WE RANK THE TOP MUTUAL FUNDS p54

Kiplinger's PERSONAL FINANCE

MONEY SMART LIVING

Retire Rich

Follow our 6 steps to a carefree retirement. Hint: Your boss can give you a boost. p26

PLUS

Great Deals on New Cars p64

13 Dynamite Dividend Picks p22

MARCH 2016

For people with a higher risk of stroke due to
Atrial Fibrillation (AFib) not caused by a heart valve problem

ELIQUIS® (apixaban) is a prescription medicine used to reduce the risk of stroke and blood clots in people who have atrial fibrillation, a type of irregular heartbeat, not caused by a heart valve problem.

IMPORTANT SAFETY INFORMATION:

- **Do not stop taking ELIQUIS for atrial fibrillation without talking to the doctor who prescribed it for you. Stopping ELIQUIS increases your risk of having a stroke.** ELIQUIS may need to be stopped, prior to surgery or a medical or dental procedure. Your doctor will tell you when you should stop taking ELIQUIS and when you may start taking it again. If you have to stop taking ELIQUIS, your doctor may prescribe another medicine to help prevent a blood clot from forming.
- **ELIQUIS can cause bleeding, which can be serious,** and rarely may lead to death.
- **You may have a higher risk of bleeding if you take ELIQUIS and** take other medicines that increase your risk of bleeding, such as aspirin, NSAIDs, warfarin (COUMADIN®), heparin, SSRIs or SNRIs, and other blood thinners. **Tell your doctor about all medicines, vitamins and supplements you take.**

While taking ELIQUIS, you may bruise more easily and it may take longer than usual for any bleeding to stop.

- Get medical help right away if you have any of these signs or symptoms of bleeding:
  - unexpected bleeding, or bleeding that lasts a long time, such as unusual bleeding from the gums; nosebleeds that happen often, or menstrual or vaginal bleeding that is heavier than normal
  - bleeding that is severe or you cannot control
  - red, pink, or brown urine; red or black stools (looks like tar)
  - coughing up or vomiting blood or vomit that looks like coffee grounds
  - unexpected pain, swelling, or joint pain; headaches, feeling dizzy or weak
- **ELIQUIS is not for patients with artificial heart valves.**

Now I'm going for something better than warfarin. ELIQUIS.

Reduced the risk of stroke better than warfarin.

ELIQUIS® (apixaban)

Had significantly less major bleeding than warfarin.

No routine blood testing.

ELIQUIS and other blood thinners increase the risk of bleeding which can be serious, and rarely may lead to death.

Ask your doctor if switching to ELIQUIS is right for you.

- **Spinal or epidural blood clots (hematoma).** People who take ELIQUIS, and have medicine injected into their spinal and epidural area, or have a spinal puncture have a risk of forming a blood clot that can cause long-term or permanent loss of the ability to move (paralysis). This risk is higher if, an epidural catheter is placed in your back to give you certain medicine, you take NSAIDs or blood thinners, you have a history of difficult or repeated epidural or spinal punctures. Tell your doctor right away if you have tingling, numbness, or muscle weakness, especially in your legs and feet.
- **Before you take ELIQUIS,** tell your doctor if you have: kidney or liver problems, any other medical condition, or ever had bleeding problems. Tell your doctor if you are pregnant or breastfeeding, or plan to become pregnant or breastfeed.
- **Do not take ELIQUIS if you** currently have certain types of abnormal bleeding or have had a serious allergic reaction to ELIQUIS.

A reaction to ELIQUIS can cause hives, rash, itching, and possibly trouble breathing. Get medical help right away if you have sudden chest pain or chest tightness, have sudden swelling of your face or tongue, have trouble breathing, wheezing, or feeling dizzy or faint.

You are encouraged to report negative side effects of prescription drugs to the FDA. Visit www.fda.gov/medwatch, or call 1-800-FDA-1088.

Please see additional Important Product Information on the adjacent page.

Individual results may vary.

Learn about savings and offers.

Visit ELIQUIS.COM or call 1-855-ELIQUIS

Eliquis®
(apixaban) tablets 5mg 2.5mg

IMPORTANT FACTS about ELIQUIS® (apixaban) tablets

℞ ONLY

The information below does not take the place of talking with your healthcare professional. Only your healthcare professional knows the specifics of your condition and how ELIQUIS may fit into your overall therapy. Talk to your healthcare professional if you have any questions about ELIQUIS (pronounced ELL eh kwiss).

What is the most important information I should know about ELIQUIS (apixaban)?

For people taking ELIQUIS for atrial fibrillation: Do not stop taking ELIQUIS without talking to the doctor who prescribed it for you. Stopping ELIQUIS increases your risk of having a stroke. ELIQUIS may need to be stopped, prior to surgery or a medical or dental procedure. Your doctor will tell you when you should stop taking ELIQUIS and when you may start taking it again. If you have to stop taking ELIQUIS, your doctor may prescribe another medicine to help prevent a blood clot from forming.

ELIQUIS can cause bleeding which can be serious, and rarely may lead to death. This is because ELIQUIS is a blood thinner medicine that reduces blood clotting.

You may have a higher risk of bleeding if you take ELIQUIS and take other medicines that increase your risk of bleeding, such as aspirin, nonsteroidal anti-inflammatory drugs (called NSAIDs), warfarin (COUMADIN®), heparin, selective serotonin reuptake inhibitors (SSRIs) or serotonin norepinephrine reuptake inhibitors (SNRIs), and other medicines to help prevent or treat blood clots.

Tell your doctor if you take any of these medicines. Ask your doctor or pharmacist if you are not sure if your medicine is one listed above.

While taking ELIQUIS:

- you may bruise more easily
- it may take longer than usual for any bleeding to stop

Call your doctor or get medical help right away if you have any of these signs or symptoms of bleeding when taking ELIQUIS:

- unexpected bleeding, or bleeding that lasts a long time, such as:
  - unusual bleeding from the gums
  - nosebleeds that happen often
  - menstrual bleeding or vaginal bleeding that is heavier than normal
- bleeding that is severe or you cannot control
- red, pink, or brown urine
- red or black stools (looks like tar)
- cough up blood or blood clots
- vomit blood or your vomit looks like coffee grounds
- unexpected pain, swelling, or joint pain
- headaches, feeling dizzy or weak

ELIQUIS is not for patients with artificial heart valves.

Spinal or epidural blood clots (hematoma). People who take a blood thinner medicine (anticoagulant) like ELIQUIS, and have medicine injected into their spinal and epidural area, or have a spinal puncture have a risk of forming a blood clot that can cause long-term or permanent loss of the ability to move (paralysis). Your risk of developing a spinal or epidural blood clot is higher if:

- a thin tube called an epidural catheter is placed in your back to give you certain medicine
- you take NSAIDs or a medicine to prevent blood from clotting
- you have a history of difficult or repeated epidural or spinal punctures
- you have a history of problems with your spine or have had surgery on your spine

If you take ELIQUIS (apixaban) and receive spinal anesthesia or have a spinal puncture, your doctor should watch you closely for symptoms of spinal or epidural blood clots or bleeding. Tell your doctor right away if you have tingling, numbness, or muscle weakness, especially in your legs and feet.

What is ELIQUIS?

ELIQUIS is a prescription medicine used to:

- reduce the risk of stroke and blood clots in people who have atrial fibrillation.
- reduce the risk of forming a blood clot in the legs and lungs of people who have just had hip or knee replacement surgery.
- treat blood clots in the veins of your legs (deep vein thrombosis) or lungs (pulmonary embolism), and reduce the risk of them occurring again.

It is not known if ELIQUIS is safe and effective in children.

Who should not take ELIQUIS?

Do not take ELIQUIS if you:

- currently have certain types of abnormal bleeding
- have had a serious allergic reaction to ELIQUIS. Ask your doctor if you are not sure

What should I tell my doctor before taking ELIQUIS?

Before you take ELIQUIS, tell your doctor if you:

- have kidney or liver problems
- have any other medical condition
- have ever had bleeding problems
- are pregnant or plan to become pregnant. It is not known if ELIQUIS will harm your unborn baby
- are breastfeeding or plan to breastfeed. It is not known if ELIQUIS passes into your breast milk. You and your doctor should decide if you will take ELIQUIS or breastfeed. You should not do both

Tell all of your doctors and dentists that you are taking ELIQUIS. They should talk to the doctor who prescribed ELIQUIS for you, before you have **any** surgery, medical or dental procedure.

Tell your doctor about all the medicines you take, including prescription and over-the-counter medicines, vitamins, and herbal supplements. Some of your other medicines may affect the way ELIQUIS (apixaban) works. Certain medicines may increase your risk of bleeding or stroke when taken with ELIQUIS.

How should I take ELIQUIS?

Take ELIQUIS exactly as prescribed by your doctor. Take ELIQUIS twice every day with or without food, and do not change your dose or stop taking it unless your doctor tells you to. If you miss a dose of ELIQUIS, take it as soon as you remember, and do not take more than one dose at the same time. **Do not run out of ELIQUIS. Refill your prescription before you run out.** When leaving the hospital following hip or knee replacement, be sure that you will have ELIQUIS available to avoid missing any doses. **If you are taking ELIQUIS for atrial fibrillation, stopping ELIQUIS may increase your risk of having a stroke.**

What are the possible side effects of ELIQUIS?

- See **"What is the most important information I should know about ELIQUIS?"**
- ELIQUIS can cause a skin rash or severe allergic reaction. Call your doctor or get medical help right away if you have any of the following symptoms:
  - chest pain or tightness
  - swelling of your face or tongue
  - trouble breathing or wheezing
  - feeling dizzy or faint

Tell your doctor if you have any side effect that bothers you or that does not go away.

These are not all of the possible side effects of ELIQUIS. For more information, ask your doctor or pharmacist.

Call your doctor for medical advice about side effects. You may report side effects to FDA at 1-800-FDA-1088.

This is a brief summary of the most important information about ELIQUIS. For more information, talk with your doctor or pharmacist, call 1-855-ELIQUIS (1-855-354-7847), or go to www.ELIQUIS.com.

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CONTENTS

KIPLINGER'S PERSONAL FINANCE // FOUNDED 1947

VOL. 70 NO. 3


72

JAMES FOSTER

INVESTING

IN EVERY ISSUE

AHEAD

ON THE COVER:
Photograph by Bonnie Holland
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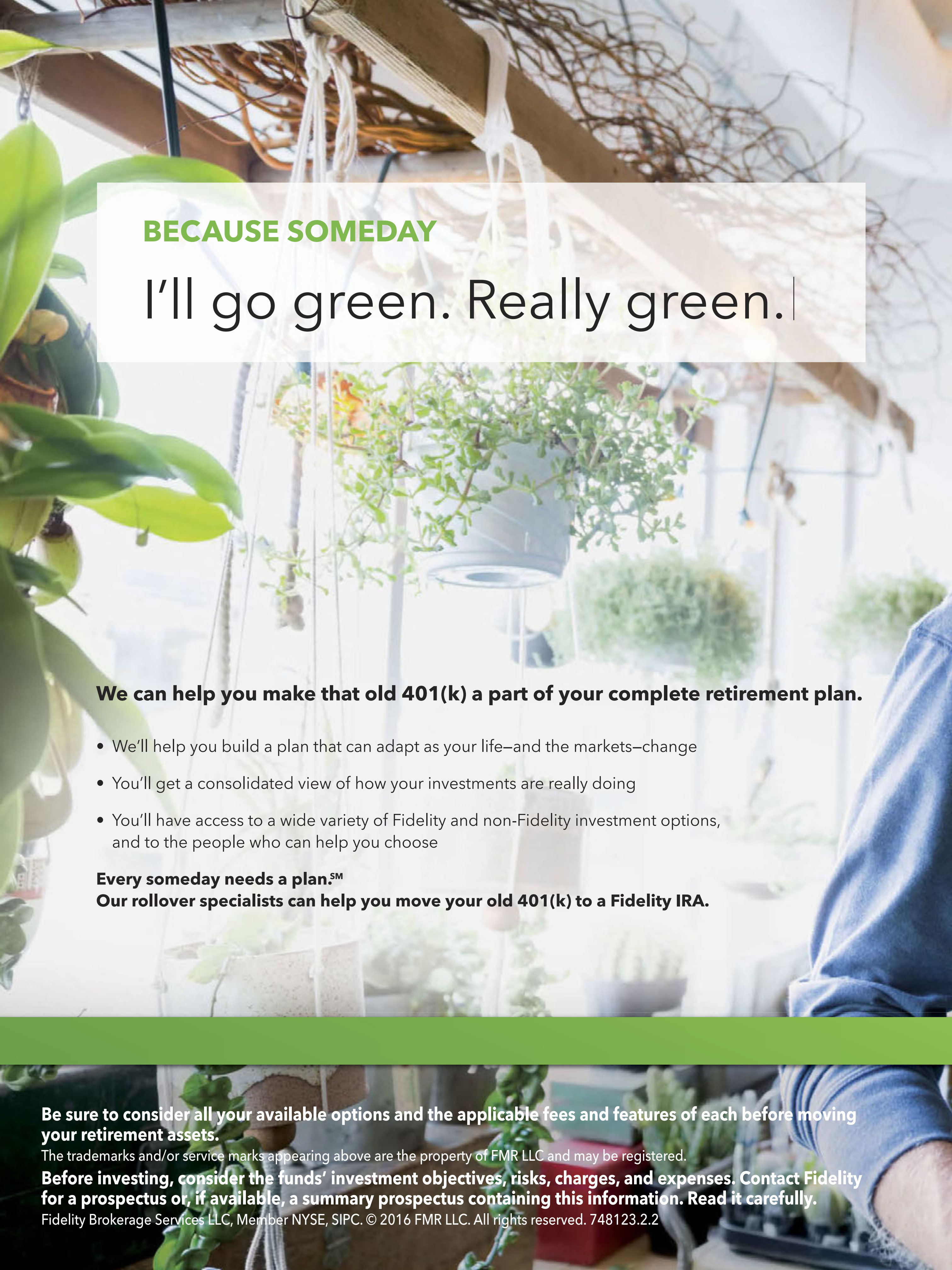
MONEY // COVER

LIVING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The first wave of boomers turns 70½ in 2016. Learn the ins and outs of required minimum distributions.

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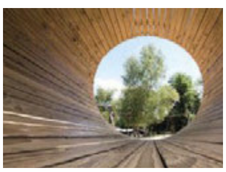

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INTERACT

WHAT TO DO WHEN YOU TURN 65
Kim Lankford suggests seven important financial moves for people turning 65 in 2016. Navigating Medicare is just one priority.

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RETIREMENT ADVICE FOR WOMEN
Editor Janet Bodnar reveals strategies women can implement now to improve prospects for a secure retirement.

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Mark your calendar for our next free live chat, on February 18, 9 A.M. to 5 P.M. Ask trusted financial advisers your money questions.

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Janet Bodnar

FROM THE EDITOR

More Timely Fund Rankings

LISE METZGER

Readers who pay close attention to our annual rankings of the top-performing mutual funds may be forgiven if they experience a sense of déjà vu this month. Yes, we did publish the rankings in our September 2015 issue. But we've decided to move our annual winners list from September to the March issue so we can base it on returns as of December 31 (see the results on page 54). "It's fair to say that most people focus more on returns through the end of the year than they do on figures through June 30," says executive editor Manny Schiffres, who supervises our investing coverage.

What a difference half a year makes. Between the September and March issues, the winners over longer time periods remained fairly stable. But adding six months of new data and subtracting six months of old numbers shook up the one-year results. Particularly affected were sector funds. In September, health care funds occupied the top spot in each time period, and health care still dominates the three- and five-year returns. But there has been a shift in the one-year rankings, where you'll now find technology funds, financial-services funds and even a retailing-sector fund.

Sadly, 2015 turned out to be "a lousy year," says Manny. The big news was the dominance of the FANGs: Facebook, Amazon.com, Netflix and Google. If a large-company fund didn't own at least two of those four stocks, it didn't show up on the list.

As in September, big-company funds beat their smaller brethren, but that wasn't saying much; the average large-capitalization fund lost 0.2% for the year, versus losses of 3.2% for mid-cap funds and 4.6% for small-company funds. Meanwhile, the stock market got off to a terrible start in early January, with the FANGs leading the plunge. Says Manny, "If the market continues to go down, we may end up concluding that the bull market ended in May 2015."

"Adding six months of new data shook up the one-year results."

Top new cars. To make room for the fund rankings this month, we decided to stop publishing our annual rankings of the best values in new cars. In some ways, we were victims of our own success. When we started ranking cars in the early 1990s, data that measured value was hard to come by. "It was difficult to find things such as resale value and even invoice prices," says senior editor Mark Solheim, who supervises our auto coverage. "We used to go to the carmakers' press kits and painstakingly input the numbers into Excel spreadsheets." Over the years, independent data suppliers, such as Kelley Blue Book and Edmunds.com, have emulated our model and taken it to "the next and the next and even the next level," says Mark. So we're happy to pass that baton.

But we still take seriously our responsibility to give readers strategies for getting the best deal on a new car. So on page 64 you'll find our annual rundown on the new models—sans rankings but including plenty of advice. For instance, in reporting the story, associate editor Daren Fonda learned that some safety technologies have proved to be more valuable at preventing accidents than others. "Collision warning, automatic braking and adaptive headlights that swivel with the car's direction have shown safety benefits," says Daren. "But results are still mixed for blind-spot warning systems and lane-departure alerts."

To get a good price on a crossover or larger SUV, look for models that haven't been redesigned recently or aren't selling fast. Or think contrarian and choose a sedan or a hybrid; sales of both have been sluggish. A record 29% of new vehicles were leased in 2015, and a lease could be your ticket to driving home a luxury car with an attractive monthly payment. ■

Janet Bodnar

JANET BODNAR, EDITOR
FOLLOW JANET'S UPDATES AT WWW.TWITTER.COM/JANETBODNAR.

Social Security Squeeze

The strategies that are being phased out mostly allowed rich Social Security recipients to get more than their fair share ("A Squeeze on Social Security Benefits," Jan.). Every beneficiary is facing the possibility of a 25% cut in benefits sometime in the future if Congress does not fix Social Security's funding problems. Certainly cutting off unjustified extra payments to mostly rich people is a good first step.

MARK SULLIVAN
ROCHESTER HILLS, MICH.

Lower drug costs? In response to Knight Kiplinger's comments on the ethics of high prescription-drug prices, I think that Medicare and Medicaid should be permitted to use their purchasing power to negotiate lower prices ("Money & Ethics," Jan.). That's what big purchasers such as Walmart do with their vendors.

RICHARD SAUNDERS
EAGLEVILLE, PA.

Pension pitfalls. It is unbelievable that employers can get rid of vested pension benefits by filing for bankruptcy ("Put Your Pension to Work," Jan.). Then these companies push their liabilities onto a government agency to deal with. As the number of companies filing for bankruptcy grows and they pass along their commitments to the government, the amount each pensioner receives will dwindle. Who suffers? Those loyal employees who worked hard and were counting on those pensions. What is wrong with this picture?

LOU RENSHAW
QUAKERTOWN, PA.

Good-neighbor policy. In the January issue, you mentioned that the Global Entry program, which costs $100 for five years, gets you speedier trips through U.S. Customs and TSA PreCheck ("2016 Kiplinger's Money Calendar"). Nexus, an alternative program for U.S. and Canadian citizens (www.cbp.gov/travel/trusted-traveler-programs/nexus), provides both those benefits along with dedicated lanes at selected land crossings. It costs only $50 for five years. Go figure!

RAY CAVALIERE
WASHINGTON, MICH.

Q READER POLL

Where do you keep your vital records?

Home safe or strongbox	44%
File cabinet or drawer	40%
Bank safe deposit box	31%
Home PC or in the cloud	17%
Other	3%

To learn more about keeping track of and replacing vital records, turn to page 37.

SOURCE: POLL SURVEYED 114 KIPLINGER'S READERS.

ONLINE CHATTER

Our article on the followers of Vanguard's guru of indexing drew this response ("The World According to the Bogleheads," Jan.):

"John Bogle's basic tenets are to invest steadily and regularly as much as practical in U.S. stock index funds. That is a winning formula in terms of good long-term returns, although some of us would rather delve more deeply into the Graham-Buffett style of value investing, where we stick with individual stocks."

"I have most of my money in Vanguard, and I agree with the Boglehead axioms except for rebalancing. I rebalanced early on and, much to my surprise, I had to pay a humongous tax bill. Since then, I rebalance selectively but not on a regular timetable."

CORRECTION

To access the National Resource Center for Participant-Directed Services, go to www.bc.edu/schools/gssw/nrcpds ("Caring for the Caregiver," Jan.).

LETTERS TO THE EDITOR

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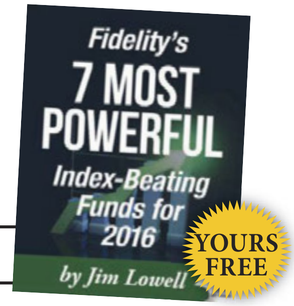
Fidelity's 7 Most Powerful Index-Beating Funds



The Investment Secrets That Can Double Your Fidelity Profits!

It's common knowledge that Fidelity is where you put your money when you want to beat the market, not try to mimic it with index funds.

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These are the Fidelity Funds That Will More Than Double Your Profits

I've just released my newest report ***Fidelity's 7 Most Powerful Index-Beating Funds for 2016***. And it's yours **FREE**!

In it I detail Fidelity's 7 index-beating funds that are so amazingly powerful they work gangbusters for just about every Fidelity investor, including:

- aggressive growth investors,
- those seeking both growth and income,
- and those who simply want to live off the income their Fidelity funds generate for them.

I Used to Work at Fidelity, but Not Anymore

I'm Jim Lowell, and I head up the world's largest independent research group dedicated to Fidelity, its funds, and its investors. Think of me as your Fidelity inside man… your serious-money watchdog. I'm entirely independent of Fidelity and can tell you all about their strengths and weaknesses and what I've discovered can easily double, maybe even triple your Fidelity profits.

Jim Lowell

Jim Lowell is the quintessential Fidelity expert and watchdog. He is the President of FundWorks, Inc. and founding editor of ***Fidelity Investor***.

Jim is the author of *What Every Fidelity Investor Needs to Know* and his commentary appears in *Forbes*, *Business Week*, *The Wall Street Journal* and *The New York Times*. He's a regular guest on CNN, CNBC, Bloomberg and Fox Business News.

The *Hulbert Financial Digest* named *Fidelity Investor* to its **2015 Newsletter Honor Roll**, citing it for its "above-average performance in both up and down markets."

It's the cardinal rule of savvy mutual fund investing… buy the manager! My proprietary Manager Ranking System (MRS) analyzes how each Fidelity fund manager has fared relative to the market, month in and month out since he or she began managing money.

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If you like large cap stocks that are loaded with cash that's consistently handed over to investors, then this Fidelity power fund belongs in your portfolio.

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Drug maker Roche, consumer products giant Nestlé and beverage blue chip Anheuser Busch are among this fund's top holdings. This superstar fund manager looks everywhere for multiyear structural growth potential in businesses that have protective moats surrounding them, and that makes this fund a must own.

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THE PROJECT TWINS

TOPIC A

THWART ID THIEVES, CLAIM REFUNDS NOW

But tighter security means you could have to wait for a check. BY SANDRA BLOCK

YOU'RE MORE LIKELY TO BE struck by lightning than audited by the IRS, but that doesn't mean filing your taxes is worry-free. The rapid rise of tax identity theft has forced nearly a million victims to wait months—and spend hours on hold with the IRS—to get their refunds. Crooks using stolen Social Security numbers claimed $5.8 billion in fraudulent refunds in 2013, according to the most recent count, and the IRS says it blocked phony refunds worth another $24.2 billion.

The IRS, state tax authorities and tax-preparation companies are fighting back, and some of the changes will affect how you file your return this year. Tax-software users will be required to create a password with a minimum of eight characters, answer at least three security questions and verify their e-mail address with a personal identification number. Make sure you remember or make note of this information because after an unspecified number of unsuccessful log-in attempts, you'll be locked out of your tax program. Behind the scenes, tax-software companies will help the IRS identify multiple returns filed from the same Internet address or device. Tax-preparation companies will also provide information about the amount of time taken to prepare returns, which will help flag fraudulent returns automatically generated by a computer program.

Beefier security measures will force residents in some states to wait longer for their state tax refunds. The delays will give officials more time to match information on tax returns to residents' W-2 forms, one of the most effective ways to identify a fraudulent return. Although the law requires employers to give employees their W-2s by January 31, most state tax agencies (and the IRS) usually don't get the information until April. Utah lawmakers enacted legislation directing the state tax department to wait until March 1 to deliver residents' refunds unless employers have already filed W-2s with the state. The Illinois Department of Revenue announced in January that it doesn't expect to send out refunds until March 1. Virginia and New York have also warned that some refunds may be delayed.

The IRS still expects to deliver 90% of federal refunds within 21 days after returns are filed. That gives bandits plenty of time to file a fraudulent return before the IRS receives your W-2. Starting next year, the IRS should get W-2s at least a month earlier, thanks to legislation enacted in 2015.

In the meantime, your best defense is to file your tax return as soon as possible. That won't stop crooks who have stolen your Social Security number from filing a fraudulent return, but they can't hijack a refund you've already claimed. If you believe your Social Security number has been stolen, you can take an additional step to protect yourself, says Bill Kowalski, director for tax consultant Rehmann Corporate Investigative Services: Fill out an Identity Theft Affidavit (Form 14039, available at www.irs.gov), and check Box 2 (for potential victims). The document will alert the IRS that your return could be compromised. Depending on your circumstances, the IRS may assign you (or allow you to apply for) a six-digit Identity Protection PIN (IP-PIN) to use when you file your return. If someone tries to file a return using your name and SSN without the IP-PIN, it will be rejected. Bad guys hate when that happens.

INTERVIEW

HOW TO INVEST FOR CLIMATE CHANGE

Be selective about new technology, and don't write off fossil fuels yet.

Matthew Weatherley-White is cofounder and managing director at the Caprock Group, an investment adviser for wealthy families. He leads the firm's social and environmental investing program.

In December, 195 countries agreed to take steps to address global warming. What does that mean for investors? In the short run, very little. But the goals implied by the agreement will require $17 trillion in spending over the next 15 years, according to the International Energy Agency. That's the demand side of the equation.

Why have alternative energy stocks performed so poorly? Everyone recognizes that the solution to a high-carbon economy is alternative energy. But making a bet on a specific company is a high-risk proposition. Twenty-five years ago, everyone agreed that computerization would accelerate. But think of the losses for people who bet on Wang Labs [which went bankrupt in 1992]. That had nothing to do with the computerization of society, but everything to do with the uncertainty of computing. We're at the exact same place with alternative energy.

How should investors position their portfolios? Investors view climate change from two angles: risk mitigation and opportunity. With oil companies, there's a real risk of stranded assets—reserves that won't be recoverable due to future teeth in climate change agreements. But that won't be reflected in share prices for years. How do you analyze the risk to insurers that the Florida Keys will be underwater in 50 years? Or risks to carbon-intensive industries such as aluminum smelting? Do you sell all of these stocks? That's an irrational conclusion to come to.

SHAWN GUST/REDUX

And the opportunities? Focus on energy efficiency. Portfolio managers we work with look for companies poised to benefit from doing more with less. For example, Itron (symbol ITRI) makes meters that collect, communicate and analyze usage data for utilities. BorgWarner (BWA) makes engine components that make cars and trucks more fuel-efficient. Johnson Controls (JCI) invented the first electric room thermostat. Now it's a global leader in energy optimization for heating and cooling. Renewable energy is tough to play, but First Solar (FSLR) provides utility-scale systems around the world, and its balance sheet is well capitalized, with little debt. [For more on environmental and social investing, see "Make Money and Do Good, Too," on page 44.]

ANNE KATES SMITH

THE BUZZ

HIGH-TECH WAYS TO SHOP

GADGETS THAT MAKE SHOPPING easier or more secure were on display at this year's CES, the giant consumer electronics trade show.

Wearable tech: Why fish for a wallet or dig through a purse when you can tap and pay with your fashion accessories? Later this year, MasterCard's payment technology will be embedded in smart jewelry from Ringly. Rings with gemstones that hide the hardware start at $195; visit www.ringly.com.

Secure payments: Load all of your payment info on Qkey, which plugs into the USB port of your computer or tablet and contains the same type of microchip that comes with chip-enabled credit cards. When it's time to shop online, plug in Qkey, and remove it when you're done. Your info is off the grid, safer from hackers, with only an encrypted backup file on your computer (preorder for $89 at https://qkey.com).

Streamlined loyalty: Consolidate all of your loyalty and discount cards into a single magnetic-stripe card with Cardberry ($100; join the waiting list at www.cardberry .com/en). **LISA GERSTNER**

CHARLIE DONOVAN CAN START SAVING FOR OTHER GOALS.

WORKPLACE

A NEW PERK: HELP WITH COLLEGE DEBT

Some employers lend workers a hand paying off their student loans.

AS THE JOB MARKET CONTINUES to tighten, employers are facing stiff competition to attract and retain the best talent. To appeal to the droves of workers balancing student loan payments with other financial goals, a growing number of employers are offering to knock thousands of dollars off an employee's student loan tab.

Investment bank Natixis Global Asset Management recently began rewarding employees who've been with the company for at least five years with $5,000 toward their federal student loans, with an additional $1,000 payment each year for up to five years. Others, including consulting firm PricewaterhouseCoopers, textbook rental company Chegg and online ordering platform ChowNow, have announced similar deals.

Details vary, including whether the programs cover graduate or private loans, for example. Contributions are considered taxable income, but Congress is considering a bill that would make them tax-free. Although few employers offered such programs in 2015, "we'll see other large organizations, particularly within financial services and technology, offering this benefit in 2016," says Bruce Elliott, manager of compensation and benefits at the Society for Human Resource Management.

The extra payments can help debt-burdened employees retire loans more quickly, shave interest costs and get started sooner on other financial goals. With the boss's help, Charlie Donovan, 31, a regional director at Natixis in Boston, is whittling down loans that helped pay for a degree from Assumption College in Worcester, Mass. "That should uncover enough extra cash to beef up my children's college funds or my retirement savings," he says. **KAITLIN PITSKER**

EXCERPT FROM *The Kiplinger Letter*

FOOD PRICES HOLD STEADY

The price of food overall will stay behaved this year, nudging up 1.5% to 2%. The strong dollar will help keep a lid on imported fruits and veggies. The price of eggs is returning to earth after soaring last year, when hens were devastated by bird flu. Egg prices are down 16% from their August peak and will drop another 10% or so in the near future. Beef prices will rise, but just a tick as supplies are rebuilt following a prolonged drought. Chicken prices will be up 2%. (www.kiplingerbiz.com/ahead/foodprices)

MARGARET LAMPERT

TRAVEL

MAKE THE MOST OF AIRLINE MILES

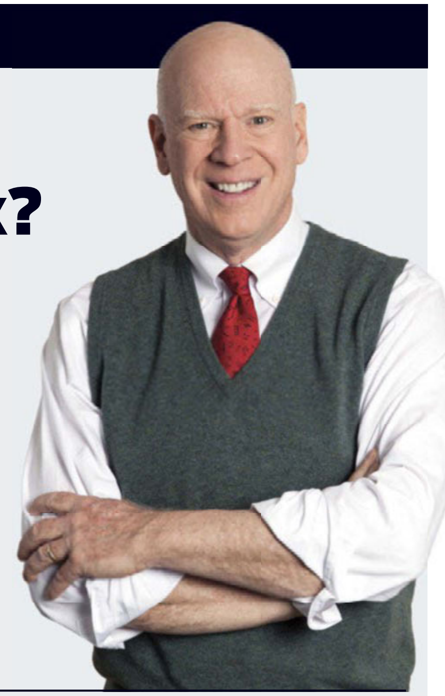
With some carriers, it's not how far you fly, it's how much you spend that counts.

FREQUENT FLIERS ARE USED to earning airline miles based on how far they fly. Increasingly, U.S. airlines—including American Airlines, Delta and United—are changing the formula to award miles based on how much you spend on your ticket. The shift to revenue-based programs means travelers who splurge on expensive tickets will see a surge in miles compared with thriftier travelers. Those who grab an economy-class sale to, say, Singapore might come up short in their frequent-flier accounts.

Leisure travelers can maximize rewards by tweaking their strategies. Credit cards such as the Chase Sapphire Preferred card let you transfer points to a number of airlines, for example; banks and brokerages, including Fidelity, dole out bonus miles for opening an account or, in some cases, making a deposit. You can also earn miles for shopping at various retailers through airline portals. Consult www.evreward.com to compare deals.

You might be able to make your miles go further by accumulating them at a partner airline that still gives reward miles based on distance. **MIRIAM CROSS**

MONEY & ETHICS // KNIGHT KIPLINGER



LISE METZGER

Is it ethical to split your time between states to pay less tax?

Q What do you think about wealthy people who move their legal residency to Florida to avoid the income and estate taxes levied by the northern states where they have lived their whole lives? I have several friends who are doing this, but as far as I can tell, they still have deep ties to their old home states. Seems like they're gaming the system.

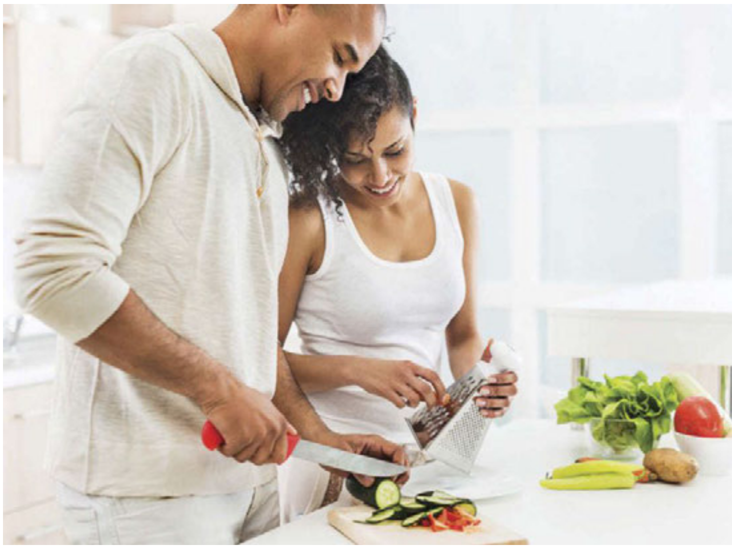
A To me, citizens have not just a legal obligation but an ethical imperative to support the local and state governments where they actually live and where they enjoy the civic benefits those governments provide. On the other hand, people have every right to pursue their financial self-interest by moving to a lower-tax state—especially one with a climate as nice as Florida's most of the year—as long as it's an authentic change of residency and not just a tax dodge.

I take issue, ethically, with folks who try to have it both ways: meticulously dividing their time almost equally between residences in Florida and their original home state, maintaining old relationships (social, civic, cultural) in the latter, and paying very little tax to either state—in most cases, just the property tax on a home in each jurisdiction. To justify the benefits of paying much less total tax, there should be some personal sacrifice involved: severing old ties and putting down deep and expensive roots in the new community.

It's not enough to simply meet the minimal legal test for not filing a tax return in your former home state: not spending more than 182 nights a year there. You should also shift your voting, civic commitments, financial assets and charitable giving to your new state. If you maintain a residence in your former state, it should feel like a second home, not a principal residence filled with your favorite clothing, art and personal papers. If you try to play it both ways, expect your old state to try to keep taxing you.

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

CALENDAR
03/2016



TUESDAY, MARCH 1

Presidential candidates' positions on key pocketbook issues will become clearer on Super Tuesday, as primaries in 13 states narrow the field of front-runners, especially in the GOP.

▲ SUNDAY, MARCH 6

March is National Nutrition Month. For *Kiplinger's* money-smart guide to healthy eating, see kiplinger .com/links/eathealthy.

MONDAY, MARCH 14

Tornado season is under way. If you live in a storm-prone area, check your homeowners coverage. Make sure you're insured for what it would cost to rebuild your home if a twister hit. If you're not, you'll foot the bill for the difference.

WEDNESDAY, MARCH 23

Pet lovers are encouraged to adopt a four-legged family member on National Puppy Day. Before you pick up a new pooch, make sure you budget for costs, from food and toys to veterinary care and even pet insurance (see kiplinger.com/links/ petinsurance).

SATURDAY, MARCH 26

Keep an eye on Yahoo. Hedge fund and activist investor Starboard Value is threatening a proxy fight to force a change in the tech giant's corporate leadership. Yahoo investors, including Starboard, can nominate director candidates from February 25 to March 26. **RYAN ERMEY**

DEAL OF THE MONTH

Start spring off on a sweet note. Visit Rita's on March 20 to receive a free cup of Italian ice. You can choose among 39 flavors, from cantaloupe to Swedish Fish.

ISTOCKPHOTO.COM (3)

JAMES K. GLASSMAN > Opening Shot

My Top Picks for Income

> **"The best income strategy in this low-rate environment is to leaven your portfolio with stocks that pay solid dividends."**

The Federal Reserve's decision to raise interest rates by one-quarter of a percentage point provides little solace to investors who have been trying to squeeze a decent stream of income from their portfolios over the past seven years. Yields on bonds remain near record lows, and it's unlikely they will rise much this year.

In early 2016, a five-year Treasury bond yielded a mere 1.7%. By contrast, such bonds paid an average of at least 4% in a majority of the past 80 years. If you've saved $1 million and hope to live off the income by investing in low-risk government securities, you'll have a tough time. Put the money in 10-year Treasuries, which yield 2.3%, and you'll get checks totaling just a bit more than $23,000 a year before taxes.

Interest rates represent the price of borrowing money, and like all prices, they are determined by supply and demand. When the Fed raises rates, it reduces the supply of money by raising the cost to the banks that put cash into circulation. But the demand side is another matter entirely. Businesses and consumers demand more money when the economy is growing robustly. It's not, and higher rates could depress demand further. We could be in a long period of low interest, similar to the era from 1935 to 1956, when the annual income return on a 20-year T-bond never got above 3%.

The litany of low yields today is depressing. Five-year CDs are averaging 0.9%; the average taxable money market fund, 0.05%; mortgage-backed securities, 2.5%; double-A-rated corporate bonds maturing in 10 years, 2.9%. You won't be getting annual interest income of 5% through fixed-income investments with little risk anytime soon. If you need a flow of cash from your portfolio, you'll have to adopt a different strategy.

One way to reach for higher returns is to take on more risk by investing in bonds issued by young or shaky borrowers. Buying a bond is extending a loan. Lenders charge higher interest rates if the borrower is less likely to pay the money back. Especially for investors on the brink of retirement, the extra return for going down the quality ladder is rarely worth the extra risk. Look at what happened last year to funds that invest in high-yield bonds (debt issued by shaky companies). SPDR Barclays High Yield Bond ETF (symbol JNK), an exchange-traded fund that provides a benchmark for the junk-bond market, lost 6.8%, taking into account both payments from the bonds in its portfolio and the decline in market prices of those bonds.

Extending maturities. Another strategy for boosting income is to invest in *long-term* bonds because debt that matures far into the future fetches higher rates. For example, a California general obligation municipal bond, backed by the state's taxing authority and maturing in 2042, has a current yield of 4.1%. For someone in the top federal income tax bracket of 43.4%, that's the equivalent of 7.2% from a taxable bond. A General Electric bond due in December 2049 yielded 4.1%. The problem with long-term debt is that no one has the slightest idea what will happen to consumer prices many years from now. Inflation could erode the value of your interest and principal significantly. In addition, many bonds have call features, so if rates fall, the issuer can cash in your bonds early.

Instead, opt for moderation. For instance, I like bonds issued by **MCDONALD'S** that mature in 10 years and yield 3.7%; the bonds are rated triple-B-plus. (Recommendations are in boldface.) I also favor bonds issued by the **TENNESSEE VALLEY AUTHORITY**, a federal agency, maturing in May 2030 and yielding 3.5%. (The TVA is a government-sponsored enterprise, but its bonds lack an explicit guarantee from Uncle Sam. If the TVA were to default on its debt, the Treasury would not be obligated to make bondholders whole. You can buy TVA bonds through

LISE METZGER

YOUR YOUTH WAS NO TIME TO BE SENSIBLE BUT NOW MIGHT BE.

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The Main Advantages of Municipal Bonds

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

Potential Safety of Principal

Many investors, particularly those nearing retirement or in retirement, are concerned about protecting their principal. In March of 2012, Moody's published research that showed that rated investment grade municipal bonds had an average cumulative default rate of just 0.08% between 1970 and 2011.* That means while there is some risk of principal loss, investing in rated investment-grade municipal bonds can be a cornerstone for safety of your principal.

Potential Regular Predictable Income

Municipal bonds typically pay interest every six months unless they get called or default. That means that you can count on a regular, predictable income stream. Because most bonds have call options, which means you get your principal back before the maturity date, subsequent municipal bonds you purchase can earn more or less interest than the called bond. According to Moody's 2012 research,* default rates are historically low for the rated investment-grade bonds favored by Hennion & Walsh.

Potential Triple Tax-Free Income

Income from municipal bonds is not subject to federal income tax and, depending on where you live, may also be exempt from state and local taxes. Triple tax-free can be a big attraction for many investors in this time of looming tax increases.

About Hennion & Walsh

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"Especially for investors on the brink of retirement, the extra return for going down the quality ladder is rarely worth the extra risk."

banks and brokerage firms.) If you prefer funds, consider **ISHARES AAA-A RATED CORPORATE BOND ETF (QLTA)**, which owns highly rated corporates mainly maturing in five to 10 years and yields 2.8%.

Go for dividends. But the best income strategy in this low-rate environment is to leaven your portfolio with stocks that pay solid dividends. Although the issuer of a bond promises to pay interest at a fixed rate, the issuer of a share of stock makes no such guarantees. If the money's there, you get a dividend, which may rise or fall or even disappear from one quarter to the next.

Some companies have spectacular records of increasing their payouts year in and year out. **JOHNSON & JOHNSON (JNJ)**, the health care products firm, carries the *Value Line Investment Survey*'s top rating for safety and financial strength. The company has raised its dividend for 53 straight years. The current yield on the stock is 2.9%, so a $10,000 investment throws off $290 a year. Dividends have increased at an annualized rate of 8.6% over the past decade; but even if they rise at just a 6% annual rate, your Johnson & Johnson stock will be paying you $519 in 2026, or a yield of 5.2% on your original investment. That's the difference between a stock and a bond. Typically, as profits rise, so do dividends. But a bond's interest payments, while guaranteed (assuming the issuer doesn't default), remain the same each year.

Other companies that have increased their dividends for more than 50 consecutive years include **COCA-COLA (KO)**, currently yielding 3.1%; **PROCTER & GAMBLE (PG)**, 3.3%; and **CINCINNATI FINANCIAL (CINF)**, a property-and-casualty insurer, 3.1%. An ETF called **PROSHARES S&P 500 DIVIDEND ARISTOCRATS (NOBL)** invests only in companies that have increased their payouts for at least 25 years. The yield from its 52 holdings is just 2.0%. If that's too low for your taste, you can scan the list for individual standouts, such as **CONSOLIDATED EDISON (ED)**, which serves the New York area, yielding 4.0%; **KIMBERLY-CLARK (KMB)**, personal care products, 2.8%; **PEPSICO (PEP)**, soft drinks and snacks, 2.8%; and **HCP (HCP)**, a real estate investment trust, or REIT, that owns health care properties, 5.9%.

Speaking of REITs, their dividends tend to be less predictable than those of other stocks, but the reward tends to be worth the added risk. Consider **REALTY INCOME (O)**, which invests in various kinds of properties all over the U.S. and yields 4.4%; **PUBLIC STORAGE (PSA)**, which owns self-storage facilities, 2.7%; and **AVALONBAY COMMUNITIES (AVB)**, multifamily housing, 2.7%. A good way to buy the sector is through **VANGUARD REIT INDEX (VGSIX)**, a passively managed mutual fund that currently yields 3.8%. Its expense ratio is just 0.26%.

And, of course, those returns are a reminder that stock prices tend to go up over time, so you earn more than dividends from your investment. In fact, in this era of low interest rates, getting income returns of 5% to 6% may require you to sell good dividend payers from time to time and pocket the capital gains. That's perfectly acceptable. ■

Stock Up for Income

A BAKER'S DOZEN OF DIVIDEND TREATS

The 11 stocks below yield more than 10-year Treasury bonds and offer the chance of dividend growth. If you prefer a packaged approach, buy one of the funds.

STOCKS

Company	Symbol	Recent price	Market value (billions)	Yield	10-year dividend growth rate
AvalonBay Communities	AVB	$184	$25.2	2.7%	5.8%
Cincinnati Financial	CINF	59	9.7	3.1	4.2
Coca-Cola	KO	43	186.9	3.1	1.7
Consolidated Edison	ED	64	18.8	4.0	1.3
HCP	HCP	38	17.8	5.9	3.0
Johnson & Johnson	JNJ	103	284.5	2.9	8.6
Kimberly-Clark	KMB	127	46.2	2.8	6.9
PepsiCo	PEP	100	145.9	2.8	10.5
Procter & Gamble	PG	79	216.0	3.3	9.0
Public Storage	PSA	248	42.9	2.7	13.0
Realty Income	O	52	12.9	4.4	5.1

EXCHANGE-TRADED AND MUTUAL FUNDS

Fund	Symbol	Annualized total return 1 yr.	3 yrs.	5 yrs.	Dividend yield
ProShares S&P 500 Div Aristocrats	NOBL	0.4%	—	—	2.0%
Vanguard REIT Index	VGSIX	2.2	10.8%	11.7%	3.8
STANDARD & POOR'S 500-STOCK INDEX		**1.4%**	**15.1%**	**12.6%**	**2.2%**

As of Dec. 31, 2015. —Fund not in existence for the entire period. SOURCES: Morningstar, Standard & Poor's, Yahoo.

JAMES K. GLASSMAN, A VISITING FELLOW AT THE AMERICAN ENTERPRISE INSTITUTE, IS THE AUTHOR, MOST RECENTLY, OF *SAFETY NET: THE STRATEGY FOR DE-RISKING YOUR INVESTMENTS IN A TIME OF TURBULENCE*. HE OWNS NONE OF THE INVESTMENTS MENTIONED.

His Bikes Will Give You a Boost

This Army veteran built a million-dollar business selling electric-assisted bicycles.

PROFILE

WHO: Chris Nolte, 34
WHERE: Brooklyn
WHAT: Founder and owner, Propel Bikes

What is an electric-assisted bike? You peddle it like any other bike, and it amplifies your efforts by 50% to almost 300% with an electric motor. Prices start at about $1,500, but most of the bikes sell for between $2,000 and $5,000.

You bought one for yourself? I drove fuel trucks in the Iraq war and injured my back. After I received a medical retirement from the military in 2005, I was pretty inactive for several years. In 2011, to get moving again, I ordered a kit and converted my bike to an electric-assisted bike. I discovered it's less intimidating if you don't have to do all the work yourself. I didn't worry about whether I could handle a certain distance or terrain.

GINA LeVAY

Was it a stretch for you to go into sales? Not really. I'd worked in retail since I was young, most recently with a luggage business. At the time I started Propel Bikes, I was running my own Web development and marketing business and earning my bachelor's degree in information technology.

How did you start? I found manufacturers of high-quality bikes that were willing to ship bikes to customers after I made the sale. I already shared office space in an industrial building on Long Island. I designed my own Web site [www.propelbikes.com], and I wrote a business plan with the help of a local Small Business Development Center [part of the U.S. Small Business Administration].

How did you finance your start-up? I used a $20,000 Patriot Express Loan, designed for veterans, with a six-year term and 8% interest rate, to buy a small inventory of bikes. Once I proved that I could sell bikes, manufacturers were willing to let me buy on credit. To open our Brooklyn storefront location in 2015, I borrowed $30,000, with a three-year term and a 4% rate, from an SBA-approved microlender. I used that to outfit the space and to bring in some additional product.

How have you grown? In 2011, we sold bikes from three manufacturers and had gross sales of $50,000. In 2015, we sold bikes from 10 manufacturers and grossed $1 million. We expect to do about the same in 2016.

Are you making a living? I receive some disability income from Veterans Affairs, and I take a small salary. One of my greater successes is that I can provide a living for my two siblings, and that makes me pretty happy. My brother, Kyle, who is 24, is my right-hand man. My sister, Catherine, who is 26 and lives out of state, handles Web marketing.

What does the future hold? The potential for growth is pretty great. More people are thinking about going green, traffic is getting worse, and bicycle infrastructure is growing. An electric bike works excellently if you want to bike to work without getting sweaty.

Do you still ride? I'm pretty busy, and I live only a block and a half from work. But I ride for pleasure when I can.

PATRICIA MERTZ ESSWEIN

RETIRE RICH

Our six steps will get you there, with a big push from your boss. BY JANE BENNETT CLARK

AS THE SPOUSE OF A FOREIGN SERVICE OFFICER, CATHY LINCOLN moved frequently and changed jobs with each new post while raising two children. She had neither the time nor the inclination to pay attention to her retirement accounts. "I had a set-it-and-forget-it attitude," says Lincoln, 56, of Washington, D.C. After a divorce, however, she wanted to see if her investments were on course. Rather than run the

PHOTOGRAPHY BY BONNIE HOLLAND

numbers herself, she consulted an adviser at the Royal Bank of Canada, which administers her IRA. On the adviser's recommendation, she tweaked her investments and rolled a 401(k) held by a former employer into the IRA. The fine-tuning put her accounts in good running order, she says. "A financial adviser pulls it all together."

Planning for retirement is like taking a long road trip. At first, you put your plan on cruise control, letting your employer make some or all of the calls about how much to save and in which investments. Later, as your finances and priorities become more complicated, you take the wheel yourself, tweaking those investments and dialing up (or paring back) your contributions. By the time you're approaching retirement, you may want to turn over the driving to an expert (at least temporarily) who will look under the hood and calibrate your investments to your exact needs.

No matter what stage you're in, your employer-sponsored 401(k) plan is key to getting you where you need to be. These pretax accounts, also called defined-contribution plans, now far surpass pensions as the retirement savings vehicle of choice among private companies. In 2014, more than 90 million Americans were covered by a defined-contribution plan, with assets totaling more than $6.5 trillion, according to Vanguard. The average account balance with Vanguard was $102,682. Employers played a key role in fattening those balances, bringing the average contribution rate to 10.4% of annual pay, including a 6.9% average contribution rate by employees. (For a rundown on the 401(k) plan's close relatives, see the box on page 32.)

These six steps will help you get the most out of your 401(k) and take advantage of the momentum your employer offers.

1 GET A HEAD START

Given the daunting prospect of financing your own retirement, you'd think that throwing money into your 401(k) from the start of your career would be a top priority. In fact, many young (and not-so-young) workers go with Plan B: procrastinating. In recent years, companies have countered that tendency to stall by automatically enrolling employees in the company plan. Workers are given the opportunity to opt out, but relatively few do. In 2014, employees whose plans included automatic 401(k) enrollment had an 89% participation rate, compared with 61% for employees in plans with only voluntary enrollment, according to a 2015 study of Vanguard plans.

The gentle push to begin steadily saving makes for a powerful head start. A recent Wells Fargo study showed that people ages 55 to 59 had accumulated three times the retirement stash of those 60 or older. How so? The younger group had started saving consistently at 31, six years earlier than the older group. "It's only a six-year difference, but when you think about the power of six years of savings compounded over 25 years, that's significant," says Joseph Ready, director of institutional retirement and trust for Wells Fargo. "The message is, don't lose the power of time. Start saving as early as possible."

KipTip

Investing for the Home Stretch

Our portfolio for investors who are five to 10 years from retirement includes suggestions from the Kiplinger 25, the list of our favorite no-load funds. If you're willing to take on more risk to get more return, raise your exposure to stocks to 80%, and lower your bond exposure to 20%. Conservative investors can aim for 50% stocks, 50% bonds.

STOCKS	65%
U.S. Stocks	45%
Vanguard Dividend Growth	30%
Akre Focus	15%
International Stocks	20%
FMI International	20%

BONDS	35%
U.S. Bonds	30%
DoubleLine Total Return	30%
International Bonds	5%
Fidelity New Markets Income	5%

2 STEP UP THE PACE

The downside of relying on your employer to make your savings decisions is getting lulled into thinking you're saving enough. About half of participants who are automatically enrolled in a Vanguard 401(k) start at a 3% deferral rate, and many are content to stay there. "They think that this must be the right savings rate, and they leave it alone," says Ready.

Lately, more employers have taken advantage of that very tendency by initially setting contributions at 4% or more and automatically hiking the contribution rate by one percentage point a year, most often up to 10%. Employers also increasingly offer a dollar-for-dollar match rather than the once-common 50 cents on the dollar. A recent survey of large employers by Aon Hewitt, a benefits consulting firm, showed that 19% of companies match contributions dollar for dollar up to the first 6% of salary, and 23% offer the match up to the first 3% to 5%. "Plan sponsors are trying to make the plan as appealing as possible. They're telling you to invest your retirement funds with them because they can help you the most," says Rob Austin, director of retirement research at Aon Hewitt.

If your employer doesn't pave the way for you with automatic nudging, you'll have to get there on your own. Aim to contribute at least 10%, including the company match, within the first few years of your savings career; you should contribute more if you get

PHOTO PREVIOUS PAGE- PHOTO STYLIST: LEILANI LACSON, HAIR AND MAKE-UP: BETHANY RUCK, MODELS: NATALIE AND GUILLERMO WITH CESD


GET YOUR FINANCIAL HOUSE
IN ORDER.
YOUR ACTUAL HOUSE CAN WAIT.
Sometimes your finances just need a little tidying up. At TD Ameritrade, we make planning your long-term goals easy. Whether it's step-by-step 401(k) rollover assistance, portfolio planning resources or retirement checklists, we'll give you the tools and support you need to get everything for your future in order. Everything, that is, related to your finances.
The best returns aren't just measured in dollars.
TD Ameritrade®
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A rollover is not your only alternative when dealing with old retirement plans. Please visit tdameritrade.com/rollover for more information on rollover alternatives. TD Ameritrade, Inc., member FINRA/SIPC. © 2016 TD Ameritrade IP Company, Inc.

a late start. Many retirement experts recommend saving as much as 12% to 15%, including the employer contribution, from the get-go. (Some 24% of Kiplinger readers who responded to a recent poll save 11% to 15% of their income for retirement, and 34% save more than 15%.) In 2016, you can kick in $18,000 and, if you're 50 or older, another $6,000 in catch-up contributions, for a total of $24,000.

The get-go is also a good time to start contributing to a Roth 401(k), if your employer offers one. This option, offered by six out of 10 large employers, lets you contribute after-tax dollars to your account. Withdrawals are tax- and penalty-free if you have had the account for five calendar years and are 59½ or older. Given that your salary and tax rate will likely go up as your career progresses, your early career is a good time to start funding a Roth. You can contribute the annual max to the Roth 401(k) or split your contributions between the pretax and after-tax accounts.

3 GET THE RIGHT MIX

Imagine someone handing you the keys to a powerful vehicle that you have little or no experience driving. You'd want to read the manual and maybe take a few lessons, right? *Nah.* The majority of people enrolled in a 401(k), currently the most powerful engine of retirement saving, have little interest in learning about plan details, much less poring over investments and coming up with a mix suited to their age and risk tolerance, says Kenny Phan, a 401(k) consultant in Phoenix. "I've been to many 401(k) meetings on investment options, and employees don't show up."

Partly in response to such do-it-for-me investors, employers have added target-date funds to their 401(k) lineup and are using them as the default investment for participants who are enrolled automatically. Target-date funds put you mostly in stocks when you're in your twenties and grow more conservative—say, a mix of 60% stocks and 40% bonds—as the target date approaches. For instance, the Vanguard Retirement 2060 fund currently invests 90% of participants' holdings in stocks, reflecting the risk capacity of people whose retirement date is 44 years hence; by 2060, the mix will have adjusted to roughly 50% stocks and 50% bonds. In 2014, almost two-thirds of participants in Vanguard-administered plans had invested some or all of their accounts in target-date funds, up from 5% in 2005.

Target-date funds are designed to be a one-stop solution, so you defeat the purpose if you also invest money elsewhere. That said, combining a target-date fund with other types of investments or other target-date funds can work if you're mindful of your overall asset allocation. With these funds, you can be confident that your portfolio will not only be appropriately allocated but also well diversified.

If you're assembling a portfolio on your own, be sure to include domestic large-company and small-company stocks, international stocks (including those in emerging markets), and domestic and international bonds. Also, make sure your investments reflect the appropriate risk for your age. A recent study by Fidelity showed that 11% of people ages 50 to 54 and 10% of people 55 to 59 had invested 100% of their 401(k) in stocks, leaving them dangerously exposed to a market downturn as they close in on retirement. "With 401(k)s, you only have to get two things right—save enough and invest appropriately," says Jean Young, a senior research analyst with Vanguard Center for Retirement Research. (For a sample portfolio, see the box on page 28.)

4 REVIEW FEES

A few years ago, news reports warned that excessive 401(k) fees were reducing individuals' retirement accounts by tens of thousands of dollars. But here's the good news: 401(k) fees, including investment management fees and administrative costs, have declined over the past few years. A recent report by BrightScope and the Investment Company Institute showed that the average cost of a 401(k) plan had dropped from 1.02% of assets in 2009 to 0.89% in 2013.

One reason for the change is that since 2012, employers have been required to spell out 401(k) fees to plan participants, and plan administrators must disclose their fees to employers. "Because of those rules, employers and employees are more aware of the costs associated with the plans," says Phan. "And because employers have the fiduciary responsibility to evaluate their plan, they are making sure the fees are competitive with other plans."

Fee disclosure rules have also changed the way plan sponsors—that is, employers—calculate administrative fees, making them fairer and easier to understand, says Austin. In 2011, 83% of companies charged administrative fees as a percentage of assets. Now, 39% impose a flat-dollar amount per account. The median flat fee per person was $64 in 2015, according to NEPC, an investment consulting firm. Not only does the change mean that savers are paying equally for the same services, says Austin, but it "also gives participants a clear line of sight on fees."

For all these improvements, you can't know how your 401(k) fees measure up unless you compare costs with benchmarks shown on the statement as well as with plans at similar-size companies (to compare plans, go to www.brightscope.com). For instance, you might find that the fund you're invested in charges a higher management fee than a comparable one with the same performance, in which case you've got a clear signal to switch. Similarly, if the fee for administrative costs seems out of whack compared with other plans, bring the matter up with your employer.

If all else fails, you could invest in a traditional or Roth IRA outside your 401(k), after contributing enough to the 401(k) to meet the match. In 2016, you can contribute up to $5,500 (plus $1,000 if you are 50 or over) to a traditional IRA or a Roth.

5 PUT THE PEDAL TO THE METAL

If you're in your late forties or early fifties, you may have fallen off the savings track—say, to cover college bills or buy a bigger house. Contributing less to your 401(k) for a few years won't devastate your retirement prospects, especially if you started saving early. But remember that retirement is your first priority, says David Meyers, a certified financial planner in Palo Alto, Calif. "You can't fix that. It's harder to retire on less than to live in a smaller house."

Carving an extra $50 or $100 out of your budget to beef up your 401(k) is helpful, but ideally your earning power is now at a point that you can contribute the max, including the catch-up contribution. And if you have a high-deductible health plan that qualifies you for a health savings account, you can also save $3,350 a year if you're single ($6,750 for families) in 2016, with a $1,000 catch-up amount if you're 55 or over. Maxing out those two savings vehicles alone gets you almost $30,000 in pretax savings a year. "If you can do that for five or 10 years, you can really catch up," says Ready. "It's never too late."

By this age, you probably have a decent idea of whether your income—and thus your tax rate—will go up or down in retirement. If your employer offers a Roth 401(k), consider contributing to it now, if you haven't funded it already. You'll probably want to go this route if you believe your tax bracket will go up in retirement rather than down. But even if your income will likely drop, you would be wise to squirrel away some money in a Roth in case tax policy changes, says Austin. "You'll have a buffer from taxes later," he says.

6 ENLIST THE EXPERTS

Has life gotten complicated? You'll need more help. "A 25-year-old in a retirement plan can simply pick a 2065 target-date fund," says Austin.

"But when you get to 55, one person may have paid off his mortgage, another not. One might have a huge pension, another doesn't. And how do you fold in spouses? For those people, it's nice to have more input."

Enter managed accounts, offered by more than half of employers as an option in their 401(k)s, according to the Aon Hewitt study. With these accounts, a professional advisory service will discuss your financial circumstances, perhaps both online and over the phone, and tailor a portfolio accordingly, periodically monitoring and rebalancing it. Managed accounts offer a high degree of personal advice, so they're most appropriate for investors who have complex finances—say, multiple 401(k)s, a pension or company stock outside their retirement account, says Sangeeta Moorjani, senior vice president of Fidelity's Professional Service Group. "They realize they can't do it on their own." For that help, you'll pay a fee of about half a percentage point of your assets; some employers pick up the tab.

If you don't have access to a managed account or want more face-to-face advice, schedule a few sessions with a financial adviser. Advisers streamline your accounts, coordinate your income and assets with those of your spouse, and assess your retirement readiness. Meyers, for instance, offers a portfolio review plus Social Security planning and a retirement income analysis. "Before I dive into a portfolio, I add up all retirement assets and all nonretirement assets to get an idea of the total picture and project what it will take to achieve the level of spending the client wants in retirement." The best part of his job? "Every now and then, I'll look at the numbers and say, 'You can retire yesterday.' That's really cool." ■

Other Retirement Plans

How to Save If You Don't Have a 401(k)

JUST BECAUSE YOU DON'T HAVE A 401(K) DOESN'T MEAN YOU can't retire in style. Some types of employer-provided retirement savings plans allow you to save even *more* than you can with a traditional 401(k). Here's a look at what's out there:

◆ **403(b) plans.** These plans, typically offered to teachers, resemble 401(k) plans, with the same tax benefits, maximum contribution thresholds and catch-up contributions. Unfortunately, that's where the resemblance ends. While private-sector plans usually contain a suite of mutual funds selected by a management committee, the primary offerings in many 403(b) plans are high-cost investments, such as equity-indexed annuities. That's because many school districts have little desire to negotiate with financial-services firms. Rather, they turn the job over to sales agents who peddle investments that deliver the highest commissions, not necessarily the best results.

But there have been some positive developments. Last year, the board of education in Montgomery County, Md., contracted with no-load mutual fund company Fidelity Investments to administer its 403(b) plans. In other parts of the country, educators are lobbying for better options.

For advice on how to advocate for a better plan, go to www.403bwise.com. In the meantime, teachers with a lackluster plan may be better off investing in a Roth IRA. In 2016, you can contribute up to $5,500, or $6,500 if you're 50 or older.

◆ **457 plans.** These plans are typically offered to workers in the public sector. They're similar to 401(k) plans, with a couple of key differences that are particularly beneficial if you're approaching retirement. In 2016, the maximum contribution is $18,000, plus $6,000 in catch-up contributions for workers age 50 or older. But workers who are 50-plus have an alternative that allows them to supercharge their savings. Instead of making catch-up contributions, workers within three years of their "normal retirement age"—typically the age at which they can collect unreduced benefits from their pensions—can double the $18,000 basic maximum contribution for three years, as long as they haven't maxed out contributions in the past. Three years of $36,000 contributions would allow you to shovel up to $108,000 into your plan.

◆ **Solo 401(k) plan.** These retirement savings plans are designed for self-employed people who have no employees other than a spouse. They're more complicated than SEP-IRAs, another savings tool for the self-employed, but if you can afford it, you can put aside a lot more money because you can contribute as both an employer and an employee. In 2016, the maximum contribution is $53,000, or $59,000 if you're 50 or older.

Another plus: You can borrow from your solo 401(k), as long as the provider allows it (not all do). In most cases, you can borrow up to 50% of the balance. In addition, you can invest some or all of the employee contribution (up to $18,000 plus catch-up contributions of up to $6,000) in a solo Roth 401(k), if your provider offers that option. Contributions to a solo Roth are after-tax, but once you retire, withdrawals will be tax-free. And unlike with regular Roths, there are no income restrictions on contributions to a Roth 401(k).

In the past, solo 401(k) plans were often burdened with high fees, but that's no longer the case. Financial firms such as Fidelity Investments and Vanguard Group offer solo 401(k) plans with low (or no) set-up costs and administrative fees. **SANDRA BLOCK**

CREDIT »

Debt Isn't Always a Four-Letter Word

Hanging on to some kinds of loans makes more sense than paying them off. BY LISA GERSTNER

A LITTLE BIT OF DEBT CAN BE A good thing. If you approach borrowing strategically, you can eliminate higher-interest debt that may be weighing you down, lock in low-interest loans and use the extra cash to boost your investments for retirement or contribute to an emergency fund.

Now is a particularly good time to scrutinize the debt side of your ledger. Interest rates on most kinds of loans should remain low even as the Federal Reserve continues to target higher short-term rates, which would increase payments on many variable-rate debts—notably, most credit cards and home-equity lines of credit, as well as some private student loans. Below, we've arranged the most common types of debt roughly in the order of payoff priority. Generally, if you have a FICO credit score of about 740 or 750 or higher, you'll qualify for the best rates on any type of loan. But some lenders will offer low rates to borrowers with scores closer to 700.

Credit cards. Unless you're milking a 0%-introductory-rate offer, there's a good chance that any credit card debt you are carrying is costing you a bundle, making it a prime candidate for accelerated payments. Interest payments don't qualify for a tax deduction (except for those on expenses related to a business), and the average rate on cards that charge interest is 13.9%, according to the Federal Reserve.

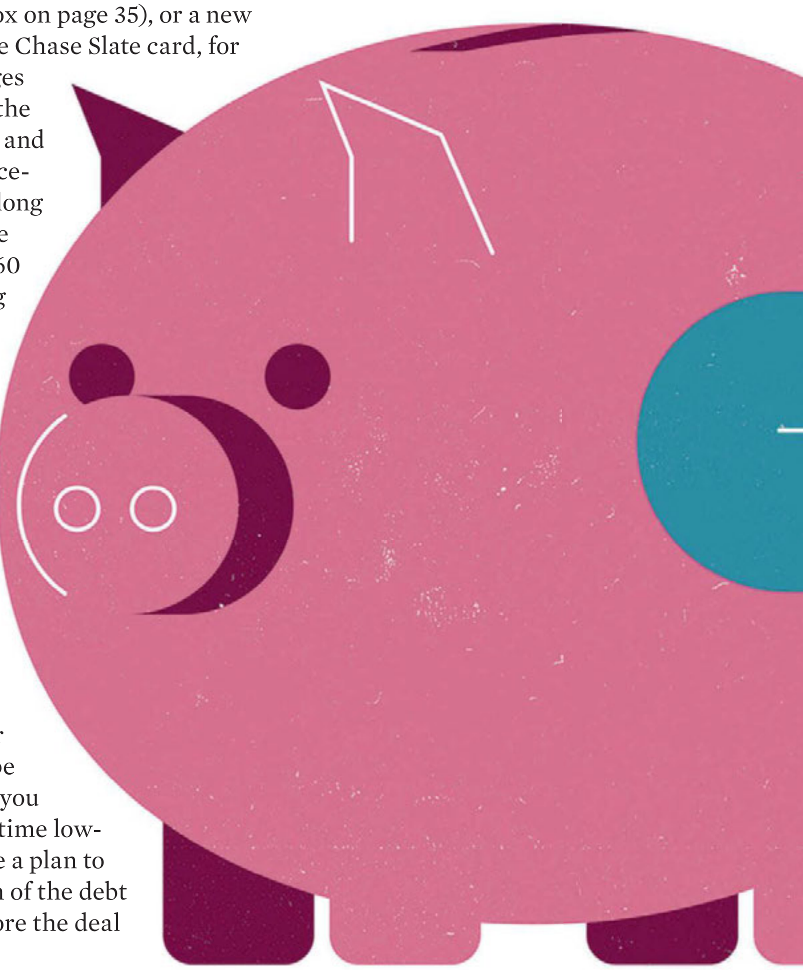
Explore ways to trim the rate, such as transferring the balance to a home-equity loan or line of credit, personal loan (see the box on page 35), or a new credit card. The Chase Slate card, for example, charges no interest for the first 15 months and levies no balance-transfer fee as long as you move the money within 60 days of opening the account. Whatever card you're considering, account for the annual fee and any balance-transfer fee (typically about 3% of the balance) before you decide whether the move will be worthwhile. If you have a limited-time low-rate offer, make a plan to pay off as much of the debt as possible before the deal expires.

Another option: Ask your issuer to lower the rate on your current card. About two-thirds of customers who did so were successful, according to a recent CreditCards.com survey.

Auto loans. The average rate on a four- or five-year bank loan for a new car was recently about 4%, according to the Fed. But in 2015 through November, nearly 10% of dealer-financed car loans had 0% interest rates, reports Edmunds.com, and Edmunds expects such offers to continue for "qualified" borrowers (often those with a credit score of about 700 or higher). If you nab a great deal on a car loan, making minimum payments could be a smart move. You can use the cash you would have spent up front on the car for savings or investments.

But the collateral (your vehicle) is

THE PROJECT TWINS



a depreciating asset, so you could end up "underwater"—owing more on the loan than the car is worth. Avoid loans that stretch the repayment term beyond five years. If you are already committed to a longer-term car loan, try to increase the monthly payment beyond the minimum to build equity more quickly. And if you're not paying a rock-bottom rate, look into ways to refinance. You may be able to get a better deal by moving the debt to a home-equity loan or line of credit or by refinancing with a new lender. Pentagon Federal Credit Union recently offered a rate as low as 1.5% on an auto loan refi, and Capital One Auto Loan Refinance had rates starting at 3%.

Student loans. The interest you pay on student debt and your options for repayment depend on whether the loans are federal or private and the type of loan you have within each category. Direct subsidized and unsubsidized federal loans for undergraduates granted from July 1, 2015, to June 30, 2016, carry a fixed rate of 4.3%; your rate may be lower or higher if you took out the loan at another time. Private student loans come with a fixed or variable rate. Wells Fargo, for example, recently charged fixed rates ranging from 5.9% to 10.5% and variable rates of 3.4% to 8.8% (rates depend on several factors, including credit history of the borrower and any cosigner) for undergraduates attending a traditional four-year college.

Whether you have federal or private loans, don't miss out on the tax break: You can deduct up to $2,500 a year in interest payments if your modified adjusted gross income is up to $65,000 for a single person or $130,000 if you're married filing jointly. The deduction phases out eventually, disappearing if your income is $80,000 or more on a single return or $160,000 or more on a joint return. Check whether you can get a discount (often a 0.25-percentage-point reduction on interest) for having payments automatically withdrawn from your bank account.

Generally, federal student loans provide more avenues for flexible repayment, says Mark Kantrowitz, publisher and vice president of strategy for college information site Cappex.com. Plans for overburdened borrowers with federal loans include income-driven repayment (which caps your payment at 10% to 20% of your income), extended repayment, and deferment or forbearance (which allow you to delay or reduce payments).

If you have a private loan and are having trouble keeping up with payments, talk to your lender. Relief programs can save you from default in a pinch, but putting as much as you can afford toward student debt is optimal if you're on solid financial ground. You may save money by consolidating or refinancing your loans (see the box below), but consider whether you can save just as much by paying off your current loans more quickly.

As a parent, you may be helping your kids by taking on debt yourself, such as a federal PLUS loan or private loan, or paying off your student's loan with a home-equity line of credit (HELOC). Parent PLUS loans come with fewer

Digital Debt

Refinance Online?

ONLINE MARKETPLACE LENDING SITES that connect borrowers with institutional investors or ordinary people with money to spare are picking up steam. If you want to refinance credit card debt but can't qualify for a low-rate balance transfer or home-equity loan, you may be able to get a good deal with a personal loan through a peer-to-peer site such as Lending Club or Prosper. Lending Club claims that borrowers who take out a personal loan reduce the rate they were paying on their debts by one-third. Recently, Lending Club rates were as low as 6% for the most credit-worthy borrowers.

More options are popping up for student loan borrowers, too, with platforms such as SoFi and CommonBond offering attractive refinancing deals to those with good credit and degrees from accredited universities or graduate programs. Through SoFi, fixed rates recently started at 3.5% and variable rates at 2.1%. SoFi also offers mortgage refinancing and personal loans. At financial education site Magnify Money.com, you can compare terms, interest rates, fees and other factors for several personal and student loan marketplace lenders.

options for repayment than federal loans that your student takes on, but they are eligible for extended repayment, deferment and forbearance. A parent PLUS loan is also eligible for income-*contingent* repayment (payments are usually capped at 20% of your discretionary income) if the loan entered repayment on or after July 1, 2006, and if it's part of a Federal Direct Consolidation Loan. Or having your child make payments to you to help cover your debt (at a lower rate than the student would pay otherwise) may be a win-win.

Home-equity lending. Borrowing against your house can be a savvy strategy to finance home renovations or to consolidate other forms of debt. (If you are applying for a new loan or line of credit, account for closing costs and other fees.) The average fixed rate on a home-equity loan (a lump-sum payout) was recently 6.3%, and a variable-rate home-equity line of credit averaged 5.1%, according to mortgage research site HSH.com. If you itemize deductions on your tax return, you can usually write off interest payments on up to $100,000 of your loan balance. A separate, higher limit of $1 million usually applies if you use the money for substantial home improvements.

Home-equity lenders tightened up after the housing bust, but loans are readily available again to borrowers with plenty of equity. The terms aren't as generous as they once were. Many lenders limit home-equity borrowing to a total 80% loan-to-value ratio—that is, the combined balance of your first mortgage and your home-equity loan as a proportion of your home's market value.

HELOCs typically come with a draw period of 10 years, when you may be able to make payments of interest only. Afterward, you'll have to pay interest plus principal—and that could be a shock if you have to fork over increasing interest on a variable-rate line of credit as the Fed hikes rates. Increasing payments during the draw period can mitigate the pain later. Some HELOCs—including those from lenders as large as Bank of America and Wells Fargo—have a provision to convert all or a portion of the credit line to a fixed rate. If you expect to be paying off the debt for several more years, making the switch (or refinancing the debt with a new fixed-rate home-equity loan, if a conversion isn't an option) may be worthwhile as interest rates rise.

Mortgages. With a mortgage, you can build equity in an asset whose value ideally will appreciate. Plus, interest rates are still at historic lows—a 30-year fixed-rate loan recently averaged 4.1%, according to HSH.com. That means you may still be able to get a better deal than your current home loan by refinancing. If you itemize on your tax return, mortgage interest is generally tax-deductible on up to $1 million in debt to buy, build or improve your first and second homes.

Managing your mortgage debt could boil down to deciding whether to increase payments and retire the loan early. If you have less than 20% equity in your home with a conventional loan, you have to pay for private mortgage insurance; you can request a cancellation of PMI when you reach the 20% mark (you may have to submit an appraisal). The lender must cancel PMI automatically when your equity reaches 22%. Paying extra until you can remove PMI could also lower the amount of interest you pay.

Beyond that, sticking with minimum payments on a low-rate mortgage can free up more cash for investing, saving or other productive uses of your money. Many people dream of being mortgage-free by the time they retire, but that's not necessarily the best move, says Johanna Fox Turner, senior partner at Milestones Financial Planning, in Mayfield, Ky. "Don't let retirement savings suffer to double up on home payments," says Turner. Still, if all your financial ducks are in a row and you're otherwise debt-free, finishing off your home loan faster may be worth the peace of mind. ■

KipTip

A Plan to Reduce Debt

IN THEORY, PAYING OFF DEBT IS SIMPLE: LOOK FOR OPTIONS TO REFINANCE WITH MORE favorable terms, and focus on paying down balances with the highest interest rates first. But debt is nearly as much a psychological issue as a financial one. For people who are prone to overspending when they have access to credit—the problem that puts many in over their heads in the first place—tactics such as transferring a high-interest credit card balance to a lower-rate personal or home-equity loan could backfire, miring them deeper in debt if they continue using credit cards.

To tailor a personal payoff strategy, organize all your debts on a spreadsheet. Then scrutinize your budget to find areas where you can squeeze out extra money to speed up payments on the debts that are costing you the most. (Watch out for prepayment penalties on some home and car loans.) Experts say that for some, reducing balances by size, from smallest to largest, is more effective than paying off high-interest debt first because you'll check off individual debts more quickly, providing the gratification and momentum you need to see the plan to the end.

If you're struggling to keep up with payments, ask the lender about programs that lower the interest rate or monthly payments while keeping the account in good standing. "They don't always offer those up front, so you have to ask leading questions," says Bruce McClary, spokesman for the National Foundation for Credit Counseling. The NFCC (www.nfcc.org) can connect you with agencies that offer free or low-cost services to help you manage debt.

FAMILY FINANCES »

Do You Know Where Your Documents Are?

If any vital records have gone missing, here's how to replace them. BY SANDRA BLOCK

EVEN IN THE INTERNET AGE, YOU may be asked to produce a hard copy of your birth certificate, Social Security card, marriage certificate or divorce papers. A digital version won't cut it. If your critical documents currently reside in a drawer, move them to a fireproof home safe or safe-deposit box, and give an attorney or trusted family member copies, along with instructions on where the originals are located. If any have been misplaced, stolen or destroyed, here's how to replace them.

Birth certificate. You'll need your birth certificate to enroll in school, apply for a passport, qualify for government benefits, join the military, and claim pension and insurance payouts. Some states require you to show a birth certificate to obtain a driver's license.

If you can't put your hands on your birth certificate and you were born in the U.S., contact the vital records office in the state where you were born. You can find the Web site, address and phone number for your state's vital records office at www.cdc.gov/nchs/w2w.htm. You'll also find a list of fees and an estimate of how long it will take to process your request. (In California, for example, you can get a copy of your birth certificate in about 10 business days.) You'll be asked to provide your full name, your parents' names (including your mother's maiden name), your date of birth, and the city or county in which you were born. If you know the name of the hospital, include that, too. Fees range from $9 to $30.

Were your parents living outside the U.S. when you were born? They should have registered your birth with the U.S. embassy or consulate and received a Consular Report of Birth Abroad. You can get a copy of the report through the U.S. State Department. Go to http://travel.state.gov and search for "CRBA." If you were born abroad and adopted by a U.S. citizen, you'll need a birth certificate from the country of your birth. You can find a complete list of foreign consular offices in the U.S. at www.state.gov/s/cpr/rls/fco.

Marriage and divorce records. A marriage license is the document that authorizes you to get married. A marriage *certificate* is the document that proves you followed through. It's typically filed with the appropriate county office by the officiant at your wedding. You should have received a copy a few weeks after your wedding. If you've lost it, contact your state's vital records office. You'll need to provide the full names of both spouses, the date of your wedding, and the city or town where the wedding was performed. Fees range from $10 to $30. You may need this document to add your spouse to your employer's health insurance plan.

Less suitable for framing but still important are documents you receive after you've divorced. To save time and money, make sure you understand the type of divorce-related document you need to replace. For example, a divorce certificate is sufficient if all you want to do is change your name

SIMON POTTER / GETTY IMAGES

on your driver's license. You can obtain a copy of this document from your state's vital records office; fees range from $5 to $30.

But if you apply for a mortgage, the lender may ask to see your final divorce decree issued by the courts to determine how much of your income is allocated to child support or alimony. Likewise, if you apply for Social Security benefits based on your ex-spouse's earnings record, the Social Security Administration may ask you to provide your divorce decree. (The SSA may also ask you to provide your marriage certificate.) To get this document, you must contact the county clerk's office for the city or county in which the divorce was granted.

Passport. As soon as you realize your passport has been lost or stolen, contact the U.S. State Department. Otherwise, you risk becoming a victim of identity theft.

Go to http://travel.state.gov/content/passports/en/passports/lost-stolen.html and fill out Form DS-64. You'll receive an e-mail acknowledging that your report was received. Within a couple of days, you'll receive another e-mail (or letter, if you request that option) confirming that your passport has been entered into the Consular Lost or Stolen Database.

If you aren't leaving the country for a while, you can apply for a replacement passport at a Passport Application Acceptance Facility. Many post offices, public libraries and local government offices serve as such facilities. You can search for the nearest authorized facility at https://iafdb.travel.state.gov. The fee for a replacement passport is $135 (a $110 application fee plus a $25 execution fee because you must apply in person).

If you have plans to travel outside the country in two weeks or less, you will need to make an appointment to appear in person at a passport agency or center. You can find one near you at the State Department's Web site. You must provide proof, such as an airline reservation, that you will be traveling outside the country within two weeks. In addition to the regular passport fees, you'll be charged $60 for expedited service, plus $14.85 if you want overnight delivery.

Social Security and Medicare cards. In most cases, you don't need to show your Social Security card; you just need to give the number. However, some states may require you to show your Social Security card to get a driver's license.

You can replace a lost or stolen Social Security card free, but you can't do it online. Print and fill out Form SS-5 (at https://www.ssa.gov/ssnumber) and mail it along with a U.S.–issued driver's license, a state-issued non-driver ID card or a U.S. passport. Or, because the Social Security Administration won't accept photocopies of the required documents, it may be safer to apply in person at the nearest Social Security branch office.

If you need a new Medicare card and you have an online Social Security account, log in, click on the "Replacement Documents" tab and then on "Mail my replacement Medicare card." Your card will arrive in the mail in about 30 days. (To set up an online account, go to https://www.ssa.gov/myaccount.) If you don't want to set up an online account, call 800-772-1213 or visit the nearest Social Security office to apply for a replacement card.

College transcripts. Transcripts should be available from your alma mater no matter how long ago you attended. Depending on the school and when you graduated, you may be able to order them online. Otherwise, you'll need to print out a transcript request form from your school's Web site and mail it in. You'll be asked to provide a student ID or Social Security number, the dates you attended and the degree (or degrees) you were awarded. Fees range from $6 to $10; some colleges will provide transcripts free.

If you attended a private college or university that has closed its doors since you graduated, check with the state licensing agency. Most schools that shut down make arrangements with these agencies to store their records. You can find contact information at www.nasasps.org/listing-of-regular-members. For transcripts from shuttered public schools, contact the state department of education. ■

KipTip

HOW TO FIND A MISSING WILL

YOUR MOTHER TOLD YOU MANY TIMES that she had a will. Unfortunately, she didn't tell you where she stored the document, and now she's gone. In the absence of a will, the laws of your state will determine who will get your mother's property.

If you have combed through your mother's files unsuccessfully, it's possible that she stored her will in a safe-deposit box. Be aware, though, that her bank may require you to obtain a court order to open it. It's worth contacting your mother's attorney, if she had one, because some lawyers keep wills on behalf of their clients. Another place to check is the county probate court (known as the surrogate court in some states). Although not common, some state courts allow individuals to file their wills with the court for safekeeping, says Leanna Hamill, an estate-planning lawyer in Hingham, Mass.

If you find a copy of the will but not the original, you'll have to prove to the probate court that the original wasn't revised or revoked. The court may accept a copy if you can demonstrate that the original was lost because of an "intervening act," such as a house fire or burglary, says Chas Rampenthal, general counsel for LegalZoom, an online provider of legal documents. Some states will accept a copy if you testify that the original hasn't been found and provide evidence that no other versions exist, says Howard Krooks, a lawyer with Elder Law Associates in Boca Raton, Fla.

KIMBERLY LANKFORD > Ask Kim

Pros and Cons of 401(k) Loans

"The interest you pay yourself on money you borrow may not match what you could earn if the money stayed invested."

I'M THINKING ABOUT TAKING A loan from my 401(k). Is this a good idea? Does the Federal Reserve's interest-rate increase affect 401(k) loans?
J.P., NEW YORK

The Fed's rate hike, and any further increases, will affect new borrowers. Most 401(k) plans charge the prime rate plus one percentage point, and some charge prime plus two points. The prime rate rose from 3.25% to 3.5% in December. Rates on existing loans will not change.

With a 401(k) loan, you borrow your own money and pay the interest back to your account rather than to a lender. But consider the costs when comparing loan options. Some people reduce or stop contributions to their account while they're repaying the loan. If you leave your job, you generally have to pay back the loan within 30 to 60 days of your last day on the job or you'll owe taxes on the balance plus a 10% penalty if you're younger than 55.

Also, the interest you pay yourself on the money you borrow may not match what you could earn if that money stayed invested in mutual funds in your account. Most 401(k)s take the loan amount proportionately from each of your funds. You can minimize the impact by rebalancing your portfolio to shift more money from fixed-income funds into stock funds and consider the loan repayments as a fixed-income investment, says Marina Edwards, of Towers Watson, a human resources consulting firm.

Medicare premiums. *I'm paying $121.80 per month for Medicare Part B because I haven't yet signed up for Social Security. What will happen to my rates in 2017 if I sign up for Social Security benefits this year?*
B.W., ELLICOTT CITY, MD.

That depends on whether there's a Social Security cost-of-living adjustment next year. Because there was no COLA for 2016, most people did not see a hike in Medicare Part B and continue to pay $104.90 per month. (If there is an increase in Medicare premiums, the "hold harmless provision" prohibits Social Security benefits from being reduced for anyone who has Medicare premiums paid from their benefit check.) But people who don't receive Social Security benefits or who sign up for Medicare in 2016 pay $121.80 per month, including $3 extra per month to help cover this year's shortfall. You pay more if your modified adjusted gross income is more than $85,000 for single filers or $170,000 for joint filers.

If there is a Social Security COLA for 2017, everyone who isn't subject to the high-income surcharge could pay the same premium, which will be determined by actual health care costs, plus the extra $3. If there is no COLA for 2017, there could be three tiers of premiums (not counting the high-income surcharge), says Juliette Cubanski, of the Kaiser Family Foundation.

HSA contribution deadline. *Can I still contribute to a health savings account for 2015?*
M.S., ATLANTA

Yes. You have until April 18, 2016—the deadline to file your 2015 tax return—to make your 2015 contribution. You can contribute $3,350 for individual coverage or $6,650 for family coverage (plus $1,000 if you're 55 or older) if you had an HSA-eligible health insurance policy on December 1, 2015. Otherwise, the size of your HSA contribution is based on the number of months you had the eligible coverage. If you had an HSA-eligible policy on December 1 but not for the entire year, you can make the full contribution but must keep an HSA-eligible policy for all of 2016 to avoid taxes and a 10% penalty for the extra months' contributions. ■

GOT A QUESTION? E-MAIL ASKKIM@KIPLINGER.COM. KIMBERLY LANKFORD ANSWERS MORE QUESTIONS EACH WEEK ON KIPLINGER.COM.

LISE METZGER

FAMILY FINANCES»

Social Security for Surviving Spouses

Knowing the rules now can lead to a bigger benefit later. BY KIMBERLY LANKFORD

WHEN IT COMES TO CLAIMING strategies, Social Security has been shaking up a lot of couples' plans (see "A Squeeze on Social Security Benefits," Jan.). But even though some of the strategies for claiming Social Security *spousal* benefits are changing, the rules for maximizing *survivor* benefits are not. A few key decisions can help you lock in a more generous payout—and knowing how much you are eligible to receive will help you create a financial plan for when you or your spouse passes on.

After your spouse dies, you have a choice: You can either get survivor benefits or receive benefits based on your own work history. You can't take both benefits at the same time, but you can take one type of benefit first and let the other grow, then switch to the higher payout later.

How big a benefit? The size of a survivor benefit is based on two factors: the amount your spouse had been receiving (or would have received) when he or she died, and your age when you take the benefit.

If your spouse dies after claiming Social Security, your maximum survivor benefit is generally the amount your spouse was receiving. The longer your spouse waits to take benefits, the larger his or her own benefit will be and, thus, the higher your survivor benefit.

If your spouse dies before full retirement age and has not yet claimed Social Security benefits, the survivor benefit will be based on the amount he or she would have received at full retirement age. If your spouse dies after full retirement age but waited to sign up for Social Security to earn delayed-retirement credits, your survivor payouts are based on the amount your spouse would have received at the time of death.

The second factor determining the size of your survivor benefit is when you choose to take it. You are eligible for the full amount your spouse was receiving if you claim it at or after your full retirement age (currently 66).

You can take survivor benefits as early as age 60, but the amount will be reduced based on the number of months remaining before your full retirement age. (There are special rules if you are disabled or if you are caring for a child younger than age 16.) Your survivor payouts may also be reduced if you take them before full retirement age and are still working.

No double-dipping. If you qualify for benefits based on your own work history, you can coordinate the timing of the two benefits to maximize your payouts over the long term. For example, you can take survivor benefits anytime after you turn 60 and let your own benefit grow to the maximum at age 70, then switch to your own benefit at that point, if it is higher. Or, if your own benefit is modest, you may want to start your own reduced benefit as early as age 62 and then switch to the survivor amount at full retirement age. (The survivor benefit does not continue to grow beyond full retirement age.) Taking your own benefit early does not affect the size of the benefit you can receive as a survivor.

"If you think you'll live past about age 80, delaying benefits as long as you can is probably the best answer," says Tim Steffen, director of financial planning for Robert W. Baird & Co., a wealth management firm. "Adding the variable of survivor benefits, however, may change that advice." ■

■ A FEW KEY DECISIONS CAN HELP YOU LOCK IN A MORE GENEROUS PAYOUT.

HERO IMAGES/GETTY IMAGES

MONEY MANNERS

Handling money issues between friends. **BY MIRIAM CROSS**

MIXING FRIENDSHIP AND MONEY CAN test even the strongest bond. Use these tips to keep your relationship and your finances on track.

My office buddy asked me to lend him a few hundred dollars, but the idea makes me uncomfortable. How should I handle the request? Lending a friend a few bucks for coffee is usually no big deal. But for a sum that feels significant to you, ask your colleague for time to think through the decision.

If, after careful consideration, you're still uneasy about lending the money, phrase your refusal politely but without leaving room for negotiation or delving into the details of why you're saying no. Pamela Eyring, president of the Protocol School of Washington, suggests saying something like "It's my personal policy not to lend money to friends or family" or "I've had bad experiences with ruined friendships, and I don't want that to happen to us." Then brainstorm other ways your friend could come up with the cash—say, by referring him to a freelance job or showing him how to sell on eBay.

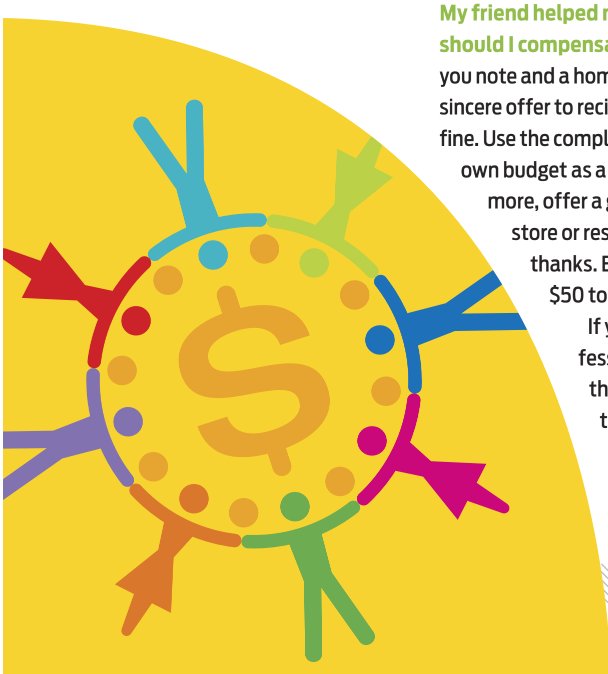
If you decide to lend the money, insist that you both sign a promissory note. Explain to your friend that clarifying the terms of repayment on paper will help preserve your friendship.

I offered to buy concert tickets for my group so we can sit together. How can I ensure that everyone pays me back promptly? Before clicking "buy," calculate the amount each member of your group will owe (including fees and taxes) and get everyone's go-ahead to make the purchase. Once you've ordered the tickets, forward your receipt or e-mail confirmation, and tell the group when and how you would like to be repaid ("I'd prefer cash or a check the day of the show" or "Please send me the money via PayPal by Friday. Thanks!").

It's likely that someone will forget, but don't assume people are trying to stiff you, says Jodi RR Smith, of Mannersmith, an etiquette consulting firm. Before meeting up with your forgetful friend at the next social event, text or e-mail a reminder, keeping the tone friendly. If that doesn't work, pin down a time to meet in person and get the money.

My friend helped me paint my house. How should I compensate her? Often, a thank-you note and a home-cooked meal, or the sincere offer to reciprocate in the future, is fine. Use the complexity of the task and your own budget as a guide. If you decide to do more, offer a gift card (say, to a favorite store or restaurant) as a gesture of thanks. Eyring suggests spending $50 to $100 as a general range.

If your friend is using a professional skill to do something that takes a lot of time, such as building a Web site, settle up front on how much you should pay for the project. ■



Inside Scoop
JOINING A GYM

HOW'S THAT NEW YEAR'S RESOLUTION to get back to the gym going? Yeah, thought so. But if you find the right facility, you have plenty of time to shape up in time for beach season.

Do a test workout. Take advantage of the free trial at a few gyms. Be sure to go when you typically work out, try the classes and use the locker room. You're more likely to get your money's worth at a fitness facility with great yoga classes than the one with a pool you'll never swim in.

Don't lock yourself in. Last year, gymgoers logged more than 5,500 complaints with the Better Business Bureau, many of them regarding contract disputes. The longer the contract period, the cheaper your monthly rate. But read the terms and make sure you're not locked in for a commitment you might not want. A month-to-month plan or a contract that lets you opt out if you give notice is best.

Beware the free session. The "fitness assessment" with a personal trainer sounds great, but it's often just a sales pitch for training sessions.

Bring your friends. And Karen from HR. Many gyms have referral programs that reward you with perks for signing up friends. If you and a group of friends sign up together, you may even be able to negotiate a lower monthly rate for the whole group. And your business may be able to cut a deal with the gym that will score discounted membership fees for your whole office. **RYAN ERMEY**

PATRICK GEORGE

CREDIT »

A Score for Your Financial Health

YOUR CREDIT SCORE IS AN important indicator of how you're managing money, but it reflects only a slice of your overall financial health. Now you can generate a score that takes in the big picture.

Start by asking whether your bank provides a free financial health score to its customers. For example, USAA offers members a Financial Readiness Score. Just log in at USAA.com and answer a series of questions about your income and expenses, insurance coverage, savings, investing risk tolerance, and estate plan. You'll receive a score on a scale of 1 to 100, plus advice on how to strengthen weak areas.

Charles Schwab has a free-to-all Financial Fitness Quiz (go to www.schwabmoneywise.com/public/moneywise and click on "Calculators and Resources"). You'll be asked to answer 18 questions about insurance, money management, investments and estate planning, and you'll receive your score on a 100-point scale. You'll also see a comparison of your score with the scores of other people in your age range and get advice based on your replies.

Among the suite of tools from HelloWallet, a developer of personal finance software, is the Financial Wellness Score. Also calculated on a 100-point scale, it derives from information you enter as well as a data feed from financial links you provide, such as bank, credit and retirement accounts. Recommendations for improvement and a comparison of how you stack up against your peers also come with the score.

HelloWallet has partnered with KeyBank to provide its tools to the bank's customers. They are also offered as an employee benefit at companies such as Geico, T. Rowe Price, United Technologies and Vanguard. **LISA GERSTNER**

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RATE UPDATES

For the latest savings yields and loan rates, visit kiplinger.com/finances/yields.

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	1.64	1.64	1.48
Six-month Treasury bills	0.46	0.52	0.09
Five-year Treasury notes	1.54	1.56	1.39
Ten-year Treasury notes	2.10	2.13	1.92

As of January 12, 2016. *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.

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

TOP-YIELDING DEPOSIT ACCOUNTS

No-Minimum Checking Accounts	Annual yield as of Jan. 12	Web site (www.)
EverBank (Fla.)*†	1.03%	everbank.com
MyCBB (Calif.)*	0.79	mycbb.com
Bank of Internet USA (Calif.)*	0.71	bankofinternet.com
Alliant Credit Union (Ill.)#§	0.65	alliantcreditunion.org
NATIONAL AVERAGE	**0.11%**	

Rewards Checking Accounts	Annual yield as of Jan. 12	For balances up to‡	Web site (www.)
Consumers Credit Union (Ill.)#	5.09%	$20,000	myconsumers.org
America's Credit Union (Wash.)#	5.00	1,000	youracu.org
Northpointe Bank (Mich.)	5.00	5,000	northpointe.com
Destinations Credit Union (Md.)#	3.01	10,000	destinationscu.org
NATIONAL AVERAGE	**1.64%**		

Savings Accounts	Annual yield as of Jan. 12	Min. deposit	Web site (www.)
North American Savings Bank (Mo.)	1.12%	$100	nasb.com
EverBank (Fla.)*†	1.11	1,500	everbank.com
Dime Savings of Williamsburgh (N.Y.)&	1.10	1,000	dime.com
Northeast Bank (Maine)&	1.10	1,000	northeastbank.com
NATIONAL AVERAGE	**0.11%**		

*Internet only. †Promotional rate for first-time clients; available for the first year. #Must be a member; to become a member, see Web site. §1st Constitution Bank, Clear Sky and FNBO Direct offer a similar yield. ‡Portion of the balance higher than the maximum earns a lower rate or no interest. To earn the maximum rate, you must meet requirements such as using your debit card several times monthly and receiving electronic statements. &iGObanking offers a similar yield. SOURCES: Bankrate.com, Depositaccounts.com.

TOP-YIELDING CERTIFICATES OF DEPOSIT

1-Year	Annual yield as of Jan. 12	Min. amount	Web site (www.)
E-Loan (N.Y.)*	1.30%	$10,000	eloan.com
EverBank (Fla.)*	1.30	1,500	everbank.com
AloStar Bank of Commerce (Ala.)*	1.26	1,000	alostarbank.com
California First National Bank (Calif.)*	1.26	5,000	calfirst.com
NATIONAL AVERAGE	**0.27%**		

5-Year	Annual yield as of Jan. 12	Min. amount	Web site (www.)
E-Loan (N.Y.)*	2.45%	$10,000	eloan.com
EverBank (Fla.)*	2.35	1,500	everbank.com
Barclays Bank (Del.)*	2.25	none	banking.barclaysus.com
Synchrony Bank (N.J.)*	2.25	25,000	synchronybank.com
NATIONAL AVERAGE	**0.86%**		

*Internet only. SOURCE: © 2016 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).

LOW-RATE CREDIT CARDS

Issuer	Rate as of Jan. 7*	Annual fee	Late fee	Web site (www.)
First Command Bank (P)	6.25%	none	$25†	firstcommandbank.com
Lake Michigan Credit Union (P)	6.50	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.)
BankAmericard Travel Rewards	15.24%	none	40,000‡	bankofamerica.com
Barclaycard Arrival Plus	16.24	$89§	40,000‡	barclaycardarrival.com
Chase Sapphire Preferred	16.24	95§	40,000&	chase.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 6 months. #Must be a member of the credit union; to become a member see Web site. ‡$400 value. §Waived the first year. &$500 value if you book through Chase Ultimate Rewards. SOURCES: Bankrate.com. Banks may offer lower introductory rates.

Annual Mutual Funds Issue

MAKE MONEY ~AND~ DO GOOD, TOO

You won't sacrifice returns with our seven socially responsible fund picks. BY NELLIE S. HUANG

COMBINING THE DESIRE TO MAKE MONEY WITH THE IMPULSE TO do good is a concept that is catching on. Although such socially responsible investing has been around for decades, the amount of money invested according to ethical and social principles has grown substantially in recent years. // Assets invested using SRI strategies totaled nearly $7 trillion in 2014, a 76% jump in just two years, according to the Forum for Sustainable and Responsible Investment. One out of every six dollars managed professionally in the U.S. today is invested using an SRI strategy. Much of that money comes from institutions, primarily pension funds, foundations and college endowments. But mutual funds

ILLUSTRATION BY GINA & MATT

that invest in a range of SRI strategies are flourishing; 45 new funds opened over the past five years. All told, 181 U.S. mutual funds and 39 exchange-traded funds practice SRI in one form or another. Assets in Vanguard FTSE Social Index, the biggest SRI index fund, have quadrupled since 2011. "We have seen much more interest in the past five years than in the previous 10," says Christine Franquin, who ran the fund until December.

And expect more to come. One-third of millennials—the generation of Americans born between the early 1980s and the early 2000s—consider socially responsible factors when they invest, according to a 2013 survey by U.S. Trust, Bank of America Private Wealth Management. "Socially responsible investing is going to continue to grow and be in demand as the next generation of investors takes over," says Stephen Liberatore, comanager of TIAA-CREF Social Choice Bond. Over the next few years, more employer-sponsored retirement plans may offer SRI funds.

The first SRI fund opened in 1952, way before terms such as *green* and *sustainability* were used the way they are today. More came along in the 1970s and '80s. Back then, strategies centered on what *couldn't* be in the fund: typically, firms with significant revenues from alcohol, gambling or tobacco, and later weapons and utilities that relied on nuclear power. Faith-based funds—Christian and Islamic—also sprouted, tacking on other kinds of businesses to avoid.

But SRI has evolved from a philosophy that focuses on exclusion to one that seeks to reward companies for good citizenship, as defined by practitioners of what's known as ESG. The acronym stands for environmental, social and governance. Among other things, companies with high ESG scores are mindful of their environmental impact; treat employees, customers and suppliers well; and have policies that align the interests of management and shareholders. According to ESG advocates, companies that stand out in these areas will be more successful over the long haul than companies that don't. Such businesses tend to cluster in certain sectors, so funds that incorporate ESG criteria in their securities selection process tend to have above-average exposure to health and technology and below-average holdings in the industrial, materials and utility sectors.

The knock on all social investing strategies has been that if you invest in line with your ethics, faith or culture, you sacrifice some return. Morningstar analyst David Kathman says maybe not. "There is no evidence that shows ESG or socially responsible investing helps or hurts performance," he says. "Over the long term, it probably evens out."

We took a look at one popular area of the mutual fund marketplace: funds that focus on large-capitalization stocks. Over the past 10 years through mid December, the average diversified, actively managed large-cap SRI fund returned 6.2% annualized. Compare that with an average of 6.5% annualized for the average actively managed non-SRI fund, excluding index funds. The non-SRI funds get the nod, but not by much. Neither group, it's worth noting, beat the 6.9% annualized 10-year return for Standard & Poor's 500-stock index.

Still, for those who want to invest with a conscience, we found seven solid ethics-based funds. Three are actively managed, one is an index mutual fund, two are ETFs, and the last is a faith-based fund. Returns are as of December 31.

▶ ACTIVELY MANAGED FUNDS

Parnassus Endeavor and **Parnassus Mid-Cap**. When Parnassus was founded in 1984, socially responsible investing was in its adolescence. But founder Jerome Dodson believed that stocks of companies that fit the SRI bill—those that weren't involved in alcohol, gambling, tobacco or the like and were mindful of the environment and their employees—would beat the market.

Today, Parnassus managers combine modern-day ESG assessments, which are used to create an approved list of firms from which to cull prospective investments, with thorough

Money and Ethics

BEST OF THE SOCIALLY SCREENED FUNDS

Don't assume that the two ETFs on our list will always lag the market. They're good choices if you want low fees and the ability to buy and sell a fund during the day.

Fund	Symbol	Annualized total returns 1 yr.	3 yrs.	5 yrs.	Expense ratio
STOCK MUTUAL FUNDS					
Eventide Gilead	ETGLX	−2.2%	20.8%	15.9%	1.35%
Parnassus Endeavor	PARWX	3.2	17.1	14.0	0.95
Parnassus Mid-Cap	PARMX	−0.9	12.3	11.6	1.09
Vanguard FTSE Social Index	VFTSX	1.2	17.0	13.4	0.25
STOCK EXCHANGE-TRADED FUNDS					
iShares MSCI KLD 400 Social	DSI	0.3%	15.1%	11.7%	0.50%
iShares MSCI USA ESG Select	KLD	−1.8	13.5	10.3	0.50
BOND FUND					
TIAA-CREF Social Choice Bond	TSBRX	0.9%	2.5%	—	0.68%
INDEXES					
STANDARD & POOR'S 500-STOCK INDEX		**1.4%**	**15.1%**	**12.6%**	
BARCLAYS U.S. AGGREGATE BOND INDEX		**0.5%**	**1.4%**	**3.2%**	

As of December 31, 2015. —Not available; fund not in existence for the entire period. SOURCE: © 2016 Morningstar Inc.

company analysis to build their portfolios. Each of the firm's five stock funds is relatively compact, with 30 to 40 holdings, below-average turnover and a below-average expense ratio. But the final proof is in the performance. Endeavor and Mid-Cap sport 10-year records that rank among the top 5% of their respective peer groups.

Endeavor, a large-company growth fund, is what Parnassus sees as its "super" ESG offering. In addition to excluding the usual suspects, Dodson, who runs the fund, also eliminates firms involved with fossil fuels. Plus, Endeavor gives extra credit to companies with excellent working environments, believing that contented employees contribute to corporate success. The fund has been more volatile than the broad market over the past five years, thanks primarily to an average allocation to tech stocks of 52% over the period (tech currently accounts for 21% of the S&P 500). The reward: Endeavor has returned an average of 14.0% per year over the past five years, compared with 12.6% annualized for the S&P 500.

At Parnassus Mid-Cap, a member of the Kiplinger 25, lead manager Matthew Gershuny and comanager Lori Keith search for companies with good growth prospects. They like companies that they believe behave ethically, but their screens aren't as strict as Dodson's at Endeavor. Fossil-fuel businesses, for instance, are acceptable. Mid-Cap's 8.8% annualized 10-year return beats the Russell Mid Cap index by an average of 0.8 percentage point per year.

TIAA-CREF Social Choice Bond Fund. Can a bond fund perform well and help the world? As far as performance goes, the answer is yes: Since the fund launched in 2012, it has returned 2.7% annualized, beating Barclays U.S. Aggregate Bond index by an average of 1.2 percentage points per year. Like the index, the fund focuses on medium-maturity bonds.

Comanagers Liberatore and Joseph Higgins divide the fund into two parts. They have about 70% of the fund's assets (currently $589 million) in bonds issued by U.S. firms that win the best ESG ratings from financial data provider MSCI. MSCI's complex methodology includes dozens of factors and results in ratings that range from triple-A (the best) to triple-C (the worst) for ESG factors. Berkshire Hathaway and Intel, for instance, have passed muster.

The managers reserve the remaining 30% of assets for so-called impact investing. Liberatore and Higgins buy bonds for a project or a company (for-profit or nonprofit) that is generating what they see as a measurable and positive impact. Take Topaz Solar Farm in California. The managers invested in debt issued by the farm, which is owned by a Berkshire Hathaway subsidiary. It powers 160,000 homes, which has the same effect in reducing carbon dioxide as taking 73,000 cars off the road, says Liberatore. "We want to directly tie our investors' principles with the investment holdings," he says. The fund charges a below-average expense ratio of 0.68% and currently yields 2.5%.

▶ INDEX FUNDS

Vanguard FTSE Social Index. This fund tracks an index that puts companies through the ubiquitous alcohol, tobacco and pornography screens. It also eliminates companies involved in nuclear power and firms that derive a significant amount of revenues from sales to the military. But companies must pass a few other hurdles as well. For starters, they must show diversity in the workplace (at least one woman must be on the board of directors, and the company must have an equal-opportunity policy in place). And any whiff of human rights violations or negative environmental impact is cause for rejection. The result is a portfolio that currently consists of 405 mostly large-capitalization stocks. The top three holdings are Apple, Alphabet and Microsoft. (The three biggest holdings in the

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Glossary

The Language of Social Investing

WHAT'S IN A NAME? A LOT, AS IT TURNS out, when it comes to ethical investing. Here's a glossary to help you keep the lingo straight.

Socially responsible investing. Traditional SRI funds excluded companies that made money from alcohol, tobacco or gambling. Over time, some funds adopted more no-no's, barring firms involved with military weapons, nuclear power and, lately, fossil fuels, among other things.

Environmental, social and governance, or ESG, investing. In recent years, many socially conscious investors came to believe that companies that practice good citizenship would outperform those that didn't. Firms with high ESG scores are good stewards of the environment; treat employees, customers and suppliers fairly; and have policies that align the interests of executives with those of shareholders.

Impact investing. These investors want to see not only good returns but also measurable social benefits (see the box on page 48). For example, **TIAA-CREF SOCIAL CHOICE BOND** holds a bond that helped a group provide vaccinations to 44 million children. Those vaccinations will help prevent as many as 6 million deaths, says comanager Stephen Liberatore.

Religious underpinnings. Some funds follow the tenets of a religion. Eventide and Timothy Plan funds follow Christian precepts but are not tied to any one denomination. You can also find funds for Catholics (Ave Maria and Epiphany FFV, for instance), Mennonites (Praxis) and Presbyterians (New Covenant). Islamic funds, such as those run by Amana, cannot invest in firms that are involved in alcohol or pork products. And because Islam bars charging or receiving interest, these funds may not own financial stocks.

S&P 500 are Apple, Microsoft and ExxonMobil.)

FTSE Social Index has lagged the broad market since its 2000 inception. But it has done better in recent years, thanks to a hefty stake in health care and technology stocks. Over the past five years, the fund's 13.4% annualized return has beaten the S&P 500's results by an average of 0.8 percentage point per year. The fund charges 0.25% per year to cover expenses.

Pickings are slim among exchange-traded funds. Plenty of ETFs home in on specific ESG factors—clean water or workplace equality, for example. But only two are diversified: **iShares MSCI USA ESG Select ETF** and **iShares MSCI KLD 400 Social ETF**. ESG Select holds 105 companies that win the highest scores in the MSCI ESG ratings. MSCI KLD 400 tracks one of the oldest socially responsible benchmarks, the MSCI KLD 400 Social Index (formerly known as the Domini 400 Social Index), which launched in 1990. The index includes about 400 companies, all of which carry an MSCI ESG rating of double-B or better. Over the past five years, both funds have lagged the S&P 500's 12.6% annualized return. But we're recommending them because they offer an opportunity for people to invest with their conscience at a low annual cost. Both charge annual fees of 0.50%.

▶ FAITH-BASED FUND

Eventide Gilead. This Christian-based fund has a lot of flexibility. It can invest in any size company in the U.S. or abroad, but it sticks with businesses that "value life at every stage," says Colin Delaney, an Eventide analyst who refers to the fund's approach as "biblically responsible investing." That boils down to avoiding the usual suspects of alcohol, tobacco and pornography, as well as businesses that make money from abortion. But instead of starting with a universe of acceptable companies to invest in, Gilead comanager Finny Kuruvilla, a medical doctor with a PhD in chemistry and chemical biology, does the reverse. He identifies the best prospects, what Delaney calls "the leaders, the disrupters, the innovators," in industries with superior long-term growth prospects and then determines whether they run afoul of the fund's faith-based objectives. Kuruvilla also looks for "businesses that are trying to create value," says Delaney, by focusing on positive ESG characteristics, such as customer satisfaction.

Since Gilead's launch in 2008, the fund has returned 14.9% annualized, which beats the S&P 500 by an average of 6.0 percentage points per year. Gilead has been 20% more volatile than the S&P 500, due in part to high weightings in tech stocks (26% of the fund's assets) and health care firms (17%, mostly biotechnology stocks). ■

Targeted Investing

How the Rich Make an Impact

FACEBOOK CEO MARK ZUCKERBERG AND HIS WIFE, PRISCILLA CHAN, RECENTLY made news when they pledged to donate 99% of their Facebook shares, worth some $44 billion at current prices, to charitable causes during their lifetimes. But lost in the headlines was that they intend to invest much of the money in the meantime. In a letter published on Facebook, the couple announced that they plan to advance social and environmental causes, such as elementary-school education and clean energy, with their investments.

Zuckerberg and Chan are part of a growing number of "impact" investors—individuals who expect their investments to have a positive social or environmental effect as well as deliver a financial return. It's not a new concept. People have been able to use mutual funds to invest according to their conscience for years. But wealthy individuals (those with more than $1 million to invest) have had access to stakes in projects or privately held companies that offer a potentially greater social return—the chance to make an impact, in other words.

Whether socially responsible investing requires sacrificing financial returns in the name of doing good is debatable. But most impact investors want to make money and help the world, says Jonathan Firestein, managing director of Ascent Private Capital Management, an investment firm for U.S. Bank clients with $75 million or more in assets. In a survey conducted by J.P. Morgan and the Global Impact Investing Network, 55% of impact investors said that earning a market-rate return in their portfolio was a priority. Another 27% sought what Firestein calls a "balanced objective," a moderate return coupled with an impact in targeted areas, such as solar power. The remaining 18% are "impact first" investors, who are willing to accept minimal returns (enough to preserve their wealth) but seek maximum impact.

The world of impact investments comes with a wide range of risk-and-return profiles, says Anna Snider, head of equity due diligence at Merrill Lynch Wealth Management. For instance, an investment in alternative energy has a much greater chance of delivering good returns than one that goes toward combating AIDS in Africa, an issue with little potential for profit. The latter is what Snider calls an "aspirational" investment—one that is less about profit than it is about making a lasting impact.

For many impact-first investors, investments such as these complement or substitute for philanthropy. And for many of Firestein's clients, impact investing is changing the classic Gospel of Wealth model, created by Andrew Carnegie. "The traditional model says to accumulate wealth while you're alive, and then the money you leave behind can be used to make an impact," Firestein says. "As an impact investor, you can exert influence while you're still alive and, with earnings from your investments, potentially increase the pool of capital you direct." RYAN ERMEY

MUTUAL FUNDS»

7 Great Load Funds Without the Load

You can buy these funds at discount brokers without having to pay sales charges. BY NELLIE S. HUANG

GINA & MATT

IT IS THE GOLDEN RULE OF mutual fund picking: If you're a do-it-yourself investor, avoid load funds, which charge commissions of up to 5.75% every time you buy shares. But we're going to break that rule, sort of. That's because many discount brokers, such as Fidelity and Charles Schwab, let you buy load funds without paying a sales charge.

The catch: Some load funds trade load-free only at certain brokerage firms. And some commission-free platforms may offer a few funds within a family, but not all.

To help you, we've selected seven solid load funds that are available through at least two major brokerage firms without a load or a transaction fee (see the table on page 50 for details on brokerage availability). Returns are through December 31.

▶ U.S. STOCK FUNDS

Columbia Disciplined Core A. After subpar results between 2007 and 2009, this large-company stock fund got a new manager, and its performance improved markedly. Since Brian Condon came on board in May 2010, the fund has returned an annualized 15%, beating Standard & Poor's 500-stock index by an average of 0.7 percentage point per year.

Condon and Peter Albanese, who became comanager in 2014, use both quantitative models and fundamental research to pick stocks. They seek firms that are attractively valued relative to their peers, with strong business momentum and steady earnings. In 2015, the fund's best performers included computer-graphics chip designer Nvidia, which soared 66%, and Internet domain registry service VeriSign, which jumped 53%.

Diamond Hill Large Cap A. Lead manager Chuck Bath follows a classic value approach, buying a stock when it trades well below his estimate of the firm's worth and starting to sell when the shares approach his ballpark number. He and two comanagers favor large firms with a leading position in their industry, strong balance sheets and executives who act like owners. Once Bath and his comanagers buy, they tend to hold for a long time. The fund on average holds stocks for four years (more than twice the average holding period of large-company stock funds). Over the past five years, the fund outpaced its peer group by an average of 1.6 percentage points per year.

JPMorgan Small Cap Equity A. Don San Jose's arrival as manager of this JPMorgan fund couldn't have come at a worse time, less than a month before the start of the catastrophic 2007–09 bear market. But San Jose has managed the fund with aplomb through both strong and awful markets. In 2008, Small Cap Equity lost 27.3%. That may not seem good, but the fund crushed the S&P 500 by nearly 10 percentage points and beat the Russell 2000 index, which tracks small-company stocks, by 6.5 points. During San Jose's tenure, Small Cap beat the Russell 2000 in six of eight calendar years. All told, the fund gained an annualized 8.8% since San Jose came on board, topping the Russell 2000 by 2.8 percentage points per year.

San Jose and comanager Daniel Percella, who arrived in early 2014, fill the portfolio with companies that are industry leaders whose business models can withstand hard times. And they tend to hang on to stocks; the fund's average holding period is five years. The fund's top three holdings are Waste Connections, a garbage-collection company; Toro, which makes lawn mowers and other lawn-care equipment; and Pool, a distributor of swimming-pool supplies.

▶ FOREIGN STOCK FUNDS

Oppenheimer International Growth A. On March 25, George Evans celebrates his 20th anniversary as International Growth's manager. He and comanager Robert Dunphy, who joined the fund in 2012, look for attractively priced, high-quality foreign firms poised to benefit from broad trends, including aging populations in the developed world and growing wealth in emerging nations. They assemble a portfolio of 100 to 150 stocks and hang tight. Their average holding period is eight years, an aeon compared with the 18-month holding period of the average diversified large-company foreign stock fund.

The fund has done well during rough market patches. In 2008, 2011 and 2015, when global markets struggled, International Growth ranked among the top 25% of its peer group (funds that focus on large, fast-growing foreign companies). But the fund's long-term returns impress, too. Over the past 10 years, International Growth returned an average of 6.1% a year, racing past the 3.5% annualized return of the MSCI EAFE index.

Oppenheimer International Small-Mid Company A. In the four years that manager Rezo Kanovich has run International Small-Mid Company, it has blown away the competition: funds that invest in growing, small and midsize foreign companies. Over that period, International Small-Mid Company returned 18.8% annualized, while its peers earned an average of 10.4% per year.

Kanovich is a contrarian who likes to find bargains among fast-growing, high-quality firms that have stumbled. He trolls among unloved sectors and companies in turmoil (say, a firm that has undergone a management shake-up) to find them. Top holdings include Swiss drug maker Lonza Group and Ocado Group, an online grocer in the U.K.

▶ BOND FUNDS

JPMorgan Core Plus Bond A. Core Plus Bond invests primarily in investment-grade debt, but the fund's five managers can invest up to 35% of its assets in lower-rated junk issues (debt rated double-B or lower) and foreign bonds. Recently, 18% of its assets sat in junk-rated securities, and 1% in foreign government bonds, mostly from developing countries. The investments in high-yield bonds, which have struggled since last May, hurt Core Plus Bond's 2015 results (though it managed to break even for the year). But over the long haul, the fund has been consistent. In each calendar year from 2005 to 2015, the fund ranked in the top half of its peer group (taxable, intermediate-term bonds). The fund yields 2.9%.

Templeton Global Bond A. Michael Hasenstab, who has run this fund since the end of 2001, is a skilled bond picker. Although 2015 was a rough year for the fund, it returned 8.5% annualized over the past 15 years, putting it in the top 2% of all global bond funds. Hasenstab and comanager Sonal Desai, who became a manager in 2011, are contrarian investors who aren't afraid to search for bargains in the proverbial rubbish bin. They loaded up on Irish bonds and Hungarian debt in 2011 as other investors shunned them. They also built exposure to the Mexican peso as the currency lost value against the dollar in the second half of 2015. The investment process requires some patience and, at times, some grit. But investors who stick with the fund will be rewarded. It yields 2.9%. ■

Lighten the Load

BUY THESE FUNDS AND SKIP THE SALES CHARGE

These funds normally charge front-end commissions of up to 5.75%. Use the key in the table to identify discount brokers that allow you to buy the funds without commissions or transaction fees.

Fund	Symbol	Annualized return 1 yr.	3 yrs.	5 yrs.	Expense ratio	Max. load	Load-free brokerage availability
STOCK FUNDS							
Columbia Disciplined Core	AQEAX	0.9%	15.7%	13.6%	1.06%	5.75%	F, S
Diamond Hill Large Cap	DHLAX	–1.1	14.2	11.3	1.04	5.00	F, S, TD, V
JPMorgan Small Cap Equity	VSEAX	–4.7	9.7	10.4	1.29	5.25	F, S, TD
Oppenheimer Intl Growth	OIGAX	1.5	4.2	5.4	1.14	5.75	F, S, TD, V
Oppenheimer Intl Small-Mid Co	OSMAX	12.7	16.5	10.0	1.18	5.75	F, S, TD, V
BOND FUNDS							
JPMorgan Core Plus Bond	ONIAX	–0.3%	2.2%	3.9%	0.76%	3.75%	F, S, TD
Templeton Global Bond	TPINX	–6.1	–1.3	1.8	0.88	4.25	F, TD, V
STANDARD & POOR'S 500-STOCK INDEX		**1.4%**	**15.1%**	**12.6%**			
BARCLAYS US AGGREGATE BOND INDEX		**0.5**	**1.4**	**3.2**			
MSCI EAFE INDEX*		**–0.4**	**5.5**	**4.1**			

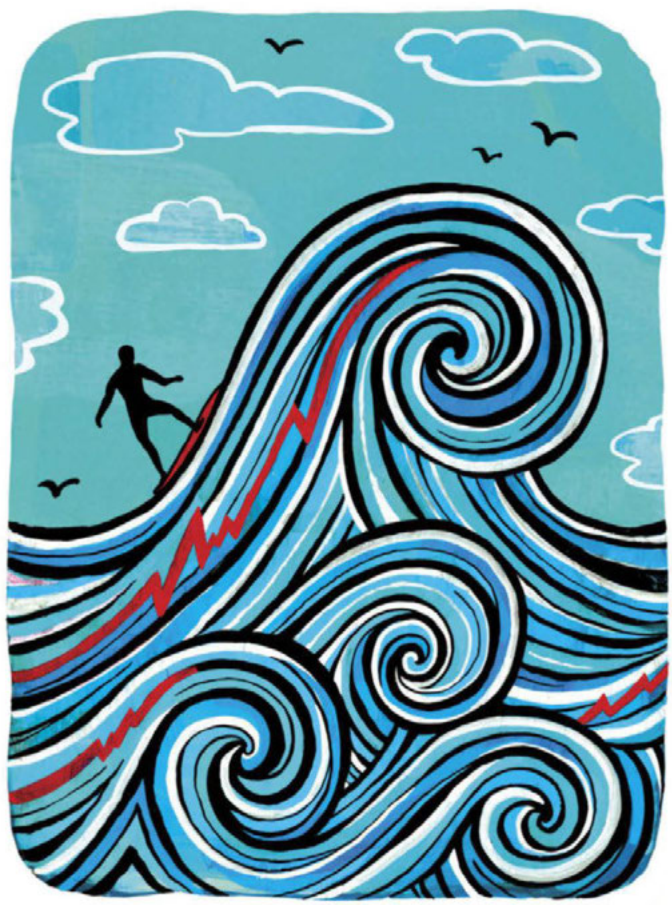
Key: F=Fidelity S=Schwab TD=TD Ameritrade V=Vanguard

As of December 31, 2015. *Foreign stocks. SOURCE: © 2016 Morningstar Inc.

MUTUAL FUNDS»

Funds That Let You Ride Trends

The time is ripe for managed futures funds, which can profit when stocks and bonds wipe out. BY ELIZABETH LEARY



GINA & MATT

WITH THE BULL MARKET looking haggard and the chances of making serious money in bonds looking slim, it might be the time to consider managed futures mutual funds. These funds trade futures contracts, which are promises to buy or sell a commodity, stock or other asset at a set price on a future date. Because managed futures funds can bet on prices rising or falling in any of the markets in which they deal, they have as much opportunity to make money in a down market as they do during good times. The funds shone during the 2007–09 bear market, when the average such fund returned a cumulative 36%, according to Morningstar. Over the same period, Standard & Poor's 500-stock index plunged 55%.

Managed futures hedge funds have come under fire (and rightly so) for the astronomical fees they charge—typically including management fees, sales commissions and incentive fees that can claim 20% of a year's profits. Although managed futures mutual funds aren't cheap, with an average expense ratio of 1.99%, the funds we recommend below do not charge sales loads or performance fees, so they come with dramatically lower overall costs than their hedge-fund cousins.

Most managed futures mutual funds follow a momentum strategy, betting that certain current price trends will continue. All of the top funds are quantitatively driven—meaning that computers crunch price and volume data to determine which market trends are likely to persist, and when to buy and sell.

Recent years haven't been kind to this subset of the burgeoning alternative mutual funds category. The average managed futures fund lost 1% annualized over the past five years (all returns are through December 31), and more than a dozen funds threw in the towel and liquidated during that period. Larry Kissko, a product specialist for Man AHL, a London-based firm that runs managed futures investments, says the outsize influence on markets of the Federal Reserve and other central banks has created a tough environment. "Managed futures funds are designed to do well when markets move naturally—driven by human behavior rather than government intervention," Kissko says.

Climate change. But the winds may have finally shifted in the funds' favor. The Fed, which recently raised short-term interest rates for the first time in nine years, has begun to move toward a more normal monetary stance. Falling energy prices and a strengthening dollar over the past year and a half represent powerful trends that managed futures funds could exploit. Moreover, because these funds can make money on everything from rising rates to falling share prices, their potential returns aren't hampered by a lack of opportunity in today's markets—unlike those of traditional stocks and bonds. If you are comfortable investing in alternatives, consider putting up to 5% of your long-term investment money into one or more of these funds.

A fine option is **AMERICAN BEACON AHL MANAGED FUTURES STRATEGY (SYMBOL AHLPX)**. Although the fund only launched in August 2014, it has racked up a cumulative return of 11.5% since then, besting the category average by 3.3 percentage points. American Beacon farmed out management of this product to Man AHL, which manages $17.9 billion using quantitative strategies.

The mutual fund follows models similar to those used in AHL's hedge funds. The fund's quantitative models look for trends that are likely to persist for two to three months, which is the fund's typical holding period. It invests in futures contracts tied to stock indexes, bonds, currencies and assorted commodities. The fund charges 1.92% annually for expenses, so it's hardly cheap. But unlike some other mutual funds linked to hedge funds, this fund comes with no hidden performance fees.

Another good choice among funds that employ momentum strategies is **GUGGENHEIM MANAGED FUTURES STRATEGY P (RYMFX)**. This fund tracked an index for the first six years of its life, but after a prolonged bout of underperformance, Guggenheim switched in 2013 to an actively managed approach. The firm hired John Marchelya, a hedge-fund industry veteran, to build in-house quantitative models. Performance since the strategy shift has been stronger; the fund has returned 4.3% annualized since then, compared with 2.1% annualized gains for the average managed futures mutual fund. The fund has profited from falling oil prices over the past year and a half, although in the past six months the choppy stock market has posed a challenge. The fund's management team typically tweaks its models every six to nine months, aiming to get a leg up on the competition. The fund charges 1.68% annually.

ALTHOUGH MANAGED FUTURES MUTUAL FUNDS AREN'T CHEAP, OUR PICKS DON'T CHARGE SALES LOADS OR PERFORMANCE FEES, SO THEY COME WITH MUCH LOWER OVERALL COSTS THAN THEIR HEDGE-FUND COUSINS.

For a different approach, consider **361 MANAGED FUTURES STRATEGY (AMFQX)**. This fund, which follows a so-called counter-trend strategy, invests only in futures contracts tied to three U.S. stock indexes: the S&P 500, the tech-heavy Nasdaq 100 and the Russell 2000, which tracks small-company stocks. In essence, the fund's models aim to identify the stock market's likely path over the short term. When the indexes dip below that projected path, the fund will bet on prices rising, and when prices shoot past expectations, it will bet on prices falling. The fund holds the average investment only two to three days.

In practice, this strategy means that the fund's managers spend roughly 80% of their time sitting in cash and bonds, watching their models and waiting for the right time to strike. When the market is ripe, the fund will buy futures positions that simulate investing 100% of its assets in the stock market or going 100% short—that is, betting fully against the market. Making a large bet with futures typically requires only a small cash outlay, so the fund holds about 75% of its assets in a short-term fixed income portfolio managed by Federated Investors.

Because of its unique strategy, the fund should beat its peers during periods of stock-market choppiness, but it will likely lag during a persistent bull or bear market. Since its inception in 2011, the fund has returned 4.1% annualized, beating the category's 0.2% loss over the same period. The fund, which currently has $860 million in assets, will likely close to new and existing investors when it reaches $1.5 billion in assets, says comanager Tom Florence. The fund charges 2.03% annually.

Two funds with solid returns since their launches offer investors a back door into well-known hedge funds. Equinox Campbell Strategy P (EBSPX), which has returned 6.3% annualized since its inception in 2013, aims to mimic the returns of a hedge fund run by Campbell & Co., a Baltimore-based managed futures firm. Altegris Futures Evolution Strategy N (EVONX), which has gained 9.3% annualized over the past three years, tracks the returns of hedge funds offered by two firms, Winton and ISAM.

However, both funds come with peculiar risks. Neither invests its assets directly with the hedge-fund firms. Rather, the Equinox fund uses a swap (a type of derivative) that mimics the performance of the Campbell hedge fund. The Altegris fund primarily uses a swap and a structured note (essentially an unsecured bond) to capture the returns of the two hedge funds it tracks. That means both funds face the risk that the banks that issue those instruments could default and not pay the promised returns (Deutsche Bank issues the swap agreement used by Equinox, and Barclays Bank creates the swap and note used by Altegris).

It also means that fund investors get hit with fees on top of fees because the swaps and the note come with fees of about 0.20% to 0.50%, which are not reflected in the funds' expense ratios. Plus, the hedge-fund returns they tap are calculated after subtracting management fees of about 1% annually and performance fees of 20% of each hedge fund's profits. Approach these two with caution. ■

KATHY KRISTOF > Practical Investing

More Lessons on Selling

When we last chatted, I told you I had consulted a few financial therapists to help me get over a psychological aversion to selling. The therapy seems to have worked. In addition to unloading Acacia Research (symbol ACTG), Nu Skin Enterprises (NUS) and Stone Energy (SGY), all discussed last month, I have ousted Chinese Internet company Sohu (SOHU) from my Practical Investing portfolio.

Why? Because I never should have owned Sohu in the first place. Buying Sohu was a rash move. I had read a bullish report by Citron Research, a company that normally pans overvalued stocks. When I'm intrigued by a stock, I'll typically study a lot of numbers: price-earnings ratio, earnings growth, sales growth and more. But although Sohu was generating revenues, it wasn't making money, so I couldn't calculate a P/E. And my ability to judge a Chinese Internet company on the basis of price to sales was nonexistent.

Faulty math. Under normal circumstances, I would have stopped there. But at the time Sohu came to my attention, the performance of my portfolio was neck and neck with my benchmark, and I wanted to hit one out of the park. My thinking went something like this: China equals growth. Internet equals growth. Rapid growth equals big share-price gains. Stop asking questions. Gotta have it.

It goes without saying that you should not invest like a drunk choosing a tattoo. And like that drunk, I had plenty of time to regret my decision. Over the nearly three years that I owned Sohu, I never quite understood why the stock would jump one day and tank the next. I sold in December at an average price of $49, taking a loss of roughly $1,000. A few weeks later, the stock was at $58. Had I sold then, I'd have earned a profit. The moral of this story is that if you don't have a sound reason for buying a stock, you're not going to sell wisely, either.

Few holdings have caused me more angst than Copa Airlines (CPA). I invested in Copa, one of the top airlines in Latin America, in October 2013 at $137 per share. The stock zoomed to $160 within three months, but it has since plunged to $48, largely because of economic problems in the region Copa serves. Several Latin American nations that are heavily reliant on commodity exports are mired in recession. And that has led to empty seats on Copa flights—and sharply lower revenues and profits.

The strong dollar is another challenge. Some 40% of Copa's revenues are paid in U.S. dollars, and the rest come from a grab bag of Latin American currencies, such as the Venezuelan bolivar, the Colombian peso and the Brazilian real. All three currencies have sunk against the greenback, contributing to the decline in Copa's earnings (Copa reports its results in dollars).

Worse, the government of Venezuela has been playing "Calvinball" with its exchange rate at Copa's expense. Calvinball, for those unfamiliar with Bill Watterson's long-running cartoon strip *Calvin and Hobbes*, was a game in which the rules changed as you went along. The Venezuelan government, which controls its currency, had promised to convert bolivars at a favorable rate for foreign firms doing business in Venezuela. But it is now threatening to devalue the bolivar, which would dramatically reduce the value of the $427 million in cash that Copa has tied up in the Venezuelan currency. Copa has responded by demanding that dollars be used to buy all tickets sold in Venezuela. But there's not much it can do about the tickets Venezuelans already purchased using bolivars.

Copa has remained profitable throughout this mess. I expect its stock to rise again. It just may not be this year, and that's why I'm struggling with the decision of whether (or when) to pull the sell trigger. ■

"I never should have owned Sohu, the Chinese Internet stock, in the first place. Buying it was a rash move."

KATHY KRISTOF IS A CONTRIBUTING EDITOR TO *KIPLINGER'S PERSONAL FINANCE* AND AUTHOR OF THE BOOK *INVESTING 101*. YOU CAN SEE HER PORTFOLIO AT KIPLINGER.COM/LINKS/PRACTICALPORTFOLIO.

LISE METZGER

A Lousy Year for Stocks

NOT ONE DOMESTIC STOCK FUND CATEGORY FINISHES 2015 IN THE BLACK. BY MANUEL SCHIFFRES

IS THE BULL MARKET HISTORY? TECHNICALLY, NO, BUT IT SURE feels that way. Although Standard & Poor's 500-stock index eked out a 1.4% total return in 2015, mutual funds that focus on large-capitalization U.S. stocks lost 0.2%. Funds that invest in smaller companies or in large foreign firms did worse. Only one group, small-company foreign stock funds, finished the year in the black. In all categories, funds that focus on growth stocks did better than value-conscious funds.

Adding injury to insult, stock markets around the world tanked during the first week of 2016. The S&P 500 lost 6.0%, the worst loss ever for the first week of the year. The most common explanation for the new-year knockdown was concern about slowing growth in China. But with the bull market approaching its seventh anniversary, investors and traders have had plenty of other reasons to dump stocks: plunging oil prices, which are squeezing energy-company profits and suggest that the global economy may be weaker than the consensus thinks; geopolitical worries, including terrorism and North Korea's nuclear weapons program; and, of course, the Federal Reserve, which in 2015 raised short-term interest rates for the first time in nine years and says it wants more hikes this year.

Getting back to the question at the start of this article, we won't know if the bull market is over until one of two things happens: Either the S&P 500 surpasses its record high of 2134.72, set last May 20, or the index drops 20% from that level, which would confirm the onset of a bear market. In the meantime, it's best to keep your investments diversified, rebalance them regularly and avoid getting swept up in the markets' day-to-day gyrations.

For rankings of 1,000 mutual funds and exchange-traded funds, visit kiplinger.com/links/funds2016.

On the pages that follow, we show the top-performing mutual funds in 11 categories. The list includes only funds with modest minimum investment requirements and excludes leveraged and inverse index funds. **DATA COMPILED BY RYAN ERMEY**

LARGE-COMPANY STOCK FUNDS

It paid to hang with the FANGs.

FUNDS WITH BIG STAKES IN THE FANGS—Facebook, Amazon.com, Netflix and Google (now Alphabet)—dominated the one-year winners list. All four were among the 10 biggest holdings of Prudential Jennison Select Growth, a load fund. Among no-loads, Amazon and Facebook were among Brown Advisory Sustainable Growth's top three holdings. TCW Select Equities and Janus Forty both made Google their top holding and held other FANGs as well. Large positions in Nike and Starbucks powered Polen Growth, which also owned Google and Facebook. Ten-year winner Parnassus Endeavor proves that socially screened funds can deliver superior long-term results (see "Make Money and Do Good, Too," on page 44).

1 year	
1. Polen Growth Inv	14.4%
2. Brown Advisory Sustainable Growth Inv	12.9
3. Prudential Jennison Select Growth A	12.5
4. Morgan Stanley Instl Advantage A	12.2
5. TCW Select Equities I	12.2
6. Janus Forty T	12.0
7. Dunham Focused Large Cap Growth A	11.7
8. Transamerica Capital Growth A	11.6
9. Morgan Stanley Instl Growth A	11.5
10. Edgewood Growth Retail	11.2
CATEGORY AVERAGE	–0.2%

3 years	
1. Fidelity OTC Portfolio	23.7%
2. Catalyst Dynamic Alpha A	21.2
3. Shelton Nasdaq-100 Index Direct	21.2
4. USAA Nasdaq-100 Index	20.8
5. Morgan Stanley Instl Growth A	20.7
6. Transamerica Capital Growth A	20.5
7. RidgeWorth Aggressive Growth Stock A	20.3
8. Vanguard Capital Opportunity Inv**	20.3
9. Edgewood Growth Retail	20.0
10. Rydex Nasdaq-100 Inv	20.0
CATEGORY AVERAGE	13.6%

5 years	
1. Shelton Nasdaq-100 Index Direct	16.9%
2. Smead Value Fund Inv	16.4
3. USAA Nasdaq-100 Index	16.3
4. Edgewood Growth Retail	16.3
5. Fidelity OTC Portfolio	16.0
6. Rydex Nasdaq-100 Inv	15.7
7. T. Rowe Price Blue Chip Growth	15.6
8. Fidelity Growth Company**	15.2
9. Saratoga Large Cap Growth A	15.0
10. AllianceBernstein Large Cap Growth A	15.0
CATEGORY AVERAGE	10.9%

10 years	
1. Alger Spectra A	12.2%
2. Fidelity OTC Portfolio	11.8
3. Parnassus Endeavor	11.6
4. Shelton Nasdaq-100 Direct	11.6
5. USAA Nasdaq-100 Index	11.0
6. Alger Capital Appreciation A	10.8
7. Reynolds Blue Chip Growth	10.8
8. Rydex Nasdaq-100 Inv	10.6
9. Wells Fargo Growth A**	10.5
10. JPMorgan Growth Advantage A	10.4
CATEGORY AVERAGE	6.6%

Returns are annualized through December 31, 2015. **Closed to new investors. §Annualized returns based on another share class with a longer history. SOURCE: © 2016 Morningstar Inc.

MIDSIZE-COMPANY STOCK FUNDS

Mid-cap funds trail their big-company brethren.

TANAKA GROWTH LANDS IN THIS GROUP because it owns firms of all sizes. However, it has more than half of its assets in behemoths, including General Electric and Altria, which helped boost results last year. But the fund's fees are high, and long-term results are erratic. Buffalo Discovery, which has the bulk of its assets in mid caps, got a boost from two FANGs: Facebook and Google. The managers of Kiplinger 25 member Akre Focus favor firms that can impose price increases and that are run by skilled managers who reinvest earnings wisely. In picking stocks, Vanguard Strategic Equity relies on quantitative models that focus on five factors, including valuation, share-price momentum and growth prospects.

1 year	
1. Tanaka Growth	12.2%
2. Eaton Vance Atlanta Capital SMID-Cap A**	9.5
3. Delaware Smid Cap Growth A**	7.1
4. T. Rowe Price Mid-Cap Growth**	6.6
5. BlackRock Mid-Cap Growth Equity Inv A	6.5
6. Oppenheimer Discovery Mid Cap Growth A	6.1
7. Federated Kaufmann A	6.0
8. Buffalo Discovery	5.6
9. Columbia Mid Cap Growth A	5.0
10. Primecap Odyssey Aggressive Growth**	4.6
CATEGORY AVERAGE	–3.2%

3 years	
1. Primecap Odyssey Aggressive Growth**	23.6%
2. Legg Mason Opportunity A	23.3
3. Eventide Gilead N	20.8
4. BlackRock Mid-Cap Growth Equity Inv A	18.3
5. Aquila Three Peaks Opp Growth A	18.3
6. T. Rowe Price Mid-Cap Growth**	18.2
7. Leuthold Select Industries	17.9
8. ClearBridge Select A	17.8
9. Federated Kaufmann A	17.5
10. Fidelity Growth Strategies	17.4
CATEGORY AVERAGE	12.1%

5 years	
1. Primecap Odyssey Aggressive Growth**	17.9%
2. Eventide Gilead N	15.9
3. Akre Focus Retail	15.2
4. Aquila Three Peaks Opp Growth A	14.6
5. Principal MidCap A**	14.1
6. Vanguard Strategic Equity Inv	13.8
7. Buffalo Discovery	13.7
8. J. Hancock Disciplined Value Mid Cap A**	13.6
9. Eaton Vance Atlanta Capital SMID-Cap A**	13.4
10. T. Rowe Price Mid-Cap Growth**	13.2
CATEGORY AVERAGE	9.4%

10 years	
1. Primecap Odyssey Aggressive Growth**	12.7%
2. Eaton Vance Atlanta Capital SMID-Cap A**	11.6
3. J. Hancock Disciplined Value Mid Cap A**	10.5
4. Hennessy Focus Inv	10.5
5. Buffalo Discovery	10.5
6. Goldman Sachs Small/Mid Cap Growth A	10.2
7. T. Rowe Price Mid-Cap Growth**	10.1
8. Lord Abbett Value Opportunities A	10.1
9. American Century Heritage Inv	10.0
10. Principal MidCap A**	9.9
CATEGORY AVERAGE	7.0%

SMALL-COMPANY STOCK FUNDS

Micro caps power the top performers.

TINY STOCKS HELPED SEVERAL FUNDS shimmy into the winner's circle. Oberweis Micro Cap and Wasatch Micro Cap Value scored big with pip-squeak stocks, such as semiconductor company Inphi and surgical device maker Synergetics. Fidelity Small Cap Growth, which invested in slightly larger firms, got a bump from payment processor Global Payments. Conestoga Small Cap fared well by focusing on tech and health care stocks. Homestead Small Company Stock, a member of the Kiplinger 25, had a rough year, losing 5.2%, partially because of bad bets on some industrial stocks. It has bounced back in the past, though, and we think it will regain its footing.

1 year	
1. Nationwide Geneva Small Cap Growth A	9.8%
2. Brown Capital Mgmt Small Co Inv**	8.8
3. Aberdeen Small Cap A	8.3
4. Brown Advisory Small Cap Growth Inv	8.1
5. Conestoga Small Cap	8.0
6. Wasatch Micro Cap Value	7.2
7. Lazard US Small Cap Equity Growth Open	7.1
8. Nationwide Small Company Growth A	6.7
9. Oberweis Micro-Cap	6.4
10. Fidelity Small Cap Growth	5.8
CATEGORY AVERAGE	–4.6%

3 years	
1. Driehaus Micro Cap Growth	20.1%
2. Brown Capital Mgmt Small Co Inv**	18.3
3. RS Small Cap Equity A**	18.3
4. Bridgeway Small Cap Growth	18.3
5. T. Rowe Price New Horizons**	18.2
6. Aberdeen Small Cap A	18.0
7. PNC Multi Factor Small Cap Growth A	17.8
8. RS Small Cap Growth A**	17.8
9. Oberweis Micro-Cap	17.4
10. Emerald Growth Inv**	17.2
CATEGORY AVERAGE	10.9%

5 years	
1. T. Rowe Price New Horizons**	15.4%
2. Virtus Small-Cap Sustainable Growth A	14.3
3. Brown Capital Mgmt Small Co Inv**	14.3
4. PNC Multiple Factor Small Cap Core A	14.2
5. PNC Small Cap A	13.6
6. PNC Multi Factor Small Cap Growth A	13.6
7. SSgA Dynamic Small Cap N**	13.4
8. Emerald Growth Inv**§	13.2
9. Value Line Small Cap Opps Fund	13.1
10. RS Small Cap Equity A**	13.1
CATEGORY AVERAGE	8.7%

10 years	
1. Brown Capital Mgmt Small Co Inv**	13.0%
2. Janus Triton T**	11.4
3. T. Rowe Price New Horizons**	10.7
4. Fidelity Small Cap Discovery**	10.3
5. Driehaus Micro Cap Growth	10.2
6. Natixis Vaughan Nelson Small Cap Val A**	10.1
7. Lord Abbett Developing Growth A**	10.0
8. RS Small Cap Equity A**	9.8
9. JPMorgan Small Cap Equity A	9.8
10. Homestead Small Company Stock	9.8
CATEGORY AVERAGE	6.6%

Returns are annualized through December 31, 2015. **Closed to new investors. §Annualized returns based on another share class with a longer history. SOURCE: © 2016 Morningstar Inc.

HYBRID FUNDS

Bonds provide little relief for funds that mix things up.

MOST HYBRIDS, WHICH TYPICALLY BLEND stocks and bonds, did no better than pure stock funds, partly because their fixed-income holdings provided little help. Gavekal KL Allocation took top honors; it kept a relatively high 74% in stocks and benefited from holding Japanese shares, which fared well in 2015. Funds with strong long-term records include Fidelity Strategic Dividend & Income and Dodge & Cox Balanced. One noteworthy disappointment: FPA Crescent, a member of the Kiplinger 25. The fund fell off the 10-year winners list after slipping 2.1% in 2015, despite keeping nearly one-third of its assets in cash and 10% in bonds. With Crescent's performance flagging, our confidence in the fund is waning, too.

1 year	
1. Gavekal KL Allocation Adv	5.9%
2. T. Rowe Price Capital Appreciation**	5.4
3. Miller Convertible Plus A	4.5
4. Aston/Montag & Caldwell Balanced N	3.9
5. Bruce Fund	2.9
6. Eaton Vance Balanced A	2.6
7. Vanguard Tax-Managed Balanced Admiral	2.3
8. Sit Balanced	2.2
9. USAA Growth & Tax Strategy	2.2
10. AMG Chicago Equity Ptnrs Balanced Inv	2.2
CATEGORY AVERAGE	–2.0%

3 years	
1. T. Rowe Price Capital Appreciation**	13.2%
2. Wells Fargo Advantage Index Asset Alloc A	12.5
3. Eaton Vance Tax-Mgd Equity Asset Alloc A	12.1
4. Bruce Fund	11.6
5. Wells Fargo Advantage Divers Cap Bldr A	11.5
6. Putnam RetirementReady 2055 A	11.2
7. Putnam RetirementReady 2050 A	11.1
8. CAN SLIM Select Growth	11.1
9. JPMorgan Investor Growth A	11.0
10. BlackRock 80/20 Target Allocation A	11.0
CATEGORY AVERAGE	6.1%

5 years	
1. T. Rowe Price Capital Appreciation**	11.4%
2. Wells Fargo Advantage Index Asset Alloc A	11.3
3. Fidelity Strategic Dividend & Income	10.2
4. Bruce Fund	10.0
5. American Funds Balanced Fund A	9.8
6. Value Line Asset Allocation	9.6
7. Dodge & Cox Balanced	9.6
8. Gavekal KL Allocation Adv	9.3
9. Columbia Balanced A	9.3
10. Eaton Vance Tax-Mgd Equity Asset Alloc A	9.3
CATEGORY AVERAGE	5.9%

10 years	
1. T. Rowe Price Capital Appreciation**	8.5%
2. AllianzGI Convertible A**§	7.9
3. Bruce Fund	7.9
4. Columbia Balanced A	7.6
5. Janus Balanced T	7.5
6. John Hancock Balanced A	7.4
7. Waddell & Reed Adv Continental Income A	7.4
8. Ivy Balanced A	7.3
9. Vanguard Wellington Inv	7.3
10. LKCM Balanced	7.2
CATEGORY AVERAGE	4.8%

LARGE-COMPANY FOREIGN STOCK FUNDS

The winners overcome the headwind of a strong dollar.

THE MSCI EAFE INDEX, WHICH TRACKS stocks in developed foreign markets, returned 5.8% in local-currency terms last year. But because of the roaring dollar, the index *lost* 0.4% from the perspective of U.S.-based investors. Fidelity Overseas, Cambiar International Equity and several other funds succeeded the old-fashioned way—with good stock picking. Others, including Tocqueville International Value and longer-term winner FMI International, a member of the Kiplinger 25, hedged against currency fluctuations. Oppenheimer International Growth, which does not hedge, normally levies a sales charge, but you can buy it load-free at several brokerages (see "7 Great Load Funds Without the Load," on page 49).

1 year	
1. Morgan Stanley Instl Intl Opp A	11.0%
2. Morgan Stanley Instl Intl Advantage A	9.9
3. Fidelity Overseas	8.3
4. Cambiar International Equity Inv	7.6
5. Brown Capital Mgmt Intl Equity Inv	7.3
6. Tocqueville International Value	7.3
7. J. Hancock International Growth A	7.1
8. CRM International Opportunity Inv	6.9
9. MFS International Value A**	6.5
10. Thornburg International Value A	6.3
CATEGORY AVERAGE	–1.3%

3 years	
1. Morgan Stanley Instl Intl Opp A	12.9%
2. JOHCM International Select II**	11.5
3. MFS International Value A**	11.2
4. FMI International	10.4
5. Brown Capital Mgmt Intl Equity Inv	10.4
6. Nuveen International Growth A	10.3
7. Fidelity Overseas	9.8
8. J. Hancock International Growth A	9.8
9. Gerstein Fisher Multi-Factor Intl Gro Equity	9.3
10. Pimco StocksPlus Intl (USD-Hedged) D	8.9
CATEGORY AVERAGE	3.9%

5 years	
1. FMI International	9.3%
2. MFS International Value A**	9.3
3. Morgan Stanley Instl Intl Advantage A	8.5
4. Pimco StocksPlus Intl (USD-Hedged) D	8.0
5. Artisan International Value Inv**	7.8
6. J. Hancock International Growth A	7.6
7. Fidelity Intl Capital Appreciation	7.2
8. Morgan Stanley Instl Intl Opp A	7.1
9. Fidelity Advisor Intl Cap Appreciation A	6.9
10. Fidelity Overseas	6.8
CATEGORY AVERAGE	2.9%

10 years	
1. Artisan International Value Inv**	8.0%
2. MFS International Value A**	7.1
3. First Eagle Overseas A**	6.2
4. Oakmark International I**	6.2
5. Pimco StocksPlus Intl (USD-Hedged) D	6.1
6. Oppenheimer International Growth A	6.1
7. Federated International Leaders A	6.1
8. Waddell & Reed Adv Global Growth A	5.9
9. Columbia Acorn International Select A	5.7
10. Ivy International Core Equity A	5.7
CATEGORY AVERAGE	3.0%

Returns are annualized through December 31, 2015. **Closed to new investors. §Annualized returns based on another share class with a longer history. SOURCE: © 2016 Morningstar Inc.

SMALL- AND MIDSIZE-COMPANY FOREIGN STOCK FUNDS

This is the only category with a winning record last year.

SINCE LOSING 61% IN 2008, ITS FIRST FULL year, Oberweis International Opportunities has been on a roll, soaring 61% in 2009, 30% in 2010, 33% in 2012 and 55% in 2013. It owes some of its recent success to holdings in Germany's SMA Solar Technology and Danish jewelry retailer Pandora. Manager Ralf Scherschmidt holds stocks for about six months, on average. Fidelity International Small Cap Opportunities' swings aren't as dramatic as Oberweis's. But since Jed Weiss became manager in 2008, the fund has been in the top half of its group in six years out of seven. Oppenheimer International Small-Mid Company normally charges a load, but you can get it commission-free at some online brokers.

1 year	
1. Royce International Premier Service	16.2%
2. Rainier International Discovery A	15.7
3. AllianzGI International Small-Cap A	15.5
4. Wasatch International Growth**	15.2
5. Oberweis International Opportunities	15.1
6. Oppenheimer Intl Small-Mid Co A	14.9
7. Driehaus Intl Small Cap Growth**	12.6
8. Forward International Small Cos Inv	12.1
9. Artisan International Small Cap Inv**	11.0
10. American Century Intl Opps Inv	10.7
CATEGORY AVERAGE	5.1%

3 years	
1. Oberweis International Opportunities	19.4%
2. Oppenheimer Intl Small-Mid Co A	18.6
3. Lazard Global Listed Infrastructure Open	17.4
4. Rainier International Discovery A	15.2
5. Victory Trivalent Intl Small-Cap A	12.3
6. Touchstone International Small Cap A	12.0
7. AllianzGI International Small-Cap A	11.9
8. Grandeur Peak International Opps Inv**	11.8
9. Driehaus Intl Small Cap Growth**	11.7
10. Lazard International Small Cap Equity Open	11.2
CATEGORY AVERAGE	7.9%

5 years	
1. Oberweis International Opportunities	14.1%
2. Lazard Global Listed Infrastructure Open	13.3
3. Oppenheimer Intl Small-Mid Co A	10.2
4. Touchstone International Small Cap A	9.5
5. Wasatch International Growth**	9.2
6. Victory Trivalent Intl Small-Cap A	9.1
7. Fidelity Intl Small Cap Opportunities	8.7
8. Thornburg International Growth A	8.5
9. Wasatch International Opportunities	8.3
10. T. Rowe Price International Discovery	8.1
CATEGORY AVERAGE	5.6%

10 years	
1. Oppenheimer Intl Small-Mid Co A	10.8%
2. Driehaus Intl Small Cap Growth**	9.7
3. Wasatch International Opportunities	8.5
4. Franklin Templeton Intl Sm Cap Gro A**§	8.3
5. Wasatch International Growth**	8.2
6. Artisan International Small Cap Inv**	7.8
7. T. Rowe Price International Discovery	7.5
8. AllianzGI International Small-Cap A§	7.5
9. Brandes International Small Cap Equity A	6.4
10. MFS International New Discovery A	6.4
CATEGORY AVERAGE	5.5%

GLOBAL STOCK FUNDS

These world travelers also got a boost from the FANGs.

AS WITH LARGE-COMPANY U.S. FUNDS, global funds, which own foreign and domestic stocks, benefited from owning big tech firms last year. Google and Facebook were the largest and third-largest holdings, respectively, of WCM Focused Global Growth. Even Oakmark Global, run by value luminaries Bill Nygren and David Herro, held Google and Amazon in its 21-stock portfolio. The fund has landed in the top third of the global stock fund category in six of the past eight calendar years. Another good choice is Artisan Global Equity, comanaged by Mark Yockey, longtime manager of Artisan International. Global earned only 1% in 2015, but it has been in the top 42% of its peer group in each of the past five years.

1 year	
1. Morgan Stanley Instl Global Opp A	18.2%
2. Oppenheimer Global Opps A	13.9
3. J. Hancock Fundamental Global Franchise A	13.9
4. Prudential Jennison Global Opps A	12.4
5. WCM Focused Global Growth Inv	11.0
6. Cambiar Unconstrained Equity Inv	10.3
7. Oberweis Emerging Growth	10.0
8. William Blair Global Sm Cap Growth N**	9.1
9. Evermore Global Value Inv	7.9
10. American Beacon SGA Global Growth Inv	7.8
CATEGORY AVERAGE	–2.5%

3 years	
1. Morgan Stanley Instl Global Opp A	21.5%
2. Cambiar Unconstrained Equity Inv	19.6
3. Guinness Atkinson Global Innovators	16.6
4. Oberweis Emerging Growth	16.3
5. Oppenheimer Global Opps A	15.7
6. Thornburg Global Opportunities A	15.4
7. T. Rowe Price Global Stock	14.7
8. Prudential Jennison Global Opps A	14.7
9. Marsico Global	14.4
10. Harbor Global Growth Inv	14.1
CATEGORY AVERAGE	6.6%

5 years	
1. Morgan Stanley Instl Global Opp A	13.3%
2. Guinness Atkinson Global Innovators	12.2
3. Thornburg Global Opportunities A	11.5
4. Wasatch World Innovators	11.0
5. Artisan Global Equity Inv	10.8
6. Morgan Stanley Instl Global Franchise A**	10.7
7. Artisan Global Opportunities Inv	10.7
8. Morgan Stanley Instl Global Advantage A	10.5
9. Oakmark Global Select I	10.3
10. Virtus Global Opportunities A	10.2
CATEGORY AVERAGE	5.6%

10 years	
1. Guinness Atkinson Global Innovators	9.0%
2. Morgan Stanley Instl Global Franchise A**	8.7
3. Old Westbury Small & Mid Cap	8.3
4. Wasatch World Innovators	8.1
5. Waddell & Reed Adv Asset Strategy A	7.5
6. Alger Global Growth A	7.5
7. American Funds New Perspective A	7.5
8. Oppenheimer Global Opps A	7.4
9. Ivy Asset Strategy A	7.3
10. Loomis Sayles Global Equity & Income A§	7.3
CATEGORY AVERAGE	4.8%

Returns are annualized through December 31, 2015. **Closed to new investors. §Annualized returns based on another share class with a longer history. SOURCE: © 2016 Morningstar Inc.

DIVERSIFIED EMERGING-MARKETS FUNDS

Stocks in developing nations take a licking.

DEVELOPING COUNTRIES ARE SUFFERING from plunging commodities prices, sinking currencies and economic stagnation. Result: The MSCI Emerging Markets index fell 15% in 2015, and just two funds finished the year in the black. Funds that did best skirted the worst markets (Brazil and Colombia), focused on small and midsize companies, or made bets on growing consumer wealth. Top performer Brown Advisory Emerging Markets Small-Cap has all of its assets in Asia, including 32% in South Korea, which some analysts consider to be a developed nation. City National Rochdale Emerging Markets has 21% of its assets invested in companies that cater to spending on nonnecessities.

1 year	
1. Brown Advisory Em Mkts Small-Cap Inv	3.8%
2. JOHCM Em Mkts Small Mid Cap Equity I	2.8
3. Huntington Global Select Markets Instl	–0.6
4. ICON Emerging Markets S	–2.1
5. City National Rochdale Em Mkts N	–2.6
6. AllianzGI Emerging Markets Small-Cap A	–3.4
7. Ashmore Em Mkts Small Cap Equity A	–4.2
8. Seafarer Overseas Growth & Income Inv	–4.3
9. Grandeur Peak Em Mkts Opportunities Inv**	–5.2
10. WHV/EAM Em Mkts Small Cap Equity A	–5.9
CATEGORY AVERAGE	–13.7%

3 years	
1. William Blair Em Mkts Small Cap Growth N**	7.6%
2. Morgan Stanley Instl Frontier Em Mkts A	6.5
3. City National Rochdale Em Markets N	6.0
4. HSBC Frontier Markets A**	5.5
5. Huntington Global Select Markets Instl	2.2
6. Driehaus Em Mkts Small Cap Growth	2.1
7. Wasatch Frontier Em Small Countries Inv**	1.8
8. Baron Emerging Markets Retail	1.8
9. ICON Emerging Markets S	0.7
10. Calvert Emerging Markets Equity A	0.3
CATEGORY AVERAGE	–5.7%

5 years	
1. Driehaus Em Mkts Small Cap Growth	3.3%
2. Morgan Stanley Instl Frontier Em Mkts A	2.4
3. Baron Emerging Markets Retail	1.4
4. Virtus Emerging Markets Opps A	0.8
5. American Funds New World A	0.5
6. ICON Emerging Markets S	0.0
7. Huntington Global Select Markets Instl	–0.3
8. Mirae Asset Em Mkts Great Consumer A	–0.3
9. Thornburg Developing World A	–0.4
10. Wasatch Emerging Markets Small Cap**	–0.6
CATEGORY AVERAGE	–4.4%

10 years	
1. Virtus Emerging Markets Opps A	6.5%
2. Driehaus Emerging Markets Growth	6.0
3. Oppenheimer Developing Markets A**	5.8
4. American Funds New World A	5.7
5. Wells Fargo Adv Em Mkts Equity A	5.2
6. Invesco Developing Markets A**	4.6
7. Van Eck Emerging Mkts A	4.6
8. Ivy Emerging Markets Equity A	4.5
9. Delaware Emerging Markets A	4.4
10. Voya Em Mkts Equity Dividend A	4.1
CATEGORY AVERAGE	3.2%

REGIONAL AND SINGLE-COUNTRY FUNDS

Japan funds rise to the top of the charts.

THE LAND OF THE RISING SUN WAS THE story of 2015, as India faded and China collapsed. Aggressive monetary easing, fiscal stimulus and structural reforms kept Japan out of recession and buoyed its stock market. Matthews Japan, which invests in companies of all sizes, has 36% of its assets in consumer-related stocks, including Toyota Motor. Confectioner Kotobuki Spirits, whose shares more than doubled in 2015, was a standout for Fidelity Japan Smaller Companies. Fidelity Nordic remains one of the best regional funds. In 2015, the fund's top performer was gambling concern Unibet Group, based in Malta, soaring 81%. Danish drugmaker Novo Nordisk, the biggest holding, gained 39%.

1 year	
1. Matthews Japan Inv	20.8%
2. Nuveen Tradewinds Japan A	17.1
3. Matthews Korea Inv	15.2
4. T. Rowe Price Japan	14.9
5. Fidelity Japan Smaller Companies	14.0
6. Hennessy Japan Inv	13.0
7. Royce European Smaller-Cos Svc	12.8
8. Hennessy Japan Small Cap Inv	11.6
9. Fidelity Nordic	11.5
10. Commonwealth Japan	11.3
CATEGORY AVERAGE	–4.1%

3 years	
1. Hennessy Japan Small Cap Inv	17.4%
2. Fidelity Japan Smaller Companies	17.3
3. Fidelity Nordic	16.5
4. Matthews Japan Inv	16.4
5. Matthews India Inv	15.8
6. Hennessy Japan Inv	15.1
7. Wasatch Emerging India	14.3
8. Oberweis China Opportunities	13.5
9. Nuveen Tradewinds Japan A	11.6
10. T. Rowe Price Japan	11.0
CATEGORY AVERAGE	2.2%

5 years	
1. Hennessy Japan Small Cap Inv	11.8%
2. Hennessy Japan Inv	11.3
3. Fidelity Japan Smaller Companies	10.6
4. Matthews Japan Inv	9.5
5. Fidelity Nordic	8.9
6. Invesco European Small Co A**	8.5
7. Matthews Korea Inv	7.9
8. Virtus Greater European Opps A	7.8
9. T. Rowe Price European Stock	7.5
10. Invesco European Growth Inv**	6.9
CATEGORY AVERAGE	1.0%

10 years	
1. Oberweis China Opportunities	12.4%
2. Matthews India Inv	11.1
3. Clough China A	10.9
4. Matthews China Inv	10.9
5. Columbia Greater China A	10.4
6. Invesco Asia Pacific Growth A	9.4
7. Fidelity China Region	9.3
8. Matthews Pacific Tiger Inv	9.2
9. T. Rowe Price New Asia	9.0
10. Aberdeen China Opportunities A	8.7
CATEGORY AVERAGE	4.7%

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SECTOR FUNDS

Health care loses its firm grip on the category.

SIX MONTHS AGO, HEALTH CARE FUNDS occupied every slot in this category in each of the four periods. But a cooldown in blazing biotech stocks and huge gains by the FANGs allowed a few technology funds to join the winners lists. At last report, Berkshire Focus held all four FANGs and just 28 other stocks (it holds stocks about two months, on average). Fidelity Select Retailing was a top one-year performer, thanks to a 20% stake in Amazon. But here's a shock: Fidelity Select IT Services owned no FANGs; it benefited from having one-fourth of its assets in Visa and MasterCard. If you want broad exposure to health stocks, consider Fidelity Select Health Care. It is well-diversified among traditional drug stocks, biotech companies and device makers.

1 year	
1. T. Rowe Price Global Tech	21.1%
2. Burnham Financial Services A	20.4
3. Fidelity Select Retailing	18.4
4. Eventide Healthcare & Life Sciences N	14.9
5. Emerald Banking & Finance Inv	14.7
6. Fidelity Select Biotechnology	13.7
7. Berkshire Focus	13.3
8. Fidelity Select IT Services	13.1
9. T. Rowe Price Health Sciences**	13.0
10. Hartford Healthcare A	12.7
CATEGORY AVERAGE	–3.5%

3 years	
1. Fidelity Select Biotechnology	36.5%
2. Fidelity Advisor Biotechnology A	34.6
3. Eventide Healthcare & Life Sciences N	34.0
4. Franklin Templeton Biotech Discovery A**	33.6
5. Janus Global Life Sciences T	31.5
6. T. Rowe Price Health Sciences**	31.2
7. Rydex Biotechnology Inv	31.0
8. Prudential Jennison Health Sciences A**	30.4
9. Fidelity Select Health Care	30.3
10. Fidelity Advisor Health Care A	29.7
CATEGORY AVERAGE	7.4%

5 years	
1. Fidelity Select Biotechnology	32.6%
2. Fidelity Advisor Biotechnology A	31.7
3. Rydex Biotechnology Inv	27.9
4. Franklin Templeton Biotech Discovery A**	27.3
5. T. Rowe Price Health Sciences**	27.0
6. Prudential Jennison Health Sciences A**	25.6
7. Janus Global Life Sciences T	24.9
8. Fidelity Select Health Care	23.7
9. Fidelity Advisor Health Care A	23.0
10. Hartford Healthcare A	22.4
CATEGORY AVERAGE	7.4%

10 years	
1. Fidelity Select Biotechnology	16.9%
2. T. Rowe Price Health Sciences**	16.8
3. Fidelity Advisor Biotechnology A	16.2
4. Prudential Jennison Health Sciences A**	15.8
5. Rydex Biotechnology Inv	15.3
6. Franklin Templeton Biotech Discovery A**	15.0
7. T. Rowe Price Global Tech	14.3
8. Fidelity Select Software and IT Services	14.1
9. Fidelity Select Retailing	14.0
10. BlackRock Health Sciences Opps Inv A	14.0
CATEGORY AVERAGE	6.1%

ALTERNATIVE FUNDS

These funds let you hedge your bets.

ON AVERAGE, ALTERNATIVE FUNDS, WHICH are supposed to zig when stocks zag, were no great shakes last year. But the group produced the top performer of any product that wasn't a leveraged index fund. Catalyst Macro Strategy uses options and leveraged exchange-traded funds to make short-term bets on stocks, bonds, commodities and even market volatility. Most of the one-year winners levy sales charges. One no-load fund on the list, Otter Creek Long/Short Opportunity, owns some stocks and bets against others. At last report, the fund had sold short Intel, Tesla Motors and Netflix, among others. It earned 10% in 2014, its first full year. Turner Medical Sciences Long/Short practices a similar strategy but only with health care stocks.

1 year	
1. Catalyst Macro Strategy A	49.5%
2. LoCorr L/S Commodity Strategies A	22.3
3. Turner Medical Sciences Long/Short Inv	18.0
4. Burnham Financial Long/Short A	15.1
5. LJM Preservation and Growth A	11.7
6. Goldman Sachs Mgd Futures Strategy A	9.7
7. Otter Creek Long/Short Opportunity Inv	9.3
8. JPMorgan Opportunistic Equity L/S A	9.2
9. Longboard Managed Futures Strategy A	8.6
10. Turner Titan II Inv	8.0
CATEGORY AVERAGE	–2.7%

3 years	
1. Burnham Financial Long/Short A	16.9%
2. Turner Medical Sciences Long/Short Inv	14.7
3. Highland Long/Short Healthcare A	13.5
4. Nuveen Equity Long/Short A	12.6
5. BlackRock Event Driven Equity Inv A	12.6
6. Meeder Muirfield	11.4
7. Guggenheim Alpha Opportunity A	11.3
8. LoCorr L/S Commodity Strategies A	11.0
9. Hancock Horizon Quant Long/Short A	10.7
10. Natixis ASG Managed Futures Strat A	10.6
CATEGORY AVERAGE	1.0%

5 years	
1. Probabilities Fund A	11.2%
2. Burnham Financial Long/Short A	11.1
3. BlackRock Event Driven Equity Inv A	11.1
4. Guggenheim Alpha Opportunity A	10.3
5. Touchstone Dynamic Equity A	8.7
6. Nuveen Equity Long/Short A	8.6
7. Hancock Horizon Quant Long/Short A	8.4
8. Boston Partners L/S Research Inv**	8.2
9. Catalyst Hedged Futures Strategy A	7.7
10. Diamond Hill Long Short A**	7.7
CATEGORY AVERAGE	0.2%

10 years	
1. Catalyst Hedged Futures Strategy A	15.7%
2. Boston Partners Long/Short Equity Inv**	10.1
3. Whitebox Market Neutral Equity Inv§	9.7
4. Burnham Financial Long/Short A	9.3
5. Pimco EqS Long/Short D§	8.5
6. Guggenheim Alpha Opportunity A	8.0
7. Stadion Tactical Growth A§	6.2
8. TFS Market Neutral	5.8
9. Hundredfold Select Alternative Svc	5.8
10. TCW/Gargoyle Hedged Value N§	5.5
CATEGORY AVERAGE	–0.6%

Returns are annualized through December 31, 2015. **Closed to new investors. §Annualized returns based on another share class with a longer history. SOURCE: © 2016 Morningstar Inc.

MUTUAL FUNDS »

When a Fund Won't Give Your Money Back

Investors get a rude awakening when an imploding junk-bond fund suspends redemptions. **BY KATHY KRISTOF**

FOR AS LONG AS MUTUAL funds have existed, investors have bought them with the expectation that they could get their money back within days of placing a sell order. It turns out, though, that this central tenet of fund investing is not sacrosanct, as clients learned when a battered junk-bond fund blocked them from redeeming their shares.

Third Avenue Focused Credit (symbol TFCVX) acted in December after a long stretch of poor results prompted a wave of redemptions. Rather than let investors cash out, the fund's sponsor won approval from the Securities and Exchange Commission to suspend redemptions. Third Avenue says investors will have to wait up to a year or more to receive most of their proceeds as Focused Credit's managers unload the fund's holdings.

Such measures are almost unprecedented. In 2008, two Schroder municipal bond funds withheld investors' cash while the funds liquidated. In 2001, securities regulators froze the assets of three Heartland muni funds after the funds failed to issue annual reports. In both cases, investors eventually received proceeds from the troubled funds.

More commonly, when a fund announces plans to shut down, investors either sell their shares before the closing date or wait until the fund's liquidation and receive cash or in-kind securities (leftover shares of stocks or bonds). In Third Avenue's case, shutting down the fund in an orderly fashion wasn't viable because its managers couldn't sell the bonds easily. At last report, 41% of the fund's assets were in unrated bonds, and nearly half were in extremely speculative bonds with ratings of triple-C or below. This type of "distressed debt" doesn't trade on an exchange. Managers have to make educated guesses about prices, estimates that could be wildly off the mark. "When they tell you it's going to take them a year to liquidate, you know that their assets aren't mismarked by a little bit," says Jeffrey Gundlach, CEO and chief investment officer of DoubleLine Funds. "That portfolio is worth a lot less" than its reported asset value.

Riding high and low. Holding distressed debt wasn't a problem for Third Avenue when the high-yield market sizzled. Focused Credit hit a hot streak in 2012 and 2013, gaining about 17% in each of those years. But then the junk-bond market started to wobble, and the fund dropped 6% in 2014 and plunged 27% in 2015.

When investors started clamoring for their money, the managers found themselves in a bind. Raising enough cash to meet all of the redemption requests would have forced them to dump bonds at fire-sale prices. That, in turn, would have pushed the fund's price down even further. To avoid such a scenario, Third Avenue took the drastic step of suspending redemptions.

Could this happen to other junk-bond funds? Not likely. Most mutual funds don't hold nearly as much distressed debt as the Third Avenue fund. Rather, they own a mix of low-rated and unrated bonds, along with higher-quality securities that offset some of the credit risk. "Real high-yield funds look very different from distressed-debt funds," says Marty Fridson, a veteran junk-bond analyst.

Nonetheless, with junk bonds swooning these days, it's a good idea to check in on your fund to make sure it's not taking excessive risk. Funds that stick to the upper tier of the junk-bond spectrum—those with an average credit rating of double-B, the highest junk rating, or single-B—are likely to hold up better if the market sells off sharply, says Morningstar analyst Leo Acheson. Moreover, if the fund fared well in past junk-bond downturns, it should be able to weather another bout of losses. ■

Big Losers

WHEN JUNK TURNS INTO TRASH

All of these mutual funds lost at least 10% in 2015. Debt rated single-B and double-B represent higher-quality junk bonds.

Fund	Symbol	Credit quality* B and BB	Below B	Not rated
Third Avenue Focused Credit Inv	TFCVX	11.0%	47.8%	41.2%
Catalyst/SMH High Income I	HIIIX	68.2	15.5	9.7
Northeast Investors Trust	NTHEX	55.5	30.4	6.7
Avenue Credit Strategies Inv	ACSAX	30.0	33.0	18.0
Nuveen High Income Bond A	FJSIX	63.1	20.5	10.7
Franklin High Income A	FHAIX	80.1	17.3	0.7
Nuveen Symphony Credit Opps C	NCFCX	71.3	25.1	1.3

*Percentage of assets; funds may hold other bonds. SOURCES: Fund companies, Morningstar Inc.

THE KIPLINGER 25 UPDATE

For Davenport Equity, a Tale of Two Years

WATCHING THE PERFORMANCE of **DAVENPORT EQUITY OPPORTUNITIES** over the past two years was a bit like reading Dickens. In 2014, the fund experienced the best of times. It returned 15.3%, beating the broad market and 97% of its peers (funds that focus on growing midsize firms).

Last year started out well, with Davenport earning nearly 8% through mid July, more than double the gain of Standard & Poor's 500-stock index. But it all unraveled in the second half, and Equity Opportunities ended the year with a loss of 5.9%, lagging the S&P 500 by 7.3 percentage points and the average mid-cap growth fund by 5.0 points.

One culprit was Discovery Communications, the fund's largest holding, at 7% of assets. Shares of the television network operator plunged 25% last year, due in part to concerns about cable-cord cutting. Stocks with exposure to commodities and the industrial sector also hurt. For instance, shares of Colfax, which makes gas- and fluid-handling products, lost 55% in 2015. Railroad Genesee & Wyoming, which transports coal and other materials, sank 40%. "Everyone is sour on anything commodity-related," says George Smith, who manages Equity Opportunities with Chris Pearson. "This past year has been momentum-oriented and was dominated by the FANG stocks: Facebook, Amazon.com, Netflix and Google" (now Alphabet).

But Smith and Pearson don't gravitate toward stocks that are already on the rise. They prefer out-of-favor firms with solid balance sheets run by executives who act like owners.

Some of the fund's stocks performed well last year. Longtime holding Markel, which many consider a mini Berkshire Hathaway (Markel sells insurance and also invests in other companies), climbed 29%. And shares of casino operator Penn National Gaming gained 17%. Smith and Pearson have pared back on both stocks in recent months.

Fortunately for shareholders, Equity Opportunities wasn't entirely free of FANG stocks. The managers first acquired Amazon.com in 2014 and added to their stake when the stock sat at $325. The shares soared 118% in 2015. "At the time we bought it, it was so cheap and so out of favor, and we liked what the firm was doing with its capital," says Smith. "But generally it's out of the norm of what we own." The managers have been trimming their holdings in Amazon as well. **NELLIE S. HUANG**

REACH YOUR GOALS: TO SEE PORTFOLIOS USING THESE FUNDS, GO TO KIPLINGER.COM/LINKS/PORTFOLIOS.

U.S. Stock Funds	Symbol	Annualized total return: 1 yr.	3 yrs.	5 yrs.	10 yrs.	Added to Kip 25
Akre Focus	AKREX	2.5%	16.3%	15.2%	—	Dec. 2009
Davenport Equity Opps	DEOPX	–5.9	12.0	12.5	—	May 2014
Dodge & Cox Stock	DODGX	–4.5	14.0	11.6	5.7%	May 2008
Fidelity New Millennium	FMILX	–3.2	12.4	11.0	8.3	May 2014
Homestead Small Co Stock	HSCSX	–5.2	11.8	11.0	9.8	May 2012
Mairs & Power Growth	MPGFX	–3.1	12.4	11.8	7.6	Jan. 2013
Parnassus Mid Cap	PARMX	–0.9	12.3	11.6	8.8	Aug. 2014
T. Rowe Price Divers Sm-Cap Gro	PRDSX	2.3	16.2	13.0	9.4	May 2015
T. Rowe Price Sm-Cap Value	PRSVX	–4.7	8.2	8.2	6.9	May 2009
T. Rowe Price Value	TRVLX	–1.7	15.2	12.4	7.6	May 2015
Vanguard Dividend Growth	VDIGX	2.6	14.7	12.8	8.9	May 2010
Vanguard Selected Value	VASVX	–3.8	13.3	11.1	7.7	May 2005

International Stock Funds	Symbol	Annualized total return: 1 yr.	3 yrs.	5 yrs.	10 yrs.	Added to Kip 25
Fidelity International Growth	FIGFX	3.9%	7.2%	6.1%	—	Feb. 2016
FMI International	FMIJX	3.2	10.4	9.3	—	April 2015
Harding Loevner Emrg Mkts	HLEMX	–13.5	–4.0	–2.2	4.0%	May 2013
Matthews Asian Gro & Inc	MACSX	–4.5	–0.2	2.4	6.8	Aug. 2013

Specialized/ Go-Anywhere Funds	Symbol	Annualized total return: 1 yr.	3 yrs.	5 yrs.	10 yrs.	Added to Kip 25
FPA Crescent	FPACX	–2.1%	8.4%	7.7%	7.1%	Oct. 2008
Merger	MERFX	–0.8	1.4	1.9	3.2	June 2007

Bond Funds	Symbol	Annualized total return: 1 yr.	3 yrs.	5 yrs.	10 yrs.	Added to Kip 25
DoubleLine Total Return N	DLTNX	2.1%	2.7%	5.2%	—	May 2011
Fidelity Intermed Muni	FLTMX	2.2	2.4	4.0	4.0%	May 2004
Fidelity New Markets Income	FNMIX	0.2	–0.7	4.9	7.0	May 2012
Fidelity Total Bond	FTBFX	–0.4	1.4	3.6	4.8	May 2014
Met West Unconstrained Bd M	MWCRX	0.0	2.1	—	—	May 2013
Osterweis Strategic Income	OSTIX	–0.9	2.3	3.9	6.0	May 2013
Vanguard Sh-Tm Inv-Grade	VFSTX	1.0	1.3	2.0	3.5	May 2010

Indexes	Annualized total return: 1 yr.	3 yrs.	5 yrs.	10 yrs.
S&P 500-STOCK INDEX	**1.4%**	**15.1%**	**12.6%**	**7.3%**
RUSSELL 2000 INDEX*	**–4.4**	**11.7**	**9.2**	**6.8**
MSCI EAFE INDEX†	**–0.4**	**5.5**	**4.1**	**3.5**
MSCI EMERGING MARKETS INDEX	**–14.6**	**–6.4**	**–4.5**	**3.9**
BARCLAYS AGGREGATE BOND INDEX#	**0.5**	**1.4**	**3.2**	**4.5**

Through December 31, 2015. —Not available; fund not in existence for the entire period. *Small-company U.S. stocks. †Foreign stocks. #High-grade U.S. bonds. SOURCE: © 2016 Morningstar Inc.

JEFFREY R. KOSNETT > Income Investing

The Dangers of Fed Gazing

"By obsessing over the Fed, investors may miss other potential perils—in particular, the scary default rate on energy-related junk bonds."

The bond market has not ruptured since the Federal Reserve raised overnight interest rates by one-quarter of a percentage point. This nonreaction reinforces my conviction that longer-term yields, which are set by investors in the bond market, will stay within a narrow range in 2016. The proposition that we're on the verge of a period of steadily rising rates that demands radical portfolio surgery is premature at best and crazy at worst.

I welcome the central bank's measured action and its suggestion that it will exercise patience in determining the timing of any additional rate bumps. That should allow traders and strategists to focus on basic market and economic factors, at home and abroad. In my view, the current state of those fundamentals suggests that it's safe to keep longer-term, high-quality bonds and dividend-paying stocks—except those tied to the energy sector.

Why? Start with the mistaken assumption that banks are eager to poach gazillions from the securities markets by sweetening savings yields. Standard & Poor's, after examining dozens of banks' regulatory disclosures, recently concluded that few institutions can or will raise deposit rates, though many are already charging more for loans. Bankers don't have much reason to offer bribes to start a stampede into certificates of deposit and interest-bearing accounts. They'd much prefer to boost profits from lending.

As for an impending rise in yields for money market mutual funds, don't expect much. The yield on three-month T-bills hopped from 0.01% in October to 0.16% in early January. That should provide fodder for higher yields for money market funds. But not so fast. The fund industry, which has had to swallow billions in management fees over the past half-dozen years to keep their money funds from delivering negative returns, may not be eager to lift yields in lock step with increases in T-bill rates.

Meanwhile, over in the bond market, the benchmark 10-year Treasury has done little since the Fed acted, with its yield meandering between 2.15% and 2.3%. And why should it move more? As Fed chair Janet Yellen said after the Fed's announcement, "We have very low rates, and we have made a very small move." That's the truth.

Yes, markets do occasionally ignore benign Fed statements and beat up bond prices anyway. In *The Courage to Act,* the book recounting his time as Fed boss, Ben Bernanke laments that pervasive distrust of officials' statements contributed to the 2013 "taper tantrum," which slashed prices on many bonds and bondlike investments by 10%. Although some bond investors may ignore Yellen and assume that rates will spiral and prices will plunge, as they did in 2013, nobody I've spoken with recently expects that to happen (bond prices and yields move in opposite directions).

Other potential risks. At any rate, by obsessing over potential Fed rate hikes, income investors may miss other potential perils—in particular, the scary default rate on energy-related junk bonds. Moreover, the continued strengthening of the dollar means more hardship for U.S. investors in foreign bonds, especially emerging-markets debt. And although real estate investment trusts and utilities could be vulnerable at the mere hint of the next Fed move, focusing on rates could cause you to take your eye off equally important risks, such as poor management and ill-timed acquisitions. REITs and utility stocks should do well in 2016, but it's not a lock.

In sum, your best strategy is to focus on quality investments. Favor municipals and corporate bonds rated single-A and up, as well as blue-chip stocks with high dividend yields. Once the world figures out that the Fed doesn't mean *that much* business, solid yield-paying stuff will regain its lost mojo. ■

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

LISE METZGER

NOTABLE MODELS FOR 2016 (FROM LEFT): THE REDESIGNED CHEVROLET VOLT PLUG-IN HYBRID, THE GAS-SIPPING HONDA HR-V CROSSOVER AND THE COMPACT LUXURY CROSSOVER RANGE ROVER EVOQUE.

GRAB A GREAT DEAL ON A NEW CAR

Whether you're buying a hot new crossover or a serviceable sedan, our strategies will help you trim the sticker price. BY DAREN FONDA

VISIT A CAR DEALERSHIP AND YOU'LL PROBABLY see a gleaming SUV hogging center stage. It may not be the priciest car on the showroom floor or the one that quickens your pulse with excitement. But crossovers and other SUVs are such a hit that they now account for more than one-third of new-vehicle sales, up from about one-fourth a decade ago. America, in short, has gone crossover crazy. And the trend is accelerating as carmakers roll out more compact and even subcompact models, hoping to entice young, urban buyers to the SUV fold. Even Tesla has rolled out an all-electric crossover, the Model X.

If a crossover isn't on your shopping list, you have plenty of other choices in the class of 2016, from fuel-sipping hybrids to luxurious sedans. More than 360 models now populate the market, up from 332 in the 2010 model year, a fallow period when brands such as Pontiac and Saturn faded into oblivion after General Motors' bankruptcy filing. The bounty of new cars reflects the industry's ongoing revival. Low gas prices, cheap financing and a healthier economy are fueling banner sales. Overall, automakers sold 17.5 million cars in 2015—the highest level ever.

For buyers, the profusion of new models opens the door to all sorts of possibilities in terms of body style, technology and safety features. "The beauty of high sales means there's something for everyone," says Jessica Caldwell, an industry analyst with car shopping site Edmunds.com. Nowhere are the choices more abundant than in the bustling SUV marketplace. Advanced manufacturing techniques enable carmakers to crank out more variations of a vehicle on a single global platform, so the framework of a small car can also be used in a high-riding SUV. The upshot: scores of small SUVs, some of which are so compact they resemble hatchbacks on stilts.

Mini-Me models now squeezing into this category include the Buick Encore, Fiat 500X, Nissan Juke and Jeep Renegade, all priced in the low to mid $20,000s when you include a midrange package of options. Luxury brands are getting a piece of the action, too, with pint-size editions of bigger models, such as the Audi Q3 ($34,625), Mercedes-Benz GLA-Class ($33,425) and Range Rover Evoque (starting at a lofty $42,470).

Many shoppers now view these models as attractive alternatives to the traditional family sedan. Moreover, the fuel-economy gap between cars and SUVs is shrinking. Engineered with more-efficient engines and transmissions, the new fleet of SUVs trounces the fuel economy of the previous generation. Recently launched models such as the Honda HR-V ($19,995) and Mazda CX-3 ($20,840) earn EPA ratings of 35 miles per gallon in highway driving. A handful of crossovers, such as the Volvo XC60 ($37,395), can also be equipped with stop-start technology—the engine automatically shuts off when the vehicle comes to a stop—which improves gas mileage in stop-and-go traffic.

NEW TECH AND SAFETY FEATURES

Regardless of body style, carmakers are spending billions of dollars to stuff vehicles with more high-tech safety systems and comfort and convenience features—even on some of their lowest-priced models. The

AMONG NEW MODELS, THE TOYOTA 4RUNNER EARNS THE HIGHEST 3- AND 5-YEAR RESALE VALUE.

PREVIOUS PAGES: COURTESY GENERAL MOTORS, AMERICAN HONDA MOTOR CO. INC. AND JAGUAR LAND ROVER NORTH AMERICA. THIS PAGE: COURTESY TOYOTA MOTOR SALES

Honda Civic sedan ($19,475), redesigned for 2016, can be equipped with a full suite of high-tech safety gadgetry, such as adaptive cruise control, forward-collision warning and lane-keeping "assist." Touchscreens are the new dashboard norm; Dodge, for example, offers a large, 8.4-inch display in its Dart compact model ($19,240). And backup cameras aren't just a bonus on luxury vehicles anymore. They're available in more than 250 models. By 2018, all passenger vehicles will have to include a backup camera to meet new safety rules.

Granted, some of the gadgetry seems superfluous. According to surveys by J.D. Power, many car owners find the new "infotainment" technologies cumbersome or less user-friendly than smartphone applications. More than 30% of drivers "never use" automatic parking systems, car-based apps or "concierge" services that can locate a gas station or restaurant. Navigation systems receive poor marks, too, with nearly half of drivers preferring to use a smartphone map app. For many consumers, a smartphone is simply easier to use, says Renee Stephens, vice president of U.S. Auto Quality at J.D. Power. Indeed, software programs such as Apple CarPlay and Android Auto—which transfer smartphone apps to a dashboard screen—are gaining popularity. Automakers such as General Motors, Honda and Hyundai plan to offer them in more models.

In the safety arena, cars overall have become more protective thanks to improved body structures, advances in airbag design and placement, and front-crash prevention systems. About 50 models now earn the highest ranking of "Top Safety Pick +" from the Insurance Institute for Highway Safety, an industry-sponsored group that rates 187 models. The number of cars that make the cut has increased in recent years, even as the agency has raised the bar, requiring that vehicles earn a "good" score (rather than just "acceptable") on a front-crash test. Federal regulators are also planning an overhaul of their safety rankings, which appear as star ratings on car window stickers. By the 2019 model year, the feds will add a new crash test and plan to evaluate crash-avoidance technologies.

Still, if you pony up for high-tech safety, be selective. Technologies

KipTip

BUY A CAR THE EUROPEAN WAY

LOOKING FOR ANOTHER WAY TO LOWER THE PRICE OF YOUR NEXT CAR? ORDER a custom-built car from the factory, using a dealer as a conduit for the sale and delivery. Many Europeans purchase cars this way. But it's less common in the U.S., where dealerships tend to stock their lots with vehicles crammed with "popular" option packages, some of which tack on costly extras that you may not want or need.

A case study: Subaru's popular Outback wagon. Subarus on average sell after just 19 days on the lot, the quickest turnaround in the business. Outbacks move even more quickly, in just 14 days. That makes it tough to find a version with specific option packages, especially Subaru's high-tech Eyesight system—a package that includes adaptive cruise control, lane-departure warning and precollision braking—available on Premium models starting at about $28,500.

Checking inventories recently at five Maryland and Virginia dealers, we spotted only two Outback Premium models equipped with Eyesight. More common is to find the system on top-of-the-line Limited editions, which are decked out with leather seating, a moonroof, a navigation system and other frills, pushing the sticker price above $35,000. "Outbacks in general are incredibly scarce," says Michael McHale, a Subaru spokesman. "Eyesight vehicles are popular, so they move quickest."

Ordering a custom-built car puts you in the driver's seat when it comes to features and option packages. For high-volume vehicles, delivery should take only a few weeks. And with a bit of cajoling, dealers are likely to match the discounts available on their cars in stock.

Note that when you place a custom order, manufacturer incentives such as cash rebates or zero-percent financing may not be available to you because those discounts kick in when a car is delivered to the customer, not when the order is placed. If the manufacturer trims or slashes incentives before you receive the car, the final transaction price could be higher. The good news: Most manufacturer incentives don't fluctuate much from month to month.

such as adaptive headlights (which swivel with the car's direction so you can see around bends), automatic braking and forward-collision warning are all beneficial in preventing or mitigating accidents, says Adrian Lund, president of the IIHS. But some other "active" safety technologies may be overkill. For example, lane-departure warning systems—which alert the driver of lane drifting and may slightly adjust the car's steering—have had mixed results. "They've been a disappointment," says Lund, partly because many drivers find the warnings annoying and disable them. Such technologies are rapidly advancing, however, and are laying the groundwork for self-driving cars.

A BUMPER CROP OF GREEN MACHINES

Cheap gas is making eco-friendly cars tougher to sell these days. But automakers must meet rising fuel-economy standards, and that's spurring every major carmaker to develop alternative-powertrain models, such as hybrids, plug-in hybrids and electric vehicles. With dozens of models available, green machines span the spectrum in shape, size and price. Hybrids now range from the pip-squeak Toyota Prius c ($20,395) to the regal Mercedes-Benz S-Class plug-in hybrid ($96,575). Carmakers are also ramping up production of electric models, such as the Audi A3 e-tron ($38,825) and Kia Soul EV ($32,775). For sheer style, though, it may be hard to beat the electrifying Tesla Model S ($71,070).

Meanwhile, two groundbreaking green cars, the Chevrolet Volt and Toyota Prius, have undergone makeovers. Aiming to charge up the Volt's sluggish sales, Chevy reinvented the plug-in hybrid for the 2016 model year, reshaping it into more of a traditional sedan with a spiffier cabin, new safety technologies and a big bump in the car's electric-motor driving range, from 38 miles to 53 (after which the gas engine kicks in). For its part, Toyota slightly enlarged the Prius, spruced up its cabin, and boosted gas mileage by about 10%; the ultralight Two Eco hatchback, which debuted in January, tops the hybrid mileage charts with an EPA rating of 56 miles per gallon in combined city/highway driving.

Of course, with gas so cheap, it could take ages to recoup green cars' extra costs with savings at the pump. A Ford Fusion Hybrid SE ($25,990) costs $2,310 more than a comparably equipped conventional model—a price premium that would take at least five years to recoup if gas stays at current prices, according to estimates by the U.S. Department of Energy. Still, the Fusion beats hybrid versions of the Honda Accord EX ($30,125) and Toyota Camry LE ($27,625), both of which have payback periods of more than 10 years.

To ease the sting of higher prices, carmakers are slathering discounts on some models. Ford's C-Max hybrid ($25,045) on average recently carried a whopping $6,400 in incentives, according to car shopping and research site Kelley Blue Book (KBB.com). Lexus wasn't far behind, with $5,000 in discounts on its CT 200h hybrid hatchback ($32,190). Both look like bargains compared with the $2,475 in average incentives on compact cars overall.

WHERE THE DEALS ARE

The average transaction price of a new vehicle in 2015 was $33,188, up slightly from the previous year and up 20% from 2005, reports Edmunds.com. Part of the reason for the jump is that consumers are paying for the higher levels of technology and comfort features being built (and priced) into more models. It's also becoming tougher to haggle over sticker prices for SUVs because demand is running so high.

You can still find some SUVs in the bargain bin. Even though Volkswagen's Tiguan S 4Motion, for example, has been selling quickly, it is going for way below its sticker price of $27,730, and often less than the invoice price of $26,655, according to Edmunds.com. The downside: Resale values of Volkswagen vehicles have slid due to fallout from the company's diesel emissions scandal, eroding savings on the initial sale price. (Resale prices are an important component of value if you plan to trade in your vehicle after a few

RESALE VALUE WINNERS

Category	Model	% of sticker after 3 yrs.	% of sticker after 5 yrs.
Subcompact	Honda Fit	53%	37%
Compact	Subaru Impreza	57	43
Midsize	Subaru Legacy	54	39
Full size	Toyota Avalon	46	32
Sports car	Chevy Camaro LT	61	49
Entry-level luxury	Lexus RC	58	38
Luxury	Lexus GS	51	36
Plug-in vehicle	Tesla Model S	48	23
Compact crossover	Jeep Wrangler	64	54
Midsize crossover	Toyota 4Runner	67	60
Large crossover	Chevy Tahoe	54	42
Luxury midsize crossover	Lexus GX 460	64	46
Minivan	Toyota Sienna	52	38

SOURCE: Kelley Blue Book

years; see the table on the previous page for resale value winners in 13 categories for three and five years.)

In general, shoppers will find more wiggle room on sedans, especially if they've been gathering dust on dealer lots. Midsize cars are sitting for an average of 68 days before being sold, compared with 46 days for compact SUVs, according to Edmunds.com. Luxury models are slow movers, too, sitting on dealers' lots an average of 73 days. The longer a car languishes, the more eager a dealer will be to sell it, even at a loss (to cut the financing and inventory costs that pile up). Unless you're in the market for a hot new model, "you'll have more negotiating power on a car than an SUV," says Caldwell, of Edmunds.

Many shoppers are skipping a purchase in favor of leasing as a way to trim monthly payments. Lease payments are almost always lower than financing a purchase because you must return the vehicle after the lease expires, typically in three years (you'll then have the option to buy it). A record 29% of new vehicles were leased in 2015, according to Edmunds.com. Leasing lowers the monthly payment on a new car by an average of $84 compared with a loan, according to credit-reporting agency Experian.

Lease payments hinge not only on a vehicle's price but also on its resale value, which fluctuates with market conditions and demand for the model. With gas prices so low, SUVs are holding more of their value than cars. That could make SUV lease payments a bit less than you'd pay for a comparably priced car (because the SUV is expected to be worth more at the end of the lease, reducing your monthly payments).

Luxury cars also look compelling to lease, thanks in part to manufacturer subsidies that hold down monthly payments. The average luxury lease payment is more than $160 a month lower than the average luxury car loan payment, says Experian. You'll still pay a bundle, though: Luxury leases average $592, compared with $398 for lease payments on all new vehicles.

HAGGLING PAYS OFF

Whatever you buy, don't forget that a dealer can make money even if you negotiate a price at or below invoice. Manufacturers are setting their suggested retail prices closer to invoice in order to exert more control over the sale process, says Todd Milbury, director of industry relations for the National Automobile Dealers Association. The gap could be as meager as $100 for a popular vehicle, pushing profit margins on the sale down to 1% or less.

But that doesn't mean a dealer can't make a profit if you drive a hard bargain. Dealers now earn most of their money from add-on products, such as paint protection and extended warranties, along with financing, parts and service. Carmakers also provide bonuses and financial incentives to dealers if they hit sales and customer-satisfaction targets, and maintain showrooms in tip-top shape.

Shop for the same model with the same options from at least three dealers, and use a price offered by one dealer as leverage against the others. The upshot when you negotiate? Stand firm with a reasonable price and the dealer will likely agree in order to close the sale, says Karl Brauer, senior editor at KBB.com. "You're the one with thousands of dollars to spend, and you decide who gets your money." When you fall in love with a new car, remember that there's probably an identical one at another dealer—or you can order it from the factory (see the box on page 67). If one dealer won't play ball, move on to the next one.

Hate to haggle? You're in good company. Some car shoppers equate a trip to the showroom with an appointment with the dentist. For $250, Car Bargains (www.carbargains.org) will use its professional negotiators to solicit and lock in bids from at least five dealers in your area. ■

BEST SELLERS

These models topped the sales charts in 2015.

Ford F-150
Chevrolet Silverado 1500
Toyota Camry
Toyota Corolla
Honda CR-V
Honda Accord
Honda Civic
Nissan Altima
Toyota RAV4
Ford Escape

SOURCE: Edmunds.com

HOTTEST CARS

These models had the fastest turnover in December 2015.

Subaru XV Crosstrek
Mercedes-Benz GLC-Class
Toyota RAV4 Hybrid
Volkswagen Golf R
Subaru Outback
Toyota Tacoma
Toyota 4Runner
Honda Pilot
Lexus GX 460
Volkswagen Tiguan

SOURCE: Edmunds.com

TECH»

Super Tablet Smackdown!

Microsoft's Surface Pro 4 and Apple's iPad Pro want to replace your laptop. Which one gets the nod? BY KAITLIN PITSKER

WHEN THE IPAD TABLET WAS introduced six years ago, many early adopters thought of it as a lightweight accessory for watching videos and browsing the Web. Laptops were still all about getting work done. But now high-end, multifunctional tablets are bridging the gap between work and play.

The Surface Pro 4 and the iPad Pro belong to this latest generation. Both add less bulk to your bag than even the most compact laptop, and they boast large screens and fast processing times. Both also pair with a detachable keyboard for easier typing, as well as a stylus to make tapping, sketching and writing feel more natural. But the biggest boon is their ability to multitask. These hybrid devices allow you to type a report while keeping an eye on your playlist, or view a Web page alongside an e-mail that you're drafting.

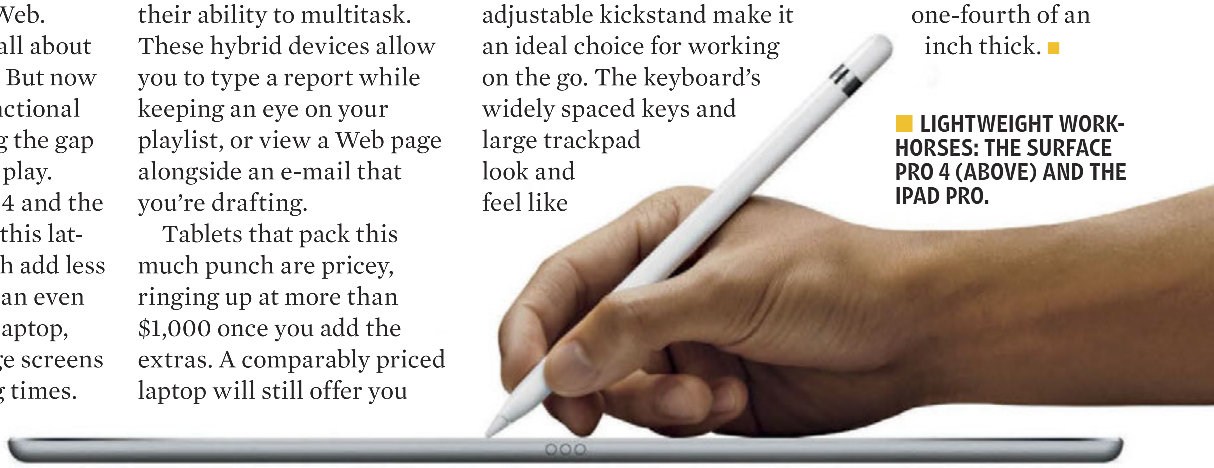
Tablets that pack this much punch are pricey, ringing up at more than $1,000 once you add the extras. A comparably priced laptop will still offer you more memory and faster speeds; if you regularly push your laptop to the limit, even the most powerful tablet won't be robust enough. But these machines are a solid option for most other users.

Microsoft's contender. The Surface Pro 4 ($899 for the 128-gigabyte model, plus $130 for the Type Cover keyboard) outstrips the competition when it comes to delivering laptop-level capabilities in tablet form. Billed as "the tablet that can replace your laptop," this machine comes close. A full-fledged version of Windows 10, rather than an operating system designed for mobile devices, allows it to run desktop versions of programs such as Microsoft Office as well as photo- and video-editing programs. The base model with 128GB of storage sports 4GB of working memory. And multitasking is as easy as dragging up to four applications onto the screen.

Despite its ability to run programs and apps like a computer and its large, 12.3-inch screen, the Surface Pro 4's compact footprint and adjustable kickstand make it an ideal choice for working on the go. The keyboard's widely spaced keys and large trackpad look and feel like a traditional laptop's, and it folds shut to protect the screen from scratches when not in use. The strong but light magnesium body keeps the tablet's weight, including the keyboard, at less than 2.5 pounds.

Apple's entry. Apple aficionados and other creative types won't be disappointed with the iPad Pro ($949 for the 128GB, Wi-Fi–only version). The full-size smart keyboard ($169), which shares power with the tablet, snaps onto the tablet's generous, 12.9-inch screen and doubles as a cover that automatically puts the iPad to sleep when it's closed. The Pro runs the same iOS9 mobile operating system as the iPhone. It's not as powerful as the Surface's full-blown operating system, but a split view allows you to view two apps side by side. And new screen technology allows the tablet to respond well to the Apple pencil ($99).

Despite its larger screen, at 2.3 pounds (including the keyboard) the iPad Pro is lighter than the Surface Pro 4. Plus, the sleek, aluminum iPad is thinner, at just over one-fourth of an inch thick. ■



■ LIGHTWEIGHT WORKHORSES: THE SURFACE PRO 4 (ABOVE) AND THE IPAD PRO.

LOWDOWN

What You Need to Know About Hotel Rewards

The perks you get can be more valuable than those from the airlines. BY MIRIAM CROSS

1. Make yourself comfortable. Sign up online and you'll be entitled immediately to such perks as free in-room Wi-Fi, mobile check-in and discounts when you book directly—plus fun freebies such as Kimpton's $10 raid-the-bar credit. Earning elite status is easy compared with airline programs. "Many people overlook the fact that they spend more time in their hotel, and maybe even spend more on the hotel, than they ever would on a flight," says Scott Mackenzie, editor of TravelCodex.com.

2. Keep it in the family. The more points you rack up at hotels under a company's umbrella, the more benefits you'll get, such as free nights, room upgrades, late check-out and breakfast. Hilton, Marriott and IHG (which includes InterContinental and Holiday Inn hotels) each have more than 4,000 properties around the world, so they offer many choices. But smaller hotel chains, such as Starwood and Hyatt, work hard to woo customers. For example, Hyatt will upgrade Diamond members to a suite four times per year, for up to seven consecutive nights each time.

3. Pick your plastic carefully. A travel rewards credit card that earns points you can use at multiple hotel chains helps you stay flexible. The Chase Sapphire Preferred card (www.chase.com; $95 a year, waived the first year) earns two points for every dollar you spend on dining and travel, plus 50,000 bonus points if you spend $4,000 in the first three months. You can transfer points at full value to the card's partners, such as IHG, Marriott and Ritz-Carlton. Cards that are part of the American Express Membership Rewards program (https://rewards.americanexpress.com), such as the no-fee EveryDay card, will also let you put your points toward a number of hotel programs. Co-branded hotel credit cards are not usually as rewarding, but they offer some benefits. For example, the IHG Rewards Club Select card treats you to a free night's stay at any IHG property each year, which more than makes up for the card's $49 annual fee.

4. Spend your stash. John Ollila, founder of LoyaltyLobby.com, recommends using your points within 12 months of earning them. To get the most bang for your buck, book early for a stay during high season. Hotels regularly roll out promotions for bonus points (and sometimes free nights); register for the promotion as soon as it is announced because the registration period may end before the promotion does, says Mackenzie. Keep abreast of deals by following travel-rewards blogs, such as Loyalty Lobby and ThePointsGuy.com, and always book with the hotel, not with online travel agencies, to be sure you collect your points.

5. Don't lose out in a merger. Changes to some rewards programs may be in the offing. Starwood has been acquired by Marriott, and Kimpton has been sold to IHG. Kimpton's program remains independent in 2016, and Starwood members probably won't hear of changes until mid 2016. Still, members should use their points instead of hoarding them and look for opportunities to get preference at other chains (Hyatt, for example, recently offered equivalent status to high-level Starwood members). Marriott and IHG members should benefit with a wider range of stylish properties from which to choose. ■

THE PROJECT TWINS

Coach Peterson and his Nimrods: Fleeting fame fueled scholarships.

August 2004

Life After a Season in the Spotlight

THEN: The Nimrods, a high school basketball team in Watersmeet, Mich., appeared in *Kiplinger's* in 2004 after the team and the town were featured in an ESPN commercial for the team's unusual name (taken from a biblical warrior) and the town's outsize school spirit. The TV spotlight garnered national attention for the team and coach George Peterson, including an appearance on the *Tonight Show* with Jay Leno. Sales of team merchandise skyrocketed to more than $130,000 over a few months.

NOW: Team merchandise sales generated by the ESPN commercial and resulting publicity eventually topped $500,000. The school used the proceeds to set up a fund that continues to provide scholarships for Watersmeet graduates who go to college.

A later attempt to capitalize on the Nimrod name was less successful. In 2007, the Sundance Channel produced *Nimrod Nation*, an eight-part documentary that tracked life in the small town over a single basketball season. Led to believe that team merchandise sales would grow exponentially after the show aired, the school paid a law firm $1,700 an hour, to the tune of $67,800, to secure trademarks for the Nimrod name and logo. The documentary "wasn't as popular as the ESPN commercial," says Peterson, still the basketball coach (as well as the school principal). "After all was said and done, we didn't make a lot of money."

The series proved to be a letdown for many locals as well, says Peterson. "People from our area thought it portrayed us as something we weren't. It seemed as if people were baited to act a certain way for the benefit of the show. But most of the people from out of our area loved it."

A dozen years after the ESPN spot, Watersmeet (pop. 1,383) is pretty much back to normal. The current basketball team members, most of whom were in second grade when the ESPN commercial aired, barely remember the 2004 team and, as of early January, had yet to post a victory. "We have a lot of talent, but it's a young team. It has to develop," says Peterson. Merchandise sales run a respectable but not spectacular $5,000 to $10,000 a year. As for Peterson, he still marvels at Watersmeet's brief encounter with fame. "There are days when I wake up and pinch myself," he says. "I can't believe it happened to little old Watersmeet." **JANE BENNETT CLARK**

INSET PHOTO BY JUSTIN STEELE

PHOTOGRAPH BY JAMES FOSTER