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Kiplinger

PERSONAL FINANCE

HOW TO BUILD WEALTH

We'll show you the way, from laying a strong foundation to protecting the assets you've worked hard to accumulate. p 40

Our 25 Favorite Mutual Funds
p 18

Travel Deals for Retirees
p 66

MAY 2025
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May

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Cover illustration by C.J. Burton

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→ **Reasons Not to Give Your Child Power of Attorney** Older parents often name adult children as representatives. But is that always the smart choice? **kiplinger.com/kpf/no-power-attorney**

→ **Capital Gains Tax Rates** You may have just filed your 2024 taxes, but it's never too early to plan for the next round. Make sure you know the capital gains rates for 2025. **kiplinger.com/kpf/capital-gains**

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Letters

Guidance for Going Solar

I'd like to give a shout out to community solar farms, which your article "Should You Make the Switch to Solar Energy?" (March) briefly mentioned. My house is too shaded to make a rooftop solar installation economical, so I joined a CSF a few years ago. I can cancel my membership if I move, I save on my electric bills, and I am supporting clean, renewable energy. Those who don't want the long-term commitment and high up-front cost of rooftop solar can also benefit from joining a CSF.
Susan Payne, Cape Elizabeth, Maine

If you live in a community governed by a homeowners association, you should file an approval request with the community's architectural review committee before installing solar panels. HOAs commonly require that panels be mounted on the back portion of the roof so that they're

not visible from the street.
Neil Baron, Durham, N.C.

In 2018, we purchased two ground-mounted solar arrays with a total of 102 panels. We used a reputable solar contractor in nearby Connecticut, which turned out to be a mistake because they were not familiar with Massachusetts rules and regulations, and they didn't have an electrician with a Massachusetts license on staff. Our main recommendation is to hire an in-state contractor.
Judith Maloney, Spencer, Mass.

TAX TIPS
The educator expense deduction applies if you're an educator for grades kindergarten through 12, not pre-K or college ("Why You Should Take Extra Care With Your Tax Return," March). IRA contributions are limited based on income if you are covered by a workplace retirement account, even if you are not enrolled in it. And Form 5498 showing IRA contribution information typically becomes available in May because taxpayers can make prior-year IRA contributions as late as the April tax deadline.
J.J., via e-mail

JOINT-ACCOUNT ALTERNATIVE
Instead of opening a joint account with your parents, you could have the same benefits by becoming an accommodation signer on the account ("The Benefits of Sharing a Bank Account With Your Parents," March). It avoids the risks that a joint account poses to a parent's estate and the disappointment of other children who may be inadvertently disinherited by the joint account.
Doyle Sanders, Johnston, Iowa

TAX BREAK FOR DISABLED VETERANS
"Some States Are Expanding Property Tax Breaks" (March) mentioned property tax relief for veterans in Virginia. Only veterans who are disabled qualify for a property tax exemption.
Gerrit DeGraaf, via e-mail

Editor's note: We have an additional clarification. The ballot measure that Virginia voters approved last November expanded an existing property tax exemption for surviving spouses of servicemembers who died in the line of duty.

GIFTS FOR GRANDKIDS
Another possible gifting approach for grandparents is to fund a child's Roth IRA, if the child has earned income ("Grandparents: Be Smart About Gifts," March). If the child is a minor, the Roth can be a custodial account.
Terrance Ralston, Parker, Texas

CORRECTION
The basic service from Schwab Intelligent Portfolios puts about 10% of each portfolio in a bank account with a yield matching that of a Schwab money market mutual fund. The minimum investment for the premium service is $25,000 ("Is a Robo Adviser Right for You?" April).

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

Stories of Successful Savers

BUILDING wealth is a classic personal finance theme. We run variations on it as a cover story now and then, and each time, the issue proves popular on the newsstand. It's not hard to understand why; creating and protecting wealth is a central goal for just about anyone who picks up our magazine.

To complement the advice that we offer in the cover story this month, I asked financial planners to share their top wealth-building tips as well as client success stories. Many planners mentioned the first piece of guidance we include in our article: Start saving and investing as early as possible, be consistent, and let compound interest work its magic.

Some also pointed out that as you get started with saving, you don't have to set aside large amounts to see results. Melissa Murphy Pavone, a certified financial planner in Westhampton Beach, N.Y., says that years ago, a client who was in her early thirties felt overwhelmed as she began saving for retirement. Pavone encouraged her to put $200 a month in a Roth IRA. "As her income grew, she increased her contributions to max out the account each year," says Pavone. Over 20 years, with an average 8% annual return, her account grew to nearly $250,000. The client also contributed to an employer-sponsored retirement plan. "Now in her early fifties, she's on track to retire comfortably before she turns 60, all because she started small and remained disciplined," says Pavone.

Living within—and perhaps well below—your means is another common piece of advice. Joy Slabaugh, a CFP in Wilmington, Del., said that she once worked with a couple who were both civil servants. "They lived modest lives," she says, directing one-third of their income to cover their expenses, one-third to savings, and one-third to charitable donations. "Before they were 50, they had amassed $3 million (in today's dollars)."

In a similar vein, John Bell, a CFP in Highland, Md., says, "I like to call a lot of my clients 'accidental multimillionaires.' The common thread is that they have lived within their means and saved via workplace retirement plans. They invested regularly and didn't trade too often. Then, *ta-da!* They show up at my door in their mid fifties and have $2 million to $3 million in wealth."

In the story that starts on page 40, we offer ideas on where to put your savings as well as other sound strategies to help you accumulate wealth, from boosting your income to building equity in a home.

A new column. Longtime readers are likely familiar with the work of Sandra Block, who spent more than 12 years writing about retirement and taxes, among many other topics, for *Kiplinger Personal Finance*. Sandra has retired as a full-time member of our staff, but I'm delighted that she still plans to contribute articles, including a bimonthly column in which she'll document her foray into retirement. Her first column, on page 60, details her journey through Medicare enrollment.

Check out our app. We've introduced a mobile app that subscribers can use to see each new issue of the magazine. You can read individual articles in a mobile-friendly format or view a PDF of the entire issue. The app also provides access to previous issues, going back to 2023. Plus, you can bookmark articles that you want to return to later.

To download the app, visit *kiplinger.com/go/applekpf* for your iPhone or iPad, or *kiplinger.com/go/androidkpf* for your Android device. For more information on signing up, see the facing page.

Planners commonly shared this advice: Save early and consistently, and live within (and perhaps well below) your means.

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PHOTO BY MATT STANLEY

Kiplinger

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Ahead

TOPIC
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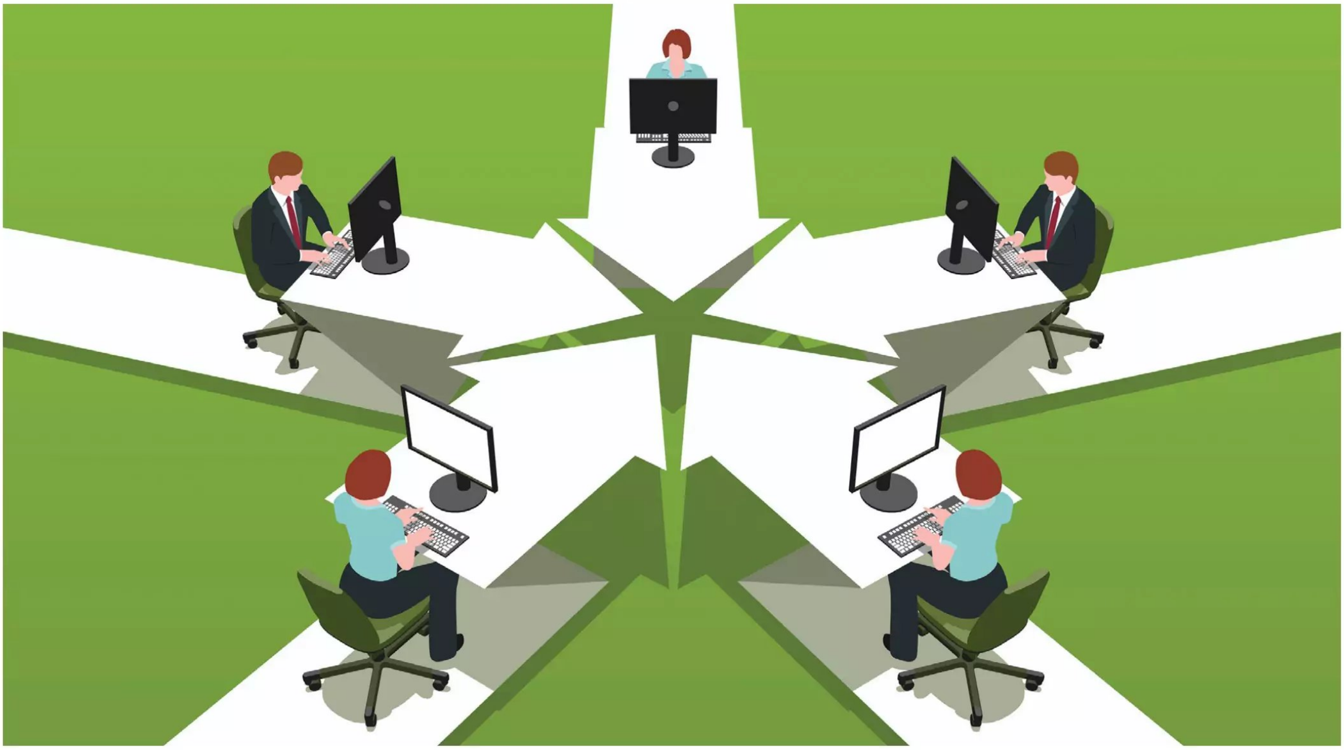

WHAT TO EXPECT IN THE JOB MARKET

Especially in the most competitive fields, job seekers will need to strategize to stand out. BY KIMBERLY LANKFORD

LATELY, the headlines have been filled with news of layoffs, especially for federal employees and tech workers. Depending on your field, however, your job may not be at much risk of hitting the chopping block. And if you're looking for a new role, your prospects may be closely tied to your corner of the market. For some job hunters, finding work can take months.

When it comes to unemployment, the figures started the year looking good, with the overall unemployment rate at a low 4% in January. But unemployment data is only part of the story. Although layoffs haven't been widespread across industries, there are fewer job openings, says Harry Holzer, senior fellow in economic studies at the Brookings Institution and an economist at Georgetown University. The economy added 143,000 jobs in January 2025, compared with an average of 166,000 per month in 2024 and about 216,000 per

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month in 2023, according to the U.S. Bureau of Labor Statistics. In general, employers "are holding on to their workers and at the same time cautious in their hiring," says Allison Shrivastava, economist with the Indeed Hiring Lab.

The situation varies by industry, she says. Almost 75% of the new jobs added in 2024 were in three industries: health care and social assistance, government, and leisure and hospitality.

For federal government jobs, the picture is changing significantly because of the federal hiring freeze that President Trump ordered when he took office and the extensive layoffs among federal government employees that followed. And that may cause a ripple effect that reaches other, related businesses and companies that are losing government grants and funding. "We're not sure yet how far this is going to go and how big an effect it will have," Holzer says.

The big winner has been health care. "Health care employment growth before the pandemic averaged 1.7% or 2% year-over-year, and last year it was 3.7%," says Julia Pollak, chief economist at ZipRecruiter. "While other fields can consolidate and automate functions, in health care that's difficult to do—you need people."

In many other areas, people have struggled to find work. Some of the most challenging fields, Pollak says, have been human resources, marketing and communications. Tech hiring is down after an earlier boom. Blue-collar jobs in industries such as transportation and warehousing have not been growing as quickly as they were before the pandemic.

Some of these shifts can be especially tough for new graduates, historically the most sensitive group to any change, Holzer says. The 2025 College Hiring Outlook by the Drexel University LeBow College of Business found that employer optimism had reached its lowest point since 2021, with only 21% of employers rating the job market as "excellent" or "very good." "Employers are adopting a more cautious approach driven by economic pressures and budget constraints," the report says. "With reduced optimism, employers are likely to prioritize selective hiring, focusing on essential skills and expanding internships and co-op programs to build a strong talent pipeline."

WHILE YOU SHOULDN'T USE AI TO WRITE YOUR COVER LETTER AND RÉSUMÉ, YOU CAN USE IT TO REFINE THEM AND PRACTICE FOR JOB INTERVIEWS.

ADVICE FOR JOB SEEKERS

The following steps can help with your job search—and some of the guidance is different than it has been in the past.

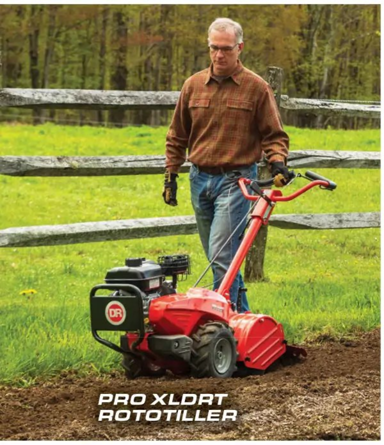
If you're a college student, start early. An internship in the summer after junior year and a focused career search helped undergraduate students at the University of Wisconsin School of Business find jobs in 2024: 95% of the graduates seeking employment had a job within six months of graduation, and 94% said they were satisfied with their job, says Melissa Leffin, executive director of undergraduate career, employer and pathway engagement for the business school. More than 60% ended up returning to the employer where they did their internship after their junior year, Leffin says.

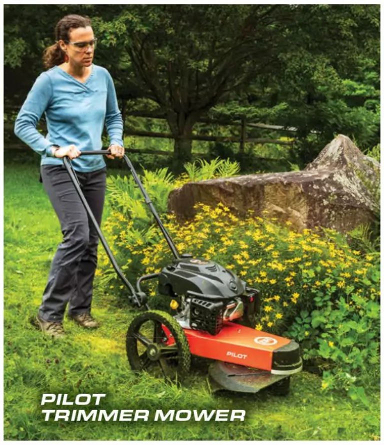
Use AI to sharpen your résumé and cover letter. Even though it's easy to apply to a lot of jobs online, you won't get very far if you send the same résumé and cover letter to everyone. Employers are using artificial-intelligence filters to search for key words and skills to decide who makes it to the next level. Look for key words and skill sets in job listings and explain how they compare to your experience. Include skill development rather than just job responsibilities in your résumé.

While you shouldn't use AI to write your cover letter and résumé, you can use it to refine them (by asking a tool such as ChatGPT to suggest improvements, for example) and practice for job interviews, Pollak says. She recommends signing up for e-mail alerts of job listings and acting quickly when one catches your eye. "Many companies look at applications only in the first week or so," says Pollak.

Don't overlook in-person networking. Join associations, go to conferences in person, and set up brief meetings—in person or on the phone—with people in fields you're interested in. Even if you graduated college years ago, take advantage of its alumni network, and get in touch with former colleagues. In a competitive job market, networking can be critical, Leffin says. "Even if they don't get you a job, they can give you information that can help with your cover letter and résumé."

Consider pivoting to a field in a growing sector. Getting a health-related credential, such as in health tech or nursing, or taking time to get licenses or certifications for skilled trades can create more opportunities, Pollak says. "We see tremendous need in the skilled trades. Most employers can find laborers, but they can't find the highly experienced skilled electricians, carpenters and plumbers." If you want to remain in your sector, find out what certifications or continuing-education courses will give you an edge.





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INTERVIEW

WATCH OUT FOR SCAMS THAT TARGET OLDER ADULTS

Cryptocurrency cons and impersonation schemes are among the most common.

BY EMMA PATCH


KATHY STOKES

KATHY STOKES is director of fraud prevention for the AARP Fraud Watch Network.

Scams that rob older adults of $100,000 or more have tripled since 2020, according to the Federal Trade Commission. What is driving this trend? The biggest crimes we're seeing are relationship-based investment scams, typically involving cryptocurrency. Scammers contact people on social media or send a text message, and they pretend that they sent the message to the wrong person. They use that as an entry point to begin a conversation that eventually becomes a trust relationship. Then the criminal suggests investing in cryptocurrency. Eventually, the victim loses everything. These criminals target older adults because that's where most of the money can be found.

These scams rose sharply during the pandemic, when a lot of people went online—many for the first time—to do everything from working to shopping, and the criminals followed. The Chinese mafia set up scam centers in vacant casinos, enslaving people through human trafficking and having them send out millions of text messages to lure victims.

What other scams commonly affect older adults? We're seeing a lot of complex impersonation schemes. You may get a text that looks like it's from your bank asking whether you performed a certain transaction, and it's always something scary—say, a $1,700 charge. If you click "no," you immediately get a phone call from someone who claims that your bank account is being hacked. Then they tell you they're going to get you on the phone with their fraud investigations team and the FBI to protect your assets. Sometimes they'll have you take money out of your bank account, walk over to a cryptocurrency ATM and convert it to crypto, and send it to the scammer. In other cases, they'll tell you to purchase gold bars with the money and wait until someone who is impersonating an FBI agent picks you up.

We also hear about people who come to nursing homes and offer services such as DNA test kits that they claim are covered by Medicare. In reality, the scammers are looking for information they can use to steal the individuals' identities and cause all kinds of havoc.

What vulnerabilities do scammers exploit in the aftermath of a natural disaster? Natural disasters are a free-for-all for criminals because they know that many people in a particular geography have been affected. Scammers are creating fake charities, impersonating contractors and listing fake home rentals online to target people who are looking for a place to stay.

You should be skeptical of anybody coming to you to offer help following a natural disaster, especially if there's money involved. I know how hard it is not to take the first offer in a situation where you have to rebuild or you have a lot of damage, but it's really important to do some research. Get bids from multiple contractors, and don't pay everything up front. When it comes to finding rental properties, use legitimate sites, and make sure you're staying within the rental website or app when you make a payment. If you're asked to make a payment outside of the platform, that's a sign of a scam.

How can people protect themselves and their aging loved ones? We're all susceptible to fraud. It's not only older Americans. At *www.aarp.org/fraudwatchnetwork*, you can sign up for biweekly e-mail or text-message alerts of the latest scams from the AARP Fraud Watch Network. We also have a helpline (877-908-3360) that people can call if they have questions or have been victimized. ■

COURTESY OF AARP

PLANNING TO MOVE? TRIM YOUR COSTS

Staying on budget can reduce the stress that comes with relocating. **BY SANDRA BLOCK**

MAY marks the beginning of peak moving season. More than 80% of Americans who moved in 2024 said the experience was stressful, and 42% said the process brought them to tears, according to a survey by Anytime Estimate, a website that helps consumers estimate the cost of sell-

CALENDAR

MAY 2025

2 It's National Life Insurance Day. Review your life insurance policy to ensure that it meets your current needs, especially if you've undergone a major life change such as becoming a parent or getting married or divorced. At *https://tinyurl.com/mr33faku*, Bankrate offers a calculator you can use to help determine how much coverage you may need. You can compare policies at *www.accuquote.com* or *www.policygenius.com*.

15 If you filed your 2024 tax return but haven't yet received your refund, call the IRS's hotline at 800-829-1954, or use the refund-tracking tool at *www.irs.gov/wheres-my-refund*. Your refund status should appear about 24 hours after you file your return electronically or four weeks after you file a paper return. Reasons that your refund may be delayed include an incomplete return or a problem verifying your identity.

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ing their homes. For some, moving was more stressful than having a baby, getting divorced or even losing a loved one, the survey found.

A major reason for the stress: unanticipated costs. Nearly 80% of those surveyed said they experienced unexpected expenses when they moved, and 40% said they went over budget. While many people relocate to improve their financial prospects—to get a better job, for example—nearly 40% of those surveyed said the move worsened their personal finances.

The average cost of moving was $2,050 in 2024, according to the survey, while Americans who moved more than 100 miles spent an average of $3,291. Hiring movers added significantly to the cost: Americans who used a moving company spent an average of $2,907 on their move, compared with an average of $1,334 for do-it-yourself movers.

If you need to move a long distance, or you have a lot of stuff, you may have no choice but to hire a moving company. But there are steps you can take to keep the costs down.

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Make a plan. As soon as you know you're going to move, start comparing prices for the services you'll need, whether it's hired hands, a rental truck or a moving company. You can get quotes at sites such as Moving.com and MovingHelp.com.

Try to avoid peak moving periods. Moving companies are busiest between May and August and adjust their rates accordingly, according to Atlas Van Lines. You'll save a lot of money if you move during the off-season. You can also save money by scheduling your move for weekdays and the middle of the month, Atlas says.

Pack your own stuff. Packing is the most stressful and time-consuming aspect of moving, according to the Anytime Estimate survey. Still, paying movers to do the job will significantly increase the cost of moving. Consider it an opportunity to downsize and sell or donate items you no longer love enough to pack. K

TRACK DOWN UNCLAIMED FUNDS

If you've ever forgotten to cash a paycheck or neglected a bank account for months on end, there may be money in your name just waiting to be claimed. Roughly one in seven people have unclaimed cash or property that's being held by U.S. state governments and treasuries, according to the National Association of Unclaimed Property Administrators (NAUPA). That so-called abandoned property—which is turned over to the government when there has been no activity or contact with the owner for more than a year—may include stocks, certificates of deposit and even gift cards.

But the money isn't gone for good. Visit NAUPA's Unclaimed.org to find links to each state's unclaimed-property pages. You can typically type your name, then narrow your search by adding your city. NAUPA also recommends MissingMoney.com from the National Association of State Treasurers, which allows you to search multiple states at once. That's an important step, especially if you've moved from one state to another.

Once you've found money to claim, you'll have to provide personal information such as your Social Security number, proof of your identity (such as a driver's license) and in some cases, proof of ownership over the money you're claiming, depending on the state's requirements.

To track down unclaimed retirement benefits, you can use the Pension Benefit Guaranty Corporation's tool (*www.pbgc.gov/wr/find-unclaimed-retirement-benefits*), as well as the National Registry of Unclaimed Retirement Benefits (*https://unclaimedretirementbenefits.com*). **MALLIKA MITRA**

→ DEAL OF THE MONTH:

Memorial Day weekend marks the unofficial start of summer, and many major retailers run sales, too. Look for deals on outdoor items, says Louis Ramirez, deals editor-in-chief at Tom's Guide. Stores such as Walmart, Target, Home Depot and Lowe's will offer deep discounts on patio furniture and barbecue grills.

29 On 529 Day, invest in a 529 college-savings plan for your child or grandchild. While 529 contributions are made with after-tax funds, withdrawals are tax-free as long as the money is used for eligible education expenses. Thanks to recent changes in the financial aid formula, distributions from grandparent-owned 529s no longer affect the beneficiary's eligibility for financial aid. For more on 529s, see "11 Ways to Build Wealth," on page 40. K

Briefing

INFORMATION ABOUT THE MARKETS AND YOUR MONEY

STAFF CUTBACKS REACH THE SOCIAL SECURITY ADMINISTRATION

→ In late February, the Social Security Administration said that it would cut 7,000 jobs, or about 12% of its staff, putting "significant focus on functions and employees who do not directly provide mission-critical services." The reductions are part of the Trump administration's broader efforts to downsize the federal workforce. The SSA also said it would slash the number of its regional offices (which oversee and support employees who assist beneficiaries) from 10 to four, and it is closing at least 10 local Social Security offices around the country, too.

Earlier in February, acting SSA commissioner Michelle King stepped down following requests by the Trump administration's Department of Government Efficiency (DOGE) to access information on Social Security recipients. Additionally, about two dozen senior SSA staff members resigned in late February. President Trump has nominated Frank Bisignano, CEO of financial-technology company Fiserv, to head the SSA.

What it means for you. President Trump has indicated that Americans won't face cuts to their Social Security benefits. But for those who need assistance from a Social Security representative, diminished staffing could result in longer wait times. In January, callers who dialed Social Security's helpline (800-772-1213) waited an average of 30 minutes to reach a representative.

The time to process applications for benefits could lengthen, particularly for Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI). Recently, the SSA's backlog of claims for these benefits was nearly 2 million. On average, applicants for SSDI and SSI benefits wait seven months for an initial eligibility determination, according to data from the Urban Institute.

Even if you don't plan to collect benefits anytime soon, it's a good idea to set up an online Social Security account at *www.ssa.gov/myaccount*. Make sure that the SSA's records on your earnings are accurate and up to date. You will also see estimates of your monthly benefits. You can download and save a PDF of your Social Security statement to your computer or print a hard copy.

When you're ready to claim benefits, start as early as possible. You can apply for retirement benefits up to four months before you want to start receiving them. K

GETTY IMAGES

WALMART WOOS WEALTHY SHOPPERS

→ Walmart is winning over upper-income families. Households earning more than $100,000 a year accounted for 75% of the retailer's market-share gains in its third quarter last year, and Walmart said the same consumers continued to drive growth in the fourth quarter.

Why are wealthier consumers flocking to a store known for ultra-low prices? In a February earnings call, John David Rainey, Walmart's chief financial officer, cited the retailer's convenience and expanding assortment of products as the key drivers. Walmart has added tech items, premium grocery options and low-price, luxury-inspired fashion to its online marketplace.

Walmart has also focused heavily on amping up its membership program, Walmart+, by improving same-day and next-day delivery speeds and offering new perks. Members, who pay a fee of $98 annually or $12.95 monthly, get free shipping with no order minimum and early access to sales events and deals. Members receive free home delivery on orders of $35 or more from their local Walmart store, too.

Recently, Walmart+ has added benefits including free same-day delivery of prescriptions from its pharmacy and complimentary membership with Pawp, a pet-care service that provides virtual access to veterinary professionals. Walmart+ members also get a free subscription to streaming service Paramount+ and up to 10 cents off per gallon of gas at more than 13,000 participating Exxon, Mobil, Walmart and Murphy stations. **RACHAEL GREEN**

$5.01

The average payout for a single lost tooth during the past year, according to the Delta Dental 2025 Original Tooth Fairy Poll. That's a 14% decline from the previous year.

FROM THE KIPLINGER LETTER

A Cap on Overdraft Fees Faces the Axe

House and Senate Republicans have unveiled legislation to overturn a rule finalized under President Biden that caps overdraft fees at banks and credit unions. The rule is set to go into effect in October and would save consumers $5 billion in overdraft fees a year.

Republicans warn that the rule may cause banks to end overdraft services, saying that many Americans rely on the services to make ends meet. Consumer advocates are crying foul, calling the fees—often $30 or more—exploitative.

The bill stands a good chance of becoming law, being filed under the Congressional Review Act, which allows Congress to overturn federal agencies' regulatory actions by a simple-majority vote within 60 days of a rule's finalization. Yet it may not even be needed. The Consumer Financial Protection Bureau, the agency tasked with enforcing the new overdraft rules, is already under threat. In February, the White House ordered the CFPB to halt work until further notice.

HOPEFUL FINDINGS FOR CAREGIVERS

→ As taxing as it may be to take care of a loved one, most caregivers are able to enjoy their lives, according to a study from the University of Michigan.

Prior research has highlighted the challenges faced by caregivers in the U.S., including demands on their time, high stress levels and depression. These studies have shown caregivers may rate their overall well-being lower than others.

The recent research suggests it's not so bleak and that activities such as religious practices, physical movement or other fulfilling pursuits offer joy that can offset the challenges of caregiving. The researchers identified eight categories of activities beyond caregiving, including productive tasks, such as work and school; household chores, such as laundry and cooking; organized events, such as religious practices and club meetings; and active and nonactive leisure, such as travel and watching television. On average, caregivers in the U.S. spend 17 minutes a day on organized events and 29 minutes on active leisure—the two categories considered the most enjoyable. Overall, participants rated most of their daily non-caregiving time as pleasant. **ELAINE SILVESTRINI**

GETTY IMAGES

THE KIPLINGER 25

SOLID RETURNS IN A REMARKABLE MARKET

Our diversified stock funds did well but lagged a highly concentrated S&P 500. Our foreign fund picks beat their benchmark, as did our bond funds. BY NELLIE S. HUANG

IN 2004, when we inaugurated the Kiplinger 25 list of our favorite actively managed no-load funds, the Boston Red Sox won the World Series for the first time in 86 years. Fast-forward two decades, and the Red Sox have missed the Major League playoffs for three straight seasons. Winning isn't guaranteed, and change, it seems, is a mainstay.

Over the years, the Kiplinger 25 has undergone several shifts. Sometimes we swap out as many as four funds on the list; other times, fewer. In this year's annual review of the Kip 25, we're making just one change to the roster, in the small-company fund category—though we're eyeing alternatives in other areas, too.

We're replacing T. Rowe Price Integrated U.S. Small-Cap Growth Equity with ***Oberweis Small-Cap Opportunities***. Price's quantitative investing wizard Sudhir Nanda, who ran Integrated U.S. Small-Cap Growth, retired in 2024. So we're taking the opportunity to shift into a higher gear with a fund that's a little more aggressive. The fund's fee is higher, too, but so are its returns.

We summarize each of the Kiplinger 25 funds on the following pages, and in most cases we try to provide some guidance for what role each fund can best play in your portfolio. That said, we want to be clear: The Kip 25 itself is not meant to be a portfolio. Rather, pick and choose from among the funds to diversify and round out your portfolio where needed. And remember, the Kip 25 roster should be a starting point for your own research.

The Kip 25 funds have made a solid showing in an extraordinary market. The S&P 500 index just closed the book on two calendar years of back-to-back gains of better than 25%—a historic achievement. But much of those gains were fueled by a handful of mega-size companies, making it a struggle for some of our picks to keep up. As a group, our 10 diversified U.S. stock funds gained an average of 13% over the past 12 months. In any one-year period, we'd crow about that return. But it lags the S&P 500's 18%. Our four foreign stock funds fared better against the broad foreign stock index, the MSCI EAFE, returning an average of 10%, compared with the nearly 9% gain in the international benchmark. And our fixed-income funds performed nicely for the second year in a row. The eight bond funds gained an average of 7%, beating a nearly 6% return in the Bloomberg U.S. Aggregate Bond index.

To learn more about each of our funds, read on. For vital stats about each fund, see the table on page 25. For ideas on how to build a portfolio with the Kip 25 funds, see the three models we crafted on page 21. All returns and data are through February 28, unless otherwise noted.

LARGE-COMPANY U.S. STOCK FUNDS

→ Dodge & Cox Stock

Portfolio: Bargain-priced large and midsize U.S. stocks with above-average earnings prospects.
Process: The fund's six managers are contrarians. In 2024, for instance, they trimmed holdings in financials and technology, the year's top-performing sectors, and added shares in health care, materials and real estate, the worst-performing sectors.
Performance: The fund gained 19.2% over the past 12 months, beating 88% of its peers (large-company value funds). A hefty slug of financial stocks—including Fiserv, which gained 57.9% over the same period—helped. But value-driven strategies have lagged for much of the past decade. Though Stock holds some of the fast-growing tech names that have fueled market gains in recent years—specifically Amazon.com, Microsoft and Alphabet—the fund's stakes in those stocks aren't big enough to keep pace with the S&P 500. As a result, the fund's 16.4% five-year annualized return beat 93% of its large-value fund peers but trailed the S&P 500's 16.9% gain.
Parting shot: Use this fund as a complement to a core broad-market stock fund, to balance out pricey, outperforming stocks. Over very long hauls, value stocks have outpaced growth stocks, with less volatility.

→ Fidelity Blue Chip Growth

Portfolio: Giant U.S. firms with robust growth in sales and earnings.
Process: Manager Sonu Kalra focuses on companies with competitive advantages, pricing power (the ability to raise prices without a big impact on sales) and a strong management team, which he says will "deliver superior earnings in the long term." In late 2024, for example, he beefed up stakes in AppLovin, a mobile-technology firm that connects businesses with customers, because he believes it will benefit from advancements in artificial-intelligence-driven advertising.

Nearly half of the fund is invested in tech stocks, but Kalra has decided to keep relatively smaller stakes in benchmark heavyweights Apple and Microsoft. Financial services and consumer cyclical stocks, the fund's next biggest sector exposures, account for almost 25% of holdings.
Performance: The fund beat the S&P 500 over the past 12 months, returning 20.8%. Its three-, five- and 10-year returns beat the index, too.
Parting shot: A solid choice for growth, but buckle up if you climb aboard. The fund has been 30%

more volatile than the S&P 500 over the past decade.

→ Mairs & Power Growth

Portfolio: Despite having "growth" in its name, the fund holds a mix of growth and value stocks.
Process: The managers favor reasonably priced stocks in companies of any size that have competitive advantages in their industry and the potential for above-average growth. The bulk of the fund's companies must be based in the upper Midwest, near the fund's St. Paul office. But the managers aren't afraid to look farther afield if the price is right. Over the years, they've added tech stocks to the fund when prices dipped; they initiated stakes in Alphabet, Microsoft, Nvidia and Amazon.com between 2016 and 2020. These stocks now pepper the fund's top 10. The fund's tech exposure, 6% of the portfolio in 2017, is now 36%.
Performance: Tech shares have helped performance in recent years. But the fund's serving of small and midcap stocks, roughly 30% of assets combined, has cut into returns as those asset classes have lagged large-company shares. Over the past 12 months, the fund's 13.0% total return was impressive, but it fell short of the 18.4% gain in the S&P 500.
Parting shot: Many of its better-performing peers are index-huggers, but we appreciate this fund's independent streak. For that reason (and others), it stays in the Kiplinger 25.

→ Primecap Odyssey Growth

Portfolio: Growing companies of any size with a catalyst, such as a new product or a corporate restructuring, that can drive stock prices higher over the coming three to five years.
Process: Each of the fund's five managers runs a portion of the portfolio independently. But they all focus on firms with strong growth prospects that trade at a discount to what they think the company is worth.
Performance: The fund bears little resemblance to the S&P 500, and that has been a drag on relative returns in recent years. Instead of Apple, Nvidia and Microsoft, Odyssey Growth's top holdings include Eli Lilly, Raymond James Financial and Xometry, which makes AI-enabled manufacturing equipment. Even so, in 2023 and 2024, the fund turned in decent gains of 24% and 13%. It held up better in 2022, down 14% compared with the S&P 500's 18% loss.
Parting shot: We've not lost faith in this fund. Over the long term, it has been a winner: A $10,000 investment 20 years ago would today be worth $82,000; the same sum in a S&P 500 index fund would be worth $73,000.

→ T. Rowe Price Dividend Growth

Portfolio: More than 100 stocks of mostly large, dividend-paying companies that have a history of consistently raising payouts. The fund yields 0.9%.
Process: Dividend growth is more important to longtime manager Tom Huber than dividend yield.
Performance: When the stock market is in a go-go phase, as it has been for the past two years, dividend stocks tend to get short shrift. Ergo, although Dividend Growth earned a decent return of nearly 14% in 2023 and 2024, it fell short of the S&P 500, which delivered more than 25% in both years. The recompense, however, is lower volatility. In 2022, when the S&P 500 sank 18%, Dividend Growth slipped just 10%.
Parting shot: Double-digit long-term returns and less volatility than the broad market? Yes, please.

→ Vanguard Equity Income

Portfolio: U.S. dividend stocks. The fund yields 2.5%.
Process: Wellington Management's Matt Hand manages two-thirds of the assets, using fundamental research to find companies that pay above-average yield, boast high-quality traits and trade at reasonable prices. Vanguard's quantitative equity group runs the rest, using screens that focus on free cash flow (money left over after operating expenses and spending to maintain and expand the business) to pick stocks.
Performance: The fund lagged the FTSE High Dividend Yield index but outpaced the S&P 500 and its peers (funds that invest in value-priced large companies) over the past 12 months. Stocks in the consumer staples sector (Archer-Daniels-Midland, for example) and materials (PPG Industries) weighed on performance. The fund's 10-year record beats 84% of its peers.
Parting shot: Dividend stocks hold up better in market sell-offs, which makes Equity Income a good portfolio diversifier. In 2022, the fund was flat, with a 0.1% loss. By contrast, the S&P 500 slid 18.0%.

SMALL- AND MIDSIZE-COMPANY U.S. STOCK FUNDS

→ DF Dent Midcap Growth

Portfolio: Midsize, growing companies make up 68% of the fund. The rest of the portfolio is evenly split between large and small companies.
Process: Companies that dominate their industries, have sustainable earnings growth and employ smart executives are prime candidates for this fund. But price matters, too.
Performance: "Mid cap has been a tough space, but we haven't done great for the past couple of years," says comanager Bruce Kennedy. A cautious view on AI-driven investment themes hurt. "We're believers in AI, but we can't justify the valuations." The fund doesn't own Palantir Technologies or AppLovin, the two biggest stocks in the Russell Midcap Growth index; both soared in 2024. DF Dent's 7.0% gain over the past 12 months lags the index.
Parting shot: We like that DF Dent Midcap Growth has a distinctly non-index-like portfolio. That said, we're watching this fund closely.

→ **Heartland Mid Cap Value**
Portfolio: More than two-thirds of assets are in midsize-company stocks (the rest, in mostly small-cap stocks).
Process: The managers build the portfolio by focusing on two types of value stocks: straight-up value (high-quality, bargain-priced firms) and deep value (greatly discounted shares in companies with an internal catalyst to drive prices higher). They then sift for companies with positive earnings growth, a sound business strategy and capable managers.
Performance: The fund gained 5.8% over the past 12 months, lagging its peer group (midsize-company value funds), up 10.9% on average, and its benchmark, the Russell Midcap Value index, which returned 11.7%. "Our recent stock-picking hit rate has been below normal," the managers said in a recent report. The benchmark's return was driven in part by gains in pricey shares of high-quality companies or in firms with lots of debt—exactly what Heartland tries to avoid.
Parting shot: Stocks in midsize companies have been faring well since the start of 2025. We'll be watching closely to see how Mid Cap Value fares.

→ ***NEW* Oberweis Small-Cap Opportunities**
Portfolio: Nearly 100 small-company stocks with above-average long-term earnings growth.
Process: Ken Farsalas leads the strategy, which seeks to exploit a phenomenon called post-earnings-announcement drift. After a company appreciably beats analysts' earnings expectations, the thinking goes, investors tend to "underreact," says Farsalas, and the stock price languishes for a year or more before investors begin to realize that the business has undergone a significant change. That's where the Oberweis managers see opportunity. If a firm beats profit expectations materially, and the business displays a fundamental change—say, a new product,

MODEL PORTFOLIOS

Tap into these examples for ideas as you build your own portfolio, and tweak as necessary to match your tolerance for risk and investing time frame.

AGGRESSIVE PORTFOLIO

Time horizon: 11 years or more
Strategy: 80% in stocks, plus a core bond fund

Mutual fund	% of portfolio
Dodge & Cox Income	20%
Dodge & Cox Stock	20%
Primecap Odyssey Growth	20%
Fidelity International Growth	10%
T. Rowe Price Small-Cap Value	10%
Oberweis Small-Cap Opp	10%
Baron Emerging Markets	5%
Brown Cap Mgmt Intl Sm Co	5%

MODERATE PORTFOLIO

Time horizon: Six to 10 years
Strategy: 70% stocks, 30% bonds

Mutual fund	% of portfolio
T. Rowe Price Dividend Growth	20%
Baird Aggregate Bond	15%
Dodge & Cox Stock	15%
Fidelity International Growth	15%
Fidelity Strategic Income	15%
Janus Henderson Glb Eq Inc	10%
DF Dent Midcap Growth	5%
T. Rowe Price Small-Cap Value	5%

CONSERVATIVE PORTFOLIO

Time horizon: Five years or less
Strategy: A steady 65% bonds and 35% stocks geared for growth and income

Mutual fund	% of portfolio
Dodge & Cox Income	25%
Fidelity Strategic Income	10%
T. Rowe Price Div Growth	15%
Vanguard Equity Income	15%
Vanguard Short-Term Inv-Gr	15%
T. Rowe Price Floating Rate	5%
Vanguard Emerg Markets Bond	5%
Vanguard High-Yield Corporate	5%
Vanguard Wellington	5%

management team or acquisition—or there has been a regulatory change, the managers are interested buyers.

In mid 2023, for instance, Vertiv Holdings, which provides power and cooling technology to data centers, beat earnings expectations by 56%. Farsalas saw demand was rising for cooling solutions tied to the expansion of data centers. Shares were cheap relative to peers, and earnings estimates were too low. He picked up Vertiv for roughly $20 a share and held until late 2024, selling for about $130. By then, Farsalas says, "the gap between the Street's expectations had narrowed, and the valuation upside had deteriorated."

Performance: Long-term returns are impressive, but the ride can be bumpy. Over the past year, the fund's 7.9% gain beat the typical peer fund by more than two percentage points.

Parting shot: The fund is volatile, but no more so than the typical small growth fund. Tighten your seat belt or keep your investment small if your tolerance for rocky returns is low.

→ T. Rowe Price Small-Cap Value

Portfolio: Unloved, undervalued small-company stocks. The average holding has a market value of less than $4 billion.

Process: Manager David Wagner favors well-managed, profitable firms with strong balance sheets and good revenue growth. He buys when prices are cheap. In 2024, he picked up shares in natural gas company Expand Energy; BellRing Brands, which sells protein shakes, among other things; and Kilroy Realty, a real estate investment trust of office and mixed-use properties.

Performance: Over the past 12 months, the fund outpaced the Russell 2000 small-cap index, with a 10.9% gain that outdid 88% of its peers, too.

Parting shot: Small value can't seem to catch a break from its doldrums as an investing style. Consider keeping a little bit of exposure with this fund, however. If history is any guide, the market will rotate away from large growth eventually.

FOREIGN STOCK FUNDS

→ Baron Emerging Markets

Portfolio: Just over 100 stocks in developing markets. India, China, Taiwan and South Korea are the fund's biggest country exposures.

Process: Manager Michael Kass focuses on big-picture growth themes, such as digitization, global security and reforms in India, to find shareholder-friendly firms with sustainable competitive advantages and potential for long-term profit growth.

Performance: Over the past 12 months, the fund outpaced 79% of its peers, with a 10.1% return. But that follows lackluster returns, relative to peers as well as to the MSCI Emerging Markets index, between 2021 and 2023. The fund's three-year return ranks well below average.

Parting shot: High volatility comes with the territory in a diversified emerging-markets stock fund. Still, we're considering alternatives.

→ Brown Capital Management International Small Company

Portfolio: Just under 40 small companies, most of which are in developed foreign countries, such as Australia, Sweden and Japan.

Process: The managers seek "exceptional small growth companies," says comanager Kwame Webb. That means firms that deliver must-have products or services and sport increasing sales and profits or have a clear path to profitability. Top holdings include Hemnet Group, a Swedish real estate platform; Crisil, an Indian credit-rating services firm; and Sectra, a tech-services firm that provides ways to store, view and work with medical images.

Performance: Despite an ugly 2022, the fund's three-year annualized return of 2.5% beat 90% of its competition, as well as the MSCI All Country World ex USA Small Cap index. Falling interest rates and lower inflation helped. International Small Company has outpaced its peers in seven of the past nine full calendar years.

Parting shot: Add this aggressive foreign stock fund as a satellite to a core foreign fund holding, but be aware that it can be volatile.

→ Fidelity International Growth

Portfolio: Roughly 70 large foreign companies with good growth prospects and a competitive niche in their particular industry.

Process: Manager Jed Weiss targets companies with multiyear drivers for profit growth that are trading at attractive valuations based on his earnings forecasts. He balances underappreciated, fast-growing firms with cyclically out-of-favor companies that have limited competition and pricing power. Taiwan Semiconductor Manufacturing is a top holding.

Performance: Weiss has outpaced or matched his peers (foreign funds that focus on large, growing companies) in eight of the past 11 calendar years. Over the past five years, the fund outperformed its benchmark, the MSCI EAFE Growth index.

Parting shot: A solid core foreign stock fund with a growth tilt.

→ Janus Henderson Global Equity Income

Portfolio: Roughly 70 high-quality, large-company dividend stocks in markets all over the world.

Process: The managers focus on strong and growing levels of free cash flow, underappreciated earnings growth, and dividend sustainability. European and Asian companies tend to pay dividends once or twice a year, rather than quarterly; to optimize year-round income, the managers buy a stock before it pays a dividend and sell it a few months later to buy shares in a similar firm before it pays its dividends. The fund yields 4.1%.

Performance: The fund has outpaced peers in every calendar year but 2023. Over the past 12 months, the fund gained 15.9%, beating the MSCI World index and 68% of its peers.
Parting shot: A solid core foreign stock fund with a value tilt.

SPECIALIZED FUNDS

→ Fidelity Select Health Care

Portfolio: Health care stocks of all sizes.
Process: Longtime manager Eddie Yoon invests across all health care industries, including biotech firms, drug makers, care providers and medical device makers. He favors growing companies that trade at a discount to what he thinks the firms will be worth in three to four years. His biggest stakes are in health care equipment, biotech, managed care providers and drug firms.
Performance: Stocks in the health care sector gained just 4.6% over the past 12 months, compared with an 18.4% gain in the S&P 500. Uncertainty about how the Trump administration may impact health care policies—plus expectations of cutbacks for Medicaid and the Affordable Care Act—knocked the sector off its feet. Against that backdrop, Select Health Care returned 1.9%. Though gains in medical device company Boston Scientific helped, biotech stocks Legend Biotech and Keros Therapeutics were a drag.
Parting shot: Health care is a necessary expense. And a rapidly aging population, a glut of underserved nations, and advances in drug discovery and genomics help pave a long runway for future growth. That makes Fidelity Select Health Care a good bet for future growth in your portfolio.

→ T. Rowe Price Global Technology

Portfolio: Tech and tech-related stocks from all over the world.
Process: Manager Dom Rizzo focuses on companies with "linchpin" technologies he says are mission-critical to customers or improve users' lives. He favors firms that are increasing market share and have accelerating revenue growth, expanding profit margins and improving free cash flow. Finally, the stock must be reasonably priced.
Performance: Rizzo has posted stellar returns since taking over the fund in early 2023. Over the past 12 months, the fund's 15.5% return beat 62% of all tech funds, but misses edging out the 18.4% gain in the S&P 500 Information Technology index.
Parting shot: Investors with a long-term view need a good tech fund, and this is our favorite.

→ Vanguard Wellington

Portfolio: It's the oldest balanced fund in the country and holds 65% in stocks and 35% in bonds. It yields 2.1%.
Process: Two managers from Wellington Management run the fund: Dan Pozen picks the stocks, and Loren Moran chooses the bonds. Pozen favors stocks in durable businesses with strong earnings potential that trade at moderate valuations. Moran buys high-quality corporate debt and Treasuries. The bonds in the fund have an average credit rating of single-A.
Performance: The fund's 13.6%, 12-month return beat 82% of its balanced-fund peers and was just shy of a 13.7% gain in a composite index made up of the S&P 500 index (65%) and the Bloomberg U.S. Aggregate Bond index (35%). The fund's three-year return trailed the composite index but beat 77% of its peers.
Parting shot: It's a good all-in-one fund for investors with moderate risk tolerance and a medium time frame who seek a smoother ride.

BOND FUNDS

→ Baird Aggregate Bond

Portfolio: High-quality, medium-term debt. The fund yields 4.2%.
Process: A 10-person team, led by Warren Pierson and Mary Ellen Stanek, who won Morningstar's outstanding portfolio manager of the year award in 2022, runs the fund with a keen eye on risk. They favor bargains and typically hunt for opportunities in troubled sectors. But they don't bet on which way interest rates might move. Instead, they keep the fund's duration—a measure of interest rate sensitivity—in line with the Agg index. The fund's duration, 6.1 years, implies that if rates fell by one percentage point over a year, the fund's net asset value would rise by 6.1%, and vice versa.
Performance: The managers have succeeded in their aim to beat the Aggregate Bond index in eight of the past 11 full calendar years.
Parting shot: A solid core bond fund.

→ Dodge & Cox Income

Portfolio: The fund holds mostly investment-grade debt (rated triple-A to triple-B), but IOUs with below-investment-grade ratings (double-B to triple-C), also called high-yield or junk bonds, can make up to 20% of assets. The fund yields 4.1%.
Process: The eight bond managers at Income like a good value. In 2024, they navigated evolving economic and political developments and volatile interest rates by shaving the fund's corporate debt exposure and buying more government bonds.
Performance: Dodge & Cox Income boasts three-, five- and 10-year returns that beat at least 91% of intermediate core-plus bond funds.
Parting shot: A solid core bond choice with a slightly more aggressive stance.

→ Fidelity Intermediate Municipal Income

Portfolio: Medium-maturity municipal bonds, which generate interest income that is typically exempt from federal taxes. The fund's 2.5% yield is comparable to a 3.3% yield in a taxable bond fund for taxpayers in the 24% federal tax bracket.
Process: Three managers look for well-priced general-obligation debt—

THE KIPLINGER 25

Everything you need to know about our favorite actively managed, no-load mutual funds.

		Annualized total return				
U.S. STOCK FUNDS	**Symbol**	**1 yr.**	**5 yrs.**	**10 yrs.**	**Yield**	**Expense ratio**
DF Dent Midcap Growth	DFDMX	7.0%	7.7%	10.5%	0.0%	0.89%
Dodge & Cox Stock	DODGX	19.2	16.4	11.5	1.3	0.51
Fidelity Blue Chip Growth	FBGRX	20.8	21.6	17.1	0.2	0.47
Heartland Mid Cap Value	HRMDX	5.8	13.1	8.7	0.8	1.10
Mairs & Power Growth	MPGFX	13.0	15.2	11.2	0.8	0.64
Oberweis Small-Cap Opportunities	OBSOX	7.9	19.5	12.9	0.0	0.64
T. Rowe Price Dividend Growth	PRDGX	13.8	13.8	11.7	0.9	0.64
T. Rowe Price Small-Cap Value	PRSVX	10.9	10.0	8.3	0.8	0.80
Primecap Odyssey Growth	POGRX	13.8	13.7	11.5	0.4	0.66
Vanguard Equity Income	VEIPX	18.4	13.6	10.4	2.5	0.27
FOREIGN FUNDS	**Symbol**	**1 yr.**	**5 yrs.**	**10 yrs.**	**Yield**	**Expense ratio**
Baron Emerging Markets	BEXFX	10.1%	2.4%	2.8%	0.5%	1.37%
Brown Capital Mgmt Intl Small Co	BCSVX	6.2	9.4	—	0.0	1.31
Fidelity International Growth	FIGFX	6.5	8.5	7.3	0.4	0.86
Janus Henderson Global Equity Income	HFQTX	15.9	8.8	5.1	4.1	0.95
SPECIALIZED FUNDS	**Symbol**	**1 yr.**	**5 yrs.**	**10 yrs.**	**Yield**	**Expense ratio**
Fidelity Select Health Care	FSPHX	1.9%	7.9%	7.6%	0.0%	0.65%
T. Rowe Price Global Technology	PRGTX	15.5	11.5	14.2	0.0	0.94
Vanguard Wellington	VWELX	13.6	9.7	8.4	2.1	0.26
BOND FUNDS	**Symbol**	**1 yr.**	**5 yrs.**	**10 yrs.**	**Yield**	**Expense ratio**
Baird Aggregate Bond	BAGSX	6.0%	–0.3%	1.7%	4.2%	0.55%
Dodge & Cox Income	DODIX	6.8	1.4	2.7	4.1	0.41
Fidelity Interm Muni Income	FLTMX	2.9	0.9	2.1	2.6	0.36
Fidelity Strategic Income	FADMX	7.8	3.3	3.7	4.1	0.66
T. Rowe Price Floating Rate	PRFRX	8.1	5.6	4.6	7.4	0.77
Vanguard Emerging Markets Bond	VEMBX	10.4	4.0	—	6.5	0.55
Vanguard High-Yield Corporate	VWEHX	8.5	3.9	4.4	6.1	0.22
Vanguard Short-Term Investment-Grade	VFSTX	6.6	1.8	2.3	4.1	0.20
INDEXES		**1 yr.**	**5 yrs.**	**10 yrs.**	**Yield**	
S&P 500 INDEX		18.4%	16.9%	13.0%	1.2%	
RUSSELL 2000 INDEX*		6.7	9.4	7.2	1.2	
MSCI EAFE INDEX†		8.8	8.7	5.3	2.9	
MSCI EMERGING MARKETS INDEX		10.1	4.3	3.5	2.6	
BLOOMBERG U.S. AGGREGATE BOND INDEX#		5.8	–0.5	1.5	4.6	

AS OF FEBRUARY 28, 2025. *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 Direct, 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.

bonds funded by state and local taxes—and revenue bonds, which are IOUs for projects such as toll bridges that generate income to pay off the bond holders. The managers seek bonds with attractive valuations and solid risk-reward profiles.
Performance: Muni bonds were volatile in late 2024, as investors weighed the impact of potential interest rate cuts. Intermediate Muni Income gained just 2.9% over the past 12 months, below average for its category. But this is a slow-and-steady-wins-the-race fund. Over longer stretches, it posts above-average returns with below-average risk.
Parting shot: This is a solid tax-advantaged holding for high-income investors in taxable accounts.

→ Fidelity Strategic Income

Portfolio: A mix of high-yield debt, U.S. government bonds and IOUs issued in foreign developed and emerging markets. The fund yields 4.1%.
Process: Generating a high level of income is a main goal. Lead managers stick close to a benchmark of 45% high-yield debt, 30% U.S. government bonds, and 25% emerging and foreign developed market IOUs. They tweak portfolio allocations depending on their big-picture view of global economies and bond markets. Lately, that has tilted toward high-yield and emerging-markets debt. Bond-sector specialists pick the individual bonds.
Performance: Over the past 12 months, this multisector bond fund's 7.8% return beat its peers. High-yield bonds helped in the first half of the year. So did a position in Nvidia stock. Just over 5% of the fund's assets hold stocks, and a year-end stock rally helped the fund's returns as bonds took a breather. Over five years, the fund's annualized return beat 71% of its peers.
Parting shot: This fund can complement a core bond fund to enhance returns and diversification.

→ T. Rowe Price Floating Rate

Portfolio: Floating-rate loans, or bank loans, carry interest rates that reset in line with a short-term benchmark. The fund yields 7.4%.
Process: Paul Massaro and a team of analysts dive deep to find quality bank loans trading at a discount.
Performance: The fund's 12-month return of 8.1% beat 71% of bank-loan fund peers but lagged the Morningstar index for loans of this type.
Parting shot: A small slice of floating-rate IOUs in your bond portfolio still makes sense. Their coupon rate is historically high, says Massaro, which leaves a cushion to weather more Federal Reserve rate cuts and still deliver high income.

→ Vanguard Emerging Markets Bond

Portfolio: Bonds issued in emerging markets. The portfolio yields 6.5%.
Process: Vanguard's Dan Shaykevich and Mauro Favini focus mostly on dollar-denominated government debt. They can devote up to 10% of the fund's assets to bonds issued in local currencies and up to 10% to emerging-markets corporate IOUs.
Performance: In early 2024, the managers snapped up high-quality sovereign bonds trading at attractive prices during a new-issuance wave. The fund's 10.4% gain over the past year beat its benchmark and peers.
Parting shot: A robust yield makes this fund worth considering, but limit your exposure. Emerging-markets debt can be turbulent; the fund has been about 45% more volatile than the average core intermediate-term bond fund over the past three years.

→ Vanguard High-Yield Corporate

Portfolio: A conservative mix of below-investment-grade corporate debt. Nearly 60% of assets are in securities rated double-B, the highest-quality tier of junk bonds; another 8% is in investment-grade debt. The fund yields 6.1%.
Process: New-ish managers Elizabeth Shortsleeve of Wellington Management, who runs two-thirds of the fund's assets, and Michael Chang of Vanguard's in-house bond group look for high-quality junk bonds. Both have less than three-year tenures as lead managers but boast years of experience analyzing bonds.
Performance: A 12-month return of 8.5% lagged its peers, though that was due mostly to the fund's focus on double-B-rated junk bonds. A popular index of double-B-rated debt, for instance, gained 8.5% over the past 12 months; an index of triple-C-rated junk debt soared 18.4%.
Parting shot: This is a high-yield-lite option for investors who want added income with less volatility. We like what we see from the new managers so far, but we're watching closely.

→ Vanguard Short-Term Investment-Grade

Portfolio: High-quality, short-maturity corporate bonds, with a smattering of government and securitized debt on the side. The fund yields 4.1%.
Process: Two Vanguard bond managers make the big-picture calls; bond-sector specialists pick the securities. Recently, corporate debt made up 83% of the fund's assets, much of it rated triple-B or single-A with maturities of less than five years. Treasuries and other government debt, plus some asset- or commercial-backed IOUs, make up the rest.
Performance: Compared with short-term bond fund peers, the fund boasts a yield and one-, three- and five-year returns that are better than average. A 6.6% gain over the past 12 months topped 72% of peers.
Parting shot: The fund is a sensible choice for money you expect to tap in three to four years' time. But don't mistake it for a cash account—the fund lost 5.9% in 2022.

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NEW DIVIDEND ARISTOCRATS DEBUT

ETF TRENDS BY NELLIE S. HUANG

A chronicle of companies moving in and out of the S&P 500 Dividend Aristocrats index may not be as riveting as an episode of *The White Lotus*. But look behind the scenes. Stock market volatility is heightened these days, signaling a possible inflection point in market leadership. It's a good time, then, for investors to turn their attention to stocks that pay dividends, especially the stocks of high-quality companies with steadily increasing payouts.

That's the stomping ground of the Dividend Aristocrats index, which includes only companies in the S&P 500 benchmark that have consistently raised dividends for at least 25 consecutive years. Coca-Cola, Procter & Gamble and Walmart are longtime Aristocrats members.

Earlier this year, as part of the benchmark's annual reconstitution, three new companies were added: insurance company Erie Indemnity, energy provider Eversource Energy, and FactSet Research Systems, which provides financial data and analytic services to investors. There were no deletions.

Exchange-traded fund ***ProShares S&P 500 Dividend Aristocrats (symbol NOBL, $104, expense ratio 0.35%)*** is the only U.S. fund that tracks the Dividend Aristocrats index, which currently includes 69 stocks.

The ETF is an antidote of sorts to the concentration of the Magnificent Seven, those tech-related firms that drove market returns for much of the past two years. None of the Seven are Aristocrats, for starters; two of them, Amazon.com and Tesla, don't even pay a dividend. And the Aristocrats index is equal weighted—assets are evenly divided by each stock in the index, regardless of market value, dividend yield or any other measure—and rebalanced quarterly. "It's a ward against single-stock concentration," says a spokesperson for S&P Dow Jones Indices. The ETF also yields 2.5%, which is better than the 1.2% yield of a comparable S&P 500 ETF.

Naturally, the absence of the Magnificent Seven in the Aristocrats index has hurt the relative recent returns of the ProShares S&P 500 Dividend Aristocrats ETF. Over the past five years, the ETF's 11.5% annualized return has lagged the 16.9% average annual gain in the straight-up S&P 500. But over longer hauls, the Aristocrats index has turned in similar returns to the S&P 500, with less volatility.

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15 LARGEST EXCHANGE-TRADED FUNDS Ranked by assets

	Name	Symbol	Assets (bill.)	Price	Annualized total return 1 yr.	Annualized total return 3 yrs.	Exp. ratio
1	SPDR S&P 500 ETF Trust	SPY	$634.0	$594	18.4%	12.5%	0.09%
2	Vanguard S&P 500	VOO	620.5	546	18.5	12.5	0.03
3	iShares Core S&P 500	IVV	594.0	597	18.6	12.5	0.03
4	Vanguard Total Stock Market	VTI	467.7	293	17.5	11.5	0.03
5	Invesco QQQ Trust	QQQ	323.7	508	16.4	14.3	0.20
6	Vanguard Growth	VUG	155.2	406	19.9	14.2	0.04
7	Vanguard FTSE Developed Markets	VEA	143.7	51	8.4	5.5	0.06
8	Vanguard Value	VTV	137.4	178	27.0	10.1	0.04
9	Vanguard Total Bond Market	BND	127.2	74	5.8	–0.4	0.03
10	iShares Core MSCI EAFE	IEFA	126.7	75	8.5	6.1	0.07
11	iShares Core US Aggregate Bond	AGG	$125.5	$99	5.8%	–0.4%	0.03%
12	iShares Russell 1000 Growth	IWF	102.8	395	19.8	14.6	0.19
13	iShares Core S&P Mid-Cap	IJH	94.7	62	8.8	6.8	0.05
14	Vanguard Dividend Appreciation	VIG	90.0	203	15.9	10.8	0.06
15	iShares Core S&P Small-Cap	IJR	84.5	112	6.3	2.9	0.06
	S&P 500 Index				18.4%	12.6%	
	Bloomberg U.S. Aggregate Bond Index				5.8	–0.4	
	MSCI EAFE				8.8	6.4	

AS OF FEBRUARY 28, 2025. SOURCE: Morningstar Direct.

ESG INVESTING NAVIGATES POLITICAL BACKLASH

THE KIPLINGER ESG 20 UPDATE BY ADAM SHELL

ESG, an investing style that eyes a company's profits, risks and long-term sustainability through an environmental, social or corporate-governance lens, is weathering a political storm. The values-based strategy, also known as socially conscious or sustainable investing, traces its modern-day roots back to the latter part of the 20th century. Now, "ESG is a four-letter word," says Paul Beland, global head of research for wealth management at CFRA Research. But backlash aside, ESG investing principles are as relevant today as they were 40 years ago, says Robert Klaber, director of sustainability research and a portfolio manager at Parnassus Investments, and they're still materially pertinent to a company's bottom line and investment prospects. "We believe these investment concepts are durable for the long run," he says.

Since our last update of the Kiplinger ESG 20, our favorite stocks and funds that stand out on ESG and financial metrics, the headwinds have stiffened. The Trump administration is less climate-friendly, intensely scrutinizing ESG and pushing for a federal government ban of DEI (diversity, equity and inclusion) initiatives. Wall Street's top regulator is moving closer to rescinding a rule requiring public companies to quantify the business risk caused by climate change. Employer-sponsored plans, such as 401(k)s, are in the crosshairs, too. A U.S. district court ruling in Texas earlier this year found that American Airlines violated the law by including funds in its retirement savings plan from an investment firm considering ESG factors in its proxy voting and other related shareholder engagement measures.

Given the controversy, we want to reiterate that the Kiplinger ESG 20 comprises companies we think are good businesses with good investment prospects. Our picks include some of the best companies and stocks on the planet, such as computer chip designer ***Nvidia*** and software giant ***Microsoft***. Our role is to provide readers with a broad range of investment options and strategies to consider as they look to increase their wealth.

The evidence shows there's still significant interest in values-infused investing. Seven of 10 investors say companies should incorporate ESG or sustainability considerations directly into their corporate strategy, according to consulting firm PWC. The size of the U.S. market for ESG or sustainable investing is $6.5 trillion, according to US SIF, a sustainable-investing

Shares in CBRE Group, a commercial real estate company, rose 54.5% over the past 12 months. ↓

ALAMY

association. And despite a retreat from ESG investing in the final quarter of 2024, assets in U.S. sustainable funds rose 6.3% last year, according to Morningstar. Investors still want to own companies that align with their values. "I think people are asking themselves, 'If the federal government isn't going to prioritize the changes that I want to see in the world, how can I support that change?' One answer is through their investments," says Cy McMillan, comanager of ***Green Century Balanced***, a member of the Kip ESG 20.

Mixed performance. Amid all the noise, the list of our 15 ESG-friendly stocks returned 6.2%, on average, trailing the 18.4% gain in the S&P 500 index. Still, four of our stock picks topped the broad-market benchmark. AI chip leader Nvidia, lauded for its labor relations and employee benefit perks, was the top gainer, rising 57.9%. ***CBRE Group***, a commercial real estate company, was up 54.5%. ***Hilton Worldwide Holdings***, another corporate governance leader, rallied 30%. Heating and cooling giant ***Trane Technologies***, which gets high marks for safety, rose 26.3%.

The laggard was ***Novo Nordisk***, maker of anti-obesity drugs. Novo, which earns kudos for partnering with UNICEF to prevent childhood obesity and donating medicine, is in a two-horse race with Eli Lilly in the fast-growing market for weight-loss drugs. Novo shares are down 23.1% in the past year, with the bulk of the loss stemming from a one-day plunge late in 2024 after disappointing trial results for another experimental injectable weight-loss drug.

But we're sticking with Novo and its existing injectable obesity drug Wegovy and diabetes-focused Ozempic. The runway for weight-loss drugs remains long. Novo says only 1.2 million patients are being treated with Wegovy out of the 55 million whose health care plans would cover it. "The promise of the global obesity opportunity remains intact," according to analysts at Morgan Stanley. Another bullish signal: Novo's blockbuster obesity and diabetes drugs posted stronger-than-expected sales growth in the final quarter of 2024, and the drugmaker's 2025 forecast of 16% to 24% sales growth and 19% to 27% profit growth topped analysts' projections, calming fears of a U.S. sales slowdown.

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Costco Wholesale benefits from technology and supply-chain advantages that should lead to faster growth.

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Breaking down performance by each of the ESG pillars, our favorite environmental stocks lagged the most. The *E* group posted an average one-year decline of 2.6%. First Solar, the U.S. maker of photovoltaic solar panels beset by U.S. policy uncertainty and competition from Chinese solar companies, fared worse, with a 12-month drop of 11.5%. Our *S* category fared best, gaining an average 12.8%, and our five *G* stocks returned an average of 8.5%. All five of our fund selections finished higher in the past 12 months, with ***FlexShares STOXX Global ESG Select ETF*** posting the biggest gain (13.2%).

Making changes. We are removing Target from the ESG 20. Although the company's commitment to shareholder rights still rates it high on governance, its double-digit-percentage stock-price declines in the past one- and three-year periods ranks it dead last among our 15 stocks. That gives us pause, as did the retailer's recent decision to suspend its DEI initiatives in the face of political pressure, which runs afoul of the spirit of ESG investing.

In its place in our governance category, we are adding Nvidia, which is moving from its current slot as a social standout. The chip giant excels in all parts of the ESG acronym, including *G*, where it earns high marks for strong ethical practices (tying executive pay to measurable corporate financial metrics) and board independence (12 of 13 directors are independent).

Investors concerned about Nvidia losing its dominant leadership position in the artificial-intelligence race due to competition from China's AI start-up DeepSeek and other new entrants need to take a deep breath. "I don't think their business model has been disrupted," says CFRA analyst Angelo Zino, who rates Nvidia a "buy." Despite Nvidia's initial sell-off on news of competitive AI models that are cheaper to run and use older chips, Wall Street remains confident in Nvidia's long-term AI prospects. New AI innovation will result in a significant increase in the usage of AI models overall, which in turn means more usage of Nvidia's sophisticated GPU chips. "We think this is bullish," says Dom Rizzo, manager of T. Rowe Price Technology ETF.

The case for Costco. To take over for Nvidia in our list of social standouts, we are adding big-box retailer ***Costco Wholesale***. The retail heavyweight is a Wall Street favorite. Costco has posted annualized returns of 41.6% and 27.5% in the past one- and three-year periods, thanks to its affordable prices and growing and recurring membership revenue. "Everyone knows they have a cult-like following," says CFRA's Beland. Morgan Stanley analyst Simeon Gutman dubs Costco a "market share gainer" that will continue to benefit from technology and supply-chain advantages that lead to faster growth.

The retailer is also a champion of its diverse workforce and earns kudos for treating its employees and suppliers fairly and equally. Earlier this year its board recommended that shareholders vote down a request to report on the possible business risks of its DEI policies, such as potential shopper boycotts and litigation, and nearly all Costco shareholders (98%) voted against the measure. Still, Trump's DEI executive orders "sow uncertainty about voluntary DEI initiatives," according to attorneys at Pillsbury law firm. In late January, 19 state attorneys general urged Costco to end "unlawful discrimination" through its DEI practices.

Costco shares aren't cheap, trading for nearly 58 times estimated earnings for the year ahead. So, like Costco customers waiting to pounce on sale merchandise, investors will do best to buy this stock on dips. K

Send comments to feedback@kiplinger.com.

VALUES INVESTING

THE KIPLINGER ESG 20 AT A GLANCE

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

ENVIRONMENTAL STEWARDS

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

Company	Symbol	Price	Price-earnings ratio	Annualized total return 1 yr.	3 yrs.
First Solar	FSLR	$136	7	–11.5%	21.8%
Levi Strauss	LEVI	18	14	1.7	–5.0
Microsoft	MSFT	397	30	–3.3	10.7
Prologis	PLD	124	51	–4.1	–2.7
Xylem	XYL	131	28	4.2	14.9

SOCIAL STANDOUTS

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

Company	Symbol	Price	Price-earnings ratio	Annualized total return 1 yr.	3 yrs.
Costco Wholesale	COST	$1,049	58	41.6%	27.5%
Novo Nordisk	NVO	91	23	–23.1	22.2
Salesforce	CRM	298	27	–3.0	12.5
Trane Technologies	TT	354	28	26.3	33.1
W.W. Grainger	GWW	1,021	25	5.7	29.8

GOVERNANCE LEADERS

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

Company	Symbol	Price	Price-earnings ratio	Annualized total return 1 yr.	3 yrs.
Accenture	ACN	$349	27	–5.5%	4.7%
Applied Materials	AMAT	158	17	–20.8	6.5
CBRE Group	CBRE	142	26	54.5	13.6
Hilton Worldwide Holdings	HLT	265	33	30.0	21.5
Nvidia	NVDA	125	28	57.9	72.4

ESG FUNDS & ETFs

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

Mutual Fund/ Exchange-Traded Fund	Symbol	Expense ratio	Annualized total return 1 yr.	3 yrs.
Brown Advisory Sustainable Bond	BASBX	0.46%	5.6%	–1.5%
FlexShares STOXX Global ESG Select Index	ESGG	0.42	13.2	10.4
Green Century Balanced	GCBLX	1.46	7.4	3.6
Impax Global Environmental Markets	PGRNX	1.16	4.2	4.8
Putnam Sustainable Future ETF	PFUT	0.63	2.1	4.3

INDEXES

	Annualized total return 1 yr.	3 yrs.
S&P 500	18.4%	12.6%
BLOOMBERG U.S. AGGREGATE BOND	5.8	–0.4
MSCI ALL COUNTRY WORLD	15.1	9.1

As of February 28, 2025. SOURCE: Morningstar Direct

BUFFETT'S LATEST PORTFOLIO MOVES

The Oracle of Omaha added a beverage company and said buh-bye to more bank shares.

BY DAN BURROWS

WARREN Buffett kicks off Berkshire Hathaway's annual meeting on May 3, marking the conglomerate's 60th year under the 94-year-old's leadership. In a letter to shareholders and in the company's annual report, Buffett disclosed that Berkshire's stock portfolio ended 2024 worth \$272 billion, down from \$354 billion at year-end 2023, while cash and cash-equivalent securities jumped to \$334.2 billion, up from \$167.6 billion—an indication of how hard it has been for Buffett and his comanagers, Ted Weschler and Todd Combs, to find the kind of stock bargains they prefer. One exception is the holding company's stake in a handful of Japanese conglomerates, now worth \$23.5 billion, which Buffett said investors can expect to grow over time.

Whether we're talking about Berkshire's biggest bets or the scores of stocks it maintains at the margins, it's clear that the portfolio's focus has changed dramatically over the past few years. Although old-guard favorites such as American Express and Coca-Cola still form the core of the portfolio, Buffett and his co-managers have taken a shine to names such as Apple and Amazon.com, and even to lesser-known companies such as financial services firm Nu Holdings. Buffett owned airline stocks at the start of 2020; now he holds none. Banks were aces among Buffett stocks to begin 2020; Berkshire soon kicked most of them to the curb. And it seems like only yesterday that Buffett was an enthusiastic buyer of select pharmaceutical names. Today, most of those positions have been closed out, too.

One thing that hasn't changed, however, is Buffett's preference for maintaining a highly concentrated portfolio. Apple by itself accounts for 28% of Berkshire's stock investments (excluding Berkshire's holdings in a few Japanese brokerage stocks), and a year ago it made up more than 40%. Berkshire's top five holdings are almost three-fourths of the value its U.S. stock portfolio, and the top 10 stocks account for nearly 90%. As Buffett likes to say, diversification is for those who don't know what they're doing.

Whether we're talking about Berkshire's biggest bets or the scores of stocks it maintains at the margins, it's clear that the portfolio's focus has changed dramatically over the past few years.

Fourth-quarter moves. To see what the Oracle of Omaha has been doing lately, we tracked Berkshire's portfolio moves for the final quarter of 2024 by reviewing documents filed with the Securities and Exchange Commission and made public in February. Berkshire Hathaway added just one new company to its holdings in the fourth quarter: Constellation Brands, the beer, wine and spirit maker whose labels include Corona Extra, Modelo Especial and Robert Mondavi Winery. Berkshire bought 5.6 million shares worth \$1.2 billion as of the end of the quarter. At less than 0.5% of the portfolio, Constellation is Berkshire's 19th-largest holding.

Berkshire upped its stake in Verisign by 455,844 shares. That brings the total count to 13.3 million shares, worth \$2.7 billion as of December 31. The investment in the provider of domain name registry services is Berkshire's 12th-largest position, accounting for a bit more than 1% of the portfolio.

It should come as little surprise that Berkshire continued to add to some favored holdings, including an additional 8.9 million shares in Occidental Petroleum. The current stake in the company—265 million shares worth about \$13 billion—is Berkshire's sixth-biggest position. The stock lost almost one-fifth of its value last year and traded as low as \$45 a share in December. It wouldn't be the first time Buffett went bargain hunting in the shares, which he first bought for Berkshire in 2022.

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680.2 million shares worth almost $30 billion as of December 31. BofA was still Berkshire's third-largest holding at year-end, accounting for more than 11% of the portfolio.

Berkshire also pared its stakes in Capital One Financial and Citigroup. At 0.5% of the portfolio, Capital One is the holding company's 18th-largest investment. (Buffett sold Capital One stock in the previous quarter, too.) Citigroup, at less than 0.4% of the portfolio, fell to an even more immaterial 21st place.

In other moves, Berkshire lightened up on cable company Charter Communications, as it did the previous quarter. Charter stock is now less than 0.3% of the portfolio's value. Other stocks Berkshire continued to sell included Formula One Group, Nu Holdings, T-Mobile U.S. and building-products firm Louisiana-Pacific. Finally, Berkshire sold all of its tiny position in Ulta Beauty, as well as its stakes in SPDR S&P 500 ETF Trust and Vanguard S&P 500 ETF.

Elsewhere, Berkshire increased its holdings in two recent additions, Domino's Pizza and Pool, buying another 1.1 million shares in the pizza chain and another 194,632 shares in the distributor of swimming pool supplies. The size of the investments, initiated in the third quarter of 2024, suggests the stocks were not Buffett's picks. The 2.4 million Domino's shares were worth $999.9 million at year-end and accounted for less than 0.4% of the portfolio, making the investment Berkshire's 22nd-largest position. Pool's portfolio weight of 0.08% puts it at number 30.

Finally, Berkshire continued to add to its position in Sirius XM Holdings. Berkshire now owns 117.5 million shares, worth $2.7 billion as of December 31. The increased stake further cements Berkshire's position as the largest shareholder in Sirius; Buffett now owns 35% of the outstanding common stock.

On the chopping block. Buffett sold more Bank of America stock in the fourth quarter and slashed his exposure to some other big banks. The sale of BofA shares was the most notable, however: The nation's second-largest bank by assets has been a major holding since 2017. Berkshire reduced its stake by more than 117 million shares and now holds

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One thing that hasn't changed is Buffett's preference for maintaining a highly concentrated portfolio.

The return drivers. As noted above, Warren Buffett has always maintained a highly concentrated portfolio. The stocks below accounted for almost three-fourths of Berkshire's total U.S. stock holdings as of the end of the fourth quarter. If you want to know what's driving the bulk of the Buffett's returns, zero in on these companies.

Buffett has called Apple "Berkshire's third business," so it should come as no surprise that the iPhone maker is routinely among the holding company's top positions. True, Berkshire pared its stake in Apple in 2024, but the sales were for tax purposes. And at last year's annual meeting, the greatest long-term investor of all time assured shareholders he adored Apple as much as ever, saying that Apple is “even better” than American Express or Coca-Cola—two “wonderful” businesses that Berkshire has owned since the early 1960s and late 1980s, respectively. We’ll be listening to what he says about Apple this year. Berkshire is the company’s sixth-largest shareholder, and Berkshire’s continuing interest in Apple has marketwide implications. (No wonder the market seemed relieved that Buffett didn’t sell more Apple stock in the fourth quarter.)

Buffett likes credit card companies. He owns substantial stakes in payments processors Visa and Mastercard, but he really loves American Express. Buffett took his first stake in Amex in the 1960s, and it’s still paying off more than a half-century later. There’s a lot to like about Amex: Its management is strong, it’s a dominant brand in the industry, and it generates copious amounts of free cash flow (the money left over after essential capital expenditures that can be used to finance dividends and stock buybacks). The current dividend yield (0.93%) isn’t eye-catching, but it is safe and growing. And the stock is only slightly more volatile than the broader market. Those are attributes that will help long-term investors sleep better at night.

Despite Buffett’s continued trimming in the fourth quarter, Bank of America remains the third-largest holding, behind Apple and American Express, and Berkshire Hathaway is the bank’s largest institutional shareholder. Financial stocks have had a good run lately, and BofA shares returned 11% in the fourth quarter—far outpacing the S&P 500 index, which delivered just 2.4%.

Buffett famously watched Coca-Cola for 52 years (starting as a child) before investing in the stock. He finally took the plunge in 1988. “We expect to hold these securities for a long time,” Buffett wrote back then in a letter to Berkshire shareholders. “In fact, when we own portions of outstanding businesses with outstanding managements, our favorite holding period is forever.” As of the end of the fourth quarter of 2024, Berkshire owned 9.3% of Coca-Cola’s outstanding shares. Analysts like the stock’s prospects. Wall Street gives Coke a consensus recommendation of “buy.”

There are few things Buffett likes more than dividends and buybacks, and thanks to the outlook for crude oil prices, the energy sector is enjoying steady and predictable free cash flow. Chevron, with a recent yield of 4.4%, is returning some of its cash to shareholders through dividends and buybacks. It also helps that oil is a solid hedge against inflation. With inflation still running ahead of the Federal Reserve’s 2% target, commodities should remain in favor. (For more on inflation, see “Street Smart,” on the next page.)

Send comments to feedback@kiplinger.com.

BERKSHIRE BY THE NUMBERS

Berkshire Hathaway’s biggest buys and sells during the fourth quarter are ranked by the dollar value of the shares purchased or sold, using the end-of-quarter stock price. Top holdings are ranked by their portfolio weighting at year-end.

BIGGEST BUYS Company	Symbol	Recent price	4th-qtr. purchase (millions)
Constellation Brands	STZ	$176	$1,243
Domino’s Pizza	DPZ	490	464
Occidental Petroleum	OXY	49	440
Sirius XM	SIRI	24	281
Verisign	VRSN	238	94

BIGGEST SELLS Company	Symbol	Recent price	4th-qtr. sale (millions)
Bank of America	BAC	$46	–$5,162
Citigroup	C	80	–2,858
Nu Holdings	NU	11	–479
Capital One Financial	COF	201	–294
Charter Communications	CHTR	364	–285

TOP HOLDINGS Company	Symbol	Recent price	Weight in portfolio
Apple	AAPL	$242	28.1%
American Express	AXP	301	16.8
Bank of America	BAC	46	11.2
Coca-Cola	KO	71	9.3
Chevron	CVX	159	6.4

Recent price: February 28. Purchase value and portfolio weight as of December 31. Source: WhaleWisdom

How to Cope With Inflation

STREET SMART BY JAMES K. GLASSMAN

WHEN it comes to inflation, the U.S. has been living in a fool's paradise. Inflation—that is, the rise in the general level of prices—has been a fact of economic life, averaging 3.3% annually since 1914. But from 2009 to 2020, the consumer price index rose just 2.1% a year. We got used to inflation one-third lower than the historical norm, which is why post-COVID prices have been such a shock.

The best way to drive inflation out of the system is to hike short-term interest rates. Rates had been sitting close to zero from 2009 to 2022, with the exception of a brief period around 2018. Then the Federal Reserve started to increase rates relentlessly—to more than 5% in just two and a half years. The antidote worked, up to a point. Inflation dropped from 8% in 2022 to 4.1% in 2023 and to 2.9% last year. But the Fed's target is 2%, and it's having a tough time getting there.

"American inflation looks increasingly worrying," said a headline in *The Economist* in February. President Trump was elected, in part, to stop prices from rising so much, and he has been trying. With Elon Musk, he has cut government employment and programs, but prices don't react quickly to fiscal changes unless they're so extreme as to cause a recession—an almost certain way to end inflation with a cure as bad as the disease. The president also wants to drive down energy costs by increasing domestic oil drilling, but oil prices are determined by global forces.

Consumers are concerned, and if they start to think that inflation is rising, they will drive up prices by buying goods ahead of further anticipated increases. The most recent University of Michigan Survey of Consumers found that expectations for inflation over the next year jumped from 3.3% in the previous month's survey to 4.3%—the highest reading since November 2023 and the second consecutive month of unusually large increases. A big reason is the threat of higher tariffs, which would raise the cost of goods that Americans buy—not just imported goods, but U.S.-made products as well.

Look for pricing power. So, the fool's paradise may be ending. Inflation of 3% may not sound like much, but it means that the dollar loses half its value in 24 years; at 4%, it happens in just 18 years. In such a scary environment, is there a way to protect your investments?

The surprise answer is to buy stocks. Consider the worst period of inflation in U.S. history, 1977–81, when the CPI rose at an annualized average rate of 10%. The S&P 500 stock index returned an annualized 8%—a bit below the norm but much higher than returns on long-term U.S. Treasuries, which fell by an average of 1% a year, including interest payments and price declines.

Stocks can do well in times of inflation because businesses can counter their own higher costs by raising prices.

PHOTO BY NOAH WILLMAN

The reason stocks do better is that businesses can counter their own higher costs by raising prices. With inflation averaging about 5% between 2022 and 2024 and the Fed aggressively boosting interest rates, the S&P 500 has produced an annualized return of about 9%.

In an article I wrote in this magazine 19 years ago, with inflation rising, I recommended stocks of companies that appeared to have the power to raise their prices without much resistance. One example was ***Coca-Cola (symbol KO, $71)***, which has risen from its price back then of $22 a share while paying a dividend that has jumped by two-thirds (the yield is now 2.9%). I still like Coke; no one can make Coke but Coke. (Securities I like are in bold; prices are as of February 28.)

Other stocks in this category are technology businesses that sell distinctive services by subscription—charging small amounts each month for cloud storage, for example.

Apple (AAPL, $242) and ***Alphabet (GOOGL, $170)*** are excellent choices.

A non-tech stock that raises prices with impunity is ***Public Storage (PSA, $304)***, a real estate investment trust that provides a more mundane kind of storage—for cartons and furniture you don't want to keep at home. Once you have stored your earthly possessions with Public Storage, moving them to escape a 5% price increase is annoying and onerous. The stock has returned an annualized 11.7% for the past five years.

Another category for inflationary times includes stocks that earn a fairly consistent proportion of a growing pie. Unfortunately, these franchise companies—such as advertising agencies, insurance firms, realtors and ticket sellers—are undergoing upheavals now. Still, there are stocks I like. One is ***Live Nation Entertainment (LYV, $143)***, the giant concert producer. Another is ***Chubb (CB, $285)***, an insurance company specializing in high-income clients.

People, not pork bellies. Prices of commodities typically rise in inflationary times, but buying leveraged futures contracts comes with severe risks: Transaction fees are high, and a sharp dip can wipe out all of your capital. Also, I have a bias against putting money into things (lumber, pork bellies, gold) rather than people and ideas.

Instead, invest in commodities through natural-resource funds that let you take advantage of human ingenuity as well as the prices of goods rising with inflation. An attractive choice is ***Vanguard Materials (VAW, $197)***, with an expense ratio of just 0.09%. The exchange-traded fund's portfolio is headed by ***Linde (LIN, $467)***, a U.K.-based company that sells industrial gases, such as nitrogen and helium, and has a market capitalization (price times shares outstanding) of $221 billion. The stock has doubled in less than five years.

Invest in commodities through natural-resource funds that let you take advantage of human ingenuity as well as rising goods prices. A good choice is Vanguard Materials.

Also consider ***iShares North American Natural Resources (IGE, $44)***, an ETF whose portfolio leans heavily toward oil and gas stocks, such as ***EOG Resources (EOG, $127)***, but also owns such intriguing companies as ***CRH (CRH, $103)***, an Ireland-based producer of building materials such as granite and sandstone.

What about TIPS, or Treasury inflation-protected securities, which pay a guaranteed real rate of interest plus an inflation kicker that rises with monthly changes in the CPI? At an auction in February, 30-year TIPS were sold carrying a real rate of about 2.4%, the highest since 2001. If inflation averages 3% until maturity, your annual return will exceed 5%.

But TIPS markets are remarkably volatile. In a time of above-average inflation, I would stay away from bonds and bond funds—except those with very short-term holdings. The problem is that when interest rates rise with inflation, the bonds you bought at a lower fixed rate lose their value.

Better to stick with stocks, even though you'll have to be content with lower returns than in times of stable prices. In fact, one of the best ways to ride out inflation is simply by owning a representative chunk of the market through ***SPDR Dow Jones Industrial Average (DIA, $438)***, an ETF known as Diamonds. Many of the Dow's 30 components are built for inflationary times, among them ***Nike (NKE, $79)*** and insurance giant ***Travelers (TRV, $258)***. Also, the Dow leans more toward value-oriented stocks, which do better during inflation, than toward growth-focused issues.

Inflation will never be an investor's friend, but it doesn't have to be an enemy either. Keep cool and carry a diversified portfolio. K

COURTESY OF PUBLIC STORAGE

James K. Glassman chairs Glassman Advisory, a public-affairs consulting firm. He does not write about his clients. His most recent book is **Safety Net: The Strategy for De-Risking Your Investments in a Time of Turbulence.** *He owns none of the securities mentioned here. You can contact him at JKGlassman@gmail.com.*

High Yield, Minimal Drama

INCOME INVESTING BY JEFFREY R. KOSNETT

LAST month I pitched investments with high yield and low duration (sensitivity to interest rates) as the ideal antidote to market chaos. The combo is also resilient amid upward pressure on inflation and long-term interest rates, which directly trim most bond prices. Leaving aside February's drop in 10-year Treasury yields from 4.6% to 4.3%, I believe the chances are greater for the interest rate curve to re-steepen toward the longer end than to continue to slide.

One bond strategist I met with, Payden & Rygel's Eric Souders, expects long-term bond yields to rise again this year as elevated inflation expectations kick in for a bunch of reasons, starting with but not limited to scattershot tariffs and threats. Souders believes the Federal Reserve still wants to achieve lower inflation but cannot get there without a downturn in asset prices—likely sparked by tighter credit, specifically higher long-term borrowing costs. "Bond people are trying to figure things out, as we all are," he says. When bond traders and strategists are nervous, watch out below, because a bond market swoon also menaces stocks, real estate investment trusts and energy.

Time for defense. My suggestion is to seek high immediate income with the least exposure to potential damage from inflation and climbing long-term interest rates. The obvious shelters—Treasury bills, money market funds and one-year CD ladders—pay 4.0% to 4.5%, which is fine. But you can wedge in an extra percentage point or two of yield, with minimal risk to principal, using duration as a guidepost. As a practical matter, duration tells me whether you can expect price stability; the lower, presumably, the calmer. Happily, there is a broad and deep selection of higher-yielding low-duration investments whose credit quality should withstand anything but a historically severe economic downturn on the order of 1974 or 2008.

CrossingBridge Low Duration High Income (symbol CBLDX) is tough to match. The fund yields 7%, and over the past 12 months it also returned 7% while its net asset value held between $9.69 and $9.82. The fund's duration of 0.6 is trivial compared with its yield. Its holdings—high-yield bonds with a year or two to maturity—do not bounce much in price regardless of what the Fed or the Treasury says or does. (Yields and other data are as of late February.)

Some others to inspect: ***Fidelity Low Duration Bond Factor ETF (FLDR)*** has a 5.0% yield, a one-year return of 5.9% and a duration of 0.9. Its one-year NAV range is $49.73 to $50.36. ***PGIM Securitized Credit (SCFOX)*** yields 6.0%, for a one-year return of 7.7%; its duration is an amazing 0.2, and its NAV is up steadily from $9.63 a year ago to $9.76. And ***Janus Henderson AAA CLO ETF (JAAA)*** has an almost flat NAV, a 0.3 duration, a 5.9% yield and a one-year return of 7.0%. CLOs are collateralized loan obligations, and though there is no guarantee of repayment, business assets do secure the loans.

Seek high immediate income with the least exposure to potential damage from inflation and climbing long-term interest rates.

The risk in funds of this sort is a spike in loan delinquencies that hacks the market value of the credits. But the private economy today is sounder than much of the public sector. The Treasury lost its triple-A rating years ago, and the debt ceiling is again unresolved. I'd prefer an array of well-vetted business loans than, say, the bonds of a rural hospital group that gets much of its revenue from Medicaid and Medicare, or a transit system dependent on federal construction funds, or a university with shrinking enrollment.

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PHOTO BY BOB CROSLIN

A BROAD BET ON INNOVATION

KIPLINGER ETF 20 UPDATE BY NELLIE S. HUANG

ONE of the strategic funds in the Kiplinger ETF 20, the list of our favorite exchange-traded funds, is a bit of an everything-but-the-kitchen-sink portfolio. It's designed that way for a good reason, but in practice, it has some drawbacks, too.

SPDR S&P Kensho New Economies Composite ETF allows investors to spread their bets on innovative companies that are disrupting traditional industries. Instead of targeting a single theme—autonomous vehicles, say—the index it tracks covers multiple trends, from artificial intelligence and energy-efficient technologies to robotics. "It's a diversified approach to innovation," says Matthew Bartolini, head of ETF research in the Americas for State Street Global Advisors. The fund holds 441 stocks in 73 industries in every sector except real estate.

Over the past 12 months, the ETF has returned 10.0%, ahead of the 8.7% gain in the S&P Midcap 400 index and 71% of its peer midsize-company growth funds. Even so, the fund's three-year annualized return, a skimpy 0.6%, needs explaining.

Minimized risk, muted impact. Stocks in the ETF are basically equally weighted; the fund uses an approach that considers several factors, including whether a firm is a direct driver of an innovation theme or just a supplier. The method minimizes risk, but it also lowers the impact a big winner can have on the ETF's returns. For instance, six of the Magnificent Seven stocks are in the portfolio, but at last report they represented just 2.3% of assets. Another problem: The fund tilts toward shares in small and midsize firms, which have lagged large-company stocks. Higher interest rates haven't helped, as small firms tend to hold debt.

The ETF requires patience. "Not all innovation firms operate at the same pace, and not all innovations evolve over time at the same pace," Bartolini says. But stock market gains are starting to broaden out beyond mega-size companies, and that may help this fund's performance, he adds.

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VITAL STATS: THE KIPLINGER ETF 20 AT A GLANCE

			Annualized total return				
Core Stock Funds	**Symbol**	**Price**	**1 yr.**	**3 yrs.**	**5 yrs.**	**Yield**	**Expense ratio**
iShares Core S&P 500	IVV	$597	18.6%	12.5%	16.9%	1.2%	0.03%
iShares Core S&P Mid-Cap	IJH	62	8.8	6.8	13.0	1.4	0.05
iShares Core S&P Small-Cap	IJR	112	6.3	2.9	10.7	1.5	0.06
iShares MSCI USA ESG Select	SUSA	122	16.7	10.5	16.0	1.0	0.25
Vanguard Total International Stock	VXUS	62	9.4	4.5	7.5	3.2*	0.05
Dividend Stock Funds							
iShares International Dividend Growth	IGRO	$71	10.1%	5.4%	8.5%	2.5%	0.15%
Schwab US Dividend Equity	SCHD	29	14.4	7.4	14.7	3.7	0.06
Vanguard Dividend Appreciation	VIG	203	15.9	10.8	14.2	1.7	0.05
Strategic Stock Funds							
Health Care Select Sector SPDR	XLV	$149	4.5%	6.3%	11.7%	1.6%	0.09%
Invesco S&P 500 Equal Weight	RSP	180	12.4	7.1	13.7	1.7	0.20
iShares Core MSCI Emerging Markets	IEMG	53	9.5	0.6	4.7	2.4	0.09
JPMorgan US Quality Factor	JQUA	59	16.5	14.5	17.1	1.2	0.12
SPDR S&P Kensho New Economies Comps	KOMP	50	10.0	0.6	9.5	0.6	0.20
Technology Select Sector SPDR	XLK	226	9.7	14.5	21.7	0.7	0.08
Core Bond Funds							
Fidelity Total Bond	FBND	$46	6.6%	0.5%	−0.2%	5.5%	0.36%
Invesco BulletShares 2026 Corp Bond	BSCQ	20	6.1	1.8	1.4	4.6	0.10
SPDR DoubleLine Total Return Tactical	TOTL	40	7.0	0.5	−0.2	5.5	0.55
Opportunistic Bond Funds							
Invesco Senior Loan	BKLN	$21	7.7%	6.4%	5.0%	6.3%	0.65%
iShares Short Duration Bond Active	NEAR	51	6.0	4.8	3.0	4.5	0.25
Vanguard Tax-Exempt Bond	VTEB	51	3.1	1.1	0.8	3.5	0.03
Indexes							
S&P 500			18.4%	12.6%	16.9%	1.2%	
MSCI EAFE			8.8	6.4	8.7	2.9	
Bloomberg U.S. Aggregate Bond			5.8	−0.4	−0.5	4.6	

AS OF FEBRUARY 28, 2025. *12-month yield (all other yields are 30-day SEC yields). SOURCES: Morningstar Direct, fund companies, MSCI, S&P Dow Jones Indices, WSJ.com.

11 WAYS TO BUILD WEALTH

By setting up a solid investment strategy, creating a budget, boosting your income and making other smart moves, you can design a blueprint to reach your goals.

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INVEST EARLY AND OFTEN

Getting an early start with investing unleashes what Albert Einstein called the eighth wonder of the world: compound interest. A 22-year-old investor who puts away $5,000 per year until age 30—and then never contributes another cent—would have $2,503,212 at age 67, assuming a 10% annualized return (the long-term average for stocks). Someone who doesn't start investing until age 35 but contributes $5,000 each and every year until retiring at 67 gets only $1,211,827. The early investor contributes one-fourth the amount of the one who starts later but winds up with more than twice as much, thanks to the magic of compounding. That's the payoff for investing early.

It also pays to invest often—in other words, contribute a fixed amount on a regular basis, a time-tested strategy known as dollar-cost averaging. You already do this if you make regular contributions to a workplace retirement plan, such as a 401(k). Similarly, at some brokers you can arrange recurring, automatic transfers into eligible investments. At Fidelity, for example, you can set up recurring investments, funded from your bank account or from your cash position at Fidelity, into stocks, exchange-traded funds, mutual funds, or baskets of ETFs and stocks. E*Trade allows automatic transfers into mutual funds, ETFs or a prebuilt portfolio of funds. Interactive Brokers allows recurring transfers from your bank account into certain stocks and ETFs.

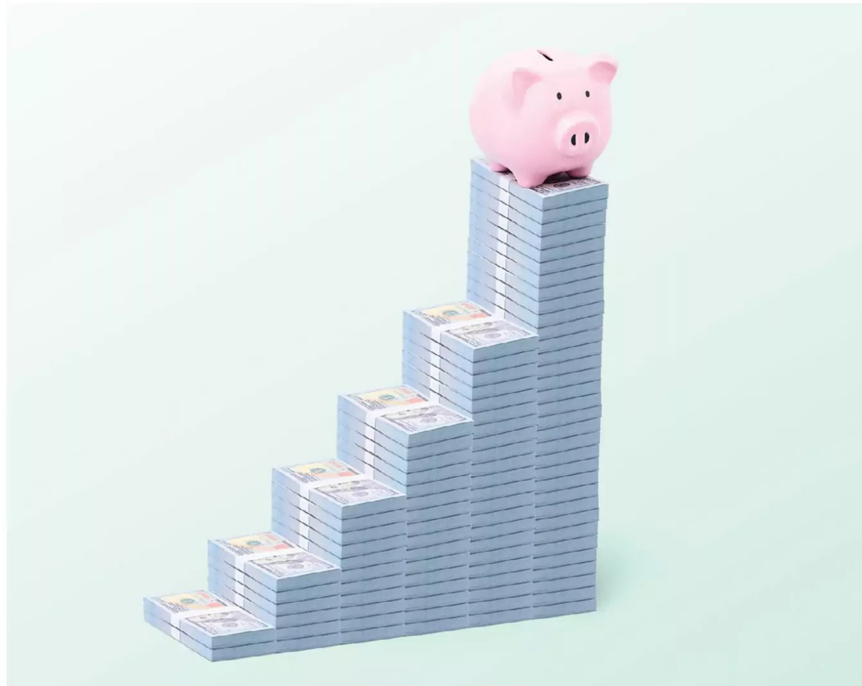
Dollar-cost averaging has several advantages. Over time, especially in volatile markets, you'll buy fewer shares when prices are high and more when prices are low, thereby lowering your average cost per share. Perhaps most important, dollar-cost averaging takes much of the emotion out of investing and limits the very human, but largely unsuccessful, tendency to try to time the market.

KEEP INVESTMENT COSTS LOW

Everyday millionaires know that what you don't spend counts—a lot—toward what you make in the end. Starting in February, frugal investors got another gift from Vanguard, the company that invented low-cost investing, when it lowered fees on 87 mutual funds and exchange-traded funds. The cuts were tiny. The expense ratio on Total Bond Market Index (symbol VBLTX) fell to 0.04% from 0.05%, for example, or $4 per year instead of $5 on each $10,000 invested. Expenses charged for Dividend Appreciation ETF (VIG) fell from 0.06% to 0.05%.

Vanguard's fees were already low, but every little bit helps you keep more of what the market delivers. Consider: According to the latest Investment Company Institute data, expense ratios on stock mutual funds with a blend of growth and value characteristics range from an average 0.26% for the cheapest 10% of funds to 1.68% for the most expensive 10%. If you invested $10,000 over 40 years, assuming a 10% annualized return, you'd pay $11,713 to invest in a fund at the low end, netting over $407,833, according to calculations from Bankrate. At the high end, you'd pay $49,831 and come away with just over $229,817.

Be on the lookout for the cheapest versions of your favorite funds. Several popular ETFs offer lower-cost, higher-returning clones, sometimes referred to as "mini mes." For example, compare the popular SPDR S&P 500 ETF (SPY), charging 0.095%, with its cheaper clone, SPDR Portfolio S&P 500 (SPLG), charging 0.02%. Invesco QQQ Trust (QQQ) charges 0.20%, compared with 0.15% for Invesco Nasdaq 100 (QQQM).



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PRIORITIZE YOUR RETIREMENT

Setting aside enough money to enjoy a comfortable retirement is a core wealth-building goal. But you'll need to make some decisions about how to divvy up your savings. Follow these steps to create the optimal strategy for you.

Max out your match. If your employer provides a retirement plan, such as a 401(k), check whether the plan offers matching contributions. At a minimum, you should contribute enough of your own money to the plan to capture the full employer match.

A common formula is a dollar-for-dollar match on the first 3% of salary and 50 cents on the dollar for the next 2%. If you earn $100,000 a year and contribute $5,000, for example, your employer adds another $4,000 to your account. Roughly 12% of employees fail to get their full match and leave money on the table, according to a 2021 survey from MagnifyMoney.

Decide where to put additional contributions. If you can save more after getting the entire match, consider whether to put those contributions in your workplace plan or an IRA (or both). In 2025, you can set aside up to $23,500 in a 401(k) if you are younger than 50. If you are between 50 and 59 or you're 64 or older, you can contribute up to $31,000. And thanks to new rules that went into effect this year, if you are between ages 60 and 63, you can contribute up to $34,750. Separately, you can save up to $7,000 in an IRA for 2025 if you are younger than 50 and up to $8,000 if you are 50 or older.

If you can't max out both accounts, which should you prioritize? Usually, 401(k)s offer more features. Many plans allow loans against your savings before retirement, giving you some penalty-free early access to your money (although it's best to avoid these loans unless you're going through a financial hardship). The plan may also provide investment funds with lower fees than those you can access through an IRA. However, an IRA usually offers a wider menu of investment options. With a workplace plan, the choices are limited to what your employer includes.

Evaluate the tax breaks. IRAs and many 401(k)s come in two flavors: traditional and Roth. A traditional account gives you an up-front tax deduction for your contributions, trimming your tax bill today. When you take money out in retirement, however, you owe income tax on the entire amount.

With a Roth account, you pay income tax on your contributions. But when you withdraw money in retirement, your withdrawals are tax-free. In other words, you avoid income tax on years' worth of gains.

If you expect to be in a higher tax bracket in retirement than you are now—which may be the case if you're in the early years of your career—a Roth account makes sense. Tax-free income from a Roth could also help you avoid taxes on Social Security benefits and surcharges on Medicare premiums, which kick in if your taxable income in retirement is above certain thresholds. And as a retiree, you don't have to take required minimum distributions from Roth accounts. If you can afford to minimize withdrawals, you can continue to let your savings grow tax-deferred, potentially allowing you to leave a larger inheritance for your heirs.

Keep in mind that you don't necessarily have to select one strategy. To hedge your bets, you may be able to split your 401(k) contributions between Roth and traditional options, for instance.

Plan around Roth restrictions. For 2025, you can't invest in a Roth IRA if you are single with a modified adjusted gross income (MAGI) of more than $165,000 or married with a joint MAGI of more than $246,000. (Contributions to a Roth 401(k) are not subject to income limits, but not all employers offer a Roth option.)

High-income savers have a workaround, however. With a strategy known as a backdoor Roth IRA, you put after-tax money in a traditional IRA and then convert the traditional IRA into a Roth IRA. There are no income limits for making a Roth conversion. Similarly, you could make after-tax contributions to a 401(k) and then convert the account to a Roth IRA. You may want to consult a financial planner to get help with these strategies; for more, see the section on hiring an adviser, on page 48.

SAVE FOR OTHER GOALS

Everyone should have a rainy-day fund. You can also make the most of tax-advantaged accounts that help you set aside money for health care expenses or college for your children.

High-yield savings account. A bank savings account with a high interest rate is an ideal parking spot for your emergency fund, which should hold at least three to six months' worth of living expenses in case of a job loss or a large, unexpected bill. You can also use a savings account to stash away funds for other short- to medium-term financial goals, such as saving for a new car, a vacation or a down payment on a house.

Recently, the top-yielding savings accounts offered 4% or more; see the tables on page 50 for options. You can also search for top-yielding accounts in your area at DepositAccounts.com. Before you open an account, check whether you need to maintain a certain balance to earn interest or avoid a monthly fee.

529 college-savings plan. A 529 plan lets you invest and save for college expenses with tax breaks. While there is no federal tax deduction on contributions, many states offer an income tax deduction for residents who contribute to their state's plan. Your investments grow tax-deferred, and withdrawals are tax-free if you spend the money on qualified education expenses, such as tuition, room and board, and books.

Health savings account. With an HSA, you can set aside money for future health care expenses. To contribute to an HSA in 2025, you must have a high-deductible health insurance plan—that means a deductible of at least $1,650 for an individual plan or $3,300 for a family plan. Eligible individuals can contribute up to $4,300 to an HSA, while families can contribute up to $8,550. You can contribute another $1,000 if you are 55 or older.

STICK TO A BUDGET

With a solid budget, you can develop a clear picture of where your money is going—and identify areas where you may be able to cut down on spending and dedicate more cash to your wealth-creation goals.

Start by reviewing your spending over the past year. That's more effective than creating an ideal budget that isn't actually tied to your behavior, says Adrianna Adams, a financial adviser with Domain Money. You can usually pull a history of spending for free via your credit card company or bank, though you may not get a full view of your finances this way. If you have more than one card or institution, Adams suggests using an app that can pull all the data together for you, such as Monarch Money or Copilot Money ($99.99 and $95 per year, respectively).

General budgeting rules of thumb are to limit your housing costs to no more than 32% of your net income and your car-related expenses to around 10%, Adams says. She recommends keeping your split between groceries and restaurant or take-out meals at about 50-50. From there, consider what else you value—such as vacations, shopping or hobbies—and figure out what percentage of your income it makes sense to spend on those categories.

Then determine where you can trim spending, if necessary. One way to do this is to identify a spending category that brought you joy and another that didn't add value to your life relative to its cost; the latter may be one you can cut back on. Finally, make a plan to pulse-check your budget regularly. Adams suggests reviewing it monthly. "It can get out of hand very quickly," she says.

HSAs come with exceptional tax advantages. You can deduct your contributions, and withdrawals for health care expenses are tax-free. For more on how to claim HSA funds, see "The Lowdown on Using HSA Funds," on page 65.

Taxable brokerage account. Taxable brokerage accounts let you invest in stocks, bonds, mutual funds and other assets outside of a retirement plan. Although these accounts don't come with the same tax advantages as retirement accounts, you can cash out whenever you want without penalties. For that reason, they can be a good place to invest money that you may eventually want to use if you retire early, for example, or to help fund other long-term goals.

PAY DOWN DEBT

Nothing will undo your wealth-building progress more than carrying high-interest debt. Credit cards, which recently had an average rate of more than 21%, according to the Federal Reserve, are the main culprits.

If you're carrying high-interest debt, make a plan to pay it off ASAP. One helpful strategy is known as the debt avalanche method: You make the minimum monthly payments on all of your accounts but use your spare cash to pay extra toward the account with the highest interest rate. Once it's paid off, focus on paying off the account with the next-highest rate.

You can also look for ways to lower the interest rate on your debt. If you qualify, you may be able to transfer your credit card balances to a new card with a 0% introductory rate. Don't make any charges on the card: instead, focus on paying down the balance before the 0% window ends. To find the best card for you, try using the Consumer Financial Protection Bureau's free credit card explorer tool, at *https://tinyurl.com/2xxm3wbb.*

Another option is to get a personal loan that has a lower interest rate than your current debt and use it to pay off the high-rate accounts. Choose the shortest repayment term available with a payment that fits into your budget. To find the lowest interest rate, consider starting your search at local credit unions, because they typically offer lower rates than banks.

If you can't pay off your debt within the next three years—even with one of the strategies above—or you feel uncertain of which steps to take, bring in professional help. Reach out to a nonprofit credit counseling agency that's certified by the National Foundation for Credit Counseling to see whether you qualify for a debt-management program or other support. A certified credit counselor can also help you determine whether bankruptcy is a potential solution. To be connected with a counselor, contact the NFCC at *www.nfcc.org* or 877-902-3398.

POLISH YOUR CREDIT

A good credit score is a powerful secret weapon. With a high score, you'll qualify for a lower rate on a mortgage and other loans, lower car-insurance premiums, and more.

Boosting your credit score requires a mix of good habits and time. (Note that there are multiple versions of your credit score, but the same general rules apply to increasing all of them.) The most impactful move is to make your debt payments by the due dates, every single month, over years or even decades.

Keeping your credit card balances low compared with your card limits (both on individual cards and in the aggregate, across all of your accounts) can help elevate your score, too. The lower the percentage of available credit you use, the better. You can also ask your card issuer to increase your card limits annually while continuing to maintain low balances. (For more, see "Make the Case for a Credit-Limit Increase," on page 50.)

Your bank or credit card issuer may offer free credit score updates. And there are plenty of services online that offer complimentary credit scores, too. With the free plan at *www.myfico.com*, for example, you can keep track of your FICO score.

Monitor your credit reports. Errors or fraudulent accounts that appear on your credit reports could hurt your credit score, so it's important to review them regularly. You can pull your reports from each of the major credit-reporting companies (Equifax, Experian and TransUnion) free at AnnualCreditReport.com. Scan each

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report for problems, such as a credit account that you don't recognize or an incorrect credit limit listed for one of your credit cards. You should also check that your name, mailing address and other identifying details are correct.

If you find a mistake, contact the lender or other entity that furnished the incorrect information, and file a dispute with each credit-reporting company that lists it. Reach Equifax at *www.equifax.com/personal/credit-report-services/credit-dispute*; Experian at *www.experian.com/disputes/main.html*; and TransUnion at *www.transunion.com/credit-disputes/dispute-your-credit*.

Generally, the credit-reporting companies must investigate a dispute within 30 days of receiving it, and they will send your dispute to the business that reported the information. If the business finds that it provided inaccurate information on you, it must notify the credit-reporting companies so that they can correct your reports.

CONSIDER A HOME PURCHASE

Especially for younger people who don't have a high income or significant assets, buying a home may feel out of reach. Fixed interest rates on 30-year mortgages are hovering around the 7% mark, and median home prices are north of $400,000. The typical monthly mortgage payment in the U.S. has nearly doubled since January 2020, jumping 96.4% to $2,188, according to Zillow. Now, a U.S. household needs an annual income of $106,500 to comfortably afford a typical mortgage. That's 80% (or $47,000) more today than in 2020, while incomes have risen only 23% over the same period.

Given those headwinds, renting may make more financial and practical sense for you than homeownership after factoring in all the up-front costs, upkeep and ongoing maintenance expenses. But depending on where you live and the type of home you choose, you may be able to buy a home without busting your budget. Consider a smaller home or an older property in need of some TLC. Some loan programs allow you to roll the cost of repairs and renovations and the home's purchase price into one mortgage. Plus, various programs are available to help home buyers who don't have a sizable down payment (more on those below).

And despite the challenges in the housing market, owning a home is still a tried-and-true way to accumulate wealth. According to the Federal Reserve's latest Survey of Consumer Finances, the median homeowner has nearly 40 times the household wealth of the median renter. As you pay down your home loan, you build equity. When you're a renter, "you are paying for someone else to build that equity," says Talia McKinney, a Manhattan-based real estate salesperson with SERHANT. Plus, property values typically increase over time. Years down the road, your home may be worth significantly more than the price you paid for it.

So while higher mortgage rates and rising home prices may give prospec-

BOOST YOUR INCOME

One of the best ways to save more money is to earn more money. By increasing your income and keeping costs low, you can boost the amount you invest or stash in savings each month.

Asking for a raise at work can be a good place to start. U.S. employers are expected to increase salary budgets by 3.8% in 2025, according to a survey by human resources organization WorldatWork. You might be able to get a bigger bump in pay, though, if you negotiate well.

Begin by evaluating whether the company you work for is on solid financial ground, says Elizabeth Koraca, a career strategist and host of the Speaking Up podcast. Then, build your case for why you deserve a raise. "You need to tout your own achievements to support your request for a raise," she says. Also, if you're getting paid below industry standards, present your boss with research on what people in your position are earning. Websites such as Indeed.com and Payscale.com offer salary data, as does the U.S. Bureau of Labor Statistics.

If your boss says there's no opportunity for a raise now or in the near future, it might be time to look for a new job, Koraca says. Research shows that switching jobs typically results in a boost in pay. The median pay increase from January 2024 to January 2025 for workers who changed jobs was 6.8%, compared with 4.7% for those who stayed at their jobs, according to ADP Research.

If you love your current job and don't want to leave it, you could ask for other perks, such as a more flexible schedule that gives you time to earn money on the side. "If you have a unique talent or skill, consider sharing it and earning extra money from it," Koraca says. Other money-making options include finding a side hustle, such as driving for a rideshare service or working in retail, selling gently used items, or renting rooms in your home if you live in a tourist area.

tive buyers pause, purchasing a home will likely pay off for those who are financially ready to make a move. “While we are now in a higher-rate environment, this is an opportunity for a savvy buyer to take advantage of less competition and get their foot in the door of homeownership,” says Sarah DeFlorio, vice president of mortgage banking with William Raveis Mortgage in New York City.

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Down-payment strategies. The larger your down payment, the smaller your monthly mortgage payment—and the less you'll ultimately owe in interest. Plus, with a down payment of at least 20% of the purchase price, you'll avoid private mortgage insurance (home buyers usually must pay PMI to their lender if they put down less than 20%).

But if 20% isn't doable, the extra costs that come with making a smaller down payment may be worthwhile in the long run. Most home buyers, especially first-timers, don't put 20% down; the average is closer to 8%, according to data from the National Association of Realtors. These mortgages come with no- or low-down-payment options:

- **Conventional loans.** Some conventional loan programs from Fannie Mae and Freddie Mac allow 3% down payments for first-time home buyers.
- **VA loans.** Department of Veterans Affairs loans for military borrowers require no down payment or mortgage insurance, but they do require a funding fee.
- **USDA loans.** U.S. Department of Agriculture loans are for eligible rural properties, and most require zero down. But your household income cannot exceed 115% of the area's median income.
- **FHA loans.** Federal Housing Administration loans require just 3.5% down with a credit score of 580 or higher, and they have more-lenient borrowing guidelines than conventional loans.

“Some lenders offer specific loan programs for first-time home buyers, including reduced rates and closing costs,” says DeFlorio. Additionally, you may be able to get help from down-payment assistance programs through your state or local housing authority. These programs are typically offered as repayable or forgivable second mortgages or as grants requiring no repayment. There are also special loans for first responders, teachers and other public servants, DeFlorio notes.

Finally, consider turning to the bank of Mom and Dad, if they're willing to help, DeFlorio says. One-fourth of first-time buyers say they used a gift or loan from a relative or friend to buy a home, though the majority (69%) relied on their own savings, according to NAR research.

CHECK YOUR INSURANCE COVERAGE

As your wealth grows, it's important to protect it with insurance—especially as natural disasters such as fires, hurricanes and windstorms appear to be getting more frequent and damaging. In 2024, there were 27 weather-related disasters with losses of more than $1 billion each, led by Hurricane Milton, which caused $50 billion of damage in Florida, and Hurricane Helene, which brought devastating floods to North Carolina. And 2025 got off to a rough start, with the Los Angeles wildfires causing more than $150 billion in damage.

Use the guidance below to help ensure that your coverage is sufficient. If you'd like additional assistance, enlist an insurance agent to run a review with you and search for discounts. You can find an independent agent at *www.trustedchoice.com.*

Homeowners insurance. Homeowners insurance pays to repair damage to your house and to replace your belongings after a fire, theft or other event. If you need to live elsewhere while your home is under repair, insurance pays for temporary lodging, too. Finally, if someone gets injured on your property and sues you, homeowners insurance covers legal fees, the injured person's medical bills and any other court settlements.

Review the limits of your policy to see whether they're still adequate. Do you have enough coverage to replace all your belongings and pay for a lengthy hotel stay during extended repairs? Check that your coverage is high enough to rebuild your home entirely, given that construction costs have increased because of inflation. If you own high-value items, such as artwork, collectibles or jewelry, consider purchasing an endorsement to get extra protection; standard coverage typically offers just $1,000 to $2,000 maximum per item.

Pay attention to any exclusions. For example, standard homeowners policies do not cover flood damage. But as last year's storms in mountainous western North Carolina demonstrated, intense flooding can strike even in areas not typically considered at high risk. For protection, you can buy coverage through the Federal Emergency Management Agency's National Flood Insurance Program. (And you're required to buy flood insurance if you live in a high-risk flood zone and have a federally backed mortgage.) Learn more about flood insurance and find providers at FloodSmart.gov.

If you rent, your landlord is responsible for fixing property damage, but you could buy a renters policy to cover your belongings, liability risk and temporary lodgings during repairs.

Auto insurance. Auto insurance can cover damage to your vehicle from a collision as well as other causes, such as vandalism, hailstorms or fires. Auto insurance may also cover medical bills for you and passengers after an accident. If another driver causes an accident involving your vehicle and doesn't have adequate coverage, your policy could pay for repairs to your car, too.

But most importantly, auto insurance covers damage and injuries you cause to others in accidents in which you are at fault. In nearly all states, you are required to have this coverage. Mandatory minimums vary by state, and they tend to be low. In New York, for example, you must have coverage of at least $50,000 per accident for injuries and $10,000 for property damage. If you caused a crash that created damage with costs exceeding those limits, you would be responsible for covering the difference. A common recommendation is to have $100,000 in liability coverage per person injured in an accident you cause, $300,000 in total liability coverage per accident for bodily injuries, and $100,000 per accident in liability coverage for damage you cause to other vehicles and property.

It's up to you whether to get collision and comprehensive coverage for damage to your vehicle or to pay for repairs out of pocket. Usually, it's a good idea to buy coverage. But if your car is worth only a few thousand dollars, you may consider dropping the coverage to reduce your premium because the amount you'd be compensated in a claim may be too little to make the coverage worthwhile.

Umbrella insurance. Auto and homeowners policies tend to cap liability protection at $500,000 per incident. But if a car accident or an accident on your property leads to severe injuries or death, you may be sued for an even higher amount. Umbrella insurance adds liability protection beyond the maximum for home and auto insurance. You can buy umbrella insurance in $1 million increments; the typical policy costs about $400 annually for $1 million in coverage, according to Trusted Choice. Aim to have at least enough liability coverage to match your net worth.

GET HELP FROM A PRO

If you'd rather not tackle the journey on your own, hiring a financial adviser may provide the support you need to succeed. An adviser can review your situation, create a tailor-made plan to help you reach short- and long-term goals, and work with you to set that plan in motion. However, it can get expensive. Most advisers charge fees based on the amount of assets they manage for you, and the typical assets-under-management fee is about 1%. Plus, you might not be looking for a long-term commitment, just some advice to get you started.

Fortunately, there are advisers who charge by the hour or offer fixed fees. For example, Alissa Krasner Maizes, a registered investment adviser and founder of Amplify My Wealth, offers the choice of paying for a one-time financial check-up with hourly follow-ups, a financial plan for a fixed fee, or longer-term advising. "My hourly and fixed-fee clients can implement their financial plan independently or with one-on-one guidance," she says.

The average hourly fees that advisers charge range from $120 to $300, and fees for specific plans, such as a retirement road map or a comprehensive financial plan, can range from a few hundred to a few thousand dollars, according to a report by AdvisoryHQ. You can find fee-only financial advisers who charge by the hour through the Garrett Planning Network (*https://garrettplanningnetwork.com*) or XY Planning Network (*https://advice.xyplanningnetwork.com*). Maizes cautions, "If you choose to work with an adviser who charges a fixed fee for creating a financial plan, ensure the adviser provides you with access to ask questions while you implement your plan." K

Sarah Brady, Cameron Huddleston, Deborah Kearns, Mallika Mitra, David Rodeck, Anne Kates Smith and Ella Vincent contributed to this article. Send comments to feedback@kiplinger.com.

Get Back on Track After a Divorce

MONEY SMART WOMEN BY JANET BODNAR

LAST month, I wrote about a survey in which the Employee Benefit Research Institute interviewed retirees on how satisfied they are with their financial situation in retirement (see "Living in Retirement," April). Among the respondents, those who were separated or divorced were least satisfied with their financial well-being.

That's not surprising when you consider that after divorce, "income drops for the vast majority of people," says Stacy Francis, CEO of Francis Financial, in New York City. That's especially true for women who were not the primary breadwinners in their households or had spent years out of the workforce.

Getting your finances back on track should start even before you sign the divorce papers. "People who come to grips with the divorce early in the process will be in a much better position afterwards," says Lisa Zeiderman, managing partner at the law firm Miller Zeiderman, in New York City.

That means staying on top of your finances so that, for example, you have credit in your own name, know where the money is, and are familiar with the divorce laws in your state.

And keep in mind that "the divorce doesn't end when the decree is final," says Leslie Thompson, cofounder and chief investment officer at Spectrum Financial Management, in Indianapolis. Thompson helps her clients work through details such as splitting assets and tax liabilities equitably, making sure that credit cards are paid off and joint accounts closed, and monitoring child-support payments. She recommends checking your credit reports for the next year to make sure no new credit has been opened jointly.

A fresh start. Once you're ready to begin your post-divorce life, take a deep breath and "take stock of your new situation," says Francis. Draw up a budget that lets you live within what's likely to be a lower income by listing all your sources of income and your expenses—even ones that are easy to overlook, such as the annual premium on your homeowners insurance or unexpected trips to the vet.

Next, tally up your assets and liabilities. If, as is likely, you find that your net worth is about half what it used to be, you may have to make up for lost time, especially when it comes to planning for retirement. Depending on your age, that could mean investing more aggressively in the stock market, taking advantage of catch-up contributions to retirement accounts starting at age 50 (and beefed-up contributions at ages 60 to 63), or working longer than you had planned.

Now that you're on your own, you'll need to review all your insurance policies: homeowners, auto and liability, as well as life insurance if you still have minor children and possibly long-term-care coverage for yourself. (For more on checking your

insurance coverage and boosting retirement savings, see "11 Ways to Build Wealth," on page 40.) Finally, you'll need to update your will and your estate plan. You probably don't want your ex-spouse to be the beneficiary of your retirement accounts.

Overwhelmed? Francis recommends tackling one task at a time over the course of a year. For instance, get a handle on your budget during the first quarter, followed by retirement planning and investing in the second quarter, then insurance and your estate plan. You don't have to go it alone; seek help from a financial adviser (find one at *www.napfa.org*) and an estate planning attorney.

One important member of your team could turn out to be an employment counselor or career coach to help you find the right fit to maximize your talents and income. "The biggest things under your control are the income you bring in and your spending," says Francis. "Don't let your own thinking put a ceiling on the possibilities."

If you feel overwhelmed, tackle one financial task at a time over the course of a year.

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

PHOTO BY NOAH WILLMAN

Make the Case for a Credit-Limit Increase

BY ELLA VINCENT

A key component of your credit score is your credit-utilization rate: the percentage of available credit you use on your credit cards, both on individual accounts and in the aggregate across all your cards. Generally, the lower your utilization rate, the better. If you're working to improve your credit score, keeping the rate below 10% is a good idea. (For more on other factors that influence your credit score, see "11 Ways to Build Wealth," on page 40.)

To reduce utilization, one strategy is to ask your card issuer for a higher credit limit. If the issuer agrees to it and you avoid increasing the amount you spend on the card, your utilization rate should go down. Your credit score may take a small, temporary hit from a hard inquiry on your credit report if the issuer checks your credit in response to your request. But making this move can give your credit score a significant boost in the long run, says Matt Schulz, chief credit analyst at online loan marketplace LendingTree.

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.

Negotiation tips. A 2024 LendingTree survey found that 84% of people who asked their lender for a limit increase received one, with an average bump of $2,040. If your household income has recently gone up, that may help your case as you negotiate for a higher limit, says Schulz. Do you have a clean record of making on-time payments, or have you recently paid off any major debt? Mention that, too.

If your card issuer declines to raise your card limit, wait about six months and then ask it to reconsider your request, Schulz says. In the meantime, continue to make all your bill payments by their due date, and try to keep your utilization rate as low as possible.

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

TOP-YIELDING SAVINGS

Taxable Money Market Mutual Funds	30-day yield as of Feb. 25	Minimum investment	Website
Gabelli U.S. Treasury MMF (GABXX)	4.38%	$10,000	gabelli.com
DWS Govt & Agency MF (DTGXX)*	4.34	1,000	fundsus.dws.com
AB Govt MMP (AEYXX)*	4.31	2,500	alliancebernstein.com
T. Rowe Price Cash Res (TSCXX)*	4.27	2,500	troweprice.com

Tax-Free Money Market Mutual Funds	30-day yield as of Feb. 24	Tax eq. yield 24%/35% bracke	Minimum investment	Website
Fidelity Municipal MMF (FTEXX)*	2.45%	3.22%/4.00%	$1	fidelity.com
Fidelity Tax-Ex MMF (FMOXX)*	2.40	3.16/3.92	1	fidelity.com
T. Rowe Price Tax-Ex MF (PTEXX)*	2.39	3.14/3.91	2,500	troweprice.com
Schwab AMT Tax-Free MF (SWWXX)*	2.38	3.13/3.89	1	schwabasset management .com

Savings and Money Market Deposit Accounts	Annual yield as of Feb. 28	Minimum amount	Website
Pibank (Fla.)†	4.60%	$0	pibank.com
TIMBR Financial (Minn.)†	4.55	1,000	timbrfinancial.com
Quontic Bank (N.Y.)†#	4.50	100	quontic.com
Brilliant Bank (Kan.)†#	4.50	1,000	brilliant.bank

Certificates of Deposit 1-Year	Annual yield as of Feb. 28	Minimum amount	Website
Credit Human FCU (Texas)&‡	4.55%	$500	credithuman.com
Justice FCU (Va.)&^	4.50	500	jfcu.org
Prime Alliance Bank (Utah)	4.45	500	primealliance.bank
Community FCU (Ind.)&	4.45	1,000	comwide.com

Certificates of Deposit 5-Year	Annual yield as of Feb. 28	Minimum amount	Website
Credit Human (Texas)&@	4.31%	$500	credithuman.com
KS State Bank (Kan.)	4.30	500	ksstate.bank
Lafayette FCU (Md.)&	4.28	500	lfcu.org
Mountain America CU (Utah)&	4.25	500	macu.com

*Fund is waiving all or a portion of its expenses. †Internet only. #Money market deposit account. &Must be a member; to become a member, see website or call. ‡CD term is 12–17 months. ^CD term is 13 months. @CD term is 36–59 months. SOURCES: Bankrate, DepositAccounts, Money Fund Report (iMoneyNet).

TOP-YIELDING CHECKING Must meet activity requirements*

Account Issuer	Annual yield as of Feb. 28	Balance range^	Website
AmeriCU (N.Y.)&	7.00%	$0–10,000	americu.org
Genisys CU (Mich.)&	6.75	0–7,500	genisyscu.org
Andrews FCU (Md.)&	6.00	0–25,000	andrewsfcu.org
Consumers CU (Ill.)&	5.00	0–10,000	myconsumers.org

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

YIELD BENCHMARKS

	Yield	Month ago	Year ago
U.S. Series EE savings bonds	2.60%	2.60%	2.70%
U.S. Series I savings bonds	3.11	3.11	5.27
Six-month Treasury bills	4.25	4.26	5.31
Five-year Treasury notes	4.03	4.33	4.26
Ten-year Treasury notes	4.24	4.55	4.27

As of February 28, 2025. EE savings bonds purchased after May 1, 2005, have a fixed rate of interest. Bonds purchased before May 1, 1995, earn a minimum of 4% or a market-based rate from date of purchase. Bonds bought between May 1, 1995, and May 1, 2005, earn a market-based rate from date of purchase. Source for Treasuries: U.S. Treasury

STRATEGIES TO SAVE MONEY ON PRESCRIPTION DRUGS

Many Medicare recipients are benefiting from changes that make prescriptions more affordable. But you can still make other moves to keep your costs in check.

BY KIMBERLY LANKFORD

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PRESCRIPTION drug costs have risen significantly over the past several years. Among drugs that went up in price from January 2022 to January 2023, the average increase was 15.2%, and it was 11.5% the previous year, according to the most recent data available from the U.S. Department of Health and Human Services. A Commonwealth Fund study found that 14% of Medicare beneficiaries didn't fill a prescription or skipped a dose of their medication because of the cost. "The inability to afford the prescription you need could have long-term implications on your health outcomes," says Gretchen Jacobson, vice president of Medicare for the Commonwealth Fund.

But the past few years have also brought changes that should make prescription drugs more affordable for many people with Medicare Part D or Medicare Advantage plans. The Inflation Reduction Act of 2022 limited co-payments for covered insulin to $35 per month, eliminated cost sharing for adult vaccines covered by Part D, expanded the Extra Help program (which assists with premiums and co-payments for low-income Medicare beneficiaries), and gave the government the go-ahead to start negotiating prices with drug companies. The dreaded "doughnut hole"—which originally required beneficiaries to pay 100% of their drug costs after costs reached a certain level—has disappeared. Instead,

Drug plans have been adding restrictions to coverage that require you to jump through hoops before they'll cover your medication.

your out-of-pocket costs for covered drugs are capped at $2,000 per year, starting in 2025.

"It's a lot easier to navigate and predict your Part D costs now," says Caitlin Donovan, senior director of the Patient Advocate Foundation, a nonprofit that provides free case management and financial assistance to people who are diagnosed with serious medical conditions.

But you may still encounter surprises. Only drugs covered by the plan's formulary are subject to the cap, and plans have been changing their lists of covered drugs. Drug plans have also been adding restrictions to coverage, such as prior authorization and step therapy, which require you to jump through hoops before they'll cover your medication. And some of the expenses you'll have to pay before you reach the cap are going up. The maximum deductible for Part D plans increased to $590 in 2025, and you may have to pay a larger percentage of drug costs after you reach your deductible, especially for specialty medications. Premiums, which aren't included in the cap, also increased for many Part D plans in 2025.

For that reason, it's still important to do some work to save money on prescription drugs. But because of these changes, the strategies are different than they've been in the past. Here's what you need to know.

MAKE THE MOST OF THE $2,000 CAP

The $2,000 out-of-pocket cap is a game-changer for people who have high drug costs. HHS projects that about 11.3 million Part D enrollees will meet the cap in 2025. They won't have to pay anything for covered drugs after that point. But the new rule has some limitations, says Juliette Cubanski, deputy director of KFF's program on Medicare. Significantly, the $2,000 cap applies only when you're using your plan and only to drugs that the plan covers, she says.

That changes some cost-saving strategies. For example, in the past, if your Part D plan charged high co-payments for your medications, it made sense to search sites such as GoodRx.com for coupons that could reduce the cost of a drug to less than your insurance co-pay. In that case, you could save money by using cash with a coupon rather than your insurance. But the equation is different with the new cap. Now, if you expect your drug expenses to come close to the $2,000 threshold during the year, it can pay to use your insurance—even if the insurance co-payments are slightly higher—so the expenses can count toward the cap.

"You have to make a prediction about your medications and the out-of-pocket costs," says Cindy George, senior personal finance editor at GoodRx. "Is it better to stick with the plan, get credit for the out-of-pocket costs and get to the point where it pays 100% for your medications?"

Take advantage of the smoothing program. Although the $2,000 cap helps, beneficiaries may have a tough time paying their out-of-pocket drug costs if they have to cover them all at once. For example, people with cancer

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frequently have a lot of prescription drugs and other expenses and may hit the cap in January, says Robin Yabroff, scientific vice president for the American Cancer Society.

For those individuals, the new Medicare Prescription Payment Plan can divide drug costs into smaller monthly payments, says Elizabeth McCauley, helpline navigator at Susan G. Komen, which focuses on breast cancer research and advocacy. You don't have to pay extra for the smoothing program, and it doesn't reduce your costs—it just spreads them out over the year to ease the load on your budget. You can sign up for the program through your drug plan at any time. For more information, see *www.medicare.gov/prescription-payment-plan*.

STRATEGIES FOR NON-COVERED DRUGS

Because the $2,000 cap applies only to drugs included in your plan's formulary, it is essential to find out whether your drugs are covered as you choose a plan, says Cubanski. Plans frequently change their formularies, so you might lose coverage for a medication that your plan once covered, she says.

You can shop for Part D and Medicare Advantage plans during Medicare's annual open enrollment, which runs from October 15 to December 7, for new coverage starting January 1. Type your drugs and dosages into the Medicare Plan Finder (*www.medicare.gov/plan-compare*), or log in to your online Medicare account to find out which plans in your area cover your medications and how much you'd pay.

You could lose out on other benefits if your drug isn't covered. For example, the Inflation Reduction Act capped insulin costs at $35 per month, but only for insulins covered by your Part D or Medicare Advantage plan. Not all plans cover all types of insulin, and the plans' coverage can change, so it is important to check the formulary before choosing a plan, says Diane Omdahl, cofounder of 65 Incorporated, a company that helps people with Medicare decisions.

It can be tricky if you're prescribed a new medication midyear that isn't included in your plan's formulary. Before you leave the doctor's office, Omdahl recommends using the Medicare Plan Finder to check your plan's coverage. If your insurance doesn't cover the drug or has high co-payments, ask your doctor or medication prescriber whether there are other drugs that can meet a similar need, such as a low-cost generic or a therapeutic alternative that costs less under your plan. Specialists prescribing expensive medications generally have resources to help patients navigate the costs.

WHAT TO KNOW ABOUT COVERAGE FOR WEIGHT-LOSS DRUGS

GLP-1 drugs were originally used to treat type 2 diabetes, but they've become popular for weight loss, too. These drugs, such a Ozempic, Wegovy and Mounjaro, may cost more than $1,000 per month for an indefinite period, so it's essential to find out how your insurance covers them before getting started.

Coverage varies significantly. Employer plans may charge a range of co-payments, and some have been pulling back on coverage. Medicare Part D and Medicare Advantage plans are not allowed to cover drugs prescribed solely for weight loss, although they've been expanding coverage as the Food and Drug Administration approves use of the drugs for other conditions.

For example, most Part D plans cover Ozempic to treat type 2 diabetes, and Wegovy can now be covered for people with heart disease who are also overweight. Zepbound is now FDA-approved for eligible patients with obstructive sleep apnea. But coverage requirements are very specific.

To get coverage for Wegovy, for example, cardiac patients must meet certain criteria, including a prior heart attack or stroke or peripheral arterial disease, and they must first have maximized their options with medical therapies such as beta blockers, says Shauna Levy, a physician and medical director of the Tulane Weight Loss Center.

People who aren't on Medicare can get help from drug manufacturers' assistance programs, but some have monthly co-pays of $400 to $600.

Because of this patchwork of coverage and costs, Levy's office has a dedicated staff member to contact each patient's insurance company to find out about their coverage before they come in for an appointment.

"I could have a heartfelt conversation with a patient to understand why a medication will improve their health but then find out that their plan excludes the obesity coverage, and they're devastated. That's why we want to know up front," she says.

Levy recommends getting guidance on your options from a weight loss specialist who has experience with these medical and financial issues.

For cancer patients, for example, "we recommend talking with the oncology care team about other options," says Yabroff. "If people can't afford a specific treatment, there may be an alternative to the recommended treatment that is just as effective but may be less expensive."

Your pharmacist may also be able to help. "Patients can ask their pharmacist for a savings review at any time," says Monica Prinzing, a CVS Health spokesperson. "CVS pharmacists can review a patient's prescription regimen and help patients work with their doctor to determine potential alternatives."

Appealing if you can't switch drugs. If another drug can't fill the same need, your prescriber may request a formulary exception, particularly if the doctor says that only a single drug that will work for you, Cubanski says.

You may have additional recourse if your plan stops covering your medication. "Often prescribers can request an appeal based on continuity of care for the patient to allow the non-formulary alternative," says McCauley. In some cases, insurers may uphold their decision to deny the drug unless a patient tries the formulary alternative, she says. In that case, patients may need to change their medication briefly to see whether they have an adverse reaction to the one the plan prefers, she adds.

You may be able to change to a different Part D or Medicare Advantage plan that covers your drug even if open enrollment has passed. You can switch into a plan with a five-star quality rating at any time if one is available in your area. Type your zip code into the Plan Finder to check the plans' ratings. If you already have a Medicare Advantage plan, from January 1 to March 31 each year you can switch Advantage plans or change from Medicare Advantage to original Medicare and get a Part D plan. However, depending on your state, you may not be able to get a medigap policy to supplement original Medicare if you have preexisting conditions.

Dealing with coverage restrictions. Just because a drug is listed on your plan's formulary doesn't mean you'll automatically be covered. More plans are adding restrictions. With prior authorization, your doctor needs to submit information explaining why you need a specific medication. With step therapy, you may need to try a lower-cost drug first before the plan will cover the more expensive medication.

About 30% of drugs that are covered on a formulary have a prior authorization requirement, according to a 2024 MedPAC analysis. It's more likely to be required for higher-cost medications, Cubanski says. But that doesn't mean you should take no for an answer, she adds, because the initial denial is often overturned on appeal.

Just because a drug is listed on your plan's formulary doesn't mean you'll automatically be covered.

McCauley says that oncology offices have plenty of experience with the process because in specialized care such as oncology, the majority of procedures and treatments are subject to insurance prior authorization. In most cases, the provider's office will have staff dedicated to processing prior authorizations, which takes the responsibility and pressure off the patient, she says. "The process can be very fast," McCauley adds—the staff can usually obtain authorizations immediately via online portals or via fax within a few days.

The provider's office can also handle an appeal. "They will have access to the most medically up-to-date supporting information, increasing the chances of overturning the denial," McCauley says.

OTHER WAYS TO SAVE MONEY

If your drug isn't covered, or if you have high out-of-pocket expenses, you may qualify for programs to help with the costs.

Disease-specific funds. Nonprofits such as the Patient Advocate Foundation (*www.copays.org*) and the PAN Foundation (*www.panfoundation.org*) have funds to help with a variety of expenses, including drug costs. "You apply based on your diagnosis, not your prescription," says Donovan. Your doctor must provide verification of the disease, and you may need to meet income requirements, which can be as high as 400% to 500% of the federal poverty level. For example, the Patient Advocate Foundation has a cervical-cancer fund that provides up to $2,000 to help pay deductibles, co-payments and other expenses for eligible patients earning up to 500% of the federal poverty level. Some of the foundation's funds, such as its diabetes fund, have had so many applicants that they filled up and closed quickly, she says. You can sign up for alerts when new funds open for your condition.

State pharmaceutical assistance programs. These programs help people who have low incomes or specific diseases with out-of-pocket drug costs; find out whether your state has a program at *https://tinyurl.com/2xrtsw2a*. You can also learn about programs in your area by contacting your State Health Insurance Assistance Program (*https://www.shiphelp.org*).

Pharmaceutical assistance programs offered by drug companies. Like state programs, these programs from pharmaceutical companies can help with out-of-pocket costs. (However, some of these programs are not available to Medicare beneficiaries.) For more, see *https://tinyurl.com/4pxy5nu7.*

Extra Help. This Medicare program assists low-income beneficiaries with premiums and co-payments for Part D plans. The Inflation Reduction Act expanded eligibility starting in 2024. See *https://www.medicare.gov/basics/costs/help/drug-costs.*

You can also use these strategies to help reduce your expenses.

Find a lower-cost pharmacy. The pharmacy you choose can make a big difference in how much you pay for drugs. Part D plans typically have three cost tiers: preferred pharmacies, other in-network pharmacies and out-of-network pharmacies.

The Plan Finder can show your plan's costs for local and mail-order pharmacies. If you and your spouse have different Part D plans, you may have different preferred pharmacies.

Use tax-free HSA money. Even though you can't make new contributions to a health savings account after you enroll in Medicare, you can withdraw money you've accumulated in the account tax-free for eligible medical expenses at any time—including health and drug deductibles, co-payments, over-the-counter drugs, and prescription drugs that aren't covered by your plan.

"Anything that is prescribed by a doctor can be paid for with an HSA, whether or not your insurance covers it," says Karen Volo, head of health and benefit accounts for Fidelity Investments. For example, if your drug plan doesn't cover GLP-1 drugs, which aid with diabetes and weight loss, you can still withdraw money tax-free from an HSA for it as long as the medication was prescribed, she says.

After you turn 65, you can also withdraw HSA money tax-free to pay Medicare premiums, including those for Part B, Part D and Medicare Advantage plans (but not premiums for medigap policies).

STRATEGIES FOR PRE-MEDICARE RETIREES

If you retire before age 65 and have health coverage from an Affordable Care Act marketplace plan or employer retiree plan, the strategies for saving money on prescription drugs can be different. These plans aren't required to cap out-of-pocket spending at $2,000, so you may still benefit by using cash and a coupon if it costs less than your insurance co-payment.

You may also be eligible for assistance programs that aren't available to Medicare beneficiaries. "Co-pay cards, manufacturer coupons and vouchers from pharmacy benefit managers are available only to individuals who use commercial insurance," says McCauley. These programs can give patients a discount after insurance pays a portion of their claim, but the programs are not available to people with Medicare and other government plans. Find out more at GoodRx.com, or contact the drug manufacturer.

If you have comments about this article, send an e-mail to feedback@kiplinger.com.

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12 GREAT GIGS FOR RETIREES

Whether you want to earn extra cash, fill some of your free time, or both, we have ideas for you.

WHILE many workers dream of the day they'll no longer have to come to the office, about half of retirees have considered "un-retiring" because they miss the intellectual stimulation from working, according to a survey from F&G Annuities & Life. Other retirees return to work because they need the extra income a part-time job or side hustle can provide. Fortunately, there are plenty of opportunities for retirees who want to work—but on their own terms.

RetirementJobs.com lists jobs in retail, caregiving, tax preparation, driving and more at age-friendly employers. At ReadySetHire.com, you can enter a job title and location to find positions that suit your experience and interests. AARP (*https://jobs.aarp.org*) is also a good source of flexible positions for retirees. As you launch your search, consider these opportunities.

Substitute teacher. Grade schools and high schools nationwide are looking for people to substitute teach, and depending on your state, you may not need a teaching certification. Check the websites of the school districts in your area to see whether they are hiring substitutes.

Pay varies by district. For example, the Fairfax County Public School system, in Virginia, pays substitute teachers $21 to $31 per hour, and the county pays teachers of homebound students $50 per hour. Find state-by-state requirements at the website for the National Education Association (*www.nea.org/substitute-teachers*).

Tutor. If you have a special skill—whether it's the ability to play an instrument, paint like Picasso or explain calculus in a way anyone can understand—you could earn $10 to $75 per hour tutoring individual kids or college students. Advertise your services on school, campus and community bulletin boards or on tutoring websites such as Wyzant.com and Tutor.com.

Adjunct professor. A side hustle as an adjunct professor can add several thousand dollars to your annual household income. Reach out to colleges and universities in your area to find out whether they offer adjunct positions. It's best to contact the head of the department that interests you to inquire about becoming an adjunct. You can also contact the admissions department for any job postings in your area of specialty.

Some institutions require adjunct professors to have a master's degree, while others require a college degree and/or professional experience. The nationwide average hourly pay rate for an adjunct professor is $68, according to ZipRecruiter.

Do you love history or the outdoors? Consider becoming a tour guide. ↓

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Patient advocate. If you've spent time helping your aging parents navigate their health care, you may be able to turn those skills into a second career. Some patient advocacy positions pay anywhere from $40,189 to $53,512 per year and involve working with 10 to 20 clients, according to Salary.com. You can learn more about what patient advocates do at *www.patientadvocators.com* and *https://aphadvocates.org*. If you have the necessary skills, health care organizations can help you find advocacy positions.

Tour guide. You could pick up a little extra cash by becoming a tour guide at a nearby historic or cultural site or another local attraction. Prerequisites vary widely, from no requirements to passing a test administered by your local jurisdiction to getting a license. You may make anywhere from about $15 to $40 an hour.

Youth sports official. Those who are physically fit and love kids (and sports) may thrive as an umpire, soccer referee or other youth sports official. Your local high school athletic office or municipal recreation department can point you toward the regional governing association of the sport you're interested in refereeing. Some positions require a fee of up to $50 for a combination of exercises, lectures and rulebooks. Pay can range anywhere from $0 to $35 for youth games and up to $65 per game for high school varsity games.

Usher. If you enjoy sports, the theater, concerts or other live events—and you're comfortable moving through crowds—working as an usher may be a good fit for you. Search "usher job" on Google to find openings, or search Indeed.com, Glassdoor .com and other job sites for opportunities. You may earn about $15 to $20 an hour as an usher.

Fitness instructor. Have you always been a gym rat? Fit your workouts into a gig as a fitness instructor. If you want a sanctioned job at a fitness facility, you'll need certification from the American Council on Exercise (*www.acefitness.org*) or the American College of Sports Medicine (*https://acsm.org*). ACE oversees a self-study program to take the 150-question, proctored exam, given either virtually or in person. The average nationwide hourly pay rate for a fitness instructor is $25, according to ZipRecruiter.

Dog walker or pet sitter. Many companies are requiring employees to return to the office, which could increase demand for individuals who will take pets on a daily stroll. Hourly rates for dog walkers range from about $14 to more than $20, depending on where you live. You can also pet-sit for people while they're on vacation. UrbanSitter says the average national rate for a pet sitter is just over $26 per hour, and you may earn more if you live in an urban center.

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↑ **As companies require employees to return to the office, demand for dog walkers may increase.**

Advertise your services in veterinarians' offices or on sites such as Craigslist, Facebook, Care.com and Rover.com, a website that matches pet sitters with pet owners.

Shopper. How about making money instead of spending money when you go to the grocery store? You can do it as a shopper for grocery-delivery service Instacart.

You have two options: Do the shopping as an in-store shopper and have someone else deliver the groceries, or do the shopping and the delivering as a full-service shopper. As a full-service shopper, you're an independent contractor who must have access to a car. Instacart does not post salary levels, but ZipRecruiter says the average hourly wage in the U.S. for an Instacart shopper is $18.

Freelancer. Plenty of media, corporate and nonprofit websites are looking for freelancers to write, edit or design content. Freelance Writing.com and Freelance Writing Jobs (*https://freelancewritinggigs.com*) provide a long list of opportunities culled from several top sites, along with advice and tips for freelance writers. Freelancer.com offers a wide variety of freelancing jobs in categories such as design and media as well as writing and content.

Photographers can earn extra cash by selling photos to stock-art sites such as Getty Images/iStock (*www.gettyimages.com/workwithus*) and Shutterstock (*https://submit.shutterstock.com*). At both sites, you must apply to be a contributor by submitting samples of your photos, illustrations, videos or audio. If approved, you'll earn royalties when paying clients download your files.

You can also browse listings on Linkedin and Indeed for freelance jobs. You may be able to find work as a researcher, project manager, assistant or consultant, to name a few possibilities.

Creative entrepreneur. You can profit from your creative talents. Love to bake? Sell your treats at a farmers market, flea market or local festivals. If art and design are more your speed, consider selling your creations online or at local craft shows. Sites such as Etsy.com and Zazzle.com feature products such as jewelry, posters, vintage clothing, greeting cards, T-shirts and even pet supplies. K

Bob Niedt, Kathryn Pomroy and Alexandra Twin contributed to this article. Send comments to feedback@kiplinger.com.

Medicare Tips for First-Timers

THE NEW WORLD OF RETIREMENT BY SANDRA BLOCK

IN the months before I turned 65 last year, I got a lot of mail from two sources: assisted living centers featuring photos of youthful seniors playing pickleball and Medicare Advantage and medigap providers promoting their plans.

Most of the missives went into the recycling bin. I don't play pickleball (or plan to sell my house anytime soon), and I was still working. There was no downside to enrolling in Medicare Part A, which covers hospital costs and is free to most beneficiaries. But Part B, which covers doctor's visits and other outpatient services, comes with a monthly premium—$185 for most retirees in 2025. Since I was already paying for health insurance through my employer, I didn't want to pay for Part B coverage while I was still working. Earlier this year, however, I decided to retire, and that's when things got complicated.

Signing up. Medicare's initial enrollment period lasts for seven months, starting three months before the month you turn 65 and ending three months after the month you turn 65. If you fail to enroll during that period, you could be hit with a late-enrollment penalty of 10% of your Part B premium for each 12-month period you weren't covered, and the penalty will last as long as you have Part B coverage. For example, if you wait two years to enroll, your Part B premium will increase 20%. Medicare Part D, which covers prescription drugs, also has late-enrollment penalties.

However, if you have health insurance through your job or your spouse's employer, you can delay enrolling in Part B as long as your coverage is "creditable," which means that it covers at least as much as Medicare. You must also prove that you had creditable prescription drug coverage when you enroll in Part D. As long as your coverage meets that standard, you have eight months after you leave your job to enroll in Part B and Part D to avoid the draconian late-enrollment penalties. While I had plenty of time to comply, I didn't want to take any chances—or have any gaps in my coverage after I left my job.

After a few phone calls, I received a document from my employer stating that I had been covered by its insurance. Medicare's website recommends mailing or faxing the document, but I worried about putting an original document in the mail, and I haven't used a fax machine since *Melrose Place* was one of the most popular programs on TV. Instead, I went to a local Social Security branch office, which was very crowded, and left the document in a drop box, hoping that it wouldn't get lost. It didn't, but it took a couple of worrisome weeks before I learned I was officially signed up (I'm told this isn't unusual).

I opted for original Medicare instead of Medicare Advantage, so I also selected a medigap plan—a supplemental policy that will cover expenses not covered by Medicare—and a Part D prescription drug plan. Medigap plans are provided by private insurers, and each plan has one of 10 letter designations. All plans with the same letter must provide the same coverage, but prices vary, depending on the insurer. I chose Plan G, the most popular option because it provides the broadest amount of coverage.

PHOTO BY DENNY GAINER

My choice of Part D plan came down to cost. My medigap provider also offers Part D plans, but its premium for a plan that covers the two prescriptions I take costs about three times as much as the premium for a plan I chose from a different insurer.

My takeaway: When it's time to enroll in Part B, whether at age 65 or later, start the process early. Getting the correct documents and selecting a supplemental plan that's right for you takes time. With Medicare coverage in place, I can pursue other goals in retirement—writing, volunteering, reading serious books. Maybe I'll take up pickleball.

When it's time to enroll in Part B, whether at age 65 or later, start the process early.

Sandra Block is a former senior editor of Kiplinger Personal Finance. *Send comments to sandra.block02@futurenet.com.*

WHY YOU NEED A TRUSTED CONTACT

PRACTICAL PORTFOLIO BY JOHN WAGGONER

YOU'RE probably used to getting (and ignoring) lots of information from your brokerage, mutual fund or investment adviser. But here's one notification you should pay attention to: a request to designate a trusted contact.

What's a trusted contact? It's a person 18 or older who can tell your financial institution where you are—and how you are—if you can't be reached or there's something suspect about your financial requests or instructions. Suppose, for example, your financial institution notices unusually large withdrawals from your retirement account, or that someone in Brussels has charged the down payment on a BMW to your debit card. Normally, your bank or brokerage will simply call you and ask what on earth you're doing (in so many words).

But what if your financial rep can't reach you because you're out of town, or you're sick, or you're simply letting your mail pile up? In that case, your trusted contact can tell the bank where you might be, or if there could be some other reason you've been out of touch, such as travel or a natural disaster.

Or what if your actions are suddenly out of character? For financial advisers, there's a clear reason why clients should have a trusted contact. "Suppose you had a conservative client—he's paid off his house, doesn't use credit cards—and one day he calls and says, 'I need $100,000 and I need it now,' " says Mary Ballin, partner and wealth adviser for Perigon Wealth Management in Walnut Creek, Calif. "It's a sensitive situation," she says. "You want to make sure he's okay."

Vanguard, the Valley Forge, Pa., mutual fund giant, has a team dedicated to calling attention to accounts whose owners may be having cognitive difficulties or are potentially being taken advantage of, says John Ginelli, head of investor protection at Vanguard. The company uses a mix of surveillance methods, ranging from computer algorithms to referrals from telephone representatives, to flag unusual activity. Only members of the team may reach out to a trusted contact, he says.

Even though you're not legally required to appoint a trusted contact, you probably should. Here's what a trusted contact might do:

- **Confirm contact information.** Contacts need to be able to verify the client's home and cell phone numbers, and possibly the client's e-mail address. If the client has changed his or her residence or phone number, a trusted contact should know that, too.

- **Know who can speak for the client.** Contacts should be able to inform the financial institution of any legal guardian, executor, trustee or holder of a power of attorney on the client's account. These individuals can also be helpful in tracking someone down.

- **Speak to whether there is a health or other crisis.** Is the customer in the hospital perhaps, or showing signs of dementia? For example, if a customer inquires repeatedly about a transaction and seems confused, the company may call a trusted contact to see whether they have noticed any difference in behavior. Trusted contacts should also be able to say whether they think someone is being manipulated or abused.

If you're the trusted contact, you might have to consider proactively getting in touch with the financial institution and the client to discuss a concern. For example, victims of fraud may refuse to believe that they're being conned, says Ginelli. "A trusted contact might help that client to see the light."

What trusted contacts can't do is access a client's accounts or make transactions. And if you're asked to be a trusted contact, don't worry about sharing your information with the financial institution—it may not use information about a trusted contact for marketing purposes, so agreeing to be one won't result in sales pitches for investment products.

Choose carefully. Typically, your trusted contact won't be your financial planner or broker. Barry Glassman, a certified financial planner with Glassman Wealth Services, agrees. "I've never been asked to be a trusted contact, nor would I accept that role. It seems like a conflict. It should be someone who interacts with the client beyond a financial planning relationship."

Clearly, your trusted contact needs to be relatively easy to reach. For married couples, the obvious candidate is a spouse, Ballin says. Older couples might also consider an adult child, or the executor of their will, Ginelli says. You may establish more than one trusted contact.

And don't forget to ask your contact first. "Before adding their information to your accounts, it's a good idea to discuss this with your chosen trusted contact so they're aware of the responsibility should your financial institution need to reach out," says Leanna Devinney, vice president, branch leader at Fidelity Investments.

If you have already named a trusted contact, review that designation periodically. People drift apart—or die. In either case, they won't make a good trusted contact.

The trusted contact form is optional, even though the Securities and Exchange Commission and the Financial Industry Regulatory Authority endorsed the policy in 2018. If you've never seen one, you're not alone. "I haven't received one yet," says Patrick Chu, editor at the *Wall Street Journal*.

What percentage of investors have a trusted contact? "Like every firm out there, I can say that we don't have enough," Vanguard's Ginelli says. "The more the better. The law requires us to solicit people to have trusted contacts and have a method for doing so, but it doesn't require clients to have one."

If you're interested in naming a trusted contact, call someone at your broker, financial adviser or mutual fund company. They should be able to provide you with the proper forms. You may also be able to find a trusted contact form on your financial representative's website. Ginelli says that some clients have reached out to Vanguard after getting a diagnosis of cognitive disability, for example. The trusted contact form is probably the easiest financial form you'll ever fill out, he says. "We just need a name, a phone number, a street address or an e-mail address."

A trusted contact can tell your financial institution where you are—and how you are—if you can't be reached or there's something suspect about your financial activities.

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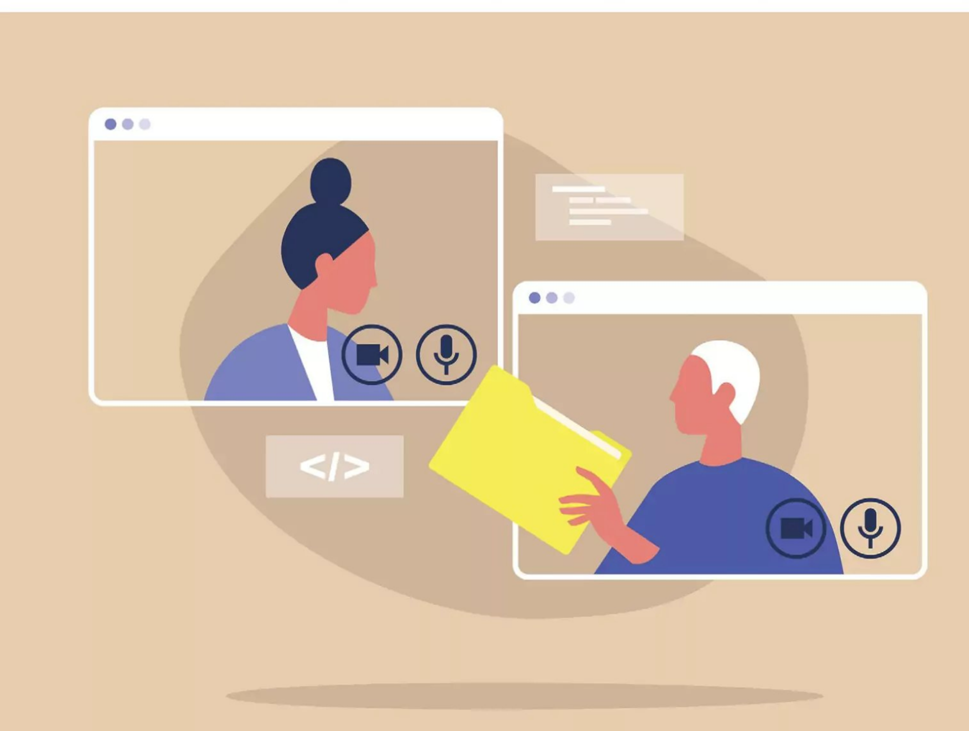

Other ways to protect your financial account. If you're worried about becoming the victim of fraud or making unwise actions on your own because of cognitive disability, be sure to designate someone with power of attorney in case you're disabled or otherwise unable to take care of your own affairs, even temporarily.

Setting up joint financial accounts with a spouse or an adult child can ensure that someone is watching your money—although a joint account will let the co-owner make withdrawals, too. Authorizing someone (often called an agent) can give them permission to make transactions in your account, but the authorization can also be drawn up to allow only account monitoring or inquiries.

Finally, make sure you're doing what you can on your own to protect your accounts. Use strong passwords, multifactor identification and secure Wi-Fi. K

If you have comments, send an e-mail to feedback@kiplinger.com.

A Guide to Lending Money to Family Members

Put the terms in writing, and take steps to avoid tax complications.

FAMILY FINANCES BY ELLA VINCENT

IF your adult child or another family member asks you to lend them money—say, to pay for a wedding, a down payment on a house or some other major expense—you may be eager to assist. And with a solid plan in place, an intrafamily loan can both provide your loved one a low-cost way to borrow money and give you the satisfaction of offering a helping hand. But as you decide whether and how to extend a loan, keep in mind that there's a chance you won't get the money back—and if that happens, your relationship with the borrower may suffer. You should never lend more money than you can afford to lose.

Settle on the terms. If you decide to go ahead with a loan, putting the repayment guidelines in writing helps assure that the terms are clear and may improve your chances of being repaid.

R. Philip Petrowski, a certified financial planner and senior partner at Blackhorn Partners in Middleton, Wis., recommends drawing up a promissory note (a written loan-repayment agreement between a lender and borrower), ideally with the help of a family law attorney. You may also want to get the document notarized, he says. The agreement should specify the amount of the loan, the repayment schedule and the amount of interest you'll charge. Online lending marketplace LendingTree has a tool you can use to calculate payments, based on the interest rate, repayment period and size of the loan, at *www.lendingtree.com/personal/personal-loan-calculator*.

As you determine the interest rate you'll charge, keep IRS rules in mind. If you lend more than $10,000, you must charge an interest rate equal to or higher than the IRS applicable federal rate (AFR). There are three AFR tiers based on the length of the loan: short-term (up to three years), mid-term (three to nine years), and long-term (10 years or more). AFRs are updated monthly on the IRS website at *www.irs.gov/applicable-federal-rates*. You must report the interest on your income tax return.

If the interest rate on a loan of more than $10,000 isn't at least as high as the AFR, you may owe tax based on the difference between the AFR and the interest rate you actually charged. If the loan amount is $10,000 or less, you can set a rate (including 0%) without worrying about those tax consequences.

In the event that your loved one defaults on the loan, the written agreement you created may protect you. If you can demonstrate that the loan is uncollectible, you may be able to claim a deduction for a non-business bad debt. The bad debt will be treated as a short-term capital loss on your tax return, says Marianela Collado, a CFP at Tobias Financial Advisors in Plantation, Fla. A short-term capital loss can be used to offset capital gains and up to $3,000 in other income if you have more losses than gains.

Consider a gift instead. To sidestep the complications that can come with offering a loan, you could make the money a gift, if you can afford it. However, if you give more than the annual gift tax exemption ($19,000 per recipient in 2025), you're required to file a gift tax return with the IRS, and the amount will count against your lifetime estate tax exemption. If you're married, you and your spouse can give a combined $38,000 per recipient without filing a gift tax return.

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THE LOWDOWN ON USING HSA FUNDS

Keep records of qualifying expenses, and make sure you understand the rules.

BASICS BY ELLA VINCENT

A health savings account is a remarkable tool to help pay for out-of-pocket medical expenses. HSAs offer a triple tax advantage: Contributions are tax-deductible (up to $4,300 for self-only coverage and $8,550 for family coverage in 2025, plus an extra $1,000 if you're 55 or older), growth from the account's investments is tax-deferred, and withdrawals are tax-free for eligible expenses. You must have a qualifying high-deductible health insurance plan to fund an HSA (for more, see "11 Ways to Build Wealth," on page 40).

Reimbursement options. You can use HSA money for out-of-pocket expenses including insurance deductibles and co-payments, as well as items ranging from pain-relief medication to bandages to hearing-aid batteries. For a list of qualifying expenses, go to *www.healthequity.com/hsa-qme*. If you make a non-qualified withdrawal, you'll owe income tax on it, plus a 20% penalty if you're younger than 65. After you turn 65, you'll owe income tax but no penalty.

Unlike flexible spending accounts, HSAs don't impose a deadline by which you must use the funds, and you can get reimbursement for qualifying medical expenses at any time. For example, you could claim HSA funds years from now for a medication you buy today, as long as you owned the HSA when you made the purchase.

The ability to hold on to HSA funds over the long term is valuable. If you can afford to avoid tapping your HSA during your working years, the account may grow significantly from your contributions and investment earnings; HSAs typically allow you to invest in stocks, mutual funds and other securities. In retirement, you can use HSA money to pay for qualifying medical expenses, including premiums for Medicare Part B and Part D and Medicare Advantage.

When you're ready to claim HSA money, you may be able to go to your provider's web portal and transfer funds to your checking or savings account. In addition, some HSA providers allow you write yourself a check from your account.

If your HSA comes with a debit card, you can use it to make eligible purchases directly—for example, at pharmacies or doctors' offices. And depending on your HSA provider, you may be able to withdraw funds from an ATM to reimburse yourself for out-of-pocket medical expenses.

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Tracking the paperwork. Even if your HSA administrator doesn't require you to submit receipts for reimbursement, it's a good idea to hang on to them, says Michael Eldredge, product manager for HSA provider Inspira Financial. You'll need them for your tax records in the event you're audited. If your doctor provided letters of medical necessity for certain purchases, save the letters in case your HSA provider or the IRS requests proof the expenses were eligible, says Itamar Romanini, vice president and general manager of online retailer HSA Store.

By hanging on to payment records, you can keep track of any expenses that you don't claim right away, too. File receipts and explanations of benefits in a safe place at home, or save them digitally. HSA Store's free Expense-Tracker Mobile App (*https://hsastore.com/expensetracker-app.html*) lets you store and upload images of receipts. With TrackHSA (*www.trackhsa.com*; $1 a month after a 30-day free trial), you can upload receipts and organize expenses by year so that you can easily find them later.

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


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TRAVEL DEALS FOR RETIREES

Older adults can access special discounts on hotel stays, car rentals, cruises and more.

BY EMMA PATCH

UNENCUMBERED by a demanding job or limited time off, many retirees are eager to indulge their wanderlust. About 40% of leisure travelers are 60 or older, according to 2023 data from SquareMouth, a travel insurance aggregator. But the flip side of freedom from the 9-to-5—and the paycheck that goes along with it—is that you may have to manage your budget more carefully. Luckily, many travel vendors offer deals for older adults, who can take advantage of the savings to substantially lower travel expenses. Here, we've rounded up discounts and special programs for older travelers, from deals on lodging and cruises to tour operators that provide low-cost trips.

ROAD AND RAIL

You can get deals on car rentals, cruises, vacation packages, hotels, rail tours and travel planning with an AARP membership. The annual fee is $20, and adding a secondary member in the same household is free. By booking your travel through the AARP Travel Center, powered by Expedia, you can easily access discounts and deals. Visit *www.expedia-aarp.org* or call 800-675-4318 for assistance with bookings.

Some of the steepest AARP discounts are for car rentals. You can get up to 30% off select car rentals through Expedia, up to 35% off the base rate (the standard charge for a rental car before taxes and fees) with Avis and Budget, and $20 off an annual membership with car-sharing service Zipcar, which typically costs $90 per year for gas, insurance and up to 180 miles per day. AARP members earn extra points when they link their AARP membership to the

ExxonMobil Rewards+ program. Every 100 points that you earn equals $1 in savings that you can redeem on fuel, car washes and store purchases.

Rather travel by rail? Amtrak offers a 10% discount on rail fares to passengers 65 and older who book directly through Amtrak. And AARP members can access discounted train tours through Vacations by Rail (for more, see the section below on tour operators).

AIRFARES

Most airlines don't offer a blanket discount on airfares for older adults. But you may be able to get deals for certain flights. American, Delta and United airlines, for example, offer discounts to passengers who are 65 or older on fares for select travel destinations. When you book a flight online, check whether you can choose a senior traveler classification or discount (such as "Senior 65+" with United). To get a discount on certain Delta itineraries, you can call the airline's customer service line at 800-221-1212.

Travelers 55 and older were eligible to get 55% off base fares on select flights with Frontier Airlines during a promotion earlier this year. Keep an eye out for more promotions of this kind at *www.flyfrontier.com*.

If you book a flight through the AARP Travel Center at the same time you book a hotel or car rental, you'll get a $50 Visa prepaid gift card. AARP doesn't provide direct discounts with most airlines, but AARP members who book a flight with British Airways online can get anywhere from $65 to $200 off round-trip fares.

CRUISES

Cruises are particularly popular among retirees. Nearly 25% of all cruise passengers are 65 or older, according to the Cruise Lines International Association. Cruise lines including Carnival, Royal Caribbean, Norwegian Cruise Line, Princess Cruises, Holland America, Celebrity Cruises and MSC Cruises offer discounts to older adults. The discounts are typically available to travelers 55 and older and hover at about 10% off. Some are available only for last-minute bookings. You usually must enter your date of birth while booking a cruise online, and when you check in, you may be asked to provide proof of your age with a government-issued ID.

On select cruises that you book through the AARP Travel Center, you can get up to $100 in credits for meals, spa services and other onboard expenses. AARP members can also get up to $200 in onboard credits with select Holland America cruises.

HOTELS AND RESORTS

Many large hotel and resort chains—as well as smaller, independent hotels—offer discounts to older guests. For example, Hyatt has been providing discounts of up to 50% for guests who are 62 and older at participating hotels in the continental U.S. and Canada. Omni Hotels & Resorts offers discounted rates of up to 15% to guests who are 55 or older at participating locations. Look for senior discounts at checkout when you book online, or call the hotel

GETTY IMAGES (INCLUDING PREVIOUS SPREAD) directly and ask about senior discounts before making your reservation. When you check in, you will typically be asked to present identification to verify your age.

Here, too, an AARP membership can save you money. AARP members get 5% to 10% off at most major hotel chains, including Best Western, Choice, Hilton, La Quinta, Marriott and Wyndham. When room availability allows for it, many hotel brands, including Hilton and LXR Hotels & Resorts, offer late checkout (until 2 p.m.) for AARP members. And you can get a 20% discount if you book a stay at one of more than 150 resorts throughout the U.S. and Mexico through the Extra Holidays rental platform. To make a reservation, call 800-428-1932 and mention your AARP membership. Or book at *www.extraholidays.com* and use promotion code 8000000048.

Many all-inclusive resorts offer deep discounts of up to 50% to AARP members. For example, a springtime stay at Secrets The Vine Cancun, an adults-only resort in Mexico, was recently available starting at $908 per night for AARP members, compared with the standard rate of $1,396 per night. Finest Playa Mujeres by The Excellence Collection, a family-friendly resort in Mexico, recently offered AARP members springtime stays starting at $759 per night, down from $1,459 nightly. You can find a complete list of all-inclusive resort stays with discounts for AARP members at *www.aarp.org/travel/vacation-ideas/all-inclusive.*

TOUR OPERATORS

Road Scholar. For adults 50 and older, nonprofit organization Road Scholar offers immersive travel experiences throughout the U.S. and in more than 100 countries. It also has programs through which grandparents can travel with their grandchildren or three generations of a family can go on a trip together. Prices vary by destination and the type of trip. The average six-day, five-night program in North America goes for about $1,200; a typical international program costs about $3,000. Road Scholar also offers extended trips for individuals interested in immersive, educational travel. The trips last about 130 days; costs range from $20,000 to $25,000.

Scholarships are available for all Road Scholar trips. For example, the Professional Educator's Assistance & Recognition (PEAR) scholarship provides a maximum award of $1,500 toward a program that costs up to $2,000. Anyone who works or has worked as a professional educator is eligible. Road Scholar also offers need-based scholarships, which are generally awarded to individuals whose household income is less than 80% of the median income in their state of residency. Income eligibility alone doesn't guarantee a scholarship, but neither is an applicant automatically disqualified by having a household income higher than the guideline. Applicants can include in their application any personal, financial or medical circumstances that make it difficult for them to attend a Road Scholar program without financial assistance. Visit RoadScholar.org to learn more.

Discover Corps. Discover Corps (*www.discovercorps.com*) specializes in "volunteer vacations" designed for active older adults and couples who want to participate in volunteer projects while exploring destinations around the world. The trips often focus on cultural immersion and wildlife conservation. For example, you might work on a wildlife conservation project with a local sanctuary in Kenya. Or, after venturing into the ruins of Machu Picchu in Peru or taking time to reflect in the mountains of Bhutan, you may lend a hand at schools in the region. Groups may include families, but trips are designed with active older adults in mind.

Each Discover Corps itinerary features a rating for physical difficulty. Nearly all of the trips fall on the easy to moderate end of the range. For most vacations, adults should be comfortable walking several miles a day, often on uneven ground. Trips include activities, lodging, and most

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transportation and meals. A typical Discover Corps vacation can cost anywhere between $2,500 and $5,500 per person depending on the destination, length of the trip, and type of accommodations chosen.

Gate 1 Travel. This travel company, which offers escorted tours, river cruises and vacation packages, doesn't provide discounts to older adults. But it is popular with older travelers because of its competitive pricing. For example, Gate 1 (*www.gate1travel.com*) recently offered an eight-day escorted tour through Scandinavia and the Baltics for $2,809, including flights, meals, tours and accommodations.

Linda Taber Ullah, 79, of southern California, is a fan of the tour operator. "When I was in my twenties, I hitchhiked through Europe, backpacked alone through India and Bangladesh, and camped across the U.S. and down through Mexico with a friend," she says, adding that she has been to all U.S. states except North Dakota. Now, she and her husband, who is 80, continue to travel as much as they can and have gone on trips through Gate 1 since 2013. "We did a Holland America cruise to Alaska a couple of years ago. We really think they offer good value," she says.

AARP discounts. Collette, a tour operator that boasts more than 170 tours across all seven continents, offers AARP members up to $100 off per person on small group tours that focus on cultural immersion. You can make a reservation by calling Collette at 866-242-9540 and mentioning your AARP member benefit.

Similarly, AARP members get up to $100 off per person on more than 300 guided vacations and river cruises throughout Europe and other destinations around the world through the tour operator Grand European Travel. You can book online with an AARP discount at *www.getours.com/aarp*, or you can call 866-847-3858 and mention your AARP membership.

For train travelers, Vacations by Rail (*www.vacationsbyrail.com*) offers discounted rail tours to AARP members, who can get a 5% discount on the company's vacations and tours as well as select train tickets.

ATTRACTIONS

Many museums, sporting events, theaters, national parks, ski resorts, golf courses and other attractions offer special rates to people older than a certain age. For example, U.S. citizens and permanent residents who are 62 or older can purchase an annual America the Beautiful—National Parks and Federal Recreational Lands Pass for $20, or a lifetime pass for $80. The pass provides admittance to more than 2,000 recreation sites managed by six federal agencies, including the National Park Service. Applicants must provide documentation of age and residency or citizenship. You can buy a pass at certain federal recreation sites, or order one online at *https://store.usgs.gov/lifetime-senior-pass*.

Some Major League Baseball teams offer discounts to adults 55 and older, and discounts on Broadway tickets are available to retirees 62 and older through the Theatre Development Fund (*www.tdf.org*). While most large ski resorts don't direct discounts at older adults, many smaller, independent operators do. And golf courses commonly provide discounted greens fees for those older than 55 or 60. Browse other deals at TheSeniorList.com. K

You can contact the author at Emma.Patch@futurenet.com.

WILLING TO SPLURGE A LITTLE? TRY AN ALUMNI TRIP

An alumni trip organized through your alma mater can provide a unique travel experience. Many colleges and universities offer these programs to strengthen the alumni community and give former students the chance to advance their knowledge through an immersive and educational travel experience.

Institutions may also organize alumni trips so that they can use the proceeds to fund other programs and activities at the school. Especially if fund-raising is part of the goal, these trips may run on the pricier side. Expect to pay anywhere from $5,000 to $10,000 for a typical 10- to 14-day alumni trip, not including airfare. Alumni trips typically include shared housing, meals, guided tours and other activities suitable for travelers of all ages.

Alumni trips may be more adult-oriented than those the college offered to you as a student; you might enjoy a wine tour through Italy or Spain, for instance. The University of Washington's alumni association recently offered a nine-day trip with prices starting at $4,995. The trip included private tours and tastings throughout the Catalan region of Spain, meals, accommodations, and airport transfers.

To find about your alma mater's trips, check the website of its alumni association, and consider signing up for the association's newsletter (if it offers one), which may provide updates on upcoming trips.

Paying It Forward

PLANTING THE SEEDS TO FEED A COMMUNITY

Through gardening and educational programs, this organization is improving local access to fresh food.

INTERVIEW BY EMMA PATCH

PHOTO COURTESY OF PUEBLO FOOD PROJECT

ALLISON REA
Garden coordinator for Pueblo Food Project
Pueblo, Colo.

What is Pueblo Food Project? Pueblo Food Project bridges the gap between producers and consumers, working to create a vibrant, nutritious and equitable food system for everyone in Pueblo County. It's probably the best county to farm in Colorado, yet we have very high rates of food insecurity and low food access. In a lot of our neighborhoods, Dollar General is the only place where you can buy food.

Pueblo Food Project has a couple of farms and a community gardening program. We also run a training program to support entrepreneurs starting food businesses, and we have free nutrition and cooking classes for community members. As a city garden coordinator, I tend to the community gardens and help people set up and maintain the existing gardens.

How do the community gardens work? People can rent plots to grow their own produce, and we also supply food banks and farmers markets with produce. The yearly fee for a plot is $44, which covers expenses for water. If that's unaffordable for someone, we allow them to volunteer for a certain number of hours in place of a payment. Volunteers help throughout the growing cycle, from planting seeds to the harvest.

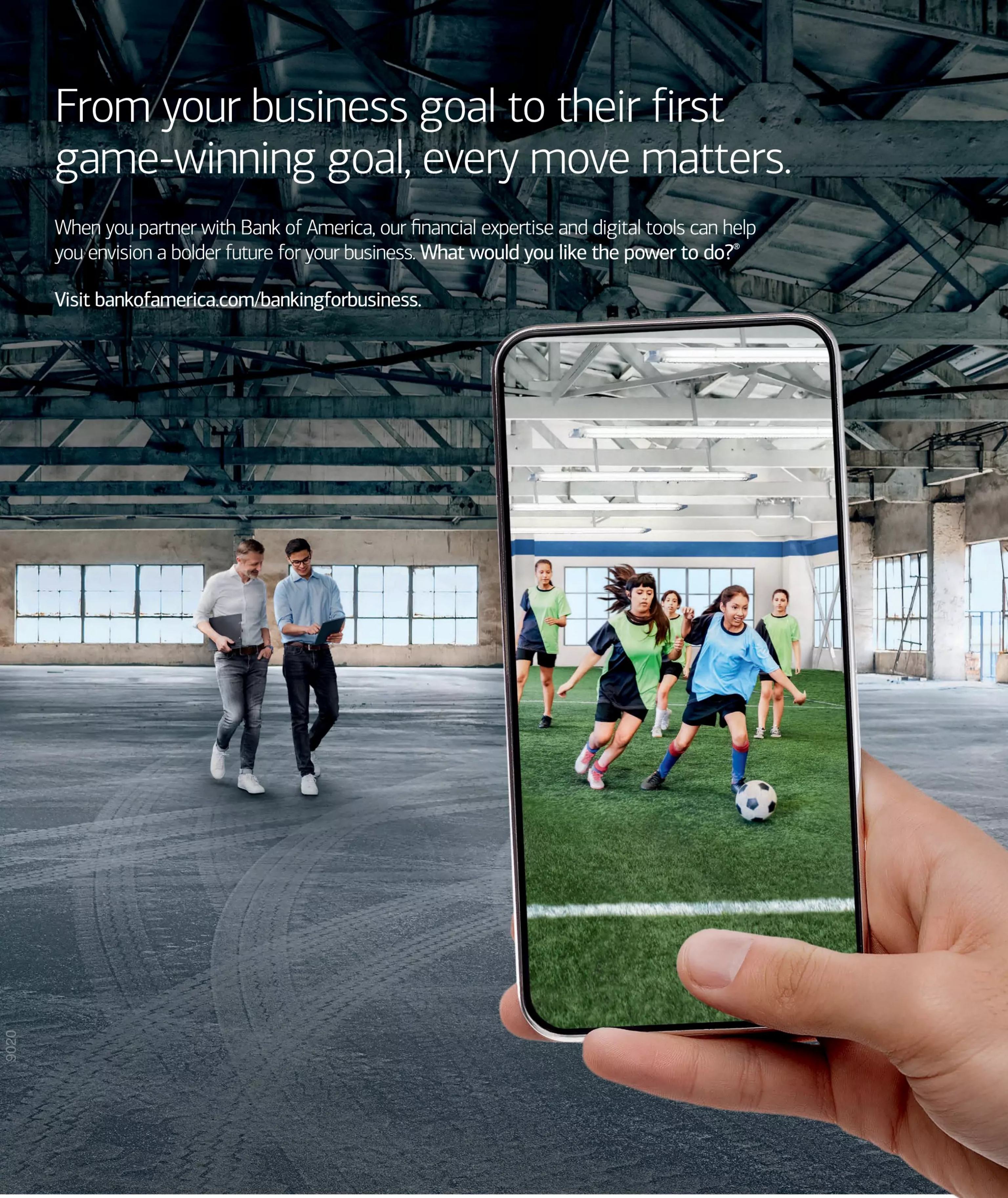
Tell us more about your educational programs. We received a grant from the Colorado Garden Foundation to help us provide six gardening classes per year. Last year, each was focused on a specific crop—asparagus, basil, collard greens, lavender, microgreens and garlic. For each plant, we had a farmer or a master gardener explain how to plant it, grow it, harvest it and use it in a recipe.

For some classes, we include cultural elements as well. For instance, in the collard greens class, we had an African American farmer give a talk on Juneteenth about how collards are culturally important to people who are Black or from the American South, and he provided some recipes, too. This year, we'll cover container gardening, emphasizing the techniques that people can use to grow food regardless of the type of home they live in.

What challenges do you face, and what are you doing to overcome them? One of our gardens is right next to a food bank. Last year was our second year in production there, and my hope is that this garden will eventually be able to provide most of the produce the food bank needs. However, the food bank is serving more than 100 families every week, so we're focusing on a couple of crops that we can reliably provide. For example, last year we worked with a greenbean seed variety called Provider—and let me tell you, it provided.

Also, in the heat of summer, we normally don't have any leafy greens to offer, although they're one of the food bank's most-requested foods. So I've been working with Mike Bartolo, a member of our board and a retired farmer, to do succession planting of lettuce all summer, using an improved variety that can stand up to the heat.

What do you wish more people understood about your work? In July and August, the heat is brutal, and our volunteer numbers go down during that time. But those who do show up gain a strong understanding of what it means to be a farm worker. Most produce needs to be picked by hand—you can't train a machine to do it—and by learning to do it yourself, you develop an appreciation for the people who are performing the hard work we all depend on. I think there's a huge disconnect between the American public and the people and systems providing their meals.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