

DECEMBER 2022 INSIGHTS

INVESTMENT OVERVIEW

A REVIEW OF *RED NOTICE: A TRUE STORY OF HIGH FINANCE, MURDER, AND ONE MAN'S FIGHT FOR JUSTICE*

McShane Partners book club has the perfect recommendation for holiday reading. Normally, an investment book is a hard sell for snuggling up by the fire and relaxing, but *Red Notice: A True Story of High Finance, Murder, and One Man's Fight for Justice* by William F. Browder is an exciting story that's light on jargon and high on entertainment. If you have not already read it and are interested, please feel free to email [Jada Alston](mailto:jada.alston@mcshane.com) and request your copy.

Red Notice miraculously bridges the often at-odds worlds of Wall Street capitalism, communism, and global human rights. Browder's web of ideologies spans decades, recessions, currency collapses, economic cycles, and regime changes, taking his readers energetically down memory lane, which is particularly timely given the current state of geopolitical affairs with Russia against a backdrop of disconcerting economic uncertainty. History can be a wise teacher and a calming mentor during times of volatility. As brutal as *Red Notice* can be at times, the prevailing themes of resilience and humanity are a welcome reminder that volatility can create opportunity and good can defeat evil, but both often take prudence, persistence, and patience.

Perspective is critical when investing, and it is rarely developed or employed correctly when making decisions. With the S&P 500® Index down **-13.10%** year-to-date ("YTD"), people are understandably uncomfortable and concerned, but it's

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WEALTH ADVISORY OVERVIEW

AVOIDING IRS SCAMS & HOW TO KNOW IT'S REALLY THE IRS

With continuing phone and in-person scams taking place across the country, the IRS wants to help taxpayers understand how and why agency representatives may contact taxpayers. In most instances, the IRS sends a letter or written notice to a taxpayer in advance, but not always. Depending on the situation, IRS employees may first call or visit with a taxpayer.

Here's how taxpayers can know if a person calling or visiting their home or place of business is a legitimate IRS employee or an imposter. There are special instances where an IRS revenue officer or revenue agent may visit a home or business related to an unpaid tax bill or an audit; the IRS urges people with tax issues to understand the circumstances around these visits and help protect themselves against imposters.

TEXT MESSAGES: FREQUENTLY A SCAM

The IRS does not send text messages including shortened links, asking the taxpayer to verify some bit of personal information. These fraudulent messages often contain bogus links claiming to be IRS websites or other online tools. Other than IRS Secure Access, the IRS does not use text messages to discuss personal tax issues, such as those involving bills or refunds.

If a taxpayer receives an unsolicited SMS/text that appears to be from either the IRS or

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POINTS OF INTEREST

- [Monthly Index Review](#)
- [Around McShane Partners](#)

INVESTMENT OVERVIEW

A REVIEW OF *RED NOTICE*

worth alluding to the fact that, at one point in *Red Notice*, Browder's Hermitage Capital Management fund had gained **+718.0%** since inception only to decline roughly **-90.0%** and lose approximately **±\$900 million** when Russia defaulted on the ruble after the domino effect triggered by the massive currency devaluations of 1997. In a word: perspective.

Understanding the intricacies of trading in currency markets and the preeminence of liquidity are critical to analyzing associated risks, which are frequently underappreciated or ignored altogether by average wealth advisors. An informed understanding and systematic management of investment-related risks are pillars of our investment process, as we have been through multiple market cycles and have seen liquidity completely evaporate to where desperate investors looking to sell positions down **-90.0%** were unable to find any buyers whatsoever. This perspective is critical to protecting assets against the unanticipated; while protecting against the known is not particularly difficult, protecting against the unknown requires perspective and humility.

"The world is a dangerous place to live, not because of the people who are evil, but because of the people who don't do anything about it."

- Albert Einstein

Investment managers are often portrayed as scoundrels - rightly so in many instances - who will do anything to make money. Browder is a refreshing break from this stereotype, likeable from the start of the book and laudable by the conclusion. His acumen for deep-value investing, fundamental analysis, and astute pricing of risk in illiquid markets is impressive, but his intolerance for corruption and moral hazard is stunning. Once the game switches from making money on underpriced assets to battling fraud and murder, he promptly changes roles. When one of his associates falls prey to the massive unchecked fraudulent behavior of the oligarchs in Russia, he quickly deemphasizes his investment platform to fight for human rights in Russia.

Additionally, the reader is reminded of a time when politicians on either side of the party line could work together for good and get legislation passed quickly and efficiently: something that seem unfortunately foreign to and absent from our political repertoire these days. The Magnitsky Act, a historic global human rights bill, is a highlight of this book and reminiscent of times when bipartisan cooperation could have a meaningful and momentous impact. *Red Notice* proves upliftingly nostalgic when considering the current state of geopolitical affairs and the global impact of the unchecked corruption in Russia. This holiday season, the somewhat happy resolution at the end of *Red Notice*, and a reminder that good can ultimately prevail against evil may be just what we need to celebrate the end of 2022 and close out the year on a cautiously optimistic note!

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MONTHLY INDEX REVIEW USD TOTAL RETURN

DATA AS OF NOVEMBER 30 TH 2022	NOVEMBER 2022	2022 YTD	2021	2020
S&P 500® Index	+5.59%	-13.10%	+28.71%	+18.40%
Dow Jones Industrial Average	+6.04%	-2.89%	+20.95%	+9.72%
NASDAQ Composite	+4.51%	-26.13%	+22.18%	+44.92%
Russell 2000	+2.34%	-14.91%	+14.82%	+19.96%
MSCI Emerging Markets	+14.85%	-18.64%	-2.22%	+18.69%
MSCI EAFE	+11.28%	-14.11%	+11.78%	+8.28%
Bloomberg U.S. Aggregate Bond Index	+3.68%	-12.62%	-1.54%	+7.51%

WEALTH ADVISORY OVERVIEW

AVOIDING IRS SCAMS & HOW TO KNOW IT'S REALLY THE IRS

a program closely linked to the IRS, the taxpayer should take a screenshot of the text message and include the screenshot in an email to phishing@irs.gov with the following information:

- Date, time, and time zone they received the text message
- Phone number that received the text message

The IRS reminds everyone NOT to click links or open attachments in unsolicited, suspicious, or unexpected text messages whether from the IRS, state tax agencies or others in the tax community.

EMAIL: MANY TAX SCAMS INVOLVE EMAIL

The IRS does not initiate contact with taxpayers by email to request personal or financial information. The IRS initiates most contacts through regular mail. If a taxpayer receives an unsolicited fraudulent email that appears to be from either the IRS or a program closely linked to the IRS, report it by sending the email as an attachment to phishing@irs.gov. The Report Phishing and Online Scams page at [IRS.gov](https://www.irs.gov) provides complete details.

MAIL & PHONE CONTACTS ARE FIRST STEPS WITH A TAX ISSUE

Taxpayers will generally first receive several letters from the IRS in the mail before receiving a phone call. However, there are circumstances when the IRS will call, including when a taxpayer has an overdue tax bill, a delinquent or unfiled tax return or has not made an employment tax deposit.

The IRS does not leave pre-recorded, urgent or threatening voice messages. Additionally, the IRS (and its authorized private collection agencies) will *never*:

- Call to demand immediate payment using a specific payment method such as a prepaid debit card or gift card. The IRS does not use these methods for tax payments.
- Threaten to immediately bring in local police or other law-enforcement groups to have the taxpayer arrested for not paying.
- Demand that taxes be paid without giving the taxpayer the opportunity to question or appeal the amount owed.
- Ask for credit or debit card numbers over the phone Date, time, and time zone they received the text message.

All tax payments should only be made payable to the U.S. Treasury and checks should never be made payable to third parties. For anyone who doesn't owe taxes and has no reason to think they do: Do not give out any information. Hang up immediately. For more information, see IRS warning: Scammers work year-round; stay vigilant.

IN-PERSON VISITS: WHAT TO KNOW

IRS revenue officers generally make unannounced visits to a taxpayer's home or place of business to discuss taxes owed or tax returns due. Keep in mind this important point: Taxpayers would have first been notified by mail of their balance due or missing return. A limited exception involves revenue officer contacts while working a small number of "alert" cases, designed to help businesses from falling behind on withheld employment taxes before a balance due notice is created or mailed. Revenue officers are IRS civil enforcement employees whose role involves education, investigation and when necessary, appropriate enforcement steps to collect a tax debt. A revenue officer will help a taxpayer understand their tax obligations as well as the consequences for not meeting the obligations.

IRS revenue agents will at times visit an individual, business or non-profit who is being audited. That taxpayer would have first been notified by mail about the audit and set an agreed-upon appointment time with the revenue agent. Also, after mailing an initial appointment letter to a taxpayer, an auditor may call to confirm and discuss items pertaining to the scheduled audit appointment. When visited by someone

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WEALTH ADVISORY OVERVIEW

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from the IRS, the taxpayer should always ask for credentials or identification. IRS representatives can always provide two forms of official credentials: IRS-issued credentials (also called a pocket commission) and a HSPD-12 card. The HSPD-12 card is a governmentwide standard form of identification for federal employees.

For more information, visit [How to know it's really the IRS calling or knocking on your door on IRS.gov](#), and the [IRS Taxpayer Bill of Rights](#).

HELPFUL INFORMATION ON RESOLVING TAX ISSUES

The IRS reminds individuals, businesses and non-profits with outstanding tax issues that there are a number of easy ways to get assistance and help them meet their tax obligations. The IRS encourages people to visit a special section on [IRS.gov](#) focused on payment options. These include paying taxes through an Online Account with IRS Direct Pay or paying by debit card, credit card or digital wallet. The IRS has options for people who can't pay their taxes, including applying for a payment plan on [IRS.gov](#). Recently the IRS announced expanded voice bot options to help eligible taxpayers easily verify their identity to set up or modify a payment plan while avoiding long wait times.

Remember that the IRS will not:

- Call to demand immediate payment using a specific payment method such as a prepaid debit card, gift card or wire transfer. Generally, the IRS will first mail a bill to any taxpayer who owes taxes.
- Demand a taxpayer pay taxes without the opportunity to question or appeal the amount they say they owe. Taxpayers should also be advised of their rights as a taxpayer.
- Ask for credit or debit card numbers over the phone.
- Threaten to bring in local police, immigration officers or other law-enforcement to have taxpayers arrested for not paying. The IRS also cannot revoke a driver's license, business license or immigration status. Threats like these are common tactics scam artists use to trick victims into buying into their schemes.

Taxpayers who have filed a petition with the U.S. Tax Court may receive a call from an Appeals officer to discuss their tax dispute and options for resolution. During the call, the Appeals officer will provide their name, their badge number and their contact information including their phone number, e-fax, and e-mail address. The Appeals Officer will also know the docket number, as well as specifics regarding the case.

Appeals employees will never ask for credit card or banking information. If an Appeals officer cannot reach a taxpayer by phone, they may leave a general voicemail message. When an Appeals employee leaves a voicemail, they will include self-identifying information such as their name, title, badge number, and contact information.

Also, during this call, Appeals employees may ask taxpayers to submit additional documentation regarding their petition directly to the Independent Office of Appeals via mail, fax, or to an email address ending with @irs.gov.

Also note, taxpayers can contact the Taxpayer Advocate Service, which is an independent organization within the IRS that helps taxpayers and protects taxpayers' rights. They can offer taxpayers help if their tax problem is causing a financial difficulty, they've tried and been unable to resolve the issue with the IRS, or they believe an IRS system, process, or procedure just isn't working as it should. Visit www.taxpayeradvocate.irs.gov or call 1-877-777-4778 for more information.

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SOCIAL SECURITY COLA ADJUSTMENTS & FUTURE BENEFICIARIES



Lorri Tomlin, FPQP™
Wealth Advisor

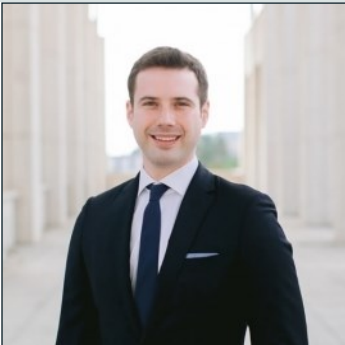
In October of this year, the Social Security Administration announced an 8.7% increase in benefits for 2023. This is a cost-of-living adjustment (“COLA”) that will increase monthly payments for current Social Security recipients to help offset higher prices due to inflation. Social Security calculates an annual cost-of-living adjustment every year, but this is the highest bump up in 40 years. This increase will also apply to spousal benefits, survivor benefits and disability benefits. This should help many recipients make ends meet. But what if you haven’t started taking Social Security benefits yet? Will your future benefits receive this COLA and increase too? That will depend on when you decide to apply for and claim your benefits.

Social Security computes your primary insurance amount (“PIA”), which is the monthly amount you qualify for, based on your full retirement age. That age is 67 for anyone born in 1960 or later. COLAs are applied to that amount. You only get this full retirement benefit if you wait to claim your benefit at your full retirement age. If you file for benefits early, at age 62, which is the earliest age you are eligible to apply, your monthly benefit will be reduced, and you may also miss out on COLAs because you only receive adjustments made between the time you are eligible (62) and the time you apply. For example, if you wait until your full retirement age of 67 to claim you benefits, you will receive any COLAs applied to benefits during that period from your age 62 to 67. Therefore, in short, anyone born prior to January 2, 1961 (anyone who will be 62 or older in January 2023) will receive the 2023 8.7% COLA increase in retirement benefits, along with any other COLAs made in the following years up to the time they begin taking social security benefits.

Keep in mind that even if you claim benefits at the early age of 62 and don’t receive any previous COLAs, your benefits are indirectly adjusted due to inflation because the Social Security Administration adjusts your lower earning years upward for inflation when calculating your PIA. Because of this, according to the SSA, new social security recipients will receive larger monthly benefits than current recipients.

As always, if you have any questions related to social security benefits, please contact your McShane Partners advisors. We are here to help!

BONDS & PRICE FLUCTUATIONS



Ryan Vaudrin, CFP®
Wealth Advisor

What determines the price of a bond? As we have discussed before, fixed income assets (e.g., bonds) are debt investments issued by a company or a government to help fund operational activities. When bonds are purchased, investors lend their money and receive interest payments in return. Bond prices can fluctuate in numerous ways but let’s first focus on the components of a bond:

FACE VALUE | PAR VALUE The face value is how much the bond is worth at maturity. If a bond is purchased above face value, it is traded at a premium. If the bond is purchased below face value, it is traded at a discount.

ISSUE PRICE The issue price is the original selling price of the bond. Most bonds are issued at face value.

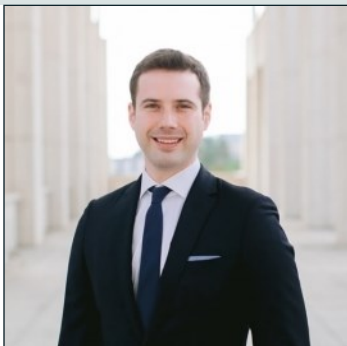
MATURITY DATE The maturity date is when the bond matures, and the investor receives the face value of the bond.

COUPON RATE The coupon rate is the interest rate that is paid on the face value of the bond. For example, a 7.0% coupon rate means that the investor will receive \$70.00 of annual interest on a \$1,000 face value bond. The coupon rate is determined by length of the bond and the credit quality of the issuer.

COUPON DATES The coupon date is the date on which the interest payment is made. The most common is semi-annual.

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BONDS & PRICE FLUCTUATIONS

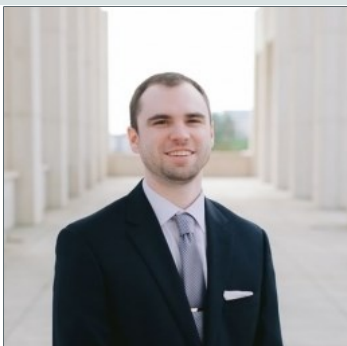


Ryan Vaudrin, CFP®
Wealth Advisor

Understanding the components of bonds can highlight how the investment can fluctuate over time. As we are experiencing now, an important element that influences the bond pricing is the interest rate. As interest rates change, bond pricing will fluctuate inversely to the given interest rate change. Even with bond volatility, it's important to remember that if the bond is held to the maturity date, then the investor will receive the face value plus any interest from the coupon rate during the time of ownership. Unless the bond is sold pre-maturity date, any of the in-between volatility is not recognized.

This is only an introduction to the complex world of bonds; for additional information or more detail, please refer to the Investment Team's article in the [October 2022 INSIGHTS](#).

NEXTGEN: BUILDING CREDIT



Daniel Hudspeth, CFP®
Wealth Advisor

A credit score is a metric which lenders use to evaluate potential borrowers. These numerical scores generally range from Poor (300) to Excellent (800+). Whether it's a bank, car dealer, or even utility company, a person's credit score will impact how much money and at what rate an institution will "credit" them. However, there's a bit of a catch 22 when dealing with credit – you need to *have credit* in order to *get credit*. In this month's article, I will cover a few methods which can help establish and bolster credit.

SECURED CREDIT CARDS

This type of card operates much like a traditional credit card and allows the user to purchase an item today and pay for it later. The key difference between the two is that the secured card is essentially pre-paid with a deposit. For example, if a person opens a secured card with a \$500 deposit, they can now spend up to their credit limit of \$500 and repay their balance before the due date. This allows the user to build enough credit for a traditional card while protecting the lender in the event the outstanding balance goes unpaid.

CREDIT BUILDER LOANS

These loans are designed for those with limited credit history. In this scenario, the lender typically retains the "loaned" funds in an account. As the borrower makes payments, the lender reports to credit bureaus such as Experian, Equifax, and Transunion which helps to establish credit history. Once the outstanding balance is repaid, the lender will release the funds to the borrower.

GOOD HABITS

Establishing credit takes time. That's why it's essential to protect existing credit while building on it. If using a credit card, it's important to make timely payments and repay the balance each month. This will help to avoid unnecessary interest expenses while bolstering their credit score. It's also beneficial to keep credit usage below a given credit limit. For example, if an individual's credit limit is \$1,000, they should repay the balance once it gets to around \pm \$500. This will prevent "maxing" out a card and keep liabilities within a manageable range.

Good habits, paired with utilizing these methods responsibly, are great way to jumpstart your credit history. As always, please contact your McShane Partners advisor if you have any questions or would like more information on establishing credit.

AROUND McSHANE PARTNERS

MINT MUSEUM AUXILIARY

McShane Partners was once again a proud corporate sponsor for Room to Bloom: the Mint Auxiliary's largest annual fundraiser. This event featured luxury lifestyle extraordinaire, Adam Lippes. It was a pleasurable way to spend the morning while supporting the arts.

If you are ever interested in joining us at a Mint Auxiliary event, please talk with your Wealth Advisor, and we will be sure to include you going forward!



BUBBLES, BAGELS, AND BONDS EVENT

Speaking of events, McShane Partners will be hosting its first official in-person event in the new building next month, featuring a special guest speaker: the Head of Municipal Bond Client Portfolio Managers at Nuveen, Purva Patel.

This is a great opportunity to have a light, bubbly brunch and hear about the outlook for municipal bonds after an extremely difficult correction in bond markets.

The event will be held at 9:00 AM on Thursday, January 12th, so be on the lookout for save-the-dates, which will be sent out shortly!

McSHANE PARTNERS' 8TH ANNUAL OFFSITE MEETING

Now that we are in our building, and with the pandemic largely in the rearview mirror, the McShane Partners' team had much to discuss at this annual corporate planning meeting. We will be updating the website and increasing our number of events this year, as well as expanding upon existing strategic initiatives!



DANCING WITH THE STARS OF CHARLOTTE - DANCING FOR A CAUSE

McShane Partners is thrilled to announce that Elliott Van Ness will be participating in the seventh year of [Dancing with the Stars of Charlotte - Dancing for a Cause](#), a ballroom dance and fundraising competition featuring Charlotte-area "Stars" and award-winning professional dance partners, on February 10th 2023. All profits from the event go towards supporting two amazing local non-profit organizations: [Carolina Breast Friends](#) and the [Go Jen Go Foundation](#)!

We are extremely proud to be sponsoring Elliott and would invite anyone interested in learning more or contributing to Elliott's campaign to visit his [personal fundraising page](#).

Thank you all very much in advance for your consideration, generosity, and support! We are incredibly excited about supporting such wonderful organizations and will keep everyone updated over the next several months!



McSHANE PARTNERS

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

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