MP McShane Partners

July 2020 Insights

Investment Overview

Behavioral Biases Betray Best Interests

After dramatically descending into official bear-market territory earlier this year, with the S&P 500® Index falling **-33.92%** over a 33-day period, U.S. equity markets have staged an unprecedented recovery in the three months since bottoming on March 23rd, rallying as much as **+44.47%** and coming within **±4.54%** of record all-time highs. This accelerated bull-to-bear-to-bull market cycle has been overwhelming for many investors and exposed or exacerbated unconscious individual *behavioral biases*; other investors, however, have successfully navigated this turmoil by adhering to well-defined, goals-based investment strategies developed in accordance with their respective *risk tolerances*. Furthermore, with equities and other risk assets having recouped the majority of earlier losses, those investors who restrained reactionary impulses and individual behavioral biases have been given an opportunity to reassess prior conceptions of their risk tolerance preferences, amend their strategic asset allocations, and modify portfolio-level risk exposures to better withstand/tolerate bouts of excess volatility going forward.

While this newsletter highlights instances of individual behavioral biases within the context of recent events, the principles and practical applications of *behavioral finance* should be considered and incorporated over a longer-term time horizon. Identifying behavioral biases and developing best practices to address and remediate their impact on investment-related decision-making can significantly reduce the anxiety experienced by both individual investors and financial market professionals

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Wealth Advisory Overview

Why Are My Long-Term Care Insurance Premiums Increasing?

When insurance companies set the premiums for long-term care policies, they make assumptions about what will happen from the time polices are purchased until future claims are paid. These assumptions help ensure that the premiums collected will sufficiently cover expected claims. Since policyholders typically do not submit claims for years into the future, these assumptions are extremely important in policy construction.

Some key assumptions include, but are not limited to:

- When will policyholders begin collecting insurance benefits?
- How long will policyholders live?
- What is the amount of eligible benefits that will be paid?
- How many policyholders will keep their policies in-force?
- What will future interest rates look like?

If these assumptions do not materialize as originally anticipated, insurers may determine that changes to the premiums on existing policies are needed to cover future expected claims. Over the lifetime of a policy, most premium dollars will be set aside to pay future claims, cover expenses, and generate a profit. If claims are higher than expected, insurers may experience losses and therefore, need to seek premium increases to ensure policy viability.

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Investment Team

Daniele Donahoe, CFA
CEO | Chief Investment Officer

Elliott Van Ness, CFA
Director of Research | Portfolio Manager

Abby Williams
Investment Associate

Wealth Advisory Team

Sandy Carlson, CFP®, CPA, CDFA®
President | Wealth Advisor

Rebecca Hoover, CFP®, CPA, CDFA®
Director of Tax | Wealth Advisor

Lorri Tomlin, FPQP™
Wealth Advisor

Ryan Vaudrin, CFP®
Wealth Advisor

Daniel Hudspeth
Wealth Associate

Corey Meyer
Wealth Associate

Points of Interest

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during periods of heightened uncertainty and instability in financial markets.

Refresher Reading: Cognitive Errors vs. Emotional Biases

If you interested in learning more about behavioral finance and would like additional information on individual behavioral biases, please contact a member of the Investment Team or email McShane Partners and request a copy of our 2015 whitepaper, Behavioral Finance: Separating Emotion from Investing.

While no one is immune to innate behavioral biases, a disciplined approach to staying *educated*, *informed,* and, most importantly, *self-aware* can lead to significant improvements in any investor's financial decision-making. Behavioral biases fall into two main categories: *cognitive errors* and *emotional biases*. Cognitive errors are caused by irrational, faulty, or inaccurate logical analysis and can be further classified into two subcategories: *belief perseverance biases* and *information-processing biases*. Emotional biases are considerably more complex than cognitive errors, as they are rooted in unconscious thoughts, feelings, and emotions. This inherent complexity makes emotional biases harder to identify, modify, and correct than cognitive errors because they often manifest themselves as instinctual reactions, responses, or impulses.

As previously indicated, periods of elevated market volatility can be extremely anxiety-provoking for investors and can intensify emotional biases; moreover, increased variability or unexpected changes in market conditions can exacerbate cognitive errors and significantly impair an individual's ability to make rational, well-informed investment decisions.

Cognitive Errors*

Illusion of Control Bias | Hindsight Bias*

Illusion of control bias and *hindsight bias* are two separate belief perseverance biases that are closely related to one another; *illusion of control bias* refers to the tendency of individuals to *incorrectly* assume or believe they have the ability to control expected outcomes, while *hindsight bias* describes the propensity to perceive past events and prior outcomes as having been *more* predictable or probable than other potential outcomes that did not materialize. Moreover, individuals suffering from hindsight bias tend to *overestimate* the accuracy of past predictions because of an inherent bias due to *ex-post* knowledge of events that have already transpired.

Both cognitive errors can cause individuals to become overconfident in their abilities or exaggerate their skills as investors, which can prompt excessive trading and/or unnecessary risk-taking. For example, during the record-setting rally across U.S. equity markets over the ±12-month period preceding the 2020 market sell-off, many individuals attributed a certain amount of the outsized returns generated by their portfolios to "active" investment decisions made by them, whether in terms of security-specific selections or asset allocation decisions. In reality, however, index-level movements during that time were broadly dictated by a handful of high-growth, high-momentum mega-cap stocks, which were some of the highest-weighted names across several U.S. equity benchmarks; the gains in index-level performance obfuscated a relative lack of breadth across underlying constituents, prompting many active investors and *financial market participants* ("FMPs") to *overestimate* the predictability or likelihood of such

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Monthly Index Review

Data as of June 30th 2020	June 2020	2020 YTD	2019	2018
S&P 500® Index	+1.99%	-3.08%	**+31.49%**	-4.38%
Dow Jones Industrial Average	+1.82%	-8.43%	+25.34%	-3.48%
NASDAQ Composite	**+6.07%**	**+12.67%**	**+36.69%**	-2.84%
Russell 2000	+3.53%	**-12.98%**	+25.52%	-11.01%
MSCI Emerging Markets	**+7.40%**	-9.67%	+18.88%	**-14.24%**
MSCI EAFE	+3.44%	-11.07%	+22.66%	-13.36%
Bloomberg Barclays U.S. Aggregate Bond Index	+0.63%	**+6.14%**	+8.72%	**+0.01%**

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significant outperformance of those select names, while also bemoaning any incremental relative underperformance resulting from prudent diversification and rational sizing of positions within their investment portfolios.

Similarly, following the sharp recovery in global equity markets and record-setting bear-to-bull market rally, most investors and FMPs were quick to question their positioning at the onset of the bear market, as well as the short-term underperformance of their portfolios during the subsequent upswing in risk assets. During such a period of unprecedented swings in financial markets, it is crucial to remember that markets will always go through periods of cyclical upswings and downswings in order to mitigate the short-term impulses of any illusion of control bias that may influence an individual's desire to control portfolio-level performance by selling underperforming assets when markets are declining or, subsequently, increase market-related risk (i.e., *beta*) after markets have recovered and are climbing higher. Furthermore, investors should maintain a longer-term perspective when assessing and analyzing portfolio-level performance through a peak-to-trough market cycle in order to mitigate the effects of hindsight bias and prevent undue trading into or out of investments based on short-term performance.

By maintaining detailed records of discretionary investment activity, trading recommendations, and long-term performance, investors can successfully navigate through market cycles and identify potential instances where illusion of control biases or hindsight biases have been detrimental to portfolio-level performance. Lastly, by working with a financial professional to understand the fundamental rational of the underlying investments within their portfolio, individual investors can better align their risk-adjusted return expectations with their long -term financial goals instead of overemphasizing short-term changes in markets or subjective interpretations of headline risks.

"But investing isn't about beating others at their game. It's about controlling yourself at your own game."
- Benjamin Graham

Availability Bias*

Availability bias is an information-processing bias wherein individuals utilize a *heuristic approach* to estimating the probability of a potential outcome by applying mental shortcuts or inferred "rules-of-thumb" based on how easily a particular outcome comes to mind. As a result of availability bias, individuals tend to *overestimate* the probability or likelihood of those outcomes that are *more retrievable*, *readily categorizable*, and *highly resonant*; in other words, investors will *unconsciously* use *subjective* estimates of statistical probabilities based on readily available information, opinions, or observations because they *assume* those are *objective*, *unbiased* approximations of real/actual statistical probabilities.

Over the past 4-5 months, individuals have been faced with the prospect of attempting to navigate the relatively new realities of social distancing, stay-at-home orders, and self-quarantining, which have prompted a broad-based shift in the market's assessment of the fundamental drivers of near-to-intermediate-term economic growth for the foreseeable future. Investors seeking to position their portfolios to benefit from the transition to and commercialization of the *working-from-home* ("WFH") economy have chased the stocks of several established and well-known beneficiaries, such as Amazon.com, Inc. ("AMZN"), as well as an increasing number of heretofore unknown or companies operating in relatively emerging sectors and industries. Many investors who have had to change or adapt to the dynamics of the WFH economy have been forced to learn how to use the technologies or platforms of these companies, while also being confronted with an increasing amount of published research, news articles, and inquiries or questions about how these emerging technologies represent the "new normal" for standard business practices and corporations working remotely going forward.

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While there is definitely an argument to be made in favor of this changing market dynamic, and we would reiterate that it is important to look beyond headline names within the information technology ("IT") sector, investors need to be cognizant of the risks of availability bias when determining or quantifying an investment's risk-reward potential. It is all too easy to believe that a high-flying IT stock featured in a particular research report, investment letter, or news article is uniquely and attractively positioned to capture a greater share of its *total addressable market* ("TAM") and experience outsized, exponential growth given current socioeconomic conditions, but, without conducting the necessary due diligence and fundamental analysis, including a deep dive into the company's fiscal health and balance sheet strength, an investor cannot get an objective assessment of the company's likely growth trajectory or how an investment in that stock might fit into his or her portfolio.

While these ideas can be great sources for high-quality investment opportunities, it is always worth going beyond the headlines, initial assessments, or personal associations with that particular investment to determine how a given investment can potentially contribute to - or, conversely, detract from - the overall risk-return positioning of an investor's overall investment portfolio.

Emotional Biases*

Loss-Aversion Bias*

Loss-aversion bias is featured prominently as one of the most significant emotional biases within the framework of behavioral finance given its stark conflict with core tenets of traditional finance: loss-aversion bias describes individuals' preferences for *avoiding losses* vs. *achieving gains*. In other words, when confronted with the choice between achieving a gain and avoiding an equivalent loss, individuals assign a *higher perceived economic benefit* (i.e., *higher utility*) to avoiding the loss, despite the equivalency of the corresponding absolute values. Unfortunately, loss-aversion bias tends to manifest itself or become more evident in individual behavior during periods of rising market volatility or in the midst of sharp declines in financial markets, as investors are faced with the immediacy of short-term losses or unexpected declines in portfolio values. As a result of this behavior, however, investors tend to not notice loss-aversion bias during periods of strong investment returns, which can lead individuals assuming unwarranted risk in their investment portfolios that are fundamentally incompatible with their true risk tolerances.

At the beginning of the market sell-off earlier this year, many investors sought to quickly reduce portfolio-level beta and reduce the potential for additional short-term losses by selling assets with higher perceived risk. As investors were repeatedly subjected to consecutive days of high-single-digit percentage declines in their portfolios, many succumbed to the impulses of their loss-aversion biases, sold out of significant portions of their risk asset allocations, and kept the proceeds in cash and cash equivalents or other lower-risk investments or assets. While investors may have prevented incremental short-term losses, they may also be risking the permanent impairment of their capital, which, for many investors, represents an even greater risk for long-term investors. By selling into a declining market, investors risk missing out on the potential recovery during a corresponding cyclical upswing, which could jeopardize an investor's ability to achieve their long-term financial goals and planning objectives.

The fundamental problem in loss-aversion bias is the misalignment of assumed risk in a given investment portfolio relative to an investor's true risk tolerance. As such, it is paramount that investors work with financial professionals to objectively asses their willingness and ability to withstand a certain amount of market volatility in their investment portfolios to achieve desired goals and objectives. Especially after the strong rebound/rally over the past 3 months, investors have been given a unique opportunity to review, reassess, and revise their risk tolerance preferences, as needed, in order to be better positioned for incremental volatility, going forward.

Regret-Aversion Bias*

Second only to loss-aversion bias, *regret-aversion bias* is one of the strongest, most prevalent emotional biases in terms of influencing or impelling individual investor behavior. Regret-aversion bias is an emotional bias wherein individuals avoid making "active" decisions due to an underlying fear that the resulting actions will be wrong or incorrect and will

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result in a negative outcome. A common characteristic of investors experiencing regret-aversion bias is an inclination towards *herding behavior*, which the Investment Team discussed in another newsletter - "Fighting the Urge to Follow" - in the November 2019 edition of INSIGHTS. Herding behavior results from individuals seeking to avoid *errors of commission* and feeling responsible for making a bad decision, which consequently leads to assuming overall positioning and risk-return exposures comparable to the broader market and/or prevailing index-level trends.

For long-term investors, this type of herding behavior can lead to exaggerated risk exposures and mistimed investment decisions, which can result in portfolio-level risk-return exposures that do not align with risk tolerance preferences, despite providing the investor with short-term relief from feeling "responsible" for making a particular investment-related decision. As investors continue to recover from the recent market turmoil, it is critical that investors work with their advisers to understand how coordinated long-term planning and asset allocation strategies should be used to guide investment-related decisions through both stable and turbulent markets in order to achieve long-term goals and objectives vs. navigating short-term volatility.

Conclusion & Recommendations

Failing to identify, acknowledge, and adjust to individual behavioral biases and their impact on decision-making processes can have serious financial consequences and ramifications, especially during periods of heightened uncertainty and elevated market volatility. Through proper education and instruction, however, informed investors and committed financial professionals can work together to address and mitigate the impact of individual behavioral biases by coordinating effective portfolio management strategies with long-term, goals-based financial planning.

Again, for anyone interested in learning more about behavioral finance, please feel free to email McShane Partners and request a copy of the Investment Team's 2015 whitepaper, *Behavioral Finance: Separating Emotion from Investing*.

*Source: *2020 CFA Program Level III Refresher Reading, "Portfolio Management: The Behavioral Biases of Individuals" 2019 CFA Institute*

Stock & Strategy Spotlight

Name	Ticker	2020 YTD
Accenture PLC Class A	ACN	**+2.73%**

Description & Investment Thesis

In an effort to address our own short-term *hindsight biases*, the Investment Team is providing a quick update on Accenture PLC Class A ("ACN"), shares of which were featured earlier this year in our April 2020 edition of INSIGHTS. At the time, the Investment Team highlighted how shares of ACN were undergoing a reset in valuations after the company lowered its full year revenue growth guidance to reflect the broader economic headwinds. Shares of ACN were trading at their lowest relative valuation multiples vs. the S&P 500® Information Technology Sector Index in early-March (±1.06x PE NTM), while also trading well below their 5-/10-year historical average premium multiples. Since hitting a near-term low of **$143.69** on March 23rd, shares of ACN have rallied as much as **+51.24%** and outperforming the broader S&P 500® Index by approximately **±13.41%**, including the positive benefit from a sharp intraday jump of **+7.67%** in the stock after the company reported better-than-expected quarterly earnings on June 25th.

Wealth Advisory Overview

Why Are My Long-Term Care Insurance Premiums Increasing?

Generally, industry experience has shown that more people are keeping their policies than originally anticipated. While this shows that people value their coverage, it also leads to significantly more claims than predicted. Therefore, insurers may request premium increases to ensure that they are funded adequately to meet future claim responsibilities.

How Are Premium Increases Made?

It is important to note that insurance companies cannot change premiums for specific policyholders due to individual circumstances. A premium increase is implemented on a group of policies that have similar characteristics and benefits, and that are issued in the same state on the same policy form.

In order to raise premiums, insurance companies need to submit actuarially justified requests to the insurance regulators in each state where the policies were sold. Because each state regulator may have different criteria for allowing an increase, the amount and timing of each increase varies by state. In the event an insurance company receives an increase that is less than requested, they will often submit a subsequent request for an additional premium increase.

What Are My Options if I Receive a Premium Increase Notification?

Premium increases may create significant challenges for policyholders. Therefore, insurance companies will typically offer several options to meet an individuals' wants and needs. Generally, policyholders who receive a premium increase notification may select one of the following options:

- Keep Your Current Coverage – If you are able to pay the increased premium, you can keep your current level of coverage with no adjustments to the policy.
- Adjust Your Coverage – If you are comfortable having less coverage under the policy, there may be options to reduce your benefits, as well as your premium. Some alternatives might include:
    - ◊ Lower Your Benefit Amount – Referred to as Daily or Monthly Maximums on your policy declarations page, this reflects the maximum amount that can be reimbursed for long term care expenses on a daily or monthly basis. It is also used to determine the maximum lifetime benefit amount on your policy. For example, a $300 daily benefit can be reduced to a $250 daily benefit.
    - ◊ Shorten Your Benefit Coverage Period – The benefit coverage period is the period of time for which you can be reimbursed for long term care expenses. It is also used in calculating the maximum lifetime benefit amount. For example, a six-year benefit period can be reduced to a three-year benefit period.
- Lengthen Your Elimination Period – The elimination period is similar to a deductible. It is the number of days of covered care that you must pay for before your coverage begins to pay benefits. For example, you can change the elimination period from 30 days to 100 days.
- Decrease Your Inflation Protection – This option helps your coverage keep up with the rising cost of care by growing your Daily or Monthly Maximum over time. Usually, compound or simple interest increases are applied to your Daily or Monthly Maximum on each anniversary of your coverage effective date. For example, you can reduce your inflation protection from 5% to 3% or from compound increases to simple increases.
- Cancel Riders – A rider is an optional policy benefit that you may have purchased when you purchased your policy. Generally, if you cancel a rider, you will reduce your premium.
- Stop Paying Premiums – If you would like to stop paying premiums altogether, it might be possible to receive a paid-up policy with benefits approximately equal to the total of premiums paid-to-date.

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Why Are My Long-Term Care Insurance Premiums Increasing?

Cost of Long-Term Care Services

In order to make the best decision for your circumstances, it may be helpful to consider the current cost of care in your area. In addition, it is important to note that the average duration for a long-term care event is about three years. While the national median cost for an assisted living facility is $48,612 annually, and a private nursing home room costs $102,200, approximately 75% to 80% of long-term care events will cost less than $250,000.

Long-term care insurance is a "guaranteed renewable" product. This means that as long as you continue to pay the premium, the policy cannot be changed or cancelled. When making a decision to alter your policy, it is important to carefully review the policy and consider how changes will affect the coverage you may need. At McShane Partners, we are here to talk through the options with you and your loved ones to make sure that you choose the best option for your situation.

Catching Up with: Abby Williams — Investment Associate

Abby Williams
Investment Associate

For the July employee spotlight, we invite you to meet Abby Williams. Abby joined McShane Partners as an Investment Associate in March 2020. In her role, she is responsible for spearheading the strategic implementation of all technology functionality within the firm, which has become increasingly important as the team transitioned from working in the office to working from home. She assists the Chief Compliance Officer with various compliance filings and research, coordinates all firm-wide events, procures all marketing items, and will help oversee the construction of the new building located on Park Drive. In addition to her client service and operations duties, Abby is also working with the Investment Team to assist with trading, client account and portfolio management.

She is a graduate of the University of Georgia where she majored in Risk Management & Insurance. After graduation, she moved to Atlanta, GA before returning to Charlotte in 2001 after taking a job with Abbott Laboratories as a medical sales representative.

Prior to joining McShane Partners, Abby worked as the operations manager and account coordinator for a local laboratory and several related start-up companies. She is adept at customer service, client relations, logistics, and operations.

Abby is a native Charlottean, and it is here where she met her husband Mike. They have two children: a fourteen-year-old daughter, Sarah, and a twelve-year-old son, Owen. Abby and Mike have deep ties to the Charlotte area as both of their families still call Charlotte home. In her free time, she enjoys walking, reading, and spending time at the beach. Abby's family has been going to Fripp Island in South Carolina for the past fifteen years. She loves the memories they have made visiting and spending time relaxing on the beach. Most weekends you can find her on the soccer fields watching her children who both play competitive club soccer.

"I love how hardworking and attentive the firm is with our clients. All decisions and actions are based on making the best choices for the people who trust us. We are a big family; we collaborate and help each other out. I have especially enjoyed our Friday morning meetings when we are able to catch up on the week and talk about what everyone has going on personally and professionally."

Estate Planning: What Is a HIPPA Authorization Form and Why Do I Need One?

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

HIPPA is an acronym for The Health Insurance Portability and Accountability Act of 1996. This act was put in place to help ensure the privacy and ease of access of your medical records. Granting permission to certain people to view your records can be helpful and sometimes necessary.

There are several reasons why someone might need to access your personal medical information. If you are a patient, you will need to give your personal health information to a doctor, hospital, or health care provider. In turn, these individuals and institutions need authorization from their patients to share this information with family or any other party.

A HIPAA authorization form is the document that allows an appointed person or party to share specific health information with another person or group. Your appointed person can be a doctor, a hospital, or a health care provider, as well as certain other entities. The health information that can be shared includes medical records, drug or alcohol treatment, or any additional pertinent information.

What Are the Restrictions on How My Information Is Shared and Who It Is Shared With?
Information in a HIPAA authorization form is called "protected information." Protected information includes your name, address, phone number, Social Security Number, as well as the specific health information described in the document. It is important to note that HIPAA uses a standard of "minimum necessary." This means that your doctor or healthcare provider can only provide information that is needed to accomplish the intended purpose. In other words, HIPAA is a safeguard on how many people can view your personal information.

What Is Not Protected by HIPAA?
Certain things are beyond your control and cannot be protected by HIPAA. For example, if your doctor or health care provider is required to disclose information to federal, state, or local authorities, they must do so. In addition, if you are exposed to a disease that may spread, your doctor can notify the appropriate health officials.

What Needs to Be Included in My HIPAA Authorization?
A HIPAA authorization form should state who the patient is and exactly to whom the patient is disclosing their health information. Under the Privacy Act of HIPAA laws, you must include a description of the information being disclosed. This way, you can specifically describe what information should be revealed, in case there is a violation of your privacy.

NextGen: Who Should Buy Life Insurance?

Ryan Vaudrin, CFP®
Wealth Advisor

A life insurance policy is a legally binding contract between the policy owner and an insurance company who agrees to pay a death benefit to named beneficiaries when the policy owner dies. Life insurance can be a tool to help families replace a premature loss of income. Even if one spouse is the "primary breadwinner" it is still important to consider having life insurance on both spouses. Having the extra funds can be useful to provide the additional assistance needed while trying to navigate a life changing situation. Listed below are some examples of when you may need life insurance:

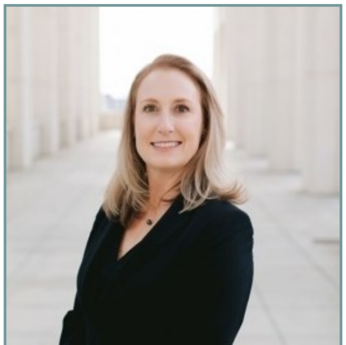
- **Parents Who Have Young Children –** If a parent passes, replacing their income could be difficult and lead to potential financial hardship. Having life insurance can offer a solution for the surviving parent to provide care until the children are able to take care of themselves.

- **Parents With Special Needs Children –** Children with special needs may require expensive long-term care. Having a special needs trust for the child named as the beneficiary of a life insurance policy, can ensure that the trust will be funded. The trust will provide care for the special needs child and can be a great option for individuals who may not have the appropriate resources available in the estate.

- **Pay Off Debt/Provide for Surviving Spouse –** Having debt when a spouse passes can cause additional stress during a time of grief**.** With a life insurance policy in place, the surviving spouse can have the ability to pay off the debt so that they can focus on providing for the other needs of the family.

There are several situations that may require the use of life insurance. By having a proper plan in place, individuals will take comfort knowing that the surviving spouse and other family members will be taken care of while maintaining their current standard of living after they are gone.

Tax Update: New Rollover Rules for Unwanted 2020 RMDs



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

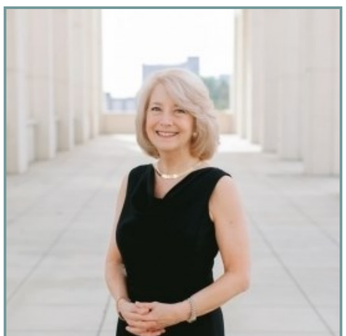
In response to the coronavirus global pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020. Among the many provisions provided by the CARES Act was the suspension of Required Minimum Distributions (RMDs) during 2020. The CARES Act enabled any taxpayer with an RMD due in 2020 from a defined-contribution retirement plan, including a 401(k) or 403(b) plan, or an IRA, to skip those RMDs during the 2020 tax year. This includes anyone who turned age 70 1/2 in 2019 and would have had to take the first RMD by April 1, 2020.

The suspension of RMDs, as well as the ability to roll already distributed funds back into certain retirement accounts within a 60-day window, initially applied only to individuals who took distributions on or after February 1, 2020. In April 2020, the IRS released Notice 2020-23 which extended the 60-day rollover deadline for these RMDs to the later of 60 days after receipt or July 15, 2020. On June 23, 2020, the Internal Revenue Service released Notice 2020-51 which announced that anyone who had already taken an RMD from certain retirement accounts now has the opportunity to roll those funds back. In addition, the 60-day rollover period for any RMDs already taken this year has been extended to the later of 60 days after receipt or August 31, 2020, to give taxpayers additional time to take advantage of this opportunity.

The notice provides that this repayment is not subject to the one rollover per 12-month period limitation and the restriction on rollovers for inherited IRAs. Ultimately, this newly released guidance by the IRS provides a fair and favorable outcome for individuals who took their RMDs earlier than February 1, 2002.

Update on North Carolina Estimates – In May, the North Carolina General Assembly approved relief from interest on tax payments that were deferred until July 15th. Relief from penalties were already provided by the Department of Revenue. Therefore, North Carolina income tax estimates are free from interest and penalties if paid by July 15th.

Senior Planning: When to Enroll in Medicare Part A & B



Lorri Tomlin, FPQP™
Wealth Advisor

Medicare is the Federal Health Insurance program for Americans aged 65. Enrollment is required during a specific timeframe. Enrollment may be automatic but if not, there are guidelines that need to be followed to avoid penalties.

If you are getting Social Security benefits at age 65 you will be automatically enrolled in Medicare A&B when you are eligible. If you are not collecting benefits at age 65, you need to enroll. You have a seven-month window that begins three months before your 65th birthday and ends three months after. However, if you are still working and have health insurance through your employer, you may not need Part B.

If your employer has over 20 employees, you can delay enrolling in Part B, however Part A is required unless you want to contribute to an HSA. You cannot contribute to an HSA if you are enrolled in Medicare. Your employer health insurance will be the primary provider, Medicare will be secondary. This means that your employer health plan pays its share of expenses first, while Medicare pays the balance. When you leave your job, you have eight months to sign up for Part B starting the month after your employment or your group health coverage ends, whichever is earlier.

If your employer has less than 20 employees, you need to enroll in Parts A&B. Medicare will be the primary provider, your employer health insurance is secondary. If you do not enroll in Part B, you may not be covered for expenses that would be paid by your employee health plan. You will also be penalized for not enrolling in Part B when eligible. In addition, you will be charged a 10% increase on your Part B premiums for each year you go without coverage. This same penalty applies if you are NOT covered by an employer health plan and fail to enroll in Part B when eligible. Therefore, you should check with your health plan administrator to see whether Medicare will be your primary or secondary insurance based on your current health coverage.

To enroll in Medicare visit https://www.ssa.gov/benefits/medicare/. Please reach out to McShane Partners for assistance with the process, we are happy to help any way that we can.

Around McShane Partners

Estate Planners Day

Queens University of Charlotte, in conjunction with the Estate Planners Day Steering Committee, will hold the very first VIRTUAL Estate Planners Day on Thursday, August 20, 2020. Queens University and the Steering Committee are committed to providing an incredible virtual conference experience and have an excellent lineup of speakers, including Bob Keebler, John Silvia and Skip Fox, whose presentations will incorporate relevant and practical planning considerations related to COVID-19.

Happy Father's Day!

We hope that everyone had a wonderful Father's Day. Abby Williams, the newest member of the McShane Partners Family, celebrated Father's Day with her husband Mike, daughter Sarah, son Owen, and last but not least, the family dog Ivy.

Happy Fourth of July!

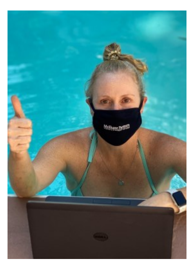
We are looking forward to an eventful July Fourth celebration this year! We hope that everyone stays safe and has a wonderful holiday weekend!

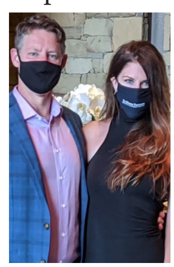
McShane Partners & Covid—19

McShane Partners masks have been sent out. Safety is a priority for our team; therefore, we will all wear masks in the office and encourage you to do the same if possible.

Who Wore it Best?

The McShane Partners team has been taking advantage of our newest wardrobe addition: our masks. We invite you to vote here on the pictures below for our "Who Wore it Best?" competition.

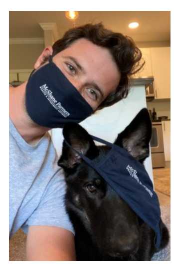

Becky


Daniele


Lorri


Sandy


Abby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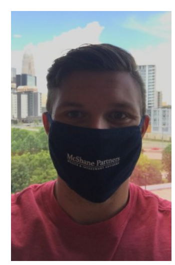
Corey


Daniel

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