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# Kiplinger's

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(and pay for)  
the next phase  
of your life.** p 46

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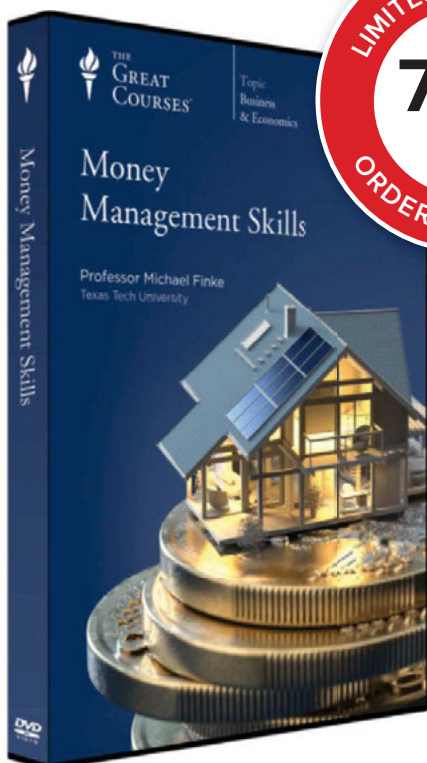
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### USE SOCIAL MEDIA TO BOOST YOUR CAREER

Lisa Babb offers a step-by-step guide to building and enhancing your professional image online.

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

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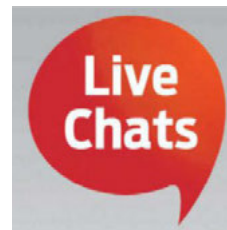


### 6 HABITS THAT LEAD TO BETTER CREDIT SCORES

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# Janet Bodnar

FROM THE EDITOR

## Coping With Oil's Slide

In my January column on the downside of easy money, I wrote that it's impossible for the Federal Reserve (or anyone, for that matter) to manipulate a trillion-dollar economy without risking unintended consequences. Almost on cue, the price of oil plummeted, blindsiding just about everyone and setting off ripples worldwide. Energy stocks were pummeled, junk bonds (a hefty portion of which are issued by energy companies) battered, and there's concern that economic growth may sag, both here and abroad.

Of course, the consequences of oil's plunge haven't been all negative (see page 39 for a look at the pros and cons). U.S. consumers are enjoying the lowest gas prices in 11 years, and Kiplinger thinks that the U.S. energy sector will land on its feet as the price of oil rebounds later this year. (Oil-producing countries that are U.S. adversaries—think Iran, Russia, Venezuela—may not fare as well.) But the fact that so many people were caught off-guard indicates that the Fed's efforts to direct the economy may be, as I said in my column, a classic case of hubris. In fact, the Fed's zero-interest-rate policy may actually have backfired, perversely contributing to oil's sudden price drop. As economist Ed Yardeni observes, investors desperately seeking better returns piled into high-yield bonds issued by energy companies and energy-producing countries.

That puts the Fed in a bind. Faced with oil-induced economic jitters, the Fed isn't expected to raise short-term

rates until later this year, and then only in small increments. That means savers will continue to suffer in interest-rate hell, and bond investors are in limbo. "So what can you do to protect your bond portfolio?" asks senior associate editor Nellie Huang in her story on page 24. "Build a mix that straddles the fence between the odd chance that rates will stay lower longer than the world anticipates and the possibility that rates will rise, albeit slowly."

To cope with uncertainty in the oil patch, we offer additional advice for investors. See page 38 for a look at energy master limited partnerships that should do just fine. On page 41, we spotlight an energy exchange-traded fund that should benefit when oil prices head back up. And on page 40, columnist Kathy Kristof tells why she's hanging on to her energy stocks.

**Big is back.** There's no uncertainty in the market for cars. Thanks to low gas prices, U.S. consumers are doing what they love best: buying big. "Trucks and SUVs account for nearly half of recent sales," writes associate editor Jessica Anderson, who compiled our annual rankings of the best values among 2015 models, starting on page 62.

This year, even *Kiplinger's* is back in the truck business. We're presenting Best Value Awards for pickups in our online rankings, which also include sports cars and truck-based SUVs in addition to the 11 categories featured in the magazine (see [kiplinger.com/links/carguide](http://kiplinger.com/links/carguide)). These aren't your father's behemoths. Ford's classic F-150 has a



**"With gas prices down, U.S. car buyers are doing what they love best: buying big."**

lightweight all-aluminum body, which improves fuel economy. Midsize pickups, such as the redesigned Chevrolet Colorado and GMC Canyon, appeal to "lifestyle" buyers. As consumers gravitate to bigger models, there's good news for the small-is-beautiful crowd, in the form of deals on sedans and green models, including the Prius. One of the hottest new categories is subcompact crossovers, such as the Audi Q3, Chevrolet Trax and Jeep Renegade.

In fact, says Jessica, the car market is being sliced into segments to suit every taste. "If you're a tree hugger who likes luxury or a good ol' boy who digs trucks but doesn't need to haul a boat, there's a vehicle that will fit you like a glove." ■

*Janet Bodnar*

JANET BODNAR, EDITOR  
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their benefits can add up to nearly as much as you receive. That was certainly a motivating factor for me to start collecting at 63, when my two youngest children were 13 and 11, given that their benefits would continue until they graduated from high school. I've calculated that the break-even point (when the sum of their benefits and mine starting at age 63 equals the sum of my benefits alone starting at age 70) is around age 93—assuming I live that long. And because the children's benefits have to be used for them, I'm investing their money in college savings plans.

**L.M.  
BELLEVUE, WASH.**

I think Social Security should be aimed at folks who actually need it to live somewhat comfortably in old age. One way to keep the system from running out of money might be to give people who do not need the money an incentive to continue to postpone taking it after age 70. We have raised the full retirement age to 66 for people retiring now (and it will go to 67 in a few years), so the age at which you continue to qualify for deferred enhancement should rise as well.

**BETH LOKER  
ROYAL OAK, MD.**

**Do the math.** Whether it's best to trade in your old car at the dealer or sell it yourself could depend on how much tax you'll pay on the new car ("Drive Time," Jan.). In some states with a sales tax, the value of the trade-in

## FACEBOOK FEEDBACK

**WOW, DID WE HEAR FROM** you, both online and on social media, about our take on the economic outlook for 2015 ("Ahead," Jan.). Below are just a few of the hundreds of comments we received:

"Pulling away from the rest of the world? The last I heard, the deficit was \$400 billion and the overall debt close to \$18 trillion."

"Now if the 'improved U.S. economy' would only translate into decent jobs."

"Lower gas prices mean that the energy sector will soon be laying off hundreds of workers."

is deducted from the price of the new car, reducing the taxable cost of the car. I recently saved more than \$1,400 in sales tax by trading in my used car.

**DICK STERN  
ALLENWOOD, N.J.**

**EDITOR'S NOTE:** For our picks of the 2015 new-car models, turn to page 62.

## Navigating Social Security

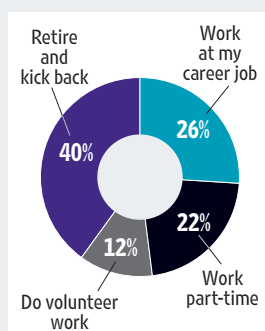
To decide when to take benefits, you have to look at the big picture ("Social Security: The Best Path for You," Jan.). I could extract the maximum benefit from Social Security by delaying withdrawals until age 70. The downside, of course, is that I'd have to self-finance my retirement from the time I retire at 65 until I reach 70. My financial planner did a full Monte Carlo analysis, which took into account all of our family assets. It concluded that I'd realize my maximum retirement income by taking benefits at age 66.

**TIM WAKEFIELD  
EAGAN, MINN.**

If you still have minor children when you collect Social Security, they are also eligible to receive benefits, and

### Q READER POLL

**At age 66, I expect to:**



To learn more about retiring when you want, turn to page 46.

## > LETTERS TO THE EDITOR

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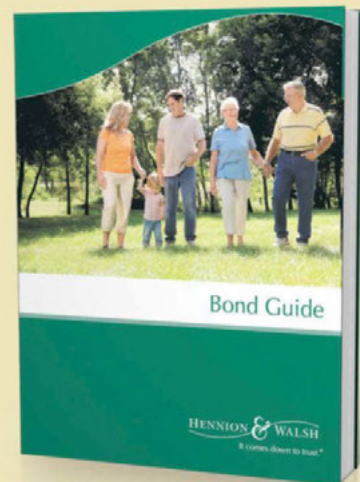


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*R. L. H. Walsh*

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Why municipal bonds may deserve a place in your portfolio. (Page 1)

Why insured bonds often provide an extra degree of security. (Page 2)

Why municipal bonds can potentially provide safety of principal. (Page 3)

How municipal bonds can potentially provide tax-free income. (Page 3)

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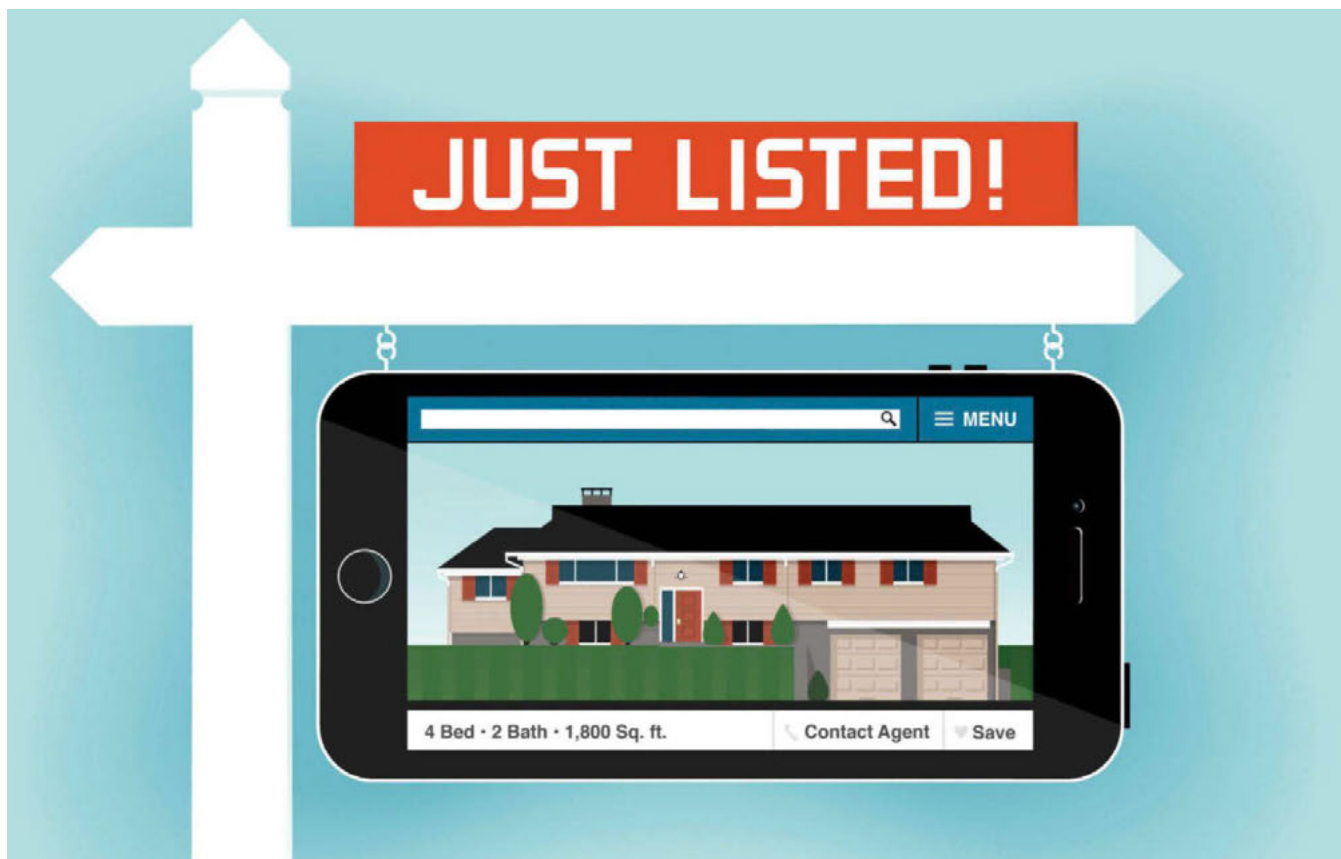
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## TOPIC A

## NEW-TECH WAYS TO SELL YOUR HOME

Lure buyers with virtual fliers, drones or a 3D view. **BY PATRICIA MERTZ ESSWEIN**

### THESE DAYS, HOME BUYERS

want to scope out a property even before they visit it. Most use the Internet in their search; half use a mobile device to hunt on the go, says the latest survey of buyers by the National Association of Realtors. Three new tools likely to be used widely within a few years will help agents and sellers grab the attention of today's tech-savvy shoppers.

**A beacon for buyers.** The old standby of paper fliers in a box attached to a yard sign frustrated buyers—and sellers—who often found the boxes empty. Strategies such as posting Quick Response codes (a type of bar code) on yard signs still forced buyers to get out of their cars to scan them. RealtyBeacon sends info right to your iPhone or iPad, using low-energy Bluetooth

transmitters encoded to respond to RealtyBeacon's free app. To use the system, an agent attaches a small box with a beacon enclosed to a For Sale sign. When buyers using the app pass within 100 feet of the beacon, they instantly receive photos and details about the home. Beacons can be placed on homes or in landscaping in communities where signs are prohibited. Look for an Android version of RealtyBeacon soon.

### An over-the-top perspective.

For drama and context, you can't beat a video tour that features an exterior view of a home taken by a video camera mounted on a small

unmanned aerial vehicle (UAV), or drone, flown at low altitude. Such videos are often used to provide a unique perspective of high-end homes with waterfront or large acreage.

Real estate drones currently operate in a "gray market," says Colin Snow, CEO of DroneAnalyst.com, in Redwood City, Calif. That's because without express permission for use from the Federal Aviation Administration, the drones violate the FAA's rules for commercial aviation. If caught, drone operators may be fined up to \$1,100 per violation. In late 2014, the National Association of Realtors advised its

members to forgo using the tool. The FAA won't finalize new rules specifically for UAVs until 2016 or 2017, says Brendan Schulman, a lawyer who specializes in unmanned aircraft at Kramer Levin Naftalis & Frankel, a law firm in New York City. But until then, real estate photographers and agents who have weighed the risks and rewards are still using drones.

**A 3D view.** The 3D Showcase lets buyers virtually “walk through” a home's interior in three dimensions, as well as view a 3D floor plan (called a dollhouse view). The 3D Showcase was created by Matterport, a developer and manufacturer of 3D photographic technology, in Mountain View, Calif. To use the service, real estate photographers or brokerages must buy a special camera (it costs \$4,500) that rotates on its tripod to capture everything in a room. It takes about an hour to “capture” a whole house, after which the user uploads the results to Matterport. The company then “stitches” together the images and provides a code or link that the seller's agent can add to a listing.

Matterport CEO Bill Brown says that within a year, the company expects to add design tools so that potential buyers can virtually renovate or redecorate the virtual floor plan. And within two years, buyers should be able to immerse themselves in the space via a virtual-reality headset that they can plug into their smartphones.

## INTERVIEW

## SAVINGS PLANS FOR THE DISABLED

Earnings are tax-free, and funds can be used for a wide range of expenses.

*Stuart Spielman is senior policy adviser and counsel at Autism Speaks, a national advocacy group.*

**A law enacted in December authorizes tax-advantaged savings accounts for people with disabilities. How will these ABLE (Achieving Better Life Experience) accounts work?** The structure will be similar to 529 college-savings plans. Anyone can establish an account for an eligible beneficiary. I could open one for my disabled son, for example, or a person with a disability could open one for herself. A beneficiary can only have one ABLE account. Contributions to the account are after-tax, but earnings and distributions from the accounts for qualified expenses won't count as taxable income. Annual contributions can't exceed the federal gift-tax exemption, currently \$14,000, and the total account can't exceed state-based limits for 529 accounts.

**Who qualifies for an account?**

A beneficiary has to have a disability that is present before age 26. The statutory definition of disability is “marked and severe” functional limitations. People who've met the disability

standard for Supplemental Security Income (SSI) will qualify. There will also be a certification process defined by law. We're talking

about severe disabilities—conditions such as autism, Down syndrome or blindness—where future needs will be great.

**What expenses will the accounts cover?** Any number of things. These accounts are broader than college-savings plans because people with disabilities have such varied needs. The money can be used for educational expenses but also for assistive technology, transportation costs, specialized housing and job training. College-savings plans are of particular importance to people of a certain age, but disability is a lifespan issue.

**How will the accounts work with other disability benefits?** Assets in the accounts generally don't count when determining eligibility for other programs, except that once you have more than \$100,000 in the account, it can have an impact on SSI. This gives individuals a chance to provide for disability-related expenses without taking away the security of programs such as Medicaid and Social Security.

**Will the accounts differ by state?** Yes. You're going to see some of the same creativity in the marketplace that we see now with 529 accounts, and the market will be very active.

**When will these accounts be available?** The law provides a six-month time frame. It'll take time to develop the financial products, but we should have the accounts in 2015. **ANNE KATES SMITH**







■ JENNIFER BEALL WAS ABLE TO SAVE THOUSANDS WITH A NEW LOAN.

COLLEGE

## REFINANCE STUDENT LOANS AND SAVE

New companies give grads more options to restructure federal and private loans.

**JENNIFER BEALL GRADUATED** from Northwestern University's Kellogg School of Management in 2010 with an MBA, a business plan and \$60,000 in student loans (roughly half from graduate school, with interest rates ranging from 6.8% to 8.5%). Through a friend, she learned about SoFi, one of a new breed of companies refi-

nancing federal and private student loans at competitive rates. SoFi borrowers can refinance both undergrad and grad-school loans but must have good credit, a solid employment history and a degree from one of more than 2,200 eligible schools.

In 2013, Beall consolidated her grad-school debt

into a 15-year loan with a fixed rate of 5.49%. A SoFi program designed for entrepreneurs let her defer payments for six months while she got her business off the ground. "When you're starting a business, cash flow is king," says Beall, whose company, Tot Squad, cleans and repairs baby strollers and car seats. Last year, she switched to a five-year repayment term. She expects the refinancing to save her more than \$5,000.

SoFi isn't the only lender targeting graduates like Beall. CommonBond, launched in 2012 to refinance loans for borrowers with MBAs, expanded in 2014 to include graduates with degrees in law, medicine and engineering. The company plans to add more programs in 2015 and will also increase the number of eligible schools.

Borrowers who refinance federal loans into a private loan lose some protections, such as the option to make lower payments during periods of financial hardship. Beall says she's not concerned about giving up those features, in part because of the career counseling SoFi provides. "I have no plans to default," she says. **SANDRA BLOCK**

EXCERPT FROM  
*The Kiplinger Letter*

### BEEFIER FOOD PRICES

Prepare to shell out big bucks for steak and bacon. Retail prices for steak will average near \$8 a pound this year, double what it cost in 2000. Beef overall, including hamburger meat, is up even more. The U.S. cattle herd, though bouncing back slowly, reached a historical low last year, close to what it was in the 1950s. Bacon will near \$6 a pound, also double what it was 15 years ago. Herds are rebounding from a catastrophic virus that killed millions of piglets. Grocery prices overall will climb 2.5%. ([www.kiplingerbiz.com/ahead/beef](http://www.kiplingerbiz.com/ahead/beef))

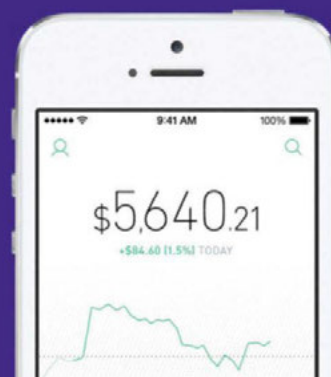
THE BUZZ

## TRADE WITH NO FEES

Investors are lining up around the virtual block to buy and sell stocks on a new mobile brokerage app that offers commission-free trades. The app, called Robinhood, has a waiting list of more than half a million people, 80% of them between 18 and 29 years old. That's no accident. The app's creators want to attract millennials by making stock trading intuitive, accessible and cheap.

You don't have to be young to see the appeal. There's no minimum balance required and no commission to trade U.S.-listed securities. For now, you can trade only stocks and exchange-traded funds—no mutual funds, options or short-selling. When they're rolled out, paper statements and broker-assisted phone trades will cost extra.

Skeptics say that zero-commission trades have been tried before, and question whether Robinhood will generate enough revenue from other sources (the interest it earns on cash in customer accounts, for example) to succeed. Others say the trend toward zero commissions has legs, and that Robinhood is ahead of the game. Users are being phased in gradually. Get on the waiting list at [www.robinhood.com](http://www.robinhood.com) or by downloading the app for your Apple device. Expect an Android version later this year. **RYAN ERMEY**



## CREDIT

# CARDS ARE GETTING MORE REWARDING

But look beyond juiced-up bonuses.

**CREDIT CARD ISSUERS ARE** pitching potential customers with increasingly desirable rewards. In the final quarter of 2014, cash-back amounts and miles (or points) offered as initial bonuses on rewards cards rose

14% and 10%, respectively, over the same period a year earlier, says credit card research site CardHub.com.

As you sift through options, look at the broad picture rather than focusing on a juicy bonus, says Curtis

Arnold, founder of card review site CardRatings.com. Pay close attention to the details on how to earn and redeem rewards. Some cards require you to spend a certain amount before rewards kick in, or they limit how much you can capture in rewards during a specified period. Travel rewards cards may restrict when you can use your miles, and miles may expire if you don't maintain a minimum amount of account activity.

Review your budget to determine what type of card

fits your spending patterns, and do the math to see whether benefits outweigh any annual fee. If groceries and gas are a big slice of the pie, a card such as the **AMERICAN EXPRESS BLUE CASH PREFERRED** (\$75 annual fee)—which pays 6% on up to \$6,000 in supermarket purchases annually, 3% on gas and retail purchases, and 1% on everything else—may be a winner. The **CITI DOUBLE CASH** card pays 1% when you make any purchase and another 1% when you pay the bill. **LISA GERSTNER**

## MONEY & ETHICS // KNIGHT KIPLINGER

### Is This Hospice Pitch Legit?

**Q** My 90-year-old mother—who is frail and short of breath but not suffering from any particular illness—lives with my family. At the elder-care center where she socializes a few afternoons a week, a representative from a hospice company met my mom and later told me that she is eligible for its Medicare-funded services, including nursing visits to our home, oxygen equipment, pain meds, etc. I thought hospice is supposed to be palliative care for terminally ill people, but the hospice rep said it has been broadened, and they can arrange everything. Some of the services could be helpful to our budget, but should I be skeptical?

**A** Yes, you should. It sounds as if this hospice is engaging in aggressive enrollment practices that run counter to Medicare rules and have been the subject of lawsuits and federal probes. Such practices are not the norm, but they have sullied the reputation of classic hospice care, a valuable and honorable system—especially as practiced by nonprofit organizations, which are a dwindling presence in the industry.

To qualify properly for hospice care, a patient must be certified by two physicians as not likely to live more than six months due to a specific disease, often cancer. Just being generally debilitated or “failing to thrive” is not enough.

To stay in hospice more than six months, the patient must be recertified as terminal for each additional two-month period, which

can be unlimited in number. The recertification can be done by the hospice's own medical director. Because Medicare pays the firm a flat rate of at least \$150 per day per patient, regardless of whether a home visit is made each day, a company bent on producing rising profits for investors has an incentive to enroll healthier patients and keep them in the program until a reimbursement cap (calculated for all of its patients combined) is reached. At that time, healthier patients are often discharged.

For more information on this complex subject, see a story by my colleague Eleanor Laise that appeared in *Kiplinger's Retirement Report* ([kiplinger.com/links/hospice](http://kiplinger.com/links/hospice)).

HAVE A MONEY-AND-ETHICS QUESTION YOU'D LIKE ANSWERED IN THIS COLUMN? WRITE TO EDITOR IN CHIEF KNIGHT KIPLINGER AT [ETHICS@KIPLINGER.COM](mailto:ETHICS@KIPLINGER.COM).





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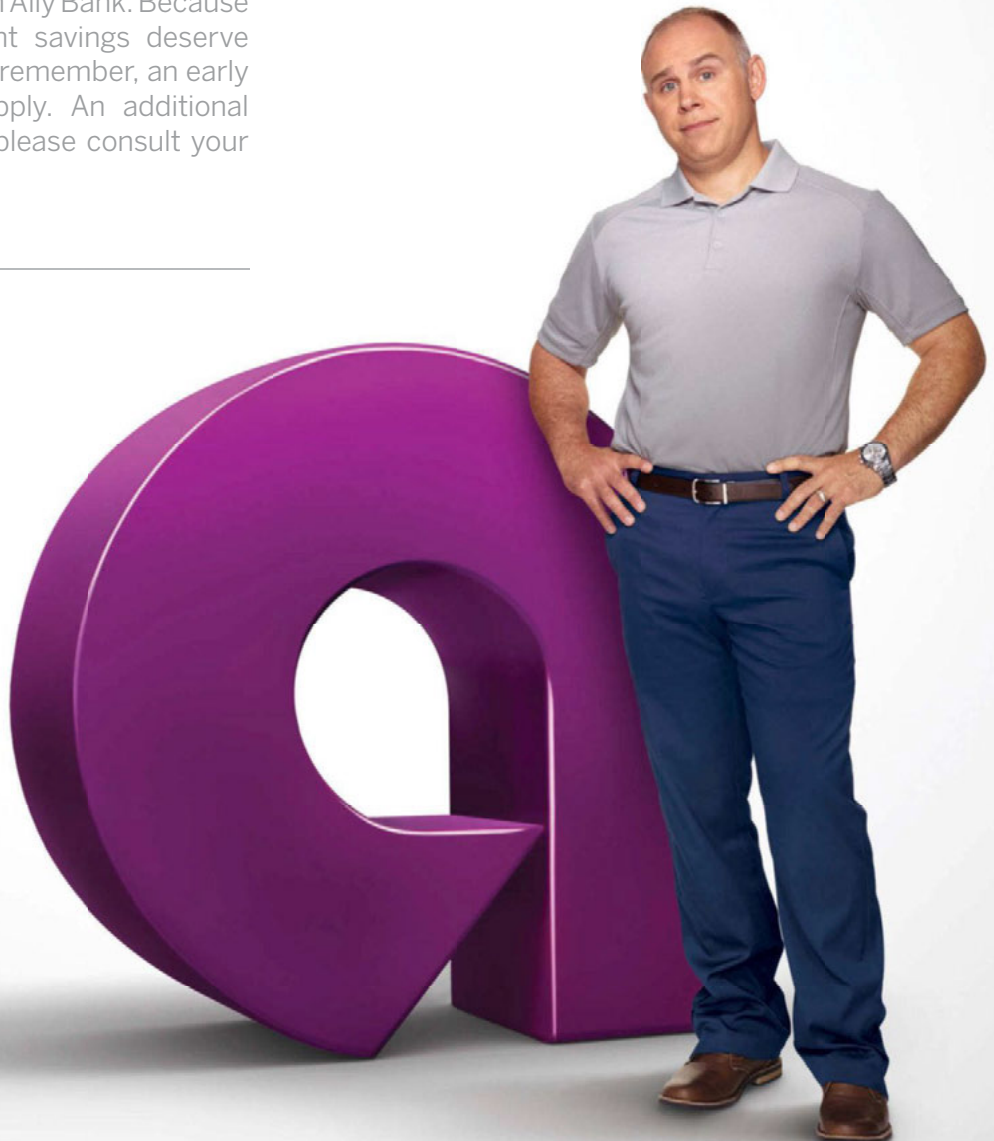
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## CALENDAR 03/2015



### ▲ SUNDAY, MARCH 1

March is Frozen Food Month. Grocers will offer substantial discounts and coupons on a variety of frozen foods. Sponsoring brands include Green Giant, Jimmy Dean and Tyson.

**SATURDAY, MARCH 7** Make spring cleaning pay off. Consign old clothing and accessories to fashion re-sale sites, such as ThredUp.com and TheRealReal.com and pocket up to 80% of the items' selling price.



### SUNDAY, MARCH 15

Match-ups are announced for the NCAA basketball tournament. Last year, Warren Buffett and Quicken Loans offered \$1 billion to anyone who filled out a perfect March Madness bracket. No one made it past the first round, but Buffett has said

that if the challenge returns, he'd like to make it easier for contestants to win.

### WEDNESDAY, MARCH 18

Whether you're doing your own taxes or hiring a pro, make sure you get the right help (see "Lowdown," on page 79).

### FRIDAY, MARCH 27

Keep an eye on Yahoo. This is the deadline for investors to nominate a slate of directors who could force moves that activists have been demanding, such as divestment from Alibaba and Yahoo Japan and a merger with AOL. **RYAN ERMEY**

### ✦ DEAL OF THE MONTH

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JAMES K. GLASSMAN &gt; Opening Shot

# The Tech Wreck, 15 Years Later

**F**ifteen years ago, on March 10, 2000, the Nasdaq Composite index peaked at 5048. Then it started to fall. And fall. And fall. Or, to use the popular metaphor, the bubble burst.

Looking back, anyone today can see that the big-capitalization technology stocks that dominated the Nasdaq were wildly overvalued by traditional measures. On March 14, 2000, the *Wall Street Journal* published an influential article titled “Big-Cap Tech Stocks Are a Sucker Bet,” by Jeremy Siegel, the Wharton School finance professor (and fellow *Kiplinger’s* columnist). Siegel argued that “many of today’s investors are unfazed by history—and by the failure of any large-cap stock ever to justify, by its subsequent record, a [price-earnings] ratio anywhere near 100.” The piece carried a table showing that the P/Es of many Nasdaq darlings were deep into triple digits. Cisco Systems (symbol CSCO), for example, had a P/E of 148; Oracle (ORCL), 153; Qualcomm (QCOM), 167.

**Bigger fools.** The nature of bubbles, however, is that no one can tell when they’ll pop. If the Nasdaq was overvalued in 2000, it was also overvalued in 1999 and 1998 and 1997. Investors rushed to buy stocks in the late 1990s so they would not miss out on the profits that their friends were making. The buyers, many of them overloading their portfolios with big-cap tech stocks, firmly believed they could sell to some greater fool who would always pay more than they did.

The trigger for the collapse of tech stocks wasn’t the economy. It was investor psychology, turning on one event: America Online’s \$182 billion purchase in early 2000 of Time Warner, owner of Warner Brothers, CNN, HBO, *Time* magazine and much more. AOL was a celebrated company in the late 1990s, but it looks pretty paltry today. At the time of the merger, it was simply a dial-up Internet service provider with little content and just 20 million customers. The

combined company, known as AOL–Time Warner, carried a P/E, according to Siegel’s table, of 217. It was the largest merger ever and, in the end, an utter disaster for shareholders of both companies. “To call the transaction the worst in history, as it is now taught in business schools, does not begin to tell the story,” the *New York Times* said in an article 10 years later.

The AOL–Time Warner merger—so huge and so absurd—seemed to wake investors from their stupor. Siegel’s article, appearing four days after the Nasdaq peak, helped as well. On October 9, 2002, the Nasdaq Composite closed at 1114, a drop of 78% in 30 months. Even more significant, however, is the fact that the Nasdaq has not yet returned to its 2000 high.

The overall market, as measured by Standard & Poor’s 500-stock index, also plunged over the same period, losing nearly half of its value. But the S&P recovered within seven years, and today it is one-third above its 2000 peak. The Dow is now more than 50% above its high of 15 years ago. The Nasdaq, by contrast, was still 7% shy of its March 2000 record as of January 9.

Every investor can draw lessons from the tech debacle and its aftermath:

## 1. No specific stock or sector is destined to rise forever.

What goes up and then down does not always go back up again. Even regaining 5048 will still mean real losses for the Nasdaq Composite. Although inflation has been relatively mild over the past 15 years, it has eroded the value of the dollar by about 30%, and Nasdaq’s tiny dividend yield (currently 1.3% and a microscopic 0.1% in 2000) doesn’t make up for the decline in buying power.

But forget inflation. Most of Nasdaq’s darlings at the top of the bubble haven’t come close to regaining their value. In 2000, the peak market cap of **MICROSOFT (MSFT)**, then the world’s most valuable company, was \$642 billion; today, it’s \$389 billion.

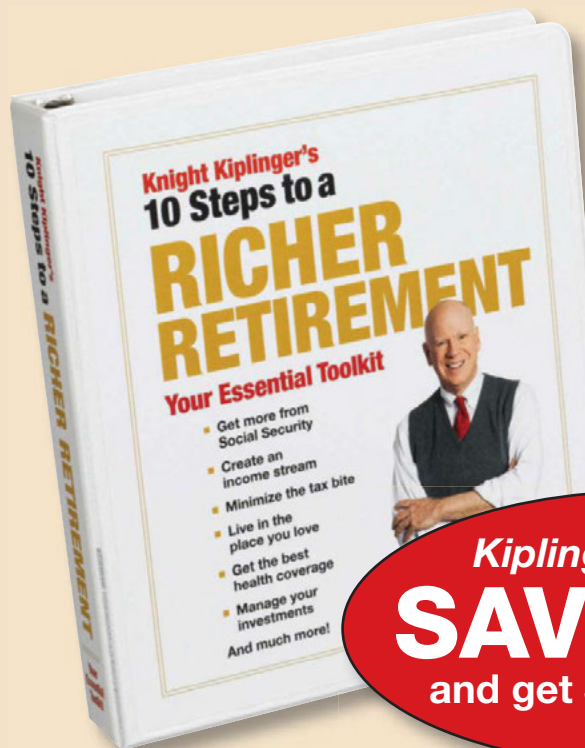


**Most of Nasdaq’s darlings at the top of the bubble haven’t come close to regaining their value.”**



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**“It is nearly impossible for an investor to avoid being caught up in a stock frenzy of some sort. There’s always a reason to justify a high share price.”**

Cisco has fallen from \$557 billion to \$142 billion. Nortel Networks, a Canadian firm with a peak market cap of \$283 billion, is in bankruptcy, and Lucent Technologies, once worth \$285 billion, is now a part of Alcatel-Lucent (ALU), a French company with a cap of just \$10 billion. (Market caps are as of January 9.)

**2. It is nearly impossible for an investor to avoid being caught up in a stock frenzy of some sort.**

There’s *always* a reason—even beyond the greater-fool theory—to justify a high share price. In the case of the tech bubble of the late 1990s, it was that the Internet would revolutionize ... well, everything. The truth is that it almost has. But its most important economic characteristic—tearing down barriers to entry in practically every business—has brought both fantastic innovation and the kind of vicious competition that is unkind to a stock’s price.

**3. The best insurance against stock market disaster is diversification.**

Even if your investment horizon is decades long, it won’t help if you hold only a handful of stocks or sectors. Where many investors went wrong during the tech boom was in not rebalancing their

portfolios. Imagine that in 1990, you owned a portfolio split evenly between the Nasdaq Composite and the Dow Jones industrial average. In a decade, your Nasdaq holdings rose by a factor of 12; the Dow roughly quadrupled. So as 2000 began, your portfolio was roughly 75% in Nasdaq stocks and 25% in Dow stocks. Such a lopsided portfolio simply begs for trouble.

The Nasdaq Composite is still dominated by a small number of mega-cap tech stocks. **FIDELITY NASDAQ COMPOSITE INDEX TRACKING STOCK (ONEQ)**, an exchange-traded fund, is designed to track the index, which contains roughly 3,000 companies. But the 10 largest stocks in the ETF represent one-third of its assets. Eight of those are tech companies, and one is Internet retailer Amazon.com (AMZN). Overall, tech makes up about half the assets of the ETF, compared with about one-fourth of the S&P 500’s assets.

The popular alternative to owning the Composite is to invest in PowerShares QQQ (QQQ), an ETF that tracks the Nasdaq 100, an index of the largest nonfinancial stocks on the Nasdaq exchange. But here you get an even more concentrated dose of large-cap techs. The top 10 stocks in QQQ (the same ones, of course, as those in the Nasdaq Composite) represent a whopping 47% of the \$39 billion ETF’s assets. At the top of the list: **APPLE (AAPL)**, at 14% of assets; **Microsoft**, at 8%; and **GOOGLE (GOOGL)**, at 4%.

I like many of the behemoths that dominate both of these ETFs—specifically, Apple, Microsoft, Google and **FACEBOOK (FB)**. But when investing in tech, I prefer smaller companies that have a chance to grow into bigger ones, rather than bigger companies whose growth rates are slowing. Consider an ETF such as **POWERSHARES S&P SMALLCAP INFO TECH (PSCT)**, whose largest holding is Maximus (MMS), a health-services consulting firm with a market cap of \$3.6 billion.

If you must own the Nasdaq, then buy the Composite ETF rather than QQQ. Otherwise, cherry-pick the best big tech stocks, own funds that focus on small techs, or do the research to find great small techs on your own. But diversify. Realize that sometimes it takes 15 years for stocks to recover from a debacle—and some never do. ■

JAMES K. GLASSMAN IS A VISITING FELLOW AT THE AMERICAN ENTERPRISE INSTITUTE. HE OWNS NONE OF THE STOCKS MENTIONED.

## Stocks and ETFs

### 6 WAYS TO BET ON TECH STOCKS

Glassman’s favorite Nasdaq-traded tech stocks are giants. In general, though, he prefers exchange-traded funds that offer exposure to smaller tech firms.

#### STOCK PICKS

Company (Symbol)	Share price	Market value (billions)	Price-earnings ratio*	Earnings per share growth*	1-yr. total return
<b>Apple</b> (AAPL)	\$112	\$656.4	14	15.9%	48.6%
<b>Facebook</b> (FB)	78	216.9	41	14.4	35.9
<b>Google</b> (GOOGL)	501	339.7	17	16.6	-11.5
<b>Microsoft</b> (MSFT)	47	388.8	16	19.0	36.1

#### FUND PICKS

ETF (Symbol)	Annualized total return			2007–09 bear mkt.	2011 mkt. correction	Expense ratio
	1 yr.	5 yrs.	10 yrs.			
<b>Fidelity Nasdaq Composite Index Tracking Stock (ONEQ)</b>	14.5%	16.4%	9.4%	-54.3%	-18.5%	0.21%
<b>PowerShares S&amp;P SmallCap Info Tech (PSCT)</b>	10.5	—	—	—	-32.4	0.29
<b>S&amp;P 500-STOCK INDEX</b>	<b>13.5%</b>	<b>14.7%</b>	<b>7.8%</b>	<b>-55.3%</b>	<b>-18.6%</b>	

Through January 9. \*Based on estimated calendar 2015 earnings. SOURCES: Thomson Reuters, Yahoo.



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My name is Dan Wiener, and I'm an independent voice and advocate for Vanguard investors. I'm not paid or endorsed by Vanguard... or any mutual fund company... which means I can tell you things you won't hear from them or anyone else. And all those little secrets add up to greater profits!

And in this new report, you'll discover what Vanguard won't tell you, including...

- Two funds that put the performance of Vanguard's flagship funds to shame last year.
- Vanguard has 10 index funds you can't get into unless you're able to cough up \$100,000... none of these 10 funds are good enough to earn a spot in *Vanguard's Top 4 Funds*. In fact, not one of Vanguard's index funds are good enough to earn a spot on this list!

No fluke funds in this report. No risky one-year wonders. No index funds, either.

## The Shocking Truth About Index Funds

You've been told time and again that managed funds can't beat index funds. So this might shock you: All four of the funds revealed in this free report soundly

- Dan is America's leading expert on investing in Vanguard mutual funds and has helped tens of thousands of Vanguard investors choose their funds wisely.



Dan Wiener

- Dubbed the "Vanguard Gumshoe" by *Forbes* magazine, he's won the industry's "Financial Advisory" award.
- Independent study at Duke University declared, "The probability that [Dan Wiener's] Growth portfolio could have outperformed by such a wide margin because of luck rather than skill is only 13.4%."

trounced Vanguard's flagships over the last 10 years... and will probably continue to beat indexing over the next 10 years, too.

Here's a preview of what you'll discover:

### Fund #1 — A stream of dividend income that grows while generating capital growth

This fund, led by one of Vanguard's top index-beating managers, holds stocks that not only pay dividends, but also ones that are likely to *increase* their dividends. But it takes a mastermind to find them. The fund manager's name is revealed in *Vanguard's Top 4 Funds*.

One of the mandates of this fund is to be diversified across all market sectors. And this expert stock-picker does just that, with total confidence. Last year, he beat Vanguard's dividend stock index by more than 18%.

### Fund #2 — Capital appreciation and income from small- and mid-cap stocks

Vanguard doesn't have an index that

does the work of this fund, and records show it beat Vanguard's 500 Index Fund by 33% over the past 10 years, thanks to one of my all-time favorite fund managers. How? By finding small- and mid-cap stocks with below-average price-earnings ratios, low debt, good internal growth and strong cash flows.

The manager of this fund is another one of Vanguard's unadvertised stars. He runs circles around Vanguard's flagship funds. In fact, his is one of the most profitable Vanguard Funds over the last decade... up 142%.

Plus I'll share with you 2 more funds that Vanguard will never tell you about — each again led by top fund managers that are delivering better than expected results.

## It's yours FREE — available immediately online.

You won't get this information from Vanguard no matter how much time you spend on their website.

Vanguard is great, but so many investors are missing out on their strongest funds. That's why you need to **download my special FREE online report, Vanguard's Top 4 Funds, NOW and take the first step to securing your financial future.**

## Here's how to get it!

Call 1-800-211-7641 and mention LD7486 or fill out and return the attached postage-paid card, and we'll email your free investing report to you. Or, get your free report immediately at [www.adviseronline.com/4funds](http://www.adviseronline.com/4funds).



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# A Barber on the Cutting Edge

He offers an old-school experience with a modern, masculine twist.

## PROFILE

**WHO:** Anthony Full, 56

**WHERE:** Louisville, Colo.

**WHAT:** Founder and owner of Rock Barbers

### What prompted you to start your own business?

Since 1979, I've worked in and run hair salons and barbershops. My previous job was good, but it felt routine. I'm a self-starter, and I wanted to accomplish something that I could model for my children. One of my clients shared a quote by Oliver Wendell Holmes that resonated with me: "Alas for those that never sing, but die with all their music in them!" If you have a well-thought-out idea, the risk lies in not taking it.

### Why a classic American barber-shop?

Men always feel conspicuous in a hair salon, and barbershops are making a comeback. Rock Barbers ([www.rockbarbers.com](http://www.rockbarbers.com)) focuses exclusively on men, and we practice old-school barbering with a modern twist. We still offer hot-towel shaves, but we'll also detail your beard and give expert haircuts. We advertise, "Dude, Get a Haircut!"

**For two bits?** No, the cuts are \$29 and up, and the hot-towel shave is \$35.

### What's special about your shop?

It's designed for masculine

comfort. We chose substantial chairs and outfitted our stations with Kobalt toolboxes. We have flat-screen TVs, a putting green and a guitar for anyone to play. You can converse privately with your barber or join in shopwide chatter. Clients can book their appointments online.

### Did you have a business plan?

Absolutely. Writing one forces you to answer questions that you don't want to answer: What is my true market? What is the cost of the advertising I'd like to do? What are the tax implications of my decisions? I needed help with

financial projections, so I consulted two of my clients who are accountants and another who is a CFO.

### Where'd you get financing?

I took a home-equity line of credit—the cheapest money going—for \$150,000. The line isn't paid off yet because we've consistently reinvested profits back into the business, but we regularly make extra payments against the loan principal.

**Is the shop profitable?** Yes. In 2010, our first

year, when it was just me, Rock Barbers grossed \$50,000 in sales. Now I employ eight other barbers and four front-desk staff. The business grossed more than \$400,000 in sales in 2014 and will exceed that this year.

**Are you making a living?** My wife is also a hairstylist and works out of our home. We combine our businesses under Rock Barbers LLC and take a combined annual salary of \$50,000. That's much less than I made previously, and like all founders, I'm working eight days a week and 25 hours a day! But my business rewards me in ways other than money.

**What's next?** I'm launching a line of hair-care products called Rock Tools for Men in early 2015. We've earmarked about \$50,000 to get it off the ground. New product lines typically get purchased by makers of existing products. So this is probably a shorter-term play if the line gets traction.

**Will you ever retire?** No. I'll probably reduce the days and hours that I work, but the social part is so rewarding. I'll die with my boots on. **PATRICIA MERTZESSWEIN**





# Don't Run Out of Money During Retirement

## What Investors Should Worry About

It's no secret that the vast majority of Americans entering their retirement years are doing so with vastly underfunded retirement savings. However, even if you have significant financial assets in your retirement savings, assets in excess of \$500,000, your hope for a comfortable retirement is hardly assured. In fact, you could be headed for a financial disaster just when you can least afford it.

And that's why you should request a free copy of Fisher Investments' *The 15-Minute Retirement Plan: How to Avoid Running Out of Money When You Need It Most*. Unlike most retirement advice, this guide is written for *Kiplinger's* readers with investible assets of \$500,000 or more. You'll be surprised at what you might learn and how much you might benefit.

*The 15-Minute Retirement Plan* is loaded with practical information that you can use to help meet your personal financial goals in retirement. Specifically, you'll learn:

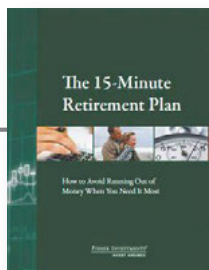
- The truth about how long your nest egg can last
- How much you can safely take as income each year
- How inflation can wreak havoc with your plan and how to deal with it
- Why so-called safe investments just might be the most risky approach
- How reacting to short-term market movements can hurt your returns
- And much, much more!

## Benefit From The FREE Retirement Guide

If you have investible assets of \$500,000 or more, you're invited to take advantage of this opportunity to benefit from the research professionals at Fisher Investments. These insights are unique, not available from anyone else and absolutely free. We are making this guide available to you for two reasons. First, we believe this information will be of great interest and usefulness to investors with substantial assets. Second, while there is no obligation or assumption that you will be interested in our money management services, by sharing our intellectual capital we simultaneously provide a solid introduction to Fisher Investments' philosophy and approach.

## About Fisher Investments

Fisher Investments is a money management firm serving successful individuals as well as large institutional investors. With over \$58 billion\* in assets under management and with a track record of over 25 years in bull and bear markets, Fisher Investments uses its proprietary research to manage money for investors who want their money to last.



I want to send you *The 15-Minute Retirement Plan* because it contains valuable information you can use to help attain one of life's most important assets: financial peace of mind. After living through the bear market and the Great Recession, it's more important than ever to request your free report, even if you have an investment plan in place. Just one insight might change your future.

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- CEO and Co-Chief Investment Officer, Fisher Investments
- *Forbes* "Portfolio Strategy" columnist for 29 years
- Author of 10 financial books, including four *New York Times* bestsellers

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# The 6 Best Bond Funds to Buy Now

With rate hikes looming, bond investing is no picnic. Our picks will protect your assets. **BY NELLIE S. HUANG**

## **YIELDS ON TREASURIES AND OTHER**

high-quality debt fell in 2014 and prices rose, marking the fourth straight year that investors had braced for rising interest rates only to be confounded by a fickle bond market. Could 2015 be a repeat of 2014? Most observers expect the Federal Reserve to raise short-term rates, probably in the second half of the year. // But not so fast. A strong dollar is attracting foreign investors and →







propping up bond prices (which move in the opposite direction of yields). And though the U.S. economy grew by a stunning 5% in the third quarter of 2014, wage growth remains tepid. Plus, plunging oil prices should help keep inflation, the biggest enemy of bond investors, at bay. Take all these factors together, and you do not have a recipe for rising rates, says Jeffrey Gundlach, CEO and chief investment officer of DoubleLine Capital, which specializes in bonds.

Still, the better the economic news, the more likely the Fed will hike short-term rates, which have been near 0% since late 2008. “The Fed would like to move away from its zero-rate policy sooner than the market expects,” says Dan Heckman, a fixed-income strategist with U.S. Bank Wealth Management in Kansas City, Mo. But any Fed hikes will be “baby steps” of 0.25 percentage point at a time, he says.

If Heckman is right, other short-term rates will most likely move up in step, including those on savings accounts and short-term certificates of deposit. But rates on intermediate-term and long-term bonds may edge up only slightly, if at all. “We’ll see less impact on the 10-year Treasury if short-term rates rise than on the two- or three-year note,” says Roger Early, a bond strategist at Delaware Investments. (For more on the risk your bond funds face from rising rates, see the box at right.)

So what can you do to protect your bond portfolio? Build a mix that straddles the fence between the odd chance that rates will stay lower longer than the world anticipates and the possibility that rates will rise, albeit slowly. Shortening maturities, the traditional strategy for coping with rising rates, may not be the best move this time around. And a strategy of investing in high-yield “junk” bonds, which usually hold up well when rates climb, may not work this year given the woes of the energy sector (see the box on the facing page).

We suggest you start with an inter-

mediate-term bond fund, then fortify your position with funds that offer some protection against higher rates: flexible funds and those that invest in floating-rate loans. If you’re in a high tax bracket, municipal bond funds, which pay interest that is free of federal income taxes and which offer generous yields on an after-tax basis, are a solid bet. (You’ll find key data on the funds highlighted in this story, as well

as hundreds of others, in the tables that start on page 28.) A well-crafted mix will earn you a good yield and provide some defense against interest-rate uncertainty.

## ► INTERMEDIATE-TERM BONDS

In almost all markets, a diversified, medium-maturity fund should be at the core of your bond portfolio. **FIDELITY TOTAL BOND (SYMBOL FTBFX, 2.9% YIELD)** holds corporate debt (including a smattering of junk issues), bank loans, mortgage-backed securities and some foreign bonds that are hedged against further strengthening of the dollar. The fund’s four managers focus on understanding the big picture—for instance, the outlook for the economy and interest rates—as much as they do on choosing the right securities. London-based comanager Michael Foggin, who came on board last October, has been tapped to identify attractive corporate bonds in Europe and Asia. Over the past 10 years, Total Bond, a member of the Kiplinger 25, returned 5.1% annualized, beating its benchmark, the Barclays U.S. Aggregate Bond index, by an average of 0.4 percentage point per year. The fund’s average duration is 5 years, suggesting that its price would decline by roughly 5% if rates on intermediate-maturity bonds were to rise by one percentage point. (All returns are through December 31.)

**DOUBLELINE TOTAL RETURN BOND (DLTNX, 3.7%)**, which specializes in mortgage-backed securities, isn’t as diversified as the Fidelity fund, but its unusual strategy has consistently delivered good returns. Gundlach, the fund’s lead manager, employs a “barbell” strategy: He balances government agency bonds, which carry no default risk but a lot of interest-rate risk, with non-agency mortgage-backed bonds, which have little interest-rate risk but a lot of default risk. The result is a fund that delivered an annualized 5.0% return over the past three years, beating the typical taxable, intermediate-maturity fund by 1.5 percentage points per year while being 10% less

## ✱ Price Check

# How Will Your Fund Fare If Rates Rise?

## INTEREST RATES AND BOND PRICES

**move in opposite directions, so when rates rise, the value of a bond will fall. But that doesn’t mean you always lose money. If you buy individual bonds and hold them to maturity, for example, interim rate moves won’t matter. When the bond matures, you’ll get your principal back—assuming, of course, that the issuer doesn’t default.**

**Bond funds, however, are a different matter. Their managers buy and sell bonds continually and may or may not hold issues until they mature. So prices of bond funds change daily, and when you sell, you may get a lower price than you paid.**

**To get a sense of how your bond fund will perform when rates rise, look at its average duration, a measure of interest-rate sensitivity. A fund with, say, an average duration of 3 years would likely suffer a 3% drop in net asset value if rates were to rise by one percentage point. But over time, the interest a fund pays you will offset some, if not all, of the decline in NAV. Consider, for example, DoubleLine Total Return (DLTNX), with a yield of 3.7% and an average duration of 3 years. If rates rise by one percentage point, the fund would likely deliver a small positive total return.**



volatile than its average peer. Its average duration is 3 years. Gundlach hinted recently that there is a greater than 50% chance that the fund, a member of the Kiplinger 25, will close to new investors in 2015.

### ► FLOATING-RATE LOANS

Rising rates are bad news for holders of most kinds of bonds, but not for investors in floating-rate bank loans. That's because rates on these loans are tied to a short-term benchmark and reset every 30 to 90 days. The downside is that the borrowers are generally companies with below-investment-grade credit ratings. That's why we like funds that focus on loans on the higher end of the sub-investment-grade scale.

Our favorite bank-loan fund is **FIDELITY FLOATING RATE HIGH INCOME (FFRHX, 4.3%)**. Its average duration is just 0.3 year. Manager Eric Mollenhauer has nearly half of the fund's assets invested in loans made to companies rated double-B (the highest non-investment-grade rating). He prefers to invest in loans made to large companies that generate plenty of cash flow and that are backed by assets you can see and touch. One top holding: loans made to HCA, the country's largest for-profit hospital company. "We can't live without hospitals," says Mollenhauer. "HCA is churning out cash, has a good management team and has high market share in many key markets." He says he expects the sector to post returns of 5% to 6% this year.

Because of the fund's conservative approach, it typically isn't near the top of the pack in any given year. Over the past three years, Floating Rate High Income returned 3.7% annualized, trailing the average bank-loan fund by an average of 1.5 percentage points per year. But the Fidelity fund has been 7% less volatile than its peers during the period and has excelled during troubling times. For example, in the midst of the financial crisis in 2008, the average bank-loan fund lost 29.7%, while the Fidelity fund surren-

dered 16.5%. Mollenhauer wasn't in charge then (he came on board in 2013), but he says he employs the same strategy as his predecessor.

### ► GO-ANYWHERE FUNDS

Funds that can reach into any pocket of the bond market (and even bet against it) offer another way of coping with uncertainty and elevated risk. The four managers of **METROPOLITAN WEST UNCONSTRAINED BOND (MWCRX, 1.6%)** can do just that. Lately, the foursome—Steve Kane, Laird Landmann, Tad Rivelle and Bryan Whalen—have focused on widely traded, high-quality debt in specific sectors, such as non-government-agency mortgage securities and commercial mortgage bonds. The fund, a member of the Kip 25, hews to no benchmark. But over the past three years, it earned 7.2% annualized, an average of 4.5 percentage points per year better than the Barclays U.S. Aggregate Bond index. Average duration: 1.2 years.

With the sudden departure of founder Bill Gross, bond giant Pimco

suffered from the glare of a lot of negative publicity last year. But the firm retains plenty of talented investors, including Daniel Ivascyn, Pimco's new chief investment officer. He and Alfred Murata run **PIMCO INCOME (PONDY, 3.8%)**, which generated a robust 11.7% annualized return over the past five years, clobbering the Aggregate Bond index by 7.2 percentage points a year. The portfolio, which has an average duration of 2.5 years, is divided into two parts. One part holds higher-yielding securities—such as non-agency mortgage-backed securities, bank loans and corporate IOUs (both investment-grade and junk)—that the managers think will do well if the economy does better than expected. The other part holds high-quality assets, such as Treasuries and government-agency mortgage securities, to protect the portfolio if the economy does worse than expected. It's a good strategy for uncertain times.

### ► MUNICIPAL BONDS

No matter what you invest in—stocks, real estate or even bonds—one way to play defense is to buy bargains. One area of the bond market that looks especially cheap today is municipal bonds. In early January, 10-year, triple-A-rated munis yielded an average of 1.9%. Because interest from munis is exempt from federal income tax (and sometimes from state and local income taxes, too), a 1.9% tax-free yield is equivalent to a taxable payout of 3.4% for someone in the highest federal tax bracket. That's not bad, considering that 10-year Treasuries yield just 2.0%.

Mark Sommer, manager of **FIDELITY INTERMEDIATE MUNICIPAL INCOME (FLTMX, 1.4%)**, our favorite muni fund and a member of the Kiplinger 25, says that tax-free bonds aren't immune to shocks in a rising-rate environment. But the tax benefits and the current "low supply" of new issues, says Sommer, mean "the market will be well supported" when rates rise. His fund's average duration is 4.7 years. ■

### ✱ What to Avoid

## Junk in a Funk

**WHY DON'T WE HAVE A HIGH-YIELD fund on our list of moves to make this year? After a sluggish 2014, the average yield of junk-rated corporate bonds has climbed to 6.7%, outstripping the yield of the average investment-grade corporate bond by three and a half percentage points. Moreover, the growing strength of the U.S. economy redounds to the benefit of junk issuers, decreasing the chance that they'll default on their debt obligations.**

The problem is the energy sector: Debt issued by energy companies makes up 13% of the Bank of America Merrill Lynch U.S. High Yield Master II index, and the 55% drop in oil prices puts the weaker players of the sector in potential peril. Until those prices stabilize, we're in a wait-and-see period for high-yield bonds, says Christopher Dillon, a global fixed-income analyst at T. Rowe Price.

●● RETURNS / YIELDS / FEES

# THE BIGGEST AND BEST BOND FUNDS AND ETFs

## THE TABLES ON THIS PAGE AND THE NEXT

list data for 215 of the biggest **taxable** and **tax-free bond mutual funds** that have been in existence for at least one year and that require \$25,000 or less to open an account. On page 30,

we show data for 117 of the biggest **exchange-traded bond funds** that have been in existence for at least one year. Funds that are mentioned in the preceding article, "The 6 Best Bond Funds to Buy Now," are highlighted.

BENCHMARKS	Total return*	
	1 yr.	5 yrs.
Barclays US Aggregate Bond Index‡	6.0%	4.5%
Barclays High Yield Corp Bond Index	4.4%	12.2%

## TAXABLE BOND FUNDS

Company	Fund	Symbol	Total return*			30-day yield	Style	Exp. ratio
			1 yr.	5 yrs.	yield			
<b>Alliance Bernstein</b>	Global Bond A	ANAGX	6.9%	5.1%	1.5%	WildBd	0.93%#	
	High Income A	AGDAX	3.2	9.2	5.7	Multi	0.89#	
<b>American Funds</b>	Bond Fund of America A	ABNDX	5.5	4.6	1.9	Intmed	0.61#	
	Capital World A	CWBFX	1.6	3.1	1.8	WildBd	0.90#	
	High Income Trust A	AHITX	0.5	7.5	5.8	HYcorp	0.66#	
	Intmed Bd Fd of America A	AIBAX	1.9	2.4	0.9	Intmed	0.61#	
	Sh Tm Bd Fd of America A	ASBAX	0.5	0.8	0.6	ShTerm	0.59#	
	US Govt Securities A	AMUSX	4.8	3.4	1.1	IntmGov	0.64#	
<b>American Cent.</b>	Diversified Bond Inv	ADFIX	6.0	4.4	1.8	Intmed	0.60	
<b>Baird</b>	Core Plus Bond Inv	BCOSX	6.3	5.8	2.6	Intmed	0.55	
<b>BBH</b>	Ltd Duration N	BBBMX	0.7	2.0	1.0	ShTerm	0.48	
<b>BlackRock</b>	Global L/S Cred Inv A	BGCAX	0.7	—	3.0	Nontrad	1.32#	
	HY Bond Inv A	BHYAX	3.0	9.7	5.1	HYcorp	0.92#	
	Low Duration Bd Inv A	BLDAX	1.2	2.8	1.4	ShTerm	0.80#	
	Strat Inc Opps Inv A	BASIX	3.6	5.6	2.0	Nontrad	0.90#	
	Total Return Inv A	MDHGX	7.7	6.1	2.3	Intmed	0.82#	
<b>Columbia</b>	Actv Mlt-Mgr Core Pl A**	CMCPX	5.1	—	N/A	Intmed	0.80	
<b>Delaware</b>	Diversified Income A	DPDFX	5.1	4.9	2.9	Intmed	0.90#	
<b>Dodge &amp; Cox</b>	Income	DODIX	5.5	5.2	2.5	Intmed	0.43	
<b>DoubleLine</b>	<b>Total Return Bond N</b>	<b>DLTNX</b>	<b>6.5</b>	<b>—</b>	<b>3.8</b>	<b>Intmed</b>	<b>0.73</b>	
<b>Driehaus</b>	Active Income**	LCMAX	-0.9	2.1	2.5	Nontrad	0.79	
<b>Eaton Vance</b>	Floating-Rate A	EVBLX	0.4	4.8	3.6	BL	0.99#	
	Floating-Rate Advtvt A	EAFAF	0.7	6.4	4.6	BL	1.00#	
	Gbl Macro Absol Ret A	EAGMX	2.7	1.9	3.4	Nontrad	1.05#	
	Income Fund of Boston A	EVIBX	2.5	8.4	5.0	HYcorp	1.00#	
	Total Return Bond A	TLRAX	4.7	4.3	2.5	Intmed	0.90#	
<b>Federated Fidelity</b>	Capital & Income	FAGIX	6.1	9.3	4.2	HYcorp	0.71	
	Conservative Income Bd	FCONX	0.2	—	0.2	ShTerm	0.40	
	<b>Floating Rate High Inc</b>	<b>FFRHX</b>	<b>0.4</b>	<b>4.1</b>	<b>4.3</b>	<b>BL</b>	<b>0.69</b>	
	GNMA Fund	FGMNX	6.3	4.3	2.0	IntmGov	0.45	
	Government Income	FGOVX	5.4	3.6	1.4	IntmGov	0.45	
	High Income	SPHIX	1.5	7.9	6.0	HYcorp	0.72	
	Investment Grade Bond	FBNDX	5.8	5.3	2.9	Intmed	0.45	
	New Markets Income	FNMIX	4.3	7.0	5.4	WildBd	0.84	
	Short Term Bond	FSHBX	0.9	1.9	1.0	ShTerm	0.45	
	Strategic Income	FSICX	3.8	5.8	3.6	Multi	0.69	
	<b>Total Bond</b>	<b>FTBFX</b>	<b>5.5</b>	<b>5.4</b>	<b>2.9</b>	<b>Intmed</b>	<b>0.45</b>	
	Floating Rate High Inc A	FFRAX	0.0	3.8	3.9	BL	0.98#	
	Government Income A	FVIAX	5.1	3.3	1.0	IntmGov	0.77#	
	Investment Grade Bond A	FGBAX	5.3	4.9	2.5	Intmed	0.78#	
	Strategic Income A	FSTAX	3.5	5.5	3.2	Multi	0.98#	
	Total Bond A	FEPAX	5.2	5.0	2.5	Intmed	0.76#	
<b>FPA</b>	New Income	FPNIX	1.3	1.9	2.2	Nontrad	0.56	
<b>Franklin Templeton</b>	FI Rate Daily Access A	FAFRX	0.5	4.4	4.7	BL	0.82#	
	Global Bond A	TPINX	1.6	5.8	2.2	WildBd	0.89#	
	Global Total Return A	TGTRX	0.4	7.1	3.7	WildBd	1.01#	
	High Income A	FHAIX	-0.4	8.0	5.6	HYcorp	0.76#	
	Strategic Income A	FRSTX	1.7	6.1	4.0	Multi	0.86#	
	Total Return A	FKBAX	4.3	5.4	1.7	Intmed	0.88#	

## TAXABLE BOND FUNDS

Company	Fund	Symbol	Total return*			30-day yield	Style	Exp. ratio
			1 yr.	5 yrs.	yield			
<b>Franklin Temp.</b>	US Govt Securities A	FKUSX	4.3%	3.4%	2.4%	IntmGov	0.75%#	
<b>Goldman Sachs</b>	High Yield A	GSHAX	1.7	7.9	4.5	HYcorp	1.05#	
	High Yield FI Rate A	GFRAX	0.8	—	3.8	BL	0.96#	
	Strategic Income A	GSZAX	-0.8	—	2.5	Nontrad	0.91#	
<b>John Hancock</b>	Strat Income Opps A	JIPAX	4.0	6.8	2.9	Multi	1.17#	
<b>Harbor</b>	Bond Instl	HABDX	4.8	4.7	2.4	Intmed	0.54	
<b>Hartford</b>	Floating Rate A	HFLAX	-0.2	5.1	4.3	BL	0.96#	
<b>Ivy</b>	High Income A	WHIAX	1.5	9.8	7.4	HYcorp	0.93#	
<b>Janus</b>	Flexible Bond T	JAFIX	4.7	5.2	2.4	Intmed	0.69	
<b>JPMorgan</b>	Core Bond A	PGBOX	5.0	4.4	1.8	Intmed	0.75#	
	High Yield Bond A	OHYAX	2.4	7.9	5.3	HYcorp	1.04#	
	Short Duration Bond A	OGLVX	0.5	1.2	0.5	ShTerm	0.80#	
	Strategic Inc Opps A	JSOAX	-0.1	3.0	1.5	Nontrad	0.90#	
<b>Loomis Sayles</b>	Bond Retail	LSBRX	4.5	8.2	3.1	Multi	0.91	
	Inv Grade Bond A	LIGRX	4.9	6.7	2.2	Intmed	0.83#	
	Strategic Income A	NEFZX	5.6	9.3	3.2	Multi	0.94#	
<b>Lord Abbett</b>	Bond Debenture A	LBNDX	4.5	8.4	4.3	Multi	0.96#	
	Floating Rate A	LFRAA	0.9	5.2	4.4	BL	0.80#	
	High Yield A	LHYAX	3.5	9.3	5.9	HYcorp	0.95#	
<b>MainStay</b>	Short Duration Income A	LALDX	1.7	3.9	2.8	ShTerm	0.58#	
	HY Corp Inv	MHHIX	1.3	7.5	4.7	HYcorp	1.01#	
<b>Metropolitan West</b>	Low Duration Bond M	MWLDX	1.4	4.4	1.1	ShTerm	0.57	
	Total Return Bond M	MWTRX	5.8	6.7	1.4	Intmed	0.62	
	<b>Unconstrained Bond M</b>	<b>MWCRX</b>	<b>3.4</b>	<b>—</b>	<b>1.6</b>	<b>Nontrad</b>	<b>0.99</b>	
<b>MFS</b>	Emerg Markets Debt A	MEDAX	4.4	6.4	3.9	WildBd	1.08#	
	Research Bond A	MRBFX	5.7	5.3	1.9	Intmed	0.79#	
<b>Northern Trust</b>	HY Fixed Income	NHFIX	2.1	8.3	5.7	HYcorp	0.78	
<b>Oppenheimer</b>	Global Strategic Inc A	OPSIK	2.6	6.3	4.7	Multi	0.97#	
	International Bond A	OIBAX	0.3	2.8	2.2	WildBd	1.02#	
	Senior Floating Rate A	OOSAX	0.6	6.1	4.8	BL	0.97#	
<b>Osterweis</b>	Strategic Income	OSTIX	1.3	6.1	5.7	HYcorp	0.85	
<b>Pimco</b>	Emerging Local Bond D	PLBDX	-6.7	1.6	5.0	WildBd	1.35	
	Emerg Mkts Currency D	PLMDX	-7.1	-0.1	1.5	WildBd	1.25	
	Foreign Bd USD-Hedged D	PFODX	10.6	7.3	1.3	WildBd	0.90	
	High Yield D	PHYDX	2.5	7.8	4.6	HYcorp	0.90	
	<b>Income D</b>	<b>PONDZ</b>	<b>6.9</b>	<b>11.7</b>	<b>3.8</b>	<b>Multi</b>	<b>0.77</b>	
	Long Duration TR D	PLRDX	18.2	9.2	3.1	Long	0.90	
	Low Duration D	PLDDX	0.3	2.4	1.2	ShTerm	0.75	
	Real Return D	PRRDX	2.9	3.9	1.3	LgGov	0.85	
<b>Pioneer</b>	Short-Term D	PSHDX	0.7	1.2	0.9	ShTerm	0.70	
	Total Return D	PTTDX	4.4	4.8	1.3	Intmed	0.75	
	Unconstrained Bond D	PUBDX	2.4	2.7	2.4	Nontrad	1.30	
	Strategic Income A	PSRAX	4.6	6.3	3.0	Multi	1.03#	
	Emerg Markets Bond	PREMX	3.2	6.1	6.2	WildBd	0.94	
	High Yield**	PRHYX	2.0	8.6	5.8	HYcorp	0.75	
	International Bond	RPIBX	-3.8	1.2	1.4	WildBd	0.83	
	New Income Fund	PRCIX	5.7	4.5	2.1	Intmed	0.59	
<b>T. Rowe Price</b>	Short Term Bond	PRWBX	0.6	1.7	1.1	ShTerm	0.52	
	Spectrum Income	RPSIX	3.9	6.1	2.9	Multi	0.69	

As of Dec. 31, 2014. \*Tracks high-grade U.S. bonds. \*\*5-year returns are annualized. #Fund also levies sales charges. —Performance not available; fund is less than five years old. \*\*Closed to new investors; other share classes may be available. Key to styles: **BL**=Bank loan; **Conv**=Convertible; **Corp**=Corporate general; **HYcorp**=High-yield corporate; **HYmuni**=High-yield municipal; **IntmGov**=Intermediate gov; **InfPro**=Inflation-protected; **Intmed**=Intermediate general; **IntmMuni**=Intermediate municipal; **LgGov**=Long-term gov; **LTmuni**=Long-term municipal; **Long**=Long-term general; **Multi**=Multisector; **Nontrad**=Nontraditional bond; **STMuni**=Short-term municipal; **ShGov**=Short-term gov; **ShTerm**=Short-term general; **Wild**=World bond. SOURCE: © 2015 Morningstar Inc.



## TAXABLE BOND FUNDS

Company	Fund	Symbol	Total return*			30-day yield	Style	Exp. ratio
			1 yr.	5 yrs.	yrs.			
<b>Principal</b>	Bond & Mortgage Sec A	PRBDX	4.7%	5.4%	1.9%	Intmed	1.33% <sup>#</sup>	
	High Yield A	CPHYX	2.1	8.2	6.0	HYcorp	0.93 <sup>#</sup>	
<b>Prudential</b>	Short-Term Corp Bond A	PBSMX	1.4	3.0	1.2	ShTerm	0.76 <sup>#</sup>	
	Total Return Bond A	PDBAX	6.5	6.4	2.3	Intmed	0.83 <sup>#</sup>	
<b>RidgeWorth</b>	Seix FI Rate High Inc A	SFRAX	0.5	5.0	4.1	BL	0.89 <sup>#</sup>	
<b>TCW</b>	Emerg Markets Income N	TGINX	0.6	7.5	7.1	WldBd	1.13	
	Total Return Bond N	TGMNX	5.5	6.8	2.2	Intmed	0.77	
<b>Thomson</b>	Bond Fund	THOPX	1.0	4.6	3.8	ShTerm	0.74	
<b>TIAA-CREF</b>	Bond Index Retail	TBILX	5.6	3.9	1.8	Intmed	0.48	
<b>Transamerica</b>	Short-Term Bond A	ITAAX	1.4	3.6	1.7	ShTerm	0.83 <sup>#</sup>	
	Income Fund	USAIX	5.9	5.5	2.7	Intmed	0.59	
<b>USAA</b>	Short Term Bond	USSBX	1.6	2.8	1.5	ShTerm	0.63	
	GNMA Inv	VFIIX	6.7	4.2	2.2	IntmGov	0.21	
<b>Vanguard</b>	High Yield Corp Inv	VWEHX	4.6	8.5	4.9	HYcorp	0.23	
	Infl Protected Secs Inv	VIPSX	3.8	4.0	0.3	InfPro	0.20	
	Intmed-Tm Bd Idx Inv	VBIIX	6.9	5.9	2.3	Intmed	0.20	
	Intmed-Tm Treasury Inv	VFITX	4.3	4.1	1.5	IntmGov	0.20	
	Long-Term Bond Idx Inv	VBLTX	19.7	9.7	3.5	Long	0.20	
	Short-Term Bond Idx Inv	VBISX	1.2	2.0	1.0	ShTerm	0.20	
	Short-Term Federal Inv	VSGBX	1.2	1.6	0.8	ST Govt	0.20	
	Sh-Tm Infl Pro Secs Inv	VTIPX	-1.3	—	0.0	InfPro	0.20	
	Sh-Tm Invest Grade Inv	VFSTX	1.8	2.9	1.7	ShTerm	0.20	
	Short-Term Treasury Inv	VFISX	0.7	1.2	0.6	ST Govt	0.20	
	Total Bond Mkt Idx Inv	VBMFX	5.8	4.2	1.9	Intmed	0.20	
	Total Bond Mkt II Idx Inv	VTBIX	5.9	4.3	2.0	Intmed	0.12	
	Total Intl Bond Idx Inv	VTIBX	8.8	—	0.9	WldBd	0.23	
<b>Virtus</b>	Multi-Sector Sh Tm Bd A	NARAX	1.0	5.0	3.7	Multi	0.99 <sup>#</sup>	
<b>Western Asset</b>	Core Plus Bond A	WAPAX	7.4	6.4	2.5	Intmed	0.79 <sup>#</sup>	

## TAX-FREE BOND FUNDS

Company	Fund	Symbol	Total return*			30-day yield	Style	Exp. ratio
			1 yr.	5 yrs.	yrs.			
<b>Alliance Bernstein</b>	Diversified Muni Port	SNDPX	4.1%	3.1%	0.9%	STMuni	0.56%	
	Intmed Divers Muni A	AIDAX	3.8	2.9	0.6	STMuni	0.86 <sup>#</sup>	
	Muni Income Natl A	ALTHX	10.0	5.5	1.8	IntmMuni	0.81 <sup>#</sup>	
<b>American Funds</b>	High Inc Muni Bond A	AMHIX	14.0	7.5	2.8	HYMuni	0.68 <sup>#</sup>	
	Ltd Term Tax Ex Bond A	LTEBX	3.4	3.6	0.9	IntmMuni	0.60 <sup>#</sup>	
	Tax Exempt Bond A	AFTEX	9.7	5.5	1.7	IntmMuni	0.56 <sup>#</sup>	
<b>AmericanCent.</b>	Intmed-Tm T-F Bd Inv	TWTIX	5.8	4.0	1.5	IntmMuni	0.47	
<b>Baird</b>	Intmed Muni Bd Inv	BMBXS	4.3	3.2	1.4	IntmMuni	0.55	
<b>BlackRock</b>	National Muni Inv A	MDNLX	10.1	6.0	1.7	IntmMuni	0.72 <sup>#</sup>	
	Strat Muni Opps Inv A	MENTX	9.4	5.7	2.2	IntmMuni	0.88 <sup>#</sup>	
<b>BMO</b>	Intmed Tax Free Y	MITFX	7.3	4.8	1.8	IntmMuni	0.55	
<b>Columbia</b>	Intmed Muni Bond A	LITAX	6.9	4.4	1.2	IntmMuni	0.78 <sup>#</sup>	
	Short Term Muni Bond A	NSMMX	0.4	0.9	0.2	STMuni	0.73 <sup>#</sup>	
	Tax Exempt A	COLTX	11.0	5.9	2.0	LTMuni	0.77 <sup>#</sup>	
<b>Deutsche</b>	Intmed Tax/AMT Free A	SZMAX	6.9	4.0	0.9	IntmMuni	0.78 <sup>#</sup>	
	Managed Muni Bd A	SMLAX	11.1	5.3	1.6	LTMuni	0.76 <sup>#</sup>	
	Strategic HY Tax Free A	NOTAX	11.5	5.7	2.4	HYMuni	0.88 <sup>#</sup>	
<b>Dreyfus</b>	Muni Bond	DRTAX	10.5	5.0	1.8	IntmMuni	0.73	
<b>Eaton Vance</b>	High-Yield Muni Inc A	ETHYX	18.1	8.0	2.9	HYMuni	0.87 <sup>#</sup>	
	National Muni Income A	EANAX	14.8	6.0	2.4	LTMuni	0.71 <sup>#</sup>	
<b>Federated</b>	Muni Ultrashort A	FMUUX	0.3	0.5	0.0	STMuni	0.80 <sup>#</sup>	
	Sh-Intmed Dur Muni Tr A	FMTAX	1.6	1.8	0.5	STMuni	0.96 <sup>#</sup>	
<b>Fidelity</b>	Intmed Muni Income	FLTMX	6.7	4.1	1.4	IntmMuni	0.37	
	Ltd Tm Muni Income	FSTFX	2.3	2.2	0.7	STMuni	0.48	
	Muni Income	FHIGX	10.6	5.6	1.8	LTMuni	0.46	
	Tax-Free Bond	FTABX	10.7	5.7	2.0	LTMuni	0.25	
<b>Fidelity Advisor</b>	Intmed Muni Inc A	FZIAX	6.4	3.8	1.0	IntmMuni	0.65 <sup>#</sup>	
	Ltd Tm Muni Inc A	FASHX	1.9	1.9	0.4	STMuni	0.78 <sup>#</sup>	
	Muni Income A	FAMUX	10.4	5.4	1.5	LTMuni	0.79 <sup>#</sup>	

## TAX-FREE BOND FUNDS

Company	Fund	Symbol	Total return*			30-day yield	Style	Exp. ratio
			1 yr.	5 yrs.	yrs.			
<b>Franklin Templeton</b>	Fed Intmed-Tm T-F Inc A	FKITX	6.9%	4.8%	1.2%	IntmMuni	0.65% <sup>#</sup>	
	Fed Ltd-Tm T-F Inc A	FFTFX	1.1	2.0	0.3	STMuni	0.60 <sup>#</sup>	
	Fed Tax-Free Inc A	FKTIX	11.2	5.5	1.9	LTMuni	0.62 <sup>#</sup>	
	HY Tax-Free Inc A	FRHIX	13.9	6.4	2.9	HYMuni	0.63 <sup>#</sup>	
	Insured T-F Inc A**	FTFIX	11.1	5.2	2.1	LTMuni	0.60 <sup>#</sup>	
<b>Goldman Sachs</b>	High Yield Muni A	GHYAX	15.4	7.7	3.2	HYMuni	0.87 <sup>#</sup>	
	Sh Duration T-F A	GSSTX	1.5	1.6	0.5	STMuni	0.73 <sup>#</sup>	
<b>Invesco</b>	High Yield Muni A**	ACTHX	16.6	7.8	4.2	HYMuni	0.87 <sup>#</sup>	
	Muni Income A	VKMMX	11.0	5.8	2.0	LTMuni	0.81 <sup>#</sup>	
	Tax-Free Intmed A	ATFAX	4.4	4.0	0.8	IntmMuni	0.62 <sup>#</sup>	
<b>Ivy</b>	Muni High Income A	IYIAX	13.5	7.0	3.3	HYMuni	0.86 <sup>#</sup>	
<b>JPMorgan</b>	Intmed T-F Bond A	JITAX	5.3	3.3	1.0	IntmMuni	0.74 <sup>#</sup>	
	Short Term Muni Bond A	OSTAX	1.3	1.1	0.4	STMuni	0.74 <sup>#</sup>	
	Tax Aware Real Ret A	TXRAX	0.7	2.0	0.9	IntmMuni	0.75 <sup>#</sup>	
<b>Legg Mason</b>	WA Intmed-Tm Muni A	SBLTX	7.4	4.4	2.2	IntmMuni	0.75 <sup>#</sup>	
	WA Managed Muni A	SHMMX	10.9	5.7	3.3	LTMuni	0.66 <sup>#</sup>	
	WA Short Dur Muni Inc A	SHDAX	1.5	1.7	0.7	STMuni	0.66 <sup>#</sup>	
<b>Lord Abbott</b>	High Yield Muni Bond A	HYMAX	14.5	6.4	4.4	HYMuni	0.90 <sup>#</sup>	
	Intmed Tax Free A	LISAX	8.4	5.0	2.3	IntmMuni	0.70 <sup>#</sup>	
	Natl Tax Free Inc A	LANSX	12.8	6.5	3.4	LTMuni	0.75 <sup>#</sup>	
	Short Dur Tax Free A	LSDAX	1.6	1.9	0.7	STMuni	0.64 <sup>#</sup>	
<b>MainStay</b>	High Yield Muni Bond Inv	MMHVX	17.4	—	3.2	HYMuni	0.89 <sup>#</sup>	
	Tax Free Bond Inv	MKINX	12.5	6.4	2.3	LTMuni	0.84 <sup>#</sup>	
<b>MFS</b>	Muni High Inc A	MMHYX	14.7	7.4	3.0	HYMuni	0.67 <sup>#</sup>	
	Muni Income A	MFIAX	10.9	5.6	2.0	LTMuni	0.73 <sup>#</sup>	
	Muni Ltd Maturity A	MTLFX	3.1	2.8	0.7	STMuni	0.69 <sup>#</sup>	
	Intmed Tax Exempt	NOITX	6.8	4.1	1.6	IntmMuni	0.44	
<b>Northern Trust</b>	Short-Intmed Tax-Exempt	NSITX	1.4	1.4	0.5	STMuni	0.45	
<b>Nuveen</b>	All American Muni A	FLAAX	13.4	7.0	2.2	LTMuni	0.72 <sup>#</sup>	
	High Yield Muni Bond A	NHMAX	19.1	9.7	4.2	HYMuni	0.79 <sup>#</sup>	
	Intmed Duration Muni A	NMBAX	7.3	4.3	1.4	IntmMuni	0.70 <sup>#</sup>	
	Ltd Term Muni A	FLTDX	3.0	2.9	0.8	STMuni	0.65 <sup>#</sup>	
	Short Dur HY Muni A	NVHAX	9.8	—	2.9	STMuni	0.82 <sup>#</sup>	
	Municipal Bond	OWMBX	2.6	2.5	N/A	IntmMuni	0.60	
<b>Old Westbury Oppenheimer</b>	Ltd Term Muni A	OPITX	7.2	4.4	3.0	HYMuni	0.76 <sup>#</sup>	
	Rochester AMT-Free Muni A	OPTAX	15.6	8.4	5.2	HYMuni	0.82 <sup>#</sup>	
	Rochester Muni A	RMUNX	14.4	5.9	6.1	LTMuni	0.72 <sup>#</sup>	
	Rochester Natl Muni A	ORNAX	16.1	7.8	6.1	HYMuni	0.71 <sup>#</sup>	
	Summit Muni Inc	PRINX	11.6	6.0	2.2	LTMuni	0.50	
<b>T. Rowe Price</b>	Summit Muni Intmed	PRSMX	7.0	4.4	1.4	IntmMuni	0.50	
	Tax Free High Yield	PRFHX	15.0	7.5	3.0	HYMuni	0.68	
	Tax Free Income	PRTAX	10.5	5.4	2.0	LTMuni	0.52	
	Tax Free Short-Intmed	PRFSX	1.9	2.2	0.6	STMuni	0.50	
	Intmed Muni A	THIMX	6.5	4.6	0.9	IntmMuni	0.92 <sup>#</sup>	
<b>Thornburg</b>	Ltd-Term Muni A	LTMFX	3.0	3.1	0.6	STMuni	0.71 <sup>#</sup>	
	Muni Bond A	AAMBX	9.6	5.0	2.3	LTMuni	0.75 <sup>#</sup>	
<b>Thrivent</b>	Tax Ex Intmed-Term	USATX	7.4	5.2	1.6	IntmMuni	0.55	
	Tax Ex Long-Term	USTEX	10.5	6.1	2.4	LTMuni	0.54	
	Tax Ex Short-Term	USSTX	1.5	2.4	0.5	STMuni	0.55	
<b>Vanguard</b>	High Yield Tax Ex	VWAHX	11.6	6.1	2.6	HYMuni	0.20	
	Intmed Term Tax Ex Inv	VWITX	7.2	4.6	1.6	IntmMuni	0.20	
	Limited Term Tax Ex	VMLTX	1.8	1.9	0.8	STMuni	0.20	
	Long Term Tax Ex	VWLTX	11.1	5.5	2.2	LTMuni	0.20	
	Short Term Tax Ex	VWSTX	0.6	0.9	0.3	STMuni	0.20	
<b>Waddell &amp; Rd</b>	Advisor Muni Bond A	UNMBX	8.6	5.0	1.2	LTMuni	0.87 <sup>#</sup>	
<b>Wells Fargo Advantage</b>	Intmed Tax/AMT-Free Inv	SIMBX	7.2	4.8	1.3	IntmMuni	0.73	
	Muni Bond Inv	SXFIX	11.0	6.5	1.9	LTMuni	0.79	
	Short-Tm Muni Bond Inv	STSMX	1.5	2.1	0.4	STMuni	0.63	
	Strategic Muni Bd A	VMPAX	4.5	3.4	0.5	STMuni	0.82 <sup>#</sup>	
	Ultra Sh-Tm Muni Inc Inv	SMUAX	0.5	0.8	0.0	STMuni	0.70	

As of Dec. 31, 2014. \*5-year returns are annualized. #Fund also levies sales charges. —Performance not available; fund is less than five years old. \*\*Closed to new investors; other share classes may be available. Key to styles: **BL**=Bank loan; **Conv**=Convertible; **Corp**=Corporate general; **HYcorp**=High-yield corporate; **HYmuni**=High-yield municipal; **IntmGov**=Intermediate govt; **InfPro**=Inflation-protected; **Intmed**=Intermediate general; **IntmMuni**=Intermediate municipal; **LgGov**=Long-term govt; **LTMuni**=Long-term municipal; **Long**=Long-term general; **Multi**=Multisector; **Nontrad**=Nontraditional bond; **STMuni**=Short-term municipal; **ShGov**=Short-term govt; **ShTerm**=Short-term general; **Wld**=World bond. SOURCE: © 2015 Morningstar Inc.

## TAXABLE BOND ETFs

Company	Fund	Symbol	Total return*		30-day yield	Style	Exp. ratio
			1 yr.	5 yrs.			
<b>Advisor Shares</b>	Newfleet Multi-Sect Inc	MINC	2.2%	—	2.9%	Multi	0.76%
	Peritus High Yield	HYLD	-13.6	—	12.1	HYcorp	1.18
<b>First Trust</b>	Senior Loan	FTSL	1.4	—	4.4	BL	0.85
	Tactical High Yield	HYLS	1.8	—	6.1	HYcorp	0.95
<b>FlexShares</b>	iBoxx 3Yr Target Dur TIPS	TDTT	-1.7	—	-3.0	InfPro	0.20
	iBoxx 5Yr Target Dur TIPS	TDTF	-0.5	—	-2.7	InfPro	0.20
<b>Guggenheim</b>	BulletShares 2015 Corp	BSCF	0.0	—	0.6	Corp	0.25
	BulletShares 2015 HY Corp	BSJF	0.4	—	5.7	HYcorp	0.44
	BulletShares 2016 Corp	BSCG	0.4	—	0.9	Corp	0.25
	BulletShares 2016 HY Corp	BSJG	-0.4	—	5.6	HYcorp	0.44
	BulletShares 2017 Corp	BSCH	1.9	—	1.4	Corp	0.25
	BulletShares 2017 HY Corp	BSJH	-0.3	—	5.5	HYcorp	0.43
	BulletShares 2018 Corp	BSCI	2.7	—	1.8	Corp	0.25
	BulletShares 2018 HY Corp	BSJL	0.1	—	6.7	HYcorp	0.44
	BulletShares 2019 Corp	BSCJ	3.8	—	2.2	Corp	0.25
	BulletShares 2020 Corp	BSCK	5.4	—	2.7	Corp	0.25
	Enhanced Short Duration	GSY	0.8	0.7%	1.2	ShTerm	0.30
<b>Highland iShares</b>	iBoxx Senior Loan	SNLN	0.6	—	4.6	BL	0.55
	0-5 Year TIPS	STIP	-1.2	—	-2.1	InfPro	0.10
	1-3 Year Credit	CSJ	0.7	1.9	1.1	ShTerm	0.20
	1-3 Year Treasury	SHY	0.5	0.9	0.5	ShGov	0.15
	3-7 Year Treasury	IEI	3.2	3.5	1.5	IntmGov	0.15
	7-10 Year Treasury	IEF	9.1	6.1	2.0	LgGov	0.15
	10+ Year Credit	CLY	16.7	9.1	4.2	Corp	0.20
	10-20 Year Treasury	TLH	14.3	7.7	2.2	Long	0.15
	20+ Year Treasury	TLT	27.3	10.6	2.6	LgGov	0.15
	Aaa - A Rated Corp	QLTA	6.5	—	2.5	Corp	0.15
	Agency	AGZ	3.7	2.5	1.2	IntmGov	0.20
	Core Short-Term US	ISTB	1.2	—	1.6	ShTerm	0.12
	Core US Aggregate	AGG	6.0	4.3	1.9	Intmed	0.08
	Core US Credit	CRED	8.2	6.1	2.9	Corp	0.15
	Core US Treasury	GOVT	4.7	—	1.3	IntmGov	0.15
	Emerg Mkts Local Currency	LEMB	-2.9	—	5.0	WldBd	0.60
	Floating Rate	FLOT	0.1	—	0.4	ShTerm	0.20
	Global ex USD HY Corp	HYXU	-8.7	—	3.9	WldBd	0.40
	iBoxx \$ High Yield Corp	HYG	1.9	7.5	5.7	HYcorp	0.50
	iBoxx \$ Inv Grade Corp	LQD	8.2	7.1	3.2	Corp	0.15
	Intermediate Credit	CIU	3.9	4.6	2.2	Intmed	0.20
	Intmed Govt/Credit	GVI	2.9	3.3	1.5	Intmed	0.20
	International Treasury	IGOV	-2.2	0.9	0.6	WldBd	0.35
	JPMorgan USD Em Mkts	EMB	6.1	6.4	5.1	WldBd	0.60
	MBS	MBB	6.4	3.5	1.5	Intmed	0.27
	Short Maturity	NEAR	0.6	—	1.2	ShTerm	0.25
	Short Treasury	SHV	0.0	0.0	0.2	ShGov	0.12
	TIPS	TIP	3.6	3.9	-2.4	InfPro	0.20
	US Preferred	PFF	14.1	8.3	5.7	Preferred	0.47
<b>Market Vectors</b>	Emerg Mkts High Yield	HYEM	-2.4	—	9.9	WldBd	0.40
	Emerg Mkts Local Currency	EMLC	-5.1	—	5.9	WldBd	0.47
	Pref Secs exFinancials	PFXF	15.9	—	6.0	Preferred	0.40
<b>Pimco</b>	0-5 Year HY Corp	HYS	-0.1	—	4.9	HYcorp	0.55
	1-5 Year US TIPS	STPZ	-1.4	1.4	-2.8	InfPro	0.20
	Enhanced Short Maturity	MINT	0.5	1.2	0.7	ShTerm	0.35
	Total Return Active	BOND	6.6	—	1.9	Intmed	0.55
<b>PowerShares</b>	1-30 Laddered Treasury	PLW	15.0	7.3	1.9	LgGov	0.25
	Build America	BAB	17.0	10.2	3.8	Long	0.28
	Emerg Mkts Sovereign Debt	PCY	9.2	7.3	5.2	WldBd	0.50
	Financial Preferred	PGF	14.5	9.3	5.9	Preferred	0.63
	Fundamental HY Corp	PHB	2.3	6.6	4.8	HYcorp	0.50
	International Corporate	PICB	-1.2	—	1.6	WldBd	0.50
	Preferred	PGX	16.3	8.5	6.0	Preferred	0.50

## TAXABLE BOND ETFs

Company	Fund	Symbol	Total return*		30-day yield	Style	Exp. ratio
			1 yr.	5 yrs.			
<b>PowerShares</b>	Senior Loan Portfolio	BKLN	0.5%	—	4.3%	BL	0.65%
	Strategic Income	RIGS	2.5	—	3.9	WldBd	0.22
<b>RiverFront</b>	Intmed-Term US Treasury	SCHR	4.4	—	1.6	Intmed	0.10
	Short-Term US Treasury	SCHO	0.5	—	0.4	ShGov	0.08
	US Aggregate	SCHZ	6.3	—	2.1	Intmed	0.05
	US TIPS	SCHP	4.1	—	1.0	InfPro	0.07
<b>SPDR</b>	Barclays 1-3 Month T-Bill	IBLN	-0.1	-0.1%	-0.1	ShGov	0.14
	Barclays Aggregate	LAG	6.0	4.3	2.1	Intmed	0.15
	Barclays High Yield	JNK	0.8	7.8	6.2	HYcorp	0.40
	Barclays Intmed Term Corp	ITR	4.4	5.0	2.4	Intmed	0.15
	Barclays Intl Corp	IBND	-4.7	—	0.5	WldBd	0.55
	Barclays Intl Treasury	BWX	-2.5	1.4	0.8	WldBd	0.50
	Barclays Inv Gr FI Rt	FLRN	-0.1	—	0.5	ShGov	0.15
	Barclays Long Term Corp	LWC	16.4	8.9	4.3	Long	0.15
	Barclays Short Term Corp	SCPB	0.8	2	1.3	ShTerm	0.13
	Barclays Short Term HY	SJNK	-1.3	—	6.0	HYcorp	0.40
	Barclays Sh Tm Intl Treas	BWZ	-9.8	-1.7	0.4	WldBd	0.35
	Barclays TIPS	IPE	4.6	4.1	0.3	InfPro	0.19
	Blackstone/GSO Sr Loan	SRLN	1.0	—	4.3	BL	0.70
	DB Intl Govt Infl-Pro	WIP	-0.2	3.3	0.4	WldBd	0.50
	Wells Fargo Pfd Stock	PSK	17.6	7.7	5.5	Preferred	0.45
<b>Vanguard</b>	Emerg Mkts Government	VWOB	4.2	—	5.0	WldBd	0.35
	Extended Dur Treas	EDV	45.1	15.3	2.8	LgGov	0.12
	Intermediate-Term	BIV	7.3	6.0	2.5	Intmed	0.10
	Intermediate-Term Corp	VCIT	7.7	6.9	3.2	Intmed	0.12
	Intermediate-Term Govt	VGIT	4.6	4.2	1.6	IntmGov	0.12
	Long-Term	BLV	20.3	9.8	3.7	Long	0.10
	Long-Term Corporate	VCLT	16.4	9.7	4.3	Long	0.12
	Mortgage-Backed Sec	VMBS	5.9	3.6	1.5	Intmed	0.12
	Short-Term	BSV	1.4	2.1	1.1	ShTerm	0.10
	Short-Term Corp	VCSH	1.8	3.4	1.7	ShTerm	0.12
	Short-Term Govt	VGSH	0.5	1.0	0.5	ShGov	0.12
	Short-Term Infl-Prot Sec	VTIP	-1.4	—	0.1	InfPro	0.10
	Total Intl	BNDX	8.7	—	1.0	WldBd	0.20
	Total Market	BND	5.8	4.3	2.1	Intmed	0.08
<b>WisdomTree</b>	Asia Local Debt	ALD	-0.4	—	2.5	WldBd	0.56
	Emerg Mkts Local Debt	ELD	-5.9	—	5.3	WldBd	0.56

## TAX-FREE BOND ETFs

Company	Fund	Symbol	Total return*		30-day yield	Style	Exp. ratio
			1 yr.	5 yrs.			
<b>Deutsche iShares</b>	X-trackers Muni Infrs Revn	RVNU	15.4%	—	2.8%	LTMuni	0.30%
	Sep 2015 AMT-Free Muni	IBMD	-0.3	—	0.0	STMuni	0.30
	Sep 2016 AMT-Free Muni	IBME	0.2	—	0.2	STMuni	0.30
	Sep 2017 AMT-Free Muni	IBMF	0.9	—	0.5	STMuni	0.30
	Sep 2018 AMT-Free Muni	IBMG	2.2	—	0.8	STMuni	0.30
	Natl AMT-Free Muni	MUB	9.4	4.7%	1.6	IntmMuni	0.25
	ST Natl AMT-Free Muni	SUB	0.5	1.2	0.4	STMuni	0.25
	CEF Muni Income	XMPT	18.1	—	5.7	HYMuni	0.40
<b>Market Vectors</b>	High-Yield Muni	HYD	14.9	6.3	4.6	HYMuni	0.35
	Intermediate Muni	ITM	10.3	5.2	2.2	IntmMuni	0.24
	Long Muni Index	MLN	17.7	6.2	3.3	LTMuni	0.24
	Pre-Refunded Muni	PRB	-0.1	0.7	0.4	IntmMuni	0.24
<b>Pimco</b>	Intermediate Muni	MUNI	5.7	3.9	1.3	IntmMuni	0.35
	Short Term Muni	SMMU	0.6	—	0.5	STMuni	0.35
<b>PowerShares</b>	Insured National Muni	PZA	15.3	5.9	2.4	LTMuni	0.28
	VRDO Tax-Free Weekly	PVI	-0.1	0.2	-0.1	STMuni	0.25
<b>SPDR Nuveen</b>	Barclays Capital Muni	TFI	9.8	4.9	1.9	LTMuni	0.23
	Barclays Capital ST Muni	SHM	0.9	1.6	0.7	STMuni	0.20
	S&P High Yield Muni	HYMB	18.3	—	4.0	HYMuni	0.45
	S&P VRDO Muni	VRD	0.0	0.3	-0.1	STMuni	0.20

As of Dec. 31, 2014. \*5-year returns are annualized. #Fund also levies sales charges. —Performance not available; fund is less than five years old. \*\*Closed to new investors; other share classes may be available. Key to styles: **BL**=Bank loan; **Conv**=Convertible; **Corp**=Corporate general; **HYcorp**=High-yield corporate; **HYmuni**=High-yield municipal; **IntmGov**=Intermediate gov; **InfPro**=Inflation-protected; **Intmed**=Intermediate general; **IntmMuni**=Intermediate municipal; **LgGov**=Long-term gov; **LTMuni**=Long-term municipal; **Long**=Long-term general; **Multi**=Multisector; **Nontrad**=Nontraditional bond; **Preferred**=Preferred bond; **STMuni**=Short-term municipal; **ShGov**=Short-term gov; **ShTerm**=Short-term general; **Wld**=World bond. SOURCE: © 2015 Morningstar Inc.





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## STOCKS»

# The Top 10 Stocks of the 21st Century

We tell you what drove their outstanding performance and whether you should buy them now. **BY TOM PETRUNO**

### PHYSICS TELLS US THAT

bodies in motion tend to stay in motion. Likewise, some winning stocks just keep on going. And the ones that have excelled through the early years of the 21st century have withstood two of the worst bear markets in history.

To see which businesses worked best in the new millennium—and to judge their potential now—we looked at the 10 biggest-gaining U.S.

stocks since December 31, 1999. What our list of stars shows is that fairly simple business concepts can turn into massive market winners. Most of the 10 names aren't complicated technology companies but are more-ordinary businesses, such as coffee sellers, shoe makers and retailers. What's more, the prospects for many of the companies on our list appear strong enough to support further stock gains

in the years ahead—although certainly not on the scale of the past 15 years. With each summary, we offer our opinion about whether you should buy, sell or hold. (To see the next five stocks on the list of top winners, visit [kiplinger.com/links/15stocks](http://kiplinger.com/links/15stocks).)

Morningstar provided the list of top performers from the end of 1999 through early December 2014. Performance was based on to-


tal returns—that is, with dividends included. Only companies with current market capitalizations of at least \$1 billion are included. The list excludes companies that were acquired over the past 15 years. Next to each stock's name is its cumulative return through December 31. See the table on page 34 for each stock's annualized 15-year return.

### Keurig Green Mountain, 45,714%

The company that helps jump-start millions of Americans every morning did the same for the investment accounts of those who bought it. Coffee retailer and brewer Keurig Green Mountain has been the biggest winner of the millennium so far, with a stunning annualized return of 50.4% over the past 15 years.

With its K-Cup brewing machines in 20 million homes and businesses, the





**BOOSTED BY ITS  
POPULAR SHOES,  
DECKERS OUTDOOR  
REACHED THE TOP  
OF THE CHARTS.**

Waterbury, Vt., firm is synonymous with morning joe. In the fiscal year that ended last September, Keurig had \$4.7 billion in sales and \$597 million in profits, or \$3.74 per share. But as hot-drink sales slow, the company is trying to conquer a new market by launching a home-dispensing system for cold beverages in late 2015 with partner Coca-Cola (which owns 16% of Keurig). Will the new system beat just reaching for a can of soda? With the stock trading at 31 times estimated year-ahead earnings, the market doesn't see failure as an option. Our call: **HOLD**

#### **Monster Beverage, 40,085%**

You can't live on coffee and energy drinks, but your portfolio could have. Monster Beverage was the second-hottest stock of the millennium, with an annualized return of 49.1%. What started as a juice business in

1935 is now the second-biggest energy-drink firm, after privately held Red Bull. Soaring demand has boosted the Corona, Calif., company's sales from \$180 million in 2004 to an estimated \$2.4 billion in 2014.

Critics say the caffeine- and sugar-laden drinks Monster and its peers sell are unhealthy and that they are aimed at children (which Monster denies). But growth expectations remain robust. Analysts, on average, see earnings per share rising 22% this year, after a 35% increase in 2014. Coca-Cola couldn't beat 'em, so it joined 'em, taking a 16.7% stake in Monster last summer. That helps support a lofty price-earnings ratio of 34, based on expected 2015 earnings. If you want in, you'll have to pay up. Our call: **HOLD**

#### **Medivation, 14,389%**

Wall Street's love affair with biotechnology over the past decade has created many huge winners, and one of the biggest stars has been Medivation. The San Francisco company's shares rocketed the past three years, thanks to its first commercial drug, Xtandi, a treatment for certain kinds of prostate cancer. Xtandi's instant success turned Medivation profitable overnight. The company is expected to have earned \$2.67 per share in 2014, and analysts see profits rising 24%, to \$3.30, in 2015.

The company's niche is research into diseases for which few treatment options exist. But so far, Xtandi is Medivation's only commer-

cial product. Analysts at investment firm Cowen & Co. urge caution. They think Xtandi is a great drug but expect Medivation's earnings to hit a near-term peak in 2015—and they say that the stock, now \$100, is overvalued by about 60%. Our call: **SELL**

#### **Middleby, 10,807%**

Consumers' ever-shifting food tastes make restaurants a dangerous business to invest in. Some investors have found a better way to get a piece of the action: Middleby Corp., which supplies restaurants and home cooks with an array of equipment, including ovens, frying systems and freezers. The Elgin, Ill., firm's growth has been amazingly consistent over the past decade as it has pursued a host of acquisitions to build its stable of brands, including Viking, U-Line and Concordia. Middleby's success has translated into an annualized stock return of 36.7% since 1999.

Investment bank BB&T Capital Markets says Middleby's strategy centers in part on designing equipment that makes restaurant food handling and cooking more efficient, providing cost savings for the highly competitive industry. Middleby was expected to have earned \$3.41 per share in 2014 on \$1.6 billion in sales, and analysts see profits rising by 18%, to \$4.03 per share, in 2015. At 25 times estimated 2015 earnings, the stock isn't cheap, but it's a great idea to have on your wish list should its share price pull back. Our call: **HOLD**

#### **Deckers Outdoor, 10,305%**

Investors in footwear maker Deckers Outdoor have had to endure some gut-wrenching volatility in sales and stock prices since 1999, but the reward for sticking it out has been an annualized return of 36.3%. Deckers' success stems from its popular Ugg brand boots and shoes, which account for more than 80% of its \$1.9 billion in annual sales.

Doubters thought that Ugg would eventually fall victim to the whims of fashion, but it hasn't happened yet. In fact, Ugg was the most-searched gift term on Cyber Monday (the Monday after Thanksgiving) for the past three years. Analyst Sam Poser, of brokerage Sterne Agee, sees the Goleta, Calif., company maintaining its momentum. He predicts earnings of \$5.08 per share for the fiscal year that ends in March 2015 and \$5.98 in the March 2016 year, and he figures that a P/E of 18 based on this year's profit isn't too much to pay for that kind of growth. Our call: **BUY**

#### **Terra Nitrogen, 8,445%**

Unless they were seeking high income, few investors would have had much reason to pay attention to Terra Nitrogen over the past 15 years. But those who invested in the firm deserve bragging rights. The Deerfield, Ill., company, set up as a master limited partnership, produces nitrogen fertilizer products. It rode the commodity boom in the middle of the last decade, then benefited again from 2010 to early 2012 as the price of natural gas, a key

raw material in nitrogen-fertilizer production, plunged. Investors not only saw their shares soar but also earned hefty regular dividends from the partnership because it pays out almost all of what it earns.

Since 2012, however, Terra's fortunes have reversed as fertilizer prices have declined. The stock has returned 34.5% annualized since 1999, but it has sunk 65% since early 2012. A global economic revival could boost Terra's outlook. But this one is best left for investors who have a strong sense about the direction of fertilizer and natural gas prices. Our call: **HOLD**

### **Tractor Supply, 8,109%**

Who knew that serving the "rural lifestyle" consumer could be so lucrative? Tractor Supply's retail niche has been a spectacular winner since 1999, and its shares have gone up by an annualized 34.2%. Its 1,361 stores in 48 states sell farm, ranch and garden supplies to the so-called gentleman farmer, as well as to tradesmen and small businesses.

This seemingly mundane business generated estimated sales of \$5.7 billion in 2014. Meanwhile, the Brentwood, Tenn., company's earnings have jumped from 55 cents per share in 2008 to an estimated \$2.61 in 2014. Sales slowed in the first half of 2014, but brokerage Raymond James sees the firm reclaiming its status as one of the "premier top-line growth stories" among retailers of durable goods, capable of delivering profit growth in the mid-teen

percentages through at least 2016. Our call: **HOLD**

### **Clean Harbors, 7,588%**

Clean Harbors looks like a great business that overreached and is now trying to refigure its future. For most of the past 15 years, the Norwell, Mass., company was a strong player in the difficult industry of environmental cleanup. From 2004 to 2012, sales rose from \$643 million to \$2.2 billion, and the bottom line went from a loss of 65 cents per share to a profit of \$2.40.

But in 2013, the company went deep into debt to buy Safety-Kleen, paying \$1.2 billion for the recycler and refiner of used oil. Clean Harbors has been struggling since. It was expected to have earned just \$1.42 per share in 2014. Although the stock has returned an annualized 33.6% since 1999, it has sunk 32%

since its peak in 2012. Brokerage Wedbush Securities thinks investors are undervaluing the better parts of the company. But with crude prices diving, slashing what Safety-Kleen gets for its oil, the market isn't listening. Our call: **HOLD**

### **HollyFrontier, 7,237%**

The shale-oil boom had HollyFrontier in a sweet spot for a while. The crude refiner—formed by a merger of Holly Corp. and Frontier Oil in 2011—operates five refineries in the nation's heartland, close to areas where drilling has zoomed. In 2012, the merged company saw revenues top \$20 billion and profits hit \$8.38 per share. By early 2013, the stock was nearing \$60.

But earnings took a big hit that year, in part because of heavy maintenance costs. Now, some analysts see a new problem for the

Dallas-based firm: rising refinery capacity worldwide, even as oil prices crash. Wells Fargo Securities slashed its 2015 profit estimate for HollyFrontier in December from \$4.63 per share to \$2.85. The company continues to pay fat dividends, but in the short term, the stock seems likely to stay under pressure. Our call: **SELL**

### **Lannett, 5,956%**

Lannett Co. was a marginally profitable player in the generic-drug industry for most of the past 15 years. That changed about two years ago, as the Philadelphia firm began a rapid expansion program. Sales surged from \$123 million in the fiscal year that ended in June 2012 to \$274 million in the June 2014 year; earnings jumped from 14 cents per share to \$1.98. Since 2012, the stock has catapulted from about \$5 to a 2014 high of \$59.

Lannett has been in the right place at the right time with generic drugs for pain management and thyroid and cardiovascular problems, and a lack of competition has allowed the company to boost prices. But that leverage will wane as rivals move in. Coming up with new products will be critical. Investment firm Craig-Hallum says that Lannett has filed 21 applications for new generic drugs with U.S. regulators. The shares have slumped lately because of jitters about future growth. But if key approvals come soon enough, the stock could regain its momentum. Our call: **HOLD ■**

## **Super Stocks**

### **HIGHFLIERS UNDER THE RADAR**

The mostly little-known companies in this group show that you can make big money in even the most routine of businesses.

Company	Symbol	Share price	Market value (billions)	Price-earnings ratio	15-year total return*	What \$1,000 grew to
Keurig Green Mtn	GMCR	\$132	\$21.5	31	50.4%	\$458,144
Monster Beverage	MNST	108	18.2	34	49.1	401,854
Medivation	MDVN	100	7.7	30	39.3	144,887
Middleby	MIDD	99	5.7	25	36.7	109,069
Deckers Outdoor	DECK	91	3.2	18	36.3	104,046
Terra Nitrogen	TNH	103	1.9	9†	34.5	85,446
Tractor Supply	TSCO	79	10.7	26	34.2	82,086
Clean Harbors	CLH	48	2.9	27	33.6	76,880
HollyFrontier	HFC	37	7.3	12	33.2	73,370
Lannett	LCI	43	1.5	12‡	31.5	60,565

Figures as of December 31, 2014. Price-earnings ratios are based on estimated calendar 2015 earnings unless otherwise indicated. \*Annualized. †Based on earnings for the past year. ‡Based on estimated earnings for the fiscal year that ends in June 2015. SOURCES: Morningstar Inc., Thomson Reuters, Yahoo.



STOCKS»

# Bet on the Consumer Revival

Americans are feeling more confident about their finances. That's bullish for these companies. **BY ANNE KATES SMITH**

**U.S. CONSUMERS HAVE A LOT** to smile about these days. That means things are looking up for consumer stocks, too. Shares of companies that make or sell things that we want but don't necessarily need—so-called consumer-discretionary stocks—have been the stock market's top-performing sector over the past five years. And although the group lagged the market last year, the odds are good that the stocks will outpace the market in 2015.

The signs of consumer strength are multiplying. From February through December 2014, the economy added at least 200,000 jobs a month. Meanwhile, households have whittled debt as a percentage of disposable income, from a peak of 135% in 2007 to 108% today. Wage increases have been modest, but purchasing power has improved. The drop in commodity prices and interest rates has slashed costs associated with mortgages and gasoline, putting more money back in consumer pockets despite stingy wage hikes, says Brian Belski, chief investment strategist at BMO Capital Markets.

The 55% drop in oil prices since last summer translates into a hefty energy dividend for consumers and the busi-



nesses that cater to them. The rule of thumb is that every 1 cent drop in gas prices at the pump adds \$1 billion to household discretionary spending at an annualized rate, says Phil Orlando, a senior strategist at Federated Investors.

**Not cheap.** Consumer-discretionary stocks may not appeal to bargain hunters. The sector sells at 18 times estimated 2015 earnings, compared with 16 for Standard & Poor's 500-stock index. But S&P Capital IQ figures that companies that make or sell non-necessities will log earnings growth

of 17% in 2015, the best of any S&P sector and well above the 8% growth expected for the S&P 500. And careful investors can easily find opportunities, says Peter Dixon, manager of Fidelity Select Consumer Discretionary Portfolio (symbol FSCPX). "There's always a brand, product or category that's resonating with consumers," he says.

Dixon's holdings reveal categories he favors, including housing, e-commerce and auto parts. **HOME DEPOT (HD, \$105)** and online travel company **PRICELINE GROUP (PCLN, \$1,052)** are among his five biggest positions.

Among auto-parts companies, Dixon says, he's leaning toward aftermarket retailers, including **AUTOZONE (AZO, \$606)** and **O'REILLY AUTOMOTIVE (ORLY, \$188)**. "The average age of vehicles is increasing," says Dixon. "Cars are better-made, and people are keeping their cars longer." (Share prices are as of January 9.)

The trick to finding stocks to hold for the long term is to find companies with "an addicted customer base," says William Smead, CEO of Smead Capital Management, in Seattle. Among his picks are **NORDSTROM (JWN, \$79)** and **CABELA'S (CAB, \$56)**, a specialty retailer for campers, hunters and other outdoor enthusiasts.

Federated's Orlando thinks improving economic growth bodes well for companies that cater to consumers with a taste for luxury. Among designer-apparel and accessory stocks, Orlando favors **KATE SPADE & CO. (KATE, \$28)** and **MICHAEL KORS HOLDINGS (KORS, \$69)**. He also recommends the American depositary receipts of two high-end European automakers with an avid U.S. customer base: **BMW (BAMXY, \$35)** and **DAIMLER (DDAIV, \$83)**, which makes Mercedes-Benz vehicles. Orlando also sees potential in the housing recovery. He expects sales of new homes to double over the next few years, from about 600,000 a year now to 1.2 million. Invest directly with homebuilder **LENNAR (LEN, \$47)**, says Orlando, or indirectly, with related businesses such as Home Depot or paint maker **SHERWIN-WILLIAMS (SHW, \$274)**. ■



ANDREW FEINBERG > Promised Land

# Stock Down? Double Down

**M**y friend Al just bought more shares of Westport Innovations (symbol WPRT), a stock in which he had an 85% loss. His logic?

“For just a few thousand dollars, I can cut my cost basis in half.” Al was practicing a technique known as averaging down, in which an investor buys more shares after a price decline on the theory that if you like a stock at, say, \$40, you’ll love it at \$20.

Westport is working on systems to allow trucks to run on natural gas, but fleet owners have yet to find the economics of its offerings compelling. That’s why over the past three years the stock has plunged from \$47 to less than \$4. In fact, it has fallen 14% since Al bought his additional shares.

Al was averaging down for the wrong reason. Instead of seeing the drop in Westport’s price as a great opportunity for realizing a loss for tax purposes, he was desperate to get even on his investment—and willing to put even more money at risk to do so. If you average down to avoid copping to an investment mistake, you are compounding your error.

Legg Mason’s Bill Miller, the onetime star fund manager, famously said that the investor with the “lowest average cost wins.” But if investing were so simple, we’d all be drowning in money. That’s because companies change, and they don’t always meet investors’ expectations.

Consider Dell, a stock that helped make Miller famous. Dell was a monster performer for years, until competitors figured out its strategy and the growth of the personal-computer business slowed. Then Dell became *the* classic value trap. In July 2005, it traded at nearly \$42. A year later, it was \$22. Another year later, it was \$29. Then \$24. Then \$13. Finally, on October 29, 2013, founder Michael Dell took the company private at \$13.88 per share. You could have averaged down for eight years and lost a truckload of money, only to have Dell step in and decree, “Game over.”

In truth, sometimes averaging down works, and sometimes it doesn’t. It can work if you’re a really good stock picker or, to lower the bar a bit, simply a good conceptual thinker about stocks. Many of the great value investors—such as Warren Buffett and Marty Whitman, who launched the Third Avenue funds—have said that averaging down is a key strategic tool. Buffett hopes a stock will fall after he starts buying so he can buy more at a cheaper price. Whitman *knows* a stock is likely to go lower after he starts accumulating it because he usually buys when things look bleakest and he believes that the perception of the company won’t change overnight.

**When it works.** Averaging down makes sense under two circumstances. Do it when a great company has stumbled, but only if you’re pretty sure that the stumble doesn’t reflect a permanent reversal of fortune. Or average down when nothing about a company has changed except its share price.

I just took the latter approach with Adamis Pharmaceuticals (ADMP), a tiny firm that is seeking approval for new drug-delivery systems for the allergy- and respiratory-medication markets. I paid \$5 a share after learning about Adamis in a newsletter. Once I bought, the stock went down relentlessly for nearly three months, eventually hitting \$3.82. I bought more at \$3.90 per share and a lot more at \$4.10. Now my cost basis is \$4.60, and the stock is at \$5.60 (as of January 9). Just like that, averaging down has turned a tidy gain into an even bigger profit. What a strategic tool!

Of course, the story is far from over. I don’t know how the investment will ultimately turn out, but I am certain that it made sense to buy more shares after the stock had crumbled 24% from my purchase price. I’m confident because the company’s value hadn’t changed, only its share price. ■

COLUMNIST ANDREW FEINBERG MANAGES A NEW YORK CITY-BASED HEDGE FUND CALLED CJA PARTNERS.



**Buying more shares makes sense when nothing about a company has changed except the price of its stock.”**



////////////////////  
**I'M TYPE E**  
////////////////////

////////////////////  
**I DON'T WANT MY  
GOLDEN  
YEARS  
TO BE JUST  
GOLD  
PLATED.**  
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**WITH NO-FEE IRAs,  
ONLINE TOOLS, AND AN  
INVESTMENT  
DASHBOARD,  
I'M NOT  
JUST PLANNING FOR THE  
FUTURE,  
I'M LOOKING  
FORWARD TO IT.**  
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JEFFREY R. KOSNETT &gt; Income Investing

## Three Energy Stocks That Pay

**D**rivers in the U.S. will burn 136 billion gallons of gasoline this year, according to government estimates. The U.S. aviation industry will consume 22 billion gallons of jet fuel, and the nation will use 62 billion gallons of fuel oil. And that assumes that the economy will expand by 2.4%. Kiplinger forecasts that gross domestic product will increase by 3.3%, so chances are good that we'll use more oil than the feds are forecasting.

No, oil is not going the way of film and floppy disks. We will continue to rely on it, and, eventually, its price will stop retreating. And so will prices of energy stocks. Kiplinger predicts that domestic crude, which fell below \$50 a barrel in early January, will rebound to \$70 to \$75 this spring.

If you're investing for income, though, you need to be in the right energy stocks. In particular, you should still focus on energy-related master limited partnerships. I can't think of another sector of the economy or another investment vehicle that is better suited for transferring cash directly from commerce to you. Yields from MLPs, which currently average 6%, dwarf the yields of 10-year Treasuries and the broad U.S. stock market, both of which pay about 2%. Plus, part or all of many MLP distributions qualify as tax-deferred returns of capital.

That isn't to say that the oil crash had no effect on MLPs. From its peak last August 29 through its December 15 low, the Alerian MLP index surrendered 21% (including dividends). That was nowhere near as much as the 50% plunge in oil prices in the second half of 2014. But it was an unprecedented reversal for an investment category that has sloughed off just about every economic and political threat and has unfailingly boosted cash payouts to shareholders.

Of course, some energy MLPs fared worse than others. The biggest disasters were among exploration and production companies, which make up about one-fifth of the category. Consider the ongoing mas-

sacre of Linn Energy (symbol LINE), a producer set up as a limited liability company but with the tax status of a master limited partnership. From late June to December 30, Linn shares plunged nearly 70%, to \$10. The company bowed to the reality of lower energy prices on January 2 and slashed its monthly dividend by 57%. At its January 8 price of \$11, Linn yields a tempting 11%, but you'll need nerves of steel to buy or keep these units, even at the reduced price.

**My picks.** If you want safe dividends and tolerable share-price volatility, focus on partnerships that move, process and store all the oil and gas that drivers and everyone else will continue to consume. My favorites are **ENTERPRISE PRODUCTS PARTNERS (EPD, \$34, 4.3% YIELD)**, **MAGELLAN MIDSTREAM PARTNERS (MMP, \$79, 3.4%)** and **PLAINS ALL-AMERICAN PIPELINE (PAA, \$51, 5.2%)**. None produce oil or other raw materials. They are basically toll collectors and should benefit from a strengthening economy as all those consumers who are buying SUVs, giant pickups and luxury cars pump more gasoline and diesel. Moreover, America still needs vastly more infrastructure to move gas from the Marcellus Shale in the East and the various western fields to distribution points and power plants. Part of the reason share prices of infrastructure partnerships have suffered lately is concern that some of the firms will shelve or postpone their projects. Well, we're not about to stop driving and start turning off the heat.

At some point this year, money managers will conclude that the plunge in well-financed, dividend-paying domestic energy stocks is madness and start to rebuild stakes in them. I have always insisted that, like utility stocks and real estate investment trusts, energy-company shares are vital ingredients of income-oriented portfolios. I don't see that changing. ■

SENIOR EDITOR JEFF KOSNETT IS ALSO THE EDITOR OF KIPPLINGER'S INVESTING FOR INCOME, A MONTHLY NEWSLETTER THAT FOCUSES EXCLUSIVELY ON THIS TOPIC.



**If you want safe dividends, focus on partnerships that move, process and store oil and gas."**



# The Pros and Cons of Cheap Oil

Why the 55% plunge in oil prices is roiling markets worldwide. **BY KATHY KRISTOF**

## THE POSITIVES

► **Buoyant consumers.** With the price of a fill-up falling to its lowest level in 11 years, U.S. consumers will spend \$750 less per household on gasoline this year than they did in 2014, the government estimates. That will spur consumer spending, which will lift the whole economy.

► **Tepid inflation.** Declining energy prices tamp down inflation, which makes it easier for the Federal Reserve to keep short-term interest rates near zero—a boon for stocks.

► **Business beneficiaries.** Airlines, truckers and package-delivery firms will save a fortune, given that fuel accounts for as much as 40% of their costs. Retailers, restaurants and hotels benefit directly from increased consumer spending. Banks and credit card companies also win; revenues from transaction fees go up, and consumer defaults are likely to go down.

► **Political pluses.** Lower oil prices hurt the economies of some energy-producing U.S. adversaries, particularly Iran, Russia and Venezuela. That could make the world a little safer.



## THE NEGATIVES

► **Industry slump.** Falling oil prices hurt a key sector of the stock market. Since its peak last summer, the S&P Energy index has dived 21%.

► **Sagging economies.** Though higher supply is a major reason for oil's drop, investors worry that persistent declines are a sign of falling demand due to slowing global growth.

► **Job losses.** Oil at \$50 a barrel could end the fracking boom and harm conventional drilling, too. Massive job losses could ensue.

► **Less business spending.** Nine of the nation's 20 biggest spenders on machinery and equipment are energy firms. Expect them and others to cut back on capital outlays.

► **Junk woes.** As oil prices have fallen, concerns about the viability of heavily indebted producers have climbed, so high-yield bonds have taken a hit.

► **Foreign fears.** Sinking oil hurts big energy-producing nations and raises concerns that they and their national oil companies could default on their debts. ■





KATHY KRISTOF > Practical Investing

# I'm Keeping My Oil Stocks

Unless you've spent the past six months in an ashram, you know that one of today's biggest investing stories is the collapse of oil prices. After trading between roughly \$80 and \$100 per barrel from 2011 through mid 2014, the price of a barrel of oil cratered to nearly \$45. Most energy stocks have followed oil down, as analysts reduce earnings projections for producers, contractors and the wide array of companies that make their living getting "black gold" to market.

The sell-off has slammed the two energy stocks in my Practical Investing portfolio. **CHEVRON (SYMBOL CVX, \$108)**, an integrated energy giant, has sunk 20% from its 52-week high, while **STONE ENERGY (SGV, \$15)**, a pure producer, has plunged a whopping 70% (prices are as of January 9). The shel-lacking suggests that Wall Street believes the oil market is likely to remain glutted for years, which would be an argument for dumping the stocks. But I'm not.

That's because much of the action in oil prices strikes me as a classic selling panic. No one expected oil to dip to \$60 a barrel, much less \$45, and the political and economic alchemy among foreign producers in Saudi Arabia, Russia and Venezuela is so complex that it's nearly impossible to figure out where the bottom might be. That fuels fears and whipsaws stock prices.

Share prices are reacting to practical considerations, too. The more crude prices drop and the longer they stay depressed, the harder it will be for producers to make money and pay dividends. That could make 2015—and maybe 2016—really rotten years. And though the companies I own are well run and have great potential, they're likely to suffer along with the rest of the industry.

But my time horizon is long, better measured in decades than years. So although my stocks may suffer for a while, I need to remind myself why I bought them. Chevron and Stone are part of the commodity holdings in my portfolio, which should protect

my investments from inflation. Inflation is not a problem today, but I think it may eventually become one (though my crystal ball is hazy about when). When it finally does, I expect the oil stocks to help preserve my buying power.

Younger readers may not be familiar with the dangers of inflation because prices have been increasing just 2% to 3% a year for most of the past two decades. But history tells us that inflation can wallop stocks and bonds. When consumer prices soared in 1946, for example, both stocks and long-term bonds suffered huge losses. Returns remained depressed until inflation receded in 1949. Similarly, stocks and bonds went through several rough stretches from 1969 through 1981 as inflation gathered steam. Significantly, in most of those inflationary periods, the price of a barrel of oil rose far faster than the rate of inflation.

**Limited supply.** Global oil politics can create pricing anomalies, but I expect oil to perform better than most commodities during inflationary periods for two reasons. First, although innovative drilling techniques (think fracking) have enabled producers to extract more oil and natural gas from previously inhospitable terrain, the amount of fossil fuels inside the earth is finite. At some point, I expect oil's scarcity to drive its price higher.

And second, you need oil to run your car and grease the wheels of industry. Oil is also a component in a vast array of manufactured products, from roofing shingles to clothing, lipstick, plastics and chemicals. Thus, when the global economy is growing robustly (the U.S. is doing its part, the rest of the world not so much), demand for those products increases, and so does demand for oil. I have no idea when the whole planet will be firing on all cylinders, but I'd like to think my portfolio is ready for when it does. ■

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



**Chevron and Stone Energy are part of my commodity holdings, which should protect my investments from inflation."**

# If You're Fearless, Buy Energy

This broad-based sector fund is poised to rebound sharply once oil prices stop falling.

## INVESTORS DROPPED ENERGY STOCKS

like so many hot potatoes as crude-oil prices plummeted 55% from their highs in the summer of 2014. As a result, Standard & Poor's Energy index sank 21% over the period, lagging the broad S&P 500-stock index by a remarkable 28 percentage points.

But if you're a believer in Warren Buffett's axiom that you should be greedy when others are fearful, you might view this as a good time to pick up some energy stocks. "When energy falls this quickly, it tends to stabilize and then continue its climb," says Todd Rosenbluth, a senior director at S&P Capital IQ.

Rather than try to identify individual winners, your best bet may be to buy an energy-sector fund. A solid, low-cost choice is Vanguard Energy ETF. The exchange-traded fund tracks an index of companies that cover a broad swath of the industry, from oil-rig builders and drill-equipment makers to oil refiners and transportation companies. The fund's 168 holdings are weighted by stock market value—the bigger a stock's capitalization, the bigger its position in the fund—so behemoths ExxonMobil and Chevron account for more than one-third of the ETF's assets. But shares of "big oil" tend to hold up better than the overall sector, in part because they operate across the many segments of the industry. As a result, the ETF has been 21% less volatile than its peers over the past three years. **KAITLIN PITSKER**

## VANGUARD ENERGY ETF

### Key Facts

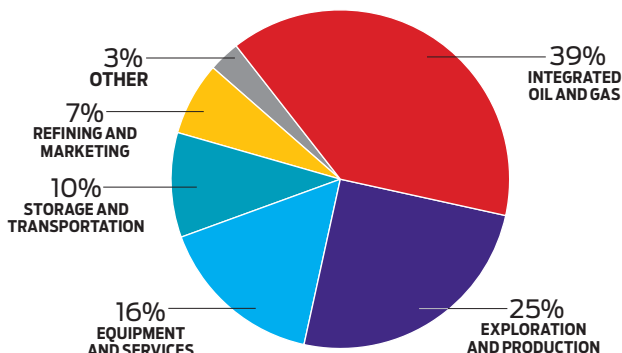
**SYMBOL:** VDE  
**CLOSING PRICE:** \$109  
**ASSETS:** \$3.2 billion  
**START DATE:** September 23, 2004  
**STOCK HOLDINGS:** 168  
**AVG. PRICE-EARNINGS RATIO:** 13\*  
**AVG. MARKET VALUE:** \$47.4 billion

\*Based on estimated earnings.

### Performance



### Sector Breakdown: Diversified giants get top billing



SOURCES: Morningstar Inc., Vanguard.

### Energy Sector ETFs Ranked by one-year return

Rank/Fund	Symbol	Total return*			2011 market correction†	Exp. ratio
		1 yr.	3 yrs.	5 yrs.		
1. First Trust N. Amer. Energy Infrastructure	EMLP	23.9%	—	—	—	0.95%
2. Energy Select Sector SPDR	XLE	-9.8	5.0%	6.9%	-29.2%	0.16
3. iShares U.S. Energy	IYE	-10.6	4.3	6.2	-28.4	0.45
4. Fidelity MSCI Energy	FENY	-10.6	—	—	—	0.12
5. Vanguard Energy	VDE	-10.9	3.8	6.0	-29.8	0.12
S&P ENERGY INDEX		-8.8%	5.0%	7.2%	-27.7%	

### LARGEST DIVERSIFIED US STOCK ETFs Ranked by assets

Rank/Fund	Symbol	Assets (billions)	Total return*			2011 market correction†	Expense ratio
			1 yr.	3 yrs.	5 yrs.		
1. SPDR S&P 500	SPY	\$184.9	14.4%	19.7%	14.7%	-18.6%	0.09%
2. iShares Core S&P 500	IVV	67.1	14.5	19.7	14.8	-18.7	0.07
3. Vanguard Total Stock Market	VTI	48.3	13.2	19.9	15.1	-20.3	0.05
4. PowerShares QQQ	QQQ	40.5	20.1	22.9	18.6	-13.1	0.20
5. iShares Russell 1000 Growth	IWF	25.9	13.9	19.5	15.2	-17.8	0.20
S&P STOCK INDEX			14.6%	19.8%	14.9%	-18.6%	

Through January 8. \*Assumes reinvestment of all dividends and capital gains; three- and five-year returns are annualized. †Market correction is from April 29 through October 3, 2011. Expense ratio is the percentage of assets claimed annually for operating a fund. SOURCE: © 2015 Morningstar Inc.



●● THE KIPLINGER 25 UPDATE

# Actively Managed Funds That Won

**AS HAS BEEN WIDELY NOTED**, the past year has been a rough one for actively managed stock funds. In particular, only 13% of funds that focus on large-company domestic stocks beat the 13.7% return of Standard & Poor's 500-stock index in 2014. But the Kiplinger 25 has its share of winners.

Start with **DAVENPORT EQUITY OPPORTUNITIES**, which beat the index by 2.2 percentage points over the past year. The \$236 million fund invests in firms of all sizes. Managers Chris Pearson

and George Smith seek companies with good growth prospects, solid balance sheets and smart executives with a talent for reinvesting their firms' profits. That formula kept Pearson and Smith out of energy stocks, which have cratered along with the price of oil. "We always suspected that the boom in domestic supply would weigh on prices eventually," says Smith.

But the fund, which holds just 29 stocks, got a big lift from one company that benefited directly from the oil-

price drop: American Airlines. Its stock more than doubled in 2014. Other consumer companies, including auto dealer CarMax (up 42% last year) and apparel maker Hanesbrands (up 61%), also helped goose the fund's performance. The managers picked up Hanesbrands in 2010 for about \$25 per share. Hanesbrands made some smart acquisitions, including Gear for Sports, that extended the company beyond the underwear business. The stock, at \$112 in early January, "has exceeded our expectations," says Smith.

Equity Opportunities isn't the only Kip 25 fund that shone. Stacked against their appropriate benchmarks, several other funds outpaced their bogeys. Over the past year, **HOMESTEAD SMALL-COMPANY STOCK** clocked the Russell 2000 index by 1.9

percentage points, and **DODGE & COX INTERNATIONAL STOCK** outperformed the MSCI EAFE index, which tracks stocks in developed foreign markets, by 5.2 points. (Learn more about those funds in "Oldies But Goodies," Feb.)

**HARDING LOEVNER EMERGING MARKETS** beat the MSCI Emerging Markets index by 0.2 percentage point in 2014, the fifth straight year in which the fund topped its index. The fund got a boost from makers of generic drugs. Hikma Pharmaceuticals, a Jordanian firm, soared 66%; South Africa-based Aspen Pharmacare Holdings jumped 51%; and India's Sun Pharmaceutical Industries climbed 46%. **NELLIE S. HUANG**

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

U.S. Stock Funds							Specialized/Go-Anywhere Funds						
Symbol	Total return*				Added to Kip 25		Symbol	Total return*				Added to Kip 25	
	1yr.	3 yrs.	5 yrs.	10 yrs.				1yr.	3 yrs.	5 yrs.	10 yrs.		
<b>Akre Focus Retail</b>	AKREX	8.2%	20.2%	17.9%	—	Dec. 2009	<b>FPA Crescent</b>	FPACX	6.3%	12.1%	9.9%	8.6%	Oct. 2008
<b>Artisan Value</b>	ARTLX	6.3	13.6	11.5	—	May 2012	<b>Merger</b>	MERFX	1.3	2.9	2.7	3.5	June 2007
<b>Baron Small Cap Retail</b>	BSCFX	1.4	17.2	13.9	8.3%	Dec. 2007	<b>Bond Funds</b>						
<b>Davenport Equity Opps</b>	DEOPX	15.7	21.5	—	—	May 2014	<b>DoubleLine Total Return N</b>	DLTNX	6.9%	5.2%	—	—	May 2011
<b>Dodge &amp; Cox Stock</b>	DODGX	9.8	22.2	14.5	7.3	May 2008	<b>Fidelity Intermed Muni Inc</b>	FLTMX	6.9	3.4	4.2%	4.1%	May 2004
<b>Fidelity New Millennium</b>	FMILX	4.7	17.9	14.4	10.1	May 2014	<b>Fidelity New Markets Income</b>	FNMIX	3.4	5.1	6.5	8.1	May 2012
<b>Homestead Small-Co Stock</b>	HSCSX	5.6	18.7	17.2	11.5	May 2012	<b>Fidelity Total Bond</b>	FTBFX	6.1	3.9	5.3	5.2	May 2014
<b>Mairs &amp; Power Growth</b>	MPGFX	6.6	19.9	15.0	8.5	Jan. 2013	<b>Met West Unconstrained Bd M</b>	MWCRX	3.2	7.1	—	—	May 2013
<b>Parnassus Mid Cap</b>	PARMX	11.2	18.1	14.8	—	Aug. 2014	<b>Osterweis Strategic Income</b>	OSTIX	1.1	5.3	5.9	6.4	May 2013
<b>T. Rowe Price Sm-Cap Value</b>	PRSVX	-0.9	14.4	12.9	8.6	May 2009	<b>Vanguard Sh-Tm Inv-Grade</b>	VFSTX	2.1	2.5	2.8	3.6	May 2010
<b>Vanguard Dividend Growth</b>	VDIGX	12.2	17.1	14.3	9.3	May 2010	<b>Indexes</b>						
<b>Vanguard Selected Value</b>	VASVX	4.9	19.0	14.9	9.4	May 2005			1yr.	3 yrs.	5 yrs.	10 yrs.	
<b>International Stock Funds</b>							<b>S&amp;P 500-STOCK INDEX</b>		13.5%	19.4%	14.7%	7.8%	
<b>Cambiar Intl Equity</b>	CAMIX	-8.8%	9.8%	6.1%	5.2%	May 2014	<b>RUSSELL 2000 INDEX†</b>		3.7	17.9	14.5	8.2	
<b>Dodge &amp; Cox Intl Stock</b>	DODFX	-0.6	14.8	6.8	6.9	May 2005	<b>MSCI EAFE INDEX#</b>		-5.8	10.8	4.8	4.9	
<b>Harding Loevner Emrg Mkts</b>	HLEMX	1.7	7.4	4.0	9.5	May 2013	<b>MSCI EMERGING MARKETS INDEX</b>		2.8	4.0	1.7	9.3	
<b>Matthews Asian Gro &amp; Inc Inv</b>	MACSX	0.3	9.4	6.5	9.0	Aug. 2013	<b>BARCLAYS AGGREGATE BOND INDEX‡</b>		6.7	3.0	4.5	4.8	

Through January 9. \*Three-, five- and ten-year returns are annualized. —Not available; fund not in existence for the entire period. †Small-company U.S. stocks. #Foreign stocks. ‡Tracks high-grade U.S. bonds.

# This Fund Favors Really Small Stocks

Baron Discovery gets off to a fast start with a portfolio that is loaded with micro caps.

## THE PAST YEAR WAS A ROUGH ONE

for the little guys. While Standard & Poor's 500-stock index returned 14%, the Russell 2000 index, which tracks small-company stocks, gained a mere 4%. Like most other small-stock funds, **BARON DISCOVERY** had trouble keeping up with the S&P 500. But the fund trumped the Russell index by nearly six percentage points.

Discovery is the first fund that Laird Bieger and Randolph Gwartzman have managed. Previously, they served as analysts for Baron Small Cap, a member of the Kiplinger 25. At Discovery, which began in September 2013, the managers seek firms with smart executives and high barriers against competition. They buy a stock if they think it can double in three to five years.

Bieger and Gwartzman prefer really small companies. The average market capitalization of Discovery's holdings is \$1.3 billion, compared with \$2.8 billion for the typical small-cap growth fund. About half of the fund's assets are in so-called micro-cap stocks—the smallest of the small. And that suits the managers just fine. When he and Bieger were analysts, says Gwartzman, “we saw many companies that we were very interested in but were either too small or outside the comfort zone of some of the other Baron managers.”

More than half of the fund's assets are in health and technology stocks. Two biotech firms are among its five biggest holdings: BioScrip and Spectranetics. **RYAN ERMEY**

## SMALL-CAP GROWTH FUNDS Ranked by one-year returns

Rank/Name	Symbol	Total return through Jan. 9*			Max. sales charge	Exp. ratio	Toll-free number
		1 yr.	3 yrs.	5 yrs.			
1. Meridian Small Cap Growth Advisor <sup>@</sup>	MSGAX	18.0%	—	—	2.00% <sup>f</sup>	1.60%	800-446-6662
2. Satuit Capital US Smid Cap	SATDX	10.8	—	—	2.00 <sup>f</sup>	1.50	866-972-8848
3. Baron Discovery Retail <sup>@</sup>	BDFFX	9.7	—	—	none	1.35	800-992-2766
4. RS Small Cap Equity A <sup>@**</sup>	GPSCX	9.5	22.8%	18.0%	4.75	1.30	800-766-3863
5. Janus Venture T <sup>@</sup>	JAVTX	8.4	21.2	17.9	none	0.92	800-525-0020
6. RS Small Cap Growth A <sup>@</sup>	RSEGX	8.1	22.3	17.6	4.75	1.35	800-766-3863
7. Janus Triton T <sup>@</sup>	JATTX	7.5	19.0	17.6	none	0.92	800-525-0020
8. PNC Multi Factor Small Cap Core A <sup>@</sup>	PLOAX	7.4	24.3	19.2	5.50	1.23	800-622-3863
9. First Trust/Confluence Small Cap Val A <sup>@</sup>	FOVAX	7.2	15.2	—	5.50	1.60	800-621-1675
10. Needham Aggressive Growth	NEAGX	7.2	17.4	14.2	2.00 <sup>f</sup>	1.91	800-625-7071
CATEGORY AVERAGE		1.3%	17.0%	14.5%			

## 20 LARGEST STOCK MUTUAL FUNDS Ranked by size

Rank/Name	Symbol	Assets† (billions)	Total return through Jan. 9*			Max. sales charge	Toll-free number
			1 yr.	3 yrs.	5 yrs.		
1. Vanguard Total Stock Market Idx Inv <sup>@</sup>	VTSMX	\$330.8	12.1%	19.3%	14.7%	none	800-635-1511
2. Vanguard 500 Index Inv <sup>@</sup>	VFINDX	171.4	13.4	19.2	14.5	none	800-635-1511
3. American Growth Fund of America A <sup>@</sup>	AGTHX	141.0	8.5	19.5	12.6	5.75%	800-421-0180
4. Vanguard Total Intl Stock Idx Inv <sup>@</sup>	VGTSX	130.8	-4.2	8.4	3.3	none	800-635-1511
5. American EuroPacific Growth A <sup>@</sup>	AEPGX	119.7	-3.1	11.2	4.8	5.75	800-421-0180
6. Fidelity Contrafund <sup>@</sup>	FCNTX	109.8	8.7	18.6	14.2	none	800-343-3548
7. American Income Fund of America A <sup>@</sup>	AMECX	96.7	9.0	12.6	10.8	5.75	800-421-0180
8. American Capital Income Builder A <sup>@</sup>	CAIBX	96.4	7.5	11.1	8.5	5.75	800-421-0180
9. Franklin Income A <sup>@</sup>	FKINX	92.5	4.1	10.1	8.8	4.25	800-632-2301
10. Vanguard Wellington <sup>@</sup>	VWELX	88.8	9.9	13.4	10.8	none	800-635-1511
11. American Capital World Gro & Inc A <sup>@</sup>	CWGX	85.5	3.7	15.1	8.2	5.75	800-421-0180
12. Fidelity Spartan 500 Index Inv <sup>@</sup>	FUSEX	85.1	13.4	19.3	14.6	none	800-343-3548
13. American Balanced A <sup>@</sup>	ABALX	79.6	9.0	14.1	11.7	5.75	800-421-0180
14. American Washington Mutual A <sup>@</sup>	AWSHX	76.5	11.2	17.3	14.3	5.75	800-421-0180
15. American Invstmt Co of America A <sup>@</sup>	AIVSX	74.8	12.2	18.6	12.6	5.75	800-421-0180
16. American Fundamental Inv A <sup>@</sup>	ANCFX	70.9	8.7	17.7	12.6	5.75	800-421-0180
17. Dodge & Cox International Stock	DODFX	64.0	-0.6	14.8	6.8	none	800-621-3979
18. Dodge & Cox Stock	DODGX	60.3	9.8	22.2	14.5	none	800-621-3979
19. American New Perspective A <sup>@</sup>	ANWPX	56.0	3.1	15.5	9.7	5.75	800-421-0180
20. BlackRock Global Allocation A <sup>@</sup>	MDLOX	54.5	1.6	8.0	5.7	5.25	800-441-7762
S&P 500-STOCK INDEX			13.5%	19.4%	14.7%		
MSCI EAFE INDEX			-5.8%	10.8%	4.8%		

\*Annualized for three and five years. @Rankings exclude share classes of this fund with different fee structures or higher minimum initial investments. \*\*Closed to new investors. †For all share classes combined. ‡Maximum redemption fee. MSCI EAFE index consists of developed foreign stock markets. SOURCES: © 2015 Morningstar Inc., Vanguard.

●● Kiplinger.com

## RETURNS FOR THOUSANDS OF FUNDS ONLINE

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

## EXPLANATION OF TERMS

**Total return** assumes reinvestment of all dividends and capital gains; three- and five-year returns are annualized. Returns reflect ongoing expenses but not sales charges.

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

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

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# PICK ~Your~ PATH

**Once, retirement meant hitting the golf course or sitting by the pool. The new retirement? Whatever you want it to be.**

**BY JANE BENNETT CLARK**

LOOK UP *RETIRE* IN THE DICTIONARY and here's what you'll find: "To retreat from action or danger. To withdraw for privacy, to recede. To conclude a career."

// *Retreat, recede, conclude* are not words in Priscilla Jackman's vocabulary. In 2008, she retired from a 33-year teaching career in the Steel Valley school district, outside Pittsburgh, and immediately returned to the same district as a consultant on literacy programs. Four years later, she "retired" from that gig and took



## RETIREMENT MAP





a five- to seven-hour-a-week job mentoring student teachers at a nearby university. Now 61, Jackman enjoys mentoring but, she says, “I don’t see myself doing it until I’m 70.” She definitely sees herself doing “something else”—maybe tutoring elementary school kids as a volunteer.

The beauty of Jackman’s setup is that with a shorter work schedule, she has plenty of time to take guitar and violin lessons, act as social director for her extended family, sing in a volunteer hospital program and explore back roads with her husband, Tom, who is also retired. “We set the GPS and see where it takes us,” she says. “We love finding great little towns and great diners.” Rather than define her post-career life as a slow fade into the sunset, she says, “I’m in awe of what it’s possible to do as a retiree.”

In fact, demographic changes have turned the standard definition of retirement upside down. Life expectancy has increased steadily over the decades. Now, a man who reaches 65 can expect to live another 18 years; a 65-year-old woman can expect to live 20 years. Plus, people work longer than in past decades, thanks to better health and a higher level of education, which generally leads to more gratifying, less-strenuous work.

With more time and opportunities, many retirees are phasing in and out of work, taking part-time, seasonal or consulting jobs or acting as entrepreneurs. Some post-66-ers work because they need the money, but the majority are taking advantage of the resources they have (including Social Security, savings and maybe a pension) to seek work that is more enjoyable and less stressful than their career was, says Nicole Maestas, a senior economist at the Rand Corp. who has studied older workers. For many, “retirement connotes a broader set of options,” she says. “It’s a new phase of life.”

## ●● EXPLORE THE POSSIBILITIES

Having more time to work and play may sound delightful, but figuring out

how to do it over 20 or 30 years is no last-minute exercise. Experiment by pursuing hobbies, volunteering at places where you might want to work, and thinking carefully about whether you want to downsize or move to another city altogether, says Larry Rosenthal, a certified financial planner in Manassas, Va. “People retire to a place and then think, *The grandkids are back where we were*, and they want to move back. Or they discover that Florida gets really hot in the summer.”

One way to get a sense of what you want to do a few years hence is through a “practice retirement.” That idea, proposed by investment firm T. Rowe Price, has you continue to work at your career job but back off on saving for retirement—say, by contributing only enough to your 401(k) to get the company match. Then you can use the money you’ve freed up (plus vacation time) to try out your ideas, such as traveling cross-country or turning your hobby into a side business.

Cutting back on contributions to savings in your early sixties may sound like heresy, but the key is staying on the job and waiting to take Social Security until full retirement age (66 until 2021) or later. For each year you delay taking Social Security after 66 until age 70, you get an 8% bump in benefits. And while you’re still pulling in a paycheck, you can let your retirement savings grow, even if you’re not contributing to your accounts. “It’s a way to stay in the workforce and have a little fun while doing it,” says Judith Ward, a senior financial planner at T. Rowe Price.


## ●● PLAN TO WORK LONGER

In most professions, employers can no longer require you to retire at a certain age, but keeping yourself relevant in your current career or attractive to your next employer is on you, says Catherine Collinson, president of the Transamerica Center for Retirement Studies. That includes keeping your skills up-to-date, maintaining and expanding your network, staying on top of the job market, and taking classes or

going to school for another degree.

Peter Sefton of Alexandria, Va., accepted the challenge and took it to a whole new level. After working for the U.S. Census Bureau for 24 years, he enrolled in a master’s degree program at the University of Virginia, leaving his wife, Linda, to hold down the fort in Alexandria for the next two years. “My retirement party was on Friday. I packed up my desk, and on Monday morning, I was in Charlottesville with the 25-year-olds,” says



A photograph of Priscilla Jackman, an older woman with short, styled grey hair and glasses. She is smiling warmly at the camera, resting her chin on her right hand. She is seated at a wooden table, and an acoustic guitar is positioned in front of her. She wears a black and white patterned sweater over a black turtleneck, a long gold chain necklace, and hoop earrings. The background is a plain, light-colored wall with a white door visible on the left.

■ PRISCILLA JACKMAN  
WORKS A FEW HOURS  
A WEEK AND TAKES  
GUITAR LESSONS IN  
HER FREE TIME.

Sefton, who was then 59. A federal pension provided financial underpinning. In addition, he was awarded a fellowship to help pay for his degree in architectural history, an extension of his longtime interest in historic preservation. Now 63, he works about 25 hours a week as a consultant on building preservation (and is happily back in Alexandria with his wife).

**Look into phasing out.** Not interested in reinventing yourself? Consider staying

at the job you have but changing from full-time to part-time work or to a less demanding role. Some employers offer formal phased-retirement programs that let you cut your hours or work only part of the year, or trade managerial responsibilities for a mentoring role. The federal government recently launched a program in which eligible employees can work half-time, training less-experienced employees.

If your employer has no formal program, scope out the feasibility of mak-

ing your own arrangement. Start by checking with the human resources department. "Have a clear vision of what you want and be very specific," says Collinson. Some companies only want full-time employees, she says; proposing anything else is a non-starter. "There's homework to be done before you even have a conversation with your boss," she says.

While you're talking to HR, find out how changing from full-time to part-time status would affect your



eligibility for employee benefits. Only half of the employers who offer 401(k)s allow part-time employees to participate in the plan, according to a recent survey by the Transamerica Center. And a report by the Employee Benefit Research Institute shows that fewer than half of large employers (those with 200 or more employees) and one-third of smaller employers offer health coverage to part-time workers.

If you continue to work past 65, you'll have to coordinate your health coverage with Medicare. At 65, you qualify for Medicare Part A, which covers hospital services and is free. At that point, you can also enroll in Medicare Part B (for doctor visits) and buy Medicare supplemental coverage and Part D (for prescription drugs), or enroll in a Medicare Advantage plan, which combines the two and offers other benefits.

If your company has 20 or more employees, employer-based coverage pays first, and you can stay on it if you work enough hours to be eligible. In that case, just sign up for Part A; when you do retire, you can sign up for Part B and the other coverage without penalty or having to wait for open enrollment. If your company has fewer than 20 employees, Medicare becomes your primary insurance, even if your employer offers its own coverage—so if you don't sign up for Medicare, you may not be covered at all. Be sure to talk to your employer about what your options are.

## ●● LINE UP YOUR FINANCES

Whether you figure on working well past retirement age or kicking back on day one, anticipate how you'll handle ongoing expenses plus potential curveballs, such as a downturn in the stock market or a health problem that could force you to retire early. Mark Thorndyke, a Merrill Lynch wealth management adviser in Chicago, works with clients who are three to five years out to put together a financial plan and plug in what-if scenarios. "That helps clients get a good idea of

what's achievable and what kind of planning they need to do now."

Start with a budget for necessary expenses, including food, housing and health care, as well as nice-to-haves, such as travel and trips to see the grandkids. Match the need-to-haves with guaranteed income, such as Social Security, pensions and maybe an annuity, and plan to tap your retirement portfolio to pay for the wants.

Many retirement planners recommend that you withdraw no more than 4% of total assets the first year and the same amount, adjusted for inflation, every year after that. But working longer lets you leave more of your savings intact and makes it easier to defer Social Security (and collect a bigger benefit). And because your earning power offsets risk, you can afford to take more risk in how you invest, says Matt Sadowsky, director of retirement at TD Ameritrade. "Instead of a traditional balanced portfolio in

retirement—say, 50% stocks and 50% bonds—you might allocate 60% or more of your portfolio to stocks."

Not everyone delays taking Social Security. In fact, most people take it before 66. Be aware that your benefit is reduced based on the number of months you take it before full retirement age. Start taking it as soon as you turn 62 and it gets dinged by 25%. If you keep working after claiming Social Security but before you reach full retirement age, you'll also be subject to an earnings test, in which \$1 is deducted from your benefit for every \$2 you earn above the annual limit—\$15,720 in 2015. (In the year you reach full retirement age, \$1 is deducted in benefits for every \$3 you earn above a higher limit, which is \$41,880 in 2015.)

Another option: Claim Social Security at 66 but keep working and use your benefit checks to, say, travel or pay for college for the grandkids. "All of a sudden you get a couple of thousand dollars a month coming in—there's a lot you can do with that," says Rosenthal. (For more ways to make the most of your benefits, see "Best Strategies to Boost Social Security," Jan.)

**Don't forget about taxes.** Up to 85% of your Social Security benefits may be subject to tax. That becomes almost a certainty if you're pulling in a paycheck while collecting benefits. Working can also put you in a higher tax bracket or keep you there, meaning you'll owe more on distributions from your pretax retirement accounts. From a tax perspective, you might be better off if you delay claiming Social Security until 70 and hold off on tapping pretax accounts until you turn 70½, when you are required to take minimum distributions.

Or keep your options open by funneling money into a Roth IRA. As long as you're older than 59½ and have had the account for at least five years, distributions, including earnings, are tax-free (you can withdraw

### KipTip

## GET ON TRACK WITH A COACH

**ONE WAY TO FIND YOUR PATH IS TO consult a retirement coach. Such coaches, whose services run \$75 to \$300 an hour or more, can help you identify your skills and interests, pinpoint what activities you find most rewarding, and establish how you see yourself outside the workforce.**

**"If you're retiring in three months and you have taken all your identity from your job, we have work to do," says Joanne Waldman, a retirement coach in St. Louis and director of training for Retirement Options ([www.retirementoptions.com](http://www.retirementoptions.com)), which certifies retirement coaches. Most people want to stay engaged, "but not necessarily in what they're doing," she says. "It's exciting to find out what that new thing is."**





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contributions tax-free at any time). If most of your money is in a tax-deferred account, consider paying the necessary tax bill to convert a chunk of that money each year into a Roth. If you convert \$10,000 a year from age 60 to 70, at 70 you will have \$100,000 plus earnings sitting in a tax-free account. By about that time, says Rosenthal, “you’re on Social Security and taking required minimum distribu-

tions, and you can take tax-free dollars to minimize the taxes.”

### ●● **RETIRE, RINSE, REPEAT**

Almost 20 years ago, Gregory Contro, now 52, had a frenetic, lucrative career as the head of a futures brokerage group on the Chicago Mercantile Exchange. By age 37, he was ready to move on. An avid tennis player, he retired from his first career and be-

came a tennis coach for young, high-level players in the Chicago area, a job he had already been doing on the side. “I had achieved a lot of my goals on the exchange and was going to try this new challenge.”

Most people don’t have the resources to retire at 52, much less 37. In making the transition, Contro had the luxury of knowing he could afford to hang up his career altogether. “I was able to save and got familiar with the concept of wealth management early. When I left the Merc, I knew I could pretty much do what I wanted if I didn’t mess it up.” He managed his assets conservatively, working with financial adviser Gayle Ronan, who has since retired. “She made me understand what I needed to live on comfortably, taking into account shocks that investments go through and shocks in your personal life that you have to account for,” he says. “You have to build in some safety nets”—including, in his case, umbrella insurance because he works with kids in a physically demanding setting.

Contro could still retire if he chose to. “I work because I like to work,” he says. But, like others his age, he has started preparing for a next act. Inspired by his relationship with companies including Fila sportswear and Wilson Racquet Sports, Contro is working toward a master’s degree at Northwestern University in sports marketing, a career he hopes will last him until he fully retires. “Going back to school has been incredibly exhilarating for me mentally,” says Contro, who is by far the oldest in his class.

Contro’s experience reflects the growing awareness that productivity doesn’t stop when a career ends. “You think, I want to make enough money to get out of the game, and then you realize, I’m just too young to retire—there are a lot of challenges out there,” says Contro. “You become thirsty for something different.”

So when does he actually plan to retire? He’s not sure. “The one thing I do know is, I don’t want to sit still.” ■

■ **GREG CONTRO PLANS TO MOVE INTO SPORTS MARKETING AFTER HIS SECOND CAREER AS A TENNIS COACH.**





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## HOME&gt;&gt;

# It's Easier to Get a Mortgage

Relaxed rules open the door to more borrowers.

BY PATRICIA MERTZ ESSWEIN

**MORTGAGE RATES ARE HOVERING AT LEVELS** unimaginable a generation ago. But for many would-be home buyers, a low-rate loan has been tantalizingly out of reach, denied by tight-fisted lenders still skittish from the housing bust.

That's finally changing. Now, thanks to rising home prices, less-stringent down-payment requirements and new rules that limit lenders' liability when loans that meet certain criteria go bad, borrowers should encounter fewer obstacles getting a mortgage. No one wants to go back to the days of too-easy credit. But a little loosening will provide a shot in the arm for the sluggish housing market as it opens the door to buyers who have been shut out of the market and provides more options for all borrowers.

It's still true that whether you're buying your first home or trading up, the stronger your qualifications, the lower the interest rate you'll be able to lock in. Borrowers with a credit score of 740 or more and a down payment (or equity, in a refinance) of at least 25% will get the best rates. You don't have to meet those benchmarks, but if you don't, you could see—in the worst case—as much as 3.25 percentage points tacked on to your rate.

## ●● THE DOWN-PAYMENT HURDLE

First-time home buyers usually find that accumulating a down payment is their toughest challenge. The same goes for many current homeowners

who lost most of their equity in the housing bust. A popular misconception is that you must put down at least 20%. Usually, you'll need much less. For a loan of \$417,000 or less that is backed by Fannie Mae or Freddie Mac (called a conforming loan), you'll need just 5% for a fixed-rate mortgage or 10% for an adjustable-rate loan.

For "high balance," or "conforming jumbo," loans of up to \$625,500 in high-cost markets, you must ante up at least 10% and meet slightly higher credit-score requirements.

Non-conforming jumbo loans of more than \$625,500 are more widely available than before, with lenders offering them at rates comparable to conforming loans, says Guy Cecala, publisher of *Inside Mortgage Finance*. Because lenders keep these mortgages on their own books rather than sell them to Fannie Mae or Freddie Mac, the loans require higher credit scores than for conforming mortgages and at least a 10% to 15% down payment, says Ramez Fahmy, a branch manager with Caliber Home Loans, in Bethesda, Md.

After home prices tumbled, your only option for a low-down-payment loan was an FHA mortgage, which requires just 3.5% down (and a minimum credit score of 580). But borrowers must pay for FHA mortgage insurance—an up-front premium of 1.75% of the loan amount and an annual premium of 0.85% of the loan.

Fannie Mae and Freddie Mac





recently resurrected loan programs that allow just 3% down on a fixed-rate mortgage. For Fannie Mae's program, at least one borrower must be a first-time home buyer. Fannie's program launched in December 2014, and Freddie's will be available to borrowers whose loans settle on or after March 23, 2015. Big banks aren't rushing to offer the program, while smaller, nonbank mortgage lenders seem eager to sign on, says Cecala. Borrowers who qualify will save money on interest and mortgage insurance compared with FHA loans.

If you do put down less than 20%, you must pay for private mortgage insurance (PMI), which protects the lender if you default. The more you put down and the higher your credit score, the less coverage you'll need and the lower the cost of PMI. The annual cost for a 5%-down loan runs from 0.54% to 1.52% of the loan balance, according to a recent report by WalletHub.com, a financial-information site. When your equity reaches 20%, you can ask the lender to cancel the PMI; at 22%, the lender must automatically cancel it.

You can reduce the down payment and avoid PMI with a so-called piggy-back loan—an 80% first mortgage, a 15% second mortgage and 5% down. This kind of loan is especially useful if you haven't yet sold your previous home but you have enough cash to put 5% down and you can afford to pay the mortgage on both homes temporarily. You can pay off the second mortgage (and pay down your new loan) when your previous home sells.

You won't need a down payment (or mortgage insurance) if you're a vet who qualifies for a Veterans Affairs home loan (see [www.benefits.va.gov/homeloans](http://www.benefits.va.gov/homeloans)), but you will have to pay an up-front "funding fee" of up to 3.3% of the loan amount. Rural Development Guaranteed Loans from the U.S. Department of Agriculture also allow qualified, low-income borrowers in selected areas to buy with nothing down, although they will pay an up-front guarantee fee (rolled into the



loan amount) and an annual fee ([www.rurdev.usda.gov/hsf-about-guaranteed\\_loans.html](http://www.rurdev.usda.gov/hsf-about-guaranteed_loans.html)).

## ●● THE ARM ALTERNATIVE

Over the past several years, most borrowers gladly locked in low fixed rates. But you can trim your rate further with an adjustable-rate mortgage. If you do, choose a hybrid ARM, which features an initial fixed-rate period followed by adjustments after set periods of time. Match the fixed-rate period to the time you expect to own

your home and you won't have to worry about the rate adjustments. You'll find hybrid ARMs with fixed-rate periods of three, five, seven and 10 years. In early January, the average rate on a 5/1 ARM was 3.1% and the rate on a 10/1 ARM was 3.5%, compared with the 30-year fixed rate of 3.9%, according to HSH.com, which tracks rates. Some versions adjust every five years or even every 15 years.

Today's ARMs have built-in safeguards that protect borrowers against features that fueled the mortgage

meltdown—such as exploding rates at the first adjustment and minimum-payment options that allowed the loan principal to grow. Lenders must inform you up front what your new payment will be after the first adjustment if your rate rises to the loan's cap (which should be no more than two percentage points). If the ARM has a fixed rate for five or fewer years, lenders must qualify you for the loan based on the payment amount that would result if the interest rate rose to the cap on the first adjustment.

## ✦ Sizing You Up

# What Lenders Are Looking For

To qualify you for the best rate, lenders will see if you pass muster in three main areas. Note that you may be able to offset weakness in one category with strength in another.

**Are you a good credit risk?** One of the first things lenders do is pull your credit score. The most common is the FICO score, which will be based on data from one of the three major credit bureaus (Equifax, Experian and TransUnion). Lenders use the lower of two scores, the middle of three or the average of all scores. If you have a co-borrower, they compare your scores and use the lower of the two or average them. Your debt-to-income ratio and your down payment determine the minimum required credit score for a mortgage (see below).

**Can you handle the payments?** To measure "capacity," lenders scrutinize your (and your spouse's) job and income history and prospects, debt-to-income ratios, and savings and assets. Lenders will also look at your proposed ratio of monthly housing expenses to income. Housing expenses include loan principal and interest, real estate taxes, and hazard insurance (PITI), plus mortgage insurance and homeowners-association dues. Housing expenses generally shouldn't exceed 25% to 28% of your gross monthly income.

Lenders also figure your maximum debt-to-income ratio (total monthly debt payments divided by gross monthly income). That number and your down payment determine the minimum required credit score; if it's 36% or less, Fannie Mae sets a minimum credit score of 620 with a down payment of 25% or more, and 680 with less than 25% down. To push the debt-to-income ratio to 45%, you'll need a credit score of at least 640 with a down payment of 25% or more, and 700 with less than 25% down. Standards get tougher as you layer on more risk—say, with an adjustable-rate mortgage or investment property.

**Does the value of the home justify the loan you want?** "Collateral" is typically measured as loan-to-value ratio: the amount of the loan divided by the appraised value of the home you want to finance. If you could borrow all of the money, the LTV ratio would be 100%. But lenders will demand a down payment of at least 3%. That way, you have a stake that you stand to lose if you default on your loan.

## ●● SHOP SMART

About six months before you want to buy a home, pull your credit score, review your credit report and dispute any errors in it (see "Demystifying Your Credit Score" at [Kiplinger.com](http://Kiplinger.com)). You can also use the time to pay down debt, beef up savings and gather documents. "The last thing you want is to find your dream home and not qualify for a large-enough mortgage," says Bob Walters, chief economist for Quicken Loans. To get an idea of what you can afford, use the calculator "How much money can I borrow for a mortgage?" at [www.bankrate.com](http://www.bankrate.com).

Before you tour homes, get preapproved for a mortgage by a local lender that sellers and their agents will recognize (your agent can recommend one). A preapproval letter printed on the lender's letterhead and submitted with your purchase offer assures sellers that your finances are up to snuff and you can close the deal. If there are multiple offers, that may help lift yours above the others.

As soon as you have a ratified purchase contract (if not before), track down the best rate. Try different types of lenders, including the one that preapproved your mortgage, your bank and your credit union (check membership qualifications if you don't already belong to one). Or contact a mortgage broker, who represents multiple lenders (to locate one, visit [www.namdb.org](http://www.namdb.org)). You may get the best rate from a nonbank mortgage lender, whether



it's a brick-and-mortar operation or an online lender such as Quicken Loans ([www.quickenloans.com](http://www.quickenloans.com)). You can get rate quotes anonymously at [www.mortgagemarvel.com](http://www.mortgagemarvel.com) and apply with lenders that offer the lowest rates. If one lender turns you down—say, because you have a ding on your credit history, a small down payment or you're buying a fixer-upper—another one may welcome your business.

To compare apples to apples, ask lenders for their “par rate,” with no fees or points (a point is prepaid interest that “buys down” the interest rate by about one-eighth to one-fourth of a percentage point), plus an estimate of closing costs. Or tell the lender the amount you have budgeted for closing costs and ask what the corresponding rate will be, says Walters. Lenders can estimate the interest rate for which you'll qualify only until you have a contract for a home and you file a loan application. After that, they'll issue a formal good-faith estimate.

The national average cost to close on a \$200,000 mortgage in 2014 was \$2,539, including the cost of an appraisal, according to Bankrate.com. Costs have risen for the past two years as lenders ramp up to meet new regulations. (To see what average closing costs are in your state, visit [www.bankrate.com/finance/mortgages/closing-costs](http://www.bankrate.com/finance/mortgages/closing-costs).)

Which is better—a lower rate or lower closing costs? It depends on how long you plan to keep the loan. If you expect to be transferred to another city by your employer within, say, five years, then a no-cost loan with a higher interest rate is a great loan, says Josh Moffitt, president of Silverton Mortgage, in Atlanta, because you may not have time to offset higher up-front closing costs with lower mortgage payments.

Try to get a sense of whether a lender will provide the handholding you need, especially if you're a first-time buyer. Ask the lenders on your short list whether they can close within the time demanded by your purchase con-

tract. “Is chasing that eighth of a percentage point worth it when you go to a lender no one has heard of and 30 days later you're paying fees to delay the closing date, or you lose the house because you can't close on time?” asks Walters. Some lenders, including Discover Home Loans ([www.discover.com](http://www.discover.com)), advertise a “closing guarantee.” If they fail to close on time, they'll pay you from \$500 to \$1,000.

You may not have to deal with paper until you close on the loan, which most states require to be done in person. However, the process can be as personal as you want it to be. “We have loan officers who will go to a person's home and take an application over dinner,” says Moffitt.

### ●● VETTING THE DEAL

Before a lender can approve your loan, it must document the amount and source of your down payment, closing costs, income, assets and more. At the very least, a lender will request two pay stubs, two months of bank statements and two years of W-2 forms.

The list will be longer if you have income that doesn't show up on a W-2—say, from self-employment or alimony—or income that's inconsistent, such as commissions or bonuses. In that case, a lender may ask you for several months of bank- and investment-account statements to verify your assets, two years of tax-return transcripts from the IRS, or a year-to-date profit-and-loss statement and balance sheet prepared and signed by your accountant.

As a lender scrutinizes your file, it may ask for more documentation, especially to explain any gaps in employment or inconsistent income. For gift money, you may need to provide documentation for the source of the funds for the gift—perhaps a copy of the giver's bank statement. (Loan programs may have different rules about the percentage of your own money versus gift money allowed.) To do your part to get to closing on time, don't do anything that would change your

credit profile, such as taking on new debt or paying a bill late.

The lender will hire a real estate appraiser to determine whether the purchase price on which you and the seller have agreed is supported by recent sales of comparable homes in the area. If the appraised value is less than the sum of your loan amount and down payment, someone—you or the seller—must make up the difference with more money.

You or your lender can rebut a valuation that comes in lower than the purchase price—say, if it appears that a relevant comparable sale has been overlooked. After the housing bust, deals often fell through because the appraised value fell short of the purchase price, but recent appraisals ordered by Quicken Loans have come in higher, on average, than homeowners thought they would. ■

### ✱ KipTip

## You Could Still Save on a Refi

If you have equity in your home and haven't bothered to refinance at today's low rates, it's not too late to save. You don't necessarily have to reduce your rate a lot. The question is whether you will stay in your home long enough to recoup the closing costs with savings on your monthly payments (run the numbers using the refi calculators at [www.mtgprofessor.com](http://www.mtgprofessor.com)).

To refinance an existing mortgage with a conforming loan backed by Fannie Mae or Freddie Mac (and roll your closing costs into the loan), you'll need a minimum of 5% equity for a fixed rate and 10% equity for an ARM. With a maximum debt-to-income ratio of 36%, lenders may require a minimum credit score of 660 if you have less than 25% equity.

If you're still underwater on your loan—that is, you owe more on your mortgage than the market value of your home—see [www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov) for options.



# “I have several IRAs at different brokerage firms. Should I consolidate them?”

**FOR MOST INVESTORS, THE** answer is yes. Putting all of your IRAs under one roof offers a number of advantages, starting with potential lower costs. Combining your accounts may ensure you avoid low-balance fees that can eat into your investment returns. For example, T. Rowe Price and Vanguard Group charge a \$20 annual service fee for IRAs with balances below \$10,000. A single, larger account may also lower your mutual fund expenses and trading fees. And you may be eligible for perks, such as bargain-priced tax software or a complimentary portfolio review by a financial planner.

Some firms offer a cash incentive to attract new customers. TD Ameritrade pays new customers cash bonuses ranging from \$100 to \$600, depending on the size of the account, and up to \$2,500 to current customers for increasing the size of their accounts.

Then there are the organizational benefits. It's easier to monitor your portfolio when all of your investments are in one place. Consolidating your IRAs will also cut down on the number of statements you receive, which will make it easier to find information you may need, say, at tax time.



**Longer-term benefits.** You'll appreciate having all your IRAs in one place when it comes time for you to withdraw money from your accounts. Once you turn 70½, you're required to withdraw a specific amount from your traditional IRAs by December 31 of each year (there are no minimum-withdrawal requirements for Roth IRAs). The amount of your required minimum distribution will be based on the balance in your IRAs and your life expectancy. If you have multiple IRAs, you must calculate an RMD separately for each account. Once you've done that, you can withdraw the total amount from any account or combination of accounts.

Still, the process is easier if you have all of your IRA investments in one place, says Artie Green, a certified financial planner in Palo Alto, Calif. Consolidating your IRAs also reduces the risk that you'll overlook an account when figuring your RMD for the year. The penalty for such an oversight is 50% of the amount you should have withdrawn.

Changing and updating your beneficiaries is also easier when all of your IRA money is in one place. “One of the things I do with clients every year is review their beneficiaries to make sure they're set up correctly,” Green says. “The more accounts you have, the more work you have to

do.” And combining accounts will streamline the process of transferring accounts to your heirs. “If you've got accounts spread all over the place, it's a real paperwork burden” for your heirs, says Raymond Benton, a CFP in Denver.

Married couples must maintain separate IRAs—that's why they're called *individual* retirement accounts—but surviving spouses can roll over inherited IRAs into their own accounts. “It's so much easier for the other person to take it over if it's all in one place,” says Jorge Padilla, a certified financial planner in Miami.

If you've held several jobs over the years, you may have money in former employers' 401(k) plans, too. Rolling those 401(k) plans into an IRA is another way to simplify your investments, but it's not always a good idea. Some large 401(k) plans offer institutional-class mutual funds that charge lower fees than funds for retail investors (although if your IRA is large enough, you may qualify for those funds). If you're still working and your employer allows it, another option is to roll your old 401(k) into your new employer's plan (see “Game Plan,” Aug. 2013). **SANDRA BLOCK**



A barn manager checking  
out the horses before a  
busy day on the farm.

OR

A successful horse show  
manager checking out the horses  
before a busy day ringside.

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KIMBERLY LANKFORD &gt; Ask Kim

## Beware This ID Theft Scam

**I RECEIVED A DUNNING LETTER** from a collection agency demanding \$158. I've always paid my bills on time, and I don't recognize the charge. I checked out the supposed creditor, and the company seems to be out of business. I also checked my credit report, and there are no outstanding problems. Can I ignore the letter?

**M.H., NEW YORK CITY**

You are wise to be skeptical and not automatically write a check. This could be a *phantom debt*, a growing problem in which criminals steal enough of your personal information to scare you into thinking a bogus collection letter or phone call is real. They may even be able to cite, say, the name of your bank and the last four digits of your Social Security number, says Christopher Koegel, of the Federal Trade Commission.

The fact that the company is out of business does not necessarily mean the debt is phoney, though, says April Kuehnhoff, of the National Consumer Law Center. Firms often sell outstanding debt to collection agencies. "It's possible the original creditor went out of business after selling this debt," she says. Koegel recommends that you continue watching your credit reports to see if the debt appears (you can order a free report from each of the three major credit bureaus every 12 months at [www.annualcreditreport.com](http://www.annualcreditreport.com)). Overdue accounts can be reported up to seven years after the original delinquency date.

For your peace of mind, you may want to request a *validation notice* from the collection agency. It's legally obligated to send such a notice, which must include the amount of the debt, the name of the current creditor, and your rights under the federal Fair Debt Collection Practices Act. The Consumer Financial Protection Bureau has sample letters to help you respond to debt collectors ([www.consumerfinance.gov](http://www.consumerfinance.gov)). If there is no response, file a complaint at [FTC.gov](http://FTC.gov) about the suspicious dunning notice.

**Paying taxes on raffle winnings.** *I won a Toyota Prius in a charity raffle. Do I have to pay taxes on it? What if I sell it right away?*

**P.A., BERLIN, MD.**

It may seem like a dirty trick, but you will have to pay income taxes on the fair market value of the car minus the cost of the raffle ticket—whether you sell the car or not. The organization conducting the raffle must submit Form W-2G to the IRS with the value of the car, which you report as "other income" on line 21 of your Form 1040.

The value of the car is determined by what is reported on Form W-2G, not the value reported on a Web site or even the price you get if you sell the car, says Mark Luscombe, of tax publisher Wolters Kluwer, CCH. But you may be able to influence the amount reported. Greg Rosica, of accounting firm EY, recommends researching the average transaction price for the car and sharing that with the charity before it issues the tax form. You can find transaction prices at [KBB.com](http://KBB.com) or [Edmunds.com](http://Edmunds.com).

**Health coverage for young adults.** *When my daughter turns 26, can she get her own health coverage even if open enrollment is over?*

**V.S., CHICAGO**

Yes. Your daughter has up to 60 days after losing dependent coverage to buy an individual policy, even if open enrollment is over. She qualifies for a subsidy if she doesn't have coverage through her employer, she's single and earns less than \$46,680, and she buys a policy through her state exchange (see [www.healthcare.gov](http://www.healthcare.gov) for links). She can also get quotes for policies on and off the exchanges at [eHealthInsurance.com](http://eHealthInsurance.com). If she goes without coverage for more than three months, she may have to pay a penalty in 2015 of 2% of her household income or \$325, whichever is more. ■

**GOT A QUESTION? E-MAIL [ASKKIM@KIPLINGER.COM](mailto:ASKKIM@KIPLINGER.COM). KIMBERLY LANKFORD ANSWERS MORE QUESTIONS EACH WEEK ON [KIPLINGER.COM](http://KIPLINGER.COM).**



**Criminals may steal enough personal information to scare you into thinking a bogus collection notice is real."**

## CREDIT»

# Make the Most of Mobile Banking

## BANKING BY SMARTPHONE

is starting to catch on. More than one-third of all U.S. customers' interactions with their bank in 2014 were via mobile devices, according to a study from consultant Bain & Co. That's even more than the number of online interactions. Among the most popular features are the ability to monitor account balances and transactions, transfer money between accounts,

But a Pew Charitable Trusts study found that banks often aren't transparent about the fine print that governs remote check deposit, including fees, eligibility requirements and how quickly the deposited funds will be available. Some of the large banks surveyed, among them KeyBank, impose a fee of 50 cents per check deposit. Of the banks that made their policies on funds availability clear to prospective customers, most said the money would be available one to two days after posting to the account. The maximum customers could deposit per month varied from as little as \$2,500 to as much as \$750,000. When in doubt, contact your bank about the conditions of using any mobile services it provides.

Look for banks to introduce innovations that may soon become standard. For example, BBVA Compass and U.S. Bank customers can now take a snapshot of a paper bill payment stub and set up recurring payments through the bank's mobile app. **LISA GERSTNER**

Kiplinger.com

## RATE UPDATES

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

and pay bills. Many banks also allow you to set up alerts when your account balance is low or there's a large withdrawal.

Depositing checks via banking apps is gaining traction, too. In most cases, it's easy and convenient: You follow the instructions to snap photos of the front and back of a check and send the images to your bank.

YIELD BENCHMARKS	Yield	Month-ago	Year-ago
U.S. series EE savings bonds*	0.10%	0.10%	0.10%
U.S. series I savings bonds	1.48	1.48	1.38
Six-month Treasury bills	0.08	0.09	0.06
Five-year Treasury notes	1.37	1.53	1.60
Ten-year Treasury notes	1.91	2.10	2.84

SOURCE FOR TREASURIES: U.S. Treasury.

As of January 13. \*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.

## TOP-YIELDING MONEY MARKET ACCOUNTS

		30-day yield as of Jan. 6	Min. invest- ment	Web site (www.)	
Taxable Funds					
Meeder Money Market Retail (FFMXX)*		0.06%	\$2,500	meederfinancial.com	
HSBC Prime MMF A (REAXX)*		0.03	1,000	us.hsbc.com	
HSBC U.S. Govt MMF A (FTRXX)*		0.03	1,000	us.hsbc.com	
PNC Money Market Fund A (PEAXX)*		0.03	1,000	pncfunds.com	
NATIONAL AVERAGE		0.01%			
		30-day yield as of Jan. 5	Tax. eq. yield 25%/39.6% bracket	Min. invest- ment	Web site (www.)
Tax-Free Funds					
Alpine Municipal MMF (AMUXX)*		0.02%	0.03%/0.03%	\$2,500	alpinefunds.com
PNC Tax-Ex MMF A (PXAXX)*		0.02	0.03/0.03	1,000	pncfunds.com
American Cent T-F Inv (BNTXX)*‡		0.01	0.01/0.02	2,500	americancentury.com
BMO Tax-Free MMF Y (MTFXX)*‡		0.01	0.01/0.02	1,000	bmo.com
NATIONAL AVERAGE		0.01%	0.01%/0.02%		
		Annual yield as of Jan. 13	Min. amount	Web site (www.)	
Deposit Accounts#					
GE Capital Bank (ILL.)†		1.05%	none	gecapitalbank.com	
My Savings Direct (N.Y.)†		1.05	\$1	mysavingsdirect.com	
EverBank (Fla.)†		1.01	1,500	everbank.com	
Synchrony Bank (N.J.)†&		1.00	none	myoptimizerplus.com	
NATIONAL AVERAGE		0.09%			

\*Fund is waiving all or a portion of its expenses. †Various fund companies offer similar yields. ‡Internet only. &AbleBanking, Barclays Bank, CIT Bank and iGobanking.com offer similar yields. #Deposit accounts include money market deposit accounts and high-yield savings accounts. SOURCE: Money Fund Report, iMoneyNet, One Research Drive, Westborough, MA 01581 (508-616-6600, [www.imoney.net](http://www.imoney.net)).

## TOP-YIELDING CERTIFICATES OF DEPOSIT

1-Year	Annual yield as of Jan. 13	Min. amount	Web site (www.)
BankDirect (Texas)†	1.17%	\$10,000	bankdirect.com
BAC Florida Bank (Fla.)†‡	1.15	500	bacflorida.com
Sallie Mae Bank (Pa.)†‡	1.15	2,500	salliemae.com
Synchrony Bank (N.J.)†‡	1.15	2,000	myoptimizerplus.com
NATIONAL AVERAGE	0.27%		
5-Year	Annual yield as of Jan. 13	Min. amount	Web site (www.)
Barclays Bank (Del.)†	2.25%	none	banking.barclays.com
GE Capital Bank (ILL.)†	2.25	\$500	gecapitalbank.com
Nationwide Bank (Ohio)†	2.25	500	nationwide.com
Synchrony Bank (N.J.)†	2.25	25,000	myoptimizerplus.com
NATIONAL AVERAGE	0.85%		

†Internet only. ‡CIT Bank offers a similar yield. SOURCE: © 2015 Bankrate.com, a publication of Bankrate Inc., 11760 US Highway 1, N. Palm Beach, Fla. 33408 (800-327-7717, ext. 11410; [www.bankrate.com/kip](http://www.bankrate.com/kip)).

## LOW-RATE CREDIT CARDS

Issuer	Rate as of Jan. 9*	Annual fee	Late fee	Web site (www.)
First Command Bank (P)	6.25%	none	\$25†	firstcommandbank.com
Lake Michigan Credit Union (P)	6.25	none#	25†	lmcu.org
Citizens Trust Bank Visa (G)	7.25	none	25†	ctbconnect.com

## AIR-MILES CARDS

Issuer	Rate as of Jan. 12*	Annual fee	Miles needed for ticket	Web site (www.)
US Bank FlexPerks Travel Rewards	13.99%	\$49§	20,000‡	usbank.com
BankAmericard Travel Rewards	14.99	none	40,000‡	bankofamerica.com
Barclaycard Arrival Plus	14.99	89§	40,000‡	barclaycardarrival.com

Rates are adjustable. \*If you do not qualify for this interest rate, the issuer will offer a higher-rate card. (P) Platinum. (G) Gold. †\$35 if late more than once in six months. #Must be a credit union member. §Waived the first year. ‡Value up to \$400. SOURCE: Bankrate.com. Banks may offer lower introductory rates.

# DEALS ON New Wheels

Kiplinger's Best Value Awards can help you find the right car at a great price. [BY JESSICA ANDERSON](#)

**THE LOWEST GASOLINE PRICES SINCE THE GREAT RECESSION,** rock-bottom interest rates and an improving economy are fueling a boom in new-car sales. Automakers sold 16.5 million new vehicles in 2014, the most since 2006. And all signs point toward another banner year in 2015. // Encouraged by the record sales and aiming for ever-smaller niches, automakers





■ THE MERCEDES-BENZ S550 COUPE IS ALL NEW FOR 2015. THE S550 SEDAN WINS BEST IN CLASS IN THE OVER-\$50,000 CATEGORY.

are carving out new categories, such as subcompact crossovers, four-door coupes and reimagined hatchbacks. Low gas prices are also opening the door for buyers to do what Americans love best: Go big. Trucks and SUVs account for nearly half of recent sales. Though *big* often means bigger price tags, a plethora of leasing and financing deals are taking some of the sting out of higher sticker prices. Plus, the trend toward supersizing is creating deals in neglected categories, mainly sedans and eco-friendly models.

You won't find deals across the board, but there are still plenty to be had; you just have to know where to look. *Kiplinger's* Best Value Awards can help you narrow the field. We sorted the 2015 models by price and category and ranked them for performance, safety and value, including resale value and fuel economy. Starting on page 69, you'll find the top models

in 11 categories, including our picks for Best in Class and Best New model. We highlight five additional vehicles on each page as "worth a look"; they scored high enough to be in contention for the top awards. (For data on all the 2015 models, go to [kiplinger.com/links/carguide](http://kiplinger.com/links/carguide).) Read on to find out what you need to know before you hit the showroom.

### ●● LUXURY TRICKLES DOWN

As automakers compete for your business, the lines are blurring between mainstream brands and luxury cars. Mainstream models are getting safety and tech features once reserved for luxury models, and luxury brands are introducing entry-level vehicles with lower prices. No matter the emblem on the front of a vehicle, overall quality has never been better. "The high level of competition means all automakers have to produce very high-

quality cars just to stay in business," says industry analyst Jesse Toprak.

High quality is the reason Bob Schultek has been buying Subarus since the 1980s. His family currently owns five. But when he went to buy a new Legacy, even he was surprised at how much better it was than his 2011 model. (The redesigned Legacy wins our Best New Car award in the \$25,000-to-\$30,000 category.) Schultek found that, compared with his old Legacy, the 2015 model's ride was smoother and quieter, and its interior was more spacious. "They've made remarkable improvements and really upped their game," he says.

For example, the new Legacy features a forward-collision warning system, which uses sensors and automatic braking to help you keep a safe distance from the vehicle in front of you. Just five years ago, collision warning systems were mostly limited to luxury

## Tech Features Worth the Price

**IF YOU HAVEN'T SHOPPED FOR A NEW CAR IN SEVERAL YEARS, YOU MAY BE SURPRISED AT HOW MUCH TECHNOLOGY IS PACKED into the dashboard. Tech options may be bundled in packages, but if the choices are a la carte, here's a guide to what to choose.**

✓ **Rearview cameras.** As safety standards rise, cars' structural pillars are getting bigger and windows getting smaller, making it harder to see behind your car.

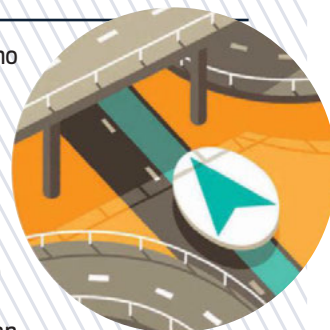
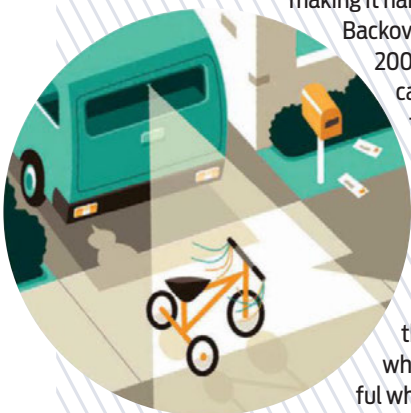
Backover accidents cause about 200 fatalities a year, but you can avoid adding to that statistic by paying about \$500 for a rearview camera.

✓ **Forward-collision warning.** These systems use sensors to help you keep a safe distance from the vehicle in front of you, which is especially helpful when a vehicle that's

stops short and creates a domino effect of slamming brakes. Systems with automatic braking are safer than ones that merely warn you of an impending crash. Prices average about \$400.

⊗ **Navigation systems.** There's no need to spend \$1,000 on a nav system. If you have a smartphone with a maps app, you can get turn-by-turn directions free. (Most new cars come with Bluetooth hands-free systems to connect your phone to the car's audio system.) An inexpensive suction mount (\$25 or less on Amazon) can anchor the phone in an easy-to-see spot.

⊗ **Blind-spot warning.** These systems, typically about \$700, use cameras or radar to warn you when vehicles are in your blind spot. But if you adjust your mirrors properly—pushed outward just enough so you don't see any of your own fender—you won't have any blind spots. A related technology, lane-departure warning, is worth considering.





vehicles. Today you'll find them in a number of the least-expensive models; Subaru offers the technology even on its entry-level Impreza for 2015.

The trickle-down of safety technology to mainstream vehicles has been helped along by government regulators and consumer advocates. For example, after several delays, the National Highway Traffic Safety Administration mandated in 2014 that every new car built in 2018 and beyond include a rearview camera. This feature is already becoming standard equipment in vehicles across the price spectrum, including the all-new Fit, Honda's entry-level model, which includes a rearview camera on every trim level. "Safety has been democratized," says Bill Visnic, a senior editor at Edmunds.com.

One industry group pushing the safety envelope is the Insurance Institute for Highway Safety. Without the government red tape, the IIHS can quickly adjust requirements for its coveted "Top Safety Pick" awards. Vehicles that do well in IIHS crash tests receive a Top Safety Pick designation. But to earn the IIHS's highest rating of "Top Safety Pick+" this year, a vehicle must receive an "advanced" or "superior" rating for front-crash prevention with a forward-collision warning system. To achieve these ratings, vehicles must have a system that includes automatic braking; a warning isn't enough. You might expect that with more stringent tests, fewer vehicles would excel. Rather, the Top Safety Pick+ group has grown, says David Zuby, chief research officer for the IIHS.

Other collision warning systems have become more common as well. A lane-departure warning system uses cameras to watch the road and alert you if you're drifting into another lane; it's on NHTSA's recommended list. Blind-spot warning, which isn't on NHTSA's list, alerts you if a vehicle is in your blind spot. This year, compact crossovers get these systems as optional equipment; Mazda has upgraded the CX-5 to include blind-spot warning,

and Honda has equipped the CR-V with a lane-departure system, along with forward-collision warning. (For our take on some popular safety and technology features, see the box on the previous page.)

#### ●● LET SIRI DO IT?

Improvements in infotainment systems continue to march across dashboards. No matter the car, syncing a smartphone is getting easier, and you can accomplish more tasks without taking your hands off the wheel or your eyes off the road. Apple's Siri Eyes Free mode currently appears in models from 10 brands. The feature allows you to direct Siri to perform tasks via a button on the steering wheel. Apple's CarPlay is an integrated system that lets you use your iPhone directly through a car's dashboard; Android users can get in the game, too, with in-car apps such as Pandora Internet radio, OpenTable and Bing.

Of course, all this tech is a dual-edged sword. Although drivers can do more without holding a phone, distraction is still a problem. Researchers say that distracted driving can be as dangerous as drunk driving. A recent study by the AAA Foundation for Traffic Safety found that inaccurate voice-recognition software and tools that allow complicated tasks, such as dictating a text message, increase distraction.

#### ●● WHERE THE VALUES ARE

The crossover craze continues this year, so deals on them will be scarce. The newest segment: subcompact crossovers. Built on the platforms of subcompact cars, such as the Honda Fit, these new models are smaller than compact crossovers and sport a lower price. Among the new offerings for 2015 are the Audi Q3, Chevrolet Trax, Jeep Renegade and Mercedes-Benz GLA. (Honda's HR-V will arrive early in the year as a 2016 model, so it's not included in our rankings this year.) The hype will likely dictate transaction prices near the sticker prices.

Small and midsize crossovers have replaced sedans (and, once upon a time, station wagons) as the go-to family cars, with their added cargo space and lifted ride, so prices will hold steady there as well. New models include the compact Lexus NX and Lincoln MKC and the midsize Nissan Murano.

## BEST SELLERS

These models topped the sales charts in 2014.

**Ford F-Series**  
**Chevrolet Silverado**  
**Ram Pickup**  
**Toyota Camry**  
**Honda Accord**  
**Toyota Corolla**  
**Nissan Altima**  
**Honda CR-V**  
**Honda Civic**  
**Ford Fusion**

SOURCE: Kelley Blue Book

## HOTTEST CARS

These models had the fastest turnover in December 2014.

**Lexus NX**  
**Subaru WRX**  
**Lexus RC**  
**Audi Q5**  
**Subaru XV Crosstrek**  
**Mercedes-Benz GL-Class**  
**Mercedes-Benz CLA-Class**  
**Mercedes-Benz GLA-Class**  
**Acura TLX**  
**Subaru Forester**

SOURCE: Kelley Blue Book





■ THE FORD EXPLORER TAKES BEST IN CLASS HONORS IN THE LARGE CROSSOVER CATEGORY.

Full-size SUVs and trucks are making a comeback, thanks to cheap gas and new entries, so the price slashing is past, at least for now. Ford's redesigned, all-aluminum F-150 has better fuel economy than the old model, and the new Chevrolet Colorado and GMC Canyon are revitalizing midsize pickup sales (a new Toyota Tacoma is on tap for 2016). *Kiplinger's* is back in the truck game, too; you'll find our Best Value Awards for pickups at [kiplinger.com/links/carguide](http://kiplinger.com/links/carguide).

As buyers turn to crossovers, prices are softening on sedans of all sizes. The midsize-sedan category is seeing the most defections, so you'll find plenty of incentives—mainly low-rate financing. In this competitive segment, most of the major players have been redesigned within the past three years; the Hyundai Sonata, Subaru Legacy and Toyota Camry were rede-

signed for 2015. Compact cars will also be riper for haggling.

Sales of large cars have plummeted, but that hasn't stopped Chrysler from introducing a new 300 or Hyundai from revamping the Genesis. These cars have all the features of the German luxemo-biles at half the price. If big is your bag, you should be able to drive a deal.

With \$4-a-gallon gasoline in the rearview mirror, green machines—including the ubiquitous Toyota Prius—are fighting sales slumps and will sport the sweetest deals in 2015. Not much has changed in this space: The Tesla Model S has added all-wheel drive as an option, and Kia and Volkswagen have entered the electric-vehicle market with the Soul EV and the e-Golf (mostly to comply with California fuel-economy mandates). "If you've been waiting to pull the trigger

on a fuel-efficient car, now's the time," says Toprak. Many gasoline-powered vehicles are boosting fuel economy with smaller turbocharged and direct-injected gas engines, stop-start systems, and transmissions with more gears (Chrysler's new 200 has nine).

The Kia Sedona minivan and the Subaru Outback and Volvo V60 wagons are the only all-new models in their categories for 2015. Expect sales—and prices—on minivans and wagons to remain steady.

#### ●● DRIVING A DEAL

The average transaction price for a new vehicle was \$33,773 in December. That's up 18% from 10 years ago, but adjusted for inflation, it's actually less expensive than the price a decade ago. At the same time, many buyers are choosing higher trim levels and higher-cost crossovers and SUVs.

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## GUIDE TO THE RANKINGS

# How We Choose the Best Values

**WE PICK BEST IN CLASS AND BEST new winners based on performance, value and safety. Half the score is awarded for value, including resale, fuel efficiency, front and rear legroom, headroom, and cargo space (trunk space or the space behind the second-row seats in a wagon, crossover or minivan). Sedans are ranked within price categories. Crossovers, minivans and wagons aren't broken out by price, so we also score on a scale that rewards lower prices.**

A vehicle's safety (represented by crash-test ratings and features such as airbags) counts for one-fourth of the total score, and performance for 10%. The remainder of the score derives from our impressions while test-driving the cars. We assess design and comfort as well as dashboard layout.

Another measure of a vehicle's worth is its resale value three and five years down the road. These figures, supplied by Kelley Blue Book, are the estimated price that a dealer would pay if you traded in the vehicle, expressed as a percentage of the sticker price.

We show five-year total ownership costs, also supplied by Kelley Blue Book, which take into account the out-of-pocket costs such as fuel, insurance and service costs, as well as the car's loss in value. We also break out service costs, which are an estimate of maintenance and repairs over five years.

Finally, we choose the most fuel-efficient vehicles based on annual fuel costs, using gasoline prices of \$3 for regular, \$3.35 for premium and \$3.75 for diesel, and assuming 15,000 miles of driving each year.

Doing your homework before setting foot in a showroom will help you get the best possible deal. Check current transaction prices at Edmunds.com, Kelley Blue Book ([www.kbb.com](http://www.kbb.com)) and TrueCar.com to see what others in your area are paying for the vehicle you want and to set a reasonable target price. When negotiating, keep all parts of the deal separate—the price of the car, the financing and your trade. Hate to haggle? For \$250, CarBargains ([www.carbargains.org](http://www.carbargains.org)) uses its professional negotiators to solicit bids from at least five dealers in your area.

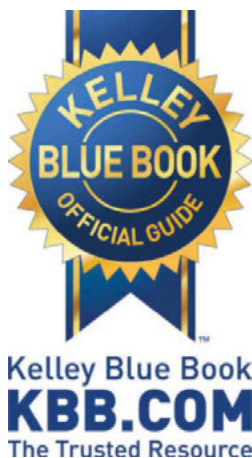
Interest rates are superlow, and if your credit score is high enough (typically more than 700), you'll qualify for the lowest rate (sometimes zero) offered by the automakers' financing arms. Even if you don't have pristine credit, you'll probably still qualify for a rate below 4%. Shop for rates before heading to the dealer so you can keep your options open. If you're offered a zero-percent rate, take it, says Jessica Caldwell, senior analyst for Edmunds. Cash-back deals are few and far between, but if you have the choice between a low rate and cash, Caldwell's advice is to lock in a low rate at a bank or credit union and take the cash from the carmaker.

Longer-term loans are becoming

more popular as buyers try to keep monthly payments low. But with a longer loan, you pay off the principal more slowly and have less equity in the car for the first several years. That means if you total the car, you'll still owe most of the note—possibly more than the insurance settlement.

Leasing could save you money, particularly if you always have a car payment because you tend to take out long-term loans or trade in your cars frequently. Because you're paying for depreciation only over the term of the lease, payments are lower than if you financed the entire cost of the car. The majority of leases are written for three years, so a leased vehicle is almost always under warranty (see "Drive Time," Feb.).

When you sell your old car, don't leave money on the table. "There are plenty of used-car buyers, so tell dealers you know they'll be able to flip it for a good price," says Karl Brauer, senior director of insights for Kelley Blue Book. Find out what your vehicle is worth at sites such as [www.kbb.com](http://www.kbb.com), and shop your old car at several dealers to size up a trade-in offer (see "Drive Time," Jan.). Keep in mind that CarMax can usually beat other dealers' offers, and you'll typically get even more if you sell the vehicle yourself to a private party. ■



**All data in our tables was supplied by Kelley Blue Book. Here's an explanation of prices.**

### Kelley Blue Book® Fair Purchase Price

The Kelley Blue Book® Fair Purchase Price for new cars is generally the midpoint of the Fair Market Range. It is Kelley Blue Book's estimate of what a consumer could reasonably expect to pay during the period between December 19, 2014, through January 15, 2015, for a new vehicle with standard options, excluding taxes, title and fees. It's based on actual new-car transactions, plus data from other reliable third-party sources as well as market conditions.

### MSRP

The MSRP, or Manufacturer's Suggested Retail Price, is the price set by the manufacturer and does not necessarily reflect the price actually paid by consumers in your area. The MSRP shown here includes destination and freight charges but excludes services and handling fees and state and local tax, title and license fees.

### Invoice Price

Dealer invoice represents the dealer's cost for the vehicle only and doesn't include any of the dealer's costs for advertising, selling, preparing, displaying or financing the vehicle.



# Cars Under \$20,000

## BEST NEW CAR HONDA FIT



In addition to loads of cargo space and versatile seat configurations, the redesigned Fit now has more interior room and more power, with even better fuel economy. In a nod to safety, every trim level gets a standard rearview camera. Plus, resale values are off the charts.

### WHAT YOU'LL PAY

**BLUE BOOK FAIR PURCHASE PRICE:**  
\$16,800 (for LX automatic)

**TO BUY:** \$278 a month  
10% down/4%/60 months

**TO LEASE†:** \$290 a month  
One month's payment due at signing/  
\$9,804 residual/36 months

### TOP 25 MODELS

For an explanation of our rankings, see page 68. For complete data on more than 2,000 vehicles, see [kiplinger.com/links/carguide](http://kiplinger.com/links/carguide).

Make/Model	MSRP	Invoice price	Blue Book Fair Purch. Price	Cost to own (5 yr.)	Service cost (5 yr.)	Top Safety Pick <sup>2</sup>	Resale value 3 yr./5 yr.	Engine size (liters)	No. of cylinders	Horsepower	MPG city/hwy.	Length/width front/rear (in.)	Legroom front/rear (in.)	Cargo space (cu. ft.)	
Chevrolet Cruze 1LT 4dr*	\$19,890	\$19,127	\$18,998	\$32,618	\$4,603		43%/35%	1.4T	4	138	26/38	181/71	42/35	15	
Chevrolet Sonic LT 4dr hatch*	17,205	16,550	16,477	32,164	4,179		38/27	1.8T	4	138	26/35	159/68	42/35	19	
Chevrolet Spark 1LT 4dr hatch*	14,865	14,303	14,326	27,057	3,966	★	51/34	1.2	4	84	31/39	145/63	42/35	11	
Dodge Dart SXT 4dr*	19,790	19,472	18,626	33,699	3,890	★	42/32	2.4	4	184	22/35	184/72	42/35	13	
Ford Fiesta SE 4dr hatch*	16,910	16,307	16,225	30,822	4,474		45/33	1.6	4	123	28/36	160/68	42/31	15	
✓ Ford Focus SE 4dr hatch*	19,785	18,506	—	—	—	★	—	2.0	4	160	26/36	172/72	44/33	24	
✓ Honda Civic LX 4dr*	19,310	18,013	17,854	30,513	4,026	★	54/42	1.8	4	143	28/36	179/69	42/36	13	
Honda Fit LX 4dr hatch	17,270	16,836	16,800	26,639	4,075	★	67/49	1.5	4	130	33/41	160/67	41/39	17	BEST NEW CAR, BEST RESALE & MOST FUEL-EFFICIENT
Hyundai Accent GS 4dr hatch*	15,820	15,407	15,187	—	—		—	1.6	4	137	26/38	162/67	42/33	21	
Hyundai Elantra SE 4dr	19,075	18,454	17,991	32,312	4,475	★	43/31	1.8	4	145	28/38	179/70	44/33	15	
Hyundai Veloster 2dr hatch*	18,725	18,091	17,653	—	—		48/33	1.6	4	138	26/35	166/71	44/32	16	
Kia Forte LX 4dr	18,290	17,585	17,134	32,195	4,514		47/32	1.8	4	145	26/39	180/70	42/36	15	
Kia Rio LX 4dr hatch*	14,790	14,533	13,933	29,552	4,655		44/29	1.6	4	138	27/37	159/68	44/31	15	
✓ Kia Soul + 4dr hatch	19,400	18,445	18,150	33,608	4,590	★	50/34	2.0	4	164	23/31	163/71	41/39	24	
Mazda3 i Sport 4dr hatch*	19,765	18,951	18,654	32,285	4,763	★	55/39	2.0	4	155	29/40	176/71	42/36	20	BEST IN CLASS
Mitsubishi Lancer ES 4dr	19,110	18,337	17,978	34,590	5,062	★	42/30	2.0	4	148	26/34	180/69	42/36	12	
Nissan Sentra FE+ S 4dr	18,555	18,106	—	—	—		—	1.8	4	130	30/40	182/69	43/37	15	
Nissan Versa S 4dr*	12,815	12,528	12,011	25,450	4,434		61/48	1.6	4	109	27/36	175/67	42/37	15	
Scion tC 2dr hatch*	19,980	19,019	19,980	36,042	4,250	★	54/38	2.5	4	179	23/31	177/71	42/35	15	
Scion xB 4dr hatch*	17,890	17,034	17,890	32,412	4,154		59/44	2.4	4	158	22/28	168/69	41/38	12	
✓ Subaru Impreza 2.0i AWD 4dr hatch*	19,490	18,641	18,628	—	—	★	—	2.0	4	148	24/33	174/69	44/35	23	
✓ Toyota Corolla LE Eco 4dr	19,740	18,338	18,601	29,588	4,376		56/44	1.8	4	140	30/42	183/70	42/41	13	
Toyota Yaris L 2dr hatch	16,395	15,772	15,558	27,956	4,013		49/39	1.5	4	106	30/36	156/67	41/33	15	
Volkswagen Golf S 2dr hatch*	19,815	19,145	18,756	—	—		47/35	1.8T	4	170	25/37	168/71	41/36	23	
Volkswagen Jetta SE 4dr*	19,815	19,055	—	—	—	★	—	1.8T	4	170	25/37	183/70	41/38	16	

†LeaseCompare.com. \*IHS \*\*manual transmission; automatic available ‡estimate — information not available T turbocharged S supercharged P premium gasoline recommended D diesel fuel E electric vehicle; mile per gallon equivalent NA not applicable.  
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# Cars \$20,000 - \$25,000

&gt; BEST NEW CAR

## VOLKSWAGEN GOLF TDI



Forty years after its U.S. debut, the Golf still offers European driving dynamics at a value price. The fuel-thrifty diesel TDI model sports the highest resale values in its category and gets a price drop for 2015. The Golf is also available in electric- and gasoline-powered models.

### WHAT YOU'LL PAY

**BLUE BOOK FAIR PURCHASE PRICE:**  
\$21,781 (for S 4dr manual)

**TO BUY:** \$361 a month  
10% down/4%/60 months

**TO LEASE:** \$353 a month  
One month's payment due at signing/  
\$13,233 residual/36 months

### TOP 25 MODELS

For an explanation of our rankings, see page 68. For complete data on more than 2,000 vehicles, see [kiplinger.com/links/carguide](http://kiplinger.com/links/carguide).

Make/Model	MSRP	Invoice price	Blue Book Fair Purch. Price	Cost to own (5 yr.)	Service cost (5 yr.)	Top Safety Pick <sup>1</sup>	Resale value 3 yr./5 yr.	Engine size (liters)	No. of cylinders	Horsepower	MPG city/hwy	Length/width (in.)	Legroom front/rear (in.)	Cargo space (cu. ft.)	
Buick Verano 4dr	\$24,305	\$23,370	\$23,289	\$39,671	\$4,821		42%/28%	2.4	4	180	21/32	184/71	42/35	14	
Chevrolet Malibu LT 4dr w/ILT	24,560	23,492	23,388	37,164	4,464	★	44/33	2.5	4	196	25/36	192/73	42/37	16	
✓ Chrysler 200 Limited 4dr	24,580	23,920	22,965	37,298	4,604	★	45/33	3.6	6	295	23/36	192/74	42/38	16	
Fiat 500 Turbo 2dr hatch*	20,350	19,860	18,913	36,619	4,816		34/20	1.4T	4	135	28/34p	144/64	41/32	10	
Fiat 500c Lounge convertible*	23,500	22,878	22,259	—	—		34/20	1.4	4	101	31/40p	140/64	41/32	5	
Fiat 500L Easy 4dr hatch*	21,445	20,911	—	—	—		—	1.4T	4	160	25/33	167/70	40/37	21	
Ford Fusion SE 4dr	24,760	22,904	22,974	37,971	4,818	★	47/35	2.5	4	240	22/34	192/75	44/38	16	BEST IN CLASS
Honda Accord LX 4dr	23,725	21,787	21,461	33,649	3,991	★	52/40	2.4	4	185	27/36	191/73	43/39	16	
Honda CR-Z 2dr*	20,965	20,010	19,707	33,571	4,018		42/26	1.5	4	130	31/38	161/69	43/NA	25	
Honda Fit EX-L 4dr hatch	20,745	20,204	20,164	29,805	4,075	★	62/46	1.5	4	130	32/38	160/67	41/39	17	
✓ Hyundai Sonata Eco 4dr	24,100	23,118	23,160	37,468	4,624	★	44/31	1.6T	4	177	28/38	191/73	46/36	16	
Kia Forte5 SX 4dr hatch*	21,690	20,507	20,423	—	—		48/33	1.6T	4	201	21/29	171/70	42/36	23	
Kia Optima EX 4dr	24,900	23,380	23,224	37,722	4,505	★	51/36	2.4	4	192	23/34	191/72	46/35	15	
✓ Mazda6 i Sport 4dr*	22,565	21,055	21,008	33,715	4,354	★	52/37	2.5	4	184	25/37	192/72	42/39	15	
Mini Cooper Countryman 4dr hatch*	23,600	21,862	—	—	—	★	—	1.6	4	121	27/34p	162/70	40/34	18	
Mini Cooper Coupe 2dr*	22,850	21,172	—	—	—		—	1.6	4	121	28/35p	147/66	42/NA	7	
Mini Cooper Hardtop S 2dr hatch*	24,950	23,102	—	—	—		—	2.0T	4	189	24/34p	151/68	41/31	9	
✓ Nissan Altima 2.5 4dr	23,125	21,918	21,168	34,318	4,355	★	48/37	2.5	4	182	27/38	192/72	45/36	15	
Subaru Legacy 2.5i 4dr	22,490	21,282	21,167	33,553	5,078	★	61/44	2.5	4	175	26/36	189/72	43/38	15	
Toyota Camry LE 4dr	23,795	21,842	21,724	34,943	4,380	★	49/39	2.5	4	178	25/35	191/72	42/39	15	
Toyota Prius c One 4dr hatch	20,365	19,388	—	—	—		—	1.5	4	99	53/46	157/67	42/35	17	MOST FUEL-EFFICIENT
Volkswagen Beetle 1.8T 2dr hatch*	21,290	20,472	—	—	—		—	1.8T	4	170	24/33	168/71	41/31	15	
Volkswagen Golf TDI S 4dr hatch*	22,815	21,935	21,781	—	—	★	64/50	2.0T	4	150	30/45d	168/71	41/36	23	BEST NEW CAR & BEST RESALE
Volkswagen Jetta SE 4dr*	19,715	18,959	19,024	—	—		—	1.8T	4	170	26/36	182/70	41/38	16	
✓ Volkswagen Jetta TDI S 4dr*	22,460	21,594	—	—	—	★	—	2.0T	4	140	31/46d	183/70	41/38	16	

<sup>1</sup>LeaseCompare.com. <sup>1</sup>IHS. \*manual transmission; automatic available. <sup>e</sup>estimate. — information not available. T turbocharged. S supercharged. P premium gasoline recommended. D diesel fuel. E electric vehicle; mile per gallon equivalent. NA not applicable.

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# Cars \$25,000 - \$30,000

➤ BEST NEW CAR

## SUBARU LEGACY



Subaru combines sophistication with standard all-wheel drive in its midsize sedan. Subtly sculpted outside and refined inside, it's equipped with high-tech features such as lights that come on when you approach the car and an optional forward-collision warning system.

### WHAT YOU'LL PAY

**BLUE BOOK FAIR PURCHASE PRICE:**  
\$25,437 (for 2.5i Limited)

**TO BUY:** \$422 a month  
10% down/4%/60 months

**TO LEASE:** \$432 a month  
One month's payment due at signing/  
\$14,464 residual/36 months

### TOP 25 MODELS

For an explanation of our rankings, see page 68. For complete data on more than 2,000 vehicles, see [kiplinger.com/links/carguide](http://kiplinger.com/links/carguide).

Make/Model	MSRP	Invoice price	Blue Book Fair Purch. Price	Cost to own (5 yr.)	Service cost (5 yr.)	Top Safety Pick <sup>2</sup>	Resale value 3 yr./5 yr.	Engine size (liters)	No. of cylinders	Horsepower	MPG city/hwy.	Length/width (in.)	Legroom front/rear (in.)	Cargo space (cu. ft.)	
Acura ILX 4dr	\$27,970	\$26,436	\$24,896	\$39,401	\$4,416		43%/32%	2.0	4	150	24/35 <sup>p</sup>	179/71	42/34	12	
Chevrolet Cruze Diesel 4dr w/1SL	26,485	25,459	25,417	36,582	4,729		51/40	2.0T	4	151	27/46 <sup>p</sup>	181/71	42/35	13	
✓ Chevrolet Impala LT 4dr w/1LT	29,985	28,673	28,263	43,600	4,717		47/34	2.5	4	196	22/31	201/73	46/40	19	
Chevrolet Spark EV 1LT 4dr hatch	27,645	26,572	26,561	28,410	4,108	★	31/18	NA	NA	140	128/109 <sup>e</sup>	147/64	42/35	10	MOST FUEL-EFFICIENT
Chrysler 200C 4dr	27,320	26,467	25,538	39,373	4,604	★	45/33	3.6	6	295	23/36	192/74	42/38	16	
✓ Dodge Charger SE RWD 4dr	28,990	28,276	28,265	—	—		45/34	3.6	6	292	19/31	198/75	42/40	17	
Ford Focus Electric 4dr hatch	29,995	28,027	—	—	—	★	—	NA	NA	143	110/99 <sup>e</sup>	172/72	44/33	15	
Ford Fusion SE Hybrid 4dr	28,105	25,991	26,162	37,210	5,361	★	53/39	2.0	4	141	44/41	192/75	44/38	12	
Ford Taurus SE 4dr	27,880	25,784	26,179	44,600	5,314		39/28	3.5	6	288	19/29	203/76	42/38	20	
Honda Civic Hybrid 4dr	25,555	23,795	—	—	—	★	—	1.5	4	110	44/47	179/69	42/36	11	
Hyundai Genesis RWD 2dr	28,845	27,442	27,076	47,683	4,671	★	52/34	3.8	6	348	16/25 <sup>p</sup>	182/73	44/30	10	
Hyundai Sonata Hybrid 4dr	26,825	25,398	24,847	39,841	3,951	★	38/26	2.4	4	159	36/40	190/72	46/35	12	
Hyundai Sonata Sport 2.0T 4dr	29,400	27,671	27,286	42,620	4,624	★	44/31	2.0T	4	245	23/32	191/73	46/36	16	
✓ Kia Optima SX Turbo 4dr	28,500	26,720	26,576	40,387	4,630	★	56/41	2.0T	4	274	20/31	191/72	46/35	15	
Mini Cooper Paceman S 2dr hatch*	27,750	25,682	—	—	—		—	1.6T	4	181	26/35 <sup>p</sup>	162/70	40/34	12	
Mini Cooper Roadster S convertible*	29,950	27,702	—	—	—		—	1.6T	4	181	26/35 <sup>p</sup>	147/66	42/NA	9	
Mini Cooper S convertible*	29,550	27,337	—	—	—		—	1.6T	4	181	26/35 <sup>p</sup>	147/66	41/30	6	
✓ Nissan Leaf S 4dr hatch	29,860	28,336	27,053	30,050	4,204		33/18	NA	NA	107	126/101 <sup>e</sup>	175/70	42/33	24	
Smart Fortwo Passion Elec Drive RWD 2dr	25,750	24,000	—	—	—		—	NA	NA	74	122/93 <sup>e</sup>	106/61	41/NA	8	
Subaru Legacy 2.5i Limited 4dr	27,290	25,689	25,437	36,563	5,078	★	61/44	2.5	4	175	26/36	189/72	43/38	15	BEST NEW CAR
Subaru WRX 4dr	27,090	25,612	26,049	40,579	5,497	★	67/51	2.0T	4	268	21/28 <sup>p</sup>	181/71	43/35	12	BEST RESALE
Toyota Camry Hybrid LE 4dr	27,615	25,472	25,930	34,290	4,203	★	57/45	2.5	4	156	43/39	191/72	42/39	13	
✓ Toyota Prius Two 4dr hatch	25,025	23,573	23,400	35,566	4,144	★	45/29	1.8	4	98	51/48	176/69	43/36	22	
Volkswagen GTI S 4dr hatch*	25,815	24,815	25,079	—	—	★	61/47	2.0T	4	210	25/34 <sup>p</sup>	168/71	41/36	23	
Volkswagen Passat TDI SE 4dr*	27,645	26,546	25,931	—	—	★	—	2.0T	4	150	30/44 <sup>b</sup>	192/72	42/39	16	BEST IN CLASS

†LeaseCompare.com. #IHS \*manual transmission; automatic available †estimate — information not available T turbocharged S supercharged P premium gasoline recommended D diesel fuel E electric vehicle; mile per gallon equivalent NA not applicable.  
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# Cars \$30,000 - \$40,000

&gt; BEST NEW CAR

## TOYOTA CAMRY V6



America's best-selling sedan gets a ground-up redesign for 2015, complete with an edgier look and a retuned suspension that ensures a smoother ride and more agile handling. Ten airbags and a suite of optional safety equipment round out the package.

### WHAT YOU'LL PAY

**BLUE BOOK FAIR PURCHASE PRICE:**  
\$29,973 (for XLE V6)

**TO BUY:** \$497 a month  
10% down/4%/60 months

**TO LEASE†:** \$520 a month  
One month's payment due at signing/  
\$16,419 residual/36 months

### TOP 25 MODELS

For an explanation of our rankings, see page 68. For complete data on more than 2,000 vehicles, see [kiplinger.com/links/carguide](http://kiplinger.com/links/carguide).

Make/Model	MSRP	Invoice price	BlueBook FairPurch. Price	Cost to own (5 yr.)	Service cost (5 yr.)	Top Safety Pick†	Resale value 3 yr./5 yr.	Engine size (liters)	No. of cylinders	Horsepower	MPG city/hwy.	Length/width (in.)	Legroom front/rear (in.)	Cargo space (cu. ft.)	
✓ Acura TLX 2.4 4dr	\$31,915	\$30,088	\$30,399	—	—	★	53%/37%	2.4	4	206	24/35P	190/73	43/35	13	
✓ Audi A4 Premium 4dr	36,425	33,942	34,108	\$50,513	\$6,792		50/34	2.0T	4	220	24/32P	185/72	41/35	12	
BMW 228i RWD 2dr	33,050	30,480	32,306	—	—	★	—	2.0T	4	240	23/36P	175/70	42/33	14	
BMW 328d RWD 4dr	39,950	37,010	36,254	47,613	5,763		52/35	2.0T	4	181	32/45D	182/71	42/35	17	
Buick LaCrosse 4dr	34,560	33,215	33,222	50,262	4,972		37/24	3.6	6	304	25/36	197/73	42/41	11	
Buick Regal GS 4dr	38,160	36,671	36,519	54,196	5,217		41/26	2.0T	4	259	21/30	190/73	42/37	14	
Cadillac ATS 2.0L Standard RWD 4dr	36,240	34,302	34,123	49,764	4,923		44/29	2.0T	4	272	21/30P	183/71	43/34	10	
Chevrolet Volt 4dr	35,170	33,796	32,634	—	—	★	32/19	1.4	4	149	35/40P*	177/70	42/34	11	
✓ Chrysler 300 Limited RWD 4dr	32,390	31,488	—	—	—		—	3.6	6	292	19/31	199/75	42/40	16	
Honda Accord EX-L V6 4dr	31,315	28,710	28,643	40,434	4,050	★	54/42	3.5	6	278	21/34	191/73	43/39	16	BEST IN CLASS
Hyundai Azera 4dr	34,895	32,602	—	—	—		—	3.3	6	293	20/29	194/73	46/37	16	
Hyundai Genesis RWD 4dr	38,950	36,609	36,153	54,662	4,671	★	44/28	3.8	6	311	18/29	197/74	46/35	15	
Infiniti Q50 3.7 RWD 4dr	38,055	35,455	35,486	—	—	★	—	3.7	6	328	20/29P	188/72	45/35	14	
Kia Cadenza Premium 4dr	35,700	33,207	33,272	48,686	3,956		44/31	3.3	6	293	19/28	196/73	46/37	16	
Kia Soul EV 4dr hatch	34,500	32,295	34,500	35,668	4,590	★	36/22	NA	NA	109	120/92E	163/71	41/36	19	
✓ Lexus ES 350 4dr	38,475	36,100	36,397	46,930	5,176		62/45	3.5	6	268	21/31	193/72	42/40	15	
Lincoln MKZ 4dr	36,085	34,326	33,883	49,022	4,613	★	48/32	2.0T	4	240	22/33	194/75	42/37	15	
Mazda6 i Grand Touring 4dr	30,715	29,055	28,604	38,261	4,354	★	55/39	2.5	4	184	28/40	192/72	42/39	15	
Mercedes-Benz C300 RWD 4dr	39,325	36,637	36,277	52,943	7,015		48/33	2.0T	4	241	—	185/71	42/33	12	
Nissan Altima 3.5 SL 4dr	32,775	30,356	30,139	43,703	4,456	★	48/37	3.5	6	270	22/32	192/72	45/36	15	
Subaru Legacy 3.6R Limited 4dr	30,390	28,534	28,253	41,367	5,450	★	64/45	3.6	6	256	20/29	189/72	43/38	15	BEST RESALE
✓ Toyota Avalon XLE 4dr	33,110	29,882	31,851	45,464	4,538	★	50/36	3.5	6	268	21/31	195/72	42/39	16	
Toyota Camry XLE V6 4dr	32,195	29,371	29,973	39,840	4,438	★	62/50	3.5	6	268	21/31	191/72	42/39	15	BEST NEW CAR
Volkswagen e-Golf SEL Prem 4dr hatch	36,265	34,847	36,265	—	—	★	—	NA	NA	115	126/105E	168/71	41/36	23	MOST FUEL-EFFICIENT
✓ Volvo S60 T5 4dr	34,225	32,227	31,230	46,506	4,922	★	42/27	2.0T	4	240	25/37	183/73	42/34	12	

†LeaseCompare.com ‡IHS \*manual transmission; automatic available \*gas only; all-electric mile per gallon equivalent is 98 ‡estimate — information not available T turbocharged

S supercharged P premium gasoline recommended D diesel fuel E electric vehicle; mile per gallon equivalent NA not applicable.

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# Cars \$40,000 - \$50,000

## BEST NEW CAR ACURA TLX



Acura's all-new TLX midsize sedan combines the best of the previous-gen TSX and TL models, wrapped in a new, elegant exterior. The TLX has a fuel-thrifty but potent powertrain, optional all-wheel drive and a host of high-tech features. It earns a Top Safety Pick from IIHS.

### WHAT YOU'LL PAY

**BLUE BOOK FAIR PURCHASE PRICE:**  
\$41,531 (for 3.5 w/Advance pkg)

**TO BUY:** \$688 a month  
10% down/4%/60 months

**TO LEASE<sup>†</sup>:** \$746 a month  
One month's payment due at signing/  
\$21,266 residual/36 months

### TOP 25 MODELS

For an explanation of our rankings, see page 68. For complete data on more than 2,000 vehicles, see [kiplinger.com/links/carguide](http://kiplinger.com/links/carguide).

Make/Model	MSRP	Invoice price	Blue Book Fair Purch. Price	Cost to own (5 yr.)	Service cost (5 yr.)	Top Safety Pick <sup>‡</sup>	Resale value 3 yr./5 yr.	Engine size (liters)	No. of cylinders	Horsepower	MPG city/hwy.	Length/width (in.)	Legroom front/rear (in.)	Cargo space (cu. ft.)	
✓ Acura RLX 4dr	\$49,370	\$45,244	\$45,790	—	—	★	40%/27%	3.5	6	310	20/31P	196/74	42/39	15	
Acura TLX 3.5 4dr w/Advance pkg	43,420	40,736	41,531	—	—	★	51/36	3.5	6	290	21/34P	190/73	43/35	14	BEST NEW CAR
Audi A3 2.0T Prestige AWD 4dr	42,245	39,352	39,913	\$55,044	\$6,959	★	44/31	2.0T	4	220	24/33P	175/77	41/35	10	
Audi A3 TDI Prestige 4dr	41,945	39,072	40,556	52,024	6,547	★	47/34	2.0T	4	150	31/43D	175/77	41/35	12	
✓ Audi A6 2.0T Premium 4dr	45,725	42,589	43,685	60,218	7,017		49/29	2.0T	4	220	25/33P	194/74	41/37	14	
BMW 335i RWD 4dr	44,700	41,380	40,364	55,524	6,028		52/35	3.0T	6	300	21/32P	182/71	42/35	17	BEST IN CLASS
BMW 428i Gran Coupe RWD 4dr	41,250	38,025	38,482	—	—		54/36	2.0T	4	240	23/34P	183/72	42/34	17	
BMW i3 RWD 4dr hatch	42,300 <sup>§</sup>	—	—	—	—		—	NA	NA	170	137/111E	157/70	41/32	15	MOST FUEL-EFFICIENT
Cadillac ATS 2.0L Premium RWD 2dr	48,090	45,029	45,805	59,696	4,923		44/29	2.0T	4	272	21/30P	184/73	42/34	10	
Cadillac ATS 3.6L Luxury RWD 4dr	42,335	39,855	40,218	57,284	4,799		42/28	3.6	6	321	18/28	183/71	43/34	10	
✓ Cadillac CTS 2.0 Standard RWD 4dr	46,340	43,846	43,953	61,058	4,923		44/29	2.0T	4	272	20/30P	196/72	46/35	14	
Cadillac XTS 4dr	45,525	43,072	43,540	59,555	4,873		43/29	3.6	6	304	18/28	202/73	42/40	18	
Chevrolet SS RWD 4dr	48,040	46,210	46,401	—	—		56/44	6.2	8	415	14/21P	196/75	42/40	16	
Ford Taurus SHO AWD 4dr	41,045	37,928	38,159	55,679	5,563		44/31	3.5T	6	365	17/25	203/76	42/38	20	
Infiniti Q50 Hybrid Premium RWD 4dr	45,305	42,197	—	—	—	★	—	3.5	6	302	29/36P	188/72	45/35	9	
Infiniti Q60 Journey RWD 2dr	41,855	38,989	—	—	—		—	3.7	6	330	19/27P	183/72	44/30	7	
Lexus ES 300h 4dr	41,355	38,795	38,873	45,827	5,238		56/41	2.5	4	156	40/39	193/72	42/40	12	
✓ Lexus GS 350 RWD 4dr	49,525	46,123	48,385	61,621	5,890		54/39	3.5	6	306	19/29P	191/72	42/36	14	
Lexus IS 350 Sport RWD 4dr	40,990	38,186	38,879	52,368	5,526		63/45	3.5	6	306	19/28P	184/80	45/32	14	BEST RESALE (TIE)
✓ Lexus RC 350 RWD 2dr	43,715	40,721	43,321	—	—	★	63/45	3.5	6	306	19/28P	185/72	45/27	10	
✓ Mercedes-Benz C400 AWD 4dr	49,515	46,114	46,048	—	—		48/33	3.0T	6	329	21/29P	185/71	42/33	12	
Mercedes-Benz CLA45 AMG 4dr	49,425	46,030	—	—	—		—	2.0T	4	355	23/31P	185/70	40/27	13	
Toyota Avalon Hybrid Limited 4dr	42,525	38,355	41,015	48,125	4,178	★	50/36	2.5	4	200	40/39	195/72	42/39	14	
Volkswagen CC VR6 Exec AWD 4dr	44,005	42,236	—	—	—		—	3.6	6	280	17/25P	189/73	42/37	13	
Volvo S80 T5 4dr	41,425	38,995	37,978	52,338	5,373	★	42/28	2.0T	4	240	25/37	191/73	42/35	15	

<sup>†</sup>LeaseCompare.com. <sup>‡</sup>IIHS \*manual transmission; automatic available <sup>§</sup>estimate — information not available T turbocharged S supercharged P premium gasoline recommended D diesel fuel E electric vehicle; mile per gallon equivalent NA not applicable.  
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# Cars \$50,000 and Over

&gt; BEST NEW CAR

## HYUNDAI GENESIS



How did a Hyundai earn top honors? From its Lotus-tuned suspension to its peppy engine choices and artfully flowing lines, the top-of-the-line Genesis has everything you'd expect in a luxury sedan without the usual luxury price tag. It's also rated a Top Safety Pick+ by IIHS.

### WHAT YOU'LL PAY

**BLUE BOOK FAIR PURCHASE PRICE:**  
\$48,715 (for 5.0)

**TO BUY:** \$807 a month  
10% down/4%/60 months

**TO LEASE:** \$850 a month  
One month's payment due at signing/  
\$25,701 residual/36 months

### TOP 25 MODELS

For an explanation of our rankings, see page 68. For complete data on more than 2,000 vehicles, see [kiplinger.com/links/carguide](http://kiplinger.com/links/carguide).

Make/Model	MSRP	Invoice price	Blue Book Fair Purch. Price	Cost to own (5 yr.)	Service cost (5 yr.)	Top Safety Pick <sup>+</sup>	Resale value 3 yr./5 yr.	Engine size (liters)	No. of cylinders	Horsepower	MPG city/hwy.	Length/width (in.)	Legroom front/rear (in.)	Cargo space (cu. ft.)	
Audi A6 TDI Premium Plus AWD 4dr	\$59,625	\$55,517	\$56,965	\$71,965	\$7,493		49%/30%	3.0T	6	240	24/38D	194/74	41/37	14	
Audi A7 TDI Premium Plus AWD 4dr	69,225	64,445	66,414	75,268	7,686		56/37	3.0T	6	240	24/38D	196/84	41/37	25	
✓ Audi A8 3.0T Quattro AWD 4dr	78,325	72,907	76,954	93,317	8,999		46/28	3.0s	6	333	19/29P	202/77	41/39	14	
BMW 535d xDrive AWD 4dr	61,300	56,396 <sup>e</sup>	60,074	—	—		—	3.0T	6	255	26/37D	193/73	41/35	18	
✓ BMW 750i RWD 4dr	88,250	81,445	—	—	—		—	4.4T	8	445	17/25P	200/75	41/38	18	
BMW ActiveHybrid 5 RWD 4dr	63,800	58,696 <sup>e</sup>	—	—	—		—	3.0T	6	335	23/30P	193/73	41/35	13	
BMW ActiveHybrid 7L RWD	85,250	78,685	—	—	—		—	3.0T	6	349	22/30P	205/75	41/44	13	
Cadillac ELR 2dr	75,995	72,195 <sup>e</sup>	—	—	—		—	1.4	4	162	31/35P <sup>+</sup>	186/73	42/34	11	
Hyundai Equus Signature RWD 4dr	62,450	58,404	57,660	78,805	4,048		41/27	5.0	8	429	15/23P	203/74	45/39	17	
Hyundai Genesis 5.0 RWD 4dr	52,450	48,615	48,715	65,974	4,394	★	50/32	5.0	8	420	15/23P	197/74	46/35	15	BEST NEW CAR
Infiniti Q70 3.7 RWD 4dr	50,755	47,266	48,465	—	—	★	45/30	3.7	6	330	18/26P	196/73	44/36	15	
Infiniti Q70 Hybrid RWD 4dr	56,805	52,892	54,390	—	—		45/30	3.5	6	302	29/34P	196/73	44/36	11	
Jaguar XF Sport RWD 4dr	58,100	53,526	56,868	73,886	6,677		45/30	3.0s	6	340	18/28P	195/82	42/37	18	
Jaguar XJ RWD 4dr	75,125	69,189	—	—	—		—	3.0s	6	340	18/27P	202/75	42/39	15	
Kia K900 Premium RWD 4dr	55,400	51,481	—	—	—		—	5.0	8	420	15/23P	201/75	46/38	16	
Lexus GS 450h RWD 4dr	62,255	57,962	61,321	67,932	5,780		54/39	3.5	6	286	29/34P	191/72	42/36	13	
✓ Lexus LS 460 RWD 4dr	73,445	67,642	72,710	81,978	6,385		56/40	4.6	8	386	16/24P	200/74	44/36	18	BEST RESALE
Maserati Ghibli RWD 4dr	71,050	—	70,339	—	—		—	3.0T	6	345	15/25P	196/77	38/33	18	
Maserati Quattroporte S Q4 4dr	115,600	107,508	—	—	—		—	3.0T	6	410	15/24P	207/77	42/40	19	
Mercedes-Benz E350 RWD 4dr	53,225	49,654	52,628	69,832	6,922	★	43/28	3.5	6	302	21/29P	192/73	41/36	16	
Mercedes-Benz E400 Hybrid RWD 4dr	58,025	54,028	57,665	—	—	★	39/26	3.5	6	329	24/29P	192/73	41/36	16	
Mercedes-Benz S550 RWD 4dr	95,325	88,717	93,370	107,321	7,722		51/33	4.7T	8	449	17/26P	207/84	41/43	19	BEST IN CLASS
✓ Porsche Panamera 4 AWD <sup>#</sup>	83,795	77,929 <sup>e</sup>	—	—	—		—	3.6	6	310	18/27P	197/76	42/33	16	
Porsche Panamera S E-Hybrid RWD <sup>#</sup>	99,995	92,995 <sup>e</sup>	—	—	—		—	3.0s	6	416	22/30P	197/76	42/33	12	
✓ Tesla Model S 60 RWD 4dr hatch	73,070	—	—	—	—		—	NA	NA	380	94/97E	196/77	43/35	26	MOST FUEL-EFFICIENT

†LeaseCompare.com. #IIHS \*manual transmission; automatic available \*gas only; all-electric mile per gallon equivalent is 82. <sup>e</sup>estimate #4dr hatch — information not available T turbocharged S supercharged P premium gasoline recommended D diesel fuel E electric vehicle; mile per gallon equivalent NA not applicable. New-vehicle data and ownership costs provided by Kelley Blue Book. ©2014 by Kelley Blue Book Co., Inc. [12/19/14 – 1/15/15] Base Edition. All rights reserved. Kelley Blue Book assumes no responsibility for errors or omissions.



# Wagons and Minivans

➤ BEST NEW WAGON

## SUBARU OUTBACK



The all-new, all-wheel-drive Outback can conquer your commute or navigate muddy back roads better than ever thanks to X-Mode, which helps maintain control on slippery surfaces or steep inclines. Fuel economy is up, and there's more space inside the cabin.

### WHAT YOU'LL PAY

**BLUE BOOK FAIR PURCHASE PRICE:**  
\$24,303 (for 2.5i)

**TO BUY:** \$403 a month  
10% down/4%/60 months

**TO LEASE†:** \$393 a month  
One month's payment due at signing/  
\$14,675 residual/36 months

### TOP WAGONS & MINIVANS

For an explanation of our rankings, see page 68. For complete data on more than 2,000 vehicles, see [kiplinger.com/links/carguide](http://kiplinger.com/links/carguide).

WORTH  
A LOOK

BEST  
RESELL

BEST  
NEW  
MINIVAN

Make/Model	MSRP	Invoice price	Blue Book Fair Purch. Price	Cost to own (5 yr.)	Service cost (5 yr.)	Top Safety Pick <sup>2</sup>	Resale value 3 yr./5 yr.	Engine size (liters)	No. of cylinders	Horsepower	MPG city/hwy.	Length/width (in.)	Legroom front/rear (in.)	Cargo space (cu. ft.)
<b>WAGONS</b>														
✓ Audi Allroad Premium AWD	\$43,325	\$40,357	—	—	—	—	—	2.0T	4	220	21/28P	186/73	41/35	28
BMW 328d xDrive AWD	44,400	41,105	\$41,194	—	—	—	50%/34%	2.0T	4	181	31/43D	182/71	42/35	18
BMW 328i xDrive AWD	42,900	39,725	40,132	\$54,331	\$5,641	—	50/34	2.0T	4	240	22/33P	182/71	42/35	18
Ford C-Max Energi SEL	32,595	30,451	31,111	37,106	3,998	★	32/20	2.0	4	141	40/36	174/72	43/37	19
Ford C-Max SE	24,995	23,364	23,255	36,900	3,998	★	37/23	2.0	4	141	42/37	174/72	43/37	25
✓ Mazda5 Sport	22,060	21,145	21,164	—	—	—	—	2.5	4	157	21/28	181/69	41/39	44
Mercedes-Benz E350 AWD	59,925	55,795	59,253	75,249	7,247	★	47/30	3.5	6	302	19/27P	193/73	41/36	21
Mercedes-Benz E63 AMG S-Model AWD	104,125	96,901	104,125	—	—	★	—	5.5T	8	577	15/21P	192/74	41/36	21
Subaru Outback 2.5i	25,745	24,257	24,303	36,611	5,606	★	64/44	2.5	4	175	25/33	190/72	43/38	36
Subaru Outback 3.6R Limited	33,845	31,710	31,617	43,682	5,462	★	67/45	3.6	6	256	20/27	190/72	43/38	36
Toyota Prius v Two	27,500	25,659	—	—	—	★	—	1.8	4	134	44/40	182/70	41/36	34
Volvo V60 T5	36,225	34,107	33,700	—	—	★	47/30	2.0T	4	240	25/37	183/73	42/34	44
Volvo V60 T6 R-Design AWD	45,225	42,567	42,176	—	—	★	47/30	3.0T	6	325	19/28	183/73	42/34	44
✓ Volvo XC70 3.2 Premier AWD	41,225	38,807	38,293	53,739	5,298	—	50/34	3.2	6	240	18/25	191/74	42/35	33
<b>MINIVANS</b>														
Chrysler Town & Country LX	\$30,990	\$30,435	\$29,251	\$47,017	\$4,553	—	43%/30%	3.6	6	283	17/25	203/79	41/37	83
✓ Dodge Grand Caravan Passenger AVP	22,390	22,041	21,241	39,599	4,547	—	46/31	3.6	6	283	17/25	203/79	41/37	83
Honda Odyssey LX	29,855	27,383	27,839	41,693	4,226	★	50/36	3.5	6	248	19/28	203/79	41/41	93
Honda Odyssey Touring	42,910	39,291	40,013	49,662	4,226	★	56/40	3.5	6	248	19/28	203/79	41/41	93
➤ Kia Sedona L	26,795	26,001	25,658	42,516	4,712	★	51/34	3.3	6	276	18/24	201/78	41/41	78
Nissan Quest S	27,415	25,886	—	—	—	—	—	3.5	6	260	20/27	201/78	44/37	64
✓ Toyota Sienna L	29,485	27,340	27,155	40,948	4,462	★	55/41	3.5	6	266	18/25	200/78	41/38	87
Toyota Sienna LE AWD	34,745	32,206	31,968	47,336	4,585	★	53/41	3.5	6	266	16/23	200/78	41/38	87
Volvo XC70 T5	36,325	34,201	33,782	46,184	5,298	—	54/36	2.0T	4	240	24/31	191/74	42/35	33

BEST  
NEW  
WAGON

BEST IN  
CLASS  
& MOST  
FUEL-  
EFFICIENT

BEST IN  
CLASS

BEST  
RESELL

MOST  
FUEL-  
EFFICIENT

†LeaseCompare.com. #IHS \*manual transmission; automatic available ‡estimate — information not available T turbocharged S supercharged P premium gasoline recommended D diesel fuel  
E electric vehicle; mile per gallon equivalent NA not applicable.  
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# Small Crossovers

&gt; BEST NEW SMALL Crossover

## LINCOLN MKC



Lincoln joins the compact-crossover crowd with the eye-catching, nimble MKC. It comes with a hands-free liftgate, and an app for your mobile device remotely locks the doors, starts the engine and more. Optional park assist steers you both into and out of tight parallel spots.

### WHAT YOU'LL PAY

**BLUE BOOK FAIR PURCHASE PRICE:**  
\$32,118 (for FWD)

**TO BUY:** \$532 a month  
10% down/4%/60 months

**TO LEASE:** \$613 a month  
One month's payment due at signing/  
\$15,298 residual/36 months

### TOP 25 MODELS

For an explanation of our rankings, see page 68. For complete data on more than 2,000 vehicles, see [kiplinger.com/links/carguide](http://kiplinger.com/links/carguide).

Make/Model	MSRP	Invoice price	Blue Book Fair Purch. Price	Cost to own (5 yr.)	Service cost (5 yr.)	Top Safety Pick <sup>1</sup>	Resale value 3 yr./5 yr.	Engine size (liters)	No. of cylinders	Horsepower	MPG city/hwy.	Length/width (in.)	Legroom front/rear (in.)	Cargo space (cu. ft.)	
Acura RDX	\$35,815	\$33,697	\$33,726	\$45,950	\$4,152		54%/39%	3.5	6	273	20/28P	184/74	42/38	26	
Audi Q5 TDI Premium Plus AWD	47,925	44,635	45,801	59,900	7,570		56/34	3.0T	6	240	24/31D	183/75	41/37	29	
BMW X1 sDrive28i RWD	31,850	29,380	29,289	—	—		51/34	2.0T	4	240	23/34P	177/71	41/35	25	
BMW X3 xDrive28d AWD	42,850	39,500	40,484	51,060	5,900		58/38	2.0T	4	180	27/34D	183/74	40/37	19	
✓ Chevrolet Equinox LT w/ILT	26,895	25,594	25,660	40,035	4,793	★	49/34	3.6	6	301	22/32	188/73	41/40	32	
Chevrolet Trax LS w/ILS	20,995	20,190	20,978	—	—		54/37	1.4T	4	138	26/34	169/70	41/36	19	
Ford Escape SE	26,445	24,721	25,088	38,718	4,280		46/32	1.6T	4	173	23/32	178/72	43/37	34	
GMC Terrain SLE-2	28,835	27,440	27,410	43,230	5,037	★	44/32	3.6	6	301	22/32	185/73	41/40	32	
✓ Honda CR-V LX	24,200	22,785	23,222	—	—	★	62/48	2.4	4	185	27/34	179/72	41/38	35	MOST FUEL-EFFICIENT
Hyundai Tucson GLS	22,395	21,575	21,382	36,190	4,826		49/35	2.0	4	164	23/29	173/72	41/39	26	
✓ Jeep Cherokee Latitude	25,590	24,899	24,461	37,732	4,793		54/39	3.2	6	271	22/31	182/73	41/40	25	
Jeep Patriot Sport*	17,690	17,534	16,717	32,142	4,456		48/34	2.4	4	172	23/30	174/69	41/39	23	
Jeep Renegade Sport*	19,995 <sup>e</sup>	—	—	—	—		—	1.4T	4	160	—	167/74	41/35	19	
✓ Kia Sportage SX	28,995	27,108	27,684	41,941	4,879		55/39	2.0T	4	260	20/26	175/73	41/38	26	
Land Rover Discovery Sport SE	37,995	34,844	—	—	—		—	2.0T	4	240	—	181/75	42/37	32	
Lincoln MKC	33,995	32,340	32,118	—	—		52/36	2.0T	4	240	20/29	179/73	43/37	25	BEST NEW SMALL Crossover
✓ Mazda CX-5 Sport	23,825	23,178	22,569	35,672	4,500	★	55/37	2.0	4	155	26/32	179/72	41/39	34	
Mercedes-Benz GLK250 BlueTec	40,325	37,567	39,014	—	—		58/45	2.1T	4	200	24/33D	178/79	41/35	17	
Mitsubishi Outlander SE	25,045	24,239	23,752	38,557	4,726	★	49/33	2.4	4	166	25/31	183/71	41/37	34	
Nissan Juke S	21,075	20,343	—	—	—		—	1.6T	4	188	28/32P	162/70	42/32	11	
Nissan Rogue S	23,675	22,298	22,207	36,085	4,705	★	47/33	2.5	4	170	26/33	182/72	43/38	32	
Porsche Macan S AWD	50,895	47,332 <sup>e</sup>	49,291	66,009	11,043		67/44	3.0T	6	340	17/23P	184/76	—	18	BEST RESALE
Subaru Forester 2.5i	24,045	22,754	22,580	34,136	4,852	★	64/48	2.5	4	170	24/32	181/71	43/38	34	BEST IN CLASS
Toyota RAV4 LE	24,565	23,027	23,496	35,259	4,317	★	55/43	2.5	4	176	24/31	180/73	43/37	38	
Volvo XC60 T5	36,675	34,530	33,634	46,793	4,904	★	49/31	2.0T	4	240	24/31	183/74	41/36	31	

<sup>1</sup>LeaseCompare.com. <sup>2</sup>IIHS. \*manual transmission; automatic available. <sup>e</sup>estimate. — information not available. T turbocharged. S supercharged. P premium gasoline recommended. D diesel fuel. E electric vehicle; mile per gallon equivalent. NA not applicable.

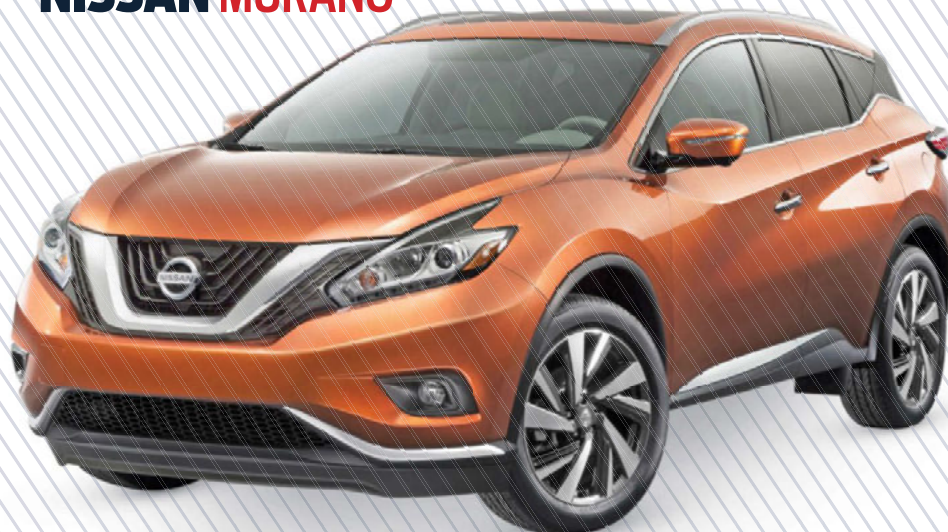
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# Midsize and Large Crossovers

➤ BEST NEW MIDSIZE CROSSOVER

## NISSAN MURANO



The Murano offers the best fuel economy among its midsize-crossover peers in a bold new package. Creature comforts include ergonomically designed seats, an easy-to-use rear-seat release for loading cargo, and an available infotainment touch screen.

### WHAT YOU'LL PAY

**BLUE BOOK FAIR PURCHASE PRICE:**  
\$30,445 (for S FWD)

**TO BUY:** \$505 a month  
10% down/4%/60 months

**TO LEASE:** \$518 a month  
One month's payment due at signing/  
\$17,049 residual/36 months

### TOP CROSSOVERS

For an explanation of our rankings, see page 68. For complete data on more than 2,000 vehicles, see [kiplinger.com/links/carguide](http://kiplinger.com/links/carguide).

Make/Model	MSRP	Invoice price	Blue Book Fair Purch. Price	Cost to own (5 yr.)	Service cost (5 yr.)	Top Safety Pick <sup>2</sup>	Resale value 3 yr./5 yr.	Engine size (liters)	No. of cylinders	Horsepower	MPG city/hwy.	Length/width (in.)	Legroom front/rear (in.)	Cargo space (cu. ft.)	
<b>MIDSIZE CROSSOVERS</b>															
✓ Ford Edge SE	\$28,995	\$27,379	—	—	—		47%/37%	2.0T	4	245	—	188/76	43/41	39	
✓ Honda Pilot LX	30,750	28,199	\$28,151	\$42,764	\$4,186		54/38	3.5	6	250	18/25	191/79	41/39	48	
Jeep Grand Cherokee Limited	37,490	35,931	35,488	—	—		53/34	3.6	6	290	17/25	190/77	40/39	36	BEST IN CLASS
✓ Kia Sorento LX	25,195	24,369	23,879	41,183	4,961		46/30	2.4	4	191	20/27	184/74	41/32	37	
Land Rover Range Rover Sport HSE 4WD	69,420	64,561 <sup>e</sup>	69,420	—	—		64/40	3.0s	6	340	17/23P	191/78	42/37	28	BEST RESALE
Lexus RX 350	41,895	39,232	38,945	50,834	5,538		59/43	3.5	6	270	18/25	188/74	43/37	40	
Lincoln MKX	39,795	37,850	37,562	49,734	4,616		57/43	3.7	6	305	18/26	187/79	42/40	32	
Mercedes-Benz ML350	49,225	45,844	46,173	59,124	7,143	★	58/41	3.5	6	302	18/24P	189/84	40/38	38	
Nissan Murano S	30,445	28,427	30,445	—	—		—	3.5	6	260	21/28	192/75	41/39	40	BEST NEW MIDSIZE CROSSOVER & MOST FUEL-EFFICIENT
Porsche Cayenne Diesel AWD	62,695	58,306 <sup>e</sup>	—	—	—		—	3.0T	6	240	20/29D	191/79	—	24	
Toyota Highlander LE	30,300	27,740	28,642	41,493	4,575	★	58/42	2.7	4	185	20/25	191/76	44/38	42	
Toyota Venza LE	29,800	27,341	27,573	42,646	4,271		47/33	2.7	4	181	20/26	189/75	40/39	36	
<b>LARGE CROSSOVERS</b>															
✓ Acura MDX	\$43,685	\$40,540	\$41,063	\$50,122	\$4,578	★	59%/42%	3.5	6	290	20/28P	194/77	41/37	45	
Audi Q7 TDI Premium AWD	53,825	50,123	51,246	65,223	7,028		58/36	3.0T	6	240	19/28D	200/78	41/37	42	
BMW X5 xDrive35d AWD	57,950	53,390	—	—	—		—	3.0T	6	255	24/31D	193/76	40/37	66	
Chevrolet Traverse LT w/ILT	34,670	32,980	32,967	49,807	4,896		49/34	3.6	6	281	17/24	204/79	41/37	70	
Dodge Durango Limited	37,890	36,244	36,488	50,907	4,267		50/34	5.7	8	360	18/25	201/76	40/39	48	
Ford Explorer XLT	33,795	31,574	31,953	46,628	4,159		54/38	3.5	6	290	17/24	197/90	41/40	44	BEST IN CLASS
Ford Flex SE	29,995	28,322	—	—	—		—	3.5	6	287	18/25	202/76	41/44	43	
Hyundai Santa Fe GLS	31,045	29,620	29,222	43,110	4,434		56/39	3.3	6	290	18/25	193/74	41/41	41	
Land Rover Range Rover 4WD	84,420	77,323	—	—	—		—	3.0s	6	340	17/23P	197/78	43/40	32	
Mazda CX-9 Sport	30,865	29,262	29,661	46,518	4,765		48/35	3.7	6	273	17/24	201/76	41/40	48	BEST RESALE
Mercedes-Benz GL350 BlueTec AWD	64,525	60,073	62,202	71,112	7,414		69/50	3.0T	6	240	19/26D	202/84	40/39	49	
✓ Nissan Pathfinder S	30,395	28,103	28,464	42,685	4,596	★	55/39	3.5	6	260	20/27	197/77	42/42	48	MOST FUEL-EFFICIENT

<sup>†</sup>LeaseCompare.com <sup>1</sup>IIHS <sup>2</sup>manual transmission; automatic available <sup>e</sup>estimate — information not available T turbocharged S supercharged P premium gasoline recommended D diesel fuel E electric vehicle; mile per gallon equivalent NA not applicable.

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## TECH&gt;&gt;

# When Your PC Is Held Hostage

Take steps to thwart pirates who could hijack your computer. **BY JEFF BERTOLUCCI**

## YOU THINK YOU PRACTICE SAFE

computing. Yet one day you turn on your PC and a message on your home screen reads, “This operating system has been locked for security reasons.”

Your computer has been infected with *ransomware*, malware that allows criminals to block your apps from working and to encrypt your files so you can’t access them. You may also be told that you’ve committed an illegal act and are being fined by a government agency. Or you might just see a demand for a ransom—running anywhere from about \$100 to thousands of dollars—to unlock your device. Macs are not immune from ransomware, and mobile devices, such as Android phones and tablets, are vulnerable as well.

Avoiding the Internet’s shady side won’t keep you from harm. “Most people think you’ll get malware if you go to a porn site,” says Gary Davis,

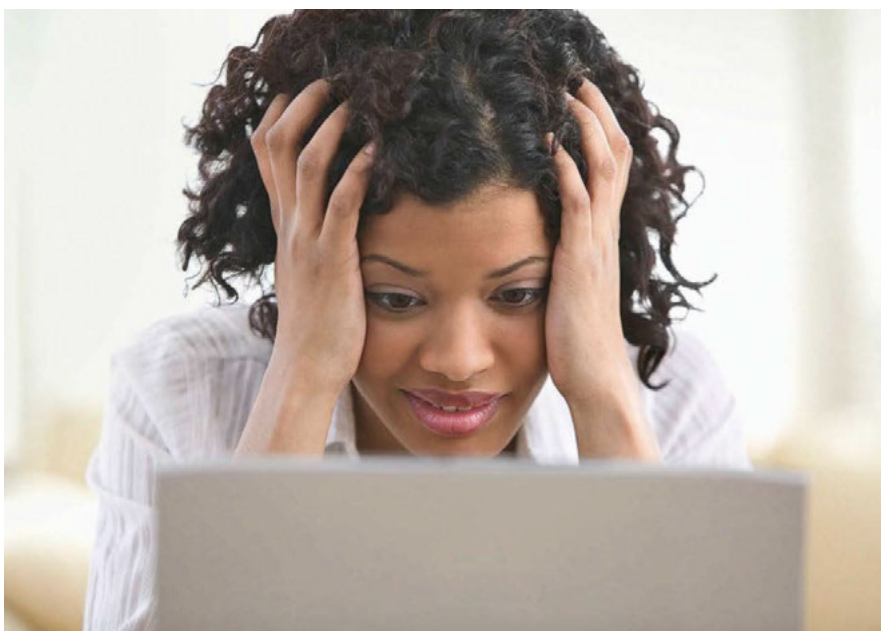
chief consumer security evangelist for McAfee, an antivirus-software developer. “But the porn industry has been beaten senseless by malware historically, and their sites are really clean.” Rather, mom-and-pop shops, such as local restaurant sites with lax security, are easy pickings for criminals. “That’s how a lot of the bad stuff is getting distributed,” warns Davis.

**What to do.** You can beat the bad guys without paying up. To start, ward off most infections by using an anti-virus program—such as Microsoft’s Windows Defender (included with Windows), Lavasoft’s Ad-Aware Free Antivirus+ ([www.lavasoft.com](http://www.lavasoft.com)), McAfee AntiVirus Plus ([www.mcafee.com](http://www.mcafee.com), \$50) or Symantec’s Norton Security ([www.norton.com](http://www.norton.com), \$80)—and making sure it’s current. But if your PC is already infected and you install an anti-virus program to “clean” your system,

it may not be enough. Some strains of malware are harder to remove than others, says Andy Browne, an Internet security expert at Lavasoft.

Because a stealthy infection could linger, your computer’s hard drive may need to be reformatted and the operating system and apps reinstalled. Several providers will help you clean up your machine, for \$80 to \$100, by accessing it remotely. Among them are McAfee’s Virus Removal Service (<http://home.mcafee.com/store/virus-removal-service>), Symantec’s Norton Spyware & Virus Removal Service (<http://us.norton.com/nortonlive/spyware-virus-removal.jsp>) and AVG Virus & Spyware Removal ([www.avg.com/us-en/remote-virus-removal](http://www.avg.com/us-en/remote-virus-removal)). Staples also offers remote malware removal for \$100; it will cost you \$150 if you take the machine to the store and \$300 if a technician comes to you. Best Buy’s Geek Squad charges \$150 for remote virus and spyware removal, \$200 if you take your PC to a store and \$250 if a technician comes to you. Before choosing an independent repair service, check the company’s record with the Better Business Bureau ([www.bbb.org](http://www.bbb.org)), advises Laura Iwan, senior vice-president of programs at the Center for Internet Security.

Back up your files—to an external hard drive (or USB stick or memory card) as well as the cloud—so your data won’t be lost for good if you reformat your hard drive. Run regular backups (once a week should be enough for most home users), and once you’ve copied the data to an external drive, disconnect it. The idea is to keep your backup files virus-free, says Iwan. “That way, if you get infected you can restore your files from your backups.” ■



# What You Need to Know About Tax Preparers

Make sure you find someone who is qualified and competent. **BY SANDRA BLOCK**

**1. ANYONE CAN HANG OUT A SHINGLE.** In 46 states and the District of Columbia, you can order a batch of business cards and start preparing tax returns. Only four states—California, Maryland, New York and Oregon—require tax preparers to register with the state and meet minimum standards. An IRS regulation that would have required tax preparers to pass a competency exam and take continuing-education courses was struck down by a federal district court last year. Because it's so easy to become a tax preparer, the business is ripe for fraud, say consumer groups.

**2. GET A REFERRAL.** Professional organizations, such as the American Institute of CPAs ([www.aicpa.org](http://www.aicpa.org)) and the National Association of Enrolled Agents ([www.naea.org](http://www.naea.org)), are good sources. You can get a list of local CPAs from your state's CPA society, or go to [www.aicpa.org/advocacy/state/statecontactinfo](http://www.aicpa.org/advocacy/state/statecontactinfo). Both

certified public accountants and enrolled agents must pass competency exams and are required to take continuing-education courses. Enrolled agents, CPAs and tax attorneys have the right to represent you before the IRS if you're audited.

**3. WHAT YOU'LL PAY.** The average cost to prepare itemized federal and state tax returns for 2014 is \$273, according to the National Society of Accountants; for returns with no itemized deductions, the average is \$159. Your cost will vary depending on where you live and the complexity of your return. Be suspicious of any preparer who quotes a fee that's significantly lower than average. Dishonest tax preparers often give potential clients a lowball quote, then add hundreds of dollars after the return has been completed, says Chi Chi Wu, a staff lawyer for the National Consumer Law Center.

**4. HOW TO TELL THE GOOD GUYS...** A reputable preparer will ask questions about your personal situation, says Edward Karl, vice-

president of taxation for the AICPA. A preparer who charges by the hour should provide the hourly rate along with an estimate of the number of hours it will take to complete your return. If the preparer is elusive about how fees are calculated, "that's a problem," Karl says. Never hire a tax preparer who bases fees on a percentage of your refund.

**5. ... FROM THE BAD GUYS.** Preparers are required by law to sign your return and include a Preparer Tax Identification Number. If a preparer doesn't have a PTIN or doesn't want to sign, grab your W-2s and 1099s and leave. You should also head for the exit if a preparer asks you to sign a blank return. Remember: You're responsible for the information on your tax return, even if someone else prepares it.

**6. YOU COULD DO IT YOURSELF.** Programs from TurboTax, H&R Block and TaxAct do a fine job of alerting users to tax breaks and flagging errors, and they let you e-file your return, too. (Note, however, that the desktop version of TurboTax Deluxe no longer includes schedules C, D and E; if you need those forms, you will have to upgrade to TurboTax Premier or Home and Business, or choose another tax-prep program.) If your household adjusted gross income was \$60,000 or less in 2014, you can prepare and e-file your federal return free through the Free File program (<http://freefile.irs.gov>). ■





# 3 SIMPLE STEPS

## Save on Homeowners Insurance

### STEP 1

**Get all the discounts you deserve.**

Bundling auto and home coverage with one insurer can reduce your rates by 10% to 15% (or more if you add an umbrella policy). Home improvements you've made since you bought your policy—say, a new roof or electrical system—can earn you a discount. You could also lower your premiums by installing an alarm system, storm shutters or a permanent backup generator. And a major life change, such as getting married or retiring, could trigger a reduction in your rate.

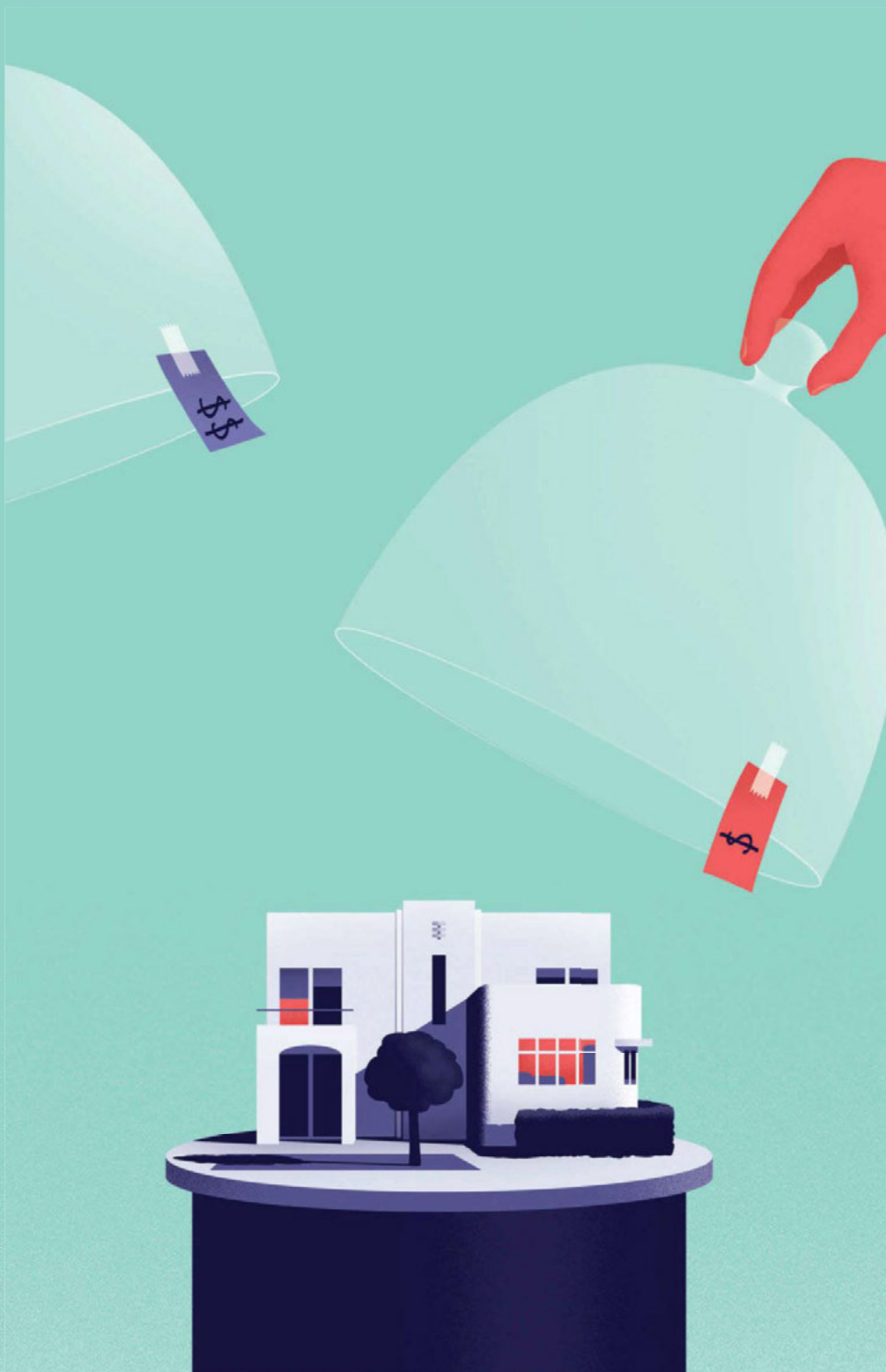
### STEP 2

**Boost your deductible.** Raising it from \$250 or \$500 to \$1,000 can cut your premiums by up to 20%, and you won't be tempted to file small claims that could result in a rate hike. Filing several small claims could raise your rate even if you switch insurers because companies share information through a database called the Comprehensive Loss Underwriting Exchange (CLUE).

### STEP 3

**Get quotes from several insurers.**

Prices can vary significantly by company. And if you have a record of comparison shopping (or asking your current company for a break on premiums), it could prompt insurers to offer you a lower rate. Before you shop, make sure you have enough insurance (see [kiplinger.com/links/homecoverage](http://kiplinger.com/links/homecoverage)). Compare rates from several companies at a site such as [InsuranceQuotes.com](http://InsuranceQuotes.com), or find a local independent insurance agent at [www.trustedchoice.com](http://www.trustedchoice.com). Or contact insurers that don't sell through independent agents, such as USAA or State Farm. If you find a lower rate, ask your current insurer if it will match that rate.



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<sup>1</sup> National savings rate courtesy of Bankrate.com's 2014 Passbook & Statement Savings Study, as of 10/8/14; survey is compiled semi-annually April 15 and October 15 of current year

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