MP McShane Partners

October 2023 Insights

Investment Overview

Tactical Tax-Loss Harvesting

The precipitous price declines in fixed income assets (i.e., bonds) triggered by the rapid, steep rise in interest rates over the past two years created a unique opportunity to capture capital losses within bond portfolios, allowing for tax-efficient rebalancing of portfolios into year-end. Whenever possible and appropriate, McShane Partners prefers to buy and own individual bonds within clients' strategic Fixed Income allocations vs. using mutual funds or exchange-traded funds ("ETFs") for multiple reasons, one of which is the ability to recognize losses on individual bonds with minimal disruption to portfolio-level positioning and overall performance. Over the next couple of months, the Investment Team will be reviewing client portfolios to ascertain the suitability of harvesting losses. Where there are losses that may be beneficial to clients for calendar year 2023 ("CY2023"), we will be realizing them within clients' separately managed accounts ("SMAs"). To that end, please be sure to inform your Wealth Advisor or Portfolio Manager of any relevant inequities changes in your tax situation that should be taken into consideration; to be clear, to avoid any unnecessary disruption of portfolio-level positioning, the Investment Team is ***not*** recommending selling bond holdings or positions with unrealized losses unless there is a meaningful, material tax benefit for our clients.

Realizing Gains to Capture Relative Outperformance

Harvesting losses in bonds can be an effective means of offsetting capital gains, thereby mitigating the immediate impact of capturing relative

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Wealth Advisory Overview

Do I Need to Purchase Long-Term Care Insurance?

Deciding whether to purchase long-term care (LTC) insurance or not has been a popular topic of discussion over the past fifteen years. It is a subject that most people don't want to think about, however, being financially ready for the possibility that you will require long-term care is an important part of retirement planning.

What Is Long-Term Care?

Long-term care encompasses a wide range of services for people who need regular assistance because of chronic illness or physical or mental disabilities. It can include skilled nursing care, but it consists primarily of helping with basic activities of daily living (such as bathing, eating, and dressing). The benefits of LTC insurance go beyond what your health insurance may cover by reimbursing you for services that provide assistance when you are unable to perform the basic activities of daily living or require supervision due to cognitive impairment. Statistics show that 70% of individuals aged 65 and older will need LTC either at home, in an assisted living facility, or in skilled care. While it is impossible to predict your chances of needing long-term care, or how long you may need it, we can use statistics to help us gauge where the risk predominately lies.

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Investment Team

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Points of Interest

Investment Overview

Tactical Tax-Loss Harvesting

outperformance by selling assets with gains. Commensurate with the powerful rally in global equity markets off the lows hit in October 2022, the Investment Team is using the opportunistic equity prices to reduce the tactical overweight in equities across client investment portfolios. As highlighted below in Chart I, our tactical overweight in U.S. Equity allocations and under weight in bonds has been additive to performance given the persistent and substantial relative underperformance of fixed income assets. As a result, certain stock positions have become too large, are precariously priced, and are being trimmed or sold. Recognizing gains on this part of the portfolio can be offset by losses we recognize in the bond portfolio.

"The only difference between death and taxes is that death doesn't get worse every time Congress meets."

- Will Rogers

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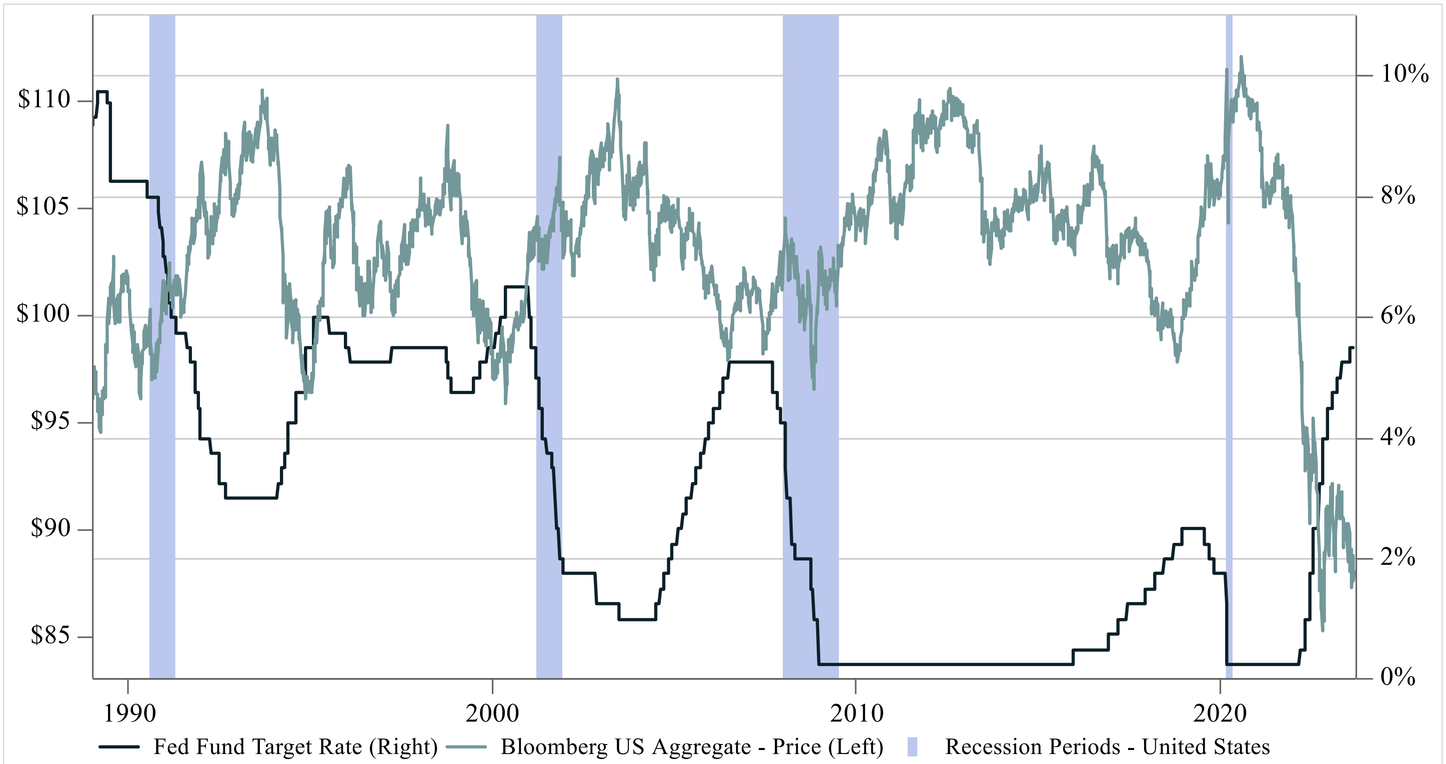
Chart I: Bond Market vs. Fed Funds Target Rate



Source: McShane Partners - FactSet Research Systems, Inc.

Monthly Index Review
USD Total Return

Data as of September 30th 2023	September 2023	2023 YTD	2022	2021
S&P 500® Index	-4.77%	**+13.07%**	-18.11%	**+28.71%**
Dow Jones Industrial Average	-3.42%	+2.73%	-6.86%	+20.95%
NASDAQ Composite	-5.77%	**+27.11%**	-32.54%	**+22.18%**
Russell 2000	-5.89%	+2.54%	-20.44%	+14.82%
MSCI Emerging Markets	-2.62%	+1.82%	-19.74%	**-2.22%**
MSCI EAFE	-3.42%	+7.08%	-14.01%	+11.78%
Bloomberg U.S. Aggregate Bond Index	-2.54%	**-1.21%**	-13.01%	**-1.54%**

Investment Overview

Tactical Tax-Loss Harvesting—Future for Fixed Income Improving

It is pertinent to state that the Investment Team remains incrementally positive on intermediate-term Fixed Income as an asset class, and this is not a short-term directional call on interest rates, such as the prescient call made in the December 2021 edition of INSIGHTS, wherein the Investment Team warned of the percolating risks of rising rates on global fixed income markets and concurrently recommending tactical reductions in portfolio-level Fixed Income weightings/allocations across client investment portfolios. Present economic indicators weave an intricate matrix of contradictory signals that reinforce the *higher-for-longer* stance but are yet to reveal whether markets have seen the cyclical peak in rates. For now, the Investment Team is only selling to recognize valuable unrealized losses to offset the realized gains in order to minimize tax burdens for clients and reset interest rate risk (i.e., duration) profiles of bond portfolios, bringing them in-line with the current rate structure. The stabilization of interest rates offers the opportunity to close the underweight in Fixed Income allocations thus bonds that are sold will be quickly replaced.

Positioning into Year-End

Combined with the use of high-quality money market funds ("MMFs") across Cash & Cash Equivalent allocations as a tactical proxy for short-term bonds, the Investment Team believes current portfolio-level positioning remains dynamic and flexible as the economic cycle continues to evolve.

Through year-end, clients might observe more active trading as the Investment Team implements this strategy. Where prudent and appropriate, individual bonds will be sold, and the proceeds used for buying opportunities in similar high-quality bonds. Positions in bond mutual funds and ETFs will also be sold where it makes tactical sense, and clients may see repurchasing activity in either the same security after the expiration of applicable wash-sale restrictions (i.e., 30 days) or an applicable substitute to keep portfolio-level Fixed Income allocations consistent. This will likely coincide with selective profit-taking in equity holdings where relative performance has been strong, optimizing tax efficiency for our clients.

This coordination of strategic tax planning and dynamic portfolio rebalancing speaks to the core strengths of McShane Partners, where our comprehensive approach to active portfolio management and personalized financial planning can significantly enhance and contribute to after-tax returns for clients. The ability to manage investments tax efficiently is a core competency of the McShane Partners offering and critical to the long term growth of assets for high-net-worth individuals.

Stock & Strategy Spotlight

Name	Ticker	September 2023	2023 YTD
Kraft-Heinz Co.	KHC	+1.66%	-14.42%

Description & Investment Thesis

Shares of Kraft-Heinz Co. ("KHC") have been in investor purgatory since 2019 when the miraculous margin expansion story came to an abrupt halt, and the stock went from trading at a ±40% premium to its peer group to a persistent ±40% discount. The Investment Team believes that this discount is on the verge of reverting back to normalized levels, and investors should be able to reliably collect an attractive ±4.7% dividend as they wait to realize incremental price appreciation in shares of KHC, which admittedly, might require patience.

Now that COVID and cost inflation have both normalized, the Investment Team expects positive earnings momentum at KHC will engender sustained multiple expansion: the company's most recent quarter hinted at these positives, suggesting that it is time to establish positions in KHC. This margin expansion should come from three primary areas: first, the company pushed through roughly a ±9.0% price increases; second, the input inflation has moderated to mid-single digits; third, after three years of implementation, the Investment Team expects the marketing dollar redeployment to drive sales and create leverage. For this idea to work, the Investment Team believes these factors only need to drive modest improvement given the extremely depressed

Wealth Advisory Overview

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According to the American Association for Long-Term Care Insurance, 64 percent of LTC claims were made by those over the age of 80. The average skilled care stay is broken down as follows: 44 percent stay less than a year, 30 percent stay between one and three years, while the remaining 24 percent spend more than three years in a facility. What do all these statistics mean in terms of your planning? First, the odds are that you will not need care until you are at least 80. Second, if you do need skilled care, there's a 44 percent chance that it will last less than a year, and only a one-in-four chance that your stay will last three or more years.

When planning for LTC future expenses, you have two options: self-insure or purchase LTC insurance. This decision is based on the amount of assets available, spending level, and your life goals. By self-insuring, you are electing to pay all of the expenses associated with LTC from your personal assets. The other option is to purchase some type of LTC insurance coverage. The objective of LTC insurance, as with any insurance, is not to completely cover the risk, but to buffer the costs of care and leave you and your family financially healthy. When looking to purchase LTC insurance there are two general options. The first is traditional LTC insurance or "pure" insurance; meaning that you are only purchasing insurance to cover a LTC need. If you do not need LTC, you will receive no benefit for the insurance premiums that you paid into the policy. There are many factors that affect the cost of LTC insurance such as the elimination period, the benefit period, the daily benefit amount, as well as the inflation rate and method to name a few. Traditional LTC insurance offers the greatest benefit for the lowest cost and is the most popular policy option.

Another option that is available is a life insurance policy with a LTC rider. Under this "hybrid" policy, an individual would purchase a permanent life insurance policy with a rider that would pay for LTC if needed. The biggest attraction with this option is that if no LTC is needed, the heirs receive the life insurance benefit at the insured's death. This option also allows you to pay for the entire premium up front, which is effectively locking in future LTC benefits without the cash outflow needed to pay premiums after retirement. These hybrid policies are typically more expensive and do not offer any inflation protection for the increasing costs of health care.

How Much Does LTC Cost?

The cost of long-term care services, especially skilled care, can be staggering. Daily rates can vary based on where you live and what provider you choose. In 2021, the median national cost for a private skilled care room was $297 per day or $108,405 annually, while a semiprivate room was $260 per day ($94,900 annually). Much of the costs for long-term care are picked up by the federal and state governments, with Medicaid covering 43 percent and Medicare 24 percent, but these programs do not insulate families from high out-of-pocket spending. Medicaid covers care only for those who meet strict income and asset tests, forcing many people with long-term care needs to deplete nearly all their wealth to qualify for coverage. Medicare covers only skilled home health visits and temporary stays in skilled nursing facilities that follow hospitalizations. It does not cover any nonmedical home care.

When Should It Be Purchased?

Deciding when to purchase LTC insurance is equally important as deciding what type of policy to buy. Waiting too late to purchase LTC insurance can be a costly mistake. The best time to purchase LTC insurance is before age 60, because premiums are reasonable and most individuals are still in relatively good health. For every year an individual waits to buy LTC insurance after age 60, premiums increased approximately 6% annually. If you receive a notification from your insurer about a rate increase on an existing policy, please contact your wealth advisor or insurance professional to explore options that might be available to reduce your premium and still provide ample coverage for you and your family.

Whether you are making the decision to purchase long-term care insurance, trying to decide which type of policy to buy, or when it makes sense for your individual situation, please reach out to your McShane Partners Wealth Advisor to help guide you through the process.

Senior Planning: Aldersgate Under Financial Review by The State of NC

Lorri Tomlin, FPQP™
Wealth Advisor

When looking for a Continuing Care Retirement Community (CCRC), there are many things to consider; cost, amenities, security, staff retention and reputation. Your Wealth Advisor at McShane Partners can provide you with a comprehensive checklist to use as a resource when researching your options. One important factor is the financial stability of the facility. Recently one local CCRC has come under financial review by the State of North Carolina.

The North Carolina Department of Insurance, which examines finances for CCRCs, has been looking at Aldersgate since January 2023, stating that the retirement community is "insolvent or in imminent danger of becoming insolvent." A report from Aldersgate shows operational losses in 2019, 2020, 2021, 2022. They also had years of losses dating back to 2014. The 2022 financial statement showed $11.2M in operating losses and liabilities exceeded assets by $1.3M.

Currently Aldersgate is striving to overcome these years of financial losses due to what it described as financial mismanagement. In a letter to prospective residents, CEO, Suzanne Pugh stated that Aldersgate is committed to providing "a vibrant senior living experience" but due to challenges in timely and accurate reporting of financials they have encountered challenges. She blamed the prior CFO for errors and admitted to problems paying vendors and issuing entrance fee refunds. Aldersgate owes more than $1.8M in entrance fee refunds to former residents and owes more than $3.2M to vendors. The 2019 planned Shalom Park community, called Generations, was cancelled in November of 2022 resulting in a $3.4M loss for Aldersgate.

A Corrective Action Plan (CAP) has been prepared, outlining the financial problems and the proposed solutions. Aldersgate remains forthcoming with communications to residents, families, staff, and the community. The Corrective Action Plan includes implementing cost-saving measures in the dining service, better training of its financial staff and building trust with residents. It also includes the potential sale or leasing of 14 acres of frontage property and building new cottages to bring in new revenue.

There are no allegations that the care of residents has been affected by the financial challenges and residents who live at Aldersgate still love it and want to see it do well. Some have expressed hope that this review by the state will provide a path back to financial wellness and success for Aldersgate.

According to a disclosure statement from Aldersgate dated May 30, 2023:

"The Aldersgate Board and leadership are confident that we are on a path toward a positive resolution. We continue to have strong sales activity, strong occupancy across all areas of campus, as well as continued improvement in key metrics in our operations."

Your McShane Partners Wealth Advisor can help with any questions you may have if you are looking at CCRCs in our area.

Next Gen: Umbrella Insurance

Ryan Vaudrin, CFP® CDFA®
Wealth Advisor

What Is Umbrella Insurance?

Umbrella insurance is personal liability insurance which provides additional insurance coverage above and beyond what typical homeowner, auto, or watercraft policies typically cover. Umbrella coverage is utilized once the original base policy limits are met. Umbrella policies may also provide coverage for certain situations that are not covered by a traditional insurance policy.

What Umbrella Insurance Covers

Umbrella insurance can cover insurance claims involving bodily injuries, property damage, lawsuits, and personal liability situations. An umbrella insurance policy can also cover situations involving libel, vandalism, slander and even false imprisonment.

What Umbrella Insurance Does Not Cover

Umbrella insurance does not cover damage to the policy owner's own personal property, intentional damage or injury done by the policyholder, or any damage or injury done in work or business situations.

Who Needs It

Individuals who have assets that are greater than the homeowner's policy liability limits. If you have additional situations in which people could be injured such as a pool, trampoline, or own a specific dog breed. Individuals who participate in activities where others can be injured are also good candidates for an umbrella policy.

Umbrella Insurance is not required, but it can be a great low-cost option to help provide extra liability coverage for the policy owner and their family. The additional coverage can help protect your assets and family from potential unforeseen lawsuits or expenses if an unfortunate situation occurs. As always, please contact your McShane Partners Wealth Advisor if you have any questions or would like more information on umbrella insurance.

NextGen: Building Credit—Part Two

Daniel Hudspeth, CFP®
Wealth Associate

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 ±$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 Wealth Advisor if you have any questions or would like more information on establishing credit.

Around McShane Partners

Jon Michael Joins TLC Board

The Learning Collaborative is pleased to welcome Jon Michael to their board of directors. Jon Michael has joined the finance committee and will be able to provide his unique perspective to the leadership of TLC. TLC's mission is to provide high-quality, tuition free Preschool and Family Success program for the at-risk families of Charlotte's Grier Heights community. Without TLC, the families they serve do not have access to school readiness for their young children. Without a strong start in school, at-risk children are more likely to fail, reinforcing the academic achievement gap. As a part of McShane Partner's annual giving program, the firm has made a two-year commitment to TLC, which is in alignment with our focus of giving to three main areas that include female empowerment, education, and the arts.

Female Financial Empowerment Series

October 11TH
5:00— 7:00pm

5 - 5:30 for Networking and Socializing

5:30 - 6:30 for Presentation and Discussion

6:30 - 7 for Questions

2150 PARK DRIVE

RSVP: TSTRICKLER@MCSHANEPARTNERS.COM

In our Personal Cybersecurity discussion we will discover how to protect your personal & financial information from on-line thieves.

Bring any questions!

Around McShane Partners

Carolina Breast Friends Event

Sandy attended a fundraising event in honor of the 20th anniversary of Carolina Breast Friends.   "Roaring in Pink" was an evening of glitz, glamour & giving back. The mission of the organization is to embrace the breast cancer community in a positive environment . They provide resources & education through fellowship & mentoring during any stage of the journey. The vision is to support, encourage, and empower those in our community who are affected by breast cancer.

Unplugged—Investment Analysis

Ryan Vaudrin and Jon Michael Morgan hosted friends of the firm for an evening overview of McShane Partners investment research and equity selection process. The experience provided an inside look into actual conversations between our Wealth Advisors and our Investment Team. Guests were invited to select companies of interest and Jon Michael walked through the different research tools and range of analysis used when choosing companies to invest in. Both Ryan and Jon Michael fielded questions from the group.

Family Summer Vacation

Lorri Tomlin and Corey Meyer recently spent their annual family summer vacation at the beach. Lorri's family consists of her son Kyle, husband Bob, daughter Kelly, son-in-law Corey, her 3 sisters and her 91-year-old father. This year was extra special because Lorri's sister and brother-in-law from Texas were able to make the trip. Also, making it extra special was the location. Usually, it is held in Hilton Head every year, however this year they traveled to Destin, FL. They enjoyed the beach, tennis & pickleball.

McShane Partners

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

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