

### INVESTMENT OVERVIEW

#### MUNICIPAL BOND MALAISE

The municipal bond market has underperformed the broader Bloomberg Barclays U.S. Aggregate Index since the coronavirus pandemic-induced market correction and consequent economic recession commenced in late-February 2020. This is largely the result of the corresponding panic across global financial markets that precipitated a *flight-to-quality* rotation out of *risk assets*, as investors clamored for U.S. Treasuries and other *safe-haven assets* at the expense of all other debt instruments perceived to have higher risk. This rapid shift was evidenced in *yield spreads* widening across fixed income markets as investors demanded higher returns for taking on incremental risk.

As the pandemic continued to unfold, municipal bond spreads began to widen, with the spread between the ICE BofA U.S. Municipal High-Yield Securities Index vs. the 10-Year U.S. Treasury bond climbing roughly **±800** basis points (“bps”) to **±4.86%** throughout the month of March. There are some nuances to the widespread correction in municipal bonds that are asset-class-specific, potentially representing a unique opportunity following an infrequent dislocation in the market that could result in the absolute and relative outperformance of municipal bonds.

Given the unique technical and credit aspects of the municipal bond market, the ratio of the yields on municipal bonds to those of U.S. Treasury bonds of comparable maturities can signal attractive tactical trading opportunities for long-term investors. After spiking in late-March and hitting a new record all-time

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### WEALTH ADVISORY OVERVIEW

#### VACATION HOMES

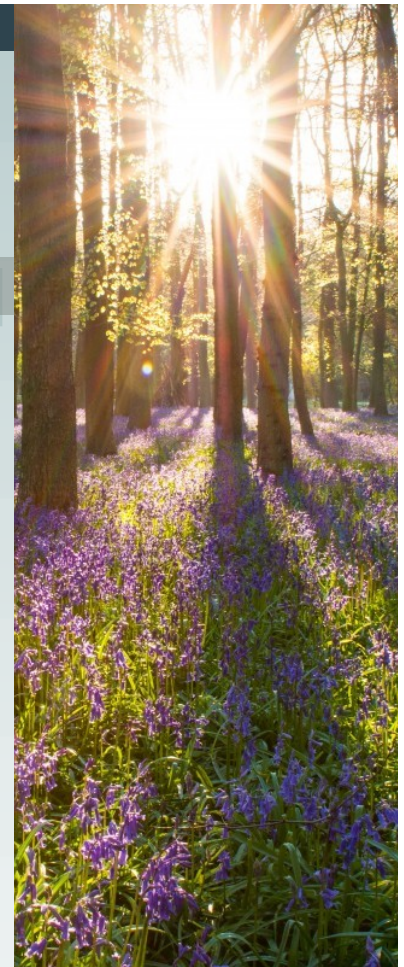
##### SHOULD I KEEP (OR BUY) THE VACATION HOME?

One of the harshest realities of divorce is adjusting to a new financial reality. It truly is cheaper for two people to live together than apart. Splitting assets and funding two homes should cause both parties to revisit what is in their best financial interest going forward. Frequently, divorcing couples argue over who retains a vacation home and/or rental properties, neglecting to realize that it may be better for them to consider selling this asset and splitting the proceeds.

In any event, every year we are asked about the financial benefits of owning a vacation home. It definitely depends on the location, intended use, as well as your individual financial situation. While realtors and management companies frequently offer online calculators, they tend to provide a rosy outlook for this type of investment. Individuals should work through their specific situation and model out the impact on their long-term financial security. Here are some items to consider while doing so.

Please note that these considerations relate to any real estate property, vacation homes and primary residences alike. While it can be emotional to leave a family home, it can also provide an opportunity for a fresh start and a fresh look as well.

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#### INVESTMENT TEAM

Daniele Donahoe, CFA  
CEO | Chief Investment Officer  
Elliott Van Ness, CFA  
Director of Research | Portfolio Manager

#### WEALTH ADVISORY TEAM

Sandy Carlson, CFP®, CPA, CDFIA®  
President | Wealth Advisor  
Rebecca Hoover, CFP®, CPA, CDFIA®  
Director of Tax | Wealth Advisor  
Lorri Tomlin, FPQP™  
Wealth Advisor  
Ryan Vaudrin, CFP®  
Wealth Advisor  
Daniel Hudspeth  
Wealth Associate  
Corey Meyer  
Wealth Associate  
Abby Williams  
Client Service & Operations Associate

#### POINTS OF INTEREST

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

## INVESTMENT OVERVIEW

### MUNICIPAL BOND MALAISE

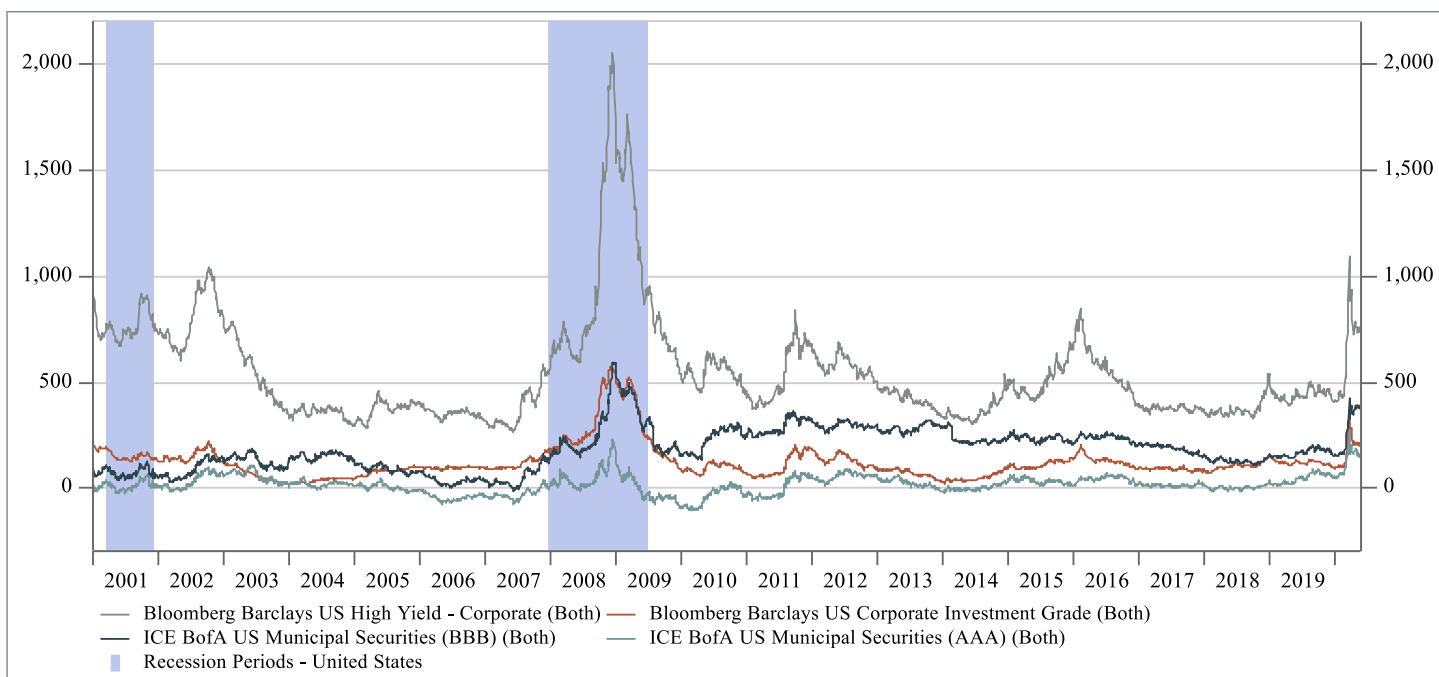
high, the long-term municipal-to-Treasury *yield ratio* is currently at **±180.6%**: approximately **±62.8%** above its historical long-term average of **±110.9%** (Source: FactSet Research Systems, Inc.). When creditworthiness and liquidity become the primary drivers of price and performance in the municipal bond market, *active management* and *credit analysis* become increasingly critical.

#### MUNICIPAL BONDS: SPREADS & YIELDS SIGNAL BUYING OPPORTUNITY

As previously indicated, the spreads between the yields on municipal bond indexes vs. 10-Year U.S. Treasury bond yields moved sharply higher through the final months of the first quarter of 2020 (“1Q20”) in response to rising concerns amongst investors related to elevated credit risk across fixed income assets, as can be seen below in Chart I. Prior instances of pronounced moves higher in municipal bond spreads and yield ratios have historically signaled high-quality buying opportunities for municipal bond investors. For example, from October 2010 through January 2011, an analyst’s predications regarding increased defaults and bankruptcies in municipal bonds

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**CHART I: U.S. BOND INDEX YIELD SPREADS VS. 10-YEAR U.S. TREASURY**



Source: McShane Partners - FactSet Research Systems, Inc.

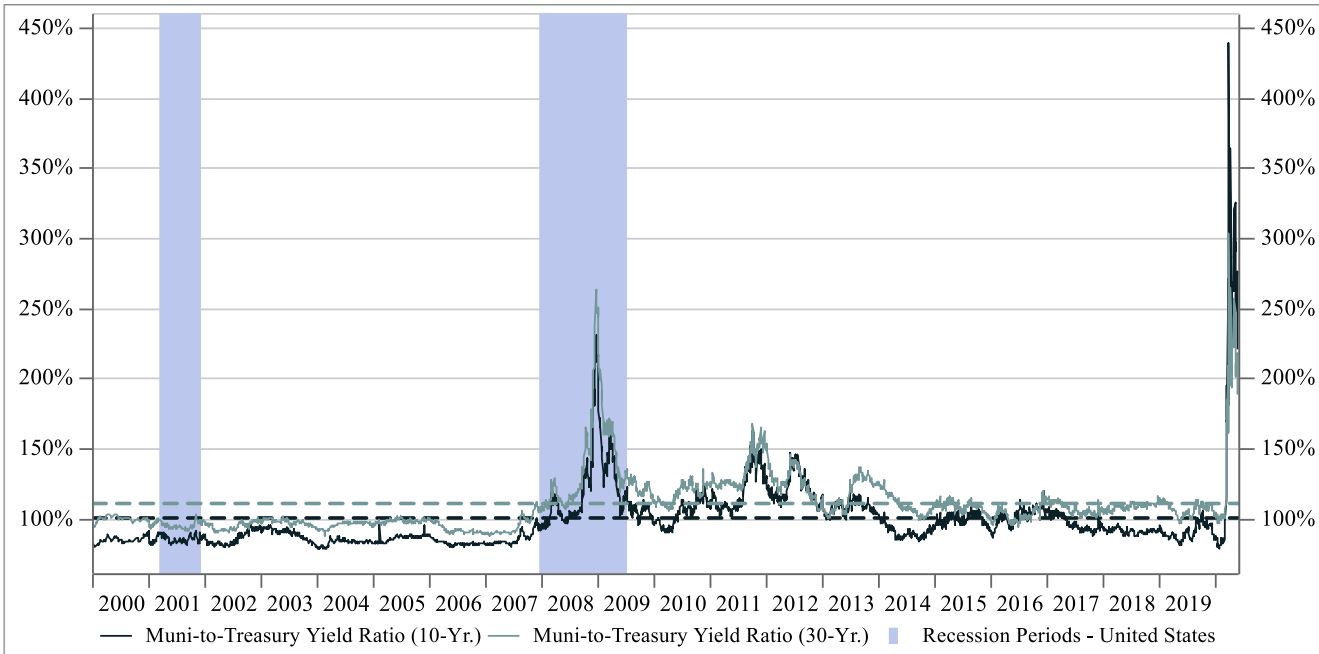
### MONTHLY INDEX REVIEW USD TOTAL RETURN

DATA AS OF MAY 31 <sup>ST</sup> 2020	MAY 2020	2020 YTD	2019	2018
S&P 500® Index	+4.76%	-4.97%	+31.49%	-4.38%
Dow Jones Industrial Average	+4.66%	-10.06%	+25.34%	-3.48%
NASDAQ Composite	+6.89%	+6.22%	+36.69%	-2.84%
Russell 2000	+6.51%	-15.95%	+25.52%	-11.01%
MSCI Emerging Markets	+0.79%	-15.90%	+18.88%	-14.24%
MSCI EAFE	+4.42%	-14.03%	+22.66%	-13.36%
Bloomberg Barclays U.S. Aggregate Bond Index	+4.42%	+5.47%	+8.72%	+0.01%

## INVESTMENT OVERVIEW

### MUNICIPAL BOND MALAISE

**CHART II: 10-YEAR & 30-YEAR MUNICIPAL-TO-TREASURY YIELD RATIOS**



Source: McShane Partners - FactSet Research Systems, Inc.

exacerbated investor concerns over elevated supply in municipal bond markets, precipitating a sharp sell-off in municipal bonds and corresponding spike in yields. Despite the short-term declines in value, an investor who remained fully invested during this period not only saw a recovery in the underlying principal of their municipal bond portfolio but a subsequent gain and return of **+7.59%**, as well (Source: Nuveen Asset Management, LLC).

**Given the prior history of successfully investing in municipals when the municipal-to-Treasury ratio is extremely elevated, we are inclined to add aggressively to municipal bonds at this time. This is substantiated by institutional demand and subsequent elevated issuance of taxable municipal bonds. Essentially, investors can get the tax-exempt status for free!**

#### MUNICIPAL BONDS: TAXABLE VS. TAX-EXEMPT

While the supply of newly-issued municipal bonds remains relatively healthy, with issuance of *taxable* municipals up **+155.0%**, issuance of *tax-exempt* municipals actually *declined -2.5%* year-over-year (“YoY”) through March 31<sup>st</sup> 2020, providing support for persistent mispricing within tax-exempt municipal markets amid ongoing demand from institutional investors outside the United States. Foreign institutional investors will often buy *taxable* municipals when they become relatively attractive. This behavior has historically coincided with buying opportunities in the muni market created by dislocations in value relative to treasuries and other safe bond alternatives.

#### MUNICIPAL BONDS: CREDIT QUALITY & CATEGORY CLASSIFICATION

All municipals are not the same and, during periods of heightened volatility created by market liquidity and/or increasing concerns over the safety and underlying quality of fixed income assets, individual bond selection becomes increasingly important. The process of researching, analyzing, and trading in individual municipal bonds within an investment portfolio, however, requires a significant amount of time, energy, and access. That said, developing an understanding of and familiarity with the fundamental

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### MUNICIPAL BOND MALAISE

features and key characteristics of the municipal bond market can be extremely helpful to anyone evaluating investment opportunities in municipals relative to his or her respective risk-return objectives.

To that end, a high-level overview of the features and characteristics of the municipal bond market in Table I, below, and Table II on [the next page](#) can serve as a basis for developing a long-term investment strategy for investing in municipal bonds.

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**TABLE I: U.S. MUNICIPAL BOND MARKET OVERVIEW**

<b>CREDIT RATING</b>	<b>CLASSIFICATIONS   DEFINITIONS   DETAILS</b>
INVESTMENT GRADE	<p>Similar to their corporate bond peers, municipal bonds are typically subject to credit rating determinations by one or more of the national rating agencies (e.g., S&amp;P, Moody’s), which provide a standardized quantitative and qualitative assessment of the corresponding issuer’s ability to satisfy its financial obligations (e.g., debt service payments) in accordance with the terms of those obligations. Bonds with relatively low credit risk are given investment grade ratings by the rating agencies (i.e., AAA, AA, A, and/or BBB), but any incremental credit risk can be expressed by giving a particular investment grade bond a <i>lower credit rating</i> (e.g., BBB) than a <i>higher-quality, lower-risk</i> investment grade bond (e.g., AAA) of comparable maturity. Credit ratings have a direct influence on the interest rate an issuer must offer to the buyers of a particular bond in exchange for purchasing its debt: all things equal, a AAA-rated bond will likely have a <i>lower interest rate</i> than a BBB-rated bond because it doesn’t have to compensate bondholders for assuming <i>more credit risk</i> with a <i>higher coupon</i>.</p> <p>Historically, municipal issuers have typically received higher credit ratings than corporate credit issuers, which is partially attributable to the relatively secure, stable, and sustainable debt structures used by state and local governments.</p>
BELOW-INVESTMENT GRADE (“HIGH-YIELD”)	<p>By extension, when compared to investment grade municipal bonds, below-investment grade (i.e., “high-yield” or “junk”) municipal bonds have <i>higher credit risk</i> profiles and, therefore, must compensate investors by offering a <i>higher coupon</i> (i.e., yield) than an investment grade bond with a comparable maturity or duration. All credit risk, however, is <i>not</i> created equal, and it’s important to distinguish between municipal and corporate bond markets when evaluating the underlying credit quality of a particular bond or issuer. For example, the average cumulative default rate for Moody’s Aaa-rated, investment grade corporate bonds has been <b>±3.0x higher</b> than that of A-rated, high-yield municipal bonds.</p>
<b>CATEGORY   SECTOR</b>	
GENERAL OBLIGATION (“GO”)	<p>Within the municipal bond market, <i>general obligation</i> (“GO”) bonds are typically issued by state or local governments with the authority and ability to issue claims against future revenues collected by those entities (e.g., state/local tax revenues).</p>
REVENUE	<p>Unlike GO bonds, <i>revenue</i> bonds are typically issued by a particular revenue-generating entity (e.g., utilities, hospitals, universities, etc.) and secured or backed by a specific stream of revenue, which is apportioned to the repayment of that bond’s interest and principal obligations. Revenue bonds can be issued by state and local governments as <i>tax revenue</i> bonds, as well, when they are obligations secured or backed by a specific stream of future tax revenues (e.g., sales taxes, excise taxes, etc.).</p>
<b>OTHER CONSIDERATIONS</b>	
STATE-SPECIFIC CRITERIA	<p>Even though two seemingly identical bonds or issuers may have comparable credit ratings, the fiscal positioning, primary revenue streams, or underlying economic drivers of those two issuers may be drastically different in ways that could have serious implications for their near-/intermediate-term creditworthiness going forward. For investors willing and able to invest in a dedicated portfolio of individual municipals, emphasizing state-/issuer-specific credit quality is of the utmost importance when optimizing risk-return potential and maximizing tax efficiencies. For example, for our North Carolina residents, the Investment Team identifies a preference for North Carolina issuers given the strength of the underlying credit quality and relatively healthy economic drivers, as well as the favorable tax treatment of those bonds, where applicable and prudent for our clients.</p>

Source: Nuveen Asset Management, LLC

## INVESTMENT OVERVIEW

### MUNICIPAL BOND MALAISE

**TABLE II: U.S. MUNICIPAL BOND MARKET FUNDAMENTALS**

MARKET ATTRIBUTES	DETAILS & UPDATES
<p><b><u>CREDIT QUALITY</u></b></p>	<p>In general, the municipal bond market entered 2020 in extremely good condition in terms of underlying financial health and credit quality: ratings upgrades exceeded downgrades for a fifth consecutive year in 2019, while default rates for the broader municipal bond market remained extremely low on both an absolute and relative basis. In our opinion, the greatest risks to municipal bonds at this time are <i>headline risk</i> and <i>downgrade risk</i>: <b>not</b> <i>default risk</i>. In 2019, the total par value of defaults was approximately ±\$1.3 billion, or ±0.03%, of the total municipal bond market. Through April 30<sup>th</sup> 2020, only ±0.9% of the total par value of municipal bonds included in the S&amp;P Municipal Bond Index were in default, ±0.7% of which was Puerto Rico, which represents a relatively unique and isolated instance. While the probability of a rise in ratings downgrades has increased, especially for harder-hit regions and/or issuers, incremental default risks will likely be sector-/segment-specific and relatively isolated to “high-impact” economic areas of the municipal bond market (e.g., retirement communities, senior living facilities, etc.).</p>
<p><b><u>ISSUANCE</u></b></p>	<p>Total municipal bond issuance has fallen from the peak levels seen in 2016-2017, while new capital issuance has exceeded annual refunding activity in both 2018-2019 for the first time in ±11 years. Investor demand for municipal bonds continues to outpace the market’s readily-available supply of individual issues, as the aggregate amount of total municipal bonds outstanding has remained relatively flat/stable over the past ±10 years. While this may be favorable from a pricing and intrinsic valuation perspective, persistent supply-demand imbalances in the municipal bond market exacerbate inherent inefficiencies and increase the complexity of building high-quality bond portfolios, making active management critical for long-term success. When sentiment eventually shifts in favor of municipal bonds, however, investors holding high-quality individual issues typically benefit from an upsurge in demand amid the relative scarcity and low supply of municipal bonds.</p>
<p><b><u>BALANCE SHEET</u></b></p>	<p>State and local government balance sheets have improved considerably in the ±10 years since the Great Recession (2007-2009), with the average total fund balance of states equal to approximately ±13.0% of expenditures in 2019 vs. just ±4.8% in 2009; similarly, the average balance maintained in “rainy day funds” was ±8.4% in 2019 vs. ±4.4% in 2009. In general, municipalities have been able to enhance their fiscal positioning in the years since the Great Recession through a combination of budgetary discipline and the healthy/stable growth in a diversified stream of tax revenues over the past ±10 years: property tax revenues alone grew at an annualized rate of +2.7% per year from 2009-2019. Furthermore, state and local governments are set to benefit from federal stimulus programs, such as the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, which authorizes the U.S. Treasury to allocate ±\$150 billion to state, local, tribal, and territorial governments, as well as an additional designation for ±\$454 billion in loans, loan guarantees, or investments to support liquidity and lending to eligible businesses, states, or municipalities. In April 2020, the Federal Reserve announced the creation of the Municipal Liquidity Facility, which will be able to lend up to ±\$500 billion to eligible state and local governments.</p>
<p><b><u>TAX POLICY PROJECTIONS</u></b></p>	<p>In the aftermath of the COVID-19 economic crisis, it is widely expected that state and local governments will look at raising tax rates over the coming years, which, in all likelihood, will increase the demand for tax-efficient investments, such as municipal bonds. Furthermore, states with lower tax rates might have more room to increase rates with less resistance.</p>

Source: Nuveen Asset Management, LLC

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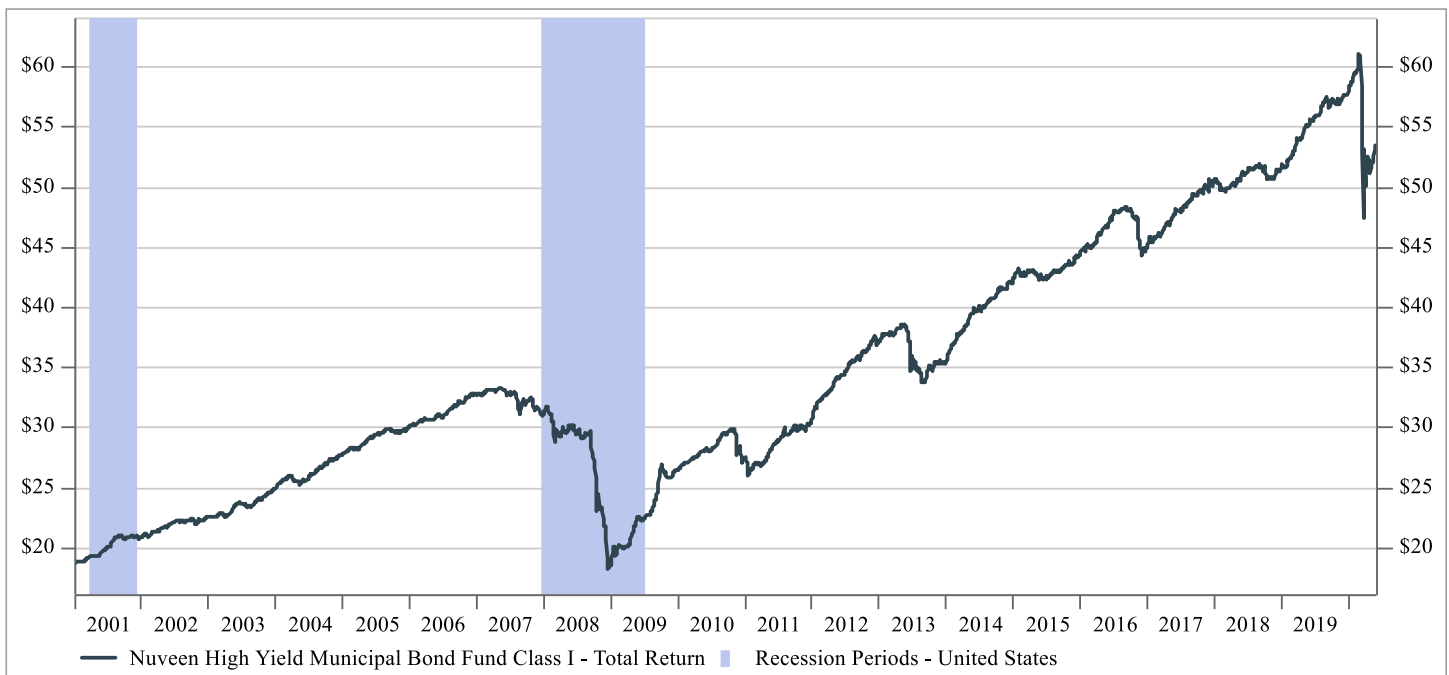
**INVESTMENT OVERVIEW**

**MUNICIPAL BOND MALAISE**

*“The stock market is filled with individuals who know the price of everything, but the value of nothing.”*

*- Phillip Fisher*

**CHART III: NUVEEN HIGH-YIELD MUNICIPAL BOND FUND (“NHMRX”)**



Source: McShane Partners - FactSet Research Systems, Inc.

**STOCK & STRATEGY SPOTLIGHT**

NAME	TICKER	2020 YTD
Nuveen High-Yield Municipal Bond Fund	NHMRX	-7.13%

**DESCRIPTION & INVESTMENT THESIS**

Following the sharp correction and outsized drawdown in high-yield municipal bonds during the first quarter of 2020 (“1Q20”), investor sentiment surrounding the asset class remains negative given the aforementioned increase in perceived risks regarding underlying credit quality and a corresponding potential spike in defaults amongst high-yield issuers. While the Investment Team remains cognizant of the higher risk profile inherent in the high-yield bond market, an objective analysis of state and local governments’ balance sheets prior to the coronavirus pandemic would indicate that most municipalities were well positioned from a fiscal positioning and budgetary perspective to withstand a temporary negative shock to economic activity. Against this backdrop of relatively solid fundamentals and incremental support from federal stimulus programs and liquidity initiatives, the most recent sell-off in high-yield municipal bonds can be viewed relative to prior instances of reactionary selling pressure that have ultimately represented attractive buying opportunities for long-term investors. Chart III above shows the total return performance of the Nuveen High-Yield Municipal Bond Fund (“NHMRX”) over the past ±19 years, during which time investors who have taken advantage of periods of elevated volatility have consistently earned positive risk-adjusted returns (i.e., “alpha”) on their investment following the stabilization and “normalization” in credit market dynamics. As such, the Investment Team is reiterating its positive outlook for NHMRX and will continue to manage portfolio-level positioning and selective exposure to high-yield municipal bonds within our Hybrids allocations over the coming months, in accordance with our asset allocation targets and risk-return mandates.

## WEALTH ADVISORY OVERVIEW

### VACATION HOMES

#### REAL ESTATE COSTS & BORROWING COSTS

Vacation properties are substantially pricier than similar homes located inland. In addition, mortgage interest rates for vacation property loans are typically higher than those for primary homes. There are specific rules on whether and how interest will be deductible, depending on the number of days you use the property, how many days you rent it out, and the amount of your total home indebtedness.

A 1.0% difference in the interest rate can significantly impact your bottom line. At current interest rates, the principal and interest payment on each \$500,000 of debt increases by around \$300 a month.

#### INSURANCE RATES

The homeowner's insurance on your vacation house is likely to be several times more expensive than that of your primary home. If you own a beach house, this is often mainly due to the mandatory flood insurance which has spiked in cost over recent years particularly on the East Coast, which has increasingly suffered widespread hurricane damage.

While the average premium for a homeowner's policy in North Carolina is slightly below the national average, the average premium for Wilmington is almost double that number. Insurance rates for Florida are now averaging \$10,000 a year for some locations!

#### OTHER VACATION HOUSE EXPENSES

Owning a vacation house involves costs above and beyond the mortgage, utility, and cable. For one thing, your tax bill is likely to be hefty, given the high value of many vacation houses. Are there Homeowner's Association Dues and landscaping that needs to be done?

Repairs and maintenance are frequently overlooked in this equation. With weather patterns becoming more severe, the costs and frequency of repairs could continue to increase. One rule of thumb for a maintenance and repair budget is to set aside \$1/square foot of your home every year, however, that might be double for a beach home and/or rental property. Another rule of thumb is to use 1% of the home cost as an estimate of the yearly maintenance and repair budget.

#### PROPERTY MANAGEMENT

Property management involves a lot more than signing lease agreements and collecting rent checks. When something breaks, such as an HVAC unit or a refrigerator, you are wholly responsible for the repairs. Finding someone to repair those items, supervising them, and getting them paid are often tricky tasks to accomplish remotely.

Unless you are a full-time real estate investor, you likely will not have the bandwidth to juggle these responsibilities. Therefore, you will want to employ a full-time property manager to handle daily tasks, especially if you intend to rent the property. A property manager will market your vacation house during tourist season, execute lease agreements, and evict derelict tenants. A good property manager is not cheap. Depending on the extent of services, most property managers charge 6% to 12% of the collected rent, which can quickly eat into your profit margin.

#### PERCENTAGE OF NET WORTH

Finally, and maybe the most important consideration is the percentage of your net worth that is invested in real estate versus other investments. This is one of the significant implications to divorcing parties. Although your cash flow worked well prior to divorce, the post-split situation may be completely different. Do you have enough cash flow to support you (and possibly your ex-spouse) in those lean months when the vacation home isn't rented? Do you have enough in liquid assets to fund living expenses?

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## WEALTH ADVISORY OVERVIEW

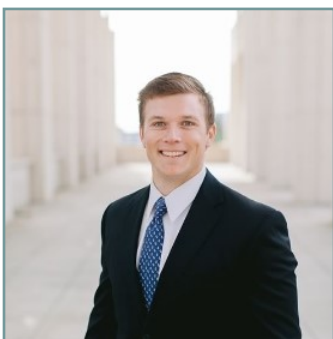
### VACATION HOMES

How does the appreciation on the real estate compare with that of the stock market? The cumulative appreciation for Carolina Beach over the last ten years has been 27.14%, which ranks in the top 50% nationwide. That equates to an annual average appreciation of 2.43%. That is not bad if it is a portion of your portfolio, however if it represents a substantial part of your net worth you may find yourself falling behind your retirement goals for preserving and growing wealth.

#### Conclusion

The decision to retain (or purchase) a vacation home rather than to rent your fun involves multiple factors that need to be considered. These factors can affect multiple areas of a clients long-term financial plan. The McShane Partners planning team is here to assist with the evaluation of this important decision. Please contact your Wealth Advisor if you are considering purchasing a vacation home or keeping this asset subsequent to a divorce.

## CATCHING UP WITH: COREY MEYER — WEALTH ASSOCIATE



Corey Meyer  
Wealth Associate

For the June employee spotlight, we invite you to meet Corey Meyer. Corey joined McShane Partners as a Wealth Associate in April 2019. In his role as a Wealth Associate, he assists and supports the Wealth Advisory Team with all aspects of the financial planning process, and handles ongoing management of

client accounts and activities. In addition to client services, Corey also coordinates with the Investment Team to facilitate continuity regarding the onboarding of new clients and their financial planning objectives, as well as the implementation of client cash management needs for new and existing client investment portfolios.

He is a graduate of Hampden-Sydney College in Virginia, where he majored in Business and Economics, with a minor in Military Leadership and National Security Studies. He is a Registered Investment Advisor and looks forward to pursuing his CFP® designation in the near future.

Prior to joining McShane Partners, Corey worked for The Vanguard Group as a Client Services Representative and an Advanced Brokerage Solutions Specialist. In these roles, Corey was responsible for assisting Vanguard clients with account maintenance activities, as well as transacting in individual equity securities. While working with clients at Vanguard,

Corey helped to educate them on brokerage products and transactions, providing situational guidance and positioning clients to successfully attain their personal financial goals.

Corey is a native of Savannah, Georgia where his family still resides today. In his spare time, he enjoys discovering Charlotte, being outdoors, playing golf, and spending time with his friends, family, and his dog Ranger.

Corey became engaged in November of 2019 to Kelly Tomlin, daughter of our very own Lorri Tomlin. Kelly is currently in school to become a Certified Registered Nurse Anesthetist, with an expected graduation of December 2021. Corey and Kelly plan to get married following her graduation. While the Coronavirus pandemic has added some unique challenges to planning their future wedding, they remain eager and optimistic for their big day in the Spring of 2022!



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## ESTATE PLANNING: UPDATING ESTATE DOCUMENTS DURING A GLOBAL PANDEMIC



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

COVID-19, the disease caused by the novel coronavirus, has individuals wanting to update estate documents about who will be in charge of their medical care and finances should they become ill or incapacitated. Therefore, the need to not only have the necessary documents in place, but to also have them properly executed has never been more important.

Most estate documents require adult witnesses (age 18 or older) and notarization, a procedure that generally takes place in person in order to be valid. Given social distancing mandates, the mechanics of executing legally binding documents can be challenging and require alternate solutions.

Prior to the COVID-19 pandemic, some states were already utilizing remote online notarization procedures in which a notary and signer are in different locations and use two-way audiovisual communication to securely execute electronic documents. It is important to distinguish between eNotarization and remote online notarization. eNotarization allows documents to be signed and notarized digitally but requires the signer to be present in the same room as the notary. Remote online notarization allows documents to be signed and

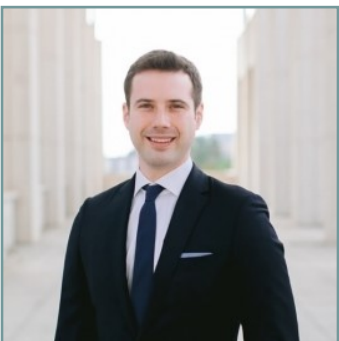
notarized digitally without the requirement of being in the same room.

While some states have fully implemented remote online notarization, other states have issued emergency orders, proclamations, or bills to allow temporary use of audio-video technology to notarize documents remotely during the COVID-19 outbreak. When performed in compliance with the laws of one state, a notarial act executed in that state will be recognized as valid in another state, even if those states have conflicting rules and regulations on the process. North Carolina has not yet proposed legislation for remote online notarization. We will keep you abreast of any developments in this area.

Once you have all your estate planning documents finalized, it is important that they are kept safe but accessible. We recommend allowing your attorney to store original documents to ensure proper safekeeping if this option is available. Typically, attorneys store these documents in fireproof vaults. In addition to making physical copies of your legal documents, you should also have digital files saved. The eMoney vault provides a great venue to organize electronically all of your important documents that can be accessed from anywhere.

Additionally, you should provide copies to any appropriate individuals. Copies of relevant documents should also be given to your financial adviser, successor agents and any family members that you want to make aware of your plans.

## NEXTGEN: WHEN ARE ESTATE DOCUMENTS NEEDED?



Ryan Vaudrin, CFP®  
Wealth Advisor

As individuals become legal adults, it is important that they execute certain estate documents to provide someone with the ability to make financial and health care decisions on their behalf should they be unable to do so. Therefore, upon obtaining age 18, a Financial and Health Care Power of Attorney should be incorporated as part of an individual's estate plan.

A Financial Power of Attorney allows financial decision-making to be delegated to another individual on your behalf. This might include executing financial transactions, the signing of legal documents, or for college students who may be studying abroad and need a parent to assist with taxes or other financial matters while they are out of the country.

A Health Care Power of Attorney is a legal document in which you name another person, called a "health care agent", to make health care decisions for you when you are not able to make those decisions for yourself. Any competent person who is at least 18 years old may be your health care agent.

In addition to executing these estate documents, beneficiary designations will also need to be reviewed for all accounts. A first job may come with benefits such as a 401(k) plan and life insurance coverage. Therefore, it is important that a beneficiary be named on each account so that these assets can be directed to the appropriate beneficiary without the cost and delay of probate after an account holder passes away. In addition, a Payable On Death ("POD") or Transfer On Death ("TOD") designation may be added to bank or investment accounts.

Typically, for younger individuals, most estate planning can be accomplished with the Power of Attorney documents and through the use of beneficiary designations. Over time, either as wealth increases or a life event occurs (i.e. marriage, children, inheritance, etc.), it may be time to explore the option of creating a Will or a Revocable Living Trust. These documents allow a more in-depth way to ensure that assets are distributed to the proper beneficiaries. As with any plan, individual situations and laws will change over time. Therefore, it is important that documents be periodically reviewed and updated.

## TAX UPDATE: FIVE THINGS TO CONSIDER FOR 2020 ESTIMATED TAX PAYMENTS



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

The federal government, as well as most states, have provided relief to taxpayers regarding the timing of 2020 estimated tax payments. Now that first and second quarter payments are coming due, it may be beneficial to re-assess projections to ensure that payments are accurate.

Safe harbor rules allow payments to be based on either 100% of prior year liability (110% for higher earners), or 90% of the current year liability. When incomes are steady or rising, the prior year safe harbor provides an estimate to ensure penalties for underpayment do not apply. However, in periods of falling income, relying on the prior year can result in overpayments at a time when cash flow is already tight. When estimating your current year taxable income, consider the following items:

- No Required Minimum Distributions (RMDs) – Calculations will need to be rerun if you will forego a 2020 RMD or withdraw a smaller amount.
- Capital Gains – Your net gains in 2020 may be considerably lower than those recognized in 2019. Net capital losses can only offset up to \$3,000 of ordinary income, with any excess losses carrying forward to subsequent years.
- Interest and Dividends – With falling interest rates, your interest on short-term deposits may be lower. In addition, many companies are suspending dividends for the short-term. Any sizeable holdings in these companies should be updated to reflect this reduction in income.
- Social Security – The amount of social security benefits included in taxable income varies depending on your other income. The impact of reduced income may result in a larger percentage of social security being exempt from taxation.
- Interest Rates on Debt – If you refinanced a mortgage during 2020, or took out a loan, remember to use the revised amount of eligible interest expense for your itemized deduction.

**Update on North Carolina Estimates** – In May, the North Carolina General Assembly approved relief from interest on tax payments that were deferred until July 15<sup>th</sup>. Relief from penalties were already provided by the Department of

## SENIOR PLANNING: DEMYSTIFYING MEDICARE



Lorri Tomlin, FPQP™  
Wealth Advisor

As many people approach age 65, they begin to think about enrolling in Medicare, the Federal health insurance program. Medicare replaces (or supplements) private or employer sponsored health insurance programs. It can be confusing to understand what Medicare Plans you should enroll in and when. In addition to original Medicare Parts A and B, there are other plans that can help cover the expenses that Parts A & B do not cover.

Medicare Part A is hospital insurance that covers inpatient hospital stays, limited care in a skilled nursing facility, hospice care and some home health care. Part A is premium-free if you or your spouse paid Medicare taxes for a certain amount of time while working. Part B is medical insurance and covers doctor's visits, outpatient care, medical supplies, and preventative services. You are required to pay a monthly premium for Part B, which is determined by your income, as well as a deductible and coinsurance.

Medicare Parts A and B do not cover all expenses, such as prescription drugs. However, two other plans that can help with this expense include Medicare Part D and Medicare Advantage, Part C. Part D adds prescription drug coverage to Original Medicare, where Medicare Advantage is an "all inclusive" alternative plan to Original Medicare. It bundles Parts A, B and D and may include some expenses not covered by Parts A and B alone.

You can also purchase a supplemental health plan known as a Medigap policy to help cover copayments, coinsurance and deductibles. These health plans are offered by insurance or private companies approved by Medicare. You must be enrolled in Parts A and B to obtain a Medigap policy. Medigap policies are not allowed to include prescription drug coverage so a separate Part D policy will still be required. There are other expenses and services not covered by Original Medicare or Medigap policies. These include dental care, vision, hearing, cosmetic surgery, acupuncture, routine foot care and Long-Term care.

Choosing the type of Medicare coverage that is right for you can be a difficult process. We recommend working with a professional to help guide you through the options available. If you live in North Carolina, McShane Partners has resources to assist you with these challenging decisions.

## AROUND MCSHANE PARTNERS

### VERSE & VINO 2020

In only seven years, Verse & Vino has become one of Charlotte's most anticipated fundraising events. Authors share their books, their process, and most of all the joy of libraries with readers and Library supporters. Previously, this event was hosted at the Charlotte Convention Center. However, due to the COVID-19 pandemic, Verse & Vino has been transformed into a highly produced, virtual 90-minute event featuring both pre-recorded & live components. Participants will be able to safely enjoy an exclusive Verse & Vino experience from the comfort of their homes with book clubs, friends and family. Stay tuned for more details regarding this amazing event to benefit the Charlotte Mecklenburg Library Foundation.

### DRESS FOR SUCCESS STILETTO SWAGGER



The virtual competition will be held on Saturday, June 6th. Awards will be given for Top Fundraiser, Best Swagger, Best in Show, and the infamous Bless His Heart award. If you are interested in watching the competition, you can do so [here](#). If you would like to make a donation to Elliott or Corey's campaign, you can do so for Elliott [here](#) and for Corey [here](#).

### HAPPY MOTHER'S DAY!



Daniele Donahoe was treated to a special Mother's Day celebration courtesy of her children's seafood inspired menu.

### MCSHANE PARTNERS BUILDING UPDATE



On May 18<sup>th</sup>, McShane Partners received rezoning approval for a new office building to be built at 2150 Park Drive. The rezoning approval allows us to move on to the next phase of the project, construction. Please keep an eye out for future updates as we work to build a permanent home for our team, as well as a space that we can share with our clients.

### IN-PERSON CLIENT MEETINGS

The McShane Partners team is back in the office as of June 1<sup>st</sup>. However, out of safety for our clients, we have decided that we will not resume any in-office client meetings until June 15<sup>th</sup>. At that time, for clients who wish to come to the office, we have ordered masks that sport our custom logo, as well as individual sanitizer bottles for your personal use. For clients who prefer to meet virtually, we will continue the use of our GoToMeeting platform as we work to make sure that we are meeting the needs of all our clients.

### 1<sup>ST</sup> QUARTER ECONOMIC OVERVIEW

If you missed the 1<sup>st</sup> Quarter Economic Overview on May 18<sup>th</sup>, it has now been posted to the News & Resources section of the website. You can also access the overview [here](#).

### MCSHANE PARTNERS

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

521 East Morehead Street | Suite 580  
Charlotte, NC 28202

Phone: (980) 585-3373

Fax: (980) 265-1274

Email: [mcshane@mcshanepartners.com](mailto:mcshane@mcshanepartners.com)

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