MP McShane Partners

SEPTEMBER 2020 INSIGHTS

INVESTMENT OVERVIEW

REITERATING REALITY OF TARGET RETURN EXPECTATIONS

Over the past several months, the health and wellbeing of the stock market, economy, and social systems in the U.S. have been repeatedly questioned, tried, and tested, exacerbating the chaos and confusion experienced by investors confronted with unfamiliar formulas and unanswered questions on how to navigate financial markets. The basic tenets of investing in equity markets, such as valuations, interest rates, business and market cycle dynamics, and corporate governance, appear to have become irrelevant in terms of predicting or estimating performance, while the general public continues to struggle with adjusting to best practices and protocols for social interactions to combat community spread during a pandemic. Essentially, paradigms have shifted in contradiction with established conventions, and nothing is how it once was or behaving how it should, based on what we learned in either business school or etiquette class.

The emergence of a global pandemic and society's ability to adapt to a novel, dangerous enemy requires basic changes, including learning and incorporating new public health and safety protocols into daily life. While this might not be popular or palatable, the underlying science is sound and logical. What does *not* make sense to us, however, is the continued strength and enthusiasm underscoring equity market performance given current economic factors and variables, such as interest rates, inflation rates, equity risk premia, demographic trends, and potential or expected economic growth. Accordingly, the fundamental calculations used to derive return expectations should remain constant, even if ultra-accommodative monetary policy, excessive levels of debt, deteriorating demographics, and increasing political divisiveness continue to

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WEALTH ADVISORY OVERVIEW

LIFE INSURANCE AS AN INVESTMENT

Life insurance provides an infusion of cash for dealing with the adverse financial consequences of a loved one's death. One of the primary advantages of life insurance is that the payout is made to your beneficiaries tax-free. Since life insurance death benefits can be significant, there are advantages to purchasing a life insurance policy.

Reasons to Purchase Life Insurance

Should something happen to you, your life insurance proceeds would go to your beneficiaries named on your policy. Those funds can be used pay for the following:

- Outstanding debt
- Household bills
- College tuition
- Maintaining the continuation of a family business
- Funding a spouse' retirement plan
- Funeral costs

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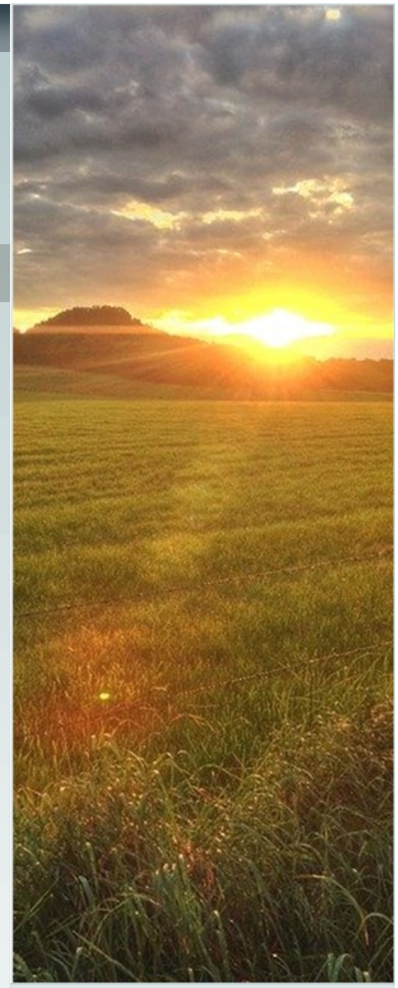

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POINTS OF INTEREST

Investment Overview

Reiterating Reality of Target Return Expectations

manipulate the inputs of those equations. At such a juncture, it is appropriate to review how these inputs influence the development of portfolio-level target return expectations, while also outlining our near-term expectations based on a fundamental analysis of the underlying economic data and ***not*** the presupposition of infinite assistance from provisional policies or measures designed to mitigate the consequences of recessions.

Debt & Demographics

Understanding the relative importance of ***demographics*** and ***debt/leverage*** to the economy and portfolio return projections given the significant headwinds posed to both by deteriorating demographic trends and restrictive levels of systemic debt, is crucial for framing expectations. Theoretically, financial market returns should be positively correlated with and driven by broader economic growth trends because of the relationship between underlying company-level earnings growth and the direct contribution to gross domestic product ("GDP") growth. Following this logic, normalized financial market returns should parallel and closely track annualized GDP growth over a full market cycle.

For several decades, demographic trends and growth rates have steadily decelerated, given lower fertility rates and an overall aging population; the decremental impact on GDP growth, however, has been largely offset by accelerated growth in debt infusing excess capital to obfuscate the net impact on economic growth and, by extension, financial market returns. This surge in debt has essentially allowed the U.S. to delay acknowledging or addressing the structural challenges and fundamental implications of a "sub-2.0%-GDP-growth" world: a welcome decades-long escape from reality given the positive impact of the compounded wealth effects.

One explanation for how U.S. equity markets have experienced returns far in excess of decelerating GDP growth is the ***multiplier effect of debt capital on market returns***. Chart I, below, shows how the incremental debt added over the past **±42 years** has served to fill the gap between annualized GDP growth of **±5.29%** and annualized market returns of **±8.84%** for the S&P 500® Index. The **red line** in Chart I shows how the **±8.85%** *compound annualized growth rate* ("CAGR") in U.S. government debt over the past **±42 years** has resulted in U.S. government debt reaching **±136.77%** of U.S. GDP as of July 31st 2020. Debt has become increasingly pervasive across every segment of the U.S. economy, with U.S. consumer credit (i.e., debt) also growing at **±42-year** CAGR of **±6.69%**: approximately

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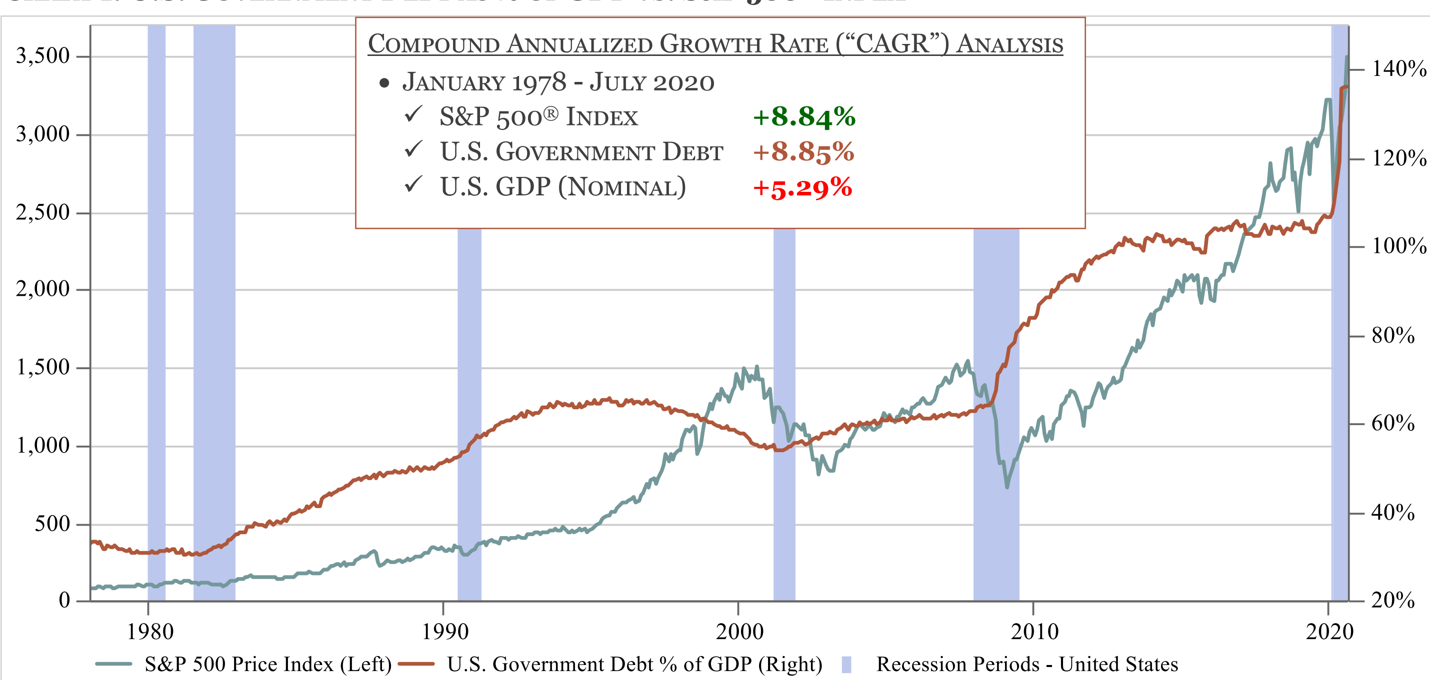
Chart I: U.S. Government Debt as % of GDP vs. S&P 500® Index



Source: McShane Partners - FactSet Research Systems, Inc.

Investment Overview

Reiterating Reality of Target Return Expectations

±1.40% *above* the comparable annualized growth in U.S. GDP during that period of time.

After having been so successful in offsetting deteriorating demographics and decelerating economic growth through accelerated debt financing for ±**40 years**, the question has become not *if* but *when* will the marginal benefit of debt fall *below* zero and, as a result, fail to stimulate incremental excess financial market returns? With market cycles becoming increasingly precipitous in progressions from peak-to-trough-to-peak, however, corrections and recoveries are more extreme and happening faster than ever before; this polarization in financial market extremes may be a coincident indication of the repercussions and consequences from the U.S. economy's decadent decades-long debt binge.

"Uncertainty is an uncomfortable position. But certainty is an absurd one."

- Voltaire

Mathematics

Return is a mathematical equation: not an extrapolation of historical numbers. Concordantly, future or potential return expectations should be derived from a function based on a mathematical formula consisting of relevant variables and/or factors expected to contribute to or determine return. The Investment Team uses the following formula used to determine long-term expected return assumptions for our investment portfolios and strategies:

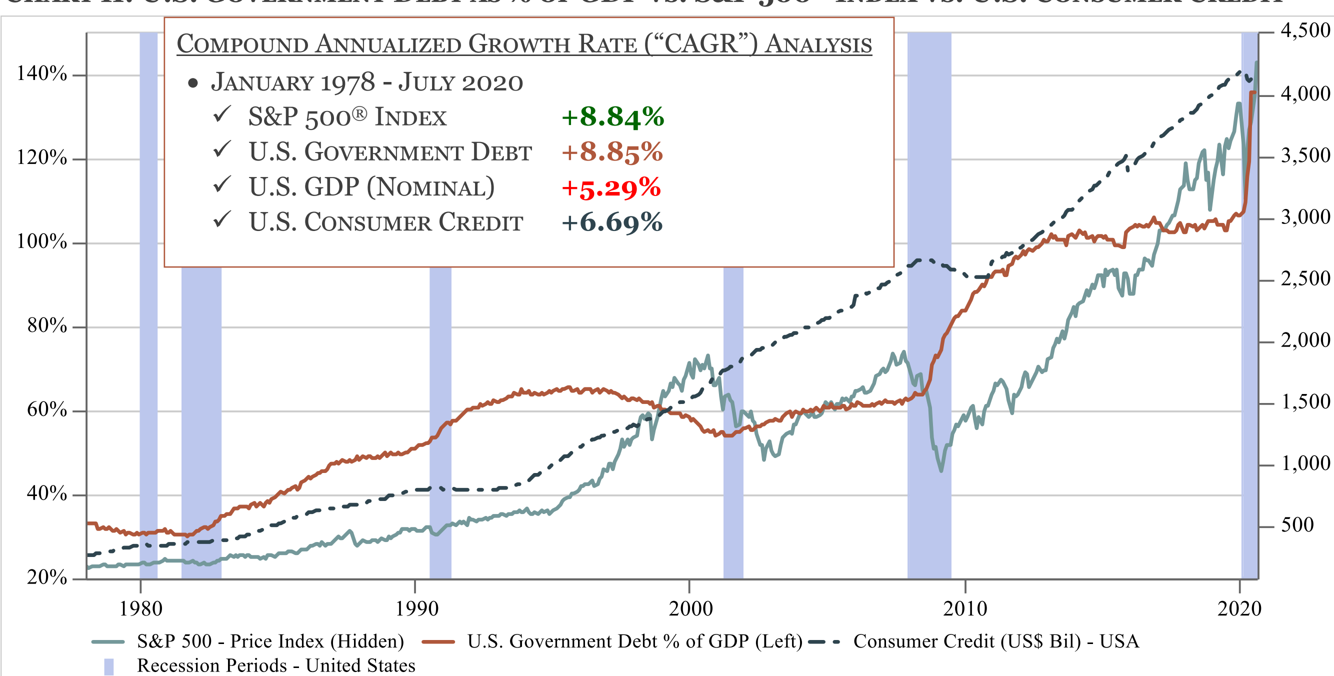
Expected Return ("R_E")

R_E = [Inflation] + [GDP Growth] + [Risk-Free Rate of Return ("R_{FR}")] + [Equity Risk Premium ("ERP")]

Inflation

The Investment Team primarily relies on U.S. *consumer price inflation* ("CPI") data within its equation/ formula for calculating expected returns given the relevancy of the underlying data for our *Continued on next page*

Chart II: U.S. Government Debt as % of GDP vs. S&P 500® Index vs. U.S. Consumer Credit



Source: McShane Partners - FactSet Research Systems, Inc.

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Reiterating Reality of Target Return Expectations

clients. Broad-based CPI data provide high-frequency insight into realized changes in prices paid by consumers for goods and services on a monthly basis, which can be analyzed and used to develop annualized, long-term inflation expectations. Within the investment and portfolio management framework, there is a *direct relationship* between inflation as an economic variable and the level of *total return* (i.e., price appreciation plus income) required to adequately preserve principle and successfully grow capital: if inflation is *low* (*high*), portfolio-level return expectations should be *low* (*high*). Currently, inflation is running at a rate of **+0.95%** year-over-year ("YoY"), which is *below* our projected/expected rate of **+2.00%** annualized.

Gross Domestic Product ("GDP") Growth

The stock market is an aggregate composite comprising equity ownership claims on individual companies, whose revenues are typically correlated with or directly tied to the underlying health of their respective economies, including prevailing trends in both economic activity (e.g., GDP growth) and productivity factors (e.g., population growth). The world population growth rate declined from **±2.20%** YoY 50 years ago to just **±1.05%** YoY in 2019. With declining productivity, suffocating levels of debt, and a dramatic, albeit necessary, deceleration in population growth rates, an annualized GDP growth rate of ±1.0-2.0% seems reasonable, if not overly optimistic, in a deleveraging situation.

Risk-Free Rate of Return ("R_{FR}")

In theory, the *risk-free rate of return* ("R_{fr}") is the rate of return an investor can expect to earn from owning or investing in a *risk-free asset* (i.e., an asset with no quantifiable or measurable *investment-related risks*). Because the U.S. dollar ("USD") is an established common currency across global financial markets and that U.S. is the lender-of-choice worldwide, U.S. Treasury bonds are often presumed to be risk-free in terms of underlying credit quality and implied default risk, which is why yields for *on-the-run* (i.e., recently issued) U.S. Treasury bonds are often used as acceptable proxies for R_{fr} by investment and financial services professionals. Any amount of return *in excess of* R_{fr} requires assuming incremental investment-/market-related risk. Correspondingly, an investor looking to earn a *higher* rate of return in excess of the R_{fr} - for example, as of August 31st 2020, the yield on 1-Year U.S. Treasury bonds was just

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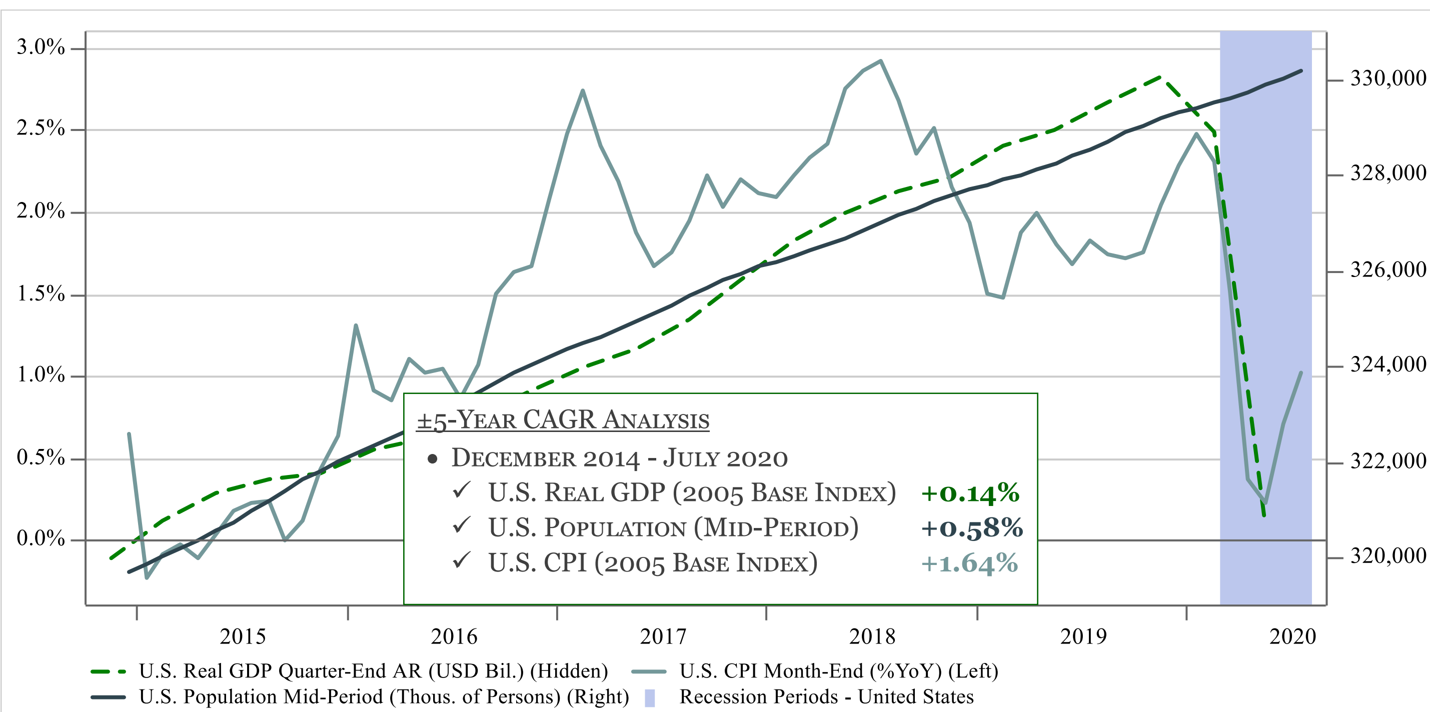
Chart III: U.S. Real GDP Growth vs. U.S. Population Growth vs. U.S. CPI (% Chg. YoY)



Source: McShane Partners - FactSet Research Systems, Inc.

Investment Overview

Reiterating Reality of Target Return Expectations

±0.15% - will need to assume *more* investment-/market-related risk(s).

Equity Risk Premium ("ERP")

The *equity risk premium* ("ERP") is the variable that explains excess return above the R_{fr}. Given the current market environment, risk appears expensive to us, as the incremental return associated with a very large uptick in risk is miniscule. Investors are not compensated for taking on risk above and beyond what they need to satisfy inflation-adjusted cashflow needs and principle preservation. This is reflected in the 0.50% projected equity risk premium in the table below.

As previously indicated, McShane Partners incorporates long-term target return expectations based on the fundamental tenants of investing into our investment and portfolio management framework. Consequently, assumptions or projections regarding expected returns are based on fundamental research and analysis of certain critical components and key economic variables. Table I, below, includes a summary of our approach to building absolute, portfolio-/strategy-level target return expectations, as well as high-level commentary regarding our decision-making processes related to the underlying inputs.

Near-term uncertainty and extreme political posturing currently prevents a realistic understanding of long-term portfolio returns based on fundamentals which is why it is critical to revisit the solid fundamental inputs driving long-term diversified portfolio returns at a time when instantaneous information obstructs and prevents reflection on the indelible fundamentals that our economy and financial system are built upon. Now is not the time to underestimate or ignore risk, nor is it the time to abandon risk. It is time to reflect and understand the amount of risk and the margin of safety built into the portfolio which is designed for durability over decades not days.

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Target Return Expectations
USD Total Return
Annualized

Economic Variables & Inputs	Value	Rationale & Commentary
Inflation	2.00%	Depressed near-term inflation expected to rise moderately due to effects of substantial fiscal and monetary policy stimulus.
Gross Domestic Product ("GDP") Growth	2.00%	Long-term economic growth remains depressed relative to historical trends due to negative effects from unfavorable demographics and significantly elevated debt levels.
Risk-Free Rate of Return ("R_{FR}")	1.00%	Federal Reserve expected to remain extremely accommodative with respect to holding federal funds target rate at or near lower-bound (i.e., 0.25%) through 2020 and well into 2021.
Additional Equity Risk Premium ("ERP")	0.50%	Amount of additional return on investment relative to the R_{FR} required by equity market participants for increased exposure to incremental volatility and risk.

Risk Tolerance:	Ultra Conservative	Conservative	Conservative Balanced	Balanced	Growth	Aggressive Growth
Target Return:	3.50%	4.00%	4.50%	5.00%	5.50%	6.00%

Source: McShane Partners

Investment Overview

Reiterating Reality of Target Return Expectations

Stock & Strategy Spotlight

Name	Ticker	2020 YTD
Cal-Maine Foods, Inc.	CALM	+/-XX.XX%

Description & Investment Thesis

Last year, the Investment Team revisited shares of Cal-Maine Foods, Inc. ("CALM"), the largest egg vendor in the U.S., and updated its intermediate-term outlook for the stock to reflect what it believed to be an extremely attractive entry point in shares of CALM, which had underperformed both broader U.S. equity markets and their Consumer Staples peer group after reporting several quarters of disappointing earnings results that fell short of expectations due to persistent industry-wide pricing pressures. As we highlighted in the August 2019 edition of INSIGHTS, CALM is an industry leader in the egg production and supply markets in the U.S., and the company's revenue model and, by extension, share price is highly correlated with the price of eggs. CALM operates in an extremely fragmented marketplace that has historically suffered from inefficient supply-side dynamics, resulting in exaggerated swings in industry-level production, supply, and pricing trends. During prior periods of oversupply, these inefficiencies have typically corrected within ±12-24 months, as farmers actively *reduce* their "layers" (i.e., female chickens laying eggs) in an effort to seek or achieve better, more attractive pricing, which effectively stabilizes the supply of eggs available and, eventually, normalizes supply-demand levels around a new equilibrium. Historically, temporary supply gluts have represented attractive entry points for shares of CALM, as the stock price and valuation multiples tend to establish a near-term bottom after successive periods of falling/declining egg prices.

Until only earlier this year, CALM had been navigating a prolonged period of temporary oversupply and persistent pricing headwinds, which had predictably translated into disappointing top- and bottom-line results for the company and relative underperformance in the stock price. On March 30th 2020, however, CALM reported better-than-expected earnings its fiscal third quarter 2020 ("3Q20"), highlighting significant improvements in pricing across U.S. egg markets, driven in part by a sharp increase in demand from consumers in response to nationwide stay-at-home orders, as well as marginal supply-side reductions due to social-distancing mandates and capacity restrictions across certain segments of the supply chain. After hitting a near-term trough on March 12th 2020, shares of CALM rallied as much as **+50.08%** through August 14th vs. comparable returns of **+37.06%** and **+24.01%** for the S&P 500® Index and the S&P 500® Consumer Staples Index, respectively.

Since then, however, shares of CALM have sold off in response to a secondary offering of ±6.0 million closely held shares that had been owned by the family of the company's late founder, as well as an increase in insider sales of CALM stock by members of the company's management team and board of directors. While these types of transactions are typically viewed as indications of negative sentiment and a potential "topping out" in share price, the Investment Team believes these sales are in-line with planned disposals in accordance with share-based compensation arrangements given the remaining ownership stake collectively held by management and the board. In light of the recent pullback, the Investment Team remains incrementally positive on shares of CALM, especially given the increased probability of the company issuing a dividend within the next ±*6-12 months* in accordance with the cumulative profitability stipulations of the company's variable dividend policy, which would be a positive near-term indication for the stock.

Monthly Index Review
USD Total Return

Data as of August 31st 2020	August 2020	2020 YTD	2019	2018
S&P 500® Index	+7.19%	**+9.74%**	**+31.49%**	-4.38%
Dow Jones Industrial Average	**+7.92%**	+1.30%	+25.34%	-3.48%
NASDAQ Composite	**+9.70%**	**+32.07%**	**+36.69%**	-2.84%
Russell 2000	+5.63%	**-5.53%**	+25.52%	-11.01%
MSCI Emerging Markets	+2.24%	+0.68%	+18.88%	**-14.24%**
MSCI EAFE	+5.15%	**-4.28%**	+22.66%	-13.36%
Bloomberg Barclays U.S. Aggregate Bond Index	**-0.81%**	+6.85%	+8.72%	**+0.01%**

Wealth Advisory Overview

Life Insurance as an Investment

Types of Insurance

There are two primary types of life insurance: temporary insurance and permanent insurance. Temporary life insurance is sold as term insurance. As the name implies, term insurance provides coverage for a specified period of time. A common policy term is 20 years, but you can get term protection for anywhere from 1 to 30 years. This type of coverage might make the most sense when you need coverage for a set period of time, perhaps until all of your outstanding debt is paid off or your kids graduate from college. Term insurance offers the greatest amount of coverage for the lowest initial premium, making it a good choice for individuals. However, it only pays a benefit if you die during the policy term. At the expiration of the term, the insurance policy is cancelled and no insurance remains in place.

Permanent life insurance, on the other hand, stays in effect for as long as you pay the premiums. This means that you never have to worry about uninsurability or losing your insurance coverage as you get older. There are two types of permanent life insurance, whole life and universal life, and their policy construction is more complicated than term insurance. However, these policies have one clear distinction from term insurance, they build cash value.

Cash value is an investment-like product coupled with the insurance policy. Each month, when you pay premiums, the payments generally go to three places: first, to pay for the cost of insurance; second, to pay for policy fees and charges; and lastly, a portion will go into a tax-deferred savings account, or the cash value of the policy, allowing it to grow over time. The exact amount that goes into savings is determined by your individual policy. Money within the cash value account grows tax-free, based on the interest or investment gains it earns. One of the reasons to buy cash value life insurance is to have access to the money that builds up within the policy. Any cash accrued within the policy can be withdrawn to pay for personal expenses, or as a supplement to your retirement income. The downside to permanent insurance is that the initial premiums you pay for insurance are much higher than those for the same amount of coverage with a term policy.

What are the Tax Consequences of Life Insurance Cash Value?

You can do several things with your life insurance policy cash value, including withdraw it, taking out a loan or using it to continue to fund the policy. How you use your policy cash-value will determine the tax impact.

Withdrawal

Unless you have a Modified Endowment Contract (MEC), withdrawals up to your policy's investment in the contract are generally tax-free. Your investment is generally the total amount of money you have paid in premiums. Withdrawals beyond your investment are generally taxable unless they are in the form of a loan.

Loan

Amounts you borrow from a non-MEC policy are generally tax-free, though tax consequences can occur upon any surrender or lapse of the policy.

Surrender or Sell

When you surrender a policy for cash, any gains you have accrued are taxed as ordinary income. In addition, a loan balance may be taxable. If you choose to sell your life insurance policy to someone else, you will lose the rights to the death benefit, and you may end up owing taxes as well.

Withdrawals and loans will reduce the death benefit and the cash surrender value, and may cause the policy to lapse. Lapse or surrender of a policy with a loan may cause the recognition of taxable income. Withdrawals in excess of the cost basis, or premiums paid, will be subject to tax and certain withdrawals within the first 15 years may be subject to a recapture tax. Policies classified as a MEC may be subject to tax when a withdrawal or loan is made. Additionally, a federal tax penalty of 10% may also apply if the loan or withdrawal is taken prior to age 59 1/2.

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Wealth Advisory Overview

Life Insurance as an Investment

Conclusion

Insurance companies typically sell permanent policies not only as a way to leave a financial legacy to your heirs, but also as a good investment vehicle. While everyone can consider permanent life insurance as a part of their retirement savings strategy, for the vast majority of people there will be other, more attractive options to use before choosing this alternative. For most, an employer's 401(k) should be the first choice, especially if there is an employer match. Once the 401(k) has been maximized, IRA and Roth IRA accounts should be considered. For very-high-income individuals who have maxed out their 401(k) plans, IRA and Roth IRA options, a permanent insurance savings strategy can make sense, especially if there is a need for life insurance. If life insurance is not needed, it is possible to find less expensive investment options outside of a life insurance product because the longer the investment time frame, the more important your investment costs become.

If you are considering the purchase of a life insurance product, please consult with your McShane Partners Wealth Advisor to assist in the review process to ensure that you purchase the product that best fits your needs.

Catching Up with: Becky Hoover, CFP®, CPA, CDFA ® — Wealth Advisor

Becky Hoover
CFP®, CPA, CDFA®
Director of Tax | Wealth Advisor

For the September employee spotlight, we invite you to meet Becky Hoover. Becky joined McShane Partners as a Wealth Advisor and Director of Tax in May 2019. She has more than 20 years of tax experience within a "big 4" tax consulting environment in both federal and international tax practices, most recently at KPMG and previously in-house with Electrolux North America. Her experience includes a wide variety of tax issues, including executive compensation arrangements, corporate financing, and the taxation of complex financial products, estate and gift tax, as well as financial modeling.

She attended The University of Florida where she earned a Bachelor of Science, with Honors, and a Master of Accountancy. She started her career in Atlanta with PricewaterhouseCoopers, working with high-net-worth individuals, estates, business valuations and flow through businesses. She has presented tax topics at conferences in Canada, the Netherlands, Singapore, and in the U.S. Additionally, Becky was an adjunct professor at Queens University where she taught Financial Accounting.

"I love my job! I have a passion for helping people achieve their dreams and I cannot believe how lucky I am to have found McShane Partners. I am so proud of the Firm and our collective dedication to one another and our clients."

She is a registered Certified Financial Planner®, and a registered Certified Public Accountant ("CPA") in Georgia and North Carolina. She holds her Series 65 license and is a Registered Investment Advisor Representative and a Certified Divorce Financial Analyst ®, as well as a trained Collaborative Divorce Financial Neutral.

Becky is passionate about community involvement and assisted in the formation and growth of the Chattahoochee RiverKeeper in Atlanta as well as Pat's Place Child Advocacy Center in Charlotte. She saw both organizations grow from start-ups to organizations with multi-million dollar annual operating budgets. While working with Pat's Place, she serviced in all roles on the Executive Committee.

Becky has lived in Charlotte since 1999 and considers herself an adopted native. This year she will try to help her kids navigate a virtual Freshman (Henry) and Senior (Phoebe) high school year at Myer's Park High as well as an "in person"/remote second year (Kate) at the University of South Carolina. She is a member of Christ Episcopal Church and in her free time enjoys yoga, playing bass guitar, and working on her golf game.

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Estate Planning: The Gift & Estate Tax 2026 and Beyond

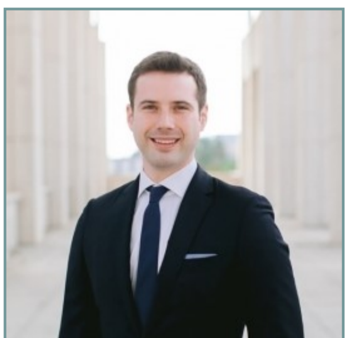
Sandy Carlson
CFP®, CPA, CDFA®
President & Partner | Wealth Advisor

A gift tax is a tax on the right to transfer property while living, while an estate tax is a tax on the right to transfer property when you die. The Tax Cuts and Jobs Act ("TCJA") temporarily increased the gift, estate and generation skipping tax exemption from approximately $5.5 million per person, to where it sits today at $11,580,000. This means that individuals can pass $11.5 million from their estate to beneficiaries while living in the form of gifts, or at death free of gift or estate taxes. Married individuals can pass double this amount. Therefore, under TCJA's provisions, fewer individuals are now subject to the 40% tax that is assessed on any transfers above the exemption amount.

The Gross Estate consists of everything you own or have certain interests in at the date of death. The includible property may consist of cash and securities, real estate, insurance, trusts, annuities, business interests and other assets. The Gross Estate will likely include non-probate, as well as probate property. The fair market value of these items is used in determining the total estate value, not the individual's basis. Generally, the Gross Estate does not include property owned solely by the decedent's spouse or other individuals. Lifetime gifts that are complete, no powers or other control over the gifts are retained, are not included but taxable gifts are used in the computation of the estate tax.

Like several provisions in TCJA, the change in the estate exemption expires December 31, 2025, with the exemption reverting back to 2017 levels (adjusted for inflation). This has prompted the question regarding how gifts will be treated if the higher exemption level is in fact allowed to sunset? In proposed regulations issued on November 20, 2018, the IRS clarified that individuals taking advantage of the increased gift tax exclusion in effect from 2018 to 2025 will not be adversely impacted after 2025 when the exclusion amount is scheduled to drop to pre-2018 levels.

NextGen: Are You Ready to Purchase a Home? – Part II



Ryan Vaudrin, CFP®
Wealth Advisor

As a follow-up to last month's article, we have been discussing considerations involved in purchasing a home, as well as the steps needed to get prepared. After determining the optimal purchase amount, down payment and closing costs must then be considered. Typically, a lender will not approve a loan for 100% of the property value. Therefore, a cash down payment will be required. A larger down payment can allow for additional mortgage options, a lower interest rate, and a smaller monthly payment.

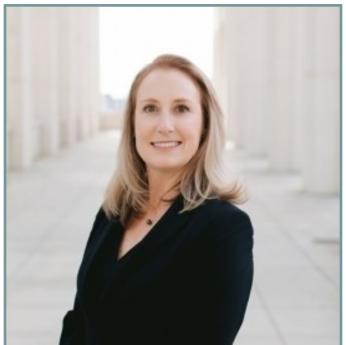
For a conventional loan, the minimum amount needed for a down payment is 3% of the property value. To avoid Private Mortgage Insurance (PMI), a 20% down payment is required. PMI protects the lender from the buyer potentially missing a payment and does not reduce the loan principal.

After determining the optimal purchase price and saving the down payment and closing costs, it is time to find a real estate agent. Having a good real estate agent is ideal because they research property value trends, schedule showings, negotiate the property purchase, and write the contract offer on your behalf. Once an offer is made, earnest money in the amount of 1%-2% of the purchase price is typically due. This earnest money will be applied toward the closing costs.

Upon acceptance of an offer, the property will be appraised and inspected. While the appraisal gives an approximate value of the property, the inspection highlights items that potentially need to be repaired prior to the purchase being completed. As an alternative, your real estate agent might ask the seller to provide a credit toward the final closing costs.

Prior to closing, a disclosure document will be received which summarizes the final loan expenses. During the closing, you will sign a series of documents, including a mortgage note. Once the documents have been signed and the closing costs have been paid, you are officially a homeowner!

Tax Update: Potential Tax Changes Under Biden



Becky Hoover
CFP®, CPA, CDFA®
Director of Tax | Wealth Advisor

As the 2020 Election approaches, we have had conversations with several clients who are concerned about possible changes in the tax landscape. Regardless of who takes office in January, we believe that it is certain that taxes will rise in the near term for the following reasons: 1) The tax cuts in 2018 were temporary and will expire December 31, 2025; 2) the US cannot sustain the debt-financed deficits of recent years.

While changes in current tax law are not imminent, and Biden has not released a single formal plan, he has proposed various tax increases including the following:

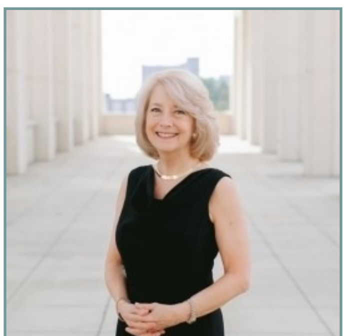
Individual Provisions

- Repealing the Tax Cuts and Jobs Act (TCJA) individual income tax reductions for those earning over $400,000 and restoring the top marginal income tax rate to 39.6 percent from today's 37 percent.*
- The Section 199A deduction, for income from flow-through entities, would also be phased out for those earning over $400,000 (currently phases out at $426,600 for Married Filing Joint taxpayers).*
- Taxing capital gains at ordinary income tax rates for those earning over $1 million, up from a top rate of 23.8 percent today.
- Eliminate step-up in basis for inherited assets with capital gains, instead taxing those gains at death.
- Capping the value of itemized deductions to 28 percent for those in higher marginal tax brackets and restoring the incremental reduction on some itemized deductions for those with taxable income above $400,000.
- Imposing the 12.4 percent Social Security payroll tax on wage and self-employment income earned **above** $400,000. Currently the payroll tax ceases to apply to wages over $137,700.

**Remember, the TCJA cuts would expire in 2025 for everyone if another tax cut package is not enacted.*

In addition, Biden would raise the corporate income tax from 21 to 28 percent. He has also proposed a variety of tax incentives to encourage specific economic activities. Overall, the proposed plans would raise $3.8 trillion over 10 years and would result in an average reduction in after tax income of 1.7 percent. The earners in the top 1 percent would see a decrease in after tax income of 7.8 percent. Therefore, while tax increases are always painful, it is important to note that the majority of the proposed increases apply to taxpayers with annual taxable incomes over $400,000.

Senior Planning: What Does Long-Term Care Insurance Cover?



Lorri Tomlin, FPQP™
Wealth Advisor

By the time you reach 65, there is a 70% chance you will need some type of long-term care. Planning for this financial risk is important. One option is Long-Term Care (LTC) Insurance. You may have a LTC policy that you have been paying premiums on for years but what does your LTC Insurance cover?

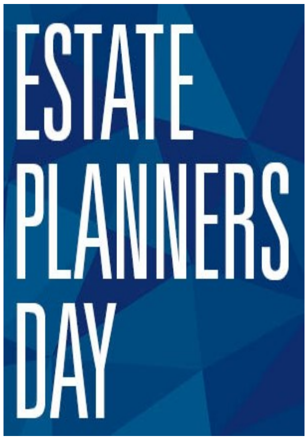
A LTC policy covers expenses that are not covered by Medicare or Medicaid. While Medicare and Medicaid assist with medical expenses, LTC insurance covers costs due to a chronic illness, a disability or injury. Eligible settings for such care include a nursing home, hospice care, respite care, Alzheimer's facilities, assisted living, adult day care or in-home care.

LTC benefits do not begin when you move into a retirement home or assisted living facility. To qualify for benefits you must be unable to perform 2 of the 6 activities of daily living or have cognitive impairment. The activities of daily living include – bathing, dressing, eating, transferring, toileting, continence, and ambulating. If you qualify for benefits, your LTC policy may still not cover all expenses. Most policies have a maximum daily benefit, a benefit period, and an elimination period. The elimination period is like a deductible. You pay your own expenses for the elimination period (typically 90 -100 days). Once the elimination period has passed, your policy will pay the daily benefit amount which may be less than your actual daily expenses. Finally, the benefit period caps the total benefit paid to you. Benefit periods typically range from 2-5 years but there are some older policies with unlimited benefit periods.

The current average annual cost for a private room in a nursing home facility in NC is $96,619. The average time spent in a facility is 3.7 years for women and 2.2 years for men. A long-term care need due to cognitive impairment could be much longer. LTC Insurance, while it may not cover 100% of your expenses, can provide enough coverage to help keep your retirement savings intact.

Around McShane Partners

Estate Planners Day 2020



Queens University of Charlotte, in conjunction with the Estate Planners Day Steering Committee, held the first ever virtual Estate Planners Day on August 20. Speakers for the event included Bob Keebler, John Silvia, and Skip Fox. The various presentations incorporated planning considerations related to COVID-19 and its impact moving forward.

2020 FPA Symposium

The Charlotte chapter of the Financial Planning Association will hold its annual 2020 FPA Symposium September 23rd & 24th. The event will be held virtually this year and will cover various topics including estate, tax and special needs planning.

Labor Day Holiday

McShane Partners appreciates its partners, so we have assembled a Labor Day bundle of our favorite summer snacks and swag! Please note that the office will be closed on Monday, September 7th .

Congratulations to the Newlyweds!

Wealth Associate Daniel Hudspeth and wife Kara celebrated a wonderful brunch wedding August 30th. The two officially said their "I Do's" in April on the original date earlier this spring, as seen in the May Insights edition. Daniel and Kara had to postpone the event for months, but were finally able to enjoy their magical day with their close friends and family!

McShane Partners

Wealth management is our only business; therefore, our attention is undivided, and our intentions are transparent.

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