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Spending Well

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WORK AND SUCCESS

Talking Points

JUSTIN TALLIS/AGENCE
FRANCE-PRESSE — GETTY IMAGES**Rooting for the Underdog?
Consider the Payoff**

After Leicester City's championship in the English Premier League, at 5,000-to-1 odds, here are a few more long shots to consider from the British bookmaker Ladbrokes: The Cleveland Browns winning the Super Bowl: 150-1. The Atlanta Braves winning the World Series: 500-1. Mexico, Senegal or Puerto Rico winning the Olympic men's basketball gold medal: 3,000-1.

A Push on Health Reform

Colorado voters, who have long rejected tax increases and efforts to expand government, are now flirting with a radical transformation: whether to abandon President Obama's health care policy and instead create a taxpayer-financed public health system that guarantees coverage for everyone. The proposal, estimated to cost \$38 billion a year, will go before voters in November. The plan had enough support to get 100,000 signatures needed to put it on the ballot.



DANIEL ACKER FOR THE NEW YORK TIMES

Why Girls Skip Sports

Research shows that girls tend to start dropping out of sports and skipping gym classes around the onset of puberty, and a recent study in The Journal of Adolescent Health found a surprisingly common reason: developing breasts, and girls' attitudes about them. Many of the English girls in the study reported being mortified about undressing in the locker room, and self-consciously reluctant to exercise with abandon.

Strong Sales, Falling Stock

Fitbit sold 21.3 million devices last year, almost double the 10.9 million

A.P.P. — GETTY
IMAGES

it sold in 2014, and the company is the world's largest maker of wearable devices by market share. But with sales of the Apple Watch apparently on the rise, Fitbit's stock has fallen about 10 percent since it went public last June.

Junk Bonds Make Their Case

INVESTING
CARLA FRIED

Investments that deliver higher income than dividend-paying stocks.

At first glance, high-yield bond funds had a strong start to 2016 with a first-quarter gain of 2 percent. But the ride was anything but smooth.

In the first six weeks, the largest high-yield bond fund, BlackRock High Yield Bond, lost 4.6 percent, and the biggest exchange-traded fund, iShares iBoxx High Yield Corporate Bond, shed more than 5 percent. And the Vanguard Total Bond Market index fund, the largest fund that sticks with stodgy Treasuries and other high-grade bonds, gained 2.4 percent.

The steep losses through mid-February were the latest illustration that high-yield bonds are an unequivocal failure when it comes to delivering ballast that steadies your portfolio when stocks are on one of their depressive jags. While it makes perfect sense to shun high-yield bonds — also known as junk bonds — for the part of your portfolio that you rely on for stability, completely swearing off junk could be a failure of portfolio imagination.

Junk bonds are fairly reliable, delivering higher income than dividend-paying stocks. For example, the Vanguard High-Yield Corporate bond fund has a current yield near 6 percent, compared with 3.2 percent for the Vanguard High Dividend Yield index fund. The lofty income payouts of high-yield bonds have been the major driver of equitylike total returns over long stretches.

From 1983 through the end of 2015, the 8.8 percent annualized return of an index of high-yield bonds captured 80 percent of the gain for the Standard & Poor's 500-stock index, with about half the volatility of the stock index. An analysis by AllianceBernstein found that if you kept 75 percent in stocks over that stretch and moved the other 25 percent into high-yield bonds, the 10.4 percent annualized return trailed the all-stock return by less than a half a percentage point, while clocking in with 16 percent less volatility than the all-stock portfolio.

"There's a pervasive attitude that high yield is scary, but that misses the big opportunity," said Gershon Distenfeld, director of high yield at AllianceBernstein. "Used in place of stocks it dampens your volatility without costing you much in return."

And junk is one of the better value propositions among riskier asset classes these days. After a sharp sell-off throughout much of 2015, the yield on an index of high-yield



MARK SHAEVER

bonds at the end of the first quarter was 8.4 percent, about two percentage points higher than a year ago. The total return for a traditional mutual fund or an E.T.F. is the sum of the income yield plus any changes in the underlying price of bonds in the portfolio. Higher yields provide more cushion against falling prices during market downturns. Starting from today's higher yields, Payson Swaffield, chief income investment officer at Eaton Vance, thinks we are at the beginning of a new cycle of positive junk returns that could last a few years.

One way to measure value is to compare interest payouts. The long-term trend is that junk yields are on average 5.25 percentage points higher than yields from Treasuries. Right now this so-called spread is seven percentage points, meaning investors are getting paid more than the historical norm to dip a toe into the junk bond market. Mr. Swaffield found that in the two dozen times since the late 1980s when the spread was that wide, the annualized total return for high yield over the next three years was 8 to 16 percent.

Even sticking to the low side of that analysis, junk looks attractive relative to stocks. More than seven years into this bull market, stocks are anything but cheap. The 19.2 price-earnings ratio for the iShares Select Dividend E.T.F. is about 20

High-Yield Bonds

Research Affiliates, a global asset allocation and investment company, looked at today's high stock valuations and low growth expectations.

1.4%

The predicted annualized return for the S.&P. 500 in the next 10 years, according to Research Affiliates.

3.4%

The expected return for junk bonds in this same period.

\$4 billion

The net inflows of high-yield mutual funds and E.T.F.s in February, according to Morningstar.

percent higher than the long-term market norm. The higher the P/E ratio, the worse the value.

Robust economic growth could in turn spur solid earnings growth, which would help stocks post strong returns, but that isn't expected. S&P Capital IQ, a research firm, projects that the S.&P. 500 will post 1 percent earnings growth this year. "An economy that feels like it is running through mud doesn't look good for stocks at current valuations," said Raymond Kennedy, a portfolio manager of the Hotchkis & Wiley High

Yield fund. "But high yield can do well in a slow-growth economy." As long as cash flow remains positive, high-yield issuers can make interest payments even if earnings growth slows to a crawl.

Research Affiliates, a global asset allocation and investment company, forecasts that today's high stock valuations and low growth expectations could translate into an inflation-adjusted 1.4 percent annualized return for the S.&P. 500 over the next 10 years. The expected return for junk bonds is 3.4 percent, the firm estimated. Investors may have begun to notice that mismatch; Morningstar reports that high-yield mutual funds and E.T.F.s had net inflows of \$4 billion in February, the first positive month since October.

While junk bonds are generally less volatile than stocks, don't presume this will be a placid cruise.

Defaults are always a concern. In a recent analysis that made the case for junk being one of the better asset values, Ben Inker, co-head of asset allocation at GMO, noted that the 4.6 percent average default rate for the bonds since 1988 ranges from a high of 15 percent to a low of less than 1 percent.

Defaults are expected to rise this year from 2015's 3.5 percent pace.

"Volatility is here to stay," Mr. Kennedy said. "But if you're willing to close your eyes for a few years you are going to do well."

Skipping the Upgrade and Caring for the Gadget You Have

TECHNOLOGY
BRIAN X. CHEN

Vincent Lai was working at a recycling facility in New York a few years ago when he dug up a Palm Treo, a smartphone that was discontinued last decade. Mr. Lai, 49, tested the Treo and found it still worked. So he took the device home and made it his everyday mobile companion. Now he works for the Fixers Collective, a social club in New York that repairs aging devices to extend their lives.

Many tech companies are trying to train people to part ways with a device as soon as something newer and faster comes along. Companies like Apple, AT&T and T-Mobile USA now offer early upgrade plans that allow consumers to buy a new cellphone every year. Mr. Lai's experience with the Palm Treo illustrates there is another way: If you simply put some maintenance into electronics as you would a car, you can stay happy with your gadgets for years.

It is part of a movement of an-

ti-consumerism. Signs of this philosophy are spreading: Industry data suggests that consumers are waiting longer to upgrade to new phones.

Mr. Lai and Kyle Wiens of iFixit, a company that provides instruction manuals and components for repairing devices, offered advice on getting the most mileage out of a smartphone and tablet.

When smartphones and tablets were fairly sluggish and limited in abilities compared with computers, there was a compelling reason to buy a new mobile device every few years. But now the mobile gadgets have become so fast and capable that you can easily keep them much longer. "A five-year-old computer is still completely fine now," Mr. Wiens said. "We're starting to hit that same plateau with phones now."

Maintaining smartphones and tablets is fairly easy. Just two critical features require attention: data storage and battery capacity. If a device is close to running out of storage, the operating system may slow to a crawl. If the battery is near



NICOLE BENVIGNO/NEW YORK TIMES

CHERISHING THE OLD Vincent Lai with the Palm Treo he rescued a few years ago from a recycling center. "A phone can last for a very, very long time," he said.

the end of its life, the device will run out of juice more quickly than it once did.

So how do you free space? For Android phones and tablets, Mr. Lai recommends storing personal data like photos and downloaded files on a removable memory card. That will allow the Android system to run more quickly. On Apple's iPhones and iPads, managing stor-

age can take more sleuthing. One tip recommended recently by a user on Reddit.com was to rent a movie on iTunes that exceeds the amount of space you have left. When the device detects it lacks room for the movie file, it rejects the download and clears out cached data lingering in apps. If you are still struggling with storage, consider deleting apps you rarely use or backing up your data and reinstalling the phone's operating system, Mr. Wiens said.

Then there is the battery. Every mobile battery has a maximum number of times it can be depleted and recharged, before it can no longer hold a charge. On an iPhone or iPad, you can check the number of used cycles by plugging the device into a Mac and running the free app

Advice on extending the life of your tablets and smartphones.

coconutBattery. Apple's website says the battery loses about 20 percent of its original capacity after 500 charge cycles. For Android devices, the free app Battery by MacroPinch can tell you the general health of your battery. For Windows devices, the app Battery Infoview will show the health of the battery.

A rule of thumb is to replace your smartphone battery every two years and to upgrade your tablet battery every four or five years, Mr. Wiens said. A new battery will cost \$20 to \$40. Many Android smartphones have removable batteries that can be changed by removing the back cover; steps for replacing iPhone batteries can be found on repair sites like iFixit.

"A phone can last for a very, very long time if your needs aren't extraordinary and if you take care of it," Mr. Lai said.

YOUR LIFE'S WORK
IS OUR LIFE'S WORK.

You've worked, sweated, and sacrificed. You've made good on a few of life's dreams. Our team will honor this lifelong effort with the same level of dedication—and the same work ethic—that it took to realize your dreams.



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