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Kiplinger's

PERSONAL FINANCE

GREAT PLACES TO RETIRE (FOR RENTERS)

These eight cities have all the attributes retirees value—plus affordable rents. p 50

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Tallahassee, Florida: St. Marks Lighthouse is located in the nearby St. Marks National Wildlife Refuge.

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Savings Safety

In "Are Your Bank Deposits Safe?" ("Ahead," June), it would have been helpful to mention the use of a Totten Trust. According to the FDIC, this increases coverage of your account to $250,000 per person named as beneficiary. I am surprised to see how often this information is omitted in articles, as it is a useful tool to increase account coverage limits. Of course, one has to be sure that the bank or credit union has correctly documented this information to ensure appropriate FDIC or NCUA coverage in the event of a default. One caveat: The use of the Totten Trust designation can override separately written wills or trust directions.

LEIGH DURLACHER
CLEARWATER, FLA.

FDIC insurance covers principal and interest up to $250,000. To be fully covered, you should invest less than $250,000 to make sure you are protected for both principal *and* interest.

DAVID WESTON
MIAMI, FLA.

Earn more income. In your section about municipal bonds, you have an error in the formula to calculate the tax-equivalent yield ("Angling for High Yields in Today's Market," June). Your formula (3%/1-0.24), would result in a yield of only 2.76%. The correct formula, 3%/(1-0.24), would result in the correct yield of 3.95%.

ROBERT KULHANEK
SHEBOYGAN WIS.

Editor's note: The reader is correct. We have taken a refresher course in algebra.

Good article on income investing. The only changes I would make are more ETFs and fewer mutual funds. ETFs minimize the risk because I can use trailing stop losses to sell anytime during the day if there is a loss. With mutual funds you have to wait till 4 P.M. to sell. Mutual funds also have phantom capital gains and higher fees than ETFs.

ROBERT SCIBA
VIA E-MAIL

Being green. Enjoyed your editorial on being green ("From the Editor," June). I was into recycling years ago, like you, before my municipality in Pennsylvania collected. There was a company that bought your cans and cardboard and newspaper. That was before the plastic water bottles. Now we keep a water bottle in our Toyota Prius and just refill it at home.

ROBERT CHILDS
MILLERSVILLE, PA.

You're helping create a spirit of keeping Earth human-habitable—among people who can afford to make a difference. It's not politics; it's survival. When enough investors buy green, it will surely affect corporate decisions.

MARGARET AND WAYNE HARMON
VIA E-MAIL

RMDs and taxes. In "Lower Taxes on Your RMDs" (June), you said that "although a QCD isn't deductible, it will reduce your adjusted gross income," which will lower your federal and state tax bill. Some states (such as my own) still tax QCDs at the state level.

SHEILA D'AVINO
MT. LAUREL, N.J.

You wrote that married couples filing jointly won't face IRS underpayment penalties if their previous year's AGI exceeded $150,000 ($75,000 for singles) and they pay at least 110% of the previous year's tax liability. Yes, $75,000 applies to marrieds filing separately, but for singles it's $150,000.

KENNETH A. WHITE
LA GRANGE PARK, ILL.

Editor's note: Our reader is correct. We apologize for the error.

Brokerage account insurance. In the June issue, you answered a question about SIPC protection on brokerage accounts and stated that Schwab carries excess SIPC insurance of $149.5 million per customer ("Practical Portfolio"). I asked Vanguard this same question about a month ago. I was told Vanguard carries excess SIPC insurance that covers each client up to $49.5 million for securities and $1.9 million in cash, but this excess SIPC coverage is for a max of $250 million for all Vanguard clients.

GARY BAKER
VIA E-MAIL

Editor's note: SIPC insurance and excess insurance cover only assets held in brokerage accounts. Note that funds Vanguard sells directly that are not held in a Vanguard brokerage account are not protected by SIPC.

Old school. I'm 26 and have been going to my grandmother for years for financial and investment advice. I started asking questions that she couldn't readily answer and so for my birthday she got me a year's subscription to *Kiplinger's*. I love it. I'm a bit old school in preferring hard copy magazine to something online.

FAITH TILLER
VIA E-MAIL

Correction: If you paid $960 for a $1,000 T-bill that matures in one year, you would earn $40 in interest, for a yield of nearly 4.2%, not the 4% we stated in the article ("Basics," July).

CONTACT US

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

Mark Solheim

Let's Keep in Touch

When I wrote my first column in this space as the new editor of *Kiplinger's,* I titled it "Readers, Let's Talk." I added my e-mail address to the end, and not long after that I asked the staff to add their e-mails to their work. It was about accountability, sure, but also about letting you know that we are listening to you.

Since then I've received thousands of e-mails. Boy, have we talked, and sometimes I've received an earful. But your comments have helped shape this magazine, and that's how it should be. You're the customer. This is your product.

Six years later, I'm moving on. Technically, I'm retiring, but these days that word conjures visions of Sunbelt golf games and early-bird dinners. I'm not much of a golfer, and after devoting more than four decades to my career, I've learned a few things that I'd like to continue sharing in the next phase of my life. I'll tell you more about my plans below, but first let me introduce the next editor.

ILLUSTRATION BY PATRICK WELSH

AFTER MORE THAN FOUR DECADES AT THIS COMPANY, I'VE LEARNED A FEW THINGS THAT I'D LIKE TO CONTINUE SHARING IN THE NEXT PHASE OF MY LIFE.

A bright future. Longtime readers are well acquainted with the work of Lisa Gerstner. She has handled the best rewards cards rankings for years, as well as best banks (see the latest version on page 38). She was point person on the Kiplinger Readers' Choice Awards. And she has expertise in a number of the subjects we cover—credit, banking and retirement, among others. She is a quick study who has mastered methodical, comprehensive reporting. Lisa is preternaturally cool under pressure, a great quality for the new job. She was an intern here, and after college we snapped her up as a full-time employee. She is a 16-year veteran of Kiplinger—and isn't yet 40.

In my six years as editor, this magazine has gone through a lot of changes. Four years ago, the Kiplinger family sold Kiplinger Washington Editors to Dennis, a U.K. media company backed by a private equity firm. Then, nearly two years ago, we were purchased by Future, our current owner, which owns 220 magazines, newsletters and digital publications. A lot of my time has been spent adjusting to the corporate changes and figuring out how to produce the same high-quality, accurate, actionable publication we have been delivering for almost 77 years.

I'll let you in on the secret: an incredible staff. Lisa will be the new boss, but the team that has written and produced this magazine for years will still be around. The amazing Anne Smith will continue to direct our investing coverage, aided by the talented Nellie Huang and Kim Clark. Sandy Block, another personal finance wiz, will continue to write and edit retirement, tax and other money content, with contributions by Emma Patch and newbie Ella Vincent. (Sandy edited and partly wrote the cover story; see page 50.) Fane Wolfer, our managing editor, will continue to make sure that a high-quality magazine gets to press on time, and art director Will Tims will keep ensuring that the magazine's photos and illustrations reinforce our mission and provide eye-pleasing layouts. Plus, starting with this issue, we've added a half-dozen pages of content, and we're working on a design refresh you can expect to see soon.

My plans. Former editor Fred Frailey, in his valedictory column, wrote that the best friend of a man who retires in times like these (it was during the financial crisis) is a working wife. I strongly endorse that sentiment and want to thank my hard-working wife, Allyson, who will continue to bring in a paycheck while we adjust to my new life. I will do the grocery shopping and much of the cooking, in between long bike rides, hiking and kayaking, plus short trips to see family.

I'm not disappearing from Kiplinger. I plan to write a column, probably focused on the financial side of retirement. I am taking the summer to finalize my retirement plan with my financial planning team. I still have decisions to make about Social Security and my pension and where to invest my 401(k).

I'm looking forward to the next phase, but I'll miss you. Please, stay in touch. You can continue to reach me at the e-mail below.

Mark Solheim

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Kiplinger's
PERSONAL FINANCE

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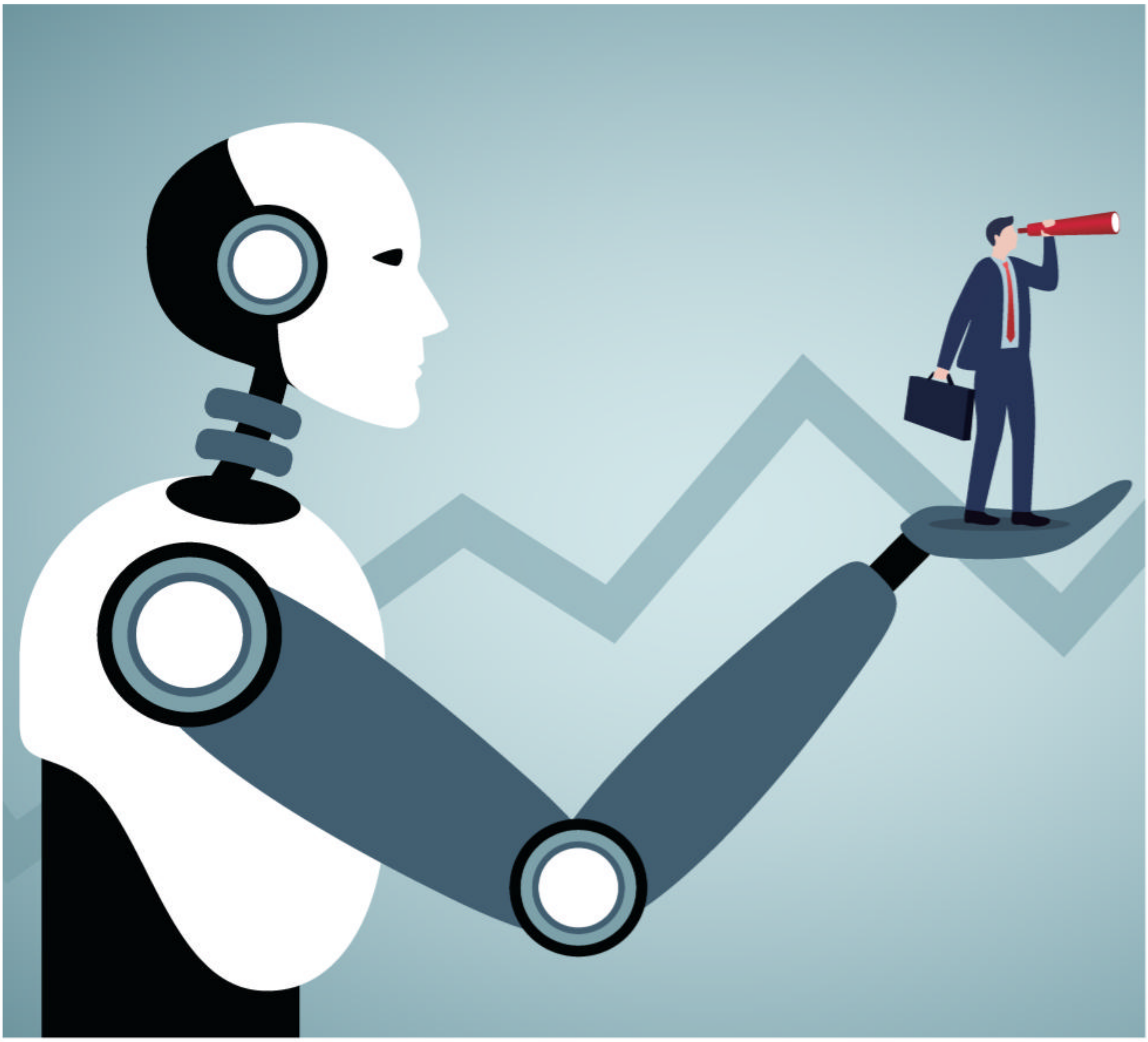
AHEAD



TOPIC A

THE PROMISE AND PERILS OF AI

As artificial intelligence rapidly evolves, here are the likely implications for your job and your money. **BY SANDRA BLOCK**

IN LATE MAY, A PHOTO CIRCULATED on social media that showed smoke billowing from the Pentagon, triggering a brief dip in the stock market. The photo wasn't real—a close inspection revealed that the building looked nothing like the Pentagon—but the reaction to the AI-generated image exacerbated concerns about the rapid growth of this technology.

ILLUSTRATION BY GETTY IMAGES

The leaders of OpenAI, the research lab that developed ChatGPT, warned in a letter posted on their website that "super intelligent" AI technology—also called generative AI—"will be more powerful than other technologies humanity has had to contend with in the past.... We can have a dramatically more prosperous future, but we have to manage risk to get there," they wrote. Even more ominously, a group of industry leaders warned that AI poses an existential risk, on par with pandemics and nuclear war.

Millions of workers have a more immediate worry: whether they'll be replaced by an automated program. A recent report by Goldman Sachs Economics Research concludes that generative AI could cause "significant disruption" in the job market. The report estimated that roughly two-thirds of current jobs in the U.S. and Europe are vulnerable to some degree of AI automation and projected that generative AI could replace up to one-fourth of current work tasks, from writing memos to analyzing data. The report estimates that up to 300 million global jobs could be automated through generative AI.

However, the report goes on to note that historically, this kind of labor disruption has been offset by the creation of new jobs. If that happens, we could experience a productivity boom and significant economic growth, although the timing of such a boom is difficult to predict. In the interim, though, a lot of workers will need to be retained, and some jobs will become obsolete.

"A lot of basic jobs will be done by machines, which means that employees will have to do more-advanced jobs," says Subodha Kumar, a professor of statistics, operations and data science at the Fox School of Business at Temple University.

AI and your money. Even if you're not concerned about losing your job, you may be wondering how generative AI could affect the way you manage your finances. Can ChatGPT tell you where to invest your savings, or figure out how much money you need to retire comfortably?

The quality of financial advice you get from AI will depend on how you frame your question and the information you provide about your situation.

Automation in the personal finance sector is nothing new. Millions of investors use robo advisers to recommend an investment portfolio of low-cost funds that fit their risk tolerance and investing time line.

Generative AI programs take this process to the next level, offering the potential for advice that's specific to your situation. For example, you can ask ChatGPT whether you should invest in a traditional or Roth IRA, or whether you can afford to retire at 55. Meanwhile, YouTube and TikTok influencers have seized on the notion that you can enlist AI to launch a successful business with very little effort on your part.

But much of the personal finance advice, along with guidance for aspiring entrepreneurs, is generic, computer science experts say. Worse, in some tests of ChatGPT the information provided was outdated, and when it comes to personal finance, having up-to-date information is critical.

The quality of advice you get from AI will depend largely on how you frame your question and the information you provide about your situation. A vague question will likely result in a vague response. Likewise, if the information you provide is unrealistic—you expect to earn 15% a year on your investments, for example—an AI program will likely take your word for it. A reputable financial planner, on the other hand, will tell you to dial down your optimism.

If all you're looking for is information about different bank accounts and interest rates, an AI program will provide what you need, Kumar says. But for more-complex questions, such as where you should invest your retirement savings, existing AI programs don't work very well. "Financial planners shouldn't be worried about losing their jobs, but they have to make sure they do a better job than an automated system," he says.

MISSION CONTROL

Putting the Brakes on AI Growth

It's not common for tech executives to ask lawmakers to regulate them, but in a recent hearing on Capitol Hill, OpenAI chief executive Sam Altman contended that there's a need to regulate artificial intelligence.

"I think if this technology goes wrong, it can go quite wrong," Altman said. "We want to work with the government to prevent that from happening."

Altman and others have proposed creating an agency that issues licenses for large-scale models. In a letter posted on their website, OpenAI executives raised the possibility of a creating an international watchdog for AI, similar to the International Atomic Energy Agency, which promotes the peaceful use of nuclear energy.

Meanwhile, some providers are looking at strategies to signal whether AI has been used to manipulate images, such as the doctored photo of the Pentagon. Adobe, which makes Photoshop, is working on embedding a label in image files that would inform viewers how an image has been altered, including whether AI was involved.

Subodha Kumar, a professor of data science at Temple University, says disclosure, along with accountability and transparency, should be a key component of AI regulation. "We need to know what kind of data and the algorithms they're using so users have a better understanding of where they're getting their information."

INTERVIEW

THE DEBT CEILING PACT IS UNLIKELY TO TRIGGER A RECESSION

The deal won't dampen economic growth, but it fails to address long-term fiscal problems.

Mark Zandi is chief economist for Moody's Analytics.

The Fiscal Responsibility Act, which suspends the debt ceiling through January 1, 2025, reduces nondefense discretionary spending through the next fiscal year and limits growth in discretionary spending to 1% in 2025. Will these cuts push the economy into recession? No, I don't think so. When you do the arithmetic, the cuts and other provisions will reduce real gross domestic product by about two tenths of one percentage point at the peak of the impact in late 2024. It's not the greatest thing in the world, given that the economy is struggling, but I don't think it will push the economy into recession.

Another provision in the debt ceiling agreement will end the moratorium on student loan repayments, which means millions of borrowers will be required to resume payments in September. How will that affect the economy since those borrowers will presumably have less money to spend? That will take another two tenths of one percentage point off growth by 2024. About 20 million borrowers will be affected, and the average payment will increase $250 to $300 a month. That's about $5 billion a month, although probably a little less because I suspect some of those borrowers will go on income-driven repayment plans, which will reduce monthly payments, and some borrowers will be able to fill the void with other income or savings. Again, it's not what you would want in an economy that's struggling, but it's not enough to push the economy under.

This is the second time in 12 years that the U.S. has come perilously close to default. How will that affect the country's reputation as a financial safe haven? Will investors demand higher interest rates on Treasury debt? I think the increasing drama over the debt limit is starting to have an impact on global investors, and I do think it's starting to add to interest rates. It's modest at this point, maybe two or three basis points [a basis point is one hundredth of a percentage point], but the more times we go down this path, the more damage it's going to do. Lawmakers really should think long and hard about whether they want to continue using the debt limit as a cudgel to make fiscal policy changes. Our longtime fiscal situation is not sustainable, and ultimately investors will demand higher interest rates because of that, but I don't think the debt limit is a useful tool for accomplishing fiscal policy. This most recent drama over the debt limit is a good case in point. Lawmakers scaled back nondefense, non–Veterans Administration spending modestly but no greater than if they had gone through the normal budget process.

COURTESY MOODY'S ANALYTICS

Turning to the Federal Reserve, do you believe the Fed will pause interest rate increases? Odds are the Fed will pause rate hikes through the end of the year. I think inflation is coming down quickly enough and the small, niggling economic headwinds—like the debt limit drama, the end of the student loan moratorium and the fallout from the banking crisis—will slow growth enough to convince the Fed that rate hikes are not needed. I don't expect the Fed to cut rates until inflation is within spitting distance of the its target, and that probably won't be until next spring or summer. The next 12 to 18 months are going to be difficult. The economy will struggle as the Fed continues to work to bring inflation down to something we will feel good about. But barring another shock like the pandemic or Russian war, we should be able to get through them without a recession.

SANDRA BLOCK

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HANDYMAN SPECIAL

RIGHT-TO-REPAIR LAWS ARE SWEEPING THE U.S.

Proponents say consumers should have the ability to fix their products.

IF YOU'VE EVER REPLACED your smartphone because the screen was cracked or put a relatively new flat-screen TV out for trash pickup, you know how difficult it is to get consumer products repaired.

That's changing. Legislation enacted or introduced in more than two dozen states requires manufacturers of everything from smartphones to farm equipment to make it easier for consumers to take damaged products to an independent repair shop—or fix the products themselves. Some state bills would provide "right to repair" protections for all consumer products, while others are limited to smartphones and laptops (see the box at right for details).

Aaron Perzanowski, a law professor at the University of Michigan and author of *The Right to Repair: Reclaiming the Things We Own,* says many of the products we buy are inextricably tied to the manufacturer, leading to what he calls the tethered economy. Forcing consumers to go back to the manufacturer to get their products repaired means "we're not free of that relationship once we make a purchase and bring it home," he says.

Opponents of right-to-repair legislation say it would jeopardize consumers' safety and force manufacturers to share proprietary information. "Most consumer-technology products are composed of complex electronics, which require specialized training and sophisticated test instruments to repair safely," Dusty Brighton, representing the industry-funded Repair Done Right Coalition, said in testimony at a Minnesota House Judiciary Committee hearing in February.

Despite those concerns, several states have moved forward with right-to-repair bills. In May, Minnesota Gov. Tim Walz signed legislation that requires manufacturers of smartphones, laptops, appliances and other equipment to provide independent shops and consumers with the tools and instructions needed to fix their products. New York Gov. Kathy Hochul signed similar legislation in December. In April, Colorado Gov. Jared Polis signed a bill that requires manufacturers to give farmers the tools, manuals and software they need to fix their tractors. Farmers who supported the bill said they were frequently forced to wait days for a manufacturer's representative to repair their equipment, which hurt their profits.

California lawmakers are considering legislation that would require manufacturers of appliances and consumer electronics to make their repair manuals publicly available, sell parts to consumers, and provide consumers with the ability to open digital locks that prevent them from fixing their products. The legislation is significant because California is the nation's most populous state and home to many large technology manufacturers.

Right-to-repair advocates say the cost of replacing damaged products costs consumers billions of dollars a year. A survey by U.S. PIRG, a consumer advocacy group, found that the average household spent $1,767 to buy electronic products in 2021, up 19% since 2019.

The right-to-repair movement is popular "because it's common sense," says Nathan Proctor, a senior director for U.S. PIRG. "People want to be able to fix stuff, and they're sick of the excuses they get from manufacturers about why they can't." **SANDRA BLOCK**

States On Board With Right-to-Repair

Here's where bills have been proposed or enacted.

STATE/PRODUCTS COVERED	STATUS
New York consumer electronics, such as smartphones and laptops	Signed into law 12/2022
Colorado farm equipment	Signed into law 4/2023
Minnesota smartphones, laptops, tablets, household appliances	Signed into law 5/2023
California appliances and electronics, powered wheelchairs	Pending
Connecticut electronics, powered wheelchairs	Pending
Georgia all products	Pending
Iowa all products	Pending
Maine all products except cars	Pending
Massachusetts smartphones and tablets*	Pending
New Jersey all products except cars	Pending
Oregon personal devices, consumer devices	Pending
Texas all products except cars	Pending
Washington laptops, tablets and smartphones	Pending

*Massachusetts adopted the first right-to-repair bill for cars in 2012. SOURCE: U.S. PIRG

GETTY IMAGES

CALENDAR AUGUST 2023

GETTY IMAGES

TUE 1 More babies are born in August than any other month. Childcare for preschool children and for the hours before and after school is operating at 88% of its pre-pandemic capacity, according to the Center for the Study of Child Care Employment. If **you're considering hiring a nanny**, see "Millennial Money," on page 62, for information on your tax obligations and potential tax breaks.

SAT 5 More than half a dozen states are holding **back-to-school sales tax holidays** this weekend, and others will hold sales tax holidays on weekends throughout the month. For a guide to state sales tax holidays—and state sales taxes in general—see page 46.

WED 9 It's **National Book Lovers Day**. If you recently moved, visit the local library and get a library card. In addition to books on their shelves, libraries often offer a number of online resources, including e-books and audiobooks you can download to your device for free.

SAT 19 While many families will be wrapping up vacations as fall approaches, the **shoulder travel season is just around the corner**. For advice on finding the best off-season deals, turn to page 70.

THU 24 The deadline to **file a claim in the class-action lawsuit against Meta**, Facebook's parent company, is tomorrow. Current and former Facebook users who were active on the platform between 2007 and 2022 can register to claim a share of the $725 million settlement, which was reached after Facebook allegedly shared users' data or made it accessible to third parties (Meta has denied wrongdoing). Visit www.facebookuserprivacysettlement.com/#submit-claim to submit a claim. **EMMA PATCH**

DEAL OF THE MONTH

When the summer season starts winding down, patio furniture and other summer essentials tend to go on sale. Home improvement retailers may take anywhere from 50% to 80% off patio seating, fire pits and patio accessories in August, says Julie Ramhold, consumer analyst for DealNews.com.

BRIEFING

INFORMATION ABOUT THE MARKETS AND YOUR MONEY.

IRS FREE TAX FILING ADVOCATES DEMONSTRATE OUTSIDE OF H&R BLOCK

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FREE TAX FILING FROM THE IRS?

Tax code complexity has fed a robust tax-preparation industry. During the past tax-filing season, people spent an average of $140 on software and human tax preparers, according to IRS estimates.

The last comprehensive reform of the U.S. tax system was in 1986, when income tax rates were lowered and the tax base was broadened. Despite calls for simplification, every major piece of tax legislation since then—including the 2017 Tax Cuts and Jobs Act, which lowered rates and boosted the standard deduction—kept the byzantine system intact.

IRS gets in on the act. Enter the IRS's free tax-filing pilot program, set to launch in 2024. IRS Commissioner Danny Werfel announced the upcoming pilot program, Direct File, after the IRS unveiled a study saying an IRS income tax return filing platform is feasible.

The IRS already has a free filing program, allowing people who make less than $73,000 a year (as of 2021) to file their federal tax return for free. The IRS's Free File program provides a no-cost option for getting help filing online through private companies, which have an agreement with the IRS and can be found on the IRS's website. That program is underused, according to the IRS's Taxpayer Advocate Service. The existing free-file program is designed so that 70% of taxpayers are eligible to use it, but only 4% of those taxpayers did so in 2021, according to a Government Accountability Office report.

The new platform would be designed to make the customer experience less daunting. "The concept of Direct File—deployed by numerous tax jurisdictions around the world—has long been considered by some to be an option for improving the customer experience for taxpayers in the U.S.," Werfel wrote to Treasury Secretary Janet Yellen. The study lays out the costs, benefits and operational challenges of implementing Direct File.

Tax-preparation companies such as H&R Block and Intuit, the owner of TurboTax, are opposed to the prospect of the IRS launching its own tax-preparation platform. The companies have said that it would be a conflict of interest and inefficient for the IRS to collect Americans' taxes, enforce tax laws and also prepare income tax returns. "An IRS direct-to-e-file system is redundant and will not be free—not free to build, not free to operate, and not free for taxpayers," Intuit said in a statement.

Conservative-leaning advocacy groups have also opposed the prospect of the IRS getting into tax preparation, wary of overreach from an agency poised to receive billions of dollars from the Inflation Reduction Act. Another downside: The platform would not handle state returns.

If the IRS does decide to press ahead with a more widespread direct-filing system, it could cost between $64 million and $249 million annually, depending on variables such as the number of users, the study projected. **MARK SOLHEIM**

3.2%

Estimate of Social Security's cost-of-living increase for 2024, according to Moody's Analytics. The Senior Citizens League predicts Social Security benefits will increase 3.1%

MYSTERY SOLVED: WHAT CAUSED THE SPIKE IN INFLATION

Since inflation first began to heat up in 2021—and as it became clear that the highest prices in four decades were not transitory—economists have debated whether its cause was government stimulus or pandemic-related disruptions. Now two top economists have an answer: both.

The study, released in late May, is by Ben Bernanke, former chairman of the Federal Reserve (pictured at right) and Olivier Blanchard, former chief economist of the International Monetary Fund. Bernanke is now at the Brookings Institution and Blanchard is at the Peterson Institute for International Economics.

The study finds that, contrary to early concerns that inflation would be spurred by overheated labor markets, "most of the inflation surge that began in 2021 was the result of shocks to prices," including sharp increases in commodity prices and shortages.

However, the authors continue, even though tight labor markets have so far not been the primary driver of inflation, "the effects of overheated labor markets on nominal wage growth and inflation are more persistent than the effects of product-market shocks."

In other words, pandemic-related supply shocks explain why inflation shot up in 2021. The pandemic shortages eventually subsided but inflation didn't fall because, the authors conclude, by that point demand was too strong, reflecting low interest rates and fat savings accounts due to stimulus. Plus, the labor market was overheated, and the inflation surge lifted workers' expectations of short-term inflation, which then partly found its way into their wages.

"Controlling inflation will … ultimately require achieving a better balance between labor demand and labor supply," the study says. That means cooling off the labor market by raising the unemployment rate.
MARK SOLHEIM

TOP COMPLAINTS OF 2022

State and local consumer agencies handled nearly 600,000 complaints in 2022, according to research by the Consumer Federation of America (CFA).

These are the top categories of complaints, based on information from 36 agencies in 25 states.

1. Auto sales and repair
2. Home improvement repairs and contractors
3. Consumer debt and credit
4. Retail purchase issues
5. Landlord-tenant issues
6. Frauds and scams
7. Health care and wellness
8. Home furnishings and appliances
9. Utilities
10. Travel and moving

U.S. NETFLIX SUBSCRIBERS ROLL WITH THE PASSWORD-SHARING CRACKDOWN

By now, most U.S. Netflix subscribers who share their password know that the free ride is over, as the streaming service expanded its crackdown in May. And fewer Netflix subscribers in the U.S. and U.K. are "churning," or leaving Netflix, compared with subscribers in Canada, where the password-sharing crackdown rolled out earlier, according to MarketWatch. The financial website cited reports from market researchers at YipitData, who have been tracking the launch.

Another development: New plan sign-ups have increased in the U.S. as a result of the clampdown on account sharing. Netflix is giving accountholders the option to add people who don't live with them for $7.99 per month per person, but it appears that more U.S. users than Canadian users are instead opting to set up their own accounts. Why? Canadian users may be more generous with their plans, say the YipitData researchers. **MARK SOLHEIM**

From *The Kiplinger Letter*

HOSPITAL PRICES ARE STILL OPAQUE

The feds are struggling to enforce hospital price transparency rules. Since 2021, hospitals have been required to post their actual prices for hundreds of shoppable services, in some cases in machine-readable files. So far, only 25% of hospitals are fully complying with such rules. And regulators have fined only four hospitals for noncompliance, primarily for providing consumers with information that is incomplete or illegible. Expect Congress to ramp up pressure on the Biden administration. House Republicans, in particular, have criticized regulators for not buckling down.

THE INVESTMENT STRATEGY YOU NEED NOW

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Use our guide to find the best portfolio mix for you.

BY NELLIE S. HUANG

MAKE A PLAN AND STICK WITH it. That's one piece of investing advice that gurus of all sorts—no matter how they approach the market—agree on. What they're talking about is having an asset allocation plan, which divvies up your money into stocks, bonds, cash and other assets in appropriate proportions according to your goals, how long you plan to invest and your tolerance for risk. The advice is sound. By spreading your money among different kinds of assets—diversifying your investments, essentially—you lower the chance that you'll lose money because, theoretically, they won't move in lockstep.

But asset allocation strategies were seriously tested in 2022, when stocks and bonds fell in tandem. Diversification goes out the window during such market crashes, "just when investors need it the most," says Sebastien Page, chief investment officer at T. Rowe Price and author of *Beyond Diversification: What Every Investor Needs to Know About Asset Allocation.*

Even so, asset allocation matters. One old Wall Street saw says it drives 90% of portfolio returns. But in fact, asset allocation affects portfolio volatility more than returns. "You engage in asset allocation because, like ballast in a boat, you want to minimize the sway of the portfolio," says Sam Stovall, chief investment strategist at investment research firm CFRA Research. More important, "because you're smoothing out the fluctuations, your emotions are less likely to become your portfolio's worst enemy," he says.

Smart investors will view the turmoil of 2022 as a sign that some tweaks to their portfolio may be required. After all, the market has changed. Bond yields are higher and cash, at long last, can earn a decent interest rate. Inflation, despite recent declines, remains high. Meanwhile, U.S. stocks, down from their peak in late 2021 even after a rebound, are still expensive relative to shares in other countries' markets. Foreign stocks have been outperforming their U.S. counterparts in recent months.

To help you decide how to apportion your portfolio, we went to the experts. We polled

some of the best asset allocators in the business for their thoughts on how to construct a portfolio. The process is part art and part science. We'll walk you through the steps the pros take to help clients build their portfolios so you can benefit, too.

INVESTOR, KNOW THYSELF

Asset allocation is basically about "getting the right mix of assets given your risk tolerance and risk capacity, or time horizon," says Robert Williams, managing director of financial planning at Charles Schwab. "Balancing those risks is the key to investment planning."

Before professional advisers get into that, however, they get a full picture of your finances and square away important questions first. "What are we trying to accomplish?" asks Ryan Viktorin, a certified financial planner at Fidelity Investments. Are you saving for retirement, college, a down payment on a house? "When is that happening? Five years away, or 25 years away?" Viktorin continues. "Once you have that framework, you can start to know how to invest given what you hope to accomplish," she says.

Risk capacity. Your time horizon is easy to nail down. Your child's first college tuition bill will land in two years, for example, or you plan to retire in 10. "Time horizon is a big driver of the amount of risk you can take on in the portfolio," says T. Rowe Price's Page. Money needed for a down payment on a house in three years, for instance, should be invested in cash or short-term bonds, not stocks, because you may not have enough time to make up any potential losses.

Risk tolerance. Figuring out how much volatility you can stomach—your tolerance for risk—is tougher. "Risk tolerance is a fuzzy concept," says Page. It's emotional. It also varies from person to person, and it may be colored by market conditions. "People say they want to take lots of risk when markets are rising and no risk when markets are falling," says David Born, a certified financial planner in Orinda, Calif. Likewise, major life events can have an effect, too. If you're going through a divorce, for example, "no matter who you are, you're going to have a low tolerance for risk," says Blaine Thiederman, a certified financial planner in Arvada, Colo.

Most money managers, from digital robos to high-net-worth advisers, pose questions to gauge how aggressive or conservative you are as an investor. Much of it boils down to assessing how you will react during a market crash. If your portfolio declines by 20% in one year, are you likely to stay the course or change the portfolio?

Even better is a real-life example. "What investment changes did you make in 2022? Did you sell? Did you buy? Do nothing?" asks Sabino Vargas, a senior financial adviser and certified financial planner at Vanguard. "We tend to remember what happened most recently, so these are good questions to ask now."

If you sold investments in 2022, you are less risk tolerant (or more conservative) than someone who did nothing (moderate) or the investor who bought during a downdraft (aggressive). To get a bead on your risk tolerance and learn more about online tools, turn to page 24.

Of course, we're paring down a complex task that advisers say requires time and effort. Getting a handle on your risk tolerance "is not a precise or scientific approach. It's by feel," says David Kressner, a managing adviser at Altfest Personal Wealth Management. But it is critical to building the right asset allocation strategy because the best portfolios are the ones you can stick with over time, even through big market drawdowns. "Making imprudent decisions at the wrong time can have a meaningful impact on your outcome," says Kressner. "Avoid those mistakes by having the right allocation in place."

THE BIG THREE

Both risk capacity and risk tolerance play a role in how much you put in the basic building blocks of every portfolio: stocks, bonds and cash. Although most model portfolios are tagged with names that point to risk tolerance—conservative, moderate and aggressive, mostly—they also point to time frame. In his book, for instance, T. Rowe Price's Page refers to what he calls life-cycle-based model portfolios in terms of years to retirement—20 years before retirement, 15 years, 10, 5 and zero.

Both risk capacity and risk tolerance play a role in how much you put in the basic building blocks of every portfolio: stocks, bonds and cash.

In the end, the most important decision you'll make is how much you put in stocks, says Page, "because it is the most effective way to calibrate your risk level in the portfolio." Use the model portfolios shown on the facing page as a broad-brushstroke guide to constructing a portfolio that's right for you. Read on for ideas on how to fill in the picture.

Stocks. Stocks offer the biggest reward over the long term, but the trade-off is high volatility. Over the past 20 years, stocks have returned an annualized 10.0%, but they suffered four bear markets—technically defined as a decline of 20% or more from the most recent peak. What's more, in any given calendar year—and in some years more than once—the S&P 500 index tends to dip 5% to 10%.

There are dozens of ways to slice your stock portfolio. The division of assets between U.S. and foreign shares is just the start. Within the international portion, you can choose among developed markets and emerging markets. And for both U.S. and foreign stocks, you can home in on company size (small, medium or large) or tilt toward investment style (growth or value). Or you can focus on certain sectors—technology, energy, materials or industrials, for example.

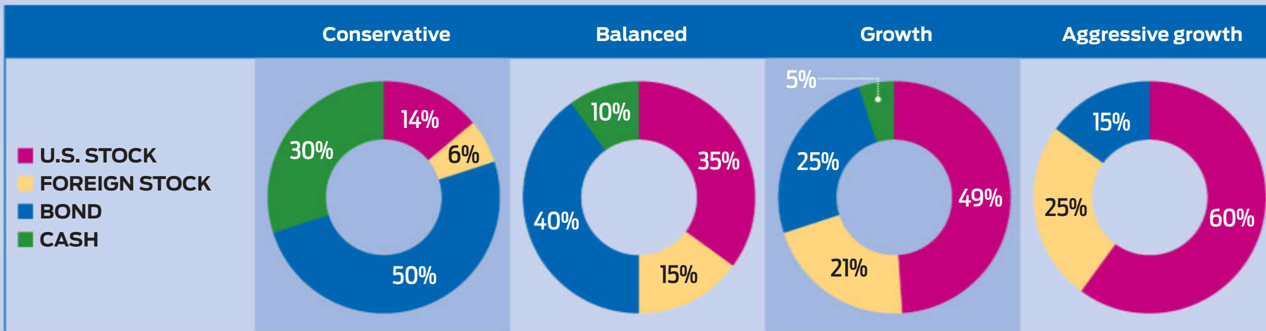
You can keep it simple by investing in index funds that cover the whole swath of stocks, such as a total stock market mutual fund or exchange-traded fund, for instance, which holds a stake in nearly every publicly traded stock in the U.S. Our favorites include **VANGUARD TOTAL STOCK MARKET ETF** (SYMBOL VTI, $207, EXPENSE RATIO 0.03%), which also trades in a mutual fund share class (VTSAX, 0.04%), and its international stock counterpart, **VANGUARD TOTAL INTERNATIONAL STOCK INDEX** (VXUS, $54, 0.07%), or its mutual fund version (VTIAX, 0.11%). **FIDELITY ZERO TOTAL MARKET INDEX** (FZROX) and **FIDELITY ZERO INTERNATIONAL INDEX** (FZILX) are both broad index funds that charge no annual expenses.

Or leverage index funds to access slices of the stock market. That makes it easy to tilt your portfolio tactically, says Thiederman, the CFP in Arvada, Colo. "We piece out each part of the allocation with its own ETF to give us control to make adjustments to the portfolio," he says. His holdings include Vanguard ETFs that focus on U.S. small-company value stocks, U.S. small-company growth stocks and the like, as well as individual funds that focus on large-company and small-company stocks in foreign developed countries and in emerging markets. To see our favorite ETFs in some of these asset subclasses, look for the annual update of the Kiplinger ETF 20 in the upcoming September issue.

But don't worry about getting so narrowly focused if that isn't your thing.

THE RIGHT MIX OF ASSETS FOR YOU

Use these model portfolios as a starting point, by choosing the amount of risk you are comfortable with.



	Conservative	Balanced	Growth	Aggressive growth
Average annual return	5.8%	7.7%	8.8%	9.5%
Worst 12-month return	–17.7	–40.6	–52.9	–60.8
Best 12-month return	31.1	76.6	109.6	136.1
Worst 20-year return (annualized)	2.9	3.4	3.1	2.7
Best 20-year return (annualized)	11.0	13.8	15.3	16.5

Total returns, including dividends, from the start of 1926 through 2021, based on indexes. Time periods for best and worst returns are based on calendar year. SOURCE: Fidelity Investments and Morningstar.

"Granularity adds value, but it's not a requirement," says Schwab's Williams. Choosing an asset allocation and saving and investing, Williams says, can be like constructing a rocket ship: "You shoot it in the air and head toward a destination. You may change the steering here and there," tweaking your stock portfolio with more foreign shares, say, or small-cap stocks, "but generally you're all moving in the right direction."

Bonds. Bonds provide ballast against stock volatility—2022 notwithstanding—but the trade-off is lower returns. Over the past 20 years, the Bloomberg U.S. Aggregate Bond index returned 3.2% annualized. In that period, it had just three years of negative returns, in 2022 (–13.0%), in 2021 (–1.5%) and in 2013 (–2.0%).

But bonds can do more than just play the foil to stocks. They can also generate income, preserve capital and hedge against inflation. A core bond fund can go a long way toward meeting those objectives: Our favorite actively managed fund is **BAIRD AGGREGATE BOND** (BAGSX, 0.55%). The fund, yielding 3.8%, is a member of the Kiplinger 25, the list of our favorite actively managed, no-load funds. Or consider **ISHARES CORE US AGGREGATE BOND ETF** (AGG, $99, 0.03%), yielding 4.0%. You can fine-tune your portfolio to specific objectives with the right mix of bonds. Determine what you need most from your bond portfolio—income, preservation and/or diversification from stocks—then match the objective with the right kind of bonds.

To diversify from stocks, stick with high-grade bonds, such as Treasuries or government-guaranteed mortgage-backed securities. Buy Treasuries directly from the government at TreasuryDirect.gov and hold to maturity. ETFs are another option. **ISHARES US TREASURY BOND ETF** (GOVT, $23, 0.05%) holds debt with short-, medium- and long-term maturities and yields 4.0%. Our favorite mortgage-bond funds include **VANGUARD MORTGAGE-BACKED SECURITIES ETF** (VMBS, $46, 0.04%), which yields 3.2%, and **VANGUARD GNMA** (VFIIX, 0.21%), which yields 3.1%.

To generate income—an easier task these days thanks to higher rates—focus on high-quality, investment-grade corporate bonds (debt rated between triple-A and triple-B). **VANGUARD INTERMEDIATE-TERM INVESTMENT-GRADE** (VFICX, 0.20%) yields 4.9%. Add some *oomph,* if your risk tolerance allows, with small doses of high-yield bonds (debt rated double-B to triple-C) or

emerging-markets bonds. **OSTERWEIS STRATEGIC INCOME** (OSTIX, 0.84%) tilts toward debt with maturities of five years or less and recently yielded more than 7%. **VANGUARD EMERGING MARKETS BOND** (VEMBX, 0.55%), another Kip 25 fund, yields 7.3%.

For capital preservation, focus on high-quality, short-term bond funds, which yield roughly 4% these days. **BAIRD SHORT-TERM BOND** (BSBSX, 0.55%) holds a mix of government and corporate debt—triple-A-rated debt makes up nearly half of the portfolio—and currently yields 4.3%.

Finally, to hedge against inflation, invest in Treasury inflation-protected securities (TIPS), which pay a fixed rate on principal that adjusts with inflation. Buy directly from Uncle Sam at TreasuryDirect.gov. Or consider a fund. **VANGUARD SHORT-TERM INFLATION-PROTECTED SECURITIES ETF** (VTIP, $48, 0.04%) yields 1.8%; **SPDR BLOOMBERG 1-10 YEAR TIPS ETF** (TIPX, $19, 0.15%) covers both short- and medium-term securities and yields 1.5%.

Cash. Gone are the days when sitting in cash was a liability. Cash accounts pay nearly 4% or more now. Most high-yield savings accounts yield 4.0% or nearly, including Capital One's 360 Performance Savings account. Six-month Treasuries recently yielded 5.5%. Buy individual short-term Treasuries and Series I savings bonds (which yield 4.3%) at TreasuryDirect.gov. Or invest in **ISHARES 1-3 YEAR TREASURY BOND ETF** (SHY, $82, 0.15%) or **GOLDMAN SACHS ACCESS TREASURY 0-1 YR ETF** (GBIL, $100, 0.12%). Both funds yield more than 4.0%.

Money market mutual funds recently yielded more than 5.0%. Vanguard beats everyone on expense ratio and yield in this category—specifically, **VANGUARD FEDERAL MONEY MARKET** (VMFXX, 0.11%) and **VANGUARD CASH RESERVE FEDERAL MONEY MARKET** (VMRXX, 0.10%), both yielding just over 5.0%.

BEYOND THE BASICS

Stick with your plan, but understand it's okay to make incremental shifts in response to market conditions. Bond yields are higher, and so are stock valuations, says T. Rowe Price's Page. So he's slightly underweight in stocks relative to bonds, he says. By *underweight,* he means below the target stock allocation in any given portfolio. But, he adds, "we limit our tactical adjustments to plus or minus 10 percentage points" around the target allocation. "These aren't big adjustments." Similarly, the advisers at Altfest Personal Wealth Management have shifted their focus since late 2021 from short-term inflation-protected bonds to intermediate and longer-term Treasury debt to lock in higher yields.

To diversify from stocks, stick with high-grade bonds, such as Treasuries or government-guaranteed mortgage-backed securities.

Asset classes can morph over time, too. Today, more than half the high-yield bond market is made up of double-B-rated debt, the highest-quality junk bonds, says Page. That's up considerably from 2008, when double-B bonds accounted for roughly one-third of the junk-bond market. That means the asset class is slightly higher in quality than in years past—so it is lower in risk—but investors should expect to earn lower yields on junk bonds relative to Treasuries than in the past. Emerging-market countries, too, are less tied to volatile commodity prices, Page adds. "That will affect how the asset class behaves" relative to its historical performance, he says.

Perhaps the biggest lesson investors learned in 2022 is that portfolios could use a dose of alternative strategies, which tend to move independently from stock and bond markets. Some of these strategies posted double-digit-percentage returns in 2022. "It's a catch-all category," says Altfest's Kressner, that can include long-short funds, market-neutral funds and managed-futures strategies. Today, a growing number of these approaches are available in mutual funds for mom-and-pop investors. Among them, we like **PIMCO TRENDS MANAGED FUTURES STRATEGY FUND** (PQTAX, 1.87%) and **BOSTON PARTNERS GLOBAL LONG/SHORT FUND** (BGRSX, 2.81%). We also like **VANGUARD MARKET NEUTRAL FUND** (VMNFX, 1.83%).

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Note that a $50,000 minimum investment is required.

Some advisers make a case for putting up to 20% of your portfolio in alternative-strategy funds, depending on your age, circumstances and risk tolerance—"especially today," says Dan Villalon, global cohead of AQR's portfolio solutions group, who cites expectations for low returns from stocks and bonds in the coming years and the greater level of uncertainty in the world.

Ideally, you would trim from both your stock and bond allocations to add alternatives to your portfolio. But Villalon says many investors, especially those who want to maintain a certain level of risk in their portfolio, simply take from the bond side. Either way, Villalon recommends considering a fund that employs multiple alternative strategies. Check out **AQR DIVERSIFYING STRATEGIES** (QDSNX, 1.72%). The fund proved to be a good diversifier in 2022, when it returned 14.5%.

At Altfest, alternative asset strategies include a hodgepodge of approaches, including hedged-equity ETFs that offer some protection against stock downturns in exchange for a cap on potential gains. These so-called buffered or defined-outcome ETFs take some explaining (see "Limit Losses With These ETFs," June 2021). To limit losses and gains, the ETFs invest in options linked to, say, the S&P 500. Fund firms Innovator, Allianz and Trueshares have the longest track record with these strategies. We'll be watching them closely.

Perhaps the biggest lesson investors learned in 2022 is that portfolios could use a dose of alternative strategies, which tend to move independently from stock and bond markets.

HIRE A PRO

Enlisting an expert to manage your portfolio is a good idea for many investors, especially those with complex financial situations. For others, a sit-down with an adviser—to assess whether you're on track with your investment goals—can offer peace of mind, which will help you stick with the plan. A robo adviser is a good option for many, too. You can also access professional expertise without hiring an adviser by buying shares in a fund that holds stocks and bonds, such as a balanced fund, or invest in a target-date fund.

Balanced funds typically hold 60% of assets in stocks and 40% in bonds, a common allocation for an investor with a medium- to long-term time horizon and a moderate amount of risk tolerance. Actively managed funds tend to outshine ETFs in this category. Our favorite is **VANGUARD WELLINGTON** (VWELX, 0.25%) because it has delivered solid, consistent returns and boasts a low annual expense ratio. **FIDELITY PURITAN** (FPURX, 0.50%), **AMERICAN FUNDS AMERICAN BALANCED** (BALFX, 0.62%) and **DODGE & COX BALANCED** (DODBX, 0.52%) are worth a look, too.

Target-date funds grow old with you. Experts decide how to allocate your assets over your working life (and often well into your retired life, too) by gradually shifting the mix of stocks and bonds as you grow older. These funds are standard offerings in 401(k)s, but you can invest in one outside of your plan.

Choose a target-date series that matches your tolerance for risk. Some are more aggressive than others. The funds in the **T. ROWE PRICE RETIREMENT** and **FIDELITY FREEDOM** target-date series consistently hold more stocks along their glide path (the shift in the stock-bond allocation over time) than peer funds do. The **AMERICAN FUNDS TARGET DATE RETIREMENT** series follows a glide path that starts conservatively relative to peers but ends moderately aggressive. The **T. ROWE PRICE TARGET** series—which is more conservatively positioned than the firm's Retirement series—have lower exposure to stocks compared with peers.

Index-based target-date funds get the job done, too. The **VANGUARD TARGET RETIREMENT** series shines here for its simplicity—the target funds hold a handful of broad-market index funds—and a low expense ratio of 0.08%. No other series comes close. ■

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CHECK OUT ONLINE TOOLS

Online tools can help you identify—roughly—your tolerance for risk. Bear in mind that your mood and/or market conditions may affect how you answer certain questions. Charles Schwab's questionnaire is open to all; you don't have to be a Schwab client to access it (www.schwab.com/resource/investment-questionnaire). Your answers will inform a time-horizon score and a risk-tolerance score that together slot you into one of five profiles: conservative; moderately conservative; moderate; moderately aggressive; or aggressive. Vanguard has a free tool, too (https://investor.vanguard.com/tools-calculators/investor-questionnaire). It will suggest a stock/bond/cash mix.

Robo advisers can be good sources for model portfolios, even if you don't have an account. Check out **Schwab Intelligent Portfolios** (https://intelligent-client.schwab.com); **E*Trade's Core Portfolios** (https://etrade.com/coreportfolios) and **Fidelity Go** (https://www.fidelity.com/managed-accounts/fidelity-go/overview). You fill out a questionnaire about your age, time horizon and risk tolerance, among other things, and are shown a breakdown of how much to hold in stocks, bonds and other assets. Schwab and Fidelity even show what funds you'd hold if you opened an advisory account with them.

INCOME INVESTING | Jeffrey R. Kosnett

Municipals Face Down Armageddon

A week before the powers that be in the nation's capital mercifully managed not to default on Treasury debt, one of my favorite tax-exempt bond managers, Eve Lando, of Thornburg Funds, said to "run, not walk" to municipals. She noted that state and local bonds had moved little in price and yield all spring, despite the prospect that the federal government might suffer a "technical" default—meaning a day or two of weirdness and trading losses before Congress would belatedly raise the debt limit and agree to make all U.S. bond investors whole. Because municipal borrowers rely on enormous direct federal grants or indirect federal support (such as the presence of Treasury bonds in escrow to buttress the munis' timely repayment of principal), the tax-exempt world should have come under heavy pressure. And yet it stood firm. If municipals can stare down credit-market Armageddon, well, what's a little mild recession talk?

My answer: not much. State and local finances are in fine shape, the tax-equivalent yield of most municipals is more favorable compared with Treasury bonds than it was a few weeks ago, and although new tax-free bond issuance is not especially light, the supply-demand balance is friendly enough to favor investors. The main thing holding back municipal returns is continued net selling by holders of mutual and exchange-traded funds, likely the consequence of higher interest rates on bank savings and, until lately, on Series I savings bonds. But those headwinds are overdue to reverse direction, especially if the Federal Reserve quits hiking short-term yields. Even if you worry that the economy (or most segments of it) will slow markedly or recede in the second half of 2023, that stands to harm investment-grade corporate and high-yield bond prices moreso than municipals.

IF YOU OWN MUNIS, I ADVISE AGAINST SELLING THEM. IF YOU HAVE CASH TO INVEST, THEY ARE A WORTHY ALTERNATIVE TO CDs OR TREASURIES.

I presume that most readers, other than young people just starting to build their IRAs and 401(k)s, have a stake in tax-exempts. If you do, I advise against selling any of them. If you acquire cash to reinvest from a refunded bond or a matured stage of a bond ladder—or some other lump sum—I deem tax-exempts worth considering as an alternative to another round of six-month CDs and certainly to Treasuries of all maturities.

What to buy. The question becomes how best to invest. A well-regarded actively managed municipal fund, such as **BAIRD STRATEGIC MUNICIPAL** (SYMBOL BSNSX) or **MAINSTAY MACKAY TAX-FREE BOND** (MTBAX), not only gets you a tax-free yield of 3% or a little more, but in the first week since the Biden-McCarthy treaty, plenty of such funds had already padded their total returns by about one percentage point. Residents of high-tax states such as California, New Jersey and New York likely need no reminder to seek out home-state bond funds, but I'll just say here that they are also compelling. For example, **FIDELITY NEW JERSEY MUNICIPAL INCOME** (FNJHX) gained 1.3% in the first week free of debt-ceiling drama. For serious risk takers, the redoubtable **NUVEEN HIGH YIELD MUNICIPAL** (NHMAX) is on a roll, up 1.7% in one week and 3.5% for the year to date; the distributions work out to 5.4% annualized. Legendary Nuveen manager John Miller just retired, but the bench is deep and his successors long-established.

As for individual bonds, I screened my Fidelity brokerage account and found more than 200 listings with yields to maturity in 10 to 20 years of 4.25% or more; ratings no worse than A-minus by Standard & Poor's or A3 by Moody's; and familiar and generally reliable revenue streams from sources such as water and sewer systems, local school systems and state highways. My favorite tax-exempt subcategory, toll road bonds, are well represented.

A batch of North Carolina Turnpike Authority 3% bonds due in 2042 flashed on my screen for 82 cents on the dollar (up from 78 cents two weeks ago), with a yield to maturity of 4.4%. The bonds are insured, so the ostensible rating is AA. An equivalent Treasury bond is priced to yield 4%. But after the drama we just went through, you have to ask whether it is easier or harder to dodge a turnpike toll booth than it is to threaten to skip out on the government's debt. Just sayin'. ■

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STOCKS

The Staying Power of Luxury Companies

Here's how to cash in on businesses that cater to big spenders. BY KIM CLARK

As worries about inflation and economic troubles take their toll, average Joes and Janes pinch pennies. But the rich continue to splurge. You may not be able to afford a $229,000 Mercedes-Maybach sedan or a $68,000 rose gold Cartier watch, but for a tiny fraction of those sums you can buy a stake in a company that sells such luxuries and set yourself up for a chance at a sumptuous profit.

During times of economic difficulty, companies that serve the middle class typically get squeezed. And discounters, not surprisingly, get a boost. (For more, see the box on the facing page.) Perhaps more surprising is that companies representing the ultimate in consumerism also typically thrive. "There are two groups that could do well within an economic downturn: the really high luxury end and discounters," says Joe Mazzola, a former portfolio manager who now heads trader education for financial giant Charles Schwab.

The longer-term outlook for the luxury market is bullish, according to a January report from the Bain & Co. consulting firm. The reopening of China's economy, rising wealth in India and growing interest in luxury goods among affluent millennials and Gen Zers around the world raise prospects for a luxury boom lasting several years, according to Bain, which expects total annual luxury sales to rise 50% from 2022 levels, to $625 billion, by 2030.

Investors need a discerning eye, though. Luxury stocks aren't completely immune to economic cycles or market swings, and no company is a guaranteed winner, especially among those selling in the capricious fashion market. Moreover, high expectations have driven the stock prices of some of the biggest luxury houses well above the general market's valuation. The S&P Global Luxury index, which tracks 80 large luxury firms around the world, returned 13% over the past year, more than four times the S&P 500's gain.

There are other caveats. Many of the best-known companies are headquar-

THE WORLD'S LARGEST LOUIS VUITTON STORE IS ON THE CHAMPS ÉLYSÉES, IN PARIS.

GETTY IMAGES

tered overseas, and their shares trade in the U.S. as American depositary receipts. ADRs are dollar-denominated versions of foreign stocks that have been issued by U.S. banks. Although they may represent huge companies, ADRs often trade at lower volumes than stocks of U.S.-based companies. That means the spread between the highest price a buyer is willing to pay and the lowest price a seller is willing to accept will likely be wider among ADRs than among stocks of large U.S.-based companies, says Mazzola. Some U.S. brokerages also charge commissions for trading some ADRs.

If you're in the market for some bling for your portfolio, consider the five stocks below serving up a variety of luxury goods with strong brands and staying power. Prices and other data are as of May 31.

ESTÉE LAUDER

This New York City–based owner of prestige beauty lines, such as La Mer, MAC and Tom Ford, is the world's second-largest cosmetics company. The stock has fallen about 48% since a late 2021 peak, including a plunge early in 2023 as hopes for a rapid bounce back in newly reopened China gave way to expectations for a more measured recovery. But the Asian market will eventually rebound, rewarding patient investors, says Rupesh Parikh, senior analyst for food, grocery and consumer products for Oppenheimer & Co. He is one of the 21 bullish analysts covering the company (out of 31 total).

Despite its recent decline, Estée Lauder recently traded at more than 40 times expected earnings for the next 12 months, nearly twice the price-earnings ratio of the broader market, says Parikh. The stock "isn't a value play," he says, and adds that the shares may not have quite hit bottom yet. Nonetheless, with Asia accounting for about one-third of the company's sales, the strong recovery he sees there within the next 18 months bodes well for the company. "It's a growth story," Parikh says of the stock. "For us it is still a top pick."

KERING

You may not recognize the corporate name of this Paris-based fashion giant, but you've heard of its brands, which include Gucci, Saint Laurent and Alexander McQueen. The shares recently traded at about 16 times expected earnings—much lower than the P/E of 24 commanded by its bigger rival, LVMH (owner of Louis Vuitton, Dom Perignon and other prestigious brands). One reason for the discount is that in January, Gucci

THE OTHER EXTREME

DISCOUNTERS TO BUY NOW

These retailers thrive when consumers hunt for bargains.

When the going gets tough, the tough go ... discounting. Sales at mid-market retailers such as Gap have fallen this year, but spending on discount basics such as generic groceries has jumped more than 10% as consumers have continued to grapple with inflation and worry about recession. During challenging economic times, "the rich are less susceptible and the people in the middle trade down," says Joe Fath, manager of T. Rowe Price's Growth Stock fund. Investors who want to benefit from that trend should consider following consumers to well-managed discount retailers, he suggests.

Fath likes **ROSS STORES** (SYMBOL ROST, $104) because it sells brand-name goods at steep discounts and creates a "treasure hunt" excitement among increasingly bargain-hungry consumers. The company is on pace to increase earnings per share by at least 9% this fiscal year, according to company forecasts and analyst estimates.

Another discount winner favored by Wall Street analysts: **WALMART** (WMT, $147), the world's largest retailer. Walmart posted healthy sales increases of about 7% in the quarter ending April 28, thanks in part to strong demand for its low-cost groceries, according to CFRA analyst Arun Sundaram, one of 31 analysts bullish on the stock (of 41 who follow the company).

COSTCO WHOLESALE (COST, $512). The warehouse giant is seeing rising foot traffic and strong sales of necessities, says Argus Research analyst Chris Graja. Despite a premium price-earnings ratio of 34 times expected earnings, the stock is a long-term buy for Argus. "Costco will emerge from the current consumer slowdown with an even higher market share," says Graja, who gives the stock a 12-month price target of $610.

hired a new creative director, raising uncertainty about the reception of next season's fashion lines.

That creates an opportunity for investors, says Jesse Flores, a manager of the Baird Chataqua Global Growth Fund, which holds Kering in its portfolio. "The luxury sector is incredibly attractive," and the Gucci reset allows the firm to focus even more directly on the next generations of buyers. "These brands are especially strong with millennials and Gen Z," which bodes well for the longer term, he says.

MARINEMAX

This Clearwater, Fla.–based company, the world's largest retailer of boats and yachts, is the smallest company on this list, with a market value of just about $620 million. Seven of the nine analysts who follow the stock rate it a "buy." Jeff John, a co-manager of the American Century Small Cap Value Fund, is also a fan. The fund's managers prefer the portfolio's consumer-oriented firms to focus on the luxury market "because that consumer tends to be more resilient during periods of market stress," John says. With MarineMax in particular, he values the combination of revenues from boat sales and recurring fees, such as those from its charter and repair services for super yachts, which are pleasure boats measuring at least 78 feet long.

Shares in the boat maker peaked in 2021, when locked-down consumers went on a boating spree. The stock has since fallen by about half. Trading at about six times expected earnings, the stock is "extremely inexpensive," John says. "The most opportune times to look at these names is when investor sentiment is at its lowest," says John. "Small-cap value stocks tend to underperform moving into recession. But they are extraordinary coming out of a recession."

MERCEDES-BENZ GROUP

Based in Germany, the world's fourth-largest carmaker sold nearly 5% more cars and vans in the first quarter of 2023 than it did in the same period in 2022. But its net income jumped by about 12% due to a dramatic increase in sales of its most expensive vehicles. Tyson Jominy, vice president of data and analytics for J.D. Power, says many companies—including Mercedes—have been shifting production away from the entry level to six-figure vehicles to meet high demand. U.S. sales of cars costing at least $100,000 apiece rose 46% in the past year, he notes. "We haven't yet tested the limits of growth at the high end," he says.

In contrast to its cars, Mercedes's stock remains a comparative bargain, with shares trading at less than six times expected earnings. The company has a varied dividend-payout history, but the stock currently yields an eye-popping 7.7%. Of the 23 analysts who follow the company, 19 think it is a good bet.

RICHEMONT

The Swiss company behind Cartier watches, Dunhill men's clothing, Mont Blanc pens and many other luxury items saw its sales rise 19% in the fiscal year ending March 31. Jewelry and watches made up the company's biggest (and one of its strongest) divisions, accounting for more than $17 billion of the company's record $20 billion in annual sales and contributing to a healthy 25% operating profit margin. Richemont has generated so much cash in the past year that the company has announced plans to raise its dividend by 11%, issue a special dividend in the fall and buy back more than 1% of its shares.

The shares recently traded at a reasonable 22 times expected earnings, says Jelena Sokolova, a Morningstar luxury industry analyst. The company's reliance on sales of high-end watches and jewelry make it an especially attractive luxury stock during troubled times, she says, because many customers look to such items as storehouses of value. ■

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LUXE BY THE NUMBERS

ALL ABOUT THE BLING

Luxury stocks tend to stand up to economic challenges. The companies below represent a range of high-end goods.

Company	Symbol	Price	Price-earnings ratio	Yield	1-year return	Brands
Estée Lauder	EL	$184	41	1.4%	–26.7%	Clinique, Bobbi Brown, MAC
Kering	PPRUY*	53	16	1.4	0.7	Gucci, Saint Laurent, Balenciaga
MarineMax	HZO	28	6	—	–31.5	IGY Marinas, Fraser Yacht, Northrup & Johnson
Mercedes-Benz	MBGYY*	19	6	7.7	13.3	Mercedes Benz
Richemont	CFRUY*	16	22	1.4	45.6	Cartier, Piaget, Mont Blanc
S&P 500 INDEX			**19**	**1.7%**	**2.9%**	

As of May 31. *Trades as an American depositary receipt. Sources: Morningstar Direct, S&P Global Intelligence, and Yardeni Research.

THE KIPLINGER DIVIDEND 15 UPDATE

A Flat Year for Our Favorites

IT HAS BEEN A CHOPPY YEAR FOR U.S. stocks, but since hitting a low last October, the broad market has generally trended upward. Over the past 12 months, the S&P 500 index has gained 2.9%. As a group, the Kiplinger Dividend 15 haven't kept pace, with an average loss (including dividends) of 2.7%. Four stocks were a drag: Verizon Communications, Blackstone, Johnson & Johnson and Realty Income. The group's best performers were Walmart, McDonald's and Air Products & Chemicals, all up more than 12%, and Mastercard, up nearly 3%.

But we're happy to report dividends are still growing strongly: Since we last checked in with the Dividend 15 earlier this year, Johnson & Johnson has announced a 5.3% increase to its quarterly payout; Procter & Gamble, a 2.9% increase; Walmart, 1.8%; Home Depot, 10%; and Realty Income, roughly 3%.

Highlights and lowlights. Real estate has been the worst-performing sector over the past 12 months in the S&P 500, with a 15% decline. Realty Income has held up relatively better, albeit with an 8.5% decline. Nearly 40% of this real estate investment trust's property tenants are grocery, drug and convenience stores, discount retailers, and quick-serve restaurants—businesses that are for the most part economically resilient and stable renters. Meanwhile, Realty Income has raised its monthly payout twice since the start 2023.

Private-equity firm Blackstone has shored up issues with shareholder redemptions from its biggest fund, Blackstone Real Estate Income Trust, which started in late 2022. And analysts are bullish on the stock: 12 out of 14 currently rate it a "buy" or "strong buy." Even so, shares have declined 24% over the past 12 months. And its dividend payouts, though they are typically uneven depending on market conditions, so far this year have been underwhelming—smaller in comparison to payouts over the same periods in 2022 and 2021. Argus analyst Stephen Biggar chalks that up to "a weak near-term market environment." In Blackstone's favor, he says, are growing interest in private equity, 8% year-over-year growth in total assets under management for the year ended in March, and "dry powder"—cash it is free to invest—of nearly $194 billion.

Finally, we're disappointed in the greater than 25% decline in the shares of Verizon over the past 12 months, and we are putting the stock on watch. The lion's share of 32 analysts who follow the stock rate it "hold," largely because of tough competition in the wireless industry. And the company spent too heavily, say many analysts, on access to C-band, a spectrum that delivers fast speeds to phones over long ranges without requiring too many cell towers. Although the stock yields a mouthwatering 7.3%, our patience is wearing thin. **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)	$269	2.6%	$7.00	41	11.4%	12.0%
Emerson Electric (EMR)	78	2.7	2.08	66	1.4	−10.0
Johnson & Johnson (JNJ)	155	3.1	4.76	61	6.0	−11.1
McDonald's (MCD)	285	2.1	6.08	46	8.1	15.3
Procter & Gamble (PG)	143	2.6	3.76	67	5.5	−1.1
Walmart (WMT)	147	1.6	2.28	50	1.9	15.9
DIVIDEND GROWTH Companies in this category should continue a history of robust dividend increases.						
AbbVie (ABBV)	$138	4.3%	$5.92	10	17.1%	−2.5%
Home Depot (HD)	283	2.9	8.36	14	16.4	−3.1
Mastercard (MA)	365	0.6	2.28	9	17.4	2.6
Texas Instruments (TXN)	174	2.9	4.96	19	17.2	1.1
UnitedHealth Group (UNH)	487	1.4	6.60	13	17.4	−0.6
HIGH YIELD Companies in this category have a five-year average yield of 4% or more.						
Blackstone (BX)	$86	3.8%	$3.28	2	16.3%	−24.0%
Enterprise Products Ptnrs (EPD)	25	7.7	1.96	25	2.4	0.1
Realty Income (O)	59	5.1	3.06	28	3.2	−8.5
Verizon Communications (VZ)	36	7.3	2.61	16	2.1	−25.5
INDEX						
S&P 500 INDEX		**1.7%**	**$70.16‡**	**13**	**6.5%**	**2.9%**

As of May 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

Why I Still Like Emerging Markets

One of themes of this column is that no one can time the markets. I'm fond of quoting the late John Bogle, founder of Vanguard and the apostle of index funds, who said, "Sure, it'd be great to get out of stocks at the high and jump back in at the low.... But I've been in this business 55 years and ... I not only have never met anybody who knew how to do it, I've never met anybody who had met anybody who knew how to do it."

Some readers may think I'm quoting Bogle as an excuse for a column I wrote last year on the stocks of emerging markets. I issued some warnings, but I was generally upbeat. As it turned out, the stocks performed poorly. The exchange-traded fund iShares MSCI Emerging Markets (symbol EEM), which is linked to a popular index, has lost 8.5% in the past 12 months, compared with a gain of 2.9% for the U.S. benchmark, the S&P 500 index.

Still, the relative attractiveness of shares in emerging markets has not waned. To the contrary: In times of global instability, investors grow especially wary of emerging markets, which is exactly why I like them now.

In its latest analysis, the research firm MSCI says that the 1,377 stocks that make up its Emerging Markets index—the basis of the iShares ETF—have an average price-earnings ratio of just 12, compared with 19 for the S&P 500. The ratio of price to book value (or net worth on the balance sheet) for the emerging index is 1.6, compared with 3.8 for the S&P 500.

In other words, emerging-markets stocks are considerably cheaper than U.S. stocks. Of course, emerging markets are riskier; their standard deviation, a measure of volatility, averaged about one-fourth higher than the S&P 500 over the past five years. So if you can't stand the risk, stay out of emerging markets. But these stocks give your portfolio a chance to get extra gains.

ILLUSTRATION BY PATRICK WELSH

WITH CRACKDOWNS IN CHINA EASING, I'M LETTING CHINESE TECH STOCKS—WHICH AREN'T SUBJECT TO SUPPLY-CHAIN WORRIES—OUT OF THE DOGHOUSE.

A big tent. The term *emerging markets* is an inclusive one. Some of these markets have already emerged, including China, South Korea and Taiwan. Others, such as Kenya, Jordan and Pakistan, are tiny. Together, emerging markets represent about 11% of global market capitalization (that is, price times shares outstanding for all stocks). As I pointed out last year, emerging markets are expected to be the only source of population growth—a key component of economic growth—over the next century.

The first question to address is China. Last year, I told readers to stay away and invest only in funds with little or no exposure to its stock markets, such as iShares MSCI Emerging Markets ex China (EMXC). Owning zero Chinese shares, the ETF did lose a bit less than the emerging-markets benchmark as a whole.

The ex-China ETF remains a good alternative for emerging-markets investors who want to avoid China for moral or ideological reasons. My own view is that China is an inextricable part of the global economy and will remain so despite what you hear from both sides of the congressional aisle. But there are two areas of jeopardy.

The first is that the COVID pandemic and the Ukraine war have encouraged U.S. companies to limit exposure to riskier, attenuated Chinese supply chains. The second is that the Chinese government itself has taken a self-destructive stance toward technology companies, which the Communist Party believes are becoming too powerful. But I doubt China can continue to hobble these businesses, which are valuable national assets, and there are signs the crackdown is easing.

As a result, I'm letting Chinese tech stocks—which are not subject to supply-chain worries because the "travel" they do is almost exclusively electronic—out of the doghouse. For example, **TENCENT (TCEHY, $40)**, a diversified online advertising and financial technology firm with a market cap of $380 billion, has rallied since late last year but still trades at less than half its 2021 peak. **ALIBABA (BABA, $80)**, a global internet retailer, has dropped nearly two-thirds from its high. The stocks rank second and fourth among the constituents of the EMI. (Stocks and funds I'm recommending are in bold; prices are as of May 31.)

Shares of a smaller Chinese tech company, **BAIDU (BIDU, $123)**, a search-engine firm that moved aggressively into artificial intelligence more than a decade ago, dropped more than 30% this spring. Baidu has research facilities in Seattle and Silicon Valley as well as Beijing, and its AI assets could propel it much further than its current $43 billion market cap.

The main beneficiaries of concerns about the security of supply chains to Asia will be Latin American stocks, especially those of Mexico. **T. ROWE PRICE LATIN AMERICA** (PRLAX), a managed mutual fund, has risen 11.9% so far in 2023 after outperforming the S&P 500 by nearly 20 points in 2022. Its portfolio is dominated by Brazil and Mexico. It has a heavy weighting of financials (32%), such as **ITAU UNIBANCO** (ITUB, $5), and consumer defensive stocks (21%), including **WAL-MART DE MEXICO** (WMMVY, $38), which is yielding 3.4%.

Another good choice is **ISHARES LATIN AMERICA 40** (ILF, $25), an ETF geared to an S&P index of the 40 largest stocks in the region. The fund is more weighted toward resource stocks, such as **VALE** (VALE, $13), the Brazil minerals giant. Another leading asset in the portfolio is **AMERICA MOVIL** (AMX, $21), the Mexican telecom company with a market cap of $70 billion. The ETF's performance over the past three years has been exceptional: an annual average return of 14.4%. The fund has a robust dividend yield, and its expense ratio, at 0.47%, is about one-third that of the T. Rowe Price fund.

WAITING FOR LATIN AMERICA TO SHINE HAS BEEN FRUSTRATING, BUT A GLOW MAY HAVE BEGUN; ISHARES LATIN AMERICA HAS AN EXCEPTIONAL THREE-YEAR PERFORMANCE AND A ROBUST DIVIDEND YIELD.

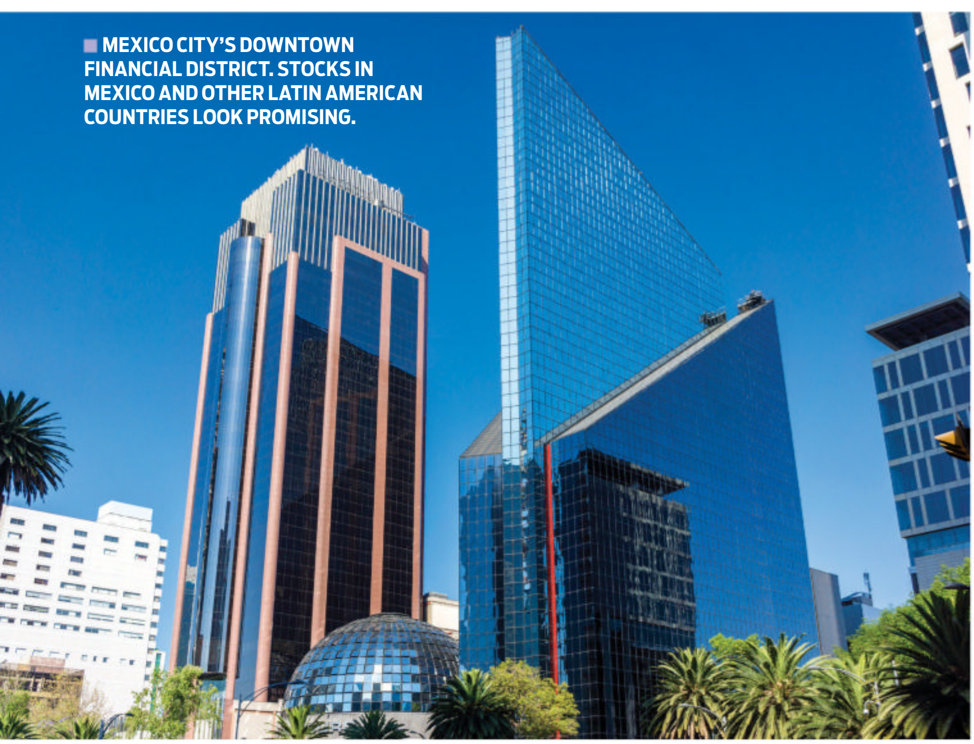
The best way to buy Mexico alone is through the closed-end **MEXICO FUND** (MXF, $16), which trades like a stock. It has produced remarkably steady returns for an emerging-markets fund. The portfolio includes **GRUPO MEXICO SAB** (GMBXF, $5), whose interests range from copper to rail transport to oil drilling infrastructure and wind farms. The stock yields 5%.

More room to run. But is Latin America overvalued? I don't think so. The iShares Latin America fund had six losing years between 2013 and 2021 and has registered an overall loss since 2008. Waiting for Latin America to shine has been frustrating, but a glow may have begun.

An emerging market that has intriguing possibilities is Poland, the fifth-most-populous nation in the European Union. The Russian invasion of Ukraine caused **ISHARES MSCI POLAND** (EPOL, $17) to fall sharply last year, but so far in 2023 the ETF has bounced back 9.2%. Polish stocks are part of the portfolio of **T. ROWE PRICE EMERGING EUROPE** (TREMX), a mutual fund whose assets also include Greek and Hungarian banks and **KOC HOLDING** (KHOLY, $19), a Turkish conglomerate with a market cap of $10 billion and a P/E of 4.

As for Asia: I still like India, especially **HDFC BANK** (HDB, $64), with a market cap of $109 billion, and the closed-end **INDIA FUND** (IFN, $15). In Thailand, GDP is expected to grow 3.8% this year, according to *The Economist*'s consensus of experts. **THAI BEVERAGE** (TBVPY, $43), with a market cap of $10 billion and a yield of 4.1%, is a good way to gain exposure to the country. The company makes and distributes beverages (both alcoholic and nonalcoholic) and snacks. Another good buy is **SEA LTD.** (SE, $57), a Singapore-based digital commerce, financial and entertainment company with a strong following in Southeast Asia.

Am I predicting emerging markets will soar over the next year? Of course not. I'm reminding you that emerging markets are where the growth is, that artificial intelligence may prove to be a great way to distribute the benefits of education and work training around the world, and that stock prices look very tempting. ■



MEXICO CITY'S DOWNTOWN FINANCIAL DISTRICT. STOCKS IN MEXICO AND OTHER LATIN AMERICAN COUNTRIES LOOK PROMISING.

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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 MENTIONED HERE. YOU CAN REACH HIM AT JKGLASSMAN@GMAIL.COM.

THE KIPLINGER 25 UPDATE

A Turnaround in Tech Land

TWO KIPLINGER 25 FUNDS that have lagged for months now boast the group's best one-year returns. Over the past 12 months, **FIDELITY BLUE CHIP GROWTH** has gained 11.4%; **T. ROWE PRICE GLOBAL TECHNOLOGY** has returned 13.5%.

The funds are basking in the recent glow of artificial intelligence. Growing application of this technology is boosting company results in a big way. Nvidia, a top holding in both funds and a leading designer of computer chips used in AI, wowed investors with its first-quarter results and hinted that the next quarter would be smashing. Since the start of the year, Nvidia stock is up 159%.

Other companies are benefiting from the AI boom, too. Microsoft, a top holding in both funds that has gained 38% so far this year, is integrating AI into its software and cloud offerings. Advanced Micro Devices (up 83% since the start of 2023), Apple (up 37%) and Taiwan Semiconductor Manufacturing (33%) are other big gainers in both funds. "We think AI is potentially the biggest technological innovation since electricity," says Dominic Rizzo, manager of Global Technology. "We want to own the linchpin companies that are facilitating that innovation."

Four key factors. Rizzo favors tech firms that can provide key products or services that better people's lives; enjoy growing market share; boast improving fundamentals, such as growth in sales; and have reasonably priced shares. It's hard to find a stock that meets all measures, says Rizzo, but certain AI stocks do "almost perfectly." Other winners so far in 2023 include software firms Synopsys (up 42%) and ServiceNow (40%).

Blue Chip Growth focuses on fast-growing firms in all sectors with competitive advantages. "It's a very exciting time to be an investor," says manager Sonu Kalra, with renewed innovation in the tech sector and the potential for AI to create new business models. A rebound in communications services behemoth Meta Platforms, a top-10 holding, has helped the fund. Meta has gained 120% since the start of 2023. The company has a renewed focus on lowering costs and boosting efficiency, says Kalra.

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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	0.7%	7.2%	10.4%	0.0%	0.85%
Dodge & Cox Stock	DODGX	–4.7	8.9	10.7	1.4	0.51
Fidelity Blue Chip Growth	FBGRX	11.4	14.2	15.8	0.0	0.76
Heartland Mid Cap Value	HRMDX	–0.8	8.5	—	0.5	1.10
Mairs & Power Growth	MPGFX	3.7	10.7	10.3	0.7	0.61
T. Rowe Price Dividend Growth	PRDGX	0.6	10.9	11.4	1.2	0.64
T. Rowe Price Int US Sm-Cap Gr	PRDSX	4.3	5.6	9.8	0.0	0.80
T. Rowe Price Small-Cap Value	PRSVX	–10.1	3.5	7.3	0.4	0.82
Primecap Odyssey Growth	POGRX	4.3	6.2	11.5	0.5	0.66
Vanguard Equity-Income	VEIPX	–5.8	8.0	9.5	2.9	0.28

International Stock Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Baron Emerging Markets	BEXFX	–5.8%	–1.9%	2.3%	0.0%	1.38%
Brown Cap Mgmt Intl Sm Co	BCSVX	2.0	5.1	—	0.0	1.31
Fidelity International Growth	FIGFX	6.3	6.4	7.0	0.2	1.01
Janus Henderson Glbl Eq Inc	HFQTX	–3.7	3.1	4.3	3.4	1.02

Specialized Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Fidelity Select Health Care	FSPHX	8.8%	8.8%	13.1%	0.0%	0.69%
T. Rowe Price Global Technology	PRGTX	13.5	5.3	15.6	0.0	0.95
TCW Enhanced Comm Strategy	TGABX	–23.3	4.2	–0.7	3.8	0.75

Bond Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Baird Aggregate Bond	BAGSX	–2.0%	0.8%	1.5%	3.8%	0.55%
Fidelity Interm Muni Income	FLTMX	1.0	1.7	1.9	2.9	0.35
Fidelity Strategic Income	FADMX	–0.6	2.2	2.7	5.4	0.68
T. Rowe Price Floating Rate	PRFRX	5.6	3.2	3.3	8.3	0.75
TIAA-CREF Core Impact Bond	TSBRX	–2.7	0.5	1.6	4.1	0.64
Vanguard Emerg Mkts Bond	VEMBX	1.8	3.7	—	7.3	0.55
Vanguard High-Yield Corporate	VWEHX	0.2	3.1	3.7	6.9	0.23
Vanguard Short-Term Inv-Grade	VFSTX	0.5	1.5	1.5	4.8	0.20

Indexes	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield
S&P 500 INDEX	**2.9%**	**11.0%**	**12.0%**	**1.7%**
RUSSELL 2000 INDEX*	**–4.7**	**2.7**	**7.4**	**1.6**
MSCI EAFE INDEX†	**3.1**	**3.2**	**4.6**	**3.1**
MSCI EMERGING MARKETS INDEX	**–8.5**	**–0.7**	**1.9**	**3.3**
BLOOMBERG U.S. AGG BOND INDEX#	**–2.1**	**0.8**	**1.4**	**4.6**

As of May 31. *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.

CHILL CHOICES

Protect Yourself When the Market Turns Frantic

Low-volatility ETFs aim to smooth stock gyrations. BY JEFF REEVES

The extreme volatility in the stock market over the past few years has sparked curiosity about a special brand of exchange-traded fund aimed at calming things down: the low-volatility ETF. True, the stock market is doing pretty well in 2023 thanks to an increased appetite for riskier assets, including many beaten-down growth stocks. But it may be premature to sound the all clear.

Indeed, investors still face plenty of unknowns, including those surrounding the Federal Reserve's future monetary plans and fallout from the recent bank crisis. "*Volatility* is the watchword for the next few months," says Nancy Tengler, chief investment officer of wealth advisory firm Laffer Tengler Investments.

If you're looking to get back into the market in a responsible way, or if you simply want to rejigger your portfolio to reflect the new reality on Wall Street, low-volatility ETFs are an option. They allow investors access to the stock market but with a lower risk profile than a typical index fund.

However, it's important to understand that while these funds often reduce overall volatility over longer periods, they can still suffer mightily during sudden market shocks. And even the best of these ETFs may underperform the market. That's because higher risk can often result in higher returns, and excluding more-dynamic companies might hold your portfolio back over the long run. But if you want additional peace of mind, or you're more concerned with capital preservation than growth, the following low-volatility ETFs have something to offer.

ISHARES MSCI USA MIN VOL FACTOR. This fund, from asset-management icon iShares, is the leader among low-volatility ETFs, commanding more than $28 billion in assets. That scale allows it to offer the lowest expense structure on this list.

The fund holds about 160 stocks, and in the vast majority of cases each one accounts for less than 1.5% of the total. That ensures you're not putting your eggs in just one or two baskets but are instead fully diversified among different companies. It is noteworthy, however, that nearly 20% of holdings are in the health care sector, including big-pharma mainstay Merck. But a bit of sector bias is unavoidable with a low-volatility strategy, considering that some sectors, including health care and consumer staples, tend to be less volatile than the market at large.

INVESCO S&P 500 LOW VOLATILITY. This liquid, low-volatility ETF is another established option. With nearly $10 billion in assets, it sees trading volume of about 3 million shares on a typical day.

The fund limits its portfolio choices to large domestic stocks that are part of the S&P 500 index, then picks

NESTLÉ IS A TOP 10 HOLDING FOR ISHARES MSCI EAFE MIN VOL FACTOR ETF.

COURTESY OF NESTLÉ

the top 100 names from that list that have the lowest volatility over the past year. The ETF's current top-three holdings are familiar names: Johnson & Johnson, McDonald's and Coca Cola. Each accounts for about 1.3% of the portfolio, thanks to regular rebalancing that keeps assets spread around fairly equally.

ISHARES MSCI EAFE MIN VOL FACTOR. This ETF is an international version of iShares MSCI USA Min Vol Factor. It focuses on stocks in the MSCI EAFE index of companies headquartered in Europe, Australasia and the Far East. Many of the portfolio holdings are multinational names you might recognize, including Denmark-based health care firm Novo Nordisk and Swiss consumer staples giant Nestlé.

Stocks from Japan account for about 27% of assets, followed by Switzerland at 15% and the U.K. at about 12%. These countries are quite similar to the U.S. in both their economic might and their investor protections. If you're looking for a low-volatility ETF to provide diversification outside of domestic stocks, this one is a great option.

ISHARES MSCI EMERGING MARKETS MIN VOL FACTOR. If you are looking to go even further afield, this ETF focuses on emerging markets with the aim of providing exposure to these high-growth regions in a lower-risk way. The fund is well established, with nearly $5 billion in assets, proving that even in times of trouble a large cohort of investors is interested in this strategy.

"Stocks listed in emerging markets are usually riskier than their developed-markets counterparts for a variety of reasons," writes analyst Daniel Sotiroff, at investment research firm Morningstar. But the ETF "takes some of the edge off by systematically targeting less risky stocks and combining them in a way that's designed to cut back on volatility."

The portfolio currently has 25% of assets in China, 20% in Taiwan and 13% in India. Top stocks are the state-run Bank of China and Taiwan's Chunghwa Telecom. With more than 300 holdings, the fund holds plenty of smaller and relatively unknown stocks, too, but with a methodology that prioritizes low volatility over high growth potential, you can have some faith that you won't be sticking your neck out on the riskiest companies in these regions.

ISHARES MSCI GLOBAL MIN VOL FACTOR. If you aren't inclined to mix and match multiple low-volatility ETFs that invest in different regions around the world, consider this fund, which takes a comprehensive approach. Just over half the holdings are in the U.S., and the other half are in foreign markets. During market rallies, you can expect the fund to lag the MSCI ACWI index—which represents a broad swath of both developed and emerging markets—but it should hold up better when the market declines, according to Morningstar's Sotiroff. "This should outweigh the upside it sacrifices in bull markets and lead to better risk-adjusted performance over the long haul."

The top low-volatility stocks in the portfolio include drugmaker Merck and trash-collection king Waste Management. You'll also find companies from Japan (11% of the portfolio) and China (8%), among others. This fund might be a good one to consider if you're looking for a single holding that will give you a diversified, lower-risk way to invest globally.

INVESCO S&P MIDCAP LOW VOLATILITY. A more tactical way to play low-volatility ETFs is to focus on the next tier of the market down from blue-chip stocks. That's where this fund comes in, homing in on "Goldilocks" midsize stocks that are not too big and not too small. "Mid caps tend to exhibit the staying power of larger businesses but may still have substantial growth opportunities ahead," say experts at Canadian mutual fund and ETF provider Mackenzie Financial.

Holdings include Ohio-based health care provider Chemed and dozens of other stocks, many falling under the $10 billion mark in market value. These picks are components of the S&P MidCap 400 index; the fund then layers on a screen to handpick the top 20% of companies with the lowest volatility over the past 12 months. The result is a focused list of about 80 solid mid caps. ■

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

SMOOTHER RIDE

LOWER YOUR RISK PROFILE

These low-volatility ETFs offer a range of U.S. and international stocks.

Fund	Symbol	Price	Yield	Expense ratio	1-year return
iShares MSCI USA Min Vol Factor	USMV	$71	1.7%	0.15%	–1.1%
Invesco S&P 500 Low Volatility	SPLV	60	2.3	0.25	–4.7
iShares MSCI EAFE Min Vol Factor	EFAV	67	2.6	0.20	1.6
iShares MSCI Emerg Mkts Min Vol Factor	EEMV	55	2.7	0.25	–4.2
iShares MSCI Global Min Vol Factor	ACWV	96	2.4	0.20	–1.0
Invesco S&P MidCap Low Volatility	XMLV	50	2.5	0.25	–7.2
S&P 500 INDEX					**2.9%**

As of May 31. SOURCE: Morningstar Direct

MUTUAL FUND SPOTLIGHT

Funds With a Global Reach

The ability to invest overseas is a plus in today's market.

THE U.S. STOCK MARKET meandered through the past year, ending this May less than 3% ahead of the same date in 2022. The Japanese market, however, returned more than 15%. Even the war-troubled European market returned nearly 5%. Global blend funds invest the world over, in both bargain-price stocks and faster-growing fare. The category has lagged the U.S. market recently, but some top-performing funds have maneuvered smartly through geopolitical challenges such as COVID and trade tensions.

JENSEN GLOBAL QUALITY GROWTH notched a 5% return in the year ending May 31, putting it in the top 10% of its category, according to research firm Morningstar. As the fund's name suggests, the managers are focused on two main factors: strong growth prospects and healthy finances, demonstrated by competitive advantages and good cash flows, says Allen Bond, a comanager of the fund and head of research for Jensen.

Proven gems. The managers start by screening for companies that have achieved a return on equity (a measure of profitability) of at least 15% for the past 10 years, which generally limits them to large, well-established companies. "We are not trying to find hidden gems that have yet to prove themselves as viable businesses," Bond says. Then, they zero in on companies with strong growth in free cash flow (cash left over after operating expenses and spending on assets such as buildings and equipment). Because of the focus on quality and growth, the average price-earnings ratio for fund holdings was about 23 recently, compared with a P/E of 19 for the S&P 500 index. The concentrated portfolio held only 35 stocks at last report.

The fund's top holding is Microsoft, which gets about half of its revenue outside the U.S. Bond is bullish on the company's growing cloud-computing services. He also likes AstraZeneca, the European pharmaceutical giant, with some cancer and diabetes drugs in the pipeline that could boost sales.

The fund aims to make foreign stocks about 40% of its portfolio. Among its domestically focused holdings is United HealthGroup, which should benefit from higher demand for health care as the nation ages, says Bond.

The fund charges expenses of 1.25% annually, slightly above average for its category. **KIM CLARK**
Kim.Clark@futurenet.com.

GLOBAL BLEND FUNDS

Ranked by one-year returns

Rank/Name	Symbol	Annualized Total return 1 yr.	3 yrs.	Max. sales charge	Exp. ratio
1. Sit ESG Growth S	SESGX	7.6%	0.1%	none	1.25%
2. Delaware Global Equity A	FIISX	5.9	6.0	5.75%	1.16
3. JHancock Fundamental Global Fran A	JFGAX	5.8	8.2	5.00	1.30
4. Vanguard Global ESG Select Stk Inv	VEIGX	5.5	14.5	none	0.57
5. Jensen Global Quality Growth J	JGQSX	5.0	10.5	none	1.25
6. Segall Bryant & Hamill Glb All Cp Ret	WTMVX	4.9	9.1	none	0.89
7. Karner Blue Biodiv Impact Butterfly	KAIBX	4.5	10.5	none	0.95
8. Invesco MSCI World SRI Index A	VSQAX	4.4	11.2	5.50	0.45
9. Templeton World A	TEMWX	4.1	4.6	5.50	1.05
10. Victory RS Global A	RSGGX	4.1	11.2	5.75	0.85
S&P 500 INDEX		2.9%	0.1%		
CATEGORY AVERAGE		0.3	9.3		

20 LARGEST STOCK AND BOND MUTUAL FUNDS

Funds are ranked by asset size.

STOCK MUTUAL FUNDS

Rank/Name	Symbol	Assets† (billions)	Annualized total return 1 yr.	5 yrs.	Max. sales charge
1. Vanguard Total Stock Mkt Idx Adm	VTSAX	$978.9	2.0%	10.0%	none
2. Vanguard 500 Index Admiral	VFIAX	527.4	2.9	11.0	none
3. Fidelity 500 Index@	FXAIX	392.0	2.9	11.0	none
4. Vanguard Total Intl Stock Idx Adm	VTIAX	318.0	–1.4	2.4	none
5. American Funds Growth Fund of Amer A	AGTHX	217.6	3.5	8.7	5.75%
6. American Balanced A	ABALX	196.2	–1.4	6.2	5.75
7. American Washington Mutual A	AWSHX	151.9	–0.3	9.4	5.75
8. American Europacific Growth A	AEPGX	133.6	0.7	2.5	5.75
9. American Income Fund of Amer A	AMECX	115.3	–4.3	5.5	5.75
10. American New Perspective A	ANWPX	114.3	2.7	8.7	5.75
S&P 500 INDEX			2.9%	11.0%	
MSCI EAFE INDEX			3.1	3.2	

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	$205.3	–2.0%	4.1%	none
2. Pimco Income A	PONAX	120.8	0.5	5.0	3.75%
3. Amer Funds Bond Fund of America A	ABNDX	77.4	–2.7	3.2	3.75
4. Vanguard Interm-Term Tx-Ex Inv	VWITX	70.0	1.0	3.3	none
5. Metropolitan West Total Return Bd M	MWTRX	63.3	–3.2	4.1	none
6. Dodge & Cox Income I	DODIX	63.2	–0.7	4.6	none
7. Fidelity US Bond Index@	FXNAX	59.6	–2.2	4.0	none
8. Vanguard Short-Term Inv-Grade Inv	VFSTX	59.0	0.5	4.8	none
9. Pimco Total Return A	PTTAX	55.7	–3.0	4.2	3.75
10. Lord Abbett Short Duration Income A	LALDX	46.9	0.3	4.8	2.25
BLOOMBERG US AGGREGATE BOND INDEX			–2.1%	4.6%	
ICE BOFA AAA US MUNICIPAL SECURITIES INDEX			–0.1	3.0	

As of May 31. @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. SOURCES: Morningstar Direct, WSJ.com.

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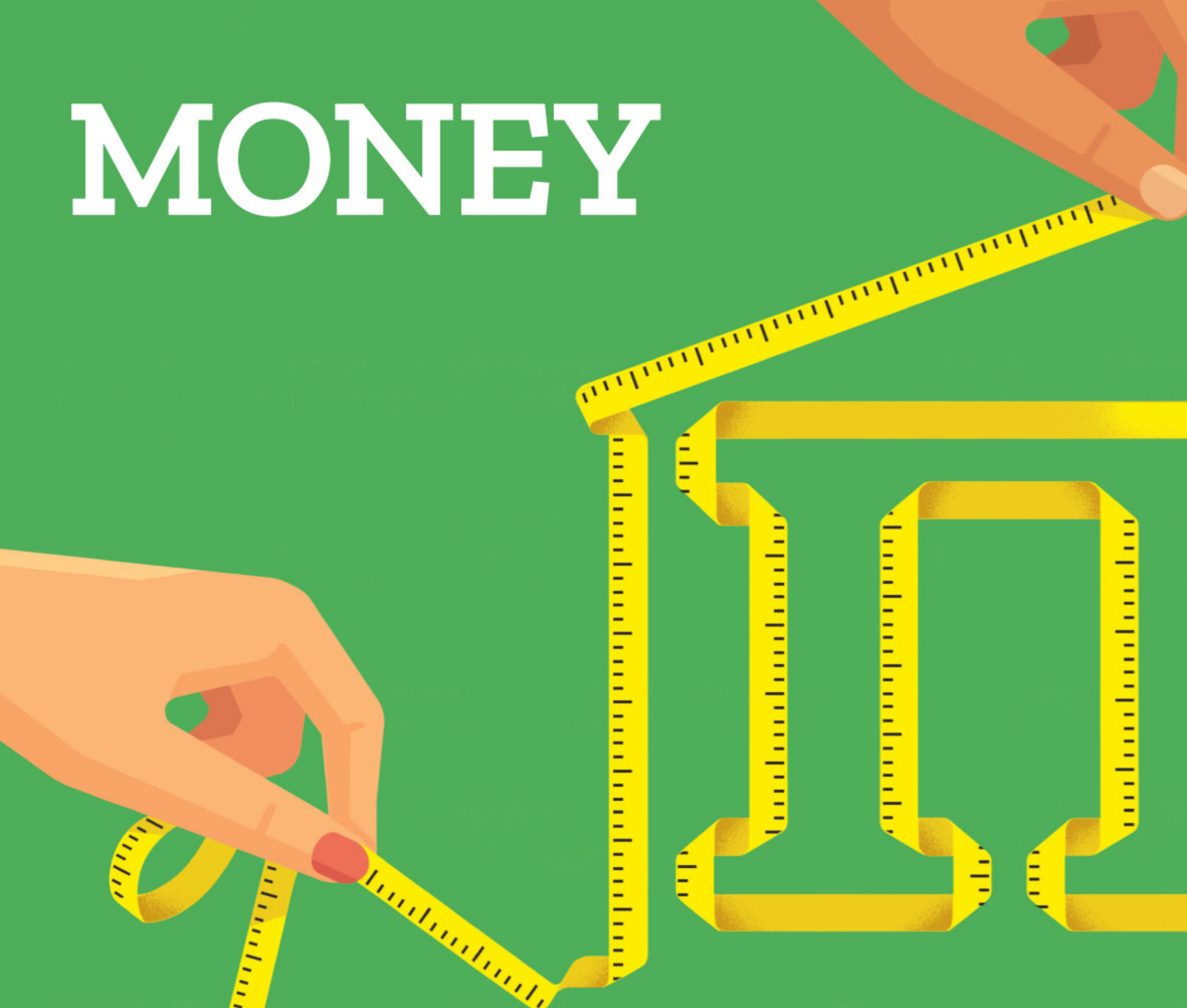
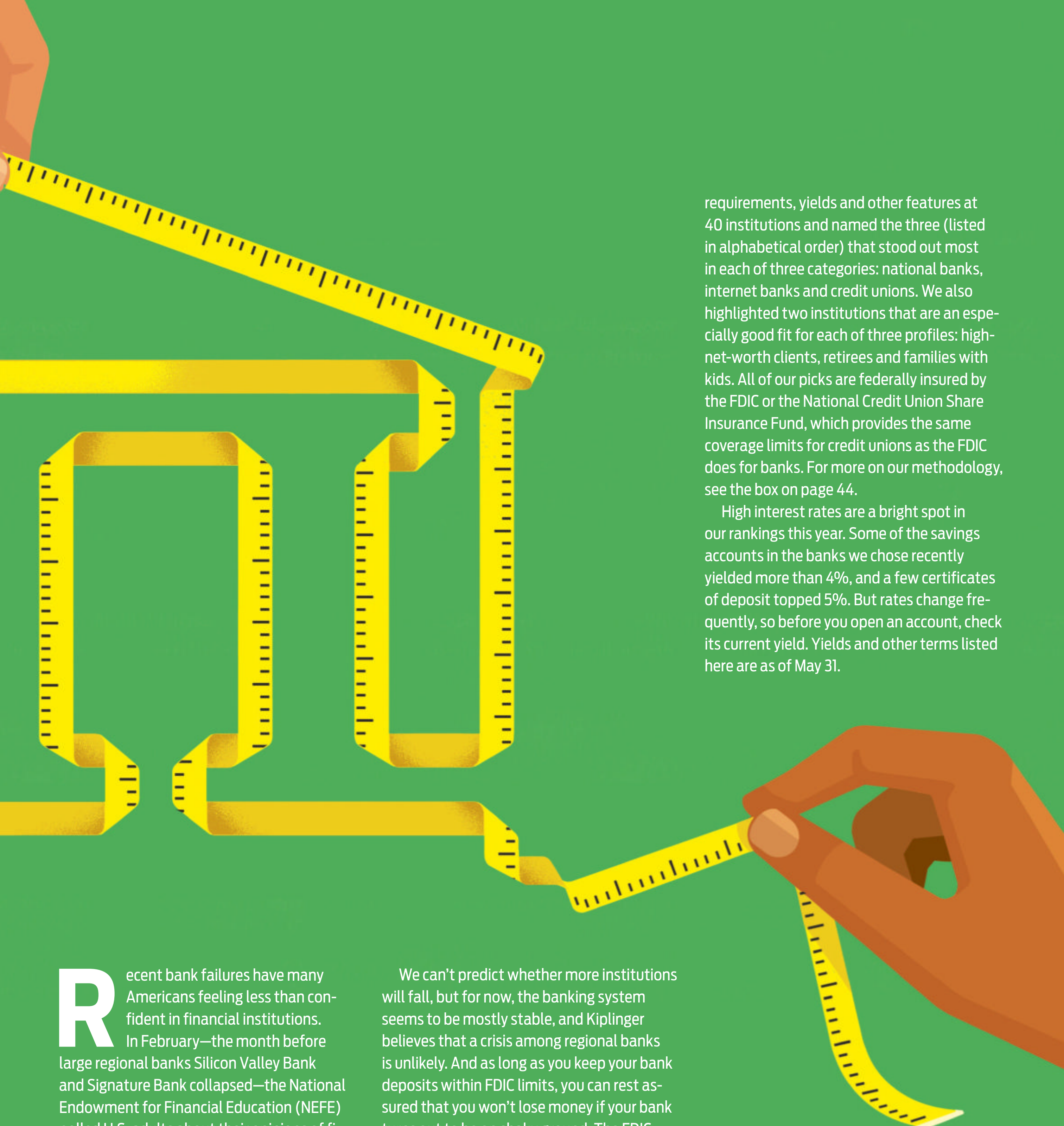


The Best Bank for You

Whether you want juicy yields, low (or no) fees or perks galore, you'll find what you're looking for with our top banks and credit unions. BY LISA GERSTNER



Recent bank failures have many Americans feeling less than confident in financial institutions. In February—the month before large regional banks Silicon Valley Bank and Signature Bank collapsed—the National Endowment for Financial Education (NEFE) polled U.S. adults about their opinions of financial institutions. Then, in early April, NEFE conducted another poll that posed the same questions. Those reporting that they have faith and confidence in the financial system dropped from 45% to 39% from the first poll to the second. And the painful drama wasn't over. In early May, the Federal Deposit Insurance Corp. (FDIC) seized the struggling First Republic Bank and sold it to JPMorgan Chase.

We can't predict whether more institutions will fall, but for now, the banking system seems to be mostly stable, and Kiplinger believes that a crisis among regional banks is unlikely. And as long as you keep your bank deposits within FDIC limits, you can rest assured that you won't lose money if your bank turns out to be on shaky ground. The FDIC insures $250,000 per depositor, per bank in each ownership category. To check whether your deposits are covered, use the tool at https://edie.fdic.gov/calculator.html.

If you're in the market for a new financial institution—or for an additional one to store deposits that exceed FDIC limits—use our list of the top banks and credit unions as a guide. We reviewed fees, minimum-balance requirements, yields and other features at 40 institutions and named the three (listed in alphabetical order) that stood out most in each of three categories: national banks, internet banks and credit unions. We also highlighted two institutions that are an especially good fit for each of three profiles: high-net-worth clients, retirees and families with kids. All of our picks are federally insured by the FDIC or the National Credit Union Share Insurance Fund, which provides the same coverage limits for credit unions as the FDIC does for banks. For more on our methodology, see the box on page 44.

High interest rates are a bright spot in our rankings this year. Some of the savings accounts in the banks we chose recently yielded more than 4%, and a few certificates of deposit topped 5%. But rates change frequently, so before you open an account, check its current yield. Yields and other terms listed here are as of May 31.

ILLUSTRATIONS BY CHRIS GASH

NATIONAL BANKS

These brick-and-mortar banks are among the largest in the U.S., offering branches that are spread throughout multiple states. All these institutions offer a breadth of accounts and services, including wealth and investment management.

CITIZENS BANK

www.citizensbank.com
Why it won: Citizens offers a range of checking accounts to fit most needs and free financial planning services for all its customers.
Standout account: With One Deposit Checking, avoid a $10 monthly fee by making one monthly deposit of any amount.
Where it is: About 1,100 branches in 14 states in New England, the Mid Atlantic and the Midwest.

Along with the basic **ONE DEPOSIT CHECKING**, Citizens offers another appealing account with **QUEST CHECKING**, which provides freebies including checks, money orders, wire transfers and stop payments. Plus, pay no foreign-transaction fees when you use your debit card overseas. If you have at least $5,000 in total monthly deposits to your checking account or keep at least $25,000 in combined deposit and investment balances with Citizens, you skip the account's $25 monthly fee. Citizens also offers **PRIVATE CLIENT CHECKING**—which provides additional benefits, such as dedicated financial advisers and up to $10 reimbursed monthly for the fees that out-of-network ATM operators charge for using their machines—for those who keep $200,000 or more in deposit and investment balances, as well as a free checking account for students younger than 25.

The bank's savings accounts pair with its checking accounts. **ONE DEPOSIT SAVINGS** waives the $5 monthly fee if you make one monthly deposit of any amount, and **QUEST SAVINGS** is free if you have a Quest Checking account.

Among the money market deposit accounts is **QUEST MONEY MARKET**, which yields as much as 2.75% if you put in at least $25,000 in funds not already on deposit with Citizens. The 14-month **CERTIFICATE OF DEPOSIT** yields 2.75% with a $1,000 minimum balance.

Through Citizens Checkup, all customers get free financial-planning services from bankers, who assist with defining short- and long-term goals and planning for retirement.

FIFTH THIRD BANK

www.53.com
Why it won: Fifth Third offers a free checking account—a rare find among large brick-and-mortar institutions—and an attractive premium checking account for customers who keep high balances.
Standout account: Momentum Checking has no monthly fee or minimum-balance requirement.
Where it is: About 1,100 branches in 11 midwestern and southern states. Rates and terms are for Cincinnati.

MOMENTUM CHECKING is a great choice for customers who want a basic checking account with no strings attached. For those who have $100,000 or more in Fifth Third deposit and investment accounts, **PREFERRED CHECKING** waives the $25 monthly fee, and it comes with a host of benefits, including access to a team of investment advisers and free identity-theft protection services. Other perks include free checks, money orders, cashier's checks, stop payments and incoming wire transfers, plus reimbursement of up to 10 out-of-network ATM fees per month. Plus, Fifth Third offers a free checking account for students.

Rates on the bank's Momentum Savings and Relationship Money Market accounts were recently just 0.01%. But the bank's **PROMOTIONAL CDs** offered yields of 4.85% for a five-month maturity and 4% for nine months ($5,000 minimum).

TD BANK

www.td.com
Why it won: A longstanding winner among national banks in our rankings, TD Bank continues to provide a solid collection of customer-friendly accounts.
Standout accounts: Convenience Checking requires a low minimum daily balance of $100 to avoid the $15 monthly fee, and Beyond Checking provides plenty of perks with a reasonable minimum-balance requirement.
Where it is: More than 1,100 branches in 15 eastern states and Washington, D.C. Rates and terms are for Delaware.

CONVENIENCE CHECKING is TD Bank's most popular checking account, and it charges no monthly fee for account holders age 17 through 23. **BEYOND CHECKING** provides three ways to waive the $25 monthly fee: Receive monthly direct deposits of $5,000 or more, maintain a $2,500 daily checking balance or keep at least $25,000 in combined balances in eligible TD deposit accounts, mortgages, and home equity loans or lines of credit. If you keep at least $2,500 in your checking account, TD reimburses out-of-network ATM fees, and account holders also get complimentary checks, money orders, cashier's checks, stop payments and incoming wire transfers; one outgoing wire-transfer fee is reimbursed monthly. Plus, pay no foreign-transaction fees when you use your debit card abroad.

Some of TD's savings accounts and CDs recently offered decent yields. For more on savings options as well as the bank's checking account for those who are age 60 or older, see the "Best for Retirees" section, on page 43.

INTERNET BANKS

Internet banks forgo branches in favor of operating fully online. They tend to offer higher yields and lower fees than brick-and-mortar banks, thanks to lower overhead costs.

AXOS BANK

www.axosbank.com

Why it won: From specialized accounts for teens and seniors to a high-yield option, Axos offers a free checking account to fit almost any need.

Standout account: Rewards Checking yields up to 3.3% for those who meet certain requirements.

The menu of free checking accounts from Axos includes the basic **ESSENTIAL CHECKING** as well as **REWARDS CHECKING**, which pieces together a total yield based on which of several requirements the account holder meets. Having monthly direct deposits of $1,500 or more provides 0.4% in interest, and using your debit card for 10 transactions monthly or signing up for Axos's online Personal Finance Manager tool provides another 0.3%. Those who use certain investment accounts from Axos or who make payments for Axos consumer loans from Rewards Checking are eligible for additional interest totaling up to 2.6%, for a maximum 3.3% yield on the account. **CASHBACK CHECKING** offers 1% back (with an earnings limit of $2,000 per month) on debit-card transactions if you verify them with a signature rather than enter a PIN and keep at least $1,500 in the account. All three accounts provide unlimited reimbursement of domestic out-of-network ATM fees.

Axos rounds out its checking accounts with **FIRST CHECKING**, which is for customers age 13 to 17 and reimburses up to $12 in ATM fees monthly, and **GOLDEN CHECKING**, which is for customers 55 or older and offers free personal checks and up to $8 in monthly ATM-fee reimbursement.

Yields on Axos's savings accounts and CDs are less impressive than those of many other internet banks. Recently, the savings account yielded 0.61%, the money market account paid 0.25% and CDs paid 0.2% on all maturities ($1,000 minimum deposit).

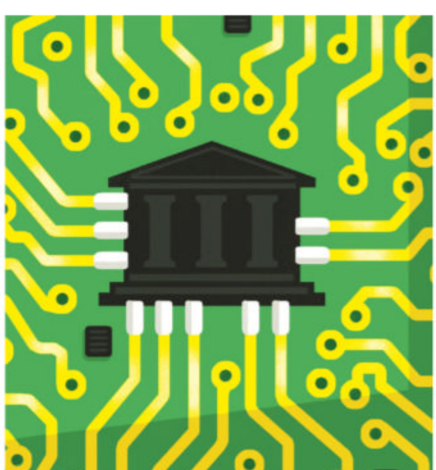
QUONTIC BANK

www.quontic.com

Why it won: None of Quontic's deposit accounts charge monthly fees or overdraft fees, and many of them have sizable yields, too.

Standout accounts: High Interest Checking yields 1.1% with an activity requirement that isn't too strenuous, and the Money Market account yields a noteworthy 4.75%.

HIGH INTEREST CHECKING offers a 1.1% yield to those who make at least 10 debit card purchases of $10 or more each month, and **CASH REWARDS CHECKING** provides 1% back on debit card purchases ($50 earnings limit per month). For the crypto crowd, Quontic even offers **BITCOIN REWARDS CHECKING**, which provides 1.5% back in bitcoin on debit card purchases (the account is unavailable to customers in Hawaii and North Carolina). Quontic account holders can use more than 90,000 in-network ATMs without fees.



Besides the **MONEY MARKET** account, Quontic also offers **HIGH YIELD SAVINGS**, with a 4.25% yield, and **CDs** that recently yielded 5.15% for a one-year term, 5.05% for a six-month term and 4.5% for a two-year term ($500 minimum deposit).

TIAA BANK

www.tiaabank.com

Why it won: TIAA Bank scored highly for most of the facets we reviewed, offering a group of accounts that promise competitive rates and low fees.

Standout accounts: The free Yield Pledge Checking account reimburses out-of-network ATM fees and yields 0.25%. The nine-month Basic CD ($1,000 minimum deposit) recently offered a 5% rate.

The Yield Pledge accounts from TIAA Bank guarantee that their rates are in the top 5% among competitive accounts from the 10 largest banks and thrifts in 10 large U.S. banking markets. **YIELD PLEDGE CHECKING** reimburses up to $15 per month in out-of-network ATM fees for those who have balances of less than $5,000 and provides unlimited reimbursement for those with higher balances.

YIELD PLEDGE ONLINE SAVINGS recently yielded 4.25% on balances of up to $250,000 for the first year and 4.05% thereafter. The **YIELD PLEDGE MONEY MARKET** also yields 4.25% on up to $250,000 for the first year. After that, rates vary depending on the balance and go as high as 3.85% on balances of $100,000 or more. Besides the outstanding 5% rate on a nine-month **BASIC CD**, you could recently get 4.75% on a one-year CD or 4.6% on an 18-month CD, among other options.

Investment and advisory firm TIAA announced last fall that it is selling TIAA Bank to new investors and will retain a non-controlling ownership stake in the bank. The deal is expected to close sometime in 2023, after which the bank will have a new name.

CREDIT UNIONS

Credit unions are nonprofit institutions that are owned by their members, and many of them keep fees down and offer respectable interest rates on at least some of their accounts. All the institutions here are available to customers anywhere in the U.S. If you don't qualify for membership based on geographic or employer affiliations, use the method listed in the "How to join" section.

ALLIANT CREDIT UNION

www.alliantcreditunion.org

Why it won: Alliant achieved excellent scores for its checking account and CDs, and it goes easy on fees.
Standout accounts: The free High-Rate Checking account yields 0.25% if you meet simple requirements, and the 18-month CD recently offered a 5.15% rate ($1,000 minimum deposit).
Where it is: Alliant operates online.
How to join: Become a member of the Foster Care to Success charity (Alliant pays the $5 membership fee on your behalf). You must also open a savings account; Alliant makes a complimentary $5 deposit for you.

To get a 0.25% yield on the **HIGH-RATE CHECKING** account, make one monthly direct deposit into the account and sign up for electronic statements rather than paper statements. The account provides up to $20 monthly in ATM fee rebates, and the first box of checks is free. The **TEEN CHECKING** account offers similar benefits for customers age 13 to 17, who can own the account jointly with parents.

The free **HIGH-RATE SAVINGS** account and **KIDS SAVINGS** account (for children 12 or younger) yield 3.1% on balances of $100 or more. Along with 5.15% on an 18-month certificate, **CD** yields recently included 5% on a 12-month CD and 4.75% on a six-month CD.

BELLCO CREDIT UNION

www.bellco.org

Why it won: Customers can choose from a variety of free checking accounts or a premium account with extra benefits, and most of the savings yields are solid.
Standout accounts: Platinum Checking provides plenty of free perks for customers who meet minimum-balance requirements. The 17-month CD recently yielded 5% ($500 minimum deposit).
Where it is: More than two dozen Colorado branches, mostly in the Denver area.
How to join: If you live outside of Colorado, join the Bellco Foundation with a minimum $10 donation. You must also pay a one-time, $5 membership fee and deposit at least $5 into a savings account.

Bellco's free checking accounts include a basic account, an account for students age 13 to 24, and **BOOST CHECKING**, which yields 2.25% on balances of up to $25,000 if you meet monthly requirements—making 15 debit card purchases and one direct deposit, and logging in to online or mobile banking. **PLATINUM CHECKING**, which waives its $12 monthly fee if you keep at least $15,000 in Bellco deposit and loan balances, offers free standard checks, money orders, cashier's checks and wire transfers.

Among savings options, the **PREMIER MONEY MARKET** yields as much as 4% on balances of $50,000 or more (maintain a $10,000 minimum balance to avoid a $10 monthly fee). Along with the 17-month CD yielding 5%, other **CD** rates include 4.5% for a 13-month maturity and 4.25% for a term of two or three years.

CONNEXUS CREDIT UNION

www.connexuscu.org

Why it won: All of Connexus's checking accounts are free, and some of the savings yields are impressive.
Standout accounts: Xtraordinary Checking yields up to 1.75% if you meet activity requirements, and the 15-month CD recently yielded 5.05% ($5,000 minimum deposit).
Where it is: More than a dozen branches in Minnesota, Wisconsin and Illinois.
How to join: Make a one-time, $5 donation to the Connexus Association and deposit $5 into a savings account.

With the free **XTRAORDINARY CHECKING** account, you earn 1.75% on balances of up to $25,000 and get up to $25 reimbursed monthly in ATM fees if you receive electronic statements and make at least 15 debit card purchases monthly or spend at least $400 on your debit card monthly. Connexus also offers a basic checking account as well as **TEEN CHECKING**, which is available to kids age 10 to 17 and yields 2% on balances of up to $1,000.

Rates vary on the **MONEY MARKET ACCOUNT** depending on the balance, including a 2.51% yield for balances of $20,000 to $99,999 and 3.26% for balances of $100,000 to $249,999. Besides the 15-month CD, Connexus offers a one-year **CD** that recently yielded 5.01% with a $5,000 minimum deposit or 5.26% for balances of $100,000 or more.

BEST FOR HIGH-NET-WORTH CLIENTS

These banks welcome customers who keep high balances in deposit and investment accounts, showering them with fee breaks and access to financial-planning services.

CHASE

www.chase.com

Why it won: Chase's premium checking accounts hit the right notes for customers who keep large balances with the bank.

Standout account: Sapphire Checking offers a host of perks and waives the $25 monthly fee if you keep at least $75,000 or more in Chase deposit and investment accounts.

Where it is: More than 4,700 branches spread across the lower 48 states and Washington, D.C.

SAPPHIRE CHECKING shines for its range of benefits and services. The account reimburses out-of-network fees from ATMs worldwide, and you pay no foreign-transaction fees when you make purchases or withdraw cash with your debit card abroad. Other perks include free standard checks, cashier's checks, money orders, stop payments and wire transfers. Sapphire customers also pay no monthly fee on Chase savings accounts and up to nine additional personal Chase checking accounts (excluding Private Client checking and savings).

If you keep at least $150,000 in Chase deposit and investment accounts, you skip the $35 monthly fee on **PRIVATE CLIENT CHECKING**, which offers the same benefits as Sapphire Checking and more, including access to financial advisory services.

CITIBANK

www.citi.com

Why it won: Citibank's premium account package goes the extra mile, providing travel and lifestyle benefits.

Standout account: Citigold checking—available to those who have a balance of at least $200,000 in linked Citi deposit, retirement and investment accounts—is packed with perks.

Where it is: More than 650 U.S. branches, with many in the Chicago, Los Angeles, New York City, Miami, San Francisco and Washington, D.C., metro areas.

The **CITIGOLD** package comes with complimentary standard checks, money orders, stop payments and wire transfers. Travelers enjoy special benefits including unlimited refunds of out-of-network ATM fees internationally, waived foreign-transaction fees when you use your debit card overseas, access to more than 100 Citigold lounges (which are attached to Citi properties) and free delivery of foreign currencies to your home or office. Plus, get free or discounted admission to select cultural institutions—such as the Museum of Modern Art and Guggenheim Museum in New York City—and special seating at certain sporting events. One other enticing perk: an annual rebate of up to $200 for subscriptions or memberships to Amazon Prime, Costco Wholesale, Hulu, Spotify Premium, and TSA PreCheck or Global Entry for expedited airport security screening. Citigold clients are assigned a relationship manager as well as a wealth adviser, who provides financial planning and investment guidance.

If you have at least $1 million in Citi deposit, retirement and investment accounts, you are eligible for **CITI PRIVATE CLIENT** and get benefits including more-expansive wealth-planning and investment services and higher limits for ATM withdrawals and purchases.

BEST FOR RETIREES

Whether you do your banking online or at full-service branches, you should be able to find accounts that suit your needs with one of these institutions. They both offer free personal checks and some high-yield savings options, too.

DISCOVER BANK

www.discover.com

Why it won: A no-fee checking account, high-yield savings accounts and strong customer service make Discover a bank worth considering for retirees.

Standout account: The Cashback Debit checking account is free of nearly all fees, and you get 1% cash back on up to $3,000 in debit card purchases each month.

As an online bank, Discover doesn't have branches. But its U.S.-based customer-service team is available by phone 24/7. The **CASHBACK DEBIT** checking account keeps fees to a minimum—the bank lists only a $30 charge for outgoing wire transfers among its account and service fees. Cash withdrawals are free at a network of more than 60,000 ATMs, and personal checks as well as cashier's checks are free.

For retirees who want healthy yields on their savings, Discover offers strong options with no monthly fees. Recently, the **ONLINE SAVINGS ACCOUNT** yielded 3.9% with no minimum-deposit requirement, and the **MONEY MARKET ACCOUNT**—which comes with a debit card and free checks—yielded 3.8% on balances of less than $100,000 and 3.85% on higher balances. **CDs** ($2,500 minimum deposit) yielded as much as 4.75% for a maturity of 12 or 18 months.

TD BANK

www.td.com

Why it won: TD Bank has hundreds of branches for customers who want in-person services, and it offers fee breaks for those who are in their sixties or older.

Standout account: TD 60 Plus Checking requires a low minimum balance to avoid the monthly fee and comes with benefits that are well suited for retirees.

Where it is: More than 1,100 branches in 15 eastern states and Washington, D.C. Rates and terms are for Delaware.

The **TD 60 PLUS CHECKING** account, for those who are 60 or older, comes with free paper statements, checks and money orders, and you need to maintain a balance of just $250 to avoid the $10 monthly fee. Plus, the **SIMPLE SAVINGS** account is free for those who are 62 or older (as well as customers who are 18 or younger)—but it recently yielded only 0.02%. The **TD SIGNATURE SAVINGS** account offers better yields, including 3% on balances of $100,000 to $249,999 and 3.51% on higher balances if you have an eligible TD checking account (minimum activity requirements apply), mortgage, home equity line of credit, or credit card. TD offers a range of CDs, too, including a nine-month **CHOICE CD** that recently yielded an impressive 5% ($250 minimum deposit) for those who have an eligible TD checking account.

BEST FOR FAMILIES WITH KIDS

These banks keep fees and balance requirements to a minimum, making them suitable for parents and children alike.

ALLY BANK

www.ally.com

Why it won: With high interest rates, minimal fees and no minimum deposit or balance requirements, Ally's bank accounts are friendly for all age groups.

Standout accounts: The free Interest Checking account reimburses up to $10 monthly in out-of-network ATM fees, and the 18-month High Yield CD recently offered a 4.8% rate.

All of the deposit accounts from online bank Ally Bank are free of monthly fees and minimum-balance requirements, making them accessible for students or young adults who may not have significant funds to deposit. Children younger than 18 can't open an Ally bank account, but parents or guardians can open custodial accounts on behalf of minors and transfer the accounts to them when they reach the age of majority (typically 18 or 21, depending on the state).

Ally's **INTEREST CHECKING** account yields 0.25% on balances of $15,000 or more or 0.1% on smaller balances. The **SAVINGS ACCOUNT** recently yielded 3.85%, and the **MONEY MARKET ACCOUNT** offered a 4.15% rate. Besides its **HIGH YIELD CDs**, Ally also offers a **NO-PENALTY CD**, which charges no penalty for early withdrawals and recently yielded 4.25% with an 11-month term.

CAPITAL ONE

www.capitalone.com

Why it won: Capital One offers dedicated accounts for kids and teens with tools to help parents manage the accounts—and adults have some appealing options, too.

Standout account: The free MONEY Teen Checking account requires no minimum balance or monthly fee.

Where it is: Accounts are internet-based, but Capital One has nearly 300 branches in several eastern and southern states and Washington, D.C.

Available to children and teens age 8 and older, **MONEY TEEN CHECKING** allows kids the freedom to use a debit card and manage the account with online tools. But as joint account holders, parents can monitor the account online and set limits on debit card purchases and ATM withdrawals. The free **KIDS SAVINGS ACCOUNT** yields 0.3%.

For adults, the free **360 CHECKING** account is worth a look, offering a 0.1% yield and free access to more than 70,000 in-network ATMs. The no-fee **360 PERFORMANCE SAVINGS** account recently yielded 3.9%, and **360 CDs** offered rates as high as 4.75% for an 18-month or two-year maturity. ■

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HOW WE CHOSE THE TOP FINANCIAL INSTITUTIONS

With data from Curinos, a financial-data provider, as well as from financial institutions and other sources, we evaluated 13 national banks, 14 internet banks (including online accounts from brokerage firms) and 13 credit unions. We reviewed checking accounts, savings accounts, money market deposit accounts and certificates of deposit from each institution. We looked at interest rates; minimum deposit and balance requirements; monthly maintenance fees and the ease of waiving those fees; ATM benefits, such as waived or reimbursed fees for out-of-network withdrawals; free or discounted benefits, such as personal checks, cashier's checks, paper statements and overdraft-protection transfers; overdraft fees and concessions, such as cushions; and online and mobile banking features, such as the availability of peer-to-peer payment services. Yields and other data are as of May 31.

SOURCE: Curinos LLC. Data is obtained from public sources; accuracy and completeness is not guaranteed. Curinos is not liable for reliance on the data.

TAXES

You'll Pay More to Shop in These States

Combined state and local sales taxes can add up to 10% to the cost of some purchases. BY KATELYN WASHINGTON

States with low or no income tax still need to repair roads, fund schools and pay salaries for firefighters and police. Some states close the gap by imposing above-average property taxes (see "Ahead," July). In other cases, states rely heavily on sales taxes to pay the bills—something you may not realize until you go shopping and review your receipts.

In addition, cities and counties often levy their own sales taxes on top of the statewide tax. For that reason, a state could have a relatively low state sales tax rate but an average combined state and local rate of 10% or more.

Many states exempt groceries, prescription drugs and other essentials from sales taxes, meaning the sales tax you end up paying will depend not only on where you live but also on what you buy. And *when* you buy could also make a difference, because many states sponsor sales tax holidays throughout the year for back-to-school purchases, emergency supplies and other popular items (see the box on page 48 for sales tax holidays this summer).

These states have the highest sales taxes, based on the average combined state and local tax rate, according to data from the Tax Foundation. They're ranked by the combined average state and local sales tax rate, with the highest taxes ranked first.

1. LOUISIANA

Statewide sales tax: 4.45%
Average local sales tax: 5.10%
Average combined sales tax: 9.55%
Louisiana's number-one ranking reflects high local sales taxes, but the amount you pay can vary dramatically. Residents of Sterlington face a combined tax rate of nearly 11%. But Cameron Parish, a few hundred miles away, has no local taxes, so residents pay only the 4.45% state tax rate. Louisiana and Tennessee technically tie for average combined sales tax rates, but some areas in Louisiana are taxed at a higher rate than any area of Tennessee.

Groceries and prescription drugs are exempt from sales taxes, and there's no longer a sales tax on feminine products or diapers.

2. TENNESSEE

Statewide sales tax: 7%
Average local sales tax: 2.55%
Average combined sales tax: 9.55%
Tennessee has no income tax, so it's not surprising that its sales taxes are high. Tennessee doesn't exempt groceries and prescription drugs from sales taxes but charges a reduced state tax rate of 4%.

3. ARKANSAS

Statewide sales tax: 6.5%
Average local sales tax: 2.96%

Average combined sales tax: 9.46%
Arkansas's overall cost of living is below the national average, but its sales taxes will add to your shopping bills, especially if you're buying clothing or a motor vehicle. Groceries are taxed, although at a reduced rate of 0.125%.

4. ALABAMA

Statewide sales tax: 4%
Average local sales tax: 5.25%
Average combined sales tax: 9.25%
Alabama's statewide sales tax is relatively low, but in some localities the combined state and local sales tax

GETTY IMAGES

tops 11%. Prescription drugs are exempt, but Alabama is one of only a handful of states that tax groceries at the full state tax rate. State lawmakers are considering legislation that would repeal the tax on groceries, which costs residents an average of $600 a year, according to Alabama Arise, a nonprofit that advocates for low-income residents.

5. OKLAHOMA

Statewide sales tax: 4.5%
Average local sales tax: 4.48%
Average combined sales tax: 8.98%
Oklahoma's state sales tax rate is modest, but in some localities combined tax rates top 11%. Clothing and prescription drugs are exempt, but groceries are taxable. Some state lawmakers are pushing to exempt them from sales taxes.

6. WASHINGTON

Statewide sales tax: 6.5%
Average local sales tax: 2.36%
Average combined sales tax: 8.86%
Washington has no income tax, which helps explain why its state tax rate is pretty steep. While the average local

SHOPPER'S PARADISE

STATES WITH THE LOWEST SALES TAXES

Delaware, **New Hampshire, Oregon** and **Montana** have no state or local sales tax (although you may pay taxes on lodging and car rentals in Montana). Among states where residents pay a sales tax, those listed below have the lowest combined state and local rates:

1. Alaska. The Last Frontier has an above-average cost of living, but it has no statewide sales tax, and the average local sales tax is 1.76%. That makes Alaska's average sales taxes the lowest.

2. Hawaii. Hawaii's state sales tax rate is 4%, but local taxes are low, so the average combined state and local tax rate is 4.44%. However, you'll pay taxes on groceries, which already cost more in Hawaii than the national average.

3. Wyoming. The state sales tax rate in Wyoming is 4%. But with low average local taxes, the average combined rate is 5.36%. Groceries and prescription drugs are exempt.

4. Wisconsin. The state's combined state and local tax rate is 5.43%. Groceries and prescription drugs are exempt.

5. Maine. Maine has an average combined state and local tax rate of 5.5%, and groceries and prescription drugs are exempt. However, you'll pay sales taxes of 8% on prepared food.

tax rate is 2.36%, localities can add as much as 4.1% on top of the state tax. If you travel to Seattle, you'll pay an 8.8% sales tax for most items, and even more if you eat out—food and beverages at local bars and restaurants are taxed at 9.3%. Groceries, clothing and prescription drugs are exempt from sales taxes in Washington, but residents pay an additional 0.3% in sales tax on motor vehicles.

7. CALIFORNIA

Statewide sales tax: 7.25%
Average local sales tax: 1.57%
Average combined sales tax: 8.82%
California's cost of living is above the national average, and that extends to its sales taxes. The state's sales tax rate is the highest in the U.S., but modest local sales taxes keep the average combined rate out of the very top tier—though combined sales taxes top 10% in Los Angeles. Prescription drugs and groceries are exempt. (California and Illinois have the same average combined tax rate, but California ranks higher because it has a higher state tax rate.)

8. ILLINOIS

Statewide sales tax: 6.25%
Average local sales tax: 2.57%
Average combined sales tax: 8.82%
Although the average local sales tax in Illinois is only 2.57%, it's much higher in some areas. Chicago residents, for example, pay a combined sales tax rate of 10.25%. Prescription drugs are taxable, but at a lower rate of 1%. Groceries are also taxed at 1%.

9. KANSAS

Statewide sales tax: 6.5%
Average local sales tax: 2.16%
Average combined sales tax: 8.66%
Kansas imposes a sales tax on groceries but is in the process of phasing it out. The rate for groceries was lowered from 6.5% to 4% in January and will continue to be reduced until it's eliminated in 2025. Prescription drugs are tax-exempt.

10. NEW YORK

Statewide sales tax: 4%
Average local sales tax: 4.52%
Average combined sales tax: 8.52%
While the statewide tax rate in New York is only 4%, cities and other localities can tack on an additional 4.875%. The five boroughs of New York City levy the highest combined rate of 8.875%. Groceries, prescription drugs and clothing items under $10 are tax-exempt. New York also exempts diapers and feminine hygiene products. ■

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

MARK YOUR CALENDAR

STATE SALES TAX HOLIDAYS

One of the most effective ways to avoid state sales taxes is to take advantage of sales tax holidays, during which states exempt certain items from sales taxes. States hold sales tax holidays all year long, typically on weekends. But most occur in late July and in August, when states exempt shoppers from paying sales taxes on back-to-school items—from laptops to art supplies. Here's a look at some upcoming sales tax holidays:

STATE	SALES TAX DATES	ITEMS EXEMPTED
Alabama	July 21-23	Clothing, $100 or less; computers, $750 or less; school supplies, $50 or less; books, $30 or less
Arkansas	August 5-6	School supplies, clothing and footwear, $100 or less; laptops and other electronics used by students
Connecticut	August 20-26	Clothing and footwear, $100 or less
Iowa	August 4-5	Clothing, $100 or less
Maryland	August 13-19	Clothing and footwear, $100 or less
Mississippi	July 28-29	Clothing and footwear, $100 or less
Missouri	August 4-6	Clothing, $100 or less; computers, $1,500 or less; school supplies, $50 or less
New Jersey	August 26-Sept. 4	School and art supplies, instruction materials, computers $3,000 or less
New Mexico	August 4-6	Clothing, $100 or less; computers, $1,000 or less; computer eqiupment, $500 or less; school supplies, $30 or less
Ohio	August 4-6	Clothing, $75 or less; school supplies, $20 or less
Oklahoma	August 4-6	Clothing, $100 or less
South Carolina	August 4-6	Clothing, school supplies, computers
Tennessee	July 28-30	Clothing, $100 or less; school supplies, $100 or less; computers, $1,500 or less
Texas	August 11-13	Clothing, backpacks and school supplies, $100 or less
West Virginia	August 4-7	Clothing, $125 or less; school supplies, $20 or less; sports equipment, $150 or less; computers and tablets, $500 or less

SOURCE: Federation of Tax Administrators; https://taxadmin.org/sales-tax-holidays/

Note on methodology: Cities and counties often have sales tax rates separate from the statewide rate. Rankings for states with the highest sales taxes are based on the average combined local and state tax rates. The sales tax rates are based on data from the Tax Foundation and are accurate as of January 2023.

SAVINGS

A ONE-STOP SHOP FOR HIGH YIELDS

IF YOU'RE LOOKING FOR TOP yields on your savings stash, you may end up opening accounts at multiple institutions—say, a certificate of deposit at one bank that offers great CD rates and a savings account at another bank with strong savings yields. But keeping track of several accounts at separate banks can be a hassle.

SAVEBETTER (www.savebetter.com) provides a way to streamline your accounts. The online platform isn't a bank, but it partners with more than 25 federally insured banks and credit unions that offer competitive rates on savings accounts, money market deposit accounts, fixed-term CDs and no-penalty CDs. You choose the accounts you want to fund and manage them all through SaveBetter. The platform makes money through its partnerships with financial institutions, so it doesn't charge fees to customers.

To register for a SaveBetter account, enter your e-mail address, create a password and provide information about the bank account you will use to fund deposit accounts offered through the platform. You can access your SaveBetter account online anytime, and each month, you get one statement from SaveBetter that shows the balances and interest earned on your bank accounts. At tax time, you'll get a Form 1099-INT for each of your eligible SaveBetter savings products.

Enticing yields. Recently, through SaveBetter you could get a 5.02% yield on a money market deposit account from **PATRIOT BANK** ($1 minimum deposit). **FIRST MID BANK & TRUST** offered a nine-month CD with a 5.1% yield ($1 minimum). And a four-month no-penalty CD from **PONCE BANK** had a 5.06% yield ($1 minimum). If you close the Ponce Bank CD before it reaches maturity, you won't be charged an early-withdrawal penalty—but you can't make withdrawals until 30 days after opening the account.

Yields are as of May 31; check the SaveBetter site for current rates. Deposit accounts available through SaveBetter are not listed in the table at right because they aren't offered directly by the financial institutions.

ELLA VINCENT

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RATE UPDATES

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

TOP-YIELDING SAVINGS

Taxable Money Market Mutual Funds	30-day yield as of May 30	Minimum investment	Website
DWS Gov & Agency (DTGXX)*	5.12%	$1,000	fundsus.dws.com
Gabelli U.S. Treasury MMF (GABXX)	5.01	10,000	gabelli.com
Victory MMF (USAXX)	4.95	1,000	vcm.com
PIMCO Govt MMF (AMAXX)	4.93	1	pimco.com

Tax-Free Money Market Mutual Funds	30-day yield as of May 29	Tax eq. yield 24%/35% bracket	Minimum investment	Website
Fidelity Muni MMF (FTEXX)	3.05%	4.01%/4.69%	$1	fidelity.com
Morgan Stanley T-F Daily (DSTXX)*	3.05	4.01/4.69	5,000	morganstanley.com
Fidelity Tax-Exempt (FMOXX)*	3.00	3.95/4.62	1	fidelity.com
BNY Mellon Ntl Muni (MOMXX)	2.98	3.92/4.58	10,000	im.bnymellon.com

Savings and Money Market Deposit Accounts	Annual yield as of May 31	Minimum amount	Website
Brilliant Bank (Kan.)†#	5.25%	$1,000	brilliant.bank
CFG Bank (Md.)#	5.07	1,000	cfg.bank
Redneck Bank (Okla.)†#	5.05	0	redneck.bank
Salem Five Direct (Mass.)†	5.01	0	salemfivedirect.com

Certificates of Deposit 1-Year	Annual yield as of May 31	Minimum amount	Website
Merchants Bank of Indiana (Ind.)†	5.65%	$1,000	merchantsbankofindiana.com
State Bank of Texas (Texas)	5.30	25,000	statebnk.com
CFG Bank (Md.)	5.28	500	cfg.bank
CIBC Bank (Ill.)†	5.27	1,000	us.cibc.com

Certificates of Deposit 5-Year	Annual yield as of May 31	Minimum amount	Website
Dept of Commerce FCU (D.C.)&	4.67%	$500	docfcu.org
M.Y. Safra Bank (N.Y.)†	4.52	500	mysafra.com
Pima FCU (Ariz.)&	4.50	250	pimafederal.org
CFG Bank (Md.)µ	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. µFirst National Bank of America and Popular Direct 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 May 31	Balance range^	Website
Orion FCU (Tenn.)&	6.00%	$0–10,000	orionfcu.com
Pelican State CU (La.)&	5.50	0–10,000	pelicanstatecu.com
Redneck Bank (Okla.)†	5.30	0–15,000	redneck.bank
Veridian CU (Iowa)&	5.25	0–20,000	veridiancu.org

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

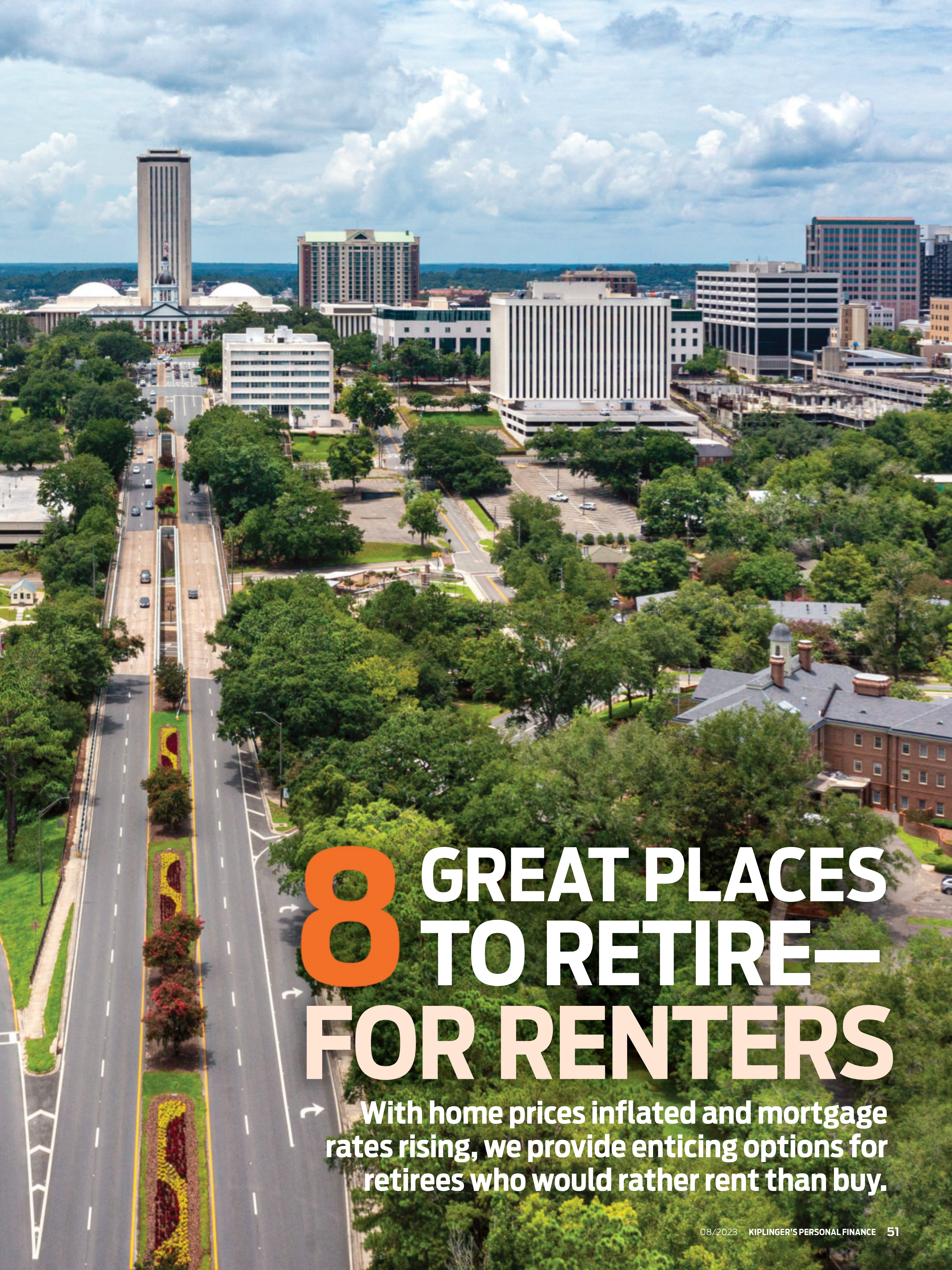
YIELD BENCHMARKS	Yield	Month-ago	Year-ago
U.S. Series EE savings bonds	2.50%	2.10%	0.10%
U.S. Series I savings bonds	4.30	6.89	9.62
Six-month Treasury bills	5.46	5.06	1.64
Five-year Treasury notes	3.74	3.51	2.81
Ten-year Treasury notes	3.64	3.44	2.85

As of May 31, 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.

RETIREMENT

TALLAHASSEE'S TWO UNIVERSITIES OFFER CLASSES AND ACTIVITIES FOR RETIREES.



8 GREAT PLACES TO RETIRE—FOR RENTERS

With home prices inflated and mortgage rates rising, we provide enticing options for retirees who would rather rent than buy.

Renting offers the opportunity to live for a year or two in a city in which buying a home may be unaffordable. And if you decide winters are too cold or summers are too hot, you can move.

WHEN CONSIDERING a retirement destination, retirees' top criteria typically include access to good hospitals, proximity to family and cost of living—including taxes and the cost of buying a home. But these days, you may want to remove that last item from your checklist. With average single-family home prices up nearly 24% since 2020 and home mortgage rates hovering above 6.5%, renting may be a better choice for many retirees who want to relocate.

Kiplinger's has long recommended renting in a potential retirement destination before buying a house, and that advice is even more compelling now. We've selected eight cities that offer appealing options for renters, including quality hospitals and physicians, plenty of green space, and retiree-friendly amenities, such as free classes at local colleges and universities. Because one factor high on retirees' list of where to relocate is proximity to family, we chose locations spread across the U.S. That means not all the cities on our list are in snow-free climates or income-tax-friendly states.

RENTING VERSUS BUYING

Even if you can afford to buy a home—perhaps with cash from the sale of your existing home—you may have a difficult time finding one that suits your needs. Many homeowners with fixed-rate mortgages of 3% or less are unwilling to sell, even if they've outgrown their homes. That has led to a shortage of homes for sale, particularly smaller houses that appeal to downsizing retirees.

The boom in housing values has also boosted rental costs. The lack of affordable housing increased demand for rental properties, which pushed up the median cost of renting by nearly 30% between January 1, 2020, and August 1, 2022, according to data from Rent, which tracks listings for apartments and rental houses. However, monthly rental rates have started to moderate. A recent report from Zumper, an online marketplace for renters and landlords, found that the median price for a one-bedroom apartment was flat, at $1,495 a month. The median price for a two-bedroom apartment rose half a percentage point, to $1,842.

A boom in real estate development in Sunbelt cities has led to an oversupply of rental properties and an increase in vacancies, says Jay Lybik, national director of multifamily analytics for CoStar Group, which provides data to the commercial real estate industry and is the parent company of Apartments.com. "If you're looking for an apartment in Phoenix or Austin or Tampa, there's a fantastic amount of new supply coming online," he says. "There are a lot more options available for potential renters than in 2021 and 2022, when the market was incredibly tight."

The value of flexibility. Perhaps the main reason to rent, at least initially, is that it's a lot easier to change your mind. "Even the most desirable cities are going to have less-than-desirable areas," says Nick Lyons, a certified financial planner with the Goff Financial Group in Houston. "Rather than buying a new home and incurring all of that up-front cost, renting will give some mobility and flexibility to assess whether you like that area."

Although you may not have lived in an apartment since you were just out of college and didn't mind sleeping on a futon, apartment living offers many benefits for retirees. Apartment complexes are often close to community centers and within walking distance of restaurants and other attractions, says Michelle Polowy, a senior content marketing associate with Zumper. Many also offer amenities that are attractive to retirees, such as swimming pools and fitness centers. Lybik recently toured a new apartment complex in Phoenix that featured a

SOURCES: Figures for living costs are based on the Council for Community and Economic Research's Cost of Living Index. The average for all participating places is 100. Population data comes from the U.S. Census Bureau. Typical monthly rent and mortgage payments are provided by Zillow. Hospital information is from www.medicare.gov/care-compare.

GETTY IMAGES (INCLUDING PREVIOUS PAGE)

craft room that offered storage space and plenty of room for residents to work on their projects. "One thing crafters need is space," says Lybik, adding that his wife is a crafter.

If you'd prefer living in a house, the proliferation of homes available through Airbnb, VRBO and other short-term rental services provides plenty of options for retirees who want to rent. Some of these property owners may be delighted to negotiate a long-term rental arrangement, particularly with retirees who are unlikely to leave the premises in disarray when they move out.

Low maintenance. With inflation still a concern, owning a home with a fixed-rate mortgage—or better yet, one with a paid-off mortgage—offers retirees significant comfort. But the mortgage—or lack of one—is only one cost of homeownership. Homeowners must also pay homeowners insurance, property taxes and the cost of maintenance and repairs, all of which are subject to increases. Property taxes, for example, rose an average of 20% between 2016 and 2021, according to an analysis by *Today's Homeowner* (see "Ahead," July).

Renting could offer some tax benefits as well. Lyons recently met with a client who was considering withdrawing $300,000 from her IRA to buy a home near family in Wyoming. He cautioned that such a large withdrawal would trigger a significant tax bill, because withdrawals from tax-deferred accounts are taxed as ordinary income. The client decided to rent instead. And because her destination is a popular tourist area, there are plenty of vacation homes available for renters, Lyons adds.

Many retirees who are interested in downsizing use the proceeds from the sale of their home to purchase a retirement home. That arrangement is tax-friendly, since proceeds from the sale of a primary residence up to $250,000, or $500,000 for a married couple who file jointly, are tax-free as long as you've owned and lived in the home for at least two out of the past five years. (Any excess is taxed at long-term capital gains rates, which range from 0% to 23.8%, depending on your taxable income.) But even in a seller's market, selling your home takes time. By renting, you can keep your home on the market until you get the price you want, without having to dip into your retirement savings to buy a new home, Lyons says.

Where to rent. Just as the cost to buy a single-family home varies dramatically across the country, so does the cost of renting. RentCafe, an apartment listing service, cataloged the square footage you can get for $1,500 a month. Not surprisingly, Manhattan was at the bottom of the list: $1,500 will pay for just 243 square feet—basically a walk-in closet. That amount of money will buy you only slightly more space in Boston (320 square feet) or San Francisco (336 square feet), RentCafe found. But head to the Midwest or the South and $1,500 will get you more than three times as much space: more than 1,460 square feet in Wichita, for example, or 1,238 in Fayetteville, N.C.

Typical monthly rent for our eight cities ranges from about $1,194 a month (in Birmingham) to $2,197 a month (in Ann Arbor), according to data provided by online real estate marketplace Zillow. In general, rents are lower in the South and Midwest than on the East and West coasts.

In addition to the criteria described above, we used data from Zumper, Zillow and some of *Kiplinger's* own research to identify cities that are attractive for retirees who want to rent. In some high-cost cities, such as Spokane, average monthly rents are considerably lower than the cost of a mortgage payment for a typical single-family home, according to data provided by Zillow; in others, the difference is marginal. But even when a monthly mortgage payment is significantly lower than typical rent payments—as is the case with Birmingham—you may still want to rent initially before deciding to buy. (Zillow's rental data includes apartments and homes. If you limit your search to apartments and condos, your monthly payments may be lower than shown for our cities.)

Give our cities a look, but keep in mind that when you're a renter, the world is your oyster. Renting offers the opportunity to live for a year or two in a city that may otherwise be unaffordable. And if you decide winters in Pittsfield are too cold—or summers in Tallahassee are too hot—you can move.

Buying a home still makes sense if you know you're going to stay in it for the long term—say, five years or more—says Andy Baxley, a CFP in Chicago. But retirees who aren't sure they'll stay in one place that long, he adds, "can benefit tremendously from the flexibility of renting."

TALLAHASSEE, FL

Population: 201,731
Cost of living: 95.6
Typical monthly mortgage payment: $1,354
Typical monthly rent: $1,385
Number of hospitals within 25 miles: 3
What retirees love: St. Marks National Wildlife Refuge

Located midway between the Georgia border and the Gulf of Mexico coastline of the state's panhandle, Florida's capital city attracts retirees seeking warm weather and low taxes.

ST. MARKS NATIONAL WILDLIFE REFUGE IS ABOUT 20 MILES FROM TALLAHASSEE.

Tallahassee is surrounded by lush wildlife reserves, including St. Marks National Wildlife Refuge, a sprawling ecosystem of estuaries, coastal marshes and islands located about 20 miles from the city. The St. Marks Lighthouse, the second oldest lighthouse in Florida, is one of the most-photographed landmarks on the Gulf Coast (and is featured on our cover).

Cyclists can enjoy hundreds of miles of trails, including the hard-packed clay trails of Munson Hills Mountain Bike Trail System, which wind through the woods. The biking trails are part of a growing network of nature trails in Greater Tallahassee used by walkers, joggers and bikers.

Retirees interested in expanding their intellectual horizons, engaging in social activities and volunteering can take advantage of the Osher Lifelong Learning Institute at Florida State University. The program offers nearly 100 classes annually and a variety of cultural and social activities for adults age 50 and older. Faculty at Florida A&M University, one of the nation's largest and oldest historically black universities, also teach some of the courses at the Osher Institute and offer community engagement programs of their own.

The going-out scene often revolves around the FSU football schedule, but you can escape college crowds at restaurants such as Sage, which features New American cuisine, or by sampling the extensive catalog of cocktails and spirits at Bar 1903, inside the restored Walker Library Building.

There are three hospitals within 25 miles of Tallahassee. HCA Florida Capital Hospital in Tallahassee is an acute-care hospital with 288 beds and more than 380 physicians in 20 specialties.

A two-bedroom apartment near upscale shopping in midtown Tallahassee rents for about $1,400 a month. However, the market is competitive. More than 60% of renters renewed their leases in 2022, suggesting strong competition in the rental market, according to RentCafe.

Florida has no state income tax, so income from pensions, Social Security and retirement plans is tax-free. The combined state and local sales tax is 7.5%.
EMMA PATCH

BIRMINGHAM, AL

Population: 197,575
Cost of living: 91.9
Typical monthly mortgage payment: $504
Typical monthly rent: $1,194
Number of hospitals within 25 miles: 13
What retirees love: Pepper Place Farmers Market

Centrally located in America's Southeast and rich with culture and history, Birmingham offers retirees a little bit of everything. On Fourth Avenue North in the city's center is the country's oldest black business district, a "huge part of the emergence of Birmingham" and the history of the civil rights movement, says Karla Khodanian of the Birmingham Chamber of Commerce. On the weekends, the Pepper Place Farmers Market fills with foot traffic, as local farmers and small businesses set up shop against the backdrop of the city's Sloss furnaces, long used for manufacturing pig iron and now a historic landmark.

Festivals of all kinds are a regular occurrence in and around the city, including food festivals in the fall as well as the beloved annual Sidewalk Film Festival, which has been attracting crowds of moviegoers the last weekend of August for nearly 20 years.

The Alabama Symphony Orchestra offers free shows at a park downtown throughout the summer. Birmingham's Museum of Art is free and open to the public six days a week. Just a few steps from the museum you'll find the newly developed Legacy Arena, which hosts every-

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BIRMINGHAM HAS THE COUNTRY'S OLDEST BLACK BUSINESS DISTRICT.

thing from basketball games to dance competitions.

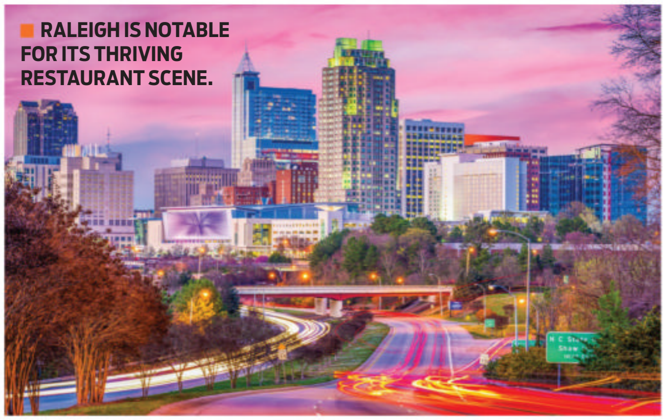
Retirees seeking outdoor recreation will find plenty of choices. Red Mountain Park, Ruffner Mountain and Oak Mountain State Park are popular spots for trail runners, hikers and bikers. Just across the way, locals can also enjoy City Walk, an urban park built underneath the raised interstate.

Birmingham has some of the lowest housing costs in the U.S., so you'll pay more to rent than you'd pay for a mortgage. Nonetheless, renting in Birmingham could be a good way to get a sense of life there before ultimately buying a home. You can rent a two-bedroom loft in downtown Birmingham for about $1,900 a month.

There are 13 hospitals within 25 miles of Birmingham, including St. Vincent's Birmingham, a 409-bed acute-care hospital offering a state-of-the-art robotics surgery program. The hospital specializes in oncology, cardiology, orthopedics/sports medicine and neurology.

Alabama treats retirees kindly when it comes to taxes. The state income tax ranges from 2% to 5%, and there is no estate or inheritance tax. Social Security benefits, income from federal and military retirement plans, and income from defined benefit pension plans are tax-exempt.

However, the average combined state and local sales tax rate is a hefty 9.24%. If you eventually become a homeowner, Alabama has the second-lowest median property tax rate in the country. **E.P.**



RALEIGH IS NOTABLE FOR ITS THRIVING RESTAURANT SCENE.

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RALEIGH, NC

Population: 469,124
Cost of living: 96.1
Typical monthly mortgage payment: $2,132
Typical monthly rent: $1,656
Number of hospitals within 25 miles: 11
What retirees love: Film screenings at the Gregg Museum of Art & Design

Raleigh, the capital of North Carolina, is filled with arts, culture, entertainment, restaurants, museums and festivals. A bonus is the proximity to Durham and Chapel Hill and the benefits of having three major universities—North Carolina State in Raleigh, Duke University in Durham and the University of North Carolina at Chapel Hill—all within 30 miles of one another.

This area, known as the Triangle region, includes the three distinct cities, each with their own character and identity, but with benefits that are easily accessible wherever you live.

Known as the "City of Oaks," Raleigh's moderate temperatures make it easy to enjoy outdoor activities all year long. More than 100 miles of paved trails connect neighborhoods and attractions, such as the 6-mile Art to Heart trail. A special feature is the Ann and Jim Goodnight Museum Park, a paved trail lined with more than a dozen works of art.

The North Carolina Museum of Natural Sciences, the Southeast's largest natural history museum, features interactive exhibits the grandkids will love. The Gregg Museum of Art & Design, on the campus of N.C. State, hosts regular lectures, film screenings, workshops and yoga.

The thriving restaurant scene offers much more than iconic North Carolina barbecue (which features pork and vinegar and is delicious). Zagat named Raleigh one of the hottest food cities, and local chefs are achieving national fame, including Ashley Christensen, who runs six restaurants in Raleigh and received the outstanding chef award from the James Beard Foundation.

Excellent health care is a major draw for the area, with Duke University Hospital consistently ranked as one of the top hospitals in the country. The UNC Hospitals are also highly ranked.

Raleigh is home to 10 colleges, including N.C. State, which helps keep the rental market active. You can rent a one-bedroom apartment in a new building in the trendy Glenwood South neighborhood in downtown Raleigh for $1,730.

North Carolina's income tax rate dropped from a flat tax of 4.99% in 2022 to 4.75% in 2023 and will continue to decrease each year until it hits 3.99% in 2027. Social Security benefits are not taxed, and income from federal government retirement plans or designated North Carolina state and local government plans is exempt if the retiree had five or more years of creditable service as of August 12, 1989. **KIM LANKFORD**

PITTSFIELD, MA

Population: 43,641
Cost of living: 101.5
Typical monthly mortgage payment: $1,338
Typical monthly rent: $1,433
Number of hospitals within 25 miles: 2
What retirees love: Summer concerts at Tanglewood

Residents of Pittsfield, which is nestled in the Berkshire Hills of western Massachusetts, have ready access to some of the best music and theater in the country. And Pittsfield offers a lower cost of living than pricey neighboring towns.

Tanglewood, the summer home of the Boston Symphony Orchestra since the 1930s, is only a 15-minute drive from Pittsfield. The

500-acre campus is known primarily for the open-air Koussevitzky Music Shed and its summer concert series, featuring more than 75 performances each year.

Pittsfield's downtown cultural district features the historic Colonial Theatre, which hosts opera, plays and musicals. It was built in 1903 and reopened in 2006 after a $21 million restoration. Down the street is the recently renovated Berkshire Museum, whose exhibits combine art, science and history, and the Barrington Stage Company.

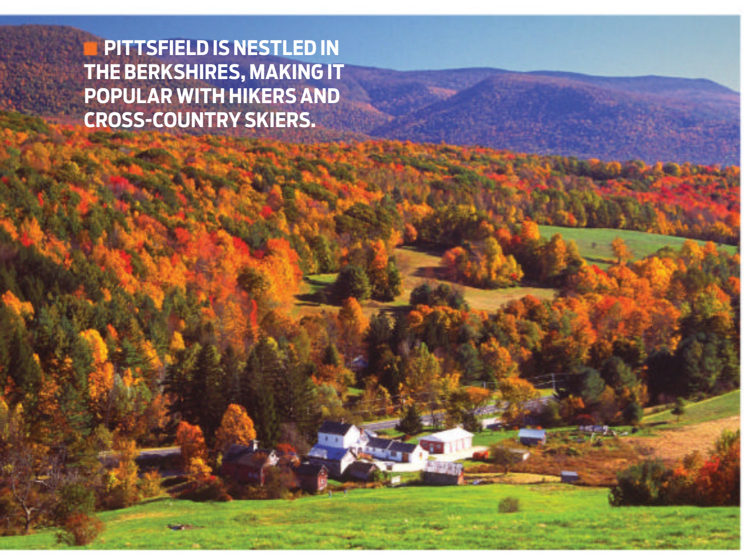
Pittsfield is also home to historic sites, including Arrowhead, the farm and home that Herman Melville bought in 1850, which is now run by the Berkshire County Historical Society.

Outdoors enthusiasts will enjoy the Pittsfield State Forest for hiking, snowshoeing and cross-country skiing. You can fish, swim and canoe on 617-acre Onota Lake. Bousquet Mountain, also located in Pittsfield, has winter activities and hiking in the summer. Just one mile from the center of Pittsfield is the Canoe Meadows Wildlife Sanctuary, which is run by the Massachusetts Audubon Society and includes walking trails, birding and a community garden.

The typical rental cost is only slightly more than the typical monthly mortgage. A two-bedroom, newly renovated apartment in downtown Pittsfield costs about $2,250 a month.

There are two hospitals located within 25 miles of Pittsfield. The Berkshire Medical Center in Pittsfield is a 298-bed teaching hospital that's affiliated with the University of Massachusetts Chan Medical School and the University of New England College of Osteopathic Medicine.

Massachusetts has a flat income tax rate of 5% of federal adjusted gross income. Starting in 2023, the state imposes an additional 4% tax on income over $1 million. Estates valued at more than $1 million may be subject to a Massachusetts estate tax at rates ranging from 0.8% to 16%. **K.L.**



PITTSFIELD IS NESTLED IN THE BERKSHIRES, MAKING IT POPULAR WITH HIKERS AND CROSS-COUNTRY SKIERS.

DOWNTOWN COLUMBUS IS A WALKABLE NEIGHBORHOOD WITH ACCESS TO RESTAURANTS AND SHOPS.

COLUMBUS, OHIO

Population: 905,748
Cost of living: 86.4
Typical monthly mortgage payment: $1,196
Typical monthly rent: $1,423
Number of hospitals within 25 miles: 9
What retirees love: Franklin Conservatory and Botanical Gardens

Columbus is the home of Ohio State University, but Ohio's capital city has a lot to offer retirees, even if they're not fans of Buckeye football or basketball. The university provides plenty of music and theater, and Ohio State's lifelong learning program, Project 60, offers tuition-free, non-degree programs for seniors age 60 and older.

Throughout the year, the city features numerous festivals, including the Holiday Blooms festival in the winter and the Fiery Foods Festival in the summer.

The Clear Creek Metropark has 5,300 acres for hiking, and bikers can get their workout on the Heron Pond Trail. Franklin Conservatory and the Botanical Gardens, about two miles from downtown Columbus, is a sprawling 88-acre area featuring more than 400 species of plants. The conservatory hosts exhibitions throughout the year and offers classes and workshops in cooking, gardening, fine arts and wellness.

Although prices for homes in Columbus are lower than in many other parts of the U.S., the city is in the midst of a seller's market, with limited inventory of homes, says Donald Payne, a local real estate agent. You can rent a three-bedroom apartment with access to a swimming pool for about $1,380. Here, too, though, there is strong demand, Payne says, so if you find an apartment you like, move quickly to nail down a lease. Seniors who prefer urban living may consider renting in downtown Columbus, a walkable neighborhood that features a variety of restaurants, shops and entertainment venues.

Thanks to the university, health care in Columbus is top-notch. The Ohio State University Wexner Medical Center is ranked as one of the best hospitals in the U.S., with nine health care specialties.

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Ohio's income tax ranges from 2.765% on income from $26,051 to $46,100, to 3.99% on income over $115,300. Tax breaks for seniors include a retirement income tax credit ranging from $25 to $200, depending on the amount of qualifying income you receive from a pension or retirement plan.

In addition, taxpayers who are age 65 and older can claim a senior citizen credit of up to $50 per tax return. Ohio doesn't tax Social Security benefits.
ELLA VINCENT

ANN ARBOR, MI

Population: 123,851
Cost of living: 110.7
Typical monthly mortgage payment: $2,356
Typical monthly rent: $2,197
Number of hospitals within 25 miles: 6
What retirees love: Ann Arbor Art Fair

Retirees who don't mind cold winters—and an above-average cost of living—can find plenty to do in Ann Arbor, from classes and day trips offered through the University of Michigan's Osher Lifelong Learning Institute to the city's summer jazz series. The Ann Arbor Art Fair, held every July, is the largest juried art fair in the U.S., with more than 1,000 artists. In the fall, football fans can join more than 107,000 students and alumni to cheer on the Big 10 university's Wolverines.

For the young at heart, Ann Arbor has a lively nightlife. You can enjoy microbrews at Wolverine State Brewing Co. or hear some music at the Blind Pig, where Jimi Hendrix and other rock legends have performed. Every Friday from 6:30 to 9 P.M., Live, an off-campus nightclub, sponsors a happy hour for music aficionados older than 50. This event, affectionately labeled by locals as "Geezer Happy Hour," has been going on at various venues for more than 50 years.

Outdoor activities range from ice skating at Buhr Outdoor Ice Arena to golfing at the Georgetown Golf Club to canoeing down the Huron River Water Trail. For a break from small-town life, you can venture to Detroit, about 45 miles away, or Chicago, about 230 miles from Ann Arbor. For longer trips, Detroit Metropolitan Airport is only 20 miles away.

For $1,889, you can rent a two-bedroom apartment that's just minutes from the University of Michigan Medical Center. Other rental living arrangements in Ann Arbor include senior living facilities and condos, says Stephen Hollowell, a real estate agent with Keller Williams in Ann Arbor.

Thanks to the university, Ann Arbor offers world-class health care. The University of Michigan's Medical Center is an acute-care hospital with more than 1,100 beds that offers a variety of specialties. Trinity Health Ann Arbor Hospital is an expansive, 538-bed teaching facility that has been treating patients for over a century.

Michigan taxes income at a flat rate of 4.25%, but retirees are eligible for a generous standard deduction that will offset taxes on some of their retirement income. If you were born before 1946, up to $56,961 of income from private retirement plans is exempt (up to $113,922 for joint filers). Those taxpayers can also deduct up to $12,697 of interest, dividends, and capital gains ($25,394 for joint filers). Taxpayers born after 1946 are eligible for a standard deduction of up to $20,000 ($40,000 for joint filers). Military pensions and Social Security payments aren't taxed. **E.V.**

ANN ARBOR, HOME TO THE UNIVERSITY OF MICHIGAN, OFFERS SOME OF THE BEST HEALTH CARE IN THE U.S.

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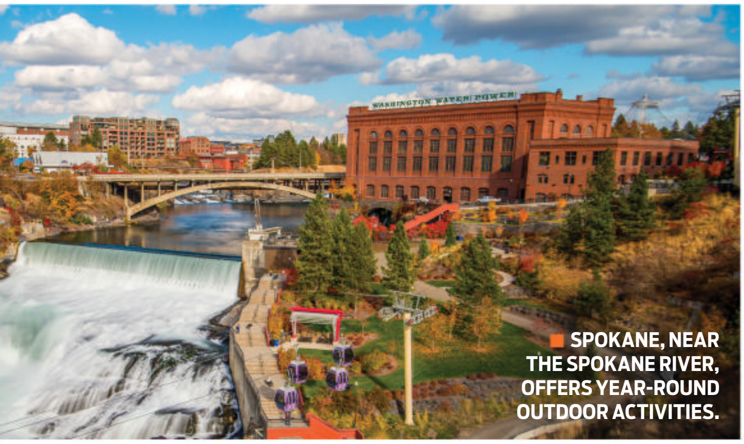
SPOKANE, WA

Population: 230,160
Cost of living: 103.1
Typical monthly mortgage payment: $1,907
Typical monthly rent: $1,450
Number of hospitals within 25 miles: 9
What retirees love: The 40-mile Centennial Trail

Retirees embrace Spokane for its relatively affordable cost of living compared with other major cities in the Pacific Northwest, top-notch health care and overall quality of life.

Retirees can enjoy, fishing, boating, golfing and hiking in the alpine landscapes surrounding Spokane in the warmer months and downhill skiing, snowboarding, cross-country skiing and snowshoeing in the winter. Situated near the Spokane River, in eastern Washington, the city itself also features numerous parks, trails and other outdoor recreation opportunities. Riverside State Park, just 9 miles from downtown Spokane, features the 40-mile paved Centennial Trail, which ends in Coeur d'Alene, Idaho.

Spokane is home to a vibrant arts and culinary scene. Many murals can be found on building walls, painted by local artists throughout the city. The city's three-day ArtFest, held every June, features sculpture, photography, ceramics, jewelry and more, with all sales going directly to the artists. Spokane has a wide range of restaurants and eateries catering to different tastes and preferences. Clover and The



■ SPOKANE, NEAR THE SPOKANE RIVER, OFFERS YEAR-ROUND OUTDOOR ACTIVITIES.

Wandering Table, for example, have received acclaim for their innovative cuisine.

With typical rent at $1,450, retirees can enjoy a comfortable lifestyle for much less than the cost of a monthly mortgage. The rental options are also eclectic in downtown Spokane and Spokane Valley, including apartments, townhouses, single family homes and senior living facilities. A two-bedroom apartment in a downtown apartment complex with a rooftop lounge deck rents for about $2,300.

Retirees have nine hospitals to choose from within a 25-mile radius, including such well-regarded facilities as Providence Sacred Heart Medical Center. The hospital has more than 800 primary care doctors and specialists who focus on areas including cancer treatment and heart and vascular health.

Washington doesn't have an income tax, so you won't pay state taxes on withdrawals from your retirement plans, pension payments or Social Security benefits. However, Spokane has a combined state and local sales tax of 9%, and tax on gasoline, at $0.49 per gallon, is one of the highest levies in the U.S. Washington also taxes estates valued at $2.193 million and up at rates ranging from 10% to 20%. **E.P.**

SAN ANTONIO, TX

Population: 1.45 million
Cost of living: 92.1
Typical monthly mortgage payment: $1,333
Typical monthly rent: $1,463
Number of hospitals within 25 miles: 17
What retirees love: Performances at the 94-year-old Majestic Theater

San Antonio has everything you'd want in a city, just without the crowds or high price tag. With a population of just over 1.4 million, San Antonio has all of the big-city amenities—including tons of restaurants, shopping, arts and entertainment—but its geography, history and intentional use of outdoor space make it feel smaller.

San Antonio's climate is perfect for year-round outdoor activities. You'll find walking, hiking, biking and even paddling trails throughout the city.

Renters have plenty of options in and outside the city. A one-bedroom apartment near the recently renovated Pearl Brewery rents for $1,545 per month. In the Stone Oak and Medical District north of San Antonio, you can find two-bedroom apartments for around $1,500 a month.

The 15-mile River Walk, created in the 1940s, continues to expand and provide access to more areas of the city, extending north to the 343-acre Brackenridge Park and south to San Antonio's five Spanish Colonial missions, including the Alamo.

San Antonio's entertainment options include the Majestic Theater, built in 1929; the Tobin Center for the Performing Arts for ballet, musicals and concerts; and many other smaller venues throughout the area.

■ SAN ANTONIO'S RIVER WALK IS THE CULTURAL HEART OF THE CITY.

San Antonio is known for its food, which combines its European and Mexican heritage, and was one of only two cities in the U.S.—and only 36 in the world—to be named a UNESCO Creative City of Gastronomy, an international culinary destination.

San Antonio also has big-city amusements, including Six Flags Fiesta Texas and Sea World. You can cheer on the San Antonio Spurs NBA basketball team, the San Antonio Missions baseball team, which is the AA affiliate of the San Diego Padres, and the San Antonio FC professional soccer team.

Known as "Military City USA," San Antonio is home to one of the largest concentrations of military bases in the U.S. The bases provide a center of activity for servicemembers and military retirees, who can shop tax-free at the Exchange and Commissary. Several retirement communities cater primarily to military retirees.

San Antonio has world-class health care, for both military and civilians. It is the home of the U.S. Army Medical Command and Brooke Army Medical Center, the Army's flagship medical institution, a Level 1 trauma center. The city's other Level 1 trauma center, the University of Texas Health Science Center at San Antonio, includes a 716-bed hospital and is the primary teaching facility for UT Health San Antonio.

Texas has no income tax, so retirement income is tax-free. It also has no estate or inheritance taxes. **K.L.** ■

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PRACTICAL PORTFOLIO

Investing Jargon, Explained

We define some of the most frequently searched investment terms. BY KIM CLARK

ARE YOU AN "ACCREDITED INVESTOR"? Do you want to buy some "ADRs"? How do you make money on "call options"?

The investment world is rife with technical terms that can have surprisingly negative effects on your ability to build a financial nest egg, says Patrick Heck, a research psychologist for the Consumer Financial Protection Bureau. "Jargon can definitely create barriers to entry," especially for new investors who are often discouraged by terms they don't understand, says Heck, who notes he is speaking as a researcher and not for the agency. Jargon can cause problems for more-experienced investors as well, he said. Some investors become overconfident when they think they understand jargon, which can lead to riskier choices, one study shows.

To help newbies—and give veterans a reality check—we crunched search engine data on investing terms. Here is a glossary of some of the most-searched terms investors ask about.

Accredited investor: Some investments are so risky that they are limited to the wealthy, who can presumably withstand losses, or professionals with financial expertise. Among the qualifiers set by the Securities and Exchange Commission to become "accredited": net worth of at least $1 million—not including your home—or annual income of at least $200,000 ($300,000 for couples) over the past two years and evidence that you'll earn at least that much in the current year.

ADR: American depositary receipts are tradable securities issued by U.S. banks that represent shares of foreign companies.

Bear or bull market: Drops of 20% are called bear markets. Why *bear*? One theory is that bears swipe their claws downward in attacks. A rise of 20% is called a bull market, possibly because bulls attack by lifting with their horns.

CAGR: The compound annual growth rate is often used to compare investments. It gives you an idea of an investment's smoothed-out annual returns over a given period, assuming profits are reinvested. It's more complex than a simple average, but there are many good online calculators, such as the one at https://cagrcalculator.net.

Call option: A call option contract gives the buyer the right—but not the requirement—to buy (or *call*) a stock or other financial instrument at a specific price within a specified time frame. For example, if shares of a stock are currently trading at $10, one investor might charge another a small fee for the promise to deliver those shares at, say, $15 apiece sometime in the next, say, six months. The option buyer doesn't have to purchase the stock if the market price doesn't top $15 but can turn a quick profit by exercising the call if it does.

Day trading: Some investors try to earn money by actively buying and selling securities within the same day, attempting to exploit the minute-by-minute swings in prices caused by, for example, rumors posted on online bulletin boards. Research shows most day traders underperform long-term investors who use low-cost, broad index funds.

Dead-cat bounce: This vivid (though horrifying) term describes a temporary upward blip in the price of a stock that is on a long-term downward trend.

Derivative: Wall Street financial engineers have created financial products whose value is *derived* from standard investments, such as stocks and bonds. Derivatives are often used to hedge against risk or attempt to outguess the market. They range from futures contracts through which farmers lock in a price for their crops to more-exotic alternatives, such as swaps, used by professional traders to, say, bet on interest rates or currencies.

Dividend yield: The dividend yield is the percentage of the stock's current price

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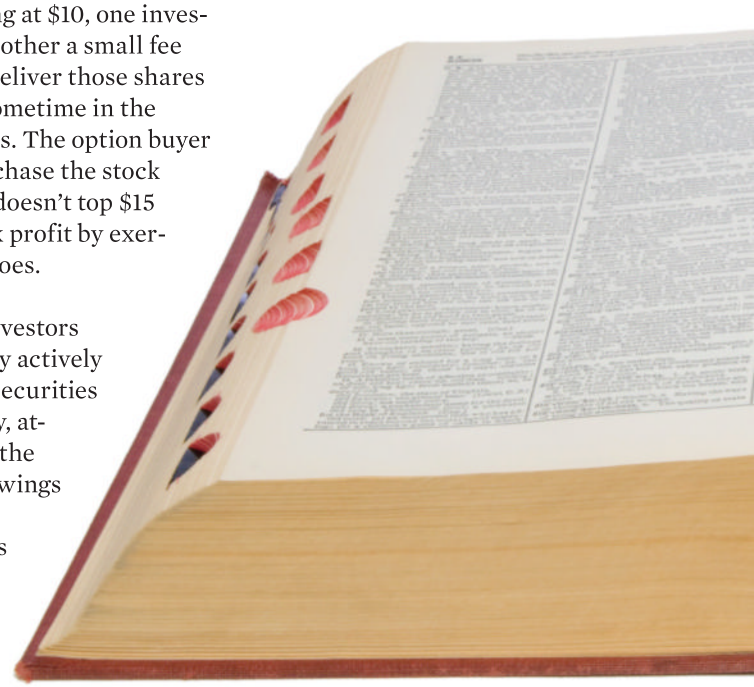

that is paid annually to shareholders (annual dividend payout divided by stock price). A high dividend yield can therefore indicate either a generous payout or a sinking stock price.

Enterprise value: One of many methods used to figure out what a company is worth, enterprise value takes into account assets, equity and debts—essentially what it would take to buy the firm outright. Professional money managers sometimes prefer this valuation measure, as it can give a fuller picture than, say, a company's market capitalization, or stock price times shares outstanding.

IPO: In an initial public offering, a company starts selling ownership shares to the public. To switch from private to public ownership, firms must meet several investor-protection regulations, including providing audited financial reports to the SEC.

Margin trading: Investors who set up a margin account at their broker can borrow up to 50% of the cost of their investment. That leverage can create outsize profits, but it can also raise the odds of substantial losses. For example, a trader who bought 100 shares of a $20 stock borrowing 50% of the cost would put down $1,000. If the stock rose to $30 per share, the trader would have made $1,000 (less interest on the margin loan and any commissions). But say the stock falls to $10, leaving a value of just $1,000. You owe that much, plus interest, to the broker so you've lost all you put in and more.

ROI: Return on investment is a ratio that gauges profitability. Start by calculating how much you have made on the investment, such as the current value of a stock holding plus any dividends, and then subtract your initial cost. Then divide that result by your initial cost. The higher the ROI ratio, the more profitable the investment.

Rule of 72: One way to quickly estimate the amount of time it takes for an investment that pays a steady rate of interest to double in value is to use the Rule of 72. Simply divide 72 by the annual interest rate. A CD paying 5% should double in about 72/5 years, or 14.4 years, for example. The rule of 72 is not exact, but it gets pretty close.

Shorting: Investors who short a stock believe the price is due to fall. To execute a short sale, traders borrow shares of the stock from another investor or a brokerage, and then sell the shares. The "shorts" hope that by the time they have to return the security to the lender, they will be able to buy it back for less and pocket the difference.

Sunk cost fallacy: This is some fancy terminology for the idea of throwing good money after bad. Psychologists have identified a common and self-destructive pattern in which humans continue to pursue a plan simply because we've already put a lot of money or energy into it, even though the prospects of any gain from the investment are poor. A better strategy is to ignore time or money that is already spent and unrecoverable (or *sunk*) and only move forward if there is a positive outlook for any future investment.

VIX: The Cboe Volatility Index, often called the fear index, is an indicator of expectations for upcoming swings in stock prices. It is based on the level that investors in the options market are betting the S&P 500 index will hit in about 30 days. Using a very complicated formula, the VIX combines that data into a measure that attempts to reflect the likelihood of short-term market volatility.

Yield curve: A graph of the interest rates of short-, intermediate- and long-term bonds plotted against their maturities depicts the yield curve. In normal economic times, the line curves up because investors typically demand higher yields for locking up their money for longer periods. When the line flattens or turns down, it means that bond buyers are willing to accept lower long-term rates—which is often an indication of worries about an impending recession. ■

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MILLENNIAL MONEY | LISA GERSTNER

How I'm Dealing With Nanny Taxes

As you may have read in "From the Editor," on page 6, I will become this magazine's editor starting with the September issue. To help ensure that I'm prepared to take on this exciting new role, my husband and I decided to hire a nanny to care for our two young children while we work. Having a nanny come to our house will free up time that I previously spent running our children to and from day care. And because I work from home, I can enjoy lunch with my kids or take a walk with them when I need a break from my desk.

The convenience of having an in-home caregiver for your kids comes at a premium price and with considerable tax ramifications. The national average weekly rate for a nanny in 2021 was $694 for one child or $715 for two, according to the most recent Cost of Care survey from Care.com. That compares with $226 for one child or $429 for two children at a day care center. And because a nanny is a household employee, the IRS requires you to withhold and pay tax if her income from the nanny job reaches a certain annual minimum threshold—for 2023, it's $2,600.

THE CONVENIENCE OF HAVING AN IN-HOME CAREGIVER FOR YOUR KIDS COMES AT A PREMIUM PRICE AND WITH CONSIDERABLE TAX RAMIFICATIONS.

Managing the tax complexities. As a nanny's employer, you must pay your share of Social Security and Medicare (FICA) taxes—an amount equal to 7.65% of her wages—as well as federal and state unemployment taxes. In addition, you must withhold from the nanny's pay her share of FICA tax, which is 7.65% of her wages. The nanny's earnings are subject to federal and state income tax, too. (The same tax rules apply to any household employee—such as a cook or housekeeper—for whom you control not only the work they do but how they do it; independent contractors who have multiple clients and use their own supplies—say, providers of lawn care or cleaning services—are not household employees.)

To simplify the task of withholding and paying tax, I plan to use a payroll service. You can look for a local accountant who offers payroll assistance or check out a provider that operates online. SurePayroll ($50 monthly; www.surepayroll.com), for example, calculates the amount of tax owed, deducts tax from the nanny's pay, arranges direct deposit of paychecks into her bank account, and remits federal, state and local taxes for you. The program also prepares Schedule H, which reports household employment taxes on your federal tax return.

Other providers of similar online services include Poppins Payroll ($49 monthly; www.poppinspayroll.com) and HomePay ($75 monthly; www.care.com/homepay). If you're willing to file and send tax payments yourself but want help tracking them and figuring out how much you owe, try Simple Nanny Payroll ($29 yearly; www.simplenannypayroll.com).

Don't miss these tax breaks. To ease the tax bite, I'm contributing to a dependent-care flexible spending account (FSA). If your employer offers one, you can stash away pretax money from your paycheck to cover care for children younger than 13 while you work or look for work. Qualifying expenses include a nanny, day care, preschool, after-school programs and summer day camps. (You can also use dependent-care FSA funds for expenses related to elder care or other care for dependent adults.) The IRS limits household contributions to dependent-care FSAs to $5,000 per year (or $2,500 yearly for those married filing separately).

The child and dependent care tax credit can help offset care expenses, too. You can claim the credit on up to $3,000 in care expenses for one child or up to $6,000 for two or more children. (Only expenses that are not reimbursed by a dependent-care FSA are eligible for the tax credit.) As with an FSA, the care must take place while you work or look for work, and the child must be younger than 13. The maximum credit that you can claim depends on your adjusted gross income. If your AGI is more than $43,000, you can claim up to 20% of care expenses. The percentage increases as AGI decreases, topping out at 35% for those with AGI of up to $15,000. ■

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ILLUSTRATION BY PATRICK WELSH

SCAN THIS CODE WITH YOUR PHONE'S CAMERA TO VISIT KIPLINGER.COM'S INTERACTIVE WEALTH CALCULATOR.

BASICS

Calculate Your Net Worth

Crunching the numbers on your assets and liabilities can help you maintain your financial security. Find out where you stand. BY ELLA VINCENT

NET WORTH IS THE VALUE of your assets, which is basically everything you own, such as your retirement savings and real estate, minus your liabilities—the total of everything you owe.

Your net worth is a good indicator of your overall financial health, says Diane Avery, a certified financial planner with Avery Financial Services in Atlanta. It's critical to have this information before you make big financial decisions, she says.

Kiplinger's net worth calculator at www.kiplinger.com/investing/wealth-management/603443/net-worth-calculator will help you get started. To use it, you'll need an inventory of your assets and liabilities.

ASSETS

Here's a list of the most common assets:

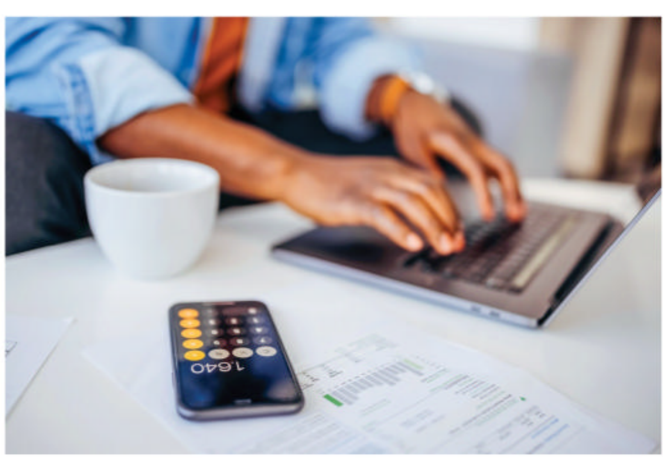
Cash. This is the value of your most liquid assets, such as money you have in your checking or savings accounts. You should also include any certificates of deposit and savings bonds.

Stocks and other investments. Add up the value of stocks, bonds, mutual funds, exchange-traded funds and money market accounts in your brokerage accounts, as well as 401(k)s, IRAs and other retirement investments. Any investments in commodities, such as gold or artwork, should also be added to this list. Include whole life insurance policies if they have cash value and allow you to withdraw from that account.

Real estate. Any type of property that you own, such as your home, is an asset. When calculating the value of your primary residence, don't focus on what you paid for it. Instead, estimate how much a buyer would pay for your home if you put it on the market today. Real estate sites such as Zillow will help you estimate the current value of your home, based on recent sales in your area. Also include any rental properties that you own.

Personal property. In addition to any real estate you own, add cars and personal items to your list of assets.

For high-value items, such as jewelry and art, an appraiser can help you estimate how much they're worth—which is also useful when figuring out how much homeowners insurance you need. Search for an appraiser at www.appraisers.org. You can also check out how much similar items have sold for on eBay, or use Worthpoint (www.worthpoint.com), a subscription-based service (with a free trial period) that provides a price guide for antiques and collectibles. For an estimate of the value of cars, go to Kelley Blue Book (www.kbb.com).



GETTY IMAGES

LIABILITIES

Once you have calculated your assets, it's time to estimate your liabilities. Some examples:

Mortgage and housing costs. While your house is an asset, your mortgage is counted as a liability. Use your most recent mortgage statement to come up with the amount you owe. Other home-related loans, such as home equity lines of credit, should also be counted as liabilities.

Bills. Add up your bills due for household utilities, medical and dental services, property taxes, and taxes you owe the IRS.

Loans. Credit card bills, as well as car loans and student loans, are also liabilities that can affect your net worth.

After you calculate your liabilities, subtract that sum from your assets to come up with your net worth. If you have a positive net worth, the value of the assets is greater than your liabilities and your financial status is strong. When you have zero net worth, your assets and liabilities are equal, which means you don't have a financial cushion. A negative net worth means that your liabilities are greater than your assets, which leaves you even more vulnerable if you lose your job or experience a similar financial emergency. ■

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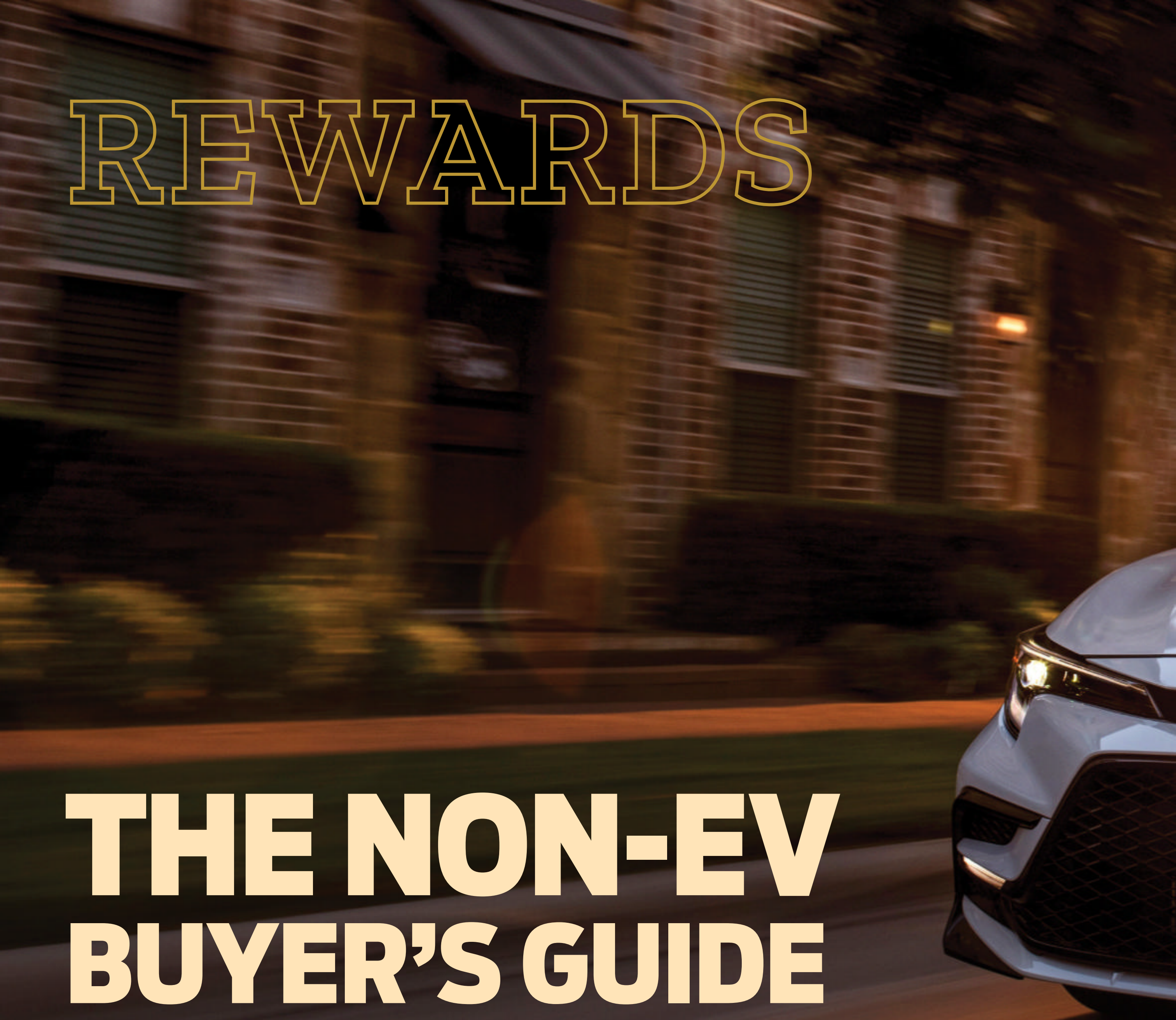

COURTESY OF TOYOTA

THE NON-EV BUYER'S GUIDE

Your next car doesn't have to be electric. We found six gas-powered vehicles that will take you well into the future. BY DAVID MUHLBAUM

All the buzz about new cars these days seems to be about electric vehicles. But there are car shoppers in America who say not only do they not want an electric vehicle now, they don't want an electric vehicle ever. How many? Hard to say. But if the number of letters *Kiplinger's* has received after it has written about electric cars is an indicator, it's a sizable group. And our correspondents' reasons go beyond the oft-cited pragmatic considerations of limited range, difficulty recharging and price.

Arguments from these EV rejectors range from "EVs get an unfair advantage because their owners don't pay gas taxes" to "I'd rather not have my garage or house incinerated by the big lithium batteries in those vehicles" to "their weight is a danger to others." Other concerns include how those batteries are produced, as well as the impact on the power grid. Doug Briskman, for example, watches long coal trains rumble through his city of Richmond and doesn't want the power for his next vehicle coming from that source. "Getting rid of internal combustion vehicles in a matter of years is a crazy notion, and we are not ready for it in so many ways," Briskman says.

At the same time, government regulations are demanding electrification from carmakers, some of which are pledging to completely phase out making internal combustion vehicles within the next 10 or 15 years. We don't have time to go through every manufacturer's plans for electrifying their fleet (which are often carefully worded with hedging language) or going carbon neutral—nor parse them for exactly what they might mean to the customer. But Volvo (owned by Chinese firm Geely) pledges an early deadline of no ICE vehicles by 2030, and General Motors has aggressive plans to sell nothing but battery-powered electric vehicles (BEVs) by 2035.

TOYOTA COROLLA

JEEP GRAND WAGONEER

So what should a "never EV" shopper do? Should you run out and buy one last gas-burner (or more) before none are left (at least, not for sale *new*)?

We talked to several industry experts, and their collective wisdom for EV rejectors is: Don't panic. Internal combustion vehicles will continue to be available for at least a decade, maybe two.

FEWER CHOICES

At the same time, car shoppers with specific preferences, such as a naturally aspirated V8 engine, or those who are in the habit of rolling over a lease every three years so they can drive the latest iteration of their brand or model, should pay attention lest they find their options limited or their dream vehicle off the market.

Last year's announcement from the Dodge brand that 2023 would be the last year of production for its Challenger and Charger models—two classic American-built, rear-wheel-drive vehicles with available V8s—was a warning shot for many. That the Dodge brand will likely replace the vehicles in a model year or so with EV "muscle cars," possibly carrying the same model names, was a further knife twist for disciples of internal combustion.

But it might have been a bit overplayed, says Damon Bell, senior research editor for Cars.com. "The important thing about the Charger and Challenger, also the [Chevrolet] Camaro: They get a lot of ink, but they're niche vehicles—especially the high-performance ones." The cancellation of the two Dodge muscle cars, he notes, gave Dodge a chance to introduce a number of specialty versions that drew a lot of attention to the brand, but the sales numbers for these cars are tiny.

Karl Brauer, executive analyst for iSeeCars.com, says car shoppers who want as little electrification as possible have time to find a vehicle that suits their needs. "You still might have cars that have no battery [pack] by 2032. Anyone who says they know is lying to you."

What are the odds of a reversal of the electrification trend? Not good, according to our colleagues at *The Kiplinger Letter.* They note that although the targets set by the Biden administration do not specifically call for BEVs or even plug-in hybrid electric vehicles (PHEVs) but rather reductions in carbon dioxide emissions, the only way for manufacturers to meet the targets with current technology is by reducing reliance on the internal combustion engine. (Before you go shopping, be sure you understand the definitions of the terms you'll encounter; we offer a guide in the box on page 69.)

Carmakers have to satisfy these rules on a fleet level, just as they did to comply with previous fuel-economy rules, known as CAFE standards. That means, at least in theory, manufacturers could continue to offer a pure ICE vehicle that sells in low volumes if they sell enough EVs to other consumers.

One hitch is this: Developing car models is expensive. Carmakers have been working for decades to offer a wide range of vehicles based on as few underlying platforms as possible, but EVs present a challenge to this strategy. "An ICE vehicle platform and [an EV platform] are really not interchangeable. There are core elements that need to be accounted for in the design, such as a radiator/gas tank versus a battery," explains Cars.com's Bell.

There are exceptions, he notes, such as Ford's F-150 Lightning and BMW's i4 (a full BEV that shares many parts with the 3 and 4 series), but he doesn't see that as the future. "Moving forward," he says, "to really have an optimized platform, you have to have it one way or the other." And so some carmakers have thrown in the connecting rod on the ICE entirely.

The ICE Six

If listing each maker's commitment to electrification is beyond our scope, so is forecasting how long every ICE vehicle on the market is going to stick around. But what we can do is point to some vehicles that have the latest-and-greatest (and possibly final) iterations of internal-combustion drivetrains, a minimum of electrification, and the potential to endure—because this ICE ride could be the last one you buy. All are 2023 models and, of course, all have been selected with *Kiplinger's* eye to value.

COURTESY OF JEEP

Wagoneer/ Grand Wagoneer

Starting MSRP (Wagoneer): $59,495

The first iteration of this family-hauling, body-on-frame SUV dates to the end of the 20th century, and the fact that people are willing to pay over six figures for reconditioned models from that era tells you something about the nostalgic draw of this nameplate. After years of teasing customers with a reintroduction, Jeep finally did so in 2022, with these models aimed at the market for full-size SUV offerings from Ford, GM, Nissan and Toyota. A range of trims, engines and even body sizes are available, with the Grand Wagoneer squaring up against the segment's dominator, the Cadillac Escalade.

The Grand Wagoneer and the Escalade are both prime rides from which to mutter "Later, peasants!" as a burly V8 engine presses you forward. But, based on a nationwide search using CarGurus.com, there's a notable difference: We found the Grand Wagoneer selling at discounts to its manufacturer's suggested retail price, but that was not the case for the Escalade.

The Wagoneer and Grand Wagoneer models also offer a different internal-combustion engine than the Escalade, a six-cylinder that delivers more horsepower with greater fuel efficiency than the standard Hemi V8 (the same engine celebrated in the Dodge Challenger and Charger). The twin-turbocharged "Hurricane" straight-6 is one of WardsAuto's 10 Best Engines & Propulsion Systems for 2022 and might well be one of the last internal combustion engines to be designed new from the ground up. Also notable: Half of the WardsAuto list consisted of the propulsion systems for BEVs, two were from hybrids and three were purely internal combustion engines.

Toyota Corolla

Starting MSRP: $21,700

The prospect of an electrified future is enough to have some people talking and even planning to stockpile gas cars to hold out as long as possible. That isn't terribly practical. You can't exactly fill your bathtub with extra vehicles. But one solution for this subset of preppers could be to buy a car celebrated for its ability to rack up hundreds of thousands of trouble-free miles, generation after generation: the Toyota Corolla.

I belong to a Facebook car-appreciation group called Mileage Impossible, meant to celebrate cars with exceptional longevity. It's run by Steven Lang, an auto auctioneer and automotive analyst. Because it's his group, he gets to set the rules, and one of those is that you shouldn't brag until your car hits at least 250,000 miles—but Toyotas and Hondas have to hit 300,000 miles. So yes, he's crediting the whole brand (and Honda, too), but the Corolla stands out in part because the nameplate has been around for so long (since 1968, in the U.S.) and because it is completely unremarkable to see 30-year-old examples serving as daily drivers.

"On a global level nothing is more Toyota than a Corolla," says Lang, who has also created a reliability tracking website called the Long-Term Quality Index. "Most of the parts are so reliable and cheap that stockpiling parts for decades requires nothing more than a well-organized broom closet."

The 2023 Corolla, a just-refreshed version of the 12th generation of the model, retains the architecture and propensity for endurance of its forebears. However, although the premise of this article is to recommend new vehicles, some ICE purists may not like that the most recent model year is the first time Toyota has not offered a manual transmission in the Corolla (though only a smattering were actually sold that way in recent years, reflecting the general decline of the stick shift).

Indeed, the near-disappearance of the "three-pedal" manual transmission in today's marketplace actually dovetails with the rise of the EV. Exactly zero BEVs have a manual transmission (it's mechanically unnecessary), and neither do any hybrids on the market today.

Yes, you can still buy a Toyota Tacoma pickup truck with an ICE and a manual transmission; even the just-debuted 2024 version will offer this combination. And yes, just like the Corolla, it will also drive to the sun and back. The problem? Everyone knows that, and it's a hot seller with few discounts to be found on 2023 models, even with a new version coming out.

FORD MUSTANG GT

COURTESY OF FORD

Ford Mustang GT

Starting MSRP: $38,345

Goodbye, Challenger and Charger. Goodbye, too, Chevrolet Camaro, which will also be discontinued after the 2024 model year with no replacement, either electric or ICE powered, announced. Last American muscle car standing? The Ford Mustang (well, for now). And just as it was at its debut almost sixty years ago, it's still available with a V8 and a manual transmission. Made in Detroit, too. Seems about as straightforward a gas burner as you can come by.

VOLVO XC90

A potential complication for shoppers is that the 2024 Mustang is about to hit dealerships around the time this magazine comes out. Do you wait for the newest Mustang or take advantage of the discounts available on 2023 versions? You can get into a 450-horsepower GT model for well under $40,000, which strikes us as a (tire) smoking deal. One thing to consider for those who want to hold out is that the next generation of Mustang is likely to be the last pure gas-powered iteration, which will likely impart some collector value—at least to the special editions that Ford is likely to roll out before going electric. *Autoweek* magazine is forecasting 2028 as the last year of the gas Mustang.

Volvo XC90

Starting MSRP: $56,000

Although never a huge player in the U.S., Volvo nonetheless has a strong brand following, in no small part due to its reputation for safety. That the company is aggressively going all-electric will likely ruffle fewer feathers among its buyers than if, say, BMW were to decide to pursue such a strategy. That said, there is such a thing as a Volvo petrol-head; groups of them even have internet forums where they lament the transition.

An SUV called the EX90 is the next big thing from Volvo—and we mean that literally. It has three rows of seating and weighs over three tons, which will be fuel for those whose objection to BEVs is the weight their battery packs impose. It will replace the ICE-powered XC90 SUV, which has been for sale in its latest iteration since 2016 (with a plug-in hybrid available).

The XC90 has been little changed during its run, and that's actually because Volvo got things right the first time around, including the engine technology. Volvo was early to the idea of taking a small displacement engine and boosting the heck out of it. The 2.0-liter four-cylinder that powers the XC90 is turbocharged in B5 models, and it's turbocharged *and* supercharged in B6 models (to an impressive 315 horsepower). The engine from the B6 made it onto the Wards best engines list in 2016. And despite concerns about the stresses of this approach, the engine has held up just fine.

Only small trim changes distinguish a 2023 XC90 from a model from nine years ago, but again, we're viewing this as a plus. The seats boast that special Volvo posterior-friendliness, and interior designs retain the clean, Nordic lines that the Swedish carmaker has maintained even under Chinese ownership. And being the last year of production—but not a vehicle with an enthusiast following, like the muscle cars—translates into savings and discounts. There's a lot of value here, as well as the reassurance of a brand with a reputation for longevity for your last gasser.

Genesis GV70

Starting MSRP: $43,150

The reason this sporty SUV made our list isn't because it's about to get canceled. In fact, it only recently debuted, in the 2022 model year. And even though an electrified version is available now, the ICE-only versions should have years left ahead of them.

Rather, we wanted to include a Genesis model because it illustrates how its parent company is continuing to gain market share broadly. It's manufacturing a wide range of ICE vehicles while also introducing multiple, well-received BEVs (including a Genesis model, the GV60). Apparently some carmakers can chew gum and walk at the same time.

In case you're wondering, Genesis is a luxury brand introduced by its Korean parent company, Hyundai, which followed in the footsteps of Toyota (Acura), Nissan (Infiniti) and Honda (Acura). After selling a smattering of sedans, Genesis is

GENESIS GV70

TOP: COURTESY OF VOLVO. BOTTOM: COURTESY OF GENESIS finally selling in volume by going the SUV route. The GV70 has an athletic stance, reflecting its longitudinal engine layout. You can choose a turbo four or a twin-turbocharged V6.

And here's a nice touch: While many carmakers are trying to disguise the fact that they're still selling ICE vehicles by hiding engine exhaust outlets, not so the GV70—it has two giant exhaust outlets in the rear bumper cover that suggest they're capable of giving this vehicle serious forward thrust.

Volkswagen Golf GTI
Starting MSRP: $30,530

The reintroduction of the Challenger and Charger nameplates in 2008 was undoubtedly an effort to capture boomer nostalgia for the first generation of muscle cars from the 1960s. Gen Xers have their favorite models, too, and first among them is a car that has been available in the U.S. market since 1983, the Volkswagen GTI, often considered the original "hot hatch." The GTI has always been a high-performance version of VW's Golf, a mass-market, lower-priced, three- or five-door hatchback, and that is still the case today. What's changed now is that the GTI is the only flavor of Golf you can buy in the U.S.; the more-pedestrian models are no longer sold here.

This is in part a reflection of the turn to SUVs in the American market. VW's entry-level vehicle is now the Taos compact SUV. But it's also a sign that VW, still smarting from the "dieselgate" emissions-cheating scandal, is gung-ho on electrification, and the traditional ICE-based lineup will likely not be around for long. Direct precedent: VW of America's Tennessee factory stopped making the internal combustion Passat sedan to free up resources for production of the ID.4, a BEV.

So the GTI has a bit of last-hurrah feel to it. Now in its eighth generation, the GTI of today has the same number of cylinders (four) as when introduced, laid out the same way (the engine is transverse) and with the same wheels driven (front). And it still sports the telltale "golf ball" dimples on the shift knob if you order the six-speed manual. So slide back the sunroof, put on some Flock of Seagulls, and head on back to the 1980s while you still can (we'd estimate the window to do so will be several more years). Per CarGurus.com, interest in the GTI is running fairly high, so don't expect much of a discount from MSRP, if any. ■

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


VOLKSWAGEN GOLF GTI

COURTESY OF VOLKSWAGEN

VOCAB LESSON

THE DRIVETRAIN LINGO

Battery electric vehicles (BEVs), also called EVs, have a battery that is charged by plugging the vehicle into an electricity source, at home or away. They have no internal combustion engine (ICE) at all. All of Tesla's models are BEVs, for example.

Hybrid electric vehicles have both a battery and an internal combustion engine. The vehicle's battery is charged either by regenerative braking (the electric motor runs in reverse to operate as a generator when you're slowing down) or, sometimes, by the internal combustion engine itself. The main point is, all of its motive power comes from gasoline.

Although the Toyota Prius (now in production for more than 25 years) is most people's first thought of "hybrid," more and more vehicles that you might think of as conventional have some hybrid features. "Even now, you'd be hard-pressed to find a vehicle that is totally not electrified, that is a pure ICE," says Bob Gritzinger, industry analyst for propulsion and technology at WardsAuto. "A stop-start function, which is on virtually all vehicles, is considered a mild hybrid." That's the system that turns your engine off when you come to a stop.

He points to an engine option available in Ram trucks, a variant of the celebrated Hemi V8 called the Ram E-Torque. "That's a 48-volt stop-start system," Gritzinger says. An owner "might not even know it, but it's providing some degree of e-assist, smoothing transmission shifts and things like that."

And then there are **plug-in hybrid electric vehicles** (PHEVs), which have an internal combustion engine and an electric motor just like the hybrid. But their batteries are bigger, and they have the ability to be plugged into the grid. On a full charge, they can go between 20 and 40 miles on electric power alone; then the gas engine takes over.

Karl Brauer of iSeeCars.com and others say the PHEV is likely to dominate the model mix of the future, offering the range and refueling of a conventional car with the energy savings to meet government regulations. Even California's more stringent rules—"Advanced Clean Car II"—which a number of states have also adopted, will allow the sale and registration of PHEVs.

But a PHEV doesn't sit well with some of the EV rejectors, who point to their large battery packs, which bring up the mining, sourcing and recycling—and fire-risk—criticisms leveled at BEVs. Similarly, for people with concerns about the load on the electrical grid (or where the electricity is coming from), a PHEV that's plugged in for charge remains a problem.

SHOULDER SEASON

Lock In a Great Deal on a Fall Vacation

Prices will be lower than during the summer rush, and you'll encounter fewer crowds and milder weather. BY EMMA PATCH

The number of people traveling this summer is the highest since before the pandemic, and airlines and hotels are raising prices to match the demand. But you can find deals on flights and lodging toward the end of August and heading into the fall, especially if you travel domestically. Domestic airfares are expected to drop 6% from July to August and continue to drop throughout the shoulder season, according to the travel site Hopper.

But thanks to high demand and fewer seats on international routes, international airfares are at the highest levels in at least five years, according to Hopper. Airfares to Europe are 24% higher than before the pandemic, on average, and flights to Asia are 60% higher than they were pre-pandemic, according to Hopper.

Nantucket. Flights to the island off Cape Cod drop by 60%, on average, beginning in August, according to travel site Kayak. Lodging can be pricey, but in the fall months, accommodations are more affordable. Even the renowned White Elephant Hotel—Nantucket's iconic harborside hotel and cottages—drops its rates from $2,200 for a five-day stay in the summer to around $1,395 for five days in early October.

September and October are prime months to avoid crowds and enjoy the peace and quiet of the idyllic natural surroundings. High temperatures range from about 60 to 68 degrees, and a visit in October offers early glimpses of fall colors along the wooded coastline.

Despite being a slower season, there's still lots to do. October is a thriving month for the arts, when the Nantucket Arts Festival and the Artists Association of Nantucket Wet Paint Weekend take place. Wet Paint Weekend features gallery events, auctions, dinners and art shows open to the public. The Nantucket Arts Festival includes visual, musical, theatrical and literary events.

Nantucket is also home to great food, and in September the island hosts Nantucket Restaurant week. Participating restaurants typically offer three- to five-course dinners from $25 to $50. For a fresh organic eatery, stop by Lemon Press. Or for a taste of classic Nantucket seafood, try the casual waterfront restaurant Toppers at the Wauwinet, overlooking Nantucket Bay. Both restaurants participate in Restaurant Week. Look for the September dates to be announced and see a full list of participating restaurants at www.nantucketrestaurantweek.com.

Amelia Island. Just off Florida's northeastern coast lies Amelia Island, which is home to 13 miles of beautiful beach. Summertime is peak season, as inland travelers flock to the coast for a breezy beach getaway. But the shoulder season on Amelia Island is calm and uncrowded, and average high temperatures are around 80 degrees in October. Round-trip flights to Jacksonville International Airport from major U.S. cities hover around $250 in October and, thanks to abundant routes by budget airlines such as Spirit, you can often find fares for less.

The island has many live music venues, and you can savor classic southern cuisine at the Beech Street Grill, located within the historic William Bell house in downtown Fernandina Beach. Beech Street Grill has been offering unique upscale southern dining since 1990, serving up fresh local seafood, farmer's produce, craft cocktails and a thoughtful wine list.

Go for a horseback ride on the beach at sunset or sunrise ($175 per person with Happy Trails Walking Horses), or play a round of golf. The island has 99 challenging and picturesque golf holes.

For a luxurious experience with award-winning golf courses just outside your door, stay at the Omni Amelia Island Resort (starting at about $357 per night for two people in the fall) or the Ritz-Carlton, Amelia Island ($4,995 for five nights in October). Even if you're not a guest at the Ritz, con-

GETTY IMAGES

■ LONG BAY, ANTIGUA, ON THE CARIBBEAN SEA.

sider checking out its signature restaurant, Salt, a AAA 5-Diamond restaurant that sources its seafood from the ocean and marshes surrounding the hotel.

Antigua. Airlines have increased the number of routes from the U.S. to the Antilles, so fares aren't as steep as they are for other international routes. The rainy season can endure well past summer, so consider visiting in late October or early November, when the weather might be more agreeable and you'll arrive ahead of the holiday traffic.

Antigua is a standout for all-inclusive resorts. Consider the romantic overwater bungalows, complete with infinity plunge pools, at the Royalton Antigua. If you reserve via Marriott Bonvoy, you can earn or redeem points for your stay. Outside your room, you can enjoy activities such as tennis, cooking classes, beach volleyball, water sports (including an introductory scuba lesson) and dance lessons.

The overwater bungalows are for adults only, but the resort offers lodging for families, too, and has kid-friendly activities such as face-painting and movie nights. All-inclusive rates at the Royalton start at about $460 in October and early November.

Mediterranean cruise. Royal Caribbean International recently offered a seven-night mid-October Mediterranean cruise departing from Ravenna, Porto Corsini, Italy, traveling through Naples, Rome, Florence and Pisa, to Marseille in France and ending in Barcelona, Spain, for $577 per person. Cheap flights from major U.S. cities to Italy were recently available for $458 round-trip in October 2023.

Consider spending a few extra nights in Barcelona. Barcelona typically costs far less in fall than summer, thanks to cheaper lodging. A stay at the Catalonia Parc Guell hotel in Gracia, not far from the infamous Gaudi designed Parc Guell, goes for about $120 per night in October. The city is also home to rich Catalan culture; the National Day of Catalonia is on September 11.

Meanwhile, decadent eats can be found around almost every corner of the city. Try the patatas bravas at Bar Tomás in Gracia, or explore the iconic Gothic Quarter and taste the seafood at the Mercer Restaurant. ■

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KIPTIP

RENEW YOUR PASSPORT EARLY

If you're planning to travel internationally, be sure that your passport is up to date, meaning its expiration date is at least 30 days—or, depending on the country, six months—after your planned date of return. If it's not, be prepared for a long wait to get it renewed. Standard processing times for passport renewals (which cost $130) are currently 10 to 13 weeks, up from eight to 11 weeks earlier this year, according to the State Department. At a congressional hearing in March, Secretary of State Antony Blinken said the State Department is receiving 30% to 40% more passport renewal applications than last year.

You can pay an additional $60 for expedited processing, but the wait time will still be at least seven to nine weeks. Also, these estimates do not include the time it takes to actually mail your passport to the passport agency or center, which can tack on an additional two weeks. If you are traveling within the next 14 calendar days, you can request to make an appointment at a passport agency or center and provide proof of international travel for expedited processing.

Visit www.travel.state.gov for more information and resources. If you're getting a passport for the first time, you'll pay an additional $35 acceptance fee.

PAYING IT FORWARD

An Advocate for Financial Literacy

She has been teaching high school kids the personal finance basics for 17 years.

PROFILE

WHO: Courtney Poquette

WHAT: Personal finance teacher and advocate

WHERE: Winooski High School, Winooski, Vt.

How did you get involved teaching personal finance? When I first started teaching, I went to a Vermont State Jump$tart Coalition conference, where someone said that it's ironic we teach students about business and how to manage money for a business before we teach them how to manage their own personal finances. That resonated with me because it was something that I was never taught, even though I had a degree in business. So I started to seek out every professional development opportunity I could and read all kinds of financial literacy and personal finance books just to better educate my students. I developed a personal finance course for the students in my second year teaching here, and it just continued to evolve. Over the 17 years I've been teaching, I've brought in more resources and more curriculum.

Is it part of the state curriculum? It's under local control. Every school in Vermont decides its own graduation requirements. Our school is one of the schools in the state for which it's required. But I did a study looking at the programs for all of the schools in Vermont, and the reality is that only 10% of schools in Vermont are requiring this for graduation, and another 50% have this as a stand-alone course. And then another 30% may have it embedded in a course or two. So we're trying to get Vermont, and every state across the country, to guarantee that personal finance is taught everywhere. The study also found that the Vermont schools where 75% of the students qualify for free or reduced-cost lunch are less likely to get this course than schools that may be attended by more-affluent families. And the statistics show that students from schools with a majority Black or Hispanic student body are less likely to get personal finance education than their peers. There are equity issues in every state where this material isn't a guarantee for all high school students. That's the part that keeps me going and really motivates me.

Why are there so few schools that teach personal finance? There are three reasons schools give for why they can't do this. One is that they say they don't have the time in the schedule. But they don't have to cut anything from their schedule. Usually, students take 40 classes before they graduate, and one of those 40 can be personal finance. The second argument is that they don't have enough money to offer this. But the nonprofit Next-Gen Personal Finance offers free resources and training. The third argument is just that teachers are uncomfortable talking about money with students. But again, there are national standards we can follow now. And 93% of Vermonters who were surveyed said that this is something that they want to see offered in schools. It's just hard to change systems that are already in place.

What are you doing to advocate for personal finance education to be required in Vermont? I testified in front of the House Education Committee with some students. I've written letters to all of the representatives, and the students are speaking out every chance they get. They all see why it's important, and they want to talk about that. I also do a lot of work at the state level and sometimes at the national level through Next Gen. I've worked with them to develop curricula for teachers nationwide. I design and develop activities myself, but I pull many resources from what they offer, too.

What topics do students most want to know about? The thing that I love about this class is you don't have to convince high school students to pay attention. They actually love doing taxes. They love learning about credit and how that impacts borrowing and interest rates and the cost of car loans and home loans. And their favorite thing, which I think is the one they talk about the most, is planning for their retirement. **EMMA PATCH**

PHOTO BY OLIVER PARINI