



# CTMA

## CTMA Wealth Management

### Some Recent Headlines:

- The U.S. Economy in longest uninterrupted expansion since 1854.
- The U.S. adds 224k jobs in June.
- The U.S. Stock Market hits all-time high.
- Germany, Italy and Portugal sell bonds at the lowest yield ever (negative interest rates).
- U.S. Interest Rates are headed back to zero.



It's important to understand, volatility usually implies uncertainty and increased risk to financial assets. It's why rebalancing and reinvesting is important as well as making sure you are understanding your personal risk profile and liquidity needs.

### Other things to consider

- The U.S now has over \$22 trillion dollars in outstanding debt (see section on Debt and "The Economy")
- Student loan debt has grown to over \$1.5 trillion, of that, \$1.25 trillion has been taken out in the last 10 years. Over 44 million people have outstanding student loans.
- The leveraged loan market (lending to risky companies) has roughly doubled in the past decade to \$1.1 trillion.
- The U.S. Stock Market is now 110% higher than its historical average and has only been higher in one other period since 1900. The period was "The Internet Bubble" of 1999/2000.

The above leaves us with a challenge and a unique scenario, as there is no other time in modern history when interest rates were held so low for so long with asset values this high (Price to Earnings ratios P/E). The Federal Reserve's Zero Interest Rate Policy which began in response to the financial crisis of 2007/2008, has continued and looks to be held in place for much longer than anyone anticipated.

We believe the best approach continues to be balancing risk, investing in companies and other assets that are paying us to own them (dividends, interest and distributions) and in areas of the world where the demographics are favorable to growth (see 2018 year-end letter attached).

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*Please be sure you review and update us on your needs and risk profile as we continue to believe asset prices will remain volatile and have significant risk exposure.*

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## Debt and “The Economy”

The U.S. now has over \$22 trillion in debt outstanding. There used to be a clock keeping track of it in NYC.

Does Debt matter? The short answer is yes, as anyone who has had a mortgage or has borrowed money knows. However....

“Only if you have to pay it back”, appears to be the current state of understanding in the U.S. system.

So, we decided to cast it in a different light. When you borrow, you hope it creates wealth that can later help you pay it back.

The chart to the right shows 6 decades in summary, using the 9<sup>th</sup> year of the decade for consistency, the outstanding debt the U.S. had and how much Gross Domestic Product (or ability to pay it back) the U.S. produced.

The numbers can be abstract which may be why we ignore them. The U.S. is now adding debt faster than the economy is growing. Interest rates, near all-time lows, has helped to offset the underlying trend. If, however we see an increase in interest rates, a slowdown in the Economy or the U.S. ends up having to pay the debts, it may prove difficult.

The above is meant to help understand why things may continue to be volatile.

We are living in a time of great prosperity. We appreciate how much has changed in our culture/economy (“Does anyone answer the phone anymore?”) and how things are moving much faster than people can keep up with. Recognizing that much in the world is in a rapid state of change, balancing return expectations and risk is at the forefront of how we are managing assets.

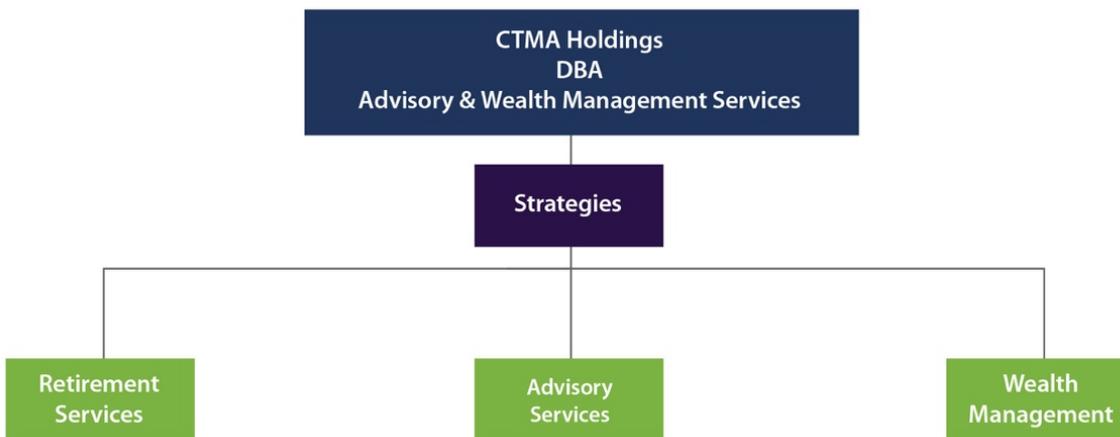
Date	GDP (in trillions)	DEBT (in trillions)	DEBT as % of GDP
1959	\$0.52	\$0.28	54.6%
1969	\$1.01	\$0.35	34.8%
1979	\$2.62	\$0.82	31.5%
1989	\$5.64	\$2.85	50.6%
1999	\$9.63	\$5.65	58.7%
2009	\$14.44	\$11.90	82.4%
2019	\$21.06	\$22.02	104.6%
<b>Future Estimates by Congressional Budget Office</b>			
2025	\$26.65	\$29.15	109.4%
2029	\$31.00	\$33.56	108.3%

*Please call 877.358.0829 or email us if you have any questions or comments.*

## CTMA UPDATES

As CTMA entered 2019, we had experienced much growth and believed we needed to realign the business to better meet our client's needs and objectives. Below is a brief update on how we view and run the business of CTMA.

Many clients have accounts in each of the different groupings.



**Retirement Services** encapsulates most all Qualified Retirement Plans (IRAs 401ks). Our Retirement Asset Management Platform (RAMP), 401(k) and IRA clients are primarily managed in the Custom Model Portfolios (see next page for details). These solutions give individuals and business owners the ability to use advanced investment techniques through low cost Exchange Traded Funds (ETFs) strategies, with minimal to no transaction costs.

**Advisory Services** has account assets for Defined Benefit Plans, Trusts and Capital Management or Pre-Funding investments. This group is managed from a stated objective through an Investment Policy Statement and is primarily focused on generating a sustainable yield to offset expenses to meet future obligations.

**Wealth Management** has individual's assets held both in taxable and tax deferred accounts. We build custom portfolios to meet our client's needs. We incorporate client objectives, liquidity, time horizon and risk profiles into an overall strategy. We believe it's about realizing your wealth.

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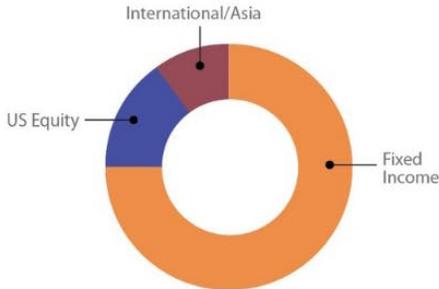
*Thank you for your business and the opportunity to serve as your partner. We respect and appreciate the trust you have placed in us. **If anyone would like to discuss their issues further, as a client of CTMA, we welcome your thoughts and questions. We know it can be confusing.***

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# Retirement Asset Management Platform (RAMP)

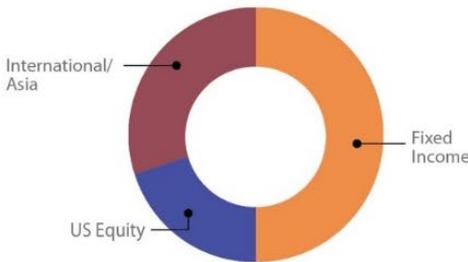
## Custom Model Portfolios

### Conservative Model



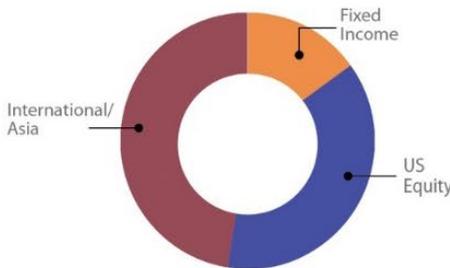
Asset Class	Investment Options	Ticker	Percent Invested
Short Term Govt Bond	Schwab Short Term Treasury ETF	SCHO	20%
Intermediate Govt Bond	Schwab Intermediate Treasury ETF	SCHR	30%
Long Govt Bond	SPDR Long Term Treasury ETF	SPTL	15%
Intermediate Bond	Schwab US Aggregate Bond ETF	SCHZ	10%
U S Large Value	Schwab U.S. Large Value ETF	SCHV	5%
U S Large Value	SPDR S&P High Dividend ETF	SPYD	10%
Foreign Large Blend	Schwab International Equity ETF	SCHF	5%
Pacific/Asia	Vanguard Pacific Index ETF	VPL	5%

### Balanced Model



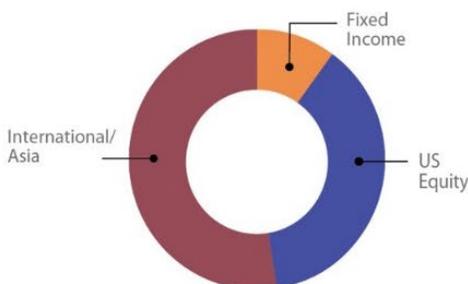
Asset Class	Investment Options	Ticker	Percent Invested
Short Term Govt Bond	Schwab Short Term Treasury ETF	SCHO	10%
Intermediate Govt Bond	Schwab Intermediate Treasury ETF	SCHR	15%
Long Govt Bond	SPDR Long Term Treasury ETF	SPTL	15%
Intermediate Bond	Schwab US Aggregate Bond	SCHZ	10%
U S Large Value	Schwab U.S. Large Value ETF	SCHV	5%
U S Large Value	SPDR S&P High Dividend ETF	SPYD	15%
Foreign Large Blend	Schwab International Equity ETF	SCHF	7.5%
Pacific/Asia	Vanguard Pacific Index ETF	VPL	7.5%
China Region	SPDR S&P China ETF	GXC	5%
Australia Region	iShares MSCI Australia ETF	EWA	5%
Emerging Markets	Schwab Emerging Markets ETF	SCHE	5%

### Growth Model



Asset Class	Investment Options	Ticker	Percent Invested
Short Term Govt Bond	Schwab Short Term Treasury ETF	SCHO	5.0%
Intermediate Govt Bond	Schwab Intermediate Treasury ETF	SCHR	5.0%
Long Govt Bond	SPDR Long Term Treasury ETF	SPTL	5.0%
U S Large Blend	Schwab US Large Cap ETF	SCHX	10.0%
U S Large Value	SPDR S&P High Dividend ETF	SPYD	12.5%
US Mid Cap Blend	SPDR Mid Cap ETF	SPMD	7.5%
US Small Cap Blend	Schwab U.S. Small Cap ETF	SCHA	7.5%
Foreign Large Blend	Schwab International Equity ETF	SCHF	10.0%
Pacific/Asia	Vanguard Pacific Index ETF	VPL	15.0%
China Region	SPDR S&P China ETF	GXC	10.0%
Australia Region	iShares MSCI Australia ETF	EWA	5.0%
Emerging Markets	Schwab Emerging Markets ETF	SCHE	7.5%

### Aggressive Model



Asset Class	Investment Options	Ticker	Percent Invested
Short Term Govt Bond	Schwab Short Term Treasury ETF	SCHO	5.0%
Intermediate Govt Bond	Schwab Intermediate Treasury ETF	SCHR	5.0%
U S Large Blend	Schwab US Large Cap ETF	SCHX	17.5%
US Mid Cap Blend	SPDR Mid Cap ETF	SPMD	10.0%
US Small Cap Blend	Schwab U.S. Small Cap ETF	SCHA	10.0%
Foreign Large Blend	International Equity	SCHF	10.0%
Pacific/Asia	Vanguard Pacific Index ETF	VPL	12.5%
China Region	SPDR S&P China ETF	GXC	10.0%
Australia Region	iShares MSCI Australia ETF	EWA	10.0%
Emerging Markets	Schwab Emerging Markets ETF	SCHE	10.0%