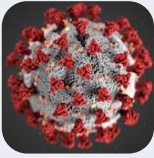




▶ ASK CADENCE: YOUR LATEST QUESTIONS ANSWERED..... 1-3



▶ THE OVERLOOKED AND MISUNDERSTOOD DETAILS OF ESTATE PLANNING.... 3-6



▶ A MESSAGE ABOUT COVID-19 AND YOUR HEALTH 7-9

Cadence *clips*

FOCUSED ON WHAT MATTERS MOST.

Ask Cadence: Your Latest Questions Answered



Now that the Democrats have control of the Senate, what does that mean for markets?

If there's one thing that happens in spades these days, it's applying a narrative and politics where they don't necessarily belong. Whether it's Covid-19, income inequality, or markets, everybody has their opinions, us included; but politics rarely has the influence over these larger issues that people think. The reason? Money and wealth are agnostic to political affiliation and the reality is, money and wealth are key drivers and contributors to the issues of the day, the financial markets being no exception. You may recall reading in a recent Clips piece about how the top 1% of wealth holders in the U.S. own over 30% of the assets, more than the entire 50-90th percentile group. Many of those in Congress are part of this group, both on the Republican and Democrat side. They receive input and pressure from corporate lobbyists who relay the desires of corporate executives, who are also part of the 1% and are also both Republican and Democrat. Neither political group is interested in having their financial assets decline in value. It's the top 1% who

drive policy that is supportive of financial markets, not Republicans or Democrats. If there's one thing we could all do a better job of, it's not bringing politics and ideology into every debate. (More on that in our message about Covid-19 and your health.)

In short, the markets will do what they have been set up to do. Valuations have never been higher, interest rates never lower (broadly speaking), and we're currently seeing euphoria in parts of the financial markets that is unprecedented. What this means is that for the time being, financial markets have never been in better shape. At some point, and most likely sooner than later, that will all change significantly and most likely spectacularly. We're not trying to be hyperbolic here, it's just empirically customary for financial asset prices that are this expensive and over-extended to get cheaper quicker rather than slower. When a stilt walker trips, he or she doesn't fall to the ground gently. Whether this happens under a Democratic president and Democratic majority in Congress has less to do with all of them than it does the last few administrations in unison with all those driving policy at the top of the wealth pyramid.



Is it a busy time for Cadence now with all of the chaos? Are you getting a lot of calls? What's the mindset of other clients?

Around this time a year ago, we were hearing of a mysterious respiratory virus that seemed to be centered in Wuhan, China. Little did we know that just two months later, beginning in mid-March of 2020, we would be working mostly remotely from home and holding video meetings with our clients. With the pandemic still raging on, there is finally some light at the end of the tunnel approaching with the Moderna and Pfizer vaccines rolling out and possibly another single shot vaccine from Johnson and Johnson adding more doses to the mix. We hope to be back in the office seeing clients in person on a regular basis again soon.

So have we been busy with all the chaos? Are we getting a lot of calls?

We'd say not more than usual, especially given the pandemic and all of the 2020 election noise. We had clients positioned well heading into the pandemic and our investment and planning process have allowed us to address our clients' needs to make sure their goals are still on track, even given all that's happened. Cadence also invested a lot in technology and IT before 2020 began so when things started getting serious last March and the lockdown happened, we were able to seamlessly transition to working remotely without missing a beat. Since we were considered essential workers by the state, we always kept at least one person in the office to handle mail, calls, and process any paperwork. Now ten months in, we have more people socially distanced in the office each day, but again are prudently waiting for the vaccine situation to play out before we have everyone transitioning back to the office on a full-time basis.

What's the mindset of other clients?

To generalize, clients have been pleasantly surprised by how well their portfolios have held up through 2020's chaos and we feel good about being able to provide a measure of consistency and normalcy to their finances through everything this past year. The latest question people have had is what is our outlook for 2021 and where are we headed with the new administration. We'll save the answer to that for question four below.



How's Cadence doing? How have you weathered 2020?

As a firm we are doing very well and have been growing steadily through client referrals and the accumulation of additional assets under management. Our goal is not to be the biggest but we strive to continue to bring you the highest level of service and attention to detail that you may not find with the larger, traditional firms. Our average office age also skews younger than most firms of a similar size, so especially with all of the technological challenges of working remotely in 2020, we believe that gave us an edge in navigating the turmoil too. So in summary, we hope to be back to 'normal' soon but have the confidence that if the pandemic drags out a little longer, we are well positioned to not skip a beat!



Are you optimistic for 2021?

Yes. 2021 has the potential to be a very interesting year for a host of reasons. First, the risks and uncertainties:

- Covid-19 – We just don't know how quickly the majority of people will get vaccinated and subsequently get back to a more normal existence. In addition, there are unknowns in terms of new variants and the effect they will have on the number of infections and severity of illness. Most are assuming that some semblance of normalcy will return for the second part of this year, but we just don't know how the course of events will play out between now and then or how human behaviors will change even if the threat of Covid is largely behind us at that point.
- What will happen with respect to the near 20 million people who are currently unemployed and in need of government assistance? How many of these people will find work in the coming months as the economy attempts to recover?
- As we've written about, the re-acceleration in both economic growth and inflation has momentum from base-effects through the first half of this year; it will be easier to grow as we progress to that point from where we were a year ago. By about mid-year though, that tailwind switches directions and has a dampening effect on growth and inflation. Comparisons become more difficult which means that all else being equal, growth and inflation should slow, and in turn provide less support for financial markets; which like a boulder perched toward the top of a steep hill, need all the support they can get.

Now the positive:

- Commodities are very cheap relative to financial assets and provide an alternative. The accelerating growth and inflation cycles in the first half of the year should be supportive of commodities broadly speaking just as they have been over the last few months.
- So long as one isn't overly exposed to the financial assets that are most overvalued at the wrong point in the cycles (most likely mid-year based on what we see at the moment), and has exposure to those asset classes that hold up relatively better in decelerating cycles, there's a good chance risk can be managed and losses mitigated if financial markets get messy. As seasoned investors know, the goal in down markets isn't to avoid losses entirely, but to lose less and preserve as much capital as possible so that one can take advantage of subsequent opportunities. With good management of the cycle, asset class selection, and risk management, there's no reason to believe 2021 can't be a successful year.

The Overlooked and Misunderstood Details of Estate Planning

Emotionally processing the death of a loved one, especially a partner, is difficult enough without the added stress of managing financial and other affairs after death. There are a lot of details to manage in the most common and stable situations, which can easily multiply due to past divorce or same-sex marriages, or any other situation for which existing laws and paperwork do not make things easy. There is much to think about, plan for, and manage before and after someone dies, and we have listed some of the things that we see frequently

and that some of our recently widowed clients graciously shared with us so that others may have an easier time should they find themselves in a similar situation.

Every situation has its own special details, so we were not able to create an all-inclusive list of items to help prepare you for every administrative and other need that may arise upon someone's death. However, these items are frequently either overlooked, misunderstood, or just generally not known, so please consider whether

or not your current estate plan needs attention before it becomes impossible to change. Though we see a lot of different scenarios, we are not ourselves estate planning attorneys and we do advise discussing the appropriate items with an attorney before making certain decisions.

Details others should know to make things easier down the road:

- Make sure the appropriate person or people can find your legal documents, as well as contact your financial professionals.
- Would it make sense for someone else, like your intended executor/executrix or a close relative, to have a copy of your wills and trusts?
- Make sure if you have prepaid for any burial or other services that someone else knows, or that information will be available for the right person at the proper time.
- Make sure any burial wishes are easy to find and execute in a timely manner.
- Make sure there are instructions on what to do for regular household maintenance items, like dealing with fuse boxes, furnaces, or anything else someone else would have to start caring for were the primary person who deals with those items in the house to die.
- Make sure someone can log on to social media or other online accounts and close them down in the event of a death.

Administrative details that will make things easier down the road:

- Access to safe deposit boxes can be limited after death; if possible, make sure more than one person has legal access to them at all times.
- If you've done the work to create a trust or multiple trusts, make sure that trust is either the owner or beneficiary of the proper assets; the trusts will not work as intended if paperwork is not executed connecting the trust to the assets.
- Choose the executor or executrix of your estate wisely; that person will have a lot of paperwork to sign and a lot of details to manage.
- Consolidate the number of accounts you own and institutions you deal with if possible; every account will need paperwork to process the estate wishes after death, and every institution has its own forms and processes.
- Federal estate tax exemption limits are relatively high, but many estates may still be subject to state estate taxes, and in some states outright inheritance taxes, without proper planning.
- Remember, wills do not avoid probate, and most trusts do not avoid estate taxes.

Administrative details to make sure the right people will receive the right assets after death:

- Check the beneficiaries of all your accounts, insurance policies, and wills and trusts periodically; with divorces, deaths, and other life events, your beneficiaries may change over time but those listed on your accounts at time of death will be the ones to receive the assets.

- ➔ Beneficiaries named on accounts will take precedence over those named in trusts, and those named in trusts will take precedence over those named in wills.
- ➔ If at all possible, identify beneficiaries by social security numbers, especially on account paperwork.
- ➔ Though less common now, it used to be very common for beneficiary paperwork to allow you to choose “living, lawful children” without identifying them by name. Make sure if you have selected this anywhere it accurately describes who should receive your assets upon death. We have seen situations where a client would not consider someone to be their child, but the laws of the state they live in would and they therefore would receive a portion of those assets.
- ➔ The difference between “per stirpes” and “per capita” beneficiary designations matter in the event all primary beneficiaries predecease an account owner. For example, “per stirpes” means the children of deceased primary beneficiaries would split their parents’ share among themselves, allowing for an uneven distribution among secondary beneficiaries if one deceased primary beneficiary has two children and the only other primary beneficiary is also deceased and has four children. In this case the first two grandkids would split 50% between them for a 25% share of the total, whereas the other four grandkids would split their 50% for a 12.5% share of the total. On the other hand, “per capita” would have ALL secondary beneficiaries of deceased primary beneficiaries receiving equal shares, so in the case above all six grandchildren would get 16.6% of the total. Fully explaining these designations would require more words than this article allows, but use this as a catalyst for making sure that in the unlikely event all your primary beneficiaries predecease you, that your secondary beneficiaries will be receiving what you would want them to.
- ➔ When should you consider a trust? There are many reasons people use trusts to dispense of their assets, and this list is not all-inclusive, but these are some of the common reasons we see:
 - You want to protect those assets from beneficiaries’ creditors.
 - You want to make sure your assets would go to your grandchildren instead of to your son or daughter’s potential ex-wife or ex-husband.
 - You have a special needs beneficiary and would need someone to help manage the assets, especially around securing government benefits or long-term care.
 - You have minor beneficiaries and need to identify the proper person to manage the assets for them, as well as to dictate when they can have access to what they’ll inherit.
 - When you do not think one or more of your beneficiaries should have access to all the assets immediately.
 - In general “have a trust if you don’t trust”, even if there are not substantial sums involved.
- ➔ Make sure your wills and/or trusts are up to date, especially regarding the disposition of personal items.
- ➔ Should a trust be the beneficiary of your IRA or other retirement accounts?
 - It may be a good idea if you want to protect the assets from the scenarios mentioned above, even if the protection only lasts up to ten years at this point.
 - It may not be a good idea if you do not have any special needs for post-death protection or control as your trusts will be exposed to accelerated income tax tables and potential on-going extra expenses like separate tax return preparation, among other extra on-going administrative needs.

- Remember, it's not enough to have created a trust; the trust has to be the owner or beneficiary of the assets to actually work.

Items to consider to make sure those who would need access to cash after someone dies has it:

- Do you have a situation where someone's credit cards are only add-on cards to someone else's accounts and that person would lose the use of all his or her cards upon the primary credit card owner's death?
- What bills, if any, are being paid automatically every month through a connection to a credit card, debit card, or bank account that may be frozen when someone else dies?
- Would a survivor or executor/executrix not have access to enough cash while accounts remain frozen upon death and before any life insurance benefits can be paid?
- Life insurance is a good idea to provide for cash needs if the majority of someone's assets are relatively illiquid, like real estate.

A partial list of administrative items that will need to be managed and processed after someone dies:

- Ask to see a draft of the death certificate and any death announcements; errors are common.
- Even if a decedent's assets all pass to a surviving spouse, you will still need to file an estate tax return.
- Vehicles in the decedent's name will need to be retitled.
- Social Security and medical coverage entities will have to be notified.
- If the deceased had an auto lease, what are the terms, and do you have the option of continuing it or buying it out?
- For deaths that occurred in 2019 or later, non-spouse beneficiaries of retirement accounts must fully withdraw any and all assets from the accounts within ten years.
- Although the assets in a joint account, including a joint trust account, will not be frozen due to the death of one of the owners, the surviving owner will still need to complete paperwork that will put those assets in just his or her name, otherwise the account custodian would still need to have the deceased person sign any account related paperwork going forward, which of course would not be possible.

There is much to think about and address before and after someone dies, and what we have included is only a partial list of those items. Although we could not identify every last detail, we do hope that reviewing these items will allow you to take action that would make things easier in what is usually a very emotional time. Although the suggestions we received from clients were all different, one universal recommendation was to utilize hospice services should your situation need and allow it. We and other professionals are willing and able to help in these difficult times, but the more work you do ahead of time, the less help your loved ones may need, and the more likely what you have worked a lifetime to accumulate will go to those you want it to.

A Message About Covid-19 and Your Health

One of the reasons we formed Cadence in 2010 was because there were conflicts of interest all around us in our old world and limitations on us that we felt impacted our ability to serve our clients as well as we wanted to. To be clear, conflicts of interest don't always lead to actions that aren't in the best interest of those on the receiving end; but they could and frequently do. As the great investor Charlie Munger once said, "show me the incentives and I'll show you the outcome". As we saw in our old world, and see in corporate America every day, the bottom line (especially for public companies) drives incentives, which drive behavior, which in some cases, is in fact to the detriment of clients and customers. We are free of such conflicts of interest at Cadence and are also free to speak what we perceive as the truth. Our readers know that the things we've discussed over the years relating to central banks, financial media messaging, and the dirty side of unfettered short-term focused capitalism wouldn't be well received if we were employed by someone whose bottom line depended on unsuspecting investors continuing to buy products and securities that were destined to fail them over time. Our priority is our clients; we serve only them.

All that said, we've made it a priority to understand Covid-19 and its impact on the economy, markets, and our health to the best of our ability. What we've learned over the months is that just as in our industry, and every other profit-driven industry out there, there are conflicts of interest in the health care industry as well. Again, this doesn't mean that those conflicts result in bad behavior, but as Mr. Munger would say, it wouldn't be at all uncommon for them to steer us toward a certain outcome based on the incentives at work. Pin that thought for a minute.

Although some may still dispute it, Covid-19 is clearly serious. Many have died and countless others are struggling with chronic symptoms long after recovering from more acute illness; "long-haulers". Most of us know people who have either died, been sick or have been affected financially because of this disease. The full and total impact on all of us has been undeniable and we're not out of the woods yet.

What makes Covid-19 so challenging is that it is unpredictable; it hits everyone differently. We know it discriminates against those who are older and those who have comorbidities. Most of those younger and relatively healthy should fare well and do; but not all. There are plenty of cases where young healthy people develop very serious illness; some with trouble breathing, others with clotting issues or organ failure, etc. The fact that Covid-19 is so erratic and unpredictable is part of what makes it so frightening to most of us. You just don't know how it's going to affect you, or worse, a loved one.

We're not doctors, don't claim to be, and in no way are we giving medical advice. One of the things we've found in educating ourselves about this disease is that there have been some interesting observations and studies around po-

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tential therapies for Covid-19, but they haven't made their way into the conversation. Vitamin D and Ivermectin are the two therapies we're referring to. We all know about Vitamin D and the role it plays in keeping our bones healthy, but apparently it seems to play a role in inflammation within the body. There's some data out there suggesting that deficiency may be linked to more severe Covid-19 cases. Without proper study of Vitamin D and Covid-19, it's hard to determine cause and effect. This aside, Dr. Fauci in an interview with Jennifer Garner seemed to have no problem suggesting that he's taking it and would recommend others do as well. Again, we're not doctors, but we are genuinely curious why there isn't more discussion about how something in almost everyone's medicine cabinet may or may not be able to help people. Why should those lucky enough to be listening to Jennifer Garner's podcast be the only ones to hear this message from a public health authority?

As it relates to the other therapeutic, Ivermectin, we'd recommend everyone visit the website [covid19critical-care.com](https://covid19criticalcare.com) to learn more about the more than 30 clinical trials and handful of randomized trials conducted in recent months. The Front Line Covid-19 Critical Care Alliance (FLCCCA) is a group of clinical doctors who are trying to increase awareness around this particular drug that they believe is effective in treating Covid-19 at almost every stage of illness. They have recently succeeded in getting the National Institute of Health (NIH) to change their opinion of Ivermectin from advising against its use in treating Covid-19 to no opinion. This may not sound terribly compelling, but when viewed within the context of incentives and potential conflicts of interest, it seems fairly significant to us. Ivermectin is a generic drug (limited profit) that's been around for decades. It's safe and has been used by hundreds of millions of people to treat parasitic infections. It is not an antiviral, but an anti-parasitic with apparent anti-inflammatory properties. Since late August 2020, the NIH advised against its use on the grounds that it can't provide anti-viral effects at safe dosing levels. This is a bit odd since Covid-19 is a disease of inflammation; the SARS-CoV-2 virus ultimately causes an inflammatory response throughout the body that ravages the organs. Preventing severe illness is all about controlling that inflammation.

With that in mind, it makes sense to us that two weeks ago after being confronted with the large number of trials worldwide by the FLCCCA, the very odd position against the use of Ivermectin by the NIH was taken down. The issue now as outlined in their response to the FLCCCA is that the trials that have been conducted to date are too small and lacking in quality. Fair enough. What this leaves us wondering is this: If we have compelling data (more than 30 trials and a good amount of observable data worldwide) to suggest something might be effective in saving lives and that something is known to be very safe and low risk, why aren't we hearing more about it? Why aren't health officials in the developed world jumping at the opportunity to learn more about this? Why aren't we treating people with it given the favorable risk/reward until the hard science catches up? In short, it seems odd that something that appears to be working so well in other parts of the world in saving lives is being treated with such lack of enthusiasm here at home. Politics? Maybe partly. But we'd guess Mr. Munger may have something to say about it.

Again, we're not doctors; please don't take any of this as advice. Everything we mentioned can be learned by anyone with a quick Google search. We just wanted to take the opportunity to make you aware of some of the things we've come across that have promise and have gotten our attention. We really do have to be advocates for our own health today. Please take the time to educate yourself and draw your own conclusions. We don't know with certainty if Vitamin D and Ivermectin are effective therapies in treating Covid-19. Without properly conducted trials that we do ourselves here in the U.S., we can't know for sure. The point we're making is that there appear to be data that should compel public health officials to provide basic guidance around the easily accessible Vitamin D and to treat Ivermectin with more urgency. The data also appear compelling enough to drive cost/benefit decision-making amongst doctors and we as individuals. If it could help and doesn't carry much risk, then...

In the meantime, we have much to be optimistic about as it relates to the vaccines that are coming. The science behind them is truly astounding and has the potential to not only protect us against Covid, but other horrible diseases as well. This is good. Our scientific community is amazing. It's important to remember though that battling diseases typically involves a combination of therapeutics and vaccines. It's not one or the other and our guess is that once there's some confidence that the vaccines are on track toward getting into all of our arms, proper attention may finally be placed on the basic blocking and tackling; the less profitable therapies. Please read up, stay safe, and be the biggest advocate for your own health. Being informed truly is half the battle these days.

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