

Shrewd Investor

Bear Market Stocks

The dismal performance of the stock market early this year has caused some analysts to predict the end of the seven-year-old bull market. Even if you believe that we are headed for a prolonged downturn, it doesn't mean that you have to abandon stocks. But you might want to make sure that at least some stocks in your portfolio are sturdy enough to withstand a bear market.

What to do: Invest in stocks of large blue-chip companies with the following characteristics and the ability to rebound quickly...

Strong free-cash flow. This is essentially the amount of money that a company has left over after it pays its bills. It provides flexibility for management to support its business and reward shareholders.

High return on invested capital (ROIC). This shows how much cash a company generates from money it reinvests in its business. A consistently high ROIC tells investors that the company has been able to compound its value and grow despite any challenges it faces.

Stocks that meet these criteria now...

Colgate-Palmolive (CL). The price fell just 24% in the 2007–2009 bear market, and it completely recovered by June 2009, compared with a 57% drop for the Standard & Poor's 500 stock index, which took until March 2013 to recover. *Recent share price:* \$69.91.

The Hershey Company (HSY). The confectionary giant's stock fell 33% in the bear market and recovered by March 2010. *Recent share price:* \$90.32.

The Travelers Companies (TRV), one of the largest US insurers, fell 37% in the bear market and recovered by October 2009. *Recent share price:* \$116.25.

Bottom Line Personal interviewed David Trainer, CEO of New Constructs LLC, an analytics firm that provides stock research to financial advisers and institutional money managers, Nashville. NewConstructs.com



EASY TO DO

Sore Throat Gargle

Mix two teaspoons of apple cider vinegar in eight ounces of warm water. Take a mouthful, gargle and spit it out, then swallow a mouthful. Repeat until there's no more. Do this once an hour until your sore throat is better.



Joan Wilen and Lydia Wilen are the authors of *Bottom Line's Treasury of Home Remedies & Natural Cures*. Subscribe to their free e-letter *Household Magic Daily Tips* at BottomLineInc.com.

DON'T GET FOOLED

Financial Risks of Renting Out Your Home

Stephen Fishman, JD

If you'd like to bring in some extra money by renting out your home—as a growing number of people are doing, thanks to websites such as Airbnb—you may take comfort in the protections that home-rental websites offer. *Example:* Airbnb offers \$1 million in insurance coverage against liability claims in case a guest sues you over an injury and up to \$1 million for property damage caused by guests. *But beware:* There still are potential financial consequences if you take in paying guests...

Taxes. The IRS lets you rent out your home only up to 14 days a year without having to pay tax on the income. *Self-defense:* Ask your accountant whether you owe any state and city taxes on the income in addition to federal tax. If you rent your home for more than 14 days per year, you can deduct certain related expenses from your rental income, such as fees you pay to Airbnb, as well as mortgage interest and real estate taxes for the rental portion of your home. But your expense deduction cannot exceed your rental income for the year.

Penalties for illegal subletting or renting. Many municipalities have restrictions on short-term rentals. *Self-*



defense: Check with the local housing authority. Also, make sure you are not violating the terms of your lease if you yourself are a renter...or the rules of your condo association, homeowners association or other relevant body.

Items not covered by the Airbnb property damage "guarantee." It's called a guarantee because Airbnb itself, not

an insurance company, provides coverage and establishes its own rules. For instance, damage to any fine art or antiques you own isn't covered by Airbnb. Neither are losses due to guests stealing items. *Self-defense:* Add a "security deposit" to your listing. Guests are charged if Airbnb later determines that a guest is responsible for damages not covered by the Airbnb guarantee. Airbnb allows the host to set the security deposit from \$95 to \$5,100. Browse other local listings to help choose an amount that's right for your home.

Bottom Line Personal interviewed Stephen Fishman, JD, who writes about legal and tax issues at Nolo.com, publisher of do-it-yourself legal guides. Based in Alameda, California, he is author of *Every Landlord's Tax Deduction Guide*. FishmanLawAndTaxFiles.com

