ANNUAL FORECAST ISSUE

Kiplinger's

PERSONAL FINANCE

WHERE TO INVEST IN 2023

Investors could see a turnaround in stocks and bonds after a bumpy start to the year. Here's how to position your portfolio for a rebound. p 26

"I think 2023 will be a recovery year for stocks."
Lori Calvasina, RBC Capital Markets

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JANUARY 2023

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FOUNDED 1947

VOL. 77 NO. 1

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ON THE COVER: PHOTO BY LESLIE HASSLER

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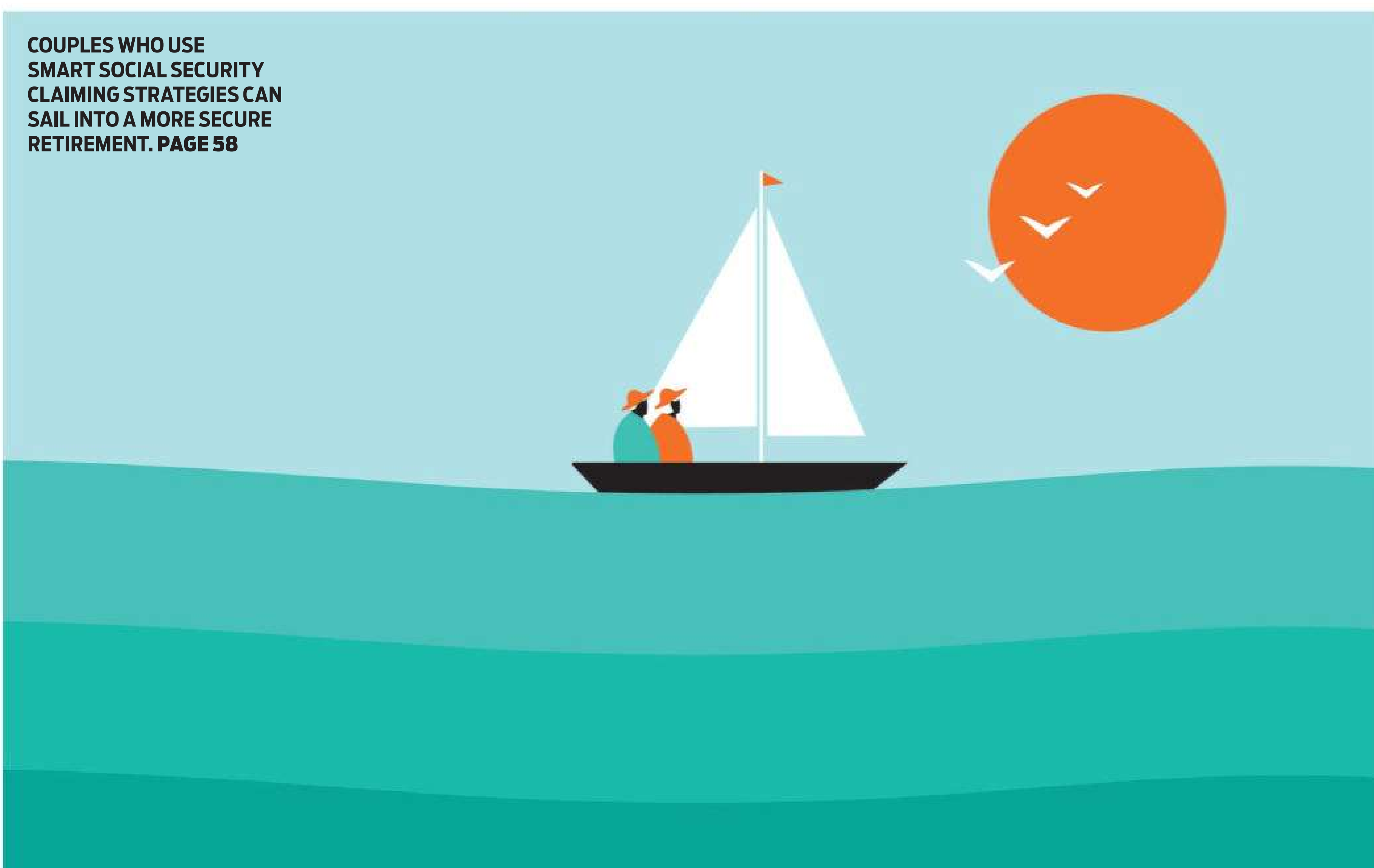

COUPLES WHO USE SMART SOCIAL SECURITY CLAIMING STRATEGIES CAN SAIL INTO A MORE SECURE RETIREMENT. PAGE 58

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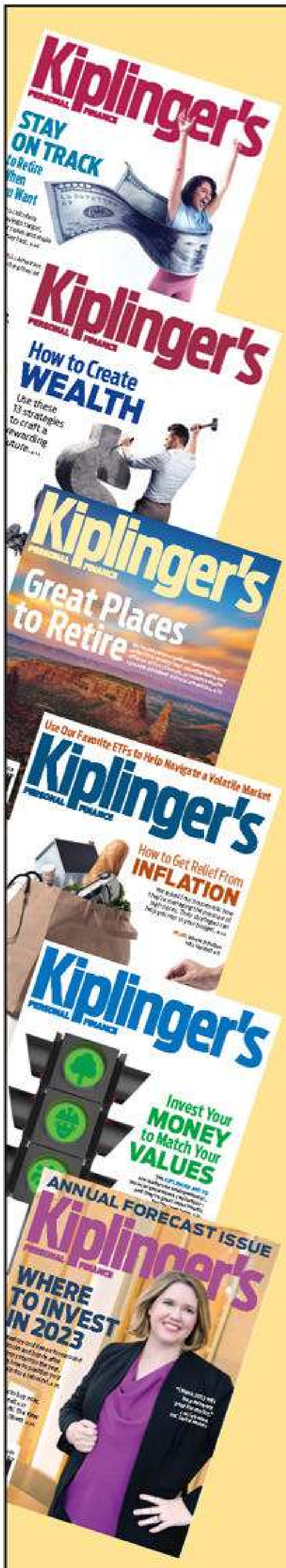

Kiplinger's PERSONAL FINANCE

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Want to help us shape the future of *Kiplinger's Personal Finance* magazine? Please complete our reader survey online by December 30, 2022, and we'll use your feedback as we plan upcoming issues.

As a thank you, all completed surveys will be entered into a prize drawing. The first survey drawn at random will win $250 and the next 10 pulled at random will each receive $25.

You can take part online at: bit.ly/KPFM2022

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NEW YEAR, NEW TAX BRACKETS

When it comes to federal income taxes, there are no changes to tax rates. But thanks to inflation, tax brackets get adjusted, and that could change what you ultimately pay.

kiplinger.com/kpf/taxbrackets

A SMART SLICE OF THE DOW

This mini portfolio of Dow dividend stocks is well positioned to generate income and deliver outperformance in tempestuous market times.

kiplinger.com/kpf/dowstocks

GETTING A CREDIT CARD WHEN YOUR CREDIT'S BAD

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ESG Reaction

Editor's note: We received dozens of e-mails from readers about our ESG 20 cover story for the November issue ("Invest Your Money to Match Your Values"), as well as about the "From the Editor" column explaining why *Kiplinger's* covers environmental, social and corporate governance investing. The majority of readers who wrote in expressed disappointment that *Kiplinger's* chose to write about ESG at all and discerned a "woke" embrace of liberal politics in our publication. But a number of readers said they appreciated our ESG coverage. Below is a sampling of the most thoughtful correspondence, pro and con.

The best and most prudent guidance to have given your readership should have been a heaping helping of caveat emptor. As you mentioned in your opening column, ESG has been politicized, and in this current cultural climate I imagine the best that can be hoped for is for folks to "agree to disagree." IMHO, picking winners and losers in the political realm will only lead to lose-lose outcomes that continue to alienate your subscriber base. At best, ESG remains ill-defined, nonstandardized, highly prone to abuse but perhaps well-intentioned gobbledygook. There is no one central, universally agreed upon standard of what ESG consists of. The average investor cannot compare apples to apples, and anyone can slap an ESG/green label on anything while demanding premium prices.

GREG McCOY
ASHEVILLE, N.C.

ESG is not good for companies, investors or employees. It is expensive for companies to execute and reduces earnings (which affects shareholders). Now you tell us the SEC is developing guidelines for companies to report their compliance with ESG policies. Great! More regulations. I am all for a clean environment (I plant, harvest and replant trees in Virginia). I believe in equal justice, equal opportunity and good corporate governance. But I am also very strong on unrestricted freedom of speech and a free-enterprise economic system. I was remiss in not voicing my opinion during the last proxy season, but I look forward to not missing that opportunity again, and I urge all of my fellow shareholders to join me in taking a stand against ESG.

JANE MILLER
LANTANA, TEXAS

There appears to be a core group of (I suspect) older subscribers who loudly denounce ESG investing as a "woke scam" every time it is mentioned in your publication. If investing in companies that seek to reduce climate change, eliminate dependence on fossil fuels and provide supportive, diverse workplaces is a "scam," kindly sign me up. "Woke" is not the slur those folks think it is. There are many more younger and middle-age investors like me, and the fact we are inheriting an already perilous climate from those older investors who complain the most loudly about this "scam" is not lost on us.

AMY YATES
SAN DIEGO

I recently retired after leading regulatory and technical affairs for a Fortune 50 consumer products company. These responsibilities also included crises preparedness and business-continuity planning. Companies today absolutely need to manage ESG factors as critical to the success of their business. Consumers now demand that companies be good corporate stewards. Climate change is real, and it would be malpractice for a business not to have plans to address its impacts. Ignoring ESG components and climate change is simply burying one's head in the sand.

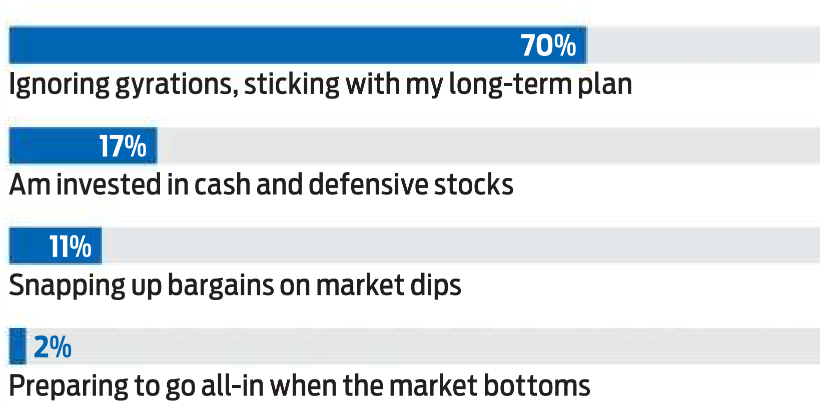
RICK HACKMAN
CINCINNATI

CCRCs. My wife and I live at Paradise Valley Estates, a continuing-care retirement community in Fairfield, Calif., and we are very happy with our decision ("Is a CCRC Right for You?" Nov.). Even though type B and C contracts are less expensive, we felt more comfortable with a type A contract, which means we are prepaying for long-term care. Depending on the accounting of a facility, a significant portion of that is tax-deductible as a long-term-care insurance premium. For us, the tax break was a bonus—plus, I got to give up my personal long-term-care policy.

RON LEACH
FAIRFIELD, CALIF.

READER POLL

What is your current stock market strategy?



For our investing outlook for 2023, turn to page 26.

CONTACT US

Reader Feedback may be edited for clarity and space, and initials will be used on request only if you include your name. Send to Kiplinger's Personal Finance, 1100 13th St., N.W., Suite 1000, Washington, DC 20005, or e-mail to feedback@kiplinger.com. Please include your name, address and daytime telephone number.

Mark Solheim

Social Security Strategy

We write about Social Security a lot, with good reason: It's a cornerstone of most retirement plans. According to the Social Security Administration, nearly 48 million Americans age 65 and older receive benefits averaging $1,669 a month, which is about 30% of their total retirement income.

This month, senior editor Sandy Block covers what the 8.7% boost in benefits for 2023 means to retirees, as well as how to maximize your benefits if you're a married couple. In "Topic A" (see page 9), Sandy outlines the likely effects of the benefit boost on retirees' bottom line, as well as other inflation-related changes coming in the new year—including a bump up in the wages on which workers will owe payroll taxes, from $147,000 to $160,200.

When to claim benefits. The amount of your benefits, including the inflation adjustment, is compounded every year. As Sandy reports, that makes the case for delaying benefits even more compelling, because the compounding effect becomes even more powerful if you can wait until age 70 to file for benefits. For every year you postpone filing between your full retirement age and age 70, you'll receive a credit of 8%.

"Of course, not everyone can afford to delay filing for Social Security benefits," Sandy writes. "Many older workers are forced to retire earlier than planned because of health problems or layoffs, which could increase if the economy falls into a recession."

Even if you can comfortably delay benefits, not everyone agrees with the case for waiting till 70. Some early retirees take benefits as soon as they turn 62 because they have little faith in Social Security's financial stability. In June, Social Security's board of trustees projected that the program's trust fund will be depleted by 2035 unless lawmakers act to close the projected shortfall. The cost-of-living increase has exacerbated those concerns. Lawmakers have repeatedly kicked the can down the road, but even in the unlikely event that they don't step up, the program will have enough money to pay an estimated 77% of promised benefits.

Research shows that for someone who lives to age 80 or so, cumulative lifetime benefits will be approximately the same regardless of whether benefits start at age 62, 66 or any age through 70. Knowing that, you may opt to take benefits earlier if you have a family history of dying early—or if you don't want to play the odds that you won't meet an untimely demise. According to the life-expectancy tables, if you're 66, males will live to age 83, on average, and females will live to age 86.

THERE MAY BE A COMBINED GAME PLAN FOR YOU AND YOUR SPOUSE THAT WILL INCREASE YOUR LIFETIME BENEFITS.

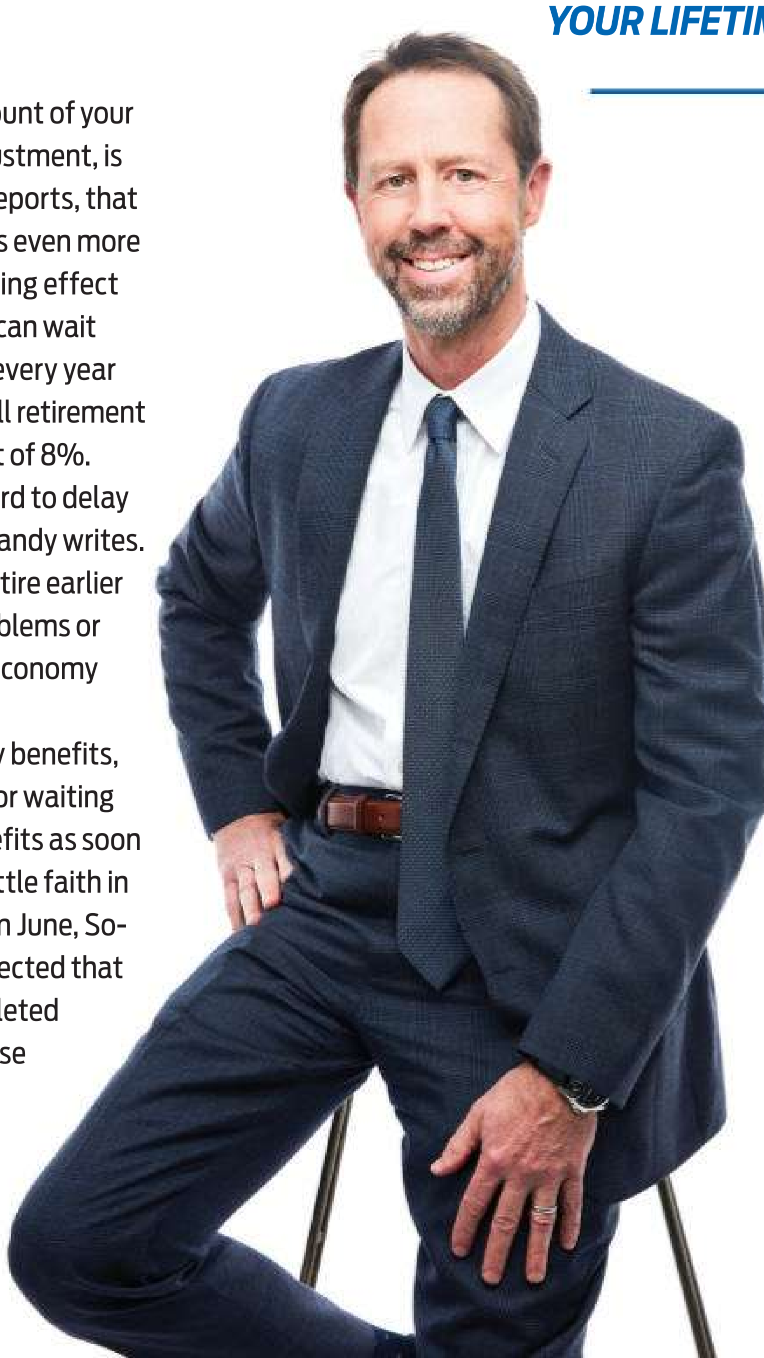
One of our most faithful correspondents, David Weston, cites the fickleness of fate when he argues that "a bird in the hand is worth two left in the Social Security bush." He took benefits at 66, his full retirement age (FRA), and invested the monthly checks, plus the amount deducted for Medicare, in FDIC-insured certificates of deposit earning an average 4%.

In October Weston turned 72, and he sent a final report. He says his monthly benefit plus CD interest is $539 less than if he had claimed benefits at age 70 (and continued socking the money in CDs), but he has an additional $104,708 in CD principal. He calculates that he would have to live to age 82 before the savings accumulated by waiting until 70 to collect benefits would match the contributed amounts under his strategy. Says Weston: "While the Social Security benefits will stop someday when I leave the Earth, the risk-free CDs will live on."

Before you decide when to claim benefits, read "Yours, Mine and Ours: Social Security Benefits for Couples," on page 58. A combined game plan for you and your spouse could increase your lifetime benefits. We lay out options depending on whether you and your spouse have comparable lifetime earnings or an unequal earnings record.

Kiplinger's Retirement Planning 2023. The magazine staff has just finished another edition of our annual retirement planning guide. We take recent content and update and repackage it. Kudos to art director Will Tims and managing editor Fane Wolfer for their efforts. You can order a copy at kiplinger.com/go/rpg2023. The print edition costs $9.99 plus shipping and handling. A PDF version is also available for $8.99.

Finally, see page 4 for an opportunity to help us shape our future coverage by filling out an online reader survey. Many thanks.



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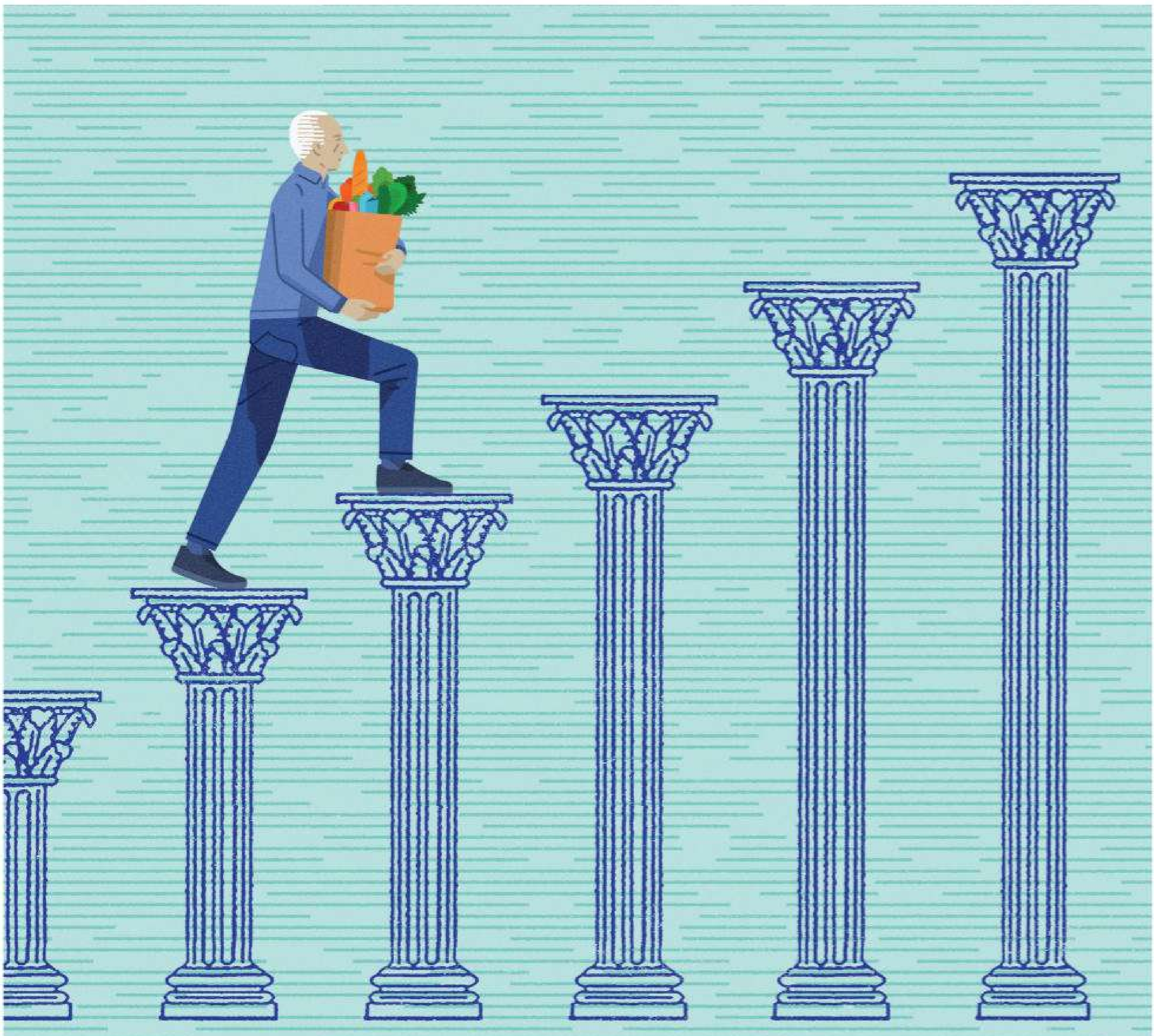
AHEAD



TOPIC A

RETIREES WILL GET A BIG RAISE IN 2023

The repercussions of the 8.7% increase in Social Security payments extend far beyond the millions of Americans who receive benefits. BY SANDRA BLOCK

AT A TIME WHEN JUST ABOUT everything costs more, seniors will have more to spend in 2023. Thanks to an 8.7% cost-of-living adjustment in Social Security benefits, the average monthly Social Security check will increase $146 a month, to $1,827, in 2023. The maximum benefit for a worker who retires at full retirement age in 2023 will be $3,627 a month, up

ILLUSTRATION BY DAN PAGE

from a maximum of $3,345 in 2022. In the past, annual cost-of-living adjustments for Social Security beneficiaries have often been diluted by an increase in the cost of Medicare Part B premiums, which are typically deducted from Social Security payments. In 2022, for example, retirees received a 5.9% COLA, but Part B premiums rose 14.5%. (A "hold harmless" provision in the law prevents an increase in Part B from decreasing Social Security benefits.) But in 2023, standard Part B premiums will decline by about 3% from 2022, making the cost-of-living increase even more valuable. In October, the Centers for Medicare and Medicaid Services (CMS) said it lowered the standard Part B premiums because of an unexpected drop in the cost of Aduhelm, which was approved by the Food and Drug Administration as a treatment for Alzheimer's.

TICKING CLOCK

Solvency Concerns

Although an 8.7% cost-of-living increase will be welcomed by retirees, it has exacerbated concerns about Social Security's financial stability. In June, Social Security's board of trustees projected that the program's trust fund will be depleted by 2035 unless lawmakers act to close the projected shortfall. As a result of the higher payouts in 2023, the Committee for a Responsible Federal Budget, a nonprofit research organization, projects that the trust fund will be depleted a year earlier than the trustees' projection. Were it not for the hike in the payroll cap, which generates additional tax revenue for the program, the fund would run out of money even earlier, says Maya MacGuineas, president of the organization. "The problem isn't the COLA," she says. "The problem is that we have promised more benefits than we take in taxes to pay for the program, and we have known this for decades."

If the trust fund is depleted, Social Security won't disappear, but the program will only have enough money to pay an estimated 77% of promised benefits. But given the popularity of Social Security—and the fact that about a quarter of recipients rely on benefits for more than 90% of their income—Congress will likely intervene before that happens. President Biden has proposed applying the 12.4% tax for wages above $400,000, while some senior advocacy groups support eliminating the cap altogether and subjecting all wages to the payroll tax.

Good news for part-timers. Some seniors who left the workforce during the pandemic—and filed for Social Security benefits—have been forced to "unretire" in order to pay the bills. Thanks to the cost-of-living increase, retirees will be able to earn more this year without reducing their Social Security benefits.

If you file for Social Security before you reach full retirement age (66 for beneficiaries born between 1943 and 1954, gradually increasing to 67 for beneficiaries born after that) and earn income from a job, Social Security applies the "earnings test" to your income and will withhold a portion of your benefits once your earnings exceed a certain threshold. In 2023, you can earn up to $21,240 (up from $19,960 in 2022) before Social Security will withhold $1 in benefits for every $2 you earn over that amount. If you reach full retirement age in 2023, you can earn up to $56,520 (up from $51,960 in 2022) before Social Security will withhold $1 in benefits for every $3 you earn over the limit.

In the month you reach full retirement age, the earnings test disappears. And even if you hit the new earnings-test threshold, the benefits aren't lost forever. Once you reach full retirement age, your monthly benefit amount is adjusted upward to account for forfeited benefits.

Bad news for workers? The hefty COLA comes with a downside for high-income workers. Most employees pay 6.2% in Social Security payroll taxes, while employers pay 6.2%, for a total payroll tax of 12.4%. However, withholding for payroll taxes ends once your income exceeds a certain threshold, which is adjusted annually for inflation. In 2023, workers will pay Social Security taxes on up to $160,200, up nearly 9% from $147,000 in 2022.

Take the money and run? Early retirees, or those who are considering retiring this year, may be tempted to file for benefits as soon as possible to take advantage of this generous COLA. You're eligible for Social Security benefits at age 62; however, filing for benefits before your full retirement age will permanently reduce your benefits by up to 30%. You'll receive 100% of your earned benefits if you wait until full retirement age.

The amount of your benefits, including the inflation adjustment, is compounded every year, which makes the case for delaying benefits even more compelling, says Rob Williams, managing director of financial planning at Charles Schwab. The compounding effect becomes even more powerful if you can wait until age 70 to file for benefits. For every year you postpone filing between your full retirement age and age 70, you'll receive a delayed retirement credit of 8%.

Not everyone can afford to delay filing for Social Security. Many older workers are forced to retire earlier than planned because of health problems or layoffs, which could increase if the economy falls into a recession. If you're married, one option is to have the lower-earning spouse file before full retirement age, even though that will mean a reduction in benefits. Use that income, along with income from other sources, to pay expenses while the higher earner's benefits continue to grow until the higher earner turns 70. (For more on Social Security strategies for couples, turn to page 58).


collette
EXPLORATIONS:
SMALL GROUPS,
BIG ADVENTURES.

INTERVIEW

STARTING THE NEW YEAR WITHOUT GUILT

Don't let regrets over holiday spending prevent you from getting your finances in shape.

Scarlett Cochran, author of It's Not About the Money: A Proven Path to Building Wealth and Living the Rich Life You Deserve, *started out as a single mother living below the poverty line. She is a graduate of Yale Law School and a Marine veteran, and she has worked for several federal government agencies, including the Consumer Financial Protection Bureau. She and her partner, Joseph Cochran, founded the Wealth Builders Society, a financial coaching program.*

If it's not all about the money, then what's it all about? Money evolved as a tool to help us solve problems and make our lives easier. But somewhere along the way, that has been lost, causing some people to live for money and even hoard it. The premise of my book is to bring people back to the purpose of money.

What advice do you have for people who want to get their finances in shape for the new year? First, release any guilt or shame you feel about overspending. All it does is make the process of managing money unpleasant. You can both enjoy the memories and experiences you received as a result of your spending and decide to not make the same decision going forward.

At the beginning of the year, I always recommend that you create a one-year spending plan. This is a year-long budget that you can see on a single spreadsheet. First, decide what you'll need to do to get your finances back on track. Will you need to pay off debt, beef up your savings accounts, or a little of both? And how long will it take you to do that? Second, decide right now how much you want to spend on the holidays in 2023. Divide that amount by twelve and save that amount in a special holiday savings account so the money will be waiting for you when the holidays come around again.

Debt has become more expensive. Yet you have argued on your blog and YouTube channel that people shouldn't be afraid of debt. What is good debt? I suggest not looking at debt as either good or bad. Instead, think of it as a tool that you can use to create the life you want. Then the question becomes, as with any tool, is this the right tool for the job? Debt is a way of trading time for money. You can get what you want now, but it will cost you more, and you'll have less income available in the future. Are you willing to pay more to have the thing you want—whether it's a house, college tuition, or a vacation—now? If, after looking at the impact debt will have on your future budget, you decide that those trade-offs aren't worth it, say no to the debt.

Why did you decide to leave government service to start your own business? When I pictured what my life would look like going down both paths, entrepreneurship was the option where I saw the most opportunity for growth, autonomy and impact. I loved that my career potential wouldn't be limited by whether or not my employer had a vacancy for me to be promoted. And I loved that the work that I was doing with financial coaching impacted lives in a tangible way, versus the indirect impact my work had as a regulatory attorney.

What advice do you have for other entrepreneurs? Just get started. Find a mentor who can guide you through the process of starting and growing your business. You don't have to have everything figured out. All of that stuff comes later, after building your business skills. **EMMA PATCH**

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BORROWERS BEWARE

NEW YEAR'S RESOLUTION: PAY DOWN YOUR CREDIT CARD DEBT

Higher interest rates make carrying a balance more expensive.

CREDIT CARD BALANCES rose 13%, to $887 billion, in the second quarter of 2022. That's the fastest increase in 20 years, according to the Federal Reserve Bank of New York. Meanwhile, the personal savings rate, which spiked during the recession, fell to 3.3% in the third quarter, the lowest level since the Great Recession.

Carrying a balance has always been costly, but it's particularly expensive now. The average credit card interest rate in November was 19.04%, the highest rate since 1992. As the Federal Reserve Board continues to raise short-term interest rates in an effort to throttle inflation, average rates could rise even higher, says Ted Rossman, credit card analyst for Bankrate.com, which tracks interest rates for consumer loans.

BALANCE BLOAT

How Much Americans Owe

Total household debt in the U.S. rose to $16.15 trillion in the second quarter of 2022, up from $15.84 trillion in the first quarter.

U.S. HOUSEHOLD DEBT (IN TRILLIONS)

	Q2 2021	Q2 2022
Mortgages	$10.44	$11.39
Student loans	1.57	1.59
Auto loans	1.42	1.50
Credit cards	0.79	0.89
Home equity	0.32	0.32
Other	0.42	0.47
Total	**$14.96**	**$16.16**

SOURCE: New York Federal Reserve

Getting out of debt. It is not unusual for consumers who are struggling to pay their bills to pay the minimum payment on their credit cards. But over time, paying the minimum on your cards will add thousands of dollars to the amount you owe.

The average amount owed by cardholders who are carrying a balance is $6,569, according to an analysis by LendingTree, an online loan marketplace. If you are carrying a balance of that amount, your interest rate is 18%, and you pay only the minimum of $165 each month, it will take you five years to retire the debt, and your total payments will top $10,000. (You can crunch your own numbers at www.experian.com/blogs/ask-experian/credit-card-payoff-calculator.)

Debt management. If you have good-to-excellent credit, one option is to apply for a balance-transfer card with a 0% introductory rate. Wells Fargo, Bank of America and Citibank are offering balance-transfer cards with a 0% rate for up to 21 months, Rossman says. Most charge a transfer fee of 3% to 5% of the balance.

Once the introductory period ends, the interest rate will rise to the card's regular rate, which could be even higher than the rate you were paying before the balance transfer. Ideally, you should try to pay off most or all of your balance before that happens. Divide the amount you owe by the number of months in the balance-transfer period to get an idea of how much you should try to pay down each month. Resist the temptation to add to your credit card debt, even if you get offers for 0% interest on new purchases, Rossman says.

If you're a homeowner, another option is to use a home equity line of credit to pay off your credit cards. The average rate for a home equity line of credit is 7.3%, according to Bankrate.com, and you usually have up to 20 years to pay off the loan. But before you borrow against your home, make sure you can afford to make the payments if the economy goes south, says credit expert Gerri Detweiler. "If you fall behind on payments, you're putting your house at risk." For more details on paying down debt, see "How to Survive an Economic Slowdown," on page 50. **SANDRA BLOCK**

ALAMY

FINANCE 101

COLLEGE BANK ACCOUNTS AREN'T ALWAYS A GOOD DEAL

PARTNERSHIPS BETWEEN banks and colleges may be shortchanging students, who often end up with accounts that charge above-average fees, according to a recent report from the Consumer Financial Protection Bureau.

In some cases, the CFPB found, financial institutions charged students higher costs than they charged nonstudents with comparable accounts. For example, one school-sponsored account charges a monthly service fee when an account falls below $300 a month but doesn't count financial-aid disbursements as a qualified deposit, the CFPB said.

"While colleges have substantial bargaining power to obtain superior terms and pricing for their students, we find that many college-sponsored financial products cost students more than accounts that are readily available on the open market," CFPB director Rohit Chopra says.

The CFPB also found instances in which students were told that their financial-aid payments could be delayed if they choose a nonsponsored bank account, which is a violation of Department of Education rules.

In nearly 30% of the accounts the CFPB reviewed, the financial institutions made payments to their partner schools, but many failed to disclose the terms of these arrangements to students. In response to the report, the Department of Education issued guidance reminding colleges and universities that they are required to disclose details of partnerships with financial institutions and ensure that students aren't overcharged.

Students and parents should compare college-sponsored bank accounts with accounts available elsewhere. *Kiplinger's* publishes an annual ranking of banks and credit unions that evaluates them based on interest rates, fees and offerings. You can find it at kiplinger.com/kpf/bestbanks22. **SANDRA BLOCK**

STAR MISALIGNMENT

FEDS CONSIDER TOUGHER PENALTIES FOR FAKE REVIEWS

The Federal Trade Commission is looking at strategies to combat the bane of online shopping: fake reviews.

In a request for public comment, the FTC said it's considering whether new rules and heftier fines would deter deceptive practices, including fake reviews, suppression of negative reviews, and payment for positive reviews.

"Companies should know by now that fake reviews are illegal, but this scourge persists," Samuel Levine, director of the FTC's Bureau of Consumer Protection, said in a statement. "We're exploring whether a rule that would trigger stiff civil penalties for violators would make the market fairer for consumers and honest businesses."

The rapid growth of online marketplaces and platforms has made it easier than ever for companies to use fake reviews or endorsements to make themselves look better or their competitors look worse, the FTC says.

The FTC has taken action against some companies for promoting fake or deceptive reviews. In January 2022, online retailer Fashion Nova LLC paid $4.2 million to settle FTC allegations that it blocked negative reviews from appearing on its website.

In the request for public comment, the FTC said a rule that spells out what's prohibited could strengthen deterrence by allowing the FTC to impose civil penalties. The agency encourages consumers to report suspicious online reviews to the website and the FTC. For more information, go to https://consumer.ftc.gov/articles/how-report-suspicious-online-reviews. **SANDRA BLOCK**

ALAMY (2)

BRIEFING

INFORMATION ABOUT THE MARKETS AND YOUR MONEY.

INFLATION'S EFFECT ON OUR FINANCES

The highest inflation rate in 40 years and the looming possibility of recession are weighing on Americans, leading to curtailed saving and a level of spending that's outpacing wages. Americans saved 3.1% of their after-tax income in September, which is less than half the rate they were saving before the pandemic.

More than half (54%) of Americans have stopped or reduced retirement savings due to inflation, according to the Market Perceptions Study from Allianz Life. Meanwhile, 62% of Americans surveyed by Allianz Life are worried that a major recession is around the corner. (For strategies to prepare your finances for a market downturn, see "How to Survive an Economic Slowdown," on page 50; for more on the economic outlook and how to position your portfolio, see "Where to Invest in 2023," on page 26.)

Phantom spending? Even though wages are rising quickly, they're not keeping pace with spending. Consumer spending increased $113.0 billion, or 0.6%, in September, while personal income increased $78.9 billion, or 0.4%, according to the Federal Reserve. Top contributors to spending were air travel, prescription drugs and new vehicles.

But mortgage, auto and credit card debt is also increasing. Total card balances in the U.S. hit $916 billion in September, nearly identical to December 2019 levels, according to the credit-reporting firm Equifax. Balances are up 9% from January and nearly one-fourth higher than their pandemic low, in April 2021.

A study by Morgan Stanley at Work found that 26% of respondents have cut back on efforts to reduce debt—and that 71% of U.S. workers are experiencing financial stress that is negatively affecting their work and their personal lives.

Many consumers are limiting spending to less-expensive and discounted items. According to a MagnifyMoney survey, most consumers are putting off major expenditures such as buying a house or starting a family, as well as working toward retirement. One fifth of respondents have taken money out of their retirement accounts over the past two years, mostly to pay for emergency expenses. But the market for luxury items such as Coach bags and international travel is still strong.

Of the 43% of U.S. adults planning to travel this holiday season, nearly 80% are changing their plans this year due to inflation and rising prices, according to a survey from Bankrate. Among those planning overnight leisure trips between Thanksgiving and New Year's, 26% say they will travel for fewer days, 25% will engage in cheaper activities, and 25% are selecting less-expensive accommodations or destinations. **MARK SOLHEIM**

$310,605

The average cost in the U.S. to raise a child until age 18, based on families with two children, according to a Brookings Institution analysis of data from the U.S. Agriculture Department.

GETTY IMAGES

SERIES I BONDS REMAIN A SOLID BET

Series I savings bonds issued from November 2022 through April 2023 will pay a combined rate of 6.89%. That's down from the composite rate of 9.62% for I bonds issued from May through October 2022, but over the long term, the new I bonds may actually be a better deal.

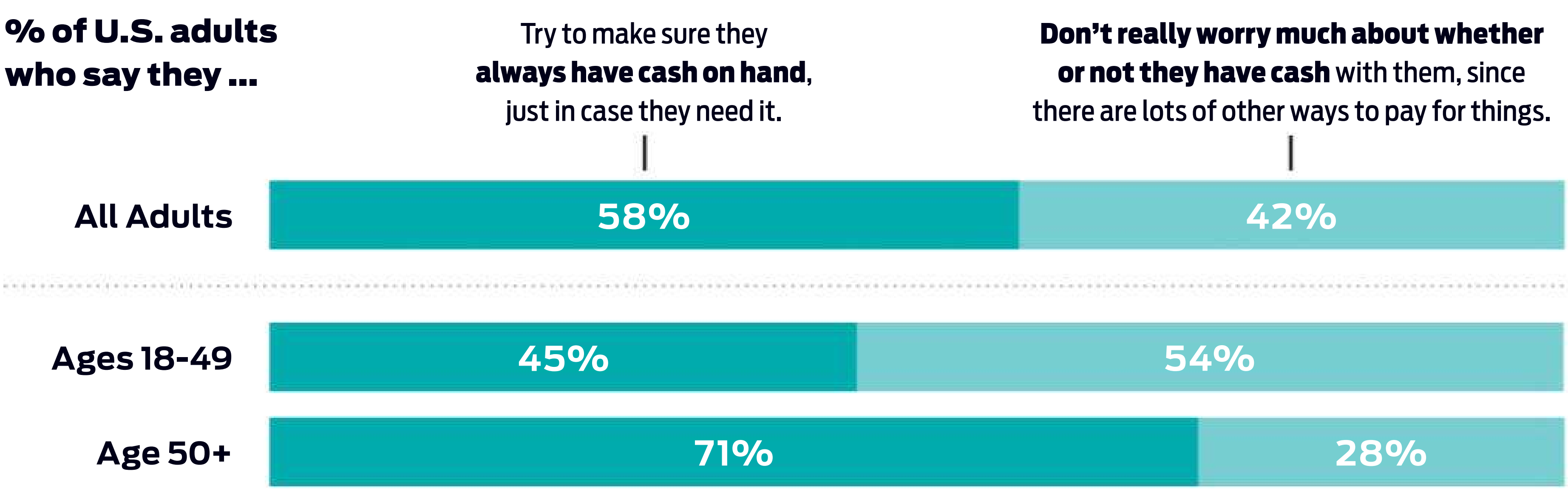
Here's why: I bonds have two components—an inflation rate, which is tied to the consumer price index and adjusted every six months, and a fixed rate, which remains the same for the life of the bond. The new I bond has a fixed rate of 0.4%, compared with a 0% fixed rate for the previous version. Even if inflation cools, investors will receive a guaranteed rate of 0.4% for as long as they own the bond—up to 30 years if they hold the bond to maturity. I bonds earn interest monthly from the first day of the month of the issue date, and interest is compounded semiannually.

The inflation rate is based on the change in the non-seasonally adjusted Consumer Price Index for all Urban Consumers (CPI-U) for all items, including food and energy, from March to September 2022. The rate change during that six-month period was lower than for the previous six-month period.

You can buy up to $10,000 per calendar year in electronic I bonds through TreasuryDirect.gov. In addition, you can buy up to another $5,000 each year with your tax refund (for those who are married filing jointly, the limit is $5,000 per couple). Those I bonds are issued on paper. You can't redeem an I bond in the first year, and if you cash it in before five years have passed, you forfeit the most recent three months of interest. **SANDRA BLOCK**

CASH IS LESS COMMON

In less than a decade, the share of Americans who go cashless in a typical week has increased by double digits, according to a survey by the Pew Research Center. Today, more than 40% of Americans say none of their purchases in a typical week are paid for using cash, up from 29% in 2018 and 24% in 2015. Still, 59% of Americans say that in a typical week, at least some of their purchases are paid for using cash.

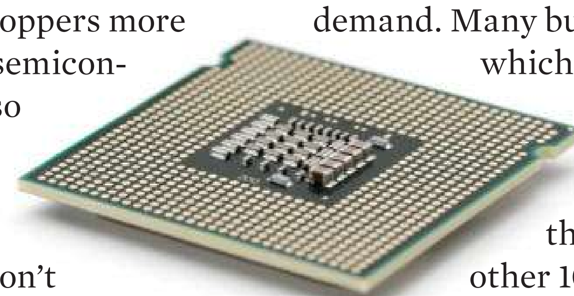


SOURCE: Pew Research Center survey of U.S. adults conducted July 5-17, 2022. Note: Respondents who did not give an answer are not shown.

From *The Kiplinger Letter*

CAR PRICES ARE HEADING DOWN

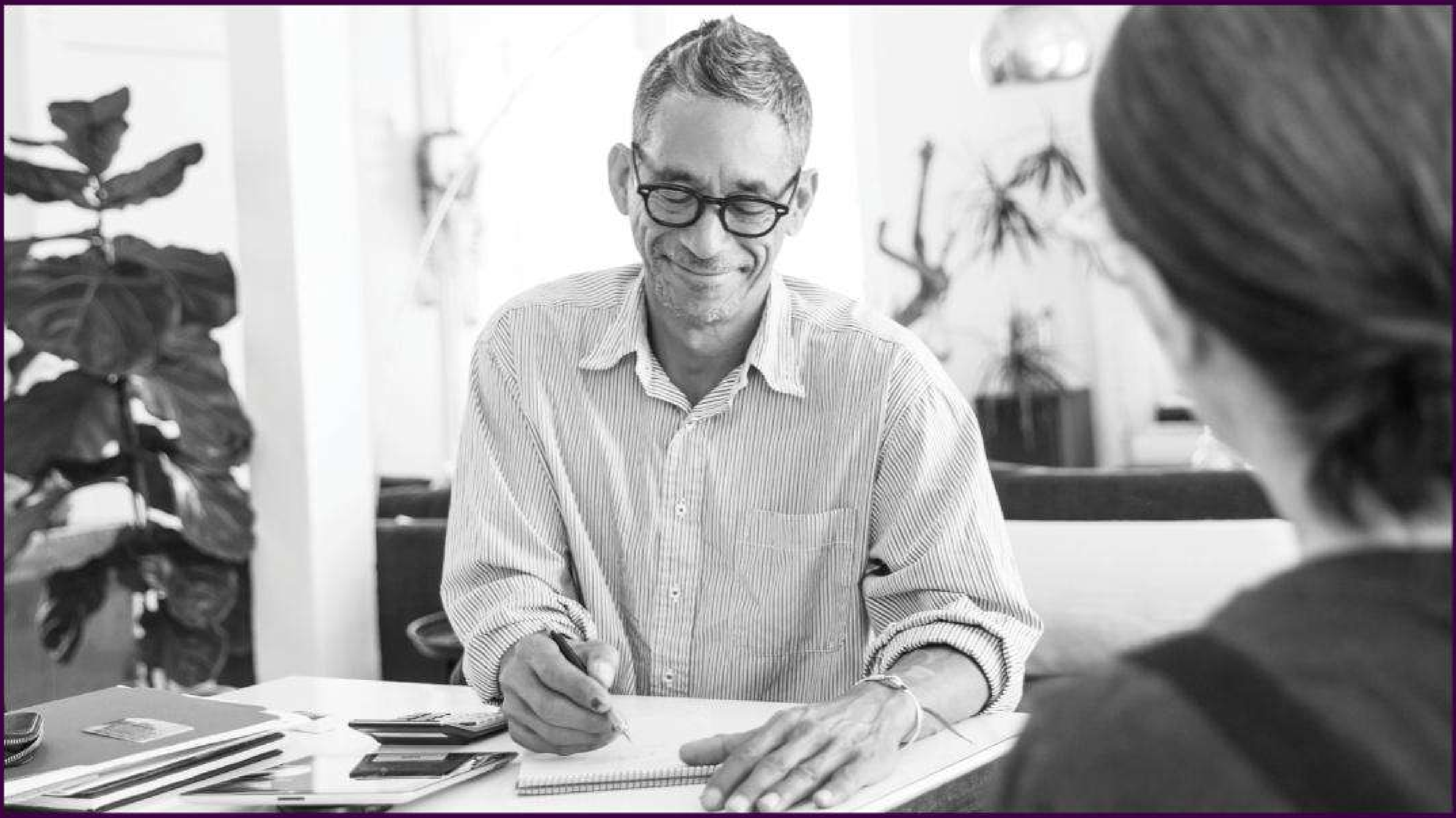
The severe lack of inventory that has driven car prices to the moon is finally easing, giving shoppers more options. The key will be getting more semiconductors because modern cars require so many computer chips. The chip situation is still tight but slowly improving. Assuming that continues, automakers will ramp up production and buyers won't have to fight over scarce models.



Inflated prices are finally easing a little. After the average price of a new car hit $48,300 in August, it dropped slightly this autumn. Expect modest price dips, but no bargains. If you're buying used and paying cash, you'll have some bargaining power. Used-car prices are coming down after their sharp pandemic increase, the result of so few new cars being built during a time of high demand. Many buyers had no choice but to buy used, which jacked up used-car prices in line with new cars. Recently, used-car prices have fallen 10%, though they remain a shocking 55% higher than their pre-COVID level. Expect another 10% decline next year as demand ebbs.

If you're buying used and financing, you're in for high interest rates. The average rate on a loan for a used car now is 16%. Even borrowers with good credit are paying 9.2% for loans with an average term of nearly six years.

GETTY IMAGES



2023

KIPLINGER'S MONEY CALENDAR

Use our timely reminders to make smart financial decisions all year long.

JANUARY

1 Many provisions of the Inflation Reduction Act take effect today. For instance, if you make energy-saving improvements to your home, you may qualify for tax credits. For more about how the Inflation Reduction Act could save you money, see kiplinger.com/kpf/inflation-reduction-act-and-taxes.

3 Today is the first trading day of 2023. For our investing outlook, see page 26.

11 The first Social Security checks reflecting the 2023 cost-of-living adjustment will come today. The 8.7% COLA for 2023 was the largest annual increase since 1981. Social Security payments are made on the second, third and fourth Wednesday of the month, depending on your birthday. For what you should know about Social Security spousal benefits, see page 58.

15 Last day to enroll in or change a 2023 health plan from Healthcare.gov. After this date, you can enroll in or change plans only if certain life events, such as losing health coverage, getting married or having a baby, qualify you for a special enrollment period.

31 Start keeping an eye out for your tax documents. By today, your 1099 and W-2 tax forms should be in the mail. Avoid the last-minute scramble and submit your tax return as early as possible so you'll get your refund—if you're due one—sooner. Acting early may also protect you from fraud by preventing identity thieves from using your Social Security number to file a fake return and claim a refund.

FEBRUARY

1 It's Car Insurance Day. Shopping around for an auto insurance policy may save you hundreds of dollars, and if you bundle your policies with one insurer, your savings could increase even more.

12 Ski slopes are often less crowded on Super Bowl Sunday than on other winter weekend days. Check out www.liftopia.com or www.onthesnow.com for deals on lift tickets.

28 Check in with the goals you made at the beginning of the year. If your budgeting strategies aren't working, consider some holistic financial planning advice from financial expert Scarlett Cochran on page 12.

MARCH

4 Shareholders: Look for proxy forms to arrive prior to upcoming annual meetings.

12 Spring forward for daylight savings today. You'll lose an hour of sleep, but try to get back on a healthy sleep schedule because, longer term, undersleeping can be costly to your mental and physical health.

18 The tax-filing deadline is a month away. If you think you'll need help from a pro, head to the website of the National Association of Tax Professionals (www.natptax.com) or the National Association of Enrolled Agents (www.naea.org.) Certified public accountants and enrolled agents must pass competency exams and can represent you before the IRS if you're audited.

APRIL

3 If you turned 72 in 2022, today is the deadline to take your first required minimum distribution from your tax-deferred accounts, such as traditional IRAs and, in most cases, 401(k) plans.

15 National Park Week begins. Enjoy free admission to national parks, monuments and sites that typically charge entry fees. For more information, visit NPS.gov.

18 Today is the deadline to file your federal tax return, as well as the filing deadline in most states that have an income tax. If you need more time, you can request an extension until October 16. But remember that while an extension gives you more time to file, it doesn't give you more time to pay. If you're unable to pay taxes due by April 18, you'll owe late-payment penalties and interest.

20 It's 4/20. Midnight tokers, look for sales at your local dispensary on cannabis products. U.S. legal cannabis sales totaled an estimated $33 billion in 2022—up 32% from 2021—and are expected to continue to rise in 2023 as more states legalize weed.

MAY

1 If you're planning to buy flood coverage through the National Flood Insurance Program, do it now. Hurricane season officially begins on June 1, and there's typically a 30-day wait before the coverage takes effect.

3 Beginning today, every air traveler 18 years of age and older will need a REAL ID–compliant driver's license or identification card, state-issued enhanced driver's license, or another TSA-acceptable form of identification at airport security checkpoints for domestic air travel. To learn more about REAL ID requirements, go to www.dhs.gov/real-id.

10 Tax tip: If you haven't received your tax refund, track its progress at www.irs.gov/refunds or call the IRS refund hotline at 800-829-1954.

27 The Sleep Foundation says you should replace your mattress every six to eight years, and Memorial Day weekend is an excellent time to buy a new one. Look for discounts of up to 50% on mattresses, depending on where you shop.

JUNE

3 National Fishing and Boating Week begins. Many states around the country temporarily waive fees for fishing licenses. To learn more, visit TakeMeFishing.org.

15 If you're self-employed, have a side gig or don't have taxes withheld from other sources of taxable income, your estimated second-quarter tax payment is due today. If you're paying electronically, your payment must be submitted and received by midnight.

15 It's also the tax-filing deadline for U.S. citizens and residents who are living abroad. If you live overseas or are in the military on duty outside the U.S., you're allowed an automatic two-month grace period to file your federal tax return.

30 The final day to file the Free Application for Federal Student Aid for the 2022–23 academic year. While many states and universities impose earlier deadlines, this could be your last chance to secure federal aid for this academic year.

JULY

1 The new interest rate for federal student loans goes into effect. The rate for federal student loans is adjusted each May for the upcoming academic year based on the 10-year Treasury rate. The interest rate on federal student loans taken out for the 2022–23 academic year rose to 4.99% from 3.73% the previous academic year and will almost certainly rise again in 2023.

2 Keep an eye out for deals of all kinds this month. With fitness enthusiasts heading outdoors and New Year's resolutions waning, gyms and exercise studios often offer discounted rates in the summer months. In addition, many businesses, especially vendors who make most of their sales in the winter, offer "Christmas in July" sales, offering deals on winter sports gear and holiday decor.

14 Review your portfolio to find out whether your asset allocation is still on target. If not, you may need to rebalance. Ideally, you should check your asset mix at least twice a year or anytime the market undergoes a big fluctuation.

21 Time for a career check-in. Ask your manager about your performance and consider whether you're due for a raise. Visit kiplinger.com/personal-finance/careers for more career-planning advice.

AUGUST

5 More than a dozen states usually hold sales tax holidays this weekend. Although the duration and dates vary by state, you could save big on clothes, backpacks and other back-to-school necessities.

12 Reduce holiday travel stress by signing up for Global Entry ($100 for five years). You'll get a speedier trip through Customs, and you'll likely qualify for TSA Pre-Check so you can keep your shoes on. For information on how to apply, go to www.cbp.gov/travel/trusted-traveler-programs/global-entry.

31 More babies are born in August than in any other month. The average cost to raise a child through age 17 exceeds $300,000. Add in paying for college and that cost could double. Consider opening a 529 college-savings plan for your children or grandchildren.

SEPTEMBER

1 Investors: Brace for a stock sell-off. September has historically often been a bad month for the stock market.

2 It's the height of hurricane season in much of the Southeast. Be prepared for a natural disaster, and heed advice from local law enforcement to protect yourself and your home.

15 The Smithsonian sponsors Museum Day. Look for free admission at participating museums nationwide.

28 In many parts of the country, winter is just around the corner. A home-energy audit will help you make fixes that will lower utility bills. Find a certified auditor at www.hersindex.com.

OCTOBER

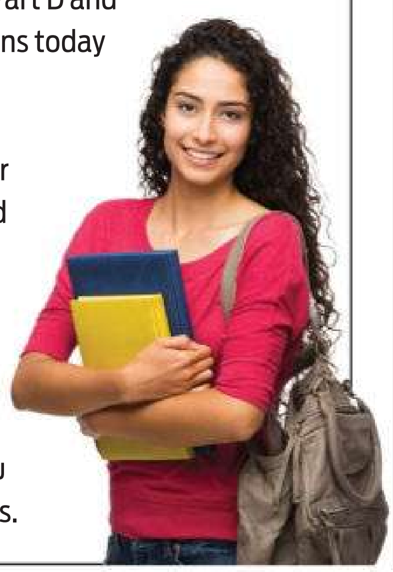
1 The Free Application for Federal Student Aid is released for the 2024–25 academic year. You'll have until June 30, 2025, to submit the form for federal aid, but some states and schools impose earlier deadlines.

3 Holiday job seekers: Start looking. Most companies hire seasonal workers now through November.

15 Open enrollment for Medicare Part D and Medicare Advantage plans begins today and ends December 7.

16 Today is the deadline to file your 2022 tax return if you requested an extension.

30 Apply for a credit card with a big sign-up bonus for holiday shopping. You generally get three months from the time you sign up to score points and miles.



NOVEMBER

1 November is National Adoption Month. If you adopt a child in 2023, you may be eligible for a tax credit of up to $15,950. See IRS Tax Topic 607, "Adoption Credit and Adoption Assistance Programs," for more information.

7 Choose your health insurance plan. If you're offered health care coverage through your employer, it will likely launch open enrollment in the coming weeks. This is also the time of year to pick a plan from the individual marketplace at www.healthcare.gov.

14 Tax tip: Sell investments in taxable accounts that have declined in value. You can use the losses to offset capital gains and lower your tax bill.

21 As you budget for holiday gifts and travel, don't forget to set aside a little bit extra for the service providers in your life. For more on holiday tipping, check out our holiday tipping guide at kiplinger.com/kpf/tipping.

DECEMBER

1 Donate to your favorite charities. If you itemize, consider using a donor-advised fund, which will allow you to deduct charitable contributions on your 2023 tax return and decide later which nonprofits to support.

8 If you're older than 72, you have until December 31 to take your required minimum distribution from your IRA or 401(k) plan. (If you turn 72 in 2023, you have until April 1, 2024, to take your first distribution.) Contact your provider now to make sure your transaction is processed before the deadline.

20 Plan your summer travel. If you're hoping to travel to a popular destination next summer, you may want to book your stay now, before prices to popular destinations increase. Use tools such as Google Flights, Hopper and SkyScanner to track airfares and look for deals.

31 More than half of Americans have at least one unused gift card, according to CreditCards.com. Inflation will cause the value of those cards to decline over time. Resolve to use any gift cards you receive over the holidays to take advantage of post-holiday sales.

WHERE TO INVEST IN 2023

Investors will likely recoup some of their losses, but the next bull market could look different than the last one.

BY ANNE KATES SMITH

ILLUSTRATION BY ANDREA COBB

Investors looking ahead to 2023 are haunted by one pivotal question: Will we leave the bear market of 2022 behind us? The market's *annus horribilis* was marked by a 25% loss in the S&P 500, from its peak on January 3 to the market's low (so far) in October, a downward path punctuated by a handful of failed rally attempts. Through November 4 (the date for prices and returns in this story), the S&P 500 was down 21%, not including dividends. Fixed-income investments, which were supposed to provide portfolio protection, instead turned in their worst returns at least since the 1930s, if not ever.

We don't pretend to know exactly when we'll emerge from the woods—market bottoms can be prolonged affairs accompanied by a lot of ups and downs—but we are starting to see daylight. And it's crucial to forge ahead. "When will the bear market be over? Are we nearly there yet? It's like being trapped in the car with my kids on a long journey," says Caroline Randall, a portfolio manager at mutual fund company Capital Group. "The timing is hard, but there are some really great companies trading at great valuations," she says, adding, "You just have to be brave."

It may be stating the obvious, but "2023 will be a better year for asset returns than 2022," says Michael Hartnett, investment strategist at BofA Securities. But better times won't begin on New Year's Day; 2023 will likely be a tale of two markets. "As an investor, you'll begin the year pessimistic, and hopefully end the year optimistic," says David Bailin, chief investment officer at Citi Global Wealth.

By year-end, the S&P 500 broad-market benchmark could reach 4100, says Lori Calvasina, head of U.S. equity strategy for RBC Capital Markets, a nearly 9% gain from its recent close. (For more from Calvasina, see the interview on page 28.) Add roughly two percentage points for dividends and you're into double-digit total returns. Wells Fargo Investment Institute is more bullish, forecasting a range of 4300 to 4500 for the S&P 500 by the end of 2023, bringing the prospects for total returns closer to 20%.

But that doesn't mean stocks can't suffer more losses first or bounce around for a bit. For that matter, different indexes, or the paths of individual stocks, may tell more of the story in 2023 than will the big, blue-chip, growth-dominated S&P 500. Market leadership often changes in bear markets, and the next move up could see small-company and value-oriented stocks finally shine.

In order to thrive in 2023, therefore, in addition to being brave and patient as to timing, investors will have to be agile as they transition from one market regime to the next. Hartnett characterizes it as transitioning from the "uber-bearish" inflation and interest rate shocks of 2022 to the "bull catalysts," which include reaching peaks in consumer prices, Federal Reserve tightening and bond yields. Go ahead and add *resolute* to the character traits you'll need in 2023, because Hartnett and other market strategists say you can't get from one regime to the other without going through a recession first.

Since 1948, bear markets have lasted an average of 13 months and declined an average 33%. It has taken an average 22 months to recoup all of the losses.

RIGHTING THE PLANE

Since 1948, bear markets have lasted an average of 13 months and declined an average 33%. It takes an average 22 months—almost two years—to recoup all of the losses, according to data from market research firm CFRA. Bear markets and recessions don't always go hand in hand, but when they do, market downturns are a bit more painful, lasting an average 15 months with average declines of nearly 35%.

So far, despite a couple of quarters of negative growth in gross domestic product, the economy remains resilient, with a robust labor market its core strength. But if a recession isn't guaranteed, it's at least very likely. The key questions are when and how deep.

The Federal Reserve has been on the ropes in its battle against inflation, with consumer prices soaring '80s-style, though cooling a bit in the most

INTERVIEW

Most of the Bad News Is Baked In

With stocks close to a bottom, it's time for investors to look ahead to better times.

Lori Calvasina is head of U.S. equity strategy for RBC Capital Markets.

Kiplinger: What's your outlook for U.S. stocks?
Calvasina: Over the next couple of quarters, things will continue to be choppy. The markets are in the middle of a bottoming process, but I think the lows in prices may be in. I think 2023 will end up being a recovery year for stocks. We'll get some additional volatility, but then the market could get back on track in the second half.

Are U.S. companies in good shape? In terms of earnings, analysts are a bit more optimistic than I am. The consensus expectation is for earnings per share of $234 for the S&P 500 in 2023. My number is $208, down from my forecast of $216 for 2022. I think we'll have flattish earnings in 2023 relative to where we were back in 2021. You can quibble about a few bucks here and there, but in general, I think earnings are going to stagnate for a few years.

What does that mean for stock prices? I think a lot of the weakness we've seen in the market is anticipating weaker earnings in 2023. I don't make recession calls for RBC, but my forecast for earnings assumes some hits to the economy in the fourth quarter of 2022 and the first quarter of 2023. If you think we're going into a short, shallow recession that largely plays out over the next couple of quarters, there's a good chance that's baked into the market already. At the October lows, stocks were down 25% from their January peak. That's already quite close to the median market drawdown linked to a recession, going back to the 1930s.

Is that what we should expect—a short, mild recession? People can get a little too focused on exactly what the gross domestic product number is in any given quarter. What our economist thinks is that things will be quite sluggish for an extended period of time. That's reflected in our market forecast as well. When we do come out of this near-term hit to the economy, we'll enter a period when economic growth is more sluggish than what we've expected in the past. What do I mean by sluggish? Since the '70s, the average GDP growth rate in any given quarter has been a little over 2%; I think the recovery this time will be something more in the 1%-or-less range.

When will the market hit bottom, and what signposts should investors be looking for? If you look back to 2002–03, after the tech bubble, or 2010–11, after the financial crisis, it took a while for stocks to get back on their feet. I think we're in a similar environment today. After the tech bubble, the market made a triple bottom before it was able to take off. We saw something similar after the financial crisis, when the market chopped around for a year and a half. It's going to be very difficult to say on the day it happens, "this is the absolute bottom." Bottoms after big crises and shocks take time. They're very messy. The path to normalization can be challenging. I don't think any of us can have as high a conviction on anything right now as we would like.

But the price action we've seen in the S&P 500 is consistent with a short, shallow recession playing out in the short term. Look at where markets tend to bottom relative to when recessions end—the market is about four to five months ahead. If you think that the economy will emerge out of recession in the second quarter of 2023, even if it's a weak recovery, then a bottom in the market this past October makes sense.

LESLIE HASSLER

Do you have a target for the S&P 500 for 2023? It's definitely a challenging time to put forecasts out there. We're looking for the S&P 500 to end 2022 at 3800; 4100 is our target for 2023.

With that scenario in mind, where should people be investing in the market now? I used to cover small-cap stocks exclusively—stocks with market values from about $5 billion to $10 billion. It makes sense to add exposure to small caps now. They were very weak in 2021, when the rest of the market was very strong. Over the past few weeks, small caps have outperformed, and it looks like they're ready to break out relative to large caps. Typically, small caps underperform going into and in the early days of a recession, but midway through they tend to bottom and beat large caps again coming out of a recession—and that tends to be a trade that lasts for a while.

When I look at small-cap valuations, they're at the low end of their historical range, trading at 11 to 12 times estimated earnings. The only time small caps were cheaper relative to large caps was during the tech bubble. If you look at small caps in relation to different economic indicators, they're already pricing in a spike in jobless claims and sharp declines in manufacturing. If we do get a breakdown in the labor market, that's typically a good signal for small caps. Lastly, small caps are very domestic—only 21% of their revenues come from overseas. For stocks in the S&P 500, it's about one-third. The stronger dollar is a big problem for the large-cap part of the market, as sales overseas translate into fewer dollars here. Irrespective of whether we've seen the exact low in this market, I think small caps are already pricing in bad news on the economy. Now is when you want to buy them.

Is it too late to play defense? If you're investing for the long term, I don't think that's where you want to add exposure right now. Defensive areas are about as overvalued as they tend to get relative to the broad market. Instead, you want to look at things like financials and energy—more of the economically cyclical, value-oriented parts of the market that still look undervalued. Upward revisions in energy earnings estimates have been pretty strong, and financials are showing resiliency in terms of earnings expectations. Similar to small caps, financials typically underperform early in a recession and outperform coming out. I'm not telling you to sell your defensive stocks today because things could chop around for a bit. But looking at some of these rebound plays makes sense to me.

What's risks do you see ahead? If a recession doesn't happen until mid 2023 or late 2023, then a near-term market bottom just doesn't make sense. If we have a deeper economic recession than we expect, then the market deserves to go lower than the 25% drop from the peak that we've already seen.

recent report. To lessen demand and rein in runaway prices, the central bank has embarked on an aggressive campaign of hiking interest rates. Bailin likens the situation to a plane going down and the Fed frantically pulling up on interest rates (and cutting back on its bond purchases) to right it. The Fed began lifting the federal funds rate, the interest it charges banks for overnight loans, in March. By November, six hikes were in the books, with more expected. Four of the hikes were a shocking three-quarters of one percent. "That's a lot of emergency medicine to put into the economy," says Bailin.

Monetary tightening is far from an exact science, and there's a long lag time as higher rates work through the economy before it's clear whether the Fed has done just enough but not too much. "Given the pace and intensity of Fed tightening, there's a strong likelihood that the U.S. will enter a recession in 2023," says Russ Koesterich, portfolio manager of the BlackRock Global Allocation Fund. "That said, given strong household balance sheets and resilient consumption, our base case is that it will be a mild recession."

Stocks may have to fall further to fully reflect the coming slowdown in the economy and, ultimately, corporate profits.

Kiplinger's current economic forecast calls for GDP growth to slow to 1.9% in 2022 and slow further to 0.5% in 2023 if there is a mild recession. If a recession can be avoided, then the economy in 2023 will likely expand at about a 1.1% rate. Look for inflation to fall to a 3.5% rate in 2023, down from an expected 7.7% at the end of 2022. By the time the Fed finally stops tightening, perhaps in the second quarter of 2023, the federal funds rate will likely be in the 5% range, up from 0.25% in March 2022.

THE GREAT FED PIVOT

For stocks, the turn from tighter monetary policy to easing will be a compelling all-clear signal—as will rock-bottom valuations in prices. "History tells us that markets don't find a bottom until investors can see Federal Reserve rate cuts or a trough in economic activity on the horizon, or when valuations are so low that they price in a bear-case scenario," says Mark Haefele, chief investment officer at UBS Global Wealth Management. "Today, none of those conditions are in place."

The most recent inflation news was encouraging. But stock investors have gotten their hopes up more than once that the Fed would signal a pause in hiking rates or, even better, telegraph cuts—only for rallies to fade when it becomes clear that the Fed remains hawkish. Keep your eye on the unemployment rate to gauge when a turn in central bank policy is imminent, says Bailin. "The Fed has a historical pattern of pivoting" within months of a significant rise in unemployment, he says. The unemployment rate has been in a narrow range of 3.5% to 3.7% since March; Bailin sees it hitting 5% in 2023.

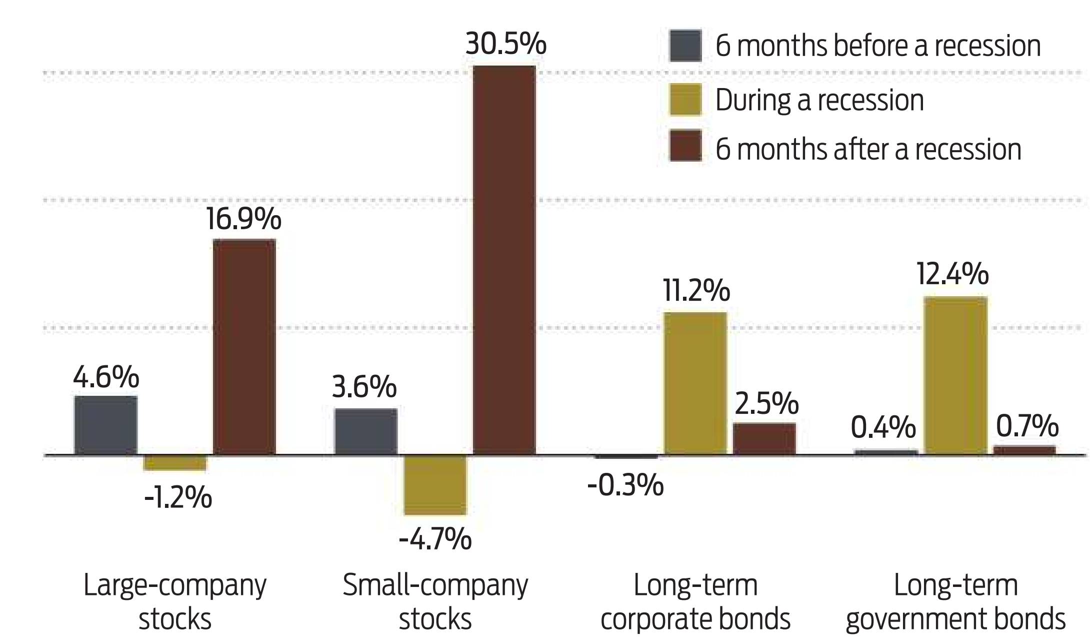
As for stock valuations, they are indeed down, but perhaps not enough. The price-earnings ratio for stocks in the S&P 500, based on a consensus of analysts' estimates for earnings in the 12 months ahead, was 16.1 in early November, up from 15.2 at the end of the third quarter but down from 21.4 at the market's January 2022 peak. The current P/E is below the five-year average of 18.5 and the 10-year average of 17.1, according to FactSet Research, a market data firm.

Yet stocks may have to fall further to fully reflect the coming slowdown in the economy and, ultimately, corporate profits. "The sell-off in stocks can be almost entirely explained by higher interest rates, while lower growth expectations are not yet priced in," says Haefele. Market historian James Stack, president of InvesTech Research, says "it's difficult for one looking at a 50- to 75-year market perspective to

INVESTMENTS AND RECESSIONS

What History Tells Us

This chart shows the average performance of stocks and bonds before, during and after all recessions dating back to 1926.



SOURCES: SoFi, Morningstar Direct.

argue that stocks are fairly valued or undervalued—they're still richly priced." Stack's model portfolio recently had a net allocation to stocks of just 40%—the lowest since the washout of the tech bubble at the turn of the century.

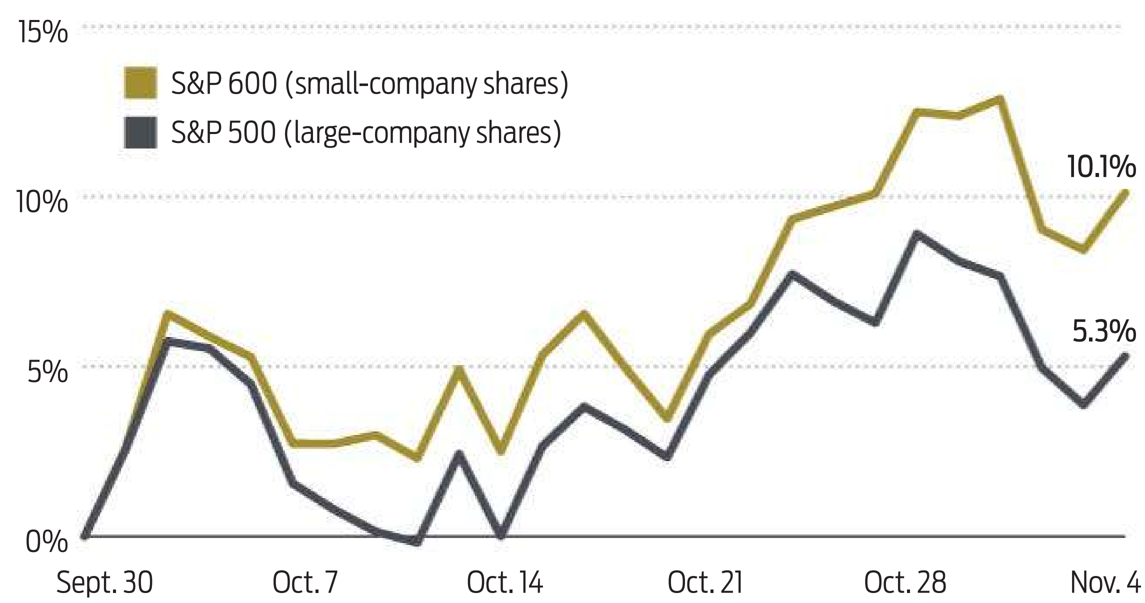
Nonetheless, market prognosticators in the bullish camp take comfort in how close we've come already to the average bear market decline—especially if the economy slows but skirts an actual recession. "We're optimistic that this bear market is ending; we wouldn't be surprised if it ended this past October," says Ryan Detrick, chief market strategist at money management firm Carson Group, noting that six of the past 17 bear markets ended in October.

The tug-of-war between the bulls and those bracing for a more protracted downturn could trap the broad market in a trading range, at least for a while. BlackRock's Koesterich doesn't see a true inflection for stocks until next spring or summer. "We think stocks are likely to remain range-bound as the market comes to grips with tighter financial conditions and a more challenging environment for corporate earnings," he says.

SMALL-CAP STOCKS

Revenge of the Little Guys

In recent weeks, returns of small-company shares have trounced those of large companies.



As of November 4. SOURCE: S&P Dow Jones Indices.

WHERE TO INVEST NOW

Given the uncertain, sometimes roiling backdrop for stocks, where should investors put their money? Whatever you do, don't wait for the economy to be on a healthy footing before you start positioning your portfolio for the next bull market. Just as the market tends to peak seven months or so preceding a recession, it typically bottoms an average of four months before a recession ends, according to CFRA data.

"The market's best and worst days tend to occur next to each other," notes Katie Nixon, chief investment officer for Northern Trust Wealth Management. "By trying to avoid one, you are very likely to miss the other." Echoes Citi's Bailin, "This is one of those years where we don't know when the good days are going to be, but we know they're ahead of us—they're certainly not behind us."

A popular piece of advice among Wall Street strategists now is to resist the bargain-basement appeal of the most beaten-up stocks and focus instead on high-quality shares. "Investors should avoid volatile names and be cautious on both deep-value and unprofitable growth companies," says Koesterich. "Instead, emphasize quality with a focus on earnings consistency and good profitability."

Stocks with high quality rankings from CFRA, reflecting an above-average 10-year history of earnings and dividend growth and stability, include **UNITEDHEALTH GROUP** (SYMBOL UNH, $538) and **MICROSOFT** (MSFT, $221). UnitedHealth is also a member of the Kiplinger Dividend 15, the list of our favorite dividend stocks; both stocks currently yield 1.2%. Or own an array of stocks with strong balance sheets and stable earnings growth with **ISHARES MSCI USA QUALITY FACTOR ETF** (QUAL, $110). The fund's largest sector exposures are tech and health care; top holdings include **JOHNSON & JOHNSON** (JNJ, $171), another Kiplinger Dividend 15 stock, and financial firm **S&P GLOBAL** (SPGI $316). Analysts at Morningstar, the market-research firm, estimate S&P Global's fair value at $370 a share.

Generous and growing dividends are a hallmark of high quality and are likely to make up a much bigger portion of total returns than they have recently, says Randall, the portfolio manager at Capital Group, sponsor of the American Funds. "I'm a passionate dividend investor. We are at the start of a renewed and durable appreciation of the important role that dividends can play in a portfolio," she says. From the start of 2020 through September of 2022, dividends accounted for 29% of total stock returns, but going back to 1926, the average contribution has been 38%, according to Capital Group.

Our favorite dividend funds include **T. ROWE PRICE DIVIDEND GROWTH** (PRDGX), a member of the Kiplinger 25, the list of our favorite actively managed funds. Exchange-traded fund investors might try **SCHWAB U.S. DIVIDEND EQUITY** (SCHD, $73) or **VANGUARD DIVIDEND APPRECIATION** (VIG, $146). Both are in the Kiplinger ETF 20, the list of our favorite ETFs.

Move beyond the utilities and consumer staples stocks you hunkered down with for protection from the bear market—those defensive plays are likely too expensive now. Health care is an exception, offering both growth and defensive characteristics. “It’s where our money is today—we’re always going to have money in health care,” says Bailin, at Citi Global Wealth. The demographics of an aging population, and the innovation in pharmaceuticals and treatments that go along with increased longevity, are working in the sector’s favor, he says.

AMGEN (AMGN, $269) is one of our picks for 2023 (see “8 Stocks to Buy Now,” on page 34). We like its diversified roster of drugs on the market and in the pipeline, as well as its strong free cash flow and 2.9% dividend yield. **FIDELITY SELECT HEALTH CARE** (FSPHX), a Kip 25 fund, invests in a mix of high-quality companies with stable earnings and emerging firms with innovative new products. **INVESCO S&P 500 EQUAL WEIGHT HEALTH CARE** (RYH, $273), one of the ETF 20, gives you a mix of biotech and pharmaceuticals, life sciences tools and services, health care equipment and supplies, care providers, and services firms, without mega-cap stocks or any one sector dominating the portfolio.

Don’t fight the last war. In the last bull market, you couldn’t win without a big slug of growth-oriented companies, particularly those mega-cap tech stocks that came to dominate the S&P 500. Now may be a good time to tilt toward value-oriented companies and small-company stocks, both longtime underperformers that are showing signs of new life.

Over the past five years, for example, the S&P 500 Value index has returned 8.1% annualized, compared with 10.5% for the S&P 500 Growth index. Through early November of 2022, Value outperformed Growth bigtime, with a 7.6% loss compared with a 30.7% free fall. “We would stick with value. These cycles last a while,” says Carson Group’s Detrick. Sectors typically grouped in the value style include energy, financials, industrials and materials. **DODGE AND COX STOCK** (DODGX) is a longtime Kiplinger value favorite. The fund’s returns have been in the top 25% of its category in six of the past 10 calendar years, according to Morningstar. Meanwhile, small-company stocks are as cheap relative to their bigger-cap brethren as they’ve been in decades. We like actively managed Kip 25 member **T. ROWE PRICE SMALL CAP VALUE** (PRSVX) or, for index investors, ETF 20 constituent **ISHARES CORE S&P SMALL-CAP ETF** (IJR, $96), which tracks the S&P 600, an index with a high-quality tilt.

Learn to love bonds again. The old-style 60% stock, 40% bond portfolio that was left for dead in 2022 could breathe new life into your portfolio in 2023.

Energy stocks are still compelling, even after two years of strong gains. Stocks in the S&P 500 energy sector rose a collective 48% in 2021 and tacked on more than 25% through the third quarter of 2022. Post-pandemic energy demand is still not at full strength, while global supplies are constrained by OPEC production cuts and sanctions on Russia. “Energy could be a really exciting area for investment over the next couple of years,” says Capital Group portfolio manager Paul Benjamin. The sector is a surprisingly strong performer in recessions, he says, at least in those when inflation is an issue. A broad way to play the sector is with an ETF such as **ENERGY SELECT SPDR** (XLE, $91), up 69.8% so far in 2022 through early November, or **FIDELITY MSCI ENERGY** (FENY, $25), up 70.5%. The top holding in both funds is integrated oil behemoth **EXXONMOBIL** (XOM, $112), which is rated “buy” by analysts at CFRA.

While adjusting your portfolio, don’t ignore the tenets of diversification and shun tech or the growthier side of the market completely. Take a barbell approach, says Tony DeSpirito, a managing director and portfolio manager at BlackRock. That allows you to scoop up value-focused shares at historically attractive relative P/Es and high-growth stocks at valuations that have come down from the stratosphere and are now at normal, if not yet underpriced, levels. Companies will continue to invest in software and hardware solutions to high labor costs, he says, and many of the firms have “fantastic” balance sheets. We’ve already mentioned Microsoft; chipmaker **ADVANCED MICRO DEVICES** (AMD, $62) is another of our eight stocks to buy in 2023. Citi’s Bailin thinks cybersecurity stocks have a long runway for growth. **PALO ALTO NETWORKS** (PANW $142) is recommended by 37 of the 43 analysts who cover the stock.

Finally—and maybe firstly—learn to love bonds again. The old-style 60% stock, 40% bond portfolio that was left for dead in 2022 will breathe new life into your portfolio in 2023. With 10-year Treasuries recently yielding 4.2%, it’s time to lock in some attractive long-term yields, say fixed income strategists at Wells Fargo Investment Institute. Wells Fargo recently advised clients to shift assets from intermediate-term government bonds to long-term issues, while keeping some, but not as much, exposure to short-term maturities.

BlackRock’s Koesterich is savoring the yields in corporate IOUs. “For the first time in over a decade, investors can generate a healthy yield in corporate bonds.” He says he is emphasizing short-term investment-grade issues and some high-yield bonds in the firm’s Global Allocation fund. For more on our fixed income outlook, see “Income Investing,” on page 48. ■

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8 Stocks to Buy Now

These companies could prosper in 2023.

BY ANNE KATES SMITH AND NELLIE S. HUANG

ADVANCED MICRO DEVICES (SYMBOL AMD, $62) Analysts have mixed ratings on this leading semiconductor manufacturer, in part because an economic slowdown and negative investor sentiment are near-term obstacles. The shares have fallen more than 62% from their 52-week high and now trade at 17 times expected earnings for the year ahead—one-third the typical price-earnings multiple over the past decade. Meanwhile, analysts on average expect an 18% jump in annual earnings over the next three years, ahead of the company's peers, fueled in part by market-share gains for its data-center chips (sales climbed 45% in the most recent quarter compared with the year before). Analyst Vijay Rakesh, at Mizuho Securities USA, rates the stock a "buy" and recently assigned the shares a 12-month price target of $95.

AMAZON.COM (AMZN, $91) Stock in this e-commerce and cloud-computing juggernaut is so cheap these days that the managers at Dodge & Cox Stock fund, who are sticklers about price, scooped up shares recently. The managers say they take the long view and are drawn to companies with "attractive fundamentals where expectations and valuations have declined." Amazon.com fit the bill. The stock is down 48% over the past 12 months. Is this growth-stock darling now a value stock? Shares are cheap relative to historic levels. At $91, the stock trades at 54 times expected earnings in 2023; its five-year historical P/E is 85. A recession may dent near-term results, but the company's dominant role in its key markets will buoy the stock. After a sum-of-the-parts analysis, Shyam Patil, of investment firm Susquehanna International Group, recently set a 12-month price target on shares of $140.

AMGEN (AMGN, $269) Many analysts are neutral about this bio-pharma firm. Though some new drugs are off to a good start and selling well, that's been offset by slowing sales for its older treatments, which are under pressure from competitors. But Amgen is an 800-pound gorilla in its industry, with a diversified roster of 26 drugs on the market (and dozens in development). It boasts a robust cash flow and a solid 2.9% dividend yield. In other words, it's somewhat defensive. Morgan Stanley analyst Matthew Harrison upgraded the stock recently to "overweight," citing the strength of the company's pipeline and the stock's undervalued price. Amgen shares gained 29% over the past 12 months but trade at 14 times 2023 expected earnings, a fraction of the P/E of 70 that's typical for biotech firms.

DECKERS OUTDOOR (DECK, $354) Deckers may be known for its Uggs brand of cozy sheepskin footwear, but analysts at BofA Securities believe that the small-midsize company's crown jewel is its HOKA brand running shoes, with a (pun intended?) "clear runway for growth." BofA expects HOKA brand sales to double to $2.2 billion by fiscal year 2025 (ending March 31). Total company revenues in fiscal 2022: $3.2 billion. Uggs, Deckers' largest business, with high profit margins and strong cash flow, has a good chance of seeing its pandemic-era popularity stick. BofA likes the historically conservative management team, which has a strong track record of beating expectations. In short, Deckers is a "high-quality stock with a compelling growth trajectory," say the analysts. They give the stock a 12-month price target of $425, implying a gain of 20% from recent levels.

HALIBURTON (HAL, $38) Founded in 1919, Haliburton is one of the world's largest energy-services companies, according to Argus Research, with over 40,000 employees and operations in more than 70 countries. It supplies products and services to assist in energy exploration and production, from locating the oil to constructing and completing the well to managing geological data. Oil was already in short supply as the global economy opened up post-pandemic; then came the war in Ukraine. Haliburton stands to benefit as oil companies ramp up production. Haliburton's CEO told analysts that it was entering a "multiyear upcycle," according to Argus. The investment-research firm expects Haliburton to generate strong free cash flow in the coming quarters and notes that the company nearly tripled its dividend in January 2022. The shares trade at 13 times Argus's estimate for 2023 earnings—at the low end of an 11-year historical average P/E range of 12 to 29.

REXFORD INDUSTRIAL REALTY (REXR, $54) Real estate investment trusts, among the most interest-rate-sensitive industries, have fallen an average of roughly 28% over the past year. "The recent sell-off is overdone," say analysts at investment firm Stifel. You may still be reluctant to invest in office parks or shopping malls, but industrial REITs, which provide warehouse and logistics services, present an opportunity for growth at a reasonable price, according to Stifel. The firm initiated coverage of Rexford in mid October with a "buy" rating and a 12-month price target of $64. Rexford focuses on just one huge market—Southern California, which, according to Stifel, is the largest industrial market in the U.S. The firm's "deep roots and long

JONAS ROOSENS/BELGA/AFP VIA GETTY IMAGES history" within the region provide the team with a great sense of market demand, the analysts say, adding that the scarcity of available space allows Rexford to push above average rental rates. Rexford's balance sheet is solid; the shares yield 2.3%.

T-MOBILE (TMUS, $149) T-Mobile is the second-largest wireless carrier in terms of U.S. market share. But it is sprinting ahead of the others in terms of growth, says analyst Keith Snyder, at investment research firm CFRA. "Our 'strong buy' recommendation reflects our expectation that T-Mobile will continue to outgrow peers," he says. The rollout of T-Mobile's 5G network is at least 12 months ahead of both Verizon and AT&T, says Snyder. That, and aggressive phone-plan pricing, "has enabled T-Mobile to capture market share, while competitors struggle to keep up," he says. Moreover, the carrier is on track with its goal of doubling its share of the large-business and government market from less than 10% to nearly 20% over five years. CFRA expects earnings to jump from an estimated $2.27 a share in 2022 to $6.40 in 2023; the shares could see $175 within 12 months.

WORKDAY (WDAY, $133) Workday is a leader in cloud-based software for human-resources management. "It has really been able to carve out a strong position based on its patented technology," says Parnassus Mid Cap fund comanager Lori Keith. Half of the Fortune 500 uses its platform. And once installed, customers tend to stick—Workday has a customer-retention rate of 95%. The stock has been losing ground all year, like most tech shares. And Workday isn't very profitable—it eked out a small profit last fiscal year (ending in January). But analysts expect that to turn in 2024, buoyed by revenue growth of roughly 20% in 2023 and 2024. Buyers might consider holding for longer than one year: Keith says she sees "significant market-share opportunity" for Workday, and over the next three years, the stock's potential reward outweighs the risk.

JEENAH MOON/BLOOMBERG VIA GETTY IMAGES (BOTTOM); ALAMY

...and 5 to sell

BOSTON BEER (SAM, $376) Headquartered in Boston, Mass., Boston Beer is known for its Samuel Adams and Dogfish Head beers, Truly hard seltzer, and other brands. Trend tracker IWSR estimates that U.S. hard seltzer consumption soared by 130% in 2020, reports CFRA Research. But the hard seltzer craze has faded, say analysts at Goldman Sachs, putting pressure on Boston's revenue growth. It's doubtful that Boston's other products, such as Twisted Tea (hard iced tea), can make up for the slowdown, they conclude. "The path back to sustainable, profitable growth will be more difficult than previously appreciated," say the analysts. "We reiterate our 'sell' rating." They've shaved their estimates for 2023 earnings and cut their 12-month price target for the shares to $245.

CABLE ONE (CABO, $683) This telecom firm provides internet, voice and cable TV services in 24 states. Shares tumbled 60% over the past year. Parnassus fund managers Matt Gershuny and Lori Keith say they are reassessing their stake in the company. Cable One has an opportunity in rural markets, Keith says, but two trends pose hurdles. Viewers are dropping cable TV to stream over the internet. And fixed-wireless internet—using wireless technologies to cover the last mile—is catching on in areas where a fiber network (like Cable One's) is difficult to deploy. Wells Fargo analyst Steven Cahall downgraded the stock to "equal weight" from "overweight" in September. He isn't completely negative on the stock, but says it's unlikely to beat the market. Consider trimming your position.

D.R. HORTON (DHI, $75) Despite weak trends in U.S. housing data and skyrocketing mortgage rates, homebuilder D.R. Horton's shares have risen 25% since a low in June, outpacing the S&P 500's 3% gain. Fifteen of 21 analysts who follow the stock are bulls—though not Kenneth Leon, director of equity research at CFRA Research. "We take a contrarian opinion with a 'sell' rating, as we believe new-home demand has not hit bottom," he says. And it's too early bargain hunt. "We believe the U.S. housing market is in a downward cycle, just entering a recession, and we do not expect to see signs of a housing recovery anytime soon." Leon shaved his earnings forecast for fiscal 2023 (ending in September) by $3.15 a share, to $12.65, and cut his 12-month target for the stock from $80 to $65.

META PLATFORMS (META, $91) Despite its fall from the pantheon of megatech superstars, Meta, the former Facebook, still has fans. The stock earns an average rating of "outperform" from the 58 analysts who cover it, according to S&P Capital IQ. Investment firm Needham is not among the bulls, however, with an "underperform" call on Meta, which is already down more than 70% in 2022. Lest you be tempted to bottom-fish, Needham analysts note the high costs of Meta's pivot from social media to virtual reality (the Metaverse) and the distant payoff. "Metaverse investment levels are the most expensive gamble by any company we've ever covered," they say. Because Meta talks about returns on those investments in terms of 2030, "there is no need to be in Meta today." Meta's enormous spending on the Metaverse suggests it fears existential risks to its historic collection of businesses, according to Needham.

NASDAQ (NDAQ, $62) Call it a victim of its own success. The stock exchange that is home to tech-stock heavyweights has successfully morphed into a fintech company, with more emphasis on providing market data and analytics, as well as technology for trading, clearing, antifraud surveillance and other services. Nasdaq shares now trade at a premium that BofA Securities analysts think is too rich, given signs of decelerating growth and other headwinds. They recently downgraded the shares from "buy" to "underperform," cut their 12-month price target to $58 a share from $65, and noted that they expect only a tepid increase in 2023 earnings. Among the risks facing Nasdaq: the disengagement of individual investors drawn into the market during the pandemic who are now returning to work and put off by market losses in 2022. ■

THE BUY-AND-HOLD CLUB

Bogleheads Stay the Course

Bears and market volatility don't scare these die-hard Vanguard investors. BY KIM CLARK

On the morning of Thursday, October 13, as the Dow Jones industrial average plunged more than 500 points, a gathering of 370 investors and financial advisers—who were, as a group, losing tens of millions of dollars that very moment—calmly noshed on oatmeal and Danish. "Don't just do something, stand there!" cheered the meeting's speakers, quoting the inspiration of the conference, the late Jack Bogle, founder of Vanguard and early proselytizer of the index mutual fund.

During a three-day conference at a Chicago-area hotel, the self-described "Bogleheads" did indeed just stand there. And sit there. Cell phones were muted. Nobody called their broker. Instead, on what turned out to be one of the most volatile days in the stock market's history, they recalled Bogle-isms about ignoring short-term blips. Through presentations, meals and afternoon treats of ice cream sandwiches, they reassured each other that low-cost, long-term passive investing would eventually pay off better than chasing hot tips or panic selling.

Their adages about patience, discipline, simplicity and bargain hunting may well strike a chord with any investor worried about today's volatile investing environment.

Stay the course. Over the long term, the U.S. stock market has more than recovered from every bearish slump, notes Jim Dahle, a physician-turned-investing guru and author of *The White Coat Investor.* "I expect to live through 17 bear markets as an investor," Dahle told the crowd. In October 1987, "the stock market had the biggest one-day drop ever, but it still finished positive for the year," he noted. He summed up his advice with the title of one of Bogle's books: "Stay the course."

Bogle, who died in January 2019, founded Malvern, Pa.–based Vanguard in 1974. Two years later, he launched the first publicly available index fund, which followed the S&P 500 index. Wall Street professionals and money managers scoffed at what they called "Bogle's folly." Bogle stayed the course, and Vanguard's low-cost index funds attracted a growing fan base because they generally out-earned expensive funds managed by professionals who actively tried to beat the market.

In 1998, a small group of cost-conscious investors who called themselves "Vanguard Diehards" formed a group chat on a Morningstar electronic forum. Two years later, 22 Diehards met Bogle for dinner at a member's Florida house. The gatherings turned into annual events and grew in popularity. They became multiday Bogle-cons, featuring action toys (such as a Bogle bobblehead) and presentations by Morningstar analysts, popular investing authors such as William Bernstein (who wrote *The Four Pillars of Investing* and several other books) and Bogle-minded financial advisers.

By 2007, the group had evolved into Bogleheads. Discussion group leaders, including Taylor Larimore, a retired IRS officer and financial manager whom Bogle nicknamed "the King of the Bogleheads," and Mel Lindauer, a retired graphics company CEO (dubbed "the Prince"), began publishing advice books including *The Bogleheads' Guide to Investing*. One of the

central tenets: Investors should just stick with a basic, low-cost, three-fund portfolio of Vanguard's Total Stock Market Index (symbol VTSAX), Total International Stock Index (VTIAX) and Total Bond Market Index (VBTLX).

At the most recent assembly, longtime Boglehead Allan Roth, a fee-only financial adviser based in Colorado, told attendees that the three-fund portfolio is his core recommendation *because* it is boring. Roth, whose Twitter handle is @Dull_Investing, says one reason a largely hands-off portfolio works is that investors who use it don't go astray by chasing returns. Morningstar research has shown that individual investors tend to pour money into funds right after they've notched record gains, he says, and that means investors often end up buying fund shares at high prices, which leads those investors' personal returns to underperform the funds they invest in by an average of 1.7 percentage points a year. By putting your portfolio on autopilot, you "minimize expenses and emotions and maximize diversification and discipline, which means you lose less money than most other people," Roth says.

But many Bogleheads are also open to some market timing—as long as investors are buying low. "International stocks are a screaming deal right now," Dahle told the group. The average holding of Vanguard Total International Stock was selling at a price-earnings ratio of a little more than 10 in early November. By contrast, even after the 2022 plunge in stock prices, Vanguard Total U.S. Stock Market holdings were selling at an average P/E of about 16.

The drop in Treasury bond prices in 2022 has created an opportunity for safety-conscious investors to lock in higher yields and decent long-term returns, Roth says. Long-term Treasury inflation-protected securities recently yielded more than 1.5% above the inflation rate. Putting a portion of your portfolio in TIPS is a great way to diversify and protect your retirement savings, he says. That's especially apt now, when he worries that U.S. investors have become used to what some have called "teddy bear" downturns, in which stock prices tend to rebound quickly. But "grizzly bears" could be lurking—perhaps even now, says Roth. "I'm a pessimist."

Cheap, boring and sexy. The focus on simplicity and safety is what attracted Maggie Oldham, a Nashville-based nurse, to her first Boglehead convention this fall. Oldham, who had never read any of Bogle's books, says she spent the first 40 years of her life in a "financial coma," paying too much for everything from her mortgage to investments. Whenever she'd talk to friends or relatives about investing, they'd suggest "you should see my guy"—typically a commission-based broker who often pushed expensive or complicated strategies. Searching online led her to several "financial independence" proponents. Some of them recommended the Boglehead books and website (www.bogleheads.org).

After reading and interacting with the forum (and putting her taxable savings in the three-fund portfolio), Oldham had finally found her tribe. At home, her focus on simple saving and investing makes her feel like a bit of a loner. But at the Boglehead conference, she says, "I fit right in—and I got validation that I am on the right path for me." By the end of the conference, Oldham was strategizing ways to talk up Boglehead values in Nashville to help create a community and "make it sexy to be cheap and boring," she says.

Rick Ferri, an hourly-fee financial adviser who is the president of the group that held the conference, the John C. Bogle Center for Financial Literacy, warned the attendees that not all investors they meet will be kindred spirits—at least not right away. But the markets that week seemed intent on converting at least a few. After a Thursday morning federal data release confirmed continuing high inflation, the stock market opened down more than 2%. For some reason, that set off a buying spree that pushed the overall stock market up about 5% by the close of trading. The next day, most of that gain disappeared. By the time the Bogleheads' planes landed in their hometowns on Friday, much of their portfolio holdings were also back home—at almost exactly the value they'd been at the start of the week. ■

COURTESY OF RICARDO GUERRA

■ INVESTORS AT THE 2022 BOGLEHEAD CONFERENCE REMAIN LONG-TERM BULLS.

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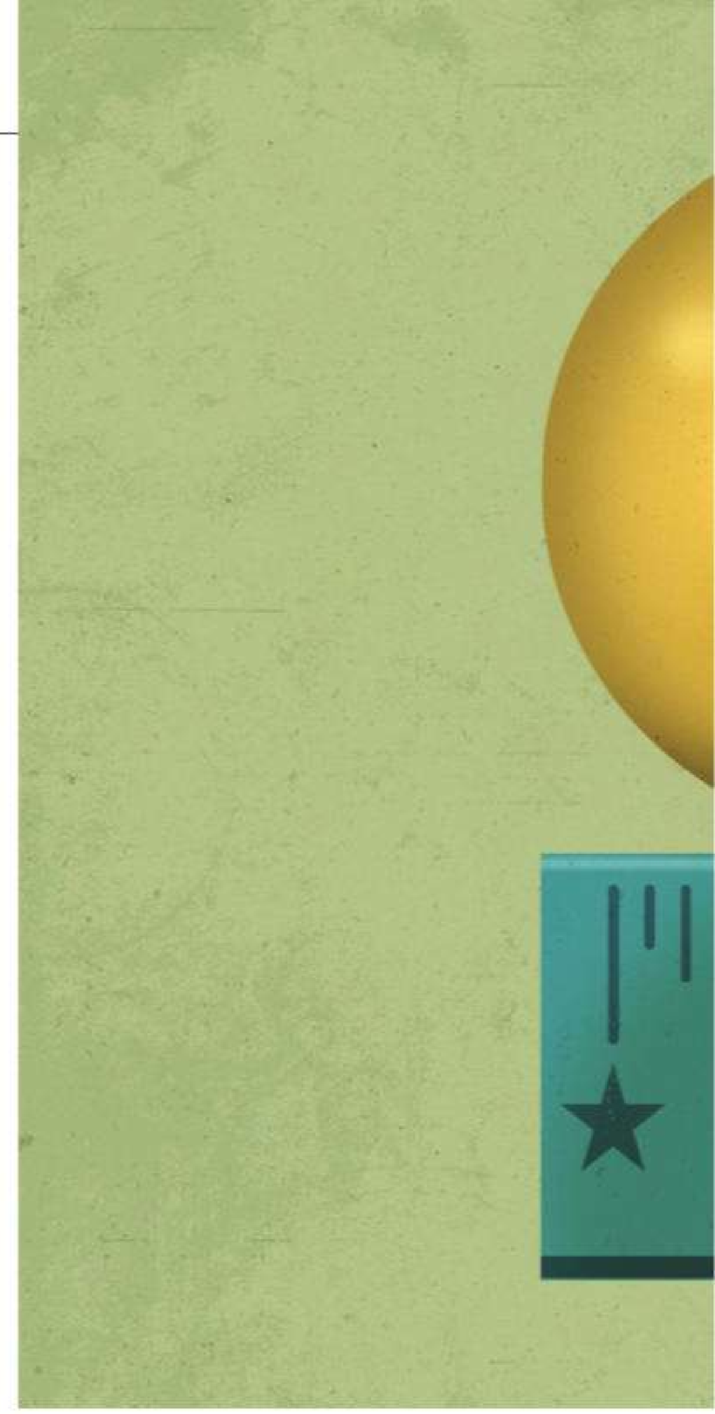

NEST EGGS

We Rate the Biggest 401(k) Funds

Use our guide to boost the performance of your retirement portfolio.

BY NELLIE S. HUANG

Assets in 401(k) plans hit $7.7 trillion recently, accounting for nearly 20% of all retirement savings. That makes these defined-contribution plans, which allow employees to make pretax contributions from their salaries, a key retirement-funding strategy for many Americans.

Stashing money in your 401(k) account as you juggle other obligations can be difficult. Figuring out how to invest your savings? Doubly hard. So every year, using data from BrightScope (an institutional shareholder services business), we scrutinize the most widely held funds in employer-based retirement savings plans. Then we pick the funds apart, analyzing them and rating each one "buy," "sell" or "hold."

Here, we highlight the 12 largest actively managed funds in 401(k) plans, ranked in order of retirement-plan assets. Seven funds earn a "buy" and two a "sell." Five funds rate a "hold," which is a neutral rating, with certain caveats. The share classes of specific funds offered in 401(k) plans can vary, so for simplicity's sake we cite data and returns for the share class of each fund that is available to the most retail investors. Your plan may offer a different share class with an even lower expense ratio. Returns are through November 4.

American Funds EuroPacific Growth: SELL

International stocks should be a part of every investor's portfolio. But for now, you might be better off in a broad total international index fund if your retirement savings plan offers one.

For starters, this fund favors growth stocks, which have underperformed as investors favored bargain-priced shares. A total foreign stock index fund, on the other hand, holds both growth and value stocks, removing an investment-style skew. Plus, a broader international stock index fund offers more exposure to shares in emerging countries, which may snap back sooner than stocks listed on developed bourses. Finally, compared with peers, EuroPacific Growth sports middling near- and long-term returns. It trailed the typical fund in its category—funds that invest in growing, large foreign companies—in six of the past 10 full calendar years (2011–21).

Fidelity Contrafund: BUY

For investors who are looking for the *oomph* of a large-company growth fund, Contrafund offers a ride that's a little smoother than most funds in its category. Over the past decade, the fund has outpaced its peers and the S&P 500 with below-average volatility. Will Danoff has run the fund since 1990 and delivered spectacular long-term returns.

Contrafund has underperformed the broad market recently as investors have spurned growth stocks in favor of those with a value tilt. The stock market's icy turn hasn't helped, either. "Bear markets are painful," Danoff said in a recent fund commentary. Contrafund lost 30.0% in calendar-year 2022 through early November. That lagged the S&P 500, but it outpaced 55% of funds that focus on growing, large-company stocks. Growth stocks, and the funds that favor them, will come back eventually, and this fund has proved to be a winner over the long haul.

Vanguard Target Retirement 2030 Fund: BUY

Several Vanguard target-date funds rank among the most widely held funds in 401(k) plans. But we'll focus on the most popular one, Target Retirement 2030.

Target-date funds are designed to be a complete portfolio for savers who, for whatever reason, don't want to invest on their own for retirement. Experts divvy up your savings into an appropriate mix of stocks, bonds and other assets and shift the mix over time as you age—even after the target year, in most cases. Vanguard's target-date funds adjust the blend of stocks and bonds for seven years after the target year, for instance. At last report, the firm's 2030 fund held 61% in stocks and 39% in bonds.

The funds are not immune to a bear market. Over the past 12 months, Target Retirement 2030—best for investors retiring in 10 years or less—lost 19.4%, ahead of nearly 60% of its peers. But over the past decade, 2030 ranks among the top quartile of its peers.

Vanguard Primecap: BUY

If you have access to Primecap in your employer-sponsored retirement-savings plan, then you're a member of a privileged group of investors who can still buy shares in this standout fund. Primecap is otherwise closed to all investors.

The fund is a long-haul standout, outpacing the S&P 500 over the past 10 and 15 years. Recently, however, the fund lagged the S&P 500 in 2019, 2020 and 2021—three go-go years for stocks (aside from the short pandemic bear market)—despite turning in double-digit returns. The drag came in part because the fund's managers had been shedding some stocks they deemed overpriced so they could buy shares in discounted companies. Some of the newer holdings are more economically sensitive, including Raymond James Financial and Delta Air Lines. The move was prescient, but a little early. Even so, those cyclical names helped boost the fund's performance in 2022.

Primecap's managers have superb long-term records, so we're not worried. And in 2022 through early November, the fund held up better than the S&P 500 and outpaced the typical large-company stock fund. Just be prepared for volatility.

Dodge & Cox Stock: HOLD

Value investing is this fund's cornerstone. The managers love a bargain, and they're willing to wait years, if necessary, for a turnaround. (One recent addition to the fund is PayPal, a stock that has lost 67% of its value over the past 12 months.)

The approach can lead to streaky stretches of good and bad performance. And for the greater part of the past decade, the fund's tilt toward value stocks has been a drag because growth shares have dominated the market. Even so, the fund ekes past the S&P 500 over the past 10 years.

And the tide is turning. Value shares have outperformed growth stocks of late. As a result, over the past three years, the fund's annualized return of 10.4% has outpaced the 8.8% gain in the S&P 500.

But recent departures of some key longtime managers—two in 2020 and another two in 2022—have us a little worried. Of the seven remaining managers, three have been in place for fewer than five years. As a result, we're watching the new guard closely.

Since the start of 2022, Stock has lost 9.2%—a better result than the 19.8% decline in the S&P 500. A hefty 9% exposure to energy stocks, nearly double that of the S&P 500, helped. But the fund lagged 63% of its peers.

Vanguard Wellington: HOLD

This venerable balanced fund—a type of portfolio that typically holds about 60% of its assets in stocks and 40% in bonds—has a long history of delivering category-beating returns.

But there has been a changing of the guard. Between 2019 and 2021, three longtime managers retired, leaving Daniel Pozen as head of the stock side in mid 2020 and Loren Moran in sole charge of the bond side in mid 2021. That said, the two worked closely with the exiting managers for several years beforehand. And so far in the bear market, the fund has held up well. Since the start of 2022, Wellington has lost 17.7%, a tad better than a benchmark

ILLUSTRATION BY RICHARD MIA

composed of 60% of the S&P 500 and 40% of the Bloomberg U.S. Aggregate Bond index. That may be a sign of good things to come.

Even so, we're watching the fund, and we rate it a "hold." No matter how well manager changes are orchestrated, when a different person is running the show the fund will reflect that in small or even big ways. Before we give the fund a "buy" rating, we just want to understand what we're getting with Pozen and Moran.

T. Rowe Price Blue Chip Growth: HOLD

Paul Greene, a longtime analyst, took over as manager shortly before a bear market in growth stocks began. Terrible timing: Blue Chip Growth has lost a cumulative 38.1% since Greene stepped in (in October 2021), more than three times the 12.0% decline in the S&P 500 over the same period. The fund also lags its peers (funds that invest in large, growing companies).

A shift in market sentiment is partly to blame. But the portfolio's profile has changed, too, at the edges. Greene looks for the same types of stocks as his predecessor, Larry Puglia, did—fairly priced, high-quality, giant companies with above-average earnings growth. But Greene bets bigger on his favorites: The fund's top 10 holdings account for 66% of assets, which is double the typical stake in Puglia's day. And Greene holds 75 stocks, fewer than Puglia's typical 125 to 140.

Growth stocks will come back, and when they do this fund will likely rebound, too. But we would hesitate to step in for now, given Greene's short tenure. If you already own shares, though, you should hold on, given the trough in the market. We'll keep watching the fund closely.

American Funds Growth Fund of America: SELL

American Funds has a particular approach to managing large amounts of money: The bigger one of its funds gets, the more managers pile in, dividing the assets among them. Growth Fund of America, with $195 billion in assets, boasts 13 managers. All of the managers have invested substantial sums of their own money in the fund.

All told, however, the process seems to be dulling performance. A year ago, this fund had outpaced the S&P 500 over the past three, five and 10 years—

BY THE NUMBERS

How the Largest 401(k) Funds Stack Up

These are the most popular actively managed funds in employer plans.

Fund	Symbol	Fund category	Annualized total return 1 yr.	5 yrs.	10 yrs.	Expense ratio
American Funds EuroPacific Growth	AEPGX	Foreign large growth	–30.2%	0.2%	4.8%	0.80%
American Funds Growth Fund of America	AGTHX	Large growth	–33.8	7.6	4.8	0.61
Dodge & Cox Stock	DODGX	Large value	–9.3	9.3	12.5	0.51
Fidelity Contrafund	FCNTX	Large growth	–30.6	8.3	12.3	0.81
Fidelity Freedom 2030	FFFEX	Target-date	–20.8	3.7	6.7	0.66
Fidelity Growth Company	FDGRX	Large growth	–37.1	13.1	16.4	0.79
Metropolitan West Total Return Bond	MWTRX	Intermediate-term bond	–18.3	–0.8	0.8	0.65
Pimco Total Return	PTTAX	Intermediate-term bond	–17.5	–1.0	0.5	0.80
T. Rowe Price Blue Chip Growth	TRBCX	Large growth	–41.8	5.1	11.8	0.69
Vanguard Primecap	VPMCX	Large growth	–18.6	9.0	14.0	0.38
Vanguard Target Retirement 2030	VTHRX	Target-date	–19.4	3.7	6.9	0.08
Vanguard Wellington	VWELX	Balanced	–15.9	5.6	8.0	0.24
S&P 500 INDEX			**–18.2%**	**9.8%**	**12.1%**	
BLOOMBERG US AGGREGATE BOND INDEX			**–16.2**	**–0.6**	**0.7**	

As of November 4, 2022. SOURCE: Morningstar Direct thanks in part to the bull market in the kinds of growth stocks the fund favors—but was average to below-average compared with other large-company growth funds. Now, with the bear market at hand, Growth Fund of America lags the S&P 500. More important, the fund trails its peers, too.

The fund differs from its peers in several ways. Growth Fund holds fewer tech stocks, bigger stakes in energy and economically sensitive companies, and a double helping of foreign stocks. It also tilts more toward mid-size companies than the behemoths found in most large-growth funds.

But all together, the result is average performance. A U.S. stock index fund would offer similar returns and volatility, at a lower cost.

Metropolitan West Total Return Bond: BUY

This fund's one-year return resembles losses more typical of a stock portfolio. MetWest Total Return lagged the Bloomberg U.S. Aggregate Bond index, with an 18% loss over the past year. A big dose of agency mortgage bonds, the worst-performing bond sector in the third quarter, hurt results.

But the managers, who love a good bargain, are finding plenty of opportunity these days in agency mortgage bonds, corporate debt and commercial mortgage-backed securities. That has hurt near-term returns, too, as interest rates keep climbing and bond prices fall (bond prices and interest rates move in opposite directions). Even so, the additions were made at "fundamentally compelling" prices that could gradually boost returns over the medium-to-long term, the managers recently wrote in a quarterly report.

We're sticking with Total Return Bond, the most widely held bond fund in the 401(k) world. It's also a member of the Kiplinger 25, the list of our favorite no-load actively managed funds.

Pimco Total Return: BUY

Bill Gross, this fund's erstwhile manager, recently blasted the fund and others like it for failing to live up to their mission after big losses in 2022. Let's explore that. Total Return's objective is to build a diversified portfolio of high-grade, medium-maturity bonds that will perform well when stock markets fall. That didn't happen in 2022. Over the past 12 months, Pimco Total Return lost 17.5%, exceeding the decline in the U.S. Aggregate Bond index.

But the team behind Total Return fund shouldn't be singled out for blame. The average intermediate-term core-plus bond fund lost 16.6% over the past 12 months. Even funds that invest in ultra-short-maturity bonds—a sector that is less sensitive to interest rates—lost ground (though not as much as Total Return).

What's extraordinary are current market conditions. Persistent inflation and surging interest rates pose major hurdles for the bond market, and they come after a stretch of extremely accommodative polices that were put in place during a global pandemic. As bond market calamities go, it can't get much worse.

Recent returns have decimated the fund's long-term record, but we have faith that Pimco's managers, who are snapping up well-priced, high-quality corporate credit and mortgage-backed securities, will work their way out of this mess in good fashion.

Fidelity Freedom 2030: BUY

The only target-date series besides Vanguard's to crack the top 12 in terms of 401(k) assets is Fidelity's suite of Freedom funds—the ones that hold actively managed funds. (Fidelity also has an index-based series, called Fidelity Freedom Index, which also ranks high in 401(k) assets.)

The Freedom series hold funds that are managed by star Fidelity managers, including Steve Wymer of Growth Company (discussed below), Will Danoff of Contrafund (discussed above), Sonu Kalra of Fidelity Blue Chip Growth and Jed Weiss of Fidelity International Growth. At last report, the fund held 63% of its assets in stocks—nearly half of that in foreign shares—and roughly 37% in bonds, including high-quality U.S. bonds, junk-rated and floating-rate debt, and international IOUs.

This particular fund, which is designed for workers who expect to retire in the next eight to 10 years, has a decent three-year record that ranks among the top 35% of its peer group. But since the start of 2022 (roughly when the bear market began), the fund has lost 20.0%, which ranks behind 78% of the pack. We still back this series, however, and we recommend investing in it if you're looking for an all-in-one fund for your retirement savings.

Fidelity Growth Company: BUY

This may be the best growth fund nobody's heard of, in part because it has been closed to new investors since 2006. But if the fund is available to you in a 401(k) plan, that restriction doesn't apply. Retirement savers with a long time horizon who can tolerate a bumpy ride should buy shares. Understand, however, that this is an aggressive fund. It has delivered high-octane returns, but the volatility is high, too. Nearly 50% of its assets are in tech and communications-services stocks.

The fund has stumbled along with other growth-stock funds recently, as market attention has turned toward bargain-priced stocks. But Growth Company still boasts a solid long-term record—the best among the stock funds mentioned in this story. That's thanks to longtime manager Steve Wymer, who has run the fund for 25 years. He favors firms with above-average revenue growth and long-term management teams that align their interest with shareholders. He's not afraid to invest in burgeoning, profitless firms and wait for them to prosper, either. Early bets on Nvidia, Roku and Shopify, for example, paid off handsomely. ■

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ETF SPOTLIGHT

A New Muni Fund Enters The Ring

For investors in moderate-to-high federal income tax brackets, municipal bonds, or munis, are an attractive way to boost yield in your taxable portfolio. Muni bonds—debts issued by state and local government agencies—generate income that is generally free from federal taxes, and in some cases state taxes, too.

DIY investors must be careful, however. State and local governments can default on their debt, though few have recently. And some muni bonds may expose investors to the dreaded alternative minimum tax (a parallel tax system created to ensure that the wealthy pay at least some tax). A simpler option for investors may be to invest in a diversified fund that holds high-grade municipal debt not subject to the AMT.

Schwab has just launched such a fund, and it is currently the nation's lowest-fee muni bond ETF. **SCHWAB MUNICIPAL BOND ETF**, which started trading in mid October, boasts a 0.03% expense ratio, a fraction below the 0.05% and 0.07% fees charged by the two biggest intermediate-term muni ETFs. As of early November, the Schwab ETF yielded 3.5%. That's equivalent to a 4.6% yield on a taxable bond for investors in the 24% federal tax bracket. The index fund tracks a benchmark of tax-exempt, investment-grade bonds (debt rated triple-A to triple-B). Much of the data here refers to that index because portfolio data was not yet available for the fund. We'll be watching how well the ETF tracks the index.

The typical intermediate-term muni fund lost 11.7% over the past 12 months, less than the 16.2% dive in the Bloomberg U.S. Aggregate Bond index. **KIM CLARK**

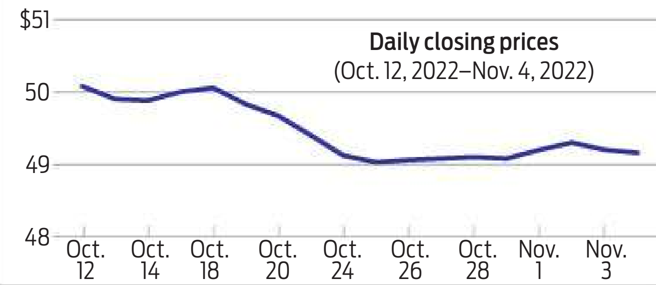
Kim.Clark@futurenet.com

Schwab Municipal Bond ETF

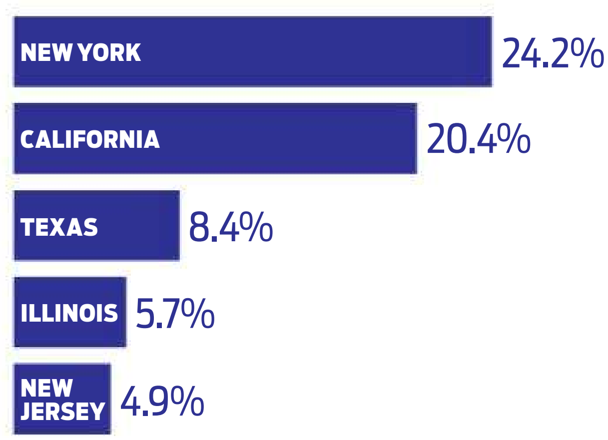
KEY FACTS

SYMBOL: SCMB
RECENT PRICE: $49
ASSETS: $37 million
START DATE: October 12, 2022
YIELD: 3.5%
ANNUAL EXPENSE RATIO: 0.03%

PERFORMANCE SINCE INCEPTION



TOP FIVE STATES (for fund index)*



DURATION (for fund index)*

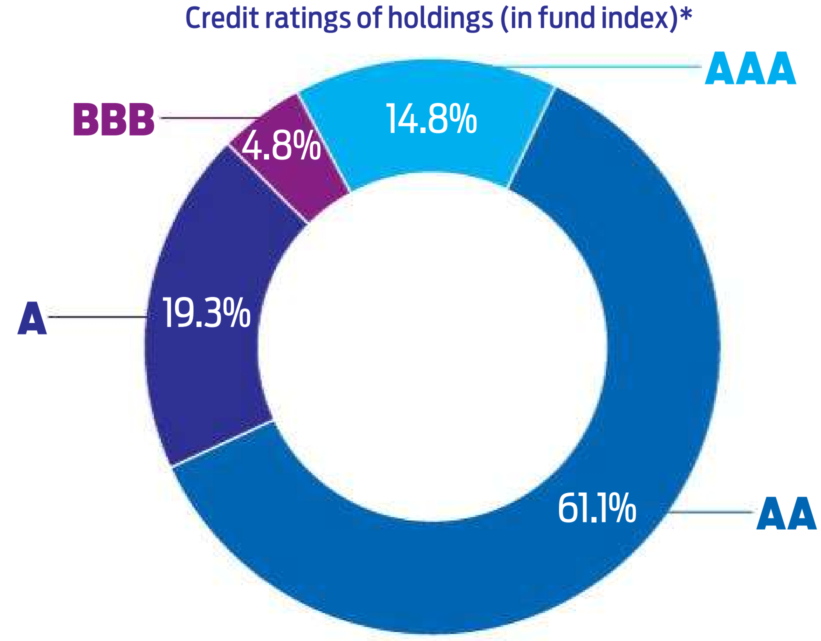
6.7

YEARS*

Implies a 6.7% move if rates rise or fall one percentage point.

RATINGS BREAKDOWN

Credit ratings of holdings (in fund index)*



Municipal Bonds ETFs

Name	Symbol	Price	Expense Ratio	Annualized total return 1 yr.	Annualized total return 3 yrs.	Yield
iShares National Muni Bond ETF	MUB	$102	0.07%	–10.4%	–1.7%	3.7%
Vanguard Tax-Exempt Bond ETF	VTEB	48	0.05	–11.2	–1.9	3.8
First Trust Managed Municipal ETF	FMB	49	0.50	–12.4	–2.2	3.5
Pimco Intermediate Municipal Bd Actv ETF	MUNI	50	0.35	–9.7	–1.5	3.3
Schwab Municipal Bond ETF	SCMB	49	0.03	—	—	3.5
CATEGORY AVERAGE				**–11.7%**	**–1.7%**	

Data as available on November 4, 2022. *Data on holdings highlighted here refer to the ICE AMT-Free Core U.S. National Municipal Index, which this fund tracks. Fund information was not available. — Fund not in existence for the entire period.
SOURCES: ICE Data Services, Morningstar Direct, Schwab.

STREET SMART | James K. Glassman

My Top 10 Stock Picks for 2023

In 2022, for the first time in 10 years, my annual stock picks lost money. Even so, they managed to eke out a better return than the S&P 500. My choices fell 17.5% (for the one-year period through November 4), but not as much as the 18.2% decline in the S&P 500. Let's put both those numbers in perspective. Over the past decade, my list has returned an average of 17.0% annually. If you had put $1,000 into each of the 2013 choices, then sold them at the end of the year and bought the 2014 choices, and so on through 2022, your original $10,000 would have become $42,300. Buying and holding the S&P 500 for 10 years would have brought you to $32,109.

The point here is not that I'm so smart; it is that stocks are fabulous investments for the long run. Yes, the 2013–22 stretch, despite its terrible finale, was well above the 11.8% average annual return of the S&P 500 since 1957, when the index assumed its current size and form. Stocks return so much because investors get paid for tolerating volatility. In the case of my own choices, the returns of the 10-stock portfolio varied from an annual high of plus 42% to a low of minus 17.5%. That's a huge spread. The 500-stock S&P index was a little less volatile—a demonstration that lower risk typically leads to lower returns.

Now, on with the show. Since 1993, I have offered a list of stocks for the year ahead. I cull nine from the broader choices of experts that I trust, and I include one of my own. The 2022 leader, LHC Group, provider of post-acute care for Medicare recipients, was a choice I had gleaned from the portfolio of AB Small Cap Growth. The tradition is that last year's winner gets this year's first pick, and I am going with the AB fund's largest asset, **MATADOR RESOURCES**, an oil and gas exploration and production company. Matador's natural gas business is a bridge to the time when renewables will provide most of the fuel for electricity. We'll need that gas for the next 20 or 30 years.

The only other stock on my list that rose in 2022 was PepsiCo, chosen from the portfolio of Parnassus Endeavor, a mutual fund that avoids "controversial companies and carbon-intensive industries." The fund's top holding is **MERCK**, the pharmaceutical giant whose products include a wide range of vaccines, as well as Keytruda, an immunotherapy that is approved for 17 kinds of cancer. Merck stock has returned 13% over the past 12 months, but it trades at a price-earnings ratio, based on forecast consensus earnings for the year ahead, of just 13.

Terry Tillman, of Truist Securities, has been my best source for high returns over the past decade. He had big losers, however, in both 2021 and 2022, as his sector, enterprise software, fell on hard times. He recently reiterated a "buy" rating for **FIVE9**, which makes cloud-based software for customer-contact centers. Seen as a COVID play, Five9's stock soared from $63 a share in March 2020 to more than $200 in August 2021. It's currently $50 despite revenues that rose 32% in the most recently reported quarter compared with the same period last year.

The *Value Line Investment Survey* not only provides easily digestible research but also has a strong forecasting record. Each year, I pick one of the few stocks that *Value Line* rates tops ("1") for both timeliness—a measure that predicts gains—and safety. **ARCHER-DANIELS-MIDLAND**, which buys, transports and processes food commodities, makes the grade. An inflation hedge, ADM stock was a big winner last year, benefiting from rising prices caused by supply-chain disruptions. Food scarcity seems like a longer-term problem, and the

OVER THE PAST DECADE, PUTTING $1,000 IN EACH OF THE YEAR'S CHOICES AND HOLDING THEM FOR A YEAR WOULD HAVE TURNED $10,000 INTO $42,300.

POON WATCHARA-AMPHAIWAN

stock is reasonably priced at a P/E of 15.

Schwab Global Real Estate was my source for the third-best performer on the 2022 list, Public Storage, which registered a small loss. Lately, the fund doubled its position in **HEALTHCARE REALTY TRUST**, a real estate investment trust with investments in more than 200 outpatient properties, mainly office buildings for physicians. Like many REITs, Healthcare Realty was crushed because of COVID, but health care is a growing sector, and there's good reason to believe investors have overreacted.

The best-performing large-cap mutual fund over the past 20 years (through September 30), with a 14.1% annualized return, is Fidelity Growth Company, managed the entire period by Steven Wymer. The fund's top 10 holdings include just one non-tech stock: **LULULEMON ATHLETICA**, retailer of leisure attire. The stock has dropped by 31.3% in the past year, despite comparable-store sales rising 23% in the last reported quarter compared with a year earlier. Rarely do you get to buy such a fabulous company at a price that appears so depressed.

WARREN BUFFETT'S BERKSHIRE HATHAWAY RARELY BUYS INITIAL PUBLIC OFFERINGS YET INVESTED $1.5 BILLION IN NU HOLDINGS, AN ATTRACTIVE FINTECH COMPANY.

Dan Abramowitz, of Hillson Financial Management in Rockville, Md., who has been the list's small-cap value expert for the past decade, had a modest 2022 loser in **DXC TECHNOLOGY**. When I asked him what he liked for 2023, he said, "I'm going to stick with the same stock. Everything that I liked about it a year ago remains true except that, instead of 10 times earnings, it goes today for around eight times earnings for fiscal 2023, which ends in March." DXC, which provides a wide variety of technology services to businesses, may also be a takeover candidate, Abramowitz says.

Since the fourth quarter of 2021, Warren Buffett's Berkshire Hathaway has invested $1.5 billion in **NU HOLDINGS**. Although shares have fallen by about half since Berkshire's purchases, investors should pay attention. Nu, based in São Paulo, went public in late 2021, and though Buffett rarely buys initial public offerings, Nu is an attractive fintech company. It lets users in Brazil, Mexico and Columbia handle digital money transfers with their phones and sells investment products and life insurance.

Tobias Fabian Mueller, manager of T. Rowe Price European Stock, runs a cautious, low-turnover fund, but in the third quarter last year he made a big bet on one of my favorite companies, **LVMH MOËT HENNESSY LOUIS VUITTON**, the Paris-based luxury-brand conglomerate. LVMH shares are down 17% in the past 12 months—a good opportunity even with a global recession looming.

My own pick for the year ahead is **ALPHABET**. Revenues and earnings in the third quarter were disappointing, and the stock is down by about one-third from its 2021 high, trading at a forward P/E of just 16. I see this as a buying opportunity, and I expect the company will finally start addressing expenses to boost profits. But what assets it has! Alphabet has a 92% share of the global search market with Google and 2.6 billion users with YouTube, and revenues from its cloud business are rising at a 38% clip.

I'll end with the usual warnings. These 10 stocks vary by size and industry, but they are not meant to compose a diversified portfolio. I project they'll beat the market in the coming 12 months, but I don't advise buying stocks unless you intend to hold them for at least five years. Finally, please do your own research. These are just suggestions, though history shows they've been pretty good. ■

THE LIST

THESE STOCKS COULD PAY OFF IN 2023

The stocks below represent a broad range of sectors and industries. Picks include a tech titan, an agricultural products giant and a pharmaceutical heavyweight.

Company	Symbol	Price	Market value (billions)	Price-to-earnings ratio*	1-year total return
Alphabet	GOOGL	$87	$1,121.3	16	−41.6%
Archer-Daniels-Midland	ADM	95	52.3	15	50.6
DXC Technology	DXC	28	6.4	8	−18.3
Five9	FIVN	50	3.5	28	−67.6
Healthcare Realty Trust	HR	20	7.7	11	−32.5
Lululemon Athletica	LULU	326	41.5	28	−31.3
LVMH Moët Hennessey Louis Vuitton	LVMUY	132	327.7	21	−16.5
Matador Resources	MTDR	71	8.3	7	67.7
Merck	MRK	99	251.3	13	12.6
Nu Holdings	NU	5	22.8	81	—

As of November 4, 2022. *Based on estimated earnings for 2023. —Stock not in existence for the entire period.
SOURCE: Morningstar Direct

JAMES K. GLASSMAN CHAIRS GLASSMAN ADVISORY, A PUBLIC-AFFAIRS CONSULTING FIRM. HE DOES NOT WRITE ABOUT HIS CLIENTS. HIS MOST RECENT BOOK IS *SAFETY NET: THE STRATEGY FOR DE-RISKING YOUR INVESTMENTS IN A TIME OF TURBULENCE.* OF THE STOCKS MENTIONED HERE, HE OWNS LULULEMON AND PUBLIC STORAGE. YOU CAN REACH HIM AT JAMES_GLASSMAN@KIPLINGER.COM.

THE KIPLINGER 25 UPDATE

A Mid-Cap Fund Uncovers Gems

THIS BEAR MARKET IS quirky, say the managers at **PARNASSUS MID-CAP**. The fund is floundering these days, even though in past market downturns it has held up better than its benchmark index, the Russell Midcap. "Quality," a key trait of stocks the fund favors, "has been out of favor," says comanager Matt Gershuny. Over the past 12 months, the fund's 22% loss lagged its benchmark by two percentage points.

The fund holds 42 stocks—half the average number of other mid-cap funds—and a few bad apples near the top of the portfolio spoiled the lot. Shares of Avantor, which makes lab-test materials and research equipment, sank 48% over the past 12 months. Revenue from two recent acquisitions declined because of foreign-exchange rates and a drop-off in COVID-related sales. But Avantor's products are "mission critical," says comanager Lori Keith, and its core business is still growing at a healthy pace.

Shares of aluminum-can maker Ball stumbled 44% over the past year. Over the summer, the company said there has been a "deceleration" in demand for its cans and announced plans to shutter two production facilities. The firm also exited Russia, "selling assets at fire-sale prices," says Keith. But these are near-term challenges. Over the next few years, Ball has strong growth prospects, she says.

There were some bright spots: Sysco, a top holding, gained 8% over the past 12 months. It is the largest food distributor in the U.S. and Keith calls it "recession resistant." Another top holding, financial tech provider Jack Henry & Associates, returned 15%.

The managers of Parnassus Mid-Cap are busy loading up on shares in growing companies with "comfortable" balance sheets—meaning they have debt levels that are easily managed if interest rates rise further or the economy falls into a recession—and the ability to raise prices without losing customers. Midsize-company stocks are cheaper than they've been in 20 years, says Gershuny. Two newcomers to the fund are Xylem, which makes tech products that monitor and manage water usage, and Workday, a provider of software for human-resource departments.

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KEY DATA FOR OUR MUTUAL FUND PICKS

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

U.S. Stock Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
DF Dent Midcap Growth	DFDMX	–35.8%	6.6%	11.0%	0.0%	0.85%
Dodge & Cox Stock	DODGX	–9.3	9.3	12.5	1.5	0.51
Fidelity Blue Chip Growth	FBGRX	–40.4	11.2	14.9	0.0	0.76
Mairs & Power Growth	MPGFX	–21.4	8.5	11.0	0.6	0.61
Parnassus Mid-Cap	PARMX	–22.0	4.5	8.9	0.0	0.96
T. Rowe Price Dividend Growth	PRDGX	–10.3	10.6	12.5	1.0	0.62
T. Rowe Price QM US Sm-Cp Gro	PRDSX	–26.7	6.0	11.1	0.0	0.78
T. Rowe Price Small-Cap Value	PRSVX	–19.6	6.1	9.8	0.4	0.78
Primecap Odyssey Growth	POGRX	–19.7	7.7	13.2	0.1	0.65
Vanguard Equity-Income	VEIPX	–0.5	9.0	11.4	2.6	0.28

International Stock Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Baron Emerging Markets	BEXFX	–33.3%	–3.4%	2.4%	2.4%	1.33%
Brown Cap Mgmt Intl Sm Co	BCSVX	–37.7	5.9	—	0.0	1.31
Fidelity International Growth	FIGFX	–28.2	3.4	6.4	0.6	0.99
Janus Henderson Glbl Eq Inc	HFQTX	–9.2	1.3	4.6	4.4	0.94

Specialized Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Fidelity Select Health Care	FSPHX	–18.8%	10.3%	15.1%	0.0%	0.68%
T. Rowe Price Global Technology	PRGTX	–62.3	0.4	13.4	0.0	0.86
TCW Enhanced Comm Strategy	TGABX	11.5	8.2	0.2	3.5	0.75

Bond Funds	Symbol	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield	Expense ratio
Fidelity Interm Muni Income	FLTMX	–9.0%	0.7%	1.5%	3.5%	0.32%
Fidelity Strategic Income	FADMX	–13.6	0.9	2.3	5.9	0.66
Met West Total Return Bond	MWTRX	–18.3	–0.8	0.8	3.9	0.65
T. Rowe Price Floating Rate	PRFRX	–1.6	2.5	3.1	6.1	0.75
TIAA-CREF Core Impact Bond	TSBRX	–17.3	–0.9	1.0	4.3	0.64
Vanguard Emerg Mkts Bond	VEMBX	–19.9	1.6	—	8.3	0.55
Vanguard High-Yield Corporate	VWEHX	–11.0	1.6	3.6	7.4	0.23
Vanguard Short-Term Inv-Grade	VFSTX	–8.2	0.5	1.2	5.2	0.20

Indexes	Annualized total return 1 yr.	5 yrs.	10 yrs.	Yield
S&P 500 INDEX	–18.2%	9.8%	12.5%	1.8%
RUSSELL 2000 INDEX*	–24.1	5.1	9.7	1.5
MSCI EAFE INDEX†	–23.3	0.1	4.2	3.4
MSCI EMERGING MARKETS INDEX	–28.2	–2.4	1.1	3.8
BLOOMBERG U.S. AGG BOND INDEX#	–16.2	–0.6	0.7	5.1

As of November 4, 2022. *Small-company U.S. stocks. †Foreign stocks. #High-grade U.S. bonds. —Fund not in existence for the entire period. SOURCES: Fund companies, FTSE Russell, Morningstar Inc., MSCI, S&P Dow Jones Indices. Yields listed for bond funds are SEC yields, which are net of fees; stock fund yields are the yield for the past 12 months. NA indicates not available.

INCOME INVESTING | Jeffrey R. Kosnett

A Fixed-Income Plan for 2023

Our aspirations for 2023 are unpretentious: Recover lost capital and take 5% in income. You can do it. Plenty of income categories that flourished from 2009 to 2021 are in shock, but the worst is over. It is too late now to sell bonds, bond funds and bond-like alternatives such as preferred stocks. Rising distributions are ubiquitous within the fund universe. Brokers and banks are offering better rates on new money and rollovers.

The Federal Reserve will likely soften its rhetoric in several months so it can pause the rate-raising campaign. That will end the bond-price bleeding (bond prices and interest rates move in opposite directions). I cannot envision a U-turn that sparks an all-encompassing fixed-income rally, where interest rates plunge so drastically that they undo all of 2022's losses of principal. But a Fed breather would instill confidence that inflation is peaking. If that, plus a mild recession, whittles the 10-year Treasury-bond yield from 4% to 3%, you still stand to recover close to half of 2022's losses. The likeliest scenario is for bond yields to oscillate until spring and then ease. This implies that a solid, core selection such as **BAIRD AGGREGATE BOND FUND** (SYMBOL BAGSX) would build its net asset value 4% in 2023 and add two to three percentage points in yield.

After this year's 17% loss through November 4, that is satisfactory, but it would also scarcely exceed the guaranteed 5% from a two-year CD ladder. I am a bond guy, but I agree there is nothing wrong in savoring such sweet bank rates while you await Fed and market developments.

To beat bank rates and cut seriously into 2022's losses, therefore, you need higher-yielding bond categories. When I asked for suggestions for a downtrodden sector now positioned for strong total return, Carl Kaufman, the impresario of Osterweis Funds, cited short-term non-investment-grade "junk" bonds that mature in a year or two. Jeff Klingelhofer, co-chief investment officer at Thornburg Investment Management, likes short-dated asset-backed securities—packages of credit card bills, car and truck loans, and leases. Funds to consider include **THORNBURG STRATEGIC INCOME FUND** (TSIAX), with a current yield of 3.5%, a duration of 3 (which means low sensitivity to rising interest rates) and a moderate, 9% loss for 2022 through early November. (My yield calculations are based on distributions over the past three months, annualized.) **OSTERWEIS STRATEGIC INCOME FUND** (OSTIX) yields 4.8% on a duration of 2.9 and was down 8% in 2022. Those results sound ugly, but they beat the average, and the time to buy is when the news is bad but not as bad as it was.

TO BEAT BANK RATES AND CUT SERIOUSLY INTO 2022'S LOSSES, INVEST IN HIGHER-YIELDING BOND CATEGORIES.

Floating-rate bank loans also have continued appeal. Loan rates might peak this year, but for now, **FIDELITY FLOATING RATE HIGH INCOME** (FFRHX), the gold standard, pays a 5.5% yield.

For the adventurous. Leveraged closed-end bond funds trade at wider-than-usual discounts to their net asset value; the current discount on the average tax-exempt CEF is 7%, compared with a 10-year average of 4%. Unfortunately, 30% year-to-date losses are common. There is no sign of a bounce yet, but if you are brave, explore **BLACKROCK MUNIASSETS** (MUA, $10). It lost 26% in 2022 but trades at 10% below NAV, yields 5.7% and, with 530 positions, is diversified against credit downgrades or defaults. ■

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POON WATCHARA-AMPHAIWAN

MUTUAL FUND SPOTLIGHT

An Eye for Steady Financials

A slug of insurance and regional bank stocks has helped this fund.

HIGH INFLATION AND RISING interest rates took their toll on stocks in 2022. But financial services shares held up better, in part because higher rates can increase their profit margins. From the start of 2022 through early November, the S&P 500 index fell 19.8%. But financial stocks in that index slipped 11.8%.

Even so, performance within the sector has been varied. Some financial industries, such as insurance firms, have fared well; others, including investment-banking firms, have floundered.

A focus on cash. That has created opportunities for stock pickers in funds focused on the sector, such as Matt Snowling, who became a comanager of **T. ROWE PRICE FINANCIAL SERVICES** in July 2021 and the sole manager a few months later. Snowling's fund has outpaced the typical financials fund since the start of 2022, albeit with a 9.8% decline, largely because he avoided companies vulnerable to inflation and an economic slowdown and focused on banks with plenty of cash on deposit, among other things. "If a bank has low-cost, 'sticky' deposits, it doesn't have to take a lot of risks" with loans, he says.

Snowling, a longtime analyst for the fund before becoming a manager, looks for stocks trading at attractive values based on measures such as price to book value (assets minus liabilities), and he favors companies with good growth potential. At last report, insurers comprised 29% of the fund's assets. But Snowling says he is "cutting back" on stakes in some insurers out of concern that inflation (in the form of, say, higher replacement costs for a car) will more than eat up any gains earned on their investments from higher interest rates.

His investment process steered him clear of firms offering "buy now, pay later" services, which allow consumers to split purchase payments into installments. Shares in some BNPL firms have plunged more than 60% since the start of 2022.

Snowling's favorites these days include Charles Schwab—higher rates mean a fatter profit margin on the brokerage firm's cash accounts—and Huntington Bancshares, which could benefit from the trend to bring manufacturing back to the U.S. **KIM CLARK**

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FINANCIAL FUNDS

Ranked by one-year returns

Rank/Name	Symbol	Annualized Total return 1 yr.	3 yrs.	Max. sales charge	Exp. ratio
1. Fidelity Select Insurance Port	FSPCX	5.1%	11.9%	none	0.78%
2. Franklin Mutual Financial Services A	TFSIX	–8.5	4.0	5.50%	1.37
3. Hennessy Sm Cap Financial Investor	HSFNX	–9.1	12.0	none	1.58
4. Fidelity Select Financial Services Port	FIDSX	–9.2	9.5	none	0.73
5. John Hancock Regional Bank A	FRBAX	–9.9	6.8	5.00	1.22
6. Fidelity Select Banking	FSRBX	–10.5	5.7	none	0.73
7. T. Rowe Price Financial Services	PRISX	–11.5	11.0	none	0.88
8. ICON Consumer Select Investor	ICFAX	–13.3	1.3	none	1.58
9. John Hancock Financial Industries A	FIDAX	–13.6	7.0	5.00	1.24
10. 1919 Financial Services A	SBFAX	–13.6	6.6	5.75	1.36
S&P 500 INDEX		–18.2%	8.8%		
CATEGORY AVERAGE		–17.0	5.5		

20 LARGEST STOCK AND BOND MUTUAL FUNDS

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

STOCK MUTUAL FUNDS

Rank/Name	Symbol	Assets† (billions)	Annualized total return 1 yr.	5 yrs.	Max. sales charge
1. Vanguard Total Stock Mkt Idx Adm	VTSAX	$614.9	–20.6%	9.1%	none
2. Vanguard 500 Index Adm	VFIAX	482.6	–18.2	9.7	none
3. Fidelity 500 Index	FXAIX	353.8	–18.2	9.7	none
4. Vanguard Total Intl Stock Idx Adm	VTIAX	283.2	–23.3	0.1	none
5. American Growth Fund of America A	AGTHX	196.3	–33.8	7.6	5.75%
6. American Balanced A	ABALX	187.8	–13.6	5.3	5.75
7. American Washington Mutual A	AWSHX	148.6	–7.8	9.3	5.75
8. American Europacific Gro A	AEPGX	128.2	–30.2	0.2	5.75
9. American Income Fund of Amer A	AMECX	115.8	–7.3	5.1	5.75
10. American Fundamental Invs A	ANCFX	104.1	–18.5	6.9	5.75
S&P 500 INDEX			–18.2%	9.8%	
MSCI EAFE INDEX			–23.3	0.1	

BOND MUTUAL FUNDS

Rank/Name	Symbol	Assets† (billions)	1-year total return	Current yield	Max. sales charge
1. Vanguard Total Bond Market Idx Adm	VBTLX	$188.4	–16.3%	4.5%	none
2. Pimco Income A	PONAX	111.1	–11.0	3.9	3.75%
3. American Bond Fund of America A	ABNDX	68.7	–15.8	3.0	3.75
4. Vanguard Interm-Term Tx-Ex Inv	VWITX	66.6	–10.0	3.7	none
5. Metropolitan West Total Return Bd M	MWTRX	62.3	–18.3	3.9	none
6. Vanguard Short-Term Inv-Grade Inv	VFSTX	61.2	–8.2	5.2	none
7. Dodge & Cox Income I	DODIX	56.1	–14.6	4.2	none
8. PIMCO Total Return A	PTTAX	54.7	–17.5	3.3	3.75
9. Fidelity US Bond Index	FXNAX	52.7	–16.2	4.3	none
10. Lord Abbett Short Duration Income A	LALDX	50.9	–6.4	3.9	2.25
BLOOMBERG US AGGREGATE BOND INDEX			–16.2%	5.1%	
ICE BOFA AAA US MUNICIPAL SECURITIES INDEX			–11.5	3.4	

As of November 4, 2022. Unless otherwise indicated, funds come in multiple share classes; we list the share class that is best suited for individual investors. †For all mutual fund share classes combined. MSCI EAFE tracks stocks in developed foreign markets. SOURCES: Morningstar Direct, ICE Data Services.

MONEY

HOW TO SURVIVE AN ECONOMIC SLOWDOWN

Even if we avoid a recession, now is a good time for a financial tune-up. BY LISA GERSTNER

Many economists, business leaders and other experts believe the U.S. is headed for a recession in 2023. That means now is a good time to batten down the hatches in your financial life. Solidify your budget, build your cash cushion, pay down debts, protect your credit and make other moves to weather a storm. If you look in the right places, you can find silver linings, too. With interest rates on the rise, some savings accounts are yielding more than they have in over a decade. And if you have an entrepreneurial itch, an economic downturn can be a surprisingly good time to start a business if you play your cards right. (For more about what to expect for your investments, see page 26.)

In Las Vegas, the Torta Chaser food truck was born out of hardship for its founders. Rafael Bruno and Douglas Nuñez, who are both 38, have been friends since childhood and were working together for a foreclosure trustee when they were laid off in 2020 after the pandemic hit. They decided to pursue their dream of running their own business in the food industry, and in November 2021 they opened the Torta Chaser, which serves Chicano cuisine, combining American and Mexican comfort foods. (For more on their story, see page 55.)

RAFAEL BRUNO AND DOUGLAS NUÑEZ DECIDED TO OPEN A FOOD TRUCK AFTER THEY WERE LAID OFF FROM THEIR JOBS.

PHOTO BY JOE GIRON

Even if a recession doesn't come to pass—or if the expected downturn ends up being relatively mild—most of the advice you'll find here makes sense no matter how the economy looks. "You should always be prepared for a recession," says Artie Green, a certified financial planner in Palo Alto, Calif. "If you're always prepared, you won't have to make any changes to your investment strategy, emergency fund or withdrawal strategy when a recession hits."

REVIEW YOUR BUDGET

A solid budget is the foundation that you can use to perform some of the other tasks on this list, from saving in an emergency fund to paying down debt to preparing for retirement. And even if you feel that your spending, saving and debt-payoff plans are on track, a budget can give you a sense of control over your money—which is even more of a comfort when the economy is shaky and inflation is high.

As a broad guideline, you could use the 50-20-30 rule to divvy up your budget. Under this plan, 50% of your after-tax income goes toward essential expenses—your rent or mortgage payment, minimum loan payments, insurance, utilities, groceries, and transportation costs, such as for gas. Twenty percent of your budget is dedicated to paying off debt and funding your savings, investment and retirement accounts. The remaining 30% is for discretionary spending, such as dining out, cable or video-streaming services, vacations, and hobbies. Tweak the categories as you see fit—if you're laser-focused on paying down debt, for example, you may increase the percentage of income you dedicate to that bucket.

If you need to trim spending to make more room for saving or debt repayment, the discretionary category is likely the prime candidate. You may scale back on having meals out or drop subscriptions to services you use infrequently. And you may find some wiggle room among your essential expenses, too. With a mobile app such as **GASBUDDY**, you can search for the lowest gas prices near you. Check whether your grocery store has an app that provides coupons, and join the store's loyalty program to help ensure you get any member discounts.

If your emergency fund is falling short, you may want to direct any extra cash toward it before accelerating some types of debt repayment.

A budgeting app can help you see where your money goes. **MINT** is a longstanding favorite in the budgeting world, with tools that allow you to connect your bank, loan and credit card accounts so you can keep an eye on your cash flow. You can also set limits in various spending categories, create savings goals, and keep track of your investment and retirement accounts.

If you'd like to take a deeper dive, check out the **YOU NEED A BUDGET** app (after a 34-day free trial, it's $14.99 per month for a monthly plan or $8.25 per month for an annual plan). It guides users with four rules for successful budgeting (giving every dollar of your income a job is one). Ultimately, the goal is to spend money that you've had for at least 30 days—in other words, using last month's paycheck for this month's expenses—rather than live paycheck to paycheck.

BUILD YOUR EMERGENCY FUND

An emergency fund is a stash of easily accessible cash that you can tap if you need to cover a large, unexpected bill—say, for car repairs or a hospital stay—or to replace income after a job loss. The rule of thumb is to keep at least three to six months' worth of living expenses in your emergency fund. But when a recession looms, it's not a bad idea to pad it with extra cash, especially if your job is vulnerable to layoffs. "A business owner or someone in a field where layoffs are common might want to set aside 12 months of cash reserves," says Michael Wren, a CFP in Leawood, Kan. "A public school teacher with tenure and great insurance coverage may not need as much." (For more on evaluating your job security, see the box on page 53.)

A savings account or money market deposit account is often the best place to park your emergency fund. Such accounts typically come with the ability to withdraw money quickly and are protected by deposit insurance from the Federal Deposit Insurance Corp. or National Credit Union Share Insurance Fund in case the bank or credit union fails. As interest rates rise, you can get a decent yield these days, too, with internet banks leading the way on boosting rates.

Look for an account with no monthly fee or with minimal requirements to avoid it. The **LENDINGCLUB HIGH-YIELD SAVINGS ACCOUNT** (www.lendingclub.com/personal-banking) recently yielded 3.12% with no monthly fee and free unlimited external transfers to other accounts. The no-fee **SALLIE MAE MONEY MARKET ACCOUNT** (www.salliemae.com/banking) recently had a 2.7% rate, and it comes with check-writing.

Some certificates of deposit that charge no early-withdrawal penalty are worth a look, too, says Deacon Hayes, founder of personal finance site Well Kept Wallet. The **CIT BANK NO-PENALTY 11-MONTH CD** (www.cit.com) recently yielded 3.05% and required a $1,000 opening deposit. You can withdraw the full balance as early as seven days after you fund the CD.

Interest rates change often, so be sure to check an account's current yield and other terms before you open it. To see high-yield accounts available in your area, visit www.depositaccounts.com.

DEAL WITH DEBT

To tame inflation, the Federal Reserve has raised short-term interest rates considerably, with the benchmark rate hovering near 0% at the beginning of 2022 and rising to about 4% by early November, with more hikes expected. “Interest rates have increased at the fastest pace in 40 years, and the cumulative effect will slow the economy, perhaps significantly, in 2023. Mortgage rates have rocketed to 16-year highs, home equity lines of credit are the highest in 14 years, and car loan rates are at 11-year highs,” says Greg McBride, chief financial analyst for Bankrate.

Among types of debt, high-rate credit card balances are among the most onerous. Most credit cards come with a variable rate, so each time the Fed boosts its benchmark rate, the rate you pay on your card balance goes up, too. And interest rates on credit cards are typically in the double digits, recently averaging more than 18% on accounts that assess interest, according to the Fed. Personal-finance site WalletHub estimates that people with credit card debt are spending an additional $25.6 billion in interest in 2022 as a result of rate hikes (for more, see “New Year’s Resolution: Pay Down Your Credit Card Debt,” on page 14).

Most likely, it makes sense to focus on paying down credit card debt before, say, your car loan or student loans, which probably carry lower rates (but continue making at least the minimum payment on your other debts). And explore whether you can transfer the balance to a card with a better rate. Recently, the **BANKAMERICARD CREDIT CARD** offered a 0% rate for 21 months on balance transfers made within 60 days of opening the account, and it charged a 3% ($10 minimum) balance-transfer fee. After the 0% window ends, the standard variable rate kicks in—recently, it ranged from 14.99% to 24.99%. If you take advantage of a 0% introductory offer, make a plan to pay off all or most of the balance before it expires.

If your emergency fund is falling short, you may want to direct any extra cash toward it before accelerating some types of debt repayment. “If your income stops or is reduced, it is cash that you will need to see you through,” says David Mendels, a CFP in New York City. “Paying down expensive credit card debt is always a good idea, but it is probably better to conserve cash by not paying down longer-term debt like mortgages and student loans any more than needed to stay current.”

If you are unable to keep up with your bills, contact your lenders and try to work out a new repayment plan. The lender may be willing to lower your interest rate or reduce or skip payments for some period.

Cash sources in a pinch. Ideally, you’ll be able to build a sufficient emergency fund, because taking on debt to cover a large bill or living expenses after a job loss is hardly optimal. But it’s a good idea to explore other options for raising cash while your financial situation is stable. For homeowners, “this may be an excellent time to take out a home equity line of credit while you still can show the income to support it,” Mendels says. With a HELOC, you can access a revolving line of credit that is secured by your home. The average interest rate for a $30,000 line of credit was recently 7.3% for a borrower with a FICO credit score of 700 and a combined loan-to-value ratio (the sum of your HELOC amount and your mortgage balance reflected as a percentage of your home’s value) of 80%. Most HELOCs have a variable rate, so the rate you get now may be lower than the one that applies if you borrow money using your HELOC later.

Alternatively, a credit card with a low rate can help you get by. Some cards—including the aforementioned BankAmericard Credit Card—offer a 0% introductory window on purchases. The **LAKE MICHIGAN CREDIT UNION PRIME PLATINUM VISA** doesn’t have a 0% introductory rate, but it offers an ongoing variable rate that can be relatively modest—recently, it was as low as 9.25% for those with a credit score of at least 760. (Anyone nationwide can join the credit union by donating $5 to the ALS Association.) Interest rates and other card features are subject to change, so check the current terms before you apply. And keep in mind that qualifying for a low-rate card may be

LAYOFF WATCH

IS YOUR JOB VULNERABLE?

A recession—or the prospect of one—often goes hand in hand with woes in the labor market. In late 2022, some major companies, including several in the technology sector, initiated hiring freezes and layoffs. Take stock of whether your job may be on the chopping block in a downturn. One way to get an idea of your employer or industry’s stability is to check out the corporate scorecard of 250 large firms at www.americanopportunityindex.org. Companies that received high marks for stability offer “good, well-paying jobs without significant churn” and performed well for wage and retention metrics. Companies involved in oil and gas, pharmaceuticals, and aerospace were among those in the top 50.

Especially if your job could be vulnerable to layoffs, consider updating your résumé, expanding your network and brushing up your skill set. LinkedIn is a thriving online platform where professionals can create a profile listing their skills and experience, connect with one another, and search for job opportunities. LinkedIn Learning ($20 a month if you get an annual plan or $40 a month for a monthly plan, after a one-month free trial) provides expert-led educational videos in business, technology and creative skills. Codecademy.com provides free basic lessons on writing code, and you pay a fee if you want to access a broader range of materials. At Coursera.org, you can complete free courses from universities and companies in a range of fields.

difficult after a job loss if you don't have sufficient income or assets to show that you can make payments.

POLISH YOUR CREDIT

Whether you need to borrow money to get through a rough patch, refinance debt you already have, or buy a home or car, snagging a low interest rate could save you heaps of money in the long run. Your credit score is a key factor that lenders typically use to determine your rate on a credit card or loan, so it's wise to work now on increasing your score in case strong credit comes in handy later.

Standard credit scores from FICO and VantageScore, the two major scoring companies, run on a scale of 300 to 850. Boosting your credit score requires a few steps. The first and most important is to pay all your bills on time. Payment history makes up 35% of a FICO score—the score type that lenders most commonly check—and even one late payment on a credit card, loan or other bill could sink your score significantly. Missing a payment by 90 days or more could result in a drop of as much as 180 points, according to a FICO study. Second, don't use a large percentage of the credit available to you on your credit cards. Maxing out your cards results in a high credit-utilization ratio, which weighs on your credit score. Aim to keep your credit card balances at about 20% or less of your card limits—both on individual cards and in the aggregate across all your card accounts. Third, avoid applying for several credit cards at once. Each application results in a hard inquiry on your credit report, and a cluster of inquiries in a short period can damage your score.

You should also check your credit reports regularly to make sure that they are free of errors or fraudulent activity, which could torpedo your credit profile. At www.annualcreditreport.com, you can get a free report from each of the three major credit bureaus—Equifax, Experian and TransUnion—once per week through the end of 2023. If you see credit accounts that you don't recognize, inaccurate information about your existing accounts, or any other red flags, file a dispute with each bureau reporting the wrong information, and contact the lender or other entity that provided it.

KEEP YOUR RETIREMENT ON TRACK

If you're not yet retired, try to keep contributing to your retirement accounts. For young people whose retirement is many years away, any money that you set aside now can benefit greatly from long-term growth in the stock market. If you have access to a 401(k) or other employer plan, aim to contribute at least enough to capture any employer match. You can stash as much as $22,500 in a 401(k) or other employer-sponsored plan in 2023, and people who are age 50 or older can save an extra $7,500 in catch-up contributions. The IRA contribution maximum for 2023 is $6,500, and those 50 or older can put away an additional $1,000.

If you hope to retire soon, assess where your retirement savings stand and whether working longer makes sense, especially given the decline many investors have seen in their portfolios recently. That doesn't necessarily mean sticking with your full-time job. "There are lots of job openings for part-time work compared to years past," says Ryan Marshall, a CFP in Wyckoff, N.J.

Strategies for retirees. Retirees may need to tweak their account-withdrawal strategies when the stock market is in decline. A primary lesson from the Great Recession of 2007–09 is that "the sequence of returns *really* matters," says Thomas Scanlon, a CFP in Manchester, Conn. *Sequence-of-returns risk* refers to the threat that you'll run out of money in retirement if you pull money from your portfolio while it's losing value in a market downturn. Doing so could diminish your savings significantly, leaving you with a smaller balance to create growth during market recoveries. Scanlon recommends that retirees or those within five years of retirement keep 24 to 30 months' worth of living expenses in cash to help avoid selling investments when the market is down.

Marshall says that he's talking with clients about lowering their monthly withdrawals because many are getting relief from a sizable 8.7% cost-of-living adjustment in Social Security benefits for 2023, as well as a slight decrease in Medicare Part B premiums. If you haven't begun collecting Social Security yet, you may be tempted to start benefits early to draw in extra income. But keep in mind that your benefit could be reduced by as much as 30% if you take benefits at age 62 instead of waiting until your full retirement age, or FRA (which is 66 for those born between 1943 and 1954 and gradually rises to 67 for those born in 1960 or later). And for each year you wait to take benefits after your FRA up to age 70, you get an 8% increase in delayed retirement credits. For more on Social Security claiming strategies, see "Yours, Mine and Ours: Social Security Benefits for Couples," on page 58.

START A SIDE HUSTLE—OR A FULL-TIME BUSINESS

Establishing an extra source of income can create room in a tight budget. Even if you don't want to pick up a side gig yet, explore your options now. You're probably familiar with popular services such as Airbnb, through which hosts can rent out spare rooms or entire homes for guests seeking overnight stays, and ride-sharing services such as Lyft and Uber. You can also use services to rent out or sell all kinds of items that you may have on hand. On Stache, for example, you can rent out spare space for storage or parking. Sites such as Poshmark and ThredUp allow users to sell secondhand clothing. At SideHusl.com, you can see information and reviews on more than 450 online platforms and take a quiz that helps match you with a gig that fits your interests and skills.

■ HEATHER MANGIONE AND HER WIFE, KASIA PIASECKA, LEFT THEIR JOBS IN 2020 TO FOCUS ON AL FRESCO TAILS PET SITTING.

PHOTO BY DAVID WELCH

You could also put your career skills to work. If you're a teacher or are knowledgeable in certain subjects, consider tutoring—a much-needed service for kids who have fallen behind academically because of the pandemic. Online platform Wyzant connects students to tutors. If you have skills in marketing, tech, consulting, law, accounting, engineering, human resources or other areas, you may be able to find companies eager to hire freelancers. "Freelance platforms for professionals are absolutely burgeoning," says Kathy Kristof, founder of SideHusl. In an economic downturn, freelance opportunities often increase as companies shy away from hiring full-time employees, says Kristof.

A flourishing side hustle has the potential to become a full-fledged business. That's what happened to Heather Mangione, 37, and her wife, Kasia Piasecka, 36. They have seen high demand for their pet-sitting and dog-walking service, which originated as a side hustle for Piasecka in 2014. In 2020, Mangione and Piasecka both left their jobs to focus on Al Fresco Tails Pet Sitting. They experienced a dip in business in the early days of the pandemic, when people were encouraged to stay home. But the pandemic also resulted in a wave of pet adoptions, which ultimately gave their business a boost. They live and work on Martha's Vineyard, a Massachusetts island known as a haven for affluent folks.

The cost of living is considerably higher on Martha's Vineyard than elsewhere in Massachusetts, and inflation has compounded the pain—especially with gas being one of their biggest expenses. Last spring, Mangione and Piasecka decided to raise rates for their services by 30% to 40%. For the most part, their wealthy clientele have rolled with the changes.

Strike out on your own? Starting a business from scratch during a downturn comes with its challenges. Finding start-up funding is difficult, and depending on the industry, drumming up a customer base may be tough as consumers tighten their wallets. But a recession also presents opportunities for entrepreneurs. Fewer people start businesses during a downturn, so you have less competition than you ordinarily would, says Norman Sherman, a certified mentor for SCORE, which connects business owners with experts who provide them advice. In addition, businesses tend to retrench during downturns, investing little in new services and products, says Sherman. That opens the door for entrepreneurs to put their own ideas into the spotlight.

Rafael Bruno and Douglas Nuñez saw how restaurants suffered early in the pandemic, and they decided that launching a food truck would be less risky than starting a restaurant. After they were laid off from their jobs in 2020, they spent some time developing their business model and finalizing recipes. They tapped their 401(k)s for funding, taking advantage of temporary, pandemic-related provisions that allowed penalty-free withdrawals from the plans for those who lost their jobs. Bruno and his wife have income from an investment property, which relieved some of the stress of putting a chunk of their life savings toward the business.

Now that the Torta Chaser has been operating for about a year, Bruno and Nuñez are getting close to breaking even on their start-up expenses. "If you have something you're passionate about, don't stop pushing toward trying to achieve that goal," says Nuñez. ■

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MONEY SMART WOMEN | Janet Bodnar

How to Get the Raise You Deserve

IN MY LAST "MONEY SMART WOMEN" column (Nov.), I interviewed Stacy Francis, founder of Savvy Ladies (www.savvyladies.org), which educates women on how to take control of their finances. Francis said that one of the easiest ways for women to increase their income is to ask for a raise. But, she added, "that's also the most neglected because women don't ask."

Research shows that women are more reluctant than men to ask for a raise and that they feel less comfortable negotiating. "Women have been socialized not to ask, and they're especially sensitive to asking for too much," says Sharon Melnick, an executive coach for women leaders. "It seems like self-promotion."

Melnick thinks those attitudes might be changing, especially after the pandemic. "I'm hearing more women say that compensation really matters to them," she says.

If you're shy about speaking up, start by getting into the right mindset and then sharpen your negotiating skills, advises Kelley Joyce, a career and business coach and founder of The Truth at Work. "Build up your negotiating muscle around non-threatening situations," says Joyce. "It's unrealistic to march into your boss's office and ask for more money if you hesitate to send back a cold meal at a restaurant or you defer to your spouse about which movie to watch."

If self-promotion makes you uncomfortable, think about how others will benefit if you are successful. "Instead of asking for yourself, ask on behalf of your family," says Melnick.

Tips on negotiating. Get your ducks in a row. At a minimum, you should have some idea of the market rate for your position, as well as how your employer stacks up. "It's key to know what's realistically possible within your company," says Carol Frohlinger, president of Negotiating Women, in Athens, Ga.

And it's critical to quantify your value to your employer as much as possible. If you're in sales, the numbers can speak for themselves. If you're in research or a support role, show how you were able to contribute to the sales team, finish a project quickly, reduce costs or are willing to take on more responsibility.

IT'S CRITICAL TO QUANTIFY YOUR VALUE TO YOUR EMPLOYER AS MUCH AS POSSIBLE.

POON WATCHARA-AMPHAIWAN

Joyce advises that you also take a close look at your own budget. "If you have an $85,000 lifestyle and you're making $80,000, it will light a fire to ask for $7,000 more," she says

Make your pitch perfect by role playing with your spouse, partner or a friend. "You'll feel a lot more comfortable if you get the words out of your mouth and not keep them in your head," says Frohlinger. She suggests keeping a file of positive feedback that you can present to your manager to bolster your case.

Don't feel you need to apologize or tell your boss that you need more money because your rent is going up. You are making the case that you should be fairly compensated for your value to the company, so focus on that. Even if you're working at home or have a hybrid situation, make it a point to show up at the office. Remember: out of sight, out of mind.

If you can't get more money, have a plan B—more vacation, or the opportunity to go to conferences or get more job training. "Sometimes you're better off with a title rather than money because you can parlay that into a bigger job somewhere else," says Frohlinger.

Answer still no? Take that as a "not now" and tell your boss you'd like to get together again in a few months to revisit your request. And whatever you agree on, get it in writing. ■

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BANKING

FREE CHECKING FROM YOUR BROKER

CHECKING ACCOUNTS COME in all shapes and sizes, some with fees and some that are free. And though checking accounts are typically associated with banks or credit unions, your investment firm may offer one, too.

For example, the Fidelity Investments Cash Management account currently yields 1.57% and placed second in the "Best for Retirees" category of our annual bank rankings (see "The Best Bank for You," Aug.). It requires no monthly fee or minimum balance, and the account reimburses all domestic out-of-network ATM fees (there is a 1% foreign-transaction fee).

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

Cash Management is a brokerage account, but your money is insured by the Federal Deposit Insurance Corp. for up to $1.25 million—rather than the standard $250,000 per depositor per institution—thanks to a program that holds funds at various institutions.

Charles Schwab's FDIC-insured high-yield checking account is also free, including when used abroad. And it provides unlimited ATM reimbursements worldwide. The account yields 0.40% and comes with a Schwab One Brokerage account.

E-Trade offers two checking accounts. The basic account has no fee or minimum-balance requirement, but it doesn't reimburse ATM fees. And while the interest-bearing Max-Rate account, which currently yields 0.05%, doesn't require a minimum to open, it does carry a $15 monthly fee. However, you can beat the fee by, say, setting up a recurring monthly direct deposit of $200 or more or keeping a monthly balance of at least $5,000. The account also offers unlimited reimbursement of ATM fees nationwide and abroad. Both the basic and the max checking accounts charge a 1% foreign-transaction fee, but both are FDIC insured.

American Express is also getting in on the checking bandwagon. Existing customers have access to its FDIC-insured 0.60% high-yield checking account, which has no minimum balance and no fees. However, the account charges foreign-transaction fees, and it doesn't reimburse ATM fees. For no-fee withdrawals, you must use one of the 37,000 MoneyPass ATMs. **RIVAN STINSON**

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TOP-YIELDING SAVINGS

Taxable Money Market Mutual Funds	30-day yield as of Nov. 1	Minimum investment	Website (www.)
USAA MMF (USAXX)	2.98%	$1,000	vcm.com
Fidelity MMF (SPRXX)*	2.95	1	fidelity.com
T. Rowe Price Cash Reserves (TSCXX)*	2.92	2,500	troweprice.com
Gabelli U.S. Treasury MMF (GABXX)	2.91	10,000	gabelli.com

Tax-Free Money Market Mutual Funds	30-day yield as of Oct. 31	Tax eq. yield 24%/35% bracket	Minimum investment	Website (www.)
Morgan T-F Daily (DSTXX)*	2.17%	2.86%/3.34%	$5,000	morganstanley.com
BNY Mellon Ntl Muni (MOMXX)	2.14	2.82/3.29	10,000	im.bnymellon.com
Fidelity Muni MMF (FTEXX)*	2.08	2.74/3.20	1	fidelity.com
Fidelity Tax-Exempt (FMOXX)*	2.01	2.64/3.09	1	fidelity.com

Savings and Money Market Deposit Accounts	Annual yield as of Nov. 4	Minimum amount	Website (www.)
Merchants Bank of Indiana (Ind.)#†	3.82%	$50	merchantsbankofindiana.com
Brilliant Bank (Kan.)#†	3.61	1,000	brilliant.bank
Bask Bank (Texas)†	3.60	0	baskbank.com
CFG Bank (Md.)#†	3.55	1,000	cfg.bank

Certificates of Deposit 1-Year	Annual yield as of Nov. 4	Minimum amount	Website (www.)
Merchants Bank of Indiana (Ind.)†	4.34%	$1,000	merchantsbankofindiana.com
Banesco USA (Fla.)†	4.30	1,500	banescousa.com
BMO Harris (Ill.)†	4.25	1,000	bmoharris.com
Sallie Mae Bank (Utah)†	4.25	2,500	salliemae.com

Certificates of Deposit 5-Year	Annual yield as of Nov. 4	Minimum amount	Website (www.)
Sallie Mae Bank (Utah)†	4.55%	$2,500	salliemae.com
BMO Harris (Ill.)†	4.50	1,000	bmoharris.com
Lafayette Fed Credit Union (Md.)&	4.42	500	lfcu.org
First Internet Bank (Ind.)†	4.39	1,000	firstib.com

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

TOP CHECKING ACCOUNTS

Must meet activity requirements*

High-Yield Checking	Annual yield as of Nov. 4	Balance range†	Website (www.)
Consumers Credit Union (Ill.)&	5.00%‡	$0-$10,000	myconsumers.org
La Capitol FCU (La.)&	4.25	0-3,000	lacapfcu.org
Genisys Credit Union (Mich.)&	4.07	0-7,500	genisyscu.org
Ideal Credit Union (Minn.)&	4.00	0-20,000	idealcu.com

*To earn the maximum rate, you must meet requirements such as using your debit card several times monthly and receiving electronic statements. †Portion of the balance higher than the listed range earns a lower rate or no interest. &Must be a member; to become a member, see website. ‡Requires spending $500 or more monthly in CCU Visa credit card purchases. SOURCE: DepositAccounts.

YIELD BENCHMARKS	Yield	Month-ago	Year-ago
U.S. Series EE savings bonds	2.10%	0.10%	0.10%
U.S. Series I savings bonds	6.89	9.62	7.12
Six-month Treasury bills	4.55	3.98	0.07
Five-year Treasury notes	4.33	3.84	1.10
Ten-year Treasury notes	4.17	3.62	1.53

As of November 4, 2022.

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

Yours, Mine and Ours Social Security Benefits for Couples

How to maximize benefits for spouses, survivors and divorced retirees. BY SANDRA BLOCK

ILLUSTRATIONS BY JENNIFER TAPIAS DERCH

Getting the most out of your Social Security benefits could significantly improve your retirement security, and if you're married, it's not a decision you should make in a vacuum. Before you and your spouse file for benefits, you should consider a host of factors, including your respective earnings histories, the difference in your ages and how long you think you'll live. Thanks to spousal and survivor benefits, you may have more options than single beneficiaries—and those options extend to divorced and widowed spouses, too.

TAKE ADVANTAGE OF YOUR SPOUSE

Social Security benefits are based on your 35 highest years of earnings. If you have less than 35 years of earnings, zeroes are entered for the missing years. That can lead to a significant reduction in benefits for spouses who have taken time off from the workforce to care for children or elderly parents. Spousal benefits are designed to address that problem by allowing individuals to claim benefits based on their spouse's earnings record instead of their own.

As long as your spouse has filed for his or her own Social Security benefits, you can file for spousal benefits as early as age 62 (or earlier if you're caring for a child who is younger than age 16 or disabled). If you wait to file until your full retirement age (which is 66 for beneficiaries born between 1943 and 1954 and gradually increases to 67 for beneficiaries born after that), you'll be eligible for 50% of your spouse's primary insurance amount (PIA)—the benefit your spouse is entitled to at his or her full retirement age.

But if you file at age 62, the benefits you'll receive will be reduced. For example, suppose a worker's primary insurance amount is $1,600 a month, entitling his spouse to spousal benefits of up to $800 a month at her full retirement age. If she opts to file for spousal benefits three years before she reaches full retirement age, her benefits will be reduced to $600, or 37.5% of the primary insurance amount.

If you want to start collecting benefits before your spouse applies for Social Security, you can file for your own benefits as early as age 62, then switch to the spousal benefit once your partner files for his or her own benefits.

Spousal benefits aren't eligible for delayed retirement credits—which we'll discuss below—so there's no advantage to waiting until after full retirement age to claim them.

In the past, some couples used a strategy known as "restricted filing" or "restricted application" to maximize their combined benefits. With this game plan, a retiree would file for spousal benefits at full retirement age, even if those benefits were lower than what the individual would receive based on his or her own earnings. The retiree would switch to his or her own earnings as late as age 70, allowing his or her own benefits to earn delayed retirement credits of 8% a year for every year between full retirement age and age 70.

However, this strategy is no longer available for people born after January 1, 1954, so most couples who are eligible have already taken advantage of it, says Jim Blankenship, founder of Blankenship Financial Planning and author of *A Social Security Owner's Manual*. For those born after that date, Social Security uses a method known as "deemed filing," under which it will automatically pay you the highest benefits you're eligible to receive when you file.

There are other ways couples with unequal earnings histories can coordinate the timing of their filing applications to get the most out of their combined benefits. One strategy works like this: The lower-earning spouse claims benefits as early as age 62, even though it will reduce that spouse's benefits by up to 30%. The couple can use income from the lower earner's benefits, along with other sources, to enable the higher earner to delay filing until age 70. The logic behind this strategy is that the higher earner's benefits will get a greater boost from the delayed retirement credits and the annual cost-of-living increases.

IF YOU HAVE COMPARABLE EARNINGS RECORDS

It's no longer unusual for a working couple to have similar work records. But even if you think you will each receive about the same benefit, run the numbers to determine the amount each spouse is eligible to receive. Even small differences in birth dates and earnings can affect your benefits. Go to www.ssa.gov/myaccount/retire-calc.html to create an online Social Security account (if you don't already have one) and estimate your benefits at age 62, full retirement age and age 70. If you need the income, it makes sense for the spouse with lower benefits to file at full retirement age (or earlier), while allowing the higher earner's benefits to grow.

If you and your spouse have other sources of income to cover your retirement expenses, it may make sense for both of you to delay filing until age 70. For example, if you both have a primary insurance amount of $3,000 and live to 90, you could collect approximately $65,000 more over your lifetimes if both of you delay filing until 70, compared with having one spouse file for benefits at full retirement age.

Health issues can play a role in your decision, too. If one spouse is in poor health, you may be better off having one spouse file as early as age 62 while the other spouse postpones filing until age 70. That will provide funds for medical expenses while allowing the healthier spouse's benefits to continue to grow. It will also increase the amount of survivor benefits.

GETTING THE MOST FROM SURVIVOR BENEFITS

When deciding when to file for Social Security, many retirees focus on the breakeven point—essentially, the amount of time you need to live after delaying benefits to earn the same amount you would have received if you had filed earlier. But if you're married, you should consider not just your own longevity, but how long your spouse will live, too. If your spouse is the lower earner, delaying benefits could significantly improve his or her financial security. That's because when one spouse dies, the surviving spouse will receive the larger of the couple's benefits, while the smaller of the couple's benefits will disappear.

There are also steps widows and widowers can take to get the most out of their survivor's benefits. If you wait until your full retirement age to file for survivor's benefits, you'll receive 100% of the deceased spouse's benefits. The amount is reduced if you claim the benefit before FRA.

But if you need the money sooner than that, you have other options. Use the Social Security benefits estimator

KIPTIP

Don't Overlook the Earnings Test

Although filing early for Social Security benefits is a key component of some couples' filing strategies, it's important to understand what happens if you decide to go back to work. Under what's known as the earnings test, your Social Security benefits could be reduced.

Here's how the earnings test works: If you file for Social Security before you reach full retirement age and earn income from a job, Social Security will withhold a portion of your benefits once your earnings exceed a certain threshold. The threshold is adjusted annually to account for inflation.

In 2023, Social Security will withhold $1 in benefits for every $2 you earn over $21,240. If you reach full retirement age in 2023, you can earn up to $56,520 before Social Security will withhold $1 in benefits for every $3 you earn over the limit. (The earnings test is based on your individual income, so if your spouse is also working, it won't count against you.)

In the month you reach full retirement age, the earnings test disappears. In addition, your monthly benefit amount will be adjusted upward to account for forfeited benefits.

to figure out which of these strategies will provide the biggest payoff:

File for survivor benefits as early as age 60 and later switch to your own benefits. Your survivor benefits will be reduced if you file for them before full retirement age. But if you postpone claiming your own benefits until age 70, you'll receive delayed retirement credits.

File for your own benefits as early as age 62 and claim survivor benefits when you reach full retirement age. This strategy will allow you to receive some income (although your benefits will be reduced) until full retirement age, when you'll be eligible for 100% of your survivor benefits. Your survivor benefits aren't eligible for delayed retirement credits, so there's no advantage to waiting past your full retirement age to claim them.

LOWER BENEFITS FOR PUBLIC-SERVICE WORKERS

If your career included jobs in both private industry and the public sector,

your Social Security benefits could be curtailed.

The Windfall Elimination Provision (WEP) reduces your benefits by a discounted factor based on how many years you worked in jobs that did not withhold Social Security taxes. The WEP can reduce your Social Security benefits by up to 50% of the amount of the pension you receive from wages that weren't covered by Social Security. Social Security provides a calculator (at www.ssa.gov/benefits/retirement/planner/wep.html) you can use to estimate how the WEP will affect your benefits.

If you haven't already retired, working a few more years at a job that withholds Social Security taxes could enable you to escape the WEP. The provision's "haircut" doesn't apply to beneficiaries who have paid taxes on 30 years of substantial earnings, which Social Security adjusts annually.

The Government Pension Offset (GPO) limits the amount of spousal benefits if you receive a pension from a job that didn't withhold Social Security taxes. The GPO reduces your spousal and survivor benefits by two-thirds of the amount of your noncovered pension. In many cases, this provision wipes out spousal and survivor benefits, Blankenship says. ■

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TIES THAT BIND

Divorced? You May Still Be Eligible for Spousal Benefits

The wage gap between men and women has narrowed in recent years, but many women still earn less than their spouses, particularly if they took time out to care for their family. This discrepancy can be particularly difficult for divorced women who earned less than their former husbands because they no longer can rely on their partner's income. Women—and men, if their ex-wives were the higher earners—can significantly improve their retirement security by taking advantage of Social Security benefits for divorced spouses.

If the benefits based on your ex-spouse's earnings record are higher than you would receive based on your own earnings, you can apply for spousal benefits, and you may be eligible for survivor benefits, too.

To qualify for these benefits, you must be at least 62 years old, and you must have been married for at least 10 years. If you remarried, you can't collect benefits on your former spouse's record—unless your later marriage has ended by annulment, divorce or death.

Unlike married spouses, divorced individuals can apply for spousal benefits even if their ex hasn't filed for his or her own benefits, although your ex must be at least 62. But as is the case with married retirees, you can increase the size of your benefits by waiting to file your claim. If you wait until your full retirement age to file, you'll be eligible for 50% of your ex's benefits at his or her full retirement age. You can apply earlier, but your benefits will be reduced by between 7% and 8% for each year before your FRA that you claim.

You don't have to tell your ex that you're applying for benefits based on his or her record. In addition, your spousal benefits will have no effect on the amount of benefits your ex—or your ex's new spouse—receives. You will, however, need to provide the Social Security Administration with a copy of your divorce decree, and it's helpful to have your ex's Social Security number, too.

If your ex predeceases you, you may also be eligible for survivor benefits of 100% of his or her Social Security payout. Again, you must have been married for 10 years or more to qualify. However, remarriage won't affect your eligibility for survivor benefits as long as you're at least 60 years old when you apply, or 50 if you're totally disabled. You can switch back to your own benefits when you turn 70 if that would result in a higher payout. Filing a claim for survivor benefits won't affect the amount of benefits your ex's other survivors receive.

PRACTICAL PORTFOLIO | Kim Clark

Moves to Improve Your Financial Life

These seven easy New Year's resolutions will get your investment portfolio on the right track.

LET'S BE REALISTIC: ODDS ARE THAT however motivated you feel today, your New Year's resolution to improve your life by, say, doing 100 push-ups every morning or cutting those expensive lattes out of your budget will be kaput by February.

Luckily, we've come up with seven New Year's resolutions that could help you improve your financial health without breaking a sweat. Each requires a once-a-year time commitment of no more than a few hours—and some take just a few minutes. "The difference between dieting or exercising resolutions and financial ones is that dieting is day-by-day, while switching to index funds or increasing your contribution to your 401(k) is one-and-done," says Meir Statman, a finance professor at Santa Clara University and a behavioral finance expert.

Knocking these quick resolutions off your to-do list may inspire you to tackle tougher resolutions, such as hitting the gym three times a week. They might even save you enough money to keep indulging in your Starbucks habit.

Draft or review your investing policy (estimated time: 30 minutes to 2 hours). You won't get anywhere if you don't have a destination and a map. So Elliott Appel, a certified financial planner in Madison, Wis., has his clients draft an "investment policy statement" that outlines what they're saving and investing for, how much they'll need, when they'll need it, and how they'd like to invest to get there.

If you already have a plan, it's important to review it once a year, he says. Update older plans to address whether you want to include new alternative assets, such as non-fungible tokens (NFTs), and how you want to respond to big price swings in the stock market. "The investment policy statement is the rulebook for how we are going to invest," he says.

Automate your savings and investments (20 minutes). Setting your investment contributions to automatic is the best way to keep your stress low and your investment plan on track, says Matteo Hoch, of Las Vegas–based Bird Spring Financial. Employer-sponsored retirement plans, such as 401(k)s, are set up this way, and that makes saving easy. Try to increase your contribution each year by, say, apportioning part of any pay raise to savings.

If you receive a bonus or have other cash that you'd like to invest, you can set up regular automatic transfers from your bank into a Roth IRA or a taxable investment account. Although research shows investing lump sums immediately typically pays off better, there are psychological and risk-reduction pluses to dollar-cost averaging, or investing small amounts at regular intervals over time. "Dollar-cost averaging reduces your risk of investing on the worst possible day and smooths out investment returns," Hoch says.

Reevaluate your tolerance for risk (2 hours). "People are comfortable with risk when the market is going up," says Jim White, a certified financial planner in Pottstown, Pa. But the 2022 bear market taught many investors the reality of risk. It's a good idea to conduct an annual evaluation of two important aspects of risk: Your risk *capacity,* or how much you should have in safe assets as portfolio ballast given your age, income and net worth; and your *tolerance,* or how much risk you can stand emotionally. Vanguard and many other investment firms offer free online tools to help you gauge the right allocation for your financial and emotional situation.

One test of your risk capacity and tolerance, says White, is whether you can sleep at night. If worries about your long-term retirement prospects are causing anxiety, then it may be time to reconsider the risk in your overall portfolio. Adding bonds and reducing stocks will lower the risk. But White reminds his young investors that a high stock allocation "isn't so much about risk as it is about growth," and he recommends that they look at market downturns as opportunities.

Make sure you are diversified (30 minutes to 4 hours). Over the past decade, foreign stocks have lagged the U.S. market. And at least until recently, growth stocks had long outpaced value stocks. But no one can predict when trends like these will turn, which is why it pays to be diversified.

Jay Abolofia, a certified financial planner in Boston with a PhD in economics, shows clients the Callan Associates' "periodic table" of annual returns (https://callan.com/periodic-table). The table resembles a quilt, with bright colors showing the vagaries of how certain asset classes, including real estate, emerging-markets stocks and high-yield bonds, have performed year in and year out. "The winners of last year may very well be losers next year," Abolofia says. "The whole benefit of diversification is that when some zig, others zag.... I'm telling people to buy the whole quilt."

Rebalance (2 hours). Sotirios Keros, a financial planner in New York, suggests that his clients pick one day a year to rebalance their portfolios. Add up all your investments in all accounts by asset type—stocks, bonds and cash, say—and realign them with the allocation set out in your investment plan. Even better, some brokerage platforms, such as Schwab Intelligent Portfolios and Fidelity Solo FidFolios, offer tools to rebalance your portfolio automatically. But Keros warns that investors with accounts at more than one institution need to analyze their total portfolio.

Check your investing costs (30 minutes to 4 hours). Since 1996, fund companies have slashed mutual fund fees to an average of less than half of a percentage point a year. But even at that historically low cost, over 20 years you'll pay almost $20,000 in fees on an initial $100,000 investment that increases at a 7% annualized rate. If you have an adviser, you're probably forking over even more.

Once a year, review the expense ratios charged by each mutual and exchange-traded fund you hold. Some funds raise their fees, says Charles Rotblut, vice president of the American Association of Individual Investors. For example, some ETFs that launched with a temporary fee waiver may be starting to add those fees back in. Index funds, which match the returns of broad indexes, typically charge less than 0.1%, but more-specialized funds often have higher expense ratios. Small-company stock funds, for instance, charge higher fees than large-company funds because it is more difficult to research and trade stocks of smaller companies.

Likewise, Rotblut recommends people annually reexamine and weigh the cost and benefits of the financial advice they're getting. How complex are your finances? How often are you calling your adviser? And are you paying your adviser an hourly fee or, say, 1% of assets? If it's the latter and you don't use your adviser's services on a regular basis, you may save thousands of dollars by switching to one who charges by the hour, Rotblut says.

Ignore the short-term noise (seconds). You're a long-term investor, not a day trader. Turn off CNBC, and stop obsessing about short-term market moves, says Britta Koepf, a Cleveland-area certified financial planner. "It is good to stay informed," she says, "but many financial news shows are designed to play off of people's emotions." If you want to learn more about investing, she suggests books such as *The Investment Answer,* by Daniel C. Goldie and Gordon S. Murray, or *The Little Book of Common Sense Investing,* by John C. Bogle. ■

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BASICS | Emma Patch

Why You Need Renters Insurance

This coverage is surprisingly affordable, and it can save you a lot of money if you need to make a claim.

MOST HOMEOWNERS KNOW that they need homeowners insurance to cover loss or damage to their property—and if you have a mortgage, you usually have no choice. But if you're one of the more than 100 million Americans who rent a home or apartment, don't overlook the value of renters insurance. Some landlords require tenants to have renters insurance, but even if that's not the case, a policy could go a long way toward protecting your property and personal finances.

If there's damage to your rental from fire or a break-in, your landlord is responsible for repairs to the property you're renting but isn't responsible for fixing or replacing your personal possessions. That's where renters insurance comes in. Policies typically cover up to a limited dollar amount for clothing, furniture and electronics. Particularly valuable items, such as jewelry, artwork and collectibles, may require that you get additional coverage, known as a rider or a floater. When shopping for a policy, be sure to tally up the value of your belongings as accurately as possible and determine whether the policy's limits are adequate. Consider also whether it might make sense to store valuable items, such as family heirlooms, rarely worn jewelry or artwork, at a safe location elsewhere, such as a safe-deposit box or a secure storage facility. Keep a list of your valued items with purchase and valuation records in a secure location as well.

Renters insurance may also cover the belongings of your roommate or significant other, as long as their name is on the policy. But many insurance companies will require roommates to have separate policies, rather than one for their combined property. Theft by a roommate is generally not covered by renters insurance, so choose roommates wisely.

Renters insurance generally won't cover damage to your personal property from natural disasters, such as hurricanes or earthquakes, says Janet Ruiz, spokeswoman for the Insurance Information Institute. For that, you'll need to purchase special coverage.

Other protections. Renters insurance will cover liability up to a certain limit if guests in your rental injure themselves and it's found to be your fault. For instance, if your pet bites someone, your policy could cover medical expenses. And if you are put out of your rental because it's damaged or otherwise uninhabitable, a policy will typically cover the cost of lodging elsewhere, up to a certain amount.

Although renters insurance could save you a lot of money, it doesn't require a big investment. "It's one of the most affordable products you can get—often as low as $300 a year," Ruiz says. And unlike homeowners insurance, which can cost as much as three times the national average in some regions (such as Florida), renters insurance is usually inexpensive no matter where you live, Ruiz says.

Still, there are a number of strategies to cut the cost of renters insurance. You may be able to get a discount by buying a policy from the same company that insures your automobile, for example. You may also get a discount if you take steps to make your rental property safer from break-ins, such as installing a security camera, says Dustin Lemick, an industry expert and founder of BriteCo, a jewelry insurance company.

But it's most important to shop around. You can compare coverage and costs of various renters insurance policies at sites such as The Zebra.com and Gabi.com. And keep an eye on changing premiums. "Insurance companies are notorious for raising rates, and policyholders don't even know it," Lemick says. "Put a note in your calendar every eight to 10 months to review your policy and make sure your premiums haven't gone up." ■

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MILLENNIAL MONEY | EMMA PATCH

Plan a Wedding You Can Afford

Pent-up demand from the pandemic, combined with inflation, has driven up the cost of the average wedding to more than $27,000, according to market research firm The Wedding Report. I'm in the midst of my own wedding-planning journey, treading water in a sea of decisions as my fiancé and I search for the perfect venue. But in the several months we've been engaged, I've learned some strategies to control the cost of what is quickly amounting to the most expensive day of my life.

How to trim costs. During the pandemic, couples were forced to reduce guest counts, and that trend has held even as the threat from COVID has subsided. "The pandemic really forced a lot of people to take stock of what actually mattered about their wedding and determine who was most important in their lives to be there to celebrate with them," says Jessica Bishop, author of *The Budget-Savvy Wedding Planner & Organizer.* And slashing the guest list is the number-one way to cut the costs of a wedding. "For every guest you invite, that's an invitation, a chair, a meal, a place setting. Or for every eight to 10 guests, it's another table with another linen, another centerpiece," Bishop says.

RYAN KETTERMAN

Couples should also consider how wedding expenses will be divided. "Traditionally, the bride pays for most of the wedding and the groom pays for a few other things," says Lizzie Post, coauthor of *Emily Post's Etiquette, The Centennial Edition.* "But for well over 20 years, that tradition has been gone." The important thing for any couple to do—no matter the financial differences between your respective families—is to have candid and considerate conversations with anyone who would like to contribute, she says.

GOING INTO DEBT TO PAY FOR YOUR WEDDING COULD CREATE FINANCIAL STRESS AT THE START OF YOUR MARRIAGE.

Financing the big day. Financial stress is one of the leading causes of disagreements, fights and divorce in relationships. That's why it's important for couples to plan a wedding that's within their means.

If you have accumulated rewards on a credit card, you may be able to use them to help pay for wedding expenses. If you sign up for a new card, charging those expenses could qualify you for bonus travel rewards you can use to help finance your honeymoon. (For more on credit card perks, see page 66.) But this strategy only works if you can pay off your balance in full every month. Likewise, while a personal loan may seem like an easy short-term solution, it could leave you in debt at the start of your marriage.

One item that has increased significantly of late is the cost of flowers, thanks in part to shortages and shipping disruptions. For this reason, many couples are opting for high-quality silk florals. For an even lower cost, some companies, such as Something Borrowed Blooms (SomethingBorrowedBlooms.com), will allow you to rent florals.

Setting the date. Winter is often an unpopular time for weddings, but "if that's your vibe and you want a snowy, winter wonderland wedding, you're probably going to get a lower price on rentals and your venue if it's not their peak season," Bishop says.

I'm planning a winter wedding in the mountains of Vermont for February of 2024. Although peak wedding season in Vermont is September and October, I look forward to a serene ceremony, hopefully with a fresh dusting of snow for fellow winter lovers (and skiers) in attendance. ■

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REWARDS

TAP YOUR CREDIT CARD'S PERKS AND PROTECTIONS

Credit cards offer more than cash back and airline miles. BY RIVAN STINSON

ILLUSTRATIONS BY MARK FRUDD

The credit cards in your wallet are packed with insurance, identity-theft protection and a slew of perks—including exclusive access to concerts and sporting events, discounts on products and services, and free memberships. But keeping track of all of these benefits isn't always easy because some perks come from your credit card network and some come from your card issuer—and the bennies vary depending on which plastic you're packing.

Banks, credit unions and other financial institutions interact with four card networks: American Express, Discover, Mastercard and Visa. Generally, these networks have tiered benefits connected with certain cards. For example, Visa Signature cards offer more benefits than traditional Visa cards, including extended warranty protection and various travel-related benefits. Mastercard works similarly—World and World Elite cardholders have more benefits than standard Mastercard holders.

However, an issuer can still pick and choose which benefits to offer potential cardholders, says Senitra Horbrook, credit cards editor at The Points Guy, a consumer travel website. For example, the Chase Sapphire Preferred card has the same long list of travel and purchase protections as a Visa Signature card. But the Chase Freedom Unlimited card, which is available as a Visa Signature card, doesn't have all of the same benefits because Chase decided not to make them available for that card.

American Express and Discover act as both network and issuer. American Express offers travel insurance, purchase protections and other services, but Discover axed those benefits in 2018, and it has not restored them.

Below we've gathered a list of potential credit card perks and protections. To see which benefits come with your card, check your card benefit guide on the issuer's website.

With delays and cancellations for air travel worse than ever, your card's travel insurance could come into play.

TRAVEL HELP

With delays and cancellations for air travel worse than ever, your card's travel insurance could come into play. It covers various aspects of what could go wrong with your trip.

Insurance for trip cancellation or interruption kicks in if your prepaid or nonrefundable flight is canceled or your trip is cut short due to events that are out of your control—think severe weather, mechanical failure or a medical emergency—and it's considered a covered event under your policy. An expansive policy may also reimburse you for prepaid hotel costs. All coverage is secondary to any reimbursement you get from the airline or hotel, and you'll need to keep detailed receipts to ensure a successful claim. If you're unsure of what's covered, call your issuer.

Although the coverage limits vary, you will generally get the most-comprehensive insurance benefits with travel cards that have annual fees. For example, the no-fee Chase Freedom Unlimited Visa card comes with coverage for trip cancellation or interruption for up to $1,500 per person and $6,000 per trip for nonrefundable passenger fares. But the Chase Sapphire Preferred Visa ($95 annual fee) ups the limits to $10,000 per person and $20,000 per trip for fares as well as other nonrefundable expenses, such as hotels and tours. The Sapphire Preferred also comes with baggage-delay insurance and trip-delay reimbursement.

Your card may also offer benefits that can get you through airport security or customs quicker. Several travel cards offer a statement credit to cover TSA PreCheck ($85 for five years) or Global Entry ($100 for five years). As a bonus, your card may cover you for CLEAR ($189 a year), the biometric identification scanner at the airport, in full or at a discounted rate.

Your card issuer wants to be your travel agent, too. For example, American Express, Bank of America, Capital One and Chase all have travel portals where cardholders can book flights, hotels, rental cars and more by using their credit card or by redeeming the points and miles they have earned. And card issuers are providing incentives for cardmembers to do so. The Capital One Venture Rewards Visa ($95 annual fee), for example, gives cardholders five miles per dollar spent on travel booked through Capital One Travel. For more information on how to use these travel portals effectively, go to kiplinger.com/kpf/creditcardtravelportal.

If you decide to book a rental car either through your credit card travel portal or directly with a rental car company, you may also have rental car insurance as a perk (see the box on page 70).

DINING AND ENTERTAINMENT

Has ordering takeout been part of your work-from-home routine? Food-delivery services are on the benefits menu, too.

Food-delivery memberships and discounts are among the trendy benefits now, says Ted Rossman, senior industry analyst for Bankrate.com. For example, Chase and DoorDash extended

FRAUD PROTECTION

The Best Benefit of All

Security is one of the most valuable credit card perks. Under the Fair Credit Billing Act, if someone uses your credit card fraudulently, federal law limits your liability to $50. American Express, Discover, Mastercard and Visa assume all liability for unauthorized purchases.

For extra protection, some credit card issuers allow you to disguise your card number with a virtual number. Most Capital One and select Citi cards offer this feature, which randomly generates virtual numbers that are linked to your credit card.

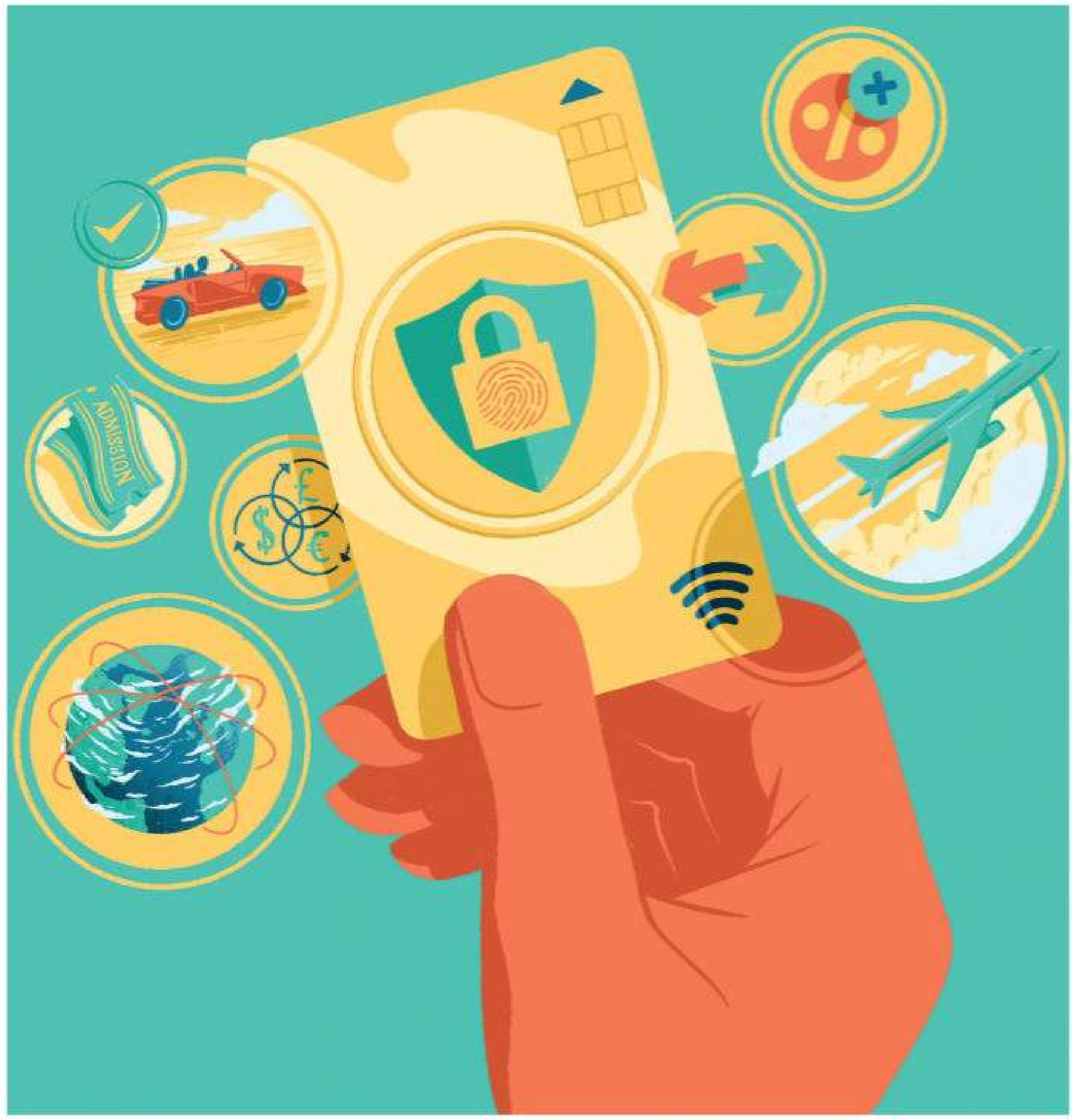
For online shopping, a credit card's limited liability is essential because data breaches are an ever-present danger. If your debit card number (but not the card itself) is stolen, you must report the fraud within 60 days of your bank statement being sent to you to avoid liability. If the debit card is physically stolen, your liability is capped at $50 if you report it within two days. Notifying your bank between three and 60 days after the fraud occurred could increase your liability to $500, and beyond 60 days your losses could be unlimited.

their partnership to offer eligible cardholders a complimentary DashPass. The membership unlocks free deliveries and lower service fees. But not all cardholders are treated equally.

Chase Freedom and Slate cardholders can access a complimentary three-month DashPass membership—and once the three months are up, cardholders get a 50% discount on the pass for the next nine months. If you spring for the Chase Sapphire Preferred or Sapphire Reserve ($550 annual fee for Reserve), you'll get free access to DashPass for a year. Chase Freedom, Slate and Sapphire cardholders can also sign up for a complimentary membership, ranging from three months to a year, to grocery deliverer Instacart. (Chase cardholders must activate the Instacart offer by July 31, 2024, and the DoorDash offer by December 31, 2024.) Bank of America cardholders can sign up for a free year of Grubhub if they enroll by April 20, 2023.

If you're looking to catch a break on your streaming or subscriptions bills, the American Express Platinum card ($695 annual fee) offers up to $240 a year in digital-subscription credits. A $20 monthly credit is applied if you use your card to pay for Disney+, ESPN+ and Hulu (or enroll in the Disney Bundle, which packages them together), *The New York Times,* SiriusXM radio, Audible, or Peacock. If you're curious about the true value of the credit, the Disney Bundle that includes Hulu's no-ad version, for example, is $19.99 a month. (Your rewards card may also offer cash back for your favorite streaming services.)

Your card network or issuer may offer eligible cardholders early access to concert or sporting event tickets. Citibank cardmembers, for example, can buy presale tickets to concerts, food and wine festivals, and more. The current concert lineup includes Shania Twain, Rod Stewart, the Dave Matthews Band and Carlos Santana live at his Las Vegas residency. Golfers who hold World and World Elite cards from Mastercard can sign up for experiences ranging from golfing with a professional to playing private courses (prices vary by course).



Museum lovers aren't left out. Recently, Capital One partnered with the Cultivist, a global arts club offering access to hundreds of arts events, to provide a free, six-month Enthusiast membership. Originally $40 a month, the Enthusiast membership grants access to hundreds of museums across the globe, including the Metropolitan Museum of Art and Guggenheim in New York City and the Louvre and Musée d'Orsay in Paris. For more information on how it works and how to sign up, go to www.thecultivist.com/capitalone. The offer expires June 22, 2024.

For Bank of America members, the Museums on Us program is still going strong, with access to more than 200 museums across the U.S. covering art, science and history.

SHOPPING

Your "retail therapy" habit can get a boost, too. Issuers such as American Express, Capital One and Chase offer digital coupons to holders of their debit and credit cards. Simply sign in to your account, browse the current offers and add them to your card. Offers include cash back or statement credits at clothing stores—as well as restaurants, hotels and rental car services. Current offers from American Express, for example, include a $10 statement credit if you spend $50 or more at Under Armour and a $25 credit if you spend $75 or more at Tommy Hilfiger. Note that for each issuer, offers change frequently, and each coupon has an expiration date

To get your items faster, get a free ShopRunner membership through your Mastercard World or World Elite, American Express, or Chase credit card. ShopRunner partners with more than 100 retailers to offer free two-day shipping with no minimum purchase at most participating stores. Partner retailers include department stores Bloomingdale's and Neiman Marcus, as well as various cosmetic companies. Mastercard and Chase users are entitled to a free one-year membership; American Express members receive a lifetime membership.

American Express Platinum cardholders who pay for a Walmart+ membership can essentially get it for free if they cover the monthly fee with their Platinum card. American Express reimburses the fee as a monthly statement credit. The membership, which costs $98 a year, provides free shipping.

If your items are damaged—or someone steals them—you may have purchase protection if you bought them using an eligible card from American Express, Bank of America, Chase, Capital One and others. The policies typically last 90 days after purchase, and the standard policy has a maximum coverage of $500 per item, according to WalletHub. But you could have a higher coverage limit or more time to file a claim. For example, the Chase Sapphire Preferred card has a 120-day purchase-protection policy.

If your items are damaged—or someone steals them—you may have purchase protection if you bought them using an eligible card.

Also double check for extended-warranty policies. Most major card issuers offer this benefit and extend an item's warranty by one year. Citi extends the warranty for eligible cardholders for up to two years after the manufacturer's warranty expires. The Amex Platinum card has a coverage limit of $10,000 per covered purchase, with the same coverage as the original manufacturer's warranty. To help avoid any snafus, keep your original warranty documents in a safe place, such as your digital cloud storage.

Most holders of Chase, American Express and U.S. Bank consumer credit cards have access to a buy-now, pay-later platform as part of their card's features. You can elect to use these services after you've made your purchase worth a total of $100 or more. The portion you separated to pay via installments is not subject to your card's regular interest charges, but you're charged a fee. When it comes time to pay your monthly bill, your installment amount, including the fee, is added to your card's minimum payment amount.

CREDIT MONITORING

Your benefits may include credit monitoring and identity-theft protection, too. Capital One's CreditWise and Chase's Credit Journey, for example, offer cardmembers—and non-cardmembers—free credit monitoring. The services track your Social Security number, scan the "dark web," and send alerts about credit inquiries or new accounts. Both services also let you keep up with changes in your credit score. Mastercard holders can sign up for the card network's identity-theft protection service for free.

You can cover your smartphone with cell-phone insurance. These policies typically come with a deductible of up to $50 or more, and there are limits on how many claims you can submit. Chase's Freedom Flex, for example, offers coverage up to $800 per claim with a $50 deductible for a stolen or damaged phone; you must pay your monthly bill with your eligible card to qualify. You're allowed to make two claims in a 12-month period. ■

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KIPTIP

Use Built-In Rental Car Insurance

Car rentals have been extra pricey ever since rental fleets downsized during the pandemic. But you can cut some of your costs by waiving the collision damage coverage (often called CDW) on eligible cars and paying for your rental with a credit card that offers rental car insurance as secondary coverage. (Credit card policies typically don't extend CDW coverage to exotic or antique cars, or to luxury brands such as Jaguar or Tesla.)

Credit cards with rental CDW coverage include the Chase Freedom Unlimited, Chase Sapphire Preferred ($95 annual fee), American Express Blue Cash Preferred ($95 fee, waived for the first year), Amex Platinum card ($695 fee) and a host of others. Your personal auto insurance policy serves as primary coverage, meaning any costs related to a rental's damages or theft are paid out from your auto insurer before coverage from your credit card kicks in.

What about extra liability coverage? That is generally covered through your auto insurer as well, but call to verify. Most cards don't cover you for liability, so if you have a license but not a car—and therefore no auto insurance—don't waive the liability coverage even if you reserve the car using a card that covers collision damage.

However, if you rent a car while vacationing overseas, spring for full collision and liability coverage. Your credit card may cover you, but that's not always the case. For example, the American Express Platinum card doesn't offer rental car coverage in Australia, Italy or New Zealand. Mastercard and Visa also exclude coverage in certain countries.

PAYING IT FORWARD

The Magic of Music as Therapy

She entered the field when it was new and has spent her career promoting its benefits.

PROFILE

WHO: Barbara Reuer, PhD, MT-BC, age 70
WHAT: Music Therapist
WHERE: San Diego

How does music therapy work? Music therapy is music as an art, but it is also a science, and it's applied in a way that improves quality of life and meets the needs of children and adults with disabilities and illnesses. The therapist structures music-based experiences to work toward specifically prescribed goals. If you're working with a child with special needs in school, you might use music to work toward enhancing communication, academic, motor or social skills. If a child with autism is afraid to interact, you use music to teach how to reach out and shake hands and say hi and goodbye, using songs to help.

For someone with dementia, on the other hand, who may not communicate, we know that we can use songs to engage them. Music with older adults is magical. They may remember you and forget you the next minute, but you can start a song that they relate to and they can sing all five verses. The part of the brain that's affected by Alzheimer's doesn't affect the processing ability for music memory.

How long has music therapy been recognized as a mental health treatment? The first association was founded back in 1950, but it really began in the 1940s after the end of World War II. There were a lot of veterans in hospitals suffering from PTSD, and so musicians, teachers and bands would come into the hospitals to work with them. I got into the field around 1976. Prior to that, music therapists worked mostly in mental health facilities, large mental health hospitals and facilities for what we would now call neurodivergent clients—people who had developmental disabilities. In 1975, a special education law created access to education in schools for children with disabilities and brought music therapists into schools. And then in the '80s and '90s, music therapists became accepted to work in hospitals and hospices. But in between that time, they were in nursing homes and skilled nursing facilities.

Will insurance pay for it? It's really hard to get insurance for music therapy services, but in states that recognize music therapy licensure, some policies cover it. About one-fourth of music therapy services receive reimbursement from private insurance, Medicaid or Medicare.

What is Resounding Joy's mission? It was founded because there was a need, especially in the adult community. But we also provide services to children who are homebound, in hospice or are hospitalized. And we provide "Shine and Sing" groups for children with developmental disabilities. We've just received some grant funding to do programming for children experiencing mental health issues, traumatized children that have been molested or trafficked. We're based in San Diego, and we provide services throughout the county. We have three music therapists and a person that we call director of engagement who handles grants, plus about 65 volunteers. Because of COVID, we had to do virtual programming; all our volunteer programs were shut down, and we just started opening that up again.

You also have another company? I also started a music therapy and wellness agency called MusicWorx when I first moved to San Diego. We now have some 100 music therapists, and we're in every agency imaginable in San Diego. We're changing lives every day—lots of lives. And I have a great team between the two companies.

What motivated you to pursue music? My brother Ronnie was born with muscular dystrophy. He succumbed to pneumonia and passed away when he was 8. I was 18, a freshman in college, and I was headed toward a music degree and teaching. I always knew I wanted to do something special to honor him. He loved music, and we would always sing songs and do anything we could to provide him an early education because back then, children with special needs such as his weren't allowed to go to school. When I was a junior, I learned about music therapy, and I instantly knew that's what I was going to do. **EMMA PATCH**

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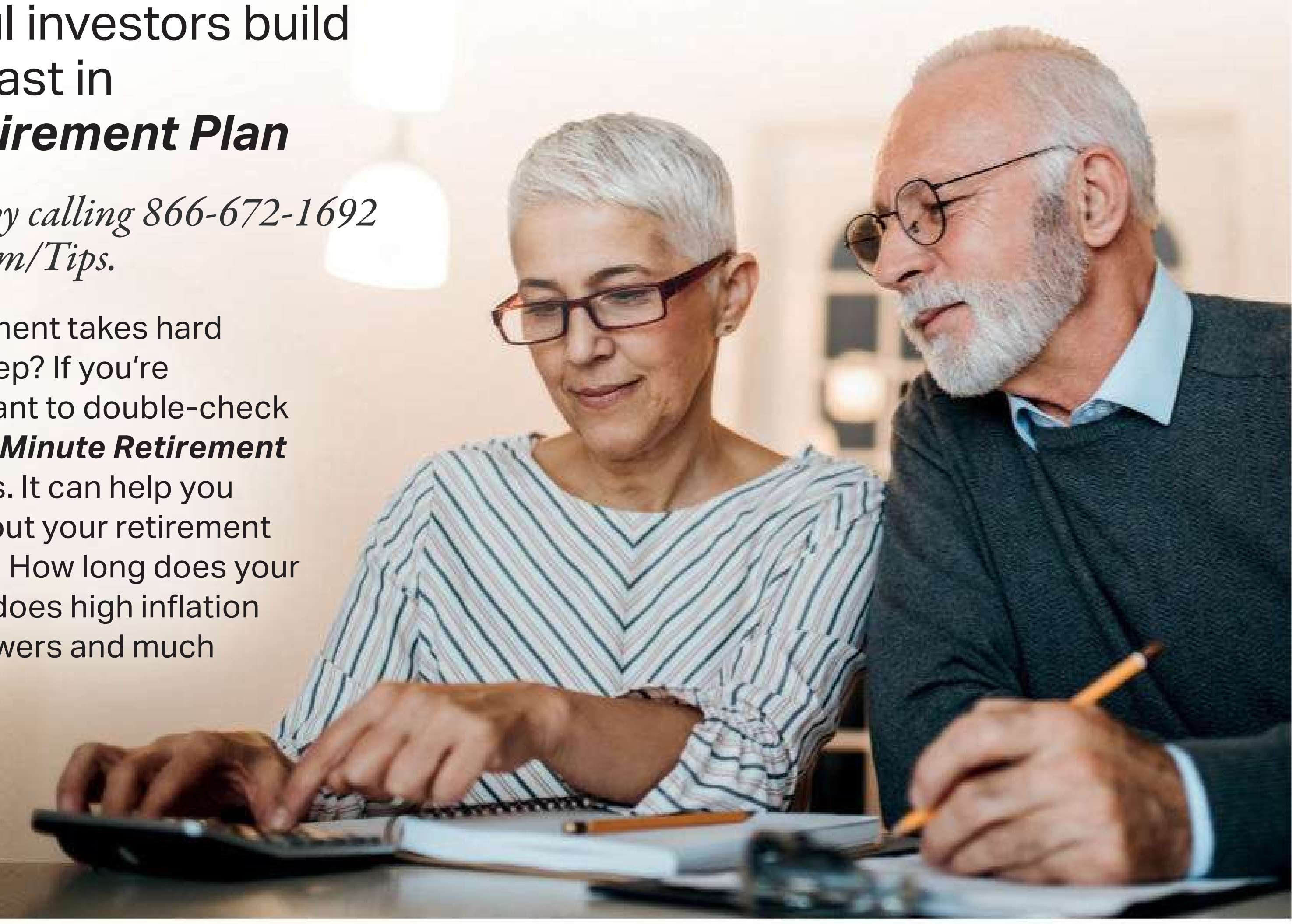

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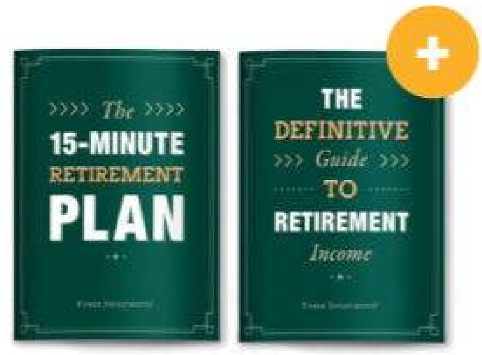

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