McShane Partners

February 2024 INSIGHTS

Investment Overview

The McShane Partners Core Contrarian Equity Portfolio Strategy

Following a year of disappointing and dramatic underperformance in major asset classes across global financial markets throughout calendar year 2022 ("CY2022"), calendar year 2023 ("CY2023") saw a largely unanticipated, but widely celebrated, robust recovery in risk assets. In anticipation of diminishing macroeconomic headwinds from decelerating inflationary pressures and moderating interest rate hikes, investors began decisively pricing in easier, more accommodative financial market conditions during the fourth quarter of 2022 ("4Q22"), precipitating a pronounced "risk-on" rally in long-duration growth stocks and other risk assets that persisted through year-end and continued to consolidate momentum and strengthen throughout CY2023. As the Investment Team highlighted in its January 2024 INSIGHTS article, nowhere did this renascent pro-growth dynamic manifest itself in more definite terms than in the extreme narrowing of market breadth in CY2023, as index-level returns became increasingly dependent on the performance of a concentrated number of mega-cap growth stocks that had grown exponentially in their respective weightings in and contributions to market-capitalization-weighted equity indexes.

While the McShane Partners Core Contrarian Equity Portfolio Strategy ("the Strategy") benefited from the broad-based resurgence in equity market risk (i.e., beta) throughout CY2023, several factors weighed on the absolute and relative performance of the Strategy, resulting in marginal underperformance vs. major equity market indexes this past year. In particular, the relatively defensive positioning of the investment portfolio

Continued on next page

Wealth Advisory Overview

Why You May Not Want to Convert That IRA

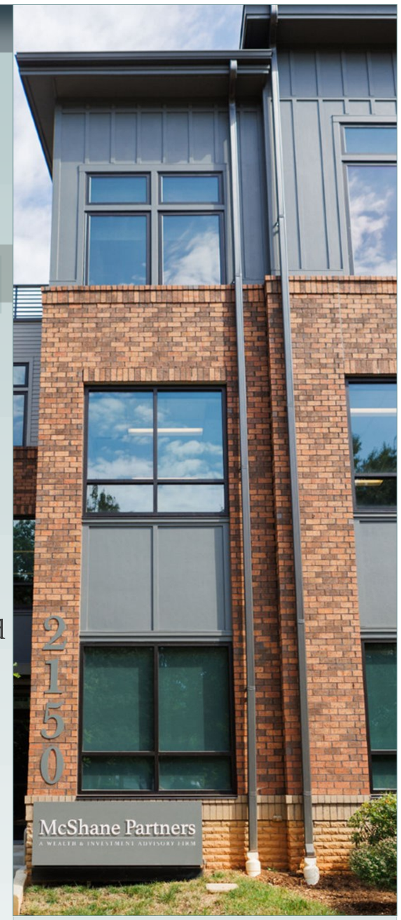
I have written before about the importance of tax sensitive investing. Paying attention to your current and future tax liability can be one of the fundamental drivers of financial success. While typical asset allocation discussions revolve around the asset type (equity, bond, etc.) you should also take care to manage your "tax allocation". When setting aside funds for long-term goals such as retirement, tax-deferred accounts are an incredibly valuable device for effective and tax efficient retirement saving.

I frequently see clients who have gotten a "recommendation" to convert their IRA to a Roth IRA. That can be a beneficial strategy, but it can also backfire and end up costing more in taxes! Don't follow generalized advice or intuition without a solid analysis of the implications.

Tax-Deferral

An account is tax-deferred if there is no tax due on income earned in the account. The ability to defer taxes on an investment can benefit individuals in two ways. The primary benefit comes in the form of tax-free growth. As an alternative to paying tax on the current returns of an investment, taxes are paid only at a future date, allowing the investment to grow without current tax implications. When you pay taxes on a current basis you have less money to invest, so the total dollars at work are smaller.

Continued on page 6



Investment Team

Daniele Donahoe, CFA
CEO | Chief Investment Officer
Jon Michael Morgan CFA
Senior Portfolio Manager
Elliott Van Ness, CFA
Director of Research | Portfolio Manager
Abby Williams
Investment Associate
Tracy Strickler
Office & Marketing Manager

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®, CDFA®
Wealth Advisor
Daniel Hudspeth, CFP®
Wealth Associate
Corey Meyer
Operations Associate

Points of Interest

- Monthly Index Review
- Around McShane Partners

Investment Overview

The McShane Partners Core Contrarian Equity Portfolio Strategy

that contributed so meaningfully to the Strategy's impressive outperformance vs. the S&P 500® Index ("the S&P 500®") in CY2022 quickly turned into a net performance headwind in CY2023 within the context of the broader momentum-driven, pro-growth beta rally.

Performance Review

As can be seen in Table I, below, the Strategy returned **+7.56%** during the fourth quarter of 2023 ("4Q23") vs. comparable returns of **+11.69%**, **+13.63%**, and **+10.09%** for the S&P 500®, the S&P 500® Value Index ("Value"), and the S&P 500® Growth Index ("Growth"), respectively, in the final quarter of CY2023. The Strategy's solid results in 4Q23 contributed significantly to the full-year performance of the Strategy, which generated a net total return of **+11.21%** in CY2023 vs. corresponding annual returns of **+26.29%**, **+22.23%**, and **+30.03%** for the S&P 500®, Value, and Growth, respectively, last year. Despite the Strategy's disappointing relative underperformance vs. popular market-cap-weighted indexes and U.S. equity market benchmarks throughout CY2023, the Strategy's returns were broadly in-line with those of the S&P 500® Equal Weighted Index ("Equal Weighted") and decidedly better than those of the S&P 500® Dividend Aristocrats Index ("Dividend Aristocrats"), which returned **+13.87%** and **+8.44%**, respectively, in CY2023.

Continued on next page

Table I: MP Core Contrarian Strategy - Peer Comparison & Performance Analysis
USD Total Return - Data as of December 31st 2023

Name | Description	Ticker	2022	1Q23	2Q23	3Q23	4Q23	2023
MP Core Contrarian Equity Portfolio Strategy*		**-10.97%**	**4.76%**	**2.70%**	**-3.90%**	**7.56%**	**11.21%**
S&P 500® Index	SP50	-18.11%	7.50%	8.74%	-3.27%	11.69%	26.29%
S&P 500® Equal Weighted Index	SPXEKW	-11.45%	2.93%	3.99%	-4.90%	11.87%	13.87%
S&P 500® Value Index	SVXK	-5.22%	5.17%	6.64%	-4.09%	13.63%	22.23%
S&P 500® Growth Index	SGX	-29.41%	9.63%	10.59%	-2.59%	10.09%	30.03%
S&P 500® Dividend Aristocrats Index	SP50DIV	-6.21%	1.80%	3.98%	-5.44%	8.33%	8.44%
iShares MSCI USA Quality Factor ETF	QUAL	-20.46%	**9.19%**	**9.02%**	-1.91%	**12.06%**	**30.70%**
Invesco S&P 500 Quality ETF	SPHQ	-15.78%	**8.00%**	7.02%	-0.45%	8.47%	**24.66%**
iShares Core S&P 500 ETF	IVV	-18.11%	**7.42%**	**8.75%**	-3.21%	**11.67%**	**26.11%**
FlexShares U.S. Quality Large Cap ETF	QLC	-17.12%	**6.96%**	**8.55%**	-2.66%	**11.51%**	**25.88%**
Parnassus Core Equity Fund	PRBLX	-18.51%	**7.54%**	**7.47%**	-3.29%	**11.44%**	**24.51%**
FMI Large Cap Fund	FMIHX	-14.76%	3.95%	5.70%	-2.60%	**12.96%**	20.90%
WisdomTree U.S. Quality Dividend Growth ETF	DGRW	-6.38%	3.70%	**7.39%**	-4.28%	11.27%	18.46%
AMG Yacktman Fund	YACKX	-7.42%	2.60%	3.32%	-0.85%	9.70%	15.31%
Vanguard Dividend Appreciation ETF	VIG	-9.86%	1.92%	5.97%	-3.87%	10.26%	14.33%
FlexShares U.S. Quality Low Volatility ETF	QLV	-9.99%	2.50%	4.45%	-3.20%	9.72%	13.61%
MFS Low Volatility Equity Fund	MLVAX	-10.83%	2.08%	4.85%	-4.02%	9.07%	12.01%
iShares MSCI USA Min Vol Factor ETF	USMV	-9.43%	1.33%	2.57%	-2.10%	8.40%	10.19%
iShares Core Dividend Growth ETF	DGRO	-7.94%	0.58%	3.60%	-3.13%	9.41%	10.27%
ProShares S&P 500 Dividend Aristocrats ETF	NOBL	-6.57%	1.78%	3.84%	-5.52%	8.25%	8.01%
SPDR SSGA U.S. Large Cap Low Volatility ETF	LGLV	-8.22%	1.30%	3.24%	-4.55%	9.37%	9.08%
Fidelity U.S. Low Volatility Equity Fund	FULVX	-10.46%	0.00%	1.82%	-2.31%	6.91%	6.33%
Invesco S&P 500 Low Volatility ETF	SPLV	-4.93%	-1.79%	1.24%	-5.77%	7.29%	0.46%
Invesco S&P 500 High Dividend Low Volatility ETF	SPHD	**0.56%**	-2.70%	-0.96%	-4.02%	9.52%	1.10%

Source: McShane Partners - Envestnet | Tamarac, Inc. & FactSet Research Systems, Inc.

Investment Overview

The McShane Partners Core Contrarian Equity Portfolio Strategy

Portfolio Overview

The largest contribution to absolute and relative performance in 4Q23 came from the Strategy's core positioning in differentiated, high-conviction holdings, including shares of ANSYS, Inc. ("ANSS"), Waste Management, Inc. ("WM"), and Public Storage ("PSA"), which returned **+21.96%**, **+17.95%**, and **+16.88%**, respectively, in 4Q23. In terms of the absolute performance of the Strategy during the final quarter of CY2023, the relative outperformance of and positive contribution from the Strategy's positions in ANSS, WM, and PSA helped to offset the impact from the short-term underperformance of the Strategy's positions in McCormick & Co., Inc. ("MKC"), Unilever PLC ADR ("UL"), and Procter & Gamble Co. ("PSA"), which returned **-8.47%**, **-0.95%**, and **+1.11%**, respectively, in 4Q23.*

For CY2023, the largest contribution to absolute and relative performance came from the Strategy's positions in Alphabet Inc, Class A ("GOOGL"), ANSS, Badger Meter, Inc. ("BMI"), and Equinix, Inc. ("EQIX") which returned **+58.32%**, **+50.20%**, **+42.49%**, and **+25.17%**, respectively, this past year. Unfortunately, while the Strategy's long-term positions in several high-quality secular growth stocks did contribute meaningfully to absolute portfolio-level performance last year, the Strategy's contrarian positioning in attractively valued stocks with strong fundamentals operating in sectors and industries with stable, sustainable, and predictable businesses weighed considerably on the relative performance of the Strategy in CY2023; in particular, the Strategy's core holdings and positions in shares of MKC, American Water Works, Inc. ("AWK"), and Deere & Co. ("DE") returned **-15.54%**, **-11.58%**, and **-5.50%**, respectively, in CY2023 and were the largest, most significant detractors to absolute and relative performance.

Continued on next page

Table II: S&P 500® Index Sector Heat Map
USD Total Return - Data as of December 31st 2023

Sector-Level Index	2021	2022	1Q23	2Q23	3Q23	4Q23	2023
Defensives							
Utilities	**+17.67%**	**+1.57%**	-3.24%	**-2.53%**	**-9.25%**	+8.56%	**-7.08%**
Communication Services	+21.57%	**-39.89%**	**+20.50%**	**+13.06%**	**+3.07%**	+10.95%	**+55.80%**
Health Care	+26.13%	-1.95%	**-4.31%**	+2.95%	-2.65%	**+6.41%**	+2.06%
Consumer Staples	**+18.63%**	**-0.62%**	+0.83%	**+0.45%**	**-5.97%**	**+5.54%**	**+0.52%**
Near Cyclicals							
Energy	**+54.64%**	**+65.72%**	**-4.67%**	**-0.89%**	**+12.22%**	**-6.94%**	**-1.33%**
Financials	**+35.04%**	-10.53%	**-5.56%**	+5.33%	**-1.13%**	**+14.03%**	+12.15%
Real Estate	**+46.19%**	-26.13%	+1.95%	+1.81%	**-8.90%**	**+18.83%**	+12.36%
Cyclicals							
Information Technology	+34.53%	**-28.19%**	**+21.82%**	**+17.20%**	-5.64%	**+17.17%**	**+57.84%**
Consumer Discretionary	+24.43%	**-37.03%**	**+16.13%**	**+14.58%**	-4.80%	+12.42%	**+42.41%**
Industrials	**+21.12%**	-5.48%	+3.47%	+6.49%	-5.16%	+13.05%	+18.13%
Materials	+27.28%	-12.27%	+4.29%	+3.31%	-4.76%	+9.69%	+12.55%
S&P 500® Index	**+28.71%**	**-18.11%**	**+7.50%**	**+8.74%**	**-3.27%**	**+11.69%**	**+26.29%**

Source: McShane Partners - FactSet Research Systems, Inc.

* *In accordance with Rule 206(4)-1(a)(2) of the Investment Adviser Act of 1940 (the "Advisers Act"), upon request by an individual or interested party, McShane Partners (the "Adviser") will make available a list of applicable discretionary investment recommendations made by the Adviser with respect to the McShane Partners Core Contrarian Equity Portfolio Strategy (the "Strategy") over the corresponding trailing 12-month period ended December 31st 2023.*

Investment Overview

The McShane Partners Core Contrarian Equity Portfolio Strategy

Portfolio Positioning | Rationalizing Risk-Return Exposures

Given the Strategy's explicit mandate on relative risk metrics, the Investment Team remains acutely focused on managing risk-return exposures by tactically adjusting the underlying composition of and positioning across the Strategy's portfolio of high-conviction investments. While the tactical de-risking of portfolio-level positioning throughout CY2022 contributed significantly to the Strategy's relative outperformance that year vs. the S&P 500®, the Strategy's lower beta represented a net headwind to absolute and relative performance in CY2023, as the portfolio's reduced exposure to long-duration cyclical growth limited the Strategy's upside capture during the momentum-driven rally that ultimately defined global equity and other risk asset markets this past year. Taking into consideration the severity with which financial markets had been reacting to idiosyncratic risk events in CY2022, the Investment Team believes these actions were prudent and appropriate with respect to ensuring investment portfolios were properly positioned in reasonably valued investments with discernable, quantifiable risk-return attributes.

"In investing, what is comfortable is rarely profitable."

- Robert Arnott

Over time, the Strategy's ability to navigate through periods of heightened market volatility should contribute to superior long-term risk-adjusted returns relative to passive equity market indexes and broad-based benchmarks, and the Investment Team believes that the Strategy will continue to deliver on this core investment mandate as financial markets progress through the later stages of the current market cycle.

Monthly Index Review
USD Total Return

Data as of January 31st 2024	January 2024	2023	2022	2021
S&P 500® Index	**+1.68%**	**+26.29%**	-18.11%	**+28.71%**
Dow Jones Industrial Average	**+1.31%**	+16.18%	-6.86%	+20.95%
NASDAQ Composite	+1.04%	**+44.64%**	-32.54%	**+22.18%**
Russell 2000	**-3.89%**	+16.93%	-20.44%	+14.82%
MSCI Emerging Markets	**-4.64%**	+9.83%	-19.74%	**-2.22%**
MSCI EAFE	+0.58%	+18.24%	-14.01%	+11.78%
Bloomberg U.S. Aggregate Bond Index	-0.27%	+5.53%	-13.01%	**-1.54%**

Investment Overview

The McShane Partners Core Contrarian Equity Portfolio Strategy

Chart I: ...

Source: McShane Partners - FactSet Research Systems, Inc.

Disclosures: The McShane Partners Core Contrarian Equity Portfolio Strategy

Performance data for the McShane Partners Core Contrarian Equity Portfolio Strategy reflect aggregated, asset-weighted returns of underlying account-level performance and is unaudited.

Strategy Limitations The Investment Strategy (the "Strategy") performance shown reflects the asset-weighted performance of actual performance data and time-weighted returns for representative Investment Portfolios (the "Portfolios") over the respective time frames in accordance with the objectives of the McShane Partners Core Contrarian Equity Portfolio Strategy (the "MP Core Contrarian Strategy") managed by McShane Partners (the "Adviser"). While the performance of the Strategy is believed to have been calculated reliably and accurately, the Strategy performance data and returns have not been audited, and, as such, the results are subject to limitations inherent in the use of historical performance reporting and returns.

Fees & Expenses Strategy performance results shown are presented net of applicable management fees of and assumes the reinvestment of dividends and all other income. Because some investors may have different fee arrangements, and, depending on the timing of a specific investment, net performance for an individual investor may vary from the net performance as stated herein.

Net Strategy performance is presented gross of custodial fees but net of investment management fees and transaction costs. Net performance is calculated by using the actual fees charged to each Investment Portfolio throughout the Strategy for the performance period. Returns include the reinvestment of dividends and other earnings. Prospective investors should expect their rates of return to be reduced by investment management fees, along with other expenses incurred in the management of the account, which are fully described in the McShane Partners' Brochure (Form ADV Part 2A). Because some investors may have different fee arrangements and, depending on the timing of a specific investment, net performance for an individual investor may vary from the net performance as stated herein.

Other Information Past performance is not necessarily indicative of future results. All investments are subject to risk, and investing in accordance with the strategy, like all investments, may lose money. The performance shown is representative of investment strategies and styles used by the Adviser and such style may not be suitable for each potential investor. The Strategy is representative of an investment strategy and style used by the Adviser and such style may not be suitable for each potential investor. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be considered as an offer to buy or sell any financial instruments. Additional information regarding policies for calculating and reporting returns is available upon request.

Everything discussed in this presentation represents the opinions of McShane Partners and should not be construed as a suggestion to buy or sell any specific investment. Information provided in this presentation should not be considered or interpreted as advice for your particular financial situation. Please consult a financial professional before making any investment decisions to ensure they are appropriate or for advice regarding your specific financial needs.

All information contained is believed to be from reliable sources, but we make no representation as to its completeness or accuracy. All economic and performance data is historical and not indicative of future results. Past performance does not guarantee future returns. Circular 230 Notice: To comply with requirements imposed by the U.S. Treasury Department, any information regarding any U.S. Federal tax matters contained in this communication is not intended or written to be used, and cannot be used, as advice for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein

McShane Partners maintains strict confidentiality policies and have in place procedural, electronic, and physical safeguards to protect your personal, private information. We collect certain information about you and your financial situation, including names, addresses, social security numbers, assets, income, cash flow and investment objectives. In the course of our service to you, we also track transactions, basis, use of accounts and products preferred. We share client information that is necessary to effect, administer, document or enforce a transaction as you have directed or authorized us to do so. We do not disclose any information with any person or firm for marketing purposes.

This disclosure is made pursuant to the Gramm-Leach-Bliley Act and Regulation S-P (Privacy of Consumer Financial Information), as issued by the U.S. Securities & Exchange Commission. It is important to note that the relationship you have with the custodian where your assets are held is independent of that with McShane Partners. Each custodian has its own privacy disclosures and policies, as distributed to clients.

McShane Partners is a Registered Investment Advisor.

Information Regarding Benchmarks & Indexes

Information about indexes is provided to allow for comparison of the performance of the Adviser to that of certain well-known and widely recognized indexes. There is no representation that such index is an appropriate benchmark for such comparison. You cannot invest directly in an index, which also does not take into account trading commissions and costs. The volatility of indexes may be materially different from the performance of the Adviser. In addition, the Adviser's recommendations may differ significantly from the securities that comprise the indexes.

Benchmark & Index Definitions The following benchmark and index definitions used by the Adviser for the Strategy have been sourced directly from the respective index provider's website, and the data are considered to be widely-known, publicly-available information.

Return Methodology S&P Dow Jones Indices calculates multiple return types which vary based on the treatment of regular cash dividends. The classification of regular cash dividends is determined by S&P Dow Jones Indices: Gross Total Return ("TR") versions reinvest regular cash dividends at the close on the ex-date without consideration for withholding taxes.

S&P 500® Index

The S&P 500® Index ("S&P 500®") is widely regarded as the best single gauge of large-cap U.S. equities. There is over $11.2 trillion indexed or benchmarked to the index, with indexed assets comprising approximately $4.6 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

S&P 500® Value Index | S&P 500® Growth Index

The S&P U.S. Style Indices measure the performance of U.S. equities fully or partially categorized as either growth or value stocks, as determined by Style Scores for each security. The Style series is weighted by float-adjusted market capitalization ("FMC"). The Style index series divides the complete market capitalization of each parent index approximately equally into growth and value indices based on three factors each used to measure growth and value.

S&P 500® Dividend Aristocrats Index

The S&P 500® Dividend Aristocrats Index measures the performance of S&P 500® companies that have increased dividends every year for the last 25 consecutive years. The Index treats each constituent as a distinct investment opportunity without regard to its size by equally weighting each company.

Wealth Advisory Overview

Why You May Not Want to Convert That IRA

The concept of the time value of money is that a dollar today is worth more than a dollar in the future. This is because the money today can be invested and potentially grows into a larger amount in the future. The ability to pay a tax bill in the future allows that money to continue to grow during the interim. Frequently the value of the growth earned over the deferral period either partially or completely offsets the future liability itself.

Tax Bracket Management

The secondary benefit of tax-deferred investments may be a lower tax rate. The theory is that earnings are excluded from tax while you are subject to a higher tax bracket. By taking a deduction for an IRA contribution, or excluding 401(k) deferrals from taxable income, you may be avoiding a tax liability during working years when earnings and taxes are most often higher than earnings and taxes during retirement.

There is no requirement that matches up the avoided tax with the eventual tax liability. If you are in a 37% bracket today, additional income in the current year will be subject to tax at 37% and deferrals save you 37% in current taxes. If you withdraw funds from a tax deferred account in a future year when your taxable income is lower, you owe taxes based on the rate in effect in that future year. The U.S. tax brackets are graduated, meaning they vary from a bracket of 10% on the lowest taxable incomes, to a current high of 37% (on married couple incomes over $731,200). A married couple with taxable income of $250,000 in the current year would pay taxes on a withdrawal from a tax-deferred account at a 24% tax rate. The timing of tax deferred withdrawals can be as important as the length of tax deferral or the return on those investments!

Tax Free!

A Roth IRA is not just tax-deferred; it is a tax-free account (no tax is owed on withdrawals). The contributions to a Roth IRA do not reduce your taxable income at the time of contribution, like 401(k) or Traditional IRA contributions do, so there are no future tax implications for Roth savings (unless you withdraw early).

Converting an IRA to a Roth IRA

To convert an IRA to a Roth IRA you remove assets from an IRA and are subject to ordinary income rates when the withdrawal happens. You then contribute those assets to a Roth IRA. In theory you accelerate taxes to the withdrawal year (or years) and then you can grow those assets (after paying tax on them) tax free and eliminate taxes on the future withdrawals.

What to Consider

Your current income is critical in this analysis. It generally does not benefit someone to convert a Roth while they are still working. Your tax brackets may be substantially higher than they will be for the future withdrawals. The accelerated tax and the higher tax due to the bracket issue can rarely be overcome by reduced or eliminated taxes in the future.

Your age is also an important consideration. When will you draw on your IRA? If you have ample assets to fund your lifestyle in retirement, most people defer taking withdrawals from their IRA until the mandatory withdrawals are required, currently at age 73. If you are 50 right now, converting in the current year is an acceleration of taxes that would have been paid over decades, beginning 23 years from now. Frequently when I run this analysis for higher net worth individuals, who don’t need to draw these assets earlier, the time value of money calculations illustrate that this doesn’t benefit them until very late in life, if at all.

How does the IRA fit into your estate or charitable planning? Clients with ample assets may anticipate leaving money to heirs or charities. IRA distributions can be directed to charities during your lifetime as a “Qualified Charitable Distribution” or QCD. These amounts are not subject to tax at all. Similarly, IRA assets bequeathed to a charitable organization will not be subject to estate tax nor be taxed to the recipient. If you will leave IRA assets to your heirs they will be required to pay tax as they withdraw the funds, currently required over the 10 years after your death. If the recipients are not high wage earners they will get to enjoy the lower tax bracket benefit when they ultimately withdraw assets. Couple their lower tax bracket with tax deferral for another 10 years on top of the deferral during your lifetime.

Planning for the Future

Financial and tax planning is not a one-size-fits-all undertaking. Make sure you understand the implications for making substantial money moves before you do them!

Senior Planning: Everything You Want to Know About Roth Conversions (but were afraid to ask!)

Lorri Tomlin, FPQP™
Partner | Wealth Advisor

What is a Roth IRA?

A typical IRA (Individual Retirement Account) is funded with "pre-tax" dollars. You get a tax deduction when you contribute to the IRA each year. Annual contributions are limited by the IRS, but the earnings are allowed to grow "tax-deferred". You pay income tax when you withdraw funds from the IRA and the IRS requires you to start making minimum withdrawals (and paying tax on the amount withdrawn) when you reach a certain age (currently 73 years old).

A Roth IRA account is funded with "after tax" dollars. When you contribute directly to a Roth IRA account, you don't get a tax deduction because you already paid tax on the funds, but you won't owe tax when you take the funds out. The IRS doesn't even tax the earnings that have accumulated in the account. Another benefit of a Roth IRA is that there are no Required Minimum Distributions. You can take the funds out when/if needed or let them remain in the account to grow tax free.

What is a Roth conversion?

A Roth conversion is when you withdraw funds from a traditional IRA (or 401(k)) and transfer them to a Roth IRA to take advantage of the tax-free savings and reduced taxable income in retirement. However, keep in mind that you are required to pay income tax on the amount withdrawn from the traditional IRA account in the year of the withdrawal. When you do a Roth conversion you pay income tax on the amount you convert based on your current income.

So Why Would You Want to Convert Traditional IRA Assets to a Roth IRA?

Basically, taxes…

The IRS sets income limits on who can contribute to a Roth IRA. If you are ineligible to make Roth contributions due to your income, Roth conversions are a good way to get funds into a Roth account. For 2024, Single filers making over $161,000 are ineligible to make a Roth contribution and the income limit is $240,000 for those filing Married Filing Jointly.

There are also IRS limits to the amount that can be contributed to a Roth IRA (and a traditional IRA) each year ($7000 for 2024)

There are no income limitations to Roth conversions and there are no limits to the amount that can be converted. Therefore, Roth conversions can be a useful tool for funding a Roth IRA for those who otherwise might be ineligible.

Will you be in a higher tax bracket when you retire due to RMDs (Required Minimum Distributions). If so, Roth conversions enable you to pay a lower tax rate on IRA withdrawals done now than you would if you waited to withdraw the funds from the IRA later.

Are you leaving your retirement assets to your heirs? If so, converting the assets to a Roth and paying tax now would eliminate any tax liability your heirs might have resulted from required minimum distributions.

So Why Would You NOT Want to Convert Traditional IRA Assets to a Roth IRA?

Basically, Taxes…

Are you in a higher tax bracket now than you will be in retirement? If so, Roth conversions might not make sense because you will be paying more tax now than you would be on later withdrawals.

Do you have cash outside of the IRA to pay the required tax on the withdrawal? Ideally it is best to pay the tax owed on conversions from outside savings or income, not from the converted funds. For example, if you convert $10,000, and your marginal tax rate is 22%, you will owe $2200 in tax. If you pay that $2200 with outside cash, you get the tax-free growth potential on the entire $10,000. If you pay the tax with the conversion and only actually convert the difference of $7800, you have lost future income potential. Paying for required taxes with outside

Continued on next page

Senior Planning: Everything You Want to Know About Roth Conversions (but were afraid to ask!)

Do you have both pre-tax contributions and after-tax contributions in IRA accounts? If so, this can make Roth conversion very tricky. Contributions can be made to IRA accounts with after-tax dollars, not just pre-tax dollars. These are referred to as nondeductible IRA contributions. If you convert assets from a nondeductible IRA to a Roth IRA, you would think that you would not have to pay income tax because you already paid tax on the contributions. This would be true unless you have other IRA assets that were funded with pre-tax contributions. If the nondeductible IRA was the only IRA you had, you would not owe tax when converting those assets to a Roth IRA. However, if you also have IRA accounts funded with pre-tax contributions, the IRS considers your IRA assets to be combined. Therefore, the IRS considers any conversions taxable based on the combination of your nondeductible and deductible IRA balances. You would owe tax on the "pro-rata" share of the conversion considered to be from the pre-tax portion of your IRA assets.

In Review: Things to Consider if You Are Considering a Roth Conversion.

- ⇨ Do you have too much income to contribute directly to a Roth IRA?
- ⇨ Would you like to contribute more than the annual Roth IRA contribution limit?
- ⇨ Do you have less income now than you will in the future or believe that tax rates will be higher in the future?
- ⇨ Do you want to leave your IRA assets to your heirs "tax-free"?
- ⇨ Do you have sufficient outside cash reserves or income to pay tax on a conversion, especially if you are under 59 ½?
- ⇨ Do you have IRA accounts funded with both pre-tax and after-tax contributions?

Your McShane Partners Wealth Advisor is happy to help with any questions you may have regarding Roth IRA accounts and Roth conversions.

Next Gen: FSA—Methods for Budgeting

Daniel Hudspeth, CFP®
Wealth Associate

Determining a suitable budget is one of the cornerstones in managing finances. They are often reviewed, revised, and even completely changed due to varying life events. While it is important to establish a budget, there are multiple options as there is not a magic one size fits all plan. In this month's article we will review two common approaches to budgeting.

Zero-Based Budgeting

A zero-based budget assigns each dollar of income to a pre-determined expense. This results in a zero balance after each specific expenditure has been satisfied. Zero-based budgeting may change each month due to variable expenses such as utility bills, travel, food, etc. However, under this method, savings are counted as an expense and work to true up total expenses. This results in a $0 balance at the end of the week or month based on individual preferences.

The Envelope Budget

The envelope budget utilizes physical cash which is placed into specific envelopes for specific expenses. For example, $500 into the grocery/restaurant envelope, $300 into the entertainment envelope, etc. This can help to prevent overspending since once the envelope is empty, the budget for that particular item has been exhausted. While there may be additional funds in checking accounts or other cash on hand if needed, an empty envelope serves as a solid reminder that a budget has been exceeded. On the other hand, additional funds remaining at the end of the month can be rolled over for the next month, used for savings, or even used to reward yourself.

For next month's article, we will review a few additional budgeting methods. As always please reach out to your McShane Partners Wealth Advisor if you have any questions regarding your budget.

Next Gen: Questions to Ask Your Wealth Management Team

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

As investors continue through their investment journey, some may question whether they need additional assistance to secure a successful financial future. This point is typically met with uncertainty as to where they begin. This may seem like a daunting task; however, here at McShane Partners offer a framework to ensure that the necessary questions are asked in order to determine the most suitable wealth management firm.

One important factor is determining how a firm is registered – Is it a Registered Investment Advisor (RIA)? Under this structure, the advisor is either registered by the Securities Exchange Commission (SEC) or the state securities administrators. By law, all RIAs must adhere to a fiduciary standard by prioritizing client interests above their own. Along with registration, RIAs are required to keep a public comprehensive summary (ADV) detailing business practices, employee credentials, and any disciplinary actions.

Understanding the management fee structure is crucial when moving forward with an advisor. Are they fee only, or fee based? Do they receive any commissions or have any wrap fees? We believe that being fee only is the best option since advisors are only compensated based on a percentage of assets they hold under management. This structure incentivizes protection and growth of the portfolio, and any advice can be treated as genuine as there are no other motives beyond providing the most suitable options for the client.

This leads to common questions regarding investments – How is the portfolio diversified? What type of investments are utilized and how is investment research conducted? With McShane Partners in-house investment team dedicated to research, portfolios can be tailored to meet individual needs while taking advantage of changing market conditions. Understanding these questions highlights the personalized investment management strategy versus broad mutual fund index investing.

While investments are a main factor of the equation, financial planning also plays an integral role in comprehensive financial planning. When determining an advisor, it is important to ask what type of planning is offered and what is included in the management fee. Along with retirement planning, what about education, tax, and estate planning? We feel it is important to maintain and review all aspects of a financial plan annually to ensure financial goals are on track.

We recognize that finding the right team to manage your future can be challenging. These questions can serve as a starting point to uncover the ideal solution for you.

2024 McShane Partners Holiday Office Closures

Monday, Jan. 1	*New Year's Day*
Monday, Jan. 15	*Martin Luther King, Jr. Day*
Monday, Feb. 19	*President's Day*
Friday, March 29	*Good Friday*
Monday, May 27	*Memorial Day*
Wednesday, June 19	*Juneteenth National Independence Day*
Thursday, July 4	*Independence Day*
Monday, Sep. 2	*Labor Day*
Thursday, Nov. 28 & Friday Nov. 29	*Thanksgiving*
Wednesday, Dec. 25	*Christmas Day*

Around McShane Partners

CFA Society North Carolina

McShane Partners was a table sponsor for the Annual Outlook Dinner. The Annual Outlook Dinner is the premier event hosted by CFA Society NC, bringing together over 350 of North Carolina's leading investment professionals and key decision makers. The theme was "A View From Washington". Key note speaker was Libby Cantrill, CFA who is the managing director in PIMCO's portfolio management group. Libby shared PIMCO's outlook was we head into the 2024 election, expectations for the policymaking environment, and importantly, the potential impact of politics on investment portfolios and the economy. If you wish to know more about the presentation please reach out to Elliott Van Ness, Jon Michael Morgan or Becky Hoover.

CFA Society North Carolina

New Year, New Restaurant

Daniele Donahoe, Sandy Carlson and Elliott Van Ness had an opportunity to celebrate the new year while supporting the local restaurant scene in Charlotte with dinner at L'Ostrica. The elegant six course dinner was also paired with wine. All of the food served was sourced from multiple local farms. L'Ostrica is a new tasting menu restaurant and chef's market near Montford. It has a seasonal tasting menu and craft cocktail program. This started off as a catering business for two years prior to becoming a permanent space. There is an open kitchen that seats 38. The Chef's Market is stocked with an assortment of dips, salads, pastas, entrees and more. Many come ready to eat and the rest are designed to help you easily create a restaurant-quality meal-without all the prep.

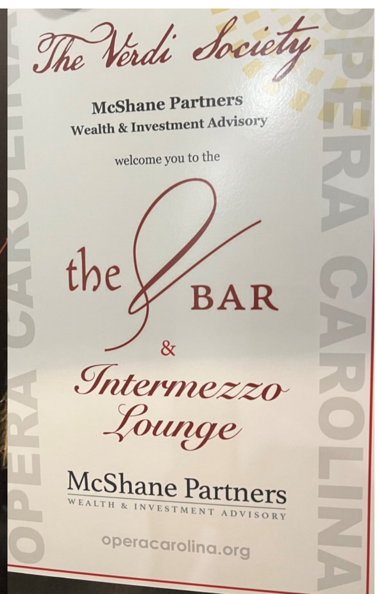
Baby Vaudrin is Here

Ryan and Sonja Vaudrin are new proud parents to a beautiful daughter. Analie Della Vaudrin was born on January 7, 2024. She is 20 inches long. She was born weighing 6 pounds 11 ounces. Ryan and Sonja were very happy considering that Analie was only 36.5 weeks. Everyone is doing great and Ryan thanks everyone for the support.

Around McShane Partners

Opera Carolina—Madame Butterfly

McShane Partners was once again a Platinum Circle sponsor of Opera Carolina's performance of Madame Butterfly. As written by Maestro James Meena, this opera is a period piece that tells us a great deal about people, and the times in which the story was written. It was written in 1904 about the life of a geisha in 1900 Japan. The story is one of societal biases that present obstacles. There may not have existed a real Madame Butterfly however the story dates back to 1616. The story was written as a short story in 1898 by John Luther Long, a Philadelphia lawyer. The story was soon turned into a play by the playwright David Belasco. Giaccomo Puccini saw the play in London in the summer of 1900 and was inspired to create the opera of the same name. The premiere of the opera in 1904 at La Scala was a fiasco. The opera went through three revisions until it was successfully reintroduced in the form we know it today.



Female Financial Empowerment Series Tax Basics

February 6th
5:00 - 7:00pm

5:00 - 5:30 for Networking & Socializing

5:30 - 6:30 for Presentation & Discussion

6:30 - 7:00 for Q&A

2150 Park Dr.

Charlotte, NC 28204

RSVP: TSTRICKLER@MCSHANEPARTNERS.COM

In our Tax Basics discussion we will overview the US tax structure including ordinary tax rates, capital gains tax rates, and how the estate gift tax works.

Bring any questions!

McShane Partners

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

2150 Park Drive
Charlotte, NC 28204
Phone: (980) 585-3390
Fax: (980) 265-1274
Email: mcshane@mcshanepartners.com