WE RANK THE TOP MUTUAL FUNDS & ETFs p 46

Kiplinger's PERSONAL FINANCE

MONEY SMART LIVING

MONEY MADE SIMPLE

Streamline your finances in 10 easy steps p 26

- Consolidate your investments
- Automate your savings
- Toss files you don't need
- Declutter your wallet

AND MORE!

PLUS:
I.D. THEFT
How to protect yourself p 32

SEPTEMBER 2015

COST MATTERS
TO US BECAUSE
COST MATTERS
TO YOU.

FIDELITY OFFERS SOME OF THE LOWEST COST INDEX FUNDS ANYWHERE.

IMPORTANT FEE INFORMATION: Fidelity may deduct **a small-balance maintenance fee** of $12 from a fund balance with a value of less than $2,000 in shares, while Vanguard funds may charge an annual account service fee of $20 for fund balances below $10,000.

[†]Fidelity and Vanguard offer other share classes of these funds with different investment minimums and expense ratios. Vanguard also offers ETFs for these funds.

[1]Expense Ratio is the total annual fund operating expense ratio from the fund's most recent prospectus. Expense ratio information is as of 02/26/2015.

IMPORTANT FUND OBJECTIVE/COMPARISON INFORMATION: Spartan® 500 Index Fund (tracks S&P 500®), Vanguard 500 Index Fund (tracks S&P 500®); Spartan® Extended Market Index Fund (tracks DJ U.S. Completion Total Stock Market Index), Vanguard Extended Market Index Fund (tracks S&P Completion Index); Spartan® Total Market Index Fund (tracks Dow Jones U.S. Total Stock Market Index), Vanguard Total Stock Market Index Fund (tracks CRSP U.S. Total Market Index); Spartan® Mid Cap Index Fund (tracks Russell Midcap® Index), Vanguard Mid-Cap Index Fund (tracks CRSP U.S. Mid Cap Index); Spartan® Global ex U.S. Index Fund (tracks MSCI ACWI ex U.S. Index), Vanguard FTSE All-World ex-US Index Fund (tracks FTSE All-World ex-US Index); Spartan® Real Estate Index Fund (tracks DJ U.S. Select Real Estate Securities Index), Vanguard REIT Index Fund (tracks MSCI US REIT Index); Spartan® Emerging Markets Index Fund (tracks FTSE Emerging Index), Vanguard Emerging Markets Stock Index Fund (tracks FTSE Emerging Index). With the exception of the Spartan 500 Index Fund and Vanguard 500 Index Fund which both track the S&P 500 and the Spartan Emerging Markets Index Fund and the Vanguard Emerging Markets Stock Index Fund which both track the FTSE Emerging Index, the Vanguard and Fidelity funds track different indexes, which may have different characteristics an investor should consider. Fidelity and Vanguard funds have similar investment objectives.

FIDELITY INDEX FUNDS INVESTOR SHARE CLASS—$2,500 MINIMUM INVESTMENT[†]			VANGUARD INDEX FUNDS INVESTOR SHARE CLASS—$3,000 MINIMUM INVESTMENT[†]		
FUND NAME	COST BASED ON (GROSS EXPENSE RATIO[1])	NET EXPENSE RATIO[1]	COST BASED ON (GROSS EXPENSE RATIO[1])	NET EXPENSE RATIO[1]	**FUND NAME**
Spartan® 500 Index Fund (FUSEX)*	(.10%)	.095%	(.17%)	.17%	Vanguard 500 Index Fund (VFINX)
Spartan® Extended Market Index Fund (FSEMX)‡	(.10%)	.10%	(.24%)	.24%	Vanguard Extended Market Index Fund (VEXMX)
Spartan® Total Market Index Fund (FSTMX)*‡	(.10%)	.10%	(.17%)	.17%	Vanguard Total Stock Market Index Fund (VTSMX)
Spartan® Global ex U.S. Index Fund (FSGUX)*‡	(.34%)	.22%	(.29%)	.29%	Vanguard FTSE All-World ex-US Index Fund (VFWIX)
Spartan® Mid Cap Index Fund (FSCLX)*‡	(.34%)	.23%	(.24%)	.24%	Vanguard Mid-Cap Index Fund (VIMSX)
Spartan® Real Estate Index Fund (FRXIX)*‡	(.33%)	.23%	(.24%)	.24%	Vanguard REIT Index Fund (VGSIX)
Spartan® Emerging Markets Index Fund (FPEMX)*‡	(.46%)	.31%	(.33%)	.33%	Vanguard Emerging Markets Stock Index Fund (VEIEX)

IMPORTANT FEE INFORMATION:

‡These funds have a short-term redemption fee for fee eligible shares held less than 90 days: Spartan Total Market Index Fund, .50%; Spartan Extended Market Index Fund, .75%; Spartan Global ex U.S. Index Fund, 1%; Spartan Emerging Markets Index Fund, 1.5%; and Spartan Real Estate Index Fund, .75%. The Spartan Mid Cap Index Fund has a short-term redemption fee of .75% for fee eligible shares held less than 30 days.

*Fidelity Management & Research Company (FMR) has contractually agreed to reimburse Investor Class of the fund to the extent that total operating expenses (excluding interest, certain taxes, certain securities lending costs, brokerage commissions, extraordinary expenses, and acquired fund fees and expenses, if any), as a percentage of their respective average net assets, for Spartan Mid Cap Index Fund exceed 0.22%, and for Spartan 500 Index Fund exceed .095%, and for Spartan Total Market Index Fund exceed .10%, and for Spartan Real Estate Index Fund exceed .23%, and for Spartan Global ex U.S. Index Fund exceed .22%, and for Spartan Emerging Markets Index Fund exceed .31%. These arrangements will remain in effect through April 30, 2015 for Spartan 500 Index Fund and Spartan Total Market Index Fund, through June 30, 2015 for Spartan Mid Cap Index Fund, through September 30, 2015 for Spartan Real Estate Index Fund, and through December 31, 2015 for Spartan Global ex U.S. Index Fund and Spartan Emerging Markets Index Fund and we expect that the arrangements will be continued for these funds. FMR may not terminate these arrangements before the expiration date without the approval of the Board of Trustees.

Please note: It is not possible to invest directly in an index. When comparing funds, please consider all important factors, including information pertaining to fund fees, fund features, and fund objectives. Please see below for additional important details.

The benefits are clear

Why pay more than you have to?
Fidelity offers 7 Spartan® Index funds with lower net expense ratios than Vanguard.

Fidelity INVESTMENTS®

Fidelity.com/lowcostindexing | 800.FIDELITY

Before investing in any mutual fund, consider the investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.

The Power of Taking Pen to Paper

Handwriting engages the brain's processing power, boosts organization and limits distractions. Could it also help forge emotional connections?

ELECTRONIC MESSAGES CLEARLY ARE TAKING OVER business and personal communications. Many of us get hundreds of emails and texts every day. Yet when is the last time you recall receiving a handwritten letter?

Before we abandon paper and pen forever, however, we should know research increasingly shows that handwriting offers many cognitive and social benefits.

When we write by hand instead of using digital tools, it can improve our ability to process information. Two researchers, Pam Mueller of Princeton University and Daniel Oppenheimer, a professor at the University of California, Los Angeles, asked more than 300 students to use their preferred method of note taking during lectures. When tested on the material, the students who handwrote their notes retained significantly more ideas than those who typed notes on a laptop.

Why? The findings suggest that those using pen and paper were more likely to reframe ideas in their own words, engaging the brain in a more optimal way. In contrast, those using a keyboard tended simply to record information, sometimes creating a virtual transcript.

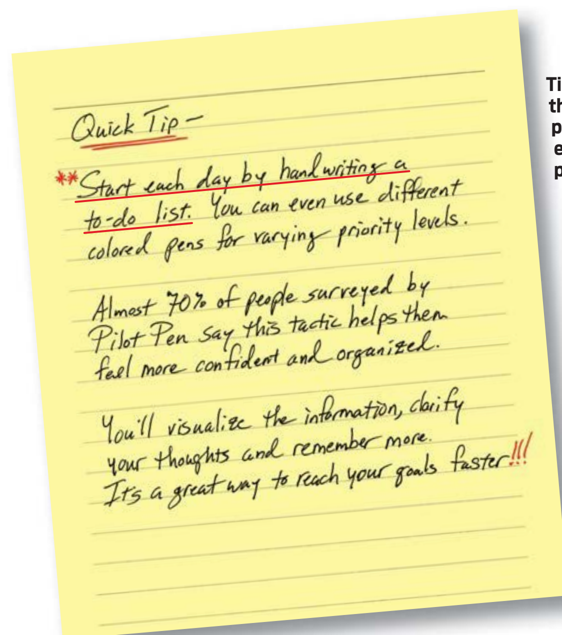
It appears the art of precision in handwriting also produces positive brain effects. In one Indiana University study, psychologist Karin James conducted brain scans on preliterate children before and after they received lessons about letters. The result: Neural activity for children who printed letters by hand was far more enhanced than it was for those who typed or traced them.

Another study demonstrated a connection between longhand and more fluent and sophisticated writing. Research led by Virginia Berninger, a professor at the University of Washington, found that elementary school students who created essays by hand—versus using a keyboard—wrote more and wrote faster. They expressed more ideas as well.

The impact of handwriting on brain activity is so pronounced, some medical researchers believe it could be a good exercise for keeping minds sharp as people age.

CREATE AND CONNECT

Many people also swear by pen and paper when it comes to formatting and organizing information. It's a tactic professional writers often use.



Tip written with the Pilot Precise pen, uniquely engineered for precision.

"When I have to create an important report or presentation, I like to map out concepts on paper, so I can quickly see how ideas are related," says Carol Bennett, a document specialist for a technology company in Reston, Va. "And I always write meeting notes by hand, so I can use lots of dynamic symbols and put details in the margins."

Using pen and paper helps with focus too; because it's no secret using digital tools can be distracting. Estimates of how often people check email, for example, range from several times per day to 36 per hour. And that doesn't account for social media.

Finally, in recent years communication experts have begun emphasizing the increasing value of old-fashioned snail mail. As the daily flood of instant, electronic messages continues to rise, handwritten letters become a more effective way to gain attention. It makes recipients feel special because it indicates senders took time and trouble to create something memorable.

And after all, which is more likely to command attention: the 20 emails sitting in someone's inbox or a personal, handwritten letter?

The Pilot Precise V5/V7 delivers unparalleled performance for an ultra-smooth, precise writing experience.

Powertothepen.com/Precise

CONTENTS

KIPLINGER'S PERSONAL FINANCE // FOUNDED 1947

VOL. 69 NO. 9

JONATHAN SPRAGUE/REDUX

INVESTING

AHEAD

MONEY // COVER

SPECIAL REPORT

LIVING

IN EVERY ISSUE

ON THE COVER: Photograph by Nicholas Eveleigh

KIPLINGER.COM
LOG ON & EXPLORE

Ten of the Best Jobs for the Future
Kiplinger ranked 784 popular occupations and discovered which careers offer generous salaries and are (and will continue to be) in high demand.

▶ kiplinger.com/links/bestjobs

Wealth Creation Channel
Valuable financial advice from professional advisers and Kiplinger.

▶ **kiplinger.com/wealth**

Best Used Car Values
These 12 models still score well for performance, value and safety.

▶ **kiplinger.com/links/usedcars2015**

TOP 5 INVESTING FEATURES

1. 25 Best Stocks for 2015
▶ **kiplinger.com/links/2015stocks**
2. 12 Stocks to Earn Dividends Every Month
▶ **kiplinger.com/links/dividends**
3. Best Vanguard Funds for Your 401(k)
▶ **kiplinger.com/links/vanguard**
4. 8 Best Dividend Stocks for 2015
▶ **kiplinger.com/links/divstocks2015**
5. Best Dividend Stocks of the S&P 500
▶ **kiplinger.com/links/sp500**

QUIZ YOURSELF
Roth IRA Review

Learn to navigate the tax rules that come with this retirement account.

▶ **kiplinger.com/links/rothquiz**

TOOL
RMD Calculator

Find out your required minimum distribution from a traditional IRA.

▶ **kiplinger.com/links/rmd**

ONLINE STORE
Retire Rich!

Knight Kiplinger's 10 Steps to a Richer Retirement is packed with trustworthy advice, guidance, worksheets and checklists to help you plan for and enjoy a comfortable and secure retirement.

▶ **Kiplinger.com/go/tools**

INTERACT

MARRIAGE EQUALITY AND YOUR MONEY
The Supreme Court's ruling allows equal Social Security benefits to married same-sex couples in all 50 states.

kiplinger.com/links/marriageequality

KIMBERLY LANKFORD
askkim@kiplinger.com

THE BULL MARKET ISN'T DEAD YET
Although he's getting more nervous, market forecaster Jim Stack says the pessimists are wrong—for now.

kiplinger.com/links/bullmarket

STEVE GOLDBERG
@kiplinger

Live Chats

JUMP-START YOUR RETIREMENT PLAN
Mark your calendar for our free live chat with NAPFA planners on September 17, 9 A.M. to 5 P.M., to get answers to your most pressing retirement-planning challenges.

LIVE CHAT
live.kiplinger.com

FROM TOP: ISTOCKPHOTO.COM(3); LISE METZGER (2)

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

connect with us
Twitter
Facebook
LinkedIn
Tumblr

Important Note to Our Readers

We're switching to a customer service bureau located in Tampa, Florida. We want valued readers like you to be aware of some changes you'll see in the coming months.

For the past 18 years we've worked with a service bureau located in Harlan, Iowa. Over the years you may have sent written correspondence, subscription orders, renewal instructions or payments to a post office box in Harlan.

Starting now you will begin to see the Tampa address on all customer service, subscription and renewal correspondence. You can also find the Tampa address published in the masthead of this publication.

Rest assured that the change to the new Tampa address is authorized by us. We're aware of unscrupulous agents who attempt, **without our permission, to solicit subscription and renewal payments—at higher prices than we charge—at various addresses elsewhere.** Be advised that P.O. Box 62300 and 62301 in Tampa, Fla., are the only legitimate addresses to which you should send correspondence or subscription and renewal payments for Kiplinger publications.

Know also that during the transition any correspondence or payment you send to Harlan, Iowa, will be automatically forwarded to the new Tampa customer service bureau.

Thank you as always for your continued readership. We look forward to continuing to serve you in years to come.

Your new Kiplinger customer service address:

Kiplinger's Personal Finance magazine
P.O. Box 62300
Tampa, FL 33662

Kiplinger's PERSONAL FINANCE

EDITORIAL
EDITOR IN CHIEF Knight A. Kiplinger
EDITOR Janet Bodnar
EXECUTIVE EDITOR Manuel Schiffres SENIOR EDITOR, MONEY/LIVING Mark K. Solheim
MANAGING EDITOR Barbara Hoch Marcus
SENIOR EDITORS Jane Bennett Clark, Jeffrey R. Kosnett, Anne Kates Smith
SENIOR ASSOCIATE EDITORS Sandra Block, Nellie S. Huang, Marc A. Wojno (research)
ASSOCIATE EDITORS Patricia Mertz Esswein, Daren Fonda
STAFF WRITERS Miriam Cross, Kaitlin Pitsker
CONTRIBUTING EDITORS Carolyn Bigda, Andrew Feinberg, Lisa Gerstner, James K. Glassman, Kathy Kristof, Kimberly Lankford, Jeremy J. Siegel
OFFICE MANAGER Glen Mayers

COPY AND RESEARCH
COPY CHIEF Frederic Fane Wolfer
COPY EDITORS Rachel McVearry, Denise E. Mitchell, Elizabeth Whitehouse
REPORTERS Lisa Elaine Babb, Varsha Bansal, Ryan Ermey, Dandan Zou
INTERNS Miles J. Kruppa, Christian Ruhl, Meilan Solly

ART
ART DIRECTOR Stacie A. Harrison
PHOTOGRAPHY DIRECTOR Wendy Tiefenbacher
DESIGNER Yajaira A. Lockhart DESIGN AND PHOTOGRAPHY ASSISTANT Natalie F. Kress
EDITORIAL PRODUCTION MANAGER Kevin Childers
EDITORIAL/DESIGN CONSULTANT Michael Grossman

KIPLINGER.COM
DIRECTOR, NEW MEDIA Douglas Harbrecht
ONLINE MANAGING EDITOR Robert J.M. Long EXECUTIVE EDITOR Michael DeSenne
ONLINE EDITORS Andrea Browne, David Muhlbaum, Stacy Rapacon, Rachel L. Sheedy
BUSINESS DEVELOPMENT ASSOCIATE Brian Stoughton
DIGITAL PRODUCT AND DESIGN MANAGER Jenny Cohan
ONLINE COMMUNITY EDITOR Rebecca Dolan
WEB OPERATIONS MANAGER Wade Currie
SENIOR WEB DEVELOPERS David Kuchler, David Webster

PUBLISHING
SENIOR CIRCULATION MANAGER Roseann Ciccarello
DIRECTOR, SINGLE-COPY SALES Wayne Beder PRODUCTION DIRECTOR Carolyn R. Segree

ADVERTISING SALES
NATIONAL SALES DIRECTOR Mark E. Taussig

PRINT SALES
PUBLISHER Alex J. McKenna
ASSOCIATE PUBLISHER/ADVERTISING AND CUSTOM CONTENT Paul Vizza
ATLANTA Bill Bentz (404-256-0664) CHICAGO Mark E. Taussig (202-887-6528)
DALLAS Phil Ganz (972-991-4994) DETROIT Mark E. Taussig (202-887-6528)
NEW YORK Kristina Larson (516-932-0795), Jonathan Stone (203-257-0234)
WASHINGTON, DC Paul Vizza (202-887-6558)
WEST COAST Kristina Larson (516-932-0795), Jonathan Stone (203-257-0234)
DIRECT RESPONSE Anthony Smyth (914-409-4202)
MARKETING DIRECTOR/CREATIVE SERVICES June Lough (917-421-9046)

ONLINE SALES
NATIONAL ONLINE SALES DIRECTOR Elizabeth F. Martin
ADVERTISING OPERATIONS MANAGER Andy Nolen
REGIONAL ACCOUNT MANAGERS Austin Kaytes, Maggie Kinsky, Stephanie Lee
ONLINE ADVERTISING SALES ASSISTANT Michael Roche

THE KIPLINGER WASHINGTON EDITORS INC.
1100 13th St., N.W., Suite 750, Washington, DC 20005 (202-887-6400)
W.M. Kiplinger (1891–1967), Founder
CHAIRMAN EMERITUS Austin H. Kiplinger
CHAIRMAN AND PRESIDENT Knight A. Kiplinger
EXECUTIVE VICE-PRESIDENT AND CHIEF FINANCIAL OFFICER Corbin M. Wilkes
SENIOR VICE-PRESIDENT AND CHIEF OPERATING OFFICER Denise M. Elliott
SENIOR VICE-PRESIDENT AND CHIEF CONTENT OFFICER Kevin McCormally
SUBSCRIBER SERVICES 800-544-0155

Please Recycle This Magazine

PRINTED IN USA

KIPLINGER'S PERSONAL FINANCE (ISSN 1528-9729) is published monthly by THE KIPLINGER WASHINGTON EDITORS INC. Editorial & Executive Offices: 1100 13th St., N.W., Suite 750, Washington, DC 20005 (202-887-6400). Subscription Center/Customer Service: Visit us online at kiplinger.com/customerservice, call 800-544-0155, or e-mail PersonalFinance@customersvc.com. POSTMASTER: Send change of address to: Kiplinger's Personal Finance, P.O. Box 62300, Tampa, FL 33662. GST# 123395253. Volume 69, Issue 9. Copyright © 2015 by the Kiplinger Washington Editors Inc. Periodical postage paid at Washington, DC, and at additional mailing offices. Subscription prices: In U.S. and possessions $23.95 for one year, $39.95 for two years, $54.95 for three years. Additional international postage: $17.00 per year. Single-copy price: $4.99.

Janet Bodnar
FROM THE EDITOR

An Easy Way to Invest

Finding it hard to choose among the sheer volume of investment products? Bogged down by the chores, financial and otherwise, on your to-do list? Have we got an issue for you. This month we'll simplify your financial decisions, and your life, starting with a new feature: the Kiplinger ETF 20, our picks of the top 20 exchange-traded funds among the 1,740 now available (see page 46).

Choosing 20 ETFs was a lot different than selecting the 25 mutual funds in the Kiplinger 25, the list of our favorite mutual funds (see page 63). With mutual funds, we're looking for experienced managers with impressive track records. But with ETFs, most of which track indexes, it's all about settling on the right index and finding funds that match it as closely and as cheaply as possible.

That task was undertaken by executive editor Manny Schiffres, who supervises our investing coverage, and senior associate editor Nellie Huang, our mutual fund specialist who also compiles the Kip 25. Manny and Nellie got the ball rolling by listing the categories we'd like to include—everything from broad-based funds that cover the entire universe of stocks to "opportunistic" funds, which let you invest in a narrow sector to take advantage of current market conditions.

Then it was up to Nellie to fill in the blanks. This was no mean feat because the very simplicity of ETFs often makes it difficult to tell them apart. There may be several funds tracking similar indexes with a similar mix of investments. To choose among such look-alike products, Nellie considered a fund's "tracking error," its ability to perform in line with its index. She also gave more weight to ETFs with above-average assets and above-average daily trading volume, both of which help to keep costs low.

Beyond comparing the numbers, Nellie added her own expertise to whittle the list. For instance, she ended up rejecting so-called mega-cap funds ("better to stick with the S&P 500") and micro-cap funds ("too new and too few—you're not getting much more for the risk you're taking on"). An ETF that invests in real estate investment trusts made her top 30, but she ultimately left it off the list because "it's not the best time to buy a REIT fund." She did, however, choose an actively managed bond ETF, Pimco Total Return Active ETF. That fund has a team of talented managers who took over last year after the departure of Pimco founder Bill Gross and who have beaten their index.

As an investor, you can use the Kiplinger ETF 20 in a number of ways: to find an all-in-one investment that you can buy and hold, for instance, or to make a tactical bet on a slice of the market. Regardless of what you're looking for, we've made your search a lot easier.

Because we've streamlined your choices, you'll have more time to read our cover story on page 26. There you'll find 10 more one-and-done steps to simplify the rest of your finances. And if you'd rather leave your to-do list to someone else, see "Make Your Life Easier," on page 66.

"Our 20 ETFs match their indexes as closely and as cheaply as possible."

For Vanguard investors. If you have access to a Vanguard fund in your 401(k) or 403(b) plan, Nellie's story on page 50 is a must-read. In this first in a series on retirement-plan choices, she analyzes the top actively managed Vanguard funds in employer-based plans. In future issues, we'll feature offerings from the rest of the big four: Fidelity, T. Rowe Price and American Funds. One takeaway: If you're already invested in Vanguard Primecap in your 401(k), jump at the chance to contribute more to this stellar fund, which is otherwise closed to new investors. You can also invest in Primecap if you're a Vanguard Flagship client. ■

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

LISE METZGER

Take the Money and Run?

I'm curious why so many financial pundits espouse waiting until age 70 to collect Social Security as part of a strategy to maximize benefits ("Rethinking Retirement," July). Although the advice is mathematically correct, they rarely address the potential downsides. Waiting until age 70 is the better strategy if you anticipate that you will live past the median life expectancy of about 86. Collecting benefits before age 70 could be wiser if you're uncertain about when you may pass away. (Remember that *median* means half will live longer and half will die sooner.) If you pass away before age 70, you will collect zero in benefits and reduce your personal IRA and 401(k) assets at a faster rate than if you were collecting benefits to cover living expenses—and there will be less to pass on to your heirs.

BOB BOREK
MIDDLETOWN, N.J.

Venture forth. I recommend the Capital One Venture Card for frequent travelers ("The Best Rewards Credit Cards," July). Venture earns 2%, or double miles, on every purchase, and your miles may be used not only for booking travel but also to "erase" travel purchases within the previous 90 days, including mass-transit and cab fares. Plus, Venture's annual fee is just $59.

KYLE VAUGHAN
HOPATCONG, N.J.

Express yourself. Some of the stress of making health care decisions when a loved one is passing can be relieved by preparing an advance care directive and designating a health care proxy ("Money & Ethics," July). In the case of a terminal illness or final year of life, there is also the Physician Orders for Life-Sustaining Treatment, or POLST, which patients fill out with their doctor. Copies of these documents should be readily available in an an emergency, and family members should be in agreement with the health-care decisions expressed. Any wavering can cloud efforts to provide the end-of-life care you and your loved one desire.

LARRY ROTTERS
SWEETWATER, TENN.

Q READER POLL

About 30% who responded had been victims of ID theft. The details:

Stolen credit or debit card — 73%

Stolen Social Security number — 15%

Tax identity fraud — 7%

Hacked government personnel file — 7%

To learn more about ID theft and what you can do to combat it, turn to page 32.

SOURCE: POLL SURVEYED 60 *KIPLINGER'S* READERS.

ONLINE CHATTER

Some readers confirm that buying a rental car can be a good deal ("Drive Time," July). Others are dubious.

"I bought a 2002 Ford Escape from Hertz 10 years ago. Now I have almost 200,000 miles on it and it's still running fine."

"I bought a 2011 Mazda 6 from Hertz in May 2013. Two years and 45,000 miles later, I've only had to change the tires, brakes, oil and air filters."

"I drove a Mustang rental in Vegas that was not to be believed. Everything rattled, so you know it had been thrashed. Ewww, pass!"

"In my humble opinion, the most important thing to look at when buying from a rental company is engine hours. Sure the car has low mileage and still looks good, but it may have sat idling for long periods of time. That means the engine has had more use than the rest of the car."

> LETTERS TO THE EDITOR

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

RICHARD FAUST

TOPIC A

TACTICS FOR A HOT HOUSING MARKET

How to navigate, whether you're a buyer or a seller. BY PATRICIA MERTZ ESSWEIN

IS A BULL MARKET EMERGING in real estate? The National Association of Realtors recently reported that pending sales of existing homes are at their highest level in more than nine years. Sales of new homes are at a seven-year high. With new-home sales expected to climb 22% this year and another 23% next year, and existing-home sales likely up nearly 7% this year and another 6% in 2016, buyers and sellers may need to adjust their strategies to reflect the new reality, particularly in the hottest markets.

Demand is being fueled, especially among first-time home buyers, by strong job growth, high rents and relatively low mortgage interest rates, as well as more opportunities for low-down-payment mortgages. The supply of existing housing stock, while still reasonably balanced between sellers and buyers nationwide, is low by historical measures in a number of markets, and in some it's downright ridiculous. Both Denver and Seattle, for example, have less than one month's supply, compared with a national average of 5.1 months. Homes sell quickly in hot markets—in 25 days in Denver, compared with the national median of 40 days. In San Jose, Calif., houses are gone in just 18 days.

Prices reflect these imbalances. In some cities, prices are up by double-digit percentages, or close to it, compared with a year ago, says Clear Capital, a real estate data and analysis firm. Prices are up 12% in Seattle and Denver, 11% in Tampa, and 9% in Atlanta, Fresno and San Jose. The hot housing market could start to cool as prices reach affordability limits. Even NAR chief economist Lawrence Yun says that prices have risen at an "unhealthy and unsustainable pace."

But for now, sellers in sizzling markets face a Catch-22. You may get multiple offers and sell your home quickly for top dollar, even if your property is sold as is. But what will you buy? In Denver, agent Anthony Rael, with Re/Max, says that many prospective sellers are holding tight until they have more choices. Sellers should look at homes available in the price range and neighborhoods they desire before they list their current home. Rael encourages sellers to identify someplace to live temporarily in case they sell fast but don't find their next home right away.

Even in a hot metro-area market, you must set your price appropriately or you risk hitting a snafu later. Although you may receive cash offers, the highest and best offer for your home may require financing, which necessitates an appraisal of the house's market value. To protect yourself from an appraisal that falls short, stipulate in your contract that the buyer make up the difference in cash or split it with you.

On the buying side, identify your priorities and be open to alternative locations with the quality of schools or amenities you want. Let your agent know that you're available to see a prospect as soon as it hits the local multiple listing service.

When you're set to write an offer, be prepared to meet a seller's need to close quickly. Or consider leasing back the home rent-free for a period of time if sellers are not quite ready to vacate. Include financing and inspection contingencies if you need them. But assure sellers that you are preapproved by a local lender and that you will use the inspection to identify major issues, not to nitpick them with a hundred small repairs.

INTERVIEW

HOW TO FIX STUDENT LOAN FOUL-UPS

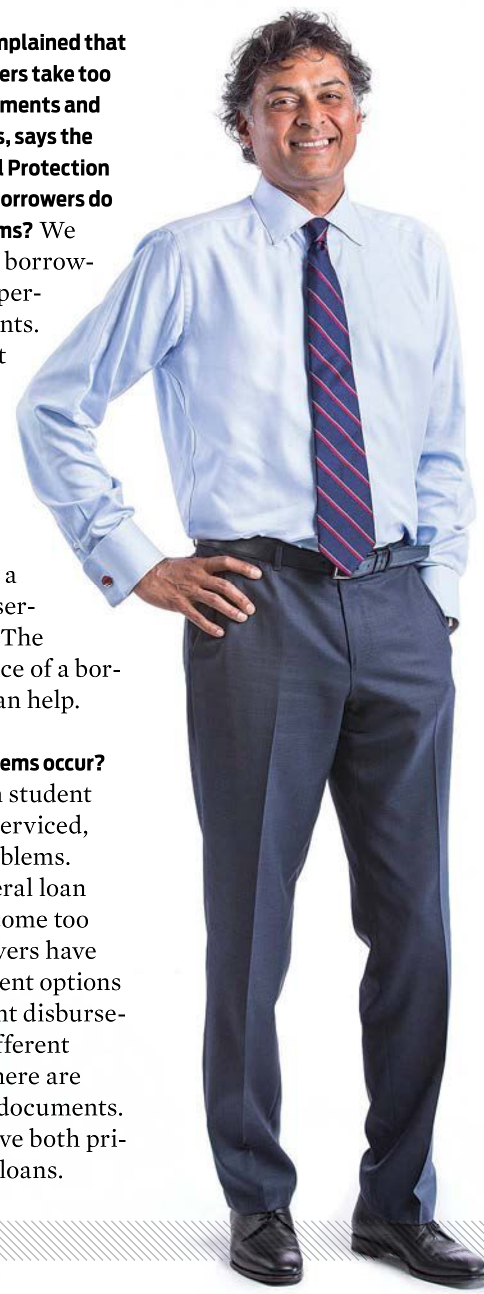
A phone call could help track down payments that have gone astray.

Balaji Rajan is chief executive of Ceannate Corp., parent company of iontuition, an online tool to help borrowers manage student loans.

Borrowers have complained that student loan servicers take too long to process payments and fail to correct errors, says the Consumer Financial Protection Bureau. What can borrowers do if they have problems? We have heard from borrowers about lost paperwork and payments. They should first go to the National Student Loan Data System (www.nslds.ed.gov) to find their servicer, then make a call or go to the servicer's Web site. The financial aid office of a borrower's school can help.

Why do these problems occur? When 20 million student loans are being serviced, there will be problems. The current federal loan program has become too complex. Borrowers have multiple repayment options based on different disbursement dates or different interest rates. There are different sets of documents. Students may have both private and federal loans. Sometimes borrowers don't want to deal with it all.

What are the potential consequences? If a payment isn't posted, can it hurt your credit? Servicers will not update a credit bureau report until a loan is 60 days delinquent, so missing one payment won't harm a borrower. But multiple unposted payments can result in a negative mark on a credit report. If a loan goes into default, it can affect a borrower's ability to buy a home, as well as result in higher interest rates for auto loans and other types of credit. Borrowers can always place a dispute comment on their credit report if they believe the servicer has made an error. If borrowers go into default because of servicing issues, they should contact the servicer to dispute the default. They can contact their school to get help, or, with federal loans, contact the Education Department's ombudsman. If borrowers provide servicers with the right documents, such as their payment history, or timely requests for deferment, the problem will generally be resolved within two weeks.



What can students do to prevent problems in the first place? Borrowers can help servicers by regularly updating their contact information, so servicers are able to reach them before delinquency occurs. Many students tell us that servicers don't have current e-mail or phone numbers. Free Web sites such as iontuition can organize all of your loans in one place and notify you when you need to take action. Stay away from companies that charge for this service. **SANDRA BLOCK**

JAMES FOSTER

THE VIEW IS STRIKING FOR CRUISERS ON THE RHINE RIVER.

TRAVEL

MORE SCENERY, FEWER CROWDS

River cruises offer a calmer, more intimate experience than mega-liners.

IF YOU'D RATHER DRIFT through quiet gorges with a small band of travelers than island-hop in the Caribbean on a packed mega-liner, consider a river cruise. At first glance, these calmer, more intimate voyages appear costlier than an ocean cruise. But river cruises are often less expensive overall.

The savings start when you board: Even ships not designated as all-inclusive often include wine and beer, shore excursions, and more in the sticker price.

It's easy to find a river cruise that suits your tastes. Themes range from jazz and beer to opera and Jewish heritage. Family-oriented trips are increasing, and surcharges for singles on some lines are disappearing. Seasoned cruise passengers will appreciate the choice of more-exotic destinations, such as Myanmar and the Mekong Delta. Interest is also increasing in American waterways, including the Mississippi River and the Columbia and Snake rivers in the Pacific Northwest.

Expect a more engaging experience than you'd get on an ocean liner. You'll often dock in the heart of town and spend the day touring. "Excursions might take you to a castle or wine tasting, then you can come back and bike along the river," says Colleen McDaniel, of CruiseCritic.com.

For help narrowing the choices, read reviews on CruiseCritic.com, or consult a travel agent accredited by the Cruise Lines International Association (this is generally free). Save money by scheduling your cruise during the region's more affordable shoulder season (early spring and late fall in Europe; the height of summer in Southeast Asia). Seek ways to cut costs without sacrificing too much. For example, choosing a window cabin instead of a balcony can save hundreds of dollars. **MIRIAM CROSS**

COURTESY OF PREMIER RIVER CRUISES ON BEHALF OF EMERALD WATERWAYS

EXCERPT FROM *The Kiplinger Letter*

PERKS LURE TECH TALENT

State and local governments are scrambling to find top technology talent. Governments can't pay private-sector salaries and benefits, and trained IT personnel are in short supply. So public agencies are offering other perks, such as flexible scheduling, faster promotions and more paid training. The biggest concern: finding enough computer-security experts. Other challenging recruitment areas include app development and big-data analytics. (www.kiplingerbiz/ahead/tech)

THE BUZZ

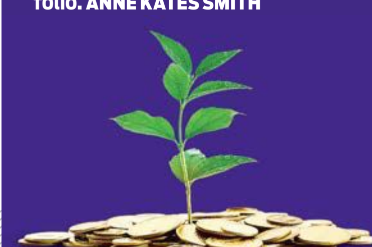
MAKE THE MOST OF YOUR SAVINGS

In its annual snapshot of retirement saving, investment giant Vanguard says more people are socking money away and doing it effectively with balanced, diversified target-date funds. But there's room for improvement. Below, some savings shortcomings and how to fix them.

Low savings rate. More than 60% of retirement plans that enroll workers automatically do so at default rates of 3% of income or less. **The fix:** Boost your rate with the goal of getting to 12% to 15% (including any employer match) as quickly as you can.

Extreme investing. Roughly one in eight employees had portfolios that held either no stocks or nothing but stocks. **The fix:** Accounting for age and risk tolerance, keep stocks within a range of, say, 90% for aggressive investors with a horizon of 30-plus years to 50% for conservative investors whose goal is 10 years out or less. Most retirees should keep some money in stocks.

Too much company stock. Eight percent of plan participants still hold outsized stakes. **The fix:** Your human capital is already invested in your company—it's the source of your income. Limit company stock to no more than 10% of your portfolio. **ANNE KATES SMITH**



SHOPPING

NEW COMPETITION FOR AMAZON PRIME

Other retailers are offering fast, free shipping, so Amazon is upping the ante.

WHO ISN'T DISAPPOINTED when an online shopping cart doesn't qualify for free shipping? Or grumpy about a three- to five-day wait for delivery? Amazon has accustomed shoppers to free shipping and a two-day wait, so now other retailers are introducing ways for customers to get fast, free shipping.

Many are mimicking Amazon's $99-a-year Prime program with their own membership plans. For example, Wal-Mart is testing an unlimited free shipping program that will cost $50 a year. Overstock.com and ShopRunner.com offer similar programs for $20 a year and $79 a year, respectively. So far, few merchants offer shipping as speedy as Amazon's, or perks such as access to movies. But as companies continue to improve supply and shipping networks, look for faster arrivals.

In response, Amazon is scrambling to preserve its lead. In some cities, the company now offers one- or two-hour delivery for groceries and household essentials, and same-day delivery for other items. It will also ship some items that weigh less than eight ounces and cost less than $10 free to all customers. **KAITLIN PITSKER**

MONEY & ETHICS // KNIGHT KIPLINGER

Should tear-down plans be disclosed by buyers?

Q My siblings and I recently sold our late parents' small home in a sought-after urban neighborhood where we all grew up. We accepted the highest of several offers (well above asking price) from buyers we assumed would renovate the house. To our dismay, it is being replaced by a huge new home that's out of character with the block. Our former neighbors are upset with us, too. Didn't the buyers or their agent have a legal or moral obligation to tell us of their tear-down intent? How could we have prevented this?

A I don't think the buyers or their agent had any obligation, legal or ethical, to disclose their plans to you voluntarily. If anything, the burden was on you and your listing agent to ask them or otherwise try to ascertain the intentions of the various people seeking to buy the home—a difficult task at best. But even if bidders had verbally agreed to keep the house intact, the promise wouldn't have been binding on them; they could always say they changed their mind after learning the renovation costs.

Perhaps your agent didn't educate you on the economic reality in your local housing market: Your parents' property was worth more as a buildable lot than as a small, outdated residence, and the highest bids were likely to come from tear-down buyers rather than remodelers. For your part, you might reasonably have been suspicious of an offer so much higher than the others. But you were apparently pleased to sell the house for a very attractive price.

Yes, you could have blocked this outcome, but only by putting into the contract a stipulation (or a covenant or deed restriction) that the house couldn't be torn down or the façade significantly altered for a certain number of years. But be assured, that would have scared off not only the tear-down buyers but also the renovators who would not want the potential hassles of such a restriction. And you would certainly have received a much lower price for your parents' home.

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

LISE METZGER

CALENDAR
09/2015

MONDAY, SEPTEMBER 7

September is a great time to buy large appliances as retailers phase out older models to make room for new ones. Look for discounts of up to 20% on stoves, dishwashers and washer-dryer combos.

▲ SATURDAY, SEPTEMBER 12

It's Library Card Signup Month. If your library is one of more than 30,000 that work with e-book lender OverDrive, your card allows you to borrow more than two million e-books, audiobooks and videos for your e-reader, computer, phone or tablet.

WEDNESDAY, SEPTEMBER 16

Expect the Fed to begin raising interest rates at the Federal Open Market Committee meeting. But the hike may be the only one for the year.

SATURDAY, SEPTEMBER 19

Krispy Kreme rewards customers with a fulsome bounty on Talk Like a Pirate Day. Get a free doughnut for ordering like a pirate, or get a free dozen for dressing like one. Landlubbers need not apply.

WEDNESDAY, SEPTEMBER 23

Make sure your home is prepared for colder weather. Scheduling a technician to examine your furnace now will cost $80 to $100, money well spent if it means not having to wait for a repairman in the dead of winter.

RYAN ERMEY

✲ DEAL OF THE MONTH

September is National Yoga Month. More than 1,600 yoga studios will offer a week of free yoga to new students with a Yoga Month Card. For more information and to print a card, visit www.yogahealthfoundation.org.

ISTOCKPHOTO.COM (4)

JAMES K. GLASSMAN > Opening Shot

Who Needs 500 Stocks?

"One study found that returns would rise sharply (with little effect on risk) if managers would pare their holdings to their 20 to 30 favorite stocks."

It stands to reason that picking five stocks is easier than picking 50. So why doesn't that concept apply to most mutual funds? The average U.S. stock fund holds about 100 issues; American Funds' popular Growth Fund of America (symbol AGTHX) owns 285, and venerable Fidelity Contrafund (FCNTX) holds 335.

One reason fund managers own a lot of stocks is that diversification dampens risk, which I define here as volatility—how much an investment's returns swing from day to day, month to month and year to year. But you don't really have to own hundreds of stocks to reduce volatility.

For instance, Edwin Elton and his colleagues conclude in their textbook, *Modern Portfolio Theory and Investment Analysis,* that if you own 1,000 stocks, your portfolio will be 61% less volatile than if you own just one stock. But if you own 20 stocks, your risk falls 59%, or nearly as much as it declines with 1,000 stocks.

I asked Robert Burnstine, the lead manager of **ASTON/FAIRPOINTE FOCUSED EQUITY FUND (AFPTX)**, why most managers own so many stocks. They are, he says, "benchmark huggers." That is, they're afraid their returns will deviate too much from Standard & Poor's 500-stock index in a bad year. Moreover, says Burnstine, "humans can't sit still. They have to do something." That is, they have to constantly trade stocks even though "you can't follow all those companies." (Funds in boldface are those I recommend.)

Burnstine himself has been managing focused, or concentrated, portfolios for 14 years, first at Harris Associates, which runs the Oakmark funds, and then for private clients at Aston/Fairpointe, which launched its focused fund last December. Aston/Fairpointe Focused Equity holds 32 stocks, none representing more than 6% of total assets. Burnstine aims to sell and replace about eight of them annually.

Makes sense. As Warren Buffett wrote in the 1993 annual report of Berkshire Hathaway: "If you are … able to understand business economics and to find five to ten sensibly-priced companies that possess important long-term competitive advantages, conventional diversification makes no sense for you. It is apt simply to hurt your results and increase your risk. I cannot understand why an investor of that sort elects to put money into a business that is his 20th favorite rather than simply adding that money to his top choices. … In the words of the prophet Mae West: 'Too much of a good thing can be wonderful.' "

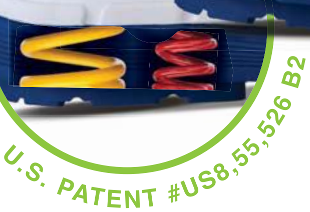
A focused fund, however, is no silver bullet. Morningstar calculates that the 398 such U.S. stock funds (those with fewer than 40 holdings apiece) returned an average of 15.4% annualized over the past five years, compared with 16.2% for all 2,426 U.S. stock funds.

Naturally, there are good focused funds and bad ones. Although a fund that owns 200 stocks won't stray much from the S&P 500, a fund that owns 20 can court disaster. A good example is CGM Focus (CGMFX), managed by Ken Heebner. After returning a stunning 80% in 2007, the fund plunged 48.2% the following year (compared with a drop of 37.0% for the S&P index) and sank 26.3% in 2011 (compared with a gain of 2.1% for the index). The fewer the holdings, the more you need an excellent manager. Here are some examples:

- Donald Yacktman founded what is now called **AMG YACKTMAN FOCUSED (YAFFX)** 18 years ago and now comanages it with his son Stephen and Jason Subotky. The fund owns 28 stocks, led by Procter & Gamble, which represents 9.5% of total assets; Pepsico, at 8.9% (which, by the way, is the number-one holding of Burnstine's fund); and Coca-Cola, at 6.7%. The top three stocks account for one-fourth of the fund's assets, and the top 10 account for 58%. That's concentration! The fund has beaten the S&P by an average of 2.3 percentage points per year over

LISE METZGER

ravity defyer®
ADVANCED FOOTWEAR TECHNOLOGY



They are awesome, saved my job… I work on my feet all day and used to pack my knees with ice, now I come home with no pain.
– Ron B.

Scientifically ENGINEERED to DEFY GRAVITY

- ✓ Absorb harmful impact
- ✓ Stay comfortable & active
- ✓ Support & protect your body
- ✓ Stand & walk with greater ease

WIDE WIDTH AVAILABLE | X-WIDE WIDTH AVAILABLE

rsoShock Patented Technology In Every Step

PROTECTION	COMFORT	PERFORMANCE
Absorbs Harmful Impact	Stores Energy, Distributes Force	Returns Energy

l better. Do more.

stress and discomfort of being ve and on your feet can destroy r quality of life. As you age, lage and other tissues that ect your joints become thinner less resilient. Gravity Defyer® wear helps protect your body provide shock absorption from ground up. Jogging running, king – even routine standing, erate punishing impact. These es produce lasting damage and r on the body. Gravity Defyer wear changes how our bodies relate to the forces that prevent us from leading more active lives.

The Ultimate Shock Absorbing Footwear

With each step our patented shoe technology returns energy to you, to help you stay active and on your feet longer. A more active you means your muscles build strength and endurance, your body receives more oxygen and nutrients, and the heart and lungs work more efficiently. As your body gets more efficient you will have more energy to live the life you've always dreamed of!

r Walk $129.95
· Sizes 5-11
um & Wide Widths
LK/PURP TB9004FBP
/HT/PINK TB9004FWSP

Men · Sizes 7.5-15
Medium & Wide Widths
BLACK TB9004MBS
WHITE TB9004MWS

$30 OFF YOUR ORDER
PLUS
FREE SHIPPING
Free Returns • Free Exchanges

COUPON CODE: MJ3JGY6
Call 1 (800) 429-0039
GravityDefyer.com/MJ3JGY6

Gravity Defyer Corp.
10643 Glenoaks Blvd
Pacoima, CA 91331

nt options and terms available at checkout. Credit or debit accepted. Shoes must be returned within 30 days in like new condition for full

“Yacktman Focused has beaten the S&P by an average of 2.3 percentage points per year over the past decade and has been no more volatile than the market.”

the past decade and, according to Morningstar, ranks in the top 1% of its category (funds that invest in large companies with a blend of growth and value attributes). Plus, over the past 10 years, the fund has been no more volatile than the market as a whole. (All returns are through June 30.)

■ Although Chuck Akre has been running concentrated portfolios since 1997, his current fund, **AKRE FOCUS (AKREX)**, was launched only in 2009. The fund, which focuses on fast-growing midsize companies, has returned an annualized 19.7% over the past five years, an average of 2.4 percentage points per year better than the S&P 500. The fund has just 26 stocks, with the top 10 accounting for 61% of assets. The three largest are American Tower, a real estate investment trust that owns wireless towers; insurer Markel Corp.; and Moody’s, the credit-rating service. The fund’s volatility has actually been lower than the market’s over the past five years. Focus’s main drawback is its 1.35% expense ratio. But turnover is low, so transaction costs (from buying and selling shares) are minimal.

■ If you have a lot of patience and a high tolerance for risk, then invest with Bruce Berkowitz, who runs **FAIRHOLME FUND (FAIRX)** much like a hedge fund, making large bets that can take several years to pay off. The fund owns just 10 stocks, plus Fannie Mae and Freddie Mac debt. The top holding, American International Group, the insurance company, represents a whopping 28% of assets, and the second-biggest holding, Bank of America, accounts for 17%. Volatility, as you might imagine, is high—about 50% greater than the market as a whole, according to Morningstar. But investing with Berkowitz for a cost of 1% of assets a year is a bargain compared with what the typical hedge fund extracts.

■ Bill Nygren’s **OAKMARK SELECT I (OAKLX)** beat the S&P 500 in six out of seven years through 2014 and ranks in the top 2% of all large-company blend funds over the past 15 years. Unlike Berkowitz, Nygren keeps his portfolio of 20 stocks well balanced by selling shares of big winners and buying losers. Top holdings are MasterCard; TE Connectivity, a maker of electronic components; and Google. Oakmark also extracts relatively low expenses from investors—0.95% a year—while most focused funds charge well above 1%.

And don’t forget Burnstine’s Aston/Fairpointe entry, which leans toward value stocks that offer what Buffett’s mentor Benjamin Graham called a “margin of safety.” Among them are Hewlett-Packard and Cisco Systems.

These funds all support the notion that fewer choices are better choices. Further proof is an elegant study by Danny Yeung, of the University of Technology in Sydney, Australia, and three other researchers. They found that returns would rise sharply (with little effect on risk) if fund managers would just pare the number of stocks they hold to their 20 to 30 favorites.

The case for fewer stocks is overwhelming, both for the mutual funds you buy and the portfolios you create yourself. But there’s a catch. You have to be an active investor, with an eye for great managers, and you have to be comfortable with volatility, committed for the long haul and willing to ride out the inevitable ups and downs. That’s only fair. ■

Focused Funds

THEY’RE A MIXED BAG WHEN IT COMES TO RISK

Relative volatility compares the performance swings of the funds below with that of the S&P 500 index, which is assigned a volatility figure of 1.00. Yacktman Focused and Kiplinger 25 member Akre Focused have been less volatile than the index, and Glassman’s other picks more so.

Fund (symbol)	Annualized total returns 1 yr.	5 yrs.	10 yrs.	2007-09 bear market*	2011 market correction†	Relative 5-year volatility	Number of stock holdings
Akre Focused (AKREX)	10.1%	19.7%	—	—	–8.1%	**0.89**	26
AMG Yacktman Focused (YAFFX)	–0.1	13.2	10.2%	–43.8%	–11.3	**0.78**	28
Fairholme Fund (FAIRX)	–11.3	8.4	7.6	–49.5	–33.9	**1.71**	10
Oakmark Select I (OAKLX)	2.7	17.9	8.1	–58.1	–19.5	**1.16**	20
S&P 500-STOCK INDEX	**7.4%**	**17.3%**	**7.9%**	**–55.3%**	**–18.6%**	**1.00**	**500**

Data through June 30. *Bear market is from October 9, 2007, through March 9, 2009. †Market correction is from April 29 through October 3, 2011. —Not available; fund not in existence for the entire period. SOURCES: Morningstar Inc., fund companies.

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 FUNDS OR STOCKS MENTIONED.

SUCCESS STORY

Stepping Up to the Plate

A retired entrepreneur starts a new business making baseball bats.

PROFILE

WHO: Peter Curti, 55

WHERE: Oceanside, N.Y.

WHAT: Founder and owner of Beaver Bat Co.

You're a baseball fan? I love baseball. I played in high school and college, and my youngest son, Michael, pitches for his college team. I'm a die-hard Yankees fan. I collect Yankees memorabilia, including about 30 bats. My wife, Janet, told me, "If you bring home one more bat, I'll hit you over the head."

So now you make them. How did that happen? In 2007 my partner and I liquidated a company that we had owned for about a decade. We built cell-phone towers and employed about 100 people. Afterward, I retired and spent a few years hanging out, but I get bored easily. I looked at another bat company that was for sale for $1 million, but I didn't want to put my life savings into someone else's business. Then, as a favor to my son's friend, I used the copy lathe in my garage to duplicate a bat that he broke and the manufacturer had discontinued. Next thing I know, his coach says everyone on the team is using the bat and asks for 100 of them.

What did you need to start? I already owned a 10,000-square-foot building. I took $55,000 from my savings to buy an American-made CNC machine. [*CNC* stands for *computer numerical control.* The computer-guided machine cuts material in three dimensions.] I also spent $13,000 for an engraver and $7,000 for my Web site. It took me about a year to really understand all the things that go into making a bat.

What kind of wood do you use? I buy my wood from a vendor that sells to other bat makers licensed by major-league teams. I make about 80% of my bats from maple, 15% from ash and 5% from birch. The wood is straight-grained, dense and hand-split—not machine-sawed—to follow its natural grain, which makes it stronger and safer. I pay about $25 for one maple billet [a bat blank ready to be shaped]. Plus, my company was one of the first to let clients custom-design their bats online [www.beaverbat.com], including player and team names and colors.

The cost? My motto is "Major-league-grade bats for minor-league prices." I charge $29 to $69 for a bat. The biggest challenge? Letting people know that you can buy a bat for $69 and it will work as well as or better than one that costs $200.

POON WATCHARA-AMPHAIWAN

Who do you sell to? I supply youth leagues, collegiate and men's leagues, and the Long Island Ducks, who play in the Atlantic League.

Not the major leagues? No. I'd have to pay thousands of dollars in application and insurance fees before the first guy swings a bat. And there are only 750 guys swinging bats.

How has business grown? I sold 69 bats in my first year; last year I sold about 12,000. I have three employees, including my wife. Gross sales in 2014 were about $400,000, and I expect about the same in 2015. The extra income helped me buy a house in Florida, where we go during the slow months in late summer.

Your plans for the future? I'm thinking about opening a small factory in Florida, so we could go down there in the winter. I work 12/7 because I want to, and I'll do this until I'm dead. But it's like running a bakery for baseball bats. **PATRICIA MERTZ ESSWEIN**

JANE BENNETT CLARK > Rethinking Retirement

The Allure of Renting

Not long ago, I checked out an apartment in a new building near my neighborhood, and fell a little bit in love with it. The place had all of my dream features: high ceilings, large windows, a great layout and the perfect location. The one downside? It was a rental unit. I've always figured on buying a condo with cash when I downsize. The idea of living without a mortgage seems liberating.

The upside of renting. But it turns out that buying rather than renting when you downsize is far from a no-brainer. For starters, renting is more flexible than owning—a major factor if you are downsizing from a house to an apartment or moving from one city to another. If you decide you hate your new digs, you can move again without a hassle. "Renting buys you time to confirm your choice," says Michael Palmer, a certified financial planner in Raleigh, N.C.

> **"If you decide you hate your new digs, you can move again without a hassle."**

Renting also allows you to keep a lid on housing expenses. True, rents go up, but rental prices have to stay competitive with the local real estate market, says Catherine Hawley, a certified financial planner in Monterey, Calif. By contrast, homeowners association fees can rise significantly based on the costs of maintaining and upgrading the property. Plus, repairs and maintenance for a condo are on your dime; for renters, they are someone else's problem.

Isn't paying rent like throwing money out the window? Even if you buy your condo outright, you still have to come up with property taxes and homeowners insurance. Meanwhile, the money you used to purchase the unit is tied up. "Short of selling your condo, the only way to access the equity is by paying a lender for the privilege," says Dave Yeske, a certified financial planner in San Francisco. But if you rent and invest your money, you can use the earnings to defray the rent.

As for getting to deduct mortgage interest and property taxes on your tax return, you won't have mortgage interest to deduct if you pay cash for your condo. If you do take out a mortgage, you may discover that such deductions don't have as big an impact on your tax bill as they did during your peak earning years.

Don't get me wrong: Owning a condo has real advantages. For one thing, the place is yours. You can rip up the carpeting and knock out walls as you like (within reason) and enjoy the satisfaction of ownership. You also enjoy whatever price appreciation the property gains over time, assuming you stay long enough for the appreciation to cover the closing costs (typically at least five years). If most of your income is derived from tax-deferred accounts, the tax deduction will come in handy, even if your income is smaller than it used to be.

Before you decide one way or the other, see how the numbers line up by going to one of the rent-versus-buy calculators available online. (I tried the *New York Times* calculator, at http://tinyurl.com/q6zwnab.) You fill in the variables, including what you'd expect to pay if you bought and how much you'd expect to earn on your investments if you banked the profits from the sale of your current home.

Based on the calculator's analysis of my circumstances, I'd be better off buying a condo that lists for $350,000 (my optimum amount) than renting my dream apartment for $2,500 a month, which is what it goes for. That assumes I stay put for several years in the condo and that homeowners fees (and other variables) stay relatively static. Based on the numbers I crunched, the rent would have to be half of what it is for me to come out ahead financially.

Renting still makes sense if I find a more affordable apartment or want to keep my options open for a few years. It's nice to know I'll have both options when I start looking seriously for my next new home. ■

JANE BENNETT CLARK IS A SENIOR EDITOR AT *KIPLINGER'S PERSONAL FINANCE.*

LISE METZGER

VANGUARD's
13 MOST POWERFUL FUNDS

Decades of documentation show that a small group of Vanguard funds, when combined properly, outperform Vanguard's most popular funds by a whopping 169%.

Which few? Mixed how? It's all in a new report and best of all… **IT'S YOURS FREE!**

I love Vanguard, but their advice is lacking.

And with more than 170 funds to choose, most every Vanguard investor needs advice on which funds are best for them to own.

I'm Dan Wiener, head of the world's largest independent research operation dedicated to helping Vanguard investors succeed.

My wealthiest subscribers are some of the most demanding people you'll ever meet — they actually want to get much wealthier. And like you, they abhor risk. Yet, I exceed their demands for safety and performance — using Vanguard's most powerful funds.

These 13 have something for everyone… investors building wealth… investors seeking income… investors who want both growth and income. That's how powerful these 13 are!

Hold just a few of these 13 funds in the proper mix and you could double your Vanguard profits in the year ahead.

And no matter what your investment style and your financial goals, I have a portfolio that's right for you, as your free report, ***Vanguard's 13 Most Powerful Funds***, makes clear.

Why not just follow Vanguard's advice? Because Vanguard's advice stinks! No matter what your primary goal might be, the advice

Dan Wiener

- Dan is America's leading expert on investing in Vanguard mutual funds and has helped tens of thousands of Vanguard investors choose their funds wisely.
- Dubbed the "Vanguard Gumshoe" by Forbes magazine, he's won the industry's "Financial Advisory" award.
- Independent study at Duke University declared, "The probability that [Dan Wiener's] Growth portfolio could have outperformed by such a wide margin because of luck rather than skill is only 13.4%."

Vanguard gives you comes up short. Here are a few examples…

If you want a fund that will achieve "ANY GOAL"… Vanguard pushes investors into STAR LifeStrategy Funds as the all-in-one solution for *"any goal"*… because it's *"an easy way to save for whatever goal is important to you."*

Vanguard fails to tell you each one of these funds of funds is so watered down in mediocrity that none of their STAR LifeStrategy Funds have a chance to lift you from the ranks of "ordinary." Ever!

If your goal is "SAVING FOR RETIREMENT"… Vanguard tells you that Target Retirement Funds are the way to go… just pick your expected retirement date and you're set, so they imply. Easy, right?

Vanguard fails to tell you these supposedly simple Target funds are designed for folks who wish to remain ignorant of better options. As Vanguard puts it, Target Retirement Funds are for *"initial investors, not experienced or sophisticated investors."*

It's a documented fact: Vanguard investors following my advice make 169% greater profits than the average Vanguard investor.

Those following my advice are twice as rich as regular Vanguard investors.

Make the year ahead your most profitable year ever at Vanguard.

Get your free copy of ***Vanguard's 13 Most Powerful Funds***. Cut right through Vanguard's vast selection of funds and discover…

- The 7 high-powered wealth builders that work together to give you 169% more profit than Vanguard's most popular funds.
- The 6 ETFs I love, covering everything from midcap to international.

Here's how to get it! Just fill out and return the attached postage-paid card, or call 1-866-507-2939 and mention priority code LD7528 and we'll email your free investing report to you. Or, get your FREE report immediately online at www.adviseronline.com/report.

13 Most Powerful Funds
PO Box 10070 • Gaithersburg, MD 20897

1-866-507-2939
mention priority code LD7528

www.adviseronline.com/report

Note: Dan Wiener and Fund Family Shareholders Association are independent and in no way affiliated with the Vanguard Group of Investment Companies. LD7528

MONEY MADE

Finances too complicated? We've solved the puzzle with 10 easy moves that will save you time and money.

PHOTO-ILLUSTRATIONS BY C.J. BURTON

SIMPLE

By SANDRA BLOCK and KATHY KRISTOF

Back in the day, TVs were all basic black-and-white sets with on-off knobs and a choice of four channels. People saved money in a bank account, carried a department-store charge card, and could fit all of their important papers in the proverbial shoebox. Today's big-screen entertainment centers come with hundreds of channels and multiple remotes. Likewise, consumers are free to choose among a vast array of financial products and services. That's a boon to your

finances, but it also makes life more complex and can become overwhelming. To cut through the clutter, we suggest that you think one and done: one credit card to maximize your rewards points, one manager for all of your retirement accounts, a single do-it-all mutual fund. Even if you make only one or two of our 10 moves, you'll cut your stress and have more time to kick back—and you'll save money, too.

Carry just one credit card in your wallet

Why tote around a clutch of credit cards for retail stores you no longer patronize or gas stations that are nowhere near your home? By consolidating your purchases on one rewards card that best matches your spending patterns, you can lighten your wallet and streamline your monthly bills; stockpile rewards points, frequent-flier miles or cash-back bonuses; and reduce the hassle if your wallet is lost or stolen. (To find the card that's best for you, see "The Best Rewards Credit Cards," July.)

The flip side is to get rid of the cards you don't need. Even if you keep more than one and carry a backup card when you travel, the key is to prune your accounts judiciously. Canceling credit cards outright can hurt your credit score because a big component of your score is your credit-utilization ratio. That's the amount of credit you've used expressed as a percentage of your overall credit line. You want to keep that ratio as low as possible (ideally below 30% or, even better, below 20%). Closing a number of accounts can bump up the ratio, even if you pay off your balance every month.

Start by ordering your credit reports from www.annualcreditreport.com. You're eligible for one free report annually from each of the three major credit bureaus. Once you have the list in hand, look for cards with low credit limits. If you have $50,000 in available credit, closing a department-store card with a $500 limit won't make a big dent in your utilization ratio. Still, if you're planning to apply for a mortgage or a car loan, it's a good idea to put off closing unwanted credit cards until after the loan has been approved, says Rod Griffin, director of public education for Experian.

Or you could simply put aside all but one of your cards in a safe place. Your utilization ratio won't suffer, and you won't be tempted to use the cards.

Use a single insurer

Keeping your homeowners, auto and other insurance policies with the same company will cut down on the number of bills you have to pay and may even improve the service you get. For example, if you're happy with the way your auto insurer handles claims, it makes sense to use the same company to insure your home (and possibly your life).

That's especially true if the company rewards your loyalty with a generous discount. Most major insurers offer discounts if you buy more than one policy. Purchase multiple policies from Allstate, for example, and you can save up to 20% on your auto insurance premiums and up to 35% on your homeowners policy. Liberty Mutual offers savings of up to 10% on its homeowners, condo or rental coverage if you bundle it with auto insurance. The company may offer a discount on the auto insurance premiums, too. Most insurers also cut you a break on auto insurance if you cover more than one vehicle. And Nationwide offers a discount of up to 50% on boat insurance if you have multiple policies.

Buying all of your policies from one insurer won't always deliver the best deal. For example, bundling may not lower your insurance costs if you need a nontraditional policy, such as insurance for a home built with green technology, says Jeanne Salvatore, spokeswoman for the Insurance Information Institute. But you can streamline your search by getting price quotes from an insurance agent who deals with several companies (go to www.iiaba.net to find one near you). Don't overlook insurers that sell directly to customers, such as Geico and USAA.

Create one master password

Hardly a week goes by without news of another massive security breach that has exposed thousands of people to identity theft. Yet despite this threat, the most common password

is *123456,* according to SplashData, a provider of password-management systems. The second most common password is—wait for it—*password*.

Clearly, we need to do better. But who has the time to come up with (and remember) difficult-to-decipher passwords for all of their online accounts? One solution is to use a password-management system that stores all of your passwords in a single file. All you need to remember is one master password (your dog's name is not a good choice) to access all of your other user names and passwords. Most password managers offer a free basic version; you'll need to update (and pay) to use the service on multiple devices.

Unfortunately, these programs aren't bulletproof. In June, LastPass, one of the most popular password-management systems, announced that its network had been hacked, exposing users' e-mail addresses and password reminders. The company said encrypted master passwords were not compromised, although users were prompted to change them.

If you're uncomfortable storing your passwords in the cloud, there are alternatives. KeePass stores all of your passwords in an encrypted file on your computer. As is the case with the cloud-based systems, you use a master password to access the file. Just make sure your computer is protected from hackers with strong antivirus software, or you'll lose the benefits of storing your passwords locally. (For more advice on protecting yourself against data breaches, see "How to Fend Off ID Thieves," on page 32.)

Store your files in one place

Among the mountains of paper in your home office are a number of documents that you should save forever: birth certificates, passports, Social Security cards, education records, life insurance policies, marriage license, divorce decree and record of military service. Hold on to home-purchase documents and records of improvements for as long as you own the property. The same goes for the titles to your vehicles.

In addition, the IRS generally has three years from the tax-filing deadline to audit your return, so keep your return and supporting documents for at least that long. Some experts recommend, though, that you hold on to your tax returns indefinitely because they can be useful for other purposes, such as applying for disability insurance or a mortgage. Starting with tax year 2014, you're also required to keep records that show you and your family had health insurance, along with records of any subsidies you received to cover health insurance premiums.

Once you've stored all of those documents in a bank or a couple of file drawers at home, feel free to toss, toss, toss. After you've paid your credit card bill, shred the monthly statement unless you need it to claim tax deductions. Monthly bank statements can also go into the shredder unless you need them for tax purposes. Shred pay stubs after you've received your Form W-2 and checked it for errors. You can dispose of brokerage statements once you receive your annual statement, unless they show a gain or loss that you'll need to report on your tax return. Hold on to statements that show the cost basis for an investment you still own.

You can also harness technology to reduce paperwork. The IRS accepts digital copies of supporting tax documents, so you can scan documents you'll need, such as letters from charities, and convert them to digital files. Back up the files with an external hard drive or flash drive.

Or store scanned documents on the Internet, using free cloud-based services such as Apple iCloud Drive, Dropbox, Google Drive or Microsoft OneDrive (see "Clearing the Cloud Cover," Aug.). For a list of other helpful tools, see the box on page 31.

Get your bank to pay your bills

Why waste time paying your bills when your bank or credit union probably offers an electronic bill-payment program, most likely at no charge? Even if one of your accounts doesn't accept e-payments, the bank will send a paper check.

You can set up e-mail or text reminders of due dates, which will reduce the risk you'll incur late-payment fees. Or arrange for recurring payments to be made automatically every month before the due date.

Although auto-pay can be a godsend for busy people, there are downsides, too. Changing banks can be a hassle because you must unwind all of your auto-payment plans before closing your old account (most banks and credit unions provide switch kits that help you with this process). If you're hit with an erroneous charge, you'll be out the money while you dispute the payment. Even when bills are accurate, you need to make sure there's enough money in your account to cover the automatic payment. Otherwise, you'll be hit with hefty overdraft fees.

One way to avoid that problem is to put your savings on autopilot, too. Have your paycheck deposited electronically in your bank account and, if your employer permits it, consider having a portion of your check deposited in a savings account set up for emergencies. You can arrange for your bank to withdraw money automatically from your savings whenever there's a shortfall in your checking account.

Consolidate retirement accounts

Over the course of your working life, you may have accumulated a raft of 401(k) plans from former employers and individual retirement accounts at various financial-services firms. You can reduce paperwork, lower fees and make sure your portfolio is appropriately diversified by rounding up these accounts under one umbrella.

For IRAs, consolidating with one firm will help you avoid low-balance fees that could eat into your returns. As long as mutual funds in your IRA are included in the financial institution's funds network, you won't have to sell your funds when you consolidate. You can combine the same types of IRAs (such as traditional IRAs) in a single account, which makes it easier to keep track of your portfolio.

Increasing the size of your account could also make you eligible for perks, such as a discount on tax software or a free portfolio review by a financial planner. Changing and updating beneficiaries is also easier when all of your IRAs are in the same place. And when you retire, taking withdrawals from your IRAs will be easier if you have all of your accounts with the same firm.

Your IRA provider will happily help you roll over old 401(k) plans into your account, too, but that's not always in your best interest. Some large-company 401(k) plans offer institutional-class mutual funds with lower fees than retail funds offered by IRAs. Many also offer stable-value funds, which are attractive low-risk alternatives to money market funds and are only available in employer-sponsored retirement plans.

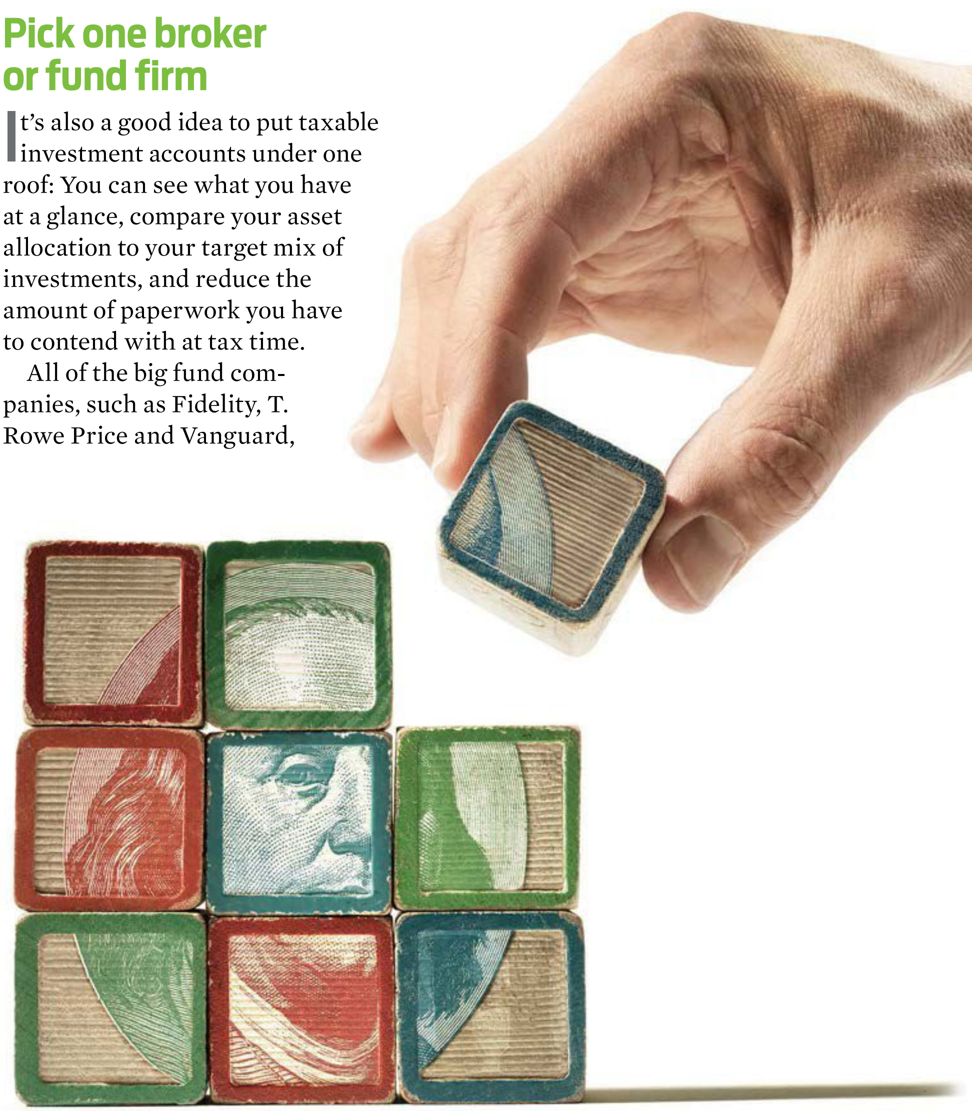
If you're still working, there's a one-step alternative: Roll your former employer's plan (or plans) into your current employer's 401(k). Most large companies allow plan-to-plan rollovers. You'll streamline your retirement savings accounts without sacrificing the benefits offered by a 401(k).

Pick one broker or fund firm

It's also a good idea to put taxable investment accounts under one roof: You can see what you have at a glance, compare your asset allocation to your target mix of investments, and reduce the amount of paperwork you have to contend with at tax time.

All of the big fund companies, such as Fidelity, T. Rowe Price and Vanguard, have brokerage arms, so you can transfer both individual securities and mutual funds to them. Big brokerage firms, such as Charles Schwab and TD Ameritrade, let you buy and sell funds as easily as stocks. Know, too, that you usually don't have to sell an investment to transfer it. Just stipulate that you want to transfer it "in kind" and your current brokerage will transfer your securities without triggering a potentially taxable gain.

Going simple will not only make your life easier, it could also improve your results, partly because you'll find your portfolio easier to understand. That cuts down on shocks that can lead to poor, emotionally driven deci-



sions, says Ben Carlson, author of the book *A Wealth of Common Sense: Why Simplicity Trumps Complexity in Any Investment Plan*.

To see if your investment mix is well diversified, make a stop at the portfolio "Instant X-ray" tool at Morningstar .com, a free service that lets you plug in your investments and get a snapshot of your portfolio's composition. Among other things, the tool tells you the degree to which your investments overlap and what percentage of your assets are in broad investment categories, such as big U.S. growth companies or investment-grade corporate bonds, as well as industry sectors, such as technology or financial services. For advice on making changes, you can upgrade to Morningstar's premium membership ($199 per year).

8 Invest in an "all-in-one" fund

If you'd rather let someone else pick your tax-deferred or taxable investments and make sure they stay in proper balance, you're a candidate for an all-in-one fund. They come in three main flavors: **BALANCED FUNDS** typically hold 60% to 70% of their assets in stocks and the rest in bonds. **LIFESTYLE FUNDS** assemble a mix of investments geared to your tolerance for risk. A conservative lifestyle fund might have 40% of its assets in stocks, while an aggressive one might have 80% in stocks. Asset allocations in both balanced and lifestyle funds tend to remain fairly constant over time.

The asset allocation in **TARGET-DATE FUNDS,** by contrast, changes as the fund ages. The idea is to pick a fund, such as Fidelity Freedom 2050, whose target date matches your particular goal—usually retirement, but the funds may also be used to save for college or other purposes. A fund with a target year far into the future typically has a high percentage of stocks. Over time, the fund gradually trims its allotment to stocks and adds more bonds and cash. Note, however, that this so-called glide path can vary dramatically from one fund sponsor to another.

Which type of all-in-one-fund should you choose? A balanced or lifestyle fund is fine for investors who want to temper the risk of an all-stock portfolio. But for goals with a clear estimated date of arrival, such as college or retirement, a target fund is just the ticket, says Christopher Philips, a senior manager in Vanguard's Institutional Investor Services Group. "It's globally diversified, it's professionally managed, it's regularly rebalanced, and it gets more conservative as you age. For someone who wants to keep things really simple, that's a good option."

9 Sign up once and forget it

To procrastinate is human. To automate is divine. "Humans, by their very nature, fail to follow through," says Philips. "They may want to do something, but something else comes up and they just never execute. Automatic investment plans are a great way to overcome human nature."

You may have already automated an aspect of your finances by signing up for a 401(k) plan or direct deposit of your paycheck. You can do the same thing with your investment accounts. Every major brokerage firm, fund company and bank offers automatic savings programs that allow you to establish a timetable designating how much you want to save and how often, the account that should be tapped to make the contributions, and where you want the money to go.

You can specify a money market fund if you're saving for a short-term goal, or even a state 529 savings plan for college bills. No immediate goal? Then set up the savings to go into a balanced fund; **DODGE & COX BALANCED (SYMBOL DODBX)** and **T. ROWE PRICE BALANCED (RPBAX)** are solid choices. "Automate as many decisions as you can," Ben Carlson advises. "It makes things simpler and keeps you from making decisions on the fly." ■

KipTip

10 Use a One-Stop Financial Tool

■ **Automatic bill payment and saving.** To keep a record of bill payments and how the money is spent (helpful if you're trying to stick to a budget), check out Mint.com. Another alternative is PersonalCapital .com, which provides budgeting tools and will track your investments, too.

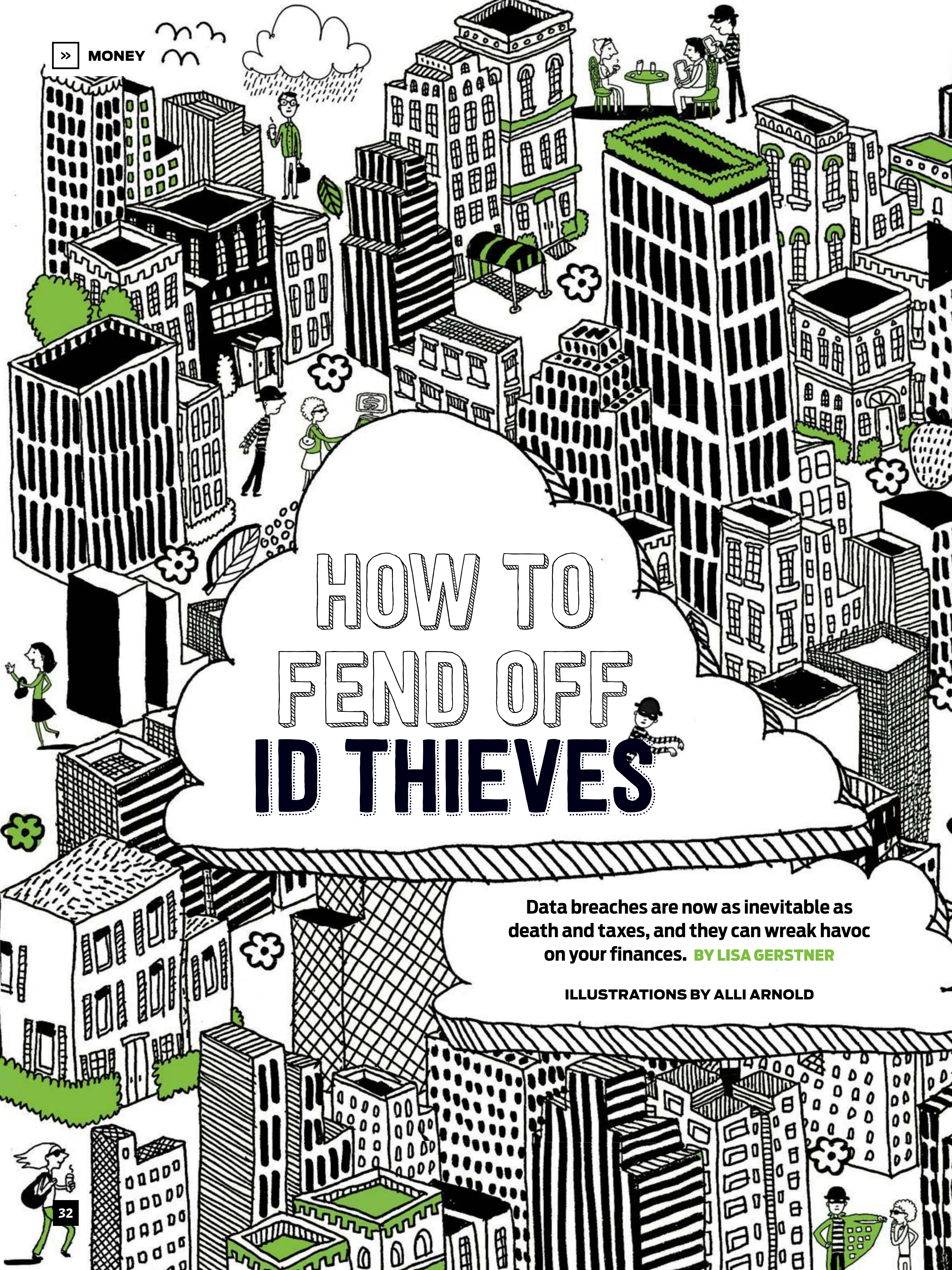
■ **Credit cards.** Free tools at www.credit karma.com help you gauge where your credit stands and show how you can improve it. You can also get access to your TransUnion credit report, updated weekly.

■ **Insurance.** The Insurance Information Institute offers Know Your Stuff (www .knowyourstuff.org), free software that will help you create a record of your possessions. It's also available as an app for iPhone and Android smartphones. Your insurance company may also provide mobile or online tools you can use to record information you'll need to file a homeowners or auto insurance claim.

■ **Password management.** PCMag.com provides a good rundown of the password managers available (along with their prices) at www.pcmag.com/article2/ 0,2817,2407168,00.asp.

■ **Paper files.** Shoeboxed.com offers a free service that allows you to upload as many as five documents a month; after that, prices range from $9.95 to $99.95 a month, based on the number of documents stored and other services. Or use a free cloud-based service.

■ **Retirement accounts.** Your IRA provider probably offers tools you can use to figure out whether your overall portfolio is appropriately diversified, based on your age and risk tolerance. To see if you're saving enough, use our Retirement Savings Calculator at kiplinger.com/links/ retirementcalculator.

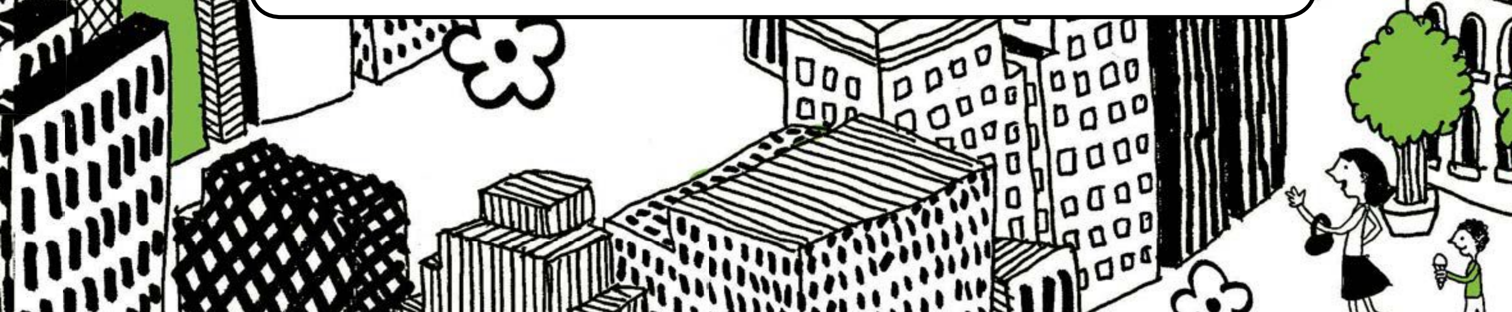


HOW TO FEND OFF ID THIEVES

Data breaches are now as inevitable as death and taxes, and they can wreak havoc on your finances. BY LISA GERSTNER

ILLUSTRATIONS BY ALLI ARNOLD

Identity theft is growing, and it's not just your credit and debit card numbers you have to worry about. Hackers hit the jackpot when they cracked the network at the U.S. government's Office of Personnel Management and accessed Social Security numbers, dates of birth and other personal information on more than 4 million federal workers. A second OPM breach, announced in June, involved applicants for security clearances who had revealed intimate details about their lives. That incident brings the total number of people affected to about 22 million. // In January, health insurers Anthem and Premera Blue Cross



discovered that Social Security numbers, dates of birth and insurance ID numbers of tens of millions of customers might have been stolen. Not long after tax-filing season came to a close, the IRS announced that thieves had used stolen data to log in to IRS.gov and access more than 100,000 taxpayer accounts to generate bogus refunds.

All of those breaches came to light in just the first six months of 2015. In 2014, the Identity Theft Resource Center tallied a record-breaking 783 breaches that exposed more than 85 million records. Among them were debit and credit card numbers of customers of Home Depot, Neiman Marcus and Dairy Queen, as well as the names, mailing addresses, e-mail addresses and phone numbers of JPMorgan Chase clients. All told, 76 million households were affected.

To add insult to injury, you may not even know your data has been hacked. In most cases, the gap between a breach and the attacked organization's discovery of it is months or even years. Still more time passes before the victims are notified, as the company launches an investigation and braces for bad publicity.

Watch your back. The widespread potential for identity theft means that we'll have to remain vigilant—probably indefinitely. Along with death and taxes, breaches have become "the third certainty of life," says Adam Levin, chairman and cofounder of Identity Theft 911 and Credit.com. You can blame the tidal wave of data thefts on the Internet revolution and the transition from paper to digital records. Hacking into a server from a remote location is a snap.

As attacks become more sophisticated, even companies that attempt to stay on top of cybersecurity are being breached. Thieves can make off with valuable data they can use for their own benefit or post for sale on Internet black markets and evade consequences. "Technology creates opportunities for identity thieves," says Becky Frost, senior manager of consumer education for Experian's ProtectMyID monitoring service. "That doesn't mean they're giving up such things as Dumpster diving. They're just adding to their arsenal."

The perpetrators behind cyber theft range from everyday crooks trying to make a buck to foreign entities determined to spy on, bully or embarrass the government or companies in the U.S. Much theft involving credit and debit card data originates in Eastern Europe and Russia, where criminals target the U.S. because many of our payment transactions still involve outdated technology. Authorities have linked the OPM breach to China. U.S. officials attributed last year's hack on Sony, which exposed financial information and employee e-mails, to North Korea—an act motivated in part by Sony's film *The Interview,* a comedy whose plot revolved around an assassination attempt on North Korean leader Kim Jong-un.

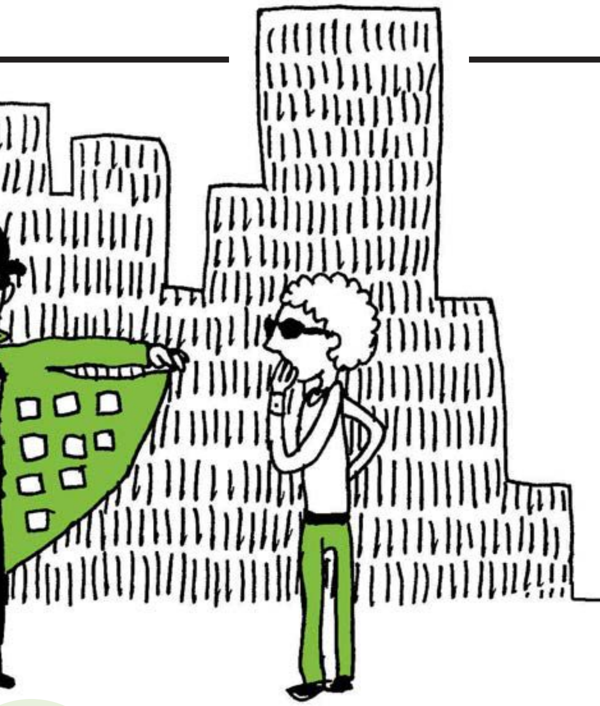
How to prevent cyber attacks. Staying ahead of increasingly sophisticated cyber attacks poses a challenge. According to a recent report from the Ponemon Institute, which researches privacy and security, the top reasons IT professionals gave for their companies' failure to prevent a breach were inadequate preventive security controls, insufficient funding and a lack of in-house expertise.

If laws more broadly restricted the collection and sharing of personal information—and imposed greater penalties on entities that lose such data—consumers' personal information would be less vulnerable, and organizations might be more motivated to improve security, says Darren Hayes, director of cybersecurity and assistant professor at Pace University. Sometimes victims are compensated through lawsuits. Target has agreed to pay a $10 million settlement to those who can provide evidence that they were affected by the 2013 breach of its customers' credit and debit card numbers and other information. Two federal employees unions have filed lawsuits against the OPM. One claims that the OPM violated employees' constitutional right to privacy. The other accuses the OPM of breaking a federal law when the agency failed to fix cybersecurity weaknesses, despite warnings from the Office of Inspector General.

Some wide-reaching protections are on the way. In response to an October deadline set by payment networks including MasterCard and Visa, banks are issuing debit and credit cards that carry a microchip for more-secure transactions, and merchants are updating their payment terminals to accept them. Those that haven't complied by October will face liability for fraud that could have been prevented by updating to the newer technology.

If your personal information has been exposed in a breach, you'll likely receive a notice from the organization that was hacked. (Most states already require breached companies to notify customers. Proposed federal legislation would require companies to alert consumers within 30 days.) Keep in mind that if your personal information is exposed in a breach, it doesn't necessarily mean it has been fraudulently used, or that it will be. But as the threats expand and cyber crooks find new ways to thwart new defenses, you have a big role to play.

In this guide to combating identity theft, we tell you how to prevent and address the major types. We also include a "scare factor" for each, rated on a scale of one star (mostly an annoyance) to four stars (a full-on threat to your finances). This rating indicates how much damage each form of ID theft could inflict and how difficult it is to remedy.



STOLEN SOCIAL SECURITY NUMBER

The problem: Your Social Security number falls into the wrong hands.

Scare factor: ★★★★

A Social Security number is the Holy Grail of ID theft. Your SSN, along with other tidbits of personal information, such as your name, birth date and mailing address, allows an ID thief to open credit card and bank accounts and take out loans (or access your current ones), apply for government benefits, file a tax return, get medical care, and get a job in your name. Unlike a bank account or credit card number, a Social Security number is permanent; it's not easy to get a new one. That means once it's exposed, you'll have to be on alert for life.

How to avoid it: Be wary of giving out your SSN. You'll have to hand it over to open a new credit account and to obtain government benefits. Your employer requires it for tax purposes. Medical offices may ask for your SSN, but they don't necessarily need it, especially if they have your health insurance information or if you've already provided them your SSN in the past. When in doubt, ask why the SSN is necessary or leave the space for it blank. Some companies want the number so they can track you down in case you fail to pay bills. An alternative identifier—say, your phone number—may suffice.

Shred unneeded documents that include your SSN (as well as other sensitive information, such as bank account and insurance numbers). Store your Social Security card in a safe place at home or in a safe-deposit box; don't carry it in your wallet.

Beware of scammers who pose as government agencies, banks or other entities and request your SSN or other personal information. They may have information about you that makes them sound like the real deal, and some fraudsters can even make caller identification flash a name that looks legitimate. If you're not sure whether a call or message is authentic, look up the phone number for the agency or business and ask whether it contacted you.

Watch not only for bills from creditors or other services you never used but also for an absence of bills or statements that you normally receive. Thieves may change your address with the U.S. Postal Service, says Experian's Frost.

What to do if you're a victim: If you discover that someone has opened accounts or acquired services with your Social Security

Defend Your Credit

Staying on top of your credit reports is a crucial step in spotting identity theft. At www.annualcreditreport.com, you can get a free credit report from each of the major credit agencies—Equifax, Experian and TransUnion—once per year. (Some states allow for an additional free report each year.) When you review the reports, look for red flags: credit card, bank or loan accounts that you never opened; an account in collection that isn't yours; or a home address where you never lived. (See "Take Charge of Your Credit," June.)

You can add a layer of protection by placing a *fraud alert* on your reports. An initial fraud alert, which requires businesses to take extra steps to verify your identity before granting credit, is free and lasts 90 days (you can renew it when it expires). When you set up a fraud alert with one credit agency, it will notify the other two. If you've been a victim of identity theft, you can get an extended fraud alert, which lasts seven years.

A *credit freeze* steps up security by blocking new creditors from accessing your credit report. You'll have to contact each bureau to freeze your reports, and you may have to pay a fee (typically $5 to $10) to initiate a freeze and to lift it. If you don't take out new credit very often and are concerned about becoming a victim of ID theft (or if you've already been a victim), a credit freeze can offer peace of mind without major hassle.

Monitor your credit. For broad assistance in spotting identity theft and cleaning up in its aftermath, consider using an identity theft protection service. Credit monitoring is typically included in identity theft protection services and can alert you to changes in your reports, such as inquiries from lenders or a new address. Check with your bank or credit union, insurers, and employer to see whether they provide complimentary or low-cost services. Many organizations that have been breached offer free identity theft monitoring for one to two years.

The free tools at Credit Karma and Credit Sesame will track your TransUnion and Experian reports, respectively, and send you notifications. But paying for a service may be worthwhile. Some services perform tasks that are more difficult for consumers, such as scanning Internet black markets for your data. For example, Identity Guard's Total Protection plan ($20 a month) includes monitoring of reports from all three credit bureaus, black market scanning and more.

number, notify the account or benefits managers. Check your credit reports, and place a fraud alert or credit freeze with the major credit bureaus. (For more on managing your credit, see the box on page 35.) If you're a victim of ID theft, the credit bureaus must block fraudulent information from your reports, and the businesses involved can't ask you to pay any debts. File an identity theft police report, and send a copy of it to the credit bureaus along with any correspondence you have with the bureaus, the government and businesses. It's also helpful to include the Federal Trade Commission's identity theft affidavit (find it at www.consumer.ftc.gov/articles/pdf-0094-identity-theft-affidavit.pdf).

If your Social Security number is continually or aggressively abused, you may be able to get a new one. But qualifying to change your SSN is not easy, and the results are fraught with complications. For example, with a new SSN, you may not benefit from the credit history you built with the previous one, and you may have trouble getting health insurance or a mortgage or other loan, or renting an apartment.

MEDICAL ID THEFT

The problem: A crook uses health insurance information to get medical care and prescription drugs in your name.
Scare factor: ★★★★

Medical ID theft is hazardous not only to your finances—in the form of big bills and depleted insurance benefits—but also to your health. Mixed information in your medical files could be deadly if, say, you're allergic to penicillin and someone who is using your identity tells a doctor that she isn't.

But rather than commit medical identity theft, thieves are more likely using the data compromised through recent health care breaches for more lucrative types of identity theft, such as filing fraudulent tax returns, says Eva Velasquez, president and CEO of the Identity Theft Resource Center.

How to avoid it: Review all notices from doctors and your health insurer, including each explanation of benefits, to confirm that the treatments and services listed are ones you or your family members received. Also watch for bills for medical services you never used and for letters or calls from collection agencies attempting to reclaim debts a thief racked up in your name. If a health care provider mentions anything that seems amiss—say, a surgery you never had or an incorrect birth date—don't brush it off as an innocent mistake.

What to do if you're a victim: Medical identity theft can be complex and costly to clean up, with 65% of victims paying an average of $13,500 out of pocket in fraudulent bills and other expenses, according to the Ponemon Institute. It's a time-suck, too: Victims who managed to resolve their problem spent an average of 200 hours working on it. If you think you've been hit, ask each of your medical providers (as well as those you suspect the thief used) for a copy of your records. Legally, they must provide the records, but you may have to pay a fee. Also request an "accounting of disclosures" that lists anyone to whom the provider has sent copies of your records.

Write letters to the medical services, with copies of the records in error, to ask for corrections. Notify your health insurance company, and dispute any claims that aren't yours. Insurers aren't required to cover fraudulent claims, but many won't make you pay, says Ann Patterson, senior vice president of the Medical Identity Fraud Alliance. If a medical account in debt collection appears on your credit report, notify each bureau reporting it, and write a letter to the billing department of the medical provider as well as to the debt collector. File a police report, and send it as part of your correspondence.

TAX IDENTITY FRAUD

The problem: A scammer files a tax return in your name and intercepts your refund.
Scare factor: ★★★

Tax ID fraud is remarkably easy if a crook has your Social Security number. Although the IRS verifies wage information submitted on a tax return with the Form W-2 that your employer files with the Social Security Administration, it doesn't begin the process until the July following tax-filing season. In the meantime, a crook can falsify income information on a return and make off with a refund. Other scams involving the IRS include phishing, in which fraudsters send e-mails that appear to be from the IRS asking for money or personal information. Or someone may call posing as an IRS agent, threatening arrest or other actions.

How to avoid it: If you try to file your tax return and the IRS notifies you that it has already received a return with your Social Security number, someone has most likely used your information to get a refund. Or you may receive a letter from the IRS questioning income amounts or other factors on a fraudulently filed tax return. File your return as early as possible. The IRS initiates communication with taxpayers through snail mail, so don't reply to unsolicited e-mails that appear to be from the IRS or click on links or attachments (forward such suspect e-mails to phishing@irs.gov). If you receive a suspicious phone call, hang up, then call 800-366-4484 to report it.

What to do if you're a victim: If the IRS notifies you that someone has filed a return in your name, respond right away. Mail Form 14039, the Identity Theft Affidavit, to the IRS with proof of your identity, such as a copy of your Social Security card or driver's license. You may have to mail a paper copy of your tax return, too. Once the IRS settles your case, you should get a refund if you're owed one.

To thwart further fraud, the agency may invite you to use a six-digit Identity Protection Personal Identification Number (IP PIN) when you file electronic or paper returns in the future. Because your Social Security number is in the wrong hands, you should also take steps to protect against other forms of identity theft.

The most frustrating part may be the long wait. The IRS says the typical identity theft case takes about 120 days to resolve. But the Taxpayer Advocate Service, an independent watchdog within the IRS, points out that the estimated time frame accounts only for how long one segment of the IRS works on the case and doesn't necessarily reflect the time taken "from the perspective of the taxpayer."

Safeguard Your Online Accounts

Your e-mail inbox and social media pages can be rich sources of data for thieves. For example, a crook who hacks your e-mail account could go to the Web site of, say, your bank, enter your e-mail address as your user name and click on a link to request a new password. Then he could go into your e-mail, open the message containing the new password and use it to log in to the bank site.

Don't send or receive sensitive information by e-mail (it's better to do that over the phone or in person), and use a strong password for the account. (For more on managing passwords, see "Money Made Simple," on page 26.) A crook doesn't have to break in to your Facebook account to glean information. Don't share your address, full date of birth or phone number, and adjust the privacy settings so that only your connections can see your profile.

LOST OR STOLEN ELECTRONICS

The problem: Your personal computer, smartphone or other device is lost or stolen, putting a treasure trove of information about you at risk.

Scare factor: ★★½

A thief who steals your device may be able to access your e-mail (see the box on page 37), view sensitive documents or use your banking or mobile wallet app to get account numbers and rack up charges. Malware that you accidentally download could spy on your transactions, record keystrokes and grab data. When you use public Wi-Fi, other users on the network could snoop on your online activities.

How to avoid it: Always lock your devices with a fingerprint sensor, a password or a PIN—one with six or more characters, if possible. Password-protect banking, wallet and other sensitive apps, too. When you get notifications to download updates for your operating system, antivirus software and other programs, do it right away because they may patch security flaws. But never click on a link or attachment in a text message or e-mail from an unfamiliar source (or from what appears to be a familiar source, if anything about the message looks fishy) because it could infect your device with malware.

Use trusted Wi-Fi networks, preferably ones that are password-protected. Although encrypted Web sites (those that begin with "https") add protection by making your activities unreadable by hackers, it's better to be safe than sorry; avoid online banking and other sensitive transactions when using public Wi-Fi, especially through mobile apps that don't clearly disclose whether they're encrypted. If you travel a lot, consider using a personal Virtual Private Network (VPN), which funnels Web activity through a secure network, says Gary Miliefsky, CEO of cybersecurity firm SnoopWall. Private Internet Access, for example, charges $6.95 a month.

Before you download a mobile app, read reviews, check its privacy policy and permissions, and visit its Web site to see whether it looks legitimate. If an app requires, say, access to your phone's camera or GPS for no apparent reason, take a pass on it. Be especially cautious with apps from the Google Play store because anyone can place an app on that market. Apple screens apps more rigorously.

What to do if you're a victim: With remote tracking and wiping capability, you can find a stolen or lost device's location and erase its contents. Users of Apple's computers, tablets and phones can set up the option through iCloud and with the Find My iPhone app. Android owners can use Google's Android Device Manager app.

If your smartphone's performance is unusually slow or if the device gobbles data service or battery power rapidly without clear cause, it may be infected with malware. Your wireless carrier's phone store may help you clean up the problem and reset the phone free of charge. Services such as Best Buy's Geek Squad can help with virus removal, too.

HACKED CREDIT OR DEBIT ACCOUNT

The problem: A criminal who gets your credit or debit card number can rack up big charges.
Scare factor: ★★

If your credit card number is used fraudulently, you will have to get a new card with a new number, but at least the criminals aren't spending your money. Legally, you're responsible for no more than $50 in liability for credit card fraud, but all of the major payment networks (American Express, Discover, MasterCard and Visa) promise zero liability.

Armed with your debit card or bank account information, however, a thief could drain your checking account. Theft of debit card data at ATMs, which often involves criminals attaching devices to the machines to "skim" card data, has reached the highest level in 20 years, says FICO, developer of the most commonly used credit score among lenders. As the U.S. payment system transitions to microchip technology, crooks will have a harder time intercepting usable data from payment transactions because the information in chip transactions is repeatedly re-encrypted. As a result, fraud will likely shift to an easier target: use of card numbers to make fraudulent purchases online.

How to avoid it: Arrange with your credit card issuers and bank to receive e-mail or text-message alerts when there are transactions higher than a certain amount—say, $100—or your account balances reach a certain minimum amount. Check your accounts at least weekly to look for suspicious transactions. Watch especially for amounts of $10 or less; crooks often test the authenticity of card numbers by first making small purchases. When you swipe your debit or credit card at an ATM or gas pump, look for an attachment to the card reader, and shield your hand as you enter the PIN in case there's a hidden camera. Use a bank ATM whenever possible, says Levin.

What to do if you're a victim: Call your card issuer or bank as soon as you see suspicious activity on your account. With your bank account, as long as you give prompt notification, you likely won't be responsible for covering the charges, but you may have to wait until the bank processes your claim to get a refund. By law, your debit card liability could be unlimited if you wait more than 60 days from the date of the fraudulent activity to report it. But many banks have policies to protect debit card customers. ■

Protect *Your Kids and Parents*

If you're a member of the so-called sandwich generation, you may find yourself pulling triple duty: keeping your own identity safe as well as those of your children and aging parents.

Kids are attractive targets for thieves because they typically aren't using credit. It may be years before anyone notices that a child's identity has been snatched—perhaps after a loan application is rejected because a thief torpedoed her credit. Watch for unusual mail in your child's name, such as preapproved credit offers, notices from debt collectors or explanations of benefits from a health insurer that's not yours.

If you're concerned that someone is using your child's identity, check whether your kid has a credit report with the three major credit agencies. (With TransUnion, you fill out a form online; Equifax and Experian require you to mail them a request and proof of identification.) If a report exists and contains suspicious activity, take steps similar to those you would if your own identity were stolen. Tell your kids never to give out their personal information online. Federal law restricts the online collection of personal information from children younger than 13 without a parent's consent. Facebook requires users to be 13 or older, but an underage child can create an account by lying about her age.

Seniors often stop using loans or credit cards and may miss the warning signs of identity theft. In those cases, placing a protective credit freeze can prevent identity theft without much disruption. Lock away files containing sensitive information, especially if a caretaker visits a parent at home. Talk with your parents about being on guard for phone calls from scammers prying for personal information, and advise them not to reply to or click on links in e-mails from unfamiliar sources.

One piece of good news: Medicare is planning to issue new identification cards without Social Security numbers displayed on them.

KIMBERLY LANKFORD > Ask Kim

Move IRA Cash to an HSA

I WANT TO ROLL OVER MONEY FROM an IRA to a health savings account to pay medical bills. What are the rules?

E.L., WICHITA, KAN.

You may transfer money from your IRA to an HSA once in your lifetime at any age—you don't have to be 59½ or older. Rolling over money from an IRA to an HSA is a quick way to boost your balance. You can then use it tax-free for medical expenses. The amount you can transfer is limited to the maximum HSA contribution for the year (minus any contributions you've already made that year). The annual maximum HSA contribution for 2015 is $3,350 if you have individual health coverage or $6,650 for family coverage, plus $1,000 if you're 55 or older. To qualify to make the transfer, you must have an HSA-eligible health insurance policy with a deductible of at least $1,300 for individual coverage or $2,600 for family coverage.

Contact your IRA and your HSA administrators to make a direct transfer. You may make the transfer from either a Roth or a traditional IRA, but it's better to use money from a traditional IRA, which would otherwise be taxable when withdrawn. You can already access Roth contributions tax- and penalty-free.

Tax on a variable annuity. *I'm 64 years old and have a variable annuity. If I annuitize the balance to create a lifetime income stream for myself, will that be taxed differently than if I just take withdrawals when I need them?*

G.C., ASHEVILLE, N.C.

Yes. If you convert a variable annuity into an income stream (called *annuitizing*), a portion of each payout is considered a tax-free return of principal and a portion is taxable earnings. The principal is returned in equal tax-free installments over the payout period. For a single-life annuity, the payout period is the IRS's life expectancy for someone your age. Divide your contributions by that number to see how much of each payout is tax-free. (Your annuity administrator can help with the calculations.)

If you withdraw money from the annuity as needed, then all of the earnings are taxable first, and payouts after that are treated as tax-free return of principal.

If the annuity is in a traditional IRA, 401(k) or other retirement account and all of your contributions were pretax or tax-deductible, then the payouts are all taxed as ordinary income, no matter how you take the money. If it's in a Roth, all the withdrawals are tax-free after age 59½ if you've had the account for at least five years.

Donating a time-share. *I want to get rid of my time-share. Can I donate it to charity and get a tax deduction?*

R.C., OGDEN, UTAH

Yes, if you can find a charity that is willing to take it. But you have to be careful. In some cases, a middleman will offer to find a charity for you for a stiff up-front fee, perhaps $5,000, and then either take months to close the deal or pocket the fee and walk away altogether.

You're better off finding a charity that will accept the time-share directly, says Bennett Weiner, of the Better Business Bureau's Wise Giving Alliance. You may have to pay a few hundred dollars in transfer fees, but avoid anyone, including a charity, charging thousands of dollars in up-front fees. Start by going to www.give.org, www.charitywatch.org or www.guidestar.org, then contact a few charities. You'll need an appraisal for a deduction of more than $5,000. You can only deduct the fair market value of the time-share; beware of groups offering inflated appraisals. Also make sure the title is transferred to the charity. ■

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

"Rolling over an IRA to a health savings account is a quick way to boost your balance. You can then use it tax-free for medical expenses."

LISE METZGER


Married couple, daydreaming about what they'd do if they won the lottery.
OR
Successful attorney and his wife, enjoying the rewards of their hard work.

MONEY MANNERS

Do you really need to tip the barista? BY MIRIAM CROSS

TIPPING A RESTAURANT SERVER OR cabbie goes without saying. But when it comes to a barista or Uber driver, the expectations are not so clear. Here's how to navigate new tipping practices.

When I swipe my card to pay for my latte, the payment screen prompts me for a tip. Am I obligated to give one? Once, cafés and carry-out joints simply left a tip jar next to the cash register. Now your receipt may include a line for gratuities—or a digital payment screen may have preset tip options for your order. Manually entering your own tip amount takes time. Hitting "no tip" in front of the cashier makes you look cheap.

Nevertheless, gratuities are not necessary in venues without sit-down service (including those where you pay up front and someone brings you your food), says Daniel Post Senning, spokesman for the Emily Post Institute, so don't feel guilty about pressing "no" or drawing a line through the extra space on your receipt. When the counter staff go out of their way to accommodate your requests, however, tipping is a way to show thanks.

Do I tip my Uber driver as I would a regular taxi driver? Tipping on Uber rides is a murky issue. Contrary to some assumptions, a tip isn't factored into your fare (the only exception is uberTaxi). However, the company states on its Web site that you don't need to tip. And because the fare is automatically charged to the credit card you have on file, you can't add a tip via the Uber app. (Uber's competitor, Lyft, does allow riders to tip through its app.)

So are you off the hook with Uber drivers? Yes and no. "Tipping is not a rock-solid social expectation, as in a restaurant," says Post Senning. At the same time, drivers are free to accept gratuities. (It's another misconception that Uber doesn't permit them to.) If you have cash and want to show your appreciation to the driver for, say, efficiently navigating a complicated route, offer the same 15% to 20% you'd pay for a regular cab ride.

Whether or not you tip, be sure to reward a good driver by leaving a positive rating and feedback after you get dropped off, says Thomas P. Farley, of What Manners Most, an etiquette consultancy.

A restaurant added an automatic 18% service charge to my group's check, but the service was terrible. Should we have paid it? More restaurants are charging a mandatory service fee. If you experienced very poor service, speak with the manager and see what remedy he or she suggests or, if you feel a smaller gratuity is appropriate, determine an amount you think is fair and ask the manager to redo the bill. However abysmal the service, though, don't stiff your waiter, because you never know what behind-the-scenes factors affected how you were treated. ■

Inside Scoop
DINING OUT

WE ALL LOVE TO EAT AT RESTAURANTS with great service and delectable food. But how do you indulge without running up an outrageous tab? This former waiter talked to restaurant owners and industry insiders to find ways to save money.

Know the margins. Alcohol is notorious for high markups, but fountain sodas are also items for which diners often overpay. "We charge $2.50 for a 20-ounce soda," one owner says. "Even with a free refill, that costs us maybe 20 cents to deliver." Other profit leaders include pasta, salad, and egg dishes. The best values in entrees: seafood and steak.

Sit at the bar. Most restaurant-industry people do that when they eat out. The bartender likely won't try to peddle all the peripheral items, such as sparkling water, appetizers and desserts, that servers push to pad a check. Plus, you may be more comfortable ordering, say, a smattering of appetizers instead of an entrée.

Ask about corkage. Many restaurants will let you bring your own bottle of wine for a fee (typically from $10 at a casual eatery to $50 or more at a high-class restaurant), and some places will uncork your first bottle free. If you drink a Lafite-Rothschild or even a Caymus cabernet, you'll come out ahead. Note that it's bad form to bring a bottle that the restaurant already has on its list. And don't carry in a bottle of bottom-shelf wine or, heaven forbid, a jug. **RYAN ERMEY**

PATRICK GEORGE

TOP-YIELDING MONEY MARKET ACCOUNTS

Taxable Funds	30-day yield as of June 30	Min. investment	Web site (www.)
Davis Govt. MMF A (RPGXX)*	0.13%	$1,000	davisfunds.com
Meeder Money Market Retail (FFMXX)*	0.06	2,500	meederfinancial.com
Delaware Cash Reserves A (DCRXX)*	0.04	1,000	delawareinvestments.com
HSBC Prime MMF A (REAXX)*	0.04	1,000	us.hsbc.com
NATIONAL AVERAGE	**0.02%**		

Tax-Free Funds	30-day yield as of June 29	Tax. eq. yield 25%/39.6% bracket	Min. investment	Web site (www.)
PNC Tax-Ex MMF A (PXAXX)*	0.02%	0.03%/0.03%	$1,000	pncfunds.com
American Cent T-F Inv (BNTXX)*‡	0.01	0.01/0.02	2,500	americancentury.com
BMO Tax-Free MMF Y (MTFXX)*‡	0.01	0.01/0.02	1,000	bmo.com
CAT/Deutsche T-E Mny (DTDXX)*‡	0.01	0.01/0.02	1,000	deutscheawm.com
NATIONAL AVERAGE	**0.01%**	**0.01%/0.02%**		

Deposit Accounts#	Annual yield as of July 8	Min. deposit	Web site (www.)
My Savings Direct (N.Y.)†	1.25%	$1	mysavingsdirect.com
Palladian PrivateBank (Ill.)†	1.10	10,000	palladianprivatebank.com
iGOBanking.com (N.Y.)†	1.10	25,000	igobanking.com
GE Capital Bank (Ill.)†&	1.05	none	gecapitalbank.com
NATIONAL AVERAGE	**0.09%**		

*Fund is waiving all or a portion of its expenses. ‡Various fund companies offer similar yields. #Deposit accounts include money market deposit accounts and high-yield savings accounts. †Internet only. &Synchrony Bank offers a similar yield. SOURCE: Money Fund Report, iMoneyNet, One Research Drive, Westborough, MA 01581 (508-616-6600; www.imoneynet.com).

TOP-YIELDING CERTIFICATES OF DEPOSIT

1-Year	Annual yield as of July 8	Min. amount	Web site (www.)
CIT Bank (N.J.)†	1.25%	$25,000	bankoncit.com
Synchrony Bank (N.J.)†	1.25	2,000	synchronybank.com
Sallie Mae Bank (Pa.)†	1.25	2,500	salliemae.com
Nordstrom Bank (Ariz.)†	1.23	1,000	nordstrombanking.com
NATIONAL AVERAGE	**0.27%**		

5-Year	Annual yield as of July 8	Min. amount	Web site (www.)
Everbank (Fla.)†	2.27%	$1,500	everbank.com
Capital One 360 Bank (Va.)†	2.25	1,000	capitalone360.com
Synchrony Bank (N.J.)†	2.25	25,000	synchronybank.com
Barclays Bank (Del.)†	2.20	none	banking.barclaysus.com
NATIONAL AVERAGE	**0.87%**		

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

LOW-RATE CREDIT CARDS

Issuer	Rate as of July 2*	Annual fee	Late fee	Web site (www.)
First Command Bank (P)	6.25%	none	$25†	firstcommandbank.com
Lake Michigan Credit Union (P)	6.25	none#	25†	lmcu.org
Citizens Trust Bank Visa (G)	7.25	none	25†	ctbconnect.com

AIR-MILES CARDS

Issuer	Rate as of July 8*	Annual fee	Miles needed for ticket	Web site (www.)
Discover It Miles	10.99%	none	40,000‡	discover.com
Barclaycard Arrival Plus	15.99	$89§	40,000‡	barclaycardarrival.com
Chase Sapphire Preferred	15.99	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. SOURCE: Bankrate.com. Banks may offer lower introductory rates.

BANKING»

Hold Off on Buying Savings Bonds

WITH INTEREST RATES scraping bottom, it's tough to make a case for buying savings bonds now. New I-bonds are yielding zilch, combining a fixed rate of 0%, which lasts the life of the bond, with an inflation rate, reset semiannually, that has dipped to −0.8% (the Treasury doesn't allow the combined rate to drop below zero). Series EE bonds pay a fixed 0.3%. You can't redeem either type of bond within a year of the purchase date, and if you pull out the money before five years have passed, you'll be penalized the last three months' interest.

If, however, you're determined to put money into a savings bond—say, because you want to give one as a gift—go with an EE bond, advises Jackie Brahney, marketing director of SavingsBonds.com. The Treasury will adjust the bond's value to double the original issue price after 20 years if interest payments have not raised the bond's value to that level. That's a minimum return of 3.5%.

Because the fixed-rate component on new I-bonds is so anemic (the Treasury hasn't issued one with a fixed rate of 1% or more since 2007), the bonds offer little opportunity for growth in your money's buying power, says Greg McBride, chief financial analyst for Bankrate.com. If you own an I-bond, you don't have to worry about a loss of principal because the combined rate never falls below 0%. But the combined rate can fall below the fixed rate. A bond that was purchased in May 2001, for example, has a fixed rate of 3%; accounting for the −0.8% inflation rate, the current combined rate is only 1.38%.

For now, most savers who want a safe place to park cash are better off using a high-yielding savings account or certificate of deposit. **LISA GERSTNER**

Kiplinger.com

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*	0.30%	0.30%	0.50%
U.S. Series I savings bonds	0.00	0.00	1.84
Six-month Treasury bills	0.08	0.08	0.06
Five-year Treasury notes	1.52	1.75	1.74
Ten-year Treasury notes	2.21	2.41	2.63

As of July 7, 2015. *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.

Saving People Money Since 1936

... that's before the sound barrier was broken.

GEICO has been serving up great car insurance and fantastic customer service for more than 75 years. Get a quote and see how much you could save today.

geico.com | 1-800-947-AUTO | local office

GEICO®

ANNUAL **MUTUAL FUNDS** ISSUE

Introducing the

Kiplinger ETF 20

OUR PICKS COVER ALL OF THE BASIC ASSET GROUPS. WE ALSO INCLUDE FUNDS THAT ADD SPICE TO YOUR PORTFOLIO.

BY NELLIE S. HUANG

ILLUSTRATION BY BEADY EYES ILLUSTRATION

CHOOSING A GOOD EXCHANGE-TRADED fund is a little like shopping for blue paint at a home-improvement store: The choices are dizzying. Search for an ETF with "S&P 500" in its name, for example, and you'll find 65 funds. But only three track Standard & Poor's famous large-company stock index in the traditional way. That is, they hold shares in all 500 firms in proportion to their market capitalization. // ETFs hold baskets of securities like mutual funds, but they trade like stocks. The vast majority track an index. Some benchmarks are well known, some are obscure, and some were created solely to launch an ETF. The first ETF, SPDR S&P 500 (symbol SPY), opened in 1993. Today, 1,740 ETFs, with assets of $2.1 trillion, trade in the U.S. // But as the roster of choices has expanded, the decision-making process has become increasingly complex. Not only is there an ETF for every corner of every market, you now have to consider whether you want a passively managed ETF, an actively managed one, or one that falls somewhere in between. The last group includes a category called "smart-beta ETFs"—funds that use quantitative strategies to beat traditional indexes.

Enter the Kiplinger ETF 20, the list of our favorite ETFs. To find our winners, we analyzed dozens of funds. After deciding which index or swath of the market to track, we zeroed in on fees; the lower a fund's expense ratio, the better. But that was just a start in the quest for low costs. We also sought funds with certain traits, such as above-average trading volume and minimal "bid" and "asked" spreads, that help hold down the costs of buying and selling ETFs (beyond standard brokerage commissions). We also kept an eye on "tracking error," the amount by which an ETF fails to match its index.

The 20 finalists are not meant to represent a complete portfolio. Rather, you should decide what you need, then use our picks to assemble a portfolio that is right for you. Or visit kiplinger.com/links/ETFportfolios to see model portfolios built with the Kip ETF 20. Funds are listed alphabetically within categories. Returns and yields are as of June 30.

By the Numbers

OUR BLUE-RIBBON LINEUP OF ETFs

Our stock and bond ETFs are in two groups: funds that can serve as the core of a portfolio and those that look timely. Use the opportunistic ETFs to beat the broad indexes.

Fund	Symbol	Recent price	Annualized total returns 1 yr.	3 yrs.	5 yrs.	Yield	Expense ratio
CORE STOCK MARKET FUNDS							
iShares Core S&P 500	IVV	$207	7.3%	17.2%	17.3%	1.9%	0.07%
iShares Core S&P Mid-Cap	IJH	150	6.3	18.5	17.7	1.3	0.13
iShares Core S&P Small-Cap	IJR	118	6.6	18.8	18.4	1.2	0.13
Vanguard FTSE Developed Markets	VEA	40	–4.2	11.9	9.9	NA	0.09
Vanguard FTSE Emerging Markets	VWO	41	–2.8	3.8	4.2	NA	0.15
Vanguard Total International Stock	VXUS	50	–4.8	9.8	—	NA	0.14
Vanguard Total Stock Market	VTI	107	7.2	17.7	17.6	1.9	0.05
DIVIDEND STOCK FUNDS							
iShares US Preferred Stock	PFF	$39	4.3%	6.6%	7.8%	5.5%	0.47%
Schwab US Dividend Equity	SCHD	38	2.9	14.5	—	2.9	0.07
Vanguard High Dividend Yield	VYM	67	4.6	15.3	17.3	3.3	0.10
WisdomTree Intl LargeCap Dividend	DOL	48	–7.6	10.2	9.2	2.9	0.49
CORE BOND FUND							
iShares iBonds Mar 2020 Corporate	IBDC	$104	1.2%	—	—	2.3%	0.10%
OPPORTUNISTIC STOCK FUNDS							
Financial Select Sector SPDR	XLF	$24	9.1%	20.6%	13.9%	1.7%	0.15%
Guggenheim S&P 500 Eq Weight Health	RYH	160	29.7	29.8	25.4	NA	0.40
Vanguard Information Technology	VGT	106	11.0	16.9	17.6	1.4	0.12
WisdomTree Europe Hedged Equity	HEDJ	61	11.8	17.3	11.6	1.9	0.59
OPPORTUNISTIC BOND FUNDS							
iShares J.P. Morgan USD Emrg Mkts Bond	EMB	$109	–0.5%	3.0%	5.9%	5.2%	0.40%
Market Vectors Fallen Angel Hi Yld Bond	ANGL	27	2.6	8.9	—	4.9	0.40
Pimco Total Return Active	BOND	107	3.2	3.9	—	2.8	0.59
PowerShares Senior Loan Portfolio	BKLN	24	–0.6	3.5	—	4.2	0.65
INDEXES							
S&P 500-STOCK INDEX (large U.S. stocks)			**7.4%**	**17.3%**	**17.3%**	**2.1%**	
MSCI EAFE INDEX (foreign stocks)			**–3.8%**	**12.5%**	**10.0%**	**3.0%**	
BARCLAYS US AGGREGATE BOND INDEX			**1.9%**	**1.8%**	**3.3%**	**2.4%**	

Through June 30. NA Not available. —Fund not in existence for the entire period. SOURCE: © 2015 Morningstar Inc.

CORE STOCK MARKET FUNDS

ISHARES CORE S&P 500 (IVV, 0.07% EXPENSE RATIO). Standard & Poor's 500-stock index is synonymous with the U.S. market and is the benchmark against which most large-cap managers are judged. Unlike SPDR S&P 500 ETF, the iShares product lets shareholders reinvest dividends.

ISHARES CORE S&P MID-CAP (IJH, 0.13%) and **ISHARES CORE S&P SMALL-CAP (IJR, 0.13%).** These ETFs are the best pure plays on midsize- and small-company stocks, respectively, and they are cheap. The average market value of Mid-Cap's holdings is $4.8 billion; for Small-Cap's holdings, it's $1.5 billion.

VANGUARD FTSE DEVELOPED MARKETS (VEA, 0.09%). We chose a fund that tracks a FTSE foreign-market index over one that follows the better-known MSCI EAFE bogey. Both indexes perform similarly, despite the fact that the FTSE developed-market index includes South Korea and the EAFE benchmark does not (MSCI deems South Korea an emerging nation). But we prefer the Vanguard ETF over iShares Core MSCI EAFE (IEFA), the best fund for EAFE lovers, because VEA is bigger, with $28 billion in assets, and more widely traded. It also charges 0.03 percentage point per year less than the iShares ETF.

VANGUARD FTSE EMERGING MARKETS (VWO, 0.15%). This fund holds more than 1,000 stocks, mostly those of large companies, in 22 emerging countries. China (29% of assets), Taiwan (14%) and India (11%) are the top three. The index the fund tracks will incorporate China's A-shares market, which was recently opened to foreigners, later this year.

VANGUARD TOTAL INTERNATIONAL STOCK (VXUS, 0.14%). This ETF, which holds nearly 5,900 stocks, gives you the world outside the U.S. Investing in companies of all sizes, the fund has roughly 80% of its assets in developed markets and the rest in emerging countries.

VANGUARD TOTAL STOCK MARKET (VTI, 0.05%). With more than 3,800 stocks, this fund tracks the entire U.S. stock market, including large, midsize, small and micro-cap companies.

DIVIDEND STOCK FUNDS

ISHARES U.S. PREFERRED STOCK (PFF, 0.47%). Preferred securities are stock-bond hybrids that pay fat dividends and behave a lot like bonds. Because the prices of bonds and bond-like investments move in the opposite direction of interest rates, this ETF could be vulnerable to a rise in rates. But the fund's 5.5% yield might ease the pain.

SCHWAB U.S. DIVIDEND EQUITY (SCHD, 0.07%). This fund starts with U.S. companies that have paid dividends for at least 10 years in a row. The fund then considers such factors as dividend yield, dividend growth rate and return on equity to make the final cut. The fund, which yields 2.9%, recently held 104 stocks.

VANGUARD HIGH DIVIDEND YIELD (VYM, 0.10%). The index behind this fund ranks all dividend-paying U.S. stocks by yield, then lops off the smaller half of the list as measured by market value. This process recently left 435 stocks, which the index weights by market value. Current yield: 3.3%.

WISDOMTREE INTERNATIONAL LARGECAP DIVIDEND (DOL, 0.49%). WisdomTree, one of the leading providers of smart-beta ETFs, creates indexes for all of its funds. This fund tracks one that captures the 300 biggest developed-market companies by market value and ranks them by the amount of dividends each firm paid over the previous 12 months. Its dividend yield is 2.9%.

CORE BOND FUND

ISHARES IBONDS MAR 2020 CORPORATE (IBDC, 0.10%). Typically, we'd recommend a diversified, high-quality bond ETF as a core holding. But with interest rates likely to rise, we're steering clear of funds that hold particularly rate-sensitive debt. This iShares ETF holds intermediate-term corporate debt, which is less sensitive to rate hikes than Treasuries of comparable maturities. The twist is that the ETF holds no bonds that mature after March 31, 2020. The fund will close at that time and return remaining assets to shareholders. The current yield is 2.3%.

OPPORTUNISTIC STOCK FUNDS

FINANCIAL SELECT SECTOR SPDR (XLF, 0.15%). The recent rise in long-term interest rates and the possibility of more increases in the offing could benefit banks, which can charge more for loans, and insurers, which can earn more on their investments. This fund holds the 88 financial firms in the S&P 500, weighting them by market value.

GUGGENHEIM S&P 500 EQUAL WEIGHT HEALTH CARE (RYH, 0.40%). If you want the long-term growth of health care stocks but worry about a rough landing for high-flying biotech stocks, look no further. This fund takes the 55 health care stocks in the S&P 500 and weights them equally. Biotech stocks represent 15% of the fund's assets, compared with 38% in the typical health care ETF.

VANGUARD INFORMATION TECHNOLOGY (VGT, 0.12%). We like this fund because it's diverse: It holds almost 400 stocks in all tech sectors, including semiconductors, software and Internet companies.

WISDOMTREE EUROPE HEDGED EQUITY (HEDJ, 0.59%). Investors who want exposure to European stocks but worry about the euro declining in value against the dollar will find a haven in this fund, which hedges against currency swings. It holds more than 130 stocks in big multinational firms based in Western Europe.

OPPORTUNISTIC BOND FUNDS

ISHARES J.P. MORGAN USD EMERGING MARKETS BOND (EMB, 0.40%). This fund holds corporate and government debt issued in U.S. dollars in emerging-markets countries. It yields a juicy 5.2%.

MARKET VECTORS FALLEN ANGEL HIGH YIELD BOND (ANGL, 0.40%). This ETF delivers a 4.9% yield by investing in "fallen angel" debt—bonds that were once rated investment-grade (triple-B or better) but have since descended to junk status. (For more on this fund, see "Healthy Gains From Fallen Angels," July.)

PIMCO TOTAL RETURN ACTIVE (BOND, 0.59%). As its name suggests, this fund is an exchange-traded version of Pimco Total Return (PTTDX), the flagship of bond powerhouse Pimco. Investors pulled billions of dollars out of Pimco funds after cofounder Bill Gross departed last year, but we think the firm still has a lot of talent. Since Mark Kiesel, Scott Mather and Mihir Worah took over management of the ETF last September, it has outpaced the Barclays U.S. Aggregate Bond index by 0.7 percentage point. The fund yields 2.8%.

POWERSHARES SENIOR LOAN PORTFOLIO (BKLN, 0.65%). Rising rates hurt many bonds, but not the kind of bank loans this ETF buys. Interest rates on the floating-rate loans, which banks issue to companies with junk credit ratings, are tied to a short-term benchmark and reset every 30 to 90 days. The fund, which yields 4.2%, holds the 115 largest and most widely traded loans—a good buffer for the debt's above-average credit risk. ■

MUTUAL FUNDS»

Vanguard's Best 401(k) Funds

The average cost of the firm's most popular actively managed stock funds is just 0.38%. **BY NELLIE S. HUANG**

IF YOU HAVE 401(K) MONEY IN a Vanguard fund, you're in good company. Vanguard Group is America's biggest mutual fund company, with $3 trillion under management. When Vanguard was founded in 1975, some considered it quirky because of its focus on index funds and its unique structure: Fund shareholders own the firm. But today, Vanguard's affinity for indexing is in tune with the times. And indexing allows Vanguard to keep costs low because index funds don't have to pay big salaries to stock and bond pickers.

Not surprisingly, Vanguard is a colossus in employer-sponsored retirement accounts. In fact, it's the biggest player in 401(k) and 403(b) plans, according to *Pensions & Investments* magazine. A total of 32 of the firm's funds rank among the nation's 101 most popular funds in these plans. (To see the full list and performance figures, turn to page 53.)

But which of Vanguard's big retirement-plan funds are worthy investments? In this, the first in a four-part series, we analyze the most popular actively managed Vanguard funds in employer-sponsored plans. In coming months, we will feature the top retirement-plan offerings from Fidelity, T. Rowe Price and American Funds.

Of course, Vanguard's index funds are also widely held, with 14 among the top 101 funds. We're not analyzing the index funds in this article because when choosing one an investor must address three fairly objective issues: What index do you want to emulate? How well has the fund done in matching that index? How much does the fund charge? Assessing an actively managed fund is more subjective. (Neither are we examining Vanguard Inflation-Protected Securities, the one actively managed bond fund on the list.)

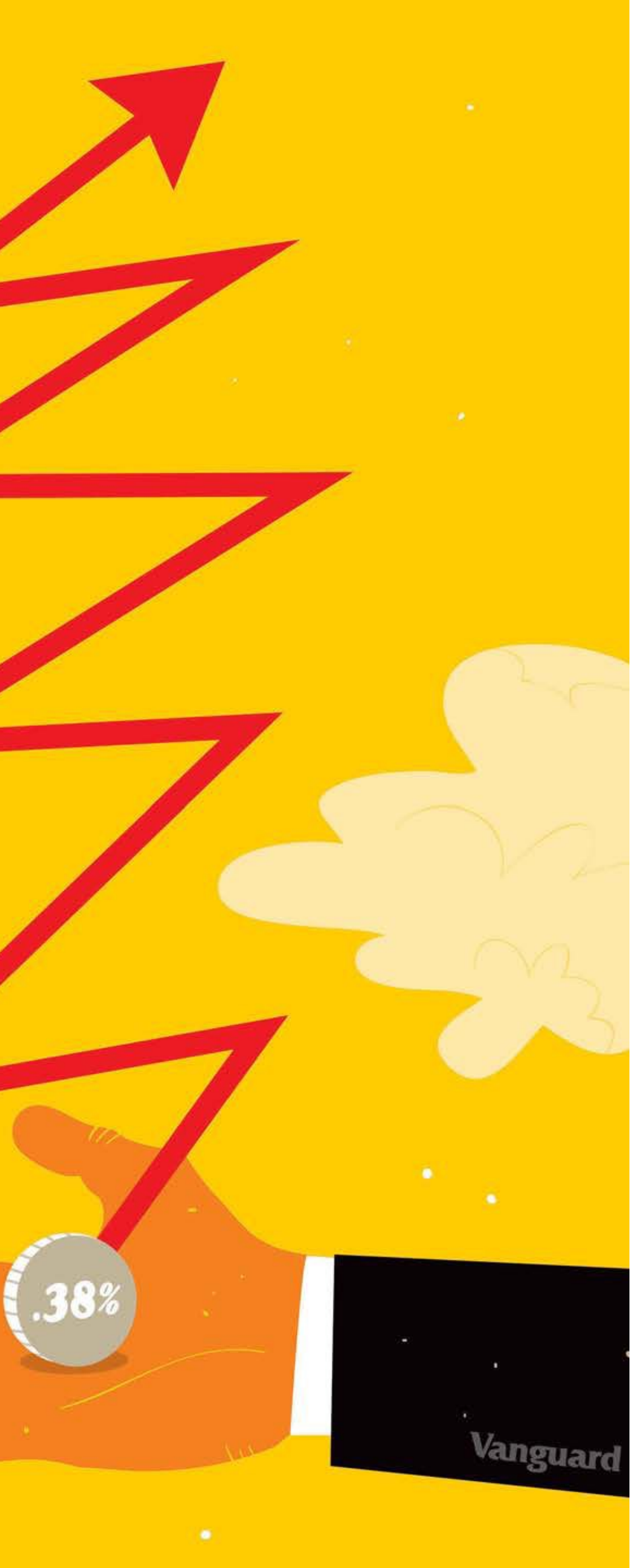
Also prominent on the list of Vanguard's most-popular 401(k) funds are its target-date funds, solid choices for investors who want a one-stop, no-fuss option. Vanguard says that 88% of the 401(k) and 403(b) plans it administers offer its Target Retirement funds as an investment option. We don't assess the nine target-date funds on the list, either, because they invest only in selected Vanguard index funds; in general, only the allocations vary, depending on the target year.

But Vanguard offers many actively managed funds, too, and eight of them appear in the top 101 funds. Like all Vanguard funds, these eight sport low expense ratios, especially for actively managed funds. We rated them, ranking each one "buy," "sell" or "hold." Where possible, we offer alternative ideas for those funds that we rate hold or sell.

The funds are listed in order of employer retirement-plan assets, starting with the biggest, based on data from BrightScope, a consulting firm that rates and ranks retirement plans. Symbols are for each fund's Investor share class; your 401(k) plan may offer cheaper share classes. Returns are through June 30.

VANGUARD WELLINGTON (SYMBOL VWELX) **BUY** If you're looking for a good balanced fund for your 401(k), you'll be hard-

ILLUSTRATION BY BEADY EYES ILLUSTRATION



pressed to find a better one than Wellington. The fund, which invests about 66% of its assets in stocks and 34% in bonds, is the oldest balanced fund in the country and Vanguard's oldest actively managed fund.

The fund is run by Wellington Management, which has a long relationship with Vanguard. John Keogh has run the fund's bond side since March 2006; Edward Bousa has handled the stocks since December 2002. Since their pairing, the fund has returned an annualized 7.5%, beating the typical "moderate allocation" fund (Morningstar's designation for its category) by an average of 2.5 percentage points per year.

Wellington has also stood up well against **VANGUARD BALANCED INDEX FUND (VBINX)**, another popular 401(k) choice. Wellington's 7.9% annualized return over the past 10 years topped Balanced Index by an average of 0.9 percentage point per year. Wellington is closed to new customers in a 401(k) plan, even for long-time plan members who don't already have money in the fund. If you own shares in the fund, it's a buy.

VANGUARD PRIMECAP (VPMCX)

BUY We're green with envy if your 401(k) plan includes this fund, which is run by Primecap Management (see "The Best Stock Pickers You've Never Seen," Jan. 2015), and you already have money in it. As is the case with Wellington, Primecap is closed to new investors, including those 401(k) plan participants who don't already own the fund.

Primecap's long-term record is superb. Over the past decade, it earned 10.5% annualized, an average of 2.6 percentage points per year better than Standard & Poor's 500-stock index.

Managers Theo Kolokotrones, Joel Fried, Alfred Mordecai and M. Mohsin Ansari invest in large, growing companies that trade at discounted prices. More than 60% of the fund's assets are invested in two sectors: technology and health care. At last report, two biotech stocks, Biogen and Amgen, and a traditional drug company, Eli Lilly, were the fund's top three holdings.

VANGUARD WINDSOR II (VWNFX)

SELL The knock on this fund begins with its motley crew of managers: 12 all told, from five money-management firms, including Vanguard's quantitative-analysis, or quant, team. Each firm runs a slice of the assets, and each one has a slightly different approach to picking undervalued large-company stocks, the fund's broad mission. The theory is that the mix of managers will offer investors a smoother, more rewarding ride than a fund entrusted to one manager or investment firm.

The outcome so far is mixed. Over the past decade, Windsor II has been less volatile than the average large-company value fund, and it returned an average of 0.4 percentage point more per year than the typical large value fund.

But **VANGUARD 500 INDEX**

(VFINX), which tracks the S&P 500 and is another popular 401(k) fund, edged Windsor II by 0.8 percentage point per year over the past decade. And 500 Index was slightly less volatile, too.

VANGUARD INTERNATIONAL GROWTH (VWIGX) HOLD At first glance, a string of manager changes is cause for concern. Three managers have come on board, separately, since 2009; one left in 2013 and another in 2014. And as is the case with several other actively run Vanguard funds, assets are split among several subadvisers—in this case, three investment shops. (We're not convinced that bringing more firms, more managers and more investing strategies to bear on a fund is a winning formula.)

Over the past few years, something about this group of managers has been working. Starting in 2009, International Growth has posted an annualized return of 12.1%, way ahead of the 9.3% annualized gain of **VANGUARD TOTAL INTERNATIONAL STOCK INDEX (VGTSX)**, the foreign-stock index fund alternative usually found in most 401(k) plans administered by Vanguard. We think it is worth holding if you already own it. Meanwhile, we're hoping that the game of manager musical chairs has ended, at least for now.

VANGUARD EXPLORER (VEXPX) HOLD Explorer, which invests in small and midsize firms, is not a disaster, but neither is it something to write home about. If you have access to **VANGUARD SMALL-CAP INDEX (NAESX)**, you may find it a better choice.

Explorer tilts toward growing firms that trade at reasonable prices. Managers from eight firms, including Vanguard's quant shop, run the fund. One pair of managers in particular has piqued our interest. Chad Meade and Brian Schaub got a slice of Explorer a year ago. Before that, they had a strong run at two Janus funds with similar strategies: Triton and Venture. But Meade and Schaub were entrusted with just 4% of Explorer's assets, so they're not likely to have a huge impact on its performance.

The multi-manager strategy is one way of dealing with Explorer's gargantuan, $13 billion asset base. Dividing Explorer's assets among numerous managers decreases the likelihood that the fund would buy or sell huge chunks of a single small-company stock over a brief period, pushing the share price in the wrong direction—down when the fund is selling, up when it's buying. But having too many cooks in the kitchen almost certainly guarantees bland performance.

VANGUARD WINDSOR (VWNDX) HOLD Don't confuse this fund with Windsor II. Though both invest in bargain-priced, large-company stocks, the funds have different managers. Wellington Management, this fund's sole adviser from its inception in 1958 until 1999, still controls about 70% of the assets. That portion has been led by Wellington's James Mordy since 2008. John Paul Goetz, Richard Pzena and Benjamin Silver, of Pzena Investment Management, run the rest (the firm was named a subadviser in 2012).

Windsor has been more volatile than the S&P 500, more volatile than Windsor II and more volatile than the typical large-company fund over the past five years. But it beat each of those bogies over that period, too. One explanation: Windsor devotes nearly one-third of its portfolio to shares of midsize companies (nearly double that of its typical peer). Those securities tend to be more volatile than their bigger brethren but offer more in the way of potential returns.

That makes Windsor a decent option for investors looking for a little more *oomph* than the typical large-company fund offers. More-conservative investors should opt for Vanguard 500 Index. Investors with tolerance for a bit more risk should consider **VANGUARD MID-CAP INDEX (VIMSX)**.

VANGUARD MORGAN GROWTH (VMRGX) HOLD This fund invests mostly in large, fast-growing firms that have competitive advantages, strong balance sheets and smart executives. Morgan's assets, like those of other actively managed Vanguard funds, have been carved up over the years among different firms. Today, five firms, including Vanguard's quant group, run the fund.

Morgan's long-term results are decent. It outpaced the majority of funds in its category (large-company growth funds) in six of the past 10 calendar years through 2014. And its 6% return in the first six months of 2015 put Morgan in the top 20% of its peer group. But over the past 10 years, it has slightly trailed **VANGUARD GROWTH INDEX (VIGRX)**, which also invests in large, fast-growing U.S. companies.

VANGUARD WELLESLEY INCOME (VWINX) HOLD Wellesley Income is essentially the mirror image of Wellington. Both funds are run from Wellington Management's Boston office. But while the Wellington fund generally has two-thirds of its assets in stocks and one-third in bonds, Wellesley keeps two-thirds in bonds and one-third in stocks.

Wellesley is 45 years old, so it has seen a few managers come and go. Wellington Management's Michael Reckmeyer now handles the stock side; John Keogh, the bond side. Since they teamed up in 2008, the fund has returned a sturdy 7.3% annualized, an average of 2.9 percentage points per year ahead of the typical "conservative allocation" fund (the category to which Morningstar assigns it). The fund offers low volatility, modest fees (0.25% annually) and a 2.5% yield.

But because of all those bonds in the portfolio, we suggest that you tread carefully. With interest rates so low, odds are that they will trend higher over the long term, and that will undermine Wellesley's performance because bond prices and interest rates move in opposite directions. ■

The 101 Biggest Funds in 401(k) Plans

Use the table below to assess how the funds in your retirement plan have performed. Begin by comparing their returns with an appropriate benchmark. For example, match the returns of a large-company U.S. stock fund, such as Fidelity Contrafund, with those of Standard & Poor's 500-stock index. One note: Although the table lists the Institutional share class for Vanguard Mid Cap Index, we cite the fund's Investor class in the article because it requires much less money to purchase.

Fund	Symbol	Annualized total return 1-yr.	3-yr.	5-yr.	10-yr.	Category
AllianzGI NFJ Small-Cap Value Instl*	PSVIX	−3.4%	13.9%	13.8%	9.0%	SmMid Co
American Balanced A	ABALX	4.2	12.2	12.9	7.0	Balanced
Capital World Growth & Income A	CWGIX	0.9	14.1	12.6	7.8	Foreign
EuroPacific Growth A	AEPGX	0.6	12.3	9.7	7.4	Large Co
Fundamental Investors A	ANCFX	6.5	17.1	15.9	8.8	Large Co
Growth Fund of America A	AGTHX	8.1	19.0	16.5	8.4	Large Co
New Perspective A	ANWPX	5.3	15.2	13.9	8.9	Foreign
Washington Mutual A	AWSHX	3.4	15.1	16.3	7.2	Large Co
American Beacon Lg Cap Value Instl	AADEX	3.8	18.0	16.4	7.4	Large Co
Small Cap Value Instl	AVFIX	3.0	18.4	16.7	8.2	SmMid Co
Artisan Mid Cap Inv*	ARTMX	9.0	17.9	19.3	11.2	SmMid Co
Mid Cap Value Inv*	ARTQX	−2.7	14.3	14.7	8.6	SmMid Co
BlackRock Equity Dividend B*	MBDVX	2.3	11.2	13.2	7.2	Large Co
Global Allocation B*	MBLOX	0.5	7.6	7.1	6.3	Foreign
Columbia Acorn Z	ACRNX	4.7	15.0	15.6	8.8	SmMid Co
Davis New York Venture A	NYVTX	4.7	16.0	14.0	6.4	Large Co
Dodge & Cox Balanced	DODBX	3.6	15.6	14.1	6.8	Balanced
International Stock*	DODFX	−3.6	15.4	11.2	7.0	Foreign
Stock Fund	DODGX	4.5	20.4	17.8	7.2	Large Co
Fidelity Balanced	FBALX	6.4	12.8	12.6	7.5	Balanced
Blue Chip Growth	FBGRX	13.2	21.8	20.2	10.0	Large Co
Contrafund	FCNTX	10.3	17.4	17.1	9.9	Large Co
Diversified International	FDIVX	2.1	14.1	11.4	5.9	Foreign
Freedom 2010	FFFCX	2.6	7.7	8.4	5.4	Target
Freedom 2015	FFVFX	3.0	8.2	8.8	5.6	Target
Freedom 2020	FFFDX	3.3	9.0	9.6	5.7	Target
Freedom 2025	FFTWX	3.6	10.5	10.7	6.1	Target
Freedom 2030	FFFEX	4.1	11.3	11.3	6.0	Target
Freedom 2035	FFTHX	4.4	12.5	12.1	6.2	Target
Freedom 2040	FFFFX	4.3	12.6	12.2	6.2	Target
Freedom 2045	FFFGX	4.4	12.9	12.4	—	Target
Freedom 2050	FFFHX	4.4	12.9	12.5	—	Target
Growth Company*	FDGRX	14.2	20.5	20.7	11.6	Large Co
International Discovery	FIGRX	0.7	13.6	11.1	6.3	Foreign
Low-Priced Stock	FLPSX	7.1	18.5	17.2	9.5	SmMid Co
OTC Portfolio	FOCPX	14.1	23.0	20.8	12.3	Large Co
Puritan Fund	FPURX	6.5	12.8	12.8	7.4	Balanced
Spartan 500 Index	FUSEX	7.3	17.2	17.2	7.8	Large Co
Spartan Extended Mkt Index Inv	FSEMX	6.3	19.1	18.1	9.7	SmMid Co
Spartan International Index Inv	FSIIX	−4.2	11.9	9.8	5.2	Foreign
Spartan US Bond Index	FBIDX	1.7	1.6	3.1	4.1	Bond
Goldman Sachs Mid Cap Val Instl	GSMCX	4.5	18.5	16.7	8.5	SmMid Co
Harbor Capital Appreciation Instl	HACAX	14.3	19.7	19.0	9.5	Large Co
International Instl	HAINX	−4.1	10.0	9.8	8.1	Foreign
JPMorgan Large Cap Growth Select	SEEGX	15.6	17.0	19.1	9.9	Large Co
Mid Cap Value Instl*	FLMVX	8.2	19.0	18.7	9.6	SmMid Co
MainStay Large Cap Growth A	MLAAX	11.4	17.8	17.7	9.4	Large Co
MFS Value A	MEIAX	6.6	17.6	16.0	8.0	Large Co
Morgan Stanley Instl Mid Cap Gro I*	MPEGX	3.6	13.8	13.9	9.8	SmMid Co
Neuberger Berman Genesis Inv	NBGNX	3.7	15.0	15.4	9.2	SmMid Co
Oakmark Equity & Income I	OAKBX	2.8	12.0	10.9	7.9	Balanced
Oppenheimer Developing Mkts A*	ODMAX	−10.6	4.7	6.0	10.3	Foreign
Pimco Real Return A	PRTNX	−3.4	−1.3	2.8	4.0	Bond
Total Return Instl	PTTRX	1.3	2.5	4.0	5.7	Bond
T. Rowe Price Blue Chip Growth	TRBCX	13.0	20.2	20.3	9.7	Large Co
Equity Income	PRFDX	−0.3	14.1	14.3	6.7	Large Co
T. Rowe Price Growth Stock	PRGFX	13.5%	19.4%	19.4%	9.6%	Large Co
Institutional Large Cap Growth	TRLGX	11.9	20.8	19.9	9.8	Large Co
Mid-Cap Growth*	RPMGX	14.9	20.9	19.4	11.6	SmMid Co
New Horizons*	PRNHX	10.9	21.0	23.3	12.0	SmMid Co
Retirement 2015	TRRGX	1.9	9.8	10.5	6.6	Target
Retirement 2020	TRRBX	2.5	11.2	11.7	6.9	Target
Retirement 2025	TRRHX	3.0	12.5	12.6	7.2	Target
Retirement 2030	TRRCX	3.4	13.5	13.5	7.5	Target
Retirement 2035	TRRJX	3.8	14.3	14.0	7.6	Target
Retirement 2040	TRRDX	4.0	14.8	14.3	7.7	Target
Small-Cap Stock*	OTCFX	5.7	17.5	18.8	10.3	SmMid Co
Schwab S&P 500 Index	SWPPX	7.3	17.2	17.2	7.9	Large Co
Thornburg International Value A	TGVAX	9.0	10.9	8.5	7.1	Foreign
Vanguard 500 Index Inv	VFINX	7.3	17.1	17.2	7.8	Large Co
Balanced Index Inv	VBINX	5.0	11.0	11.7	7.0	Balanced
Developed Markets Index Adm	VTMGX	−4.0	12.0	9.8	5.4	Foreign
Explorer Inv	VEXPX	8.0	19.6	18.6	8.8	SmMid Co
Extended Market Index Inv	VEXMX	6.1	19.2	18.1	9.4	SmMid Co
Growth Index Inv	VIGRX	9.5	17.8	18.5	9.0	Large Co
Inflation-Protected Securities Inv	VIPSX	−1.9	−1.0	3.1	3.9	Bond
Institutional Index I	VINIX	7.4	17.3	17.3	7.9	Large Co
Institutional Total Stk Mrkt Idx I	VITNX	7.2	17.8	17.6	8.4	Large Co
International Growth Inv	VWIGX	−1.6	12.2	10.5	7.0	Foreign
Mid Cap Index Instl	VMCIX	8.7	19.7	18.3	9.4	SmMid Co
Morgan Growth Inv	VMRGX	12.6	18.3	17.7	8.6	Large Co
Primecap Inv*	VPMCX	8.8	21.8	19.0	10.5	Large Co
Small Cap Growth Index Inv	VISGX	6.3	17.9	18.6	10.1	SmMid Co
Small Cap Index Inv	NAESX	5.1	18.6	18.0	9.3	SmMid Co
Target Retirement 2015 Inv	VTXVX	2.6	8.8	9.7	6.0	Target
Target Retirement 2020 Inv	VTWNX	3.0	10.2	10.7	—	Target
Target Retirement 2025 Inv	VTTVX	3.1	11.2	11.5	6.3	Target
Target Retirement 2030 Inv	VTHRX	3.2	12.2	12.4	—	Target
Target Retirement 2035 Inv	VTTHX	3.3	13.2	13.2	6.8	Target
Target Retirement 2040 Inv	VFORX	3.3	13.8	13.5	—	Target
Target Retirement 2045 Inv	VTIVX	3.3	13.8	13.5	7.1	Target
Target Retirement 2050 Inv	VFIFX	3.3	13.8	13.5	—	Target
Target Retirement Income Inv	VTINX	1.9	5.4	6.8	5.2	Target
Total Bond Market Index Inv	VBMFX	1.6	1.6	3.1	4.3	Bond
Total Intl Stock Index Inv	VGTSX	−4.6	9.8	8.2	5.4	Foreign
Total Stock Market Index Inv	VTSMX	7.1	17.5	17.4	8.2	Large Co
Value Index Inv	VIVAX	5.3	16.9	16.1	7.0	Large Co
Wellesley Income Inv	VWINX	1.6	7.1	9.1	6.9	Balanced
Wellington Inv*	VWELX	3.5	11.7	12.1	7.9	Balanced
Windsor Inv	VWNFX	4.3	16.2	16.3	7.0	Large Co
Windsor II Inv	VWNDX	5.4	20.0	17.8	7.2	Large Co
S&P 500-Stock Index (large U.S. stocks)		**7.4%**	**17.3%**	**17.3%**	**7.9%**	
Russell 2000 Index (small U.S. stocks)		**6.5%**	**17.8%**	**17.1%**	**8.5%**	
MSCI EAFE Index (foreign stocks)		**−3.8%**	**12.5%**	**10.0%**	**5.6%**	
Barclays US Aggregate Bond Index		**1.9%**	**1.8%**	**3.3%**	**4.4%**	

Key: Balanced=Balanced funds; **Bond**=Bond funds; **Foreign**=Foreign and global stock funds; **Large Co**=Large-company funds; **SmMid Co**=Small- or midsize-company funds; **Target**=Target-date funds.

As of June 30. Funds listed and accompanying symbols are for the oldest share class and may not represent the share class in employer-retirement plans. *Closed to new investors with some exceptions; check with your plan. —Fund not in existence for the period. SOURCES: BrightScope, Morningstar Inc.

A Tired Bull Trudges On

Mutual funds loaded with health care stocks rise to the top of our annual rankings. BY MANUEL SCHIFFRES

IF A BULL MARKET MUST CONTINUALLY CLIMB A WALL OF worry, then the current bull, which started more than six years ago, should be on the brink of exhaustion. Consider a few of the concerns that this bull has had to contend with lately: expectations that the Federal Reserve will soon raise interest rates for the first time since 2006; diminished corporate earnings because of sluggish economic growth, a strong dollar and the collapse of oil prices; and, in addition to the usual anxieties about geopolitical turmoil, the expanding threat of militant Islam and the unknown ramifications of a possible Greek exit from the eurozone. *Phew!*

Although the stock market showed signs of fatigue in the first half of 2015, with Standard & Poor's 500-stock index returning a mere 1.2% (including dividends), the bull refused to roll over. For the entire 12-month period through June 30, the large-company-oriented S&P 500 earned 7.4%. The Russell 2000 index, which tracks small-capitalization stocks, trailed the S&P 500 by less than one percentage point. But the foreign-stock MSCI EAFE index lost 3.8%, hampered by sluggish economies overseas, the Greek crisis and the strong dollar, which hurts the returns of assets denominated in foreign currencies.

Regardless of the size of the companies that funds invest in, the ones that focus on growth stocks clobbered the funds that seek bargains. The key to success over the past year, in particular, was owning a lot of health care stocks—and few, if any, energy stocks. Over that period, health care stocks in the S&P 500 gained 22%, while the index's energy stocks surrendered 24%. The amount by which health beat energy was even wider among small-cap and mid-cap stocks.

On the pages that follow, we show the top-performing mutual funds over various periods in 11 categories. The list includes only funds with modest minimum investment requirements and excludes leveraged and inverse index funds. For rankings of 1,000 mutual funds and ETFs, visit kiplinger.com/links/funds2015. DATA COMPILED BY RYAN ERMEY

LARGE-COMPANY STOCK FUNDS

They narrowly lead the pack among diversified U.S. funds.

BIG-CAPITALIZATION STOCKS BEAT MID-CAP AND small-cap stocks over the past year—but not by much. Among funds that invest in large companies are three superb no-load funds that are closed to new investors: Fidelity Growth Company, Sequoia and Vanguard Capital Opportunity, run by Primecap Management (see "The Best Stock Pickers You've Never Seen," Jan. 2015). Reflecting the sizzling performance of health care and tech stocks in recent years, two Nasdaq-oriented funds make the winners lists. One, USAA Nasdaq-100 Index, seeks to match the tech-heavy benchmark. Fidelity OTC, an actively managed fund, must have at least 80% of its assets in stocks that trade on Nasdaq or over the counter; it has a whopping 55% of its assets in tech stocks, including such usual suspects as Apple and Google. Janus Forty, with 42 stocks, isn't as health-centric as many other top performers; its biggest holdings are Lowe's, Delphi Automotive and Google.

1 year	
1. BlackRock Focus Growth Inv A	18.1%
2. Janus Forty T	17.7
3. Hartford Growth Opportunities A	17.6
4. AllianceBernstein Large Cap Growth A	17.1
5. Sequoia Fund**	17.0
6. Catalyst Dynamic Alpha A	17.0
7. Columbia Large Cap Growth A	16.7
8. Bridgeway Large Cap Growth	16.2
9. Alger Capital Appreciation Focus A	16.2
10. Destra Focused Equity A	15.9
CATEGORY AVERAGE	5.9%

3 years	
1. Vanguard Capital Opportunity Inv**	24.9%
2. Biondo Focus Inv	24.0
3. Federated Kaufmann Large Cap A	23.0
4. Fidelity OTC Portfolio	23.0
5. Saratoga Large Cap Value Instl	22.7
6. Catalyst Dynamic Alpha A	22.6
7. Diamond Hill Select A	22.4
8. Thornburg Value A	22.3
9. RidgeWorth Aggressive Growth Stk A	22.3
10. Smead Value Fund Inv	22.3
CATEGORY AVERAGE	16.5%

5 years	
1. ClearBridge Aggressive Growth A	22.3%
2. Matthew 25 Fund	21.8
3. Smead Value Fund Inv	21.4
4. Edgewood Growth Retail	21.1
5. USAA Nasdaq-100 Index	21.0
6. Fidelity OTC Portfolio	20.8
7. Fidelity Growth Company**	20.7
8. JPMorgan Growth Advantage A	20.6
9. Transamerica Focus A	20.6
10. SunAmerica Focused Alpha Large-Cap A	20.5
CATEGORY AVERAGE	15.9%

10 years	
1. Alger Spectra A	13.6%
2. Fidelity OTC Portfolio	12.3
3. Alger Capital Appreciation A	12.3
4. Parnassus Endeavor Fund	12.1
5. Wells Fargo Advantage Growth Inv**	11.9
6. Fidelity Growth Company**	11.6
7. USAA Nasdaq-100 Index	11.5
8. American Century All Cap Growth Inv	11.4
9. Morgan Stanley Multi Cap Growth A	11.4
10. JPMorgan Growth Advantage A	11.4
CATEGORY AVERAGE	7.5%

Returns are annualized through June 30, 2015. **Closed to new investors. §Annualized returns based on another share class with a longer history. SOURCE: © 2015 Morningstar Inc.

MIDSIZE-COMPANY STOCK FUNDS

A healthy dose of biotech boosts the winners.

TOCQUEVILLE OPPORTUNITY HAS CHANGED ITS stripes over the years. As recently as 2007, Morningstar labeled it a small-company value fund. But it's now in the growth camp, with about one-third of its assets in health care stocks. Those include some biotech names, such as Bluebird Bio and Illumina, which helped propel Tocqueville to the top of the one-year chart. Nicholas Fund, managed or comanaged by Ab Nicholas since 1969, also cashed in on health care. Its two biggest holdings, biotech luminaries Valeant Pharmaceuticals and Gilead Sciences, make up 11% of the portfolio. Socially conscious investors should consider Ariel Fund and Eventide Gilead, both of which apply ethical values when selecting stocks. Vanguard Strategic Equity uses computer models that take into account growth, valuation, sentiment and other factors to construct a portfolio that recently held 435 stocks.

1 year	
1. Tocqueville Opportunity	23.2%
2. Eventide Gilead N	18.2
3. Virtus Mid-Cap Core A	17.6
4. Federated Kaufmann A	17.3
5. Delaware Smid Cap Growth A**	16.1
6. Neuberger Berman Mid Cap Growth Inv**	16.0
7. BlackRock Mid-Cap Growth Equity Inv A	16.0
8. Nicholas Fund	15.9
9. AMG Managers Brandywine	15.6
10. William Blair Small-Mid Cap Growth N	15.5
CATEGORY AVERAGE	5.6%

3 years	
1. Legg Mason Opportunity A	33.6%
2. Eventide Gilead N	29.3
3. Primecap Odyssey Aggressive Growth**	25.3
4. Nicholas Fund	24.9
5. Aquila Three Peaks Opp Growth A	24.4
6. Baron Partners Retail	23.5
7. Dreyfus Opportunistic US Stock A	23.0
8. Ariel Fund Inv	22.9
9. JPMorgan Mid Cap Growth A	22.9
10. Vanguard Strategic Equity Inv	22.7
CATEGORY AVERAGE	17.5%

5 years	
1. Eventide Gilead N	25.2%
2. Primecap Odyssey Aggressive Growth**	23.3
3. Nicholas Fund	21.4
4. AllianceBernstein Discovery Growth A	20.9
5. Tocqueville Opportunity	20.8
6. Vanguard Strategic Equity Inv	20.6
7. Aquila Three Peaks Opp Growth A	20.3
8. Hennessy Cornerstone Mid Cap 30 Inv	20.2
9. Hennessy Focus Inv	20.0
10. Baron Partners Retail	19.9
CATEGORY AVERAGE	16.4%

10 years	
1. Primecap Odyssey Aggressive Growth**	14.3%
2. American Century Heritage Inv	12.2
3. Eaton Vance Atlanta Capital SMID-Cap A**	12.1
4. Buffalo Discovery Fund	12.1
5. Goldman Sachs Small/Mid Cap Growth A	11.9
6. HSBC Investor Opportunity A	11.7
7. Reynolds Blue Chip Growth	11.7
8. T. Rowe Price Mid-Cap Growth**	11.6
9. Hennessy Cornerstone Mid Cap 30 Inv	11.4
10. J. Hancock Disciplined Value Mid Cap A**	11.3
CATEGORY AVERAGE	8.4%

SMALL-COMPANY STOCK FUNDS

Small caps start to catch up to their bigger brethren.

SMALL-CAPITALIZATION STOCKS SHOWED SIGNS of life in the first half of 2015, with the Russell 2000 index beating the S&P 500 by 3.5 percentage points. As in the other domestic categories, funds that focused on growth stocks shined brightest. Driehaus Micro Cap Growth, run by a firm that helped originate momentum investing, recently had 39% of its assets in health care stocks and 22% in technology. And as its name implies, its holdings are really small; the median market cap is $717 million. Want something a bit tamer? Kiplinger 25 member Homestead Small-Company Stock seeks shares that trade below a company's true value. Another good choice is T. Rowe Price Diversified Small-Cap Growth, also a member of the Kip 25. The fund just missed making the five-year list, trailing Buffalo Emerging Opportunities by 0.04 percentage point. The Price fund is indeed well diversified, with about 300 stocks.

1 year	
1. Driehaus Micro Cap Growth	29.6%
2. RS Small Cap Equity A**	24.7
3. RS Small Cap Growth A**	23.6
4. Emerald Growth A	22.1
5. Federated Kaufmann Small Cap A	19.5
6. Aston/LMCG Small Cap Growth N	19.2
7. Lebenthal Lisanti Small Cap Growth	18.6
8. Turner Small Cap Growth	18.2
9. Wells Fargo Advantage Emerg Growth Inv**	17.9
10. AlphaOne Micro Cap Equity Inv	17.5
CATEGORY AVERAGE	4.6%

3 years	
1. Driehaus Micro Cap Growth	31.7%
2. RS Small Cap Equity A**	24.9
3. Emerald Growth A	24.7
4. RS Small Cap Growth A**	24.4
5. Aston/LMCG Small Cap Growth N	24.1
6. PNC Multiple Factor Small Cap Core A	23.7
7. Towle Deep Value Fund	23.7
8. AMG Managers Skyline Special Equities**	23.1
9. Wells Fargo Advantage Small Co Growth A	22.8
10. AMG Managers Essex Sm/Micro Cap Gro Inv	22.6
CATEGORY AVERAGE	16.9%

5 years	
1. T. Rowe Price New Horizons**	23.3%
2. Emerald Growth A	22.8
3. UBS US Small Cap Growth A	22.5
4. AllianzGI Ultra Micro Cap A**	22.2
5. RS Small Cap Equity A**	22.2
6. Driehaus Micro Cap Growth	22.1
7. Wells Fargo Advantage Small Co Gro A	22.0
8. RS Small Cap Growth A**	21.9
9. PNC Multiple Factor Small Cap Core A	21.7
10. Buffalo Emerging Opportunities**	21.6
CATEGORY AVERAGE	16.3%

10 years	
1. Driehaus Micro Cap Growth	14.9%
2. Janus Triton T**	13.9
3. Lord Abbett Developing Growth A**	13.4
4. Dreyfus Opportunistic Small Cap**	12.0
5. T. Rowe Price New Horizons**	12.0
6. Fidelity Small Cap Discovery**	12.0
7. Natixis Vaughan Nelson Small Cap Val A**	11.7
8. RS Small Cap Equity A**	11.6
9. JPMorgan Small Cap Equity A**	11.5
10. Homestead Small-Company Stock	11.4
CATEGORY AVERAGE	8.3%

Returns are annualized through June 30, 2015. **Closed to new investors. $Annualized returns based on another share class with a longer history. SOURCE: © 2015 Morningstar Inc.

HYBRID FUNDS

They're great for tamping down the risk of an all-stock fund.

IN THE MIDST OF A BULL MARKET, STOCK-HEAVY target-date funds have an edge in this category, which includes balanced funds, asset-allocation funds and others that dilute their stock holdings with bonds and cash. One fund that's loaded with cash—38% of assets—is Kiplinger 25 member FPA Crescent; comanager Steve Romick says he's waiting for bargains. A more traditional choice is Dodge & Cox Balanced, which has about 70% of its assets in undervalued stocks and the rest in a portfolio of medium-maturity, high-grade corporate bonds and mortgage securities. Green Century Balanced, also with about 70% in stocks, rules out companies that pose risks to the environment, including fossil-fuel firms. T. Rowe Price Capital Appreciation closed to new investors last year, but if you're bullish on stocks, consider Personal Strategy Growth as an alternative. It holds investments picked by other T. Rowe funds, keeping roughly 80% in stocks and the rest in bonds and cash.

1 year		
1.	Archer Balanced	9.7%
2.	T. Rowe Price Capital Appreciation**	8.8
3.	Wells Fargo Advantage Index Asset Alloc A	8.8
4.	Green Century Balanced	8.1
5.	Disciplined Growth Investors	7.5
6.	CGM Mutual	7.5
7.	State Farm Equity & Bond Legacy A	7.1
8.	Sit Balanced	6.9
9.	ICON Equity Income S	6.6
10.	Fidelity Puritan	6.5
	CATEGORY AVERAGE	1.6%

3 years		
1.	Wells Fargo Advantage Divers Cap Bldr A	17.2%
2.	Dodge & Cox Balanced	15.5
3.	Putnam RetirementReady 2055 A	15.5
4.	Putnam RetirementReady 2050 A	15.3
5.	T. Rowe Price Capital Appreciation**	15.2
6.	Loomis Sayles Dividend Income A	15.1
7.	Putnam Dynamic Asset Alloc Growth A	15.1
8.	JPMorgan Investor Growth A	15.0
9.	Calvert Aggressive Allocation A	15.0
10.	Putnam RetirementReady 2045 A	14.8
	CATEGORY AVERAGE	9.4%

5 years		
1.	Villere Balanced Inv	16.1%
2.	Wells Fargo Advantage Index Asset Alloc A	14.8
3.	Wells Fargo Advantage Divers Cap Bldr A	14.8
4.	T. Rowe Price Capital Appreciation**	14.4
5.	T. Rowe Price Retirement 2040	14.3
6.	T. Rowe Price Retirement 2045	14.3
7.	T Rowe Price Retirement 2050	14.3
8.	T. Rowe Price Retirement 2055	14.3
9.	Dodge & Cox Balanced	14.1
10.	T. Rowe Price Personal Strategy Growth	14.1
	CATEGORY AVERAGE	9.9%

10 years		
1.	AllianzGI Convertible D**§	9.5%
2.	T. Rowe Price Capital Appreciation**	9.0
3.	Bruce Fund	8.5
4.	John Hancock Balanced A	8.5
5.	Vanguard Convertible Securities Inv**	8.4
6.	Columbia Balanced A	8.3
7.	Janus Balanced T	8.2
8.	Waddell & Reed Adv Continental Inc A	8.1
9.	FPA Crescent Fund	8.0
10.	Ivy Balanced A	8.0
	CATEGORY AVERAGE	5.8%

LARGE-COMPANY FOREIGN STOCK FUNDS

Funds that hedge against currency risk lead the way.

THE BIG STORY IN FOREIGN STOCKS THIS PAST year was the strong dollar. Over that period, the MSCI EAFE index, which tracks large-company stocks in developed markets, slipped 3.8%. But the version of the EAFE that hedges against currency swings rose 11.7%. That's one reason FMI International, a member of the Kiplinger 25 that hedges against currency fluctuations, shined recently. Pimco StocksPlus International (US Dollar-Hedged) also hedges, but its strategy has a twist: To beat the hedged version of the EAFE, the fund invests a portion of its assets in derivatives that track the index and backs it up with assorted kinds of debt. Over the long haul, hedging isn't everything. Artisan International, for example, a Kiplinger 25 fund and a top performer over the past five years, never hedges. The fund's managers target growing firms that dominate their industries.

1 year		
1.	Pimco StocksPlus Intl (US Dollar-Hedged) D	9.8%
2.	Thornburg International Value A	9.0
3.	Morgan Stanley Instl Intl Opp A	8.9
4.	Morgan Stanley Instl Intl Advantage A	8.6
5.	JOHCM International Select II	7.8
6.	Wells Fargo Advantage Intl Equity A	6.4
7.	John Hancock International Growth A	5.6
8.	Henderson Intl Opportunities A	5.4
9.	FMI International	4.8
10.	Principal International I A	4.5
	CATEGORY AVERAGE	–3.1%

3 years		
1.	JOHCM International Select II	20.7%
2.	Nuveen International Growth A	17.5
3.	Pimco StocksPlus Intl (US Dollar-Hedged) D	17.4
4.	Oakmark International I**	16.6
5.	Artisan International Value Inv**	16.4
6.	MainStay Intl Opportunities Inv	16.2
7.	Federated International Leaders A	16.1
8.	Fidelity Overseas	16.1
9.	Morgan Stanley Instl Intl Opp A	15.6
10.	Natixis Oakmark International A	15.6
	CATEGORY AVERAGE	11.1%

5 years		
1.	JOHCM International Select II	16.3%
2.	Artisan International Value Inv**	14.4
3.	Fidelity Intl Capital Appreciation	13.6
4.	Fidelity Advisor Intl Cap Appreciation A	13.3
5.	J. Hancock International Growth A	13.3
6.	Federated International Leaders A	13.2
7.	Pimco StocksPlus Intl (US Dollar-Hedged) D	13.2
8.	Nuveen International Growth A	13.2
9.	MFS International Value A**	13.1
10.	Artisan International Inv	13.1
	CATEGORY AVERAGE	9.2%

10 years		
1.	Artisan International Value Inv**	10.0%
2.	Pimco StocksPlus Intl (US Dollar-Hedged) D	8.6
3.	Federated International Leaders A	8.6
4.	Ivy International Core Equity A	8.5
5.	MFS International Value A**	8.4
6.	Oakmark International I**	8.3
7.	Oppenheimer International Growth A	8.1
8.	First Eagle Overseas A**	8.0
9.	Calamos International Growth A	7.9
10.	Waddell & Reed Adv Global Growth A	7.9
	CATEGORY AVERAGE	5.3%

Returns are annualized through June 30, 2015. **Closed to new investors. §Annualized returns based on another share class with a longer history. SOURCE: © 2015 Morningstar Inc.

SMALL- AND MIDSIZE-COMPANY FOREIGN STOCK FUNDS

Despite the mediocre results, the little guys win the overseas race.

WHEN IT COMES TO FOREIGN STOCKS, SMALLER did ever so slightly better than bigger over the past year. But that's not much to brag about. The MSCI EAFE Small Cap index lost 0.5% over the past 12 months, compared with a 3.8% dip in the large-company EAFE index. T. Rowe Price International Discovery and Fidelity International Small Cap Opportunities have delivered above-average returns with below-average volatility over the long haul. And both charge below-average fees. Also worth a look is Oppenheimer International Small Company. The fund typically levies a sales charge, but you can buy it without a load or commission at Fidelity, Schwab and other brokerages. Since manager Rezo Kanovich took over in 2012, the fund has outpaced the EAFE Small Cap benchmark by an average of 6.4 percentage points per year, and it has done so with 11% less volatility than the index.

1 year	
1. Rainier International Discovery A	7.8%
2. Touchstone Intl Small Cap A	7.3
3. Lazard Global Listed Infrastructure Open	6.6
4. Oppenheimer Intl Small Company A	5.9
5. Federated Intl Small-Mid Company A	5.5
6. Wasatch International Opportunities	4.7
7. Wasatch International Growth**	4.3
8. AllianzGI International Small-Cap D	4.2
9. T. Rowe Price International Discovery	4.0
10. Pear Tree Polaris Foreign Value Sm Cap Ord	3.6
CATEGORY AVERAGE	–1.6%

3 years	
1. Oberweis International Opportunities	27.2%
2. Oppenheimer Intl Small Company A	23.7
3. Rainier International Discovery A	21.2
4. Grandeur Peak International Opps Inv**	20.4
5. Victory Trivalent Intl Small-Cap A	19.8
6. Pear Tree Polaris Foreign Value Sm Cap Ord	19.5
7. Lazard Global Listed Infrastructure Open	19.5
8. Touchstone International Small Cap A	18.7
9. Franklin Templeton Intl Sm Cap Growth A**	17.8
10. ClearBridge International Small Cap A	17.5
CATEGORY AVERAGE	14.1%

5 years	
1. Oberweis International Opportunities	21.5%
2. Oppenheimer Intl Small Company A	18.9
3. Victory Trivalent Intl Small-Cap A	16.9
4. Touchstone International Small Cap A	15.8
5. Lazard Global Listed Infrastructure Open	15.3
6. Wasatch International Growth**	15.3
7. Fidelity Intl Small Cap Opportunities	15.1
8. Fidelity Advisor Intl Small Cap Opps A	14.8
9. American Century Intl Opps Inv	14.2
10. Thornburg International Growth A	14.0
CATEGORY AVERAGE	12.2%

10 years	
1. Driehaus Intl Small Cap Growth**	12.8%
2. Oppenheimer Intl Small Company A	12.7
3. Franklin Templeton Intl Sm Cap Growth A**§	11.6
4. Wasatch International Opportunities	10.5
5. Artisan International Small Cap Inv**	10.1
6. T. Rowe Price International Discovery	10.0
7. Wasatch International Growth**	9.8
8. AllianzGI International Small-Cap D§	9.6
9. Columbia Acorn International A	8.8
10. American Century Intl Opps Inv	8.8
CATEGORY AVERAGE	7.8%

GLOBAL STOCK FUNDS

Overseas investments hurt returns of funds that can go anywhere.

GLOBAL FUNDS CAN INVEST IN THE U.S. AND overseas—and that has been a problem because of the sluggish performance of most foreign bourses. Artisan Global Equity owes its recent success to its tilt toward health care. With 30% of its assets in the category, the fund cleaned up with stakes in Gilead Sciences, Intercept Pharmaceuticals and Incyte Corp. Comanager Mark Yockey launched Artisan International, a member of the Kiplinger 25, nearly 20 years ago. Vanguard Global Minimum Volatility, started in late 2013, is worth watching. The fund's managers use computers to pick stocks with below-average volatility. The fund also hedges against currency risk, which helps results when the dollar is strong, as was the case for much of the past year. Kudos for long-term performance go to Guinness Atkinson Global Innovators, which owns shares in 30 innovative companies. Both of its managers have degrees in physics.

1 year	
1. Morgan Stanley Instl Global Opp A	17.7%
2. Prudential Jennison Global Opps A	15.4
3. Vanguard Global Minimum Volatility Inv	11.8
4. Thornburg Global Opportunities A	11.2
5. Oberweis Emerging Growth	9.7
6. QS Batterymarch Global Eq A	9.3
7. Touchstone Sustainability & Impact Eq A	9.2
8. American Funds Smallcap World A	9.1
9. USAA Capital Growth	8.9
10. Artisan Global Equity Inv	8.8
CATEGORY AVERAGE	-0.3%

3 years	
1. Cambiar Aggressive Value Inv	24.8%
2. Thornburg Global Opportunities A	24.2
3. Morgan Stanley Instl Global Opp A	21.8
4. Fidelity Advisor Global Cap Appreciation A	21.3
5. ALPS/Red Rocks Listed Private Equity A	21.3
6. Guinness Atkinson Global Innovators	21.1
7. Grandeur Peak Global Opportunities Inv**	20.9
8. Morgan Stanley Instl Global Discovery A	20.3
9. New Alternatives Fund A	19.5
10. Nuveen Global Growth A	19.3
CATEGORY AVERAGE	11.7%

5 years	
1. Morgan Stanley Instl Global Opp A	19.2%
2. Guinness Atkinson Global Innovators	19.0
3. AllianzGI Global Small-Cap D	18.9
4. Artisan Global Equity Inv	18.4
5. Cambiar Aggressive Value Inv	18.2
6. Artisan Global Opportunities Inv	18.0
7. Thornburg Global Opportunities A	16.9
8. ALPS/Red Rocks Listed Private Equity A	16.5
9. Deutsche Global Infrastructure A	16.4
10. Marsico Global	16.4
CATEGORY AVERAGE	11.3%

10 years	
1. Guinness Atkinson Global Innovators	10.8%
2. Waddell & Reed Adv Asset Strat A	10.4
3. Ivy Asset Strategy A	10.1
4. Old Westbury Global Small & Mid Cap	9.9
5. Alger Global Growth A	9.7
6. Wasatch World Innovators	9.6
7. Janus Global Research T	9.5
8. American Funds Smallcap World A	9.4
9. Morgan Stanley Instl Global Franchise A**	9.2
10. American Funds New Perspective A	8.9
CATEGORY AVERAGE	6.3%

Returns are annualized through June 30, 2015. **Closed to new investors. §Annualized returns based on another share class with a longer history. SOURCE: © 2015 Morningstar Inc.

DIVERSIFIED EMERGING-MARKETS FUNDS

Their performance hasn't lived up to the hype.

DEVELOPING NATIONS ARE GRAPPLING WITH falling commodity prices, geopolitical turmoil and slowing economic growth. Performance varies widely among countries, but the group overall has struggled in recent years. Harding Loevner Emerging Markets, a member of the Kiplinger 25, takes a conservative approach, scouting companies with strong balance sheets and a competitive edge. Samsung Electronics is a top holding. The younger Harding Loevner Frontier Emerging Markets employs a similar quality-oriented strategy in even smaller markets, such as Colombia, Kazakhstan and Peru. Funds that tilt toward small companies have fared best lately. Managers at Driehaus Emerging Markets Small Cap Growth look for earnings momentum and can use options, futures and short sales to hedge risk. City National Rochdale Emerging Markets is banking on growing consumer wealth in developing nations by investing in companies that cater to spending on nonnecessities.

1 year	
1. William Blair Em Mrkts Small Cap Gro N**	8.7%
2. Ivy Emerging Markets Equity A	6.3
3. City National Rochdale Emerging Mkts N	6.2
4. Seafarer Overseas Growth & Income Inv	5.2
5. Driehaus Emerging Mkts Small Cap Gro	4.8
6. RBC Emerging Markets Equity A	4.3
7. ICON Emerging Markets S	4.1
8. Grandeur Peak Em Mkts Opps Inv**	2.1
9. Victory Trivalent Em Mkts Small-Cap A	1.4
10. JOHCM Emerging Markets Opps II	1.1
CATEGORY AVERAGE	-6.4%

3 years	
1. William Blair Em Mkts Small Cap Gro N**	18.2%
2. Morgan Stanley Instl Frontier Em Mkts A	16.6
3. HSBC Frontier Markets A**	15.5
4. City National Rochdale Emerging Mkts N	15.3
5. Driehaus Emerging Markets Small Cap Gr	15.0
6. Wasatch Frontier Em Small Countries Inv**	13.6
7. Van Eck Emerging Mkts A	11.3
8. Baron Emerging Markets Retail	11.1
9. Harding Loevner Frontier Emerging Mkts Inv	11.0
10. Franklin Templeton Em Mkts Small Cap A	10.2
CATEGORY AVERAGE	4.4%

5 years	
1. Driehaus Emerging Mkts Small Cap Gro	10.9%
2. Morgan Stanley Instl Frontier Em Mkts A	9.31
3. Thornburg Developing World A	8.00
4. Wasatch Emerging Markets Small Cap**	7.94
5. Van Eck Emerging Mkts A	7.86
6. Virtus Emerging Markets Opps A	7.05
7. Causeway Emerging Markets Inv	7.04
8. Driehaus Emerging Markets Growth	6.79
9. American Funds New World A	6.62
10. William Blair Emerging Markets Growth N**	6.61
CATEGORY AVERAGE	3.8%

10 years	
1. Driehaus Emerging Markets Growth	11.1%
2. Oppenheimer Developing Markets A**	10.3
3. Virtus Emerging Markets Opportunities A	10.2
4. Wells Fargo Adv Em Mkts Equity A**	9.6
5. Invesco Developing Markets A**	9.2
6. AllianzGI Emerging Markets Opps D	9.0
7. William Blair Emerging Markets N**	8.8
8. Van Eck Emerging Mkts A	8.6
9. Ivy Emerging Markets Equity A	8.6
10. Harding Loevner Emerging Markets Adv	8.5
CATEGORY AVERAGE	7.4%

REGIONAL AND SINGLE-COUNTRY FUNDS

Two developing giants dominate the one-year winners list.

THE SINGLE-COUNTRY-FUND STORY HAS LATELY been all about India, where pro-business reforms are taking root, and China, where optimism has given way to worries about slowing economic growth and a brutal bear market. Fidelity China Region has taken hits in recent months, but both this fund and Matthews India have proved their mettle over the long haul, and they've done it with below-average fees. In Japan, where the government and central bankers aim to goose economic growth, Hennessy Japan Small Cap and Hennessy Japan have prospered by investing in a relatively small number of companies. T. Rowe Price European Stock is betting on firms that provide nonessential consumer goods or services. Speaking of big bets, Novo Nordisk, the giant Danish drug maker, accounts for 9% of Fidelity Nordic's assets. Since the fund bought the shares in 2009, they've climbed more than 400%.

1 year	
1. Neuberger Berman Greater China Eq A	38.5%
2. Matthews India Inv	28.2
3. AllianzGI China Equity D	27.5
4. RS China A	25.8
5. Matthews China Dividend Inv	25.1
6. Fidelity China Region	23.9
7. Fidelity Advisor China Region A	23.6
8. Wasatch Emerging India	23.4
9. Clough China A	20.7
10. Columbia Greater China A	20.1
CATEGORY AVERAGE	2.2%

3 years	
1. Oberweis China Opportunities	25.8%
2. Matthews India Inv	23.6
3. Fidelity China Region	21.3
4. Hennessy Japan Small Cap Inv	21.2
5. Fidelity Advisor China Region A	20.9
6. Wasatch Emerging India	20.9
7. Fidelity Japan Smaller Companies	20.1
8. Fidelity Nordic	19.7
9. ALPS Kotak India Growth A	19.3
10. Henderson European Focus A	19.0
CATEGORY AVERAGE	10.8%

5 years	
1. Hennessy Japan Small Cap Inv	16.0%
2. Hennessy Japan Inv	15.9
3. Matthews Japan Inv	14.9
4. T. Rowe Price European Stock	14.8
5. Fidelity Japan Smaller Companies	14.7
6. Fidelity Nordic	14.5
7. Invesco European Small Co A**	14.2
8. Henderson European Focus A	13.8
9. Fidelity China Region	13.6
10. JPMorgan Intrepid European A	13.4
CATEGORY AVERAGE	7.9%

10 years	
1. Matthews China Inv	13.1%
2. Fidelity China Region	12.8
3. Columbia Greater China A	12.5
4. Fidelity Advisor China Region A§	12.5
5. Fidelity Advisor Emerging Asia A	12.2
6. Matthews Pacific Tiger Inv**	12.1
7. Invesco Asia Pacific Growth A	12.1
8. T. Rowe Price New Asia	12.0
9. John Hancock Greater China Opps A	11.3
10. Aberdeen China Opportunities A	11.0
CATEGORY AVERAGE	7.1%

Returns are annualized through June 30, 2015. **Closed to new investors. §Annualized returns based on another share class with a longer history. SOURCE: © 2015 Morningstar Inc.

SECTOR FUNDS

It's a clean sweep for health care funds.

IT'S NO SURPRISE THAT HEALTH CARE FUNDS dominate this list. What's shocking is that a health fund occupies every slot over every period. If you invest in sector funds to spice up your portfolio, you must decide whether you want to stick with what's been working or move to other, presumably cheaper, groups. If you want to play the hot hand, buy Fidelity Select Biotechnology, a pure play on rapid scientific advances in medicine. For a more diversified approach, consider Fidelity Select Health Care. A more offbeat health fund choice is Fidelity Select Medical Delivery, which holds insurers, drug distributors and health-services providers. If you're a contrarian, consider Vanguard Energy. And a good choice for investing in property stocks is Fidelity Real Estate Investment Portfolio. Just don't look for the last two on this year's winners lists.

1 year	
1. Fidelity Select Biotechnology	53.9%
2. Fidelity Advisor Biotechnology A	51.3
3. Eventide Healthcare & Life Sciences N	49.2
4. Franklin Templeton Biotech Discovery A**	45.8
5. Prudential Jennison Health Sciences A**	45.6
6. Rydex Basic Biotechnology Inv	44.3
7. T. Rowe Price Health Sciences**	43.4
8. Janus Global Life Sciences T	40.1
9. BlackRock Health Sciences Opps Inv A	34.1
10. Fidelity Select Medical Delivery	33.8
CATEGORY AVERAGE	**–0.5%**

3 years	
1. Fidelity Select Biotechnology	44.1%
2. Fidelity Advisor Biotechnology A	42.3
3. Franklin Templeton Biotech Discovery A**	39.4
4. Janus Global Life Sciences T	39.1
5. Rydex Basic Biotechnology Inv	38.7
6. Prudential Jennison Health Sciences A**	37.3
7. T. Rowe Price Health Sciences**	36.4
8. Fidelity Select Health Care	36.0
9. Fidelity Advisor Health Care A	35.3
10. BlackRock Health Sciences Opps Inv A	31.7
CATEGORY AVERAGE	**11.2%**

5 years	
1. Fidelity Select Biotechnology	40.4%
2. Fidelity Advisor Biotechnology A	39.3
3. Franklin Templeton Biotech Discovery A**	36.3
4. Rydex Basic Biotechnology Inv	35.7
5. Prudential Jennison Health Sciences A**	34.1
6. T. Rowe Price Health Sciences**	33.8
7. Janus Global Life Sciences T	31.4
8. Fidelity Select Health Care	30.1
9. Fidelity Advisor Health Care A	29.5
10. Hartford Healthcare A	26.1
CATEGORY AVERAGE	**12.1%**

10 years	
1. Fidelity Select Biotechnology	19.8%
2. T. Rowe Price Health Sciences**	19.3
3. Fidelity Advisor Biotechnology A	19.1
4. Rydex Basic Biotechnology Inv	18.6
5. Prudential Jennison Health Sciences A**	18.6
6. Franklin Templeton Biotech Discovery A**	17.8
7. BlackRock Health Sciences Opps Inv A	15.8
8. Fidelity Select Pharmaceuticals	15.5
9. Janus Global Life Sciences T	15.4
10. Fidelity Select Health Care	15.3
CATEGORY AVERAGE	**7.3%**

ALTERNATIVE FUNDS

Even in this category, a health care fund rises to the top.

ALTERNATIVES INCLUDE A GRAB BAG OF FUNDS that own nontraditional asset classes or engage in unusual strategies. The best performer over the past year was—*surprise*—a fund that invests in health care stocks. As its name suggests, Turner Medical Sciences Long/Short owns some stocks the old-fashioned way and sells others short, betting on their prices to fall. Both the stocks it owns and the stocks it sells short are in health care. As is common in this group, fees are high. Turner's annual expense ratio is 3.60%, a figure that includes interest charges and other costs involved in selling short. Excluding those shorting costs, the expense ratio is a still-high 2.15%. Check out TFS Market Neutral, which seeks to minimize correlation with the U.S. stock market. The fund has had only one down year since its 2004 launch.

1 year	
1. Turner Medical Sciences Long/Short Inv	30.3%
2. LoCorr Market Trend A	28.8
3. Credit Suisse Managed Futures Strat A	22.7
4. Longboard Managed Futures Strat A	22.5
5. Salient Trend A	21.7
6. Catalyst Macro Strategy A	20.9
7. Equinox Campbell Strategy A	18.2
8. Lazard Fundamental Long/Short Open	16.5
9. Natixis ASG Managed Futures Strat A	16.1
10. Burnham Financial Long/Short A	15.5
CATEGORY AVERAGE	**–1.3%**

3 years	
1. Burnham Financial Long/Short A	20.3%
2. Turner Medical Sciences Long/Short Inv	16.4
3. Highland Long/Short Healthcare A	16.1
4. RiverPark/Gargoyle Hedged Value Retail§	15.6
5. Meeder Muirfield	15.3
6. Guggenheim Alpha Opportunity A	13.9
7. KCM Macro Trends R-1	13.9
8. Hancock Horizon Quant Long/Short A	13.5
9. AmericaFirst Defensive Growth A	13.2
10. Nuveen Equity Long/Short A	13.1
CATEGORY AVERAGE	**3.0%**

5 years	
1. Guggenheim Alpha Opportunity A	17.6%
2. Hancock Horizon Quant Long/Short A	13.7
3. Probabilities Fund A	13.5
4. Stadion Tactical Growth A	13.4
5. Nuveen Equity Long/Short A	12.7
6. Meeder Muirfield	12.5
7. RiverPark/Gargoyle Hedged Value Retail§	12.2
8. Highland Long/Short Healthcare A	11.6
9. Burnham Financial Long/Short A	11.0
10. AmericaFirst Quantitative Strategies A	10.6
CATEGORY AVERAGE	**3.4%**

10 years	
1. Whitebox Market Neutral Equity Inv§	11.9%
2. Boston Partners Long/Short Equity Inv**	10.7
3. Burnham Financial Long/Short A	9.2
4. Guggenheim Alpha Opportunity A	9.1
5. Pimco EqS Long/Short D§	9.0
6. Stadion Tactical Growth A	7.8
7. RiverPark/Gargoyle Hedged Value Retail§	7.6
8. TFS Market Neutral	6.8
9. Leuthold Core Investment Retail	6.8
10. Hundredfold Select Alternative Service	6.2
CATEGORY AVERAGE	**2.1%**

Returns are annualized through June 30, 2015. **Closed to new investors. §Annualized returns based on another share class with a longer history. SOURCE: © 2015 Morningstar Inc.

KATHY KRISTOF > Practical Investing

Design the Right Portfolio

"Just as there is no one-size-fits-all method for raising a child, there is no universal blueprint for building a portfolio."

When my kids were young and I was desperately trying to figure out how to be a good parent (the hospital didn't provide a manual), I watched my friends closely. How did they handle TV watching, crossing streets and eating sweets? Did their kids play organized sports, enroll in "enrichment" activities, have a formal bedtime? How did they impart important life lessons, from manners and hygiene to honesty and compassion?

I was hoping for a model to follow. But no two friends did everything alike. Instead, we all managed to cobble together our own formulas. The kids, all adults now, grew up to be universally marvelous. So time and experience taught me that there are many blueprints for raising great children.

I feel the same way about the often-bedeviling issue of asset allocation. Many readers ask about it because they recognize that finding the right mix of stocks, bonds, cash and other investments is arguably the most important determinant of their portfolio's performance. Yet although many smart people have formulas for divvying up assets, no two approaches are exactly alike. Just as there is no one-size-fits-all method for raising a child, there is no universal blueprint for building a portfolio. But there is a formula for designing a winning portfolio for you.

Master the basics. Every child must learn a few basics to survive and fit in: Brush your teeth. Look both ways. Share. Say "please" and "thank you." Every decent portfolio must include a few basics, too: stocks, bonds, cash, international securities and real estate investment trusts. These five building blocks meet all of your key investment needs for growth, income, safety and the preservation of your buying power.

Have a mission. My mission was to raise honest, kind and responsible people. Sure, I wouldn't be depressed if they also turned out to be straight-A students and billionaires. But if I could foster those three qualities, I would be content. This mission helped me make otherwise vexing decisions on the fly. Did I lie about my child's age to get into the movies or Disneyland for a reduced price? No. At report-card time, did I make a big deal about an unimpressive grade or a teacher's praise for my son's citizenship? I praised him effusively for his good behavior but kept mum (mostly) about the grade (though I did mention that he could do better).

Having a mission for your investments can direct not only where you put your money but also how to react to changing circumstances. When my life was risky—when I had little mouths to feed and relatively little job security—my portfolio's mission was to provide safety. Today, with my situation far more comfortable, my portfolio's mission is to generate growth. Yes, it may seem counterintuitive that, at 55, I'm taking more investing risks than I did when I was in my twenties, when I was supposedly able to shoulder a lot of risk. But when I was young, I was living closer to the edge and couldn't afford big losses. Today, the edge is a safe distance away. Whenever I consider a new investment opportunity or whether to panic when markets are in turmoil, I go back to my mission. Does the investment fit my goals? Do I need to worry? The mission itself is likely to deliver the appropriate answer.

Pay attention. Just as your kids can go off the rails if you're not watching, your portfolio is likely to get unbalanced if you neglect it. Make sure you regularly review your investments and consider whether the current mix still makes sense and addresses your unique goals and circumstances. If it does, leave it alone. If not, you know what to do. ■

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

LISE METZGER

10%? Fuhgeddaboudit

Returns over the next decade or two will be less generous than the historical average. BY ANNE KATES SMITH

SOMETIMES YOU CAN JUSTIFY TWEAKING your portfolio based on where you think stocks or bonds are headed over the course of, say, a year. But when deciding how much you need to sock away in the first place or making the big asset-allocation decisions that will form the framework of your portfolio, it makes sense to focus on a longer-term view. Before you can do that, however, you have to know how much you can really expect stocks, bonds and cash to deliver over the next 10, 20 or even 30 years. No one can say for sure, of course. But long-term projections can be more realistic than simply extrapolating past returns. Here's a road map to the future.

Stocks. Investors should steel themselves for smaller gains than they've come to expect. Instead of the annualized return of 10.1% that U.S. stocks have delivered since 1926, look for average annual returns of 6% to 8% over the next 10 to 30 years.

Several factors account for the drop-off. Start with today's high valuation measures. Standard & Poor's 500-stock index trades at about 17 times estimated year-ahead earnings, compared with an average price-earnings ratio of 15 since 1986. If history is a guide, the market's P/E will revert to more normal levels.

Lower inflation will help keep nominal stock returns modest. Inflation, averaging nearly 3% a year, has accounted for almost three percentage points of the stock market's 10% annualized return since 1926. But most long-range forecasts call for inflation to hover around 2%. Given low inflation, slow economic growth and a retreat in profit margins from today's peak levels, slower-than-average earnings growth is in the cards. Look for profits to rise by 4% to 6% annually, says Bob Doll, chief investment officer at Nuveen Asset Management, instead of the long-term average of just a bit more than 6%. Adding in another two percentage points from dividends, and assuming that P/Es remain flat, Doll sees U.S. stocks returning 6% to 8% a year over the next 10 years. And looking further out doesn't help matters, either. For example, Charles Schwab Investment Advisory projects an average of 6.3% a year over the next 20 years.

Past Results

HOW MARKETS FARE

Most people know that stocks have beaten bonds and cash over the long haul. But stocks almost always prevail over decade-long periods as well.

	Annualized total return		
Year range	S&P 500 Index	Intermed. term govt. bonds	Treasury bills
1926–1935	5.9%	4.7%	2.0%
1936–1945	8.4	2.7	0.2
1946–1955	16.7	1.4	1.1
1956–1965	11.1	3.1	2.8
1966–1975	3.3	5.7	5.6
1976–1985	14.3	10.3	9.0
1986–1995	14.9	9.1	5.6
1996–2005	9.1	5.7	3.6
2006–2015*	7.7	4.9	1.2
1926–2015*	**10.1%**	**5.3%**	**3.4%**

*Through June 30. SOURCE: © 2015 Morningstar Inc.

Compared with money manager GMO, Doll and Schwab are optimists. GMO says U.S. stocks will barely make money over the next seven years.

Bonds. If you buy a bond and hold it to maturity, you'll earn close to its current yield. For a 10-year Treasury bond, the benchmark for U.S. debt, that was 2.4% in early July. Bond-fund investors should look at a fund's yield to maturity. In the case of Vanguard Total Bond (symbol VBMFX), which tracks the U.S. bond market, that figure is 2.1%. As yields rise in coming years, bond prices will fall, but bond investors will be able to invest in debt with higher interest rates, balancing out, to some degree, the losses due to rising yields. "We think 3.5% to 4% is where 10-year rates will end up over the next 10 years, with an expected return of roughly 2%" annualized, says Joe Davis, Vanguard's chief economist. Over 20 years, Schwab sees the broad bond market returning an average of 3.3% a year.

Cash. The return on cash over time should be roughly equal to the rate of inflation or maybe a bit more. That's not likely to happen over the next decade, even as short-term rates climb, because cash yields are well below inflation to start. Investors in money market mutual funds, for instance, can bet on a 1.5% annualized return over the next five to 10 years, says Peter Crane, publisher of *Money Fund Intelligence*.

What to do. If you're basing retirement or other long-term decisions on the assumption that U.S. stocks and bonds will perform as well in the future as they have in the past, you may need a new plan. You need to trim your projected returns or ratchet up the amount of risk you're willing to take—perhaps by investing more than you're accustomed to in foreign stocks. In either case, it becomes more important than ever to hold down your costs and possibly bump up the amount you invest if you want to reach your goals. ■

ANDREW FEINBERG > Promised Land

Know When to Sell a Stock

“I love Facebook,” Will Danoff, Fidelity Contrafund’s excellent manager, said at a recent investing conference. “Don’t sell after the first double.” The advice resonated with me, and not just because I, too, own **FACEBOOK (SYMBOL FB)**. I thought it helped explain why Danoff, a value-conscious growth investor, has been so successful. Like Warren Buffett, he has a strong bias toward holding a stock even when it encounters turbulence. “I don’t want to get shaken out of a stock if I like the long-term story,” Danoff once said.

Too many of us have subconscious sell rules that hurt our results. For instance, we often sell because of recent moves in a stock’s price. In 2000, I showed my investing genius by buying health insurer Humana (HUM) at $6. The stock now trades at $188, and Aetna has agreed to buy Humana for $230 per share. But I never brag about my coup because I sold Humana at $15 two years after I bought it. (Current prices are as of July 2.)

In selling Humana way too soon, I focused far too much on the stock’s performance (heroic), my holding period (long enough to qualify for favorable capital-gains tax treatment) and my ego (I was a proud seller). We all know people who think a loss isn’t a loss until you take it. Others, channeling my Humana experience, believe a profit isn’t real until you ring the register. A rational long-term investor such as Charlie Munger, Berkshire Hathaway’s vice chairman, would say that when it comes to making a sell decision, both views are equally delusional.

I invested in Buffalo Wild Wings (BWLD), a thriving sports-bar franchise, a week after it went public in 2003. A few months later, I freaked out when the firm said rising chicken wing prices would clip earnings. So, like a chicken, I sold and took my 30% profit. The stock has since risen more than 10-fold. The temporary commodity spike blinded me to Wild Wings’ long-term growth potential. Such price fluctuations are inevitable and are usually meaningless.

But sometimes there are better reasons to sour on a stock. I invested in Constellium NV (CSTM), a Netherlands-based fabricator of aluminum products, in early 2014 at $23. I was sitting on a nice profit when I read in August 2014 that Alcoa (AA) would compete against Constellium by getting into the aircraft-engine-parts business. Then Constellium reported punk earnings and gave a bleak forecast about future results. I sold at $29 a share. Since then, every earnings report has been catastrophic, and the stock now sells for $11.

Focus on the call. Sometimes a single earnings call should prompt a sale. I bought UCP (UCP), a land-rich home builder, in March 2014 at $14. The premise: UCP would sell to developers some parcels of land it had acquired cheaply and build some homes itself. But on its May 2014 call with analysts and investors following the release of first-quarter results, UCP said it had sold just $200,000 worth of land—down a staggering 97% from the same quarter in 2013—and exactly 52 homes on the 7,931 lots it controlled. On the call, executives sounded like a group of stoners. “Hey, man, we’ll get around to building the homes someday. You investors just need to chill,” they might as well have said. Not feeling mellow, I sold the next day for $13, taking a small loss. The shares now fetch just under $8.

Reviewing past sell decisions has led me to three new rules. First, if a company has a real business with great growth potential, you should cut it some slack. Second, always check to see if powerful emotions are trampling logic. And finally, if a company is floundering while most of its peers are prospering, acknowledge that you have a lemon and don’t try to make lemonade out of it. Toss it in the trash. ■

> **“If a company has a real business with great growth potential, you should cut it some slack.”**

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

LISE METZGER

THE KIPLINGER 25 UPDATE

Two Price Funds Go Their Own Way

THE RESULTS OF TWO T. ROWE Price small-company funds in the Kiplinger 25 underscore the gulf between growth and value stocks over the past year. One, **DIVERSIFIED SMALL-CAP GROWTH**, earned a double-digit return, while the other, **SMALL-CAP VALUE**, lost money. The gap: a stunning 15.1 percentage points.

What's behind the divergence? Sudhir Nanda, manager of Diversified Small-Cap Growth, says growth stocks are benefiting from the tepid economy. When gross domestic product expands slowly, investors flock to companies that they think can grow regardless of what the overall economy is doing, he says. "The more growth-oriented you are, the better you have performed," Nanda says.

Nanda is a "quant" guy. He uses computer models to identify growing companies trading at reasonable share prices. The models pointed him toward Amag Pharmaceuticals and Neurocrine Biosciences, two biotech stocks that more than tripled over the past year. At last report, health care stocks accounted for 20% of the fund's assets, a slightly higher weighting than in the average small-company growth fund.

At Small-Cap Value, where the focus is on unloved companies, health care stocks represent just 6% of assets. David Wagner has replaced about 80 of the fund's roughly 300 holdings since becoming the fund's sole manager in June 2014, after the retirement of longtime captain Preston Athey. Most of the turnover was simply business as usual—selling stocks as they got too pricey, for instance, or replacing one holding with another that looked better. Also getting the boot, says Wagner, "were a few sacred cows, stocks that Preston and I had a difference of opinion about." Among those bovines were recreational vehicle maker Winnebago and fashion designer Kate Spade.

Wagner was just settling in when oil prices plunged in the second half of 2014. Small-Cap Value had 6% of its assets in energy stocks as of mid 2014, but other fund holdings also proved energy-sensitive, says Wagner. Among them was Genesee & Wyoming, a railroad operator that dropped 21% over the past year.

Wagner says the fund's value strategy requires patience. He considers it a sign of progress that his fund beat the Russell 2000 Value index by 0.6 percentage point in the second quarter of this year. **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	10.1%	19.0%	19.7%	—	Dec. 2009
Davenport Equity Opps	DEOPX	12.7	21.0	—	—	May 2014
Dodge & Cox Stock	DODGX	4.5	20.4	17.8	7.2%	May 2008
Fidelity New Millennium	FMILX	2.6	16.9	17.4	10.5	May 2014
Homestead Small Co Stock	HSCSX	8.6	18.6	19.0	11.4	May 2012
Mairs & Power Growth	MPGFX	3.2	16.8	16.5	8.4	Jan. 2013
Parnassus Mid Cap	PARMX	3.5	15.1	16.3	9.1	Aug. 2014
T. Rowe Price Divers Sm-Cap Gro	PRDSX	13.3	21.6	21.6	11.0	May 2015
T. Rowe Price Sm-Cap Value	PRSVX	−1.8	13.5	14.6	8.3	May 2009
T. Rowe Price Value	TRVLX	5.1	20.5	17.9	8.5	May 2015
Vanguard Dividend Growth	VDIGX	6.2	14.9	16.1	9.2	May 2010
Vanguard Selected Value	VASVX	1.2	19.0	17.1	8.7	May 2005

International Stock Funds	Symbol	Annualized total return 1 yr.	3 yrs.	5 yrs.	10 yrs.	Added to Kip 25
Artisan International	ARTIX	−0.7%	13.5%	13.1%	7.7%	May 2015
FMI International	FMIJX	4.8	14.3	—	—	April 2015
Harding Loevner Emrg Mkts	HLEMX	−6.9	5.8	6.0	8.5	May 2013
Matthews Asian Gro & Inc	MACSX	−2.0	7.7	7.5	8.8	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	1.5%	11.5%	11.0%	8.0%	Oct. 2008
Merger	MERFX	−0.7	2.7	2.8	3.4	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	2.9%	3.7%	6.6%	—	May 2011
Fidelity Intermed Muni Inc	FLTMX	1.9	2.3	3.5	3.8%	May 2004
Fidelity New Markets Income	FNMIX	−3.4	3.5	6.6	7.8	May 2012
Fidelity Total Bond	FTBFX	1.6	2.6	4.4	5.0	May 2014
Met West Unconstrained Bd M	MWCRX	1.0	4.7	—	—	May 2013
Osterweis Strategic Income	OSTIX	1.5	5.3	6.2	6.7	May 2013
Vanguard Sh-Tm Inv-Grade	VFSTX	1.0	2.0	2.4	3.5	May 2010

Indexes	Annualized total return 1 yr.	3 yrs.	5 yrs.	10 yrs.
S&P 500-STOCK INDEX	7.4%	17.3%	17.3%	7.9%
RUSSELL 2000 INDEX*	6.5	17.8	17.1	8.4
MSCI EAFE INDEX†	−3.8	12.5	10.0	5.6
MSCI EMERGING MARKETS INDEX	−4.8	4.1	4.0	8.5
BARCLAYS AGGREGATE BOND INDEX#	1.9	1.8	3.3	4.4

Through June 30. —Not available; fund not in existence for the entire period. *Small-company U.S. stocks. †Foreign stocks. #High-grade U.S. bonds.

SOURCE: © 2015 Morningstar Inc.

JEFFREY R. KOSNETT > Income Investing

Bond Funds That Make Sense

“Forget index funds for now. The key to success is an experienced manager who can make money here, there and everywhere.”

Bond fund investors have been getting a taste lately of what happens when interest rates rise. Market rates have been climbing since early February. And because bond prices move in the opposite direction of rates, bond funds, including such exemplars as Loomis Sayles Bond, Pimco Total Return and Kiplinger 25 member Fidelity Total Bond, have been bleeding red ink since March.

The rare sight of these all-star funds shedding principal might suggest that if their highly respected overseers can't preserve your capital, no one can. More to the point, the losses underscore one of the major shortcomings of bond funds. If you buy individual bonds and hold to maturity (the approach I prefer), you know that you'll get back your principal, assuming the issuer doesn't default. But funds never mature, so if you own them during periods of rising rates, you stand a good chance of losing money. Things can get especially ugly if your fund invests in less-liquid bonds and bunches of shareholders redeem at once, forcing fund managers to sell bonds in a fast-falling market.

However, I recognize that challenging times put a premium on expertise. If you have at least $500,000 to invest, you can take your money to a money-management firm whose bond professionals will create a bond portfolio for you. Otherwise, you'll want to invest through funds.

And that leads to my message: Don't choose funds solely on the basis of past returns, current yields or expense ratios. And don't fall into the trap of investing the bulk of your fixed-income money in short-maturity funds, as many advisers are suggesting. A fund with a low duration, a measure of rate sensitivity, may be a decent substitute for a money market fund that pays nothing or a CD that pays little more, but you'll have to turn to something else to get real income. You'll get the best combination of yield and stability if you combine the following characteristics, in descending importance. (I'll name a few of my favorites next month.)

Think active management. Forget bond index funds for now. The key to success is to have an experienced manager who can make money here, there and everywhere and cut losses as they arise. Read shareholder literature for clues.

Go light on Treasuries. When rates are rising, you want less volatility, not more of it. Uncle Sam's debt may be the world's safest, but its yields are among the stingiest. And because of the way bonds work, Treasuries are more volatile than corporates and mortgage securities of comparable maturities. And by the way, another reason to avoid bond index funds, especially those that track the Barclays Aggregate index, is that they are stuffed with Treasuries (which are 36% of the Agg).

Focus on bottom-up managers. Favor managers who emphasize picking good, undervalued or mispriced bonds rather than those who try to time the bond market by anticipating moves in interest rates.

Pick the right size. Look for funds with assets of $1 billion to $10 billion. Too big, and the fund's best ideas might have little impact on results. Too small, and the fund is vulnerable to a rush of redemptions. Plus, a large team of researchers is essential. So avoid one- or two-person shops.

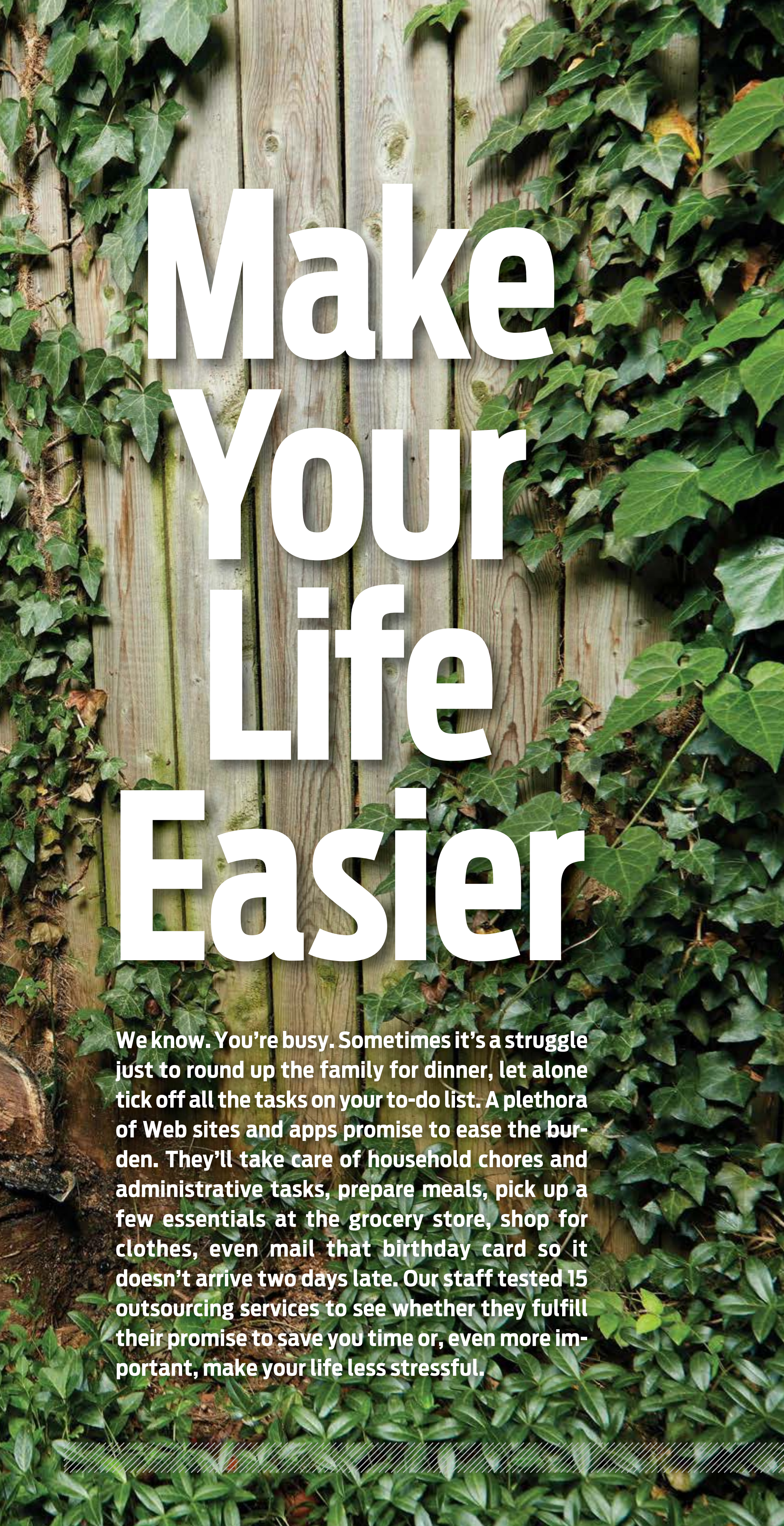
Keep costs low. Fees are not at the top of my list, but that doesn't mean they're not important. With 3% being a good yield nowadays, you don't want to pay 1% a year to a fund's sponsor. But I'd rather pay 0.50% for a good active manager than 0.10% for an index fund full of Treasuries. ■

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

■ MARCEL, FROM TASKRABBIT, CHIPPED AWAY AT A STUBBORN STUMP FOR $60 AN HOUR.

PHOTOGRAPH BY POON WATCHARA-AMPHAIWAN



Make Your Life Easier

We know. You're busy. Sometimes it's a struggle just to round up the family for dinner, let alone tick off all the tasks on your to-do list. A plethora of Web sites and apps promise to ease the burden. They'll take care of household chores and administrative tasks, prepare meals, pick up a few essentials at the grocery store, shop for clothes, even mail that birthday card so it doesn't arrive two days late. Our staff tested 15 outsourcing services to see whether they fulfill their promise to save you time or, even more important, make your life less stressful.

GET THE CHORES DONE

One area where the app economy shows big promise is finding people to do small chores around the house. If you've tried to hire a plumber to fix a leaky pipe or a gardener to weed a flower bed, you know how hard it is to get anyone to commit to a one-off $50 job.

I have a long list of tasks at my house that I have been promising my wife I'd do at least since the last snow melted back in March—of 2012. One task near the top of my honey-do list was fixing a kitchen faucet with a leak that had been getting steadily worse over the past year. Now a new chore jumped to the top of the list: removing a small stump in our backyard. I had managed to cut down a junky tree, limb by limb, but the stump was better left to a handyman with a back that didn't threaten to go out with the first swing of the pickax.

Using my PC, I set up an account on **TASKRABBIT**, scanned the categories (delivery, cleaning, general handyman, moving, event help), and entered the task, my zip code, the day and time I wanted it done, and a credit card number.

First the stump: Under general handyman/yard work, three "taskers" who worked in my zip code were available to do the job. Their profiles, customer ratings and reviews, and hourly rates (from $35 to $80) were displayed. I went with Marcel, who charged $60 an hour and had a 99% positive rating. His profile said "ID verified," and a perusal of his customer comments showed rave reviews—except for one star-crossed gig as a bartender. Taskrabbit also charges a 5% "trust and safety" fee, which covers a background check and insurance coverage of up to $1 million for property damage, bodily injury and theft.

Marcel immediately sent a text message thanking me for hiring him and, a day or two later, asked for a photo of the stump. He arrived via bicycle right on time, but he looked distraught when he saw the stump. "I thought it would be old and decayed," he said. I gave him a succession of tools—pickax, chain saw, drill—and after an hour and 20 minutes, we agreed that he would come back later to finish the job, after the stump had rotted and softened. I put him to work pulling ivy off the side of my house. After two and a half hours of work, the bill came to $157.50. Taskrabbit had my credit card info, so payment was automatic.

I didn't get immediate gratification with my faucet, either. I initially shopped for a plumber on Handy (formerly Handybook), which specializes in small plumbing and electrical jobs as well as in painting and household cleaning. But the online estimate to fix the leak in my faucet was two hours and $170, paid in advance. (There's a 24-hour full-refund cancellation policy and money-back guarantee; returning users pay day of service.) I didn't see how fixing a leaky faucet merited two hours. On Taskrabbit, a search under plumbing turned up Craig T, at $69 an hour.

On the appointed day, Craig asked if he could come by the house early to see if I needed a part. He unscrewed the handle of the single-handle faucet and announced that it needed a new cartridge. He copied down a parts number and said he would check at a plumbing supply store.

I heard from him the next day saying "they are looking for the part." Six days after that, he said he would have to come by, dismantle the sink and take the cartridge with him so they could match it. Craig didn't charge me for the half-hour fact-finding visit, and when he reassembled the faucet, he slowed the leak to a tolerable trickle. I'm thinking I can live with a slow leak.

Although my test tasks weren't completed, I would use Taskrabbit again. I like how easy it is to hire someone for small jobs and the fact that taskers are vetted. Taskrabbit has a wide range of other services that I might use to check off the items still on my honey-do list. **MARK SOLHEIM**

A DO-ANYTHING SERVICE

MAGIC makes a bold claim: It will perform any task you wish as long as it's legal. We brainstormed tasks to put this everything service to the test. An episode of *M*A*S*H* provided inspiration—the one in which Hawkeye arranges to have 40 pounds of ribs and a gallon of barbecue sauce delivered from Chicago to Korea. But in the 2015 version, we would ask Magic to wait in line for an order from the pit of barbecue guru Aaron Franklin, in my hometown of Austin, Texas, and have it delivered to the Kiplinger offices in Washington, D.C.

I created an account and immediately hit a roadblock: Magic has a wait list of more than 40,000 people. But if you pay $100, you can skip the line. I arranged to go to the head of the pack and swiftly hit a second roadblock: Magic would gladly fulfill our order, but it would have to charter a plane to deliver the goods. Total cost: $24,000.

I rapidly switched to Plan B: Focus on East Coast fare. I considered a cheesesteak from Philly but ended up ordering five crab cakes from Faidley Seafood, in Baltimore. I texted my request on a Wednesday and Magic assured delivery by lunchtime the next day at a price of $239.47. The crab cakes arrived with a driver named Lawrence at 11:20 A.M., 40 minutes early. The bill for the food and packaging totaled $79.95, meaning Magic charged an additional $159.52 for its part. (Shipping five crab cakes from Faidley's overnight via UPS would have cost $114.50.)

Magic's cost is substantial, but if you're in a pinch—say, because of a war in Korea—and you've exhausted more-affordable options, you might be able to justify it. MILES KRUPPA

SUPER-SPEEDY DELIVERY

In a fast-moving world, sometimes even two-day shipping can leave you tapping your foot impatiently. But a slew of new services are upping the ante, promising delivery in as little as one hour.

POSTMATES will deliver items from local businesses ranging from takeout food to running shoes to a charger for your smartphone. The Postmates promise: delivery in one hour or less. To give the service a trial run, I used the mobile app to place an order from Whole Foods for two packages of cookies, a bottle of wine and three organic bananas. After adding the products I wanted to my cart, I watched as the app located a nearby Postmate (revealing his name, Samuel S., and a photo), tracked his progress and offered me the option to call or text my shopper if I had any changes to my order.

An hour after I placed the order, Samuel arrived with the goods—one bag of cookies as ordered, and another bag of cookies and

POON WATCHARA-AMPHAIWAN

WE ORDERED BALTIMORE CRAB CAKES VIA MAGIC. LAWRENCE DELIVERED THEM 40 MINUTES EARLY.

bottle of wine substituted with what the store had on its shelves (no luck with the organic bananas). Total bill: $32, including a delivery fee that starts at $5 and a 9% “service fee,” which goes to Postmates. Tipping isn’t required, and Postmate shoppers can’t accept cash, but you can tip within the app. For this particular order, the delivery by Postmates cost about one-third more than if I had gone to the store myself, but it could have come in handy if I was short on time.

DELIV promises to deliver items from upscale retailers. It has partnered with more than 250 stores, including Macy’s, Crate & Barrel and Staples, in eight markets to provide same-day delivery. Unfortunately, my attempt to use Deliv to order a toaster oven from a couple of department stores didn’t, well, deliver. “Same-day delivery” is supposed to show up as an option at checkout, but that didn’t happen at either Macy’s or Bloomingdale’s because the stores were testing a new checkout procedure. The same-day-delivery service would have cost an extra $15, or $5 if my order had already qualified for free shipping. **KAITLIN PITSKER**

PREFAB MEALS BY MAIL

The last question you want to hear after a long day at the office (especially if you don’t have an answer) is “What’s for dinner?” A ton of options exist for getting fast food and even restaurant fare delivered, but meal-delivery services occupy a different niche: They compile the ingredients to prepare a home-cooked meal. Select the meals you want from their menus, and they’ll ship the recipes and fresh ingredients to your home.

I tried two: **BLUE APRON** (www.blueapron.com) and **HELLO FRESH** (www.hellofresh.com). For my family of four, I ordered two meals featuring ground turkey and salmon from Blue Apron and three meals featuring ground beef and chicken from Hello Fresh. Both services deliver in the continental U.S. in boxes outfitted with insulation and gel packs. When I opened the boxes, the meat and fish were cold. The services assume that you have basic pantry items on hand (notably olive oil), but they provide premeasured spices and recipe-specific items, such as teriyaki sauce, sesame oil and honey, that you might not have.

During my deadline week at work, when we would otherwise have eaten the same old spaghetti or takeout, we ate healthy food that earned four thumbs up from my husband, two teenagers and me. Recipes were easy to follow, but I still spent an hour cooking each evening, and neither service provides a kitchen-cleanup fairy.

You must sign up for your meals a week ahead of time. Blue Apron offers a two-person meal plan ($9.99 per person for three meals a week) and a four-person plan ($8.74 per person for two or four meals a week). Hello Fresh requires you to order a minimum of three meals per week for two or four people, starting at $10.75 per person if meat or fish is on the menu or $9.08 per person if not. Both are subscription services (no extra charge, and you can cancel anytime).

When I comparison-shopped the ingredient lists at my local grocery store (and included its $10 delivery fee), I found that I actually saved $8 on groceries with Blue Apron. But Hello Fresh was pricey: $25 more than I would have spent at the supermarket. Not having to think about what we're having for dinner? Priceless. **PATRICIA MERTZ ESSWEIN**

COURTESY BLUE APRON

NEVER BELATED AGAIN

Perhaps, like me, you suddenly remember a birthday or other special occasion, rush out to buy a greeting card, scrawl a message and pop it in the mail, hoping that it won't arrive embarrassingly late. Electronic cards have tried to sub for real cards for years, but we all know how unfulfilling they are. So companies including **BLUEBIRDCARDS.COM**, **CARDSTORE.COM**, **POSTABLE.COM** and **TOUCHNOTE.COM** will help get real, not virtual, cards to your friends and loved ones, allowing you to skip the trip to the store and post office.

To put these services through their paces, I sent cards within the U.S. as well as to Australia. In each case, I selected a card from the company's Web site, wrote a personal message in a font I picked and entered the mailing addresses. At CardStore, Postable and Touchnote I had the option of adding my own photos to some of the cards.

A traditional card sent within the U.S. costs just under $4. International postage is included at Touchnote; it adds about a dollar to the tab with the other companies. Cards generally take about three business days to arrive within the U.S. and as long as a few weeks internationally.

Some cards wowed more than others. CardStore and Postable offered a wide variety printed on quality card stock, with designs ranging from classic and thoughtful to cheeky and humorous. Touchnote's services aren't as robust, but it offered the easiest way to, say, share your family vacation photo on a customized card. **KAITLIN PITSKER**

FREELANCERS FOR FIVE BUCKS

FIVERR is an online community of freelancers who advertise small jobs starting at five bucks apiece. The site's vast array of "gigs" include everything from writing search engine optimization–friendly copy to making a video of a puppet promoting your business idea.

I endeavored to add a little pizzazz to the Kiplinger brand with a catchy original jingle. While shopping for songwriters, I discovered that not all $5 jingles are created equal. Each gig's page lists the details of the basic job, plus extras. For instance, one listing offered a 15-second instrumental jingle at the base price. If you wanted 10 more seconds and vocals, you'd pay another $20.

I eventually settled on a page belonging to Ryan Heenan, whose base gig included a professional-quality, 30-second jingle on the ukulele with custom lyrics and harmonized vocals. I charged the $5 plus a 50-cent processing fee to my credit card (the site also accepts PayPal and nonrefundable bitcoin payments) and sent Ryan a paragraph describing what Kiplinger is all about. Five days later, the jingle was ready for me to download. Not only did he capture the essence of our mission, but he even managed to pronounce *Kiplinger* correctly (it rhymes with *singer*). To listen for yourself, head online to kiplinger.com/links/jingle. **RYAN ERMEY**

MENUS VIA E-MAIL

I've spent years planning meals for my family, so the prospect of outsourcing some of the heavy lifting was appealing. I subscribed to **EMEALS.COM**, an online service that promised to e-mail me seven days' worth of recipes each week. I'd still have to do the shopping, but I wouldn't have to spend hours leafing through my recipe files for inspiration. The price was a reasonable $30 for three months, up to $58 for one year, with a free two-week trial.

The site was easy to navigate (you can also use an app). The most difficult thing was choosing among 20 dinner menu categories, from Paleo to Paula Deen. I settled on the "Health" plan. When I received my first batch of menus, I realized that I had to overcome years of ingrained habits (nothing too ambitious on a work night). Plus, my husband nixed dishes with black beans or lentils. The tastiest meal of week one: grilled lamb chops with a Greek salad.

To make the most of eMeals, it helps if you're a newbie with no preconceived notions, or if you're looking for, say, a low-carb or gluten-free diet. But the meals did inspire me to break out my grill pan on a work night, so next up is grilled flank steak with horseradish butter. **JANET BODNAR**

COURTESY POSTABLE

YOUR PERSONAL SHOPPER

STITCH FIX is designed for women (like me) who hate to shop and don't have time to browse for clothes online. Customers fill out a detailed style profile that covers age, measurements, fabric preferences, budget and occupation. For a $20 "style fee," you'll receive a box with five clothing items and accessories. The $20 is applied as a credit toward anything you purchase. Buy all five, and you'll get a 25% discount.

In my profile, I said I was interested in business casual/work outfits. I also said I was looking for fitted, colorful jackets that would look good on video or TV.

I didn't have high expectations. Perhaps it was the question about whether I would wear animal prints or faux fur (no and no). I sensed that Stitch Fix was targeting the H&M crowd, not a woman who shops at Talbots—when she has time.

My box arrived on a rainy day, ideal for trying on clothes. The selection was eclectic but age-appropriate. My favorite item was a sleeveless cobalt-blue dress that fit perfectly. The package also included two jersey-style jackets; unfortunately, the patterns were too busy for TV. A sleeveless blouse seemed kind of flimsy for $58; likewise, the sterling silver plate necklace was overpriced at $60.

You have three business days to return items you don't want. You're not obligated to buy anything, but the $20 style fee is nonrefundable. The necklace, jackets and blouse went into the handy postage-paid return bag, and the dress went into my closet.

Stitch Fix has gotten some static from online reviewers for price markups. I'm sure you can find lower prices at sales or discount retailers, but that seems to miss the point of this service. Shopping takes time, and for a lot of busy women, time is money. **SANDRA BLOCK**

STITCH FIX CHOOSES CLOTHES FOR YOU, BASED ON A STYLE PROFILE YOU FILL OUT.

COURTESY STITCH FIX

HIRE A PERSONAL ASSISTANT

Paying someone to clear some of the pesky tasks off your plate doesn't have to involve employing a full-time Jeeves. An online "virtual assistant" probably doesn't cost as much as you think.

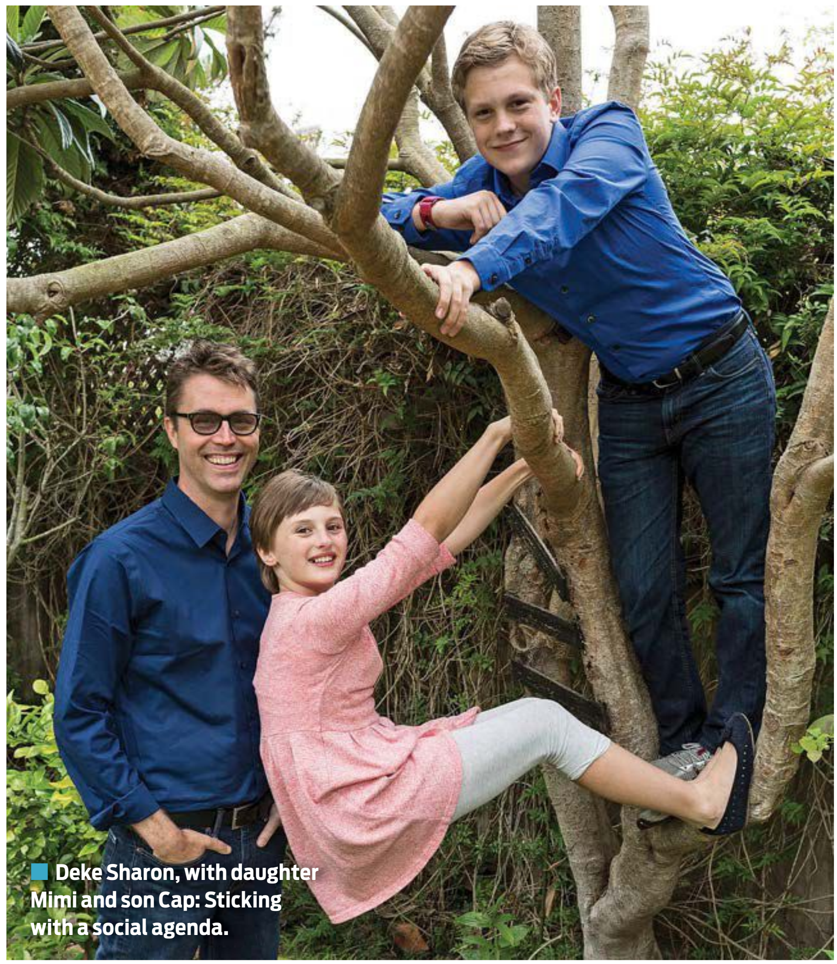
We tested a couple—Karachi (Pakistan)–based EFFICISE and U.S.-based FANCY HANDS—which offer assistants to complete ad hoc tasks that take 15 to 30 minutes. With both services, you'll pay a monthly subscription fee for a certain number of tasks. Fancy Hands costs $50 for 15 tasks. Efficise's basic plan costs $45 for 30 tasks (reflecting cheaper labor costs). You get a dashboard on each site so you can organize and request tasks. Efficise also allows you to request tasks via e-mail; Fancy Hands accepts requests by phone or e-mail or through its mobile app.

I sent each service a smattering of tasks, such as providing background research on interview subjects and compiling a list of local dry cleaners that offered delivery service. Both handled the straightforward tasks with aplomb, with no discernible difference between the services. When jobs required a little more nuance, however, having a team of American assistants proved useful.

For instance, I asked both assistants to find a 76ers bar in Chicago where I could watch the NBA draft while I attended the Morningstar investing conference. My Efficise assistant simply gave me a list of sports bars. But not only did my Fancy Hands assistant find me a Philly sports bar, she also linked me to a group on Meetup.com that follows Philly sports in Chicago and told me how to contact them. When I asked both services to transcribe a short radio interview, my Efficise assistant did his best but left some blanks when the language got tricky. My Fancy Hands assistant transcribed it perfectly, down to all of my embarrassing "um's" and "uhh's." RYAN ERMEY

In Tune With His Investments

THEN: When we spoke to Deke Sharon in March 2004, the young musician was determined to invest his family's savings with an eye to the social good. He and his wife, Katy, with the help of an adviser, had transformed a portfolio stuffed with tobacco stocks into one invested in mutual funds with holdings screened to meet social agendas and ethical standards that the Sharons could live with. "Even if we earn a little less," Deke said at the time, "at least our money is going to make the world a better place."


Deke Sharon, with daughter Mimi and son Cap: Sticking with a social agenda.

NOW: Sharon's musical career has flourished since we pictured him with son Cap astride his shoulders. Now 47, Sharon produces *The Sing-Off,* an *American Idol*-esque TV competition for a cappella groups, which has aired in the U.S., China, the Netherlands and, most recently, South Africa. Sharon also served as arranger, on-site music director and vocal producer for the movies *Pitch Perfect* and *Pitch Perfect 2.* He's currently working on a series for Lifetime, tentatively called *Sing It!,* in which he'll appear on camera coaching a high school a cappella group in Cherry Hill, N.J., as they face off against their crosstown rivals. Cap, who is now 15, is following in his dad's musical footsteps, and daughter Mimi, 11, attends a school for the performing arts.

The Sharons' portfolio has more than tripled in value since 2004, reflecting continued saving and modest returns. One of the top-performing holdings is Pax World Small Cap fund, which has beaten similar funds in five of the six full years it's been in operation. By contrast, Citi National Rochdale Socially Responsible Equity has lagged the market and its peers in seven of the nine years through 2014. (Our favorite socially screened fund: Parnassus Mid Cap [PARMX], a member of the Kiplinger 25.) Overall, the Sharons' portfolio, roughly 70% in stocks and 30% in bonds, has delivered annualized returns in the low single digits, after fees—certainly not stellar, but also tempered by the family's moderate-risk profile and the outsized impact of the 2007–09 bear market.

Sharon is confident that his returns will improve over the long haul. "When you put money in the stock market, you take risks," he says. "My intention is to stay the course. No doubt our portfolio hasn't fared as well as it would have if we'd invested in weapons and such over the past decade. But I sleep well at night knowing that my money isn't working counter to my life's goal, which is to spread harmony through harmony."

ANNE KATES SMITH

2004 PHOTO BY STEPHANIE RAUSSER

PHOTOGRAPH BY JONATHAN SPRAGUE/REDUX