ASK THE **ADVISERS**

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Singer Wealth

Keith Singer, JD CFP™

Keith Singer

Singer Wealth

2 Locations:
1515 S. Federal Highway, #211,
Boca Raton, FL 33432

20900 NE 30th Avenue,
Suite 600, Aventura, FL 33180

Phone: 561-998-9985

Website: www.singerwealth.com

Email: Keith@singerwealth.com

Banks Losing Lending Capacity

With all the turmoil happening in the economy, small and mid-sized banks are feeling a major squeeze. With the failure of SVB bank, many bank customers are moving their money out of regional banks into either one of the major banks or into treasuries which do not have a $250,000 FDIC limit and pay more interest than bank accounts and even CD's.

When banks lose deposits, they are trying to maintain liquidity to meet future withdrawals, which means they have less capital as well as less appetite to lend. Additionally, it would not be surprising if the Federal Reserve imposes more restrictions on the amount of lending regional banks can do to reduce excessive risk. The lack of available bank loans bodes well for private credit markets.

If businesses cannot borrow from banks they will need to turn to alternatives like private credit. This will give private credit funds even more potential loans to underwrite and leverage to negotiate more favorable terms. Since 2004, private credit has offered investors the potential opportunity for either income or stable total returns, with an average historical return of 9.2%*.

Not only has the yield been extremely attractive but since that time, private credit funds have been less risky than investment grade bonds, which averaged only 2.9% during that same period. Investors should not chase yield when doing so increases risk beyond an acceptable level. However, when you can simultaneously increase yield and reduce the risk in one's portfolio that should be very appealing to almost any investor.

It is important for investors to strive to maximize returns while minimizing risks. With the recent increase in interest rates, private credit funds are now yielding over 10%. With high current yields and the tailwind of a potential credit crunch it may make sense to have exposure to this asset class. **To download additional information, text the word wealth to 954-462-3300 or go to SINGERINFO.COM**

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