lifetime or the amount left to heirs.

Encountering a market downturn as you approach or enter retirement can leave a permanent dent in your nest egg, and a portfolio that tilts toward fixed-income can insulate you from the ravages of a bear attack (the last one was a rare exception). But if you have got expenses covered by payments from Social Security, pensions or a "bucket" of fixed-income holdings set aside to cover spending for the next several years, increasing your stock holdings further into retirement can boost the growth and longevity of your savings. Still, says Keener, few of her clients are comfortable taking on more investing volatility in their seventies—proving that emotional truths often trump financial ones. ■

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The Best Rewards Credit Cards for You

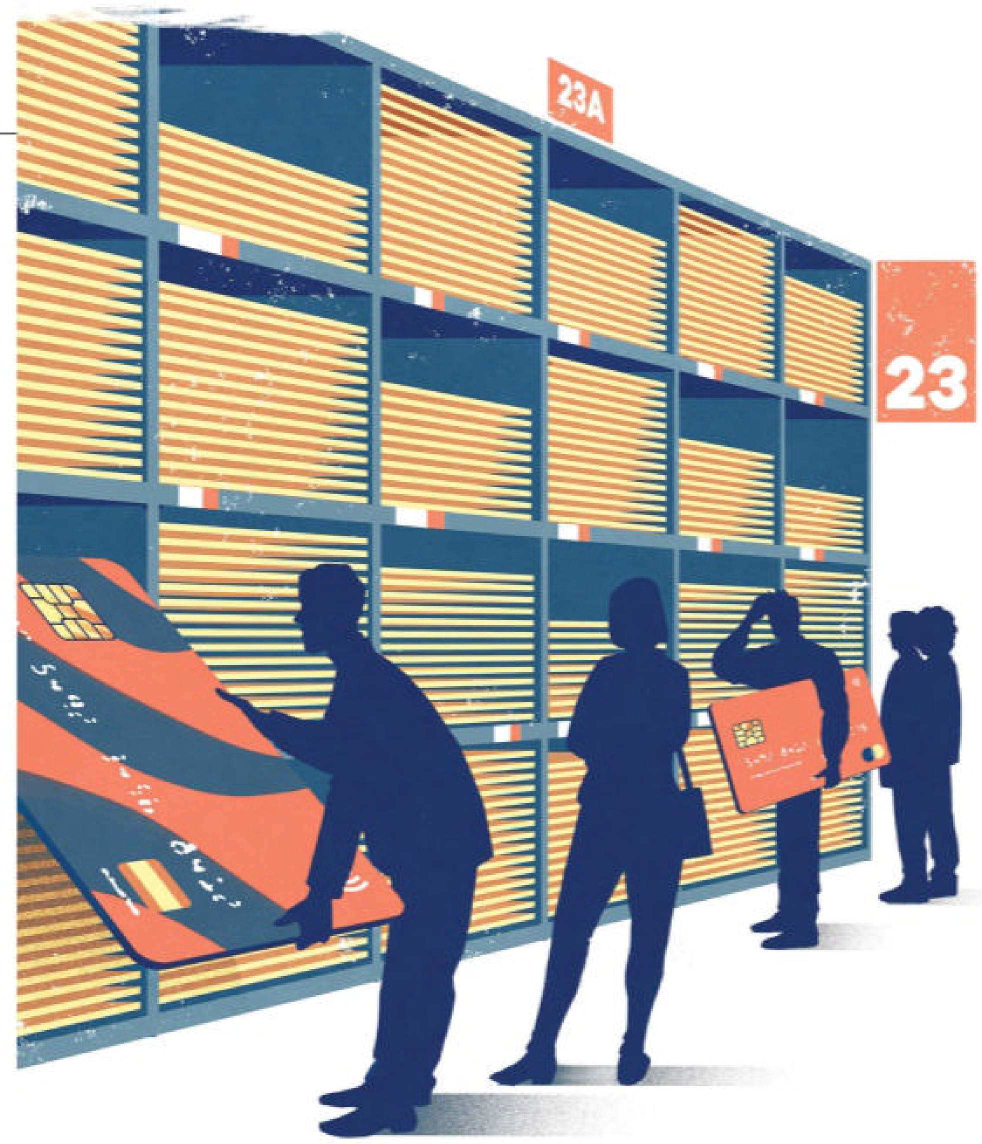
Whether you crave cash back on everyday spending, or miles or points to put toward your next vacation, one of these cards will fit your needs. **BY LISA GERSTNER**

If you've had the same rewards credit card in your wallet for a while, it's time to see whether you could get a better payback on your spending by switching to a new card. According to a survey from Bankrate .com, 43% of credit card holders have either never switched their primary card or haven't swapped out their card in more than a decade.

Credit card issuers regularly update their card offerings and rewards programs. "Many changes over the last few years have brought more value to regular, everyday spending," says Cyndie Martini, CEO and founder of card-processing platform Member Access Processing. And cards often hand over an extra heap of cash back, points or miles to new cardmembers who make a certain amount of purchases in the first few months or meet other requirements. Depending on your spending patterns, you could rack up hundreds of dollars per year in rewards.

Rewards cards aren't for everyone, especially as interest rates rise. You won't be able to maximize rewards if you incur interest charges because you don't pay off your balance each month. "If you have credit card debt, it doesn't make sense to pay 20% in interest—which is roughly the national average—to get 1%, 2% or even 5% in cash back or airline miles," says Ted Rossman, senior industry analyst at Bankrate.com.

ILLUSTRATIONS BY RUI RICARDO



But for disciplined spenders, a rewards card can be a lucrative tool. We've rounded up our top picks among cards in 13 categories. Plus, you can see our selections of the best cards for students at kiplinger.com/kpf/studentcards and for small-business owners at kiplinger.com/kpf/cards21. (Our methodology is explained in the box on page 71.) For each card, we've included the annual fee, if it charges one, and the sign-up bonus if one is offered. Except where noted, rewards do not have expiration dates or caps, and the travel cards do not charge foreign-transaction fees. Fees, rewards and other terms are subject to change, so before you apply for a card, check its current terms with the issuer.

CASH BACK

FLAT-RATE CASH BACK

CITI DOUBLE CASH MASTERCARD
Get a total 2% cash back on everything you buy: 1% when you make a purchase and an additional 1% when you pay the bill. Rewards are tracked as Citi Thank-You points, which you can exchange at a rate of 1 cent apiece for a statement credit, direct deposit into your bank account or check.

FARMERS INSURANCE FEDERAL CREDIT UNION CRYSTAL VISA
Annual fee: $99, waived the first year
Sign-up bonus: $100 back if you spend $5,000 in the first three months
Earn a whopping 3% cash back on all spending the first year you have this card. After that, you get 2.5% back—a strong rate that makes the annual fee worthwhile for those who spend enough to justify it. The amount of spending that exceeds $10,000 each month does not earn rewards, which are given as points that you can trade at a rate of a penny each for cash back. Anyone can join the credit union by becoming a member of the American Consumer Council and depositing $5 into a savings account.

WELLS FARGO ACTIVE CASH VISA
Sign-up bonus: $200 back if you spend $1,000 in the first three months
Cardholders get 2% cash back on everything they buy. Redemption options include statement credits on purchases, a credit to other qualifying Wells Fargo accounts (including a checking account or mortgage) and gift cards.

CASH BACK IN ROTATING CATEGORIES

CHASE FREEDOM FLEX MASTERCARD
Sign-up bonus: $200 back if you spend $500 in the first three months; 5% back on grocery store purchases on up to $12,000 spent in the first year
Cardholders get 5% back on up to $1,500 spent each quarter in rotating categories. First-quarter 2023 categories include grocery stores and gym memberships; at press time, the remaining 2023 categories were unannounced. On top of that, you get year-round rewards of 5% back on travel purchased through Chase's Ultimate Rewards program, 3% on restaurant and drugstore purchases, and 1% on all other spending. You can trade the Ultimate Rewards points that you earn at a rate of a penny each for cash back, gift cards or travel bookings.

U.S. BANK CASH+ VISA SIGNATURE
Sign-up bonus: $200 back if you spend $1,000 in the first 120 days
Each quarter, you choose two categories that earn 5% back on up to $2,000 in combined spending. The 12 choices recently included TV, internet and streaming services; home utilities; cellphone bills; and fast food. You also select one category that earns 2% back—the options are grocery stores, restaurants, or gas and electric-vehicle charging stations. Prepaid travel bookings through U.S. Bank earn 5% back, and all other spending earns 1% back. Redeem cash back as a statement credit, a deposit into a U.S. Bank account or a prepaid debit card. Rewards expire three years following the billing cycle in which you earned them.

U.S. BANK SHOPPER CASH REWARDS VISA
Annual fee: $95, waived the first year
Sign-up bonus: $250 back if you spend $2,000 in the first 120 days
This new card from U.S. Bank provides an outstanding 6% cash back on the first $1,500 of combined quarterly spending at two retailers you choose. Recently, cardholders could select from 24 major stores, including Amazon.com, Home Depot, Kohl's, Lowe's, Target and Walmart. You also get 3% back on the first $1,500 in quarterly spending in one category you choose; the options are wholesale clubs, gas and EV charging stations, and bills and utilities. Plus, earn 5.5% back on prepaid travel reservations through the U.S. Bank

travel portal and 1.5% on all other spending—a higher rate than the 1% most cards offer outside their maximum-rebate categories. Redeem cash back as a statement credit, a prepaid debit card or a deposit into a U.S. Bank account.

CASH BACK FOR SAVERS

FIDELITY REWARDS VISA

Customers of Fidelity Investments earn 2% back on each purchase with this card if they deposit rewards into qualifying Fidelity accounts, including brokerage and cash management accounts, 529 college-savings plans, retirement accounts, donor-advised funds, and health savings accounts. You can also direct your rewards into a friend's or family member's account (excluding donor-advised funds).

SOFI MASTERCARD

Sign-up bonus: 3% cash back on up to $12,000 in purchases the first year if you have a qualifying monthly direct deposit into a SoFi Checking and Savings account

This credit card from financial-technology company SoFi offers 2% cash back on all spending if you deposit your rewards into a SoFi investment or banking account or apply them to a SoFi student loan or personal loan. SoFi's Checking and Savings account is an attractive choice for rewards deposits, yielding a healthy 3.75% on the savings component of the balance and 2.5% on the checking portion if you have a direct deposit into the account.

TD DOUBLE UP VISA

Sign-up bonus: $100 back if you spend $1,000 in the first 90 days

Earn cash back at a rate of 2% on each purchase if you redeem rewards into an eligible TD Bank checking, savings or money market deposit account. If you trade points that you earn for statement credits, travel or gift cards, you get a 1% payback on spending.

TRAVEL

NO-FEE TRAVEL REWARDS

CHASE FREEDOM UNLIMITED VISA

Sign-up bonus: $200 back if you spend $500 in the first three months; 5% back on grocery store purchases on up to $12,000 spent in the first year

Get 5% back on travel that you book through Chase's Ultimate Rewards portal, plus 3% on restaurant and drugstore purchases and a strong 1.5% back on other spending. Points that you earn are redeemable at a rate of 1 cent each for cash, gift cards and travel bookings. This card charges a 3% foreign-transaction fee, so consider one of our other travel winners for trips abroad.

DISCOVER IT MILES

Sign-up bonus: A match of miles earned after one year, doubling your rewards

All purchases earn 1.5 miles per dollar, and the redemption options are flexible. You can exchange miles at a rate of a penny each for statement credits on travel purchases, cash back, account credits to pay your card bill, and purchases with Amazon and PayPal.

WELLS FARGO AUTOGRAPH VISA

Sign-up bonus: 20,000 points if you spend $1,000 in the first three months

Earn three points per dollar spent on a range of travel-related purchases, including travel bookings, restaurant spending, gas and transit (such as parking, tolls and ride-sharing services). You also get three points per dollar on wireless and landline phone plans and eligible streaming services. All other purchases earn one point per dollar. Redemption options include travel bookings and cash back, with a value of one cent per point redeemed.

TRAVEL REWARDS WORTH THE FEE

CAPITAL ONE VENTURE REWARDS

Annual fee: $95

Sign-up bonus: 75,000 miles if you spend $4,000 in the first three months

Capital One Venture offers five miles per dollar spent on hotels and rental cars that you book through Capital One Travel and two miles per dollar on all other spending. Miles are worth a penny apiece if you redeem them for statement credits on travel purchases or travel bookings through Capital One, or you can transfer miles to partner airline and hotel loyalty programs. Extra perks include two free yearly visits to Capital One's own airport lounges or Plaza Premium lounges, as well as reimbursement of the application fee for TSA PreCheck or Global Entry, which provide expedited airport security screening.

CITI PREMIER MASTERCARD

Annual fee: $95

Sign-up bonus: 60,000 points if you spend $4,000 in the first three months

Collect three Citi ThankYou points per dollar on dining, supermarket, gas station, air travel and hotel purchases and one point per dollar on other spending. Points are worth a penny each when you trade them for travel bookings or gift cards, or you can transfer points to participating airline loyalty programs. Once per year, cardholders also get $100 off a single hotel stay of $500 or more booked through Citi's ThankYou program.

U.S. BANK ALTITUDE CONNECT VISA

Annual fee: $95, waived the first year

Sign-up bonus: 50,000 points if you spend $2,000 in the first 120 days

This card from U.S. Bank delivers five points per dollar on hotel and rental car bookings through U.S. Bank's travel portal; four points per dollar on other travel purchases and at gas and EV charging stations; two points per dollar on grocery store, restaurant and streaming-service spending; and one point per dollar on other spending. Redeem points at a rate of a penny each for travel, gift cards, cash back, merchandise and other options. Cardholders also get reimbursement of the application fee for TSA PreCheck or Global Entry, four free yearly visits to Priority Pass Select airport lounges, and a $30 annual credit if you make 11 months of purchases with eligible streaming services.

FLEXIBLE TRAVEL REDEMPTIONS

AMERICAN EXPRESS EVERYDAY

Sign-up bonus: 10,000 points if you spend $2,000 in the first six months

Amex EveryDay provides a way to earn Amex's Membership Rewards points without paying an annual fee. You get two points per dollar on up to $6,000 of supermarket purchases per year and one point per dollar on all other spending. If you make at least 20 purchases on the card in a billing period, you get a 20% bonus on the points you earned on those purchases. You can trade points at a rate of 1 cent each for flight bookings through Amex Travel or certain gift cards (points are worth less for most other redemption options). Or transfer them to a partner travel loyalty program, including Delta SkyMiles, Hilton Honors and Marriott Bonvoy. The card charges a 2.7% foreign-transaction fee.

CHASE SAPPHIRE PREFERRED VISA

Annual fee: $95

Sign-up bonus: 60,000 points if you spend $4,000 in the first three months

The Chase Ultimate Rewards points that you earn with this card are redeemable for travel bookings through Chase at a heightened value of 1.25 cents each, or get a respectable value of 1 cent per point for cash back or gift cards. Alternatively, transfer points to a solid list of partner travel loyalty programs, including Southwest Airlines Rapid Rewards, United MileagePlus, Marriott Bonvoy and World of Hyatt.

You earn five points per dollar on travel that you purchase through Chase Ultimate Rewards (two points per dollar on other travel spending), three points per dollar on restaurants, online grocery purchases and select streaming services, and one point per dollar on other spending. Plus, get $50 in statement credits annually for hotel stays booked through Chase. On each yearly anniversary of opening your account, you get a 10% points bonus on total purchases made the previous year.

MARRIOTT BONVOY BOUNDLESS VISA

Annual fee: $95

Sign-up bonus: Three Marriott Free Night Awards if you spend $3,000 in the first three months

This card offers six Marriott Bonvoy points per dollar spent at Marriott hotels; three points per dollar on up to $6,000 in combined spending annually at grocery stores, gas stations and restaurants; and two points per dollar on other spending. Points don't expire if you make a purchase on the card every 24 months.

Marriott Bonvoy points are redeemable for stays at Marriott properties, but you can also transfer them to the frequent-flier programs of 38 airlines, including American, Delta, Southwest and United. Plus, you get 5,000 bonus miles for every 60,000 points you transfer. Among the card's benefits are Silver Elite status with Marriott and a one-night hotel stay each year.

PREMIUM TRAVEL REWARDS

AMERICAN EXPRESS PLATINUM

Annual fee: $695

Sign-up bonus: 80,000 points if you spend $6,000 in the first six months

Amex Platinum offers a bevy of perks. Travelers enjoy access to a range of airport lounges, including Amex's own Centurion lounges as well as those in the Airspace, Delta Sky Club, Escape, Plaza Premium and Priority Pass Select networks.

The Platinum card also provides yearly credits of up to $200 for incidental fees with one airline you choose, $200 for select hotel bookings through Amex, $189 for membership with the CLEAR airport security screening program, $200 in Uber Cash (for Uber Eats orders and Uber rides), $155 for a Walmart+ membership (which provides free shipping from Walmart, among other benefits), $300 for an Equinox+ health and fitness membership, and $240 for digital entertainment subscriptions including Audible, Disney+, Hulu, ESPN+ and the *New York Times*. Plus, you get up to $100 in fee reimbursement for TSA PreCheck or Global Entry.

Purchases earn five Membership Rewards points per dollar for flights booked with airlines or through American Express (on up to $500,000 per year spent) and on prepaid hotel bookings through Amex; two points per dollar spent on other qualifying Amex Travel reservations; and one point per dollar on other spending. Exchange points at a rate of a penny each for flights booked through Amex or certain gift cards (points are worth less for most other redemption options).

CAPITAL ONE VENTURE X VISA

Annual fee: $395

Sign-up bonus: 75,000 miles if you spend $4,000 in the first three months

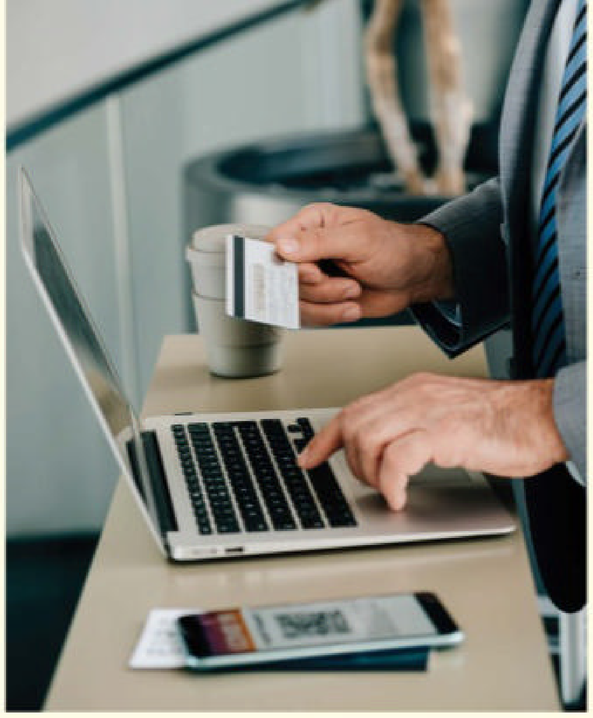
Venture X cardmembers receive 10 miles per dollar spent on hotels and rental cars booked through Capital One Travel, five miles per dollar for flights reserved through Capital One Travel, and two miles per dollar on all other spending. Miles are redeemable at a rate of a penny each for statement credits on travel purchases or travel reservations through Capital One.

You also get a bonus of 10,000 miles on each yearly account anniversary, a $300 annual credit toward travel bookings through Capital One, reimbursement of the application fee for Global Entry or TSA Precheck, and free access to Capital One's own airport lounges, as well as lounges in the Plaza Premium and Priority Pass networks.

CHASE SAPPHIRE RESERVE VISA

Annual fee: $550

Sign-up bonus: 60,000 points if you spend $4,000 in the first three months



CARDS FOR LOYAL TRAVELERS

The Best Dedicated Airline and Hotel Cards

If you're loyal to a certain airline or hotel chain, you may be a good candidate to use a credit card that provides points or miles from your preferred loyalty program. Such cards often provide perks such as complimentary checked baggage or free hotel stays each year, too. See whether our picks of the top airline and hotel rewards cards are a good match for you. And note that if you would rather not pay an annual fee, many of the hotels and airlines mentioned here offer no-fee cards, too, but they come with fewer perks.

AIRLINE CARDS

CITI/AADVANTAGE PLATINUM SELECT MASTERCARD

Annual fee: $99, waived the first year
Sign-up bonus: 50,000 American Airlines AAdvantage miles if you spend $2,500 in the first three months

Earn two miles per dollar spent on American Airlines purchases and at restaurants and gas stations. Other spending earns one mile per dollar. Cardholders get preferred boarding on American flights and a free checked bag for themselves and up to four companions on the same domestic flight reservation with American. Additional benefits include a 25% credit for in-flight refreshment purchases and a $125 flight discount each year that you spend $20,000 or more on the card.

DELTA SKYMILES GOLD AMERICAN EXPRESS

Annual fee: $99, waived the first year
Sign-up bonus: 75,000 Delta SkyMiles if you spend $2,000 in the first six months

This card from Delta Air Lines offers two SkyMiles per dollar spent on purchases with Delta, restaurants and supermarkets, and one mile per dollar on other purchases. Other perks include a discount of up to $50 on flights for every 5,000 miles you redeem with Pay with Miles through Delta; a $100 credit toward a Delta flight purchase each year that you spend $10,000 on the card; a 20% credit for Delta in-flight purchases of food, drinks and headsets; priority boarding; and a free checked bag for up to nine passengers on your Delta flight reservations.

SOUTHWEST RAPID REWARDS PRIORITY VISA

Annual fee: $149
Sign-up bonus: 50,000 Southwest Rapid Rewards points if you spend $1,000 in the first three months

The Priority card from Southwest Airlines comes with some appealing benefits, including a $75 annual credit for eligible Southwest purchases, a bonus of 7,500 Rapid Rewards points on each yearly anniversary of card membership, reimbursement of up to four upgraded boardings per year, 25% back on in-flight purchases, and 1,500 tier-qualifying points toward A-List status for every $10,000 spent on the card.

Cardholders also get three Rapid Rewards points per dollar spent on Southwest purchases. Spending with Rapid Rewards hotel and car rental partners, local transit, and internet, cable, phone and streaming services earns two points per dollar, and all other purchases earn one point per dollar.

HOTEL CARDS

HILTON HONORS AMERICAN EXPRESS SURPASS

Annual fee: $95
Sign-up bonus: 130,000 Hilton Honors points if you spend $2,000 in the first three months

When you make eligible purchases at Hilton hotels and resorts, you earn 12 points per dollar with this card. Plus, get six points per dollar at restaurants, supermarkets and gas stations, and three points per dollar on other spending. Additional benefits include Gold loyalty status with Hilton (or Diamond status if you spend at least $40,000 on the card in a calendar year), a free-night reward if you spend $15,000 on the card in a calendar year, and a Priority Pass Select membership that allows 10 free yearly visits to the network's airport lounges.

WORLD OF HYATT VISA

Annual fee: $95
Sign-up bonus: 30,000 World of Hyatt Bonus points if you spend $3,000 in the first three months; two points per dollar spent (up to $15,000) in the first six months on purchases that normally earn one point

Cardholders scoop up four World of Hyatt Bonus points per dollar spent at Hyatt hotels; two points per dollar on restaurant spending, airline tickets, local transit and gym memberships; and one point per dollar on other spending. You also get a free night at an eligible property each year after your cardmember anniversary, an additional free night if you spend $15,000 on the card in a calendar year, automatic Discoverist loyalty status and credits toward the next tier of status each year.

WYNDHAM REWARDS EARNER PLUS VISA

Annual fee: $75
Sign-up bonus: 45,000 Wyndham Rewards points if you spend $1,000 in the first 90 days

Purchases with Wyndham hotels and gas stations both earn six points per dollar spent. Restaurant and grocery store purchases get four points per dollar, and other spending earns one point per dollar. Points may be forfeited if your Wyndham Rewards account is inactive for 18 months. Cardholders enjoy Platinum status with Wyndham, a bonus of 7,500 points on each account anniversary, and discounts on the hotel's best available rates.

GETTY IMAGES

Along with a $300 yearly statement credit for travel purchases, travelers who use this card get 10 points per dollar spent on hotels and car rentals purchased through Chase Ultimate Rewards and five points per dollar for flights booked through Chase. You also earn 10 points per dollar spent on purchases with Chase Dining—which provides reservations at participating restaurants and access to special dining events—three points per dollar on other travel and dining purchases, and one point per dollar on the rest of your spending. Exchange points at a high rate of 1.5 cents each for travel booked through Chase or for 1 cent per point for gift cards or cash back.

Among the additional benefits are free membership with Priority Pass Select for airport lounge access, credit for a Global Entry, TSA PreCheck or NEXUS application fee, and perks such as room upgrades and daily breakfast at properties in the Luxury Hotel and Resort Collection.

EVERYDAY SPENDING

FUEL REWARDS

ABOUND CREDIT UNION VISA PLATINUM

The 5% cash back that this card offers on fuel purchases paid at the pump is top-notch. You also get 5% back on purchases in categories that change quarterly (rewards earned in the rotating categories are limited to $100 per month in the second, third and fourth quarters). This year's categories include health and fitness (such as fitness clubs and sporting-goods stores); travel; streaming, phone, cable and internet services; and Amazon purchases. All other spending earns 1% back. Cash back is automatically credited to your statement each month.

To become a credit union member, you can join a qualifying military and veterans support group, pay a $10 membership fee to the credit union and deposit $5 into a savings account.

COSTCO ANYWHERE VISA BY CITI

Members of Costco Wholesale ($60 annually for a Gold Star membership or $120 annually for an Executive membership) can apply for this card, which provides 4% cash back on up to $7,000 per year spent at gas and EV charging stations. Cardholders also get 3% on restaurant and travel spending, 2% on Costco purchases and 1% on other spending.

You receive cash back as a certificate each year after your February billing statement closes, and you can exchange it for cash or merchandise at Costco warehouses. Certificates are redeemable through December 31 each year.

SAM'S CLUB MASTERCARD

Sign-up bonus: $30 back if you make $30 in Sam's Club purchases within 30 days of opening your account

If you're a member of Sam's Club ($50 annually for a Club membership or $110 annually for a Plus membership), consider this card for the 5% cash back it provides on up to $6,000 spent each year on gas. Restaurant spending earns 3% back, and so do Sam's Club purchases if you're a Plus member. All other spending (including Sam's Club purchases for Club members) earns 1% back. Rewards are issued as Sam's Cash, which you can redeem for purchases at Sam's Club stores.

GROCERY REWARDS

AMERICAN EXPRESS BLUE CASH PREFERRED

Annual fee: $95, waived the first year

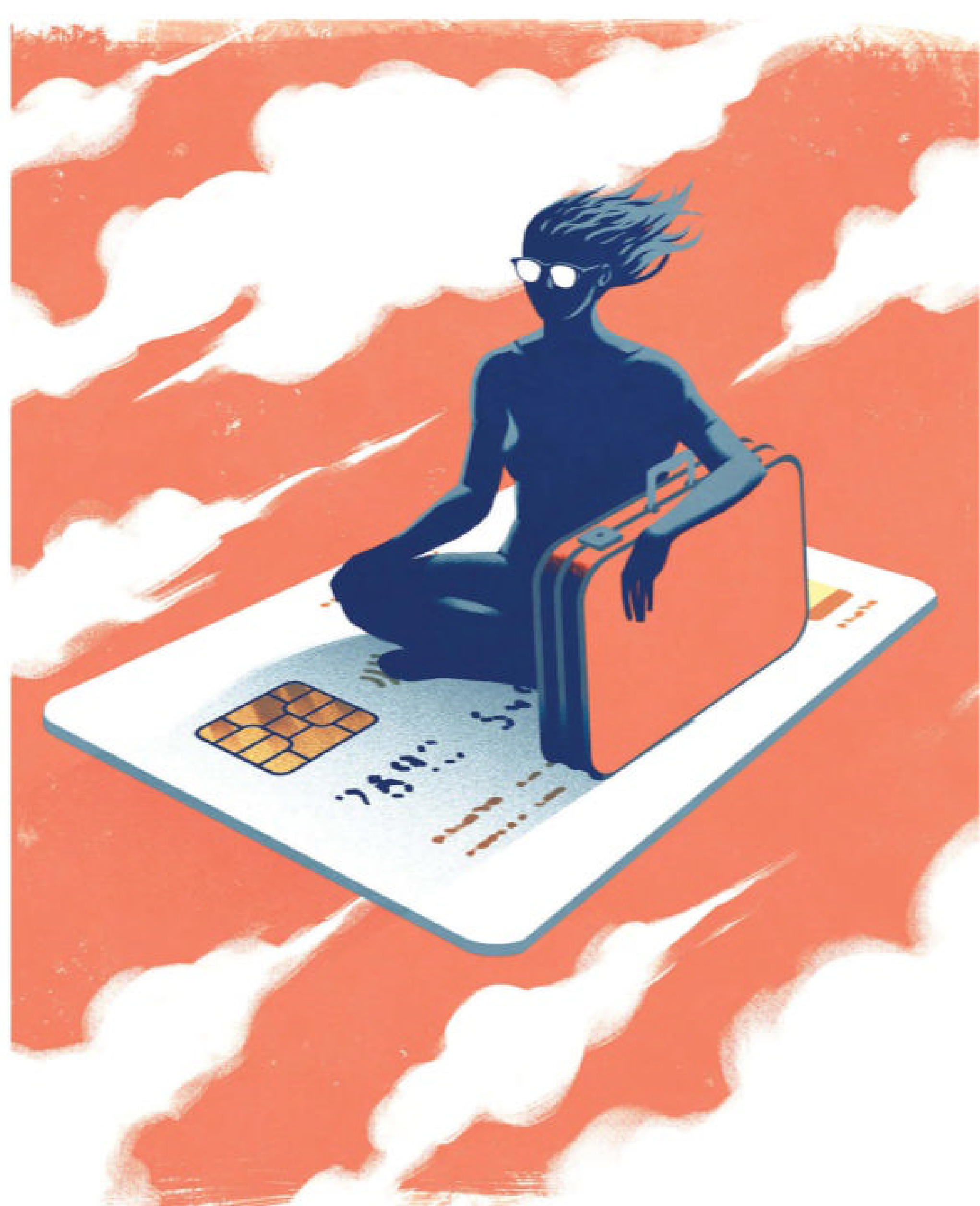
Sign-up bonus: $250 back if you spend $3,000 in the first six months

If groceries eat a big part of your budget, the exceptional 6% cash back that this card provides on up to $6,000 of supermarket spending annually can help put a dent in your bill. It also offers 6% back on select streaming subscriptions, 3% at gas stations and on transit (such as ride-sharing services and tolls), and 1% on other spending. Redeem cash back for statement credits.

CITI CUSTOM CASH MASTERCARD

Sign-up bonus: $200 back if you spend $1,500 in the first six months

Citi Custom Cash provides 5% cash back automatically in whichever of 10 categories you spend the most each month—and purchases at grocery stores are one of the qualifying categories. Restaurants, gas stations, select travel, select transit, select streaming services, drugstores, home improvement stores, fitness clubs and live entertainment are the other possible 5% cate-



gories. (The 5% rebate is limited to $500 in monthly spending; you get 1% thereafter.) All other spending earns 1% back. Rewards are earned as Citi ThankYou points, which you can redeem for cash back at a rate of a penny apiece.

VERIZON VISA

Sign-up bonus: $100 back if you make a purchase within 90 days

You have to be a Verizon Wireless customer to apply for this card, and it's worth a look for those who qualify. It offers 4% back on grocery store and gas purchases, 3% at restaurants, 2% on Verizon purchases and 1% on other spending. You earn cash back as Verizon Dollars, which you can use for various Verizon purchases, including paying your Verizon wireless or internet bill. You forfeit unused Verizon Dollars if your account is inactive for 24 months.

DINING REWARDS

AMERICAN EXPRESS GOLD

Annual fee: $250

Sign-up bonus: 60,000 points if you spend $4,000 in the first six months

Amex Gold has a hefty annual fee, but it comes with a helping of side benefits for those who dine out frequently. You get up to $10 in monthly statement credits for purchases with certain restaurants and delivery services, including The Cheesecake Factory, Grubhub, Goldbelly and select Shake Shack locations, plus $10 in monthly Uber Cash that you can put toward Uber Eats purchases or Uber rides.

You earn four Membership Rewards points per dollar spent at restaurants and U.S. supermarkets (on up to $25,000 annually in supermarket spending); three points per dollar on flights booked directly with airlines or with Amex Travel; two points per dollar on other eligible Amex Travel purchases; and one point per dollar on other spending. Points are redeemable at a rate of 1 cent each for flights booked through Amex and certain gift cards (points are worth less for most other redemption options).

CAPITAL ONE SAVORONE REWARDS

Sign-up bonus: $200 back if you spend $500 in the first three months

This card pays you 3% cash back when you dine out, as well as when you spend money on entertainment and streaming services and at grocery stores. Plus, you get 5% back on hotels and rental cars booked through Capital One Travel; 8% back on purchases through the Capital One Entertainment ticketing platform; and, until November 2024, 10% back on Uber and Uber Eats purchases. All other purchases get 1% back.

Cash back is redeemable as a statement credit or check or for travel reservations through Capital One. Cardholders also get a free Uber One membership, which provides discounts on Uber Eats orders and Uber rides until November 2024, and Capital One Dining benefits, such as special events with chefs.

U.S. BANK ALTITUDE GO VISA

Sign-up bonus: 20,000 points if you spend $1,000 in the first 90 days

Restaurant purchases earn four points per dollar spent, equaling a 4% payback—an impressive rate for dining purchases on a no-fee card. You also get two points per dollar on qualifying streaming services and at grocery stores and gas stations, and one point per dollar on other spending. Redeem points at a rate of a penny each for cash back, gift cards or travel, among other options. Cardholders also get a $15 yearly credit after 11 consecutive months of eligible streaming subscription purchases.

RETAIL REWARDS

AMAZON REWARDS VISA

Sign-up bonus: $50 Amazon gift card upon account approval, or a $100 Amazon gift card for Amazon Prime members

Amazon customers get three points per dollar spent on Amazon and Whole Foods Market purchases, or five points per dollar on such purchases for those who are members of Amazon Prime ($139 per year). Points are worth a penny each if you exchange them for Amazon purchases, cash back, gift cards or travel bookings.

CAPITAL ONE WALMART REWARDS MASTERCARD

Sign-up bonus: 5% cash back on in-store Walmart purchases the first year if you use the card through Walmart Pay (Walmart's mobile-payment app)

Walmart shoppers get 5% cash back on Walmart.com purchases, including orders for pickup from Walmart stores. You also earn 2% back in Walmart stores, at Walmart and Murphy USA gas stations, at restaurants, and on travel, plus 1% on other spending. You earn rewards as points, which you can trade at a rate of 1 cent apiece for cash back, travel or gift cards.

TARGET REDCARD MASTERCARD

Love to shop at Target? Get a 5% discount on purchases at Target stores (including in-store Starbucks cafés) and at Target.com with this card, plus 2% back on restaurant and gas purchases, and 1% back on other spending. Cash-back rewards are redeemable toward Target gift cards. Cardholders get an additional 30 days to make returns and exchanges at Target, plus free shipping on most items from Target.com. ■

YOU CAN CONTACT THE AUTHOR AT LISA_GERSTNER@KIPLINGER.COM.

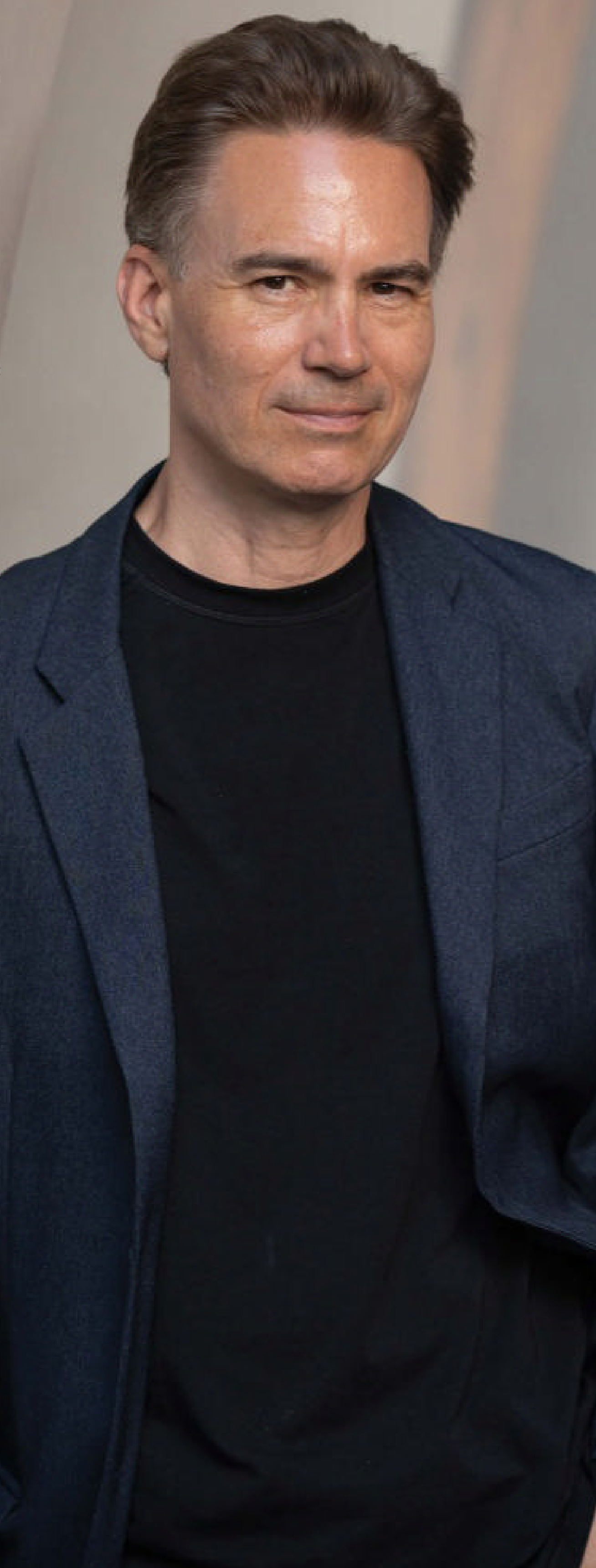
HOW WE CHOSE THE WINNERS

For each card that we considered, we calculated how much a typical consumer might earn in rewards per year based on the U.S. Bureau of Labor Statistics Consumer Expenditure Surveys, as well as other consumer surveys and data. We also evaluated annual fees; ease and flexibility of earning and redeeming rewards; generosity of benefits outside of cash back, miles or points offered; and whether you must be a member of a club or financial institution to apply for a card.

PAYING IT FORWARD

Got a Complaint? Call In a Pro

As a journalist, he discovered a knack for helping consumers. Then he scaled up.



PROFILE

WHO: Chris Elliott, age 54

WHAT: Founder of Elliott Advocacy

WHERE: Spokane, Wash.

What is Elliott Advocacy? We are a nonprofit, 501(c)(3) organization that empowers consumers to solve any problem that they may have with a company. If they can't, then we help by advocating for them.

What kinds of problems do you tackle? I started out by handling travel problems mostly, but I've branched out into other areas, too. I also tackle a wide range of cases involving appliances, cars and other consumer purchases. After the meltdown during the holidays with Southwest Airlines, a lot of my cases right now involve airlines. Before that, we had a lot of complaints about lost luggage and missed connections during the summer.

How many cases do you work on in a year? On the books—which is people going to the website (https://elliottadvocacy.org/help), filling out our form, and giving consent for us to advocate on their behalf and publish a story about it—it's 10,000 annually. Off the books—just helping someone without the intention of pursuing it as a story—I probably do about 30,000 cases each year.

What is your strategy for consumer advocacy? It's best to give the company an opportunity to address the problem in real time, not waiting until you get home. Or consumers can avoid a problem entirely by doing business with the right company. But when things go wrong, and it's after the fact, I usually suggest going to the company's website and filling out a form. Although that's tedious, it's really important to establish a paper trail that provides evidence that you have given the company an opportunity to fix the problem through its normal customer-service channels. And then if a company still doesn't do the right thing, you go up the escalation ladder.

What does that entail? I publish the names, numbers and e-mail addresses of many executives on my website Elliott.org. I suggest starting by sending a brief, polite e-mail to the manager of customer service. Include all of the correspondence that you've already had with the company and ask for a specific and reasonable resolution. If you're ignored, you can take that up the ladder to the vice president of customer service or to the CEO. Then, if you are still being ignored, we act as outside advocates who can present your case to someone at the company. It's a proven method for getting help with any consumer problem and getting a resolution. Consumer advocacy really is an exercise in diplomacy.

Who is your team? I have about a dozen active volunteers who help. We have a couple of people who do advocacy, answering the queries and contacting companies on behalf of consumers. We also have an editorial team because we publish a lot online. We have volunteers who do newsletters. And we have people who also work in our community development, moderating our public Facebook group and comments on the site. It really is a group effort.

Your service is free. How are you funded? By donations from readers. Whenever we fix a problem, we let people know that if they want to support the work, we're a nonprofit and they can donate to us. Most of that money is used to cover IT expenses, such as server costs, developers and programmers. We also have professional expenses, such as an accountant and a virtual assistant.

How has the organization evolved? It started when I was writing a lot of consumer travel stories, and I noticed that there were people who just needed help. I thought that journalism was a really good way of doing that, and so I contacted some companies when people wrote to me with problems. I ended up getting a few of these cases resolved and I thought, *You know, there could be something to this.* Over time, we managed to create a system that's a sustainable way to collect information. We now have a list of about 500 companies that we provide coverage for. And if you need something outside of that, we'll help you by giving you the resources to find that information yourself. **EMMA PATCH**

PHOTO BY DAVID WEI MENG CHONG

Get to know us better. See our special feature on pages 36 and 37 and give us a call after that!

Have we met?

Tom Selleck
Actor and Paid Spokesperson

We're AAG, the country's leading reverse mortgage company.

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- Pay off higher-interest debt and medical expenses
- Cover the rising cost of everyday expenses and preserve retirement savings

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To learn more, please visit the CFPB's Reverse Mortgage: A Discussion Guide. https://files.consumerfinance.gov/f/documents/cfpb_reverse-mortgage-discussion-guide.pdf

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