EYE ON MONEY

SEP OCT 2020

529 Education Savings Plans

A tax-smart way to save for your child's future.

plus

APPLYING FOR FEDERAL STUDENT AID

WHEN TO REVIEW YOUR LIFE INSURANCE COVERAGE

THE SIMPLE IRA

ESTATE

3 Legal Documents You May Need if You Become Sick or Injured

1 **Health care proxy.** A health care proxy, also known as a durable power of attorney for health care, is the document you use to name someone you trust to make health care decisions for you if you lose the ability to make them yourself.

2 **Living will.** A living will is used to provide written guidance about the medical treatments you may want or not want to receive in an end-of-life or permanently unconscious situation.

3 **Durable power of attorney for finances.** This document gives the person you choose the legal authority to manage all or part of your financial affairs, such as paying your bills or handling your banking, if you become incapacitated and are unable to manage them yourself.

Please consult your financial and legal professionals.

inside

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YOUR SOCIAL SECURITY STATEMENT:

MAKING SURE YOU RECEIVE THE CORRECT BENEFITS

Even if you are decades away from retirement, it's a good idea to review your Social Security Statement annually to help ensure that you receive the correct benefit amount when you retire.

What is a Social Security Statement?

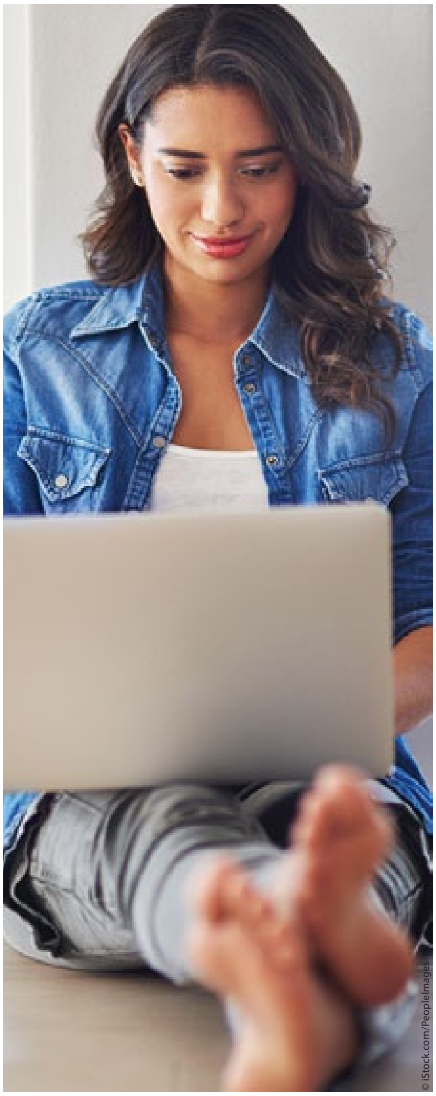
- Your Social Security Statement is a document available from the Social Security Administration (SSA) that includes a list of your earnings by year and estimates of how much you or your family may receive in retirement, disability, and survivor benefits based on those earnings.

Why review it annually?

- **To spot and correct any errors in your earnings record.** From the very first year you began working, the SSA has been recording how much you earned each year and will use this information to calculate your benefits. If there are any earnings missing from your record, you may receive lower benefits in retirement than you deserve.
- **To find out how much you may receive in benefits when you retire.** Your statement will generally include estimates of how much you may receive per month in retirement benefits if you begin receiving them at age 62, your full retirement age, or age 70. These estimates can be very helpful in planning for your retirement.

How can I get my statement?

- **Online.** You can view your statement online by creating a "my Social Security" account on the Social Security Administration's website (www.ssa.gov). While in your account, you can also use the SSA's retirement benefits calculator to run custom scenarios, such as "What might my monthly benefit amount be if I begin benefits at age 64 instead of full retirement age?"
- **Automatic statements by mail at age 60.** If you do not set up an online account and your benefits have not begun, the SSA will automatically mail a paper statement to you each year beginning at age 60. The statement should arrive about 3 months before your birthday. ■



Please consult your financial professional for advice about planning for your retirement.

Diversification: The Practice of Not Putting All Your Eggs in One Basket

Just as with eggs, spreading your money across a range of investments can help reduce risk in your portfolio by lessening the impact that a fall in any one market, sector, region, or individual investment may have on the overall performance of your portfolio.

SPREAD YOUR MONEY ACROSS ASSET CLASSES

Diversification begins with deciding how to allocate your portfolio among various types of assets, such as stocks, bonds, and cash investments.

Including less risky assets, such as bonds and cash, in your portfolio can help reduce risk in your overall portfolio. During a stock market downturn, a portfolio containing stocks, bonds, and cash is apt to lose less in value than an all-stock portfolio.

The addition of less risky assets helps smooth out the ups and downs in the portfolio's value. In other words, the highs may not be as high as in an all-stock portfolio but the lows may not be as low either—a trade-off that can be well worth it for investors who want to reduce risk.

SPREAD YOUR MONEY WITHIN ASSET CLASSES

In addition to diversifying across asset classes, it is also important to diversify within asset classes.

Take stocks, for example. Spreading your money across a broad range of stocks can help reduce risk by lessening the impact of a fall in one company or one part of the stock market on your overall portfolio.

When investing in stocks, consider spreading your money across different companies, sectors, industries, market capitalizations, and regions of the world.

With bonds, you may want to spread your money across different types of bonds from various issuers and with varying maturities.

Mutual funds and exchange-traded funds (ETFs) can be useful in diversifying a portfolio. Funds may hold hundreds or even thousands of individual securities making it possible to build a diversified portfolio with just a few well-chosen funds. Investing in individual securities is also an option.

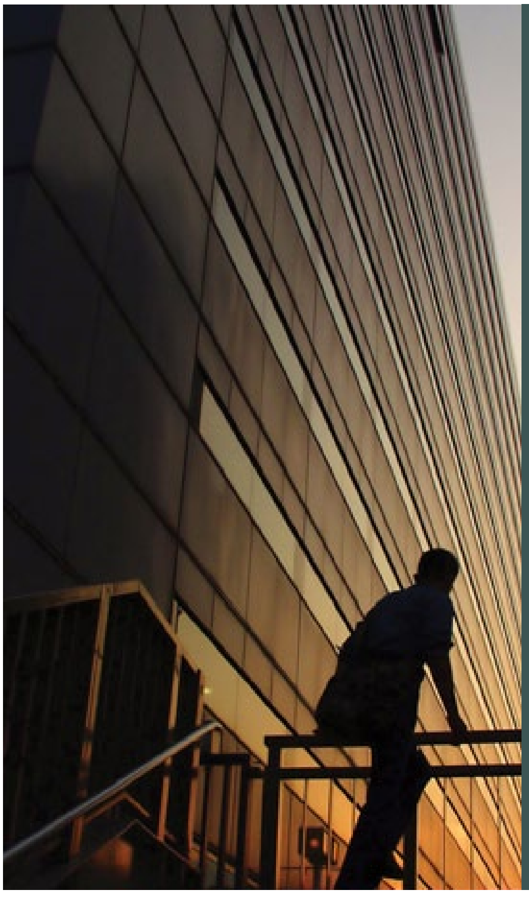
Diversification is essential when it comes to managing a portfolio's overall risk. For advice on how to diversify your portfolio, please consult your financial professional. ■

Please note: Asset allocation and diversification do not ensure a profit or protect against loss in declining markets. Before investing in mutual funds or ETFs, investors should consider a fund's investment objectives, risks, charges, and expenses. Contact your financial professional for a prospectus containing this information. Please read it carefully before investing.

THE SIMPLE IRA:

A SIMPLE SOLUTION FOR YOUR RETIREMENT PLAN NEEDS

If you are self-employed or own a business with 100 or fewer employees, the SIMPLE IRA may be the retirement plan for you. It's easy to set up and operate, employees can contribute to their accounts, and the tax benefits are excellent.



How much can I contribute annually?

As an employee, you can contribute up to $13,500 of your compensation in 2020 ($16,500 if you are age 50 or older). As an employer, you can either match each employee's contributions dollar-for-dollar up to 3% of their compensation or contribute 2% of compensation for each eligible employee.

EXAMPLE:

Let's say you establish a SIMPLE IRA plan and decide to match your employees' contributions dollar-for-dollar up to 3% of their compensation.

Now let's say that your employee, Liza, decides to max out her contributions this year by contributing $13,500 of her $50,000 salary.

Liza contributes $13,500 to her IRA through payroll deductions. Your company matches her contributions with $1,500 (3% of $50,000). Overall contributions to Liza's account for the year total $15,000.

New SIMPLE IRA plans generally must be established by **October 1.**

It's easy.
A SIMPLE IRA plan is one of the easiest retirement plans to set up and run. Administration is minimal. Nondiscrimination testing and government filings are not required.

Employees can contribute.
Each eligible employee can elect to have up to $13,500 ($16,500 if they are age 50 or older) per year deducted from their paychecks and deposited into an IRA account.

Employer contributions are required every year.

The tax benefits are excellent.

- Employer contributions are deductible.
- Employee contributions are made with pre-tax income, which lowers their current income taxes.
- Income tax is deferred on contributions and investment earnings until they are withdrawn from the IRA.

Withdrawals before age 59½ are generally subject to a 10% early withdrawal penalty; 25% if taken in the first two years of participating in the SIMPLE IRA plan.

If you are self-employed or own a business, please talk to your financial professional about whether a business retirement plan is right for you.

529 Education Savings Plans:
A Tax-Smart Way to Save for Your Child's Future

529 education savings plans are a tax-smart way to save for college and other levels of education. Here are a few things to know about these popular plans. Your financial professional can tell you more about them, as well as help you determine whether using a 529 plan to save for future education expenses may be a smart move for you.

What is a 529 plan?
A 529 plan is a state-sponsored education savings plan with tax advantages that help families save for college, as well as grades K-12. Nearly every state in the country offers a 529 savings plan, and some states offer more than one.

The main advantage of a 529 plan is that money grows free from taxes while in the account and can be withdrawn free from federal taxes, and perhaps state taxes also, if used for qualified education expenses, such as tuition.

Tax-free growth potential gives families using 529 plans an edge when saving for college, but there is more to 529 plans than just income tax advantages. 529 plans also offer high contribution limits, no income restrictions on who can contribute, professionally managed investment portfolios, a special gift tax option, and more.

Anyone can open a 529 account.
As long as you are a U.S. citizen or resident and have a Social Security number or an individual taxpayer identification number, you can generally open a 529 account.

And you can open an account for anyone: your child, grandchild, niece or nephew, the neighbor's kid—even if someone else has already set up a separate account for the same beneficiary. You can even set up an account to save for your own education.

Opening a 529 account yourself, rather than contributing to an account that someone else has opened for the student, puts you in control of your gift. As the account owner, you decide how the account is invested and the timing and amount of withdrawals. You can change the beneficiary named on the account. And you can generally take the money back for yourself, although you'll owe income tax and a 10% tax penalty on the earnings portion of it.

The tax benefits.

Investment earnings grow free from taxes while in the account.

Withdrawals are free from federal taxes, and perhaps state taxes, if used for qualified education expenses.

A possible state tax credit or deduction for contributions, although you may need to use your state's 529 plan to be eligible to claim it.

An accelerated gifting option that allows you to make five years' worth of gifts (up to $75,000, or $150,000 for married couples) per beneficiary in one year without your gift being subject to the federal gift tax.

You can choose nearly any state's plan.
You can choose nearly any state's plan, regardless of where you live, where the beneficiary lives, or where the beneficiary will go to school.

It's a good idea, though, to carefully consider your state's plan. Some states offer their residents special perks if they use their plan. These perks may include a state tax credit or deduction for contributions to the state's plan. Of course, there's more to consider than state-based perks when choosing a plan, so it's also a good idea to compare your state's plan to plans from other states to determine which one suits you best.

You can contribute a little or a lot.
There are no annual limits on the amount you can contribute. Instead, each state sets its own maximum account balance per beneficiary and accepts contributions until the limit is reached. These limits currently range from about $250,000 to $500,000.

Although you can contribute large amounts, many 529 plans allow you to contribute as little as $25 at a time.

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Expenses that qualify for tax-free withdrawals from a 529 account.

Higher Education
(College, vocational school, or other postsecondary school)

- Tuition and fees
- Required books, supplies, and equipment
- Room and board if enrolled at least half-time
- Computers and related equipment and services
- Certain services for special needs individuals

Grades K–12*

- Up to $10,000 of tuition per beneficiary per year

Apprenticeships*
(The apprenticeship program must be registered and certified with the Secretary of Labor.)

- Fees
- Required books, supplies, and equipment

Repayment of Qualified Student Loans*

- The beneficiary and the beneficiary's siblings can each withdraw up to $10,000 for loan repayment

* *The federal government added these qualified education expenses in recent years, and withdrawals used for these expenses are free from federal taxes. Not all states followed the federal government's lead. In some states, withdrawals for grades K–12, apprenticeships, and student loan repayments may be subject to state tax and the recapture of related state tax benefits.*

529 plans typically offer a range of investment options.

Depending on the 529 plan you choose, your investment options may include a variety of investment portfolios, each containing one or more funds.

Your choices may include age-based portfolios that automatically shift to more conservative investments as the beneficiary approaches college age, static portfolios that do not change their allocation as the beneficiary gets older, and individual fund portfolios that can be combined for a custom investment strategy.

Some 529 plans offer FDIC-insured banking options, such as savings accounts and CDs.

You can accelerate your gifts without gift tax consequences.

Thanks to a $15,000 annual gift tax exclusion, you can normally give any number of people up to $15,000 each per year without triggering the federal gift tax or reducing the amount that can be excluded from your federal gift and estate taxes later on.

However, a special accelerated gifting option that applies only to 529 plans lets you contribute up to five times that amount in a single year without any federal gift tax consequences, by allowing you to spread your gift across five years on your federal gift tax return.

This means that you contribute up to $75,000 ($150,000 for married couples) per beneficiary in a single year.

Accelerating your gifts this way puts more of your money to work sooner, potentially generating tax-free earnings outside of your estate to help fund your family's educations. (If you do not outlive the five-year period, a prorated portion of your gift will be added to your estate for estate tax purposes.)

What if the beneficiary doesn't go to college or need the money?

It's hard to predict what the future holds so it's good to know you have options if the beneficiary does not go to college, wins a full scholarship, or for some other reason doesn't need or doesn't use all of the money in the account.

One option is to simply leave the money in the account for the beneficiary in case he or she decides to go to school later in life. Another option is to arrange for a relative of the beneficiary to use the funds for their own education by changing the beneficiary on the account or by rolling over the funds to the relative's 529 account. Both of these options avoid taxation.

You can also use the money in the account for something other than education. You'll need to pay income tax, and generally a 10% tax penalty, on the investment earnings you withdraw if the money is not used on qualified education expenses.

The 10% tax penalty is waived if the money is withdrawn because the beneficiary receives a tax-free scholarship, attends a U.S. military academy, is disabled, or dies. In respect to scholarships, the penalty is waived for withdrawals up to the scholarship amount.

Will a 529 account affect financial aid?

It may, but the impact on federal aid may be minimal depending on who owns the account and when the withdrawals are made.

If a parent or dependent student owns the account, it is treated as a parental asset on the Free Application for Federal Student Aid (FAFSA) and will have a relatively low impact on federal aid, such as student loans. The federal aid formula assumes no more than 5.64% of a parent's assets are available to pay college expenses.

If the account is owned by someone else—such as a grandparent or other relative—the account is not entered as an asset on the FAFSA. Instead, withdrawals from the account are generally entered as the student's income and may have a significant impact on financial aid eligibility, depending on when they are made. The federal aid formula assumes that as much as 50% of a student's income is available to pay college costs.

Fortunately, there are ways for grandparents and others to minimize the impact or avoid it altogether, one of which is to wait until spring semester of the student's sophomore year to begin making withdrawals. The FAFSA looks at income from two calendar years back when determining aid eligibility, so distributions made after December of the sophomore year will not impact federal aid, assuming

the student completes his or her education in four consecutive years.

If financial aid is a possibility and the student is the beneficiary of more than one 529 account, the account owners may want to decide ahead of time the sequence in which the accounts will be tapped. From a financial aid perspective, it may make sense to use a parent's account first and other people's accounts in the last two years of college.

Some states and colleges use applications other than the FAFSA when determining eligibility for nonfederal aid programs, and those applications may treat savings in a 529 account differently. ■

PLEASE NOTE: *All investing involves risk, including the possible loss of the amount you invest. For more complete information about a 529 education savings plan, including investment objectives, risks, fees, and expenses associated with it, please carefully read the issuer's official statement before investing. It can be obtained from your financial professional. Some states offer state residents additional benefits, such as a state tax deduction for contributions to the plan, reduced or waived program fees, matching grants, and scholarships to state colleges. Any state-based benefit offered with respect to a particular 529 education savings plan should be one of many appropriately weighted factors to be considered in making an investment decision. You should consult with your financial, tax, or other professional to learn more about how state-based benefits (including any limitations) would apply to your specific circumstances. You also may wish to contact your home state or any other 529 education savings plan to learn more about the features, benefits, and limitations of that state's 529 education savings plan.*

Please consult your financial professional.

If you would like to help your child, grandchild, or other loved one save for college, please seek advice from your financial professional about whether a 529 account may be a smart choice for you.

Signs That It Is Time to Review Your Life Insurance Coverage

As your life changes, so may your need for life insurance. To help ensure that your coverage stays in sync with your changing needs, it is important to review it periodically, as well as when major changes occur in your life. Here are a few events that typically signal the need for a life insurance review.

Getting married. Life insurance may be the furthest thing from your mind when you are planning a wedding. But as you begin your life together, take a moment to consider what might happen if one of you dies unexpectedly. Would the surviving spouse suffer financially without the other person's income? If they would, it is time to consider purchasing life insurance.

Life insurance can help the surviving spouse maintain the lifestyle the two of you built together by providing a cash payout that might be used to pay living expenses and pay off debt.

If you already have a life insurance policy, be sure to review your beneficiary designations and your coverage in light of your new marriage.

The arrival of a child. The birth or adoption of a child is not only a cause for celebration, it is also a signal to review your life insurance coverage. Will your current coverage provide enough cash to cover child-rearing expenses if you were to die prematurely?

A 2017 report by the USDA estimates that higher income families spend about $450,000 raising a child to age 18 (assuming a 2.2% annual rate of inflation). That number includes expenses such as housing, child care, food, transportation, health care, and clothing. It does not include college. Add in the cost of college and the overall expenditure may rise to well over a half-million dollars.

Keep in mind that $450,000 is simply an estimate, and the amount you spend may be significantly different. Generally speaking, child-rearing expenditures increase as household income increases and expenses are higher for families living in urban areas, particularly the Northeast.

To help ensure that there will be adequate funds available if your family ever needs them, it's a good idea to review your life insurance coverage with your insurance professional whenever a new child arrives. Your insurance professional can help you estimate the coverage you may need to protect your growing family's financial security.

New home or mortgage. Whenever you finance or refinance a home that you share with your family, be sure to consider whether they could afford to stay in the home without your income. If it looks unlikely, consider increasing your life insurance coverage so that the policy's proceeds are sufficient to cover the mortgage, as well as other expenses your family may need help meeting.

A salary increase. A bump up in pay often results in a bump up in lifestyle—and may indicate the need for additional life insurance coverage. If you don't adjust your coverage as your lifestyle changes, your family may one day find themselves struggling to cover their living expenses with the proceeds from a policy designed for leaner times.

Starting a business. When you start a business, it's a good idea to put a plan in place that protects your family and the business if you die prematurely. Life insurance can help provide that protection in certain scenarios.

For example, if you have a business loan, life insurance can help provide the cash needed to pay off the loan.

If you are seeking financing, you may be able to use a life insurance policy as collateral so the bank knows the loan will be repaid if you die.

If you have business partners, life insurance can help protect the business in the event that one owner dies by providing cash to the surviving owners to purchase the deceased owner's share of the business from his or her heirs. ■

Please contact your financial or insurance professional for help determining whether you have the appropriate life insurance coverage for your needs and financial objectives.

*

It's a good idea to review your life insurance coverage every few years and when major changes occur in your life, such as buying a new home.

RETIREMENT

Can you answer these retirement planning questions? Take the quiz.

Test your retirement planning knowledge—and learn about some of the considerations that go into planning for a financially secure retirement.

1. The best time to begin saving for retirement is:
   A. As early as possible
   B. Age 40

2. Which tax benefit does a Roth account offer?
   A. Qualified withdrawals are tax-free
   B. Contributions are tax deductible

3. Can a high-income individual contribute to a Roth IRA?
   A. Yes
   B. No

4. Do you need to be under a certain age to contribute to a traditional IRA?
   A. Yes
   B. No

5. At what age can you begin making catch-up contributions to your retirement accounts?
   A. 50
   B. 55

6. It is generally a good idea to shift to more conservative investments as retirement draws closer.
   A. True
   B. False

7. When leaving a job, you can avoid immediate taxation on the money in your 401(k) account by:
   A. Transferring it directly to an IRA
   B. Transferring it directly to your new employer's retirement plan
   C. Leaving it where it is
   D. All of the above

8. At what age do you become eligible to begin receiving Social Security retirement benefits?
   A. 62
   B. 65

9. The average monthly Social Security benefit for a retired worker in 2020 is:
   A. $1,503
   B. $3,011

10. Is Medicare free?
    A. Yes
    B. No

11. Which benefits do 401(k) retirement plans offer?
    A. Convenience
    B. Tax deferral
    C. Possible employer match
    D. All of the above

1. Answer: A

It's generally a good idea to begin saving for retirement as early as possible to maximize the time your investment earnings have to potentially compound—that is generate earnings themselves.

2. Answer: A

Qualified withdrawals from a Roth account are tax-free. Contributions to a Roth account are not tax deductible.

3. Answer: B

Roth IRAs have income limits that prevent high-income individuals from contributing. To contribute for 2020, your modified adjusted gross income must be less than $139,000 if you are single or $206,000 if you are married and file a joint tax return.

4. Answer: B

Prior to 2020, you were not allowed to contribute to a traditional IRA if you were age 70½ or older. The age limit has been removed, and you can now contribute at any age as long as you (or your spouse if you file jointly) have taxable compensation.

5. Answer: A

You can generally begin contributing extra amounts, known as catch-up contributions, to your IRA and workplace retirement plan the year you reach age 50. For 2020, you may be able to contribute up to an additional $1,000 to a traditional or Roth IRA and $6,500 to a 401(k), 403(b) or 457 plan.

6. Answer: A

As retirement draws closer and there is less time to potentially ride out a market downturn, it is generally a good idea to reduce risk in your portfolio by gradually shifting to more conservative investments. This is typically done by reducing the proportion of stocks in a portfolio and increasing the proportion of less risky investments, such as bonds and cash. (Asset allocation does not ensure a profit or protect against loss in declining markets.)

7. Answer: D

All three options (A, B, C) avoid immediate taxation and preserve the tax benefits associated with your account so that your retirement savings can continue to grow tax-deferred or tax-free. If you cash out your account, you will immediately owe income tax and perhaps a 10% early withdrawal tax penalty on the taxable portion of the withdrawal.

8. Answer: A

You can begin receiving Social Security retirement benefits at age 62. However, the longer you wait to begin receiving benefits—up until age 70—the larger your monthly benefit will be.

9. Answer: A

The average monthly Social Security benefit is currently about $1,503, which is why it is so important that you also have savings, investments, and perhaps a pension plan or other source of income to help fund your retirement.

10. Answer: B

Medicare, the federal health insurance program for people age 65 or older, is not free. There are monthly premiums for all parts of Medicare, except for Part A (hospital insurance). Plus, there will generally be deductibles, coinsurance, and copayments for some of the services you receive. Be sure to plan for these expenses when planning for retirement.

11. Answer: D

401(k) plans typically offer all three benefits: the convenience of having your contributions automatically deposited into your 401(k) account, the ability to postpone paying income tax on your contributions and investment earnings until they are withdrawn from the account, and the possibility that your employer may match part of your contributions. (Withdrawals before age 59½ are generally subject to a 10% early withdrawal tax penalty unless an exception to the penalty applies.) ■

Please consult your financial professional for retirement planning advice.

5 Things to Know About the Free Application for Federal Student Aid (FAFSA)

BEGINNING ON OCTOBER 1, millions of American college students and their parents will fill out and file the Free Application for Federal Student Aid (FAFSA) for the next academic year.

This application is the first step in the financial aid process and is used to determine eligibility for federal student aid and most state and college aid also.

Some schools and states may use additional aid applications to determine eligibility for aid from the school or state. For example, a few hundred colleges use the CSS Profile to award institutional aid, which is aid that comes from the college itself. But the FAFSA is the key to all federal student aid and much of the state and school aid.

It doesn't cost anything to file the FAFSA, other than a small amount of your time. The U.S. Department of Education reports that it takes most people less than an hour to complete and submit the FAFSA—and this includes gathering any data you may need to fill out the form.

The following are five things you should know about the FAFSA if you or your child will be attending college next year.

For more information about filing the FAFSA or the types of financial aid that may be available to you, please visit the Department of Education's website at studentaid.gov. ■

The FAFSA form is used to apply for financial aid for college and graduate school.

- Several types of federal aid are available, including loans for students and parents, grants, and work-study jobs.
- Many types of federal aid, such as subsidized loans, most grants, and work-study jobs, are awarded to students who demonstrate financial need.
- Many states and colleges also use the FAFSA to determine a student's eligibility for state and school aid.

Even well-to-do families may benefit from filing the FAFSA.

- Even if your college student does not qualify for federal student aid based on financial need, filing the FAFSA is a necessary step in gaining access to low-interest federal loans that are not based on financial need.
- Plus, the FAFSA is required by some schools before they award merit-based aid, such as academic scholarships.

The FAFSA filing period for the 2021-2022 academic year begins on October 1, 2020.

- The filing period generally ends in late June, but many states and colleges have earlier deadlines by which you must submit the FAFSA to be considered for state and college aid. To avoid missing out on that aid, the Department of Education recommends filing the FAFSA as soon as you can on or after October 1.

You'll need info from your 2019 tax return to complete the form for 2021-2022.

- If the student is a dependent, both the student's and the parent's federal tax information must be entered into the form.
- Although you can enter the information manually, the FAFSA offers an IRS Data Retrieval Tool that transfers your tax information directly from the IRS into your FAFSA form.

Filing the FAFSA is an annual task.

- The information you provide on the FAFSA will determine the student's financial aid eligibility for just the next school year. A new FAFSA form will need to be completed before each school year.
- You don't have to start from scratch each year. Choosing "FAFSA Renewal" when you begin the form will prefill many of the nonfinancial questions with information that you entered on last year's form.

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FAFSA

Filing begins October 1.

- **You can file online at fafsa.gov,**
- **On a mobile device using the myStudentAid app, available from the App Store or Google Play,** or
- **On a paper form which you can download from studentaid.gov or request by phone at 1-800-433-3243.**

MUNICH, GERMANY

BY BRIAN JOHNSTON

Munich has more to offer than its famous October beer festival. Palaces, ornate monuments, and fine museums make this one of Europe's most elegant small cities.

ARRIVE IN MUNICH and you might want to head straight to its open-air food market. The Viktualienmarkt's food stalls are presided over by talkative but tyrannical farmers' wives; poke the fruit and you'll receive a scolding. Gather up a bagful of sweet Bavarian apples and ham rolls smeared with mustard. Then sit at the market's beer garden and have a picnic in a square surrounded by Gothic facades, as bubbles drift upwards through your dark, smoky local wheat beer.

This is the laidback and rustic face Munich likes to show, as if keen to distract from the fact that this is Germany's high-tech capital and a leading center for fashion, cinema, and the arts. Here avant-garde style and conspicuous consumption compete with folkloric nostalgia for a gentler time. The result is an oddly successful combination that creates a very attractive city, and the one in which Germans themselves say they'd most like to live.

This is a destination for relaxation and good times. The former kings of Bavaria certainly knew how to enjoy themselves: Ludwig I had a scandalous affair with exotic dancer Lola Montez and Ludwig II famously built fairytale castles and went mad. Before Ludwig I came to the throne, his engagement party in 1810 was thrown open to the public, and was such a success it became an annual event. The Oktoberfest was born, and seven million people now turn up for the celebrations.

Bavaria was formerly an independent duchy and then kingdom, founded by the Wittelsbach dynasty and ruled by it for 750 years. Most of its royals rest in eternity in the red-brick Church of Our Lady, whose onion-dome twin towers are said to resemble overflowing beer mugs. Clamber up the south tower and you get a splendid view of the Bavarian Alps.

You'll be bumping into Bavaria's entertaining monarchs at every turn. They gave Munich its distinctive appearance and agglomeration of palaces, baroque churches, and fine museums. The Residenz city palace houses crown jewels studded with rubies and emeralds; its Cuvilles Theater is a gem of baroque architecture.

Located on Lenbachplatz in Munich, the Wittelsbach Fountain (left) was constructed in 1895 to commemorate the completion of the city's new municipal water-supply system. Munich's New Town Hall is topped with a clocktower (below) in the Neo-Gothic style.

Meanwhile the Nymphenburg summer palace outside town is one of the world's largest baroque buildings, in which portraits of royal mistresses hang alongside disapproving wives. The gardens of this former royal summer residence include formal French gardens, woodland, and several delightful pavilions, including a Chinese pagoda. Its pink hunting lodge is a masterpiece of ornate rococo architecture.

When they weren't collecting gemstones and palaces, Bavaria's kings were piling up works of art. Their private art collection is now housed in the Alte Pinakothek, where you'll find the world's largest collection of Rubens and works by Rembrandt, Goya, El Greco, and Brueghel.

One king, Maximilian II, was responsible for creating Munich's most upmarket shopping drag, Maximilianstrassse, along which you'll find the ornate National Theatre and Bavarian state parliament. A monumental statue of the king stares along the avenue, looking rather unimpressed at its fashion boutiques and upmarket cafés. Maximilian disliked ceremony and would more likely have hurried down the side streets of the avenue's western end.

Follow suit and you'll find yourself in an unpretentious neighborhood crowded with beerhalls that cater to roistering locals. Some of Munich's best-known beerhalls are here, including one that can seat 5000 and often does, even in the middle of the day. The best-known is the venerable Hofbräuhaus, a brewery founded by Duke Wilhelm V in 1589 (Hofbräu means 'royal brew'). Spend time here and you'll soon be linking arms, roaring drinking songs, and devouring pork knuckles with all the gusto of a Bavarian prince.

The quantities of beer are vast, and so too is the food: schnitzels the size of Frisbees, sausages the length of your arm, and huge pyramids of pickled cabbage and potato salad. It says much about Munich that in the middle of these rustic feasts you might end up in philosophical conversation with students or discussions on world affairs with businesspeople. Locals might hang out in beerhalls, but they also study the arts and design cutting-edge cars.

Munich is a college town, and you can find both books and beer in Schwabing district just north of the city center. It's well worth visiting for its arty cafés, fringe theaters, and art-house cinemas. The bohemian quarter is compared to St-Germain-des-Prés in Paris for its literary and artistic connections. Ibsen, Mann, Brecht, and other literary luminaries used to hang out here, and students still do. Even late into the evening, Leopoldstrasse is busy with street hawkers and strolling couples.

Its large student population lends Munich an avant-garde and liberal flavor, not to mention a humming nightlife, which contrasts with a mostly conservative Bavaria. But Munich's reputation for beer drinking has distracted from its more serious side, because few people realize this is one of the best museum cities in Europe. The Alte Pinakothek is excellent, but the Neue Pinakothek has just as fine an art collection, focusing on French and German impressionism and symbolism, but with canvasses from the likes of Turner and Klimt too.

The Deutsches Museum, one of the world's largest technological museums, lures visitors with displays on everything from rocks and minerals to musical instruments, glass, technology, and textiles, and also has a planetarium. Transport buffs will delight in an original Wright Brothers airplane, the first German submarine, and dozens of historic cars, including the first ever Benz of 1886. These days, BMW's headquarters are in the city, and you can visit the ultra-modern BMW Museum and factory.

When it's time for fresh air, hit the English Garden. It was another good idea by Bavaria's fun-loving rulers, first laid out in 1789 (and incidentally designed by an American) and now one of the world's largest urban parks, running northeast from the city center along the Eisbach River. You can jog or cycle through stretches of meadow and stands of maple and oak trees, and admire follies that include a pseudo-Greek temple, a Japanese teahouse, and an eighteenth-century Chinese pavilion.

The pavilion is now surrounded by one of Munich's oldest beer gardens, which seats a staggering 7000 happy guests. Settle onto a green bench at a trestle table and order up the enormous Weisswurst sausage that is a traditional accompaniment to beer, eaten with bread rolls sprinkled with pumpkin seeds and slathered in mustard. On weekends an oompah band strikes up, arms are linked, and with a roar the crowd bursts into song. It's Munich at its best, and right royal fun. ■

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FYI

National Parks and Byways in Autumn

Lighter crowds, cooler temperatures, and vivid foliage make autumn a prime time to visit our national parks and travel our national byways. Here are a few parks and byways that shine in autumn. You can visit the National Park Service's website at www.nps.gov for more information about them, including whether the parks are open.

CALIFORNIA | Yosemite National Park

Yosemite National Park is generally awash in color by late-October as groves of aspen trees turn a golden yellow and other deciduous trees add touches of red and orange to the landscape. The National Park Service recommends walking along the old road from Badger Pass ski area to Bridalveil Creek Campground to view the glowing aspen groves.

COLORADO | Rocky Mountain National Park

Rocky Mountain National Park is a feast for the senses in September as aspen trees add splashes of yellow to the mountainsides and the sound of bugling elks rings out across the meadows. Keep an eye on the weather: The park's popular highway, Trail Ridge Road, generally closes for the winter by mid-October.

MINNESOTA, WISCONSIN | Saint Croix National Scenic Riverway

The Saint Croix National Scenic Riverway offers an opportunity to immerse yourself in autumn as you paddle through some of the most scenic and least developed country in the Upper Midwest. The riverway includes more than 200 miles of the St. Croix and Namekagon rivers, which in autumn are lined with colorful foliage.

NORTH CAROLINA, VIRGINIA | Blue Ridge Parkway

This national parkway meanders 469 miles between Shenandoah National Park in Virginia to Great Smoky Mountains National Park in North Carolina, offering stunning views of the Appalachian Highlands to those who travel along it. Leaves change to exuberant shades of yellow, orange, and red throughout October, beginning at the highest elevations and then gradually sweeping down the mountainsides. More than 250 overlooks provide drivers with plenty of opportunities to pull off the road and admire the sweeping views.

TEXAS | Guadalupe Mountains National Park

The desert comes alive with autumn colors each year from about mid-October to mid-November as the deciduous trees in the Guadalupe Mountains National Park put on their annual show. Colorful trees, such as bigtooth maples, cluster near water sources in several areas of the park. ■

QUIZ

Name That '80s or '90s Movie

1. An alien stranded on Earth is befriended by a 10-year-old boy who helps him phone home and escape from government agents in this 1982 film:

A. E.T. the Extra-Terrestrial
B. Close Encounters of the Third Kind

2. This 1985 movie directed by Ron Howard revolves around a group of retirees, aliens, and a swimming pool with restorative powers:

A. Cocoon
B. Splash

3. An off-duty New York City police officer helps prevent a heist from taking place in a Los Angeles skyscraper on Christmas Eve in this 1988 action film:

A. Rain Man
B. Die Hard

4. An Iowa farmer hears a voice telling him, “If you build it, he will come”, in this 1989 movie:

A. Field of Dreams
B. Dead Poets Society

5. Sarah Connor and her 10-year-old son John are pursued by a shapeshifting assassin in this 1991 film:

A. Hook
B. Terminator 2: Judgment Day

6. Dinosaurs escape their paddocks on the island of Isla Nublar and attack visiting scientists in this 1993 movie:

A. The Fugitive
B. Jurassic Park

7. “My momma always said life was like a box of chocolates. You never know what you're gonna get.” is a memorable line from this 1994 film:

A. Forrest Gump
B. True Lies

8. A young upper-class women, Rose DeWitt Bukater, and a poor artist, Jack Dawson, meet and fall in love in this 1997 film:

A. Titanic
B. My Best Friend’s Wedding

9. A team of deep-sea oil drillers are recruited to help blow up an asteroid heading toward Earth in this 1998 movie:

A. Deep Impact
B. Armageddon

10. Neo, Morpheus, and Agent Smith are three of the main characters in this 1999 sci-fi action film:

A. The Matrix
B. The Sixth Sense

ANSWERS: 1-A, 2–A, 3–B, 4–A, 5–B, 6–B, 7–A, 8–A, 9–B, 10–A