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Love & Money / *By Jeff D. Opdyke*

Hail the Traveling Father Bearing Gifts

I'm supposed to be in Washington, D.C., this week, called away from home on an overnight business trip. That means my two kids will be getting a present when Daddy returns home.

It's a habit that I, like so many traveling parents, have fallen into through the years: When away from home overnight, I bring back a gift or two or five for my son and young daughter to let them know that Daddy thought about them while he was gone.

Partly I return with presents in tow because I love how happy it makes my son, who's almost 9 years old. (My 2-year-old daughter isn't at that stage yet.) Partly I do it out of guilt, trying to compensate for having to be away. And partly I do it because my son now expects that I will—translation: *must*—return with something in my bag for him.

As I pack for my short hop to Washington, all of those reasons have me thinking about this ritual. And I'm wondering if it's enough just coming home…or is it that a homecoming doesn't count if you don't arrive bearing gifts?

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When I was a kid my mom was in the travel industry, working for a string of airlines and travel agencies that sent her on globe-trotting trips all the time. She invariably brought back something small to let me know she was thinking about me while she was gone. Typically it was leftover currency from some exotic place or a little toy made locally. I looked forward to those gifts; I still have a Swiss Army knife she brought back from—where else?—Zurich.

As an adult, I'm a lot like my mom—traveling frequently for my job to various parts of the country and, occasionally, the world. Several years ago, when my son was old enough to express his dismay at my traveling, I immediately understood why my mom shopped for me when traveling.

In seeking to ease your child's pain—and assuage your own guilt—you fall back on the easiest fix a parent has: spending money to buy happiness. In most cases, I would argue that your money ultimately is buying nothing, because you're not addressing the underlying cause of the pain.

Katy Dockrill

But in this case, buying small gifts to ease the pain of a travel-related absence isn't such a bad notion. It can serve a valuable purpose: reinforcing the idea that you think about your children while you're away, and providing a means for keeping them engaged with you when you're not home.

When I'm on the road, my son, like many kids, doesn't want to talk much to me. He doesn't have a lot of interest in recapping his day. He's also sad enough as it is, and my voice is just a reminder that I'm not playing Legos with him or throwing the football.

And it's even worse when I'm gone for a week or so at a time. On those occasions, he tends to drift away, adapting to daily life without me.

A present can bridge that gap a bit. It gives us something to talk about on the phone ("Did you buy me a present?") and can serve as an entree into talking about other things going on in his life. And it can create a bond that will go well beyond that particular present and that particular trip.

Here's what I mean: My friend Alex in New York travels a lot for her job and feels compelled to bring back gifts for her 12-year-old daughter. What Alex brings back is indigenous food: MoonPies and Lance crackers from her trips down South; See's Candies from the West Coast; oddly flavored gum from trips to Asia.

The gifts, Alex says, "provide a common frame of reference for us, because dialogue is more and more challenging as she gets to be a teen."

Just the other night, after dinner, Alex's daughter pulled out the box of See's Candies that Alex had brought from her last trip to Los Angeles. Over that box of candy, mother and daughter spent 30 minutes laughing and talking.

"We just got to shoot the breeze," Alex says, "and with a seventh-grader who spends most of her time instant-messaging her friends and watching "The OC" on television, it was really nice to have those extra minutes with her. We were talking about nothing, but really we were talking about everything because the time we were spending together was so precious. There are so many things competing for her attention. And as she naturally breaks away and becomes more independent, finding things to connect over is really important. This is one of them, because when I'm on a trip to Charlotte and I call her, she always says, 'Don't forget the MoonPies.'"

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I know there are travelers who never return with gifts, adamant that your own return should be special enough. I understand that. And sometimes when I'm rushing to find a store before hitting the airport I feel the same way, too.

But then I remember the replica England soccer jersey I bought my son when I was in London. He still wears it and lovingly reminds me that I bought it for him and how much he adores it.

My friend Jack, in Washington, D.C., sees the same reaction in his young daughter, whose face lights up the minute he walks in the door. "I know it's all about the gift," he says, "but that's OK. It's just a token of affection for your child."

That, to me, is the real point of travel gifts: They're not so much about buying affection as they are about reinforcing the notion in children's minds that while you are away, you think of them.

And it's not like the gifts have to be big to make that bold statement. A longtime friend brings back one or two gifts for every day he's gone. But his gifts are simple: the peanuts from the airplane, the tiny jars of jam in the hotel restaurant, the mint from his pillow, the little hotel soaps.

"I like that she knows I was thinking about her when I was in the hotel room or having breakfast or on the plane," he says. "We have about 30 small bars of hotel soap that I'm sure we'll never use. But she refuses to throw them away. They're as special to her as many of the much bigger presents she has gotten for Christmas or her birthday."

That's what I'm banking on, too—that every time I buy my son a T-shirt from some college I visit, I'm creating a bond with him that will be important in our relationship later in life. Thus it is that I'll spend a few minutes at the George Washington University bookstore this week buying a kid's small T-shirt with GWU emblazoned on the front, just for my son.

Jeff Opdyke covers personal finance for The Wall Street Journal. Write to him at: **lovemoney@wsj.com**

Health Costs / *By Kaja Whitehouse*

When to Choose an HSA

What's a health savings account? If you asked a lot of people, they'd say it's something like an individual retirement account for health care.

Sure, HSAs and IRAs have similarities. You contribute a certain amount each year tax-free, and money accumulates in a tax-protected account. HSAs have the added benefit of tax-free withdrawals. But HSAs can often be the more complex of the two. Why? Because you have to be covered by a high-deductible health insurance plan in order to invest in one.

That means the real question for those considering an HSA is: "Do I want a high-deductible health insurance plan?" says Paul Zane Pilzer, co-founder of Extend Benefits, a health-care services provider in Salt Lake City.

Will You Really Save?

People interested in an HSA should take a long, hard look at whether high-deductible health insurance will save them money on their health care. With a high-deductible health plan, the insured pays all costs up to a certain dollar amount—usually between $1,000 and $5,000—before the insurance company will pick up the tab. By passing on a big chunk of out-of-pocket costs to the insured, the insurer often can charge less.

The wild card: out-of-pocket costs, which will vary depending on factors including how savvy you are at shopping for your health care, and how often you get sick. Healthy people—who tend to need no more than an annual exam—are more likely to save with a high-deductible plan because they have minor out-of-pocket costs.

Of course, a high-deductible HSA can work out cheaper despite the risk of higher out-of-pocket costs. Chris Krupinski, a graphic designer in Fairfax, Va., for example, had been paying $900 a month in premiums alone for her health insurance. By switching to a high-deductible HSA, she cut her premiums to roughly $300 a month. Meanwhile, her seemingly daunting $3,500 deductible requires her to contribute only $291 a month to her tax-sheltered HSA, resulting in total costs of less than $600.

Unlike Ms. Krupinski, however, most working-age Americans have employer-provided health insurance, where the employer pays the bulk of the costs. If this is the case, it's usually wise to stick with the coverage you're offered, says Paul Fronstin, director of health research with Employee Benefits Research Institute, Washington, D.C.

Your employer may offer insurance that's compatible with an HSA, but it's rare. Currently, only 2.3% of employers offer a high-deductible plan that is eligible for use with an HSA, according to the Henry J. Kaiser Family Foundation.

Who Is Likeliest to Buy

The number of companies adopting these plans is expected to grow, especially if health-care costs continue to shoot higher. Under current circumstances, however, the people who will find they can benefit from an HSA mainly include those who buy health insurance from the individual market, such as self-employed people and the uninsured.

Few companies have shifted costs to such an extent that it makes sense for workers to drop out of the employer plan in exchange for an HSA, Mr. Fronstin says. Still, it can't hurt to run a few numbers, Mr. Pilzer says. Some employers, for example, are charging extra to cover employees' family members. People in this type of situation might find they could fare better with a high-deductible plan purchased on the individual market, he says.

If you are considering a combination high-deductible plan and HSA, be aware of the risks. If you get sick, you may need to spend more out of pocket than you expected. Also, you are responsible for putting money in the HSA (unless your employer also kicks in).

Finally, make sure you're comfortable shopping around for medical care, Mr. Pilzer advises. For some people, it's a chore they would rather not tackle.

The "Encore" column will be back next week. For comments on this column, you may send an email to: **forum.sunday03@wsj.com**

Barron's Insight / *By Andrew Bary*

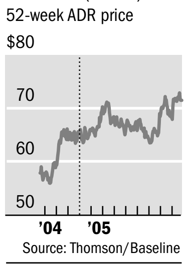
Nestlé May Fatten Wallets

Nestlé is one of the most familiar companies in the world, but it's not well known to U.S. investors.

Some professionals think investors ought to take a closer look at Switzerland's Nestlé, the world's largest food company, because its shares appear attractive at current levels, especially considering the huge value of Nestlé's stakes in Alcon, the eye-care company, and L'Oreal, the big cosmetics outfit.

Nestlé trades in the U.S. market as an American depositary receipt at around $71 (symbol NSRGY on **www.pinksheets.com**), or 17 times projected 2005 profit of $4.15 per ADR. The price/earnings multiple is in line with those of other big food companies such as Kraft, Kellogg and General Mills.

But Nestlé's stakes in Alcon and L'Oreal now account for almost 40% of its current market value of $111 billion. Strip out the Alcon and L'Oreal interests and Nestlé's core food business is valued modestly at less than 13 times projected 2005 profit. The dividend yield is around 2%.



Nestlé is unfamiliar to U.S. investors because it is quoted on the Pink Sheets, an over-the-counter market, rather than the New York Stock Exchange where many other big European firms change hands, including BP, Unilever and Vodafone. Nestlé shares aren't listed in daily newspapers, although stock quotes are available online.

Investors also can buy Nestlé's Swiss-listed shares, which trade at around 365 Swiss francs ($285 a share). Each U.S. ADR is equivalent to one-quarter of a Swiss share.

Andrew Wood, a food analyst at Sanford Bernstein, has arrived at a sum-of-the-parts value for Nestlé of around $95 a share. It may take several years for Nestlé's stock to appreciate to that level. David Herro, the manager of the Oakmark International fund, says Nestlé used to focus on getting bigger, often through acquisitions. "Quietly, there has been a change in emphasis to running top-notch businesses focused on returns, not size."

Under the leadership of its current chief executive, Peter Brabeck, Nestlé has achieved organic sales growth of more than 5%—solid by the standards of the slow-growth food business. Nestlé also has the industry's most extensive exposure to the high-growth developing world.

Nestlé amounts to an asset-rich industry leader with a reasonable stock-market valuation. This suggests Nestlé holders may be eating well in the coming years.

Andrew Bary is a senior editor of Barron's magazine, which is available online at **www.barrons.com**

Ask Dow Jones / *By Tom Herman*

Inflation has a silver lining: Most taxpayers will benefit next year from annual inflation adjustments to the federal government's tax tables and other items.

Here are answers to a few questions you may have about these changes.

Q: Why do tax tables and other numbers change each year, and what are some of the major changes?

A: The Internal Revenue Service is required by law to revise its tax tables and dozens of other items every year to reflect inflation. New numbers for 2006 are based on an inflation report released by the U.S. Labor Department on Sept. 15.

Among the items that change annually is the basic standard deduction, which is claimed on nearly two-thirds of all returns. For 2006, the basic standard deduction for a married couple filing jointly is likely to increase to $10,300 from $10,000 for 2005. For most singles, and for taxpayers who are married but filing separately, the basic standard deduction is expected to rise to $5,150 for next year from $5,000 this year.

For married couples and most single people, the top 35% federal income-tax bracket will kick in when taxable income exceeds $336,550 in 2006. That's up from a threshold of $326,450 this year.

Warning: Millions of people will get hit by higher taxes next year if Congress doesn't do something about the alternative minimum tax, or AMT. Thus, Congress faces heavy pressure to approve a temporary fix that would at least slow the AMT's rapid growth.

Q: What will happen to the personal exemption amount next year?

A: It's scheduled to rise to $3,300 from $3,200.

Q: What about the annual gift-tax exclusion?

A: The annual gift-tax exclusion this year is $11,000, the same as in 2002, 2003 and 2004. Next year, it's likely to increase to $12,000.

That means you will be able to give away as much as $12,000 next year to each of as many people as you want without having to report it to the IRS.

Whenever I write about the gift-tax exclusion, readers ask whether they can deduct gifts to their children and other relatives or friends as a charitable donation. The answer is no. An IRS publication says you can't deduct gifts to individuals, no matter how needy they may be. However, if you itemize your deductions, you can deduct donations to qualified charities.

Q: Do these 2006 numbers you're citing come from the IRS?

A: No. The IRS won't release official numbers until later this year. The 2006 numbers I am citing are projections by three private-sector tax specialists. In the past, their projections have been highly accurate. They are William E. Massey of RIA, George Jones of CCH Tax and Accounting, and James C. Young, an associate professor of accounting at Northern Illinois University.

Q: Where can I get more details?

A: Prof. Young's projections are posted on the Web site of Tax Analysts (www.taxanalysts.com), an Arlington, Va., publisher of tax materials, including Tax Notes, a highly regarded and influential weekly publication.

Also check out the sites of CCH (www.cch.com) and RIA (ria.thomson.com/home/tax_brackets.pdf).

Tom Herman's "Tax Report" appears Wednesdays in The Wall Street Journal. Send questions on finances, investments or taxes to: **askdowjones.sunday03@wsj.com** and include your name, address and a daytime telephone number. Questions may be edited; we regret that we cannot answer every letter.