

### INVESTMENT OVERVIEW

#### DISORGANIZATION DIMINISHES DIVERSIFICATION

The fundamentals of portfolio construction are predicated on the empirical benefits of *diversification*, and, consequently, most astute and experienced investors have learned to embrace diversification within their investment portfolios as a successful, sustainable strategy for preserving principal and growing capital over a long-term time horizon. For many high-net-worth individuals and families, however, proper diversification requires a more holistic, methodical approach than the antiquated convention of divvying up the investable assets and engaging multiple portfolio managers or investment advisors. While superficial diversification may be marginally better than none at all, there are numerous fallacies and inherent risks to such an approach, which tend to compound as investable assets grow and as portfolios become increasingly complicated over time.

#### THE DIVERSIFICATION DILEMMA

While employing assorted asset management firms may be initially appealing, a *decentralized approach* to global portfolio management may ultimately undermine the benefits of diversification efforts via *unintentional, unwarranted, and/or excessive risk exposures*. As a *risk management strategy*, diversification is based on utilizing various asset classes, sectors, industries, styles, security types, and/or investment vehicles with *distinct risk-return characteristics*. Building an investment portfolio comprised of *differentiated positions* across multiple asset classes and investments enhances an investor's ability to *mitigate, reduce, or even eliminate* investment-related risks. In doing so, investors can optimize portfolio-level

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### WEALTH ADVISORY OVERVIEW

#### MONEY AND MARRIAGE

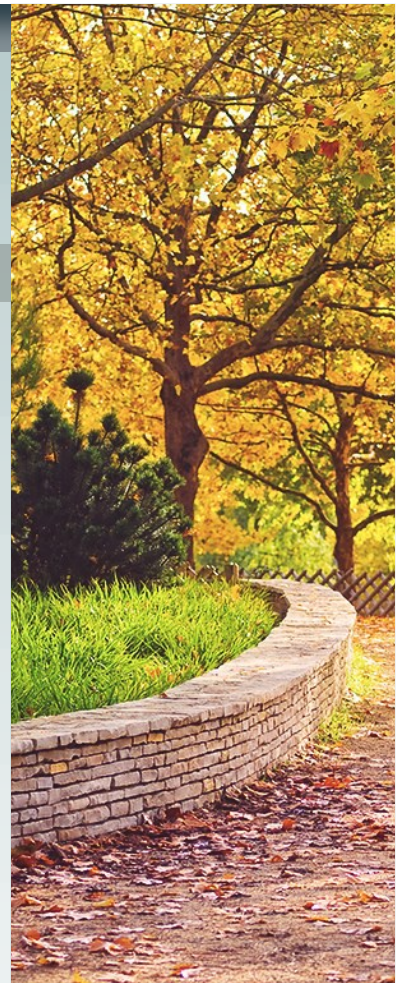
Although technology has evolved to help us simplify our finances, when it comes to money and marriage, very little has changed. Money is still the number one issue that couples fight about, and it is still one of the leading causes of divorce. The reason, most couples are not on the same page when it comes to money, and they do not always understand or appreciate their differences.

There are several reasons that couples may fight about money. These include differences in communication styles, background experiences, financial education, or having different long-term goals, just to name a few. If you have not discussed your different views about money and found some middle ground, it is likely that there will be conflict. So, how do we begin to understand our differences and resolve them so that we are building happier, healthier marriages?

#### The Healthy Love & Money Way: How the Four Attachment Styles Impact Your Financial Well-Being

This quarter's installment of McShane Partners' quarterly book club series is *The Healthy Love & Money Way: How the Four Attachment Styles Impact Your Financial Well-Being* by Ed Coombs. Ed is a licensed marriage and family therapist whose practice is based in Matthews, NC. He has a Ph.D. from Kansas State University in Personal Financial Planning and Therapy and has also earned the Certified

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#### POINTS OF INTEREST

- [Monthly Index Review](#)
- [Stock & Strategy Spotlight](#)
- [Around McShane Partners](#)

## INVESTMENT OVERVIEW

### DISORGANIZATION DIMINISHES DIVERSIFICATION

positioning to *mitigate excess volatility* and achieve *more stable, sustainable rates of return* over the long term.

Investments in assets or securities whose prices are *directly* or *linearly related* (i.e., *positively correlated*) can *reduce* the overall efficacy of diversification and expose the portfolio to outsized *systematic risks*, regardless of the number of individual holdings. Failing to account for aggregate exposures to or portfolio-level positioning in positively correlated assets across different accounts/portfolios could result in outsized drawdowns or exacerbated downside risks in the event of a broad-based risk event. Moreover, investors who do *not* actively monitor aggregate positioning across *discretionary investment accounts* managed by separate investment advisors may be subjecting their portfolio to inadvertent *concentration risks*, with overlapping positions held in multiple accounts managed by different advisory firms.

Unfortunately, the majority of asset management and investment advisory firms are not incentivized to share underlying holdings information or positioning with third parties, rendering the task of aggregating and consolidating account-/portfolio-level information that much more difficult for investors.

### AGGREGATION & CONSOLIDATION

Prior to the proliferation of web-based personal financial services offering easy access to low-/zero-cost data aggregator tools over the past ten years, individual investors relied on the inefficient process of exporting stagnant data from multiple accounts held at various banking institutions or financial services firms and then transcribing stale information into error-prone spreadsheets. While the ability to retrieve widely dispersed financial data has improved, financial institutions' portfolio-management tools remain siloed and have yet to be widely integrated into centralized, functional enterprise platforms.

As an independent registered investment adviser ("RIA"), McShane Partners relies on its relationships with multiple *third-party qualified custodians* (i.e., *banking-savings institutions, trust companies, and/or registered broker-dealers*) to provide essential custody services, ongoing customer support, and critical regulatory reporting for our clients' investment accounts. Furthermore, our qualified custodians work with our third-party technology service providers to ensure seamless integration across our custodians' platforms and our enterprise portfolio management and performance reporting software/systems.

There are profound and innumerable benefits to utilizing a single, centralized system to review portfolio-level positioning and provide comprehensive, concurrent investment recommendations for an investment portfolio comprised of multiple accounts held at different custodians or financial institutions. By consolidating underlying holdings data and aggregating that account-level information at the portfolio level for our clients, McShane Partners is able to manage risk-return exposures and adjust positioning in-line with our most recent thoughts or outlooks, while also ensuring that we are adhering to those strategic asset allocation targets and our stated investment/portfolio management mandate(s).

### GLOBAL INVESTMENT POLICY STATEMENT ("IPS")

Global asset allocation strategies should be dictated by fundamental factors, such as *time horizons, investment objectives, and financial/portfolio constraints*, which influence *risk tolerance preferences* and are documented in an investment policy statement ("IPS") that serves as the governing document for an investment portfolio.

## INVESTMENT OVERVIEW

### MONTHLY INDEX REVIEW USD TOTAL RETURN

DATA AS OF SEPTEMBER 30 <sup>TH</sup> 2021	SEPTEMBER 2021	2021 YTD	2020	2019
S&P 500 <sup>®</sup> Index	-4.65%	+15.92%	+18.40%	+31.49%
Dow Jones Industrial Average	-4.20%	+12.12%	+9.72%	+25.34%
NASDAQ Composite	-5.27%	+12.66%	+44.92%	+36.69%
Russell 2000	-2.95%	+12.41%	+19.96%	+25.52%
MSCI Emerging Markets	-3.94%	-0.99%	+18.69%	+18.88%
MSCI EAFE	-2.83%	+8.79%	+8.28%	+22.66%
Bloomberg Barclays U.S. Aggregate Bond Index	-0.87%	-1.55%	+7.51%	+8.72%

### STOCK & STRATEGY SPOTLIGHT

NAME	TICKER	SEPTEMBER 2021	2021 YTD
SK TELECOM CO., LTD. SPONS. ADR	SKM	+4.55%	+23.73%

### DESCRIPTION & INVESTMENT THESIS

The Investment Team recently added shares of SK TELECOM CO., LTD. SPONS. ADR (“SKM”) to firm-wide buy lists and is actively initiating positions in the stock across client investment portfolios as a core holding within INTERNATIONAL EQUITY allocations, where prudent and appropriate. SKM is an industry-leader in the provision of wireless telecommunication and internet services in South Korea and is the largest *mobile network operator* (“MNO”) within the country, as well. Despite rallying **+17.08%** over the past nine months and outperforming the broader MSCI EAFE Index by **±803 basis points** (“bps”) year-to-date (“YTD”) in 2021, shares of SKM are still trading at a **-16.67% discount** to their *±20-year historical average price-to-earnings (“PE”) multiple*. In addition to the potential for significant capital appreciation from *mean-reverting multiple expansion*, the stock boasts an extremely attractive **±3.12%** dividend yield, with the company having grown *dividends per share* (“DPS”) at a *compound annualized growth rate* (“CAGR”) of **±2.09%** over the past five years.

SKM is currently in the process of spinning off *non-core businesses* as part of a strategic transaction designed to monetize numerous growth-oriented investments made by the company over the past several years; the deal is structured as a five-to-one stock split and is expected to formally close in early-November 2021. Given the timing and terms of this deal/transaction, the Investment Team believes that the upside/(downside) scenarios are adequately priced into the stock at current levels and reiterates its positive intermediate-/long-term outlook for shares of SKM; that said, the Investment Team continues to actively monitor news flow and will update or amend its recommendations for the stock, accordingly.

## WEALTH ADVISORY OVERVIEW

### MONEY AND MARRIAGE

Financial Planner designation, giving him the unique qualifications to help couples develop a healthy relationship with money. He combines his training in financial planning and marriage and family therapy to help couples identify root causes to their distress relating to money.

In his recent book, Ed identifies four attachment styles that are responsible for the way that we manage our selves, relationships, and money. Below are excerpts from his book that detail the four attachment styles.

#### *Secure Partner*

- They think about you and what you need while also taking care of themselves in a way that feels balanced to you.
- They are open to learning about relationships and how they grow and change over time.
- They are able to acknowledge both the strengths and weaknesses that they bring to the relationship.
- They help with the household finances in a way that you have both mutually agreed to.

#### *Anxious Partner*

- They try to control you and what you do with your time.
- When they feel threatened, they expect you to solve the problem for them or that you will feel the exact same way that they do about the situation.
- When it comes to the important topics of your life, it is hard for your partner to see their own perspective, so they will focus on what is important to you.

#### *Avoidant Partner*

- It is hard to get their attention.
- They seem uninterested in what you have to say.
- They often have a difficult time understanding your emotions about the topic at hand.
- They will make important decisions without considering what is important to you.

#### *Disorganized Partner*

- They feel confused, overwhelmed, and will shut you out depending on the day and what is happening in your relational world.
- They struggle to articulate what they want from their partner relationally.
- Maintaining a sense of connection feels strained and uncertain.
- They are likely to throw your financial plans up in the air at any moment.

According to Ed, understanding your attachment style, as well as your partners, is key to growing a healthy relationship. This will allow each of you to understand how you both will show up in your relationship and allow you to build upon the strengths and improve the weaknesses of each attachment style.

### **Communication is Key**

Emotions surrounding money may be one of the barriers between spouses when it comes to talking about their finances. However, communication is one of the most important parts of any relationship and communication about money is one of the most important kinds of communication. Good communication requires understanding our attachment style and how that impacts our relationships today and in the future. Couples who understand how to communicate with each other often have a better chance of having a deeper and more satisfying relationship, and they are more likely to have bigger, important conversations about money.

If you are interested in a copy of Ed's book, please email Abby Williams at [awilliams@mcshanepartners.com](mailto:awilliams@mcshanepartners.com). Stay tuned for updates regarding future Quarterly Book Club features.



## TAX UPDATE: DEMOCRATIC TAX PROPOSALS—OCTOBER 2021



Becky Hoover  
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Wealth Advisor

As we discussed last month, the back and forth between tax proposals by the White House and Congress frequently differ. Until there is an actual law change nothing is certain. The latest proposal by House Democrats differs from the suggestions put forth by President Biden and the Senate Democrats over the Spring and Summer. In general, the House proposals are less aggressive than earlier proposals and take a measured approach to increasing certain taxes.

**Raise the Corporate Rate** – the House proposal is to move to 26.5% from 21%, with lower rates for small businesses. Biden suggested 28% would be the right number. The minimum tax on international earnings would also rise, to 16.6% from 10.5%.

**Increase the Top Individual Rate** – Under the House proposal the bracket for income \$400,000 and up (\$450,000 for married couples) would increase to 39.6%, from 37%. There would also be a 3% surtax for taxpayers with adjusted gross income above \$5 million. Biden had suggested a similar rate increase but on higher income levels. Note that the top rate rises automatically in 2025, so this is an acceleration of that increase.

**Capital Gains** – The long-term capital gain and dividend rate would rise to 25%, from 20%. Biden had proposed an elimination of the favorable rate for taxpayers earning over \$1 million.

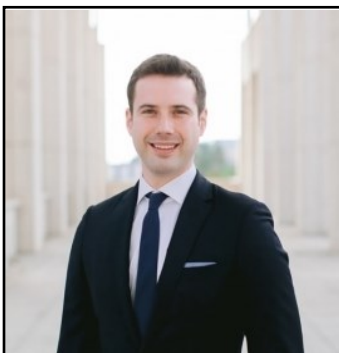
**Death Taxes** – There is no creation of a taxable event at death for unrealized appreciation on assets. Biden sought to impose capital gain taxes on appreciated assets held at the date of death.

**Estate Tax Exemption** – Although the estate tax exemption is currently scheduled to roll back to pre-2018 levels in 2025, the House plan would accelerate that roll back to December of this year. That would cause the exemption to decrease from \$11.6 million per person, to approximately \$5.8m per person.

**“Mega” Retirement Accounts** – The Bill would cap contributions to tax advantaged retirement accounts for taxpayers with retirement accounts totaling \$10 million or more and an annual income of more than \$400,000 (\$450,000 for a couple).

**SALT Deduction** – Largely seen as a punitive measure aimed at Democrats in high-tax jurisdictions like New York and California, the deduction for state and local taxes has been limited to \$10,000 per year since 2017. The Democrats in the House are still negotiating increasing or repealing that limitation.

## NEXTGEN: UNIQUE WAYS TO SAVE—WHAT IS A MINOR IRA ACCOUNT?



Ryan Vaudrin, CFP®  
Wealth Advisor

Over the next few months, we will be discussing a few IRA strategies available to investors. One of the most overlooked opportunities include minor IRA accounts because it is never too early to start saving.

Minor IRA accounts have the same rules as typical IRA accounts except they are established in a minor’s name and maintained by a custodian. Accounts can be established and funded for any individual with earned income, regardless of age. Contributions can be made on behalf of the minor up to the amount of earned income for that year (limit is \$6,000 for 2021). The minor will gain control of the account once they reach age 18.

Tax brackets play a major role in the type of IRA that should be utilized. Typically, the determination is made by analyzing a client’s present tax bracket with their future tax bracket. Since a minor’s income may be lower now, a Roth IRA may be appropriate so that taxes are paid at today’s tax rate and can grow tax free for future distributions when tax

brackets might be higher.

Opening and funding a minor IRA can be a great opportunity for families to teach younger generations the importance of saving, especially with current gift tax limits. IRA savings are not limited to funding retirement – they can be used for education expenses or the down payment on a first home. Minor IRA accounts are often forgotten, however they can be a great option to help jump start young investors with their investment journey.

## SENIOR PLANNING: THE WILL VS. DESIGNATED BENEFICIARIES



Lorri Tomlin, FPQP™  
Partner | Wealth Advisor

The Will, portrayed by the media and thought by many to be the overriding legal document when a person dies, provides distribution instructions for only a portion of your assets. Often there are other assets that may have designated beneficiaries and therefore, are not distributed according to the Will. It is important to understand what assets are distributed per the Will, and what assets are distributed according to documents that provide designated beneficiaries.

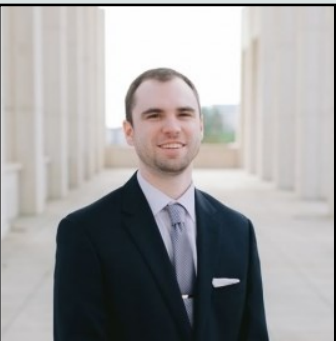
A Will provides instructions regarding all the assets included in an estate. These assets will go through probate, which is a court supervised process for administering and distributing an estate after a person dies. This process takes time and money to complete and becomes part of public record. Any assets that are distributed according to a designated beneficiary form are not included in the estate, and therefore are excluded from the probate process.

Beneficiary designations provide instructions for the distribution of a specific asset. Retirement accounts are an example of the type of account that allows you to designate specific beneficiaries. Therefore, the distribution of these assets flows according to the beneficiary form and not according to the Will. Other assets that allow designated beneficiaries include annuities and life insurance policies. Beneficiaries can also be added to non-retirement accounts such as brokerage accounts by adding a “transfer-on-death” provision. This allows the account to pass directly to the beneficiaries, bypassing probate just like a retirement account.

If you don’t designate a beneficiary as part of your IRA or if you name your estate as the beneficiary, the lump sum proceeds will then be subject to the probate process. If this happens, your beneficiaries lose the ability to stretch out withdrawals, a far less favorable tax result. It is also important that the instructions provided by the Will and the designated beneficiary form do not contradict each other and are consistent with your wishes. For example, if your Will leaves everything to your spouse but your IRA beneficiary is your child, your child will inherit the assets in your IRA, not your spouse. If your beneficiaries and your Will contradict each other, the beneficiary designation supersedes the Will.

Remember to regularly review your estate documents and beneficiary designations to make sure that they are up to date, that they do not contradict each other, and that your wishes are accurately reflected. This is especially important when there are any significant life changes, such as a divorce, remarriage, death, or birth.

## NEXTGEN: PROTECTING YOUR CREDIT SCORE



Daniel Hudspeth, CFP®  
Wealth Associate

A person’s credit score determines which loans and rates they can secure. The difference between a good score and a great score can translate into thousands of dollars annually. Therefore, achieving and protecting your hard-earned score is vital.

Credit reports are an important tool in monitoring credit and serve as an early fraud indicator. These reports can be obtained each year at no cost from all three major credit reporting agencies – Equifax, Transunion, and Experian. Reports can be generated for each agency either all at once, or they can be accessed individually as needed. These reports provide consumers with lists of outstanding lines of credit and other liabilities.

Each report also includes a breakdown of credit inquiries known as soft and hard pulls. Soft pulls can result from promotional offers from potential lenders including pre-approved credit cards. These typically do not impact a person’s credit score. Hard pulls are generated from lenders prior to authorizing new lines of credit like a car loan or mortgage.

Hard pulls may lower a credit score by a few points although not all do.

Individuals can lock their credit until it is needed for a planned purchase. This lock or “credit freeze” prevents potential lenders from accessing credit files. A freeze can also decrease the risk of fraudsters opening any new unauthorized lines of credit.

As cyber security threats and online fraud become more prevalent each day, actively monitoring credit reports and financial activity are a first line defense in protecting financial wellbeing. Please contact a McShane Partners team member if you have any questions or would like additional information about protecting your credit.

## AROUND MCSHANE PARTNERS

### FALL LEARNING SOCIETY



McShane Partners is sponsoring the Queens University Fall Learning Society event. The event will be held October 20 and will feature neuroscientist and author Dr. Lisa Genova as she speaks about the science of Alzheimer's and memory.

### GAIL PARKINS MEMORIAL OVARIAN CANCER WALK



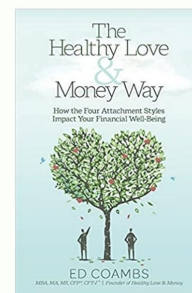
Wealth Advisor Ryan Vaudrin recently took part in the Gail Parkins Memorial Ovarian Cancer Walk to help support his Aunt Virginia Chilcott.

### MCSHANE PARTNERS BOOK CLUB



## MCSHANE PARTNERS

INVITES YOU TO  
SIP WINE AND DISCUSS OUR  
LATEST QUARTERLY BOOK CLUB  
SELECTION WITH THE AUTHOR



Thursday, October 28, 2021  
5:30-7:30pm

**MERE'S WINE & CHEESE SHOP**  
(OUTSIDE ON THE PATIO)  
2400 PARK ROAD, SUITE H  
CHARLOTTE, NC 28203

RSVP: [AWILLIAMS@MCSHANEPARTNERS.COM](mailto:AWILLIAMS@MCSHANEPARTNERS.COM)

As featured in our Wealth Advisory Overview, McShane Partners will host a discussion with Ed Coombs featuring his book *The Healthy Love & Money Way: How the Four Attachment Styles Impact Your Financial Well-Being*. The event will be held Thursday, October 28 at Mere's Wine & Cheese Shop. Please email Abby Williams [here](#) if you are interested in attending or would like to receive a copy of the book.

### MCSHANE PARTNERS

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

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