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THE WALL STREET JOURNAL.

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Last week: DJIA 25444.34 ▲ 104.35 0.4% NASDAQ 7449.03 ▼ 0.6% STOXX 600 361.24 ▲ 0.6% 10-YR. TREASURY ▼ 15/32, yield 3.198% OIL \$69.12 ▼ \$2.22 EURO \$1.1514 YEN 112.53

What's News

Business & Finance

The creator of the widely used FICO credit score plans to roll out a new scoring system in early 2019 that factors in how consumers manage the cash in their bank accounts. **A1**

♦ Revenue growth at U.S. companies is slowing, stirring concern that a profit boom that has driven stock indexes to records is in jeopardy. **B1**

♦ CBS interim Chairman Richard Parsons is resigning because of health issues. New board member Strauss Zelnick will succeed him. **B1**

♦ Uber envisions taking to the skies with a fleet of food-delivery drones in as little as three years. **B1**

♦ U.S. oil companies are racing to address a potential constraint on oil output: export terminals' lack of capacity. **B1**

♦ A growing backlog for security clearances is exacerbating a workforce crunch for defense contractors. **B2**

♦ "Halloween" collected \$77.5 million at the box office over the weekend. **B2**

♦ Died: Charles B. Wang, 74, a co-founder of Computer Associates. **B4**

World-Wide

♦ Voter interest in the midterm elections has surged, helping to boost President Trump's approval rating while maintaining Democrats' advantage as the party preferred to lead Congress. **A1**

♦ Candidates vying for Midwest governors' seats are facing tight races in a test of the loyalty of voters who backed Trump. **A4**

♦ Trump is facing stepped-up pressure to respond to the killing of a Saudi dissident with some lawmakers urging sanctions just ahead of a visit to the kingdom by Mnuchin. **A1, A8**

♦ Lawmakers and veterans groups are seeking more VA aid for ex-service members with health issues blamed on toxic exposures. **A3**

♦ A caravan of thousands of Honduran migrants regrouped within Mexico and began walking north. **A11**

♦ Trump's plan to withdraw the U.S. from a nuclear treaty with Russia stems from frustration that attempts to push Moscow into compliance have fallen short. **A10**

♦ U.S. and EU trade negotiators are chasing quick wins to cement a July agreement. **A6**

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The Price of Not Paying Attention

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Brazilians Rally as Second Round of Presidential Race Nears



SHOW OF SUPPORT: Tens of thousands of backers of Brazil's right-wing presidential front-runner Jair Bolsonaro turned out in Rio de Janeiro and around the country on Sunday. Voters will return to polls next Sunday to choose a president in the runoff election.

U.S. Tries to Uphold Saudi Alliance

By IAN TALLEY

JERUSALEM—The Trump administration, under pressure to sanction Saudi Arabia over the killing of journalist Jamal Khashoggi, is seeking ways to maintain the two countries' strategic alliance.

An array of lawmakers from both parties urged sanctions on the kingdom as Treasury Secretary Steven Mnuchin pre-

pared to visit Saudi Arabia on Monday. Mr. Mnuchin told a small group of reporters that the administration's relationship with Riyadh was critical to the U.S. campaign to counter Iran's bid to become the region's dominant power.

Mr. Mnuchin said it was too early in the investigations of Mr. Khashoggi's death to discuss sanctioning the kingdom. But he suggested the U.S. gen-

erally should punish gross human-rights abuses and target those responsible for them, leaving the door open for possible punitive action.

He said his message in visiting Saudi Arabia—the primary challenger to Iranian power in the Middle East and a crucial oil supplier—was that the two countries "have very important issues that we continue to focus on," includ-

ing combating terrorist financing and countering Iran.

"We will continue in that relationship, while we also simultaneously want to get to the bottom of what the facts are about the Khashoggi situation."

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- ♦ Tight gubernatorial races ahead in Midwest..... A4
- ♦ 'Davos in the Desert' to have a lower profile..... A4

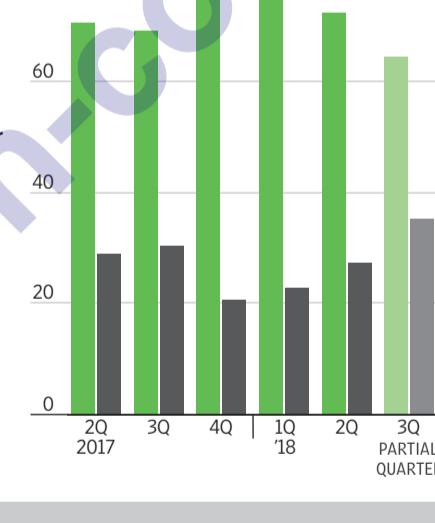
Soft Sales Cast Shadow on Stocks

Companies have been missing revenue estimates, raising worries about the earnings boom that has driven recent stock market rallies. So far this quarter, 35% of the 85 reporting S&P 500 companies have missed sales forecasts. **B1**

Quarterly sales results of S&P 500 companies

■ Beats ■ Misses

Source: FactSet



New Credit-Scoring System Aims to Ease Loan Approvals

By ANNAMARIA ANDRIOTIS

Credit scores for decades have been based mostly on borrowers' payment histories. That is about to change.

Fair Isaac Corp., creator of the widely used FICO credit score, plans to roll out a new scoring system in early 2019 that factors in how consumers manage the cash in their checking, savings and money-market accounts. It is among the biggest shifts for credit reporting and the FICO scoring system, the bedrock of most consumer-lending decisions in

the U.S. since the 1990s.

The UltraFICO Score, as it is called, isn't meant to weed out applicants. Rather, it is designed to boost the number of approvals for credit cards, personal loans and other debt by taking into account a borrower's history of cash transactions, which could indicate how likely they are to repay.

The new score, in the works for years, is FICO's latest answer to lenders who after years of mostly cautious lending are seeking ways to boost loan approvals.

This is occurring at the

same time the consumer-credit market appears relatively healthy. Unemployment is low and consumer loan balances—including for credit cards, auto loans and personal loans—are at record highs, and lenders are looking for ways to keep expanding loan volume.

Borrowers currently have little control over what is in their credit reports, save for the ability to contest information they believe is inaccurate. Lenders, collections firms and other parties feed payment-history data to the major credit

Please turn to page A2

The NBA Is Now the ZZZ Thanks to West Coast Talent Glut



* * *

With must-see games lasting past 1 a.m.

in the East, fans suffer from LeBronsomnia

By BEN COHEN

LeBron James's debut with the Los Angeles Lakers had all the makings of a fantastic spectacle—a must-see television extravaganza that marked the beginning of a new era for maybe the greatest player of all time. There was no way that a fan like Colin Hebert was going to miss it.

And then he found himself sound asleep by halftime.

The game started at 10:48 p.m. ET on Thursday. By the time the second half began, it was already Friday. When the fourth quarter was finally over, most of the country was snoring like Mr. Hebert.

LeBron Jamezzz at 10:48 p.m. ET on Thursday. By the time the second half began, it was already Friday. When the fourth quarter was finally over, most of the country was snoring like Mr. Hebert.

But that still means I

THE DIFFICULT TALK ABOUT sexting

LIFE & ARTS, A13



'HALLOWEEN' KILLS IT AT BOX OFFICE

BUSINESS & FINANCE, B2

Billionaire Activist Rattles Drug Industry

Ex-energy trader has spent millions to fight high prices

By PETER LOFTUS

HOUSTON—Billionaire John D. Arnold is spending a chunk of his fortune to campaign against America's high drug prices. The drug industry is spending a chunk of its fortune to counter him.

Mr. Arnold is the biggest single spender on his side of the battle. He made his money placing bets on price swings in the natural-gas market, first as an energy trader at Enron, then at his own hedge fund after Enron's collapse. Now retired, the 44-year-old Texan with an estimated \$3.3 billion in assets is dedicating himself to the topic of the U.S.'s ballooning health care costs.

He has spent more than \$100 million in health-care-related grants since 2014. A million dollars went to Civica Rx, a nonprofit formed by seven U.S. hospital systems to make generic drugs. Up to \$5.7 million is pledged to Initiative for Medicines, Access & Knowledge Inc., which files legal challenges to the validity of certain U.S. drug patents, to clear the way for lower-cost generics.

He funded research about the relationship between pharmaceutical packaging and drug costs, leading Medicare to pass new rules that took effect in 2017. The state of California, advised by an Arnold-funded group,

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U.S. NEWS

THE OUTLOOK | By Harriet Torry

Female Labor Force, in a Reverse, Ticks Up



For most of the past two decades, the share of women participating in the U.S. labor force was in decline, puzzling demographers and economists since female participation was rising in many other developed economies.

Because of a strong economy, that long-running decline shows signs of reversing. Labor-force participation among prime-age U.S. women aged 25 to 54 has risen to 75.2% from 73.3% three years ago, as their unemployment rate dropped to the lowest level since the 1950s.

A plenitude of jobs and a gradual rise in wages is drawing women back into the labor force, including those at the low end of the skill spectrum. For female high-school dropouts aged 25 and over, participation has risen to 33.8% from 32.1% three years ago, even as participation for college grads stagnated.

Participation helps determine the pace of economic growth; when participation slows it means fewer workers to manage machines or wait tables and becomes a headwind to growth. In 2000, the U.S. had the highest female participation rate among large advanced economies. It has since dipped below the rate in Canada, Australia and the U.K., according to the World Bank. It rose in countries like Germany, Italy and Japan in the past 17 years while declining 3 percentage points in the U.S.

One reason was a decline in good-paying, middle-



Work participation among women aged 25 to 54 rose to 75.2% from 73.3% three years ago. Above, job applicants in Florida this year.

skilled jobs, created by technology and competition from abroad, said Robert Moffitt, an economist at Johns Hopkins University.

The long-running expansion and decline in unemployment is helping to reverse the trend, but headwinds persist. An aging population means more women are retiring, and a growing share of younger women is choosing college over work.

Structural headwinds to participation also stand in the way of a full reversal of the U.S. trend of the past two decades. European countries and Japan pushed to increase women's participation in the workforce with government-funded parental-leave policies and child-care programs, approaches the U.S. didn't take.

Parents in the U.S. "have a very difficult choice: they can

Role Reversal

Female labor force participation is picking up after a long decline.

Female labor force participation, ages 25-54



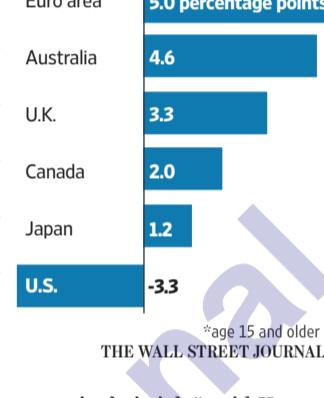
Sources: Labor Department (participation); World Bank (countries)

stay in their job and take 12 weeks off unpaid, and if they want to take care of their kids for another four weeks after they're born, they have

to quit their job," said Harvard University economist Claudia Goldin.

While leave and child-care policies in the U.S. are lim-

Change in female labor force participation, 2000-2017*



*age 15 and older
THE WALL STREET JOURNAL.

ited, private child care is expensive. The consumer-price index rose 8.7% since early 1991, according to the Labor Department. During the same period, the index for child-care and nursery-school costs increased 196%.

A 2017 study by the Organization for Economic Cooperation and Development found child-care costs took up 22.5% of U.S. families' net income, well above OECD nations' average of 12.6%.

For women in low-skilled work, the trade-off between high-cost child care and a low-paying job can be prohibitive.

As the job market improves, some blue-chip companies and tech giants are expanding benefits and paid leave for new parents, along with paid sick leave and part-time work entitlements.

Microsoft Corp., which offers 20 weeks of paid leave for birth mothers, recently announced its suppliers and contractors will need to provide at least 12 weeks of paid time off to new parents too. Netflix Inc. offers unlimited paid family leave for new parents, at full pay, after the birth or adoption of a child.

Still, paid leave is only available to a small number of private-sector workers, and offerings vary widely by industry. A 2017 survey by the Pew Research Center, a think tank, found that access to paid family leave is most common in sectors like finance, technology and scientific and technical services. It is least common in the leisure and hospitality industries where many low-skilled workers work.

The flip side of the forces weighing on U.S. women in the workplace, some economists argue, is that the extended parental leaves and part-time work entitlements offered in Europe don't always lead to career advancement.

While female labor-force participation has risen in a number of European countries in recent years, more women there work part-time, which is associated with lower earnings and less managerial responsibility over the long term. Nearly a third of working women in the European Union work part-time, compared with fewer than a quarter of employed U.S. women.

As advanced economies work out their public-policy responses to raising female labor-force participation, a continued economic expansion will likely be the best solution.

ECONOMIC CALENDAR

Wednesday: A survey of purchasing managers at businesses across the eurozone is expected to record a further, slight slowdown in activity in October. If the composite PMI suffers the expected decline to 53.9 from 54.1, it will nevertheless indicate that the economy has continued to grow at a pace roughly in line with the European Central Bank's estimate of its speed limit, and is therefore unlikely to persuade policy makers to rethink plans to end their bond-buying program in December. The **Federal Reserve** releases the **beige book** report, a roundup of anecdotal information about regional economic conditions.

Thursday: The Commerce Department releases September data on **durable-goods** orders. In August, demand for long-lasting goods produced by U.S. factories took off. But an underlying measure of business investment, nondefense capital goods excluding aircraft, fell. Economists will scour the report for evidence of whether the tax overhaul is helping boost investment. Economists surveyed by The Wall Street Journal forecast durable goods orders fell 1.9% in September.

Friday: The Commerce Department releases third-quarter **gross domestic product** data. In the second quarter, GDP rose at a 4.2% seasonally adjusted annual rate, powered by consumer spending, net exports and business investment. Economists surveyed by The Journal forecast GDP growth of 3.4% in the preliminary reading.



This frame from a video shows a floor that collapsed during a party at an apartment near the Clemson University campus.

U.S. WATCH

SOUTH CAROLINA

Thirty People Injured When Floor Collapses

Thirty partygoers in South Carolina were injured early Sunday when the floor of an apartment complex clubhouse collapsed.

The floor gave way around 12:30 a.m. during a private party in the two-story clubhouse at the Woodlands Apartments near Clemson University, the Clemson City Police Department said. People plunged to the ground floor.

"We're talking some broken bones and lacerations," Chief Jimmy Dixon said, adding that an investigation is ongoing.

"We're still collecting everything, and everything is still in preliminary stages at this point."

A representative for the apartment complex didn't respond to a request for comment.

—Erin Ailworth

UTAH

Suspect Held After Crash Kills Six Men

A man suspected of driving under the influence remained jailed without bond Sunday in Utah after a crash killed six men in a pickup truck, authorities said.

Jamie Don McKenzie, 41 years old, was being held at Wasatch County Jail for investigation of six counts of vehicular homicide and two counts of driving under the influence causing serious injury as well as allegations involving open containers, reckless driving and speeding, the authorities said.

The Utah Highway Patrol said investigating officers found prescription pills and open containers of alcohol inside the dump truck after Friday's crash on a state highway near Heber, about 15 miles south of Park City.

—Associated Press

FLORIDA

Street Shooting Near Stadium Injures Six

Six people were wounded, some seriously, in a possible gang-related street shooting blocks from the north Florida stadium where the NFL's Houston Texans played and defeated the Jacksonville Jaguars on Sunday afternoon, authorities said.

Ron Lenday, director of investigations for the Jacksonville Sheriff's Office, said several shots were fired about 12:35 p.m. on Sunday outside a laundromat in the general area of the stadium and that five men and one woman were struck by bullets and wounded.

The shooting came less than a half-hour before the game's scheduled 1 p.m. start. But the sheriff's official reported no link to the game, which went on and concluded without incident.

—Associated Press

Shift Aims To Ease Lending

Continued from Page One

reporting firms, Experian PLC, Equifax Inc. and TransUnion, and that information determines consumers' FICO scores.

Lenders, in turn, use FICO scores to help make most of their lending decisions.

The UltraFICO score will function as an appeal of sorts, likely boosting many applicants with less-than-ideal records. If an applicant's traditional FICO score falls short, a lender can offer to have the score recalculated to reflect banking activity. Would-be borrowers with at least several hundred dollars in their accounts, who have had the accounts for a while and who transact frequently and don't overdraw are likely to see their scores rise, FICO said.

Applicants will be able to choose which accounts they want considered when the score is recalculated.

FICO said it is in discussions with a handful of lenders, including banks and financial technology firms, that have expressed interest in using the

new score in a pilot. One of those is Pentagon Federal Credit Union, which is the third-largest U.S. credit union by assets.

A decade after the sub-prime-mortgage binge nearly brought down the U.S. financial system, consumer lenders remain wary of borrowers with low credit scores.

Banks have spent much of the past 10 years chasing ultra-creditworthy borrowers. Yet that slice of the market, which has grown as the economy has improved, is largely tapped out.

As a result, lenders have been asking credit-reporting firms and FICO to figure out a way to help them boost lending without taking on significantly more risk. And regulators have expressed interest in exploring ways to increase access to affordable lending for consumers who have no or low credit scores.

Of U.S. consumers with FICO credit scores, a record 58.2% have a score of 700 or higher on a scale that tops out at 850. The average FICO score is at a record 704. Lenders may have different cutoffs, but Experian considers scores under 670 subprime.

FICO said about seven million applicants who have low credit scores as a result of thin borrowing histories would

likely see their scores improve under the new system. Separately, some 26 million sub-prime borrowers will end up with higher credit scores, FICO said, with nearly four million seeing an increase of at least 20 points.

Consumers with an average balance of at least \$400 who haven't overdrawn in the prior three months would likely get a boost, FICO said.

David Shellenberger, FICO's senior director of scoring and predictive analytics, said the new score is designed to prevent risky borrowers from ap-

pearing more creditworthy than they are, by reflecting positive financial behavior that was previously invisible.

FICO is "very focused" on its "ability to separate future good borrowers from bad borrowers," Mr. Shellenberger said.

Some scores could decrease when the new information is taken into account, he said.

Experian will compile consumers' banking information with help from financial-technology firm Finicity and will distribute the new score to lenders. The credit-reporting firm also will send lenders a report that includes a summary of the consumer's bank ac-

counts.

Experian will keep the potentially valuable cache of sought-after account information.

The company said it would use the data to address consumer disputes about accuracy. FICO won't have access to personalized account information.

UltraFICO is the latest in a recent series of changes by credit-reporting and scoring firms that are helping boost consumers' credit scores.

Equifax, Experian and TransUnion last year began deleting most tax-lien and civil-judgment information from credit reports. They also have been removing certain accounts in collections, following settlements with state attorney

Keeping Score

Average U.S. FICO score



Source: Fair Isaac Corp.

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neys general dating back to 2015 over how they manage errors and certain negative information on credit reports.

Eight million consumers who had collections accounts completely removed from their credit reports in the 12 months ended in June experienced a credit-score increase of 14 points on average, according to a recent Federal Reserve Bank of New York report.

FICO updated its scores in 2014 to put less weight on medical bills that are in collections and to exclude accounts that consumers paid or settled with a collection agency.

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U.S. NEWS

Vets Seek More Benefits for Health Woes

Advocates and lawmakers hope to boost aid related to toxic exposure

BY BEN KESLING
AND STEPHANIE ARMOUR

WASHINGTON—Members of Congress and veterans advocates are mounting a push to get the Department of Veterans Affairs to increase aid to former service members with health problems blamed on toxic exposure.

Secretary Robert Wilkie opposes legislative proposals to expand benefits to thousands of Vietnam War veterans who served at sea and claim exposure to Agent Orange, a toxic defoliant. The VA also opposes new benefits for Iraq and Afghanistan troops exposed to burn pits until the issue can be studied in depth.

The House of Representatives unanimously passed legislation in June to provide Vietnam veterans with benefits, and senators said they would push Mr. Wilkie to revise his position. Fueling the push, 45 members of the House last week sent an open letter to the Senate VA committee urging it to pass legislation on the matter.

The congressional action on the Vietnam veterans' benefits is the first major policy challenge to Mr. Wilkie, who took over the VA in July.

Many Vietnam veterans already are eligible for benefits related to disease assumed to be linked to Agent Orange exposure. But these benefits don't extend to many veterans who served on ships off the Vietnam coastline; they are among those now claiming a right to the assistance.

The outcome of the standoff will decide whether about 90,000 of the Vietnam-era veterans will receive new benefits, according to some estimates.

More than 150,000 modern-era vets also could be affected. They have added their names to a congressionally mandated burn-pit registry.

The Congressional Budget Office estimates benefits for the Vietnam-era veterans could cost some \$900 million over the next decade. There is no comprehensive estimate of what coverage for more recent burn-pit exposure could cost.

At his first congressional hearing since his confirmation, Mr. Wilkie was urged by senators from both parties to act

on the issue. In an opening statement at that September hearing, Mr. Wilkie omitted a section of his prepared remarks outlining his position on benefits for so-called Blue Water Navy, which is how policy makers refer to aid to the Vietnam-era vets.

Mr. Wilkie left the section out of his oral statement because of time concerns, said VA spokesman Curt Cashour, who said written testimony that included the Blue Water section was submitted for the record.

The House measure on Agent Orange exposure includes a provision that increases fees on VA home loans to pay for coverage, one reason Mr. Wilkie says he opposes it.

"The secretary looks forward to working with Congress on Blue Water Navy, but the current House bill is based on insufficient science and contains a funding source that levies home loan fees on active-duty service members and disabled Veterans," said VA spokesman James Hutton in a statement.

Many in Congress advocate fast-tracking the Vietnam veterans' bill in part because scientific data on their exposure

can no longer be gathered because the alleged exposure occurred decades ago, and temporary records largely don't exist.

But because burn pits are a more recent issue, scientific study of the matter is still possible. Existing policy allows veterans from either era to make claims on a case-by-case basis.

The VA has received 76,378 Blue Water Navy claims, of which 39,447, or 52%, of those cases have been granted benefits, according to Mr. Cashour.

Mr. Wilkie implied he would follow the congressional lead on the matter when asked

about the Agent Orange veterans at his confirmation hearing in June.

"The House has spoken and it's my understanding that the issue will be taken up by the Senate and I stand ready to answer any questions or go down any avenue this committee wants in terms of how we address Blue Water," Mr. Wilkie said in the June hearing.

The VA is contracting with the National Academy of Medicine to provide a comprehensive study of burn pit effects. The study is expected to be issued in 2020, said Mr. Hutton.



Burn pits have been a common way to dispose of toxic debris and trash in combat zones. Above, U.S. soldiers burned garbage in the Diyala province in Iraq in 2007.

MARIO DORNIJAKOVIC/ASSOCIATED PRESS

U.S. NEWS

Democrats Look to Midwest

Party aims to reclaim governorships in several tight races that test regional Trump support

BY KRIS MAHER

Candidates vying for governors' seats across the Midwest are facing tight races in a test of the loyalty of voters who propelled President Trump to victory in 2016.

States where governorships could flip from red to blue in the November midterms include Ohio, Wisconsin, Illinois, Michigan and Iowa. Recent polls have shown Democrats in each state pulling even or ahead. Nationwide, 33 states have Republican governors, while 16 have Democrats. Alaska's governor is an Independent. Thirty-six of those seats are up for grabs this year.

A key question in the traditional swing region is whether Republican candidates can appeal to swing voters in states Mr. Trump won, when the president's approval rating remains low.

In Iowa, Democratic businessman Fred Hubbell's support among independent and urban voters has brought him neck-and-neck with Republican Gov. Kim Reynolds, who has support from conservative-leaning farmers even though Mr. Trump's trade fight with China has hurt soybean prices.

Randy Souber, 67 years old, of Rockwell City, Iowa, said he is still backing Gov. Reynolds because of her past support of farmers. Gov. Reynolds was elevated to the job last year when then-Gov. Terry Branstad became ambassador to China.

After a summer of good growing conditions, Mr. Souber, a Republican, said he would do all right financially, as he expects a record soybean crop this year.

"I guess I'll say I'm still behind Trump," he said. "If it goes on another year, I may



Iowa Gov. Kim Reynolds and Democratic candidate Fred Hubbell debated on Sunday in Davenport.

have to reassess things and maybe jump on another bandwagon."

A.J. O'Neil, a 56-year-old independent voter in Hazel Park, Mich., backed Hillary Clinton in 2016 and is backing Democrat Gretchen Whitmer to succeed two-term Gov. Rick Snyder over Republican state Attorney General Bill Schuette.

He said he thought Ms. Whitmer's campaign slogan "Fix the damn roads" was abrasive, but he said he trusted her more to repair the state's infrastructure and create jobs. Ms. Whitmer, who has a solid lead in recent polls, recently dropped the word "damn" from her slogan.

The gubernatorial races are critical, because the winning party will have more control during the next round of Congressional redistricting after the 2020 census. In states such as Pennsylvania, courts have redrawn districts recently, following charges of Republican gerrymandering.

"We feel really optimistic about the Midwest," said Jared Leopold, a spokesman for the Democratic Governors Association. This year "is an opportunity to elect governors to ensure fairer maps in 2021."

Some GOP officials remain confident that Republican can-

a tossup, is the toughest of his political career, despite the state's thriving economy and 3% unemployment rate, below the national average of 3.7%.

Gov. Walker, who has embraced Mr. Trump, last Monday said he would support increasing state funding for education, matching a proposal his Democratic challenger, Tony Evers, the state's schools superintendent, made this summer.

In Ohio, Democrat Richard Cordray, former head of the federal Consumer Financial Protection Bureau under the Obama administration, has a slight edge over Republican state Attorney General Mike DeWine, according to an average of polls by RealClear Politics.

The two candidates have raised a combined \$38.1 million, a state record, but the race between the two career politicians has still been criticized as a "battle of the border."

Trump Turns Into 'Charmer' for His 2016 Rival Cruz

By VIVIAN SALAMA AND REID J. EPSTEIN

WASHINGTON—When Donald Trump and Ted Cruz took their last turns onstage during the 2016 primary campaign, the senator was booed for refusing to offer his endorsement of the would-be president during the Republican National Convention.

On Monday, President Trump is scheduled to travel to Houston to offer his endorsement for Mr. Cruz's reelection bid this November.

The president plans to tell Texas voters that he needs Mr. Cruz—and Republicans like him—to help toughen immigration laws, repeal the Affordable Care Act and fill the courts with conservative judges, according to a senior White House official.

It is a complicated relationship, one that Mr. Trump summed up in three words while introducing the senator at last year's National Rifle Association meeting: "Like. Dislike. Like."

"It's water under the bridge," a person close to Mr. Cruz said, referring to their rivalry. "Trump has been nothing but gracious and is constantly asking: 'How can I be of help?' He's a charmer."

In an unusual move, Mr. Trump is stumping for a candidate who polling shows has a comfortable lead some two weeks before the election. Mr. Cruz faces Democratic Rep. Beto O'Rourke.

No Democrat has won a race statewide in Texas since 1994. The Democratic Party has looked at Texas longingly for years, hoping that it might capitalize on shifting demographics in the big cities, while Republicans have counted on it as a solid block.

Mr. O'Rourke has already

made a noteworthy impression on voters across the state. His campaign said this month that he raised \$38.1 million in the three-month Federal Election Commission reporting period that ended Sept. 30, the largest-ever quarterly haul for a Senate candidate.

On Friday, Mr. Trump went on Twitter to call Mr. O'Rourke a "total lightweight compared with Ted Cruz."

A spokesman for Mr. O'Rourke declined to comment on the president's tweet.

After the president offered to rally for the senator, some of Mr. Cruz's aides initially hoped Mr. Trump would go to more Republican-friendly West Texas, believing that he would energize the party's base without riling up the opposition.

But his campaign opted instead to have him travel to Houston, where it could ensure a large crowd, aides said. Ultimately, Mr. Cruz's campaign sees no downside appearing with Mr. Trump, who won the state by 9 percentage points in 2016.

During the primary campaign that year, Mr. Trump dubbed his fellow Republican "Lyn' Ted," insulted his wife's physical appearance, and suggested that his father was complicit in President John F. Kennedy's assassination. Mr. Cruz called Mr. Trump a "pathological liar," a "sniveling coward" and "utterly amoral."

Messrs. Trump and Cruz have never discussed the disparaging remarks Mr. Trump made about Mr. Cruz's wife and father, and an apology was never offered, according to a person briefed on the discussions. Mr. Cruz has told associates that both men need each other and said he would seek to work with Mr. Trump to put the voters of Texas first.

U.S. Colleges Compete to Lift Low Student Voting Rates



Student Ian Anchors speaks outside a polling place on the first day of early voting at Western Carolina University in North Carolina.

BY ERICA SNOW

On college campuses this fall, voting is a competitive sport.

College organizers are playing on academic and football rivalries to launch voter-turnout competitions. Before the Nov. 6 midterm elections, schools in the Big Ten have challenged each other to overcome traditionally low turnout among college students.

Ivy League rivals Harvard and Yale are squaring off on a similar playing field as nine schools in the Big 12 Conference are pitted against each other across Texas, Oklahoma,

Kansas and Iowa.

The Big Ten Voting Challenge will crown two schools: one for highest voter turnout and one for most improved. SoCon Votes will follow the same path in its contest for 10 schools in the Southern Conference from North Carolina to Alabama.

"We do recognize that athletics and that friendly competition that exists between Big Ten peers is a real and very vibrant part of our culture, and schools are trying to tap into that," said Erin Byrnes, who directs democratic engagement efforts for the University of Michigan.

About 15,000 students have taken steps to register to vote—by creating accounts on TurboVote, a website providing resources for registering—since the competition launched last year, Ms. Byrnes said.

The National Study of Learning, Voting, and Engagement at Tufts University found 48% of college students voted in the 2016 presidential election and 18% voted in the 2014 midterms. By contrast, 67% of people aged 45 to 64 voted in 2016, according to the U.S. Census Bureau.

Campuses must create the expectation that students will register and vote, and compe-

titions can make voting exciting, said Edie Goldenberg, founder of the Big Ten Voting Challenge and professor of political science and public policy at the University of Michigan. "People like to win trophies, they like to be recognized," she said. "But mainly, it's about civic engagement."

Harvard and Yale are competing for the most pledges to vote. Students are floating the idea of having the president or dean of the losing school wear the winner's jersey at the Nov. 17 Harvard-Yale football game, said Harold Ekeh, a senior at Yale who helped organize the competition.

Poll Shows Enthusiasm For Election

Continued from Page One

Democrat Fred Yang, said of the surge of voter interest. "There's a switch that's been flipped...They are engaging in the campaign and the process."

In the aftermath of the bitter confirmation fight over Supreme Court Justice Brett Kavanaugh, Republicans have closed the once-large gap between their voters' and Democrats' interest in the election. Now, 68% of Republican voters and 72% of Democrats say they are very interested in the election.

Hand in hand with Republicans' increased election interest is a rise in Mr. Trump's job-approval rating to 47%, the highest mark of his time in office, with 49% disapproving of his performance. That is an improvement from September, when 44% approved and 52% disapproved of his performance.

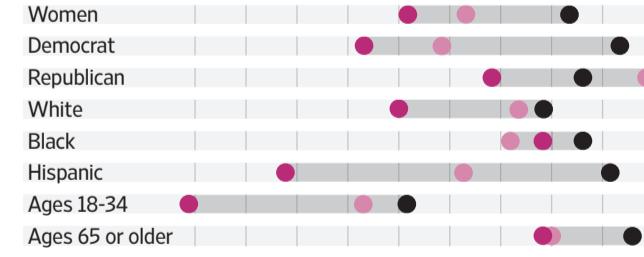
Democrats still lead on the question of which party should control Congress. Among poll respondents identified as likely voters, 50% prefer Democrats, while 41% prefer Republican control, about the same as in last month's poll.

Among all registered voters, a broader group of respon-

Rising Interest

Interest in this year's midterm is surging among all groups, particularly Democrats and voters who tend to lean toward that party.

High interest* in the election ● Oct. 2018 ■ Oct. 2014 □ Oct. 2010



*Respondent said their interest in the election was a 'nine' or 'ten' on a ten-point scale.

Source: WSJ/NBC News telephone poll, most recently of 900 registered voters conducted Oct. 14-17; margin of error +/-3.27 pct. pts.

THE WALL STREET JOURNAL

dents, Democrats' advantage over the GOP is narrower—48% to 41%.

Mr. Yang said the poll results include signs that the widely predicted "blue wave" of Democratic gains in the House in 2018 now is running into a "riptide of uncertainty [that] has been created with a surge of Republican intensity."

Although Democrats are preferred in the national poll overall, their advantage has vanished in the House districts that matter most. In districts rated as the most competitive by the nonpartisan Cook Political Report, the parties are dead even on the question of which one should control Congress.

In last month's poll, Democrats led by 13 percentage points among registered vot-

ers and six points among likely voters.

Interest in the election has jumped among many groups that tend to favor Democrats—Latinos, African-Americans and young people. More than two thirds of black voters showed high interest in the election—up from 57% in the average of polls taken from January through September.

The share of Latinos showing high interest jumped to 71%, from an average 47% in polls this year through September. About half of people age 18-34 showed high interest in the election, up from an average 35% earlier this year.

Independent voters, who are crucial to the outcome of closely divided races, prefer Democratic control of Con-

gress over Republican leadership by a 41%-to-27% margin. But one-third are undecided, and independents are less engaged than partisans: Just 46% of independents express high levels of interest in the election.

The poll again found Democrats with a lopsided advantage among female voters. For the second month in a row, women in the survey said they prefer a Democratic-controlled Congress by 25 percentage points, with 57% favoring Democrats and 32% favoring Republicans.

Male voters want Republicans to lead Congress by a 14-point margin, with 52% favoring Republicans and 38% preferring Democrats.

The poll makes plain why

the competitive, swing districts that will determine control of the House are mostly suburban. The poll found that urban voters favor a Democratic-controlled Congress by a 36-percentage-point margin; rural voters favor the GOP by 31 points. Among suburban residents, the parties are virtually tied: 44% favor GOP control and 45% favor a Democratic Congress.

Asked which party is better equipped to handle key issues, voters continue to say they trust Democrats more to handle health care while Republicans still had the advantage on the economy.

On trade issues, Republicans are preferred over Democrats by a 17-point margin, up from an eight-point advantage in an

August survey. That issue has been in the spotlight because, in early October, Mr. Trump concluded a new trade agreement with Canada and Mexico. Among independents, 38% favored the GOP to handle trade, while 16% favored Democrats.

One matter of broad national consensus emerged: 80% of respondents said the U.S. today was a divided country, and 90% said divisions between Republicans and Democrats are a problem.

The survey of 900 registered voters, including 645 likely voters, was conducted Oct. 14-17.

The margin of error for registered voters is plus-or-minus 3.27 percentage points; for likely voters, plus or minus 3.86 percentage points.



Gwinnett County, Ga., residents waited outside a voter-registration office last week for early voting.

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U.S. NEWS

U.S., EU Trade Teams Seek Fast Results

BY EMRE PEKER

BRUSSELS—U.S. and European trade negotiators are chasing quick wins to cement a July agreement. Problem is, even seemingly simple trade moves can take years.

President Trump and European Commission President Jean-Claude Juncker agreed at the White House on July 25 to avert a trade fight and work toward “zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods.”

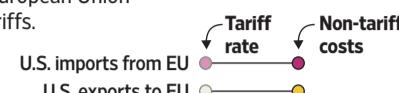
As trade teams prepare to meet in Washington on Tuesday, some U.S. officials, led by Commerce Secretary Wilbur Ross, are warning the EU not to test Mr. Trump’s patience with delays.

The president wants “quick negotiations that produce tangible results,” Mr. Ross said in Brussels on Wednesday, a day after meeting EU Trade Commissioner Cecilia Malmstrom. “This is not meant to be a five-year project,” he said.

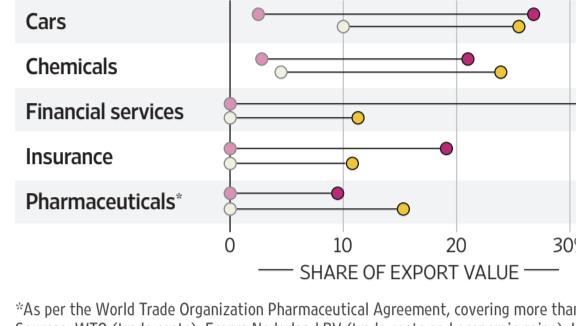
Negotiators, after disagreeing about the scope of a quick mini trade deal, are now focused on aligning American and European regulations on goods and services. U.S. Trade Representative Robert Lighthi-

Hidden Costs

Potential savings from cutting regulatory costs between the U.S. and European Union exceed the tab from tariffs.



Trade costs, select industries



*As per the World Trade Organization Pharmaceutical Agreement, covering more than 10,000 products

Sources: WTO (trade costs); Ecorys Nederland BV (trade costs and economic gains); U.S. Bureau of Economic Analysis (goods and services trade)

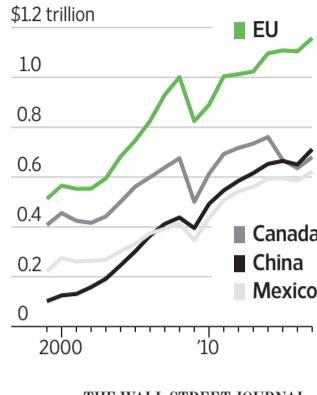
Removing half of the divergences in regulatory processes could yield more than \$200 billion in annual economic gains for the U.S. and EU.

Potential non-tariff gains

	\$16.4 billion
EU	13.2
Canada	3.2
Mexico	0.8
China	7.3

Streamlined regulations would boost U.S.-EU trade, already the world's largest.

U.S. trade in goods and services



THE WALL STREET JOURNAL.

step, such as commercial aviation. It took five years for Washington and Brussels to negotiate mutual recognition on air-safety standards, and implementation of their 2008 deal was delayed another three years over one sticking point.

Chemical companies long ago gave up on harmonizing regulations across the Atlantic and now seek minor steps on the classification and labeling of chemical products.

Relabeling the same product for sale in two different markets costs billions of dollars a year. For U.S. chemicals exporters, the cost of different safety labeling requirements runs at some \$475 million annually, according to White House estimates. Eliminating half the non-tariff barriers for chemicals would result in total economic gains of more than \$10 billion in the U.S. and the EU, according to Ecorys estimates.

“The compliance costs are higher than the tariffs—the possibilities to really lower those costs are limited but still very worthwhile,” said René van Sloten, executive director for industrial policy at the EU chemical industry lobby Cefic. “The less divergence there is the better.”

zer hopes for “an early harvest in the area of technical barriers to trade,” his office said last month after his first round of talks with Ms. Malmstrom.

The July detente suspended, for now, the threat of U.S. levies on car imports, a top concern in Europe; EU officials say talks to cooperate on auto regulations “could be particularly fruitful.”

Because of the cost of adapting products to slightly

different standards, coordination could yield huge savings for both sides, industry and trade officials say. When the U.S. and EU tried aligning regulations a decade ago, Dutch consulting firm Ecorys estimated their economies together would gain more than \$200 billion a year by eliminating duplicative standards. The EU-funded analysis remains the benchmark on regulatory barriers, which industry

officials say have increased. Putting a price on regulation is difficult because it entails elements including testing, inspections, legal analysis and filings.

In comparison, trans-Atlantic tariffs average less than 3% on more than \$1 trillion of annual trade in goods and services, or roughly \$30 billion.

But this is the third U.S.-EU attempt since 2007 to eliminate non-tariff barriers. Finding common ground on regula-

tions is “very difficult and will not happen quickly,” said Iain MacVay, a London-based lawyer at King & Spalding who has advised clients in the pharmaceutical industry during EU-U.S. trade talks.

Adjusting industrial standards can be technically complex, and further complicated by lobbying on all sides. Unifying regulations is no easy task even in industries where regulators and businesses march in

vulnerable to legal challenges from those arguing that government policies on gender identity would be inconsistent.

Officials at the Department of Health and Human Services had sought to push through changes to Title IX, the 1972 law prohibiting gender discrimination in education, according to a story on Sunday in the New York Times. While Title IX doesn’t directly govern sex discrimination beyond education, other civil rights laws generally base their definition of such discrimination on Title IX.

But Education Department officials have been drafting their own changes to Title IX, focused on the process for adjudicating campus sexual assault. Those officials, particularly Education Secretary Betsy DeVos, have resisted including a broad redefinition of gender in those changes, preferring to keep the focus limited.

Mrs. DeVos, in the first days of the new administration, objected to a proposal to rescind Obama-era guidelines protecting transgender bathroom use in schools, but she was overruled by Attorney

General Jeff Sessions.

The Education Department rules, which officials hope to publish in coming weeks, are expected to narrow the definition of sexual assault that schools must adjudicate, and to provide more rights to those accused of assault.

HHS officials wanted to overhaul Title IX more broadly. The New York Times reported health officials issued a memo in the spring that called for determining gender based on an individual’s genitalia and on genetic tests, rather than on the gender a

person identified with.

Representatives for the Department of Education couldn’t be reached to comment. HHS said it doesn’t comment on allegedly leaked documents.

Transgender activists criticized the HHS position.

“This proposal is an attempt to put heartless restraints on the lives of 2 million people, effectively abandoning our right to equal access to health care, to housing, to education, or to fair treatment under the law,” Mara Keisling, executive director of the National Center for

Transgender Equality, said Sunday.

The HHS push has been led by Roger Severino, a conservative activist who heads the department’s Conscience and Religious Freedom Division. Mr. Severino has held meetings in the last year with Education Department officials regarding Title IX, according to calendars released to The Wall Street Journal under the Freedom of Information Act.

HHS officials first said in 2017 they intended to revise the Obama interpretation of gender identity.

Health Regulators Take Aim at Transgender Protections

BY STEPHANIE ARMOUR
AND MICHELLE HACKMAN

WASHINGTON—Trump administration health officials are expected to release a rule soon rolling back Obama-era protections for transgender people under the Affordable Care Act.

Due to an internal administration dispute, it is unclear if those rules will cover other areas, such as education and employment, according to people familiar with the matter. Not expanding the rules could leave the administration

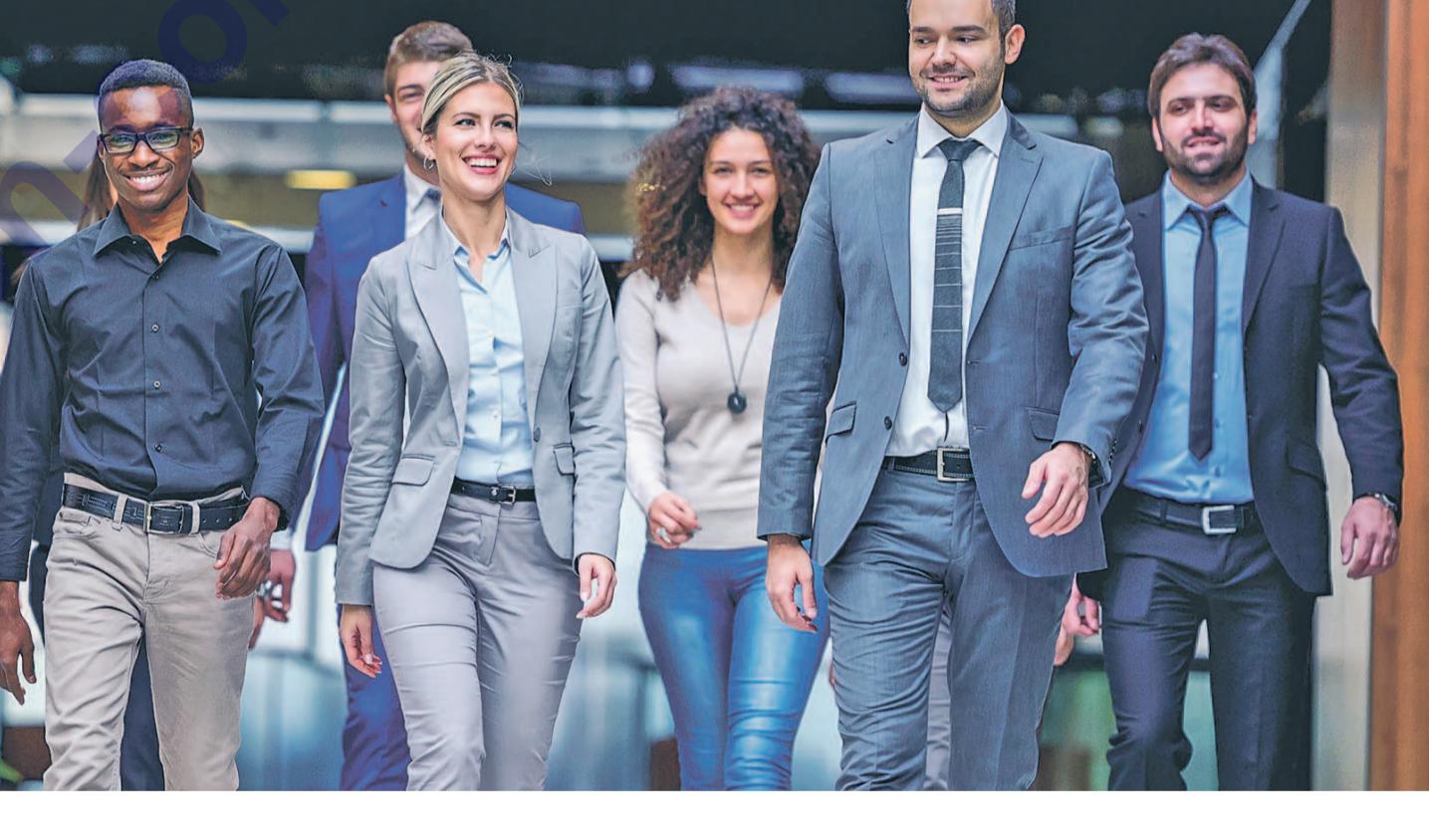
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WORLD NEWS

Heir to Saudi Throne Jolted by Backlash

Saudi Arabia's elderly king sent a strong signal this weekend that his handpicked heir remains in good standing despite the gruesome killing of a prominent government critic that many at home and abroad suspect he set in motion.

*By Summer Said,
Margherita Stancati
and Justin Scheck*

Yet the events of the past few weeks have sharpened differences between 33-year-old Crown Prince Mohammed bin Salman and royal family members who were beginning to question his judgment and temperament.

There is no sign that the global backlash over the killing will abate soon, testing Saudi Arabia's modernization of its economy and its relationship with its most important ally, the U.S.

On Saturday, King Salman granted Prince Mohammed new powers over the country's intelligence bodies, to pair with his authority over the economy and defense.

That same day, the Saudi attorney general effectively exonerated the crown prince, blaming the death of journalist Jamal Khashoggi on "a brawl and physical altercation" in the Saudi consulate in Istanbul.

People in Prince Mohammed's camp say his power internally remains largely unchecked, and there is no indication the monarch is preparing to remove his son. The prospect of a family member pushing him aside is negligible, advisers say, largely because Prince Mohammed has solidified his power base by removing potential rivals.

Saudi royals have tried to reach out to King Salman to discuss the crisis, but have been blocked by associates of the crown prince, said two members of the royal family.

Among other things, some are challenging the official version of what happened to Mr. Khashoggi. Prince Khalid al Faisal, an envoy of King Sal-



Crown Prince Mohammed bin Salman is facing pressure for his handling of a dissident's killing, but his power remains largely unchecked.

A Shifting Account Of Critic's Death

Oct. 3, 2018 Saudi government denies involvement in journalist Jamal Khashoggi's disappearance, saying he "visited the consulate to request paperwork related to his marital status and exited shortly thereafter."

Oct. 5 Prince Mohammed bin Salman, in interview with Bloomberg News, denies knowledge of Mr. Khashoggi's whereabouts.

Oct. 7 Consulate official denies report Mr. Khashoggi was killed in the building.

Oct. 9 Ambassador to Washington, Prince Khalid bin Salman, says: "I assure you that

the reports that suggest that Jamal Khashoggi went missing in the Consulate in Istanbul or that the Kingdom's authorities have detained him or killed him are absolutely false, and baseless."

Oct. 12 Saudi Arabia and Turkey agree to jointly investigate Mr. Khashoggi's disappearance.

Oct. 14 Saudi Arabia vows to re-

taliate against possible punitive measures threatened by the U.S. **Oct. 15** King Salman orders an internal investigation into the circumstances of Mr. Khashoggi's disappearance.

Oct. 20 Saudi government acknowledges Mr. Khashoggi died inside the consulate, claiming he was killed after a heated argument escalated into a physical fight.

man who was dispatched to Ankara this month, had access to a short audio recording that offers evidence Mr. Khashoggi was drugged, killed and dismembered minutes after walking into the consulate, these two members say.

"The audio does not have this nonsense about a fight that broke after an argument,"

said one royal member. "This is not what Khalid told the king and his friends. This is absolutely rubbish."

Spokespeople for the Saudi government didn't respond to requests for comment. Foreign Minister Adel al-Jubeir said in an interview with Fox Television that the crown prince had no knowledge of the operation

targeting Mr. Khashoggi, calling it rogue, and that the Saudi government doesn't know if Turkish authorities have audio of the killing.

Several people close to the royal court say Prince Mohammed had long wanted Mr. Khashoggi to return to the kingdom. These people say they believe the young prince

ordered the operation, but it was unlikely he specifically ordered the journalist killed.

The Saudi government has so far detained 18 people in connection to the death pending the final results of an investigation. Two close aides of Prince Mohammed have lost their jobs.

Riyadh's acknowledgment

U.S. Tries To Uphold Alliance

Continued from Page One
tion, which is obviously a terrible situation," Mr. Mnuchin said after a meeting with Israeli Prime Minister Benjamin Netanyahu.

The situation is complicated by the involvement of Turkey, because Mr. Khashoggi, who had been a critic of the Saudi government, was killed in the Saudi consulate in Istanbul. Turkish President Recep Tayyip Erdogan said Sunday he would shortly disclose the truth as to how Mr. Khashoggi was killed.

"We are looking for justice here, and [the facts] will be revealed in all their naked truth," Mr. Erdogan said, pledging to reveal the details during an address to lawmakers from his ruling AK Party on Tuesday.

Mr. Mnuchin last week sent a message of rebuke to Saudi Arabia by canceling plans to speak at the Future Investment Initiative, a conference critical to promoting Saudi Crown Prince Mohammed bin Salman's plans to restructure the economy.

Mr. Mnuchin's withdrawal from the so-called "Davos in the desert" capped the summit's weeklong hemorrhaging of dozens of top financial and investment executives.

Saudi Arabia said early Saturday that Mr. Khashoggi died in its Istanbul consulate after a fistfight. Some 18 Saudi nationals have been detained in connection with the incident, and two top officials have been relieved of their positions.

That has done little to quell the furor, and officials said President Trump is weighing a more formal response even as he gives Riyadh time to complete its investigation.

Lawmakers urged sanctions against Saudi Arabia on Sunday, and some want the administration to cancel a \$110 billion weapons deal with Ri-



Treasury Secretary Steven Mnuchin met with Israeli Prime Minister Benjamin Netanyahu on Sunday.

yadh. Members of Congress from both parties have taken a harsher tone than the administration, especially since the Saudis' citing of a brawl in Mr. Khashoggi's death.

"It's insulting to anyone who is analyzing this with any kind of intelligent background to think that a fistfight led to a dismemberment with a bone saw," said Sen. Rand Paul, a Kentucky Republican, on "Fox News Sunday."

Rep. Adam Schiff (D., Calif.) said on ABC's "This Week," "I don't find this Saudi account credible at all." Mr. Schiff, the top Democrat on the House Intelligence Committee, called for a "re-examination of our relationship with Saudi Ara-

bia."

Hitting Riyadh with a brace of sanctions could jeopardize Saudi cooperation on Iran and terror financing, some analysts say, and Mr. Trump has rejected calls to halt Saudi arms sales.

Tough sanctions, including some against senior Saudi decision makers, "would cause severe damage to the relationship," said Neil Quilliam, a senior fellow at the Royal Institute of International Affairs in London.

Mr. Mnuchin said it would be "premature to comment on

sanctions" before the investigations are complete. He said that once the probe is done, the president will work with Congress to develop a response. In the meantime, Mr. Mnuchin said he had recently discussed the issue in depth over dinner with one of the most vocal backers of sanctions, Sen. Lindsey Graham (R., S.C.).

While Mr. Mnuchin acknowledged the Khashoggi

killing could affect U.S.-Saudi relations, he said it hadn't subverted the longstanding strategic relationship.

The secretary's Saudi visit, the second stop on a six-country tour, comes days ahead of a November deadline when the U.S.'s most crippling sanctions against Iran take effect.

The U.S. earlier this year pulled out of the 2015 nuclear accord with Iran. Against the wishes of European allies, who were also parties to the ac-

cord, the administration has launched a campaign to squeeze Iran out of the global economy until Tehran agrees to Washington's new terms.

That would require broad international cooperation. As the Middle East's biggest economy and home to Islam's holiest sites, Saudi Arabia has a good deal of sway. It is also being called upon to boost output to offset falling Iranian oil exports.

Saudi Arabia, a longtime rival of Iran, has promised to pump more oil and encourage sanction compliance. It is also a valuable intelligence source for the U.S. on Tehran's provision of weapons, finances, technology and warriors to its allies in Syria, Lebanon and elsewhere, as well as terror groups.

Mr. Mnuchin plans to visit the Terrorist Financing Targeting Center established in Riyadh last year by the U.S., Saudi Arabia, United Arab Emirates and others.

That effort has yet to come to full fruition, as many of the countries that are supposed to be members still don't have

representatives at the facility. "We have more work to do," Mr. Mnuchin said.

—David Gauthier-Villars contributed to this article.

'Davos in the Desert' To Have Lower Profile

BY NICOLAS PARASIE AND ASA FITCH

DUBAI—Russian and Asian executives and midlevel Western bankers will attend a Saudi Arabian investment conference this week that will be less splashy and global than its inaugural last year, dubbed "Davos in the Desert."

Hundreds of Saudi officials and advisers are rushing to salvage the Future Investment Initiative, known as FII, as Western executives canceled in the wake of revelations that the kingdom's operatives killed Saudi journalist Jamal Khashoggi on Oct. 2 in the Saudi consulate in Istanbul. The FII is an important project of Crown Prince Mohammed bin Salman, who has courted international investors in his bid to remake his kingdom's economy.

Middle Eastern, Russian and Japanese companies look to be a larger proportion of the attendees compared with last year, when FII was a sort of global coming-out party for Saudi Arabia and its relations with Western money. Prince Mohammed courted American executives, including the chiefs of **JPMorgan Chase & Co.** and **Blackrock Inc.**, and announced a new \$500 billion city largely aimed at drawing foreign investments.

The Russian Direct Investment Fund has come out in strong support of FII, putting together a delegation of "more than 30 leading Russian entrepreneurs and leaders of major Russian companies, as well as public figures."

Relations between the Russian Federation and Saudi Arabia are rapidly developing," said the sovereign-wealth fund's chief, Kirill Dmitriev.

Conference organizers have added speakers from the Arab world, too. The heads of Abu Dhabi sovereign fund Mubadala and Dubai conglomerate Majid Al Futtaim are now listed as participants on one of the event's many panels. Executives from Russia and China are also newly listed.

that members of the government were involved has rattled many Saudis who are newly fearful of its government's treatment of critics, despite changes that have opened up the kingdom. Many Saudis believed their government's claims of innocence.

"I'm dizzy from the shock," a Saudi Twitter user who had previously supported her government's narrative wrote.

The affair is the latest in a series of missteps that tarnished the crown prince's reputation, including the war in Yemen, imprisoning dozens of perceived dissidents and failing to carry off a planned initial public offering of Saudi Arabia's state oil company.

He developed "a complete intolerance for dissenting voices," said Dennis Horak, the recently retired Canadian ambassador, who was barred from the kingdom in August, after his government criticized Saudi Arabia on Twitter.

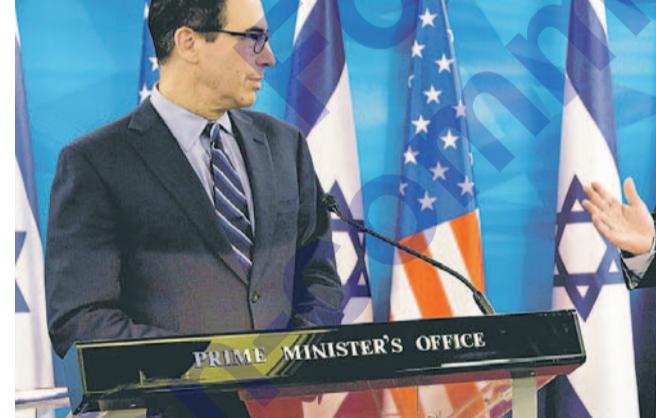
In the immediate aftermath of Mr. Khashoggi's disappearance, there was little sign of alarm in the royal court. "They were relaxed," said a person close to the royal family. "Then it snowballed. When things started heating up in the States, everybody started getting worried."

On Oct. 10, the prince called Jared Kushner, the adviser and son-in-law to President Trump, people briefed on the conversation said.

Why the outrage, Prince Mohammed asked in English. Two people familiar with the call said Mr. Kushner and national-security adviser John Bolton delivered a message that Prince Mohammed needed to get to the bottom of the disappearance fast.

Mr. Trump warned of "severe punishment" if the U.S. determined the Saudi government was implicated.

The prince's confusion soon turned into rage. "He was really shocked that there was such a big reaction to it," said a person close to the royal court. "He feels betrayed by the West."



Members of Congress have taken a harsher tone than the administration.



Relations between the Russian Federation and Saudi Arabia are rapidly developing.



Bankers attending the FII are mainly there for networking purposes.

Even though they have taken a more low-key approach, some bankers say the conference has become a public-relations nightmare.

"We hope they will cancel, frankly," one person at a major international bank said.

FII organizers said the conference will go on.

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WORLD NEWS

U.S., Russia at Odds Over Treaty

National security adviser John Bolton, a longtime critic of a landmark nuclear treaty with Russia, is expected to meet with President Vladimir Putin and other top officials in Moscow on Monday, according to U.S. and Russian officials, as tensions rise over what Washington calls the country's violations of the pact.

*By Ann M. Simmons
and Thomas Grove in
Moscow and Courtney
McBride in Washington*

President Trump said after a rally in Nevada this weekend that he would pull the U.S. from the 1987 Intermediate-Range Nuclear Forces treaty, which prohibits the use of intermediate- and shorter-range rockets, as well as testing, producing or fielding new ground-based missiles. He raised the prospect of developing a new set of weapons.

The announcement stems from frustration that repeated attempts to push Moscow into compliance have fallen short, according to people familiar with the matter.

The dispute over the treaty dates to 2014, when the Obama administration first accused Russia of violations, and it escalated in 2016. A formal decision to withdraw would heighten tensions further, but the U.S. said other forms of pressure haven't worked.

"Across two administrations, the United States and our allies have attempted to bring Russia back into full and



A military exhibition in Luga, Russia. President Trump wants to pull out of a landmark nuclear deal.

that is just a precursor to try to get Russia to come into compliance," Mr. Corker said, adding: "I hope we're not moving down the path to undo much of the nuclear arms control treaties that we have put in place."

Russia has countered U.S. accusations by charging that Washington's use of drones should be considered a breach of the treaty. Moscow also has expressed concern that U.S.-backed missile defense systems in Europe could be converted into a nuclear-armed offensive weapon, which would also be outlawed in the agreement.

The deal, worked out by Ronald Reagan and Mikhail Gorbachev, took effect during the Cold War when Moscow feared short and hard-to-stop strikes on its key infrastructure. A U.S. exit from the treaty would end one of the last vestiges of institutional cooperation between Washington and Moscow.

"This is one more pillar that has maintained trust between us that has eroded away," said Brig. Gen. Peter Zwack, a former U.S. military attaché to Moscow.

Russia's nuclear arms program has remained a cornerstone of its national defense since the demise of the Soviet Union. Mr. Putin launched an ambitious modernization project in late 2010. Since then, the country's nuclear arms program has received strong support for research and production.

Asia Edges Toward New Aerial Guidelines

BY JAKE MAXWELL WATTS

SINGAPORE—Eighteen nations including the U.S. and China agreed in principle to guidelines that seek to reduce potentially dangerous encounters by military aircraft in Asia.

The tentative accord is viewed as a step toward stabilizing flashpoints in the region, but one that also leaves enough wiggle room for a country to ignore the new standards.

The guidelines essentially broaden a similar agreement reached by the U.S. and China three years ago and are an attempt to mitigate incidents and collisions in some of the world's most tense areas.

Many countries in Asia have longstanding territorial disputes with China and its increasingly assertive military in areas including the South China Sea, the Taiwan Strait and the waters and skies between Japan, the Korean Peninsula and China. Rising tensions and increasing military traffic have raised concerns that unintended encounters could escalate violently.

The in-principle agreement, which will be put forward for formal adoption by the group of 18 nations next year, took place at an annual meeting of defense ministers under the aegis of the 10-country Association of Southeast Asian Nations, hosted by Singapore. ASEAN nations formally adopted the new guidelines themselves on Friday.

Asean members Vietnam, the Philippines, Malaysia and Brunei are locked in territorial disputes with Beijing over the South China Sea. The area's strategic importance to trade has drawn in the U.S., which conducts regular freedom-of-navigation patrols to challenge Chinese and other claims of control.

The aerial-encounters framework agreed to on Saturday includes language that prohibits fast or aggressive approaches in the air and lays out guidelines on clear communications including suggestions to "refrain from the use of uncivil language or unfriendly physical gestures."

Signatories to the agreement, which is voluntary and not legally binding, would agree to avoid unprofessional encounters and reckless maneuvers.

The guidelines fall short on enforcement and geographic specifics, but are "better than nothing at all," said Evan Laksmana, senior researcher with the Center for Strategic and International Studies in Jakarta.

Beijing Finds Big-Ticket Spending Falls Short

BY CHAO DENG

Construction Cooldown

China is dialing back infrastructure spending as the debt burden grows and consumption takes a bigger share of growth.

Fixed-asset investment, change from previous year*



*Year to date; China combines January and February data

Source: Sipri

THE WALL STREET JOURNAL

of tax cuts to help stimulate growth, and the central bank has held back from cutting benchmark interest rates, while lowering bank reserve-requirement ratios to make sure the lending continues.

That doesn't mean China is ready to completely abandon growth-stoking major projects. When data released on Friday showed an economy growing at its slowest pace in a decade,

policy makers sought to calm investors who fear the trade fight with the U.S. will hit Chinese exports in the coming months. Fixed-asset investment still makes up about a third of China's GDP growth, and remains a quick and attractive option for officials concerned about meeting growth targets set from above.

But policy makers are gunshy about repeating the style-

over-substance spending of the past. Many big-ticket projects, including China's major highway and high-speed rail networks, are complete—and not all have stimulated the economy beyond the initial outlay.

"Sooner or later, Chinese cities will have to blow up some high-rises," said Chen Gong, chairman of Beijing Anbound Information, an independent Chinese think tank. Here in the northern port of Tianjin, a short journey by high-speed rail from Beijing, the state-fueled infrastructure glut is on display.

The city of 15.6 million people boasts seven high-speed railway stations, a downtown subway system, and a riverside free-trade zone that cost trillions of yuan (hundreds of billions of dollars) to build in the first half of the decade. Swaths of the riverside zone, the Binhai New Area, remain empty.

"The city's construction has been done for years, but it still doesn't feel like there's enough people and energy here," said Lui Ruihan, a 23-

year-old resident of Binhai.

Ms. Lui said she enjoys the speedy bus ride from her home to downtown Tianjin, thanks to a freeway that opened in 2010. But like many young people here, she is seeking opportunities elsewhere, including in Beijing, which often wins over Tianjin in the competition for new residents and businesses.

At the start of the year, the Tianjin government said the city was suffering from "the mentality of a planned economy."

In Tianjin, Yang Liansheng, a retired fisherman, takes two daily walks, passing by Binhai's empty buildings and dusty construction lots. He has no use for them, he said, even though Tianjin officials relocated him and his wife to a nearby 32-story apartment block seven years ago.

"The change has been too big," the 59-year-old said, pushing his bike along the waterfront promenade of the Hai River.

—Liyan Qi

contributed to this article.

WORLD WATCH



An express train jumped the tracks in Yilan, northeast Taiwan, late Saturday, killing at least 17 passengers and injuring more than 100.

TAIWAN

Train Derailment Kills at Least 17

A passenger train derailed Sunday, killing at least 17 and leaving 120 injured, the rail bureau said.

The Taiwan Railways Administration said an express train traveling from Shulin District in New Taipei City to Taidong jumped the tracks just before 5 p.m. local time.

The train was carrying 366 people, the railway bureau said. The Central News Agency said five of the train's eight cars flipped off the track.

—Josh Chin

AUSTRALIA

Ruling Party Suffers Serious Setback

The conservative government has lost its one-seat parliamentary majority and is facing the threat of snap elections after voters in a special ballot punished Prime Minister Scott Morrison for political tumult that made him the country's fifth leader in as many years.

The conservative ruling Liberal-National coalition suffered a defeat Saturday in a Sydney constituency held by former Prime Minister Malcolm Turnbull

before he was ousted in August. Liberal Party candidate Dave Sharma conceded to Kerryn Phelps, a high-profile local doctor and gay-rights campaigner.

Mr. Morrison now faces the prospect of tough bargaining with opponents—bolstered by Dr. Phelps's victory—over contentious climate and energy bills, as well as the debate over whether to free asylum seekers detained in Pacific island nations at Australia's behest. These issues inflamed the leadership tensions that led to Mr. Turnbull's ouster.

—Rob Taylor

and Robb M. Stewart

CHINA

Beijing's Top Official In Macau Dies in Fall

Beijing's highest-ranked official in the world's biggest casino market was found dead, the government said.

Zheng Xiaosong, head of the central government's liaison office in Macau for just over a year, fell to his death at a residential building in Macau, the Hong Kong and Macau Affairs Office of the State Council said on Sunday. He was suffering from depression, the office said.

—Ese Erheriene

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LEE KUIN HAN/REUTERS

WORLD NEWS

Caravan Resumes Trek Toward the U.S.

Honduran migrants could fuel a fresh Trump-Mexico rift before midterm vote

BY JUAN MONTES

CIUDAD HIDALGO, Mexico—A caravan of thousands of Honduran migrants—many of whom crossed the Mexican border illegally—regrouped within Mexican territory and began walking north from this tropical town bordering Guatemala on Sunday.

The caravan of migrants, most of whom are fleeing poverty and violence at home, could fuel a fresh political rift between President Trump and the Mexican government just two weeks before U.S. midterm elections.

On Friday and Saturday, Mexican border officials refused to let the caravan enter the country, saying they would only allow about 150 people in at a time to apply for asylum. Mr. Trump praised Mexico's efforts at stopping the caravan from heading to the U.S. border.

But the caravan then broke apart in different groups: At least several hundred people returned in buses to Honduras, not wanting to make an illegal journey. Another large chunk stayed at the border and will wait to ask Mexico for asylum. But a third group decided to cross the river illegally, using rafts manned by human smugglers.

By Sunday morning, a large part of the caravan had regrouped and was heading north, toward the city of Tapachula, some 19 miles away, in the southern Mexican state of Chiapas.

The long line of migrants, who occupied half of the road, stretched far away in the distance. Many children were with the caravan, some of them carried on shoulders.

"We are on the road again!" said Felisberto Villatoro, 21, who said he left Tegucigalpa,



A long line of migrants in the caravan occupied half of the road as they headed north from Ciudad Hidalgo, a Mexican town on the border with Guatemala.

PEDRO PARDO/AGENCE FRANCE PRESSE/GTET IMAGES

Honduras's capital, because he earned too little as a construction worker.

Along the way, local residents, Catholic and evangelical churches and authorities distributed water, food and baby diapers to the crowd.

At one point, the caravan passed through the village of Zaragoza, with low houses and hens walking in the streets.

"Good luck! Good luck!" some Mexicans shouted as the migrants passed by.

The Honduran migrants smiled and waved at the Mexicans. "We thank Mexico. It seems we are the poorest among the poor," said one of the Hondurans.

Mexico Finds Itself In a Tough Spot

The immigrant caravan puts Mexico in a difficult position, said Jorge Chabat, an expert on U.S.-Mexican relations at the

University of Guadalajara.

"There is the pressure from (President) Trump to return the migrants, but how do you do that with the thousands that have crossed without having an incident where somebody could get killed?" said Mr. Chabat.

"But if you let them all in, then tomorrow you will have four more caravans. It could get complicated," he said.

What began with several hundred people swelled as word spread. David López, an organizer, said the caravan includes 5,000 people.

seen whether Mexico would act against the caravan, however.

On Sunday, Mr. Trump warned the migrants in a message on Twitter that if they didn't accept Mexico's offer of asylum, they would be denied entry to the U.S. "People have to apply for asylum in Mexico first, and if they fail to do that, the U.S. will turn them away. The courts are asking the U.S. to do things that are not doable!"

Some migrants expressed defiance.

"If Trump wants to militarize the frontier, he is welcome to do so!" said Mr. López, a husky 25-year-old law student with a wispy beard.

By Sunday afternoon, the first contingents of migrants arrived in Tapachula after a 9-hour walk in the heat. Many arrived dehydrated, with ulcers and calluses on their feet. They began to gather at the city's main square.

The caravan plans to camp

in Tapachula for some days and then members of the caravan will decide whether to continue to the U.S.-Mexico border, according to David López, the caravan's most visible leader.

Mexican officials had repeatedly warned the migrants that anyone crossing the river

illegally would be deported.

A spokeswoman for Mexico's migration agency said the Mexico-Guatemala border is porous. "There are a lot of informal entry points" along the river, she said. "Those who entered the country illegally will be deported." It remained to be

Tourists Are Boldly Going Into African Trouble Spots

BY ALEXANDRA WEXLER

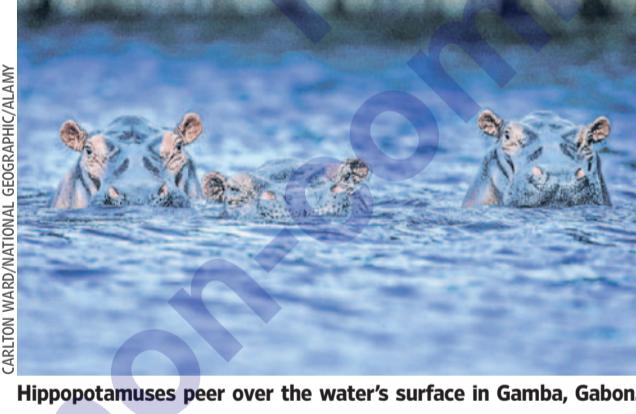
WONGA WONGUE, Gabon—For the past decade, an energetic conservationist has been building the foundations for a tourism industry in Gabon, where rare forest-elephants stroll down the beach, hippopotamuses surf in the ocean waves and blue-faced mandrills march by the thousands through the jungle.

The challenges for Gabon's national parks authority and its head, Lee White, include transporting clients to remote camps in a country with little infrastructure, recruiting pygmy trackers from deep within the jungle and training antipoaching units who have to battle armed hunters and illegal gold miners in one of the world's most pristine stretches of wilderness.

Over the past decade, with the support of government and overseas philanthropists, Mr. White has transformed Gabon's parks authority from a group with just 100 staff with a budget of \$500,000 to a \$30 million operation with 800 employees, 175 cars, 35 boats and a number of aircraft, including a helicopter. Tourists have begun to arrive, with visitors up by a third this year through July compared with the average over the same period in 2017 at the country's most popular national park for international tourists.

Mr. White's Gabonese gambit is at the leading edge of a trend attracting a growing list of African economies: frontier-tourism products in places that visitors often more closely associate with conflict or instability.

In recent years, a small but swelling segment of the tourism market has been drawn to places like Chad, the Democratic Republic of Congo's Virunga National Park, which was recently closed after two British tourists were kidnapped and their ranger killed, and war-torn Central African Republic. Tour operator Thomas Cook Group PLC recently sent a delegation to Sierra Leone, which has struggled with civil war and more recently an Ebola epidemic, to



Hippopotamuses peer over the water's surface in Gamba, Gabon.

discuss offering package tours.

"There is a trend recently of interest in 'unexplored' places," said André Rodrigues Aquino, a senior natural-resources management specialist at the World Bank, who advises African governments on their tourism sector. "It's very linked to nature, places that have pristine unspoiled nature."

The numbers are small compared with sub-Saharan Africa's broader tourism market of \$43.7 billion in 2017, the World Travel & Tourism Council said.

A Gabonese gambit is at the leading edge of a growing trend among African economies.

Oil-rich Gabon, a sparsely populated country the size of Colorado on Africa's Atlantic seaboard, has one of the highest per-capita incomes in sub-Saharan Africa and is one of the more stable countries in the continent's central region. But when Mr. White took the reins of the newly created national-parks agency in 2009, the vast nature reserves that cover about 20% of the country existed essentially only on paper.

Mr. White created anti-poaching units and armed rapid-response teams to push, with much success, ivory poachers out of the parks.

Parks officers have had two gunbattles with illegal gold miners in the past six months, Mr. White said.

Experts say national parks across the continent will struggle to expand their tourism revenue without a cooperative and supportive government.

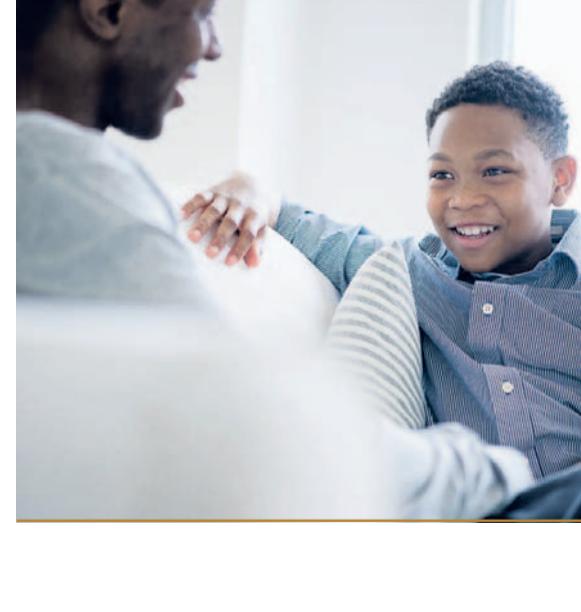
In Gabon, Mr. White's plans have been aided by his close relationship with current President Ali Bongo Ondimba, established while his father, Omar Bongo Ondimba, was still in power. Though Gabon is theoretically a democracy, the elder Mr. Bongo ruled for 42 years and the current president, who took over when he died in 2009, won close, tense elections in 2016 marred by accusations of fraud that ignited nationwide rioting.

This year, Mr. White began actively marketing safari-type trips to the parks for the first time. Possible sightings include sea turtles hatching on the country's beaches, humpback whales breaching in the surf and Western lowland gorillas lazing while their babies climb and swing around trees: a literal jungle gym.

"It's not savanna tourism. You have to work to see this stuff," said Michael Nichols, a photographer who took a picture of Gabon's surfing hippos that Time magazine calls one of the 100 most influential images of all time. "That doesn't preclude that it's frigging unbelievable. It could be like the Amazon."

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FROM PAGE ONE

NBA Fans Lose Sleep Over James

Continued from Page One
missed the entire second half of the game," he said.

He was more successful for the Lakers' second game of the season. He made it through the whole thing and even managed to stay awake for the 1 a.m. fight at the end of the fourth quarter. But it helped that he could press the snooze button the next morning: It was Sunday.

The NBA has always had star players living three hours behind most of the country. But more talent is clustering out West. And that means less sleep for millions of fans back East.

Let's call it LeBronomnia.

But it's not only Mr. James, who had played his entire career in the Eastern Time Zone until now, keeping people

awake long past their bedtimes. Stephen Curry and Kevin Durant still play for the Golden State Warriors, and California hasn't seceded from the Pacific Time Zone since last season.

The prognosis for those suffering from LeBronomnia is bleak. The Lakers and Warriors will play 65 games this season at 10:30 p.m., and nearly half of them will tip closer to 10:45 p.m. because they're on national television. The two most popular teams with the three most compelling players in the NBA have more games that start at 10:30 p.m. or later than 7:30 p.m. or earlier.

"Well," said Charles Czeisler, the director of sleep medicine at Harvard Medical School and Brigham Health, "it's a problem."

To be clear, it's a very 2018 problem, and it only exists because it's now possible to watch any NBA game on every device no matter where in the world you happen to be at that particular moment.

But it is a problem. And problems need solutions.

The Wall Street Journal asked a panel of sleep experts to brainstorm some.

"Don't watch!" said Nick Littlehales, the founder of Sport Sleep Coach. "Choose another sport."

"Maybe," said Arizona State University professor Shawn Youngstedt, "they should move to the West Coast?"

"It's possible to have a European culture where they stay up late, sleep five hours at night and then have a two-hour siesta," Dr. Czeisler said. "But many people don't work in a place that will allow them to take a siesta in the afternoon."

Dr. Czeisler was the chairman of the National Sleep Foundation board when the group recommended seven to nine hours of sleep for most adults. He admits the National Sleep Foundation didn't have the Warriors and Lakers in mind when it made those recommendations.

It might be mathematically impossible for people to sleep as much as sleep scientists advise if they also plan to watch the end of the late NBA



ANDREW D. BENSON/ABACUS/GETTY IMAGES

Go west, young man: LeBron James now suits up as a Laker.

games. But the sleep experts did have some ideas beyond not watching basketball, moving across the country and trying to convince your boss that everyone in the office should be allowed to take a siesta.

The first thing they recommend is a good nap. A nap on the day that you're going to stay up late is "what we unfortunately named a prophylactic nap," Dr. Czeisler said, though NBA players call it something else: a pregame nap. "It's generally better to

tank up on sleep beforehand rather than building a sleep deficit and suffering the consequences," he said.

Clete Kushida is one person who doesn't have to plan ahead to watch the Warriors or Lakers: He lives on the West Coast as the medical director of Stanford University's center for sleep research. But he sympathizes with the NBA fans who find themselves chugging afternoon oat lattes.

"The bad news," Dr. Kushida said, "is that there is no substitute for sleep."

The smartest thing you can do, Dr. Kushida said, is sleep for a few extra hours on the nights the Warriors and Lakers aren't playing. Go to bed earlier. Avoid bright light for two hours before getting into your pajamas, and expose yourself to bright light as soon as you're awake. Be kind to your circadian rhythm.

It's also possible to watch the NBA without shattering your internal body clock. Eastern Conference teams like the Boston Celtics, Philadelphia 76ers and Toronto Raptors still exist and start their games at the perfectly normal 7 p.m. hour. You can also wait for the morning, avoid Lakers spoilers and watch their games on delay. Or reach for your phone and catch up with Instagram highlights before you're fully conscious.

But maybe that isn't satisfying enough. You might want to steal a page from Dr. Czeisler's playbook. His strategy for late Red Sox and Celtics games happens to be a handy excuse for a sleep scientist.

He just goes into work late.



Billionaire John Arnold, shown with his wife, Laura, at their Houston foundation earlier this month, is fighting to curb drug prices.

Billionaire Targets Drug Costs

Continued from Page One
passed a law in 2017 requiring drugmakers to justify steep price increases.

"Everybody thinks that the pharma industry is abusive in their tactics and doesn't price drugs fairly," he said in an interview in his Houston office.

For drugmakers, Mr. Arnold is a new and powerful opponent—and somewhat of a mystery. His profile as a critic has sharpened in the past year through his funding of a political action group active in the midterm elections, on behalf of candidates from both parties. Few pharmaceutical executives have ever had personal contact with him.

Several said that based on Mr. Arnold's funding and choice of projects they are wary of his influence, and take issue with his findings and approach.

"My complaint with them is they seem to be positioning it as, 'We're pointing fingers at drugs companies, and we're going to do everything possible to make them look bad without having a balanced view,'" said Ron Cohen, chief executive of drugmaker Acorda Therapeutics Inc.

In a tweet last month criticizing Mr. Arnold's comments about "broken pharma pricing," Dr. Cohen said pricing is "far more complicated, with far more competing interests, than your outlook acknowledges."

Checks on power

Unlike in the energy market, where many buyers and sellers create market competition and monopolies face government regulations, Mr. Arnold contends there are no meaningful checks on the drug industry's power to set prices. Health spending "is large and growing, and the trend line is going in the wrong direction in terms of financial sustainability," he said.

The pharmaceutical industry says a free hand on pricing helps fund risky research and development in the hunt for new and better drugs, and that prices reflect the benefit that drugs provide to many patients. Drugmakers also say

middlemen in the industry's supply chain contribute to higher prices by taking cuts off the list price.

The foundation set up by the trader and his wife, Laura, a former corporate attorney, has assets of \$2.2 billion—that's more than the American Red Cross, which had net assets of about \$1.2 billion in 2017—and more than 70 staffers working in offices in Houston, New York and Washington. It also funds causes related to criminal justice, education and public-employee pension systems.

Mr. Arnold has given \$19 million to Boston-based Institute for Clinical and Economic Review to evaluate whether the prices of various drugs reflect their health benefits. ICER often concludes they don't; for example, it says that some opioid pain drugs marketed as having "abuse-deterrent" formulations, such as capsules resistant to crushing into powder that can be snorted, aren't cost-effective.

'Too costly'

Last year the U.S. Department of Veterans Affairs' pharmacy-benefit program began incorporating ICER's reports into its price negotiations with the industry. Some insurers are using the data in their contracts, and CVS Corp.'s pharmacy-benefit management division said in August it would give its clients—health insurers and employers—the option not to pay for certain drugs if their prices exceed ICER's cost-effectiveness threshold.

Drugmakers have funded groups to counter ICER, including Patients Rising. The group, which has received \$435,000 in the past 12 months from drug companies including Amgen Inc. and Celgene Corp., said ICER uses flawed methodology and its reports are causing insurers to restrict patients' access to drugs because of their price.

ICER is promoting the idea "that some patients are too costly to treat and too expensive to save," said Terry Wilcox, executive director and co-founder of Patients Rising.

Spokespeople for Amgen and Celgene said they support organizations that work to ensure patients' access to treatments.

Steven Pearson, head of ICER, said patients deserve access to the medicines they need, and ICER's methods help reveal what fair prices would

be for those medicines, not whether some patients are too costly to treat.

Industry lobbying group Biotechnology Innovation Organization has raised alarm about "an increasingly coordinated effort" by Mr. Arnold to focus on prices. It handed out a paper at a meeting of executives from its member companies in May titled "The Arnold Foundation's \$49 million Web of Influence," listing groups that received funding for drug-project reviews.

While project-funding details are available on the Arnold website, BIO spokesman Brian Newell said the page was distributed "to understand where the money was coming from and how many of these efforts are coordinated through a single entity."

He said the Arnold foundation is "putting tens of millions of dollars behind a network of activists in order to shape how the media reports on the biotech industry, influence which medicines patients have access to and undermine the intellectual property rights of innovators."

Mr. Arnold said the foundation also funds academic researchers, and it doesn't direct the content of news coverage it helps fund, including Kaiser Health News, to which it provided about \$1.2 million for coverage of drug development

and pricing. Mr. Arnold said the ideas generated by foundation-funded researchers wouldn't undermine intellectual property and would inject competition into the marketplace.

For Mr. Arnold, personal or emotional reasons aren't driving his fight against high prices—making him a confounding opponent, drugmakers said. Instead, it is the intellectual challenge of tackling a seemingly intractable problem.

He said he became inter-

ested in drug pricing after hearing about steep price increases and high starting prices for new drugs, such as Gilead Sciences Inc.'s hepatitis C treatment Sovaldi, which went on sale in late 2013 at a list price of \$1,000 per pill. Mr. Arnold called the price arbitrary.

"That made it clear normal market tensions didn't exist in this market and existing regulation was deeply flawed," he said. Gilead declined to comment.

Buyers and sellers in the health-care industry are vastly

unequal, he said. For brand-name, patented drugs, companies can charge what they wish because no competing generics can enter the market.

"In any other industry where you have some type of monopoly, where the good that's being sold is viewed as a necessity and there aren't close substitutes, there has to be a strong regulatory environment on how to ensure access, and ensure affordability," he said.

Recouping R&D

People in the drug industry counter that monopolies afforded by patents allow companies to recoup the sizeable cost of R&D before a drug goes generic, and that health insurers and pharmacy-benefit managers act as a check on pricing.

Another reason Mr. Arnold got involved: Drug pricing was an issue no other philanthropist had claimed.

As a hedge-fund manager, Mr. Arnold had a reputation for keeping a cool head in volatile trading, confident in his bets because he carefully studied wonky data such as weather trends, according to Bill Perkins, who worked for Mr. Arnold and now has his own trading firm in Houston. Mr. Arnold closed his hedge fund in 2012.

Mr. Arnold said he draws graphs in his head to identify parts of the market with the most egregious pricing. He said he imagines a 3-D grid with different factors he believes affect pricing.

"John loves solving puzzles," said Mr. Perkins, the former trading colleague. "This is a big giant hairy puzzle. It's easy for me to see John in the weeds" on the issue.

At the foundation, the Arnolds work in adjacent offices with their contemporary art collection scattered around the building.

Employees say Mr. Arnold is sometimes at the office before anyone else arrives, and can often be spotted reading in an office library stocked with titles including "Unhealthy Politics: The Battle Over Evidence-Based Medicine."

He could never be called effusive. "They're not the back-slapping kind," ICER's Dr. Pearson said of the Arnolds. Priti Krishtel, co-executive director of the Initiative for Medicines, Access & Knowledge, said meeting with the Arnolds was like "sitting with patent law-

yers from a law firm."

A \$2.2 million grant went to cancer specialist Dr. Vinay Prasad to study health-care practices that turn out to be ineffective. Last year, Dr. Prasad co-wrote research contending it costs less than drug companies say to bring a cancer drug to market.

He asked questions "like he could be a reporter," Dr. Prasad said of Mr. Arnold. "He pushed me on a lot of my thoughts: 'Aren't there some advantages to some of these things? Things you're not thinking about?'"

The industry said Dr. Prasad's report ignored necessary spending on drugs that don't make it to market.

Jim Greenwood, president and CEO of BIO, said in a blog post responding to the report that a majority of experimental cancer drugs that enter clinical trials end up failing. He said there should be "compensating upside" for the few drugs that do make it to market to ensure investors continue to fund companies' uncertain R&D efforts.

'Hot rhetoric'

At an Arnold foundation board meeting in March, David Mitchell described how his group, the Arnold-funded Patients for Affordable Drugs, brings patients to Washington to meet with members of Congress and administration officials, and trains them to use personal stories in meetings, appearances and letters.

On a screen at one end of the conference room, Mr. Mitchell played for the Arnolds a CBS News interview with a patient his group has coached. Taking notes, Mr. Arnold homed in on key points to press with lawmakers.

Near the end of the hour-long meeting, Kelli Rhee, the foundation's president and CEO, made a pitch to Mr. Mitchell to moderate his public discourse.

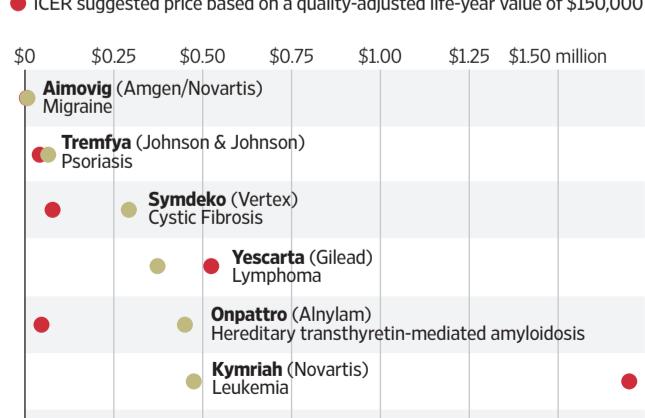
"Some of the language around pharma is becoming more entrenched and dug in, and I wonder if there are opportunities for you guys to think about where there can be constructive dialogue," she said.

Mr. Mitchell said it was too soon to be conciliatory. "More than 80% of Americans believe we should be doing something to lower drug prices," he responded. "We are angry about it, and we have hot rhetoric."

What Is a Fair Price?

The Institute for Clinical and Economic Review evaluates the pricing of new drugs by applying the concept of the value of a quality-adjusted life-year, or an additional year of healthy life after receiving a treatment.

Selected drugs evaluated by ICER in 2018



*Insurance companies can negotiate price discounts with drugmakers.

†ICER says the manufacturer's price saves money versus older treatments.

Source: Institute for Clinical and Economic Review

THE WALL STREET JOURNAL.

GREATER NEW YORK

Subway Head Gets Upgrade Reality Check

Delay in installing new signal technology on 7 line highlights hurdles in modernizing system

By PAUL BERGER

When New York's subway chief learned earlier this year that a new signal system for the 7 line wouldn't be operational until November, he told the contractor to take whatever steps necessary to speed the project, including more weekend shutdowns.

"I think customers would prefer to rip the Band-Aid off and get on with it rather than have this slow creeping limp to the finish line," Andy Byford said in April.

Mr. Byford, president of New York City Transit, had wanted the system up and running by summer's end. But a limp to the finish is what he is getting. The system isn't expected to be operational until after Thanksgiving.

In a recent interview, Mr. Byford said the frequency of events at Citi Field, which relies on the 7, and the need for periodic testing of the new technology convinced him that expediting the schedule would cause more harm than good.

"I had to be pragmatic," he said.

Mr. Byford's inability to slice time off the already delayed project underscores, once again, the difficulties that lie ahead for modernizing New York's subway sys-



A new signal system on the No. 7 line is now expected to be operational after Thanksgiving.

At public forums, Mr. Byford refers to the technology as the most transformative change the MTA can make. Until recently, the agency estimated it would take up to 50 years to upgrade the system. Mr. Byford has a plan to upgrade the most heavily used sections of five lines in five years. He wants to add six other lines over the following five years.

Finding the billions of dollars needed for such an upgrade presents a significant challenge for the state-controlled MTA.

And even if it clears the funding hurdle, Mr. Byford will face the technical challenge of installing the technology across hundreds of miles of track on a century-old system.

It took the MTA seven years to install the technology, known as CBTC, on the L train, the only line that currently has it. The 7 line upgrade, which has also taken seven years, was supposed to be complete in spring of 2016.

New York City's subway poses two problems not faced by other similar-size systems around the world. It operates 24 hours a day, making access to tracks difficult. Many of its trains also switch between multiple lines, meaning that systems installed by different companies must be capable of communicating with each other.

"It's the most complicated deployment of CBTC compared to anywhere else in the world," said Alan Rumsey, a

consultant who specializes in the technology.

Mr. Rumsey compared Mr. Byford's goal of installing the technology on 11 lines in 10 years to the space race—aspirational, but not impossible. "If you have a clear goal it can drive a lot of things to happen that wouldn't normally happen," he said.

Mr. Byford said he believes he can slash CBTC timelines by simplifying some of the MTA's technological requirements. But he has also warned riders to expect extensive service outages.

Once the installation is complete on the 7 line, riders should see an immediate improvement in reliability, Mr. Byford said. In April 2019, the system will allow for the addition of 28 trains a day.

Mr. Byford said that the Javits Center asked the MTA to reverse a decision to shut down the 7 over the weekend of Comic Con in early October. But "we kept our nerve" and a replacement bus service worked well, he said.

A spokesman for the convention center said "the MTA went above and beyond" to provide alternative services.

Mr. Byford said there will be tensions and a great deal of disruption should the MTA push ahead with its modernization plan, which also includes installing elevators at about 180 stations.

But "if we grind to a halt on every single element of" the plan, he said, then it "is really going to struggle from the get-go."

NYPD Pulls Body Cams After One Catches Fire

By MELANIE GRAYCE WEST

The New York Police Department is pulling a type of body camera that its officers wear after one unit began smoking and then burst into flames, officials said on Sunday.

Nearly 3,000 LE-5 cameras made by Vieu, a Seattle-based company, will be removed from 16 commands around the city, according to Devora Kaye, a spokeswoman for the NYPD.

3,000

Vieu LE-5 cameras being removed from 16 commands

Ms. Kaye said that an officer in Staten Island on Saturday reported seeing smoke coming from the bottom of the device and immediately removed it from his uniform. Once removed from the officer's chest, the device exploded. The officer wasn't injured and the cause of the defect is being investigated, said Ms. Kaye, but the incident revealed a potential for the battery inside the camera to ignite.

"Nothing is more important than the safety of our officers, and equipping the NYPD with the best equipment is a paramount priority," said Ms. Kaye.

Though the LE-5 cameras won't be used, and officers with those cameras now won't use any body-worn camera, a remaining 12,510 cameras will

continue to be used by officers as required, said Ms. Kaye.

NYPD officers are required to activate a body camera when making arrests, during a home search or when interacting with crime suspects. The body cameras have been in a pilot phase since December 2014, after a federal judge in 2013 ordered the NYPD to start a body-camera pilot project for its officers as part of a ruling that its use of the stop-and-frisk program disproportionately affected minorities and was unconstitutional.

Every patrol officer is expected to wear a camera by the end of 2019, New York City Mayor Bill de Blasio has said.

In 2016, Vieu won a \$6.4 million, five-year contract to supply the body cameras to the NYPD. The department selected Vieu from more than 50 bids by 28 companies.

A spokeswoman for Axon, which acquired Vieu in May, said the company is working closely with the NYPD to investigate this issue.

"The officer wasn't injured; however, officer safety is of the utmost importance to Axon. We will do whatever is necessary to quickly and safely resolve this situation," the Axon spokeswoman, Sydney Siegmeth, said.

Vieu makes cameras and the technology for storing the video. Axon makes Taser electronic weapons. In addition to New York City, Vieu provides cameras to police departments in Miami; Phoenix; Oakland, Calif.; and Aurora, Colo., according to the company's marketing materials.



Teachers and aides assisted students during an emergency evacuation drill earlier this month at the Phoenix Center in Nutley, N.J.

Vulnerable Pupils Prep for the Worst

By LESLIE BRODY

As schools beef up security in an age of fear of campus shootings, a New Jersey center for the extremely disabled goes to extra lengths to practice for the unthinkable.

At the Phoenix Center in Nutley, just west of New York City, many students are terrified by loud alarms for security drills, changes in their routine or even something as simple as using a different doorway than usual. Many of its 143 students, ages 6 to 21 years old, have autism, Down syndrome, severe behavioral challenges and other problems.

"Everyone should be doing drills, but our students are some of the most vulnerable due to their disabilities," said Julie Mower, executive director of the Phoenix Center. "They're not the students who are going to be able to run."

One morning this month, in one of the first drills of the new school year, the principal announced an evacuation over

the public address system. Students streamed out of classrooms toward the main exits. Most had one-on-one aides.

One 18-year-old stopped on the front steps leading outside and wouldn't budge. Several male staffers had to scoop their arms under his armpits and help him walk to an evacuation site nearby.

A 15-year-old girl began to cry and pummel herself in the back of the neck. Her aide calmed her down by rubbing her head.

Despite such flare-ups, the center took less than seven minutes to clear out and take attendance.

Like all schools in New Jersey, the center must have one fire drill and one security drill monthly, including lockdowns and evacuations.

Teachers carry "social stories" for some students, with pictures and symbols for those who can't read. A visual aid for a fire drill, for example, has a cartoon showing orange flames and a bell ringing. Then it

shows a boy covering his ears, and students lining up at a door to go outside. Another for a lockdown shows a photo of a teacher's hand putting a key in a door, turning off a light switch and putting a finger to her lips to signal silence.

"They're not the students who are going to be able to run in an emergency."

The school's leaders had been considering security enhancements for a while, but a gunman's deadly shooting rampage in Parkland, Fla., which left 17 people dead in February, spurred concrete steps.

Ms. Mower said the school plans a \$45,000 safety upgrade, paid mostly by a grant from Columbia Bank Foundation. That includes adding surveillance cameras, fortifying the front entrance and buying

a computer program that lets a receptionist conduct immediate state background checks of visitors.

Ms. Mower called the enhancements a lamentable "sign of the times."

The school has an emergency plan on paper for each of its students, whose northern New Jersey districts pay annual tuition of \$65,000. Some have visual impairments, seizure disorders or a mix of medical complications.

Each emergency plan lists a host of details, including the name of the student's aide and a backup, medications, need for devices like a helmet, oxygen tank or wheelchair, and any favorite soothing items, such as blankets or fidget spinners.

"It's a team effort to get our kids to stay calm and happy," said Michelle Radosti, the center's lead behaviorist.

Some students comfort themselves by repeating phrases learned from teachers, such as "We're just practicing. Practicing keeps us safe."

Jets Fall to Vikings



NICE TRY: New York Jets wide receiver Andre Roberts recovered a fumbled punt return against Minnesota safety Jayron Kearse during the second quarter Sunday at MetLife Stadium. The Vikings pulled away in the second half to beat the Jets 37-17.

GREATER NEW YORK

Play Gives a Sly Nod to Senator

BY JIMMY VIELKIND

It's a passing line, delivered almost as a throwaway by star Edie Falco: Her character Polly Noonan, the doyenne of Albany's 20th-century Democratic machine, tells her husband she is sewing "culottes for Kirsten."

If you aren't attuned to state politics, the name-drop might not register. It is a sly reference to U.S. Sen. Kirsten Gillibrand, the granddaughter of the female lead of "The True," an off-Broadway play about the relationship between Mrs. Noonan and longtime Albany Mayor Erastus Corning.

Mrs. Noonan began as Mr. Corning's secretary but their relationship outgrew the office. As depicted in many scenes of the play at the Pershing Square Signature Center, he would frequently sit watching sports with Polly and her husband, Peter, sipping Scotch and discussing the ups and downs of local politics. Mrs. Noonan became an informal but trusted adviser to the mayor, traveling and socializing with him. Their intimacy sparked wondering whispers that the two were having an affair.

"The True's" dramatic retelling of the 1977 mayoral primary in Albany, colored by that mythology, might have limited political relevance but for its tenuous link to an offstage Ms. Gillibrand, a New York Democrat seeking a second full Senate term and often mentioned as a possible presidential contender. Within the (admittedly shallow) pool of state political junkies, the play has drawn deep interest and some debate.

"I don't know how much or how little was accurate, but I love that they portrayed her as such a powerful figure and a great actress playing her," Bill Hyers, who managed Ms. Gillibrand's first run for Congress in 2006, said in an interview about Mrs. Noonan's depiction. "I'm sure that the family had a lot more mixed feelings. They knew her, I did not."



The off-Broadway play 'The True' deals with the relationship between longtime Albany Mayor Erastus Corning, played by Michael McKean, and his confidante Polly Noonan, portrayed by Edie Falco. Mrs. Noonan was the grandmother of Sen. Kirsten Gillibrand, below.

Ms. Gillibrand, who was 11 years old during the campaign the play depicts, said she hasn't seen the play but would like to. Given election season, however, and the short run of The New Group's production through Oct. 28, it won't be possible, she added.

"I heard it got great reviews!" she said earlier this month after a speech. A member of the senator's staff who saw the play said he "thought it was good."

In particular, critics have praised how Ms. Falco, a star of "The Sopranos" and "Nurse Jackie," portrayed Mrs. Noonan as a quick-witted and often coarse political operator. Michael McKean plays the mayor and Peter Scolari depicts Mr. Noonan.

Playwright Sharr White is quick to admit that the play is historical fiction, saying he

CAROLYN KASTER/ASSOCIATED PRESS

was drawn to the character of Polly Noonan after she was mentioned in news coverage related to Ms. Gillibrand's elevation to the Senate in 2009. While the simmering romantic rumors about Mrs. Noonan and Mr. Corning are a central girdle of the plot, the play also examines the role of women in a male-dominated sphere and

a nonideological, albeit graft-driven, political system.

According to family friends, neither Polly Rutnik—Mrs. Noonan's daughter and Ms. Gillibrand's mother—nor Mr. Corning's children have seen the play. Former state Sen. Howard Nolan, 86, watched a younger version of himself challenge Mr. Corning in the primary. He spoke afterward with the cast about the events depicted.

Mr. White said he read a biography of Mr. Corning and a few other books about the Albany machine, but purposefully avoided interviews with his characters' descendants. They weren't in the room in 1977, he said.

"I could interview people who could speculate, but so could I," he said. "Other than contributing to a character's personality, what would next of kin contribute to the story

that I'm building?"

Mr. White did meet with several of Mrs. Noonan's grandchildren—not including Ms. Gillibrand—after the play started, he said, and was tense about the encounter, but said it turned out to be polite and he "got neither condemnation nor full-throated support."

Rachel McEneny, a former adviser to Ms. Gillibrand who now works for the current mayor of Albany, said she was torn about what she saw because it painted a unidimensional portrait of Mrs. Noonan.

There were also bits out of place: Ms. Gillibrand was called Tina, not Kirsten, until college, and Mrs. Noonan wasn't known to sew.

"The performances were really strong and interesting, but you do cringe when something isn't historically accurate," Ms. McEneny said.

GREATER NEW YORK WATCH

POLITICS

Business Leaders Back Gov. Cuomo

New York's business leaders are endorsing Gov. Andrew Cuomo for a third term, despite the minimum-wage increases and paid family leave requirement that he pushed over the past four years.

The Business Council of New York State political-action committee made its decision after hearing from both Mr. Cuomo, a Democrat, and Dutchess County Executive Marc Molinaro, the Republican nominee.

"We will continue to support [the governor's] efforts, recognizing there are some things he needs to work on," said Heather Briccetti, the Business Council president.

Mr. Cuomo already has the imprimatur of major labor unions, but the Business Council's backing will help him continue to claim the mantle of fiscal moderation.

Ms. Briccetti pointed to the governor's spending restraint, in comparison to his predecessors, as well as a 2% cap on property tax increases that he pushed into law and reductions in business and estate rates.

—Jimmy Vielkind

CRIME

Woman Found Dead In Manhattan Home

The New York Police Department is investigating the death of a woman found in her apartment with a cut to her neck.

Authorities say officers responded to a 911 call shortly before 5 a.m. Sunday on West End Avenue in Manhattan. They found a 70-year-old woman unconscious and unresponsive in her apartment, with the laceration. Emergency services pronounced her dead at the scene.

She was identified as Susan Trott. No arrests have been made, and an investigation is ongoing.

—Associated Press



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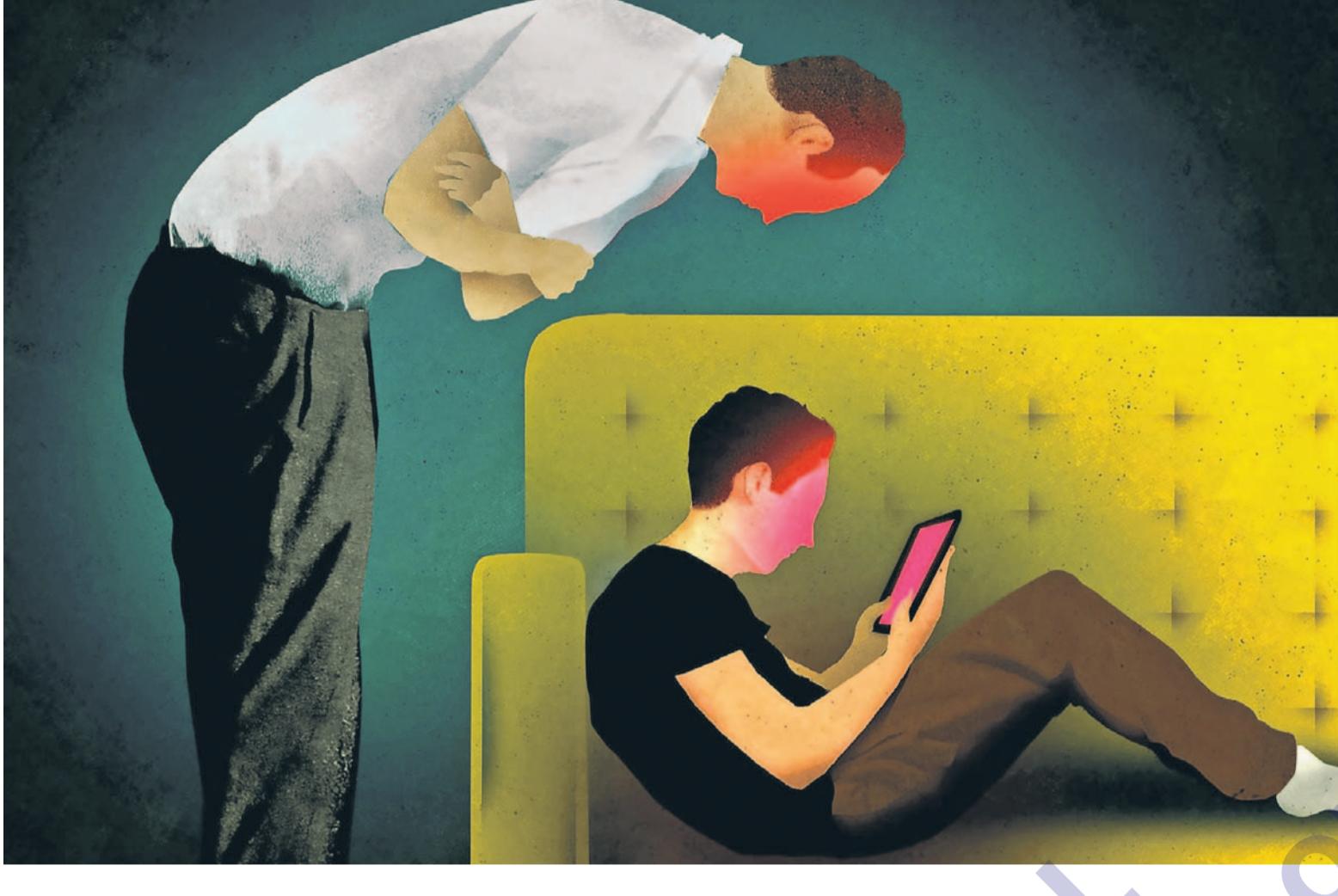


land ■ parks ■ advocacy

LIFE & ARTS

WORK & FAMILY | By Sue Shellenbarger

The Minefield of Talking About Sexting



BRIAN STAUFFER

It's a parent's nightmare: Your teenage daughter tries to charm her latest crush by sending him a revealing photo of herself—and is devastated when he forwards it to dozens of classmates. Or you learn from an older sibling that a suggestive photo of your younger daughter is circulating online.

"Parents take it personally and wonder, oh my God, why would my kid ever do that?" says Robbie Fox, who runs parenting workshops in Kensington, Md.

As more teens get involved in sexting, parents' worries about the trend are mounting even faster. Some teens circulate sexually explicit selfies or videos, or capture and forward screenshots from intimate Instagram photos or FaceTime video chats.

As upsetting as this topic can be, parents should navigate it carefully. Those who react by erupting in anger or trying to control their adolescents' behavior online risk shutting down communication altogether, research shows.

It's better to be proactive. That means talking with children as young as 9 about preserving their privacy online and coaching them on how to avoid becoming either a victim or an active participant in abusive sexting.

More than one in four teens under 18 have received sexts. Nearly 15% have sent them. This is happening more with the increasing use of smartphones, according to a 2018 review of 39 studies of a total of 110,380 teens. Some 12% have forwarded sexually explicit images without the subject's consent, and 8.4% have been victims of such behavior. The review, published in *JAMA Pediatrics*, surveys studies conducted in the past decade.

Coerced sexting by aggressors who pressure or manipulate their victims can be harmful, triggering guilt, shame and embarrassment. While boys are sometimes bullied or shamed over sexting, girls are more likely to be victimized.

Sexting also appears to be a gateway to future sexual activity. Teens who have sent a sext are 32% more likely to have had intercourse a year later, according to a 2014 study led by Jeff R. Temple, a professor and researcher at the University of Texas Medical Branch in Galveston.

All the sexting doesn't mean sexual activity among teens is also increasing, however. The proportion of high school students who have had intercourse has fallen to 40% in 2017 from 48% in 2007, according to the Centers for Disease Control and Prevention. And the proportion

of 15-to-19-year-olds who have had oral sex with someone of the opposite sex has fallen among girls to about 46% in 2015 from 54% in 2002, and to 51% from 55% for boys in the same period, according to the National Center for Health Statistics.

Still, sexting does make teens' preoccupation with sex more visible.

Parents face a daunting task discussing the hazards of sharing explicit photos or videos.

ble to adults.

Parents often blame themselves for failing to instill morals. They shouldn't, says Ms. Fox, a college consultant and parenting educator who specializes in teens and technology at Parent Encouragement Program, a nonprofit. "It has nothing to do with whether your child is good or bad or how you raised them," she says. Many children and teens simply don't yet have the developmental ability to control their impulses, regulate their emotions or exercise sound judgment, she says.

"Sending a picture to the love

of your life when you're 13 years old seems like a great thing to do," Ms. Fox says. She encourages parents to remember how they felt at the same age.

Also, social media and dating apps tend to lower the psychological obstacles to intimacy. With repeated exposure, sexting starts to seem normal to teens.

Many teens who receive or send sexts are normal adolescents. But parents should take it as a prompt to talk with them about healthy relationships and safe sex, says Dr. Temple, who has co-written several peer-reviewed studies on the topic.

Parents can still influence teens' behavior. But those who respond in a controlling, authoritarian way risk driving teens underground, research shows. Many adolescents use such tools as password-protected photo-storage apps that look like calculators to hide sexts from parents and others.

Parents who take a warmer approach, supporting their teens' independence while coaching them on staying safe, will likely gain more traction.

Begin teaching children about the risks before they get a smartphone or are exposed to online pornography, says Caroline Knorr, senior parenting editor for Common Sense Media. Before they enter their teens, children should un-

Eight Ways Into a Tricky Conversation

- Start discussions early about the risks of sexting.
- Stress that it isn't OK to pressure someone into sexting, or to let others pressure you.
- Remind your child that once an image is sent, it can't be controlled or retracted.
- Explain the possible legal consequences.
- Talk with teens about sexting situations they might face, and safe responses.
- Offer books to instill healthy views of sexuality.
- Talk to your children about what a healthy romantic relationship looks like.
- Before taking a teen's phone away, try first to teach how to use it responsibly.

derstand the importance of keeping their private parts private and refusing any requests to photograph them—no matter how much social pressure they face from boyfriends, girlfriends or other peers.

With teens, explain that sexually explicit images can come back to haunt them if they're seen by coaches, colleges or potential employers. Explain the potential legal consequences for juvenile sexting offenders, from community service or remedial education under new laws in some states, to child-pornography charges in others.

Michelle Dennedy uses news stories about sexting to raise the topic with her two daughters, ages 12 and 17, and ask them what they think. When she learned last year that a classmate of her older daughter's was posting sexually suggestive selfies, Ms. Dennedy, chief privacy officer for Cisco Systems in San Jose, Calif., urged her daughter to encourage the classmate to stop.

She also coaches teens to avoid becoming passive participants in abuse. She was driving her daughter and several other middle schoolers to the mall several years ago when she overheard them talking about a female classmate whose sexy photos were being circulated by a boy she liked without her knowledge. Ms. Dennedy pulled off the road, parked her minivan and turned to face the girls, telling them that such behavior is illegal and urging them to intervene.

"Whatever you have to do to help keep that girl safe, you do it," she told them. "I want you to have each other's back on this issue from now on." White-faced with surprise, the girls agreed, and later offered support and encouragement to the victim.

TELEVISION

BRITISH HIT 'BODYGUARD' IS GOING GLOBAL

BY CARYN JAMES

THE POLITICAL THRILLER

"Bodyguard" proved so popular in the U.K. that real-life government officials weighed in on its plots and characters. Now Netflix is betting that the rest of the world wants to watch.

The streaming-video giant, which said last week that it ended the third quarter with 137 million global subscribers, is releasing all six episodes of the television show in 190 countries on Wednesday. It stars Richard Madden (perhaps best known to American viewers as Robb Stark from "Game of Thrones") as David Budd, a police officer assigned to protect England's home secretary, played by Keeley Hawes.

David previously served in Afghanistan and struggles with post-traumatic stress disorder, a condition he blames on hawkish politicians like Julia. Their complicated relationship, and doubts about David's true motives, are the focus of the series, says its creator, Jed Mercurio.

"The need to rely on someone close to you, but also the fear that someone close to you could be a manifestation of a threat, is something we possibly all fear subliminally in relationships," he says.

In the mold of shows like

"Homeland" and "House of Cards," "Bodyguard" is full of backstabbing operatives, exploding bombs, clandestine affairs and heart-stopping plot twists. "I wanted to do something that was set in the world of politics, that was also a true thriller, and had the elements of an action drama," says Mr. Mercurio, who previously developed "Line of Duty," a long-running BBC series about police corruption.

"Bodyguard" aired on the BBC in August and September, broadcast the old-fashioned way in Sunday-night installments. It became the U.K.'s most-watched drama since "Downton Abbey," its ratings climbing through the season and reaching 11 million viewers for its season finale.

"I think we were all taken by surprise by the scale of the series' success," says Piers Wenger, who oversaw the BBC's drama programming. He attributes its popularity to "a perfect storm," including cliff-



Richard Madden stars in 'Bodyguard' as a police officer assigned to protect England's home secretary, played by Keeley Hawes. The TV series is coming to Netflix after airing in the U.K.

hanger episodes and topical issues such as ethnic profiling and government surveillance.

It prompted post-viewing conversations throughout the country, with Prime Minister Theresa May among the politicians who eventually offered their own opinions.

"I watch TV to unwind," she told reporters in August after watching part of the season premiere. "I'm not sure a drama about a female home secretary is

the best way for me to do that." But Amber Rudd, a former home secretary, said she was a fan and praised the depiction of the politician's relationship to a bodyguard, who is "incredibly close to you a lot of the time."

Social media also helped the show, lighting up with fan theories after a major character's apparent death. Mr. Wenger says that the percentage of viewers who watched "Bodyguard" live on Sun-

days, rather than catching up later, kept growing through its run, partly so people could avoid spoilers and partly so they could participate in the fast-moving online conversations.

The BBC and Mr. Mercurio are in discussions about a second season, but nothing has been finalized.

Some critics accused "Bodyguard" of stereotypical depictions of Muslims. In the first episode, for instance, David tries to dissuade a female suicide bomber wearing a hijab.

Mr. Mercurio defends such scenes, saying they are "unfortunately an element of the terror threat that Western democracies face, so it didn't feel out of place to feature that as one of the threats in the show." By the end of the series, he adds, "people will know that we have portrayed a number of different types of terror threat."

Netflix licensed the rights to "Bodyguard" as it was going into production, says Larry Tanz, the company's vice president of content acquisition. By releasing the entire first season at once in so many regions, Netflix is hoping it attracts binge-watching subscribers.

"A lot of people will be watching it at the same time," Mr. Tanz says. "Launching in all those countries gives us the opportunity for global water-cooler moments."

LIFE & ARTS

WHAT'S YOUR WORKOUT?

A Model Gondolier With a Relentless Regimen

A Southern California boatman puts in hours each week to prepare for the U.S. Gondola Nationals



MICHAŁ CZEWOŃKA FOR THE WALL STREET JOURNAL



BY JILLIAN BERMAN

FOR MOST, a gondola ride evokes a romantic cruise powered by a crooning boatman through the winding canals of Venice.

That's not how Michael Angelo Ruffino thinks of it. The 35-year-old has facilitated his fair share of marriage proposals in his 10-year career as a gondolier in Newport Beach and Sunset Beach, Calif. "I get to be a footnote in one of the most important days in people's lives," he says. But for him, the job is about fitness as much as entertaining customers.

"I'd love before my days are done to see gondola racing making it into the Olympics," he says.

He's hoping to win multiple medals to add to his collection at the U.S. Gondola Nationals (yes, a real thing) in Providence, R.I., in November.

This unusual career piqued Mr. Ruffino's interest several years ago. He was planning to work as a teacher and looking to make some extra money during the summer. Mr. Ruffino liked having the opportunity to sing while on the job. A connection to his Italian heritage also appealed to him.

Mr. Ruffino soon discovered rowing a gondola offered an opportunity for him to compete, too. Now, in addition to working as a yoga and fitness instructor and nude model

Michael Angelo Ruffino trains on his gondola near Newport Beach, Calif. He spends hours a week rowing, doing yoga and 'gurpees,' or gondola burpees, an exercise he developed to train for gondola races.

for artists, Mr. Ruffino spends several hours a week training.

The Workout

About two times a week, Mr. Ruffino spends about an hour doing a form of yoga called sculpt, which he describes as hot yoga with weights. He will wear a weighted vest and an altitude mask while practicing. He'll also spend about an hour four times a week doing traditional yoga.

Mr. Ruffino also spends about a half-hour four times a week doing exercises that focus on his joints, tendons and ligaments. He'll do strength training, using machines and free weights, for 90 minutes twice a week. He added the weight training to his regimen after a competition in Stillwater, Minn., where strong winds caused him to fall behind.

"That made me realize you can have the best technique in the world, but if it's a windy day, it's just a matter of who is stronger," he says.

Mr. Ruffino developed his own twist on burpees—an exercise that involves a jump in the air followed by a push-up—to help him train. In



stead of a traditional push-up, Mr. Ruffino will do a staggered push-up. His left hand rests on the ground and his right hand on a block and a bit closer to his hip, to help mimic the angle of the oar. Rather than jumping, he does a lunges hop.

Mr. Ruffino calls these gurpees, or gondola burpees, and by the time the competition comes around, he likes to be able to do 45 minutes of them straight.

He also spends as much time in the boat as possible perfecting his

So You Want to Race a Gondola

Want to become a competition-level gondolier? (Or at least learn how to row one of the boats?) Experience in other sports can help.

Athletes who understand the water, like surfers, stand-up paddlers and rowers, make some of the best gondoliers, says Greg Mohr, who owns Gondola Adventures, a company that offers gondola rides in Irving, Texas, and Newport Beach, Calif. Michael Ruffino works for Mr. Mohr.

Cyclists and motocross racers also have "a little bit of an edge," Mr. Mohr says. Those sports also require athletic control of a vehicle.

For John Kerschbaum, 61, who has taken passengers on gondolas in Minnesota's St. Croix River since 2001, decades of experience in tai chi have been crucial to his success driving the boats. "It's the only thing that's kept me on the boat a number of times," he says.

stroke, including practicing with teammates.

Finally, Mr. Ruffino exercises his mind. About seven to 10 times a week, he'll visualize his races.

Since Mr. Ruffino competes in the distance races, which can last as long as 45 minutes, maintaining focus is important. "If you have a bad stroke, it takes a long time to re-correct," he says.

The Gear

Mr. Ruffino uses a variety of equipment in his workout throughout the week. He spent about \$80 on the weighted vest, about \$80 on the altitude training mask and roughly \$10 on a metronome, which he and his teammates will use to stay in sync. He's also well-stocked with more typical exercise equipment, like a jump rope (\$10) and medicine ball (\$30).

For competitions he wears a blue, striped T-shirt in the mode of the classic gondolier look, and white work pants.

The Diet

Mr. Ruffino describes his body type—he's 5-foot-11 and 160 pounds—as "light and slender," which makes it difficult for him to bulk up and build muscle mass.

To counter that, Mr. Ruffino says he tries to get as many healthy calories as possible. He's frequently drinking shakes with foods like banana, peanut butter, berries, açaí and added protein powder. He'll also try to eat carbohydrate-heavy meals in advance of workouts. "I eat more pizza than any two people I've ever seen in my life," he says.

The Playlist

When Mr. Ruffino and his teammates train together, they sometimes use a metronome to keep their strokes on the same rhythm. When he's training alone, Mr. Ruffino gravitates toward music with a high energy, but that also has a steady drumbeat, like punk or Afrobeat.



WORK & FAMILY MAILBOX | By Sue Shellenbarger

THE DAY-CARE EFFECT

Work & Family columnist Sue Shellenbarger answers reader questions about office culture.

Q Your 2005 coverage of the effects of child care on small children came up at the top of our Google search for information on the topic. We have a toddler we're eventually planning to put in day care. Has the research been updated?—R. A.

A: More recent studies based on the same large, long-term study released by the National Institute of Child Health and Human Development have found child care continues to have small but significant effects on youngsters through high school

graduation. The research doesn't offer specifics on how much child care is too much, but shows both positive and negative effects increasing as a child spends more total hours in day care.

The biggest downside is that more hours in child-care centers through age 4½ are linked to small but statistically significant behavioral problems in children. Those with more time in child-care centers tended to exhibit more behavior problems through sixth grade and more risk-taking and impulsive behavior through age 15. The negative effects dissipated by the end of high school, however, when boys showed no lingering behavioral effects and girls showed fewer risky behaviors and better

impulse control.

Time in child care benefits children academically, however. More time is linked to better cognitive and academic skills from preschool through age 15, and to higher class rank and plans to attend more selective colleges at high school graduation. The quality of child care, as measured by children's relationships with their caregivers and other children and their use of learning materials, predicted better cognitive and academic skills at most ages. It also predicted higher grades and plans to attend more selective colleges at high school graduation.

Got a question for Sue Shellenbarger? Write her at sue.shellenbarger@wsj.com



GETTY IMAGES/ISTOCK

LIFE & ARTS



Proposed reconstruction of Frans Hals's complete 'The Van Campen Family in a Landscape' (c. 1623-25). At some point, the work was cut into pieces that found their way into different collections

ART REVIEW

Piecing Together the Van Campen Clan

BY JUDITH H.
DOBRYNSKI

Toledo, Ohio
FRANS HALS Portraits: A Family Reunion," at the Toledo Museum of Art, might just as easily have been subtitled "An Art History Mystery." Or "The Secret Life of a 17th-Century Masterpiece." Or "A Lesson in Connoisseurship." Or—let's just say the exhibit has many stories to tell.

It began when curator Lawrence W. Nichols saw Hals's "Family Portrait in a Landscape" (c. 1623-25) at a London gallery in 2010 and immediately worked to acquire it for the Toledo Museum. Knowing that it was a fragment of a larger painting—its unfocused composition and unmet glances among the subjects are telltale signs—he set out to organize an exhibition that would reunite it with the artist's "Three Children With a Goat Cart" at the Royal Museums of Fine Arts of Belgium. As early as the 1920s, art historians had noted similarities between the pair,

which had been split by the end of the 18th century (why is a matter of conjecture). Some experts had also proposed that a small portrait in a private collection, "Head of a Boy," belonged to this sprawling painting, but others disagreed.

Separately, about five years ago, the Dutch art historian Pieter Biesboer had identified the subject of the work as the large Van Campen family.

Then the discoveries, presented here for the first time, began. Belgian conservators—cleaning their painting for this exhibition—discovered the presence of about half of a girl on the far right of their canvas who had been painted over. Adding to the excitement, her lace collar matched a fragment visible in "Head of a Boy," cementing his presence as part of this family portrait. Cleaning also revealed two hemps on the left of the Belgian work that complete the dresses of two girls on the right of the Toledo painting—leaving no doubt that these paintings were all once part of a whole.

And what a whole it is. Hung here so that each work occupies the same place it would have in the intact work, the paintings show the great portraitist at his best. Rather than depict the sitters looking at the viewer—only three of the 14 figures stare out, one being the obviously

proud patriarch—Hals creates a lively scene of merry faces, twinkling eyes, and dynamic hand gestures that signal family interactions. In this relatively early painting by Hals—the first of his four known family group portraits—he deploys a more controlled style of brushwork than the thick, bold strokes that made many of his portraits famous, but it's never stilted. It's lifelike. As usual, Hals made his changes right on the canvas—not a single drawing by him survives—and he did it with care as well as flair.

But the Toledo painting, now renamed "The Van Campen Family in a Landscape," has an anomaly: the baby on the lower left. Connoisseurs—and viewers—can clearly tell by the differences in style (its rigidity, the too-obvious shine on her cheeks) that it was by another hand, not Hals. On the baby's right shoe is confirmation: It's signed by Salomon de Bray and dated 1628. With additional archival research, Mr. Biesboer determined that the Van Campens had 14 children—six boys and eight girls—including a daughter born after this painting was finished. Art historians theorize that the Van Campens, thinking their family was complete, commissioned the painting at some celebratory moment, but later were compelled to add their new child. Hals may have been too busy to do the job.

The three fragments account for 12 children, but what of the other two, both girls? They must have occupied the lost, lower-right corner. In Toledo, a free-standing panel illustrates an educated possibility: a sit-

ting girl with a youngster on her lap. This piece may still exist, somewhere, but it's more likely that it was destroyed by fire or flood—damage that may also have caused the 11-foot-long painting to be divided.

Impressively, the exhibition includes all three of Hals's other family groups; his stunning portrait of a newly married couple; and a pair of single portraits of a couple by Hals, as well as several Dutch paintings by others and decorative-art objects from the 17th century.

They create the Hals milieu beautifully, but cannot compete with this fascinating re-

union of three works that have not been seen together for more than 200 years.

Those galleries contain the splendid core of this exhibition. In an attempt to make it more "relevant," the museum has wrapped them with two others. A large initial gallery questions the meaning of family and displays other family-related artworks from the museum's permanent collection; these range from an Egyptian pair-statue of Reramu and his wife Ankhet (c. 2400 B.C.) to

five photographs of contemporary anthropological groups, like "Goth Girls" and "sports fans," by Ari Versluis

and Ellie Uyttenbroek (2004). At the other end, a family activity room allows visitors to reflect on the meaning of family with others in the room, aided by puzzles, games and books. Both were superfluous to me and, I suspect, will be for others. Fortunately, they did not subtract from the edifying exhibition at the center.

Frans Hals Portraits: A Family Reunion
Toledo Museum of Art, through Jan. 6, 2019

Ms. Dobrynski writes about the arts and culture for many publications.



The Hals works formerly known as 'Three Children With a Goat Cart,' left, and 'Family Portrait in a Landscape,' below, which are fragments of his 'The Van Campen Family in a Landscape' (c. 1623-25)

SYMBOL OF WALL STREET
WESTERN UNION STOCK TICKER

Historical significance. Legendary inventor. Outstanding rarity. This self-winding stock ticker telegraph is a celebration of American financial and technological advancement. Perfected by Thomas Edison, the revolutionary machine gathered stock information from Western Union telegraph and printed it almost instantaneously onto the ticker tape held within its base. Set beneath its custom glass dome, this example is highly prized as a collector's item and display piece. Circa 1900. 7 3/4" dia. x 10 1/2" h. #30-8388

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NFL

GIANT WOES AT QB

BY ANDREW BEATON

There's no shortage of numbers to quantify the boom in quarterback play this season. Passing touchdowns, completion percentage, quarterback rating and so many other metrics are at historic highs that it would be impractical to list.

But there's another way to understand this phenomenon that doesn't involve looking at the quarterbacks making this happen. It's by looking at one who has been a public scourge for his team this season.

Eli Manning, age 37, and the New York Giants enter Monday's game against the Atlanta Falcons at 1-5—and the team's offensive struggles are a window into the strength of the overall quarterback landscape. That's because they're the rare team in 2018 without an answer, or at least the hope for one, at the league's most important position.

Buffalo, which dropped to 2-5 with a 37-5 loss to Indianapolis, has the lowest scoring offense in the entire NFL and trotted out 35-year-old journeyman Derek Anderson on Sunday. But even they have a potential solution with injured rookie Josh Allen.

The 1-6 Arizona Cardinals are in the same boat—they can overlook a season of futility on offense because rookie Josh Rosen could be their answer. Things are so optimistic at quarterback around the league that the Cleveland Browns and New York Jets—clubs that have been notoriously tormented by their quarterback woes—believe they have found an answer with Baker Mayfield and Sam Darnold.

The Giants' quagmire is best understood in the light of these rookies. They had the No. 2 pick in the draft and could have taken Darnold, Allen or Rosen. Instead, they took running back Saquon Barkley, who has been one of the league's best backs—yet the Giants offense has still struggled and that pick came at the cost of attempting to solve their quarterback conundrum.



Giants quarterback Eli Manning



Los Angeles Dodgers third baseman Justin Turner, left, and Boston Red Sox closer Craig Kimbrel both have championship-worthy beards.



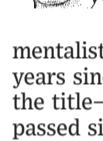
FROM LEFT: KEVORK DJANSEZIAN/GETTY IMAGES; ELSA/GETTY IMAGES

SPORTS

WORLD SERIES | By Jason Gay

Think of the Children of Boston

Dodgers haven't won a World Series since 1988...but in New England, there are title-deprived toddlers



The Boston Red Sox meet the Los Angeles Dodgers in the World Series starting Tuesday at Fenway Park, and the Dodgers are the sentimentalists' easy choice. It's been 30 years since the Dodgers last won the title—yes, three decades have passed since Kirk Gibson lifted that hobble-off home run off Dennis Eckersley. One of the game's signature franchises is overdue for glory.

But allow me a moment to make a case for the Red Sox, who themselves haven't won a World Series since...OK, they won it just five years ago, in 2013.

Still, think of the children of New England.

Do you realize there are 4-year-olds in Massachusetts, New Hampshire and Maine who have never seen the Red Sox win a World Series? Do you know there are 3- and 2- and 1-year-old kids in Vermont, Rhode Island and Connecticut who've never been able to skip pre-kindergarten for a Red Sox Duck Boat parade?

It's true. It's enough to break your heart.

Think of the agony endured. A 4-year-old's entire life, deprived.

They've grown up, learned to walk, learned to talk, learned their parents' iPhone passwords, bounced in a bouncy castle, saw a duck chase a turtle once...and their best baseball memories are a mere three consecutive AL East titles from 2016 to 2018.

But not a single, lousy World Series trophy. When the toddlers of New England get together for playdates with friends, build some Legos, and sip some organic juice boxes, the conversation is always the same.

When is it going to happen? Will this drought last forever? When are the Sox going to do it for US?

Sure, it's been nice for these same kids to see the football Patriots go to three of the past four Super Bowls, winning two of them, but still...

There's nothing like winning a World Series. Watching Grumpy Lobster Boat Captain Bill Belichick hoist a Lombardi Trophy and bark "Do your job!" is not the same.

I don't want to be dramatic, but I worry that these title-deprived New England children have a profound hole in their lives. They're not happily entitled, like those New England 14-year-olds. A 14-year-old in Boston has seen three Red Sox championships, at least three Super Bowls for the Patriots, and one each for the Celtics and Bruins.

Think of how hard that is for a 4-year-old to comprehend. These children have no concept of time. I have a 3- and a 5-year-old at home, and they've spent the last two months thinking Halloween is tomorrow.

At least the 5-year-old has seen the Red Sox win a World Series. I mean, not literally, since baseball games end at 4 a.m., and he'd been asleep for nine hours.

I do have to say: This is a very strange Red Sox club. They're perhaps the least Red Sox-like Red Sox team in Red Sox history. They get the bounces. They get the calls. Luck breaks their way, even when it shouldn't.

Take the Red Sox closer, Craig Kimbrel. A relief pitcher with a carpenter's beard and a pterodactyl's wind-up, Kimbrel appears to delight in terrifying the whole of New England each time he sets foot atop the mound.

When Kimbrel arrives, things go wrong. Very wrong. He walks guys. He hits guys. Guys hit him. It's like watching someone enter the living room and immediately trip over the coffee table, lamp and dog.

If you're a Red Sox fan, you may have to watch Kimbrel with your eyes closed. Or the volume down. Or the television off. Or go to bed.

And yet...Kimbrel survives. It's staggering how he does it. The only thing I can compare it to is seeing a kitten run across eight lanes of highway traffic—and then turn around and run back the other way.

Kimbrel is perhaps the clearest piece of evidence that life in Red Sox Nation is forever changed, that Boston fans are truly spoiled to the core. Truthfully, any credible "curse" talk ended in 2004—that 0-3 ALCS rally versus the New York Yankees was the exorcism of exorcisms.

Nobody wants to hear from worried Red Sox fans anymore. But there is something about seeing a

tortured relief pitcher continuously wiggle out of self-inflicted crises that underlines how different the vibe in Boston has become.

In another era, Kimbrel blows those games. In another era, outfielder Andrew Benintendi doesn't make a diving catch to seal Game 4 in Houston—the ball rolls to the wall, the Astros prevail, and the Red Sox never win another game for the rest of our lives.

That's how it used to go. Not anymore.

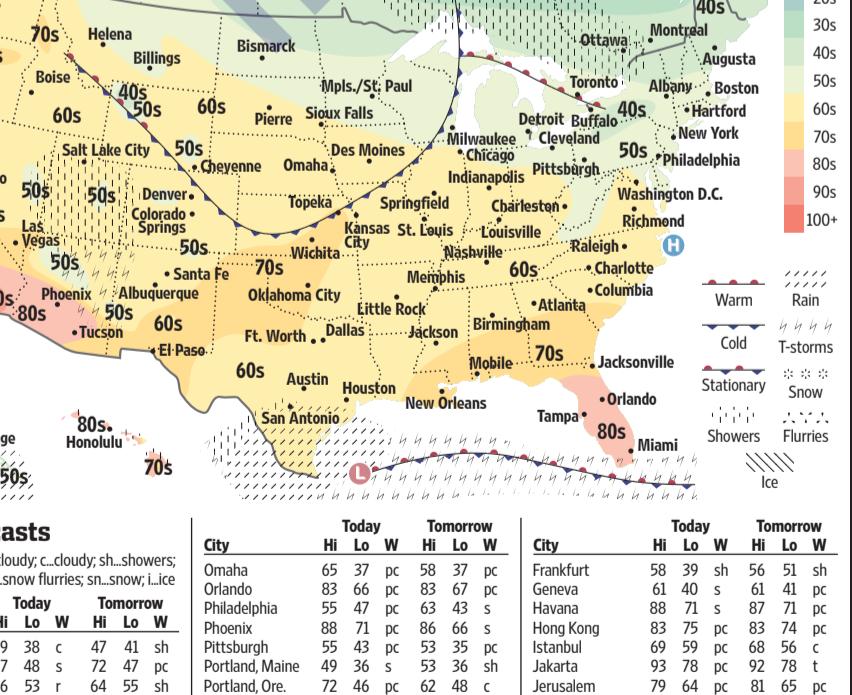
If you're not a Red Sox fan, you probably want to throw up right about now. Boston's gotten to be a bit much. It was repulsive to listen to Red Sox fans moan and groan about the playoff prospects of a team that won 108 regular season games. It's totally gross to hear them fawn over a team with a league-high \$240 million payroll like they're a scrappy group of Little Leaguers with holes in their shirts.

Yeah, they're annoying. I get it. I don't blame you if you want to pull for the Dodgers and the Dodger fans in your life. They've endured a much longer wait. They came awfully close last year. Even Red Sox fans should have a warm place for the Dodgers: L.A.'s manager, Dave Roberts, played an essential role in that historic 2004 comeback against the Yankees.

Still, think of those 4-year-olds in New England.

They've been waiting, too. All their lives.

Weather



U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers; t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage 49 38 c 47 41 sh

Atlanta 67 48 s 72 47 pc

Austin 66 53 r 64 55 sh

Baltimore 58 44 pc 66 41 s

Boise 68 47 pc 70 47 s

Boston 54 42 s 57 42 sh

Burlington 48 39 c 53 40 sh

Charlotte 65 48 s 71 45 s

Chicago 60 38 pc 51 36 s

Cleveland 56 44 pc 53 40 sh

Dallas 67 49 pc 69 51 pc

Denver 68 43 pc 64 44 c

Detroit 56 39 pc 52 33 c

Honolulu 87 76 s 87 76 s

Houston 69 55 r 64 57 c

Indianapolis 61 40 s 56 34 s

Kansas City 68 42 pc 60 37 pc

Las Vegas 79 60 pc 80 59 s

Little Rock 64 44 s 69 46 pc

Los Angeles 80 59 pc 80 61 pc

Miami 84 72 pc 86 71 sh

Milwaukee 59 38 pc 50 35 s

Minneapolis 58 33 s 49 29 s

Nashville 66 41 s 69 40 pc

New Orleans 75 64 pc 73 65 r

New York City 53 47 pc 60 43 pc

Oklahoma City 70 48 pc 68 49 pc

Today Hi Lo W Tomorrow Hi Lo W

City Amsterdam 57 45 pc 59 54 sh

Athens 81 61 t 68 60 sh

Bahrain 86 65 s 87 69 s

Bangkok 90 79 t 90 78 t

Beijing 69 40 s 68 39 s

Berlin 52 40 sh 52 42 r

Brussels 58 41 p 57 52 c

Buenos Aires 75 50 s 67 54 c

Dubai 96 83 s 95 84 pc

Dublin 54 44 pc 57 45 c

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Today Hi Lo W Tomorrow Hi Lo W

City Frankfurt 58 39 sh 56 51 sh

Geneva 61 40 s 61 41 pc

Havana 88 71 s 87 71 pc

Hong Kong 83 75 pc 83 74 pc

Istanbul 69 59 pc 68 56 s

Jakarta 93 78 pc 92 78 t

Jerusalem 79 64 pc 81 65 pc

Johannesburg 72 46 pc 74 48 pc

London 56 42 s 62 50 pc

Madrid 74 50 pc 70 46 pc

Manila 91 78 pc 91 77 s

Melbourne 80 56 s 69 46 pc

Mexico City 72 52 pc 73 52 t

Milan 65 45 s 67 48 pc

Moscow 47 36 pc 46 39 c

Mumbai 97 79 pc 97 79 pc

Paris 60 40 pc 62 49 pc

Rio de Janeiro 80 67 s 84 71 s

Riyadh 93 71 s 94 73 pc

Rome 68 52 s 74 51 pc

San Juan 87 75 pc 88 76 pc

Seoul 68 44 s 67 46 pc

Shanghai 68 58 c 73 59 pc

Singapore 88 76 s 87 77 c

Sydney 74 63 s 81 63 s

Taipei City 86 70 pc 84 72 s

Tokyo 71 60 s 70 60 sh

Vancouver 53 39 c 51 31 sh

Zurich 57 43 pc 57 46 c

Warsaw 54 37 s 46 38 r

Zurich 57 36 s 56 42 pc

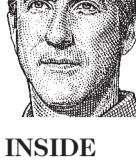
The WSJ Daily Crossword | Edited by Mike Shenk

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OPINION

A Universally Bad Idea

INSIDE
VIEWBy Andy
Kessler

Bad ideas just won't die. Ronald Reagan's goal was to "leave Marxism and Leninism on the ash heap of history." But they keep coming back, albeit in different forms. Of today's bad ideas—from net neutrality to open curriculum and living wages—the most dangerous is the universal basic income.

For twisted reasons, Silicon Valley, the embodiment of meritocracy and incentives, thinks universal basic income will be the next great economic force. Facebook co-founder Chris Hughes is helping to fund a UBI pilot program in Stockton, Calif. He even wrote a book about the idea—something about 1%-ers paying money via tax credits—hardly original.

He's not alone. Barack Obama has recently expressed interest in the idea. So have Bill Gates, Richard Branson, Mark Zuckerberg, Elon Musk, Marc Benioff and others in Silicon Valley. Why? I figure it's their misplaced guilt about patriarchal dominance over workers displaced by automation. That's a triple crown of bad excuses.

The enthusiasm seems infectious. In July, Chicago Alderman Ameya Pawar told the Intercept, "We need to start having a conversation about

automation and a regulatory framework so that if jobs simply go away, what are we going to do with the workforce?" It wasn't a long chat. This summer, Mr. Pawar introduced legislation for a pilot program that would give \$500 a month to 1,000 families.

Think of it as a new version of walking-around money. Never mind that Chicago can't even afford to fund its public-employee pensions.

It sounds eerily similar to startup incubator Y Combinator's Basic Income Project Proposal. It's the harebrained idea of the organization's president, Sam Altman. A thousand lucky folks would receive \$1,000 a month for as long as five years. Another 2,000 would form a control group and might get \$50 a month for their troubles.

What troubles? Well, University of Michigan researchers will be asking how they spend their time, if their political and social attitudes change, the effect on crime, and if their children do better on standardized tests. And there will be blood tests too: The study will "measure markers that serve as predictors of later disease as well as cortisol, an indicator of stress." If \$1,000 a month lowers your stress, shouldn't everyone get \$1,000 a month? Netflix and chill is cheaper.

Mr. Altman has almost sinister plans for UBI. Forget \$1,000 a month. He told Spectacle "instead of getting a

fixed fee, you get a percentage of the GDP every year." Maybe everything should be owned by the state and divvied up? All he's missing is five-year plans. Perhaps Mr. Altman dropped out of Stanford before taking economics—or history for that matter.

Not to be outdone, this

Silicon Valley titans push the Marxist-Leninist nonsense of a guaranteed income.

summer the People's Policy Project—Get it? Like the People's Republic?—proposed an American Solidarity Fund. Every citizen over 17 would own a share of this sovereign wealth fund. Slowly but surely, up to one-third of the assets of the U.S. economy would find their way into the fund. That's \$90 trillion for those keeping track at home. Then the investment returns from the fund would be paid out as, you guessed it, a universal basic dividend. This isn't sliding a slippery slope toward socialism, it's a trapdoor.

How would the fund get all

those assets? Start with all government-owned land and buildings. Then add a 3% market-capitalization tax on public companies. Apple would owe \$30 billion. Add a continuing 0.5% market-cap tax, a

5% levy on initial public offerings and 3% on mergers. Smells Marxian: "government owning the means of production." So much for the ash heap. Then increase the death tax and get rid of every tax deduction. Heck, they better pay hefty universal basic lay-on-the-couch dividends because why would anyone ever go to work again? Companies would have minimal retained earnings to invest in the future, and workers wouldn't keep much of their pay. The fund would shrink annually as the stock market imploded.

Progress is about incentives. The reason UBI will fail is the cycle of dependency built into it. It is a gateway drug to collectivism. Turning the U.S. into Venezuela is a universally bad idea.

Remember Mr. Pawar's fear of automation? He's in good company. At a February 1962 press conference, when President Kennedy was asked about a Labor Department estimate that 1.8 million jobs would be replaced by machines each year, he replied, "I regard it as the major domestic challenge, really, of the '60s, to maintain full employment at a time when automation, of course, is replacing men."

In February 1962 U.S. non-farm payroll stood at 55.2 million. Fifty-six years and several major tax cuts later, jobs stand at 149.5 million. Call it basic and universal capitalism. Let's stick with that, shall we?

The Risks of Failing to See the Sea

By Elisabeth Braw

This week some 50,000 men and women from 31 countries will conduct an enormous military exercise in and around Norway. Called Trident Juncture 18, it will be one of the North Atlantic Treaty Organization's largest exercises since the end of the Cold War. Europe's roads have seen a procession of military convoys in recent weeks, but few Europeans have noticed the journey of 65 naval vessels, including an aircraft carrier, to Norwegian waters.

To its detriment, the West suffers from what is sometimes called "sea blindness"—a general ignorance of maritime and naval affairs. Even the United Kingdom's famous Royal Navy needs a team to travel the country illuminating the public about what it does. "I always thought sea blindness particularly bad in Germany, so it was painful to discover that it exists even in a seafaring nation like Britain," retired Vice Adm. Hans-Joachim Stricker, a former commander of the German fleet, told me.

The public-awareness tours are in the Royal Navy's interest. It's been decades since a Western country has been embroiled in an all-out naval battle on the open

ocean. This has bred complacency. Many Britons question whether the Royal Navy needs the two aircraft carriers it recently acquired at a cost of some £6.2 billion (\$8.1 billion), when Britain could easily piggyback on the U.S. Navy's capabilities.

Though the general public may have a hard time imagining it, the risk of naval warfare remains real. This year the Chinese navy was disint-

The West suffers from a dangerous general ignorance of maritime and naval affairs.

vited from the U.S.-hosted Rim of the Pacific Exercise due to Beijing's militarization of the South China Sea. Earlier this month, a U.S. ship conducting a freedom-of-navigation operation near the Spratlys had what the Navy called "an unsafe encounter" with a Chinese warship.

The Royal Navy itself received a stern warning from Beijing in September after one of its ships approached an island China now labels its own. In May the French navy sent an assault ship to patrol the Spratly reefs that China has surreptitiously turned into islands and is outfitting

with missiles. The stakes are high, but most of us don't take any notice.

Intense commercial activity—80% of the world's trade volume travels by sea—makes waterways into targets. The Baltic Sea, which connects Russia with several NATO member states as well as Sweden and Finland, could be another flashpoint. "During the Cold War, the Baltic Sea was an area of confrontation, with about half the countries with Baltic Sea shorelines belonging to the Warsaw Pact," Adm. Stricker noted.

In the Baltic Sea today, hundreds of daily voyages transport goods such as Swedish iron and Finnish gas. A Russian-led consortium has just begun construction of its Nordstream 2 pipeline, which will cross the Baltic Sea and come ashore in Germany.

"Most Swedes are blissfully unaware of what happens in the Baltic Sea," retired Gen. Sverker Göransson, supreme commander of Sweden's armed forces from 2009 to 2015, told me. "The Swedish economy is completely dependent on trade, including the Baltic Sea's enormous flow of goods. But in the past four years, our security environment has changed."

That's putting it diplomatically. Russia, joined by the Chinese navy, this April car-

ried out a major exercise in the Baltic Sea. Part of it, including live-fire missile testing, took place within Latvia's exclusive economic zone. Sweden had to restrict civilian air traffic. Two months later, 22 NATO countries and partners conducted their own Baltic Sea exercise.

It's possible that Russia could disrupt NATO in the Baltic Sea, without any of its soldiers setting foot on NATO soil. "It's vital to a country to have a strong navy and air force, because that's where the action begins," Gen. Göransson said. All the ships transporting our daily necessities need protection, too.

Despite the risks, there's an obvious reason for Western sea blindness: While most people have seen soldiers or perhaps some army jeeps, few have encountered frigates. Out of sight, navies are out of mind. But we indulge our sea blindness at our own risk. Precisely because we depend on the oceans, we should pay closer attention to their security.

Ms. Braw directs the Modern Deterrence program at the U.K.'s Royal United Services Institute for Defence and Security Studies.

Mary Anastasia O'Grady is away.

How to Make Highways and Airports Pay

By Robert Poole

President Trump's proposed infrastructure bill fell flat this Congress because the price was too high. With trillion-dollar annual budget deficits projected indefinitely, Republicans were never going to approve the major federal funding needed to upgrade the nation's deteriorating infrastructure. Unless Democrats take control of both houses of Congress, the politics are unlikely to change.

But that need not prevent investment in infrastructure renewal. State and local governments are sitting on hundreds of billions of dollars in aging but revenue-generating infrastructure assets. Investment funds have raised hundreds of billions in equity to rebuild infrastructure and add new capacity. These two parties can be brought together through a process called asset recycling.

Asset recycling involves a long-term lease of an existing facility—like an airport, toll bridge or wastewater system—to a qualified company, which commits to rebuild and maintain the facility. Backed by in-

frastucture investors, the company pays most or all of the annual lease payments upfront. The government uses those proceeds to invest in other unfunded infrastructure.

Australia adopted infrastructure asset recycling nationally in 2014. It offered grants to state or local governments that sold or leased revenue-producing infrastructure, provided they in-

'Asset recycling' lets investors profit while serving the public.

vested the proceeds in new infrastructure. Six billion Australian dollars in federal incentive grants generated more than three times that much in new infrastructure investment.

One recent American example of asset recycling is the lease of the Indiana Toll Road. Under the 75-year contract, signed in 2006, the infrastructure firms Cintra and Macquarie paid \$3.8 billion to the state for control of the road. After paying off the toll road's

debt, Indiana used the rest of the proceeds to fund 500 miles of new highway and 60 new or rebuilt interchanges, while also creating a \$500 million highway maintenance trust fund. In 2015 a consortium of public pension funds led by IFM Investors bought out the original leaseholders.

The San Juan International Airport was also modernized via private investments, generating proceeds for badly needed debt reduction in Puerto Rico.

A new Reason Foundation study estimates long-term leases of the 61 largest U.S. airports could generate between \$250 billion and \$360 billion for their state or local owners in upfront lease payments. Existing toll roads and bridges could generate \$175 billion to \$230 billion. Public-sector pension funds searching for better returns are ideal candidates to invest.

If Republicans and Democrats cannot agree on large new federal funding, reforms encouraging asset recycling might be an alternative. These might include expanding the scope of tax-exempt private activity bonds, removing the

federal ban on interstate highway tolls, and offering incentives for state and local governments to lease revenue-producing assets to investors. This would answer Democrats' (and President Trump's) call for increased investment while respecting congressional Republicans' concern about the federal budget deficit.

In 2014 a bipartisan task force of the House Transportation and Infrastructure Committee issued a report endorsing long-term public-private partnerships. And in 2018 the Bipartisan Policy Center announced its support for infrastructure asset recycling. A bipartisan asset-recycling bill should be on the table for 2019. Such an approach might appear modest in scope, but it could be the start of something very big.

Mr. Poole is director of transportation policy at Reason Foundation and author of its new study on infrastructure asset recycling. His book, "Rethinking America's Highways," was published in August by the University of Chicago Press.

BOOKSHELF | By Bryan A. Garner

An Unlikely Celebrity

Ruth Bader Ginsburg: A LifeBy Jane Sherron De Hart
(Knopf, 723 pages, \$35)

Although the term "jabot" dates in English from the early 19th century, it didn't enter common parlance until recently. My entry in Black's Law Dictionary defines it this way: "A frill of lace, tulle, chiffon, or the like fastened at the neck and worn over the front of a shirt or costume, today esp. over judicial robes by some judges. In the United States, jabots were popularized by Justice Ruth Bader Ginsburg." Because of that association, jabots are considered distinctly feminine in this country, though male barristers and judges wear them in other parts of the world.

They're also known as "neck doilies," and it's appropriate that one adorns the cover of "Ruth Bader Ginsburg: A Life," Jane Sherron De Hart's engaging and admiring biography. The jabot, along with the moniker "Notorious RBG," has become part of the most widely embraced judicial branding in history. Throngs of Justice Ginsburg's admirers don jabots and T-shirts bearing her likeness.

As Ms. De Hart reminds us, this unlikely celebrity grew up in Flatbush, Brooklyn, the daughter of Jewish immigrants. Justice Ginsburg's mother especially, we're told, cultivated her daughter's love of reading. When Ruth once brought home a grade of B, the whole household went into mourning. It never happened again. According to Ms. De Hart, a history professor emerita at the University of California, Santa Barbara, Justice Ginsburg was unlike most women at Cornell University in the 1950s. She wasn't there to find a husband with the requisite degrees. She was there to achieve independence for herself. Yet she found a husband anyway. An unconventional one: Marty Ginsburg, also destined for a career in law, was quite secure in promoting his wife's interests and her career. Ms. De Hart tells the story of their moving relationship from the beginning until its sad end, with Marty's death, from cancer, in 2010.

One of only nine women in a class of 500 when she enrolled at Harvard Law School, Justice Ginsburg faced the "no-win" question that the dean asked of every first-year woman: "Why are you at Harvard Law School, taking a place that could have gone to a man?" Trying not to be confrontational, she replied that Marty was in the second-year class and that it was important for a wife to understand her husband's work. Never mind that she was as qualified as any man—a fact she proved when, after transferring to Columbia's law school when Marty got a job in New York, she tied for first in her graduating class.

But such achievement didn't make the road to success any smoother. When Justice Ginsburg was recommended for a clerkship with Second Circuit Judge Learned Hand, Hand rejected her because she was a woman. After two years clerking for Judge Edmund L. Palmieri, she was recommended for a clerkship with Supreme Court Justice

Like every first-year woman, she was asked by the dean: 'Why are you at Harvard Law School, taking a place that could have gone to a man?'

Felix Frankfurter—and was rejected, Ms. De Hart implies, on gender grounds. When she became a professor at Rutgers in 1963, she was one of fewer than 20 female law professors in the country—and was paid less than her male colleagues because, as Ms. De Hart describes the reasoning at the time, "she had a husband to take care of her, so it was only fair that she receive a lower salary than a man with a family to support."

Soon enough, she would find ways to advance her gender's cause. In 1970 she founded the Women's Rights Law Reporter, the first American law journal to focus on the subject. In 1972 she left Rutgers for Columbia Law School, becoming the first tenured woman there. While still teaching at Columbia, she began her work with the American Civil Liberties Union, which would define the next decade of her career, by volunteering to write the brief for *Reed v. Reed*, in which the Supreme Court extended the protections of the 14th Amendment's Equal Protection Clause to women. In 1972 she co-founded the ACLU's Women's Rights Project, becoming general counsel at the ACLU the following year. As director of the Women's Rights Project, she argued six gender-discrimination cases before the Supreme Court, winning five.

Justice Ginsburg continued such work until 1980, when President Carter appointed her to the U.S. Court of Appeals for the District of Columbia Circuit. This is where she began her friendship with her then-colleague Judge Antonin Scalia, which Ms. De Hart recounts in warm detail. On the D.C. Circuit, Justice Ginsburg often found consensus with him and fellow conservative Robert Bork, earning her a reputation as a moderate and a cautious jurist.

Naturally, a good deal of Ms. De Hart's narrative concerns Justice Ginsburg's jurisprudence, with the author dissecting Supreme Court cases as wins and losses from her subject's point of view. Those who champion Justice Ginsburg's nontextual approach to decision making—emphasizing broad statutory purposes and policy consequences over literal text and consistent tradition—will find the explanations satisfying; others may find them somewhat tendentious.

When President Clinton nominated Justice Ginsburg to the court in 1993, he said: "Many admirers of her work say she is to the women's movement what former Supreme Court Justice Thurgood Marshall was to the movement for African Americans." Many readers will see this judgment amply confirmed in Ms. De Hart's biography. It was written, as the author acknowledges, with Justice Ginsburg's cooperation, though it's not an "authorized" biography.

There are more biographies in the pipeline. Last month, when I stopped by the Supreme Court's chambers to see Justice Ginsburg, I met a woman in the reception area who introduced herself as "Justice Ginsburg's biographer." Upon joining the justice, I mentioned that I'd just met her biographer. "Which one?" she asked. "It seems I have more than 20." I don't think she was tugging my jabot.

Mr. Garner is the editor in chief of Black's Law Dictionary. His most recent book is "Nino and Me: My Unusual Friendship With Justice Antonin Scalia."

OPINION

REVIEW & OUTLOOK

America and the Saudis

The Kingdom of Saudi Arabia has hurt itself badly with the killing of journalist Jamal Khashoggi, and its serial explanations are compounding the damage. President Trump will lose control of the Saudi-U.S. relationship if he doesn't speak truth to these Saudi abuses and to Crown Prince Mohammed bin Salman, the 33-year-old power in front of the throne.

The most complete Saudi statement, issued late Friday night, at least admits that Khashoggi was killed in its Istanbul consulate at the hands of Saudi agents. But the story that Khashoggi was killed in a "fight and a quarrel" isn't credible on its face. "The brawl aggravated to lead to his death and their attempt to conceal and cover what happened," said the Saudi statement. That must have been some lopsided "brawl" with a 59-year-old journalist confronting multiple security agents, as if he were Liam Neeson in "Taken."

The story is contradicted by information leaked by Turkish officials who say Khashoggi was killed quickly and dismembered on the scene. The Saudis still haven't produced Khashoggi's body, or provided more details of precisely how or when he died.

The "fight" story also conveniently lays blame on lower-ranking officials while effectively absolving members of the royal family, especially the Crown Prince known as MBS. The Saudis say they've arrested 18 officials and sacked five others. Several are part of MBS's inner circle, and it's unlikely they would have acted without at least the tacit assent of the Crown Prince. Khashoggi, who had a wide following in the Middle East, had criticized the Crown Prince for his authoritarian tactics in trying to reform the Kingdom.

On Sunday Saudi Foreign Minister Adel al-Jubeir called it a "rogue operation" that neither MBS nor "the senior leadership of our intelligence service" was aware of. This would be more believable if the Saudis hadn't taken 18 days to say it. President Recep Tayyip Erdogan is promising to reveal Turkey's account of what happened on Tuesday, and that could further undermine Saudi credibility.

The Trump Administration's response to all

Saving the alliance will require telling the truth about Khashoggi.

this hasn't exactly been a model of moral or strategic clarity. Mr. Trump has rambled from promising "severe" consequences to extolling U.S. arms sales to threatening sanctions to a seeming apologia for MBS as an "incredible ally." On Saturday he finally got closer to the truth when he told the Washington Post that he doubted the Saudi explanation. "Obviously there's been deception, and there's been lies," Mr. Trump said.

The U.S. goal should be to preserve the U.S.-Saudi alliance while making clear that murdering journalists is unacceptable and that MBS's erratic judgment and willful use of power are problems for the bilateral relationship. The U.S. can't dictate to King Salman who should run his government, but MBS also can't be allowed to conclude that America thinks this is no big deal. Otherwise he'll keep creating trouble for his own country and the U.S.

Sanctions of individual Saudis under the Magnitsky Act are inevitable and warranted. Sanctioning MBS would depend on whether evidence implicates him in the killing. A moratorium on arms sales is probably counterproductive since MBS could turn to Russia and China. But the U.S. could work with the Saudis to reduce their bombing in Yemen, which is killing civilians, in return for U.S. interdiction of Iranian arms deliveries to Saudi enemies in Yemen.

U.S. officials above all can't appear to be complicit in a whitewash of the murder or public embrace of MBS as if nothing happened. Americans understand that the U.S. has interests in the Middle East that often require working with rulers and countries that can be brutal. But that shouldn't extend to denying actions that offend our values when they occur.

Mr. Trump needs to lead here or Congress will take charge with uncertain and perhaps damaging effect. Saudi Arabia lacks the deep emotional support that Israel has among the U.S. public, and a significant lobby on the left prefers an entente with Iran instead of the Saudis. Mr. Trump saw on Russia sanctions how bipartisan majorities can roll over his policy if he ignores foreign offenses against U.S. values and interests. He shouldn't make the same mistake on Saudi Arabia.

No Debate in New York State

Why be a journalist if you can't have fun? Our friends at the New York Post have been doing exactly that while publicizing the refusal of New York Governor Andrew Cuomo and Senator Kirsten Gillibrand to debate their opponents in what is allegedly an election year. There's also a lesson here about what happens in states with one-party government.

The Post has the two Democrats dressed in yellow chicken suits with the headline, "Birds of a Feather" and "We're gonna need a bigger coop!" Both politicians are planning presidential runs, but they're so far ahead in the polls that they don't want to give their opponents a chance to highlight any of their career lowlights.

Republican nominee Marc Molinaro would no doubt want to mention the corruption that has effloresced on Mr. Cuomo's watch, the lousy upstate economy, and the decline of New York City's subways. GOP candidate Chele Farley might ask Ms. Gillibrand to defend her past admiration for Bill Clinton and Harvey Weinstein

Cuomo, Gillibrand and the arrogance of one-party rule.

even as she says she believes charges without evidence against Brett Kavanaugh.

Ms. Gillibrand announced Friday she was ducking out of a debate with Ms. Farley scheduled for Sunday. The Senator claimed she didn't want to cross a "de facto picket line" by workers striking against Charter Communications even as she said "open

public debate is essential to democracy." Is she getting credibility counsel from the Saudis? Late Sunday she finally agreed to a debate on Thursday at 1:30 in the afternoon.

The two Democrats can get away with this disdain for democracy because New York is increasingly a one-party state in which Republicans can't win statewide. This is partly a result of a GOP majority in the state Senate that has failed to offer much of an alternative to liberal governance. But even that restraint in Albany is likely to vanish this year as Democrats expect to control every branch of government. Politicians aren't more accountable when they face no significant opposition.

Washington's Carbon Tax: Take Two

If Democrats retake Congress in November, a national carbon tax is likely to be part of their agenda. A referendum in Washington state next month is a test of public support.

Two years ago nearly 60% of Washington voters rejected a ballot initiative to impose a "revenue neutral" carbon tax. Green groups opposed the referendum because it wouldn't generate money for environmental largess. Businesses said it would destroy jobs and increase energy prices, which is true.

Liberals have now fixed what they thought was the fatal flaw of the first referendum—namely, revenue neutrality. This year's initiative would impose a \$15 per ton carbon "fee" that would increase by \$2 per year. The tax is designated a fee because the \$2.3 billion in revenue it is projected to generate over the next five years would mostly be earmarked for "clean air and energy" programs—such as solar power and electric car subsidies—rather than general spending.

But revenues are fungible, and the carbon tax proceeds would invariably finance government spending in other areas. That has been the case in California where Democrats have used cap-and-trade revenue to finance the state bullet train, low-income housing and public transit in addition to green handouts.

The tax would raise gas prices by 13 cents a gallon in 2020 and 59 cents a gallon by 2035. Washington currently has the third highest gas prices in the country after Hawaii and California, and Seattle commuters won't relish paying a few extra bucks every time they fill up. Electricity rates would rise modestly, largely because most of the state's power is already generated by dams.

An analysis by National Economic Research Associates estimates that the tax would cost

A referendum shows the main goal isn't reducing CO2 emissions.

Washington households on average \$440 in 2020 and would reduce state economic growth by 0.4% over the next two years. Not even Washington's good liberals pretend low-income residents and workers will be held harmless.

Hence the referendum requires that 10% of revenues be spent on reducing energy costs for low-income residents. At least \$50 million must also go to support imperiled workers in fossil fuels. Washington processes crude from North Dakota's Bakken Shale and ranks fifth in the country in oil refining.

The kicker is that some 40% of the state emissions would be exempt including "energy-intensive trade-exposed" industries like aluminum production, diesel used in agriculture, fossil-fuel exports, and fuel purchased by local and state governments. Heaven forbid the tax could cost government union jobs. This political favoritism may mitigate the tax's adverse economic effects and public opposition. But if liberals are really worried about climate change, why tolerate exceptions?

Washington's tax might reduce global emissions by all of 0.02% in 2035, and the Intergovernmental Panel on Climate Change recently estimated a global carbon price of between \$135 and \$5,500 per ton would be necessary to forestall a climate apocalypse. This level of taxation would be a political nonstarter anywhere.

But if the Washington referendum passes, liberals will be emboldened to push carbon copies in other states and Congress. Some on the right advocate a national carbon tax along with a supposed "dividend" for taxpayers, but here all revenue is for Olympia politicians. The story in Washington shows that liberals care more about increasing tax revenue to spend than they do about reducing emissions.

REVIEW & OUTLOOK

America and the Saudis

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LETTERS TO THE EDITOR

Using Markets to Manage Climate Change?

After implying without any corroboration that Hurricane Michael was caused by climate change, Fred Krupp encourages the world to "Harness the Market to Manage the Climate" (oped, Oct. 16). But in his second suggestion to cut methane emissions, the only specific step he mentions is the Environmental Defense Fund's future launch of a satellite. He lays out "our goal" of a 45% reduction in methane pollution within seven years—a pretty ambitious target.

In his suggestion for taxes on carbon, Mr. Krupp mentions William Nordhaus's work on pricing carbon as "much cheaper . . . than command-and-control regulations," yet in the prior sentence he couldn't help but admit that any such policy "must include enforceable limits to ensure emissions are cut as much as the science demands." When I studied economics, relying on markets to set prices and volume didn't include strict government limits on production based on what "science" rather than the market itself dictated.

Mr. Krupp undoubtedly means well, but his pie-in-the-sky thinking is untethered to basic economics or what Americans and others in the world are willing to tolerate for slight reductions in global temperatures.

CARY FULBRIGHT

San Francisco

I was hoping to see a suggestion that truly allows the market to address climate change by eliminating a government action that exacerbates the impact of rising atmospheric temperatures: End flood insurance subsidies for coastal homes and businesses. Not only would this policy lessen the financial and human dam-

age of any rising sea levels and storm intensity, it would lower the income redistribution from poorer to richer by eliminating a major subsidy for those who can afford an ocean view.

ROBERT R. HOLMES
Cedar Rapids, Iowa

Regarding Fred Krupp's call: That's what we're doing in New York State. Markets have more money, move faster and bring more innovation than government. Outdated government policy has protected regulated utilities from the forces of global competition that have shaped other capital-intensive industries. Thanks to adoption of new technology, business models and financial incentives, other capital-intensive industries have average capacity utilization approaching 90%. The utility industry manages 54%. Capturing this difference is a prize to the private sector worth billions a year in New York state alone. As we have changed our policies to be more market based, New York's clean-energy jobs are one of the fastest-growing sectors of the state—we added an additional 5,600 new clean-energy jobs across the state in 2017.

While Justice Louis Brandeis said that states are "laboratories of democracy," they can be laboratories of markets, too. If we don't start giving markets a chance, then command and control will be coming. Governments won't be able to do anything when droughts, sea-level rise, food shortages and our infrastructure face imminent threat.

RICHARD KAUFFMAN
Chairman
Energy and Finance
New York State
New York

Co-Dependency Keeps Fractious EU Together

Joseph C. Sternberg's "Italy Issues a Euro Dare to Germany" (Political Economics, Oct. 12) asks, "why [do] the creditors stay?" While I'm sure unity has something to do with the goal of holding the European Union together, the most financially supportive member, Germany, has another significant reason to keep it together and financially support the struggling members. Its reason is currency. If Germany went back to the deutschemark, its highly productive workforce and export-based economy would be adversely affected as the currency would appreciate to make up for the difference. This same benefit to Germany is a risk to Greece and Italy as they cannot depreciate their (common) currency to be able to compete. However, Greece and Italy, as members of the EU, can issue debt at a substantial discount to what the market would otherwise demand.

PETER CHIARAVALLI
Dewitt, Mich.

The EU's southern tier acts as a filter for illegal immigrants, while the northern "creditors" refuse to pay for the influx or take in a proportional share. In fact, the creditors insist, the southern tier bear those costs. The northern tier of countries grouse but know the EU as currently constituted is a tremendous benefit to them.

STEPHEN HORWITZ
Bethesda, Md.

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PETER CHIARAVALLI
Dewitt, Mich.

Suit by Asians Embarrasses Liberal Harvard

As a graduate of Harvard, I share Kelley Babphavong's frustrations regarding the university's dominant culture and attitudes ("An Asian-American Dissident at Harvard," op-ed, Oct. 15). However, I defend Harvard's freedom to choose from among the many students who apply for entrance, according to its own standards.

The problem is that Harvard has compromised its autonomy by accepting taxpayer money to run its operations. The price is limited freedom and subjection to the prevailing political whims of the day. If Harvard were principled, it would disentangle itself from all government funding

and defend its right as a private organization to select its student body according to its own values and social goals, free from coercion from any direction. Some colleges already do this, including Grove City College and Hillsdale College ("What Hillsdale Can Teach Harvard" by William McGurn, Main Street, Oct. 16).

PAIGE RODRIGUEZ
Louisville, Colo.

Ms. Babphavong is correct, affirmative action is Orwellian. Racism is racism, and cannot be candy coated or disguised based on who the pseudo-beneficiary or hapless victim is.

MIKE LEVINE
Moraga, Calif.

How rich in irony that Ms. Babphavong's family managed to escape the communist regime in Laos only for her to then attend the progressive, democratic-socialist bastion of Harvard University. Welcome to "freedom."

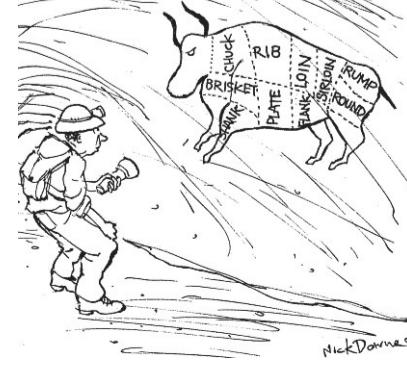
BOB SPEAR
Coronado, Calif.

Mandating academic diversity by race makes no more sense than requiring the football team to match the desired demographic.

ROBERT MITCHELL
Fort Meade, Fla.

Pepper ... And Salt

THE WALL STREET JOURNAL



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OPINION

The Real Reason They Hate Trump

By David Gelernter

Every big U.S. election is interesting, but the coming midterms are fascinating for a reason most commentators forget to mention: The Democrats have no issues. The economy is booming and America's international position is strong. In foreign affairs, the U.S. has remembered in the nick of time what Machiavelli advised princes five centuries ago: Don't seek to be loved, seek to be feared.

The contrast with the Obama years must be painful for any honest leftist. For future generations, the Kavanaugh fight will stand as a marker of the Democratic Party's intellectual bankruptcy, the flashing red light on the dashboard that says "Empty." The left is beaten.

He's the average American in exaggerated form—blunt, simple, willing to fight, mistrustful of intellectuals.

This has happened before, in the 1980s and '90s and early 2000s, but then the financial crisis arrived to save liberalism from certain destruction. Today leftists pray that Robert Mueller will put on his Superman outfit and save them again.

For now, though, the left's only issue is "We hate Trump." This is an instructive hatred, because what the left hates about Donald Trump is precisely what it hates about America. The implications are important, and painful.

Not that every leftist hates America. But the leftists I know do hate Mr. Trump's vulgarity, his unwillingness

to walk away from a fight, his bluntness, his certainty that America is exceptional, his mistrust of intellectuals, his love of simple ideas that work, and his refusal to believe that men and women are interchangeable. Worst of all, he has no ideology except getting the job done. His goals are to do the task before him, not be pushed around, and otherwise to enjoy life. In short, he is a typical American—except exaggerated, because he has no constraints to cramp his style except the ones he himself invents.

Mr. Trump lacks constraints because he is filthy rich and always has been and, unlike other rich men, he revels in wealth and feels no need to apologize—ever. He never learned to keep his real opinions to himself because he never had to. He never learned to be embarrassed that he is male, with ordinary male proclivities. Sometimes he has treated women disgracefully, for which Americans, left and right, are ashamed of him—as they are of JFK and Bill Clinton.

But my job as a voter is to choose the candidate who will do best for America. I am sorry about the coarseness of the unconstrained average American that Mr. Trump conveys. That coarseness is unpresidential and makes us look bad to other nations. On the other hand, many of his opponents worry too much about what other people think. I would love the esteem of France, Germany and Japan. But I don't find myself losing sleep over it.

The difference between citizens who hate Mr. Trump and those who can live with him—whether they love or merely tolerate him—comes down to their views of the typical American: the farmer, factory hand, auto mechanic, machinist, teamster, shop owner, clerk, software engineer, infantryman, truck driver,



JIM WATSON/AFP/GETTY IMAGES

President Trump in the driver's seat of a semi truck, March 23, 2017.

housewife. The leftist intellectuals I know say they dislike such people insofar as they tend to be conservative Republicans.

Hillary Clinton and Barack Obama know their real sins. They know how appalling such people are, with their stupid guns and loathsome churches. They have no money or permanent grievances to make them interesting and no Twitter followers to speak of. They skip Davos every year and watch Fox News. Not even the very best has the dazzling brilliance of a Chuck Schumer, not to mention a Michelle Obama. In truth they are dumb as sheep.

Mr. Trump reminds us who the average American really is. Not the average male American, or the average white American. We know for sure that, come 2020, intellectuals will be dumbfounded at the number of women and blacks who will vote for Mr. Trump. He might be realigning the political map: plain average Americans of every type vs. fancy ones.

Many left-wing intellectuals are counting on technology to do away with the jobs that sustain all those old-fashioned truck-driver-type people, but they are laughably wide of the mark. It is impossible to transport food and clothing, or hug your wife or girl or child, or sit silently with your best friend, over the internet. Perhaps that's obvious, but to be an intellectual means nothing is obvious. Mr. Trump is no genius, but if you have mastered the obvious and add common sense, you are nine-tenths of the way home. (Scholarship is fine, but the typical modern intellectual cheapens his learning with politics, and is proud to vary his teaching with broken-down left-wing junk.)

This all leads to an important question—one that will be dismissed indignantly today, but not by historians in the long run: Is it possible to hate Donald Trump but not the average American?

True, Mr. Trump is the *unconstrained* average citizen. Obviously

you can hate some of his major characteristics—the infantile lack of self-control in his Twitter babble, his hitting back like a spiteful child bully—without hating the average American, who has no such tendencies. (Mr. Trump is improving in these two categories.) You might dislike the whole package. I wouldn't choose him as a friend, nor would he choose me. But what I see on the left is often plain, unconditional hatred of which the hater—God forgive him—is *proud*. It's discouraging, even disgusting. And it does mean, I believe, that the Trump-hater truly does hate the average American—male or female, black or white. Often he hates America, too.

Granted, Mr. Trump is a parody of the average American, not the thing itself. To turn away is fair. But to hate him from your heart is revealing. Many Americans were ashamed when Ronald Reagan was elected. A movie actor? But the new direction he chose for America was a big success on balance, and Reagan turned into a great president. Evidently this country was intended to be run by amateurs after all—by plain citizens, not only lawyers and bureaucrats.

Those who voted for Mr. Trump, and will vote for his candidates this November, worry about the nation, not its image. The president deserves our respect because Americans deserve it—not such fancy-pants extras as network commentators, socialist high-school teachers and eminent professors, but the basic human stuff that has made America great, and is making us greater all the time.

Mr. Gelernter is computer science professor at Yale and chief scientist at Ditchell LLC. His most recent book is "Tides of Mind."

Trump's Tariffs Give Democrats a Chance to Lead on Trade

By Ed Gerwin

We lost \$817 billion a year, over the last number of years, in trade," President Trump said at a summer rally. "In other words, if we didn't trade, we'd save a hell of a lot of money."

Mr. Trump's bombast has flipped the Republican pro-trade script. For Democrats, this change offers a significant political opening and a pivotal choice: Should Democrats echo Mr. Trump's 1930s-era protectionism, or reclaim the tradition of global engagement sustained by FDR, JFK and Bill Clinton?

The Democratic rank and file increasingly support engagement. In a May Pew poll, 67% of Democrats and Democratic-leaning independents affirmed that trade agreements have generally been good for America.

But many Democratic officeholders are still beholden to unions, whose protectionist rhetoric dominates the party's trade agenda. Last year, for example, Senate Democrats proposed a trade plan that essentially sought to out-Trump the

president by strengthening import restrictions.

It will be difficult for Democrats to outshine Mr. Trump among antitrade voters, because the president is giving protectionists everything they want and more. He has withdrawn from the Trans-Pacific Partnership; threatened repeatedly to withdraw from the World Trade Organization; imposed tariffs on washing machines, steel, aluminum and a wide array of Chinese goods; and proposed new tariffs on imported cars.

Though these policies are popular among a small core of protectionist interest groups and voters, they are already damaging the U.S. economy. Consumers are paying higher prices for beer, boats and HVAC systems. Washer and dryer prices surged 20% in three months. And if the auto tariffs are implemented, they would add thousands to the price of imported and domestic cars.

Workers are also losing jobs. Economists estimate that for each new job created by President Trump's metals tariffs, 16 will be lost. Manufacturers and farmers are losing vital foreign markets. U.S.

pork exports to China have collapsed.

For those who subscribe to Tip O'Neill's adage that "all politics is local," there's a daily stream of local stories about how Mr. Trump's tariffs are hurting workers, companies and communities. A strong majority

Reclaim the tradition of global engagement sustained by FDR, JFK and Bill Clinton.

of Americans say tariffs harm America's economy, including majorities in every region of the country. Tariffs are in essence regressive taxes on consumption, and they inflict special harm on low-income workers and consumers. Even some unions say the tariffs have gone too far.

Many Democratic candidates have seized on the unpopularity of the tariffs by criticizing President Trump's trade policy. But opposing Trump isn't enough: Democrats must

also offer a constructive vision.

Congressional Democrats should support legislation to reassert Congress's authority over trade policy. For instance, imposing stricter limits on the president's power to set tariffs based on the Trade Expansion Act would put a check on Mr. Trump's abuses, such as his plan to tax imported cars under the pretext of national security. Congressional Republicans have written letters decrying President Trump's policies, but party loyalty has prevented them from taking meaningful action.

Democrats also should offer a tough, focused plan for addressing China's trade abuses. Such a plan should lay out terms upon which the U.S. and its allies can aggressively enforce current international trade rules and write new ones, and impose targeted sanctions if China doesn't cooperate.

Democrats should help American workers and producers win in the global economy. Rather than picking winners and losers with tariffs—and with bailouts, like the Commodity Credit Corp.'s payments to tariff-afflicted farmers—Democrats should

press to reopen export markets. The party could also boost the workforce by backing investments in job training and infrastructure.

Finally, Democrats should acknowledge that it's vital for the U.S. to pursue real trade agreements, rather than Mr. Trump's often-illusory trade deals. Some 36 million Americans have jobs that depend on trade. But trade-dependent industries are under increasing strain as the U.S. falls behind while competitors sign new market-opening trade pacts. Progressive governments in countries like Canada and New Zealand show that it's possible to reconcile pro-trade policies with progressive values.

As the president's trade wars increasingly repel Americans, the time is right for Democrats to restore their legacy of global engagement. The New Frontier wisdom of President Kennedy, who warned of "stagnating behind tariff walls," is more potent today than ever.

Mr. Gerwin is senior fellow for trade and global opportunity at the Progressive Policy Institute.

A Quiet Revolution Has Given the U.S. Smarter Regulations

By Cass R. Sunstein

The U.S. has experienced a quiet revolution in the past 40 years. It began under Ronald Reagan but has been embraced by all of his successors, most notably Barack Obama, who doubled down on the basic idea: Before imposing new regulations, federal agencies must perform a cost-benefit analysis and demonstrate that the benefits justify the costs.

In areas from highway safety to occupational health and from energy to homeland security, agencies are now required to develop a detailed, quantitative account of the likely effects of their proposals—and to offer that account to the American public. The key work is done not by politicians but by civil servants with pro-

fessional expertise. For that reason, there has been surprising continuity between Republican and Democratic administrations. The benefits of a food-safety regulation should be, and usually are, determined by looking at science and economics, not opinion polls or party platforms.

To his credit, Donald Trump has mostly embraced the cost-benefit revolution. Without much fanfare, his administration has quietly affirmed, or declined to disturb, a large number of regulations whose benefits seem to exceed their costs. But when it comes to crucial issues related to climate change and the environment, this principle has sometimes been abandoned. In some prominent cases, political predilections appear to be running the show.

When officials project the benefits

of regulations that reduce greenhouse-gas emissions, they use a number known as "the social cost of carbon." That number is exceedingly important. It helps determine the proper stringency of fuel-economy regulations, energy-efficiency regulations and regulation of coal-fired power plants. If the social cost of carbon is high, then stricter regulations are justified.

In a laborious and highly technical process to estimate the social cost of carbon, the Obama administration drew on the best available work on science and economics. The research of Yale's William Nordhaus, who this year won the Nobel Prize in Economics, played a crucial role. As of 2016, the official social cost of carbon used by the U.S. government was \$36 per metric ton of carbon dioxide emis-

sions. While many scientists and economists think that's too low, a federal appeals court upheld the Energy Department's use of the Obama administration's social cost of carbon in its cost-benefit analysis of energy-efficiency standards. The Govern-

But political concerns are leading to bias in the Trump EPA's analysis of climate change.

ment Accountability Office found this estimate was the result of a technical inquiry rather than politics.

Slashing the social cost of carbon was a high political priority for the Trump administration as soon as it took office. The Environmental Protection Agency now uses two numbers: \$1 and \$6. (The lower figure discounts the future at a rate of 7%, the higher at a rate of 3%) As a result, the benefits of regulations that reduce greenhouse gas emissions look pretty meager.

It's perfectly legitimate for the administration to reassess the numbers used by its predecessor. But the Trump administration's math suffers from two flaws. It does not take account of the latest science and economics, which support a higher number, and its approach considers only the damage that U.S. emissions do domestically, ignoring the damage that such emissions do to people in other countries. If every nation did that, Americans themselves would be big losers. The only way to solve the climate-change problem, and to prevent massive harm in the U.S., is for all the world's big emitters to agree to take

account of the global damage.

According to multiple reports, the Trump administration is also planning to ignore the "co-benefits" of regulations, which come about when a regulation is designed to solve one problem but ends up addressing other problems as well. A fuel-economy regulation designed to reduce dependence on foreign oil, for instance, might also save consumers a lot of money.

It's true that benefits should not be double-counted. But both Republican and Democratic administrations have worked to avoid that mistake while counting all effects, good and bad, of regulations. In what would be a costly blunder leading to a significant increase in premature deaths, the Environmental Protection Agency is apparently preparing to disregard co-benefits when scaling back its rule governing mercury emissions.

In an era of partisanship and polarization, the commitment to cost-benefit balancing has unified Democratic and Republican administrations. Beneath the headlines, it has ensured a great deal of continuity in federal regulations, spurring sensible initiatives, blocking senseless ones, and promoting repeal of silly ones. The Trump administration deserves credit for its acceptance of the cost-benefit revolution. But on some of the era's most important issues, it is abandoning it—apparently in deference to interest groups and political dogmas.

Mr. Sunstein is a professor at Harvard Law School and author of "The Cost-Benefit Revolution" (MIT Press, 2018). From 2009-12, he was administrator of the White House Office of Information and Regulatory Affairs.

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THE WALL STREET JOURNAL.

Monday, October 22, 2018 | B1

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Soft Sales Cast Shadow on Stock Rally

Market's fundamentals remain mostly strong, but revenue shortfalls contribute to concern

By MICHAEL WURSTHORN

Revenue growth at U.S. companies is slowing, stirring concern that a corporate-profit boom that has driven the Dow Jones Industrial Average

age and other major stock indexes to dozens of records in 2018 is in jeopardy.

Firms from asset manager BlackRock Inc. to computing giant International Business Machines Corp. this month have reported disappointing quarterly sales, citing such factors as cautious customers, rising costs and a stronger dollar. So far this quarter, 35% of the 85 reporting S&P 500 companies have missed Wall Street analysts' sales forecasts, according to FactSet. If sustained, that quarterly sales-miss ratio would mark the highest this year.

The misses are contributing to the latest bout of stock-market volatility. The S&P 500 has shed 4.8% over the past month, driven by concerns about rising interest rates and trade disputes that pushed investors to dump technology stocks and shares of other fast-growing companies.

The fundamentals of the U.S. stock market remain mostly strong. Rising earnings, boosted by last year's corporate tax cuts, have helped justify rich multiples and in some cases brought price-earnings ratios down. Sales growth remains solidly positive even if it is now falling back from the heady pace reached earlier this year. Many analysts are now focusing on what the numbers might look like next year. If

sales continue to slow in coming quarters, earnings growth will become more difficult to come by and a crucial pillar of support for markets will weaken, analysts said.

"We had a strong first half in the U.S. for growth and corporate earnings," said Tally Léger, an equity strategist at OppenheimerFunds. "Right now, we're staring at a softer second half heading into next year. That is the challenge for

equity markets."

S&P 500 companies are on pace to boost third-quarter sales by 7.3% from the same period a year earlier, according to FactSet. Though a far cry from the tepid, low-single-digit figures sometimes seen earlier in this cycle, it is the lowest growth rate for the broad index in four quarters.

While hardly anyone expects a recession soon, investors turn to page B6

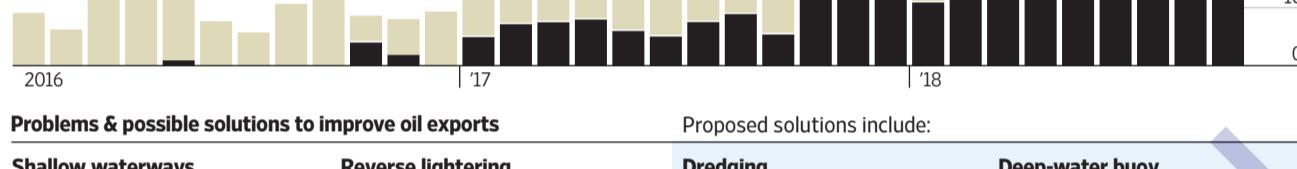
Oil Exports Test Ports' Capacity

New infrastructure is needed to enable full loading of Very Large Crude Carriers (VLCCs), which can haul about 2 million barrels of oil.

Gulf coast crude oil exports, in million of barrels

■ Total exports, monthly

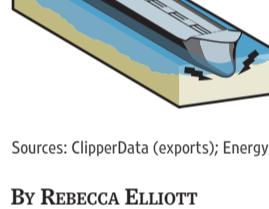
■ Share being loaded on VLCCs



Problems & possible solutions to improve oil exports

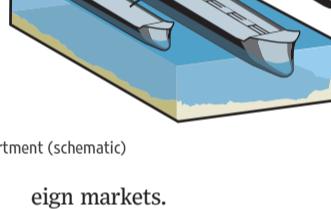
Shallow waterways

prevent U.S. exporters from loading these giant tankers at all but one port, in Louisiana.



Reverse lightering

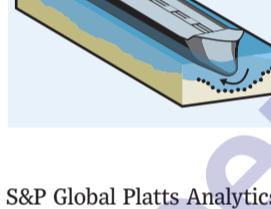
Instead, exporters use smaller ships to transfer crude onto VLCCs. These ship-to-ship transfers are expensive and time consuming.



Proposed solutions include:

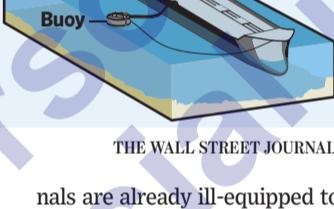
Dredging

ship channels to make them deeper.



Deep-water buoy

Building a deep-water buoy to enable offshore loading.



THE WALL STREET JOURNAL.

Sources: ClipperData (exports); Energy Department (schematic)

By REBECCA ELLIOTT

As pipeline bottlenecks crimp the U.S. shale boom, some companies are racing to address the next potential constraint on American oil output: Export terminals face a struggle to keep up with an expected increase in shipments to for-

ign markets.

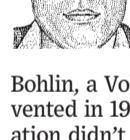
Oil exports have been a release valve for U.S. producers in the three years since Congress lifted a longtime ban on overseas crude sales. Exports topped 2.1 million barrels daily in September and are projected to approach four million barrels within two years, according to Existing U.S. shipping termi-

nals are already ill-equipped to handle the growing load, because only one can fully accommodate the giant tankers used to ship oil to Asia and Europe. That has at least four companies, including commodities trader Trafigura Group Pte. Ltd. and pipeline builder Enter-

Please turn to page B2

PERSONAL TECHNOLOGY | By David Pierce

Keys Secure Your Internet Life



Let's talk about seat belts. Specifically, the three-point belt that Nils Bohlin, a Volvo engineer, invented in 1959. Bohlin's creation didn't require companies to change the way they made cars. Yet wearing a seat belt proved so much safer than driving without one that it spurred a wave of car-safety innovation.

Stina Ehrensvard, chief executive at online security

company Yubico, sees parallels to her work trying to shape the future of online security. Ms. Ehrensvard has spent the past decade building hardware and software that makes using the internet safer without adding unnecessary complication.

I've been testing Yubico's newest product, the YubiKey 5, along with a new Google gadget called the Titan Key. Both devices plug into a computer, authenticating you with a "handshake" that can be more secure than a password

or authorization code. They can also do the same with some smartphones.

Right now, a key like these is your best defense against anyone trying to get into your email, social-media or work accounts. They are also the beginning of a complete overhaul in how security works on the internet, one that might finally kill off the password.

Keys like the ones I've been testing are known as a "second factor" in your internet security arsenal. You may Please turn to page B4

INSIDE



CHARLES WANG,
IMMIGRANT
ENTREPRENEUR

OBITUARY, B4

which refers to UberExpress, an internal name used for the drone-delivery operation within its UberEats prepared-food delivery unit.

After an inquiry from The Wall Street Journal, Uber removed the listing titled "Flight Standards and Training" from its site. A spokesman said the posting "does not fully reflect our program, which is still in very early days."

Uber is crafting a narrative around its ambitions beyond ride-hailing, as it looks ahead to a 2019 initial public offering that bankers say could have a value of \$120 billion. It will have to woo investors who may be skeptical over its scandal-plagued past and lack of profits in the ride-hailing business by pointing to its plans for delivery drones, flying taxis and rental electric scooters and bicycles.

Proponents of unmanned aircraft systems turn to page B2

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Security Clearances Pile Up in Defense Sector

By DOUG CAMERON

Black tarpaulins once covered parts of a multibillion-dollar nuclear submarine **General Dynamics** Corp. is building in Groton, Conn., blocking the view of workers who lacked security clearance to see the top-secret components underneath.

That is one of many work-arounds that General Dynamics and other defense companies have used to continue work on tens of billions of dollars in defense contracts during an unprecedented backlog in security clearances.

The number of people awaiting security clearance for defense-industry work has more than tripled over the past four years to almost half a million, according to the National Background Investigations Bureau.

That is exacerbating a workforce crunch for makers of warships, jet fighters and cybersecurity systems that are already struggling to replace a wave of retiring engineers at a time of record-low unemployment and competition from tech companies.

"These folks are like gold," **Harris** Corp. Chief Executive Bill Brown said, referring to workers with security clearance.

Harris said last week that it plans to merge with L3 Technologies Inc. The combined company would have 22,000 cleared staff, almost half its workforce.

The backlog began to climb in 2013, after former national security contractor Edward Snowden leaked a huge cache of documents his clearance had allowed him to access. The Pentagon tightened clearance requirements for staff and contractors, but budget cuts left unchanged at around 7,000 the number of workers who conduct the background checks. Another 1,000 have been hired over the past year,



The Navy's newest nuclear-powered attack submarine, USS Vermont, was christened Saturday at General Dynamics in Groton, Conn.

said the bureau.

The wait time to obtain "secret" clearances rose to 543 days in the second quarter from 510 days at the end of last year, according to the bureau. The wait time to renew such a clearance is almost 700 days. Including nondefense workers, the backlog is almost 700,000, the bureau said. Some four million U.S. citizens have active security clearances.

Some companies are starting to clear prospective employees in college to avoid being caught without the workers they need if they win a big contract. "We're now doing blue-sky hiring," said Rick Edwards, executive vice president of the international unit of **Lockheed Martin** Corp.

They also face tougher competition from tech companies, including **Facebook** Inc. and Google parent **Alphabet** Inc. that are recruiting the same future experts in cybersecurity, artificial intelligence and autonomy.

"The competition for talent is now much broader," said Horacio Rozanski, chief execu-

Under Wraps

The backlog to clear workers soared

after twin scandals

linked to Pentagon

contractors stealing

classified data, and

it remains high.

As a result, it can take more than half a year to do an initial check on the more than 110,000 defense workers awaiting security clearances.

Days to complete a check

■ Secret

■ Top secret

Federal contractors

Initial check

Periodic check

Initial check

BUSINESS NEWS

Goldman Shakes Up Top Ranks In Asia

Goldman Sachs Group Inc. is shaking up its leadership in Asia, where a corruption scandal has damped an otherwise strong stretch of deal-making.

By Julie Steinberg in Hong Kong and Liz Hoffman in New York

Andrea Vella and Kate Richdale, Goldman's investment banking chiefs in the region, are being shifted out of management roles, according to people familiar with the matter. They will be succeeded by Todd Leland, an adviser to European banks and asset managers who was tapped last year to help run Goldman's operations in Asia.

Management changes have come quickly under David Solomon, who took over Oct. 1 as Goldman's chief executive. The firm has named a new president, replaced its chief financial officer, put two new executives in charge of its trading business and begun to change the way it covers its most important clients.

Ms. Richdale and Mr. Vella will move to a role that entails more client face-time, people familiar with the matter said. Ms. Richdale will relinquish day-to-day oversight of the business at a time when Goldman is trying to put more women in management roles.

Of Goldman's three geographic divisions, Asia is the smallest and least profitable.

In 2018's first half, Goldman made \$767 million in pretax profit in Asia, Australia and New Zealand, about 11% of the firmwide total. Asia is a small contributor to overall profits at most Western banks operating in the region.

Mr. Leland, a Midwesterner who has spent time in the U.S. and London for Goldman, is seen as a steady hand.

Lithium Deal Faces Court Hurdle

Legal challenge looms in the race to control key component used in electric-car batteries

By Scott Patterson

A Chilean court is expected to rule in the coming week on a lawsuit aimed at derailing a deal critics say could create a cartel for lithium, a significant component in batteries used in electric vehicles and smartphones.

The legal challenge is the latest twist in a nearly year-long effort by China's **Tianqi Lithium Corp.** to acquire a large stake in Chile's biggest lithium producer, **Sociedad Química y Minera de Chile SA**, or SQM.

The battle has opened another front in a global scramble to control the ingredients that make up lithium-ion batteries, the power packs for much of the world's gadgets and electric cars.

Tianqi agreed in May to buy a 24% stake in SQM from Canadian mining company **Nutrien Ltd.** for \$4.1 billion. The sale, after months of negotiations, was required by regulators in China and India as a condition for approving the merger of two big Canadian mining companies that created Nutrien.

SQM is the world's second-biggest lithium miner by production. Tianqi also operates a big lithium mine in Australia with chemicals company **Albemarle Corp.** of Charlotte, N.C.

Albemarle is the world's No. 1 producer of lithium.

The SQM deal has won regulatory approval in Chile and other jurisdictions. Chile's competition regulator gave the agreement a green light after imposing restrictions on Tianqi, such as forbidding Tianqi-nominated directors to share SQM's commercially sensitive information.

Earlier this month, a group of companies controlled by SQM's biggest shareholder—



Lithium ore in 2017 at an Australia facility operated by China-based Tianqi Lithium and chemicals company Albemarle of Charlotte, N.C.

the Chilean tycoon Julio Ponce Lerou, who is a son-in-law of the late Chilean dictator Augusto Pinochet—challenged the deal's approval process in the country's Constitutional Court.

Mr. Lerou has argued a Tianqi-SQM combination could result in the leaking of SQM trade secrets to Tianqi partner and SQM rival Albemarle. Outside critics say the deal also could create an OPEC-like lithium cartel that might be able to influence pricing and access to the metal at the same time demand is soaring.

"The biggest concern I have is about those few companies having monopolistic tendencies," said Jon Hykawy, president of Stormcrow Capital Ltd., a Toronto research firm that focuses on battery minerals. There is a risk that "these guys are going to charge what they want to charge," he said.

A court hearing was set for Monday, with a decision expected shortly after. If the court throws out the suit, it would pave the way for the sale of the SQM stake to close

in the fourth quarter. If the court agrees to review the suit, the deal would be delayed for an indefinite period.

Tianqi and Nutrien say the deal won't be anticompetitive, citing limitations imposed by Chile's competition regulator, such as restricting Tianqi from placing its own employees on SQM's board.

"We look forward to vigorously defending our position before the Constitutional Court," a Tianqi spokesman said. Albemarle declined to comment.

SQM itself opposes the sale of the stake. In a written statement, it said the agreement with Chile's competition regulator doesn't "effectively resolve the risks that it intends to mitigate."

Nutrien expects the court to strike down the lawsuit, company spokesman Richard Downey said.

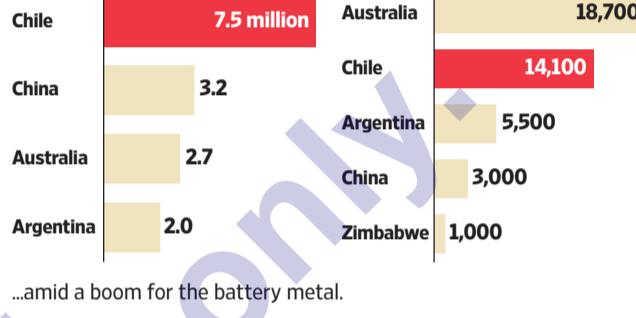
He added that Mr. Ponce is "attempting to manipulate the legal system" in Chile.

A lawyer for Mr. Ponce didn't respond to requests for comment.

Charged Market

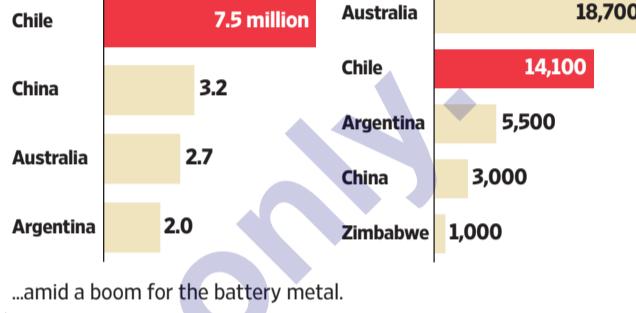
Chile holds the most reserves of lithium...

Metric tons of reserves in 2017



...and is the world's second-biggest producer...

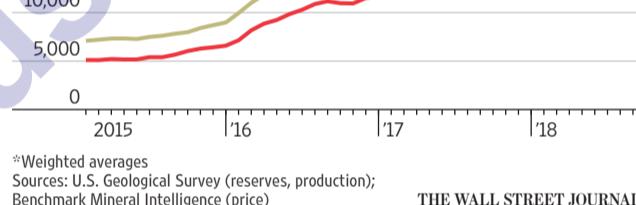
Metric tons produced in 2017



...amid a boom for the battery metal.

Lithium carbonate

\$20,000 a metric ton*



*Weighted averages
Sources: U.S. Geological Survey (reserves, production);
Benchmark Mineral Intelligence (price)

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TECHNOLOGY

WSJ.com/Tech

Amazon Steps Up Effort to Improve Alexa

By LAURA STEVENS

Amazon.com Inc. boasts that Alexa, its artificial-intelligence assistant, can perform more than 50,000 skills.

The problem is, most people still use it mainly to turn on the lights, play music or time the pasta.

The online retail giant, battling competitors including **Alphabet** Inc.'s Google for voice-assistant supremacy, is accelerating efforts to make Alexa more useful, from enhancing its conversational chops to offering outside developers financial incentives to make better Alexa-compatible voice applications, which Amazon calls skills.

Amazon last month expanded the capability of Alexa developers to allow them to charge users for purchases within skills, such as premium content from a media service, or special powers in a game.

The goal is to incentivize developers to make better skills and make Alexa a more valuable platform, Amazon says, much as **Apple** Inc. did with the App Store.

"The phenomenon is exactly what we saw with the App Store for the iPhone," said Ahmed Bouzid, former Alexa head of product and now chief executive of Witlingo, which builds tools to help create and launch voice applications for Alexa and Google platforms. It is "pure economics and motivation to build great skills that people



Dave Limp, senior vice president of Amazon devices, with an Alexa-enabled microwave.

will actually pay more for."

Amazon has sold an estimated 47 million-plus devices in the Echo family since its launch in late 2014, giving it a roughly 51% share of the smart-speaker market, according to Loup Ventures. Device prices range from \$40 for a hockey-puck-size Dot to \$230 for its latest screened version. Last month, Amazon unveiled 15 new and updated devices in the family, including an amplifier and an Alexa-enabled microwave oven.

Part of Amazon's response has been to enhance Alexa's ability to carry on humanlike conversations. Now it responds to a string of commands all on the same topic or offers a hunch, such as that someone might want to turn

the lights off when they go to bed.

Rohit Prasad, Alexa's head scientist, said Amazon has made thousands of skills searchable. When a consumer asks how to get a stain out of a shirt, Alexa will narrow down skills to offer, evaluate which has the best answer and use that one to respond—in this case, with a tool from Good Housekeeping that offers stain-removal tips and instructions.

"I think we're getting to a point where customers are saying, 'I'm sure Alexa can do a lot more things than I'm aware of,'" said Tom Taylor, senior vice president of Amazon Alexa.

The subscriptions and other purchases within skills that

Amazon is now allowing typically cost from 99 cents to \$1.99, with discounts for Prime members. They follow Amazon's move last year to reward developers with payments based on downloads and usage.

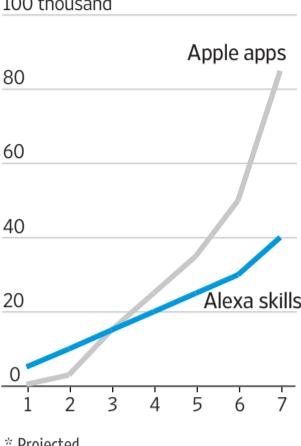
The incentives are aimed at getting companies and people like Gal Shenar, a Boston-based software developer, to develop stronger Alexa skills that improve the quality of its app store.

Mr. Shenar created a game for Alexa users called "Escape the Room." Users get an imagined situation, like a car fully submerged in water, and use verbal commands to explore their surroundings, find tools and try to escape. He has added hints that are available

Learning Curve

Alexa's skills store started with more downloadable options compared with Apple's App Store. Amazon said Alexa skills numbered more than 50,000 in September.

Number of applications or skills available in first seven quarters



* Projected

Sources: Loup Ventures (applications & skills); eMarketer (smart speakers)

for purchase—and users, who number in the hundreds of thousands, have steadily started to purchase them.

Still, Mr. Shenar said, while "a lot of the potential profits are unlocked" in Apple's App Store, "that's not yet really possible with Alexa." Monetizing aspects of creating things for Alexa is "going to make a big difference in how companies approach building skills for the platform," he predicts.

Michele Audish until recently used her family's Echo only for music or turning on the lights, but she recently asked Alexa about a giant box she saw at the nearby Los Angeles Grove shopping complex. It turned out to be a "Jurassic World" advertisement.

Afterward, Alexa pitched her on playing a Jurassic-themed choose-your-own-adventure game. She paid the \$1.99 and played for about an hour, answering yes-and-no questions to try to help save the dinosaurs.

"I had never played a game on it," she said, adding she enjoyed the experience. "I didn't even know that was a thing you could do."

Immigrant Co-Founded Computer Associates

By JAMES R. HAGERTY

Charles B. Wang, who helped found the software company Computer Associates International Inc. and was a part owner of the New York Islanders professional hockey team, died Sunday in Oyster Bay,

N.Y. He was 74 years old.

Mr. Wang's attorney, John McEntee, said Mr. Wang died of lung cancer.

The company he helped found in 1976, now known as CA Technologies, focused during his era mainly on mainframe-computer software. Mr. Wang, heralded as a hugely successful immigrant entrepreneur, ran into controversy in his final years with the company.

Some investors criticized a stock grant of \$1.1 billion in 1998 to Mr. Wang and two other executives. The executives gave back part of the award after losing a lawsuit.

When he stepped down as chairman in 2002, federal investigators were looking into allegations that the company backdated contracts to help it meet projections. In 2004, CA agreed to pay \$225 million in restitution to shareholders.

Mr. Wang wasn't charged with wrongdoing. His successor, Sanjay Kumar, pleaded guilty to charges related to CA's accounting and was sentenced to 12 years in prison. Broadcom Inc. agreed in July to buy CA for \$18.9 billion.

Charles Wang (pronounced WONG) was born Aug. 19, 1944, in Shanghai. When he was 8 years old, his family immigrated to the U.S. and settled in New York. Charles Wang earned a bachelor's degree from Queens College.

While running CA, he regularly played basketball with colleagues at his home on Long Island's North Shore. He

Charles Wang had attended one hockey game before joining others in buying the Islanders.

was less interested in hockey and had attended just one game before agreeing to join other investors to buy the Islanders in 2000.

He also was the founder of Smile Train, a charity that provides free surgeries for cleft lips and palates, and was a major donor to Stony Brook University, which awarded him an honorary doctorate in 2015.

He is survived by his wife, Nancy Li, along with three children, three grandchildren, his mother and two brothers.

Keys to Add Safety To the Web

Continued from page B1

have heard of two-factor, or two-step, authentication: The first factor is almost always your password, while the second is usually a code sent to, or generated by, your phone.

But the second factor can really be anything that can show it's actually you typing in the password.

Why do we need this? Because passwords are a disaster. Researchers at Google estimated 3.3 billion credentials were exposed by breaches between March 2016 and March 2017. Because many people reuse passwords across services, a breach can ripple across your internet life.

I recommend setting up any kind of two-factor authentication you can, especially on sensitive accounts. Your email, certainly, but also your banks, your file storage and anywhere you keep

things you'd rather not lose. A security key is the most secure two-factor device you'll find. I like the Google Titan Key and the YubiKey, which comes in multiple sizes and USB types. All cost between \$20 and \$60. They work most seamlessly with computers, but are increasingly phone-compatible—if you use Android. Yubico is working on a product for Apple's iPhone.

Once you get a key, you set it up by registering it in the settings of whichever app you're using. Sites such as Gmail, Dropbox and Facebook already support security keys. Once it's set up, you just plug it in when prompted, generally after typing in your password. Then you tap a button on the key, which confirms there's a human at the helm.

Why leave it in? Hackers who come across your password probably don't have physical access to your laptop. Likewise, someone who steals your laptop probably won't have your passwords.

Security keys also help protect users from being tricked out of their credentials. If you are on a page designed to steal credentials, it won't log you in.



The company is completing a deal with Netflix for a sequel to the teen comedy movie 'To All the Boys I've Loved Before.'

Viacom Wants to Feed Digital Rivals

By KEACH HAGEY
AND JOE FLINT

Viacom Inc. is rebooting MTV's "The Real World" franchise for **Facebook** Inc., the latest sign that the cable-TV giant has stopped fighting the growing dominance of digital players like Netflix and is instead producing shows—and soon movies—for them.

With a merger with corporate sibling CBS Corp. now at least temporarily off the table, Viacom has landed on this strategy as a way of navigating the tricky path between the decline of its core cable business and the growing size of its competitors.

MTV gave birth to the reality-television genre when it aired in 1992 the first episode of "The Real World," a groundbreaking show about seven strangers who agreed to live together in a house and have every minute of their lives filmed.

Last week, MTV said it is rebooting the franchise for Facebook Watch, the social network's video-on-demand service.

"We can't actually make that show on cable," said Chris McCarthy, president of MTV. The format that works for adults on cable, he said, is "super loud," unscripted content that "in many ways is a telenovela like 'Love & Hip Hop' or 'Jersey Shore.' A simple show like 'The Real World' would not work, but on a streaming network or on a digital platform it would kill it."

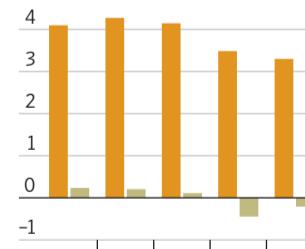
The move is part of a broader strategy at Viacom to stop fighting the growing dominance of digital players such as **Netflix** Inc., **Amazon.com** Inc., **Alphabet** Inc.'s

Changing Fortunes

Viacom is producing more content for digital platforms as its cable channels struggle.

Adjusted operating revenue

■ Media networks ■ Filmed entertainment



Note: The Media Networks unit includes all cable channels. The Filmed Entertainment segment contains Paramount Pictures and Paramount TV.
Source: the company

THE WALL STREET JOURNAL

Paramount Looks For New Projects

Viacom Inc.'s Paramount production division has been making television shows like "Jack Ryan" for Amazon.com Inc. and "13 Reasons Why" for Netflix Inc. since its inception in 2013.

But making movies specifically for streaming services that won't be distributed in theaters is still largely uncharted territory in Hollywood.

Netflix, which doesn't disclose the performance of content on its platform, announced on an earnings call last week that the first "To All the Boys I Loved Before" was

from the company's former strategy of selling reruns of its old hits to streamers such as Netflix, which many analysts came to believe was hastening the demise of the cable bundle, and which Viacom has largely stopped doing.

The new strategy is born of necessity for a company in Viacom's financial situation. Mr. Bakish recently said Viacom isn't seeking to build its own streaming service "a la Netflix" partly because it would be too "capital-intensive."

Mr. Bakish has reversed the revenue and earnings declines that greeted him when he took the helm in late 2016, helping push the stock up 26% over the past year, but the outlook for Viacom's cable channels—the overwhelming majority of its business—remains tough.

Analysts expect revenue from them to remain flat at best, even as ratings improvements at MTV and Comedy Central have helped the company take a larger share of a shrinking pie of cable viewership.

Viacom's Paramount Pictures film and television division is expected to return to profitability next year, executives said. The studio has had some big hits this year, including the horror movie "A Quiet Place." The unit also is moving to make content directly for streaming players—completing a deal with Netflix for a sequel to its teen comedy movie "To All the Boys I Loved Before," according to people familiar with the matter. The first film was made by Awesomeness, the production company Viacom acquired earlier this year.

Why do we need this? Be-

cause passwords are a disaster. Researchers at Google estimated 3.3 billion credentials were exposed by breaches between March 2016 and March 2017. Because many people reuse passwords across services, a breach can ripple across your internet life.

I recommend setting up any kind of two-factor authentication you can, especially on sensitive accounts. Your email, certainly, but also your banks, your file storage and anywhere you keep

Solutions Start
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BUSINESS NEWS

From Wall Street to Startup Coach

By LIZ HOFFMAN

A decade after the financial crisis, The Wall Street Journal has checked in on dozens of the bankers, government officials and others who left a mark on that period. Today, we spotlight former Morgan Stanley CEO John Mack.

When John Mack stepped down as Morgan Stanley's chief in 2010, his successor, James Gorman, offered him an office a few doors down from his own on the 41st floor of the bank's Times Square headquarters. "Trust me," Mr. Mack says he replied. "You don't want the retired chairman sitting just down the hall."

Mr. Mack went a little farther, taking an office at a Morgan Stanley branch on Fifth Avenue. There he has been working with financial-technology startups and watching as the Wall Street he traveled to power—brash and cutthroat—gives way to a mellower brand of finance embodied by his successor, Mr. Gorman.

The 73-year-old is among a handful of former Wall Street executives, including Citigroup Inc.'s Vikram Pandit and Barclays PLC's Anthony Jenkins, who are reinventing themselves in fintech. He has tried to advise, and at times rein in, entrepreneurs and founders whose lack of experience has occasionally landed them in trouble.

Personal-loan marketplace LendingClub Inc., where Mr. Mack has been a board member since 2012, ousted CEO Renaud Laplanche two years ago after the company sold loans to an investor with falsified information, an episode that resulted in a settlement this year with securities regulators.

"These young men and



John Mack, former chief executive of Morgan Stanley, now advises financial-technology startups.

women are very smart, but they make mistakes because they're inexperienced," Mr. Mack said. "Hopefully I can bring some judgment."

He drew parallels to his own career. At times a polarizing figure, he quit Morgan Stanley in 2001 after losing an internal power struggle, only to be reinstalled in a 2005 palace coup as its chief executive. "You learn by making mistakes. You change."

Mr. Mack is old-school Wall Street personified. A star linebacker at Duke University, he was among the jocks that

ruled Wall Street in the 1980s and 1990s.

He is credited with steering Morgan Stanley intact through the 2008 crisis, resisting pressure from regulators to sell the firm for \$1 to JPMorgan Chase & Co.

After Bear Stearns was sold and Lehman Brothers failed, "I knew we would be next," Mr. Mack told an audience at the University of Pennsylvania in 2009. "One thing I could not do is let my team see how concerned I was."

He took to bringing a blood-pressure cuff to meet-

ings of his executive team to lighten the mood. (One executive went to the hospital after testing it out.) When he saw executives on the trading floor eating day-old pizza, he ordered salad and tuna-fish sandwiches.

"We had turned stress eating into an art form," said Tom Wipf, a senior Morgan Stanley executive.

Morgan Stanley survived the crisis, though barely.

A year later, Mr. Mack handed the reins to Mr. Gorman, who has stabilized the firm and improved earnings.

Soft Sales Augur Ill For Rally

Continued from page B1

tors are worried about how the stock market will react to slowing profit growth. With the immediate boost from tax cuts in the past, profit growth among S&P 500 companies next year is expected to decline by half, while sales growth is projected to contract to 5.4% from 8.2%, according to FactSet.

For now, companies continue to benefit from the tax overhaul, which has helped bolster a domestic economy characterized by soaring consumer confidence and the lowest level of unemployment in years.

Those consumer benefits have filtered down to companies like Netflix Inc., which said this past week that it added nearly seven million new users in the third quarter. Shares initially rose, but waning optimism sapped Netflix of all of its gains for the week. Still, the stock remains up 73% for the year.

But the economy's strength and the Federal Reserve's interest-rate increases have helped drive up the value of the U.S. dollar, which tends to weigh on U.S. exports and the earnings of multinational companies by making goods produced here costlier overseas.

IBM, for instance, said this past week that its third-quarter revenue fell 2.1% from a year earlier to \$18.8 billion, snapping the computing giant's brief return to growth, even as profit topped expectations. James Kavanaugh, IBM's chief financial officer, said the dollar's rise dashed what would have been

an otherwise flat sales quarter. "The strengthening of the dollar is actually hurting our product-based businesses in hardware and software," Mr. Kavanaugh told analysts on a conference call on Tuesday. Shares of IBM fell 8.3% this past week, extending its loss for the year to 16%.

There are signs that effect is washing through the system more broadly. U.S. manufacturing activity decelerated last month, as the Institute for Supply Management's new orders gauge and its supplier delivery index both declined. In August, the Philadelphia Fed's manufacturing survey hit its lowest reading in 21 months, while the Empire State manufacturing index fell in September.

Although the S&P 500 remains up 3.5% this year, some money managers are urging investors to focus on more durable companies that have strong balance sheets, better pricing

Businesses still benefit from the tax overhaul, which has helped bolster the economy.

power and higher profit margins—businesses that are expected to better withstand an eventual economic slowdown.

Unilever PLC and Nestlé SA recently reported stronger sales after using the bump in inflation to raise prices. Shares of both companies rose more than 4% this past week. But sentiment is under pressure. The American Association of Individual Investors' weekly survey indicated that the percentage of investors who expect stocks to fall over the next six months rose to its highest level in three months.

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CLASS ACTION

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

BENJAMIN MICHAEL MERRYMAN, AMY WHITAKER MERRYMAN TRUST, AND B MERRYMAN AND A MERRYMAN 4TH GENERATION REMAINDER TRUST, individually and on behalf of all others similarly situated,

Plaintiffs,

v.

CITIGROUP, INC., CITIBANK, N.A., and CITIGROUP GLOBAL MARKETS INC.,

Defendants.

SUMMARY NOTICE OF (I) PENDENCY OF CLASS ACTION AND PROPOSED SETTLEMENT; (II) FINAL APPROVAL HEARING; AND (III) MOTION FOR ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES

TO: All persons or entities (1) who received cash distributions from the Depositary-sponsored American Depository Receipts ("ADRs") listed in Appendix 1 to the Stipulation and Agreement of Settlement dated August 20, 2018 ("Stipulation") from January 1, 2006 to September 4, 2018, inclusive, and were damaged thereby (the "Damages Class"); and/or (2) who currently own the Depositary-sponsored ADRs listed in Appendix 1 to the Stipulation (the "Current Holder Class" and, together with the Damages Class, the "Class").

Certain persons and entities are excluded from the definition of the Class as set forth in detail in the Stipulation and the Notice described below.

PLEASE READ THIS NOTICE CAREFULLY. IF YOU ARE A MEMBER OF THE CLASS, YOUR RIGHTS WILL BE AFFECTED BY A CLASS ACTION LAWSUIT PENDING IN THIS COURT, AND YOU MAY BE ENTITLED TO SHARE IN THE SETTLEMENT DESCRIBED BELOW.

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Southern District of New York, that the above-captioned litigation ("Litigation") has been provisionally certified as a class action for the purposes of settlement only and that the parties to the Litigation have reached a proposed settlement for \$14,750,000 in cash and certain additional non-monetary relief ("Settlement"), that, if approved, will resolve all claims in the Litigation. A hearing will be held on December 21, 2018 at 10:00 a.m., before the Honorable Colleen McMahon at the Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, NY 10007, to determine: (i) whether the proposed Settlement should be approved as fair, reasonable, and adequate; (ii) whether the Litigation should be dismissed with prejudice against Citibank, N.A. ("Defendant" or "Depositary"), and the releases specified and described in the Stipulation (and in the Notice) should be granted; (iii) whether the proposed Settlement should be approved as fair, reasonable, and adequate; (iv) whether Lead Counsel's application for an award of attorneys' fees and reimbursement of expenses should be approved.

IF YOU ARE A MEMBER OF THE CLASS DESCRIBED ABOVE, YOUR RIGHTS WILL BE AFFECTED BY THE PENDING ACTION AND YOU MAY BE ENTITLED TO SHARE IN THE SETTLEMENT FUND. A detailed Notice of (I) Pending of Class Action and Proposed Settlement; (II) Final Approval Hearing; and (III) Motion for Attorneys' Fees and Reimbursement of Litigation Expenses ("Notice") and Proof of Claim and Release Form ("Claim Form") or Validation Letter for those Class Members who hold (or held) their eligible ADRs directly and are listed on the records of the Depositary's transfer agent are currently being mailed to Class Members explaining their rights in connection with the Settlement and the process, for certain Class Members, to submit a Claim Form in order to be eligible to receive a payment from the Settlement. If you have not yet received the detailed Notice and Claim Form (or Validation Letter), you may obtain copies of these documents by visiting www.CitibankADRSettlement.com, or by contacting the Claims Administrator at:

Citibank ADR Settlement

c/o KCC Class Action Services
P.O. Box 404077
Louisville, KY 40233-4077
1-866-680-6138
info@CitibankADRSettlement.com

Inquiries, other than requests for the Notice and Claim Form, should be made to Court-appointed Lead Counsel:

Sharan Nirmal, Esq.

Kessler Topaz Meltzer & Check, LLP

280 King of Prussia Road
Radnor, PA 19087
(610) 667-7706
info@ktmc.com

If you are a member of the Damages Class (i.e., you received cash distributions from the Depositary-sponsored ADRs listed in Appendix 1 to the Stipulation from January 1, 2006 to September 4, 2018, inclusive, and were damaged thereby) and, as explained in the Notice, you hold (or held) your Depositary-sponsored ADRs directly and are listed on the records of the Depositary's transfer agent, you are a Registered Holder Damages Class Member and do not have to take any action in order to be eligible to receive a payment from the Settlement. Your losses (if any) will be calculated using the information provided by the Depositary's transfer agent. However, if you hold (or held) your Depositary-sponsored ADRs through a bank, broker or other nominee and are not listed on the records of the Depositary's transfer agent, you are a Non-Registered Holder Damages Class Member and, in order for you to be eligible to receive a payment from the Settlement, you must submit a Claim Form **postmarked no later than March 15, 2019**. If you are a Non-Registered Holder Damages Class Member and do not submit a proper Claim Form, you will not be eligible to share in the distribution of the net proceeds of the Settlement, but you will nevertheless be bound by any judgments or orders entered by the Court in the Litigation.

If you are a member of the Current Holder Class (i.e., you received cash distributions from the Depositary-sponsored ADRs listed in Appendix 1 to the Stipulation from January 1, 2006 to September 4, 2018, inclusive, and were damaged thereby) and, as explained in the Notice, you hold (or held) your Depositary-sponsored ADRs directly and are listed on the records of the Depositary's transfer agent, you are a Registered Holder Damages Class Member and do not have to take any action in order to be eligible to receive a payment from the Settlement. Your losses (if any) will be calculated using the information provided by the Depositary's transfer agent. However, if you hold (or held) your Depositary-sponsored ADRs through a bank, broker or other nominee and are not listed on the records of the Depositary's transfer agent, you are a Non-Registered Holder Damages Class Member and, in order for you to be eligible to receive a payment from the Settlement, you must submit a Claim Form **postmarked no later than March 15, 2019**. If you are a Non-Registered Holder Damages Class Member and do not submit a proper Claim Form, you will not be eligible to share in the distribution of the net proceeds of the Settlement.

All objections to the proposed Settlement, the proposed Plan of Allocation, or Lead Counsel's motion for attorneys' fees and reimbursement of expenses, must be filed with the Court and delivered to Lead Counsel and Defendant's Counsel such that they are **received no later than November 16, 2018**, in accordance with the instructions set forth in the Notice.

Please do not contact the Court, the Clerk's office, the Depositary, or its counsel regarding this notice. All questions about this notice, the Settlement, or your eligibility to participate in the Settlement should be directed to Lead Counsel or the Claims Administrator.

DATED: September 4, 2018

BANKRUPTCIES

IN THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF TEXAS HOUSTON DIVISION

In re: GENON ENERGY, INC., et al.¹ Case No. 14-33695 (DRJ)
(Jointly Administered)

NOTICE OF COMMENCEMENT OF PREPACKAGED CHAPTER 11 BANKRUPTCY CASES AND COMBINED HEARING ON DISCLOSURE STATEMENT AND CONFIRMATION OF JOINT PREPACKAGED CHAPTER 11 PLAN

TO: ALL HOLDERS OF CLAIMS, HOLDERS OF INTERESTS, AND PARTIES IN INTEREST IN THE ABOVE-CAPTIONED CHAPTER 11 CASES

PLEASE TAKE NOTICE THAT on October 16, 2018 (the "Petition Date"), NRG REMA LLC and certain of its affiliates, as debtors in the above-captioned chapter 11 cases (collectively, the "REMA Debtors") filed with the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court") a proposed joint prepackaged chapter 11 plan of reorganization [Docket No. 1868] (the "Plan") and proposed disclosure statement [Docket No. 1868] (the "Disclosure Statement") pursuant to sections 1125 and 1126(b) of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code"). Copies of the Plan and the Disclosure Statement may be obtained upon request of the Debtors' proposed counsel at the address specified below and are on file with the Clerk of the Bankruptcy Court, 515 Rusk Street, Houston, Texas 77002, where they are available for review between the hours of 8:00 a.m. to 5:00 p.m., prevailing Central Time. The Plan and Disclosure Statement also are available for inspection in the Bankruptcy Court's office at www.uscourts.gov, or free of charge on the Debtors' chapter 11 website at <http://dm.epnr11.com/genon/>.

PLEASE TAKE FURTHER NOTICE THAT a hearing on the "Confirmation Hearing" will be held before the Honorable David R. Jones, United States Bankruptcy Judge, in Room 400 of the United States Bankruptcy Court, 515 Rusk Street, Houston, Texas 77002, on November 1, at 3:00 p.m., prevailing Central Time, to consider the adequacy of the Disclosure Statement, confirmation of the Plan, any objections thereto, and any other matter that may properly come before the Court. Please be advised that the Confirmation Hearing may be continued from time to time by the Bankruptcy Court or the Debtors without further notice other than by such adjournment being announced in open court or by a notice of adjournment filed with the Bankruptcy Court and served on other parties entitled to notice.

PLEASE TAKE FURTHER NOTICE THAT the Plan and restructuring transactions contemplated thereunder provide for the treatment of PTC Holders as follows:

• The REMA Debtors shall pay to one or more newly created entities owned by the PTC Holders as or otherwise determined by the Consenting PTC Holders, in full and final satisfaction of any and all Claims that the Consenting PTC Holders have against the Keynote Owner Lessor, Deutsche Bank Trust Company Americas in its capacity as the Lease Intervenor, Trustees and the Pass Through Trustee, and any PTC Holder may assert against the REMA Debtors, whether related to the rejection of the Keystone and Conemaugh Operative Documents or otherwise. Cash in the amount of \$77,500,000 (which shall exclude, for the avoidance of doubt, the LC Proceeds);

• The REMA Debtors' shall transfer their 16.45% interest in the Conemaugh Plant and 16.67%

interest in the Keystone Plant to the Key/Con Owner;

• PTC Holders who do not object to the releases under the Plan shall grant mutual Third Party Releases as described in more detail herein and in **Article IX** of the Plan;

• All Lessor Notes and PTC Through Certificates shall be deemed cancelled pursuant to the Plan and any agreement, instrument, or other document, including all notes, instruments, certificates, and other documents evidencing Key/Con Rejection Damages Claims shall be terminated and cancelled and the obligations of the Debtors thereunder or in any way related thereto shall be deemed satisfied in full and discharged; and

• The Key/Con Owner shall receive beneficial ownership of the Keystone Indenture Estate and Conemaugh Indenture Estate pursuant to the Confirmation Order.

PLEASE TAKE FURTHER NOTICE THAT objections (each, an "Objection"), if any, to the Plan or the Disclosure Statement must: (a) be in writing and filed with the Bankruptcy Court and the Clerk of the Bankruptcy Court; (b) state the name and address of the objecting party and the amount or nature of the claim or interest beneficially owned by such entity or individual; (c) state with particularity the legal and factual basis for such objections; and (d) be filed with the Bankruptcy Court (contemporaneously with a proof of service) and served as to each of the following parties: **Proposed Counsel to the Debtors:** Zack A. Clement (Texas Bar No. 04361550), ZACK A. CLEMENT PLLC, 3753 Drummond Street, Houston, Texas 77025; James H.M. Sprayregen, P.C., David R. Seligman, P.C., W. Benjamin Winger, KIRKLAND & ELLIS LLP, 300 North LaSalle, Chicago, Illinois 60654-5001; - Steven N. Serajeddin, KIRKLAND & ELLIS LLP, 601 Lexington Avenue, New York, New York 10022; - AnnElyse Scarlett Gibbons, KIRKLAND & ELLIS LLP, 655 Fifteenth Street, N.W., Washington, D.C. 20005; **U.S. Trustee:** Hector Duran, OFFICE OF THE UNITED STATES TRUSTEE FOR THE SOUTHERN DISTRICT OF TEXAS, 515 Rusk Street, Suite 3516, Houston, Texas 77002 - and - Kevin Epstein, OFFICE OF THE UNITED STATES TRUSTEE FOR THE SOUTHERN DISTRICT OF TEXAS, 615 E. Houston Street, Room 533, San Antonio, Texas 78205; **Counsel to the Consenting PTC Holders:** Andrew N. Rosenberg, Elizabeth R. McColm, Amanda M. Wren, PAUL, WEISS, RICHARD, BRAUN & BERMAN LLP, 2285 Avenue of the Americas, New York, New York 10019; **Counsel to the Lease Intervenor Trustees and Pass Through Trustee:** Robert Ripin, Alex Sher, HOGAN LOVELLS US LLP, 275 Third Avenue, New York, New York 10022; and **Gen On Steering Committee:** Eli Vonnegut, Angela Libby, Benjamin Schatz, DAVIS POLK & WARDELL LLP, 450 Lexington Avenue, New York, New York 10017.

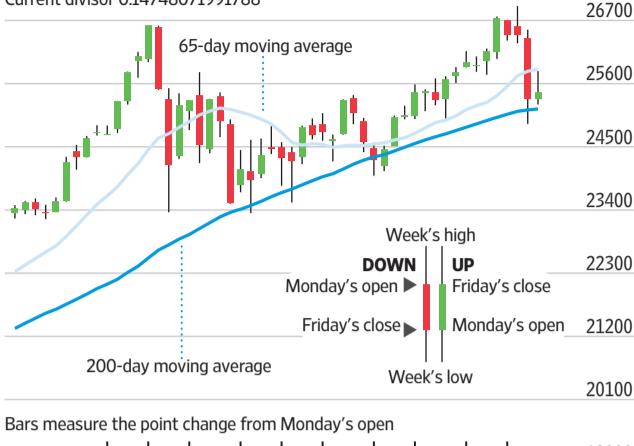
IF A PTC HOLDER WISHES TO OBJECT TO THE ADEQUACY OF THE DISCLOSURE STATEMENT, CONFIRMATION OF THE PLAN, AND/OR TREATMENT / NON-VOTING RIGHTS OF PTC HOLDERS AFTER THE PETITION DATE, SUCH OBJECTION MUST BE IN WRITING AND FILED BY THE OBJECTION DEADLINE AND (A) FILED WITH THE BANKRUPTCY COURT AND (B) A COPY OF SUCH OBJECTION MUST BE SENT TO THE ABOVE PARTIES.

UNLESS AN OBJECTION IS TIMELY SERVED AND FILED IN ACCORDANCE WITH THIS NOTICE IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT AND MAY BE DEEMED OVERRuled.

MARKETS DIGEST

Dow Jones Industrial Average

25444.34 ▲ 104.35, or 0.41% last week
 High, low, open and close for each of the past 52 weeks



Bars measure the point change from Monday's open

O	N	D	J	F	M	A	M	J	A	S	O
19000	19000	19000	19000	19000	19000	19000	19000	19000	19000	19000	19000



*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2767.78 ▲ 0.65, or 0.02% last week
 High, low, open and close for each of the past 52 weeks



Bars measure the point change from Monday's open

O	N	D	J	F	M	A	M	J	J	A	S	O
2200	2200	2200	2200	2200	2200	2200	2200	2200	2200	2200	2200	2200



New to the Market

Public Offerings of Stock

IPOs in the U.S. Market

Initial public offerings of stock expected this week; might include some offerings, U.S. and foreign, open to institutional investors only via the Rule 144a market; deal amounts are for the U.S. market only

Expected pricing date	Filed	Issuer/business	Symbol/primary exchange	Shares (mil.)	Pricing Range(\$)	Low/High	Bookrunner(s)
10/25	10/1	StoneCo Cloud-based online payment processor.	STNE Nq	48.0	21.00/23.00	G5, JPM, Citi, Itau BBVA, Credit Suisse, MS, BofA ML, BTG Pactual	
10/24	9/28	YETI Holdings Sporting goods manufacturer.	YETI N	20.0	19.00/21.00	BofA ML, MS, Jefferies, RW Baird & Co, Piper Jaffray, Citi, GS	

Lockup Expirations

Below, companies whose officers and other insiders will become eligible to sell shares in their newly public companies for the first time. Such sales can move the stock's price.

Lockup expiration	Issue date	Issuer	Symbol	Offer price(\$)	Offer amt (\$ mil.)	Through Friday (%)	Lockup provision
Oct. 22	April 25, '18	Ceridian HCM Holding	CDAY	22.00	531.0	64.9	180 days
	April 25, '18	nLIGHT	LASR	16.00	110.0	11.0	180 days
Oct. 23	April 26, '18	Smartsheet	SMAR	15.00	201.0	62.7	180 days
	April 26, '18	DocuSign	DOCU	29.00	724.0	44.9	180 days
	April 26, '18	Goosehead Insurance	GSHD	10.00	98.0	186.4	180 days

Sources: Dealogic; WSJ Market Data Group

IPO Scorecard

Performance of IPOs, most-recent listed first

Company SYMBOL	IPO date/Offer price	Friday's close(\$)	% Chg From close	Offer price(\$)	Offer amt (\$ mil.)	Through Friday (%)	Lockup provision
LogicBio Therapeutics	LOGC Oct. 19/\$10.00	11.50	+15.0
Niu Tech	NIU Oct. 19/\$9.00	8.65	-3.9
SolarWinds	SWI Oct. 19/\$15.00	15.03	+0.2
Osmotica Pharmaceuticals	OSMT Oct. 18/\$7.00	9.03	+29.0	10.8	Anaplan	24.48	44.0
Phabio Pharmaceuticals	PHAB Oct. 18/\$5.00	5.00	DD3 Acquisition	9.98	-0.2
Phasor Technologies	PHAS Oct. 18/\$5.00	5.00	DDMX Oct. 12/\$10.00	10.00	-0.3

Sources: Dow Jones Market Data; FactSet Research Systems

Other Stock Offerings

Secondaries and follow-ons expected this week in the U.S. market

Symbol/Primary exchange	Expected Issuer/Business	Amount (\$ mil.)	Friday's price(\$)	Bookrunner(s)
VLRX Nq	Valeritas Holdings Healthcare	49.0	1.25	Oppenheimer, BTIG

Off the Shelf

"Shelf registrations" allow a company to prepare a stock or bond for sale, without selling the whole issue at once. Corporations sell as conditions become favorable. Here are the shelf sales, or takedowns, over the last week:

Issuer/Industry	Takedown date/Registration date	Deal value (\$ mil.)	Registration (mil.)	Bookrunner(s)
CPI Aerostructures Aerospace	Oct. 16 Aug. 22/17	\$15.0	\$40.0	Canaccord Genuity
voxeljet Technology	Oct. 17 Aug. 14/17	\$12.0	...	Piper Jaffray
Aclaris Therapeutics Healthcare	Oct. 17 Nov. 2/16	\$93.0	...	Leerink Prtnrs, Evercore
General Moly Mining	Oct. 17 April 12/17	\$2.0	...	HC Wainwright & Co
Krystal Biotech Healthcare	Oct. 18 Oct. 1/18	\$60.0	...	Cowen & Co, W. Blair, Cantor Fitzgerald & Co
OpGen Healthcare	Oct. 18 Aug. 26/16	\$3.0	...	Aegis Cptl
Akoustis Technologies Technology	Oct. 19 Oct. 1/18	\$31.0	...	Oppenheimer
Internap Technology	Oct. 19 Nov. 23/16	\$40.0	...	Jefferies, Credit Suisse

Sources: Dow Jones Market Data; FactSet Research Systems

International Stock Indexes

Secondaries and follow-ons expected this week in the U.S. market

Symbol/Primary exchange	Expected Issuer/Business	Amount (\$ mil.)	Friday's price(\$)	Bookrunner(s)
VLRX Nq	Valeritas Holdings Healthcare	49.0	1.25	Oppenheimer, BTIG

Sources: Dow Jones Market Data; FactSet Research Systems

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Sources: Dow Jones Market Data; FactSet Research Systems

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Akoustis Technologies Technology	Oct. 19 Oct.			

CLOSED-END FUNDS

wsj.com/funds

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-end generally do not buy their shares back from investors who wish to cash in their holdings. Instead, fund shares trade on a stock exchange. **NA** signifies that the information is not available or not applicable. **NS** signifies fund not in existence. **YTD** indicates the total return computed by dividing income dividends paid (during the previous twelve months for periods ending at month-end) or during the previous fifty-two weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Friday, October 19, 2018

		52 wk			52 wk			52 wk			52 wk			52 wk				
		Fund (SYM)	NAV	Prem	Ttl	Fund (SYM)	NAV	Prem	Ttl	Fund (SYM)	NAV	Prem	Ttl	Fund (SYM)	NAV	Prem	Ttl	
			Close	/Disc	Ret		Close	/Disc	Ret		Close	/Disc	Ret		Close	/Disc	Ret	
General Equity Funds		HnckJohn TxAdv	HTD	NA	22.50	NA	-5.1			Clearbridge Engy MLP Opp	EMO	11.83	10.98	-7.0	8.0			
Adams DiversiEq Fd	ADX	PEO	22.27	18.70	-16.0	2.9			Clearbridge Engy MLP Tr	CTR	11.98	10.98	-8.3	1.8				
Boulder Growth & Income	BIF	RMT	9.94	9.09	-8.6	4.7			Cohen & Steers Infr Fd	UTF	23.82	22.21	-6.8	4.1				
Central Securities	CET	RVT	16.14	14.67	-9.1	-0.6			C&S MLP Inc & Engy Opp	MIE	10.99	10.22	-7.0	13.4				
Cohr Steers Qual Inc	SOR	38.38	38.01	-12.4	-5.5				CohnStrsPfdInco	RNP	21.01	18.28	-13.0	-8.4				
Tri-Continental	TY	30.01	26.58	-11.4	7.3				Cohen & Steers TR	RF1	12.45	11.64	-6.5	-0.3				
Aberdeen Globl Preop	AWP	6.22	5.57	-10.5	-10.0				DNP Select Income Fund	DNN	9.49	11.10	+16.9	5.8				
Adams Natl Rscs Fd	PEO	22.27	18.70	-16.0	2.9				Duff&PhelpsGblUltInco	DPD	16.04	14.00	-12.7	-4.1				
AllInGI NF DivInterest	NFJ	14.07	12.45	-11.5	-1.1				Eaton Vance EqityInco Fd	E01	15.11	14.81	-2.0	10.5				
BlikRk Enh Cap Inco	CII	17.03	16.26	-4.5	8.7				Eaton Vance Eqity Inco II	E03	16.43	16.65	+1.3	1.2				
BlikRk Engy Eq Div Tr	BGR	14.86	13.75	-7.5	9.0				EtnVncRskMngd	ETJ	9.75	9.56	-1.9	12.3				
BlackRock Enh Eq Div Tr	BOE	11.60	10.30	-11.2	2.7				Etn Vnc Tr Mdg Buy-Write	ETB	15.53	16.06	+3.4	3.5				
BlikRk Int'l Grwth&Co	BGY	6.00	5.33	-11.2	-13.2				Eaton Vance Buy-Wrt Opp	ETV	14.82	15.35	+3.6	10.2				
BlikRk Health Sci	BME	38.50	41.19	+7.0	20.6				Eaton Vance Tax-Mng Div	ETY	12.16	12.09	-0.6	11.5				
Cohr Steers Science & Tech	BST	29.34	31.25	+6.5	27.2			Eaton Vance Tax-Mng Div	ETY	10.69	11.55	+8.0	6.8					
BlackRock Utilities Infr	BUI	19.36	19.71	+1.8	0.2				EtnVncTxMngDvEqInco	EXK	8.68	8.98	+3.5	4.7				
Gabelli Dividend & Incm	GDV	23.40	21.52	-8.0	0.2				FTI Energy Inc & Growth Fd	FEN	22.86	22.18	-3.0	-0.8				
Gabelli Equity Trust	GAB	6.07	6.08	+0.2	3.6				FstTrEnhEqtnCfd	FPA	15.70	15.25	-2.9	6.3				
ClearBridge Amerg Enrg	CBA	8.33	7.58	-9.0	3.2				FirTr Enhy Eqny Fd	FIF	17.24	15.49	-10.2	-10.1				
Genl American Investors	GAM	41.67	34.94	-16.2	6.0				First Tr MLP & Engy Incm	FIR	12.91	12.10	-6.3	-8.9				
Gabelli Hlthr & Well	GWA	12.31	10.53	-14.5	9.4				Gabelli Utility Tr	GT	4.99	5.91	+18.4	-3.6				
Gabelli Utility Tr	GUT	4.99	5.91	+18.4	-3.6				GAMCGBldgBldgScsCln	GG	4.56	4.51	-1.1	-8.5				
John Hancock Fin Cmtr II	GHD	34.61	34.59	-0.1	-5.4				John Hancock Fin Pfd	GTO	17.44	16.50	-1.1	-5.4				
Neuberger Berman MplnCm	NML	9.53	8.51	-10.7	0.3				Neubrgr Brd Rst Sec Fd	JNO	5.07	4.79	-5.5	-4.4				
Neubrgr Brd Rst Sec Fd	JNC	5.07	4.79	-5.5	-4.4				Neubrgr Brd Rst Sec Fd	JNO	12.45	10.88	-12.0	3.6				
Neubrgr Brd Rst Sec Fd	JNO	12.45	10.88	-12.0	3.6				Neuveen Core Alpha	JCA	14.13	14.15	+0.1	5.0				
Neuveen Diversified Inv	JDD	11.45	10.47	-9.2	-9.3				Neuveen Diversified Inv	JDD	10.47	10.55	+0.8	-9.3				
Neuveen Engy MLP Fd	JMF	11.48	10.47	-8.8	4.1				Neuveen Engy MLP Fd	JMF	11.48	10.47	-8.8	4.1				
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Neuveen Engy MLP Fd	JMF	11.48	10.47	-8.8	4.1				Neuveen Engy MLP Fd	JMF	1							

MARKETS & FINANCE

Coronado IPO Price Pressured by Volatility

By ROBB M. STEWART

MELBOURNE, Australia—Private-equity firm **Energy & Minerals Group** scaled back the initial public offering for coal producer **Coronado Global Resources** Inc. and priced the deal at the bottom of the offer's range, as volatility in global stock markets weighed on demand for the deal.

Coronado's float follows a rebound in prices for metallurgical coal this year driven by supply constraints and steady demand from China. But global equity markets have been volatile over the past two weeks amid higher interest rates and trade tensions.

The IPO, which raised 774 million Australian dollars (US\$550.8 million), could have raised as much as A\$1.39 billion at the top of the A\$4.00-A\$4.80 price range.

The U.S. mining company has an implied enterprise value of A\$3.79 billion and is set to begin trading on the Australian Securities Exchange on a limited basis on Tuesday.

Energy & Minerals chose to cut the number of Chess depository interests to about 193 million from the 290 million it had previously proposed, after

the offer price valued the coal mining company at the low end of its expectations. CDIs refer to securities that allow international investors to trade on the Australian Securities Exchange.

The private-equity company, which manages a series of specialized private-equity funds with about US\$15 billion in assets under management, will retain a stake of almost 79% in Coronado. It will hold its remaining shares in voluntary escrow until early 2020, the coal producer said.

Coronado was founded in 2011 by Energy & Minerals, Garold Spindler and James Campbell. Mr. Spindler will continue as managing director and chief executive, while Mr. Campbell will continue as president and chief operating officer.

Earlier this year, Coronado bought the Curragh mining operations in eastern Australia to add to a portfolio that includes three producing operations in the central Appalachian region in Virginia and West Virginia. Coronado produced 20.2 million metric tons of mainly metallurgical coal last year, making it one of the world's biggest producers of steelmaking coal after diversified miners such as BHP Billiton Ltd.

Chevron Readies Facility

By BENOIT FAUCON AND SUMMER SAID

Chevron Corp. stands ready to restart pumping oil in a field shared by Saudi Arabia and Kuwait once the countries settle a dispute over environmental licenses, the company said.

The resumption of operations at the oil fields—which pump 500,000 barrels-a-day and are shared by both nations—has become a focus of oil markets as a source of spare capacity ahead of U.S. sanctions on Iranian oil set to begin in early November. Chevron operates one of the fields, the onshore Wafra, but observ-

ers have wondered how quickly the facilities might return to normal production levels.

Chevron said it has carried out a recent test run and exploration works in the area, which is shared by the two Middle-East nations.

It houses an onshore facility run by the U.S. oil company that was shut down three years ago after Saudi Arabia and Kuwait became embroiled in the licensing dispute.

"We're prepared to begin the restart plan as soon as we are given the green light to proceed," Todd Levy, president for Chevron in Europe, Eurasia and the Middle East said.

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Fri in US\$	per US\$	YTD chg (%)	U.S.\$ vs. Country/currency	Fri in US\$	per US\$	YTD chg (%)
Americas							
Argentina peso	.0274	36.5410	96.4	Czech Rep. koruna	.04453	22.457	5.5
Brazil real	.2695	3.7103	12.0	Denmark krone	.1543	6.4799	4.4
Canada dollar	.7631	1.3105	4.2	Euro area euro	1.1514	.8685	4.2
Chile peso	.001471	67.99.90	10.5	Hungary forint	.003563	280.67	8.4
Ecuador US dollar	1	1 unch		Iceland króna	.008539	117.11	13.1
Mexico peso	.0519	19.2757	-2.0	Norway krone	.1217	8.2174	0.1
Uruguay peso	.03051	32.7800	13.8	Poland złoty	.2681	3.7302	7.2
Venezuela b. fuerte	.000004248519.9501	2402512		Russia ruble	.01527	65.483	13.5
Asia-Pacific							
Australian dollar	.7116	1.4053	9.7	Sweden krona	.1112	8.9897	9.8
China yuan	.1443	6.9296	6.6	Switzerland franc	1.0040	.9960	2.2
Hong Kong dollar	.1275	7.8418	0.4	Turkey lira	.1772	5.6425	48.7
India rupee	.01361	73.475	15.0	Ukraine hryvnia	.0355	28.1830	0.1
Indonesia rupiah	.0000658	151.88	12.6	UK pound	1.3066	.7653	3.4
Japan yen	.008886	112.53	-0.1	Middle East/Africa			
Kazakhstan tenge	.002731	366.11	10.0	Bahrain dinar	2.6519	.3771	...
Macau pataca	.1239	8.0729	0.3	Egypt pound	.0558	17.9150	0.8
Malaysia ringgit	.2405	4.1580	2.4	Israel shekel	.2734	3.6581	5.1
New Zealand dollar	.6589	1.5177	7.6	Kuwait dinar	3.2981	.3032	0.6
Pakistan rupee	.00750	133.345	20.5	Oman rial	2.5981	.3849	-0.02
Philippines peso	.0186	53.713	7.5	Qatar rial	.2744	3.644	-0.1
Singapore dollar	.7260	1.3774	3.0	Saudi Arabia riyal	.2665	3.7519	0.04
South Korea won	.0008833	1132.15	6.1	South Africa rand	.0695	14.3894	16.4
Sri Lanka rupee	.0058217	171.77	11.9	Close Net Chg % Chg YTD Chg			
Taiwan dollar	.03236	30.902	4.2	WSJ Dollar Index	89.89	-0.15-0.17	4.55
Thailand baht	.03068	32.590	unch	Sources: Tullett Prebon, Dow Jones Market Data			

That is a sharp reversal from as recently as April,



Government offices at Whitehall in London were covered with anti-Brexit and pro-EU stickers after protesters marched on Saturday.

GUILLEM BAKER/LONDON NEWS PICTURES/ZUMA PRESS

Investors Hedge Brexit Bets

By AVANTHI CHILKOTI

For U.K. investors, an uncertain future just got more uncertain—and many aren't taking chances.

Last week's stall in Brexit talks dashed any immediate hope of clarity over what Britain's eventual deal with the European Union—if there is one at all—might look like. That left investors still looking for ways to protect themselves.

Hedge funds are betting the pound will fall, and the cost of insuring against large moves in the currency has recently risen to highs last seen in March 2017. Other investors are picking British investments they consider Brexit-proof.

"Nothing has been done, so I don't see how it can be anything other than a mess," said Benjamin Segal, senior portfolio manager at Neuberger Berman.

Investors worry that Britain risks leaving the EU without a divorce agreement, a no-deal scenario that could place tariffs on exports and imports flowing between the two sides.

UBS estimates British output is already 2.1% lower than it would have been if Britain had voted to remain in the EU in 2016, with uncertainty crimping investment and sentiment.

That ambiguity has pushed investors to protect themselves against—or make money from—further falls in sterling.

There were 15,300 more short than long contracts on the pound in the week to Oct. 12 in the leveraged-money category, which largely covers hedge funds, according to data from the U.S. Commodity Futures Trading Commission.

The pound has drifted lower against the euro since just before Wednesday's inconclusive summit.

Pounded Lower

Sterling has been volatile throughout the Brexit negotiations, acting as a safety valve for the U.K. economy.

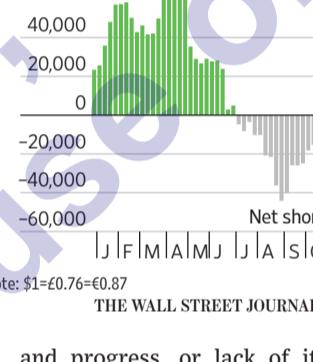
How many euros £1 buys



*Mostly hedge funds; futures and options Note: \$1=£0.76=€0.87

Source: Tullett Prebon Information; CFTC

Leveraged funds*, net positions on the pound vs. the dollar



THE WALL STREET JOURNAL.

Travis Perkins PLC and trimmed holdings in **Lloyds Banking Group** PLC in favor of groups with a more global business like insurer Prudential PLC.

Others are putting money into sectors they see as comparatively resistant to the impact of Brexit.

Luiz Sauerbronn, a director of the investments group at Brandes Investment Partners, cited domestic grocers as one example. U.K. retailers are already benefiting from consolidation and will also be less affected by falls in the pound than German-owned local competitors, like Aldi and Lidl, given they import less of their goods.

"We don't believe you need to have a crystal ball about Brexit, or anything else, to be able to invest in the U.K.," said Mr. Sauerbronn.

For others, the plan is to hold off and begin protecting portfolios nearer the March withdrawal date if negotiations break down further.

Roger Webb, a bond-fund manager at Aberdeen Standard Investments, has reduced risk in U.K. credit portfolios. But he isn't considering further defensive moves, such as selling sterling or reducing exposure to U.K. banks, until later in the year.

Britain does have some fans. That isn't least because U.K. equities are valued below their historic average, according to estimates from Allianz Global Investors.

Graham Neilson, investment director at Fulcrum Asset Management, has been holding a long sterling position against the euro since August. He is also slightly short on U.K. government bonds, saying that yields on gilts would move higher if an orderly Brexit allows the Bank of England to raise interest rates.

THE TICKER | Market events coming this week

Monday

Earnings expected*

Estimate/Year Ago(\$)

Cadence Design **0.41**/0.35

Halliburton **0.49**/0.42

Hasbro **2.23**/2.05

Iqvia **1.39**/1.19

Kimberly-Clark **1.63**/1.60

TD Ameritrade **0.88**/0.39

Tuesday

Earnings expected*

Estimate/Year Ago(\$)

3M **2.70**/2.33

Lockheed Martin **4.31**/3.24

McDonald's **1.99**/1.76

Texas Instruments **1.53**/1.26

United Technologies **1.82**/1.73

Verizon **1.19**/0.98

Wednesday

Short-selling reports

Ratio, says of trading volume of current position, as of Sept. 28

NYSE **4.6**

Nasdaq **3.7**

Mort. bankers indexes

Purch., previous **down 6%**

Durable-goods orders

Aug., previous **up 4.4%**

* FACTSET ESTIMATES EARNINGS-PER-SHARE ESTIMATES DON'T INCLUDE EXTRAORDINARY ITEMS (LOSSES IN PARENTHESES) • ADJUSTED FOR STOCK SPLIT NOTE: FORECASTS ARE FROM DOW JONES WEEKLY SURVEY OF ECONOMISTS

Refinan., prev. down 9%

EIA status report

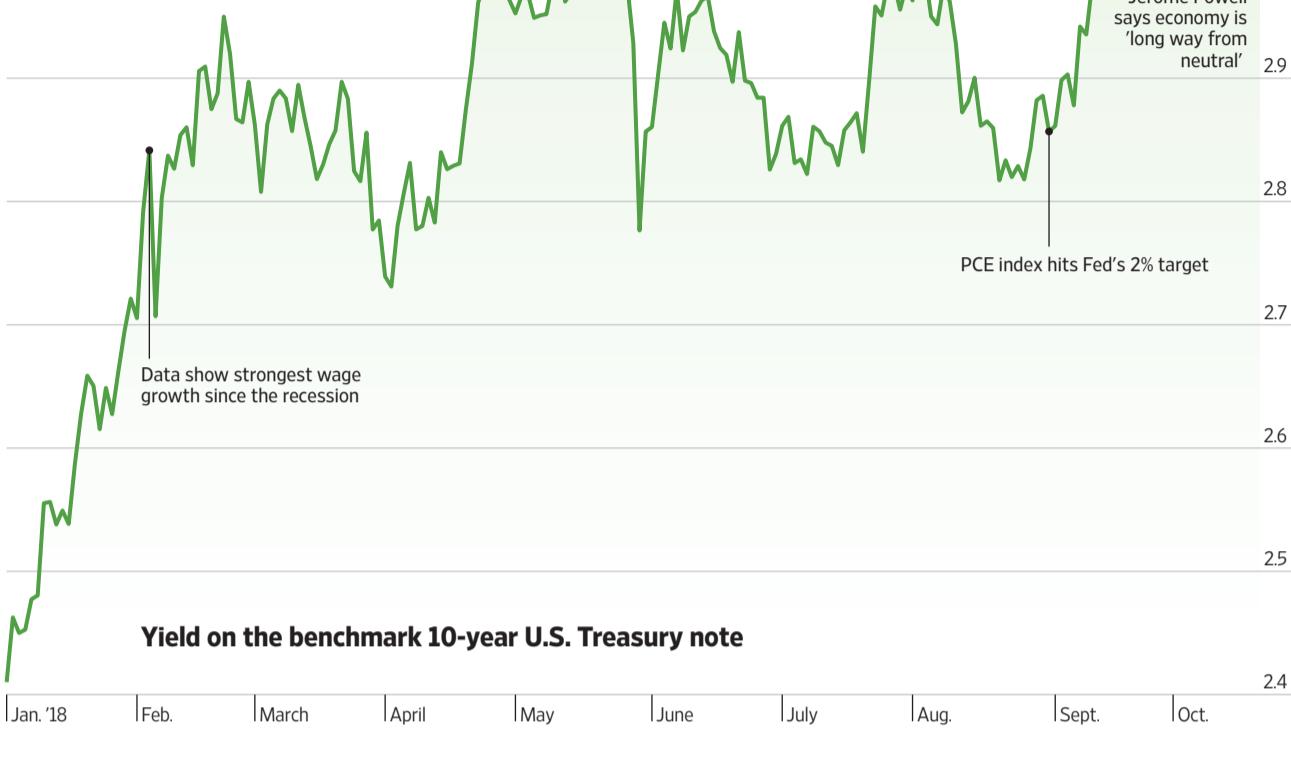
MARKETS

The Next Test for Stocks: GDP, Inflation Data

By Akane Otani

Investors will get another look at the state of the economy in coming days when the government releases its first estimate for third-quarter gross domestic product on Friday, followed by the personal-consumption expenditures (PCE) price index on Monday. Unexpectedly strong readings could send Treasury yields on a fresh run higher, although recent data have suggested that, even with the economy growing at a healthy clip, inflation pressures remain muted.

U.S. government-bond yields broke out to seven-year highs in October, supported by a string of strong economic data...



...and bets among traders that the Federal Reserve will keep tightening monetary policy with its rate-increase campaign.

Expectations for interest-rate increases, as implied by federal-funds futures

■ One more rate increase by year-end
■ At least three rate increases through June 2019



*Data are seasonally adjusted.

Sources: Tullett Prebon Information (yield); CME Group (expectations); SIX (Schwab index); Federal Reserve Bank of St. Louis (price indexes, hourly earnings); FactSet (S&P performance)

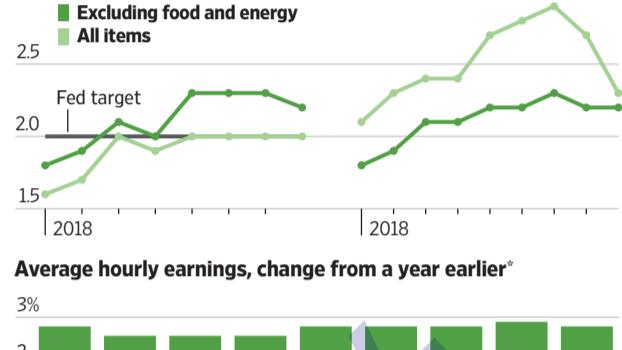
Yet even as bond yields have risen, inflation expectations have remained subdued. The price of funds offering bond investors protection against inflation has fallen...

Schwab Treasury Inflation Protected Securities Index Fund



...which some analysts say reflects bets that inflation, while on the rise, isn't in danger of surging anytime soon.

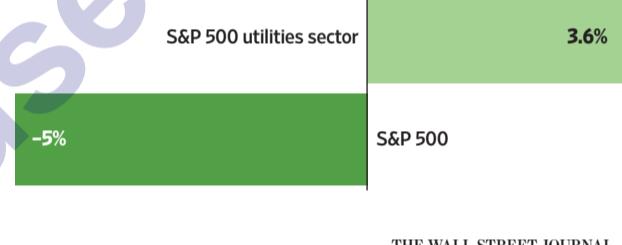
PCE price index, change from a year earlier*



Consumer-price index, change from a year earlier*

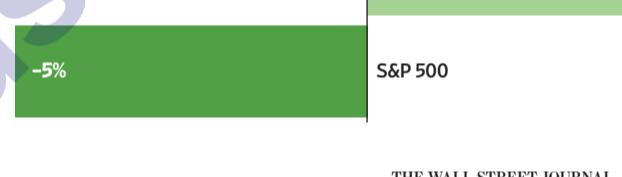


Average hourly earnings, change from a year earlier*



That could help fuel further gains for bondlike stock sectors, which have outperformed broader stock indexes in October.

October performance



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FINANCIAL ANALYSIS & COMMENTARY

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Colorado Voters Pose Threat to Oil

American oil producers are having a rough October, with crude prices down by more than 10% in just two weeks. A ballot measure in Colorado could make November pretty lousy, too.

One doesn't immediately associate Colorado with energy production and, until the shale boom, that would have been accurate. But output last year was a respectable 350,000 barrels a day, or about five times what it had been a decade earlier. That was more than what three members of the Organization of the Petroleum Exporting Countries produced.

An explosion last April that claimed two lives has set events in motion that could cap that rapid growth, though, denting the fortunes of companies that own acreage in the state. A gas line connected to a well that passed very close to a home was blamed for the tragedy.

A ballot measure, Proposition 112, would keep wells 2,500 feet from any "structure intended for human occupancy."

The problem is that, according to two studies, that

Rocky Mountain Fever

Monthly oil production in Colorado

14 million barrels a month



Source: U.S. Energy Information Administration

eral wells to reach oil from a greater distance. That is more expensive, though, and some areas will be off-limits even then.

The fortunes of exposed companies have been buffeted by the few polls published, including one that showed 50% support. Opponents of Proposition 112, not surprisingly, have deeper pockets. The Robert W. Baird analysts note that they have raised about 40 times what proponents have. Gov. John Hickenlooper, a Democrat who was once a petroleum engineer, opposes the measure, as do most Colorado politicians.

Of course, fracking has a PR problem and elections are difficult to call. Unlike Texas or Oklahoma, few families in Colorado have members working in the industry and it has a relatively brief history in the environmentally conscious state. Investors who believe that money wins elections might wish to put their own money where their mouths are. Even if oil prices remain under pressure, Colorado drillers could bounce.

—Spencer Jakab

SRC Energy, Anadarko Petroleum, Noble Energy and PDC Energy that would be negatively affected. Since it appeared likely in early August that the measure would be on the ballot, the index has retreated by 26% through Thursday, compared with a 6% drop for a broader index of exploration and production stocks.

Energy economist Philip Verleger is more sanguine. He notes that, if oil prices remain high, energy firms can simply drill longer lat-

OVERHEARD

Halloween has arrived early for automotive-industry investors. At least it seemed that way Friday after a frightful round of corporate news.

Daimler warned that its full-year operating profit would be "significantly below market expectations"—mainly because of higher expenses due to "ongoing governmental proceedings" around the world regarding Mercedes-Benz diesel vehicles. Daimler shares fell 2% Friday.

Meanwhile, French tire manufacturer Michelin warned Thursday of a "significant" decline in passenger car, light truck, and truck tire markets late in the third quarter and continuing into the fourth, particularly in China. The stock deflated by 11% in Paris on Friday.

In the U.S., Morgan Stanley downgraded Ford Motor and cut the price target to \$10 a share from \$14. The stock is flirting with a multiyear low.

The notoriously cyclical auto business has had a surprisingly good run since the crisis. No surprise, then, that investors have become carsick when the road gets a bit bumpy.

At PayPal, Growth Is On Sale

PayPal shares have sold off sharply in the recent market correction, bringing its valuation down to more reasonable levels as its growth story became more compelling.

The payments company reported solid quarterly earnings on Thursday. Earnings per share rose 17%, beating analyst estimates, and it raised guidance for the rest of the year. At the moment, this growth is mainly driven by increasing use of PayPal's convenient checkout button to pay for online purchases. MoffettNathanson projects this can keep growing by 20% a year for the next three years.

PayPal also provided fresh disclosures showing that it is boosting other revenue sources important to its future. Braintree, its payments-acceptance platform used by merchants such as Grubhub and Stitch Fix, processed 1.64 billion transactions in the third quarter, up 33% from a year earlier. Most crucially, the company is making progress figuring out how to make money on the Venmo app. Chief Executive Dan Schulman said 24% of Venmo users generated money for the company in the third quarter. This includes using Venmo to pay for goods and services from a merchant, "instant transfers" of Venmo balances to users' bank accounts and uses of the new Venmo-branded debit card.

The company gave no details on how much revenue it is earning from either Braintree or Venmo. But the figures it did cite are enough to demonstrate that PayPal isn't just a checkout-button story.

PayPal's stock is still down 10% from its September high, wringing some excess optimism out of the valuation. This pull-back creates a rare opportunity to snap up an exciting growth stock at what is now a reasonable price.

—Aaron Back

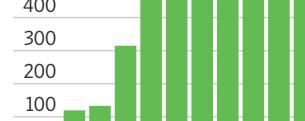
Tesla Seeks to Drive Out of the Slow Lane in China Market

Tesla is stuck in traffic in China. Its plan to move into the fast lane may not go smoothly.

The electric-car maker has been one of the biggest victims of China-U.S. trade tensions, ever since Beijing raised the tariff on cars imported from the U.S. to 45% from 25% in July. Unlike many American car makers that have factories in China, Tesla's cars are made solely in the U.S. That means a Tesla sold in China is around 60% more expensive than one sold back home. Tesla vehicle imports into China dropped from around 1,500 a

In Neutral

Tesla's quarterly revenue in China



Source: S&P Global Market Intelligence

by JL Warren Capital.

To drive around that pothole, Tesla plans to build its first factory in China—its second-largest market, accounting for around 17% of sales last year. The auto maker bought a 210-acre plot in Shanghai last week to build a factory it says could eventually produce up to 500,000 cars a year. In turn, Tesla could become the first foreign car maker to have a wholly owned factory in China.

First, it will need to find some cash. Tesla boss Elon Musk said in August that the Chinese factory will cost around \$2 billion, though

Goldman Sachs, for example, reckons total costs could amount to \$4 billion to \$5 billion. Tesla will need to raise that cash on top of refinancing \$4.3 billion of its existing borrowings coming due by 2020.

Tesla expects what it calls "local debt" to fund much of the initial investment in its China plant, although who those local lenders might be is unclear. The Chinese government, which is eager to push its own electric-vehicle industry, may be interested in chipping in. It could, though, demand a steep price, such as forcing Tesla to transfer some

of its technology.

Assuming everything works out—a big assumption for a company that has had myriad difficulties ramping up production at home—the Tesla factory still may not start operating for two to three years. Meanwhile, Tesla will continue to suffer from higher Chinese tariffs while its rivals play catch-up. China is already the world's largest EV market, with many domestic car makers able to produce low-end models.

Tesla has a long road ahead to reach its destination in China.

—Jacky Wong

JOURNAL REPORT

WEALTH MANAGEMENT

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THE WALL STREET JOURNAL.

Monday, October 22, 2018 | R1

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The High Financial Price Of Our Short Attention Spans

We're bombarded with information, giving us little time to focus on any of it. It's a recipe for making bad choices about our money.



BY SHLOMO BENARTZI

Digital devices are potentially damaging your wallet—but not in the way you might think. Smartphones and other gadgets allow us to follow our friends, read the news, watch a football game and even track our investments anytime, and nearly anywhere. We're always multitasking, or moving from one bit of information to the next, and rarely looking at one piece of information long enough to fully digest it.

All this has one crucial side effect: It creates a shortage of attention, which can lead to poor financial choices.

When it comes to our money, effective deci-

sion-making typically requires information, concentration and reflection. Not so long ago, the main scarcity was information—we lacked the data to make informed financial decisions. But now we are drowning in data. What we lack, instead, is the ability to properly process it. The price we pay for that may be subtle, but it's hardly insignificant.

Fortunately, it doesn't have to be this way—in part because while the digital world takes away our ability to concentrate, it also gives us tools to mitigate the damage. Here are five ways we can counteract the financial pain inflicted by our increasingly short attention spans.

Avoid multitasking. You probably know that multitasking is bad for your concentration, but you also probably underestimate how bad it is, and how much it af-

flects your ability to make effective decisions.

This is especially true when it comes to financial decisions, which often require navigating difficult trade-offs. Is the additional investment risk worth the potential reward? How does this investment fit with our overall portfolio? Is now the best time to sell a successful startup? Such questions benefit from careful reflection, but multitasking interferes with our ability to do just that.

For instance, research by Baba Shiv and Alexander Fedorikhin has shown that asking people to remember a few extra numbers can short-circuit their self-control, making them much more likely to choose a slice of chocolate cake instead of a fruit salad.

Why is that? One likely possibility is that we run out of mental bandwidth when we try to remember several numbers and resist immediate

gratification at the same time. As a result, we choose the cake, even if we're supposed to be on a diet. More to the point in this discussion, we end up spending rather than saving.

In other words, trying to multitask makes us worse at most tasks.

The lesson of this research is that the complexity of financial decisions benefits from a reflective thought process, so that we can marshal all our cognitive resources on navigating the necessary trade-offs. Unfortunately, smart-

Please turn to the next page

Dr. Benartzi (@shlomobenartzi), is a professor and co-head of the behavioral decision-making group at UCLA Anderson School of Management and a frequent contributor to Journal Reports. Email him at reports@wsj.com.

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JOURNAL REPORT | WEALTH MANAGEMENT

ASK ENCORE | GLENN RUFFENACH

Let's Rethink the Meaning of Estate Plans

Also: Answering readers' questions on Medicare enrollment if you're still working, and qualified charitable distributions

My wife and I are approaching retirement, and we are updating our estate plans. Any guidance? Anything that retirees have told you about something they missed, or wished they had included or done differently?

A good estate plan, according to retirees and financial planners we have spoken with through the years, goes beyond deciding who gets what and how much after you die. It also should address your aspirations *before* you die—the things you hope to achieve in later life—and what legacy you want to leave behind besides your assets.

A wise financial planner once told me that a simple, if sobering, way to look at this is for spouses to start by asking each other: "What is the most significant thing I would like to accomplish before I die?" Then think about how your estate could continue to make a difference after you're gone.

Some possible questions to ask yourselves are: "What do we want to contribute for our grandchildren's education?" Or, "Do we want to leave money for scholarships at our alma mater?" Or, "Do we have sufficient funds to set up a family foundation, and if so, what should be its focus?" At the very least, you might consider including an "ethical will" among your estate-planning documents—something that transmits your core beliefs and principles to your survivors and heirs.

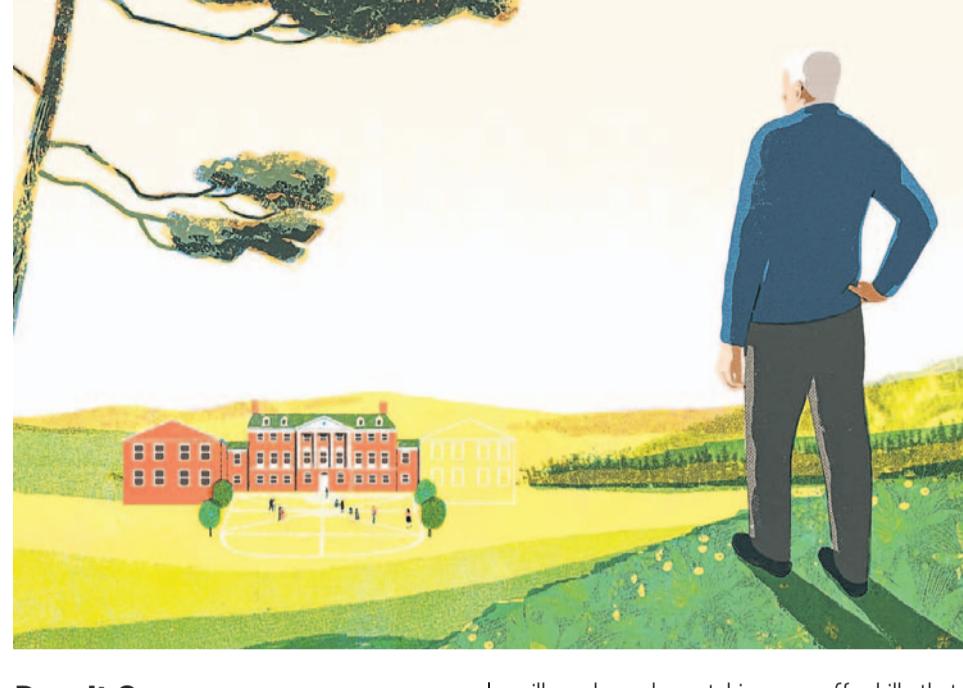
As one author told us: "I think it is critical that people pass along their values before they pass along their valuables."

* * *

I will turn 65 in a few months. I still work and plan to do so for the foreseeable future. My current medical coverage is my wife's federal government retiree health plan. I am not covered under my employer's plan. Medicare is my wife's primary coverage; her retiree plan is her secondary coverage. My questions: Do I need to enroll in Medicare when I turn 65, or can I wait until I stop working?

You will need to enroll in Medicare at 65. This question highlights the importance of understanding well in advance of turning 65 how Medicare works. In many cases, people can delay enrolling in (and paying for) Medicare if they continue to work beyond 65 and have employer coverage, or if their spouse

Mr. Ruffenach is a former reporter and editor for The Wall Street Journal. His column examines financial issues for those thinking about, planning and living their retirement. Send questions and comments to askencore@wsj.com.



Pass It On

When asked what is most important to pass on to future generations, surveyed adults age 45 and older said:

Values and life lessons	74%
Instructions and wishes to be fulfilled	47%
Personal possessions of emotional value	43%
Financial assets or real estate	32%

Note: Includes multiple responses
Source: Merrill Lynch/Age Wave's "Americans' Perspectives on New Retirement Realities and the Longevity Bonus"

THE WALL STREET JOURNAL.

continues to work and maintains coverage for both, says Neil Brown, a Medicare insurance consultant in Las Vegas.

"However, this coverage must be based on active employment," Mr. Brown notes. "Retiree benefits and Cobra [the federal Consolidated Omnibus Budget Reconciliation Act, which extends health coverage for laid-off workers] don't count. The fact that the husband's wife has retiree coverage, as opposed to employment coverage, tells us it's time for Medicare."

And don't forget, Mr. Brown adds: You also

will need supplemental insurance (for bills that Medicare doesn't cover) as well as prescription-drug coverage. In your case, these two pieces of the puzzle are likely available through your wife's health plan.

* * *

I have a question about qualified charitable distributions...

A recent article I wrote about qualified charitable distributions (QCDs) generated a number of emails and questions from readers. We'll address several of these topics here.

To recap: A QCD is a tax break for individuals age 70½ and older. It allows you to transfer money, tax-free, from an individual retirement account to a charity. Changes this year in how deductions work on federal tax returns mean that QCDs are garnering new attention and new fans.

The mechanics: The transfer should be direct, from the IRA to the charity. (You can ask your IRA custodian to do this.) But several readers asked if it's permissible for the IRA custodian to send a check to the account holder, who then forwards the money to the charity. Yes, that would be viewed by the Internal Revenue Service as a direct transfer, as long as the check is made payable to the charity and not the account holder.

Rollovers: As we noted in the original story, QCDs can be made from IRAs (including tradi-

tional, Roth and inherited IRAs), but not from 401(k)s or 403(b)s. That prompted several readers to ask about the possibility of rolling over their savings plans to an IRA. Yes, you can do this—but use caution.

For instance, if you have a 401(k) or 403(b) and have reached the point where you are required to withdraw funds annually from the account, you likely will need to make your required withdrawal first and then move your funds to an IRA. Your best bet: Talk with your current savings-plan administrator and your future IRA administrator before you begin the process.

(QCDs also can be made from a "deemed IRA," as one sharp-eyed reader pointed out. Some employers allow workers to contribute money to a separate savings account—called a deemed or "sidecar" IRA—under the company's primary savings plan. This separate account follows all the rules of a traditional IRA and, as such, can be a source of QCDs.)

Tax returns: One area we didn't cover in our original article was how to report QCDs on tax returns, a possible source of trouble. Normally, when you pull funds from an IRA, you receive a Form 1099-R, which shows the amount withdrawn. The form, though, doesn't show donations made to charity.

So, let's say you pull \$20,000 from your IRA and instruct your IRA custodian to send \$5,000 of that money directly to a charity. Even though your taxable income, in this case, is \$15,000, the Form 1099-R will show that you withdrew \$20,000. And the IRS will expect to see that figure on your tax return. Otherwise, it might seem as if you have underreported your income.

For IRS instructions on how to enter a QCD on your tax return, go to irs.gov and search for: IRA FAQs—Distributions (Withdrawals).

Even so, a reader in New Hampshire told us: "I have done QCDs for several years exactly according to the [IRS] rules. Nevertheless, the IRS has sent me 'underpayment' forms with late fees three times. It's alarming and aggravating." In each case, the reader adds, the IRS eventually acknowledged that her tax returns were correct, but only after she provided numerous documents to prove that she had made the QCDs.

The reader's advice: If you wish to donate money to a charity from your IRA, ask your plan's custodian to send the check to you (as mentioned above). In this way, you can make a copy of both the check and the attached receipt and have that paperwork ready if the IRS comes knocking.

Of course, a better solution would be for the government to modify Form 1099-R. But I wouldn't hold my breath.

The Price of Not Paying Attention

Continued from the prior page
phones and mobile gadgets encourage the opposite kind of thinking, as we are constantly distracted by incoming emails, texts and alerts. If you have to make major financial decisions on a screen, you should at least do it in airplane mode or "don't disturb" mode.

Pick the right time of day.

Investors need to become more aware of fluctuations in the amount of attention we have at different times of the day.

Research by the Behavioral Insights Team in Britain, a public-private company devoted to applying behavioral economics, has found that people are significantly less likely to successfully navigate complex websites in the morning. One possible explanation involves our lack of attention, as the morning is full of tasks that take up precious bandwidth, from getting the children to school to catching up on email.

If this sounds familiar, then you might want to postpone your financial decisions until later in the day. Of course, you might have calm mornings and hectic afternoons. As a rule of thumb, consider using an app, such as Apple's new Screen Time feature, that tracks and displays your device usage throughout the day, which could be a good proxy for your bandwidth.

The point is to reflect on your available attention and ensure you are making your hardest choices—especially financial ones—during the lulls in your day, when you are best able to handle complexity. If you're considering selling an investment, for instance, don't hit send on the email instructions to your adviser when you're rushing between dropping the children at school and meeting with your boss. Wait for a breather.

Focus on the most relevant information, not the most available.

When we focus on the latest alert or the numbers on a single screen, we become subject to what Nobel Laureate Daniel Kahneman refers to as the "what you see is all there is" error.

This means that people typically make decisions based upon the immediately available information—what we see at first glance—and forget that there might be more relevant information that isn't visible.

Consider, for instance, the impact of the minimum-payment information on credit-card repayment screens. Studies show that including the information leads people to make smaller payments, with the minimum serving as an anchor, biasing the amount downward. Over time, this leads to higher levels of debt and more money squandered on interest payments. By

taking away the minimum-payment information, we can make it easier for people to make better decisions about how and when to pay off their credit cards.

In the domain of investing, the error often leads us to focus on short-term results, as we fixate on the recent performance of a stock or investment. To mitigate this bias, we should ensure that the time horizons on our financial websites—the duration of performance that's automatically displayed—matches our actual investment time horizons. If we're not retiring for several decades, there's no reason to pay attention to the daily fluctuations of a stock or fund. Research by Maya Shaton shows that after the Israeli government prohibited retirement funds from displaying returns for periods shorter than

Device Addiction

Individuals check their mobile phones 47 times per day.

First thing in the morning	89%
Within an hour of going to sleep	81%
While shopping	92%
While watching TV	89%

More Than Calls

Cellphones have increasingly become part of our daily routines.

Read the news	57%
Watch short video/live posts	52%
Navigation	46%
Stream/play music	45%
Stream films	31%
Watch TV live	27%

Source: Deloitte Global Mobile Consumer Survey (U.S. results)

12 months, investors reacted by trading less and taking smarter risks with their savings.

We should also delete the stock app on our phones and think carefully about which financial apps are allowed to send us notifications. If you are properly diversified, and you're not retiring for a while, there's virtually no need to stay up-to-date on market news. Your biggest mistakes will come from overreacting to the latest stock swings, not underreacting.

Force yourself to see the big picture.

Some tools on our smartphones can actually help us preserve some of our precious band-

width. Many of us struggle to monitor all of our credit cards, or remember how much we've saved, but aggregators allow us to see all of this information. They also make it easy to track trends and spot patterns, so we can notice when our spending spikes, or when we're falling short of our retirement goals. In short, they help compensate for the "what you see is all there is" error, since they make it easy for us to quickly notice our most important financial facts.

Similarly, there are apps that automatically monitor our finances, pay our bills and set aside money into our saving accounts. Just as your phone remembers the numbers of friends so you don't have to, these gadgets can also perform routine financial tasks, letting us focus on the bigger picture.

The typical American probably spends more time choosing a restaurant for date night than choosing a savings rate for their retirement plan. By taking care of routine financial chores, the apps can free up some mental bandwidth for better investments of time and attention, such as long-term financial planning.

Keep away from the phone.

This may be the hardest piece of advice given our smartphone-obsessed culture. But the evidence is mounting that if we make financial decisions on our mobile device—or within earshot of our mobile device—the decisions could very well be bad ones.

My own preliminary research, conducted with John Payne of Duke University, shows that people tend to perform worse on a test of financial literacy when given the questions on a mobile device, at least compared with those subjects taking the same test on paper.

One likely explanation involves the tendency of people to think and read faster on their smartphones, as we continually scroll down the screen for more stimulation. And the news gets even worse. Recent work by Adrian Ward, Kristen Duke, Ayelet Gneezy and Maarten Bos shows that just having your smartphone next to you—even if it isn't turned on—can diminish your cognitive capacity.

According to the research, subjects with a phone nearby perform significantly worse on measures of attention, working memory and fluid intelligence than those whose phones were in another room. The researchers speculate that the effect exists because the mere proximity of a smartphone causes us to monitor it—we're waiting for those alerts and interruptions—and that monitoring takes up attentional resources. This suggests that we should try to avoid using our smartphones, or even being close to them, when making financial decisions.

Here's where a financial adviser can help: During your next meeting, perhaps your adviser should suggest that you leave your phone behind at a "charging station" with the receptionist. That way, if you get any urgent calls, you can still be notified. Given the impact many financial decisions have on our future, and the fact that they are not easily undone, it's worth being disconnected for an hour or so if it can improve the quality of our choices.

EXPERTS' VOICES

BRUCE E. WOLFE



A Key Tactic for Boosting Retirement Savings

Our decisions are strongly influenced by what the people around us say and do. But while the power of our peers is widely recognized, it hasn't yet been applied to an area where it has great potential: retirement saving.

What if we took this peer influence to retirement-savings platforms, such as 401(k)s?

Seeing how their annual contribution rate stacks up against co-workers might be the catalyst to prod low or noncontributors to take action.

First, comparison data needs to be relevant to the individual. This means targeting results based on dimensions such as age, gender, income level and family situation.

For instance, knowing female co-workers around your age and income are on average saving 9%, when you're saving 4%, might prompt you to incrementally up your contribution.

Another option: Suggest incremental increases. Many lower savers may see their contribution rate gap with co-workers as too daunting. Building workers' self-confidence by encouraging manageable steps over time—maybe 0.5%-1% annual increases for the next several years.raises the probability that the behavioral changes and higher contribution rates stick.

—Mr. Wolfe is a principal at management consulting firm C.S. Wolfe & Associates and the founder and former executive director of the BlackRock Retirement Institute.

The Experts are industry and thought leaders who write on topics of their expertise. You can read this full blog post and others at WSJ.com/Experts.

JOURNAL REPORT | WEALTH MANAGEMENT

TAXES | TOM HERMAN

Fund Investors, Beware This Trap

There's a way to avoid a tax hit, with the proper analysis and planning

Taxpayers, watch out for a painful tax trap that can easily ensnare unsuspecting investors in stock-market mutual funds held in taxable accounts.

This warning can be important for some investors who are planning large new investments in stock-market mutual funds for taxable accounts between now and year-end. The trap could result in a surprisingly unpleasant tax hit that needn't have occurred with number-crunching and proper timing.

First, a little background. Mutual funds generally pay out all, or nearly all, of their net realized capital gains each year to their investors. (Realized gains refer to profits that the funds actually made during the year—not their paper gains.) Funds typically make distributions late in the year, especially during December.

Those distributions typically are taxable for investors who hold fund shares in taxable accounts. That's true whether the investor pockets the distribution or reinvests it back into the fund. Thus, that taxpayer who invests in a fund shortly before a year-end capital-gains distribution typically winds up getting back part of that investment in the form of a year-end payout—and owing taxes for the current year.

In effect, you could wind up owing taxes "on gains realized by the fund earlier in the year, prior to the time you bought the shares," says Jere Doyle, senior vice president and wealth strategist at BNY Mellon Wealth Management.

That's why tax experts urge investors to consider the following:

- ◆ Before making large new investments in mutual funds in coming weeks, check to see whether the fund you're considering is planning a year-end capital-gains distribution.

- ◆ If so, find out how much and when. Many fund companies typically post this information on their websites late in the year, including a breakdown of how much of those gains are long term and how much are short term. Some already have done so.

- ◆ If the scheduled payout will be significant enough to make a big difference in your tax bill for 2018, consider delaying investing in that fund until after the date to qualify for the distribution. Or, pick another fund, at least temporarily. "Don't buy a tax headache," says Mark Wilson, president of MILE Wealth Management in Irvine, Calif., whose site, CapGainsValet.com, monitors taxable payouts.

- ◆ Beware of making any important investment

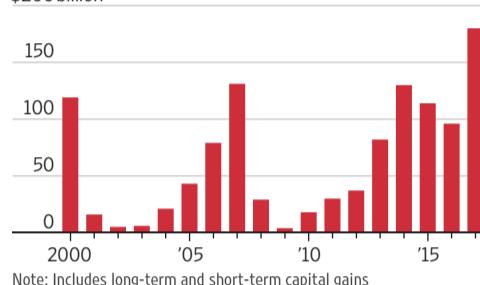
Mr. Herman is a writer in New York City. He was formerly The Wall Street Journal's Tax Report columnist. Send comments and tax questions to taxquestions@wsj.com.



ALEX NABAUM

Spreading the Wealth

Mutual-fund capital-gains distributions to taxable household accounts



Note: Includes long-term and short-term capital gains
Source: Investment Company Institute

THE WALL STREET JOURNAL

research firm Morningstar Inc. "It's a little counterintuitive," she says.

Ms. Benz says investors may assume they shouldn't have a taxable event if they're merely investing their distributions back into the fund. "You don't have the cash," she adds, "but you are still liable for taxes on the distribution, assuming you're not in the zero bracket," for capital-gains purposes, and are holding the fund in a taxable account.

It isn't clear yet how large this year's distributions will be. As Mr. Wilson points out, most fund companies haven't yet announced their capital-gains distribution plans. It's also unclear how the recent market turbulence might affect the picture.

Still, Mr. Wilson says he already has spotted some especially large estimated capital-gains payouts planned for this year.

Looking ahead, Ms. Benz predicts that large amounts of capital-gains distributions will flow from actively managed U.S. equity funds again this year, making this an important topic for many investors in taxable accounts to monitor. As she points out, this isn't an issue to be concerned about when investing in an individual retirement account or other tax-sheltered accounts.

As the WSJ's Jason Zweig reported, in late August, Harbor Capital Advisors, which runs Harbor International Fund, announced plans for an exceptionally large capital-gains distribution.

For the latest details, see Harbor's website (harborfunds.com).

EXPERTS' VOICES

JONATHAN GUYTON



Cut Your ACA Fees

Here's a tip for early retirees who buy health insurance in the individual marketplace under the Affordable Care Act: You may be able to qualify for premium subsidies by rearranging your "income."

The key is that the ACA's requirements and definitions are based on one's "income," not wealth or assets. But if your income is too high—even by \$1—you get nothing. That's quite a cliff, hence the need to plan carefully.

Income is defined as modified adjusted gross income (MAGI). To qualify for a 2019 premium subsidy, it can't exceed \$48,560 if you're single and \$65,840 if you're married or have an eligible child in your household, based on my calculations using the government's subsidy calculator.

So how do early retirees generate the income they need without going over the MAGI ceiling?

They need to understand how the tax treatments of various income sources affect their MAGI—and then adjust that "income" accordingly.

—Mr. Guyton is principal at Cornerstone Wealth Advisors Inc.

The Experts are industry and thought leaders who write on topics of their expertise. You can read this full blog post and others at WSJ.com/Experts.

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JOURNAL REPORT | WEALTH MANAGEMENT



Clockwise from the top:
Andrew Elmer and his son,
Jaxson, at Progressive
Field in Cleveland; Rhett
Grametbauer at Sports
Authority Field at Mile
High in Denver (now the
Broncos Stadium at Mile
High); Dan Connerty and
his father, Ian, at the
Golden Gate Bridge in San
Francisco; Robert Berliner
and his wife, Kathy,
at Safeco Field in Seattle.

those passions on to Jaxson, but their trips together are about more than baseball and architecture.

"It's my way of introducing my son to what his dad's life is like on the road. I introduce him to my clients, and he sees places he's never been," Mr. Elmer says. "To me, the most enjoyable part is teaching him to be comfortable flying on planes, going on mass transit, meeting new people and going new places."

"He's so young that everyone is very nice to him," Mr. Elmer says. "During batting practice, there's an opportunity for us to say hi to the players. To see the glimmer in his eye is rewarding."

Father and son fly to each location and stay in hotels half the time and use Airbnb the other half. Mr. Elmer travels a lot for his job, so he accumulates hotel reward points that he redeems for his baseball trips.

Mr. Elmer generally buys game tickets on the Royals' website or gets them through work connections. But one attempt to buy same-day tickets at the box office in Cleveland was a memorable experience. He says he was having a hard time buying tickets, and another man overheard and gave him two tickets. Mr. Elmer had Jaxson shake the man's hand and say thank you. "I used it as a teaching lesson," he says.

Adventures with Dad

Dan Connerty, 24, travels to games with his 72-year-old father, who used to work in the music industry. So they spend plenty of time at music-related spots, including the Rock & Roll Hall of Fame in Cleveland after seeing an Indians game and jazz clubs in San Francisco after seeing a Giants game.

They generally stay around core downtown areas, to enjoy the local tourism and food. "My old man loves his food," Mr. Connerty says. That means, for instance, "the best deep-dish pizza" in Chicago.

Mr. Connerty, a financial planner for Investors Group in Toronto, and his dad have visited nine stadiums so far. Their plan is to visit all the stadiums by breaking up the trips to the East Coast, West Coast and Midwest. So far, they have visited Los Angeles, San Francisco, New York, Boston, Cleveland and Detroit.

Mr. Connerty is grateful for the opportunity to explore the country with his father. "That's something not a lot of people can do with their dad," he says.

You get what you pay for

Chicago lawyer Robert Berliner says he's willing to pay extra to stay near stadiums to be in the middle of all the action when he goes to baseball parks with his wife, Kathy, and/or his 32-year-old son Seth.

So far, they've hit 26 of the 30 MLB stadiums around the country over the past 20-plus years. Their favorites: PNC Park in Pittsburgh, Oriole Park at Camden Yards in Baltimore, Petco Park in San Diego, Fenway Park in Boston and Coors Field in Denver.

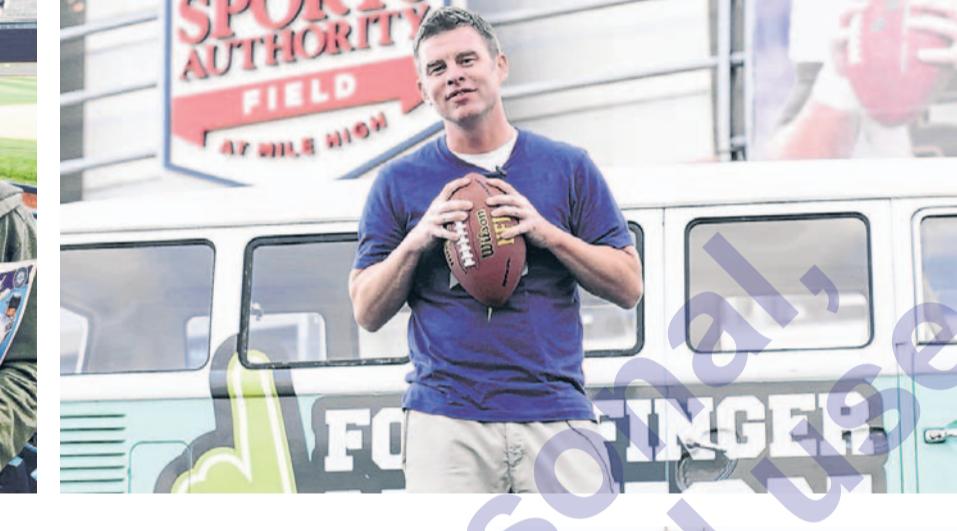
The family likes road trips, so if the destination is within reasonable driving distance, they take the car. "Driving is more fun and saves money," says Mr. Berliner, who is 73. If it's a city they haven't seen before, they will stay several days. Otherwise, they stay for a day or two.

They typically buy tickets one or two days before the game on StubHub. "Often, if you wait until late, the price will go down," Mr. Berliner says.

Still, he says he doesn't get too carried away trying to save on costs. You can stay at a hotel far away from the stadium and buy cheap tickets for the upper deck, he says. "But I think that detracts from the experience, and it's not a price we're prepared to pay."

In the end, money isn't the point, he says. "The experience of going to games with my wife and son has been one of the most enriching pieces of my life."

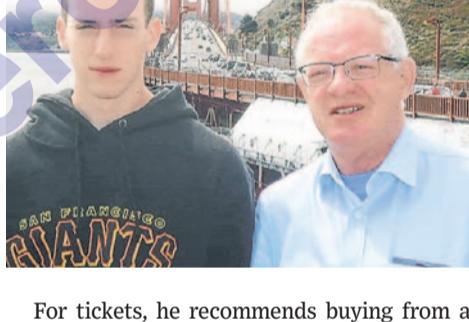
Mr. Weil is a writer in West Palm Beach, Fla. He can be reached at reports@wsj.com.



BY DAN WEIL

A Journey Across the U.S., From Stadium to Stadium

Four fans recount their quests to visit as many football or baseball venues as they can—and why it's more than just about the games



For tickets, he recommends buying from a team's website on the first day they go on sale, as he generally did, to avoid having to pay any premiums. That's especially true for teams that are good or have national followings, he adds.

Mr. Grametbauer says he has only one regret: the short amount of time they stayed in each city. In most cities, they spent just one night before or after a game, and in some cities they arrived and departed the same day. "I say I've been to a lot of places because of this trip," he says, "but haven't seen many of them."

A father and his young son

Andrew Elmer, 33, a sports-facilities architect for design firm HOK in Kansas City, Mo., began traveling to Kansas City Royals road games five years ago and now brings along his 5-year-old son, Jaxson. He has been to five Major League Baseball stadiums so far besides the Royals' Kauffman Stadium: Progressive Field in Cleveland, Target Field in Minneapolis, PNC Park in Pittsburgh, Comerica Park in Detroit and Coors Field in Denver.

"I'm a lifelong fan of sports events, and as a sports architect, I'm interested in seeing new facilities," Mr. Elmer says. He's now passing both

prayer," Mr. Grametbauer says, "because it took a lot of divine intervention to get from stadium to stadium." The two friends drove, instead of flying, to save on expenses and see the country, says Mr. Grametbauer, who purchased the vehicle with the trip in mind.

The trip cost about \$13,500, he says, with about \$3,500 of that going toward auto repairs along the way. But the VW Bus also helped the friends save some money. When they couldn't find a hotel with reasonable rates or a friend with a spare room or couch, the duo slept in the Hail Mary. They also tried to save on meals as much as possible. "I didn't eat well: bags of Doritos and blue Gatorade," Mr. Grametbauer says.

Here's a look at how a few superfans approached their stadium tours.

The one-season whirlwind

While many football fans take years to visit all 31 NFL stadiums, Rhett Grametbauer, 45, did it in one season. Mr. Grametbauer, a freelance marketer in Austin, Texas, and his friend Grayson Berry made the 17-week trip in a 1967 Volkswagen Bus, which he dubbed the Hail Mary.

"I was right about naming the bus after a

prayer," Mr. Grametbauer says, "because it took a lot of divine intervention to get from stadium to stadium."

The two friends drove, instead of flying,

to save on expenses and see the country,

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"I didn't eat well: bags of Doritos and

blue Gatorade," Mr. Grametbauer says.

Each person's experience will depend on their

budget, itinerary and timetable. Do they drive or

fly? Stay near a stadium, or near the airport or

the highway? Are they just going for the game

or are they staying for a city's other attractions?

As for tickets, options range from a team's

website to third-party services like StubHub.

When the home team is losing a lot, the tickets

can be cheaper on StubHub than from the

team's box office. Tickets are often cheaper for

weekday games than weekends; daytime week-

day games generally have the cheapest tickets.

Marquee matchups—think Yankees vs. Red

Sox—are the priciest. And baseball tickets gen-

erally are cheaper when temperatures are lower

at the beginning of the season.

But all that bonding comes at a price. There's

travel, lodging, food, side trips and, of course,

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JOURNAL REPORT | WEALTH MANAGEMENT

What Early Admission Means for Aid

Students and parents need to know these rules to maximize aid

BY CHERYL WINOKUR MUNK

IN NOVEMBER, many students will begin applying for college using the early-admissions process, which can give some a leg up. If they aren't careful, though, such students could miss out on chances to maximize the aid they receive.

Each school has its own deadlines and rules concerning aid. But generally speaking, how and when students apply can have a direct impact on how much aid they receive.

Here are some things early applicants should consider to maximize their eligibility for aid while taking full advantage of early-admissions plans.

1 Aid-application deadlines tend to be earlier when seeking early admission.

For many applicants, financial-aid deadlines creep up quickly and unexpectedly; this can be especially true for students applying early. More students miss the aid deadline

Some colleges offer better aid packages for students applying in the early rounds.

when they apply for early admission compared with applying for regular decision, says Jessica Bernier, a senior director of financial-aid methodology at the College Board. One reason may be the shorter window in which they have to complete both applications.

"They get caught up in the admissions deadline and financial aid is the after-thought," Ms. Bernier says.

Students can fill out the Free Application for Federal Student Aid, or Fafsa, as early as Oct. 1 for the following academic year. Some schools set their aid deadlines for early-admission students as soon as Nov. 1. By contrast, financial-aid deadlines for regular-decision students may not be until January or February, or later.

Deadlines can vary by school, so students need to pay careful attention, says Holly Morrow, senior vice president of knowledge at uAspire, a Boston-based nonprofit that counsels students and families on college-finance issues.

Students can find each school's deadlines for financial aid by visiting the college's financial-aid website, she says.

If they do miss a deadline, students should still apply for aid, Ms. Morrow says. But some aid is first come, first served, so students could miss out if they delay, she says.

2 Applying early action, as opposed to early decision, can allow applicants to shop for a better deal.

For many students—especially ones who need more aid—it can be important to have multiple aid offers to

compare. For these students, early action may be a more suitable option than early decision. With early action, admission is nonbinding so there is more time for students to receive and compare several aid offers before deciding which to accept, says Dana Kelly, vice president of professional development and institutional compliance at the National Association of Student Financial Aid Administrators.

By contrast, applying early decision means the student must, with limited exceptions, attend that university if accepted. That curbs the ability to entertain aid offers from other schools.

While students can turn down an early-decision acceptance if the college is unable to meet their need for financial aid, saying no isn't a simple or quick process. What's more, students could miss other college and financial-aid application deadlines as a result. Thus, students should be confident about their desire to attend a school and their ability to pay for the education before applying early decision, experts say.

"We don't advise students to apply early decision unless they really can commit," says Kat Cohen, founder and chief executive of IvyWise, an educational consulting company.

An important exercise is to use the net-price calculator available on a college's

website to get a better idea of how much aid a student could receive. Families plug in financial information such as their latest tax returns, savings, investment and other asset information. They then receive an estimate of their projected need-based financial aid as well as an estimate of the remaining cost to the family. Using the calculator, families can determine whether the school is likely to be financially within reach. If it isn't, a student shouldn't apply early decision, experts say.

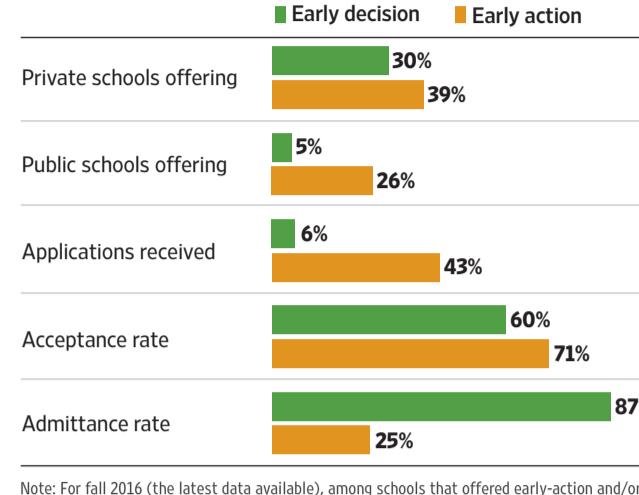
Another possible drawback to an early-decision application—particularly for academically strong students—is the risk of leaving merit aid on the table, Dr. Cohen says.

Certain top-tier institutions don't award merit aid, but other highly competitive schools might. If a student commits through early decision to attend a school that doesn't award merit aid, he or she might miss out on a better offer. "If they are strong students, they may want to think about applying early action instead just to see the amount of merit aid they might get," Dr. Cohen says.

Scholarships that come from other sources, meanwhile, are independent of early-admission decisions, so students don't need to factor them into the admissions process, experts say. Most stu-

Getting In

Twenty percent of colleges surveyed offered an early-decision program, and nearly half of selective schools did so.



Note: For fall 2016 (the latest data available), among schools that offered early-action and/or early-decision programs

Source: The National Association for College Admission Counseling's The State of College Admission 2017

THE WALL STREET JOURNAL

dents apply for outside scholarships during the spring of their senior year in high school, and most will be notified around graduation.

3 Applying early could increase the potential for merit and need-based aid.

Some colleges, though not all, offer better aid packages for students applying during early rounds.

Accepting students in the early rounds, especially those on aid, helps institutions forecast budgets, Dr. Cohen says. "Students qualifying for need-based aid may see more generous financial-aid packages in the early-decision/early-action rounds, she says.

Some colleges may also be more generous early on with merit aid, which is used to try to attract the best and bright-

est students, Dr. Cohen says. A school's website may indicate what criteria the college uses in applying merit aid, says Ms. Kelly of the aid administrators association.

Not every school will be more generous to its early applicants. Schools struggling to meet their enrollment objectives, for instance, might choose to spend more later in the season to help achieve their goals. Highly selective schools that get lots of applications may also not give aid preference to early applicants.

Nonetheless, if a student thinks a particular school is a good fit, but there are limited family resources, applying early for aid and admission is a prudent move, Ms. Kelly says.

"You're certainly not going to be any worse off, and you may do better," she says.

Ms. Winokur Munk is a writer in West Orange, N.J. Email: reports@wsj.com.



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EXPERTS' VOICES | MADDY DYCHTWALD



Money and Widownood

As people are living longer, there's a startling lack of discussion and preparation among couples, even retired couples, about what will happen to the other

when one of them dies.

That's what my firm, Age Wave, in partnership with Merrill Lynch Wealth Management, discovered in a new study of more than 3,300 respondents, "Widownood and Money: Resiliency, Responsibility, and Empowerment."

Three-quarters of the married couples we surveyed say they would not be financially prepared for retirement if their spouse passed away. In addition, the majority of widows and widowers say they didn't have a financial plan in place for what would happen if they became widowed.

Our research shows that the majority of widows and widowers (64%) who had not done any planning were burdened by worries about supporting themselves financially while dealing with their grief. That problem is particularly pronounced among women.

—Ms. Dychtwald is an author and co-founder of Age Wave, a think tank and consultancy.

The Experts are industry and thought leaders who write on topics of their expertise. You can read this full blog post and others at WSJ.com/Experts.

JOURNAL REPORT | WEALTH MANAGEMENT

Can Bitcoin Become a Dominant Currency?

Bitcoin turns 10 at the end of the month. And over the past decade, there has been no shortage of headlines about the inevitable rise—or the inevitable fall—of it and other cryptocurrencies.

Along with all the talk came a meteoric increase in bitcoin's price, culminating late last year. Bitcoin's price soared nearly 1,332% in 2017, hitting a high of \$19,783.21 on Dec. 17. Since then, however, bitcoin's price has plummeted more than 66% to around \$6,436, as of Oct. 19.

The price gyrations have come as the cryptocurrency is getting increased scrutiny.

In August, the Securities and Exchange Commission

rejected nine proposals for bitcoin exchange-traded funds. Before that, the SEC rejected, for a second time, a bitcoin ETF proposed by entrepreneurs Cameron and Tyler Winklevoss. Getting approval for a bitcoin ETF could go a long way toward helping the crypto market attract mainstream retail investors, but the SEC has concluded that there isn't enough transparency in the cryptocurrency markets to be sure prices aren't being manipulated. The Wall Street Journal recently reported how bots are manipulating the price of bitcoin on crypto exchanges.

A report from the New York Attorney General's of-

fice in September shared some of the SEC's concerns.

Meanwhile, Fidelity Investments announced last week that it will store and trade digital currencies, including bitcoin, for hedge funds and other professional investors. And bitcoin is a hit in developing and frontier markets—where the cryptocurrency is often viewed as a haven from political and economic turmoil and a way of navigating financial obstacles, including a lack of conventional banking services.

Amid all this, the debate over the long-term prospects for bitcoin as a viable and dominant currency continues.

YES

There's a Need for Alternatives to Today's Currencies

BY LISA ELLIS



BITCOIN, approaching its 10th birthday on Oct. 31, is having a tough 2018. As of late October, the price of the cryptocurrency is down about 54% year to date, and has not cleared \$10,000 since early March. And it has suffered a series of rejections and delays by the Securities and Exchange Commission in attempts to launch bitcoin ETFs.

The 2018 setbacks are, in my view, the normal growing pains of a developing technology, and bitcoin will prevail. The cryptocurrency has a long-term role in society as a universal, alternative currency—functioning both as a medium of payment and store of value, in economies where the fiat currency is unstable or subject to manipulation.

First, the need, and demand, for an alternative to fiat currency exists. Data from the International Monetary Fund's World Economic Outlook show that 50% of the world's population lives in one of 98 countries that have had at least one year in the past 10—since bitcoin has existed—when inflation was above 10%.

In countries with high inflation, or an otherwise unstable fiat currency, people can't trust that the government-backed fiat currency will hold its value, and they seek an alternative, such as gold, traditionally. I believe bitcoin will fill this need in the future.

Consumer-payments companies, such as Visa, Mastercard, PayPal and Alipay, are working to digitize cash in order to drive out corruption and improve global financial inclusion. But even they are reliant on the stability of the underlying fiat currency. As bitcoin emerges as an alternative to unstable fiat currencies, I believe you'll be able to make a transaction on a credit card in bitcoin, just as you can today in dollars, euros, yen and other currencies.

Bitcoin enables secure, arm's-length transactions between two unknown parties, the bar required to function as a payment system. And bitcoin is decentralized and open-source, enabling it to morph and adapt to usage requirements organically.

Bearish views on bitcoin rarely argue with these design characteristics, however. They typically focus on current limitations, arguing that bitcoin will never achieve the requisite level of stability, transaction capacity, security, ubiquity of merchant acceptance, governmental blessing, and trust to function as an alternative currency and payment system.

Slowly but surely, though, bitcoin is addressing these limitations. Some examples:

◆ **Stability:** The December 2017 launch of bitcoin futures on the Cboe and CME enables short selling of bitcoin, which is essential to reducing volatility over the long term.

◆ **Capacity:** An oft-quoted statistic by bitcoin bears: The bitcoin network processes only seven transactions a second, while the Visa network, for instance, does about 65,000. So,

bitcoin is not usable for making payment transactions day-to-day, because the system can't handle the volume.

This is currently true, but keep an eye on the nascent, but promising, Lightning Network initiative, currently in test mode. If it is successful, bitcoin's processing capacity would jump to thousands of transactions a second, making the system much more viable for making payments.

◆ **Security:** Perhaps the biggest Achilles' heel of bitcoin is security. Not security of the network itself. Rather, securely storing the cryptocurrency so it can be readily accessible, while still safe from hackers. It's a tricky one, hence the recent high-profile crypto heists (e.g., Coincheck, Coinrail).

Progress is being made, however: Dozens of offline hardware wallets custom-designed to enable individuals to securely (and anonymously) store cryptocurrencies are available on Amazon for less than \$100. Earlier this year, Noble Bitcoin launched a fully-insured cryptocurrency custodian service, using a Texas-based cold storage location that already houses gold, silver and platinum.

◆ **Merchant acceptance:** Dozens of bitcoin merchant processing services, which enable merchants to take bitcoin, already exist (BitPay, BitPOS, Coinbase, etc.). While low today, as consumer demand and comfort with the system grow, merchant acceptance will naturally follow.

◆ **Governmental blessing:** Despite the theoretical threat it poses to fiat currencies (such as limiting a government's ability to enact monetary policy), few countries outright ban bitcoin. Many major countries—including the U.S., Japan, Australia and many in Europe—are sorting through how to appropriately classify it: a commodity vs. currency vs. security. This classification, I believe, will establish the regulatory and legal frameworks for cryptocurrencies, which then will enable secondary services, like insurance, which help build consumer trust.

While the price of bitcoin is having a tough 2018, quietly, in the background, the bitcoin system is making steady progress toward becoming a viable, universal alternative currency.

Ms. Ellis is partner and senior equity analyst at MoffettNathanson LLC, covering payments, processors and IT services. Email her at reports@wsj.com.

Crypto Crash?

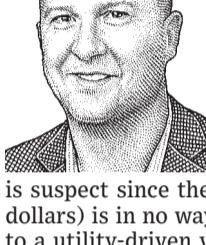
Bitcoin's price is down more than 66% from its December 2017 high.



NO

Speculators May Use Them, but Not the Average Consumer

BY TIM SWANSON



HOW COULD we measure the domination of cryptocurrencies? Many vocal enthusiasts point to their hypnotic price action.

Yet the total notional valuation of bitcoin and other cryptocurrencies is suspect since the value (measured in U.S. dollars) is in no way related, or attributable, to a utility-driven value.

In other words: The price is not related to its use.

While they will likely continue to find their place in portfolios of speculators and already-wealthy investors, the current crop of cryptocurrencies like bitcoin is not designed to meet the usability expectations for the average consumer. And that's on purpose.

Bitcoin was trying to solve a problem in allowing unidentified participants to send "electronic cash" to other unidentified participants on a payment network that provided no insurance, customer support or means of recourse. But most consumers who could potentially obtain cryptocurrencies live in an environment where the identities of participants are known and where legal recourse is expected. Consequently, cryptocurrencies aren't really solving an existential problem in their life.

A recent analysis from Chainalysis, which aggregated payment activity of the 17 largest coin-payment providers, found that the bitcoin blockchain processed about \$70 million in payments for the month of June. A Morgan Stanley note from last summer found that merchant adoption is virtually zero.

In practice, since most coin owners typically accrue coins as speculators, it probably doesn't matter if merchants' support for coin payments grows in the future. These speculators typically already have access to other

forms of payment that they use instead.

While many proponents are keen to say bitcoin users can be their own self-sovereign bank, in practice most users still deposit their coins in a trusted intermediary like an exchange. According to Chainalysis, last year more than 80% of transactions on a blockchain such as bitcoin used a third-party service.

This means that a majority of coins are now being housed in centralized locations, coin exchanges and custodial wallets—where the private key for controlling coins is managed by a trusted third party—instead of physically spread across the entire user base. Because of these large concentrated coin holdings, to date, all but a handful of the major cryptocurrency exchanges and wallets have been compromised, some more than once. And victims typically have no recourse.

Many bitcoin enthusiasts also argue that bitcoin can enable secure, arm's-length transactions. But bitcoin has been around for nearly 10 years and the cryptocurrency still sees less daily user activity than Venmo, Square Cash, WeChat Pay and other mobile-payment platforms that are neither open source nor decentralized.

As a result, over the past several years a number of vocal promoters have attempted to switch the narrative—promoting cryptocurrencies like bitcoin as functioning the way gold traditionally has. But this is revisionist history. If functioning as an electronic form of gold—not an electronic form of cash—was the original goal, the design of cryptocurrencies would have allowed for an elastic money supply. But at the moment, there is a fixed amount of bitcoins that can be created.

And the headline prices we saw last year? A couple research notes, including ones by JP Morgan and Citi, estimated that less than \$10 billion of real money from investors actually moved into all cryptocurrencies last year. Since then, retail investors likely have been tapped out, hence the price decline following the peak of the price bubble in December and January.

The Federal Reserve estimates that in aggregate, all of the payments, clearing and settlement systems in the U.S. process about 600 million transactions a day (valued at about \$12.6 trillion). Bitcoin confirms about 300,000 transactions a day, the aggregate value of which is dubious and a matter of debate since it can be difficult to slice the data.

Another continuing challenge is that cryptocurrencies support a form of price discovery for a virtual coin that is typically measured by regulated sovereign currencies. This is potentially problematic because the futures contracts for bitcoin in the U.S. are settled in dollars, instead of delivering the underlying bitcoin. To settle a contract in a professional market against a price index constructed over and derived from a quasi-regulated retail market is an open invitation for all sorts of shenanigans.

The Securities and Exchange Commission continually highlights that this chronic lack of transparency and surveillance does not protect investors. It's why there are still no bitcoin ETFs.

As measured in real money, the coin bubbles will likely inflate and deflate over the coming years, but it is unlikely that cryptocurrencies like bitcoin will become the dominant form of payments for mainstream users.

Mr. Swanson is founder and director of research at Post Oak Labs. Email him at reports@wsj.com.

THE GAME PLAN

TWO TEACHERS IN DEBT

BY LISA WARD

Amber and Brian Spradlin are public-school teachers in Choctaw, Okla. They love their jobs, but living on two teachers' salaries hasn't been easy—especially with two boys, ages 5 and 9.

The couple have turned to credit cards to cover expenses and, as a result, have racked up a considerable amount of debt.

But now that their youngest child is in kindergarten—and they no longer need to pay \$600 a month for day care—the Spradlins' cash flow has improved. So, the couple is hoping to get a better handle on their expenses.

"We want to get out of the hole," says the 36-year-old Ms. Spradlin, adding that getting through the early-childhood years was very challenging.

Ms. Spradlin, a sixth-grade teacher, earns nearly \$44,000 annually. She also is president of her school's teacher association, which pays an additional \$1,500 a year. Mr. Spradlin, 37, teaches

computers in high school, earning \$47,000 annually. Additionally, he coaches three high-school sports teams and coaches over the summer, bringing in \$6,700 extra.

They have a \$105,000 mortgage on their home, for which they pay \$1,100 a month. The property is valued at \$133,000, they say.

The Spradlins have \$7,000 in savings. Through work, they each contribute \$225 monthly to an annuity retirement fund and estimate they have saved about \$15,000 so far.

They also pay 7% of each paycheck into a pension fund. In addition, the couple has automatic paycheck deductions of about \$1,800 a month for health, life and other insurance.

They own one car and pay \$500 monthly for a second; the balance outstanding, which they expect to pay off by December, is \$1,733. Ms. Spradlin also has a \$5,000 student loan and pays \$101 monthly.

But, it's the credit-card debt that really has them worried.

They have a balance of \$36,700 among seven cards. The largest balance is \$10,380; the smallest is \$3,500. Interest rates range from 5%

to 15.4%. They pay about \$880 a month. Of that, \$250 is used to pay more than the minimum payment.

Advice from a Pro: Judy Raffa, a certified financial planner and a regional director at PNC Wealth Management in Philadelphia, says the couple can eliminate debt and build up their savings within three years if they're organized and focused. "They need to put together a plan."



With a strategic plan, the Spradlins could pay off debt in three years.

SHERIE SMITH

Ms. Raffa suggests they start by reallocating the \$600 a month they were spending on day care to cutting debt and building up an emergency fund of three to six months of expenses. Once they pay off the car, they can add \$500 more a month to their efforts.

"They should work toward both goals concurrently," Ms. Raffa says, by splitting that \$1,100 between the emergency fund and the debt.

When it comes to the credit-card debt, the Spradlins should take a systematic approach by starting to pay down the card with the highest interest rate first. The couple also could look into consolidating debt onto a low-interest or no-interest card.

Ms. Raffa says they need to look closely at their budget, examining bank and credit-card statements. The idea is to see if there are any recurring expenditures that can be cut. Ms. Raffa recommends using an online tool, like Mint, or just putting every expense into a spreadsheet.

The couple also needs to make sure they have adequate life and disability insurance, Ms. Raffa says. If something happens to either of them, they will need to replace the income, especially with two small children. They might want to look into buying a term life insurance policy to supplement the coverage they get through their employer.

Finally, Ms. Raffa suggests that Ms. Spradlin look into whether her occupation and student loan qualify her for the federal Public Service Loan Forgiveness program.

"If the couple stays dedicated and applies the new cash flow toward their goals, Ms. Raffa says, 'they are likely to see real progress.'

Ms. Ward is a writer in Mendham, N.J. Email her at reports@wsj.com.

JOURNAL REPORT | WEALTH MANAGEMENT

When One Spouse Handles Finances

Having only one person knowledgeable about the financial details is a recipe for disaster. But there are ways to bring the less-informed spouse up to speed.

BY VERONICA DAGHER

TOO BUSY, bored or confused. These are just some of the reasons a spouse may not be interested in learning about his or her family's financial plan. All understandable—and all potentially very costly.

Ellen Kamp knows this firsthand. She often worked 12-hour days as a corporate trainer on Wall Street and was the primary breadwinner for her family. Her husband, Eric, who worked from home as a freelance photographer, managed the household and the couple's investments.

"Eric and I called it 'division of labor,'" she says.

Mr. Kamp handled all of the interactions with their broker. Then he died unexpectedly, in 2006, and Ms. Kamp had to start managing the couple's account and working directly with the adviser. "I had to learn about investing at the worst

possible time," she says. Making matters worse, she didn't like the adviser. She eventually found a new one, learned more about personal finance and co-founded a group, the W Connection, that helps widows rebuild their lives.

Today Ms. Kamp urges spouses to take a more active role in their investments—and make sure they're comfortable with all of the family's advisers. If they're not, she says, they should switch and know that they won't be betraying the legacy of their late spouses.

While men or women may need to learn more about investing, studies conducted by financial-service companies have found that despite women's gains in education and pay, many wives are still abdicating financial decisions to their husbands. According to a recent UBS report, 56% of married women still leave investment decisions to their husbands. Among millennial women,

which the study identified as born between 1980 and 1996, some 61% of those who are married leave these decisions to their husbands. This lack of investment know-how is especially problematic as women are controlling more wealth and are likely to divorce or outlive their husbands.

What follows are some approaches advisers and spouses have used to get the less-interested partners more interested in, and skilled at, managing their investments and other finances.

Lesson plan

Sometimes the spouse who tends to manage the finances will try to teach the less-engaged spouse. This works sometimes—but the knowledgeable spouse has to tread carefully.

Ann Minnium, a financial planner in Scotch Plains, N.J., says one of her clients created a lesson plan for his previously uninspired wife. The husband made an outline of topics to cover, then created four lessons which would take an hour each to complete. Lessons included the basics of investments, insurance and wills.

After each lesson, they went out to dinner—without the children—to a restaurant of her choosing. The approach worked. While the wife has said she is happy to let her husband continue to manage the couple's finances for as long as he is able, she is ready to step in if something were to happen to him, Ms. Minnium says.

Ms. Minnium says she also knows of a wife who holds quarterly money dates with her husband at his favorite restaurant. Before dinner, she leads the couple in a review of their investment accounts and encourages her husband to ask questions, no matter how basic.

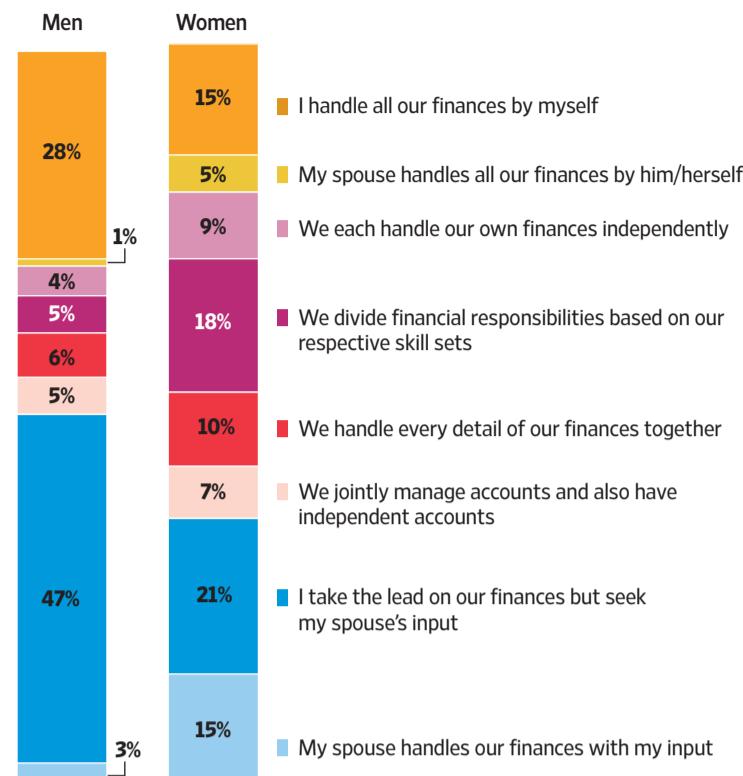
Don't get frustrated

In cases where just one spouse handles the finances, and knows the subject well, it can be frustrating when the other spouse resists getting involved or has a hard time grasping it. And that frustration can backfire. The worst way to get an uninterested spouse involved is to force them to attend meetings with financial advisers and then ask things like: "Do you understand what he/she just said?" says Rocklin Senavini, a financial planner in Little Rock, Ark. Such comments, while said out of frustration, can sound condescending.

In addition, phrases such as, "You have to learn this, you will be managing all of this on your own one

Financial Arrangements

How men and women view the division of labor with their finances



Note: Among couples who are married or in a partnership
Source: U.S. Trust Insights on Wealth and Worth 2018

THE WALL STREET JOURNAL.

gradually teach him about various investment vehicles such as stocks and exchange-traded funds.

Allow time

Simply making sure financial advisers send materials such as a couple's financial statements a day before client meetings can help boost an uninvolved spouses' engagement, says Carol Schleif, deputy chief investment officer at Abbot Downing, an asset manager and financial-planning firm based in Minneapolis.

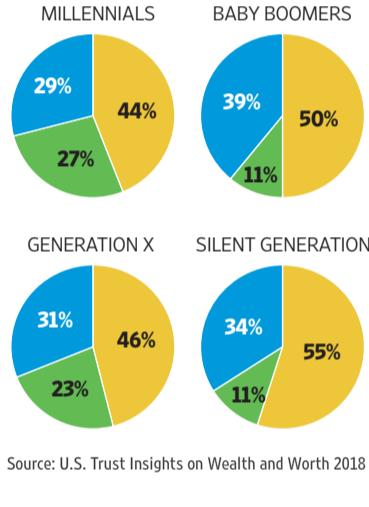
Doing so may give the spouse time to absorb the information beforehand so they can prepare and formulate questions. "They may be less likely to ask questions during the meeting if they feel put on the spot," she says. Letting a less-active spouse schedule the meeting and take the lead in asking questions can also give them a greater sense of confidence, advisers say.

Ms. Dagher is a reporter for The Wall Street Journal in New York and host of the Secrets of Wealthy Women podcast. Email: veronica.dagher@wsj.com.

Talking the Lead

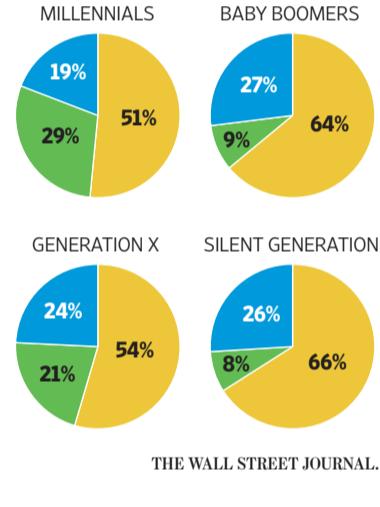
Women lead or equally make decisions about household finances, but men continue to dominate investment decisions

Dominant household financial decision maker



Source: U.S. Trust Insights on Wealth and Worth 2018

Dominant investment decision maker



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JOURNAL REPORT | WEALTH MANAGEMENT



Lawrence Benenson, in his personal gallery in Greenwich, Conn. (left), bought his first piece at age 27. Agnes Gund (below) says she had a kind of buyer's remorse with her first purchase, an abstract bronze.

\$2,500. All three artists are early 20th century American modernist painters.

Mr. Farber says he knew nothing about art at the time, "only that I had to buy things at the lowest possible price," something he picked up in real estate.

That first purchase, with so little thought put into it, made Mr. Farber realize that he needed to learn something about art if he was going to get more enjoyment from his purchases. To learn more, he started going to galleries on Saturdays, figuring out "what I could and could not afford, and, more importantly, developing my eye."

Relatively inexpensive purchases of well-respected artists are all well and good, he says, but "you want to know who these artists are, if these are good examples of their work and if the prices being asked are fair or not."

Mr. Farber still owns the Soyer. Today, he and his wife, Patricia, focus on contemporary Cuban art, with a collection of some 200 pieces.

Buy what speaks to you

The first art Grant Hill bought was a framed print by Ernie Barnes titled "Duke Fast Break." Mr. Hill, an NBA and college-basketball legend, says he made the \$30 purchase in 1993 at a gallery in Durham, N.C., to decorate his apartment during his junior year at Duke University.

Mr. Hill's mother had a few pieces by Barnes, an African-American artist. His parents both collected works by African-American artists.

Mr. Hill says the print is still in the cheap frame it came in. "I'm still very proud of that print," he says. "It has basketball, it is by an African-American artist and it was Duke. It was the easiest and certainly the cheapest acquisition I ever made."

It taught him that collectors shouldn't "get caught up in the big purchase and the big names," he says. "You find what speaks to you at any price point."

Over time, Mr. Hill has learned about art by listening to others, and has developed his eye, he says. His collection now numbers close to 150 pieces, mostly by African-American artists, and is kept in storage.

Be methodical

Real-estate developer Eli Broad no longer owns his first art purchase—an 1888 drawing by Vincent van Gogh titled "Cabanes à Saintes-Maries," which he bought at Sotheby's in 1972 for approximately \$90,000. In 1983, he traded the drawing for an untitled 1954 painting by American painter and graphic artist Robert Rauschenberg. Mr. Broad and his wife, Edythe, wanted to "move into contemporary art," he says, away from the Post-Impressionist and Modern works she had been purchasing before he became interested in collecting.

Mr. Broad says his van Gogh purchase wasn't spontaneous. His wife's collecting approach had taught him to be methodical. They visited galleries and museums, asked questions about art and the art market, perused auction catalogs and compared prices. His first acquisition showed him the importance of doing your homework so that you are prepared before taking any action. "We wanted an important work by van Gogh," he says. "I looked at other available van Goghs and thought that this was the best on the market."

Today, the more than 2,000 artworks the couple has collected are on display in the Broad, a museum they founded in Los Angeles in 2015.

Mr. Grant is a writer in Amherst, Mass. Email him at reports@wsj.com.

ART COLLECTORS REMEMBER THE FIRST TIME

An initial purchase has sentimental value far beyond the actual price. It also offers lessons for future investments.

BY DANIEL GRANT

SOME COLLECTORS find their first piece of art by chance. They walk past a gallery and something catches their eye. Others may use a methodical approach, or just buy what a professional tells them they should.

Regardless of how it was acquired, a first piece often holds more sentimental than monetary value. And it is an entry into more serious collecting that comes with a host of lessons.

"Many times, collectors have sentimental attachments to their first acquisitions, and they have a strong desire to keep them, perhaps to remind themselves of where they began, or of a particular time in their lives," says Megan Fox Kelly, an art adviser New York City.

Here's a look at the first purchases of a few major collectors—and what it taught them.

Buy what you really want

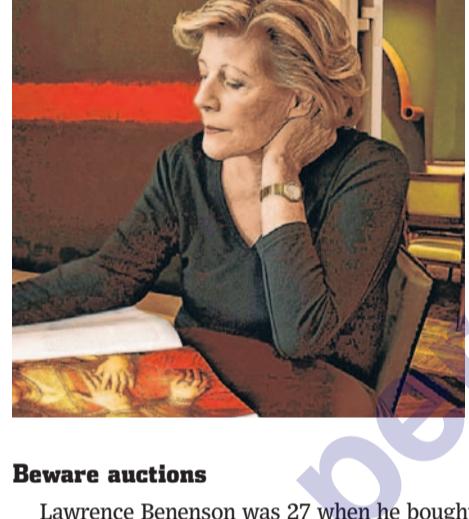
Steven Guttman, founder and chairman of art storage company Uovo, began collecting with a lithograph by Bolivian painter Graciela Rodo Boulanger. Mr. Guttman, now 72, was a 26-year-old law student at the time and says he paid "probably \$100" for the piece. While he doesn't recall much else about it, something he remembers distinctly is the feeling that he was "being sold this lithograph more than I actually wanted it."

He has no idea where it is now.

The lesson Mr. Guttman learned was twofold: Don't buy something that doesn't excite you, but don't lose your head either.

The art world is very social, and sometimes even seasoned collectors get caught up in the moment.

For example, "people go to an art opening," Mr. Guttman says, "they have some wine, and start feeling happy and relaxed. Next thing you know, they're buying something they haven't taken the time to truly consider."



what you do or don't want. At auction, it must be a specific thing you want."

Living with art

Agnes Gund, a past president of the board of trustees of the Museum of Modern Art and current chair of MoMA PSI, the Modern's contemporary art outpost in Long Island City, recalls experiencing a kind of buyer's remorse after her first purchase of an art work. It was a Henry Moore sculpture "that I very quickly donated to the Cleveland Museum of Art" in 1970, she says.

She bought the 35"-high abstract bronze, titled "Three-Way Piece No. 2: Archer," for around \$40,000 and remembers feeling "very uneasy spending so much money." Safety was another concern, Ms. Gund says, since "my children, when they were younger, used to get on it and ride it, and I thought that wasn't the best thing for this work" or the children.

Ms. Gund was born in Cleveland and periodically goes back there, including quite recently. "I saw the Moore on display at the museum, and I thought it looked very nice," she says. "It's a very appealing sculpture."

Ms. Gund over time developed a taste for "living with objects that I love." She adds: "After you've bought your first work, it becomes easier."

Knowledge is everything

One day in 1972, Howard Farber, a commercial real-estate developer in New York City, decided he just wanted to buy something. That was his start in collecting. He was walking past Sotheby's and saw a sign for an auction of American art that day. "I would have gone in, even if it had been old masters or contemporary," he says. "It could have been medieval armor; I might have bought that."

He bought two drawings—one by John Marin for \$500 and a Stuart Davis for \$1,000—and an oil painting by Raphael Soyer for

Beware auctions

Lawrence Benenson was 27 when he bought his first artwork, a pen-and-ink drawing of a woman by 18th century painter George Romney. Mr. Benenson acquired the piece for \$1,991.81 in a 1994 auction of old masters at Christie's.

"I liked it," says the executive vice president of real-estate company Benenson Capital Partners.

But he didn't like it enough to take it home; he took possession of the piece only after five years, he says, when "Christie's changed the storage rules."

Mr. Benenson says that while he still owns the drawing, the purchase helped him to develop his preference for buying art from dealers and galleries, where he can take his time, ask questions and really study a particular piece or artist.

"If you go to a gallery, you can see different examples of an artist's work and learn a lot more," he says. "You have more time to decide

Protect Your Assets—After Your Death

Estate planners say there are ways to make sure that what you leave behind is what your heirs will get

BY CHERYL WINOKUR MUNK

PEOPLE USUALLY take great pains to protect their assets from would-be thieves during their lifetimes. But they don't always give a lot of thought to safeguarding their estates from interlopers after death.

Estate-planning experts say it is important that individuals put certain safeguards in place while they are still alive—and to instruct heirs to institute protective measures posthumously. While nothing is full-proof, here are a few steps that can offer an added layer of protection.

Checks and balances

In most cases, experts recommend naming two or more executors to make sure that the deceased's property is collected properly and distributed appropriately. Such an arrangement ensures there is more than one set of eyes involved in coordinating the deceased person's financial life, says Lynn Halpern, senior fiduciary counsel at Bessemer Trust.

Families with complicated assets might consider hiring a professional to be the second executor as an added safeguard. Costs for these services can vary depending on the will, the estate and the corporate executor se-

lected, Ms. Halpern says.

Experts also recommend naming two or three trustees to invest and distribute any assets held in trust. From a cost and simplicity perspective, many people choose to name only one trustee, but there can be a downside to doing this.

"Any time you name one person who can act with autonomy, you increase the level of risk," says Bob Wyche, partner and managing director at **Waldron Private Wealth**, a registered investment adviser in Bridgewater, Pa. While naming multiple trustees doesn't guarantee thievery won't occur, it lessens the likelihood, he says. "It's just another system of checks and balances because you can't do anything unilaterally."

It's common for individuals to name the attorney who drafted their trust as the sole trustee, but Mr. Wyche discourages this setup. If a lawyer is simply drafting documents, he or she doesn't have access to the funds. But if the attorney has sole authority over the assets, the risk of trouble rises, he says.

If people want to use their attorney as trustee, he suggests they at least name a co-trustee. It could be a family member who is familiar with the deceased's wishes, or a professional, corporate trustee.



Before picking a family member as co-trustee, make sure he or she understands the responsibilities that come with the job—and has enough financial knowledge to identify when someone might not be acting in good faith. "It may not always be clear to [individual family members] where the line is," Mr. Wyche says.

With an institutional trustee, families will receive more frequent statements, and there is typically oversight from a corporate level to ensure no one individual acts inappropriately, experts say. But such services can be pricey.

Generally speaking, families should expect to pay about 1% of assets for institutional trustee commissions. This fee may be more or less, depending on factors such as applicable law, the family's assets and the trust company. Separate investment man-

agement charges may also apply.

Still, for some families it may be worth the added cost. "If you have a corporate trustee and pay attention, you'll be unlikely to miss something," says Jessica M. Warren, an estate-planning and probate attorney with Warren & Lewis in Austin, Texas.

Another tactic for safeguarding assets held in the trust is to add contingencies to the will, such as requiring an annual accounting from trustees to beneficiaries or their guardians. Most corporate trustees are forthcoming with information, but private trustees generally don't do it unless a beneficiary requests the information, says Janis Cowhey, a partner at Marcum LLP, an independent public accounting and advisory services firm. "If they know the cookie jar is being watched," she says, "it can take away temptation."

Safeguarding tangible assets

When it comes to protecting an estate, families are usually focused most on intangible assets such as bank or brokerage accounts. But Doug Schneidman, a trust and estates partner at **Sullivan & Worcester** in Manhattan, urges clients to also think about protecting tangible assets such as jewelry and artwork that can be at risk if there's unfettered access to the deceased person's home.

Mr. Schneidman advises clients to maintain an updated inventory of the assets in their home and take pictures. Having such a list helps heirs know what's there, and it helps prevent people from stealing things heirs don't know about.

Even if some of the items are insured and accounted for elsewhere, it helps to have everything listed in one place, he says.

Keep the list in a protected place, such as an attorney's office, with a financial adviser, in a house safe or with a child who is going to be the executor of the estate.

The moment someone dies, relatives close to the decedent should secure the apartment or home and quickly take an inventory of the assets, Mr. Schneidman says. He also recommends families severely limit access to the home going forward.

"Many people manage their assets carefully while they are alive; they need to make sure that after they pass away that the goals they worked so hard to achieve are actually accomplished," says Ms. Halpern of Bessemer Trust.

Ms. Winokur Munk is a writer in West Orange, N.J. You can email her at reports@wsj.com.

JOURNAL REPORT | WEALTH MANAGEMENT

BY JEFF BROWN

FIDELITY INVESTMENTS recently escalated the cost-cutting wars among index-fund giants such as **Vanguard Group**, **Charles Schwab Corp.** and **State Street Corp.** by launching four index funds that charge no management fees.

The zero-fee funds are the latest salvo in a years' long price war among fund firms seeking to attract cost-conscious investors who have been flocking to plain vanilla funds that track indexes like the S&P 500, instead of spending big money on funds run by hotshot managers.

But the race to zero has also left some investors wondering: In a world where fees are so low already, should cost be the most important factor when choosing among funds that track the same index?

Investing experts say funds tracking the same index aren't necessarily clones, which is why investors shouldn't base their buying decisions on fees alone. Indeed, some funds do a better job mirroring the returns of their underlying index than seemingly identical peers, and the reasons for that can be found under a fund's hood. Practices such as sampling (when a fund holds a sample of securities in an index rather than fully replicating it), use of derivatives, turnover, tax management and securities lending can lead to different results among funds tracking the same index. Details on fund policies are available from research firms such as Morningstar Inc. and in fund disclosures, such as the prospectus.

"Just because a fund calls itself an index fund doesn't mean it will have exactly the same holdings as the benchmark," says Andy Kapyrin, partner and director of research at wealth-management firm RegentAtlantic in Morristown, N.J. Some do strive to own all the securities in the underlying index, some choose a representative sample that may allow for "small differences," he says.

Reality check

Fees, or "expense ratios," are a percentage of the investor's holdings charged for managing the fund. While investors pay about 0.6% on average for actively managed funds, index funds typically charge less than 0.1%, according to industry trade group Investment Company Institute. Index investors pay less be-

How to Select An Index Fund

It isn't just a matter of picking the one with the lowest costs. There are plenty of other factors to consider.

Cost Matters

About nine in 10 mutual-fund owning households consider fees and expenses when selecting investments.



Source: Investment Company Institute Annual Mutual Fund Shareholder Tracking Survey

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cause they are content to match market gains rather than taking bigger risks swinging for the fences.

At the end of 2017, 37% of all assets in U.S. mutual funds and exchange-traded funds were in index funds, up from 3% in 1995 and 14% in 2005, according to the Federal Reserve Bank of Boston.

Low fees are such a big selling point that fund firms have engaged in a price war. This summer, Fidelity launched four zero-fee funds: **Fidelity ZERO Large Cap Index** (FNLIX) and **Fidelity ZERO Extended Market Index** (FZIPX), **Fidelity ZERO Total Market Index** (FZROX), **Fidelity ZERO International Index** (FZILX). Already, the funds have amassed close to \$1.5 billion in assets, according to Morningstar.

But that doesn't necessarily mean investors should dump similar index products they have already. Daniel Kern, chief investment officer at TFC Financial Management in Boston, recommends a reality check.

"The difference in cost between Fidelity's ZERO Total Market Index fund and competing funds offered by Schwab, **BlackRock Inc.'s iShares** and State Street is 0.03%," he says. "For someone investing \$10,000, the cost savings amounts to only \$3 a year," he says. "The tax and/or trans-

action costs associated with switching from an existing index fund holding would be far higher than the cost savings for many consumers."

Even if the fund is held in an IRA or 401(k), and thus protected from immediate taxes on gains after a sale, there is no guarantee the cheaper fund will do better. Derek Hagen, founder of Hagen Financial in Minneapolis, says that, in addition to looking at return data, fund shoppers should look at "tracking error," a gauge of how well a fund mirrors the performance of its index.

"Ideally, you would like to see the fund have tracking error that is less than or equal to the expense ratio," Mr. Hagen says. That would mean the error is caused by the expenses and not some mismatch in the fund's holdings and the index.

Tracking error can arise from various factors, like a fund owning just a sample of securities in the index or employing options or futures contracts to stand in for hard-to-trade securities. Small and foreign stocks and bonds, for example, may be expensive to buy and sell due to large spreads between bid and asked prices, so a sample or derivative may be used instead.

Funds tracking broad stock-market indices like the S&P 500 rarely

have trading problems, but funds that track indices of foreign stocks or smaller companies can deviate from the value of the underlying holdings," Mr. Kapyrin says.

He says ETFs, which trade like stocks, typically track their indexes very well, but that investors should be wary of those with a large bid/ask spreads, caused by differences in supply and demand. A large spread means you are paying more than what you could get if you wanted to sell the fund immediately.

Turnover's effect

Tracking error also can be enlarged by turnover, or the percentage of a fund's total value that changes hands each year due to investor purchases and redemptions. Lots of redemptions force the fund to sell assets to pay the departing shareholders. This can increase a fund's costs and result in poor timing, such as buying when prices are up and selling when they're down.

For investors using taxable accounts, sales of profitable assets to meet redemptions can trigger tax bills on profits paid out to shareholders in year-end distributions. For these shareholders, the index product with lower turnover would generally be best. (Redemptions aren't an issue with ETFs because investors who get out simply sell shares to other investors, and the fund company doesn't have to sell holdings to raise cash.)

Some funds try to curb turnover by prohibiting investors from buying shares soon after selling them. Long-term investors might value that.

And some fund managers strive to reduce the gains booked in these forced asset sales by selling the assets purchased at the highest prices. That's possible because index funds must buy and sell the same securities over and over as investors move money in and out, so different blocks are purchased at varying prices.

Mr. Hagen says some fund managers offset expenses and reduce tracking error by lending securities for a fee to short sellers.

"Securities lending is a source of revenue for many index funds," Mr. Kern says. Details on lending can be found in the fund's Statement of Additional Information (SAI), he says.

Mr. Brown is a writer in Livingston, Mont. You can email him at reports@wsj.com.

EXPERTS' VOICES

MADDY DYCHTWALD



Cost of Helping Your Adult Children

Today's parents continue to serve as the "family bank," with 79% of parents whose oldest child is 18-34 providing them at least some financial support, according to a survey of more than 2,500 parents of children of all ages that my firm, Age Wave, conducted in partnership with Merrill Lynch Wealth Management.

This support can range from big-ticket items to supplementing everyday.

When emotions and finances become intertwined, parents often choose their children over themselves. In fact, 82% of parents we surveyed say they would make a major financial sacrifice for their adult child, most notably pulling money out of saving accounts (50%) or living a less-comfortable lifestyle (43%).

Parents contribute a total of \$500 billion annually to support or supplement their adult children, according to our calculations.

—Ms. Dychtwald is an author and co-founder of Age Wave, a think tank and consultancy.

The Experts are industry and thought leaders who write on topics of their expertise. You can read this full blog post and others at WSJ.com/Experts.

THE GAME PLAN

HE WANTS TO RETIRE IN FIVE YEARS. CAN HE?

BY CHRIS KORNELIS

John Bogen, 56, of Bremerton, Wash., retired last year after a 30-year career in police work. He now collects a pension and teaches criminal justice at a local technical skills center. In five years, he would like to be completely retired.

But there's a catch. He has fallen in love with a woman who is further from retirement than he is. He and Iva Dlouhy, 46, will marry at the end of the year. Ms. Dlouhy, an assistant superintendent in the local school district, isn't sure when she wants to—or can afford to—retire.

She has 18 years with the district and her salary will be roughly \$180,000 at the end of the year. When she retires, her annual pension will be 1% of her highest average salary during any five consecutive years, times the number of years served. She has the option to

contribute to a retirement account but can't collect her full retirement benefits until she is 65.

Mr. Bogen has three children in college, whom he helps with 529 college-savings accounts. Ms. Dlouhy has a 12-year-old daughter with a fully funded 529, as well. Mr. Bogen makes about \$60,000 a year teaching and collecting rent on several properties he owns, in addition to a \$5,647-a-month pension, which is taxable. If he opts for the survivor benefit after he and Ms. Dlouhy marry, his monthly pension will drop to \$4,468 but will last as long as one of them lives.

A year ago, the couple put \$125,000 down on a \$705,000 home in Bremerton. Their house payment is \$4,000, but they pay \$4,500. Monthly expenses include: about \$700 on utilities and phones,



Iva Dlouhy and John Bogen have differing retirement timetables.

says, is to "build a bridge of income" until pensions and Social Security are fully available.

To start, Mr. Wride says, Mr. Bogen should apply for a whole-life or universal-life insurance policy. If he can get a roughly \$1.1 million policy for less than \$1,200 a month—the difference between what he currently draws on his pension and the survivor benefit—it would make sense for him to keep the current benefit and buy the insurance instead.

While still working, they should save as much as they can in retirement accounts offered at their jobs. He also would like to see them put as much as they can into IRAs at the end of each year and immediately convert them to Roth IRAs.

As for when they can both be retired, Mr. Wride says that if they max out the aforementioned retirement accounts and spend just \$20,000 more per year in retirement than they say they spend now, Ms. Dlouhy probably would be able to join Mr. Bogen in retirement, should she choose to, in six years. But working a couple more years would make it even easier.

Mr. Kornelis is a writer in Seattle. Email him at reports@wsj.com.

Morgan Stanley

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JOURNAL REPORT | WEALTH MANAGEMENT

A Better Way to Pay Credit-Card Debt

If consumers can choose to pay off specific purchases each month, they may end up carrying less debt

BY GRANT E. DONNELLY
AND MICHAEL NORTON

FOR MOST AMERICANS not able to pay off a credit-card balance, the most common choice at bill-paying time is to pay the minimum balance—an approach that keeps them treading water while the amount they owe increases.

We propose a different choice: Pay off specific purchases each month, such as a coffee from Starbucks, a pair of shoes or a gift for a friend, which then disappear from the bill. It may be a small amount, but it reduces the individual's debt incrementally, in bite-size portions that they can actually afford.

Nearly half of all U.S. households report holding unsecured debt from credit cards; for 2017 the Board of Governors of the Federal Reserve put the national balance of revolving credit card debt at a little over \$1 trillion. Repayment-by-purchase offers individuals a way to make progress toward reducing their debt instead of being paralyzed by the mass of what they owe.

We conducted a study with our colleagues Cait Lamberton at the University of Pittsburgh and Zoë Chance at the Yale School of Management, in which we gave cardholders a menu of payment options, in-

cluding repayment-by-purchase. Those who maintain a revolving balance on their credit card each month and those who are delinquent in repaying their credit-card bills showed the largest response to our intervention. (Consumers who regularly pay their credit-card balance in full each month continued to do so.)

Consumers paid upward of 15% more toward their debt when allowed to scan their statement and target specific purchases for repayment. Why does this work? Because it reduces the feeling that a statement is an endless sea of debts. It leads consumers to feel as if they are making real progress toward reducing their debt with each purchase paid off.

It was also interesting to us that people put essentials like groceries and utility bills before nonessentials like vacations, alcohol and dining out. This suggests to us that people feel more uncomfortable carrying a balance for basic living expenses than they do for extraordinary purchases. Previous research suggested that people would feel more inclined to pay off vacations because it's hard to enjoy a vacation you haven't paid for, whereas for durables like a washer-and-dryer combo it would feel all right to owe a debt because you enjoy the purchase over time. Our finding suggests that when picking among many items, people are drawn to the things they need vs. the things they wanted.

Repayment-by-purchase is a low-cost, practical intervention that changes consumers' relationship to their debt. In fact, **American Express** now offers the ability to do just this through their online services: large purchases are flagged with a "Plan It" option, but smaller purchases are flagged with a "Pay It" option—allowing consumers to experience the kinds of small wins that our research suggests can help them reduce their debt.

Dr. Donnelly is an assistant professor of marketing at Ohio State University. **Dr. Norton** is a professor at Harvard Business School. Email: reports@wsj.com.

Using Plastic

Snapshot of the average credit-card user

\$1,841

Average retail-card debt

\$6,354

Average credit-card debt

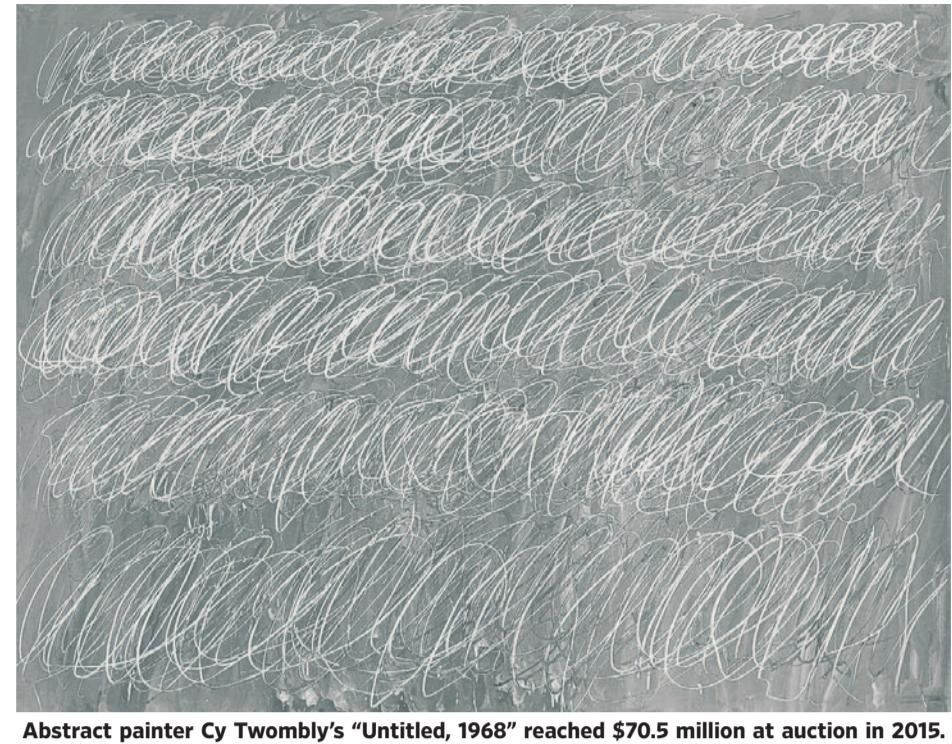
43%

Carry a monthly balance

29%

Pay off balance monthly

Source: Experian's State of Credit 2017
THE WALL STREET JOURNAL.



CY TWOMBLY FOUNDATION

Abstract painter Cy Twombly's "Untitled, 1968" reached \$70.5 million at auction in 2015.

Economics of Death and Art

The conventional wisdom says prices go up when an artist dies. Well, maybe not.

BY DANIEL GRANT

IT IS A morbid question, but one that many buyers of art ask: "If the artist dies, will the price of my artwork go up?"

The surprising answer: probably not. And in the rare instance that the prices do increase, it may take years to happen.

The assumption that the death of an artist will make his or her prices rise is based on the principle of scarcity: When an artist's production stops absolutely, assuming that demand remains the same, prices should increase, right?

That held true for abstract painter Cy Twombly, who died in 2011 at the age of 83. Before 2011, the highest auction price for a Twombly painting was \$8.7 million at Sotheby's in 2005. Auction prices following Mr. Twombly's death reached \$70.5 million for a painting at Sotheby's in 2015, and 14 other works have earned \$15 million or higher.

Mr. Twombly proved an exception for basically two reasons: "He was an underappreciated artist, and people really understood how few

works there were on the market," says Megan Fox Kelly, a New York City-based art adviser. "Prices went up and, if you wanted a Cy Twombly, get in line."

For lesser-known artists, the risk is much greater. Works by Chaim Gross, David Levine and Raphael Soyer, for example, were well-regarded during those artists' lives, says Robert Fishko, owner of New York's Forum Gallery, which represents the estates of the three artists. But after their deaths, values dropped 50%, Mr. Fishko says. "The availability of their art diminished."

So, why do values tend to fall when an artist dies? There are several reasons.

First, living artists can still have the potential to improve, to produce works that raise their reputation to the next level. Once they have died, they can only be judged by the works they have done, and their place in the context of art history, including whom in their own generation or later they have influenced. Most artists start to pale in those comparisons.

In addition, many artists are their own best salespeople, similar

to the way authors of new books these days are required to perform publicity tours. Once the artist is gone, the works may not sell as well—or at all.

Pressure can come from the demand side as well. There is often a rush to market of sellers convinced that the artist's death will lead to instantly higher prices. Instead, with the increased supply, prices tend to tank. If an owner of the artwork doesn't need to sell a piece, he or she may want to wait until prices stabilize or show an upward trend. This can take years.

Still, falling prices aren't preordained. How a late artist's estate is being run can have big impact on the prices of the artist's works. Collectors should watch for initiatives that would lead to a renewed appreciation of the artist's work. These can include loans and gifts of artworks to museums, sponsorships of exhibitions. Exhibits bring positive attention to an artist, dead or alive, and can be more promising times to consider selling that artist's work.

Mr. Grant is a writer in Amherst, Mass. Email: reports@wsj.com.

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JOURNAL REPORT | WEALTH MANAGEMENT



SAMANTHA ROSE

Paul Serini and daughter, Kerry McHugh, have worked together on their family foundation's board.

A Generational Divide at Family Foundations

As younger members join family foundations, they are bringing new ideas and approaches

BY VERONICA DAGHER

PAUL SERINI SITS on the board of a family foundation with his three adult children. The 59-year-old entrepreneur says he is happy his children express their views about how the foundation is run at their quarterly meetings.

Up to a point, that is.

"I'd be overselling you if I said I see my kids as peers," he says.

A clash of generations is taking place, as younger cohorts—mostly millennials and Generation Xers—are joining and changing their family's foundations. These younger board members bring with them new ideas about the way the foundations should be run. Many want to add more transparency and use new technology. They're interested in socially respon-

sible investing and are often taking a more hands-on approach with their grantees than their elders have.

Their inspiration is driven in part by big changes in the world since their parents and grandparents were young. Many are not only comfortable with but immersed in information and communications technology. Many have lived through such tragedies as 9/11, school shootings and environmental disasters, experiences that have made them focused on giving back in measurable and tangible ways. They may also be more cynical than their parents, having witnessed economic turmoil and the collapse of once-trusted institutions.

Experts in philanthropy say that complexity and conflict can increase, the longer a foundation exists, and the more generations that are in-

volved. Older generations can resent efforts to change the way things have been traditionally done and may feel that younger generations lack sufficient life and philanthropic experience. They also can feel that since their own parents made them wait for years to have a voice on the foundation's board, their own children should similarly have to wait.

Younger generations, meanwhile, can be impatient and feel that the older generations' ways are outmoded and lack strategy. They also can resent not being seen as equals.

Claire Costello, national practice executive of philanthropic solutions at U.S. Trust, says family foundations work better when younger generations try to learn why things were done certain ways for what may have been decades. Older generations, she says, need to learn to appreciate the enthusiasm of youth and stay flexible when hearing fresh ideas.

The good news is that values and causes are often the same, or at least similar, across generations, says Virginia Esposito, president of the National Center for Family Philanthropy. It's often the strategy and tactics that differ.

Younger generations "may challenge the family to do things in different ways but it doesn't mean they are any less committed to giving back," she says.

Mr. Serini's 30-year-old daughter, Kerry McHugh, who is vice president of the family foundation, for her part has prompted the foundation's board to create a new website, go paperless and adopt an online process for reviewing and awarding grants. Nevertheless, the family has had its differences. The board initially split along generational lines, for instance, on the issue of whether to share details online about the foundation's grant-giving history.

Ms. McHugh and her two younger brothers, all of whom use social media, wanted the grant information readily available and searchable on the Internet. The rest of the board, including their father, stepmother and professional advisers, thought that would be "oversharing," says Mr. Serini, the board chairman.

After the initial resistance, Ms. McHugh gathered more research on the benefits of sharing such data and presented it at the following board meeting. The research, she explained to her fellow board members, showed that sharing such data could prevent short-staffed charities from applying

for grants they may not qualify for. The board agreed to make the details easily available.

Another conflict arose over some of the foundation's investments. Alex Serini, 28, led a charge to sell tobacco and fracking stocks, which he and his siblings thought were contrary to the foundation's mission.

While it wasn't a heated debate, the elder Mr. Serini and the professional advisers on the board worried that they'd be sacrificing some returns, thus reducing the money they'd be able to give to grantees.

After a few conversations, however, the elder members agreed to the divestments to keep the younger generation engaged, he says.

The younger family members also wished to focus most of the foundation's grants on the Baltimore-area communities in which they live and work, and to volunteer as a family with the nonprofits they support. They made the case to their fellow board members that being close makes it easier to learn about a

charity's goals and needs and to share social and professional networks with those organizations. In return, they said, the organizations would be asked to share data that measures the impact of their grants.

Mr. Serini says the board agreed and he enjoys volunteering alongside his children.

His children have helped teach him the value of measurement in philanthropy, he says. "To them, incorporating technology into giving is all very natural," says Mr. Serini.

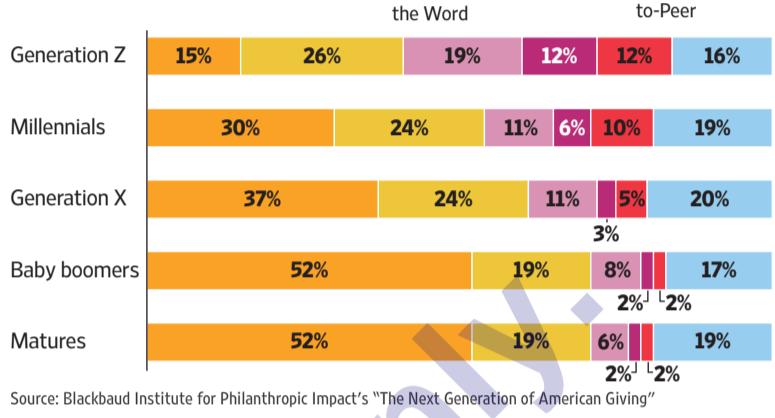
The "main message" he wants his children to learn from him and from their work on the foundation, he says, is the value of hard work, and how it enables the family to show gratitude for its good fortune.

"Give back and be grateful," he says.

Ms. Dagher is a reporter for The Wall Street Journal in New York and is host of the Secrets of Wealthy Women podcast. Reach her at veronica.dagher@wsj.com.

Making an Impact

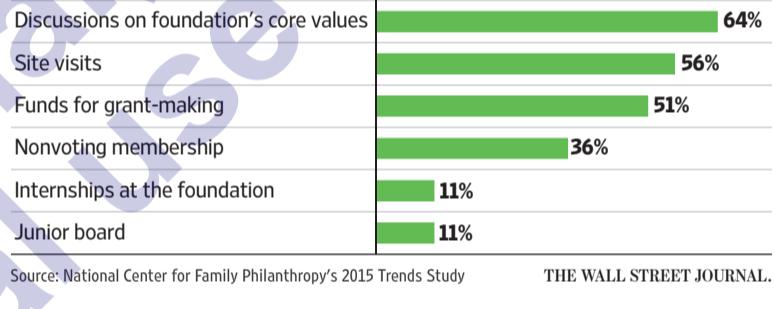
Older donors see financial contributions as making the biggest difference, while the youngest philanthropists value volunteering.



Source: Blackbaud Institute for Philanthropic Impact's "The Next Generation of American Giving"

More Inclusive

Ways family foundations encourage younger generations to participate



Source: National Center for Family Philanthropy's 2015 Trends Study

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BEST BET/WORST BET



The High And Low For TONY ROBBINS

The motivational speaker recalls the inspirational seminar—and the stock loss—that taught him much

prescription drugs. You get altered."

Far from being bitter, he credits the challenges he faced as being a catalyst for his accomplishments, which include coaching Hollywood celebrities, professional athletes and business leaders.

"I always say that if my mom had been the mother I'd hoped she'd be, I wouldn't be the man I'm proud to be, because out of that difficulty it made me learn," he says. "I think the difficult times often produce the drive that makes us successful in our contributions to society, to our family, to our community later in life."

"I'm an all-in guy with my emotions, with my life, with my commitment to serve," Mr. Robbins says. "What I've learned is in investments you need to be a little smarter."

Here, the investor, public speaker and best-selling author talks about a couple of the best and worst bets he's made along the way.

Mr. Kornelis is a writer in Seattle. He can be reached at reports@wsj.com.

BY CHRIS KORNELIS

TONY ROBBINS isn't shy about his success.

He's an owner of dozens of companies in 14 different industries that bring in a combined \$6 billion in annual sales. With Feeding America, Mr. Robbins says, he provides 100 million meals every year to families in need.

He wasn't always this flush. He grew up in a home where there wasn't always food to eat, and was raised by an abusive mother.

"My mom was a beautiful soul—she loved me dearly," he says. "But she abused alcohol and

BEST BET

Attending a Jim Rohn seminar

INVESTMENT

\$35

GAINS

Mentorship, confidence and direction

When Mr. Robbins was a teenager, he worked as a janitor making \$40 a week to help support his family. One of his bosses at the time was a man whom his father had scorned, but who had turned himself into a successful real-estate investor. Over lunch one day, Mr. Robbins picked his boss's brain and asked him what had changed.

The man told him that his life was turned around by the lessons he learned at a seminar hosted by the motivational speaker Jim Rohn. Impressed, Mr. Robbins asked his boss if he could help get him into one of Mr. Rohn's seminars. His boss said he could, but he wouldn't.

"You won't value it if you don't invest your own money in it," Mr. Robbins remembers him saying.

The seminar was \$35, nearly a week's pay for the young Mr. Robbins. After thinking it over, Mr. Robbins forked over the money and attended the seminar.

He now says it was a turning point in his life.

"It was really basic at the time, but I needed basic to start out with," Mr. Robbins says.

"He had this whole philosophy of 'For things to change for you, you've got to change. You can't play the victim.'"

For Mr. Robbins, who was living through a troubled childhood, the message struck a chord. He eventually went to work with Mr. Rohn, and the relationship led him to a career as a public speaker himself.

The takeaway: Mr. Robbins says the experience taught him that the most important investment you can make is to invest in yourself.

This is a belief, he says, that has been reinforced in conversations he has had over the course of his career with some of the world's most successful people.

"You have to constantly invest in yourself," he says. "You don't invest one time in a stock and then leave it there and never invest again. It's the same way with your life."

"It's like your health," Mr. Robbins says. "You don't go work out for a weekend and then say you're fit for life."

WORST BET

A startup's penny stock

INVESTMENT

\$4,000

LOSSES

\$4,000

In his early 20s, Mr. Robbins says he would fire himself up by getting his laundry done at a shop in Marina del Rey, Calif., where he lived.

The shop was frequented by rich and successful people. Mr. Robbins used it as a place to meet such people and to ask them questions.

One day, a woman drove up to the shop in a brand new Rolls-Royce convertible.

Mr. Robbins says he couldn't help himself. "She was stunningly beautiful and she had all this clothing coming through" for the laundry service, he says. "I said, 'Ma'am I hate to interrupt, but can I just ask you—you're obviously quite successful financially and you seem to be very happy.' I said, 'What do you do for a living or what do you and your husband do?'"

The woman explained that she and her husband owned a penny stock brokerage. Mr. Robbins says he then asked what he calls the "dumbest question you could possibly ask a broker."

"I said, 'So, got any tips?'

"She goes, 'Matter of fact I do,'" he says. "So she gave me this tip. I immediately invested all the money I had, which was at the time like four grand, but if it's all the money you have it might as well be \$40 million or \$4 billion."

Mr. Robbins vaguely remembers the nature of the company—some kind of futuristic tech startup that was going to revolutionize computer operating systems, he says. But he doesn't remember the name of the company, only that his investment went to zero within three weeks.

The takeaway: Though an expensive lesson for him at the time, Mr. Robbins says that this was "one of the great gifts of my life."

First, he says, he learned that the way someone looks or the kind of car they drive is not a good barometer of fiduciary savvy. But more broadly, the loss taught him that he needed to educate himself so that he could become a smart investor, not a gambler.

"You've got to learn what works," he says, "you've got to learn what doesn't work. And that's what really started me in my education as an investor."

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