Collegiate Capital
Management® Inc.

eNews I September 2018

Advocates for the Academic Investor®

Risk Management Ideas

Changes to Social Security Spousal Applications

Who this applies to: Spouses who were born before January 2, 1954 and are not currently receiving Social Security.

Summary
Social Security Spousal Benefits allow a husband or wife to receive up to 50% of their spouse's Full Retirement Age (FRA) Social Security benefit (also referred to as Primary Insurance Amount). This maximum 50% spousal benefit can be achieved when both spouses are at their full retirement age (FRA) at the time of application. An individual can apply for spousal benefits as early as age 62 at which time they would receive 35% of their spouses FRA benefit. The Bipartisan Budget Act of 2015 significantly changed the rules for those wishing to receive spousal benefits.

Prior to the Bipartisan Budget Act
At FRA a spouse could receive this 50% spouse's benefit while simultaneously deferring receipt of their own retirement benefits. This deferral allowed the spouse to increase benefits payable on their own earnings record by 8% per year up until age 70. At age 70, the spouse would then flip over to receive their own retirement benefits. Not only would the individual get a 32% larger retirement benefit, they were still able to receive some form of Social Security during a period of "deferring benefits".

Current Rules
The 2015 legislation eliminated this opportunity with few exceptions. If an individual was born prior to January 2, 1954, this strategy can still be used if a few criteria are met:

1. The individual applying for spousal benefits must be at or beyond their Full Retirement Age. *(For individuals born between 1943 – 1954 this age is 66.) And,*
2. The spouse not applying for spousal benefits must be receiving Social Security Benefits.

Individuals who were born after January 2, 1954 will have their applications handled differently. When an application is made, the individual will receive the largest benefit they are entitled to at that time whether it be spousal benefits, retirement benefits or a combination of benefits.

This flexibility is also available to divorced spouses with a few caveats. Unlike married couples, divorcees don't have to wait for former spouses to file for Social Security benefits. As long as they were married 10 years and have been divorced at least 2 years, they can file for spousal benefits if their former spouse is at least age 62. Reductions can apply depending on the age of both parties in a given scenario.

More questions? Contact one of our advisors today for a complimentary consultation.

Managing Risk in a Rising Interest Rate Environment

Assets invested more conservatively to avoid stock market risk must still provide a reasonable contribution to portfolio return. This is currently complicated due to the risk of bonds falling in value in a rising interest rate environment.

However, the bond market is not homogeneous. Bond investments can vary in the degree to which their values are impacted by changes in interest rates. We want our clients to have a blend of fixed income investments to manage interest rate risk and achieve a competitive return. The following is a brief description of a few options we use in an effort to achieve those goals.

Conventional Bond Funds
Generally, the shorter the time to maturity, the less a bond will decrease in value as rates rise. In the current interest rate environment, we think a mix of bonds with different maturities to affect a "laddering" is prudent. Our clients have bond exposure through ownership of mutual funds, exchange traded funds (ETFs) or individual bonds.

1. Ultra-short term – maturities of less than 1 year, will have lower yields than bonds with longer maturity but will better maintain their value as interest rates rise.
2. Short term – maturities of between 1 and 3 years and normally a higher yield than shorter term bonds. As rates rise their valuation will decrease more than ultra-short bonds.
3. Intermediate term – bonds with maturities of 4 to 6 years. These bonds will have a higher yield than shorter term bonds but will generally decrease more in value as rates rise.

Floating Rate Bonds
Also referred to as bank loans, these are corporate bonds that have a yield which varies with an interest rate benchmark such as the LIBOR or the prime rate. If the benchmark rate goes up, so does the yield paid by the bond. Floating rate bonds also have various maturities.

Inflation Protected Bonds
These are treasury bonds with principal that varies with inflation- the coupon remains the same. A purchase for $1,000 with a 2% coupon, and therefore with an annual yield of $20, will have a slightly higher dollar yield ($1,010 x 0.02) if inflation increases by 1%.

Stable Value Funds
These funds pay a contract rate of interest and therefore have no interest rate risk over the contract term. They may restrict timing and the amount of withdrawals and therefore might present some liquidity risk. Generally, a portfolio of bonds, stocks and real estate compose the underlying investments that allow interest to be paid to the investor.

Structured Notes
This is a class of investments with a return that is contingent upon the performance of one more market indices. We attempt to ladder individual notes to achieve a hybrid investment that has a stock component and therefore some market risk. Our approach is to ladder individual notes to mitigate that risk and attempt to achieve a return that would compare favorably to more conventional fixed income options.

Cyber Security and Compliance

Email Scams and Other Internet Fraud

We are aware of the increasing levels of sophistication being employed by criminal enterprises who seek to exploit the conveniences of modern technology. As a result, we strive to maintain a culture of risk avoidance in our firm and maintain strict procedures regarding our electronic communications and protection of client data. Additionally, we regularly remind our clients of actions they can take to protect themselves.

While you may frequently read of electronic fraud risks, you may not realize how deceptive these fraudulent endeavors have become. Many are well organized and funded and come from a myriad of seemingly reliable or familiar sources. For example, you are no longer likely to be contacted by an unknown international entity or individual: Now you may receive a fraudulent email from an entity purporting to be your bank, credit card provider, or investment account provider.

What to Look For
It is not difficult to reproduce high quality corporate logos to create fraudulent emails and web pages. Sometimes, the email domain or the web address reveals the attempted fraud, but criminals can create convincing domains and addresses. Simply opening attachments or visiting web pages may reveal sensitive information about you. The scammers don’t rely on you entering your personal information, they lift it from your computer once they have access.

How to Protect Yourself
When in doubt, don’t click. Be extremely cautious before opening attachments or clicking on links embedded within an email. Attachments and links are commonly used to gain access to your sensitive information. Instead of clicking on a potentially fraudulent link in an email, navigate to the link in question by using a different method. You are much less likely to land on a fraudulent web page if you use a bookmark from your last interaction with the company, or by using the results from most any search engine (Bing, Google, etc.). Search engines attempt to filter out fraudulent content and prioritize valid results.

Additionally, if you receive an email solicitation that entices you to take any action, beware. A good first rule of thumb: if you cannot physically locate the organization via web search, proceed cautiously or not at all.

Contact us with any questions you may have, particularly regarding correspondence from an investment account provider. We can verify the authenticity of communications.

CCMConnect® Refresher

Several years ago, we designed an innovative web portal that allows our clients to view their consolidated portfolio across all accounts. Although logins for individual accounts custodians are still active, our site allows an entire collection of accounts to be viewed with one login. We continually upgrade various aspects of the website and have just made another set of changes that increase functionality on mobile and tablet devices. Click here for a refresher on CCMConnect®.

View Our New Site

In July, Collegiate Capital Management, Inc. launched a new website with a more user-friendly interface and new features. Stay abreast of current information through our expanded resource section, and keep up with events happening in your area. If you have any comments, questions or suggestions for us please email contact@collegiatecapital.com.

Congratulations Are In Order

Congratulations to Collegiate Capital's Jennifer Blanton (formerly Jennifer Robinson) on her recent nuptials. Jennifer's email address has changed to jblanton@collegiatecapital.com. Any emails sent to her old email address will be copied into her new inbox moving forward.

2018 CCM Tax Guide

We have updated our Tax Reference Guide for 2018. The guide and more can be found under the Resources tab on our website.

Upcoming Seminars

Duke University Retirement Plan Changes

Current and past Duke employees are invited to join us at the Washington Duke Inn to learn about the upcoming changes to your retirement plans. Enjoy heavy hors-d'oeuvres and have your questions answered by our team of Investment Advisors.

Two seminars will be held in October. Space is limited, so please RSVP by registering below:

October 10th, 6-8 PM

- OR -

October 11th, 6-8 PM

Registrations for either event can also be made by calling (800) 333-1701 x9 or emailing contact@collegiatecapital.com. Colleagues and guests are welcome.

*CCM is an independent SEC-registered Investment Adviser. The firm is not affiliated with or compensated by any university or vendor.

Market News

Year-to-date Market Summary

Index/Market	YTD
S&P 500 Index	9.94%
DJ Industrial Average	6.73%
Russell 3000	10.39%
Russell 2000	14.26%
Nasdaq	18.31%
MSCI EAFE Index	-2.28%
Barclays US Agg Bond	-0.96%
10–Year U.S. Treasuries (Yield)	2.88%
WTI Crude Oil	15.51%
LBMA Gold Price	-6.86%
CBOE Market Volatility	16.49%

Index/Market	YTD
Consumer Disc	19.39%
Consumer Staples	-4.33%
Energy	4.75%
Financials	2.37%
Health Care	13.31%
Industrials	2.59%
Information Technology	21.03%
Materials	-0.66%
Real Estate	4.44%
Telecom Services	-3.36%
Utilities	3.33%

Source: Morningstar.com as of 8.31.2018

The market continues to be in a confirmed uptrend. The major indexes had solid monthly gains despite the historically challenging month of August - lead by the Nasdaq with a 5.7% advance and the Russell 2000 up 4.2% for the month. Potential tariffs on Chinese and Canadian imports continues to impact markets, particularly commodity firms.

Collegiate Capital Management, Inc. | (800) 333-1701 | www.collegiatecapital.com

STAY CONNECTED

You are receiving this email because you are a client of Collegiate Capital Management, Inc. If you do not wish to receive this information please unsubscribe using the link below.