MP McShane Partners

April 2023 Insights

Investment Overview

McShane Partners' Third Eye

If ever there was a time for additional perception and wisdom, it is now, with a dynamic market adjusting to the ramifications of a decade of unconventional monetary policy. Thankfully, McShane Partners recently hired Jon Michael Morgan, CFA as Senior Portfolio Manager, who brings his decades of investment and portfolio management experience in the equity market to the Investment Team, while also being a trusted professional whom Daniele has worked alongside extensively since her first job out of college. Given the rapid movements in the financial markets and the heightened vigilance initiated by the recent failure of Silicon Valley Bank, we have asked Jon Michael to quicky get acquainted with our investment portfolios by conducting internal audits to make sure there are no unintended risks, misalignments, or derivations from each clients' Investment Policy Statements ("IPSs").

The Investment Team is constantly reviewing portfolios and making adjustments to individual positions, while also optimizing the optionality and longevity of portfolio-level cash management strategies. That said, when you have a new resource and a market that suddenly shifted from decades of deflation and depressed interest rates to one of inflation and aggressive interest rate increases, it helps to quickly add another layer of risk management.

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Wealth Advisory Overview

EV Credits Are Here!

The new incentives passed in 2022 provide for clean vehicle tax credits If you buy a new plug-in electric vehicle (EV) or fuel cell vehicle (FCV) in 2023 or after.

There are also credits for used clean vehicles, qualified commercial clean vehicles and new plug-in EVs purchased before 2023. Some manufacturers are using a "commercial lease exception" and getting around the limitations below for lease programs.

At a high level, you must be below the Adjusted Gross Income limitations, buy a qualifying model without exceeding the MSRP limits (including options), and verify the specific vehicle was assembled in North America.

Please see page 4 for qualifications

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Investment Team

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CEO | Chief Investment Officer
Jon Michael Morgan CFA
Senior Portfolio Manager
Elliott Van Ness, CFA
Director of Research | Portfolio Manager
Abby Williams
Investment Associate
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Wealth Advisory Team

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Lorri Tomlin, FPQP™
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Daniel Hudspeth, CFP®
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Corey Meyer
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Points of Interest

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As Jon Michael continues to conduct his internal reviews of clients' portfolios, he will make himself available for calls or in-person meetings to discuss portfolio-level positioning and recommendations with each client, so please ask your Wealth Advisor for scheduling options if this is of interest.

Performance Dispersion

The process will begin when McShane Partners reviews client investment portfolios for performance dispersion at the end of this calendar quarter. Performance dispersion is the difference in performance in investment portfolios that have the same asset allocation strategy (e.g., Balanced Portfolios).

There is a process in place to review all portfolios for any significant or material performance dispersion that cannot be explained by denoted idiosyncrasies or client-specific circumstances (e.g., tax-sensitivity, ESG/SRI preferences, legacy positions, client-directed holdings, custom asset allocations, etc.). The goal is to make sure all clients have the Investment Team's best, highest-conviction investment ideas, where prudent, and that portfolio-level performance is consistent with those expectations for a given asset allocation strategy.

Jon Michael will independently review portfolio-level performance dispersion and investigate any discrepancies that he might find. After years of performing this function, another set of eyes might uncover valuable insight.

Inclusion of MP Core Contrarian Equity Portfolio Strategy Constituents

The McShane Partners Core Contrarian Equity Portfolio Strategy ("the Strategy") contains the Investment Team's highest conviction investment ideas at any given time. Jon Michael will be reviewing all client investment portfolios to make sure that each applicable portfolio contains the Strategy's constituent holdings/positions and identifying those portfolios that are underweight/overweight certain names. These portfolios will be designated as ready to purchase the positions when the market offers an opportunity (i.e., the investment is down).

When the market flashes warning signs, we always want to make sure we have the best boat as that is the only thing you can control when the waters become unstable. Hopefully, this added level of review will make clients feel increasingly at ease despite the deluge of unfortunate headlines in the news.

"A foolish consistency is the hobgoblin of little minds."

- Ralph Waldo Emerson

Monthly Index Review
USD Total Return

Data as of March 31st 2023	March 2023	2023 YTD	2022	2021
S&P 500® Index	**+3.67%**	+7.50%	-18.11%	**+28.71%**
Dow Jones Industrial Average	+2.08%	+0.93%	-6.86%	+20.95%
NASDAQ Composite	**+6.78%**	**+17.05%**	**-32.54%**	**+22.18%**
Russell 2000	-4.78%	+2.74%	**-20.44%**	+14.82%
MSCI Emerging Markets	+3.07%	+4.02%	-19.74%	**-2.22%**
MSCI EAFE	+2.61%	**+8.62%**	-14.01%	+11.78%
Bloomberg U.S. Aggregate Bond Index	+2.54%	+2.96%	-13.01%	**-1.54%**

Investment Overview

McShane Partners' Third Eye

Special Strategy Spotlight
Banking Basics: Reviewing Fundamentals of FDIC Insurance

Background

FDIC insurance becomes a crucial feature providing clients with incremental security while maintaining liquidity when there is a financial crisis. The Federal Deposit Insurance Corporation ("FDIC") was established in 1933 following the systemic, widespread failures of thousands of banks during the 1920s and early-1930s with the stated objective of promoting confidence in and mitigating systemic risks across the U.S. financial system. Banks and thrift institutions register with and pay premiums to the FDIC in order to be able to provide *deposit insurance coverage* to their customers on depository accounts. The FDIC provides standard insurance on ***deposits of $250,000 per depositor***, ***per insured bank***, meaning that if a bank or thrift institution fails, customers would still be entitled to 100% of their FDIC-insured deposits up to $250,000. This was not the case in the years preceding the establishment of the FDIC when bank failures exposed systemic risks in the U.S. financial system triggering nationwide bank runs, as panicked customers rushed to withdraw their deposits from banks across the country, fearing the banks were, quite literally, running out of money.

FDIC insurance applies only to cash deposits; the FDIC does not provide deposit insurance to other financial assets or investment securities, such as bonds, equities, mutual funds, etc. (*Source: www.fdic.gov*). Many of the major, diversified financial services institutions in the U.S. provide customers with access to FDIC-insured cash management option. Both Charles Schwab & Co., Inc. ("Schwab") and Fidelity Investments ("Fidelity") offer FDIC-insured cash management options to clients through their respective direct or affiliate relationships with banks providing deposit insurance coverage.

Current Conditions & Recommendations

Despite the rising interest rate environment, the average interest rate offered on a retail depository account by traditional banking institutions remains disappointing. That said, the Investment Team recommends that investors should carefully consider maximizing the utility of FDIC-insured depository accounts as part of a comprehensive cash management strategy.

As the Investment Team mentioned in last month's newsletter, the Investment Team believes that the risk-reward opportunity for introducing and incorporating high-quality money market mutual funds ("MMFs") into effective cash management strategies is attractive given the positive fundamentals supporting the higher yields being offered at this time compared to prior periods over the past couple of years when the dynamics were less favorable for MMFs relative to FDIC-insured cash options and high-yield savings accounts.

Wealth Advisory Overview

EV Credits Are Here!

Who Qualifies

You may qualify for a credit up to $7,500 if you buy a new, qualified plug-in EV or fuel cell electric vehicle (FCV). The Inflation Reduction Act of 2022 changed the rules for this credit for vehicles purchased from 2023 to 2032.

The credit is available to individuals and their businesses.

To qualify, you must:

- Buy it for your own use, not for resale
- Use it primarily in the U.S.

In addition, your modified adjusted gross income (AGI) may not exceed:

- $300,000 for married couples filing jointly
- $225,000 for heads of households
- $150,000 for all other filers

You can use your modified AGI from the year you take delivery of the vehicle or the year before, whichever is less. If your modified AGI is below the threshold in 1 of the two years, you can claim the credit.

The credit is nonrefundable, so you can't get back more on the credit than you owe in taxes and you can't apply any excess credit to future tax years.

Qualified Vehicles

To qualify, a vehicle must meet certain requirements. Luckily, the IRS has sorted through these requirements and has provided an index of qualifying manufacturers and qualifying models produced by each. See https://www.irs.gov/credits-deductions/manufacturers-and-models-for-new-qualified-clean-vehicles-purchased-in-2023-or-after. FCVs do not need to be made by a qualified manufacturer to be eligible.

The specific requirements for qualifying models are:

- The vehicle must have a battery capacity of at least 7 kilowatt hours
- Have a gross vehicle weight rating of less than 14,000 pounds
- Be made by a qualified manufacturer.
- Undergo final assembly in North America.

The sale qualifies only if:

- You buy the vehicle new
- The seller reports required information to you at the time of sale and to the IRS. Note that sellers are required to report your name and taxpayer identification number to the IRS for you to be eligible to claim the credit.

In addition, the vehicle's manufacturer suggested retail price (MSRP) can't exceed:

- $80,000 for vans, sport utility vehicles and pickup trucks
- $55,000 for other vehicles

MSRP is the retail price of the automobile suggested by the manufacturer, including options, accessories and trim but excluding destination fees. It isn't necessarily the price you pay.

The list of qualifying vehicles specifies the relevant MSRP limit for each model, based on whether the IRS has defined the model as an SUV, etc.

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Wealth Advisory Overview

EV Credits Are Here!

The “final assembly” requirement is evolving as certain manufacturers move production to the U.S. You can find your vehicle's weight, battery capacity, final assembly location (listed as “final assembly point”) and VIN on the vehicle's window sticker or you can check a VIN online to verify if a specific vehicle meets the requirements for final assembly location. To check a VIN go to the Department of Energy's page https://afdc.energy.gov/laws/electric-vehicles-for-tax-credit and use the VIN Decoder tool under "Specific Assembly Location Based on VIN."

How to Claim the Credit

Now that you have determined that you are eligible, claim the credit on Form 8936, Qualified Plug-in Electric Drive Motor Vehicle Credit (Including Qualified Two-Wheeled Plug-in Electric Vehicles) with your tax return. You will need to provide your vehicle's VIN.

NexGen: Credit Cards & Their rewards

Ryan Vaudrin, CFP®, CDFA®
Partner | Wealth Advisor

Credit cards are one of the most prolific purchase methods currently available to consumers. Credit card companies often incentivize the use of their cards with amazing rewards options in an effort to differentiate themselves from competitors. However, the credit card companies assume that some individuals will let their spending get out of hand. This creates substantial interest on borrowed balances. The high interest rates on outstanding balances are the reason that some discourage their use. However, by paying off the balance each month and using them responsibly, credit cards can provide beneficial rewards. So how does one get the most out of a credit card?

One way to take advantage of credit card rewards is establishing an automatic bill payment to the credit card company and immediately repaying the balance. This strategy helps build and maintain credit while also gaining monthly rewards. The most common types of reward credit cards include Credit Card Points, Cash Rewards, and Travel Rewards.

Credit Card Points Rewards – these cards involve a points system. The points can be exchanged for cash credits, gift certificates, travel credits, or small consumer goods and services.

Credit Card Cash Rewards – Cards with cash rewards include more substantial cash back programs. Typically, individuals are able to customize their cash back program and determine which specific spending categories offer a greater cash back percentage.

Credit Card Travel Rewards – Travel rewards are designed to earn points for things such as travel miles, free airfare baggage, hotel discounts, or even free foreign transaction fees.

Personal spending habits determine which credit card may be the best option. To help streamline decision-making, third-party companies annually review which credit card provides the best deal for each rewards type. Companies such as Nerd Wallet, Credit Karma, Compare Cards, and Consumer Reports are just a few that can point you in the right direction.

NextGen: Managing Cyber Security Threats

Daniel Hudspeth, CFP®
Wealth Associate

As we continue forward in this digital age, online processes are constantly evolving in ways that streamline time and financial resources. While these advancements work to make life easier, it is important to minimize the risks associated with online activity, especially when dealing with finances. This month's article will address steps that advisors and clients can take in an effort to mitigate these risks.

Advisors:

A common security feature is 2 factor authentication. This process layers an additional password on top of a standard password. This additional password is generated when someone logs in with a standard password and is only valid for a specific time (such as 30 seconds). For example, a website may send the code to registered contact via a text message, email, or phone call. This helps ensure that the person logging in is who they say they are.

Wealth Advisory Vault – at McShane Partners, we use a Wealth Advisory Vault which requires a secure login. We use this vault for client documents such as tax forms, account statements, and financial planning information. The vault provides greater security vs. standard email when exchanging data.

McShane Partners Client Portal – the client portal is another secure access point for our clients. The documents within this portal typically include investment reports and other miscellaneous account information.

Steps for Clients:

One major security key is keeping devices updated with the latest software version updates. This also applies to anti-virus software as it is important to keep those programs up to date as well.

Privacy and security settings for devices such as cell phones and computers can be adjusted based on user preferences and security needs. For example, if someone is on their secure home internet connection, extra precautions may not be needed. However, stricter settings and precautions are necessary when using public or free Wi-Fi. Various internet browsers can also provide optional safety features and settings.

Reviewing credit reports annually can help to identify if a data breach has occurred. The Federal Trade Commission enables everyone in the US to receive free annual credit reports from 3 credit reporting bureaus (Experian, Equifax, and TransUnion). It is a good practice to take advantage of these reports and make sure there are no suspicious credit inquiries or usages. Credit reports can be one of the "first line" indicators that something is wrong.

It can also help to prepare for a *what if*. Identity theft is prevalent and taking a proactive approach can be beneficial as opposed to a reactive one. Fast action may help to mitigate the effects of a breach theft. There are also companies that monitor personal data and can provide alerts for suspicious activity as soon as it happens.

As always, please contact your McShane Partners advisor if you have any questions or would like more information regarding cybersecurity.

Senior Planning: When should you get on a wait list for a retirement community

Lorri Tomlin, FPQP™
Partner | Wealth Advisor

There may come a time in life when moving to a retirement community would be beneficial. Continuing Care Retirement Communities (CCRCs) can provide support and security as we age and have become very popular options. Many people want to wait until they are "ready", but many communities have waiting lists and can take months or even years to get into. Most communities require that you be able to "walk in" to gain admittance and you must pass a medical evaluation as well as a financial evaluation. The challenge of planning ahead for moving to a retirement community can be tricky because it's hard to foresee when you will be "ready" vs when it might be too late due to an injury or illness that would render you ineligible for admittance. Adding your name to retirement community wait lists is one way to plan for your future and ensure that you will be well-cared for as you age.

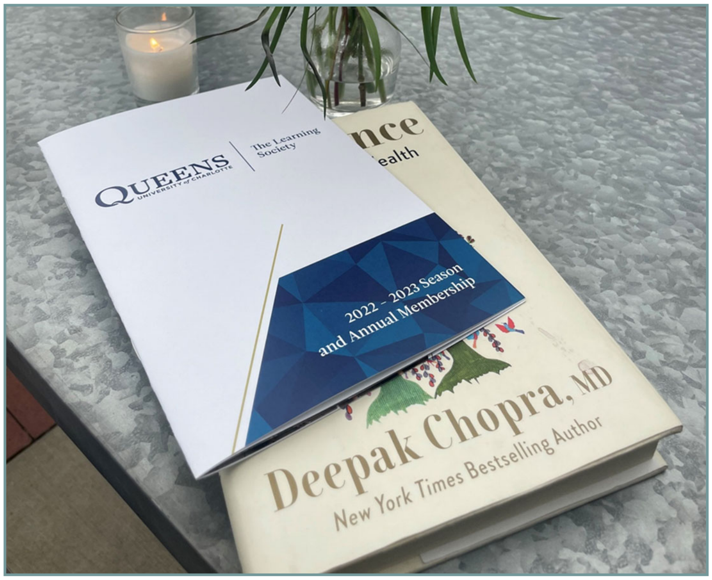
Most communities require a deposit to add your name to their wait list; the amount can vary from a few hundred dollars to a few thousand. In some communities, this deposit is fully or partially refundable if you change your mind or get into another facility. When you make your deposit, you typically specify what type of unit you want (ie: studio, one-bedroom apartment or a separate cottage). Once your name reaches the top of the list for your desired type of unit, you are offered the chance to contract on the unit. Some wait lists don't require that you immediately accept the offer. If you are not quite ready to move in, you can turn down the offered unit and keep your position at the top of the list until the next desired unit becomes available. Some wait lists have a "three strike rule". If you turn down the opening three times, you lose the top spot on the list and you are bumped down to the bottom of the list. What if the unit that becomes available is not exactly what you want? Should you accept or continue to wait for a more desirable unit? Some facilities have "internal" waiting lists where you could move in and wait for your desired type of unit to become available. That way you can go ahead and secure your spot within the community.

Some communities offer "perks" for being on the wait list. You might get free meals in the dining room, a copy of the newsletter and the ability to participate in events. This will give you the opportunity to become more comfortable with the surroundings and meet new "future" friends too.

CCRCs are meant to be enjoyed. They support active, social, healthy, thriving lifestyles, while also providing peace of mind knowing that help and higher levels of care are available when needed so do not wait until it is too late. If you are thinking about this option, get you name on a few waiting lists now.

Around McShane Partners

An evening with Deepak Chopra



McShane Partners sponsored The Learning Society's program of "An Evening with Deepak Chopra" on March 22nd. The Learning Society at Queens University provides students, faculty and staff as well as the Charlotte community with the opportunity to interact with experts on important contemporary issues and topics.

Deepak Chopra is a *New York Times* bestselling author. He is a world-renowned pioneer in integrative medicine and personal transformation.

As sponsors for this program, we received considerable tickets to this sold-out event, and clients and McShane Partner Wealth & Investment Advisory employees had a wonderful evening. Daniele serves on the Executive Committee which organizes and attains speakers for these annual events. Please let us know if you are interested in joining or attending one of these unique speaker series events in the future.

McShane Partners March Madness

Corey Meyer and Jon Michael Morgan were invited to represent McShane Partners Wealth & Advisory Firm in the Nuveen Court of Dreams experience at the Spectrum Center. This included participating in drills and mini games with other area advisors on the Charlotte Hornets Court, a meet and greet with the Hornets legend Dell Curry and attendance for the game that evening against the Phoenix Suns. They had an amazing time participating in this unforgettable experience.

McShane Partners

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

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