

## Bonds or Stocks?

Q Are bonds safer than stocks and therefore better investments? — *M.B., Falls Church, Virginia*

A In a sense, bonds are safer because if you buy a low-risk bond and hold it to maturity, you should receive the interest you were promised. And stocks can be quite volatile, with no guaranteed returns.

But over many long periods, stocks have outperformed bonds. Wharton business school professor Jeremy Siegel has studied the history of investments and found that over the 75 years between 1946 and 2021, stocks grew at an average annual rate of 11.3%, versus 5.8% for long-term government bonds (excluding the effects of inflation).

Interest rates matter, too, for bonds that won't be held until maturity (which could be a period of 30 years). Rates have been quite low for many years now, and many expect them to rise in coming years. When interest rates rise, the values of existing bonds with lower interest rates are likely to drop. Thus, the values of bond mutual funds can fluctuate over time. Such funds often hold a range of bonds to diversify and reduce risk.

To build long-term wealth, favor stocks. But park shorter-term dollars in less volatile places, such as short-term bonds, money market accounts or certificates of deposit (CDs). Many investors like to hold both stocks and bonds, especially as they approach and enter retirement.

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Q What are some easy-to-understand books on stock investing? — *P.A., Middleton, Idaho*

A Peter Lynch's classics are very readable. So are John C. Bogle's "The Little Book of Common-Sense Investing: The Only Way To Guarantee Your Fair Share of Stock Market Returns" (Wiley, \$27) and "The Little Book That Builds Wealth: The Knockout Formula for Finding Great Investments" by Pat Dorsey (Wiley, \$28).

Want more information about stocks? Send us an email to [foolnews@fool.com](mailto:foolnews@fool.com).



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## Fool's School

## Required Minimum Distributions

You may not realize it, but certain kinds of retirement accounts feature mandatory "required minimum distributions" (RMDs) — and the penalty for not following the rules is severe.

You'll find that RMDs generally apply to tax-deferred retirement accounts such as traditional, rollover, inherited, SEP and SIMPLE IRAs, as well as to traditional 401(k)s. Note, though, that Roth IRAs do not have RMDs, nor do Roth 401(k) accounts, during the account owner's lifetime.

RMDs must be withdrawn by Dec. 31 of each year, once you turn 73. There's an exception for your first RMD, though. For the year in which you turn 73, you have until April 1 of the following year to take your first RMD. So, if you turn 73 in 2026, you'll have until April 1, 2027, to do so.



Note that if you do delay your first RMD until the following year, your second RMD will be due then as well, and withdrawing a much larger sum for that year might push you into a higher tax bracket and plump up your tax bill.

Above all, don't be late taking your RMDs because if you fail to take an RMD on time, the IRS can penalize you 25% of the amount you should have taken. So if you needed to withdraw, say, \$8,000, you might have to fork over \$2,000! (There's a bit of a grace period here; if you spot your mistake soon after the due date and take your RMD, the penalty may fall to 10%, costing you just \$800.)

If you're wondering, RMDs are calculated based on factors such as the fair market value of your account as of the end of the previous year, along with your age and life expectancy. The IRS offers tables to help you determine your RMD. Many companies that manage retirement accounts will automatically calculate RMDs for account holders, and some also let you set up automated annual withdrawals.

## My Dumbest Investment

## An Unsustainable Price

My worst investing mistake was not selling when it should have been obvious that a stock I owned was at a price that was unsustainable. I had several thousand shares that went from around \$70 apiece to a high of \$310 in a short period of time. Should I perhaps have sold a large portion at that high? Yes! Did I? Sadly, no. I still have most of the stock, now trading in the \$50s. — *J.R.T., via email*

**The Fool Responds:** While that situation is a painful one, keep in mind that things can be much clearer in hindsight. Making the decision to sell can be tough in real time, especially if the stock's been a winner in your portfolio. And selling winners can often be a big mistake.

That's not to say you should never sell: If you lose confidence in a company, do it. And if you still believe in the company but valuation measures like its price-to-earnings (P/E) or price-to-sales ratios are higher than what you think the company can deliver, selling a portion or even your entire position can make sense. As long as you expect the company to keep growing, consider just hanging on.

(Do you have a smart or regrettable investment move to share with us? Email it to [TMFShare@fool.com](mailto:TMFShare@fool.com).)

## LAST WEEK'S TRIVIA ANSWER

I trace my roots back to 1963, when a fellow bought a 1,200-subscriber cable system in Tupelo, Mississippi. I bought a marketing firm and a Muzak franchise next. By 1988, I was a leading U.S. cable company, and by 2009, America's largest internet service provider. I later bought NBCUniversal and a controlling interest in Sky. Today, with a market value recently topping \$110 billion, I'm a media and theme park giant, encompassing names such as Xfinity, NBC, Telemundo, Universal, Peacock, Dreamworks Animation and Bravo. I boast 350,000 miles of fiber and more than 60 million customers on my network. Who am I? (Answer: Comcast)



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## The Motley Fool Take

## Communicating a Dividend

Verizon Communications (NYSE: VZ), which had a recent market value north of \$200 billion, provides telecommunications services to millions of consumers and businesses worldwide. Its recent dividend yield of 5.8% should be enticing to income-seeking investors, along with the fact that the telecom leader has increased its dividend for 19 consecutive years. Management appears to be committed to extending that impressive streak of dividend hikes.

Notably, Verizon's financial strength is improving. It just had one of its best quarters in years, with nearly 1 million net additions (added accounts minus dropped accounts) to its mobile and broadband services — the most since 2019. For 2026, it expects to double or triple its post-paid phone net additions, increase its earnings per share by 4% to 5% and boost its free cash flow by 7%. Verizon is also at an inflection point. In its fourth-quarter update, CEO Dan Shulman noted that the recent close of its Frontier Communications acquisition was a significant milestone in Verizon's plan to deliver stronger growth.

The stock may not be a fast grower, but anyone buying at recent levels is likely to enjoy significant dividend income — along with the stock's price appreciation over time. (The Motley Fool recommends Verizon Communications.)



## Name That Company

I trace my roots way back to 1792, when the Insurance Company of North America debuted in Philadelphia. Meanwhile, the Connecticut General Life Insurance Company was formed in 1865; eventually the two businesses joined forces in 1982, forming me.

Today, with a recent market value near \$76 billion, I'm a major health insurer and pharmacy benefit manager, under my own name and that of Evernorth Health Services. Based in Bloomfield, Connecticut, I rake in more than \$260 billion in annual revenue and employ more than 70,000 people. I boast more than 185 million customer relationships. Who am I?

Think you know the answer? We'll announce it in next week's edition.