Integra Capital
ADVISORS

Planning & Investment Strategy

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Summary of Topics Reviewed in this Edition

Social Security Planning - For those not yet receiving Social Security benefits, factors such as life expectancy and age difference between spouses should be taken into account as you plan to file for benefits. Don't miss out on potentially tens or hundreds of thousands in lifetime benefits by not learning the best filing method for you. Read below to learn more.

Stocks Continue to Rise - Despite a significant correction in the fourth quarter of 2018, stock prices, in general, have recovered those losses and moved to new highs. The rising tide has not lifted all boats equally though. See Page 2 for more details.

Global Growth Challenges and Interest Rates - The U.S. economy continues to grow, but like many of the economies around the globe, the pace of growth has slowed and has monetary policy makers here and abroad considering reductions in interest rates and other forms of fiscal stimulus to boost growth. Read more on page 3.

Automated Investing - Integra Capital leverages the Schwab Institutional Intelligent Portfolios platform to create the Integra Automated Portfolios service for our clients. This system, which automatically keeps accounts in their target allocation, is great for smaller accounts and we offer the service at a lower fee than the more traditional method of account management. See page 4 for more details.

Social Security Planning

For most retirees, Social Security makes up a significant portion of their household income. For those approaching retirement, integrating the decision on when and how to file for Social Security benefits with the rest of your financial plan can make a substantial difference to total lifetime benefits. This is especially true for couples where age and benefit level differs, making planning for how to file a profitable use of time. The difference in benefits for a married couple during a long retirement could measure well in excess of $100,000 using a Social Security maximization strategy.

Without going into too much detail in this newsletter, it is important to note that your benefit amount will go up incrementally each month the longer you wait from age 62 to age 70. Once you claim benefits, the amount will be inflation adjusted as the cost of living rises.

Many folks want to claim benefits as soon as possible at age 62. For some this is out of necessity, but some others fear the Social Security System will run out of money and claim early. We consider the likelihood of a default to be very low. We do expect eventual changes to the system, such as raising the full retirement benefit age from 67 to as high as 68 or 69 in the future, but this will not affect those who are already receiving benefits, nor those who are within a few years of eligibility for their benefits. Changes would likely be made for those more than 10 years away from collecting Social Security.

Delaying Social Security, when possible, is usually a good idea because of not only the higher benefit level, but also the fact that when one spouse passes, the surviving spouse can take the higher of the two benefits for the remainder of their life. This is especially important for women who tend to be younger in the relationship and have a longer life expectancy. We don't know how life will unfold, but playing the odds is usually a good idea.

We have prepared the *Integra Capital 2019 Social Security Guide* as an educational piece to help those approaching retirement to understand their options and make an informed decision. Call us at 941-778-1900 or email to info@integracapitaladvisors.com to request your electronic PDF copy.

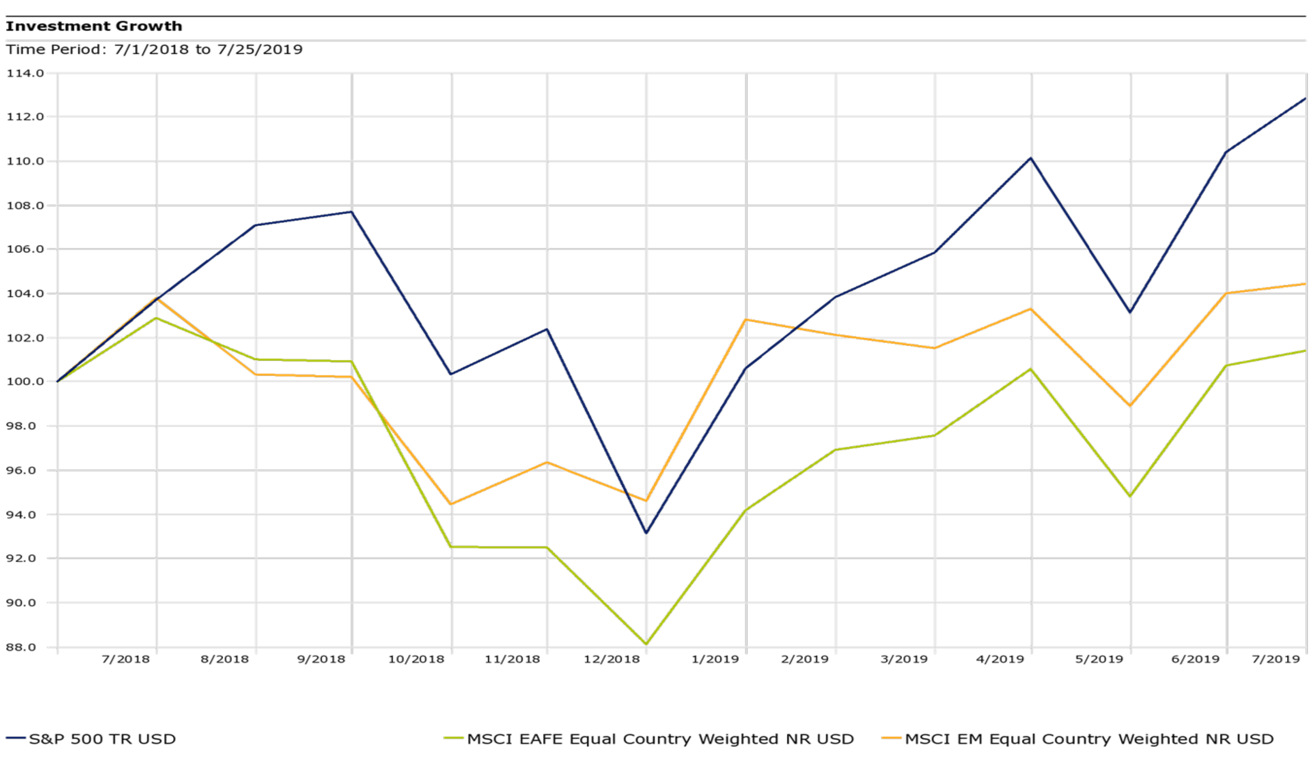
In addition, Integra Capital uses a Social Security benefits maximization software program to calculate and illustrate different benefit filing scenarios for your particular situation. If you would like to have a report prepared, call us so we can have a discussion and obtain the necessary personal information we need to run your personalized analysis.

Stocks Rise

Global stock prices have generally risen so far in 2019. This follows a negative year for performance in 2018 where a sharp correction from October through late December erased earlier gains. The major U.S. stock indexes continue to lead the rest of the globe, due mostly to the consistent economic growth we have maintained over the last couple of years.

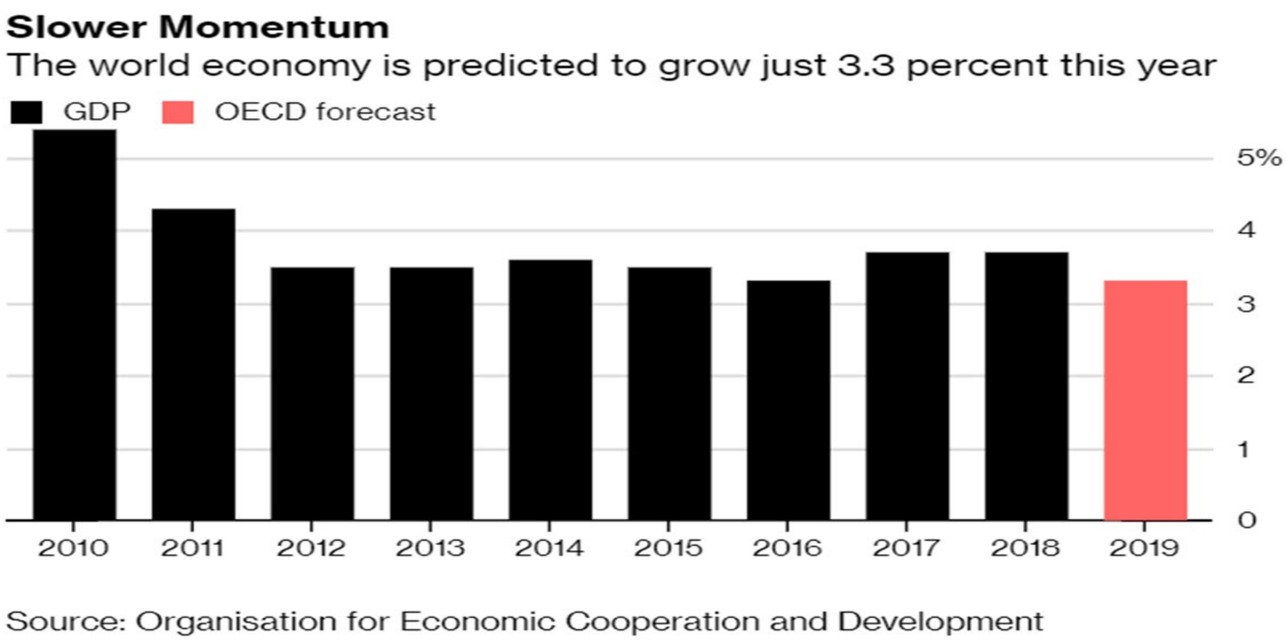
The rising tide of prices has not treated every type of stock equally. There have been large measures of outperformance by domestic over international, large companies over small and growth companies compared to value oriented companies. These size and style trend differences are normal over short and intermediate periods and usually correct themselves in time. If you read this and are one of the first ten to call Christina Sherman at 941-778-1900, we will send you your choice of a $25 Starbucks or charity donation gift card.

The chart below shows the relative performance of the U.S. Market, the S&P 500 Index, the broad international markets, MSCI EAFE Index, and the emerging markets, MSCI EM Index. We shared a similar long-term chart last winter and thought reviewing it again for activity over the last year would be helpful.

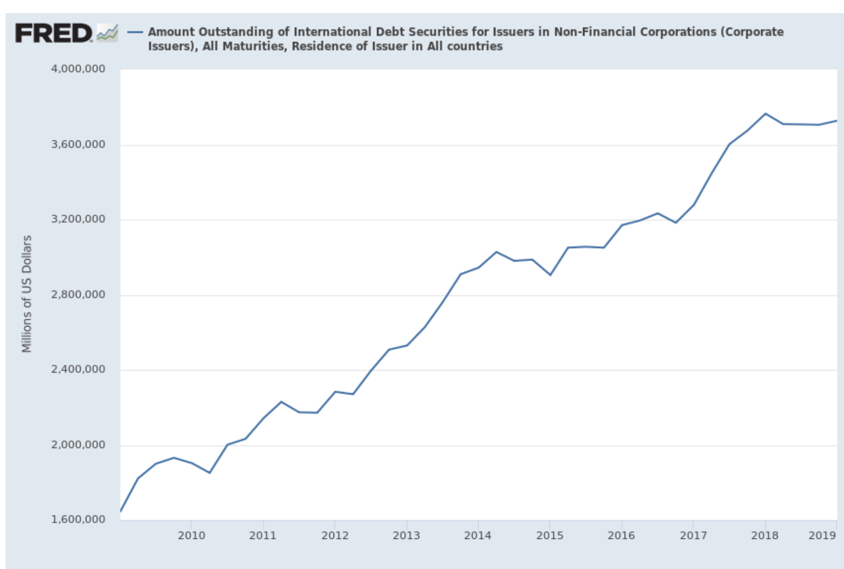


Global Growth, Debt & Interest Rates

The global economic growth rate has been declining over the last year or so. There are many factors to consider that vary region to region, like zero population growth in the Eurozone, China and Japan. But perhaps the biggest cause has been the trade wars and associated tariffs being placed on goods traded between countries. The main focus here is between China and the U.S. in a battle of threats and actual tariffs being implemented. The uncertainty of a trade war causes businesses to slow investment in capacity and future growth, which, of course, hurts our current growth rate. The chart below shows the pace of global economic growth (including the U.S.) since 2010. In the 2019 estimate to the far right, you can see economists expect this to be the slowest growth year since 2010.



The slowing of economic growth has not gone unnoticed by the monetary authorities around the world. Here in the U.S. the Federal Reserve Board of Governors is widely expected to reduce the federal funds rate by 0.25% when they meet on July 31st to stimulate higher growth. China and Europe are also anticipated to reduce rates, and in Europe government bonds yield less than zero as authorities try to motivate money into the economy rather than having it invested in financial assets.



One other factor we believe is causing headwinds for growth is the huge debt overhang around the globe (see chart to right). This has not been mentioned in the press much recently, but the very large debt levels are not free. More debt = higher interest payments which means that money is not used for investing in things that make the economy grow but is directed to pay for the money previously borrowed that we are already enjoying the growth benefits of. Call it "paying it forward" if you want, but eventually you have to pay the money owed, plus interest, and that cuts down on future investment.

While rates remain very low, we can get away with high debt loads for a while longer, perhaps years. Any event that causes interest rates to rise could unleash a cascade of corporate debt defaults, which may be the cause of the next bear market for stocks and perhaps a recession. Those who are more sanguine point to the fact that the record high levels of debt can be supported by the current record high level of world economic activity and corporate assets. This is a good point, but we think the high debt levels bear watching as a potential threat.

Integra Automated Portfolios

We have recently started using the Schwab Institutional Intelligent Portfolios platform to implement our investment models for the Integra Automated Portfolios. Automated investing systems are often called "robo-advisors" due to the automatic rebalancing that is used to keep the portfolio in its target allocation as prices change over the weeks and months. These systems can work for many types of accounts and sizes, but in general is very effective for accounts from $5,000 to $100,000.

Utilizing this system, we select from over 400 exchange-traded funds (ETFs) to build 12 models ranging from very conservative to very aggressive. Account owners establish their account and are placed in a model based on answers to a risk tolerance questionnaire. Integra monitors the models and may change the individual ETF selections and allocations in reaction to our analysis of performance and market outlook.

Because of the automated aspects of the system, we can offer our services at a lower fee compared to our traditional method of managing accounts. We will be in touch soon with clients for whom this system will be beneficial and provide value.