

**13 GREAT TECH STOCKS TO BUY NOW** p.52

# Kiplinger's

MONEY  
SMART  
LIVING

PERSONAL FINANCE

✦ 70TH ANNIVERSARY SPECIAL ISSUE ✦

# 70 Ways to Build Wealth

Follow our time-tested advice to achieve  
financial security and enrich your life. p.20



# Fiduciary: It's the word independent advisors live by.

Independent Registered Investment Advisors are held to the highest standard of care. As fiduciaries, they are required to act in the best interests of their clients at all times. That's why we support independent financial advisors. And why we think it's worth your time to learn more.

[FindYourIndependentAdvisor.com](http://FindYourIndependentAdvisor.com)

Annette B. | Independent financial advisor since 2006

**Charles Schwab is committed to the success of over 7,000 independent financial advisors who are passionately dedicating themselves to helping people achieve their financial goals.**

charles  
SCHWAB

*Own your tomorrow.*

This content is made available and managed by Charles Schwab & Co., Inc. ("Schwab"). The purpose of this information is to educate investors about working with an independent Registered Investment Advisor (RIA). The RIAs and their representatives featured here use Schwab Advisor Services™ for custody, trading, and operational support. Inclusion should not be construed as a recommendation, an endorsement, or a sponsorship by Schwab. Many independent RIAs and other financial services professionals receive compensation for services in a variety of ways. Registration does not imply a certain level of skill or training. It is the responsibility of each investor to determine which method of compensation offers the lowest total costs and best serves the interests and needs of the investor. ©2017 Charles Schwab & Co., Inc. All rights reserved. Member SIPC. (0416-F1LX) (ADP92136-00) (06/16)





**JOSH COHEN HOPES TO KEEP ALL OF THE JUNK HIS COMPANY HAULS FROM GOING TO LANDFILLS BY 2020 (PAGE 14).**

## AHEAD

**9 TOPIC A:** Brokers change pricing policies ahead of the pending fiduciary rule... How to snag a bargain overseas flight... IBM's Watson tackles the tax code for H&R Block customers.

**14 SUCCESS STORY** Finding the green in your junk, by PATRICIA MERTZ ESSWEIN.

**16 OPENING SHOT** Worrying about the bear? Don't, by JAMES K. GLASSMAN.

## MONEY

**20 70 WAYS TO BUILD WEALTH** For this 70th anniversary issue, we have distilled our best advice to show you how to build, protect and enhance your wealth throughout your life. **PLUS:** 10 timeless tips from Knight Kiplinger.

**40 HOME PRICES KEEP CLIMBING** But with mortgage rates rising, too, homes will be less affordable and price increases should slow in 2017.

**46 LAST-MINUTE TAX SAVERS** You can still

make moves that will trim your bill. And good news: You have until Tuesday, April 18, to file.

**49 ASK KIM** Estate planning for snowbirds, by KIMBERLY LANKFORD.

**48 MORE ABOUT YOUR MONEY** E-mail etiquette (48). Extend the life of your phone battery (48). The CFPB fines two credit bureaus (50).

## INVESTING

**52 13 STOCKS FOR THE TECH REVOLUTION** We name five innovations that are reshaping the future and 13 companies—start-ups and household names—that let you get in on the action.

**59 INFLATION-PROOF YOUR ASSETS** Even a modest rise in inflation can erode your portfolio. Here's what to buy now to shore up your accounts.

**58 PRACTICAL INVESTING** A takeover boosts my portfolio, by KATHY KRISTOF.

**61 MORE ABOUT INVESTING** News of the Kiplinger 25 (61). Fund rankings (62).

## HEALTHY LIVING

**64 KEEP YOUR MEMORY SHARP** Senior moments are a fact of aging. But a healthy diet, regular exercise—aerobics plus strength and balance training—and flexing your mental muscles can make a difference. **PLUS:** Rev up your recall.

**68 TO YOUR HEALTH** How to choose the right specialist, by NELLIE S. HUANG.

**70 FROM THE EXPERTS** Get advice from a pharmacist.

## IN EVERY ISSUE

**4 FROM THE EDITOR** Our 70th anniversary.

**6 LETTERS** Rewards card snag.

**72 THEN AND NOW** A fighter pilot's new career takes off.

ON THE COVER: Photograph by Joseph Darrow

# KIPLINGER.COM

LOG ON & EXPLORE

← FEATURED



## BUILD, PROTECT YOUR WEALTH

Take a fresh look at your financial plans with valuable insights on tax planning, saving for retirement, protecting your estate and more from financial pros across the country in Kiplinger.com's new Wealth Creation channel.

[kiplinger.com/links/wealth](http://kiplinger.com/links/wealth)

— ALWAYS ON KIPLINGER.COM —

## KIPLINGER'S ECONOMIC OUTLOOK

Stay ahead with exclusive forecasts to guide your portfolio and business.

- Business spending
- Trade deficit
- Energy
- Housing
- Interest rates
- Inflation
- Retail sales
- GDP

[kiplinger.com/outlooks](http://kiplinger.com/outlooks)

## INTERACT



**4 GREAT MUTUAL FUNDS FOR FOREIGN STOCKS** Foreign stocks are cheap relative to U.S. stocks—and starting to outperform them, says columnist Steve Goldberg.

[kiplinger.com/links/foreign2017](http://kiplinger.com/links/foreign2017)

**STEVE GOLDBERG** @Kiplinger

## QUIZ YOURSELF

### IS IT TAX-DEDUCTIBLE?

See if you can distinguish legitimate deductions from ones that might trigger an IRS audit.

[kiplinger.com/links/taxdeductible](http://kiplinger.com/links/taxdeductible)

## TOOL



**TAX BREAKS FOR INDEPENDENT CONTRACTORS** Kim Lankford reveals opportunities to deduct health insurance premiums, retirement savings, your home office, more.

[kiplinger.com/links/independent](http://kiplinger.com/links/independent)

**KIM LANKFORD** @Kiplinger

### TAX WITHHOLDING CALCULATOR

Getting a tax refund this spring? Adjust your tax withholding to pocket more of your paycheck throughout 2017. Our easy tool shows you how.

[kiplinger.com/links/withholding](http://kiplinger.com/links/withholding)

## ONLINE STORE

### DON'T MISS THIS FREE OFFER

Kiplinger Alerts is an exciting new e-mail and online service that covers economic and political topics critical to your financial well-being and business success. Get it FREE for 30 days.

[kiplinger.com/go/alerts](http://kiplinger.com/go/alerts)

## CONNECT WITH US



**STAY UP TO DATE** Keep Kiplinger at your fingertips and keep current on the latest stories by following us on Facebook and Twitter.



FACEBOOK: [KiplingerPersonalFinance](https://www.facebook.com/KiplingerPersonalFinance)  
TWITTER: @Kiplinger

**HOW TO REACH US: Subscriptions.** For inquiries about ordering, billing or renewing a subscription, or to report address changes, please have your mailing label handy to reference your account number and visit us online at [kiplinger.com/customer-service](http://kiplinger.com/customer-service) or call 800-544-0155, Monday through Friday between 7 A.M. and midnight, Saturday between 8:30 A.M. and 7 P.M., and Sunday between 10:30 A.M. and 7 P.M. You can also write to Kiplinger's Personal Finance, P.O. Box 62300, Tampa, FL 33662, or e-mail us ([personalfinance@customersvc.com](mailto:personalfinance@customersvc.com)).  
**Reprints.** PARS International Corp. (212-221-9595, ext. 237; e-mail, [jennifer.eclipse@parsintl.com](mailto:jennifer.eclipse@parsintl.com)).  
**Content licensing.** E-mail [licensing@kiplinger.com](mailto:licensing@kiplinger.com).  
**Mailing lists.** From time to time we make our subscriber list available to carefully screened companies whose products may be of interest to you. If you would rather not receive such solicitations, send your mailing label to P.O. Box 62300, Tampa, FL 33662 and instruct us to exclude your name.

## MOST POPULAR TAX-PLANNING GUIDANCE ON KIPLINGER.COM



1. The Most-Overlooked Tax Deductions  
[kiplinger.com/links/overlooked](http://kiplinger.com/links/overlooked)
2. 10 Most Tax-Friendly States in the U.S.  
[kiplinger.com/links/taxfriendly](http://kiplinger.com/links/taxfriendly)
3. 10 Least Tax-Friendly States in the U.S.  
[kiplinger.com/links/unfriendly](http://kiplinger.com/links/unfriendly)
4. Tax Withholding Calculator  
[kiplinger.com/links/withholding](http://kiplinger.com/links/withholding)
5. Red Flags for IRS Auditors  
[kiplinger.com/links/auditredflags](http://kiplinger.com/links/auditredflags)

SOURCE: BASED ON TRAFFIC ON KIPLINGER.COM, 2016





# NINETY FIVE

**The Fidelity Retirement Score.<sup>SM</sup>**  
**Another way we're making retirement planning clearer.**

We introduced the Fidelity Retirement Score to make it easy to know where you stand. But getting your score is just the beginning. When you save for retirement at Fidelity, you'll get much more:

- A simple numerical score that shows you if you're on track. It's like a credit score for your retirement.
- A one-on-one assessment of your plan, with help determining what to do next, and why.
- Simple, straightforward pricing with no fees to open or maintain your account.

**It's your retirement. Know where you stand.**



800.FIDELITY | [Fidelity.com/score](http://Fidelity.com/score)

**IMPORTANT:** The projections or other information generated by the Fidelity Retirement Score regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Results may vary with each use and over time.

There is no opening cost or annual fee for Fidelity's traditional, Roth, SEP, and rollover IRAs. A \$50 account closeout fee may apply. Fund investments held in your account may be subject to management, low-balance, and short-term trading fees, as described in the offering materials. For all securities, see [Fidelity.com/commissions](http://Fidelity.com/commissions) for trading commission and transaction fee details.

Guidance provided by Fidelity through the Fidelity Retirement Score is educational in nature, is not individualized, and is not intended to serve as the primary basis for your investment or tax-planning decisions.

The Fidelity Retirement Score is a hypothetical illustration and does not represent your individual situation or the investment results of any particular investment or investment strategy, and is not a guarantee of future results. Your score does not consider the composition of current savings and other factors.

*Investing involves risk, including the risk of loss.*

The trademarks and/or service marks appearing above are the property of FMR LLC and may be registered.  
 Fidelity Brokerage Services LLC, Member NYSE, SIPC. © 2016 FMR LLC. All rights reserved. 773776.1.0

## Janet Bodnar

FROM THE EDITOR

# Our 70th Anniversary

“The Republicans are back in Washington, all set to take control of the new Congress.” News ripped out of today’s headlines? Actually, those words appeared in the first issue of the *Kiplinger Magazine* in January 1947. Other stories from those early years also have a familiar ring: “But What Kind of Tax Cut?”; “Buy Stock in Investment Trusts?”; “Retirement by Easy Stages”; “How to Buy a House” (see page 40 for our current housing outlook); “Be Prudent About Inflation” (see page 59); “Your Income Tax: Do It Right This Year” (see page 46); “‘No-Load’ Mutual Funds”; “The Way to Buy Stocks Today”; “The High Cost of Drugs.”

Some stories were eerily prescient. In November 1947 we published a special section on life in the future, in which we foresaw a convertible car that would boast such amenities as an “underseat toilet, television receiver ... and a compartment for telephone and directory. It is hard to escape the telephone anywhere. ...” Except for the underseat toilet (are you listening, Elon Musk?), we were right on the money.

We missed by a mile, however, with our infamous “What Dewey Will Do” issue in November 1948. Thanks to speedier production technology, we did much better in November 2016, when we were able to rewrite our entire January 2017 cover story to reflect Donald Trump’s surprise win.

Foreshadowing our Healthy Living section, we published stories about dealing with alcoholism. And in October 1950, we offered help for insomni-

acs (“Have Trouble Sleeping?”), just as we did last month (see “What’s Keeping You Up at Night?” March).

Then as now, we were concerned with teaching kids about money (“Should Children Get an Allowance?”). But there has been a sea change in our coverage of women’s finances. Back then we wrote about women and money from the perspective of their husbands: “What Every Woman Should Know About Her Husband’s Finances”; “Money Quiz for Wives Only”; “Wife’s Guide to the Stock Market.” Today we address women directly in our Money Smart Women column (see “Build Your Own Company,” March).

**Our passion.** One thing that has remained constant over 70 years is our dedication to our readers. Our mission is to provide trustworthy advice that real people can act on to take control of their finances. And because we are a family-owned company, that mission is personal. “Providing useful advice to the American people for 70 years has been more than just a business for those of us in the Kiplinger family and to our colleagues here,” says editor in chief Knight Kiplinger. “It’s our calling, our passion. Nothing gives me more pleasure than hearing from longtime readers that our counsel has helped their families achieve real financial security. That’s what we’re all about.” (For Knight’s own timeless counsel, see page 28.)

And hear from readers we do, such as this note from Matt Millard in



**Our dedication to our readers has remained constant.**

Flower Mound, Texas: “We have had the magazine across multiple generations and it has had quite an impact on our family’s life. My Grandma Foster first gave *Kiplinger’s* to my late father in the early 1990s, and today we represent three generations of subscribers. Thanks for 25 years, *Kiplinger’s*, and here’s to many more!”

Our cover story this month, on page 20, is a reflection of the passion Knight referred to. It’s a collaboration among our entire staff, who at first suggested nearly 300 ideas. Senior editor Mark Solheim took the lead in culling and editing them to a manageable 70, and art director Stacie Harrison is responsible for the elegant cover and lush layout. We invite you to benefit from our 70 years of experience as we tell you the best ways to build, protect, preserve and enjoy your wealth. ■

JANET BODNAR, EDITOR  
FOLLOW JANET’S UPDATES AT [WWW.TWITTER.COM/JANETBODNAR](http://WWW.TWITTER.COM/JANETBODNAR).





We see things differently.

We see opportunity when others don't. Our innovative financial solutions combined with relentless focus take performance to a whole new level. And for you, that means never settling for status quo. If you see things like us, visit [Athene.com](http://Athene.com).

 **ATHENE**  
Driven to do more.®

ANNUITIES • REINSURANCE • INSTITUTIONAL PRODUCTS

WE RANK THE 300 BEST COLLEGE VALUES 38

# Kiplinger's

MONEY SMART LIVING

PERSONAL FINANCE

Unlock the power of your money!

## 36 GREAT IDEAS

for \$1,000, \$10,000 and \$100,000

- Grab these 10 dividend stocks
- Beat the winter blahs
- Buy a franchise
- Support a local charity
- Get your pilot's license
- And much more! 38

**PLUS**  
Credit card rewards:  
Secrets of the masters 94

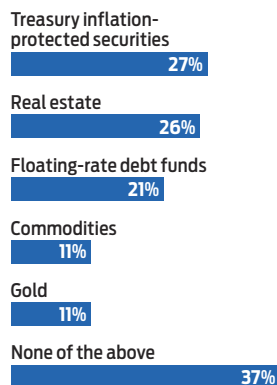
FEBRUARY 2017

## Rewards Card Snag

My wife and I have enjoyed wonderful travel benefits by charging many of our living expenses to one airline mileage rewards credit card (“Playing Your Cards Right,” Feb.). We promptly record the charges, monitor the resulting balance and pay it in full well before the due date. Unfortunately, a major credit rating agency has now downgraded our score because “our monthly credit card balance is too high.” Apparently, the agency takes a “snapshot” of our credit card balance—which shows an artificially high mid-cycle balance. Is there a way to request that the credit scoring agencies

### Q READER POLL

#### What are you buying to hedge against inflation?



For ideas on how to inflation-proof your investments, turn to page 59.

use only carryover balances when assessing our score?

**ROY SMITH**  
GLADSTONE, N.J.

**EDITOR'S NOTE:** You cannot request that the credit agencies alter the timing of their snapshot. You can, however, make repeated payments each month to keep your total balance low. Or you could reduce your credit-utilization ratio—the amount of credit used as measured against your total available credit—by applying for a new card or by asking existing card issuers to raise your credit limits.

#### The limits of partnerships.

Among your all-season stock picks, you listed two—Brookfield Infrastructure Partners and Magellan Midstream Partners—that are organized as master limited partnerships (“10 Great All-Weather Stocks,” Feb.). New investors should be aware that the tax implications are far more complex than receiving a K-1 form rather than a 1099. When you decide to sell, your tax basis will be reduced by the tax benefits you received and part of your gain will be taxed as ordinary income. Moreover, you are a “limited partner,” and that means that if the general partner decides to convert to corporate ownership, you will be forced to pay the long-deferred taxes.

**MARVIN WEISS**  
DELRAY BEACH, FLA.

**Bowdoin days.** From my experience, students should not expect to take many off-campus excursions from Bowdoin College because course requirements are very stiff (“A Bright Star

Downeast,” Feb.). However, I wish I had toured nearby Bath Iron Works. I thought Bath Iron was a foundry or blacksmith shop. Little did I know that it built destroyers for the U.S. Navy. Today, Bath Iron builds guided missile destroyers for the same customer.

**ROBERT MCNEILL**  
WINCHESTER, MASS.

**Letting go.** Cloning a dog for \$100,000 seems to me like science gone haywire (“Great Ideas for \$1,000, \$10,000 or \$100,000,” Feb.). Memories of family pets remain with us, and that’s the way it should be. To try to re-create them through cloning is unethical.

**JOHN GAVITT**  
WINCHESTER, VA.

**Love story.** The Marchegger family has been through a great deal (“Then and Now,” Feb.). But I was impressed by their love story—how well putting family first has worked for them.

**JUDITH TUKICH**  
CHICAGO

#### CORRECTION

The symbol for DoubleLine Total Return Bond is *DLTNX* (“Index Everything? Not So Fast,” March).

#### LETTERS TO THE EDITOR

Letters to the editor may be edited for clarity and space, and initials will be used on request only if you include your name. Mail to Letters Editor, Kiplinger's Personal Finance, 1100 13th St., N.W., Washington, DC 20005, fax to 202-778-8976 or e-mail to [feedback@kiplinger.com](mailto:feedback@kiplinger.com). Please include your name, address and daytime telephone number.





NEW FOR 2017

# GRAND NEW ENGLAND CRUISE



MISSISSIPPI RIVER

SOUTHEAST

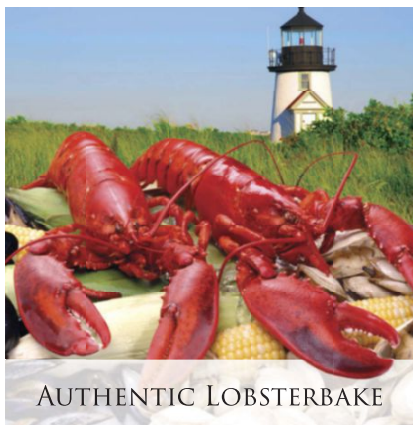
**NEW ENGLAND**

ALASKA

PACIFIC NORTHWEST

THEME CRUISES

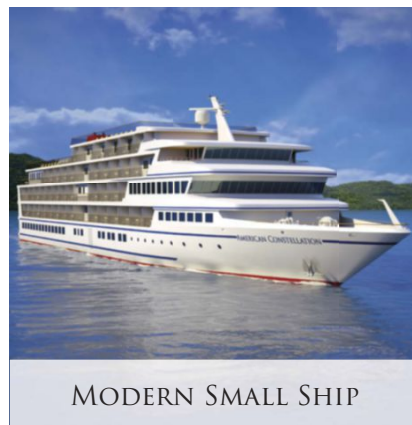
This summer, be the first to travel aboard the world's newest small cruise ship on this brand new 11-day itinerary. You'll experience charming coastal towns and the freshest seafood while enjoying our hallmark personalized service. Call today to request your free cruise guide.



AUTHENTIC LOBSTERBAKE



BRAND NEW 11-DAY ITINERARY



MODERN SMALL SHIP

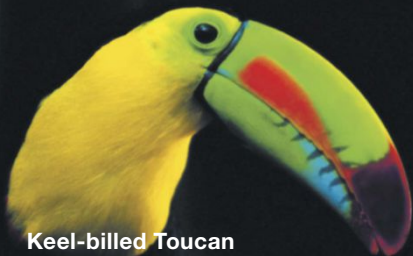


Call today to request your **free** Cruise Guide

**1-888-240-4951**

AmericanCruiseLines.com





Keel-billed Toucan

Join the smart shoppers and experienced travelers who have chosen Caravan since 1952

# Costa Rica

## 8-Day Guided Tour \$1195

Includes all hotels, all meals, and all activities—Fully guided start to finish.

### Costa Rica: Caravan Tour Itinerary

#### Day 1. Bienvenidos!

Your tour begins in San José, Costa Rica.



**Day 2.** Explore the active Poás Volcano. Hike the Escalonia Cloud Forest Trail.

**Day 3.** Cruise on the Rio Frio river. Relax and soak in volcanic hot springs.

**Day 4.** Hike the Hanging Bridges and visit Leatherback Turtle National Park.

**Day 5.** Free time at your Beach Resort.



**Day 6.** Cruise on the Tarcoles River. Float through a mangrove forest. Bird watching & crocodile spotting.

**Day 7.** Explore Manuel Antonio Park. Hike rainforest and along beach coves.

**Day 8.** You return with great memories. Hasta la vista!

*Detailed Itinerary at Caravan.com*

### Choose An Affordable Tour + tax, fees

Guatemala with Tikal	10 days	\$1295
Costa Rica	8 days	\$1195
Panama & Canal	8 days	\$1195
Nova Scotia, P.E.I.	10 days	\$1395
Canadian Rockies	9 days	\$1695
Grand Canyon, Zion	8 days	\$1495
California Coast	8 days	\$1595
Mount Rushmore	8 days	\$1395
New England, Foliage	8 days	\$1395

“Brilliant, Affordable Pricing”

—Arthur Frommer, Travel Editor

FREE Brochure  
Call (800) CARAVAN  
Caravan.com

The #1 In Value



# caravan

Guided Tours Since 1952

# Kiplinger's

PERSONAL FINANCE

MONEY  
SMART  
LIVING

### EDITORIAL

EDITOR IN CHIEF **Knight A. Kiplinger**

EDITOR **Janet Bodnar**

EXECUTIVE EDITOR **Manuel Schiffres** SENIOR EDITOR, MONEY/LIVING **Mark K. Solheim**

MANAGING EDITOR **Barbara Hoch Marcus**

SENIOR EDITORS **Jane Bennett Clark, Jeffrey R. Kosnett, Anne Kates Smith**

SENIOR ASSOCIATE EDITORS **Sandra Block, Nellie S. Huang, Marc A. Wojno (research)**

ASSOCIATE EDITORS **Patricia Mertz Esswein, Daren Fonda**

STAFF WRITERS **Miriam Cross, Kaitlin Pitsker**

CONTRIBUTING EDITORS **Lisa Gerstner, James K. Glassman, Kathy Kristof, Kimberly Lankford**

OFFICE MANAGER **Glen Mayers**

### COPY AND RESEARCH

COPY CHIEF **Frederic Fane Wolfer**

COPY EDITORS **Rachel McVeary, Denise E. Mitchell**

SENIOR REPORTER **Ryan Ermey**

REPORTERS **Thomas H. Blanton, Rivan V. Stinson**

### ART

ART DIRECTOR **Stacie A. Harrison**

ASSOCIATE ART DIRECTOR **Yajaira St. Fleurant** ASSISTANT ART DIRECTOR **Natalie F. Kress**

EDITORIAL PRODUCTION MANAGER **Kevin Childers**

### KIPLINGER.COM

DIRECTOR, NEW MEDIA **Douglas Harbrecht**

ONLINE MANAGING EDITOR **Robert J.M. Long** EXECUTIVE EDITOR **Michael DeSenne**

ONLINE EDITORS **David Muhlbau, Robert Nietd, Andrea Browne Taylor**

ONLINE CONTRIBUTING EDITOR **Lisa Kiplinger**

ONLINE CONTRIBUTING WRITER **Dan Burrows**

ONLINE BUSINESS DEVELOPMENT MANAGER **Phil Hawken**

DIGITAL PRODUCT AND DESIGN MANAGER **Jenny Cohan**

WEB OPERATIONS MANAGER **Wade Currie**

SENIOR WEB DEVELOPER **David Kuchler**

WEB DEVELOPERS **Bob Henry, Erhan M. Uyar**

### PUBLISHING

SENIOR CIRCULATION MANAGER **Roseann Ciccarello**

DIRECTOR, SINGLE-COPY SALES **Wayne Beder** PRODUCTION DIRECTOR **Carolyn R. Segree**

### ADVERTISING SALES

NATIONAL SALES DIRECTOR; CHICAGO, DALLAS, DETROIT, NORTHWEST **Mark E. Taussig (202-887-6528)**

ASSOCIATE PUBLISHER/ADVERTISING AND CUSTOM CONTENT; ATLANTA, NEW JERSEY, NEW YORK, WASHINGTON, DC **Paul Vizza (202-887-6558)**

NORTHEAST AND SOUTHWEST **Jonathan Stone (203-257-0234)**

DIRECT RESPONSE **Anthony Smyth (914-409-4202)**

MARKETING DIRECTOR/CREATIVE SERVICES **June Lough (917-421-9046)**

### ONLINE SALES

NATIONAL ONLINE SALES DIRECTOR **Elizabeth F. Martin**

ADVERTISING OPERATIONS DIRECTOR **Andy Nolen**

ADVERTISING OPERATIONS MANAGER **Michael Roche**

REGIONAL ACCOUNT MANAGERS **Maggie Kinsky, Stephanie Lee**

ONLINE ADVERTISING SALES ASSISTANT **Nicole Falkenburry**

### THE KIPLINGER WASHINGTON EDITORS INC.

1100 13th St., N.W., Suite 750, Washington, DC 20005 (202-887-6400)

W.M. Kiplinger (1891–1967), Founder

Austin H. Kiplinger (1918–2015), Former Chairman and Editor

CHAIRMAN, PRESIDENT AND PUBLISHER **Knight A. Kiplinger**

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER **Corbin M. Wilkes**

SENIOR VICE PRESIDENT AND CHIEF OPERATING OFFICER **Denise M. Elliott**

SENIOR VICE PRESIDENT AND CHIEF CONTENT OFFICER **Kevin McCormally**

### CUSTOMER SERVICE

Visit [kiplinger.com/customer-service](http://kiplinger.com/customer-service) or call 800-544-0155

PRINTED IN USA



KIPLINGER'S PERSONAL FINANCE (ISSN 1528-9729) is published monthly by THE KIPLINGER WASHINGTON EDITORS INC. Editorial & Executive Offices: 1100 13th St., N.W., Suite 750, Washington, DC 20005 (202-887-6400). Subscription Center/Customer Service: Visit us online at [kiplinger.com/customer-service](http://kiplinger.com/customer-service), call 800-544-0155, or e-mail [PersonalFinance@customersvc.com](mailto:PersonalFinance@customersvc.com). POSTMASTER: Send change of address to: Kiplinger's Personal Finance, P.O. Box 62300, Tampa, FL 33662. GST# 123395253. Volume 71, Issue 4. Copyright © 2017 by the Kiplinger Washington Editors Inc. Periodical postage paid at Washington, DC, and at additional mailing offices. Subscription prices: In U.S. and possessions \$23.95 for one year, \$39.95 for two years, \$54.95 for three years. Additional international postage: \$17.00 per year. Single-copy price: \$4.99.





## TOPIC A

## BROKERS CHANGE THEIR GAME PLAN

Even without a fiduciary rule, many have adopted new pricing models. **BY SANDRA BLOCK**

### IN KEEPING WITH THE TRUMP

administration's deregulatory agenda, the president has issued an executive order directing the U.S. Department of Labor to review the fiduciary rule for brokers who offer financial advice to investors with retirement accounts. The order will likely delay the rule's effective date of April 10 and could lead to its demise. But no matter what happens in Washington, the financial-

services industry has made changes that are here to stay.

Years in the making, the fiduciary rule was developed by the DOL to address concerns that some securities brokers encouraged investors to roll their 401(k) plans into IRAs composed of high-cost or inappropriate investments. The fiduciary standard requires financial professionals to put their clients' interests above their own. Securities

brokers currently adhere to a less stringent standard, called the suitability rule. Investments they recommend must be suitable given your age and risk tolerance, but they don't have to be the lowest-cost alternative.

Critics of the rule, which include some securities industry groups, said the cost of compliance would discourage advisers from working with middle-income investors and those with small accounts. Nonetheless, well-known financial-services firms have already spent a lot of money making the transition to the fiduciary standard, and they're unlikely to turn back now, says Sheryl Garrett, founder of the Garrett Planning Network.

For example, Merrill Lynch said late last year that it will stop offering commission-based IRAs, in favor of fee-based accounts, in order to comply with the fiduciary rule. Capital One Investing, the retail brokerage arm of Capital One Financial, also announced plans to scrap commissions on IRAs.

Mutual fund companies that sell shares primarily through brokers, with a sales fee, have made changes, too. Capital Group, which manages the American Funds, has received approval to offer fund shares that will let brokers set their own commissions. Competitive pressure should lead to lower commissions for other broker-sold funds, says Micah Hauptman,

of the Consumer Federation of America. And dozens of fund companies are planning to offer Class T shares, a new share class with an up-front cost of 2.5% (lower for large purchases), about half the cost for traditional Class A stock fund shares. Unlike A shares, which apply different sales fees to different fund categories, T shares will impose the same charges regardless of type, reducing the incentive to sell higher-cost shares of a stock fund, say, over a cheaper bond fund.

The DOL rule is limited to retirement accounts. Taxable accounts are the purview of the Securities and Exchange Commission, which has debated the issue for years. Given the new administration's antipathy toward regulation, a broader standard is unlikely soon.

Protect yourself by asking the right questions. The DOL recently published "Consumer Protections for Retirement Investors," which includes questions to ask a prospective adviser. Find it at [www.dol.gov](http://www.dol.gov).

Trump has also called for a sweeping review of the Dodd-Frank law, enacted in the wake of the 2008 financial crisis. It raised capital requirements for banks, restricted trading activities and created the Consumer Financial Protection Bureau, among other things. The law was intended to protect the economy from another financial crisis, but critics say it has impeded economic growth. But only Congress can rewrite legislation, so significant changes are months away.

## INTERVIEW

## THE BEST ROUTE TO BARGAIN AIRFARES

When you're shopping for international flights, be flexible and don't buy too soon.

*Scott Keyes writes an e-mail newsletter, Scott's Cheap Flights, that sends out international airfare deals to 350,000 subscribers.*

### What's your number-one rule for finding cheap airfare?

Flexibility. Once you have an origin airport, a destination airport and a date that's set in stone, about 95% of what you can do to get the price down is already out the window. Most folks look at a map and say, "I want to go to Spain." And then they start searching. But there might not be a deal to Madrid and there could be a deal to London. Going where there's a deal—rather than deciding where you want to go and then looking for a deal—may sound counterintuitive, but it will really help get the airfare down.

### What's the best way to build flexibility into a search?

I recommend using Google Flights because you can enter five origin airports and five destination airports. Let's say you live in New York City. You can check flights from LaGuardia, John F. Kennedy, Newark, Philadelphia and Hartford. Then you can say you want to fly to London, Paris,

Rome or Madrid. Instantly, it will pull up two months' worth of the cheapest prices.



**Why do you think your site has taken off?** People don't like to spend a lot of time monitoring airfares, and having someone to do it for them is a service that some people are willing to pay for. A lot of the best fares often don't last very long. So being able to pull the trigger quickly can be pretty important when it comes to getting cheap fares.

**Is there a sweet spot for buying tickets?** I generally recommend buying overseas airfare about two to six months in advance. You should not expect the airlines to offer cheap fares to fill seats at the last minute. That was the model for a long time. But over the past 10 or 15 years, airlines realized that business travelers, who tend to be less price sensitive than leisure travelers, were buying those empty seats. Now, rather than cut the prices, they tend to raise prices closer to the departure date.

**What constitutes a bargain fare to Europe now?** The new transatlantic budget carriers, such as Norwegian Air and Wow Air, regularly offer flights to Europe for less than \$400 round-trip—from all over the country, not just from New York, L.A. or Miami. So I'd say \$450 to \$650 is acceptable, depending on connections and how well the fare jibes with your preferred dates. Anything over \$650 or \$700, unless you're buying at the last minute or for very specific dates around holidays, is too much. **RYAN ERMEY**





**Active Matters**  
in ensuring  
your retirement  
is financially fit.

**Life isn't a passive activity. Investing shouldn't be either.**

Whether you're planning on retiring in the not-too-distant future or years from now, being actively involved matters in achieving better results.

When it comes to managing our funds, we share the same active philosophy. Our investment teams navigate down markets, find opportunities, and manage risk so you can stay on track toward reaching your retirement goals.

**95%** of our Retirement Funds **beat their 10-year Lipper average.\***

**Put our active investment approach to work for your retirement.**

We offer IRAs, Rollover IRAs, and retirement planning.

Call our retirement specialists at **877-872-5475** or go to [troweprice.com/rollover](https://troweprice.com/rollover)

---

*Request a prospectus, which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.*

\*24 of our 36 Retirement Funds had a 10-year track record as of 12/31/16 (includes all share classes). 23 of these 24 funds (96%) beat their Lipper averages for the 10-year period. 21 of 36, 35 of 36, and 35 of 36 of the Retirement Funds outperformed their Lipper average for the 1-, 3-, and 5-year periods ended 12/31/16, respectively. Calculations are based on cumulative total return. Not all funds outperformed for all periods. (Source for data: Lipper Inc.)

*Past performance cannot guarantee future results.* All funds are subject to market risk, including possible loss of principal.

T. Rowe Price Investment Services, Inc., Distributor.

## THE BUZZ

# CREATIVE WAYS TO REDEEM POINTS

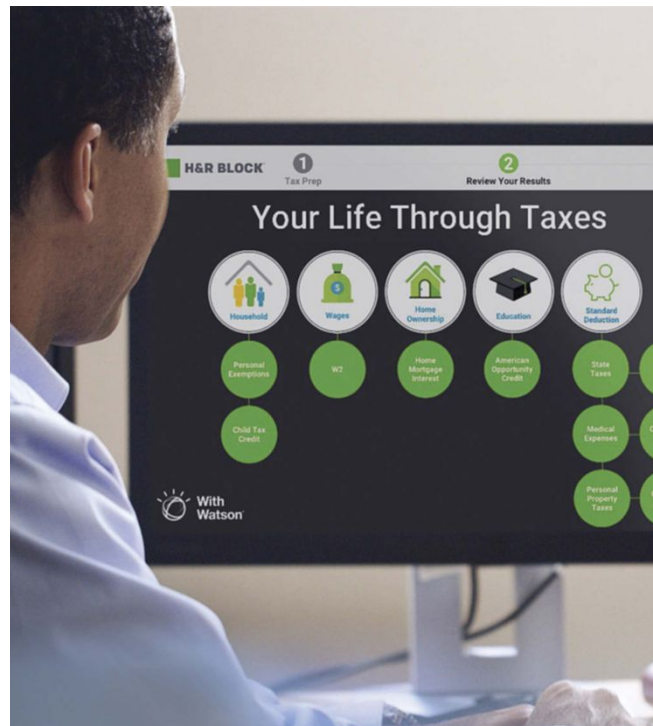
Free flights and extra-night stays aren't the only perks you can get with airline or hotel rewards points. Some hotel chains and airlines let you buy or bid on special experiences on their auction websites. Here is a sampling of what you can find.

**Awards shows and festivals.** Get access to, say, the Oscars and music festivals such as Coachella. **HILTON HONORS** recently packaged tickets for two to the 2017 Grammy Awards and after-party along with accommodations and transportation. Closing bid: 850,000 points.

**Sports events.** Suites can start at 25,000 points or less. Blowouts such as NBA All-Star Weekend or the Super Bowl (plus lunch with a player) go for more than 100,000 Marriott points.

**Culinary treats.** Through **STARWOOD PREFERRED GUEST**, foodies can dine privately with famous chefs, such as Daniel Boulud or Guy Savoy, at their restaurants—sometimes with a cooking demo or kitchen tour thrown in. Bidding starts at 1,000 points.

**Performances.** Sit in prime seats at a show, then head backstage. **DELTA** recently offered two orchestra seats to *Aladdin* on Broadway, a backstage tour and the opportunity to meet a character in costume. Opening bid: 30,000 miles. **MIRIAM CROSS**



## TECHNOLOGY

# INVESTORS TAKE A SHINE TO WATSON

The latest trick for IBM's artificial intelligence program: helping with your taxes.

**COMPUTERS HAVE HELPED** people wade through their tax returns for decades. Preparers at H&R Block this season will get some help, too. But a computer won't just crunch the numbers. Rather, it will probe your return and ask questions along the way—trying to make sure you don't pay a penny more than necessary to Uncle Sam. H&R Block has "hired" IBM's Watson—a powerful artificial intelligence system—to act as a cyberguide in preparing taxes.

To study for the job, Watson digested the federal tax

code (more than 74,000 pages) and absorbed thousands of conversations between H&R Block's tax preparers and clients. Its objective is to analyze conversational patterns to determine whether taxpayers may be missing opportunities for savings. Now, when a tax preparer and client go through the paperwork, Watson can follow along, and the system will issue prompts on computer screens if it detects a potential deduction or credit they may be missing. "Watson will ask questions that we

might not think about on our own," says Ed Harbour, a vice president at IBM.

With H&R Block expecting Watson to assist with processing 11 million returns this year, the system should get smarter as it absorbs more data and conversational patterns, making it a more useful tool, says Harbour. For example, IBM says the system should eventually provide taxpayers with "increasingly personalized tips" to help lower their tax bills in the future.

Watson isn't the only AI technology playing a greater role in our lives. If you use Facebook, Google or Amazon.com, for instance, AI is behind the scenes, guiding you through the site. Meanwhile, Watson is expanding into scientific research, robotics and other fields, and IBM hopes it will push to the forefront of several major technology trends, such as the Internet of Things, cloud computing and personalized medicine. (For more companies cashing in on these trends, see "13 Stocks for the Tech Revolution," on page 52.)

For now, Watson doesn't appear to be a big money-maker for IBM. But investors seem impressed with its potential, seeing it as a way for IBM to reverse a long period of falling sales and profits. IBM's stock (symbol IBM) returned 25% in 2016, after three straight years of declines. One shareholder who should be pleased: Warren Buffett, whose Berkshire Hathaway owns an 8.5% stake in Big Blue, worth \$14.2 billion.

**DAREN FONDA**



WHAT'S THE DEAL?

# HOW TO REPAY STUDENT LOANS

Income-based repayment plans are a good option for financially troubled borrowers.

**A LEGAL BATTLE BETWEEN THE NATION'S BIGGEST STUDENT**

loan servicer and the agency that regulates it is shining a spotlight on one of the most confusing aspects of student loans—how best to repay them, especially if you're in financial trouble. The lawsuit, filed by the Consumer Financial Protection Bureau, accused Navient Corp. of misleading borrowers, processing payments incorrectly and using deception to direct them away from the lowest-cost plans. Navient denies the allegations, calling them politically motivated and unfair.

Of the allegations, one of the biggies is that Navient encouraged borrowers to accept *forbearance* when they might have qualified for an *income-driven repayment plan*. Income-based repayment plans cap monthly payments at a percentage of income, sometimes reducing them to zero. The plans include interest subsidies in some circumstances, and, depending on the plan, offer loan forgiveness after 25 years or less. You must submit paperwork to show that you qualify for the plan and be recertified annually.

Forbearance allows you to forgo loan payments, including interest, for a time, but the interest continues to accrue. At the end of the forbearance period, the interest is added to the loan principal, increasing the overall cost of the loan. Although forbearance requires less paperwork and can be helpful as a short-term option, income-based repayment is considered the better option for borrowers with long-term financial hardship.

You can research repayment options at [www.studentaid.ed.gov/sa/repay-loans/understand/plans](http://www.studentaid.ed.gov/sa/repay-loans/understand/plans). Change your repayment plan at any time by contacting your servicer.

**THOMAS H. BLANTON**

## CALENDAR

04/2017



**SATURDAY, APRIL 1**

April is Financial Literacy Month. Test your fluency in the principles of personal finance at [kiplinger.com/links/fluency](http://kiplinger.com/links/fluency).

**▲ SUNDAY, APRIL 9**

The housing market heats up in the spring. If you're selling your home, take small steps—such as mulching flower beds and painting the front door—to boost curb appeal. For our annual housing outlook, turn to page 40.

**FRIDAY, APRIL 14**

With wedding season around the corner, retailers will run sales of up to 85% off on cookware and small appliances. Take the opportunity to stock up on gifts, or upgrade your own kitchen.

**TUESDAY, APRIL 18**

IRA or IRS? It's Tax Day, which means it's your last chance to reduce your 2016 taxable income by contributing to a tax-advantaged retirement account. For more ways to cut your tax bill, see page 46. **RYAN ERMEY**

**\* DEAL OF THE MONTH**

Whether you peer into the Grand Canyon or relive the battle of Antietam, take in the great outdoors the weekends before and after National Parks Week. More than 400 parks, including the 120 parks that normally charge an entrance fee, will be free to visitors April 15, 16, 22 and 23.

ISTOCKPHOTO.COM (2)



EXCERPT FROM  
*The Kiplinger Letter*

### ANOTHER BIG YEAR FOR FRANCHISES

Franchises are set for strong gains in 2017, nearly matching 2016's increase. The industry is poised to grow 5.2% and to see employment tick up about 3%, for 245,000 added jobs. Many factors that create a drag on overall economic growth, such as weak exports and flat government spending, don't harm franchises as much. Subway, Dunkin' Donuts and Auntie Anne's are among the franchises to benefit from low gas prices and higher consumer spending. Sit-down restaurants will gain, too. ([www.kiplingerbiz.com/ahead/franchise](http://www.kiplingerbiz.com/ahead/franchise))

## SUCCESS STORY

# Finding the Green in Your Junk

His company profits by picking up your castoffs and donating or recycling them.

## PROFILE

**WHO:** Josh Cohen, 34

**WHERE:** Stamford, Conn.

**WHAT:** Founder and CEO,  
The Junkluggers

**What distinguishes The Junkluggers?** We haul away a wide range of stuff, and it's often not junk at all. We do our best to keep items out of landfills by donating and recycling them. We establish partnerships with local charities, and we provide our customers with a tax-deductible donation receipt [[www.junkluggers.com](http://www.junkluggers.com)]. We charge by volume, with specific surcharges for certain items or situations. Our goal is to keep 100% of the stuff we collect out of landfills by 2020. My brother calls us the “Robin Hood of junk removal.”

### How did you get started?

When I was in college, a friend mentioned that a neighbor paid him \$100 to haul away a refrigerator. I thought, I could totally do that, and I couldn't stop thinking about it. I printed up fliers advertising that I would haul away stuff *and* separate it for donation, recycling and trash. I took the fliers door-to-door, hitting 100 homes a day, and I got a good response. I used my mom's SUV to haul. That was in 2004.



### How do you find partners?

Through lots of outreach. We work with places such as Goodwill and Habitat for Humanity ReStore. Places like those, which get a lot of stuff, are more selective about what they will accept. But because we're there all the time, they will take more from us. We locate some of the smaller organizations by researching online or reading the newspaper. Because we don't want to overwhelm a charity, we tour its facility to see how big and well set up it is. If it checks out, we add it to our list of drop-off locations.

### How did you finance your start-up?

I was young, didn't have a lot of expenses and lived in my parents' basement for the first couple of years. I bought a used pickup truck with a custom dump body on the back for \$3,000 with savings from hauling junk and some leftover bar mitzvah money. I just kept reinvesting the money I made into the business, and I still do that.

**How have you grown?** In our first year, we had one part-time employee and me, and we did \$80,000 in sales. In 2016, including our franchi-

sees, we did \$8.1 million in sales with 140 employees and 48 trucks in nine states. This year, we expect sales of \$10 million to \$11 million and 20 to 30 more jobs.

**You're franchised?** Early on, I decided that I wanted to expand the business nationally, and we began franchising in 2013. We grow with people who are entrenched in their communities and have skin in the game. We have 12 franchise partners and hope to add 100 more by 2024. The start-up cost for one location is \$90,000 to \$150,000. Helping our franchisees get into business for themselves is really rewarding, especially because it's meant so much to me.

### Self-employment is a family tradition?

Yes. One of my grandfathers owned a restaurant. My other grandfather owned a toy store on the Lower East Side of Manhattan. My dad still owns an accounting firm that he started when he was in his twenties. My brother operates one of our franchises. My brother-in-law quit his job last year to focus on our new furniture-restoration business. His quality of life is so much better here than sitting behind a desk working for a large corporation. **PATRICIA MERTZ ESSWEIN**



# 24KT BUFFALO GOLD COIN

## Private Tangible Savings in US Mint Gold Coins

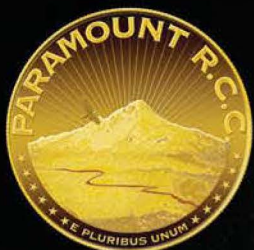
Gold reflects prosperity. Gold's newest role is to reflect and express the growing prosperity of a nation. Around the world, gold is the most important measure of wealth. Throughout history, every promise has failed but gold has never failed its owners.

Gold demand is soaring, since the financial crisis in 2008. Investment in gold coins has soared, replacing the traditional role of gold jewelry as the prime source of the gold demand. The world can't increase the supply of new gold by more than 2% a year. Matching population growth but the world can multiply paper assets 10-fold, simply by adding a zero at the end of each paper note. That's why the gold demand should keep outpacing supply and the growing demand requires a higher gold price.



**\$55.00**  
each above spot

**SPECIAL ARRANGEMENTS  
FOR ORDERS OF \$25,000 AND MORE**



## Paramount Rare Coin & Currency

230 Country Lane Drive - Lumberton, Texas 77657

# 1-844-218-7103



First time customers only. Prices are subject to change with metal fluctuations. All rights reserved Paramount RCC, LLC. #NG0317

JAMES K. GLASSMAN | Opening Shot

# Worrying About the Bear? Don't.

**W**ant to kick yourself? Just look at what you would have paid for shares of some terrific companies in early 2009. Southwest Airlines (symbol LUV) was trading at less than \$6; it's now \$52. American Express (AXP) has gone from \$12 to \$76; Home Depot (HD), from \$21 to \$138; eBay (EBAY), from \$5 to \$32. It's no secret that the U.S. has been experiencing a massive bull market. It began on March 9, 2009, when Standard & Poor's 500-stock index closed at 677, having sunk from 1565 just 17 months earlier.

As I write, the S&P has returned 298% (including dividends) since that bottom. In other words, if you had put \$100,000 into the market in the spring of 2009, you would have more than \$400,000 today. The bull market is now the second-longest since the Great Depression and boasts the third-largest total gain. On a total-return basis, the market has risen eight straight calendar years, one year shy of the record set from 1991 through 1999. Except for a blip in July 2015, the VIX, an index that measures the volatility of the S&P 500, has been strikingly low for five years.

Still, bull markets make me nervous. They always end, and the big ones tend to end especially badly. By the end of the bull market of 1982–87, for example, the S&P 500 had returned 266%, but within three months the market lost 27%. During the fabulous technology-driven bull market of the 1990s, the S&P 500 soared more than 540%. But after the bull departed, the S&P plunged 47% between March 2000 and October 2002.

Bull markets usually end for one of two reasons: Either investors bid up share prices to well beyond what they are worth, or something fundamentally bad happens to the economy. Let's look at each of those scenarios.

During the 2007–09 economic and stock market debacle, investors learned that the value of their nicely diversified holdings could be chopped in half quickly. Despite the re-



The absence of enthusiasm among investors is good news. It means cash remains on the sidelines, ready to be deployed into stocks and push up their prices.

covery, investors' fears have, remarkably, not dissipated. Consider the total assets that investors hold in stock mutual funds. At the end of 2007, when the market was near its peak, the figure was \$6.4 trillion. At the end of 2016, it was \$8.6 trillion, an increase of just 34%, even though the S&P had returned 50% over the period. If investors who had their money in stock funds at the end of 2007 had simply kept their money where it was and added *nothing* new, total assets would have roughly risen by half again as much as they actually did.

What happened? Investors have been taking money out of stock funds and putting it into hybrid funds (generally, those that own stocks and bonds), bond funds, money market funds and other assets. According to the Investment Company Institute, the fund industry's trade group, investors have pulled more money out of stock funds than they've put in every month from March 2016 through January 2017. The net outflow since 2008 has been more than a half trillion dollars. One reason for the withdrawals is that many Americans are reaching retirement age; another is the rise of stock-owning exchange-traded funds.

**Still frightened.** But the biggest part of the story is that investors remain spooked by stocks. The latest figures from the Employee Benefit Research Institute show that, on average, inves-

tors hold only a little more than half of their IRA assets in stocks or stock funds. And for all investors, total assets in bond mutual funds have doubled since 2007, despite historically low interest rates.

I find it troubling that investors have not put more money into stocks, but the lack of enthusiasm among investors is good news. It means that cash and assets in bond funds remain on the sidelines, ready to be deployed into stocks and push up their prices. Also good news is the market's





When you need someone  
to talk to about your retirement,  
it's good to actually have  
a person.

Let's get started. Call 1-866-954-4321, or visit [mutualofamerica.com](https://www.mutualofamerica.com)

**MUTUAL OF AMERICA**  
Your Retirement Company®

Mutual of America® and Mutual of America Your Retirement Company® are registered service marks of Mutual of America Life Insurance Company, a registered Broker/Dealer. 320 Park Avenue, New York, NY 10022-6839.

valuation. A recent T. Rowe Price report found that the S&P 500's price-earnings ratio of 17 (based on estimated 2017 earnings) was only about 10% higher than the market's average P/E of the past 15 years. Share prices are certainly not in the danger zone.

What about the economy? It has expanded in each of the past eight years, though growth has been sluggish (averaging just 2.1% annually). And inflation has been moderate enough to keep interest rates low. Unemployment has fallen sharply, and wages have picked up. Meanwhile, President Trump is aiming for annual growth of 3% to 4%; to achieve it, he wants to reduce taxes and regulations, boost spending, and change our trade policies.

**Bright prospects.** Lucy O'Carroll, chief economist for Aberdeen Asset Management, believes that current stock prices reflect the hope that Trump's policies will, on balance, work—or, more precisely, that the “good” parts of his agenda for business (such as tax cuts) will outweigh the “bad” (trade protection). Investors might be “over-optimistic,” she tells me, but prospects for profit growth are what really drive stock prices, and those prospects, she says, are both bright and buttressed by reality.

And yet ... there's a more unpleasant scenario. A combination of increased spending, lower tax revenues and higher borrowing costs could lead to an explosion of the federal deficit. If you combine an expanding deficit with upward pressure on wages from an economy that is nearly at full employment, you get rising inflation. The Federal Reserve has already been hiking interest rates, and at some

## You can't go wrong owning the S&P 500, through such vehicles as Vanguard 500 Index or exchange-traded iShares Core S&P 500 ETF.

point higher rates could choke off economic activity and cause a recession, which would almost certainly result in a bear market.

Another potential problem is trade. President Trump has already killed the Trans-Pacific Partnership and has started to renegotiate the North American Free Trade Agreement. Lowering trade barriers facilitated the post-World War II economic boom. If tariffs start to rise again, the risks could be substantial.

Finally, there is the simple long-in-the-tooth argument. The duration of both the economic expansion and the bull market is exceptional. As of early February, the U.S. had gone 91 months without a recession—the third-longest expansion

since 1854, according to the National Bureau of Economic Research. Longevity is worrisome.

But what can you do about it? In my view, nothing. No one can consistently forecast the future of the economy or the course of markets with accuracy, but the weight of the evidence is on the side of the bull market continuing. The smart strategy, then, is to stay in stocks and stay diversified.

You can't go wrong owning the S&P itself, through such vehicles as **VANGUARD 500 INDEX (VFINX)**, the world's third-largest mutual fund, with \$233 billion in assets, or **ISHARES CORE S&P 500 ETF (IVV)**, the exchange-traded fund equivalent. Among actively managed funds that have a good chance of beating the S&P by a percentage point or two per year, my longtime favorites include **DODGE & COX STOCK (DODGX)**, **FIDELITY CONTRAFUND (FCNTX)**, **T. ROWE PRICE BLUE CHIP GROWTH (TRBCX)** and **PARNASSUS CORE EQUITY (PRBLX)**, which has a socially responsible investing portfolio. (The Price and Dodge & Cox funds are members of the Kiplinger 25.)

For individual stocks, I lean toward financials, which I recommended in my October 2016 column. They were cheaper then, but I still like such companies as **JPMORGAN CHASE (JPM, \$85)**, with a P/E, based on estimated 2017 earnings, of 13; **BANK OF AMERICA (BAC, \$23)**, up 58% since my column but carrying a forward P/E of only 13, even though earnings are expected to rise this year by 25%; and London-based **HSBC HOLDINGS (HSBC, \$43)**, with extensive business in Asia and a luscious 4.7% dividend yield.

Of course, you should leaven your portfolio with bonds and cash for medium- and short-term needs, such as making a down payment on a house or paying your living costs in retirement. But stocks—especially U.S. equities—remain the best place for your money, even in the ninth year of a running bull. ■

JAMES K. GLASSMAN, A VISITING FELLOW AT THE AMERICAN ENTERPRISE INSTITUTE, IS THE AUTHOR, MOST RECENTLY, OF *SAFETY NET: THE STRATEGY FOR DE-RISKING YOUR INVESTMENTS IN A TIME OF TURBULENCE*. OF THE STOCKS MENTIONED, HE OWNS HSBC.

### Market Cycles

## BULLS AND BEARS SINCE 1990

Bear markets are a normal part of stock market investing. Trying to time those periodic downturns will be an exercise in futility.

Market	Start date	End date	Length (months)	S&P 500 total return*
BEAR	July 16, 1990	October 11, 1990	3	-19.2%
BULL	October 11, 1990	March 24, 2000	113	546.2
BEAR	March 24, 2000	October 9, 2002	31	-47.4
BULL	October 9, 2002	October 9, 2007	60	120.7
BEAR	October 9, 2007	March 9, 2009	17	-55.3
BULL	March 9, 2009	January 31, 2017†	94†	298.1

\*Figures are cumulative. †Ongoing. SOURCES: Morningstar Inc., S&P Dow Jones Indices.





# 1 System Sold Every 6 Seconds

Each SimpliSafe system is a complete security arsenal. With motion sensors, glassbreak sensors, entry sensors, and a high-definition security camera, you'll have everything you need to keep your family safe—and 24/7 monitoring is only \$14.99 a month. **So don't wait. These systems are going fast.**

**10% OFF**  
when you  
order today

[SimpliSafe.com/kip](https://SimpliSafe.com/kip)

PLUS get free shipping and a FREE keychain remote (\$25 value).

✦ 70TH ANNIVERSARY SPECIAL ISSUE ✦

# 70 WAYS TO BUILD WEALTH

Follow our strategies to achieve  
financial security, then reap the rewards.

We have doled out a lot of good advice over the 70 years we've been publishing this magazine. So in many ways it was easy to come up with 70 ideas on how to create wealth. But when our editorial staff submitted nearly 300 ideas, the editors had to roll up our collective sleeves and distill the advice into absolute gems. You can see the results on the following pages. We offer advice on how to build, protect and enhance your wealth, time-tested strategies to help

you keep your eye on the ball, and our top tips for finding value, so your hard-won wealth doesn't leak out in dribs and drabs. We devote a section to the biggest goal of all—a secure retirement. And because life isn't all about making money, we include fulfilling ways to give back. Finally, don't miss Knight Kiplinger's financial wisdom, on page 28, which sums up 70 years of trusted advice from three generations of financial journalists into 10 maxims you can take to the bank.





# BUILD



## 1 Save early and often.

The sooner you start to save, the easier it will be to amass a comfortable nest egg—thanks to the power of time and the magic of compounding. A 25-year-old who saves \$450 a month in a tax-deferred retirement account and earns

an average yearly return of 7% will have about \$1.1 million by age 65. If the same investor waits until age 35 to start saving, she'd have to sock away \$950 a month to reach roughly the same balance by age 65. Try to save 15% of your income, including any employer match for your retire-

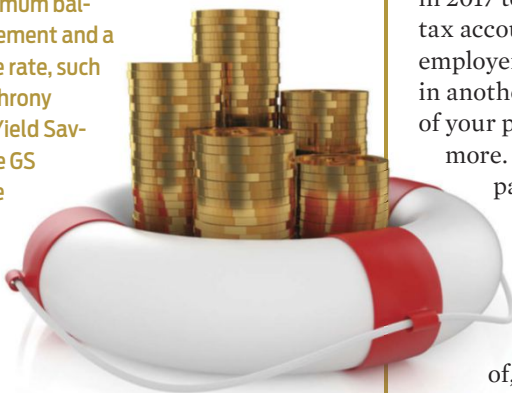
ment plan (see below). If that's not doable, put away as much as you can and increase the percentage as your income and budget allow. "Getting started, even if you're saving 3% of your income or \$10 a week, is the critical goal," says Molly Balunek, a certified financial planner in Cleveland. "Once you see progress, it becomes easier to save 1% more, or \$5 more a week."

## 2

### CREATE AN EMERGENCY FUND

If you have a dedicated stash of cash at the ready in case of a job loss or an unexpected bill—say, for a major car repair or hospital visit—you won't have to resort to racking up credit card debt or, say, tapping retirement savings to cover the tab. Squirrel away at least three to six months' worth of living expenses in a safe, easy-to-access savings or money market deposit account. (For a more personalized amount to save, use the tool at [www.hellowallet.com/emergency-savings](http://www.hellowallet.com/emergency-savings).)

Look for an account with no monthly fee, a low (or no) minimum balance requirement and a competitive rate, such as the Synchrony Bank High Yield Savings and the GS Bank Online Savings accounts. Both recently yielded 1.05%.



## 3 Make the most of employer incentives.

For the slow-and-steady way to get rich, take full advantage of your company's 401(k). You can contribute up to \$18,000 (\$24,000 for people 50 and older) in 2017 to this pre-tax account; your employer may kick in another 4% to 6% of your pay, or even more. Many companies enroll employees automatically, at a contribution rate of, say, 3% of their salary. But

aim for 15% of your income, including the company match, from the beginning of your career until the end. If you have to cut back for a few years—say, to buy a house or pay college bills—try to kick in at least enough to get the full company match, and boost your contributions later to get back on track.

Teachers typically have access to 403(b) plans, which carry the same terms and benefits as 401(k)s but generally lack the breadth of investment options. Public-sector workers may be offered a 457 plan, which is also similar to a 401(k) plan but

has a higher contribution limit for people within three years of normal retirement age, usually defined as the age when they can collect unreduced pension benefits.

## 4 Open a Roth.

Another sure-fire wealth builder is a Roth IRA. You fund this account with after-tax dollars, so the pain is up front. The payoff? Withdrawals are tax-free if you're at least 59½ and have held the account for at least five years (you can always withdraw your contributions tax- and penalty-free). You don't have to take required minimum





distributions from a Roth, as you do with traditional IRAs and 401(k)s, allowing you to withdraw the

money strategically or let it grow and leave it to your heirs. And because withdrawals from a Roth

aren't reported to the IRS as income, they won't increase the taxes on your Social Security benefits or trigger the high-income surcharge on Medicare Part B or Part D.

You can contribute up to \$5,500 a year to a Roth (\$6,500 if you're 50 or older) in 2017. The allowed contribution starts to shrink if your modified adjusted gross income is more than \$118,000 (\$186,000 for married couples filing jointly) and disappears altogether at \$133,000 (\$196,000 for joint filers).

Earn too much to qualify for a Roth? Your employer may offer a Roth 401(k), which has no income limits and carries the same contribution cap as a regular 401(k).

Roths aren't just for grown-ups. One of the best ways to help your children or grandchildren build wealth is to get them started early with a Roth IRA. Children of any age who have earned income from a job can contribute up to \$5,500 to a Roth IRA (or their earnings for the year, if less), and you can give them the money to get started. Not all brokerages let children open Roths, but several—including Fidelity, Charles Schwab and TD Ameritrade—offer custodial Roths with little or no investing minimum and no IRA maintenance fees.

**6 Polish your credit.** Good credit helps you get the lowest interest rates and best terms on a credit card, mortgage or other loan, and your credit history may even affect your job prospects, insurance rates, and ability to get an apartment or cell phone plan. Generally, a credit score of 750 or higher (on a 300-to-850 scale) is considered top tier. The most important credit-building step is to pay all of your bills on time. Another score booster: Keep the amount that you owe on your credit cards as a percentage

7

INVESTING TIP

## KICK IT UP A NOTCH

Once you've established a bank account and started to participate in your employer's retirement savings plan, take your wealth-building program to the next level by opening a brokerage account. That will allow you to invest in individual stocks and exchange-traded funds, which most people can't do in their 401(k), as well as no-transaction-fee mutual funds. You'll need \$2,500 to open an account at Fidelity, our top-ranked online broker (see "Best of the Online Brokers," Aug. 2016); Charles Schwab requires just \$1,000, which is waived if you sign up for automatic monthly deposits of at least \$100.

of their overall limits (known as your credit utilization ratio) as low as possible. On each card, use no more than 30% of your limit, and keep the ratio to 10% or less on each card if you plan to apply for a loan soon.

5

## ASK A PRO FOR ADVICE

A financial adviser can help you blaze a path to financial success—especially when you're starting out or facing a complex financial situation. A certified financial planner (CFP), for example, offers guidance in strategizing retirement savings, allocating or managing investments, creating an estate plan, and performing other tasks. At [www.napfa.org](http://www.napfa.org), you can search for a fee-only adviser, who avoids conflicts of interest by accepting no commissions from selling investments or other products. If you need extra assistance with tax planning, look

for a certified public accountant (CPA) with a personal financial specialist (PFS) designation at [www.aicpa.org](http://www.aicpa.org).

You don't need deep pockets to get help. At [www.garrettplanningnetwork.com](http://www.garrettplanningnetwork.com), search for planners who charge hourly rates and require no asset or income minimum. Independent outfits, such as Betterment and Wealthfront, as well as full-service firms, such as Charles Schwab and Fidelity, offer online "robo" adviser services, which provide low-cost, computer-generated advice and portfolio management.

**8 Set specific goals.**

You're more likely to accrue wealth if you have specific goals and a plan to reach them. That means coming up with short-term goals, such as paying off debt, buying a house, and saving for a rainy day or a vacation, as well as long-term goals, which may include funding your retirement and your children's college education. Make your goals specific and realistic. "Instead of saying that you want to save for your child's education, say

**9 Live like the invisible rich**

Live within—and ideally below—your means. By resisting the temptation to buy a big house or expensive cars, you can invest in things that will create long-term wealth, such as stocks and real estate.

you want to have \$50,000 saved for your child's education in 15 years, and you'll get there by depositing \$200 a month into a 529 savings plan," says Roger Ma, a certified financial planner in New York City.

**10 Cultivate your career.**

Want to move ahead in your organization or switch to a more

lucrative job? Keep your skills sharp and never stop networking, says Mary Eileen Williams, a career counselor and author of *Land the Job You Love: 10 Surefire Strategies for Jobseekers Over 50*. An updated LinkedIn profile is critical because most employers use the website to vet potential candidates, Williams says. And

learning new job skills doesn't have to cost a lot of money. Khan Academy, a nonprofit website, offers video tutorials on everything from statistics to computer programming. Your local community college may also offer career-advancement courses. Considering an advanced degree? According to Payscale.com, nurse anesthetists, MBAs in business strategy and chemical engineers earn the highest salaries after graduate school; graduates with master's degrees in education and human services earn the lowest pay. Another secret to success: Spend half an hour a day learning about your job, industry or a dream you're pursuing. More than 95% of self-made millionaires spend at least 30 minutes every day reading materials related to their careers or self-improvement, says Tom Corley, a certified financial planner who spent five years researching the habits of wealthy people for his book *Rich Habits*.

**12****SAVE FOR COLLEGE AS SOON AS YOUR KIDS ARE BORN**

Too many parents sacrifice their own wealth by raiding their retirement savings to pay for their kids' college. Or their children graduate with large student-loan payments to go with their sheepskin. If you set aside money in a 529 college-savings plan every year starting when your children are born, you'll have a big chunk of the tuition bill saved when they're 18. They can use the 529 money tax-free for college costs, and you may get a state income tax deduction for your contributions. Go to [www.savingforcollege.com](http://www.savingforcollege.com) for more information about each state's rules. If your state doesn't offer a tax break, check out Utah's plan ([www.uesp.org](http://www.uesp.org)), which features low-cost Vanguard funds and FDIC-insured accounts.

**11**

## STARTING OUT

**BUY A HOME (WHEN YOU'RE READY)**

Owning a home is one of the best ways to build wealth. You can still lock in low mortgage rates, and Uncle Sam offers a helping hand in the form of tax deductions for mortgage interest and property taxes. Ideally, you'll put down at least 20% of a home's purchase price, which allows you to avoid private mortgage insurance. The bank may be willing to lend you more than you can comfortably afford. To avoid feeling house poor, however, figure out how much of your monthly budget you can devote to a mortgage payment and still have enough left over for retirement and college savings, travel, and just plain fun. And note that the maxim "Buy the worst house in the best neighborhood" doesn't pay off. In *Zillow Talk: Rewriting the Rules of Real Estate*, Spencer Rascoff, CEO of Zillow, and Stan Humphries, chief economist, write that the data prove you should "buy a decent house in the right neighborhood." What's the right neighborhood? The most expensive one where you can afford a home that is not in the bottom 10% of listings by price. Homes in the bottom 10% don't appreciate as well as homes in the top 90%.







A new way to plan for tomorrow, today.

**Introducing managed portfolios from TD Ameritrade Investment Management.**

TD Ameritrade offers a variety of portfolios that can help you meet your goals now and as life changes. While there are plenty of things you can't plan for, staying invested won't be one of them.

Start a conversation with a Financial Consultant about investing today.



Call **(800) 454-9272** or  
visit **[tdameritrade.com/portfolios](https://tdameritrade.com/portfolios)** to learn more.

Advisory services are provided by TD Ameritrade Investment Management, LLC, a registered investment advisor. All investments involve risk, including risk of loss. TD Ameritrade, Inc., member FINRA/SIPC. © 2017 TD Ameritrade.



# PROTECT

## 13 Fill the gaps in home insurance.

Your home may be your biggest asset, so make sure you have enough insurance to protect it from disasters. Review your policy to see if your dwelling coverage is enough to rebuild. (Your insurer may inspect your home, or you can get an estimate for \$25 at [www.e2value.com](http://www.e2value.com).) Let your insurance com-

pany know about any major improvements that affect the value. Check the amount of coverage for your possessions, and consider buying a rider to cover special items, such as jewelry. Add insurance for sewage back-ups (typically \$130 for \$10,000 of coverage), and consider flood insurance if you're concerned about that risk (ask your homeowners

insurance agent for a price quote, or go to [www.floodsmart.gov](http://www.floodsmart.gov) for additional information).

## 14 Shield yourself from lawsuits.

The most important part of your auto insurance policy is the liability coverage, which protects your assets and future earnings if you are liable for injuries and damage as the result

of an accident. State liability coverage requirements are usually inadequate; most people should get coverage to pay at least \$250,000 per injured person and \$500,000 per accident. Also make sure you have uninsured-motorist coverage (and underinsured-motorist coverage, in states with inadequate liability limits). That can pay for damage to your

car, medical expenses and lost wages for you and your passengers if the at-fault driver does not have insurance.

Most families with typical risks should also safeguard their assets and future earnings with an umbrella policy. You can boost your auto and home liability protection by \$1 million with an umbrella policy for about \$200 to \$400 per year. Make sure you have at least as much liability coverage as your net worth.

## 15 Get enough life insurance.

Life insurance would replace lost income if you or your spouse died early. One rule of thumb calls for buying at least eight to 10 times your gross income, and you can get a refined estimate by using a life insurance calculator (such as the one at [www.lifehappens.org](http://www.lifehappens.org)). A 20- to 30-year term policy, which has no savings component, is best for most families. The policy would likely cover you until your kids are out of college, you pay off your house or you stop working. You can compare rates for several insurers at [AccuQuote.com](http://AccuQuote.com). If you need insurance longer—for example, if you're supporting a child with special



needs—consider a permanent insurance policy, such as whole life or universal life, which builds cash value. (Note that premiums for permanent coverage tend to be much higher than for term insurance.)

**16 Buy disability insurance.** If you become disabled and unable to work, you don't want to be forced to raid your retirement savings or incur expensive debt. You may have some disability insurance through your employer, but employers' policies typically cover just 60% of income, with a \$5,000 monthly maximum, and don't take bonuses and commissions into account. Plus, payments from employer disability plans are taxable. Calculate how much your policy will pay out every month, compare that with your monthly expenses, and consider buying an individual policy to fill the gaps (see "Why You Need Disability Coverage," March). You may be able to cover up to 85% of your income, and payouts from individual disability policies are tax-free.

**17 Make the most of a health savings account.** Instead of using HSA money

to cover current medical bills, let the money grow long term and cover medical costs out of pocket. Keep your receipts for eligible medical expenses you incur after you open the account and withdraw the money later—even in retirement. To set up an HSA, you need an eligible health insurance policy with a deductible of at least \$1,300 for individual coverage or \$2,600 for family coverage. You can contribute up to \$3,400 to the HSA for individual or \$6,750 for family coverage, plus \$1,000 if you're 55 or older. Your contributions are tax-deductible (or pretax if they're through your employer), and the money grows tax-deferred. You can't contribute to an HSA after you've enrolled in Medicare, but you can use the money already in the account tax-free to pay premiums for Medicare Part B, Part D and Medicare Advantage, plus a portion of long-term-care premiums based on your age.

**18 Think stocks.** The best way to build wealth over the long haul is to invest in stocks. U.S. stocks, as measured by Standard & Poor's 500-stock index, have re-

turned about 10% per year compounded. Stocks are notoriously fickle and volatile over the short term, and after their long ascent, they are due for a breather or possibly a full-fledged bear market. But with interest rates still in the gutter, stocks will almost certainly outpace bonds and cash-type investments (for instance, savings accounts and money market funds) over the next decade and beyond. Start investing with low-cost exchange-traded funds, such as **ISHARES CORE S&P 500 (SYMBOL IVV)**, which tracks the S&P 500, or **VANGUARD TOTAL STOCK MARKET (VTI)**, which follows a benchmark that in-

cludes nearly every U.S. stock. You can rev your engines with a sector ETF, such as **VANGUARD INFORMATION TECHNOLOGY ETF (VGT)** or **GUGGENHEIM S&P 500 EQUAL WEIGHT HEALTH CARE ETF (RYH)**. But don't invest money you'll need soon.

**19 Guard your good name.** You may not know if an ID thief has struck or when a mistake is marring your credit record. To check, go to [www.annualcreditreport.com](http://www.annualcreditreport.com) and order your credit reports from the three major credit bureaus (Equifax, Experian and TransUnion). You can get a free report from each bureau once a year. Pore over each

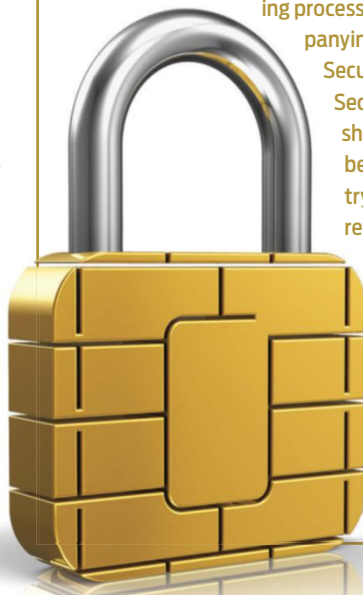
one for mistakes, such as variations on your name or accounts you never opened. If you find an error, file disputes with both the lender and the bureau(s) that reported the error, preferably by certified mail so you can create a paper trail. On a more regular basis, monitor your credit score for unexplained dips that could signal something fishy is going on in your credit report. If your bank doesn't offer a free FICO score, see page 50 for services that do.

**21 Update your estate plan.** Pat yourself on the back if you already have a will and other estate-planning documents,

## 20

### THWART ID THIEVES

Cleaning up after identity theft can be costly and time-consuming. Worse, ID theft may prevent you from getting credit, at least until you finish the painstaking process of cleaning up your credit files (see the accompanying story). Rule one: Don't carry your Social Security card in your wallet or give out your Social Security number unless you're sure it's needed, and shred unneeded documents that include the number. If a thief has already stolen your SSN, he may try to file a tax return in your name and collect a refund. To deter such an attempt, submit your tax return as early as possible. Watch out for calls or e-mails from crooks posing as representatives of your bank, the IRS or other entities in attempts to collect your personal information or money, and never click on a link in an e-mail or text message unless you're sure of its source. Password-protect your PC and smartphone, and use strong and diverse passwords for your online accounts, too.



22-31

## 10 TIMELESS TIPS FROM KNIGHT KIPLINGER

Some lessons from our 70 years of giving readers practical advice on how to save, manage, invest and spend their money.

**22. Wealth creation isn't a matter of what you earn. It's how much of it you save.**

**23. Your biggest barrier to becoming rich is living like you're rich before you are.**

**24. Pay yourself first.** Arrange to have your retirement and other savings deducted from your paycheck before the money hits your bank account. If there isn't enough left over for your bills, cut your spending.

**25. No one ever got into trouble by borrowing too little.**

**26. Conspicuous consumption will make you inconspicuously poor.**

**27. The key to stock market success isn't your timing of the market. It's your time in the market—the longer, the better.**

**28. Diversify, because every asset has its day in the sun—and its day in the doghouse.**

**29. Keep a cool head when others are losing theirs.** When others are selling investments, it's usually a good time to buy. The foundations of great fortunes are laid in bear markets, not bull markets.

**30. Money can't buy happiness, but it can make unhappiness easier to bear.**

**31. Sharing your wealth with others is more fun than spending it on yourself.**



including a durable power of attorney (which lets the person you appoint manage your finances and legal affairs) and health care power of attorney (which gives a trusted person the authority to make health care decisions on your behalf if you can't). Now make sure these documents reflect current circumstances, including the birth of a child, a divorce or a move to a new state (see "Ask Kim," on page 49). Also review the beneficiaries of your life insurance, 401(k) and IRA.

Do your family another favor by leaving instructions as to whether you want your body to be buried, cremated or donated to science, and let family members know whether you prefer a funeral service or a memorial service, and where it should be held. Better yet, plan and put aside funds for the

whole thing yourself (see "Going Out in Style," Nov.). The median price for a traditional, full-service funeral runs \$7,180, not including cemetery costs or

extras, such as flowers, according to a 2015 report by the National Funeral Directors Association. Prices vary widely even in the same area, however, so check costs at several funeral homes.

### 32 Let Uncle Sam help pay for raising kids.

The Department of Agriculture says middle-income parents will spend more than \$233,000 to raise a child to age 17, and high-income parents will spend more than \$372,000. You'll feel less of a pinch in the pocketbook if you take advantage of family-friendly tax breaks. Parents who pay for child care are eligible for two breaks: a dependent-care flexible spending account and the child-care credit. You usually have to choose one or the other, and for most families, the flex account is a better deal (assuming your employer offers one). You can set aside up to \$5,000 pretax in a dependent-care FSA. (The maximum contribution is \$5,000 per household each year, even if both spouses have access to a dependent-care FSA where they work.) That money avoids not only federal income taxes but also the 7.65% Social

33

## TEACH YOUR CHILDREN WELL

Raising financially literate and responsible kids should be part of your estate plan. Be up front about the wealth you have and your plans for it, and make sure your legacy is as much about your values as it is about your bank account. Start teaching budgeting skills at an early age. Have teens use allowance to pay some of their own expenses, and steel yourself to let the cell phone go dark if they fall behind on the wireless bill. Seed an investment account for young adults, and perhaps promise to match a portion of the investment returns. The kids are free to withdraw the money, but parents can't add to the principal. This shows the power of compound growth as well as the opportunity cost of robbing a nest egg.

Security and Medicare tax, and it may bypass state income taxes as well. The higher your tax bracket, the bigger the benefit.

If you have two or more kids, you can max out your dependent-care FSA and



still take the child-care credit for up to \$1,000 in additional expenses. Don't forget to count all child-care costs (even the cost of summer day camp) for children younger than 13.

### **34 Shelter retirement income.**

The general post-retirement rule is to draw from taxable accounts first: When you sell investments in a taxable account, you pay tax only on the profit, and if you've held the investments for more than a year, the profit is taxed at the long-term capital-gains rate, which tops out at 20%. But you may get an even sweeter break: In 2017, married couples with taxable income up to \$75,900 and single people with income up to \$37,950 are eligible for a 0% capital-gains rate. (President Trump's tax reform plan would retain the 0% capital-gains rate; under the House Republican tax reform plan, the lowest hit on capital gains would be 6%.) With pretax accounts, every dollar you withdraw is taxed at the ordinary income tax rate of up to 39.6%. Generally, it's best to tap such tax-deferred accounts after your taxable accounts, letting Roth IRAs—which aren't subject

to required minimum distributions—ride to take advantage of tax-free growth. There are lots of exceptions to these rules of thumb, so consult an adviser if you're not sure what's best for you.

### **35 Keep an eye on recurring fees.**

Don't let recurring charges nibble away at your assets. Households with two cell phones, a landline, and a cable and internet bundle spend a whopping \$2,700 a year, on average, on those services, according to a Consumer Federation of America report. Consider sharing a phone plan with family members (or see tip 55) and dropping your cable plan in favor of using an antenna to get over-the-air channels and signing up for streaming video. You may also find you're not getting your money's worth out of, say, your satellite radio or audiobook subscription. And don't overlook hidden fees, such as hotel resort fees, airline charges and bank fees, which can add up to big bucks. You can look up resort fees at [www.resortfeechecker.com](http://www.resortfeechecker.com) and airline fees at [www.kayak.com/airline-fees](http://www.kayak.com/airline-fees). Search for low-fee checking accounts at [www.findabetterbank.com](http://www.findabetterbank.com).

**36 Invest to beat inflation.** Kiplinger expects inflation for 2017 to be a still-modest 2.4%, up from 2.1% in 2016. That's nowhere near 1970s-style runaway levels, but it's enough to merit some inflation protection in your portfolio. One good option: **TREASURY INFLATION-PROTECTED SECURITIES**. The principal value of TIPS is

adjusted to keep pace with increases in consumer prices. Buy TIPS directly from Uncle Sam at [www.treasurydirect.gov](http://www.treasurydirect.gov). Another inflation fighter is **FIDELITY FLOATING RATE HIGH INCOME (FFRHX)**, which invests in loans that banks make to borrowers with below-average credit ratings. The interest rates adjust periodically

in response to changes in short-term rates, which are likely to rise as inflation accelerates. Commodities should also perform well as inflation heats up. For exposure to commodities, consider **HARBOR COMMODITY REAL RETURN STRATEGY (HACMX)**. For more on staying ahead of inflation, see "Inflation-Proof Your Assets," on page 59.

## **37**

### **CAPITALIZE ON A WINDFALL**

About one-fifth of U.S. retirees are expected to have estates that top \$390,000, according to the banking and financial services organization HSBC. If you are the beneficiary of parental largesse (or you win the lottery), start by doing nothing. Stash your bounty in a safe place, such as a savings or money market account, for six months to a year. That will give you time to come up with a solid plan to get the most out of your good fortune. It will also give you time to assemble a team of advisers to help you manage your money. Your team should include a financial planner and a certified public accountant or enrolled agent. Depending on the nature of your windfall, you may also need help from a lawyer and an insurance professional. Resist the temptation to tell your boss to take your job and shove it. Windfall recipients often underestimate how much money it will take to replace their income. Plus, once you quit, you'll stop earning income that contributes to your Social Security benefits—which you may need if your investments go sour.





# DIVERSIFY

## 38 Spread out your investments.

Playing it safe with a diversified mix of stocks *and* bonds can help your portfolio stay afloat during bad times and improve your long-term returns. If you have at least 10 years until retirement, for example, hold 70% of your portfolio in stocks and 30% in high-quality bonds. A mutual fund can work nicely, too. **VANGUARD WELLINGTON (VWELX)**, a member of the Kiplinger 25 (the list of our favorite mutual funds), holds about two-thirds of its assets in stocks and the rest in bonds, and it has an annualized 8.2% return over the past 20 years.

## 39 Give emerging markets a shot.

Before delivering modest gains in 2016, stocks in developing markets, such as

China and India, had lost money in four of the previous five years. But emerging-market stocks still deserve a place among your assets. Not only are the stocks relatively cheap, but corporate earnings in emerging-markets firms are expected to expand by more than 13% in 2017—far more than firms in the U.S. For access to these stocks, invest in **BARON EMERGING MARKETS (BEXFX)**, a Kiplinger 25 fund, or in exchange-traded **ISHARES CORE MSCI EMERGING MARKETS ETF (IEMG)**, which tracks an index.

## 40 Don't try to time the market

Wondering if it's time to sell all of your stocks? Don't. First, what are you going to do with the proceeds? Cash pays almost nothing, and bonds come with their own set of risks. And how will you know when it's time to get back in the market? Our advice: Set an appropriate allocation (see tip 38), then rebalance (tip 43).

## 41 Take a flier on small stocks.

After you've stashed money in an emergency fund and maxed out contributions to retirement accounts, consider taking a moonshot on stocks that could turbocharge your returns. Small, fast-growing companies may be a good bet now because small companies should benefit from a focus on the healthy U.S. economy, and they could get a lift from fewer regulations and lower corporate tax rates now being considered in Washing-

ton. Two top choices: **T. ROWE PRICE QM U.S. SMALL-CAP GROWTH EQUITY (PRDSX)** and **T. ROWE PRICE SMALL-CAP VALUE (PRSVX)**, both members of the Kip 25.

Also on our shopping list these days are companies cashing in on high-tech trends. Chipmaker **BROADCOM (AVGO)**, factory robotics firm **COGNEX (CGNX)** and cybersecurity company **CYBERARK SOFTWARE (CYBR)** all look compelling (for other suggestions, see "13 Stocks for the Tech Revolution," on page 52). We also like biotechnology stocks for their long-term growth prospects. You can buy a bundle of them in an exchange-traded fund such as **SPDR S&P BIO-TECH ETF (XBI)**.

## 42 Get a side gig.

Turning a hobby or activity

you love into a part-time enterprise can help you raise money to pay down debt and beef up savings. If you're well along in your first career, it could also lay the foundation for your next one or turn into a part-time retirement job. Websites such as Etsy and Zazzle provide a way to turn your creative endeavors into cash. Plan to relocate when you retire? Consider buying a property in your retirement destination now—which will lock in the price—and renting it out until you're ready to move.

## 43

### REBALANCE REGULARLY

You'll need to trim your winners periodically and add to your laggards to keep your mix intact. Check your brokerage statements every six months to see if your portfolio has veered off track. If your allotment to a particular category has drifted by more than five percentage points from your target allocation, make the needed trades to bring your allocations back into alignment.



# ALWAYS BE DATA DRIVEN

Fidelity Active Trader Pro®  
helps traders:

## KNOW WHEN TO GET IN

with pattern and event recognition  
fully integrated into the interactive charts\*.

## KNOW WHEN TO GET OUT

with tools that let you set conditional  
orders based on profit and loss scenarios.

## EASILY PLACE TRADES & ALERTS

directly from charts.



**OPEN AN ACCOUNT GET 500 FREE TRADES†**  
Visit [Fidelity.com/AlwaysBe](http://Fidelity.com/AlwaysBe), or call 800.Fidelity

Where smarter investors will always be.



STOCKS | BONDS | MUTUAL FUNDS | ETFs | OPTIONS

†Sell orders are subject to an activity assessment fee (from \$0.01 to \$0.03 per \$1,000 of principal). Trades are limited to online domestic equities and options and must be used within two years. Options trades are limited to 20 contracts per trade. Offer valid for new and existing Fidelity customers opening or adding net new assets to an eligible Fidelity IRA or brokerage account. Accounts receiving \$100,000 or more will receive 500 free trades. Account balance of \$100,000 must be maintained for at least nine months; otherwise, normal commission schedule rates may be retroactively applied to any free trade executions. See [Fidelity.com/ATP500free](http://Fidelity.com/ATP500free) for further details. Fidelity reserves the right to modify these terms and conditions or terminate this offer at any time. Other terms and conditions, or eligibility criteria may apply.

\*Active Trader Pro Platforms<sup>SM</sup> is available to customers trading 36 times or more in a rolling 12-month period.

Screens are for illustrative purposes only.

Fidelity Brokerage Services LLC, Member NYSE, SIPC. © 2016 FMR LLC. All rights reserved. 736003.4.2

# AUTOMATE

## 44 Get on top of your spending.

You can't set long-term goals unless you get a handle on where your money goes. Budgeting apps make the task a lot easier. After you monitor your cash flow for several months, you'll have the tools to hew to your spending limits. With Mint, for example, you link to credit card, loan, bank and investment accounts to track and categorize balances and transactions

automatically and get a snapshot of your net worth. You can also create budgets for each spending category and set savings goals, and Mint sends you alerts when you exceed your limits. If you're primarily interested in keeping an eye on cash flow and investment performance, check out Personal Capital, which lets you both watch the big picture and dig in to expenses, income and other areas with easy-

to-navigate charts and graphs.

## 45 Set it and forget it.

Set up an automatic transfer from your checking account to your savings or brokerage account (or both) each month shortly after payday so that your emergency and retirement funds will fatten up before you have a chance to spend the cash. Alternatively, see if your employer can divvy your paycheck between two

accounts. Automating certain payments can also pay dividends:

A number of auto insurers, including Allied, Allstate and Geico, offer a small discount or cut you a break on fees if you enroll in auto-pay. You can also slice 0.25 percentage point off your federal student loans by signing up for automatic debit. Even AT&T, Sprint, T-Mobile and Cricket Wireless trim the monthly charges for some plans if you

sign up for auto-pay. For the rest of your bills, use automatic bill payments through your bank. Your payment will arrive before the due date, you'll avoid late fees, and you won't have to buy stamps and envelopes, either.

## 47 Maximize credit card rewards.

By playing your (credit) cards right, you'll earn hundreds of dollars annually in cash back or free flights and hotel stays. For travel, choose a card that offers a hefty sign-up bonus. The **CHASE SAPPHIRE PREFERRED** (\$95 annual fee) ponies up 50,000 bonus points after you spend \$4,000 in the first three months, as well as double miles on travel and dining purchases. For cash back, the no-fee **CITI DOUBLE CASH** card can't be beat for its flat return of 2% on every purchase. You might also want a card with a return of 3% to 5% in categories you spend the most on, such as groceries or gas (see "The Best List," Dec.). You can also save money with the perks that many credit cards offer: extended warranties, price matching, coverage for damage and theft of recent purchases, rental car insurance, and travel insurance.

## 46

### TARGET YOUR INVESTING

Target-date funds, which are widely available in 401(k) plans, are designed to be set-it-and-forget-it investments.

They are best for investors who aren't sure how to invest or don't want to bother figuring out how much

of their portfolio should be in stocks or bonds or when to rebalance. In a target-date fund, the pros do the work for you, shifting the stock-bond mix to a more conservative allocation as you get older and even after you retire. Choose the fund with the year in its name that matches when you plan to retire. Our favorite target-date series are

**VANGUARD TARGET RETIREMENT**, which holds index funds, and **T. ROWE PRICE RETIREMENT**, which holds mostly actively managed funds. If you're 18 years from retirement, for example, go for Vanguard Target Retirement 2035 (VTTHX).





# CHARLES TYRWHITT

JERMYN STREET LONDON



3 SHIRTS FOR ONLY

# \$99.95

NORMALLY \$100 OR \$110 EACH

The finest non-iron shirts in the world



ONLY  
\$33.32  
PER SHIRT  
WITH THIS  
OFFER



Choose from over 500 shirts online



SAVE  
**\$200**  
OR MORE

A Special Introductory Offer for Readers of Kiplinger's Personal Finance

 [WWW.CTSHIRTS.COM/MGACA](http://WWW.CTSHIRTS.COM/MGACA)



1 866-797-2701 (24 hrs toll free)  
Quote: MGACA



See Manhattan, Washington D.C. & Chicago  
stores online. Quote: MGACA

Mix and match between dress shirts, casual & polos. Products imported. See full T&Cs online.

Plus free shipping & returns

# LOOK FOR VALUE

## 48 Get all the insurance discounts you deserve.

Ask your auto and home insurers for a list of potential discounts. You may get an automatic break (typically 10% to 20%) by bundling your home and auto policies with the same company or keeping a clean driving record, but you may need to let your insurer know if you qualify for other discounts. Most insurers offer a good-student discount (usually worth up to 25% if your student maintains a B average or better). Some offer a break of 10% to 15%

for certain jobs, and a 15% discount if you're 55 or older and sign up for a defensive-driving course. You may get a bigger break—as much as 50%—by signing up for a data-tracking service, such as Progressive's Snapshot or State Farm's Drive Safe & Save, if you have low annual mileage and practice sedate driving habits. You could get home insurance discounts for many home improvements, such as adding storm-proof shutters (up to 44%, depending on the state) or an alarm system (up to 15%).

## 49 Tap the sharing economy.

The sharing economy isn't always about sharing. It's often simply about

saving money. For example, you can rent a house, apartment or private room (or a castle, houseboat or yurt) through sites such as Airbnb and HomeAway. The nightly rate may be lower than a hotel, especially when you're splitting the cost among a group. To avoid paying for accommodations at all, swap your home with another traveler through a service such as HomeLink or Intervac. If you live in an area with a car-sharing service, you could skip the high cost of buying, insuring and maintaining a car or two. Car2Go

charges \$15 per hour or 41 cents per minute, and Zipcar typically charges \$70 per year or \$7 per month plus hourly or daily rates. Need home services? At TaskRabbit or Handy, you can find gardeners, painters and plumbers, among a plethora of other helpers, who often charge surprisingly low rates.

## 51 Never pay retail, part I.

A new car starts to depreciate as soon as you drive it off the dealer's lot. After three years, it has typically lost half its original value. Those numbers bolster the argument for

## 50

### RESHOP YOUR CAR INSURANCE EVERY YEAR

Rates can vary a lot by insurer, and by shopping around, you may be able to trim your premiums and put hundreds of dollars a year back in your pocket. Compare premiums at [InsuranceQuotes.com](http://InsuranceQuotes.com) or [Insurance.com](http://Insurance.com), or look for an independent agent at [www.trustedchoice.com](http://www.trustedchoice.com). You can find sample prices for all insurers licensed in your state at most state insurance departments' websites (find links for each state at [www.naic.org](http://www.naic.org), and search for the auto insurance shoppers' guide). Contact the companies with the best rates for the situation most like yours and compare premiums for the same amount of coverage you have now. If one offers a better rate, let your current insurer know before switching; it may offer to match the lower rate if you're a longtime customer.





buying used, which can save tens of thousands of dollars over the years. The growth of factory-inspected, certified preowned vehicles, which are the cream of the used-vehicle crop and come with a warranty, has injected transparency into what you might charitably call the opacity of the used-car industry. What if you are stubbornly in the new-car camp? Negotiate hard. Shop for an identically equipped model at several dealers, then use your best price to squeeze concessions from the other dealers. (Or use a service that does this for you, such as Carbargains.org.) If you lean toward the luxury side of the market, consider leasing. Carmakers often offer subsidies that hold down monthly payments.

**52 Never pay retail, part II.** You can get money back from your online shopping sprees if you route your purchases through a cash-back site such as BeFrugal, CouponCabin, Ebates or Splender. The process is easy: Register at the site, search for your retailer, and click the site's link to make your

## 53 Negotiate for practically everything

You know it pays to haggle hard over cars and homes. A lot of other purchases are ripe for negotiation, too. Avoid naming your top price right away. If the seller has a lower figure in mind than you do, you won't save as much as you could have. Instead, ask the seller how much he could come down in price.

purchase (browser cookies must be turned on). You'll typically earn back less than 10% of your purchase price, but rebates can go as high as 35% to 40%. Once your cash stash reaches a certain level, you can collect it via check, PayPal or gift card. Compare offerings for retailers across various sites through Cashback Holic.com or CashbackMonitor.com.

**54 Keep investing costs low.** All else being equal, the less you pay, the more you get to keep for yourself. Start by opening an account with an online broker, such as Fidelity or Charles Schwab (see "Best of the Online Brokers," Aug. 2016). You'll be able to buy and sell stocks for roughly \$7 per trade. In addition, many of the top discounters let you trade select ETFs without sales fees. Fund investors should focus on mutual funds and ETFs with low expense ratios. You can buy index funds, such as those that track the

S&P 500, with annual fees of roughly 0.05%. Top low-cost actively managed funds include **DODGE & COX STOCK (DODGX)** and **MAIRS & POWER GROWTH (MPGFX)**, both Kip 25 members.

If you work with a money manager, you'll probably pay about 1% a year. Try to negotiate a lower fee. Or consider signing up with a "robo" adviser, which uses technology to manage your portfolio. Betterment (www.betterment.com) charges just 0.25% of assets under management annually. Wealthfront (www.wealthfront.com) levies no management fee for balances under \$10,000 and charges 0.25% a year for any amount above that.

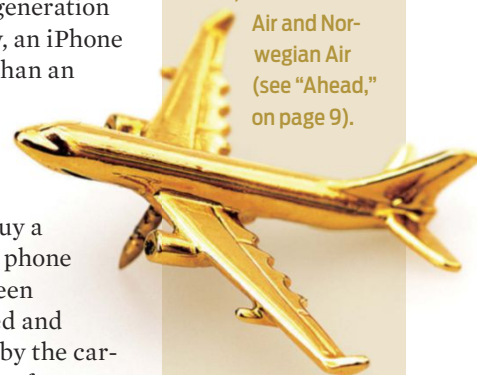
**55 Trim your wireless costs.** Families with children spent an average of \$1,526 on cell phone service in 2015, or about \$127 per month, according to the U.S. Bureau of Labor Statistics. That number may be a lot higher if you have, say, a couple of data-

hungry teens. Take stock of your typical monthly usage and shop for a plan that fits your needs at the lowest price. If you use data to stream several hours of music or video monthly, for example, switching to an unlimited data plan may make sense. Consider smaller carriers, which often piggyback on the networks of larger ones and offer plans at lower rates. Use the tool at www.wirefly.com to search for suitable plans based on your typical usage. With the demise of subsidized phones, look beyond the latest iPhone or Samsung phones for more-affordable options. Or, rather than getting the latest model, consider buying a previous-generation phone (say, an iPhone 6s rather than an iPhone 7), which could save you \$100. Or buy a preowned phone that has been refurbished and inspected by the carrier or manufacturer.

56

## FIND THE BEST AIRFARE

Scope out the cheapest dates to fly to your destination—or find a destination that fits your price range—using the flexible search features on Kayak and Google Flights. Register for airfare alerts from Airfare watchdog.com and flight deals from ScottsCheapFlights.com, and skim Twitter for flash sales using the hashtag #airfare. Online travel agencies (OTAs), such as Expedia and Priceline, can piece together cheaper itineraries for international flights using multiple airlines on complex routes. To compare OTA fares with the airlines' fares or with other OTAs, run your itinerary through Kayak or Momondo. Don't forget budget airlines, such as Wow Air and Norwegian Air (see "Ahead," on page 9).



# PRIORITIZE

## 57 Vow to be debt-free.

High-interest-rate debt is an obstacle in your path to wealth. One way to attack the problem is to pay down the highest-interest-rate debt

first. For example, if you're carrying a balance on a credit card with a hefty rate, consider transferring the balance to a card such as Chase Slate, which charges a 0% rate for the first 15 months

and no transfer fee if you move the balance within 60 days of opening the card. Just be sure to pay it off before interest starts to accrue. Auto and student loans are also candidates for accelerated payoff.

## 58



## FOSTER YOUR PHILANTHROPIC SIDE

Money can't buy happiness, but studies show that charitable giving can make you happier. Better yet, philanthropy can lower your tax bill. Your donations to a charity or, say, a school are tax-deductible if you itemize, and you'll get an extra tax break if you give stock, funds or other investments that have appreciated in value. If you bought the investments more than a year ago, you'll get a tax write-off for the current value of the donation, and you won't owe capital-gains taxes on the increase in value since purchase.

## 59 Use home equity strategically.

Thanks to rising home values since the Great Recession, you may be well positioned to borrow against the equity in your home, which can help finance renovations or consolidate other, higher-rate debts. Recently, a home-equity line of credit (HELOC) with a \$30,000 limit carried an average 5.1% rate, according to Bankrate.com. HELOCs often come with variable rates, so your payments will increase as interest rates rise. Some lenders allow you to lock in a fixed rate on all or a portion of your HELOC balance, which may be wise if you expect to spend a few years or more paying off the debt. A fixed-rate loan may be a good option if you have a one-time expense.

## 60 Give to charity from your IRA.

Uncle Sam offers an extra incentive to be charitable when it's time to take required minimum distributions from your IRAs. If you're 70½ or older, you can transfer up to \$100,000 each year tax-free from your IRAs directly to one or more charities. You can make the transfer anytime during the year. And your donation benefits you as well as the charity: The money counts as your RMD but isn't included in your adjusted gross income. Lower AGI may push you below the threshold for the Medicare high-income surcharge or help make less of your Social Security benefits subject to taxes.

## 61 Make your wealth last.

If you contribute to a donor-advised fund, you can take a charitable tax deduction for the full amount now but take as much time as you want to decide which charities to support. By making giving a family affair, you can build a charitable fund that lasts for generations and share your philanthropic values with your children and grandchildren. Mutual fund companies, brokerage

## 62

## PAY OFF YOUR MORTGAGE

If you're free of other debt and your savings are on track, put extra cash toward your mortgage or refinance into a 15-year mortgage to free up your finances by the time you retire. Patrick Lach, a certified financial planner in Louisville, Ky., offers this example: Say you want to refinance a \$200,000 mortgage. With a 30-year loan at a 4.06% fixed rate, your monthly payment would be about \$962. With a 15-year mortgage at a 3.2% fixed rate, your payment would be \$1,400, but you would save more than \$94,000 in interest.

firms and community foundations offer donor-advised funds. You can open an account at Fidelity or Schwab with \$5,000 or at Vanguard with \$25,000. You can donate cash, stock or mutual funds, and some donor-advised funds, such as Fidelity's, even let you contribute real estate or shares of privately held companies.





# A WHAT? BY WHOM?

**Municipal Bonds** by Hennion & Walsh – possibly the smartest retirement investment you’ve never heard of.

## **The Main Advantages of Municipal Bonds**

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

## **Potential Safety of Principal**

When investing in municipal bonds, investors are paid back the full face value of their investment at maturity or earlier if called, unless the bond defaults. This is important because many investors, particularly those nearing retirement or in retirement, are concerned about protecting their principal. In May of 2016, Moody’s published research that showed that rated investment grade municipal bonds had an average cumulative 10-year default rate of just 0.09% between 1970

and 2015.\* That means while there is some risk of principal loss, investing in rated investment-grade municipal bonds can be an important part of your portfolio.

## **Potential Regular Predictable Income**

Municipal bonds typically pay interest every six months unless they get called or default. That means that you can count on a regular, predictable income stream. Because most bonds have call options, which means you get your principal back before the maturity date, subsequent municipal bonds you purchase can earn more or less interest than the called bond. According to Moody’s 2016 research,\* default rates are historically low for the rated investment-grade bonds favored by Hennion & Walsh.

## **Potential Tax-Free Income**

Income from municipal bonds is not subject to federal income tax and,

depending on where you live, may also be exempt from state and local taxes. Tax-free can be a big attraction for many investors in this time of looming tax increases.

## **About Hennion & Walsh**

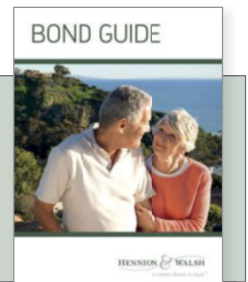
Since 1990 Hennion & Walsh has specialized in investment-grade tax-free municipal bonds. The company supervises over \$3 billion in assets in over 16,000 accounts, providing individual investors with institutional quality service and personal attention.

## **Our FREE Gift To You**

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

**HENNION & WALSH**  
It comes down to trust.®

**FREE Bond Guide**  
Without cost or obligation  
Call (800) 318-4850



© 2017 Hennion and Walsh. Securities offered through Hennion & Walsh Inc. Member of FINRA, SIPC. Investing in bonds involves risk including possible loss of principal. Income may be subject to state, local or federal alternative minimum tax. When interest rates rise, bond prices fall, and when interest rates fall, bond prices rise. \*Source: Moody’s Investor Service, May 31, 2016 “US Municipal Bond Defaults and Recoveries, 1970–2015. Past performance is not a guarantee of future results.

# SECURE YOUR RE

## 63 Take stock of where you stand.

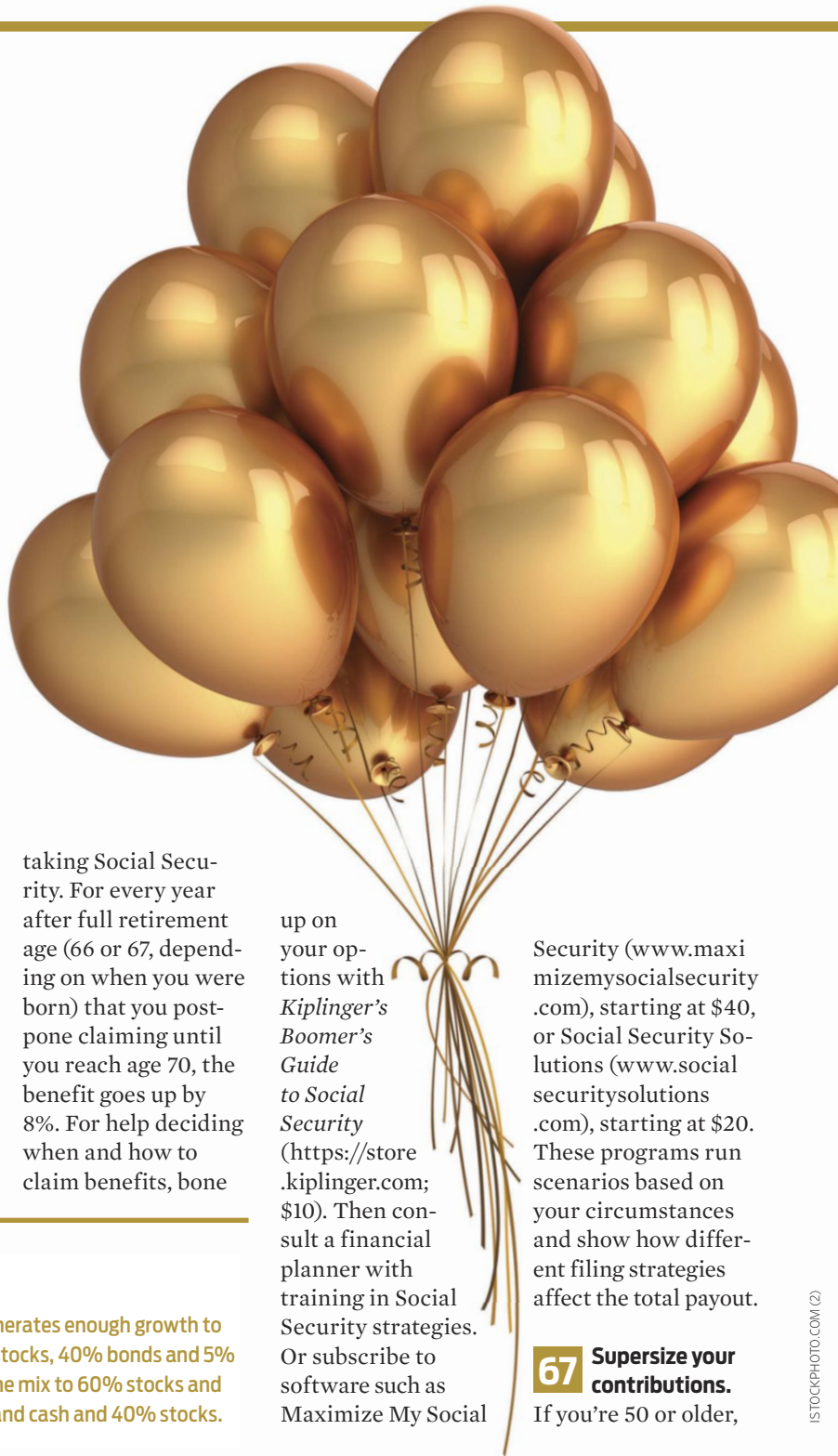
Estimate the future value of your current savings and see how much more you'll need to save to hit your retirement goal. You could work with a financial adviser to make a plan, but in the meantime crunch the numbers with an online calculator, such as the one at [kiplinger.com/links/retirement-calculator](http://kiplinger.com/links/retirement-calculator). Our tool lets you factor in such variables as home equity and potential windfalls, such as an inheritance.

## 64 Write down your plan.

Create a retirement budget, devoting one column to essential costs, such as housing and food, and another to discretionary expenses, including travel and hobbies. Factor in inflation for overall expenses, expected to be 2.4% over the next 20 years, according to

the Congressional Budget Office. Consider making a separate calculation for health care costs, which are likely to have a much higher rate of inflation; HealthView Services, which analyzes health costs, projects a 5.1% inflation rate over the next 20 years. Match expenses to guaranteed income, including any pensions and Social Security payments, plus the annual amount you plan to draw from savings. If there's a gap, reconcile yourself to spending less—or working longer. Staying in the workforce for a few extra years gives you more time to contribute to your retirement accounts. Plus, you have fewer years to finance once you do retire.

**65 Maximize Social Security.** Postponing retirement also helps you delay



taking Social Security. For every year after full retirement age (66 or 67, depending on when you were born) that you postpone claiming until you reach age 70, the benefit goes up by 8%. For help deciding when and how to claim benefits, bone

up on your options with *Kiplinger's Boomer's Guide to Social Security* (<https://store.kiplinger.com>; \$10). Then consult a financial planner with training in Social Security strategies. Or subscribe to software such as Maximize My Social

Security ([www.maximizemysocialsecurity.com](http://www.maximizemysocialsecurity.com)), starting at \$40, or Social Security Solutions ([www.socialsecuritysolutions.com](http://www.socialsecuritysolutions.com)), starting at \$20. These programs run scenarios based on your circumstances and show how different filing strategies affect the total payout.

## 67 Supersize your contributions.

If you're 50 or older,

## 66 Tweak your investments

As you approach retirement, aim for a portfolio that generates enough growth to combat inflation but ratchets down risk. A mix of 55% stocks, 40% bonds and 5% cash accomplishes that goal. For more growth, adjust the mix to 60% stocks and 40% bonds and cash; for less risk, go with 60% bonds and cash and 40% stocks.



# TIREDMENT

you can make catch-up contributions to your IRA and 401(k). In 2017, you can add \$6,000 to your 401(k) above the \$18,000 annual contribution limit, for a total of \$24,000 for the year. You can stash an extra \$1,000 in a traditional or Roth IRA beyond the \$5,500 annual contribution limit, for a total of \$6,500 for the year. If you invest \$24,000 in a 401(k) every year starting at age 50, you'll boost your retirement savings by more than \$580,000 by the time you're 65, assuming your investments return 6% per year. If you invest \$6,500 in your IRA during those years, you could amass more than \$157,000 in your IRA in 15 years.

If you're self-employed, you can also step up savings. In 2017, you can contribute up to 20% of your net self-employment income (business income minus half of your self-employment tax) to a SEP-IRA, up to a maximum of \$54,000. In a solo 401(k) plan, you can put aside even more money because you

can contribute as both an employer and an employee. In 2017, the maximum contribution is \$54,000, or \$60,000 if you're 50 or older.

**68 Retire to a place that's healthy, fun and tax-friendly.** If you plan to relocate in retirement, scope out a city that boasts an array of opportunities for outdoor activities,

restaurants that pique the palate and enough cultural amenities to keep the brain limber. All of our picks have those qualities as well as excellent health care, and they're located in states with tax policies that are kind to retirees.

■ **Austin, Texas**, has outdoorsy options including Zilker Park, a 351-acre green space; Barton Springs Pool,

**69**

## CREATE SAVINGS BUCKETS

**Talk about a wealth killer: If you're forced to sell your investments in a bear market, especially at the beginning of retirement, your carefully laid plans for making your savings last the rest of your life could be in jeopardy. To avoid that scenario, create three "buckets" for your savings. The first should hold enough cash, CDs and other short-term investments to cover one to three years of living expenses, after factoring in guaranteed income, such as Social Security. Create a second bucket with slightly riskier investments, such as intermediate-term bond funds and a few diversified stock funds. The third bucket is for long-term growth; fill it with diversified stock and bond funds. As you draw down the first bucket, you eventually refill it with profits from the second bucket, and the second bucket gets refilled with gains from the third.**



a spring-fed swimming hole; and Lady Bird Lake, where you can go canoeing and kayaking. Downtown, you'll find a bustling mix of shops, restaurants, taco trucks, barbecue joints, music and film festivals.

■ **Naples, Fla.**, offers a sophisticated mix of cafés, art galleries and boutiques, as well as beaches and gracious homes in walkable neighborhoods.

■ **Nashville's** music scene lately has competed with the thrum of the city's construction boom, but you can also find quiet old neighborhoods bordered by parks and greenways. The city is home to Vanderbilt University.

■ **Philadelphia** boasts world-class museums such as the Philadelphia Museum of Art and the Barnes Foundation. You can sample meats, cheese and produce at the Ninth Street Italian Market. The Manayunk Canal Towpath connects with 60 miles of trails along the Schuylkill River.

■ **Seattle** locals have easy access to the bounty of the Pacific Northwest as well as such urban attractions as the Pike Place Market and the Seattle Opera. Rain happens in Rain City, but mild temperatures let residents enjoy the outdoors year-round. ■

**70**

## COVER LONG-TERM CARE

At a median cost of \$92,000 a year, a stay in a nursing home can quickly deplete your retirement nest egg. Long-term-care insurance can help preserve your wealth. But the cost of long-term-care insurance has skyrocketed, so most people need to find an affordable way to set up their safety net. First, look up the cost of care in your area (see [www.genworth.com/costofcare](http://www.genworth.com/costofcare)) and estimate how much of, say, a three-year stay you could cover with income and savings. Then shop for a policy to cover the gap. You can save money on premiums by lowering the inflation adjustment from 5% to 3%; shortening the benefit period or pooling it with your spouse to use between the two of you; or extending the waiting period from, for example, one month to three months.



## HOUSING OUTLOOK

# Home Prices Keep Climbing

But as mortgage rates ratchet up, homes will be less affordable, tamping down sales and home-price growth in many cities. **BY PATRICIA MERTZ ESSWEIN**

**HOME PRICES ROSE AT A NICE CLIP** in 2016 as buyers, encouraged by job growth and exceptionally low mortgage rates, competed for slim pickings. Prices increased 5.8% nationally, compared with 4% in 2015, according to Clear Capital, a provider of real estate data and analysis. But with home prices out of reach for many first-time buyers, a limited supply of homes for sale and mortgage credit still tight, Kiplinger forecasts that price increases in 2017 will revert to a 4% pace—the historical U.S. average.

Home values rose in 253 of 276 cities tracked by Clear Capital, going up by double digits in about one-fifth of them. (For data on the 100 largest metro areas tracked by Clear Capital,

see the table on page 44.) The cities with the biggest gains were buoyed by vibrant local economies, where rising population and job growth fueled demand. They include Deltona, Fla. (with a gain of 14.7%), Austin, Texas (14.5%), Salt Lake City (12.3%), Seattle (11.4%) and Portland, Ore. (11.4%).

But many homeowners have been left behind in the latest price run-up. Average prices remain nearly 12% below the peak they hit just before the housing bust a decade ago. And home values fell in a couple of dozen metro areas—mainly in parts of the Northeast, Mid Atlantic, and industrial Midwest and South. The price drops occurred mostly in smaller cities with lackluster economies, such as Water-

town, N.Y. (-7.2%), South Bend, Ind. (-7.6%), Atlantic City, N.J. (-9.9%), and Baton Rouge, La. (-3.3%), where the economy took a hit because of declining oil prices.

During the last boom, “everyone did well,” says Alex Villacorta, vice president of research and analytics at Clear Capital. “In the downturn, everyone did badly. As the recovery began, everyone got a bump-up. Now, there are winners and losers.”

**HOUSING MARKET HEADWINDS**

Existing home sales in 2016 rose by about 1%, to 5.5 million—and that is the highest level since 2006, says the National Association of Realtors. The NAR doesn’t expect sales to





increase by much at all in 2017.

Nationwide, the number of homes for sale fell throughout 2016, and the year ended with 3.6 months' supply (the time it would take to sell the current number of homes on the market at the current pace). The NAR says that six to seven months' supply is considered balanced between buyers and sellers. Because half of all homes for sale are in the premium category, luxury buyers, buoyed by their stock market portfolios, will have little difficulty. But entry-level and trade-up buyers face a housing shortage.

Why is inventory so limited? A lot of homeowners who might trade up still haven't regained enough equity to cover the cost of selling their current home and making a down payment on the next one. More than 11.5 million homeowners are still underwater. That means they've just broken even or still owe more on their mortgage than they could sell their home for now. And because most of those homeowners have entry-level homes, the inventory for first-time buyers remains paltry.

Even homeowners with enough equity to sell are delaying because they fear they won't find (or haven't found) something they want to buy. Some are balking at giving up the low mortgage rate they nabbed when they bought or refinanced previously. Rather, they've been borrowing against their equity to remodel. In 2015, home-equity lending increased by nearly one-third from 2014, and the average size of a home-equity line of credit was \$118,694, according to CoreLogic, a financial data and analytics company. Still others don't want to make a move until they've paid down student-loan debt, says the NAR.

What's more, homes have become less affordable since 2012. The relative affordability of homes nationally peaked then, but tepid income growth has failed to keep up with rapidly rising home prices (and rents), says Daren Blomquist, a senior vice president of Attom Data Solutions, which analyzes property data. With additional interest-rate hikes expected in 2017, homes will become even less affordable, tamping down sales and

■ Polls commissioned by Trulia show that voters in "red" cities turned optimistic about their housing markets after the election. Share of Republican households is one criterion on Trulia's list of hot and cold markets for 2017 (above). Job growth, rental vacancy rates and affordability are also factored in.

home-price growth in many cities. In the most expensive markets, even a small increase in rates can have a big impact on affordability, especially for first-time home buyers struggling to come up with a down payment.

Although rent increases have begun to slow, investors who snatched up bargain properties during the downturn and converted them to rentals show no sign yet of selling them and cashing out. They continue to enjoy low vacancy rates and steady income.

And although builders started construction on more than 1.2 million homes in 2016, the highest level since 2007, they're still just two-thirds of the way back to their long-term aver-

age—and they haven't been building many starter homes, says Ralph McLaughlin, chief economist at Trulia, an online real estate marketplace. Builders continue to contend with a shortage of skilled labor and buildable lots.

### THE TRUMP EFFECT

The unevenness of the economic and housing-market recovery across the U.S. played a big role in the outcome of

the presidential election. Voters living in cities that have experienced strong growth in jobs and home prices—many of them on the coasts—voted in large numbers for Hillary Clinton, whereas those living in cities that have been slow to recover largely supported Donald Trump.

McLaughlin says post-election polls commissioned by Trulia show that voters in “red” cities switched from feeling very pessimistic to feeling

very optimistic about their housing markets, with the expectation that President Trump would boost business interests, bring jobs back to their areas and put more money in their pockets. But McLaughlin worries that some of the president's policies could eventually impede economic growth and hurt housing sales.

To promote continued recovery of the housing market, McLaughlin says, the new administration needs to emphasize policies that will increase the supply of homes on the “Costly Coasts” and jobs in the “Bargain Belt,” as McLaughlin calls them. He worries that the president may do just the reverse, overemphasizing policies that increase demand and underemphasizing those that increase supply.

For example, promoting credit availability and reducing tax rates could boost demand. However, demand could be undercut if President Trump and Congress follow through on proposals to raise the standard deduction and eliminate the write-off for property taxes. With those changes, many people wouldn't bother itemizing deductions, reducing the appeal of deductions for mortgage interest and property taxes.

On the supply side, the shortage of new homes could grow worse with the Trump administration's immigration policies because builders will have a harder time finding affordable labor. McLaughlin says it would help if Trump created incentives to encourage investors to sell homes they bought during the foreclosure crisis, many of which are starter homes. Such incentives could include a reduction in capital-gains taxes for homes sold by investors to owners who live in the home, an increase in tax rates on rental income, or both.

### A CHALLENGE FOR BUYERS

Millions of homeowners have felt the wealth effect of rising home prices. Some have parlayed rising equity into refis with lower mortgage rates, and some have taken the opportunity to

#### Financing

## Outlook for Mortgages

Although the 30-year fixed-rate mortgage lingered below 4% throughout most of 2016, it jumped late in the year as the Federal Reserve began to hike short-term interest rates—two more increases are expected in 2017—and the market anticipated higher inflation spurred by President Trump's tax and spending proposals. In early February, the national average 30-year fixed rate was 4.2%, according to Freddie Mac. But rates aren't expected to go much higher in the near term. Kiplinger forecasts that by year-end, 30-year fixed rates will rise to 4.6%, and 15-year rates will end the year at 3.8%.

Historically low mortgage rates have made homes more affordable for buyers and sparked refinancings by homeowners. But as has been the case for nearly a decade, mortgage credit remains tight, with the best rates available only to those with stellar credit scores. Borrowers earn the best rates only if they have at least 20% equity and a FICO score of 720 or more, says Guy Cecala, publisher of *Inside Mortgage Finance*. And they must continue to present reams of documentation to show income and assets. Mortgages that require just 3% down are widely available, but they're not popular because lenders charge a higher rate for them.

**What to do.** Even if you already nabbed a low interest rate, you may want to refinance from a 30-year loan to a 15-year term to build equity faster. Cash-out refinancings with a new, larger loan, usually to finance renovations, are also popular now. Compare this option with a home-equity loan or line of credit. The average fixed rate nationally for a \$50,000 home-equity loan was 4.2% in early February, and the average variable rate for a \$50,000 home-equity line of credit (HELOC) was 4.6%, according to Bankrate.com. Interest rates on home-equity borrowing will rise in tandem with the Fed's anticipated rate hikes—about a half percentage point increase by year-end. A loan, with a lump-sum payout, is usually best for a one-time expense, whereas a HELOC is best if you need to withdraw money occasionally or periodically—say, if you're paying for a home renovation in stages.

Home buyers and refinancers who need a mortgage for more than the new and higher conforming limit of \$424,100 for loans backed by Fannie Mae or Freddie Mac, who have strong credit and who make at least a 30% down payment may get a better deal with a traditional jumbo mortgage that the lender will hold on its own books. If you expect to move within seven years, consider a hybrid adjustable-rate mortgage with an initial fixed-rate period of three, five or seven years. In early February, the average initial rate for a 5/1 ARM was one percentage point less than for a 30-year fixed-rate mortgage.

To get the best deal on a loan, contact large banks, credit unions and so-called non-bank lenders, such as Quicken, Freedom Mortgage, Caliber Home Loans and LoanDepot.



# SILVER IS THE NEW OIL

## \$100 Silver and the Rise of a New Class of Elites

By David M. Engstrom

On October 1, 1908, Henry Ford delivered his first Model T. Targeting the rich it was priced at \$825 and 10,000 were built. But Ford's dream was to build a car everyone could afford. The industrial revolution began. By the end of its production life, 15 million were sold. The last being sold at \$260.

As auto demand grew, other industries grew with it. In 1924, ease of mobility saw the first shopping center built in Kansas City. Highway construction employed thousands. Real estate boomed as a thriving middle class moved from city to suburb. Then, as gas stations dotted the countryside, growing demand for oil gave birth to a new class of elites - The Oil Baron!

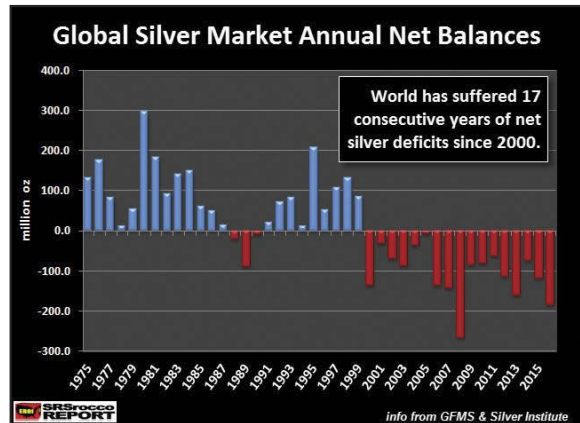
Fast forward. 1999 and a new industrial revolution. In less than two decades the electronics industry saw cell phones shrink from the size of a brick to a ladies compact. The big screen TV - big as an armoire - now hangs on the wall. And, the new tablet computer has more power than an old file-cabinet-sized mainframe. The key ingredient to these innovations? Silver!

Since 1999 the quest for green energy has been relentless. Innovations in solar technology have seen "sunlight to power efficiencies" increase nearly three-fold. The cost of solar now rivals that of conventional energy. Solar is becoming the new oil. But, without silver there would be no solar. As solar demand rises, so too will the demand for silver.

The medical industry, defense and transportation industries have all seen exponential leaps in innovation

thanks to silver. Just as the auto industry could not grow without an increasing oil supply, today's industry would come to a standstill without silver. Herein lies industry's biggest challenge. We are running out of silver.

The years 1975 - '99, provided the world with a 2.1 billion ounce surplus. Since then, 1.8 billion ounces of that surplus have vanished. Today, silver demand grows at the speed of innovation. At the same time production is falling. That's why experts believe silver could rise above \$100/oz.



Insiders see the supply crisis ahead. Banking giant JP Morgan is now said to have 67 million ounces physically stockpiled. Countries like India and China are building huge reserves and as evidenced by rising U.S. Mint sales, investors see the future. A future where rising silver demand gives birth to a new class of elites - The Silver Baron! ■

Note from the author - *"The last Great American Loophole may be the potential to transfer a portion of your IRA or other savings and retirement accounts into a silver IRA."*

*David M. Engstrom is a research analyst and industry expert for Lear Capital, the precious metals leader. To learn more about silver, call 1.800.764.0549 and request a copy of the "Vanishing Silver" report. When the bull market started in 2000, silver traded for \$5.00 an ounce and has yielded almost a 300% increase since then. Find out why silver is a "win-win" investment and could be the next oil when the reserves are completely gone.*

**LEARCAPITAL**  
THE PRECIOUS METALS LEADER

**Limited  
time offer!**

**LEARCAPITAL**  
THE PRECIOUS METALS LEADER

Call 1-800-764-0549 for the **FREE** Vanishing Silver  
Report and Silver IRA Transfer Kit

**UP TO \$600 OF FREE SILVER COINS\***

\*Coin amount varies based on purchase amount. Free coins not eligible for IRAs.

borrow against their home to remodel or pay off higher-rate debt. Others can now sell their home at a price high enough to pay off their mortgage and trade up to a new home. Still others are using the extra equity to qualify for a reverse mortgage to supplement retirement income.

If you plan to buy this year, be ready to stretch your budget or compromise on the size and location of a home, says Lawrence Yun, chief economist at the NAR. Find out how much house you can really afford by getting prequalified by a lender. That will limit your search and reassure sellers that you can close the deal. The more information the lender requires beyond just a credit score, the more reliable the preapproval. You can still shop later for the best rate and cheapest closing costs.

If you make an offer on a home within the first few days it's on the market and your agent can show you that recent comparable sales support the asking price, bid at or close to that price. If the sellers' agent reveals that you're competing with other buyers, you may have to bid more than the asking price. You can require sellers to respond to your offer within, say, 24 hours, so they can't hold out for better offers, says Dawn Rae, an exclusive buyer's agent in St. Petersburg, Fla. Also, to make the most attractive offer, include the largest down payment and earnest-money deposit you can muster, usually 1% to 3% of the agreed-upon purchase price.

Most buyers include contingencies for financing and a home inspection, but your offer will be much more attractive if you're able to make compromises. That's what Mary Chris and Wayne Bailey did to snag a house that got away the first time. In 2014, the couple started to plan their move from Newton, Mass., to Florida after they retired. They considered buying a 1,820-square-foot home in St. Pete Beach, with four bedrooms, two bathrooms and a pool, and an easy walk to the Gulf of Mexico. It was listed for

\$350,000, but they weren't convinced that it was right for them, and it sold to someone else for \$348,000. By the fall of 2016, the same house was back on the market, listed for \$385,000. The Baileys decided to go for it. They knew sales had picked up and the bargains were gone, and they fretted that they wouldn't find anything that was as good a fit. "If we dithered, the prices would just continue to escalate," says Mary Chris. "We decided to make a strong offer and get it done."

The Baileys didn't make their offer contingent on the sale of their home in Massachusetts. And although they asked for a home inspection, they agreed with the seller not to renegotiate the purchase price afterward. The seller accepted their offer immediately. The Baileys listed their home in Newton for sale in the summer of 2016. They rejected several offers for less than their asking price but accepted one for about 12.5% less in December.

The couple are pleased with their purchase in Florida. They love the location, and they plan to fix up the house. "It will be quite charming," says Mary Chris.

Other ways to make your offer more appealing to sellers: Include a shorter inspection period, say 10 days instead of 15, so the sellers will know as soon as possible whether there are any issues they must address. Or, depending on your state's real estate law, you may agree to an "as is" contract; in Florida, that means you have the right to an inspection and can cancel the contract within the inspection period if it turns up unacceptable problems.

If you're on the sell side and you live in a city with rising home prices, few homes for sale and a rapid turnover, you have the advantage over buyers—in theory. But price a home too high and it's likely to sell more slowly and ultimately for less. Plus, if the sale price doesn't match the appraised value required to get a mortgage, buyers will balk about forking over the cash to cover the difference. ■

## Housing Snapshot

# Home Prices in 100 Cities

The table at right shows changes in prices for existing homes (single-family houses and condos) in 2016 and since the peak of the national market in mid 2006 for the 100 largest **metro areas** tracked by Clear Capital. Prices nationwide rose 5.8% over the past year. The **median home price** (half of all homes sold cost more, and half cost less) as of December 31 was \$212,000. That was a few thousand dollars less than at year-end 2015, reflecting increased sales of entry-level homes as first-time home buyers scrambled to take advantage of superlow mortgage rates.

**Affordability index** shows the relative affordability of cities (on a scale of 1 to 10). It's based on the percentage of average wages required to buy a median-priced home in the most populous county of each metro area in late 2016. New York is the most expensive city in the U.S., requiring buyers to fork over 127% of average wages to buy a home (including principal, interest, taxes and insurance). Although San Jose has the highest median home price (\$825,000), the tech industry pays well, and buyers must pay "just" 58% of average wages. The Midwest and much of the South continue to offer the most affordable housing.

**Homes underwater** shows the share of homeowners who owe more on their mortgage than they could get by selling their home, making it difficult or impossible to sell unless they pay the difference out of pocket. Despite rising home prices in most cities, one-fifth of all U.S. homeowners with a mortgage are still stuck underwater.



METRO AREA	Median home price	% change		Affordability index†	Homes under-water#	METRO AREA	Median home price	% change		Affordability index†	Homes under-water#
		1 yr.	Since peak*					1 yr.	Since peak*		
Akron, Ohio	\$89,900	10.6%	-18.9%	NA	41%	Louisville, Ky.	\$157,500	5.3%	1.6%	3	17%
Albany, N.Y.	172,500	1.0	-8.3	6	21	Madison, Wis.	220,000	5.2	11.9	6	10
Albuquerque, N.M.	142,500	4.8	-0.6	7	18	McAllen, Texas	102,400	5.2	23.8	NA	24
Allentown, Pa.	165,000	4.2	-23.3	4	30	Memphis, Tenn.	126,000	6.9	-23.5	2	35
Atlanta, Ga.	178,000	7.3	-10.1	4	22	Miami, Fla.	225,000	10.5	-26.9	8	27
Augusta, Ga.	139,900	2.8	-2.2	1	23	Milwaukee, Wis.	138,000	5.7	-25.8	1	23
Austin, Texas	250,225	14.5	70.0	8	6	Minneapolis-St. Paul, Minn.	225,000	6.7	-13.0	4	11
Bakersfield, Calif.	190,000	6.1	-31.5	7	27	Modesto, Calif.	261,000	10.8	-34.0	9	20
Baltimore, Md.	216,750	5.8	-22.8	NA	28	Nashville, Tenn.	214,900	10.0	31.7	5	11
Baton Rouge, La.	142,213	-3.3	1.9	3	22	New Orleans, La.	163,000	6.1	1.5	4	21
Birmingham, Ala.	130,046	2.9	-17.3	1	17	New York, N.Y.	405,000	4.8	-12.7	10	21
Boise City, Idaho	183,000	6.2	-4.8	8	11	Ogden, Utah	194,500	8.6	30.0	9	16
Boston, Mass.	417,400	NA	NA	8	10	Oklahoma City, Okla.	139,000	3.6	16.4	2	16
Bridgeport, Conn.	352,000	0.4	-23.6	6	22	Omaha, Neb.	179,000	5.5	12.4	6	20
Buffalo, N.Y.	105,000	1.7	24.3	NA	16	Orlando, Fla.	184,000	10.9	-29.5	7	30
Cape Coral, Fla.	190,500	9.9	-27.3	8	25	Oxnard, Calif.	525,000	5.4	-17.7	10	11
Charleston, S.C.	220,000	6.3	4.7	9	16	Palm Bay, Fla.	160,000	14.3	-24.7	5	24
Charlotte, N.C.	185,100	6.8	12.1	4	16	Philadelphia, Pa.	190,000	5.8	-11.7	1	28
Chattanooga, Tenn.	149,125	7.1	10.3	4	19	Phoenix, Ariz.	228,000	7.7	-25.0	7	21
Chicago, Ill.	204,000	8.6	-28.6	5	34	Pittsburgh, Pa.	126,000	1.1	5.5	2	11
Cincinnati, Ohio	135,500	7.8	-7.8	1	26	Portland, Ore.	319,900	11.4	19.9	9	7
Cleveland, Ohio	108,375	9.2	-31.7	1	37	Providence, R.I.	220,000	7.2	-33.5	5	22
Colorado Springs, Colo.	235,000	7.2	11.5	8	10	Provo, Utah	250,000	7.5	27.3	10	16
Columbia, S.C.	127,000	3.9	-4.9	2	28	Raleigh, N.C.	227,000	6.3	15.9	6	9
Columbus, Ohio	160,000	8.1	-2.9	8	26	Richmond, Va.	192,250	5.4	-7.0	6	19
Dallas, Texas	170,000	12.6	39.1	4	9	Riverside-San Bernardino, Calif.	300,000	8.8	-27.0	10	20
Dayton, Ohio	110,000	5.9	-17.4	1	35	Rochester, N.Y.	120,000	3.5	3.8	2	18
Deltona, Fla.	155,000	14.7	-29.2	6	29	Sacramento, Calif.	330,000	10.0	-20.8	8	15
Denver, Colo.	333,000	10.4	42.1	9	7	Salt Lake City, Utah	257,000	12.3	36.9	8	17
Des Moines, Iowa	160,000	4.7	6.9	3	16	San Antonio, Texas	140,000	13.8	30.8	5	13
Detroit, Mich.	135,000	9.1	-34.3	4	31	San Diego, Calif.	494,000	7.2	-8.8	10	11
Durham, N.C.	200,000	4.0	15.7	2	11	San Francisco, Calif.	681,750	4.9	-0.4	10	7
Fayetteville, Ark.	157,000	6.5	-2.4	3	19	San Jose, Calif.	825,000	3.4	11.2	10	4
Fresno, Calif.	223,500	8.5	-32.7	9	24	Santa Rosa, Calif.	525,000	4.2	-9.2	10	9
Grand Rapids, Mich.	135,000	9.8	2.7	4	16	Sarasota, Fla.	215,000	9.7	-23.1	8	21
Greensboro, N.C.	128,000	3.6	-8.1	3	22	Scranton-Wilkes Barre, Pa.	77,777	2.8	-25.2	1	28
Greenville, S.C.	160,000	5.5	15.7	5	13	Seattle, Wash.	385,000	11.4	17.6	9	10
Harrisburg, Pa.	151,000	2.0	-7.6	2	27	Springfield, Mass.	174,950	3.0	-12.6	5	18
Hartford, Conn.	200,000	2.0	-17.0	3	27	St. Louis, Mo.	150,000	4.0	-20.9	7	30
Honolulu, Hawaii	519,000	5.8	28.3	10	8	Stockton, Calif.	295,000	11.6	-34.1	9	21
Houston, Texas	162,000	4.9	23.6	3	9	Syracuse, N.Y.	115,000	-3.8	-6.1	NA	17
Indianapolis, Ind.	95,000	4.5	-16.7	2	26	Tampa, Fla.	160,000	13.8	-26.6	4	28
Jacksonville, Fla.	218,000	10.8	-24.3	9	30	Toledo, Ohio	104,900	8.3	-24.2	1	35
Kansas City, Mo.	118,000	6.5	-23.0	3	36	Tucson, Ariz.	166,500	8.2	-25.1	NA	26
Knoxville, Tenn.	149,000	6.4	7.1	5	18	Tulsa, Okla.	137,500	3.1	4.5	2	20
Lakeland, Fla.	139,900	11.2	-26.2	5	33	Virginia Beach, Va.	195,000	2.0	-17.5	3	27
Lancaster, Pa.	167,000	4.9	7.7	5	21	Washington, D.C.	390,000	5.6	-19.3	9	21
Las Vegas, Nev.	210,000	9.1	-39.6	7	37	Winston-Salem, N.C.	130,000	2.6	-5.3	2	24
Little Rock, Ark.	134,900	2.4	1.0	3	25	Worcester, Mass.	180,000	-6.2	-28.6	7	21
Los Angeles, Calif.	562,500	7.7	-8.0	10	10	Youngstown, Ohio	74,250	2.9	-28.5	1	34

Home prices as of December 31, 2016. Cities represent metropolitan statistical areas as defined by the U.S. Census. \*Since May 31, 2006, when the housing market peaked nationally. †Ranked 1 (most affordable) through 10 (least affordable). #Percentage of homes with mortgages and no equity as of September 30, 2016. NA Not available. SOURCES: Attom Data Solutions, Clear Capital, U.S. Census.

## TAXES

# Last-Minute Tax Savers

You still have time to lower your 2016 tax bill. **BY SANDRA BLOCK**

**MOST TAXPAYERS APPROACH** the tax-filing deadline with a mixture of fear and loathing. But this year, there are reasons to be more sanguine. For one thing, because 2016 was an election year, Congress didn't tinker much with the tax code. If your personal circumstances didn't change last year, your tax bill probably won't change much, either. And if you're a do-it-yourself filer, you don't have to get up to speed on a slew of new rules.

But next year could be a very different story. President Trump and Republicans in Congress want to lower tax rates for most taxpayers. To cover the cost, some popular tax breaks, such as the deductions for property taxes and state income and sales taxes, are on the chopping block. Any changes could affect your 2017 tax strategies, so stay tuned. Right now, it's time to look back on 2016.

Because April 15 falls on a Saturday this year and April 17 is a holiday in Washington, D.C., you have until Tuesday, April 18, to file your federal tax return. That's good news for procrastinators, but the earlier you file the better, because early filing helps thwart identity thieves. However,

the IRS is on the case: In an effort to reduce tax-refund fraud, the agency will no longer allow you to request an electronic personal identification number to confirm your identity when you e-file your return. Rather, you'll need to provide your 2015 adjusted gross income or the PIN you selected last year, plus your date of birth.

If you use the same tax software you used last year, that shouldn't be a problem. The program will automatically transfer information from last year's return. If you switch to a new program or use one for the first time, you'll need to check your 2015 tax form in order to e-file. (It's always a good idea to have last year's tax return on hand when preparing your return, whether or not you e-file.) If you misplaced your return, you can find last year's AGI with the IRS's "Get Transcript" tool ([www.irs.gov/individuals/get-transcript](http://www.irs.gov/individuals/get-transcript)).

Here are some ways you can still trim your 2016 tax bill, plus potential speed bumps. (For a list of the 23 most-overlooked tax deductions, see [kiplinger.com/links/overlooked](http://kiplinger.com/links/overlooked).)

**Contribute to an IRA.** If you're not enrolled in a 401(k) or other workplace retirement

plan, you can deduct an IRA contribution of up to \$5,500 (\$6,500 if you're 50 or older), no matter how high your income. You have until April 18 to make a 2016 contribution to your IRA. The IRA deduction is "above the line," which means you can claim it even if you don't itemize deductions. It will reduce your adjusted gross income on a dollar-for-dollar basis, which could also make you eligible for other tax breaks that are tied to AGI.

If you have a company retirement plan, you may still be eligible to deduct all of your IRA contributions. The right to the deduction phases out as 2016 AGI rises between \$61,000 and \$71,000 on a single return or between \$98,000 and \$118,000 if you're married and file jointly.

If your spouse is covered by a workplace-based retirement plan but you are not, you can deduct your full IRA contribution as long as your joint AGI doesn't top \$184,000 for 2016. You can take a partial tax deduction if your combined income is between \$184,000 and \$194,000.

If you earned self-employment income last year, you have an even greater opportunity to lower your tax bill. For 2016, you can contribute up to 20% of



VALÉRY GOULET

your net self-employment income (business income minus half of your self-employment tax) to a SEP-IRA, up to a maximum of \$53,000. You have until April 18 (or October 17 if you file for an extension) to set up and fund a SEP.

#### **Fund a health savings account.**

You also have until April 18 to set up and fund a health savings account for 2016. To qualify, you must have had an HSA-eligible insurance policy at least since December 1. To be eligible, the policy must have had a deductible of at least \$1,300 for individual coverage or \$2,600 for family coverage. You can contribute up to \$3,350 if you had single coverage or \$6,750 if you had family coverage (you can contribute an additional \$1,000 if you were

55 or older in 2016, or another \$2,000 if you were married and both spouses were at least 55). As with contributions to a deductible IRA or SEP, money you invest in a health savings account will reduce your AGI dollar for dollar.

#### **Get credit for tuition payments.**

The American Opportunity tax credit, worth up to \$2,500 per eligible student for the first four years of college, is a valuable tax break for parents of college students. Taxpayers who claim the credit—along with those who claim other education credits, such as the Lifetime Learning credit—need a Form 1098-T from the student's school. Schools are required to send this form to any student who paid qualified educational expenses during the tax year. You don't need to send this document to the IRS (it will get its own copy), but you must include the school's employer identification number on your tax return. Make sure you report the amount you paid, not the amount you were billed.

#### **Health care housekeeping.**

President Trump has vowed to repeal the Affordable Care Act, but it was still in effect in 2016, so you'll have to deal with it on your tax return. To avoid a "shared responsibility payment"—longhand for a penalty—you must prove that you had qualifying health insurance in 2016 or were eligible for an exemption.

If you had health insurance through your job, this

task is easy: Simply check the "full year coverage" box on your tax return. By now you should have received a document confirming your coverage. Employees of large companies should receive a Form 1095-C; those who work for small companies, along with those who are covered by military or government insurance plans, should get a 1095-B.

If you bought health insurance through one of the exchanges set up by the Affordable Care Act, you should have received IRS Form 1095-A showing the amount of any subsidy you received. You need to file this form with your return, so if you haven't received it, log on to your health care marketplace website and search for an electronic version.

Use the information to fill out Form 8962, which is used to determine your subsidy based on the estimate you provided of your 2016 income. If you overestimated, you'll receive a credit to produce either a larger tax refund or smaller tax bill. If you lowballed your income, your refund will be reduced or the amount you owe will be increased to reflect the overgenerous subsidy you received.

Taxpayers who were uninsured for all or part of the year may owe a penalty. The penalty for 2016 is \$695 per adult and \$347.50 per child or 2.5% of household income above the income level that triggers the need to file a return, whichever is greater. (The filing threshold is \$10,350 for a single person younger than 65, for exam-

#### **KipTip**

## **Another Marriage Penalty**

Getting married may make your mom happy, but if you are a high-income couple, there's a good chance your taxes will go up. That's because your combined income could force you to pay a higher federal tax bill than you would have owed had you stayed single.

Now there may be another reason to break your mother's heart. Thanks to a change in IRS rules last year, an unmarried couple can deduct twice as much of their mortgage- and home-equity-debt interest.

After losing a court case, the IRS agreed that the limits on deductions for mortgage interest—\$1 million of mortgage debt plus \$100,000 in home-equity financing—apply on a per-taxpayer basis, not a per-residence basis. A married couple is considered one taxpayer; an unmarried couple, two. That means an unmarried couple could deduct interest on a combined \$2.2 million of mortgage debt.

ple, and \$20,700 for a married couple under age 65.) In any event, the penalty can't exceed \$2,676 for a single person or \$13,380 for a family with five or more members. (To see what you owe, use the calculator at [www.healthinsurance.org](http://www.healthinsurance.org).) Before you pay, make sure you're not eligible for an exemption. You can find a full list of exemptions at [www.healthcare.gov](http://www.healthcare.gov); search for "exemption." ■







# MONEY MANNERS

Get up to speed on e-mail etiquette. **BY MIRIAM CROSS**

FOLLOW THESE GUIDELINES TO PREVENT e-mail faux pas from leaving your mailbox.

**What are appropriate ways to begin and end work-related e-mails?** Save “Hi” for colleagues and work acquaintances. New clients should be greeted with “Hello” or “Dear,” followed by “Mr.” or “Ms.” (or a professional title) and the person’s surname. “The addressee won’t notice the word *hello* as much as the respect factor,” says Diane Gottsman, etiquette expert and owner of the Protocol School of Texas. To close the e-mail, you can’t go wrong with “Sincerely,” “Best” or “Kind regards,” whereas “Cheers” may come off as too jaunty. You can drop formal greetings as the e-mail conversation continues; take your cue from your recipient as to when to use first names.

What if you’re writing to a general in-box that starts with “info@” or the like, rather than to a specific person? “To Whom It May Concern” makes for a cold greeting, even to a stranger, says Gottsman. Instead, acknowledge that there’s a human on the other end and go

with “Dear Hiring Manager” or “To the Customer Service Team.”

**I was looped into a group e-mail discussion on a topic that’s not my expertise. Should I respond?** If your e-mail address appears in the “To” line, yes, says Rosanne Thomas, president of Protocol Advisors, an etiquette consultancy. If you’re included in the “cc:” box or as part of a large preset e-mail group, you’re usually off the hook, and recipients might even appreciate your keeping the thread uncluttered. One exception: If the request comes from a superior or client, send a short, private note back so he or she doesn’t think you are being unresponsive.

**Can I send a formal sympathy or thank-you note by e-mail rather than regular mail?**

Write condolence cards by hand: This personal touch is more comforting and meaningful than an e-mail and better conveys the gravity of the loss. Plus, the recipient might appreciate being able to pull out the card to reread it in the future. A thank-you message via e-mail is often sufficient, especially when you want to thank someone quickly. But in cases in which someone has done you a special favor, such as helping you out in an emergency or nominating you for an award, send a handwritten letter.

One situation in which it pays to do both: following a job interview. Interviewers expect to hear from you within 24 hours, says Thomas, so send a brief thank-you e-mail right after the interview that also reaffirms your interest.

Immediately follow up with a written note repeating your thanks and reminding the interviewer of the assets you can bring to the job. ■

## TECHNOLOGY

# Make Your Phone Battery Last Longer

SMARTPHONE BATTERIES WEREN’T MEANT TO last forever. But replacing the battery in many new phones can be costly. Apple, for example, charges \$79 if your iPhone isn’t covered under warranty or AppleCare+. By rethinking how you charge and store your device, you can prolong battery life and save money.

For starters, extreme temperatures, especially heat, are bad for the battery. (Apple recommends protecting your phone from temperatures higher than 95 degrees.) Especially when your phone is fully charged, the hotter it is, the worse it is for the battery. “Treat it like your pet,” says Anne Co, a chemistry professor at Ohio State University. Don’t leave your phone in your car on hot or cold days, or exposed to the scorching sun at the beach.

Keep your eye on the little indicator that shows how much battery capacity is left. Draining the battery to zero stresses it; better to juice up your device before it hits a 30% to 40% charge. BatteryUniversity.com, an educational website, estimates that a battery that runs down completely before recharging will last for 300 to 500 charge cycles, whereas regular half-charges will amp up the battery to 1,200 to 1,500 cycles.

Leaving your phone plugged in overnight isn’t a huge deal because the charger typically turns off once the battery charges completely. But to squeeze maximum life out of the battery, unplug your phone before it hits 100%. And before turning off your phone for long periods, such as for an overseas trip, run the battery down to a half-charge. **MIRIAM CROSS**



# Estate Planning for Snowbirds

**I BOUGHT A CONDO IN ANOTHER** state and plan to live there for a few months or more each year. Will my current will and other estate-planning documents apply in both states?

**J.G., SPRINGFIELD, MASS.**

Your existing legal documents, including your will, should be valid in your new state, no matter how you split your time. But having your power of attorney and health care proxy follow both states' rules can help your designees avoid hassles if and when they try to use them. For instance, if one state requires two witnesses plus a notary for your power of attorney and the other requires only that the form be notarized, follow the rules for the stricter state, says Tracy Craig, of Mirick O'Connell in Worcester, Mass. Or have a separate power of attorney and advance directive for each state, says Bernie Krooks, of Littman Krooks in New York. (You can have only one will.) Make them consistent, and have your attorney review both sets of documents.

**Investing in a 529.** *We opened a 529 college-savings plan for our daughter soon after she was born and have been investing in aggressive stock funds. As she gets close to high school age, how should we adjust our investments?*

**W.V., SACRAMENTO, CALIF.**

Dial down the risk starting five years before the first college bills are due, says Deborah Fox, of Fox College Funding, in San Diego. One way is to shift to a balanced portfolio or an age-weighted fund, which automatically becomes more conservative as college gets closer.

Or keep 60% to 70% in a growth portfolio and shift 30% to 40% to an FDIC-insured savings account, if one is offered within your 529, she says. Otherwise, keep the fixed portion in a money market fund or a short-term bond fund in the 529. Invest new money in stock funds for growth at least until your child is a junior in high school.



**Having your power of attorney and health care proxy follow both states' rules can help your designees avoid hassles.**

**Using an HSA with an FSA.** *I am covered by a high-deductible health insurance policy, and my husband has health insurance through his employer. He has a flexible spending account at work, and I would like to have a health savings account. Can we do this?*

**J.C., BELOIT, WIS.**

You generally can't make HSA contributions if you're covered by a flexible spending account. Even though your husband has his own health insurance, most FSAs cover spouses and dependents, too, says Jody Dietel, chief compliance officer for WageWorks, which administers FSAs. You can contribute to an HSA, however, if he has an "HSA-compatible FSA," which can be used tax-free only for dental and vision expenses until the HSA deductible is reached, after which it can be converted to a regular FSA.

**Private mortgage insurance.** *I've been paying more than \$1,000 every year for private mortgage insurance on my home. When can I ask for the PMI to be dropped?*

**S.S., SALT LAKE CITY**

If you took out your loan after July 29, 1999, your lender must cancel PMI automatically when the loan's balance reaches 78% of the home's original value (usually the purchase price), based on your original payment schedule. You may be able to have PMI canceled at a balance of 80% of the original value if you have a good payment history and an appraisal verifies that the property has not declined in value, says Tom Goyda, of Wells Fargo.

Some lenders let you cancel PMI based on the property's current value if you've had the loan for at least two years. You may need a balance of 75% of the current appraised value if you closed on the mortgage less than five years ago, says Scott Haymore, of TD Bank. The rules for loans made before 1999 vary by lender and state. ■

**GOT A QUESTION? ASK KIM AT [ASKKIM@KIPLINGER.COM](mailto:ASKKIM@KIPLINGER.COM). KIMBERLY LANKFORD ANSWERS MORE QUESTIONS EACH WEEK AT [KIPLINGER.COM/LINKS/ASKKIM](http://KIPLINGER.COM/LINKS/ASKKIM).**

## TOP-YIELDING DEPOSIT ACCOUNTS

No-Fee Interest Checking Minimum balance may be required	Annual yield as of Feb. 7	Balance range†	Website (www.)
<b>GTE Financial</b> (Fla.)#	1.99%	\$0-\$500	gtefinancial.org
<b>Langley Federal Credit Union</b> (Va.)#	1.61	0-1,000	langleyfcu.org
<b>EverBank</b> (Fla.)*	1.11	0-250,000	everbank.com
<b>Aspiration</b> (Calif.)*	1.00	2,500 and above	aspiration.com
NATIONAL AVERAGE	<b>0.13%</b>		

High-Yield Checking Must meet activity requirements‡	Annual yield as of Feb. 7	Balance range†	Website (www.)
<b>America's Credit Union</b> (Wash.)#	5.00%	\$0-\$1,000	youracu.org
<b>Northpointe Bank</b> (Mich.)	5.00	0-5,000	northpointe.com
<b>Consumers Credit Union</b> (Ill.)#	4.59	0-20,000	myconsumers.org
<b>La Capitol FCU</b> (La.)#	4.25	0-5,000	lacapfcu.org
NATIONAL AVERAGE	<b>1.79%</b>		

Savings	Annual yield as of Feb. 7	Min. amount	Website (www.)
<b>Popular Direct</b> (Fla.)*	1.15%	none	populardirect.com
<b>Northpointe Bank</b> (Mich.)	1.12	\$10,000	northpointe.com
<b>Incredible Bank</b> (Wis.)*	1.11	none	incrediblebank.com
<b>Salem Five Direct</b> (Mass.)*§	1.10	none	salemfivedirect.com
NATIONAL AVERAGE	<b>0.18%</b>		

#Must be a member; to become a member, see website. \*Internet only. †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. §Palladian PrivateBank offers a similar yield. SOURCES: Bankrate, DepositAccounts.

## TOP-YIELDING CERTIFICATES OF DEPOSIT

1-Year	Annual yield as of Feb. 7	Min. amount	Website (www.)
<b>Melrose Credit Union</b> (N.Y.)#	1.41%	\$5,000	melrosecu.org
<b>Connexus Credit Union</b> (Wis.)#	1.38	5,000	connexuscu.org
<b>EverBank</b> (Fla.)*	1.38	5,000	everbank.com
<b>Live Oak Bank</b> (N.C.)*	1.35	2,500	liveoakbank.com
NATIONAL AVERAGE	<b>0.51%</b>		

5-Year	Annual yield as of Feb. 7	Min. amount	Website (www.)
<b>Melrose Credit Union</b> (N.Y.)#	2.42%	\$5,000	melrosecu.org
<b>United States Senate FCU</b> (D.C.)#	2.34	20,000	ussfcu.org
<b>Utah First FCU</b> (Utah)#	2.30	500	utahfirst.com
<b>EverBank</b> (Fla.)*&	2.28	5,000	everbank.com
NATIONAL AVERAGE	<b>1.43%</b>		

#Must be a member; to become a member, see website. \*Internet only. &Popular Direct offers a similar yield. SOURCES: Bankrate, DepositAccounts.

## LOW-RATE CREDIT CARDS

Issuer	Rate as of Feb. 7*	Annual fee	Late fee	Website (www.)
<b>Lake Mich Credit Union Prime</b> (P)#	6.75%	none	\$27†	lmcu.org
<b>Simmons Bank Visa</b> (P)	7.75	none	27†	simmonsfirst.com
<b>First Command Bank Visa</b> (P)	8.75	none	27†	firstcommandbank.com

## RETAIL REBATE CREDIT CARDS

Issuer	Rate as of Feb. 7*	Annual fee	Rebate earned Store/Other	Web site (www.)
<b>Amazon Rewards Visa</b>	14.74%	none	3%/1%†	amazon.com/rewards
<b>Costco Anywhere Visa</b> #	15.74	none	2/1§	costco.com
<b>Sam's Club MasterCard</b> #	15.40	none	1/1‡	samsclub.com

Rates are adjustable. \*If you do not qualify for this interest rate, the issuer will offer a higher-rate card. (P) Platinum. †\$37 if late more than once in 6 months. #Must be a member. ‡5% at Amazon.com with a Prime membership; 2% at gas stations, restaurants and drugstores; 1% on all other purchases. §4% on gas (up to \$7,000 spent annually; 1% thereafter); 3% on travel and dining; 2% on Costco purchases; 1% on all other purchases. †5% on gas (up to \$6,000 spent annually; 1% thereafter); 3% on travel and dining; 1% on all other purchases. SOURCE: Bankrate. Banks may offer lower introductory rates.

## CREDIT

# A Payout for Credit Score Customers

**IF YOU PURCHASED A CREDIT** score from credit agencies Equifax or TransUnion, you may have a check coming your way. The Consumer Financial Protection Bureau recently took aim at the companies for misrepresenting the scores they sold to customers as the same scores that lenders typically use to judge credit applicants. The CFPB also charged the agencies with falsely advertising that cus-

and Equifax is paying out almost \$3.8 million to its eligible customers.

Credit scores come in a multitude of models, and you'd be hard-pressed to pin down which version a potential lender might use before you apply for a loan. But you don't need to know the exact number a creditor will see to get an idea of where your credit stands. At CreditKarma.com, you can get free VantageScore credit scores from Equifax and TransUnion and sign up for free alerts of significant changes to your TransUnion credit report. At CreditScorecard.com or Freecreditscore.com, you can see a free FICO score based on data from credit agency Experian. Your bank or credit card issuer may provide free credit scores to customers, too.

To avoid getting roped into a pricey subscription plan, be wary of submitting your credit card information in exchange for a free or low-priced product. You may be charged a higher recurring fee if you don't cancel before the trial expires. **LISA GERSTNER**

**Kiplinger.com**  
**RATE UPDATES**  
For the latest savings yields and loan rates, visit [kiplinger.com/finances/yields](http://kiplinger.com/finances/yields).

tomers could get scores and other credit-related products free or for \$1; customers were actually enrolling in subscription programs that charged \$16 or more a month after the trial period. Affected customers will be notified by mail with instructions on how to claim their share of the settlement. TransUnion must pay more than \$13.9 million to about 700,000 customers,

YIELD BENCHMARKS	Yield	Month-ago	Year-ago
<b>U.S. Series EE savings bonds</b>	0.10%	0.10%	0.10%
<b>U.S. Series I savings bonds</b>	2.76	2.76	1.64
<b>Six-month Treasury bills</b>	0.62	0.61	0.45
<b>Five-year Treasury notes</b>	1.85	1.92	1.25
<b>Ten-year Treasury notes</b>	2.39	2.42	1.86

SOURCES FOR TREASURIES: Bloomberg, U.S. Treasury.

As of February 7, 2017.  
● EE savings bonds purchased after May 1, 2005, have a fixed rate of interest.  
● Bonds bought between May 1, 1995, and May 1, 2005, earn a market-based rate from date of purchase.  
● Bonds purchased before May 1, 1995, earn a minimum of 4% or a market-based rate from date of purchase.





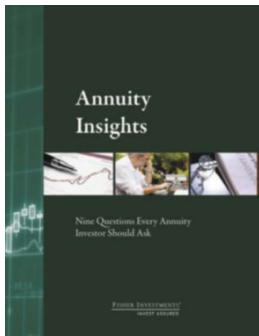
**KEN FISHER**

- Executive Chairman and Co-Chief Investment Officer
- *Forbes* "Portfolio Strategy" columnist for over 30 years
- Author of more than 10 financial books, including 4 *New York Times* bestsellers

## I Hate Annuities...and So Should You!

### What You Might Not Know about Annuities Could Come Back to Haunt You

If you own an annuity or if someone is trying to sell you one, please call for your free report. Annuities can lock you into low returns, complicate your tax situation, tie up your wealth and hit you with high fees.



The vast majority of annuities are really complicated insurance policies that make it very hard to fully understand the implications and unintended consequences.

*Don't let the soothing sound of guaranteed income lead you into a financial headache.*

### This Free Report Could Save You Thousands You'll learn:

- The different types of annuities and the advantages and disadvantages of each
- Why annuities can be complex to understand
- What you need to ask an annuity salesperson when evaluating his or her product
- The inflation risk, tax implications, estate planning considerations and typical annuity fees

### Stuck in an Annuity?

If you have an annuity, my team can help you decide if it is right for you. And if it isn't, we might be able to help you get out of it. In fact, if you have a portfolio of \$500,000 or more, we may rebate some or all of your annuity surrender penalties.\* Please call for details and to see if you might qualify.

Call now for your **FREE** report!  
**Toll-free 1-866-245-7432**

**FISHER INVESTMENTS®**  
INVEST ASSURED

©2017 Fisher Investments. 5525 NW Fisher Creek Drive, Camas, WA 98607.

Investments in securities involve the risk of loss. Past performance is no guarantee of future returns.

\* Rebates are for investors who liquidate an annuity with surrender penalties and fund a Private Client Group account. We may rebate some or all of your fees. Call for details. Terms and conditions apply. Surrender costs will generally be reimbursed in the form of a credit to quarterly advisory fees, and payments will cease if the relationship is terminated before the end of the payment period. Payment periods can last over ten calendar quarters or longer. See [www.AnnuityAssist.com/Terms-and-Conditions](http://www.AnnuityAssist.com/Terms-and-Conditions) for further information.

INVESTING

We show you how to profit from five innovations that are reshaping the way we live and work. **BY DAREN FONDA**

# 13 STOCKS FOR THE TECH REVOL



An illustration featuring a stylized robotic hand in shades of blue and grey, holding a white globe with a blue grid. A red line graph is overlaid on the globe, showing an upward trend. The background is a mix of light blue and dark red. The word 'UTION' is written in large white letters at the bottom left.

# UTION

**WHATEVER THEY'RE SELLING, COMPANIES** often aim to entice you with a dazzling vision of the future. Whether it's a reimagination of the car, a new treatment for cancer or a robot that can operate more precisely than the human hand, the promise of a better tomorrow through technology can make true believers of us all. // Buying shares of these businesses can be lucrative, too. Since the last bear market bottomed, in March 2009, technology stocks in Standard & Poor's 500-stock index have



returned a total of 371%, or 22% annualized. Over the same period, the S&P 500 itself has returned 298%, or 19% annualized (figures include dividends and are through January 31).

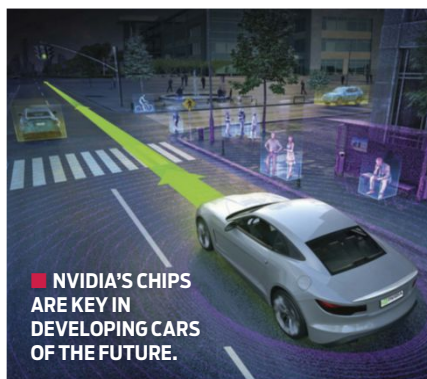
Investing in technology is risky. Tech companies often succumb to competitive pressures as rivals pump out similar products faster and more cheaply. Other firms flop when their inventions turn out to be too far ahead of their time. And sometimes the emergence of new technologies renders their products obsolete. You may have to contend with steep valuations, too, as euphoria for new technologies sends stocks soaring far beyond what their earnings will ever justify.

Still, many of today's tech leaders are riding high on more than Silicon Valley pipe dreams. The industry is humming with companies that are producing *real* sales and fast-growing profits. Some of these firms touch our everyday lives and rank among the most successful businesses in the world—companies such as Apple (symbol AAPL); Google's parent, Alphabet (GOOGL); and Facebook (FB). Other firms are thriving behind the scenes, making everything from sophisticated semiconductors to artificial-intelligence software. Technological advances are also spawning a new generation of biomedical devices and research tools that are resulting in the creation of novel drugs for previously untreatable diseases.

Below are five high-tech trends and 10 companies that are cashing in on them. If you're going to invest, keep in mind that many of these stocks are highly priced and could tumble if their business momentum slows. Buying multiple stocks in different industries can lower your chances of losses. For a look at how three industry giants are moving the technology needle, see the box on the next page.

### THE CAR OF THE FUTURE, TODAY

Automakers are enjoying record revenues, selling a technology, the internal combustion engine, that originated more than a century ago. But cars of



the 21st century are going high-tech with legions of computer chips, sensors and software. Battery-powered vehicles are reaching a mass market, too, and they're being outfitted with artificial intelligence to "see" the road, reducing or eliminating the need for a human at the wheel.

Producing these futuristic cars may one day ring up profits for Tesla (TSLA), the Silicon Valley upstart that seeks to speed past Detroit in the electric-car race. But Tesla is burning through cash as it ramps up production, and it may soon issue more stock to fund its expansion, potentially causing the share price to slump.

More compelling, in our view, are companies that sell the artificial-intelligence brains, semiconductors and sensing technology inside the new smart cars. At the forefront of this trend is chip maker **NVIDIA** (NVDA, \$109). The company has long dominated the market for powerful graphics-processing chips that are used in computers and video-game systems. Now those processors are becoming hot sellers

in the car market, too. (For key figures on our picks, see the table on page 56.)

Fusing data from onboard sensors, cameras and laser-based systems, the firm's new Drive PX 2 technology can "understand" a vehicle's environment and help guide the car down the road. At full power, Nvidia says, the system can process "24 trillion deep learning operations per second"—enough AI brainpower to replace a human driver. Nvidia says Tesla plans to deploy this mini supercomputer in its vehicles, and other carmakers are buying versions of the technology.

Nvidia's automotive sales amounted to \$359 million for the nine-month period that ended last October—less than 10% of total sales, most of which come from gaming chips. But auto-related sales climbed 60% from a year earlier and should increase steadily as more carmakers buy Nvidia's chips. Nvidia recently announced deals with Audi and Mercedes-Benz to include its technology in forthcoming models. The firm also unveiled a new "supercomputer on a chip" for self-driving cars and announced a deal with Chinese internet firm Baidu (BIDU) to develop the technology for driverless cars in China.

Chip maker **QUALCOMM** (QCOM, \$53) is racing into the auto industry, too. The firm's Snapdragon lineup of processors runs "infotainment" systems and applications such as 3-D navigation. Qualcomm's auto business could get a big lift, too, from its planned merger with NXP Semiconductors (NXPI), the world's largest maker of automotive chips and sensors (the deal is expected to close later this year).

Outside its automotive business, Qualcomm makes chip sets for the wireless industry and earns hefty royalties from licensing CDMA technology—a critical component of wireless devices and mobile networks around the world. Qualcomm faces lawsuits and charges that its licensing practices are anti-competitive, and the stock tumbled 18% in January because of fears that the highly lucrative licens-

ing business may not be as profitable in the future. If more legal issues arise, the stock could slump again. Still, Qualcomm's deal for NXP should be a big winner, helping to boost the firm's sales and profits in the automotive space and other high-growth areas, such as security and networking. The company should also retain its "pole position" in wireless technology, says Sonu Kalra, manager of the Fidelity Blue Chip Growth Fund. Trading at just 11 times earnings, the stock looks inexpensive. As a bonus, the shares possess a healthy 4.0% dividend yield.

### THE INTERNET OF THINGS

The lowly garbage can might seem like an unlikely icon of the new internet age. But the web-connected world is rapidly evolving beyond computers and mobile devices to encompass all sorts of objects. For example, Bigbelly trash cans are equipped with sensors and communications devices that can capture and disseminate data on trash volume, dumping patterns and other information, effectively "talking" to sanitation workers so they can work more efficiently.

These smart cans are now part of the Internet of Things—the vast world of digitally connected objects. Research firm Gartner estimates that 6.4 billion "things" were connected to the internet last year, up 30% from 2015. By 2020, Gartner estimates, the figure will rise to \$20.8 billion. IDC Research sees spending on IoT-related goods and services jumping from \$737 billion in 2016 to \$1.29 trillion in 2020.

One company touching many facets of the IoT is **BROADCOM** (AVGO, \$200). Built through a series of mergers, the company sells a wide assortment of chips, sensors and other high-tech gear, much of it related to wireless communications, data storage and networking. Broadcom sold some of its IoT-related technology to Cypress Semiconductor (CY) in 2016. But the deluge of data created by IoT devices is lifting demand for Broadcom's products, especially from data centers,

### Household Names

## How Three Giants Are Cashing In

Many investors dream of winning the lottery with a small company that hits the big time. But technology giants can pay handsomely, too. Trends such as cloud computing and artificial intelligence "are reinforcing the power of the largest players," says Kennard Allen, manager of the T. Rowe Price Science & Technology Fund. Big companies can exploit these trends, he says, and "enjoy their fruits" more than firms with fewer resources.

Leading the way is **AMAZON.COM** (SYMBOL AMZN, \$823). Not only is it dominating online shopping, but it is also building other high-growth businesses. Amazon Web Services, its cloud-computing division, could generate \$100 billion in annual sales by 2027, estimates Allen, up from \$12.2 billion in 2016. Amazon is also betting on artificial intelligence: Its Alexa virtual assistant gets smarter every year, "learning" thousands more skills (well beyond shopping and home-control tasks). Topping things off are Amazon's plans to field more package-handling robots in its warehouses and to scrap delivery trucks in favor of home-delivery drones. "I see Amazon as the biggest company in the world eventually," says Allen, who expects the stock to double over the next five years.

Not far behind may be **ALPHABET** (GOOGL, \$820). The parent of Google is investing heavily in artificial intelligence that it hopes will manage data centers, electrical grids, homes and health care systems—and play a greater role behind the scenes of Google's many online businesses. Alphabet has wrapped its tentacles around the wireless industry with its Android operating system (running nearly nine in 10 mobile devices worldwide), and it is developing sensors and software for self-driving cars. Wall Street adores all this—along with Alphabet's hefty profits—granting the company a market capitalization of \$558 billion, second only to that of Apple. But Alphabet's many products and growth prospects warrant a higher stock price, says Credit Suisse, which sees the shares hitting \$1,100 over the next 12 months.

Finally, there's **MICROSOFT** (MSFT, \$65). The company generates immense sales and profits from its Windows operating systems and applications software, which run on more than 90% of the world's personal computers. Microsoft is now plowing that cash into high-growth areas, such as its thriving cloud-computing business (Azure), a new machine-learning division, and products for the Internet of Things. All told, Microsoft should benefit from most of the major tech trends, says Bank of America Merrill Lynch.



■ **AMAZON IS BETTING BIG ON THE CLOUD AND PACKAGE-HANDLING ROBOTS.**



■ **ALPHABET IS DEVELOPING SOFTWARE FOR SELF-DRIVING CARS.**



■ **MICROSOFT IS BENEFITING FROM MOST KEY TECH TRENDS.**

where companies are upgrading networking gear and computers to handle the digital flood. Broadcom is the 800-pound gorilla in data centers, says Paul Wick, comanager of the Columbia Seligman Communications and Information Fund. The firm's profits are zooming, too.

Software maker **SPLUNK** (SPLK, \$58) should also benefit from the IoT and related spending on cloud computing. The firm's software translates machine data into visual form, helping businesses identify and analyze digital trends in real time and diagnose problems in industrial networks. Customers pay Splunk based partly on the quantity of data coursing through its system, a setup that should lift revenues as more data flows through, says Morningstar analyst Rodney Nelson. Because Splunk is spending heavily to build its business, it isn't profitable yet. But most of Splunk's customers have moved only 20% to 25% of their machine data to Splunk's system, estimates Bank of America Merrill Lynch. That should leave plenty of room for

growth as the IoT expands and Splunk signs up more businesses.

**RISE OF THE DROIDS**

Real-world robots aren't likely to be killing machines as in the *Terminator* movies or to suffer from the cosmic loneliness that afflicted Wall-E. But advances in computing power, engineering and artificial intelligence are equipping machines with the skills to handle a mounting array of human tasks. Robots are now cleaning barns, taking fast-food orders, conducting military missions, and puttering around homes to vacuum floors and entertain us in humanoid form.

Robots won't displace humans in every field, but automation is catching on. Global spending on robotics, including software and engineering, hit \$35 billion in 2015, up 9% from a year earlier, according to the International Federation of Robotics, an industry trade group. By 2025, predicts the Boston Consulting Group, robotic tools will handle 25% of global manufacturing tasks, up from about 10% now.

Several of the biggest industrial robotics firms are Asian companies that don't list their stocks in the U.S. But one U.S. firm that looks compelling is **INTUITIVE SURGICAL** (ISRG, \$693). A leader in the burgeoning field of robotic surgery, Intuitive has sold more than 3,800 of its da Vinci machines over the past 15 years. Physicians use the da Vinci's arms to perform minimally invasive surgery, which usually is easier on patients and can be more precise than traditional operating techniques. Da Vinci is now used in more than 80% of prostate cancer surgeries in the U.S., and it's being deployed for scores of other operations, such as hysterectomies and coronary bypasses. Intuitive estimates that more than 700,000 robotic medical procedures were conducted in 2016, an increase of about 15% from the previous year.

Despite that impressive growth, Intuitive isn't close to saturating the market. The company launched a more advanced da Vinci system in 2014, expanding its potential uses and fueling sales growth as hospitals upgrade older systems. The company is also making money selling accessories and services, and it should continue to expand as doctors become more comfortable with the system and consumers increasingly request robotic surgery, says Fidelity fund manager Kalra.

Another U.S. company riding the automation wave is **COGNEX** (CGNX, \$68). The firm makes machine-vision technology, such as cameras, lenses and software, for bar-code readers, industrial equipment and "vision-guided" robots. These sophisticated machines are playing a greater role in assembling cars, computer chips and other precision-engineered products, and they can take over dangerous industrial work, such as manipulating parts on a metal-cutting saw. Cognex recently bought two 3-D vision companies to boost sales in the automotive, electronics and logistics industries.

Factory automation now accounts for more than 95% of its revenues, which are climbing steadily.

**High Hopes, High Share Prices**

**13 TECH STOCKS WITH BIG PROMISE**

Valuations for our picks vary widely. If you invest in a high-P/E stock, such as Amazon.com, you're in effect betting that future earnings growth will overcome today's high share price.

Company (Symbol)	Share price	Market value (billions)	Revenue (billions)*	Net income (billions)†	Est. 2017 earnings growth‡	Price-earnings ratio‡
<b>Alphabet</b> (GOOGL)	\$820	\$557.6	\$90.3	\$19.5	20.0%	20
<b>Amazon.com</b> (AMZN)	823	391.3	128.0	2.1	85.0	93
<b>BioMarin Pharma</b> (BMRN)	88	15.1	1.0	-0.2	NM	NM
<b>Broadcom</b> (AVGO)	200	84.2	13.2	4.1	24.0	14
<b>Check Point Software Tech</b> (CHKP)	99	17.3	1.7	0.7	21.0	19
<b>Cognex</b> (CGNX)	68	5.8	0.5	0.1	10.0	39
<b>CyberArk Software</b> (CYBR)	53	1.8	0.2	0.0	13.0	40
<b>Illumina</b> (ILMN)	160	23.5	2.4	0.4	20.0	44
<b>Intuitive Surgical</b> (ISRG)	693	26.8	2.7	0.8	24.0	30
<b>Microsoft</b> (MSFT)	65	502.7	85.7	23.0	7.2	22
<b>Nvidia</b> (NVDA)	109	58.9	6.1	1.2	16.0	39
<b>Qualcomm</b> (QCOM)	53	79.0	23.8	6.2	19.0	11
<b>Splunk</b> (SPLK)	58	7.9	0.9	-0.3	\$	107

Through January 31. \*Based on revenues for the past 12 months. †Based on earnings for the past 12 months. ‡Based on estimated earnings for the current fiscal year. §Based on estimated earnings for the next four quarters. NM Not meaningful. \$Profit expected in current year. SOURCES: Yahoo, Zacks Investment Research.



## SAFEGUARDING DIGITAL SECRETS

Behind the scenes at many big companies, a game of digital cat and mouse goes on day and night. Hackers try to breach a computer system, cybersecurity police chase them down, and the process repeats itself. With data breaches and cybertheft growing more prevalent, spending on security products is expected to rise steadily, from \$73.7 billion in 2016 to \$101.6 billion in 2020, estimates IDC Research.

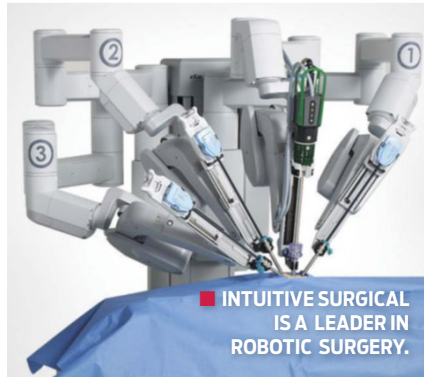
**CYBERARK SOFTWARE** (CYBR, \$53) should thrive in this heightened-threat climate. Based in Israel, the company sells software to thwart hackers who try to breach “privileged” accounts in corporate computing networks. Closely guarded in the digital world, these accounts often provide access to sensitive corporate data, holding the “keys to the IT kingdom,” as CyberArk puts it. If attackers do penetrate, CyberArk can lock down and isolate the accounts, preventing data theft or damage to corporate computer systems.

Although the firm competes against much larger cybersecurity outfits, it dominates the privileged-account niche with a “unique” technology, says fund manager Wick. Analysts expect revenues to increase 22% this year and profits to climb almost 13%.

**CHECK POINT SOFTWARE TECHNOLOGIES** (CHKP, \$99), another Israeli firm, offers broader solutions to cyber threats. It sells bundles of devices and software to create “unified threat management” systems that, ideally, can protect an entire global network of computers, applications and data. Check Point is now targeting small and midsize businesses with its cybersecurity bundles, and it’s expanding into areas such as “advanced threat protection” for mobile devices and “virtual” desktops—a burgeoning business as more employees work remotely.

## THE GENOMICS REVOLUTION

A decade ago, creating a map of the human genome—a blueprint of a person’s unique set of genetic instructions—cost about \$14 million. Today’s



high-powered gene-sequencing machines can do it for about \$1,000. And costs are dropping, enabling scientists to diagnose more diseases, develop better medicines and, theoretically, modify DNA to treat or wipe out disorders arising from genetic mutations.

At the forefront of this revolution is **ILLUMINA** (ILMN, \$160), the leading maker of gene-sequencing machines and related products. Researchers are using the technology to investigate the genetics of people, microorganisms and diseases such as cancer, resulting in more-precise diagnoses and more-personalized treatments. Illumina is now launching a new generation of machines that it says will be able to sequence an entire human genome in less than 24 hours for as little as \$100, a development that could vastly expand the technology’s reach. The company is also teaming up with firms such as **IBM** (IBM) and Dutch conglomerate **Philips** (PHG) to develop more medical diagnostic tools that should extend sales in the health care field.

Illumina’s growth isn’t a slam dunk.

Sales could slump if labs curb spending on genetic testing and research. The company is battling rivals such as **Thermo Fisher Scientific** (TMO) and **Qiagen** (QGEN) in the gene-sequencing space. Illumina’s sales growth has slowed sharply in recent years, too. But don’t be discouraged, says Bank of America Merrill Lynch. Illumina now has “the pieces in place” to return to “mid teens” revenue growth by 2018, says Merrill, which rates the stock a buy.

Among drugmakers, **BIOMARIN PHARMACEUTICAL** (BMRN, \$88) should flourish as a leader in treatments for rare genetic diseases. The company sells medicines for illnesses such as **Morquio A syndrome** (a cellular disorder) and **PKU** (a metabolic disease), and it may win approval this year to sell a medicine for **Batten disease**, an often-fatal pediatric neurological disorder. Also in the works are another drug to manage PKU and a treatment for **dwarfism**.

Perhaps most exciting is **BioMarin’s** experimental gene therapy for **hemophilia A**, which afflicts up to one in 5,000 males worldwide. Patients with this disease now rely on infusions of blood-clotting agents to survive. **BioMarin’s** technology replaces a missing gene that hemophiliacs need for blood clotting, potentially reducing or eliminating regimens of injections. Although the gene-therapy product is still in early development, the firm plans to mass-produce it for more-extensive clinical trials in 2018. **Credit Suisse** analyst **Alethia Young** estimates that, if approved, the drug could eventually deliver \$1 billion in annual sales, nearly as much as **BioMarin’s** total forecast sales of \$1.3 billion in 2017.

The big risk with the stock is that **BioMarin’s** experimental drugs won’t pan out. If they do eventually reach the market, though, they could be worth \$4 billion in annual sales, says **Young**. The company possesses one of “the most diversified and promising” pipelines of potential products among midsize drugmakers, she says, making the stock a buy. ■

KATHY KRISTOF | Practical Investing

# A Takeover Boosts My Portfolio

Five years ago, while still investing the \$200,000 I used to launch the Practical Investing portfolio, I was searching for a good small company to add to a collection that consisted mostly of big, well-known names. I ran across American Capital Corp.

American Capital was a business development company (BDC), the publicly traded equivalent of a venture-capital concern. It loaned money to small and midsize privately held firms, sometimes taking an equity stake in the borrowers, and provided management advice as a way of boosting the chances that the investment would pay off.

Investing in American Capital gave me a small stake in the roughly 100 privately held companies that it invested in, which I liked. What I liked even better was that the stock was selling for substantially less than the per-share value of American Capital's net assets (assets minus liabilities). The reason? Unlike most BDCs, which must distribute at least 90% of their profits as dividends, American Capital had changed its corporate structure after the Great Recession so it would not have to pay dividends, enabling it to conserve cash.

The absence of dividends didn't bother me. I simply figured that the stock was cheap and that an improving economy would bode well for American Capital's investments and, ultimately, for the company's value. So in March 2012, I invested roughly \$10,000, buying 1,122 shares for \$8.94 apiece.

Fast forward to July 2015. With the stock up 51%, American Capital announced that it would restructure again and resume paying dividends. The stock barely budged, so I bought 750 more shares at \$13.51 each, for a total of \$10,133.

**One more time.** Six months later, the restructuring plan had stalled, but the stock still looked like a terrific bargain. Cheap stocks are often cheap for good reason, so I dived into American Capital's financial statements to see if I was missing something. I couldn't find any red flags and



Besides having to analyze another firm, the merger left me with one other problem: I'm sitting on a ton of cash that's earning almost nothing.

concluded that the stock would eventually approach the company's net asset value per share. In February 2016, I bought 350 more shares for \$14.02 each, boosting my total outlay to \$25,071.

Last May, just three months after my last purchase, **ARES CAPITAL CORP.** (SYMBOL ARCC, \$17), a bigger BDC, offered to buy American Capital in a cash-and-stock deal valued at \$3.4 billion, or \$17.40 per share. Although the price was still below American Capital's asset value, it was 24% more than the highest price I'd paid for the stock. When the merger closed in January, I received \$22,509 in cash, plus 1,073 shares of Ares, which were worth \$18,134 on January 31.

Of course, now I needed to take a closer look at Ares, which, thanks to the merger, is the nation's largest BDC. With investments in 314 companies and some \$12.3 billion in assets, the company is well diversified and profitable.

And then there's the juicy payout. Based on Ares' annual dividend rate of \$1.52 per share, the stock yields a tidy 9.0%. According to analysts' estimates, Ares was expected to have earned \$1.55 per share in 2016, enough of a cushion above the current dividend rate to suggest, in my view, that the payout is secure (analysts see earnings of \$1.60 per share in 2017). Moreover,

Ares executives have predicted that the American Capital deal will boost Ares' profits, which should eventually lead to a higher dividend. Even without a dividend hike, a 9% cash return is attractive, especially in an environment in which interest rates remain low and uncertainty is high. So I'm happy to hang on to these shares.

Still, the merger did leave me with one problem: Because I was already holding some cash, I'm now sitting on a ton of it (\$51,000 worth, accounting for about 15% of my \$338,000 portfolio) that is earning almost nothing. In the coming weeks, I'll be looking for new investment opportunities. ■

KATHY KRISTOF IS A CONTRIBUTING EDITOR TO KIPLINGER'S PERSONAL FINANCE AND AUTHOR OF THE BOOK *INVESTING 101*.



## STRATEGIES

# Inflation-Proof Your Assets

Keep higher prices from nibbling away at your portfolio. **BY ANNE KATES SMITH**

UNTIL RECENTLY, INVESTORS HAVEN'T HAD to worry much about inflation. Rather, the threat of deflation—persistently falling prices—has been the more pressing concern for several years. But like the proverbial frog oblivious to the rise in water temperature until it's too late, says Russ Koesterich, a portfolio manager at BlackRock, investors are starting to experience a stealthy increase in prices.

The consumer price index rose 2.1% in 2016, way ahead of the 0.7% rise in 2015 and the 0.8% increase in 2014. One key reason is the rebound in oil prices, which have climbed from \$27 a barrel in early 2016 to \$53 today. Housing costs are rising at the quickest pace in nearly 10 years (see “Home Prices Keep Climbing,” on page 40), and medical costs, which had been mostly moderating since 2008, are ticking higher again. Overall, Kiplinger sees

consumer prices rising 2.4% in 2017.

The new president will surely keep inflation on the front burner. “Donald Trump has put forward a set of ideas that may involve higher fiscal deficits, a large infrastructure build-out and protectionist trade policies, all of which could support higher inflation,” says Orhan Imer, who specializes in inflation-linked strategies at Columbia Threadneedle Investments.

No one is talking about a return to the double-digit inflation of the late 1970s. Interconnected global markets and technological innovations that improve productivity are powerful forces for holding down price increases for goods and services. But that doesn't mean you can let your guard down. “Even low levels of inflation can be an insidious drag on your portfolio and erode your buying power,” says Joanna Bewick, comanager of FIDELITY

**STRATEGIC REAL RETURN FUND (SYMBOL FSRRX).** Investors who have not done so already should consider protecting against such erosion with some of these inflation hedges.

**What to buy.** Among your bond holdings, consider adding Treasury inflation-protected securities. The principal value of these government issues is adjusted each month to keep pace with inflation—so yields of 0.4% for TIPS maturing in 10 years look paltry before you add the inflation rate. You can buy TIPS directly from Uncle Sam at [www.treasurydirect.gov](http://www.treasurydirect.gov). Plan on holding your TIPS until they mature.

Investors who don't hold the bonds to maturity or who invest via funds should be aware that TIPS prices, like those of most bonds, fall when interest rates rise—which is what normally happens when inflation is accelerating.



Given Kiplinger's forecast for higher rates in 2017, fund investors should focus on portfolios that invest in short-term TIPS. Those funds will yield less than those that own longer-term TIPS, but they will be less sensitive to rate swings. A good choice is **VANGUARD SHORT-TERM INFLATION-PROTECTED SECURITIES (VTIPX)** or its exchange-traded namesake (**VTIP**, \$49). Yields for both versions are negative, but the funds should deliver positive returns once the inflation adjustments are made. (Prices and yields are as of January 31.)

You can take advantage of the higher rates that go hand in hand with inflation with a floating-rate fund. Such funds hold debt with rates that adjust along with a short-term benchmark. Many of these funds invest in loans made by banks to companies with substandard credit ratings. But with the economy growing, defaults should remain manageable for now.

**FIDELITY FLOATING RATE HIGH INCOME (FFRHX)**, YIELD 3.3%) and **POWERSHARES SENIOR LOAN ETF (BKLN)**, \$23, 2.6%), a member of the Kiplinger ETF 20, hold securities that are a little higher in quality than some of their peers. If you want to minimize credit risk and are willing to accept a lower yield, try **ISHARES FLOATING RATE BOND ETF (FLOT)**, \$51, 1.1%), which holds bonds with investment-grade ratings.

Stocks will crater if there's an inflation shock—something on the order of an oil embargo or food crisis—but should beat inflation over the long haul. However, some stock sectors do better with inflation than others. InvesTech Research, a market research firm, looked at eight periods of accelerating inflation from 1950 through 2012 and found that energy, materials and industrials stocks, among the most sensitive to swings in the economy, were top performers; rate-sensitive sectors such as utilities and telecommunications lagged the market. When consumers are watching every penny, "you want to go with companies that have good brands and a competitive advantage, that can raise prices and make them stick," says

Chris Zaccarelli, chief investment officer at Cornerstone Wealth, based in Charlotte, N.C. Think companies such as **APPLE (AAPL)**, \$121) and **WALT DISNEY CO. (DIS)**, \$111). Strategists at Goldman Sachs recommend companies with low labor costs as a percentage of revenues; their bottom lines won't suffer as much as those of high-wage firms as pay rises. The group includes insurer **AFLAC (AFL)**, \$70), food processor **ARCHER-DANIELS-MIDLAND (ADM)**, \$44), pharmacy benefit manager **EXPRESS SCRIPTS (ESRX)**, \$69) and homebuilder **PULTEGROUP (PHM)**, \$22).

Commodity prices respond quickly to increases in demand when the economy is growing. They're often

**NATURAL RESOURCES ETF (GNR)**, \$43), which holds stocks in the energy, agriculture, and metals and mining sectors.

You may be surprised to learn that gold is not the inflation hedge it's cracked up to be. It has outpaced inflation only about half the time in successive 12-month periods starting in December 1973 (see the table at left). Still, if inflation expectations accelerate sharply, gold, which also provides portfolio protection in times of geopolitical upheaval, would likely perform well, says BlackRock's Koesterich. Consider putting a small amount of assets in a low-cost exchange-traded product, such as **ISHARES GOLD TRUST (IAU)**, \$12), which charges 0.25% annually.

Real estate is a classic inflation hedge, as anyone who owns a home is well aware. You can also own real estate indirectly, through a real estate investment trust that owns commercial properties. REITs give investors a twofer in times of rising inflation, says Kevin Brosious, an investment adviser in Allentown, Pa. The value of the underlying real estate appreciates along with inflation, while rents paid by tenants rise, too. One fund worth a look is **T. ROWE PRICE REAL ESTATE (TRREX)**, 2.3%), whose manager, David Lee, has been at the helm since 1997. He seeks REITs that he thinks will grow consistently and that trade below the value of their underlying assets. If you prefer an indexed approach, check out **SCHWAB U.S. REIT ETF (SCHH)**, \$41, 3.3%), a member of the Kiplinger ETF 20. It charges just 0.07% annually.

Fidelity Strategic Real Return offers a one-stop inflation solution. The fund, which yields 1.0%, has roughly 30% of its assets in TIPS, 25% in floating-rate loans, 25% in derivatives that track prices of a basket of commodities (split evenly among energy, metals and agricultural products) and 20% in real estate-linked stocks and bonds. The fund's 10-year return of 2.4% annualized won't blow you away, but its four-pronged strategy, tested back to 1973, would have beaten inflation in 81% of 12-month periods. ■

Scorecard

**Inflation Beaters**

Debt with floating interest rates has the best record for whipping inflation.

Asset class	% of periods outpacing inflation*
<b>Floating-rate debt</b>	80%
<b>TIPS</b>	77
<b>High-grade U.S. bonds</b>	75
<b>U.S. stocks</b>	73
<b>Real estate investment trusts</b>	72
<b>Commodities</b>	60
<b>Gold</b>	51

\*Based on rolling 12-month periods from December 1973 through December 2016. **TIPS**=Treasury inflation-protected securities. **High-grade U.S. bonds**=Bloomberg Barclays U.S. Aggregate Bond index. **U.S. stocks**=S&P 500. **REITs**=FTSE NAREIT All REITs and DJ Select RESI indexes. SOURCE: Fidelity Investments.

the first signal of rising inflation, as well as a hedge against it. The downside is their notorious volatility. Commodity prices have been on the upswing since early 2016, reversing a nearly 50% slide from April 2014.

**HARBOR COMMODITY REAL RETURN STRATEGY (HACMX)** is a commodity fund with a twist. Its managers use some of the fund's assets to buy derivatives that track the prices of oil, metals and agricultural commodities. With the rest of the assets, they assemble an actively managed portfolio of TIPS and other bonds. You can gain exposure to commodities indirectly via **SPDR S&P GLOBAL**

THE KIPLINGER 25 UPDATE

# Politics Afflicts Our Favorite Health Fund

**EVEN GREAT FUNDS STUMBLE**

occasionally. Case in point: **VANGUARD HEALTH CARE**, which has delivered the highest return of any stock mutual fund over the past 30 years. After seven straight years of gains, Health Care lost 9% in 2016. And though its one-year return is now in the black, the fund trailed Standard & Poor's 500-stock index by a decidedly unhealthy 17 percentage points over the past 12 months.

The fund's problems stem mainly from troubles in its

sector. Because health care makes up 18% of the U.S. economy, the sector often comes under fire during presidential election years, says the fund's manager, Jean Hynes. In some election years, health care stocks take a hit before the vote; in others, it's after. This time, "it was before *and* after," she says.

Weighing most heavily on the sector were frequent denunciations of the high cost of pharmaceuticals and concerns that Congress might

force drugmakers to roll back their prices. With 60% of Health Care's assets invested in the catchall group that Hynes calls biopharmaceuticals, it's no wonder her fund faltered. Changes to the Affordable Care Act loom, too, but Hynes says the structure of any new system would most likely be similar to what's in place now and that any potential shifts would affect only 5% to 10% of the fund's assets.

Hynes, who tilts toward large, undervalued firms with good long-term growth prospects, had her share of winners. United-Health Group, a managed-care company and the fund's top holding, returned 43% over the past year, buoyed by Optum, United-Health's fast-growing business that offers a broad

array of health care services. And Incyte, a biotech firm that is developing drugs that target a body's immune system to fight cancer, soared 72%.

Incyte is a good example of the kind of company Hynes favors. She is focusing on investing in established firms that have swiftly adapted or new ones that are pioneers—companies that are "ahead of the curve in terms of innovation," she says, and that have rich pipelines of new drugs. One such company is Biogen, which recently won regulatory approval for the first drug to treat spinal muscular atrophy, a rare and often fatal genetic muscle disease.

**NELLIE S. HUANG**

REACH YOUR GOALS: TO SEE PORTFOLIOS USING THESE FUNDS, GO TO [KIPLINGER.COM/LINKS/PORTFOLIOS](http://KIPLINGER.COM/LINKS/PORTFOLIOS).

U.S. Stock Funds	Symbol	Annualized total return				Added to Kip 25
		1yr.	3yrs.	5yrs.	10yrs.	
Akre Focus	AKREX	17.0%	9.1%	14.7%	—	Dec. 2009
Dodge & Cox Stock	DODGX	33.2	10.6	16.2	6.0%	May 2008
Fidelity New Millennium	FMILX	23.6	6.8	12.9	8.3	May 2014
Homestead Small Co Stock	HSCSX	25.6	7.4	12.8	9.8	May 2012
Mairs & Power Growth	MPGFX	20.6	8.6	13.8	8.0	Jan. 2013
Parnassus Mid Cap	PARMX	24.5	10.7	13.7	8.8	Aug. 2014
T. Rowe Price Blue Chip Growth	TRBCX	16.0	9.6	15.1	8.7	May 2016
T. Rowe Price Dividend Growth	PRDGX	18.0	10.5	13.4	7.3	Oct. 2016
T. Rowe Price QM US Sm-Cp Gro	PRDSX	25.1	8.4	14.1	10.3	May 2015
T. Rowe Price Sm-Cap Value	PRSVX	36.3	8.5	12.5	7.7	May 2009
T. Rowe Price Value	TRVLX	19.6	8.6	14.2	6.7	May 2015
Vanguard Equity-Income	VEIPX	19.1	10.5	13.3	7.4	Jan. 2017

International Stock Funds	Symbol	Annualized total return				Added to Kip 25
		1yr.	3yrs.	5yrs.	10yrs.	
Baron Emerging Markets	BEXFX	16.8%	1.6%	5.4%	—	Oct. 2016
Fidelity International Growth	FIGFX	6.8	2.5	7.0	—	Feb. 2016
FMI International	FMIJX	13.8	7.6	11.8	—	April 2015
Matthews Asian Gro & Inc	MACSX	8.6	1.5	4.8	5.0%	Aug. 2013

Specialized/Go-Anywhere Funds	Symbol	Annualized total return				Added to Kip 25
		1yr.	3yrs.	5yrs.	10yrs.	
Vanguard Health Care	VGHGX	2.7%	9.8%	16.8%	10.2%	May 2016
Vanguard Wellington†	VWELX	15.2	7.7	9.9	6.9	May 2016

Bond Funds	Symbol	Annualized total return				Added to Kip 25
		1yr.	3yrs.	5yrs.	10yrs.	
DoubleLine Total Return N	DLTNX	0.8%	2.8%	3.5%	—	May 2011
Fidelity Intermed Muni	FLTMX	-0.5	2.6	2.2	3.7%	May 2004
Fidelity New Markets Income	FNMIX	18.4	7.5	6.1	7.5	May 2012
Met West Total Return Bond M	MWTRX	1.3	2.2	3.5	5.7	May 2016
Pimco Income D	PONDX	9.0	5.6	8.2	—	May 2016
Vanguard High-Yield Corporate	VVHEX	13.4	4.8	6.1	6.3	May 2016
Vanguard Sh-Tm Inv-Grade	VFSTX	2.5	1.8	2.0	3.2	May 2010

Indexes	Annualized total return			
	1yr.	3yrs.	5yrs.	10yrs.
S&P 500-STOCK INDEX	20.0%	10.8%	14.1%	7.0%
RUSSELL 2000 INDEX*	33.5	7.9	13.0	6.9
MSCI EAFE INDEX†	12.6	1.2	6.5	1.4
MSCI EMERGING MARKETS INDEX	25.9	1.8	0.5	2.8
BARCLAYS AGGREGATE BOND INDEX#	1.5	2.6	2.1	4.4

Through January 31. †Open to new investors if purchased directly through Vanguard. \*Small-company U.S. stocks. †Foreign stocks. #High-grade U.S. bonds. SOURCE: © 2017 Morningstar Inc.

FUND SPOTLIGHT

# One Family, Two Foreign Fund Winners

Both focus on firms with above-average growth and shareholder-friendly execs.

IN RECENT YEARS, U.S. INVESTORS would have done well to avoid the rest of the world. But after years of poor results, foreign stocks are now a lot cheaper than their U.S. counterparts, enhancing their appeal for value-conscious investors.

The list of one-year winners among funds that focus on large, growing companies features two funds from Harding Loevner, which specializes in overseas stocks. The separate management teams that run **INTERNATIONAL EQUITY RESEARCH PORTFOLIO** and **INTERNATIONAL EQUITY PORTFOLIO** start with a pool of 250 firms in both developed and emerging nations that meet four criteria. Each company must have a competitive edge in its industry, a strong balance sheet, sustainable growth that's not vulnerable to business cycles, and smart, shareholder-focused executives. Harding Loevner's analysts rate each stock "buy," "sell" or "hold."

All of the buys end up in International Equity Research, which at last word held 175 stocks. To limit the fund's volatility, none of the stocks takes up more than 1.2% of assets. But the managers of International Equity Portfolio are free to choose among the holds and sells as well as the buys. In the end, 50 to 60 companies—mostly huge firms—make the cut. German drug and chemical maker Bayer is the only top-five holding in both funds. **RYAN ERMEY**

## FOREIGN LARGE-COMPANY GROWTH FUNDS Ranked by one-year returns

Rank/Name*	Symbol	Annualized total return through Jan. 31			Max. sales charge	Exp. ratio	Toll-free number
		1 yr.	3 yrs.	5 yrs.			
1. <b>Harding Loevner Intl Eq Res Portfolio Inv</b>	HLINX	<b>18.6%</b>	—	—	2.00% <sup>f</sup>	1.15%	877-435-8105
2. Vanguard International Growth Inv	VWIGX	18.2	2.7%	6.9%	none	0.46	800-635-1511
3. Shelton International Select Equity A	WHVAX	17.5	-5.6	-1.1	5.75	1.48	888-948-4685
4. <b>Harding Loevner Intl Eq Portfolio Inv</b>	HLMNX	<b>15.9</b>	4.5	6.3	2.00 <sup>r</sup>	1.15	877-435-8105
5. Buffalo International <sup>@</sup>	BUFIX	14.9	3.3	6.9	none	1.04	800-492-8332
6. Davis International A	DILAX	14.1	1.5	5.9	4.75 <sup>s</sup>	1.04	800-279-0279
7. Selected International D	SLSDX	14.1	2.9	7.4	2.00 <sup>r</sup>	0.83	800-243-1575
8. Baron International Growth Retail	BIGFX	14.0	3.2	6.7	none	1.50	800-992-2766
9. Franklin Intl Growth A	FNGAX	13.9	1.9	5.0	5.75	1.44	800-632-2301
10. T. Rowe Price International Stock	PRITX	13.3	3.4	5.8	2.00 <sup>r</sup>	0.84	800-638-5660
CATEGORY AVERAGE		8.4%	1.1%	5.9%			

## 20 LARGEST STOCK MUTUAL FUNDS Ranked by size

Rank/Name*	Symbol	Assets <sup>†</sup> (billions)	Annualized total return through Jan. 31			Max. sales charge	Toll-free number
			1 yr.	3 yrs.	5 yrs.		
1. Vanguard Total Stock Market Idx Inv	VTSMX	<b>\$446.0</b>	21.6%	10.1%	13.8%	none	800-635-1511
2. Vanguard Total Intl Stock Idx Inv	VTGSX	<b>237.9</b>	15.1	1.5	4.8	none	800-635-1511
3. Vanguard 500 Index Inv	VFINX	<b>232.6</b>	19.9	10.7	13.9	none	800-635-1511
4. American Growth Fund of America A	AGTHX	<b>151.8</b>	22.6	10.1	14.5	5.75%	800-421-0180
5. American EuroPacific Growth A	AEPGX	<b>126.0</b>	11.9	1.9	6.5	5.75	800-421-0180
6. Fidelity 500 Index Inv	FUSEX	<b>111.4</b>	20.0	10.8	14.0	none	800-343-3548
7. Fidelity Contrafund	FCNTX	<b>104.0</b>	14.4	8.8	13.3	none	800-343-3548
8. American Balanced A	ABALX	<b>103.9</b>	13.4	7.8	10.4	5.75	800-421-0180
9. American Income Fund of America A	AMECX	<b>103.0</b>	14.6	6.8	9.2	5.75	800-421-0180
10. American Capital Income Builder A	CAIBX	<b>100.4</b>	9.5	4.9	7.4	5.75	800-421-0180
11. Vanguard Wellington <sup>‡</sup>	VWELX	<b>95.9</b>	15.2	7.7	9.9	none	800-635-1511
12. American Washington Mutual A	AWSHX	<b>87.2</b>	20.1	9.7	13.1	5.75	800-421-0180
13. American Capital World Gro & Inc A	CWGIX	<b>83.8</b>	15.5	4.9	9.7	5.75	800-421-0180
14. American Invstmt Co of America A	AIVSX	<b>82.2</b>	22.1	10.2	13.8	5.75	800-421-0180
15. American Fundamental Inv A	ANCFX	<b>82.0</b>	22.1	10.7	13.8	5.75	800-421-0180
16. Franklin Income A	FKINX	<b>81.1</b>	21.4	4.3	7.4	4.25	800-632-2301
17. Vanguard Mid Cap Index Inv	VIMSX	<b>62.3</b>	23.6	9.5	13.4	none	800-635-1511
18. American New Perspective A	ANWPX	<b>61.7</b>	13.7	6.4	10.7	5.75	800-421-0180
19. Dodge & Cox Stock <sup>@</sup>	DODGX	<b>61.6</b>	33.2	10.6	16.2	none	800-621-3979
20. Vanguard Small Cap Index Inv	NAESX	<b>55.0</b>	30.0	8.2	13.5	none	800-635-1511
S&P 500-STOCK INDEX			<b>20.0%</b>	<b>10.8%</b>	<b>14.1%</b>		
MSCI EAFE INDEX			<b>12.6%</b>	<b>1.2%</b>	<b>6.5%</b>		

\*Unless otherwise indicated, funds come in multiple share classes; we list the share class that is best suited for individual investors. <sup>@</sup>Single share class. <sup>†</sup>For all share classes combined. <sup>‡</sup>Open to new investors if purchased directly through Vanguard. <sup>§</sup>Maximum redemption fee. <sup>¶</sup>Front-end load; redemption fee may apply. MSCI EAFE index consists of developed foreign stock markets. SOURCES: Morningstar Inc., Vanguard.

### Kiplinger.com

## RETURNS FOR THOUSANDS OF FUNDS ONLINE

Use our Mutual Fund Finder to get the latest data and see the top performers over one-, three- and five-year periods. Research a specific fund, or compare multiple funds based on style, performance and cost. And view details including volatility rank and turnover rate. To use this tool, go to [kiplinger.com/tools/fundfinder](http://kiplinger.com/tools/fundfinder).

### EXPLANATION OF TERMS

**Annualized total return** assumes reinvestment of all dividends and capital gains. Returns reflect ongoing expenses but not sales charges.

**Maximum sales charge** A figure without a footnote means the commission is deducted from the money you send to the fund. A figure with an r is the maximum redemption fee charged when you sell shares. Funds that charge both sales and redemption fees are footnoted with an s next to the front-end load.

**Expense ratio** is the percentage of assets claimed annually for operating a fund.





# The choice is yours, and it's simple.

Why enjoy just one cookie when there's a whole stack in front of you?

The same goes for car insurance. Why go with a company that offers just a low price when GEICO could save you hundreds and give you so much more? You could enjoy satisfying professional service, 24/7, from a company that's made it their business to help people since 1936. This winning combination has helped GEICO to become the 2nd-largest private passenger auto insurer in the nation.

Make the smart choice. Get your free quote from GEICO today.

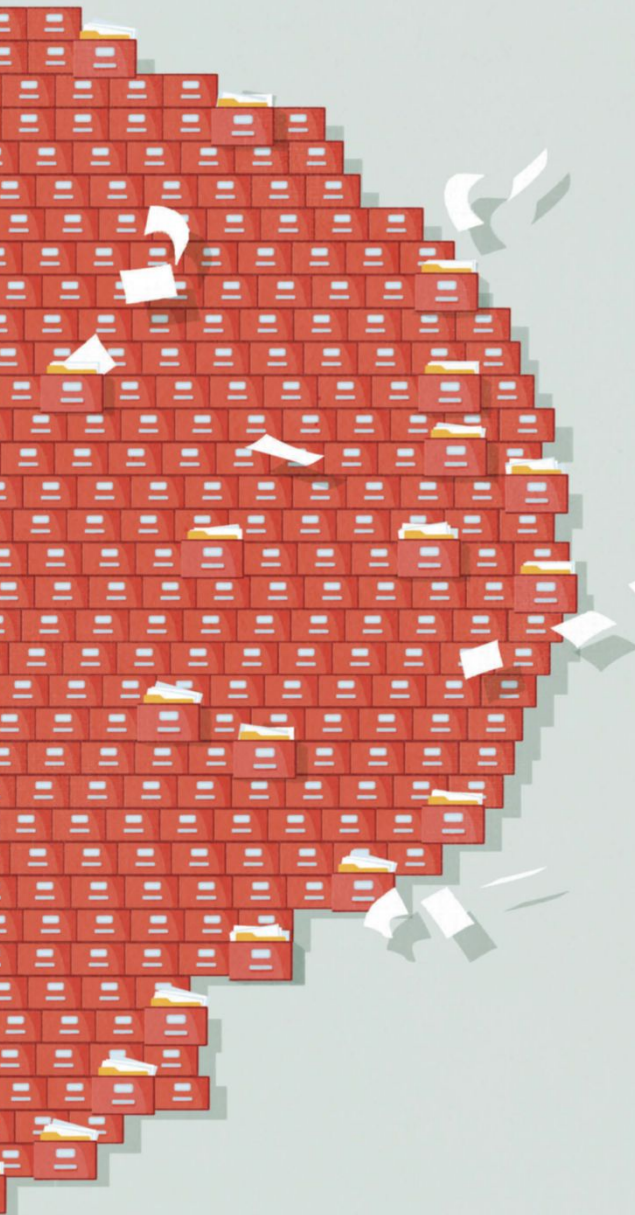
# GEICO®

geico.com | 1-800-947-AUTO | Local Office

# HEALTHY LIVING







# Keep Your Memory Sharp

You can prevent memory lapses by staying mentally and physically fit—and by having fun with your friends.

**BY KAITLIN PITSKER**

ILLUSTRATIONS BY BENEDETTO CRISTOFANI

**HERE'S SOMETHING WORTH REMEMBERING: FORGETFULNESS IS A NORMAL** part of getting older. So-called senior moments—such as having trouble recalling an acquaintance's name at a party, misplacing your keys and other small lapses—aren't necessarily cause for concern. Some people start to recognize changes to their memory as early as their mid fifties. More will notice a change in their sixties. By the time they're in their seventies, four out of five people report that their memory isn't as sharp as it was previously, according to the Mayo Clinic's Study of Aging. Your genes play a role in determining how long you'll be as sharp as a tack, but adopting a variety of healthy habits can also help you stave off those senior moments.



As you age, physical changes in the brain often affect your memory. The prefrontal cortex and the hippocampus, which both play important roles in learning, memory and planning, shrink in size. The connections that allow brain cells to communicate with one another become weaker, and arteries narrow, reducing blood flow. As a result, you may find that you don't recall information as quickly or as easily as you once did, that it takes longer to learn new things, or that you forget pieces of information and misplace objects more frequently. You'll likely also find that you have more difficulty multitasking and that you need to put more effort into concentrating on each task. "These changes don't mean that the memory machine is broken," says Dr. Ronald Petersen, director of the Mayo Clinic's Study of Aging. "But you may have to start putting more emphasis and energy into the process of laying down new memories." (For strategies to help improve your memory, see the box on the facing page.)

If you're worried that moments of forgetfulness could be signs of something more serious, consider what you're forgetting and how often. For instance, misplacing your keys occasionally can be the result of a busy life and a distracted mind. But if you or someone close to you notices a pattern of forgetting occasions that are important to you—say, a lunch date or an upcoming visit from your children—make an appointment to see your doctor. He or she will generally conduct a physical exam, ask questions to check on your memory and problem-solving skills, and screen for more-serious memory problems, such as mild cognitive impairment, dementia or Alzheimer's disease.

Also contact your doctor if you notice changes in your memory that start about the same time you begin taking a new medication, or if you also have a medical condition, such as diabetes or thyroid, kidney or liver problems. Either situation could cause memory issues.

## STAY IN SHAPE

A good workout routine keeps the heart pumping, the muscles strong and the body in shape—and it bulks up your brain. Regular exercise slows the brain's aging process, increases the size of the portions of the brain that control thinking and memory, and strengthens the connections between brain cells, increasing the brain's power and processing speed. "A combination of aerobic exercise, strength training and balance exercises offers the best results for the brain," says Louisa Sylvia, an associate director of psychology at Massachusetts General Hospital. Try to spend at least 30 minutes a day, five days a week, doing various fitness activities, such as jogging, playing sports and lifting weights.

Different types of exercise have different effects on the brain. Aerobic exercise, such as walking, running, swimming and dancing, increases the capacity of the hippocampus, a memory region of the brain, and improves spatial and verbal memory as well as focus and attention. Strength-training activities, including lifting weights, doing pushups and using resistance bands, work out the part of the brain that is responsible for decision-making, problem solving and multitasking. Pumping iron and other strength exercises also boost levels of a hormone that helps brain cells communicate with one another, fortifying the type of memory that helps you remember the names of items and people. Meanwhile, working on your balance and flexibility with gentle stretching strengthens portions of the brain that receive information from other parts of your body.

## EXERCISE YOUR INTELLECT

Just as physical muscles require frequent use to stay strong, your mental muscles need flexing to keep your memory in shape. "To be more intellectually engaged, find a brain-stimulating activity that gets you up and motivated—and do it. The more concentration an activity requires, the

greater the potential benefit," says Dr. Laura Germine, a research fellow at Massachusetts General Hospital.

Whether you focus on improving a current skill or learning a new skill, pick an activity that's challenging, says Dr. Denise Park, who researches the effects of new learning on the brain at the University of Texas at Dallas's Center for Vital Longevity. Learning a complex skill that offers an ongoing mental challenge, such as quilting or digital photography, has been shown to improve memory, says Park.

Some research suggests that games and activities that involve mental effort, such as crossword puzzles, will only help you hone a specific skill (like filling out the crossword puzzle) and won't improve your memory or your ability to focus. Other research shows that games and puzzles—think Sudoku—may improve your ability to



remember and retrieve information, especially when you are distracted. “The truth is probably somewhere in between,” says Germine. If nothing else, such pastimes can be helpful if they replace those that do not provide brain stimulation, such as watching TV, or if they challenge you and require you to concentrate—for example, a video game that involves problem solving.

As for brain-training games, which have users complete a series of computer-based activities with the goal of learning faster, being more alert or developing a stronger memory, some have been under fire recently. For example, last year the company behind the popular Lumosity brain-training app, which claimed to prevent age-related memory decline, paid \$2 million to settle a false advertising case. Before counting on a game to produce memory benefits, see if its claims are

backed up by independent studies published in peer-reviewed journals.

### EAT A BRAIN-HEALTHY DIET

The diet choices you make to help your waistline, your heart and the rest of your body may even go to your head. Take the steaks or extra pats of butter you can't resist: Such foods, loaded with saturated and trans fats, raise your blood levels of unhealthy cholesterol. Not only does bad cholesterol damage your arteries and put additional strain on your heart, but it also speeds up the formation of sticky protein clusters in the brain, making it more difficult for brain cells to communicate with one another. Rather than load up on foods with harmful fats, substitute those that are high in healthy unsaturated fats, including olive oil, fish and nuts.

Or try adding some Mediterranean influence to your diet. The Mediterranean diet—which emphasizes fruits and vegetables, olive oil, beans, and grains, with moderate amounts of fish, dairy, wine and limited amounts of meat—has long been credited with improving heart health and reducing cancer risk. But it can also improve the health of blood vessels, slowing down brain aging and memory loss. A recent study conducted at the University of Edinburgh, in Scotland, found that people who closely followed a Mediterranean diet over a three-year period lost less brain volume than those who did not adhere to the diet.

### CONNECT WITH PEOPLE

Staying busy and socializing with friends and loved ones can also help keep your memory sharp. Although researchers aren't certain how socializing changes the brain, many have documented the positive effects that social interaction, close relationships and large social networks have on memory and cognitive function as you age. One recent study published in the *Frontiers in Aging Neuroscience* journal suggests a busy lifestyle that includes a social calendar with stimulating activities helps maintain the

## Memory Tricks

# Rev Up Your Recall

To boost your memory abilities, try the following learning strategies suggested in Massachusetts General Hospital's *Mind, Mood & Memory* newsletter.

**Simplify.** Break down information into parts and tackle each part separately. Remember numbers by dividing them into manageable units. For example, instead of 125833076, think 125-833-076.

**Organize.** Group information by category. To remember your shopping list, for instance, divide items into fruits and vegetables, dairy, and meat.

**Link new information to established memories.** For example, remember the name of a new person by linking her with someone else you know who has the same name.

**Use multiple senses.** Try saying new information out loud, writing it down or reading it over.

**Engage your imagination.** Forming mental pictures of actions can help you remember things. For example, to remember the time of your 3 P.M. doctor's appointment, picture yourself entering the doctor's office as the clock strikes three.

**Practice.** Rehearse new information to embed it in your memory. Repeat names of new people you meet.

For more information about Massachusetts General Hospital's *Mind, Mood & Memory* newsletter, visit <http://universityhealthnews.com/subscription-offers/massachusetts-general-hospital-mind-mood-memory>.

brain's health and boosts its memory.

To get the most from your social interactions, pick activities you'll enjoy and that will challenge you, and do them with friends (new or old) you enjoy being around. You'll likely find that socializing makes other memory-healthy behaviors easier to accomplish, because hitting the gym or learning a skill is a lot more fun when you do it with people you like. ■



NELLIE S. HUANG | To Your Health

# How to Choose the Right Specialist

You'd think people would put as much time and energy (if not more) into finding the right specialist as they devote to buying a new car or choosing a vacation destination. But few folks do, says John Connolly, a cofounder of Castle Connolly Medical, a physician-screening company that also publishes *America's Top Doctors*. "They just look for doctors in their plan and pick one." But it only takes a little work to find a specialist who has the best shot at producing the results you want.

Start by asking your primary care doctor for recommendations. Print out a list of your insurance plan's in-network specialists in advance, and get your doctor's thoughts on those names. Then ask some probing questions: Why do you recommend that specialist? (Maybe the doctor is a personal friend or practices at a good hospital. In any case, you should know the reason.) How well do you know the specialist, and have you referred the specialist to others? If your primary care doctor can't recommend anyone, ask other physicians who care for you for suggestions, or ask friends and family.

**Check the credentials.** Once you have narrowed the list to a name or two, take a closer look at each physician's qualifications and training. Specifically, is the doctor board-certified in the specialty you seek? That matters, because anyone with a state-issued medical license can call himself an orthopedist, say, or a gynecologist. But board certification signifies that a doctor has completed at least four years of medical school, completed a three- to five-year residency, and passed an exam. A board-certified subspecialist—a gynecologic oncologist, for example—has also undergone a one- to five-year fellowship in that subject and passed a written exam and perhaps an oral test, too. "Certification may not guarantee a great doctor, but it guarantees he or she has been trained in that specialty," says Connolly.

You can check on a doctor's certification status at

Whether you like the doctor matters less with a specialist you'll see a handful of times than with a primary care doctor you see on a regular basis.

.certificationmatters.org, which is maintained by the American Board of Medical Specialties. The ABMS recognizes 37 specialties and 86 subspecialties. Also find out whether the doctor participates in continuing education to maintain expertise in his specialty, as most do.

To round out your library research, go online and check where the doctors you're considering went to medical school and did their residency. Are the institutions well known? The best residency programs tend to attract the most-qualified medical school graduates, says Lois Margaret Nora, president and CEO of the ABMS. Finally, has the doctor ever faced a disciplinary action in the state in which he practices? You can search for that information, as well as school, training and board-certification status, at [www.castleconnolly.com/ddi](http://www.castleconnolly.com/ddi).

Once you've selected the best candidate, make an appointment and see how the specialist communicates with you. We're not talking about bedside manner or even whether you like her, which matters less with a specialist you'll see a handful of times than with a primary care doctor you might see on a regular basis. Focus on whether you have confidence and trust in the doctor, says Nora. Don't be afraid to ask questions: How many other patients like me (same age group, with similar symptoms) have you seen over the past year? How

many procedures like mine have you performed over that time? What kinds of outcomes did your patients have? Were there any complications, and if so, how many? Vague answers—such as "I see few complications"—or no responses at all are red flags. You want to be sure the specialist has extensive experience with cases like yours, with a history of good results and no black marks on his record. "It's not just about identifying an excellent physician," says Connolly. "It's about avoiding the really poor ones, too." ■

NELLIE S. HUANG IS A SENIOR ASSOCIATE EDITOR AT KIPLINGER'S PERSONAL FINANCE MAGAZINE.



# Life insurance rates fall to all-time lows

Compare 50 companies' rates in 5 seconds, buy online in total privacy

Female Sample Monthly Rates				
Age	\$250,000	\$500,000	\$1,000,000	\$2,000,000
25	\$9	\$12	\$19	\$31
30	\$9	\$12	\$19	\$32
35	\$9	\$13	\$20	\$33
40	\$11	\$17	\$25	\$46
45	\$15	\$25	\$43	\$80
50	\$20	\$35	\$61	\$122
55	\$29	\$52	\$95	\$183
60	\$42	\$76	\$140	\$278
65	\$67	\$123	\$230	\$458

- ✓ View instant quotes – 50 leading companies!
- ✓ Buy from the company of your choice
- ✓ A quick and easy way to shop for insurance



“The premier Web site in terms of details and ease of use, (best of all, it’s free)”  
— Yahoo! FINANCE

## ALSO AVAILABLE:



Instant Medicare Supplement Quotes



Instant Disability Insurance Quotes



Long-Term Care Insurance Quotes



Home Health Care Quotes

**New!**

**Life Quotes, Inc.**<sup>SM</sup> est. 1984  
Over **335,000** Customers Insured



Quote yourself at [www.KIPLifequotes.com](http://www.KIPLifequotes.com) or call us at 1-800-504-6659

Ad Code: KPF 04/17

NOTE: Sample rates shown not applicable to NJ residents. NJ residents must call or click for quotes. The sample 10-year life insurance quotes shown within this communication are not specific to any individual, insurer or state. To obtain quotes that are specific to your health history profile, visit [www.KIPLifequotes.com](http://www.KIPLifequotes.com). Life Quotes Inc. is an independent agency representing many insurers, including those whose logos appear above. SBLI and The No Nonsense Life Insurance Company are registered trademarks of The Savings Bank Life Insurance Company of Massachusetts, which is in no way affiliated with SBLI USA Mutual Life Insurance Company, Inc. Copyright ©1984-2017 Life Quotes Inc., 8205 South Cass Avenue, Suite 102, Darien, Illinois. All rights reserved. Life Quotes Inc. and certain of its employees are licensed in good standing as insurance agents and brokers in all states. AR agent #7991, CA Insurance #0A13858, LA agent #200696, MA agent #1746830. In California, dba Life Quotes Inc. Insurance Services under CA Insurance #0827712, in LA as agent #205078. In Utah, Life Quotes Inc. dba Life Quotes Inc. Insurance Services, Inc. under agent #90093. CLC.1012.11.09 12-193

## FROM THE EXPERTS

# Get Advice From a Pharmacist

From Harvard Women's Health Watch.

WHEN YOUR PHARMACIST HANDS YOU YOUR pills, he or she is likely to ask, "Any questions?" This is an invitation to tap into a vast store of knowledge—and one you should accept. A few minutes with your pharmacist may spare you some serious health consequences.

"People are often in the dark regarding the purpose of their medication," says Dr. Gordon Schiff, associate professor of medicine at Harvard Medical School. Although prescriptions come with a lengthy package insert containing detailed information about the drug, the information is often written in technical terms and printed in microscopic type. The lack of clear information and the confusion and misunderstandings that result figure into more than a million preventable medical complications annually.

Your pharmacist can help fill the void. You may want to ask the following questions when you pick up your medication. In fact, if you are taking several prescription and over-the-counter drugs, you may want to schedule an appointment with your pharmacist to discuss all of them. Medicare and, increasingly, other insurers cover an appointment with a pharmacist, just as they do with a primary-care provider.

**What is this drug for?** With people taking thousands of drugs for hundreds of conditions, it isn't surprising that sound-alike mistakes are common. For example, mistaking Adderall (a stimulant prescribed for attention deficit disorder) for Inderal (a drug to treat hypertension) can drive blood pressure up instead of down. Check with your pharmacist to see whether the drug you're given is correct for the condition you have. If it isn't, have the pharmacist clarify with your physician.

**How do I take it?** It's important to know the best time of day to take a pill and whether you should take it with food or on an empty stom-



ach. Your pharmacist can help you devise a schedule for taking all your medications. The more you take, the more likely it is that one may affect how another works in your body. Bring a list of all your prescription drugs, over-the-counter medications, and supplements to the pharmacy. (If it's easier, gather all your pill bottles in a bag and bring them.) The pharmacist may be able to suggest ways to minimize the chance of interactions.

**What side effects should I expect?** The package insert that comes with your prescription probably includes a mind-numbing list of side effects. However, most serious side effects are rare, and some are much more common than others. Your pharmacist can give you a more realistic idea of which, if any, side effects you may experience.

## HELP ORGANIZING YOUR PILLS

Taking prescribed medications properly is one of the most important things you can do to maintain and manage your health, but it can

be difficult to get it right as the number of pills you take increases.

One option is to have a pharmacy package your medications for you. Many pharmacies provide this service—either free or for a small fee. Pharmacies use various systems to organize pills, including bubble packs and strip packaging. In each system, the pharmacy groups your morning, afternoon, dinner, and bedtime pills, so that all you have to do is open the packaging at the appropriate time of day and take all the pills. The medicine will come labeled so you'll know which pills you are taking, but you won't have to handle or organize them.

There are also scores of reasonably priced "calendar" containers—many equipped with alarms—that accommodate a week's or month's supply of pills. If you fill your own container, it might be a good idea to take it to the pharmacist to double-check.

For more information about Harvard Women's Health Watch, visit <http://health.harvard.edu>.



# Discover Your Next Great Read at Barnes & Noble.

Shop the biggest books—  
from thrilling fiction and inspirational life stories  
to imaginative tales for young readers and more.

There's something for everyone at Barnes & Noble.



Find your local Barnes & Noble at [BN.COM/storelocator](https://www.bn.com/storelocator)



# THEN & NOW

■ Josh and Kelli Andrews, with children Lily and Eli and family pets Ashley and Copper, settled in San Antonio.



2008

## A Fighter Pilot's New Career Takes Off

**THEN:** Josh Andrews was a 32-year-old Air Force fighter pilot when he appeared in our December 2008 issue. After eight years of frequent moves plus deployments away from his wife and 2-year-old son, he was thinking about leaving active duty. He was also concerned about his investments. The stock market had just collapsed, and some of the funds in his Roth IRA had lost 46%. Our “portfolio doctor,” Jeff Kosnett, recommended that he stay the course and continue to invest for the long term.

**NOW:** Soon after he appeared in *Kiplinger's*, Josh moved to Creech Air Force Base, in Las Vegas, was promoted to major and started preparing for the transition to civilian life. He decided not to become a civilian airline pilot. “We wanted something where I could be home at night, help the kids with their homework and put them to bed on a consistent

basis,” he says. (He and his wife, Kelli, now have two children, Eli, 10, and Lily, 6.)

Josh often helped members of his squadron with their financial questions, and while on active duty he used the military’s tuition assistance program to start taking classes toward a master’s degree in financial planning. He also started to build a transition fund, which eventually held eight months’ worth of income to help cover expenses after he left the military. He needed to find a job in a new line of work as well as replace valuable military benefits, such as health care and a tax-free housing allowance.

Ten days after leaving active duty in July 2011, Josh began a new career managing financial advisers for USAA in San Antonio. He used GI Bill benefits to finish his master’s degree, earned a certified financial planner designation and is now USAA’s director of military life advice.

He also joined the Air Force Reserves. “I wanted to leave active duty for my family, but I didn’t feel like I was done with my military service,” he says. “You still miss the camaraderie and serving your nation.” His reserve duty will also help with his long-term plans; if he stays long enough, he’ll receive a military pension and retiree health benefits.

Now that the Andrews family has lived in the same city for a record six years, they’ve felt settled enough to get a second dog—a Labrador-beagle mix that Kelli is training to be a therapy dog. Meanwhile, their investments have continued to grow. “Jeff’s advice to stay in the market was timely,” says Josh. “When everything was tanking, I stayed the course and had a long time to go. Everything rebounded, and I was better for it. Getting that advice was reassuring.”

**KIMBERLY LANKFORD**





# WHY BE AVERAGE? COUNT ON MORE.

GO WAY BEYOND AVERAGE WITH OUR CONSISTENTLY GREAT RATES.

Choose Synchrony Bank and enjoy award-winning rates—well above the national average—along with the safety of FDIC insurance and the rewards of our Perks program. Whatever you're working forward to, why settle for average? With Synchrony Bank, you can count on more.

**What are you working forward to?**

<p>Earn <b>3X</b> the national average* on a <b>12-Month CD</b>.</p> <p><b>1.25%</b> APY*</p> <p>\$2,000 minimum opening deposit</p>	<p>Earn <b>8X</b> the national average* on a <b>High Yield Savings Account</b>.</p> <p><b>1.05%</b> APY*</p> <p>no minimum balance</p>
<p>Visit us at <a href="http://synchronybank.com">synchronybank.com</a> or call 1-800-753-6592.</p>	

\*Annual Percentage Yields (APYs) are accurate as of 1/1/17 and subject to change at any time without notice. Fees may reduce earnings. Visit [synchronybank.com](http://synchronybank.com) for current rates, terms and account requirements. Offers apply to personal accounts only.

**CDs:** A minimum of \$2,000 is required to open a CD and must be deposited in a single transaction. A penalty may be imposed for early withdrawals. After maturity, if you choose to roll over your CD, you will earn the base rate of interest in effect at that time.

**HIGH YIELD SAVINGS:** Rates are variable and subject to change any time without notice after the account is opened. No minimum opening deposit required.

**NATIONAL AVERAGE:** National Average APYs are based on specific product types of top 50 U.S. banks (ranked by total deposits) provided by Informa Research Services, Inc. as of 1/1/17. CD Rates: Average APYs are based on certificate of deposit accounts of \$25,000. High Yield Savings Rates: Average APYs are based on High Yield Savings Accounts of \$10,000. Although the information provided by Informa Research Services, Inc. has been obtained from the various institutions, accuracy cannot be guaranteed.

**FDIC INSURANCE:** FDIC Insurance up to \$250,000 per depositor, per insured bank, for each ownership category.



IT'S MORE THAN A NEW FLAGSHIP. IT'S A WHOLE NEW SENSE OF DIRECTION.  
**THAT'S CONTINENTAL**



Explore more at [Lincoln.com](https://www.lincoln.com)



THE LINCOLN  
MOTOR COMPANY