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Your Money

By Tina Orem

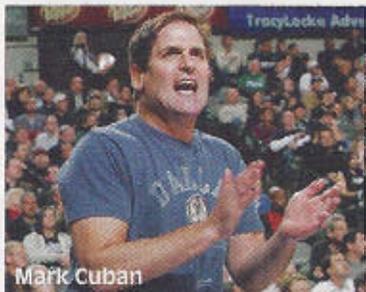
MARK CUBAN: NO STOCK BOY

Mark Cuban might be a professional risk-taker, but this well-known entrepreneur has a surprising recommendation for investors: "The best investment advice I can give anyone is to spend no time on the stock market."

So what should you do with extra cash? "Pay off your credit cards and any debt you have. Put the rest in the bank," says the co-host of ABC's "Shark Tank."

"Putting it in the stock market is not 'saving,' it's risking," he says. "If people put as much time into where to get the best deals on the things they need for their households as they do in trying to win at stocks, they would have more in the bank," Cuban says. "If you spend \$5,000 a year on essential items and can figure out how to save 10 percent, that's 500 bucks you can put in the bank. That 10 percent or more will be a far greater return than you will ever get on an ongoing basis in the market."

Although about one-third of his portfolio remains in stocks, Cuban says he believes that your best bet is cash, which is where he's parked about 40 percent of his money. (The other 30 percent is in publicly traded limited partnerships.) The reason? "I like the security and opportunity cash provides," Cuban says. Holding cash, he points out, lets you jump in quickly on opportunities that less-liquid investments won't.



HOMEGOODS

RETAIL STOCKS ON RISE

With stronger personal finances and rising employment numbers, consumers are more in the mood to shop. This bodes well for investing in retail stocks, says Jason Asaeda, who is a retail analyst at Standard & Poor's Capital IQ.

You should avoid mid-tier department stores, Asaeda says: Consumers are more interested in

high-end luxury brands or low-end, off-price retailers instead. He likes The TJX Cos. (NYSE: TJX; Price: \$44.63), which includes HomeGoods, Marshalls and T.J. Maxx stores, and Limited Brands (NYSE: LTD; Price \$46.92), because both companies have strong track records of growth. A good sign for a retail stock, he says, is that

inventory is growing at the same pace as sales—a trend that you can determine by looking at those line items on a company's balance sheet. "If you have too much inventory, quite often you might have to mark down at the end of the season," he explains. "If you have too little inventory, there's always the potential of losing sales."

CHECKING INTO HOSPITALS

Although the cost of going to the doctor continues to rise, one way to offset the hole that's in your pocket might be to invest in hospital stocks.

The Affordable Care Act's individual mandate requires everyone to get health insurance, which means that as of Jan. 1, 2014, hospitals will be paid for care that they previously might have had to write off. "Reform is definitely good for the hospitals," says Brian Tanquilut, who covers health-care stocks at Jefferies. About 10 million U.S. consumers will remain uninsured after the mandate kicks in, but the reduction in bad debt still is "a pretty big dent" in the prospects for a hospital's earnings, he says.

Looking at inpatient volumes is one of the best ways to evaluate a hospital stock, he says. Thus, he favors HCA Holdings (NYSE: HCA; Price: \$36.99), which he says is one of the most stable companies in the industry. HCA's inpatient volume increased by 7.9 percent during the first 9 months of 2012, according to the company's most recent filing. Tanquilut also likes Mednax (NYSE: MD; Price: \$85.94) and Team Health Holdings (NYSE: TMH; Price: \$33.13), which employ the doctors who work at hospitals.

GETTY IMAGES/INBAE

ANNUITY INSURERS PUSH LUMP SUMS

You did your part: You saved your money, planned ahead and bought a variable annuity to enjoy a steady stream of payments. However, because interest rates and market returns are low and people live longer, insurers are trying to flee the deal, because your decision now is too good from their standpoint.

At least three major insurance companies in the past 12 months began to offer lump-sum payments—the amounts vary according

to individual cases—to entice clients to end their variable-annuities contracts. Further, MetLife scaled back its sales of variable annuities in 2012, and Sun Life Financial stopped selling annuities, although it says consumers who bought them from the company aren't affected.

We expect interest rates to remain low and believe that more providers could offer lump-sum buyouts in 2013.

You don't have to take the lump sum, and insurers legally are

bound to honor the annuities. However, if you take the buyout—say if you're anticipating a large medical expense in the near future—one option that you have to produce income is through *hybrid-* or *fixed-index* annuities, which pay a minimum rate of interest but are based on the performance of a specified stock index. Steve Jurich, who is the founder of IQ Wealth Management, says those payouts have been higher than variable-annuity payouts recently.

WOMEN MAKE YOU RICHER

If the company in which you hold stock has at least one woman on the board of directors, your stock is likely to outperform those of companies that have all-male boards, according to an August 2012 study by Credit Suisse Research Institute (CSRI).

The study, which looked at 2,360 public companies around the world, found that the stocks of companies that have at least one female director outperformed the stock of companies that have

male-only boardrooms by 17 percent to 26 percent between 2005 and 2011.

A board that includes a woman brings better leadership skills to a company, better corporate governance and better risk aversion, according to the study.

CSRI also found that companies that sell to or serve consumers directly, such as apparel, food and restaurant businesses, are more likely to have women on their corporate boards.

RENOVATING YOUR NEST EGG

Homeowners were projected to spend \$120.7 billion on remodeling in 2012, which would represent an increase of 5.9 percent compared with 2011 and the most spending since 2007, according to Joint Center for Housing Studies of Harvard University. That improving situation could improve the look of your portfolio.

The housing market has a lot of subsegments, so it's important to understand a company's customers before you invest, says John Baugh, who is managing director at Stifel Financial. For instance, less than 10 percent of the revenue of Lumber Liquidators Holdings (NYSE: LL; Price \$56.32) comes from new housing, he says, which means that the company benefits more from rises in sales of existing homes than do companies that depend more heavily on the narrower new-housing market.

Baugh also likes Mohawk Industries (NYSE: MHK; Price: \$98.47), because the flooring company is more widely diversified than are its competitors: Mohawk sells in the new-construction, remodeling and commercial-construction sectors, and it has an international arm.

OFF TARGET ON FUNDS

Target-date funds are a convenient way to put your investments on autopilot, but they're becoming more difficult to find. *Target-date funds* are mutual funds that automatically change their holdings over time as you approach retirement or some other milestone, such as the first year of college tuition. The general goal is to increase the value of your investment and then, as the target date draws close, preserve your capital.

In 2012, at least four large fund companies shut down their target-date fund families because of lagging performance or failure to attract investors, leaving fewer choices for consumers.

Lori Lucas of investment consultant Callan Associates says target-date funds are in for another round of consolidation in 2013 as investment companies seek to keep costs down. 401(k) plans have upped their disclosures about fees, making the industry more competitive.



PUSHING BACK AGAINST CREDIT BUREAUS

It almost goes without saying, but any errors that you find in a credit report should be corrected quickly. If you're getting nowhere with a credit-reporting agency, however, Consumer Financial Protection Bureau (CFPB) is all ears: CFPB in October 2012 launched a program to field complaints about credit bureaus.

If you find an error, you should file a dispute with the credit-reporting agency first, says Michelle Muth Person of CFPB. The Fair Credit Reporting Act requires credit-reporting agencies to investigate your problem within 30 days.

After that, you may file a complaint at consumerfinance.gov/ complaint. CFPB will forward it to the credit-reporting agency and give you a tracking number to check the progress online. Credit-reporting agencies are expected to respond within 15 days with a list of the steps that they have taken or plan to take.

What happens after that is uncharted territory—CFPB is vague about what teeth it has. "When the CFPB finds violations of applicable federal consumer financial law, it directs them to be corrected," the agency says.

Whether the violations will be corrected is another matter. Person's response to that question was unhelpful: "Companies are expected to close all but the most complicated complaints within 60 days."

Of course, your best bet is to be proactive about your credit status. If you anticipate a major purchase that would be derailed by a negative finding on a credit report, check your credit report before it affects your situation, Person says.



Go to ConsumersDigest.com for more in "Credit-Score Outrage: Why the Ultimate Numbers Game Is Out of Control."

TAX PAINS FOR MEDICAL COSTS

Health-care costs keep rising, and now fewer of those costs are deductible. In 2012, medical and dental expenses that were more than 7.5 percent of your adjusted gross income were deductible; for expenses incurred in 2013, the number will be 10 percent. Although you can't change the law, you can avoid the higher deductible threshold for medical expenses.

If you can anticipate major medical costs—an

ongoing treatment or scheduling a surgery, for example—one way to cope with the change is to prepay 2014 bills or cram services in by Dec. 31, 2013, to surpass the 10 percent threshold, says David Rosenhouse of accounting firm Rosenhouse Group.

Health-savings accounts also can mean favorable tax treatment for medical expenses. Generally, you're eligible to open such an account (many banks offer

them) if you're enrolled in a high-deductible health-insurance plan, and in 2013 you can contribute up to \$3,250 if you have individual coverage, or up to \$6,450 if you have family coverage. You don't pay taxes on the money in the account, as long as you use it for medical expenses. "It's your own money, so it's not a use-it-or-lose-it program," reminds Eric Levenhagen of ProWise Tax & Accounting.

CHATZKY'S PATH TOWARD FINANCIAL PERFECTION

Jean Chatzky, who is the longtime "Today" show financial editor and author of eight books about personal finance, faces the pressure to be correct every day. However, Chatzky knows what it's like to make a money blunder.

"I've made so many mistakes," she chuckles. In her early 20s, Chatzky changed jobs, which led to one of the biggest financial mistakes of her life—and a lesson that anyone can heed. "My doozy was switching jobs and not rolling over the 401(k). I didn't really understand at the time what it was," she says—retirement was too far away to grasp the importance of planning. "If I had allowed the money to grow, it wasn't a ton, but it would've been worth significantly more," she says.

Chatzky, who in 2012 launched "Jean Chatzky's Money School," which is a series of virtual personal-finance classes, through jeanchatzky.com, avoids individual stocks and invests in widely diversified index funds and exchange-traded funds. About 55 percent of her portfolio is in stocks, 30 percent is in bonds and 15 percent is in cash.



Jean Chatzky

Tina Orem has been a freelance business writer and editor for 10 years. Her work has appeared in *Advisor Today*, *StreetAuthority.com*, *InvestingAnswers.com*, *PCWorld* and other publications. Before writing, she was a corporate-finance executive.

Stock prices reflect the prices that were available at press time and are subject to change.