

THE COMMUNIQUE

July 2021

MAJOR INDICIES	LAST	MTD	QTD	YTD
S&P 500	4319.94	0.52%	0.52%	15.01%
Dow Jones Industrials	34633.53	0.38%	0.38%	13.16%
NASDAQ Composite	14522.38	0.13%	0.13%	12.68%

U.S. TREASURIES	YIELD
5-yr Treasury Note	0.89%
10-yr Treasury Bond	1.46%
30-yr Treasury Bond	2.06%

Information as of July 1, 2020

Source: Thomson Reuter's Thomson One

MARKET COMMENT

The Times They Are A'Changin

The above title comes from a 1964 Bob Dylan song about ensuing changes in our country during the 1960's. The song was prophetic, especially as we now look back at the many social changes initiated during that period. Perhaps the same could be said if Dylan's song was released today, as we are now seeing some watershed social changes beginning to take place. As investment advisors, our focus tends to be on markets, monetary and financial changes, and economic events. However, we often short change ourselves by not paying attention to cultural changes that can have a profound impact on individuals' behavior – which, in turn, affects the financial side. So let's consider what seems to be going on over the past 12- 18 months.

The first major impact to consider is the Pandemic. There is little doubt that this health issue caused a rapid, and major, economic contraction, which led to unprecedented intervention by the U.S. Federal Government and the Federal Reserve. That intervention led to an equally quick recovery, which all took place in less 1 ½ years – rather breathe taking! These actions have set the stage for our society to rely on our government to cast the "safety net" for all of us during future calamities. In all fairness, this degree of government intervention didn't start with the Pandemic, but has been playing out over the past 25 years. Perhaps the action of the Federal Reserve and Congress during the 2008-2009 "Great

Recession,” represents a major turning point for investors, but we’ve seemed to reach the point where markets assume this aggressive intervention will continue into the future.

Next, major social changes are occurring, despite the Pandemic’s effect on the economy and society, which is nothing new for our nation. When Dylan’s song became a hit, major social changes were afoot – including enhanced Social Security benefits, the commencement of Medicare and Medicaid, and the Civil Rights Act of 1964. Fast forward to the present and we are viewing protesting in the streets for racial equality, against abusive police authority, and a multitude of other social changes desired by citizens in our country. It would seem these protestors have the ear of government, and more social changes will be occurring. As these social changes unfold, the markets, just like in the 1960’s, continues to focus on the economy and, so far, markets responded with rising stock prices due to increasing economic recovery from the Pandemic.

Lastly, the Pandemic created a catalyst for tidal wave changes to the “way we do business,” and how “we act as consumers.” Working remotely from the office is no longer far-flung, but is a normal business practice that has changed where many people do their jobs. While many will go back to the “old norm” of working from an office, many will not. Also, there has been a surge in retirement, which may create a talent vacuum in the future. It is also now normal to shop online, not the exception, so consumer behavior has greatly changed. Many are moving out of highly populated urban areas to less-populated communities, creating demographic changes in consumer and business behavior. The list of changes could continue, but, the point is that investors will need to adjust for these changes because “The Times They are a Changin.”

We will see you back in September (our newsletter will be taking an August break). Thank you for your continued trust and confidence, they are both highly valued.

PLANNING STRATEGY

Raymond James “Point of View” article. M21-3620785

What Savvy Investors Know About Social Security

In any financially independent retirement, Social Security is bound to be a dominant factor. Not many reliable sources of income bring as much to the table in terms of cash flow and cost-of-living increases just about every year. A source of income that will hold relatively steady in just about any market environment? Yes, please. Its resilience is just one of many reasons you’ll want to be as clever as possible about your Social Security benefits strategy.

Here are a few ways those in the know help maximize their benefits.

It’s not just about you

Your Social Security decisions should be made in tandem with your spouse, not as two independent decisions. Strategizing with each other and your advisor is the key to maximizing your overall household benefits. Remember that Social Security offers spousal and survivor benefits as well as cost-of-living increases, so making the most of this important pillar of retirement income may serve you both well in the long run.

The ex factor

Many divorced people erroneously think that filing on their ex's record somehow takes benefits away from their former spouse or even alerts them to the claim. That's not the case.

If you were married for at least 10 years and haven't remarried, Social Security allows you to claim spousal benefits for yourself, and your ex would be none the wiser. For example, women who stayed out of the workforce to serve as family caregivers may find that their spousal benefits would actually be larger than claiming on their own record. Basically, they could be entitled to an increased benefit without detracting in any way from their ex's benefits – certainly something to consider.

Why leave money on the table? Your advisor can model the possible benefit scenarios to see which claiming strategies help you come out further ahead. There are even some scenarios where you can collect on your ex's record first, while deferring your own.

Remarriage implications

Remember the rules above? Getting remarried will cut off those spousal benefits from your ex's record. This may be fine if your new spouse made a higher lifetime income, but it's worth thinking through either way.

The fashionably late arrival

For many of us, waiting until full retirement age can significantly increase lifetime benefits. People who claim at age 70 vs. age 62 receive 76% more in benefits – that's quite a pay raise as a tradeoff for a little patience.

Of course, if you have a family history of illness, shortened life expectancy or an immediate need for extra cash flow, this may not make the most sense for you. But if you have a solid nest egg, it could pay to delay. Consider too that permanently reduced benefits not only affect your finances over what could be a 30-year retirement, but your spouse's, too.

The bird's eye view

Smart investors, in general, look at their financial plan holistically, not in isolation or compartments. That goes for any decisions around Social Security. Benefits are best viewed in light of the role they'll play within your overall portfolio, in conjunction with other retirement income and in order to make progress toward your short-, mid- and long-term goals.

How working works

Working while withdrawing before full retirement age comes with some funky math. The Social Security Administration (SSA) temporarily withholds \$1 in benefits for every \$2 you earn above the current \$18,960 limit. In the year you reach full retirement age, SSA will deduct \$1 from your benefits for every \$3 you earn above an established threshold, currently \$50,520 for 2021. Once you reach full retirement age, your earnings no longer reduce your benefits, no matter how much you make, and the agency recalculates your benefits to give you credit for the months it withheld payment due to those excess earnings.

The value of keeping tabs

Even if you're decades away from retirement, create a secure login to access your personal Social Security account at ssa.gov. Doing so can help stave off identity theft and catch any mistakes in your earnings history.

Sources: *ThinkAdvisor*; *Raymond James research*; *Financial Planning Association*; ssa.gov; usnews.com; *Gallup data*; *U.S. Government Accountability Office*; fool.com

LIFE & LEISURE

Raymond James "Point of View" article. raymondjames.com

Transportation's Evolution – From Electric Buses to Hyperloop

Back in 2008, a *Popular Science* magazine cover asked the question we'd all been thinking: "Where's my flying car?" Tesla CEO Elon Musk's advice? Don't hold your breath.

While we can't yet hover in style like the Jetsons, transportation has become cleaner and more efficient in the past decade. Worldwide, electric vehicles (EVs) are expected to make up more than half of passenger car sales by 2040, with even better prospects for electric buses, according to BloombergNEF. Amazon is one company making big strides, with its recent order of 100,000 electric delivery vans from startup Rivian. Aiding this trend is the rollout of wireless charging of EVs via induction coils embedded in the road, now used for buses in European cities. Mainstream adoption of EVs is just a matter of time, as innovation continues and more charging stations are built.

Want to get somewhere fast? Virgin Hyperloop One is working on building high-speed passenger and cargo transit that can zip through tubes at up to 700 mph. So far it has a test track in California and it hopes to build a 22-mile route in Saudi Arabia.

Transit that is cleaner, greener and provides a better user experience is in various stages of development around the globe. We take a look at how this vital driver of economic activity is changing along with the times.

The future of flight

First, the good news for aviation: better engines, wing modifications and lighter materials have helped airlines increase their fuel efficiency **130% in the past 40 years**. "Airlines have been extremely focused on this," says Savanthi Syth, managing director and airline analyst at Raymond James. In addition to updating their fleets, "they're using data and technology to figure out how to fly in a way that uses the least amount of energy." You can even spot improvements before wheels-up: "You may have heard of APUs, auxiliary power units," notes Syth – these small engines have eliminated the use of jet fuel while taxiing.

The airline industry is also one of the few that have pledged to uphold an international emissions reduction goal. Through CORSIA, established by the U.N. body for air travel, companies have agreed to make all growth in international flights carbon neutral.

As progress in efficiency has begun to plateau and people are flying more, some people hope for a technological breakthrough that could swoop in and save the day. “Airlines would love electric aircraft, but right now it’s just not realistic,” says Syth. Experimental aircraft, like NASA’s all-electric X-57 Maxwell plane that took its first test flight in 2020, offer hope for the long term. In the meantime, airlines have been investing in renewable fuel technology, Syth says, and buying high-quality carbon offsets. “You want to feel like you’re flying an airline that does good, so this is all extremely important to airlines.”

Delta and JetBlue have pledged to make major investments in carbon offsets with the goal of becoming carbon neutral, though as the coronavirus pandemic continues to impact the global economy, those ambitious company targets might be adjusted.

Cleaner ships on the horizon

Container ships are essential to trade, and to date there isn’t a more economical way to transport metric tons of goods across oceans. However, these vessels burn sludge-like heavy fuel oil because it’s cheap, emitting significant carbon emissions.

They’re going to have to find a cleaner form of power. New international regulations require ship owners to buy scrubbers to clean their exhaust or purchase cleaner fuel at a premium – though the scrubbers may have side effects. “They’re looking at [open loop] scrubbers and saying, ‘Well, you’re taking care of air pollution, but you might actually be polluting the water,’” Syth says. It’s a tradeoff to weigh carefully, much like the consequences of eliminating single-use plastics on planes: “You’ve seen airlines really look at reducing plastic use, but you can’t have too many heavy things because you’ll end up burning more fuel.”

Even tougher shipping standards are planned for 2050 through the United Nations International Maritime Organization (IMO): **emissions must be half of what they were in 2008**. Now the race is on to create container ships with the technology to meet those emission standards. Liquefied natural gas and hydrogen could be options, though there are barriers to adopting either at the moment that must be overcome. But the IMO has set the course for greener cargo transport.

Treading lightly

A world with a wider variety of green transportation is not that far off. With engineers hard at work on autonomous vehicles and uber-efficient aircraft, cities switching existing transportation systems to electricity and more stringent fuel efficiency standards coming online, the future of mobility looks bright.

Sources: *Raymond James Equity Research; company reports; BloombergNEF; International Civil Aviation Organization; International Maritime Organization; U.N. Environment Program; U.S. Energy Information Administration*

Quote of the Month: "Those who cannot change their minds cannot change anything."
— **George Bernard Shaw**

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