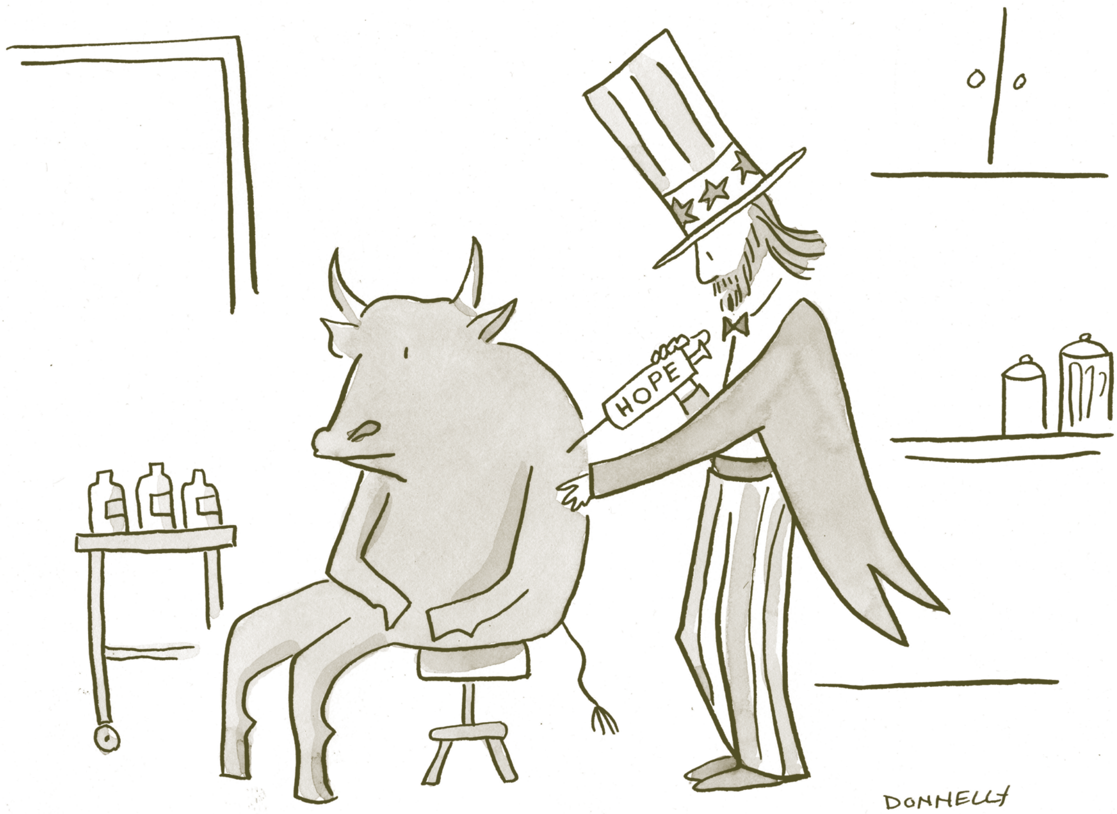
INVESTED

SEMIANNUAL FINANCIAL PERSPECTIVE FROM RMB CAPITAL / SUMMER 2021



TURNING THE CORNER

RMB CAPITAL

UPDATES ABOUT OUR BUSINESS

RMB named three new partners for 2021: Thomas Fanter, Laura Flentye, and Dan Matola, CFA. We now have a total of 26 partners among our employees and board of directors. “We rely on our partners to provide insightful perspectives, offer consistent leadership, and serve as role models for the rest of our employees,” said Dick Burridge. “Coincidentally, Tom, Laura, and Dan each joined us about four years ago. It is a testament to their work ethic and the meaningful contributions they have made to the firm over that time that they were invited to join our team of partners in 2021.”

Early this year, Michele Francisco and Seth Davis were both promoted to senior management roles in our client services arm. As chief client officer, Michele now oversees client services for all of wealth management, family office services, and retirement plan solutions. Seth was promoted to managing director of wealth management, overseeing our 25 wealth advisors across eight wealth management offices nationwide. “Both Michele and Seth have spent their time at RMB being laser-focused on client service, striving to provide an outstanding experience for our private clients. Michele was a natural choice to oversee our client service efforts due to her success leading wealth management and her experience with managing some of our largest and most complex clients,” Dick Burridge said. “During his decade with us, Seth has shown tremendous leadership in helping to grow our wealth management business while upholding our high standard of service and mentoring his colleagues, and we are thrilled for him to guide our wealth management team into the future.”

HollyFrontier, our largest client in the RMB Retirement Plan Solutions practice, was recently recognized by PLANSPONSOR for having a Best in Class 401(k) Plan. The 2021 list of Best in Class 401(k) Plans highlighted 20 firms that “have always been ‘leaders’ in taking on plan design features that contribute to positive plan and participant outcomes,” according to Brian O’Keefe, vice president of research at PLANSPONSOR. The 20 honorees were selected from a list of 2,825 401(k) plans that responded to the 2020 PLANSPONSOR Defined Contribution (DC) survey. We are proud to serve as HollyFrontier’s co-fiduciary investment advisor!

The Global Economic Recovery Gains Traction

Early March marked one year since the World Health Organization's declaration of the COVID-19 pandemic. Now, the economy is recovering as vaccine distributions have exceeded expectations thus far for the year. At the end of May, about 41% of the U.S. population had received both doses of the COVID-19 vaccine, and over 50% had received at least one. Other key drivers in the progression of the U.S. economic recovery are the proposed fiscal and monetary policy plans from President Biden that were announced in the first quarter. The hope of future stimulus has boosted investor and consumer confidence.

Small companies were among the best performers during the first half of this year. There was also a significant shift with value stocks outperforming growth stocks. Many struggling investment classes and sectors were able to outperform as the economy started to pick back up again. The energy sector was the best performer, followed by the financial sector. Equities outside the U.S. trailed during the first half of the year. The forward 12-month P/E ratio for the S&P 500 Index remained high, signaling that stocks are still well above average valuations. The bond market was unusually weak for the first half of the year amid rising interest rates. The rise in rates was the most significant move since the start of the pandemic, and as these interest rates rose, bond prices dropped. With this, inflation expectations have also increased.

We will continue to position our portfolios for higher inflation, but we believe it will emerge in fits and starts over the next few years. Also, as inflation becomes more widely anticipated, asset prices will increasingly reflect that expectation. As a result, the potential gains of investing according to this belief will decrease, while the associated risks will increase. It is worth noting that inflation becomes likely only if monetary and fiscal stimuli continue consistently, which takes time. With this in mind, investors should focus on maintaining diversified portfolios of investments that anticipate a broad range of outcomes.

Earnings

Corporate earnings are projected to grow this year given the improving economy and the reopening of businesses. As economic activity picks up and consumer confidence increases, earnings are likely to keep gaining momentum.

Valuations

U.S. stock prices remain high. With market growth continuing to reach new highs, stocks do not appear cheap, given that forward 12-month P/E ratios are well above their 5-year and 10-year averages. »

Consumer Confidence

Overall, consumer confidence remains low but is starting to gain some momentum with the vaccine distributions this year. Additionally, the anticipation of further fiscal and monetary policies could boost consumer confidence.

Business Confidence

Business confidence is improving with the reopening in the U.S. and exceedingly productive vaccine distribution. Even so, while many restrictions have been lifted, some businesses remain unable to work at full capacity.

Monetary Policy

Short-term interest rates remain at nearly zero. The Fed has released a series of sizable programs to support the functioning of financial markets and the flow of credit, and it plans to continue to do so in the near term.

Fiscal Policy

Fiscal policy is providing trillions of dollars to support the U.S. economy during this time of instability, with talk of more to come. While helpful, repeated stimulus has longer-term economic consequences like ballooning federal deficit and the potential for higher tax rates.

Credit Conditions

Credit conditions have been improving for corporations and consumers. There is an expectation of a rebound as we progress through the year. Consumers can anticipate having more access to credit than was available during the pandemic.

Volatility

Volatility has declined this year, although there are pockets of high volatility in various market segments. Overall, the economic recovery has aided in the steady stream of performance in the markets. ■

Index Descriptions

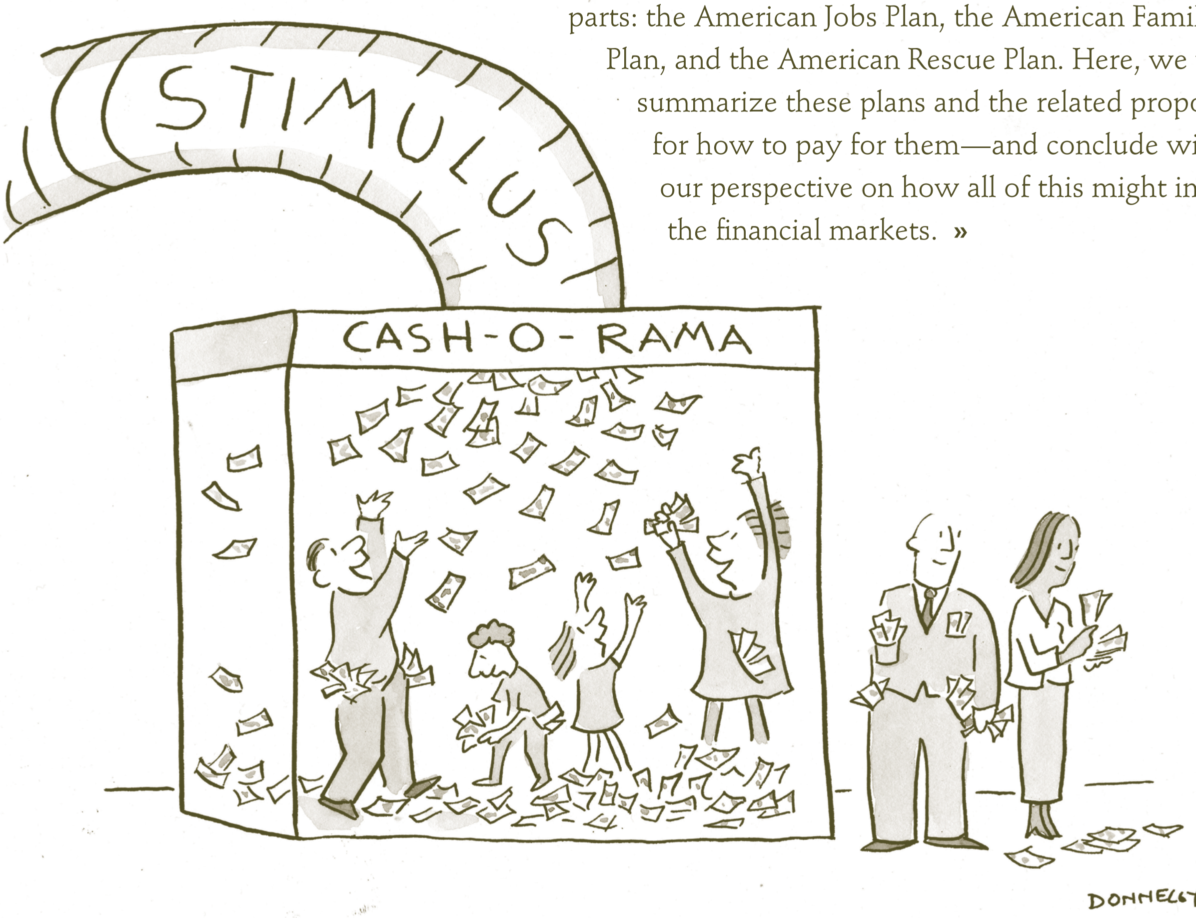
- The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

BY **Samantha Green,** Investment Associate
and **Ann Guntli, CFA,** Portfolio Manager

POST-PANDEMIC RECOVERY:

Build Back Better Plan & Potential Tax Implications

The past 15 months have brought many surprises and challenges. In response, the federal government provided exceptional financial support for the U.S. economy with trillions of dollars in aid and stimulus that was distributed to American businesses and households. While this stimulus helped many, it also has longer-term consequences for the economy as it relates to the ballooning federal debt, the potential for higher inflation, and the impact on monetary policy, including interest rates. Even in the face of these concerns, the Biden administration is pushing for additional support via the Build Back Better Plan. This plan is broken into three parts: the American Jobs Plan, the American Families Plan, and the American Rescue Plan. Here, we will summarize these plans and the related proposals for how to pay for them—and conclude with our perspective on how all of this might impact the financial markets. »



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The American Jobs Plan: Infrastructure Spending and Job Creation

At the end of March, President Biden announced a $2 trillion spending plan for infrastructure and U.S. employment support, known as the American Jobs Plan. Beyond its focus on creating a clean-energy workforce and generating jobs in both manufacturing and caregiving for the elderly and disabled, this plan includes projects such as repairing roads and bridges and rebuilding schools and hospitals. Should this plan pass Congress, the largest portion of it, $650 billion, will be put toward American homes, schools, and commercial buildings. Another $621 billion will be used to rebuild the transportation infrastructure. And $400 billion is earmarked to support higher-quality housing and care of the elderly and people with disabilities. The remaining $300 billion will be put toward manufacturing, including research and development.

To generate funding to pay for the proposed infrastructure spending, the president also announced the Made in America Tax Plan. The objective of the tax plan is "to fix the corporate tax code so that it incentivizes job creation and investment here in the United States, stops unfair and wasteful profit shifting to tax havens, and ensures that large corporations are paying their fair share."[1] According to the U.S. Treasury, the Made in America Tax Plan includes the following proposals:[2]

1. Raising the corporate income tax rate to 28%;
2. Strengthening the global minimum tax for U.S. multinational corporations;
3. Reducing incentives for foreign jurisdictions to maintain ultra-low corporate tax rates by encouraging global adoption of robust minimum taxes;
4. Enacting a 15% minimum tax on book income of large companies that report high profits but have little taxable income;
5. Replacing flawed incentives that reward excess profits from intangible assets with more generous incentives for new research and development;
6. Replacing fossil fuel subsidies with incentives for clean-energy production; and
7. Ramping up enforcement to address corporate tax avoidance.

The American Families Plan and The American Rescue Plan: More Aid to Families

In addition, the plan will include provisions for housing incentives by increasing resources through the Low-Income Housing Tax Credit.

The president has also introduced a $1.8 trillion spending plan, the American Families Plan, to help American families and children by investing in education, providing support to children and families, and extending tax cuts to these families. The plan is broken down into two parts: $1 trillion in investments and $800 billion in tax cuts for American families and workers.[3] A hope is that this plan will also result in a long-term boost to economic growth.

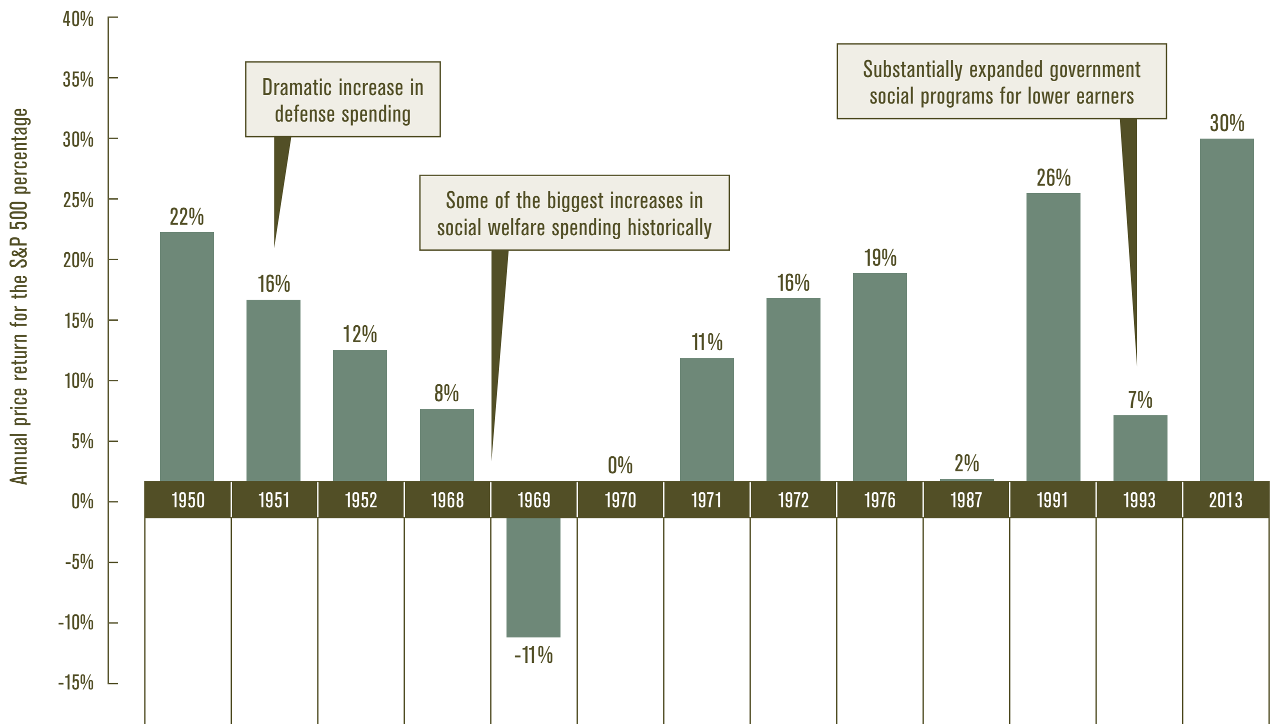
While the American Jobs Plan is proposed to be funded by a hike in corporate taxes, the American Families Plan will be supported by a tax increase on high-income individuals, specifically those earning more than $400,000 a year. Additionally, the Biden administration has proposed a capital gains tax increase on the top 1% of taxpayers, those making over $1 million a year.

Biden's American Rescue Plan was signed on March 11, 2021, and so far is the only plan that has been enacted. It is most known as the third direct-to-taxpayer stimulus (since the onset of the pandemic in March 2020) for lower- and middle-income families and workers. It aims to provide approximately 161 million payments of $1,400 per person in American households.[4] It will also provide additional support for food aid, expand the Child Tax Credit, and help struggling schools and small businesses. »

Market Impact of Potential Tax Hikes

In general, expansionary fiscal policy is positive for the market, except when tax burdens are too high. With the proposed increased taxation of corporations, earnings estimates could be negatively impacted. However, market returns have not always followed in line with tax rates. Looking back on the past 70 years (Exhibit 1),[4] the S&P 500 Index had higher-than-average returns in years when tax hikes were implemented. In particular, the 1950s had some of the best returns, even though the wealthiest American households were subject to a high marginal tax rate. But, when taxes were low in the 2000s, the markets experienced two of the largest collapses. This is not to say higher tax rates do not pose a threat to the markets, but the degree to which they will have an impact remains in question and is likely to be limited. »

EXHIBIT 1 TAX INCREASES THROUGH THE YEARS



Tax rate increase in:		1950	1951	1952	1968	1969	1970	1971	1972	1976	1987	1991	1993	2013
	Personal	✔	✔	✔	✔	-	-	-	-	-	-	✔	✔	✔
	Corporate	✔	✔	✔	✔	-	-	-	-	-	-	-	✔	-
	Capital Gains	-	-	-	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔

Sources: Haver/FMR

Future Implications and Planning

We do not know if Congress will pass these plans, so it is unclear what concerns may arise. However, we are optimistic that the Build Back Better Plan could be helpful as long as personal taxes for the average American remain at low levels, which seems likely given that those impacted by the proposed tax hike would be investors and the significantly wealthy.

It is also important to note that not all investments will be affected by the tax hikes. We suggest not making any significant decisions while these proposals are still in their early stages and have not yet been approved. One area to continue to keep an eye on, however, would be growth stocks. With corporate taxes potentially increasing through the Made in America Tax Plan, earnings could be negatively affected, leading to a continuation of headwinds on growth stocks. We continue to believe it is essential to have a well-diversified portfolio to be prepared for whatever is to come next. ■

1 *The White House, "Fact Sheet: The American Jobs Plan," March 31, 2021, https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/.*
2 *U.S. Department of the Treasury, "The Made in America Tax Plan," April 2021, https://home.treasury.gov/system/files/136/MadeInAmericaTaxPlan_Report.pdf.*
3 *The White House, "Fact Sheet: The American Families Plan," April 28, 2021, https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/28/fact-sheet-the-american-families-plan/.*
4 *Fidelity, "History lessons from past tax hikes," April 13, 2021, https://www.fidelity.com/learning-center/trading-investing/tax-hikes-history.*

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BY **Haris Khan**, Analyst

INVESTING TRENDS

MEME STOCKS, DIGITAL ASSETS, AND SPACS

In an unparalleled year of disruption and shutdowns, distinct investing trends emerged amid the global pandemic. Three of note are the rise of retail investing and meme stocks, digital assets' entrance into the mainstream, and the resurgence of SPACs. Fads in investing come and go, from the Nifty Fifty in the 1960s and 1970s to the dotcom stocks of the late 1990s. So, what brought about the trends of today? The backdrop was one of unprecedented stimulus, changes in technology and market accessibility, and behavioral shifts during the pandemic. As we delve into these investing trends, we can see the marked influence of that backdrop on each. »

GameStop's Stock Increased 1,625% in January

The pandemic sparked explosive popularity of finance-related Reddit forums and Twitter threads, as many young people were out of work, underworked, or just stuck at home. Many such investors opened Robinhood accounts, followed Reddit pages, and invested based on momentum and camaraderie rather than fundamentals.[1] This group included swaths of investors who opened brokerage accounts for the express purpose of making bets on heavily shorted names such as GameStop.

Increasing income disparity and frustration over it provided motivation and set the tone for this frenzied buying activity, which was supported by the longer-term technology trends that enable broader availability of information and a greater ability for retail traders to organize. In many cases, stimulus checks provided the capital to put pent-up sentiments into action.

Taking a step back, stock fundamentals drive long-term valuations, while supply and demand drive short-term price movement. In the engineering world, "noise" is a form of interference that can modify or hide a meaningful signal. However, the noise around GameStop's 1,625% price increase in January 2021 alone had nothing to do with fundamentals. In fact, what started as a Reddit-fueled movement led to a Congressional hearing on the intersection of short sellers, social media, and retail investors.[2] Social media is not a new phenomenon, but the finance world was shaken by the extent of the coordinated mobilization that it facilitated. Investment professionals who had never heard of Reddit before certainly have now.

Fiscal and monetary stimulus, behavioral impacts of the pandemic, and new ways to organize created somewhat of a perfect storm. The prominence of meme stocks going forward remains to be seen, but we have strong conviction that, over longer periods of time, company fundamentals will outweigh short-term noise when it comes to setting stock prices.

The Digital Asset Market Hit $2 Trillion

Digital assets[3] are assets that exist entirely within computer networks and have no physical form. They are underpinned by a technology called blockchain, which can be thought of as a peer-to-peer system (as opposed to relying on a central authority acting as an intermediary) using cryptography (solving complicated mathematical puzzles) to validate transactions. The digital asset phenomenon was kicked off by a now-famous white paper written by a mysterious person or group of people named Satoshi Nakamoto called "Bitcoin: A Peer-to-Peer Electronic Cash System." Bitcoin has now grown to a trillion-dollar market cap, and hundreds of other digital assets have been created since.

While the technology is complicated and the whole phenomenon can seem overwhelming, a simple way to think of it is as the "internet of value." Since the internet was born in the 1970s, new protocols have been developed to transmit different things: FTP for files, SMTP for email, etc. While we have been able to shop online and send money to friends over the internet for decades, the internet has actually just acted as an interface—the actual transfer of value happens behind the scenes in the legacy financial system. Blockchain technology allows value to be transferred directly through a new computer network, with the promise of moving much faster and more cost-efficiently than it ever has before.

Different digital assets play different roles in this burgeoning system. Bitcoin, the original digital asset, is the market leader and has built a significant moat due to network effects, among other things. While even its use case is not entirely proven, it does have a firm grip as the main store of value, a "digital gold." Other digital assets are competing for other real-world use cases, such as lending or cross-border payments.

Though digital assets have been around for more than a decade, they moved firmly into the mainstream over the past year. The pandemic highlighted and exacerbated the financial disparity that exists in the world today, and the digital asset movement has an aspect of libertarianism, even anarchism, at its extreme. In addition, the extreme monetary and fiscal stimulus the government deployed during the pandemic induced fears of future inflation, and one promise of Bitcoin is as a store of value. »

Bitcoin has a known and finite supply built into its code, as opposed to U.S. dollars that can be printed in perpetuity. These factors, along with individuals sitting at home with more time on their hands to dabble in it, led to the huge rise in interest in digital assets we see today.

While the technology is promising and there is a large ecosystem of very smart people backing the efforts, we believe much of the digital asset market is still in early stages. Every day, as Bitcoin grows, the network effect creates a stronger and stronger case for its use as a "digital gold," if not for other purposes as well. There are indeed many parts of the legacy financial system that are ripe for technological disruption, but these emerging solutions are far from proven. As with any new technology or new industry, many if not most of the new entrants will ultimately fail. Further, serious questions surrounding issues such as ESG and government regulation and intervention are still unanswered. Digital assets have already gone through a number of boom-bust cycles, and we expect that to continue. While we believe this new asset class has the potential to play a meaningful role in the financial system of the future, we proceed with caution.

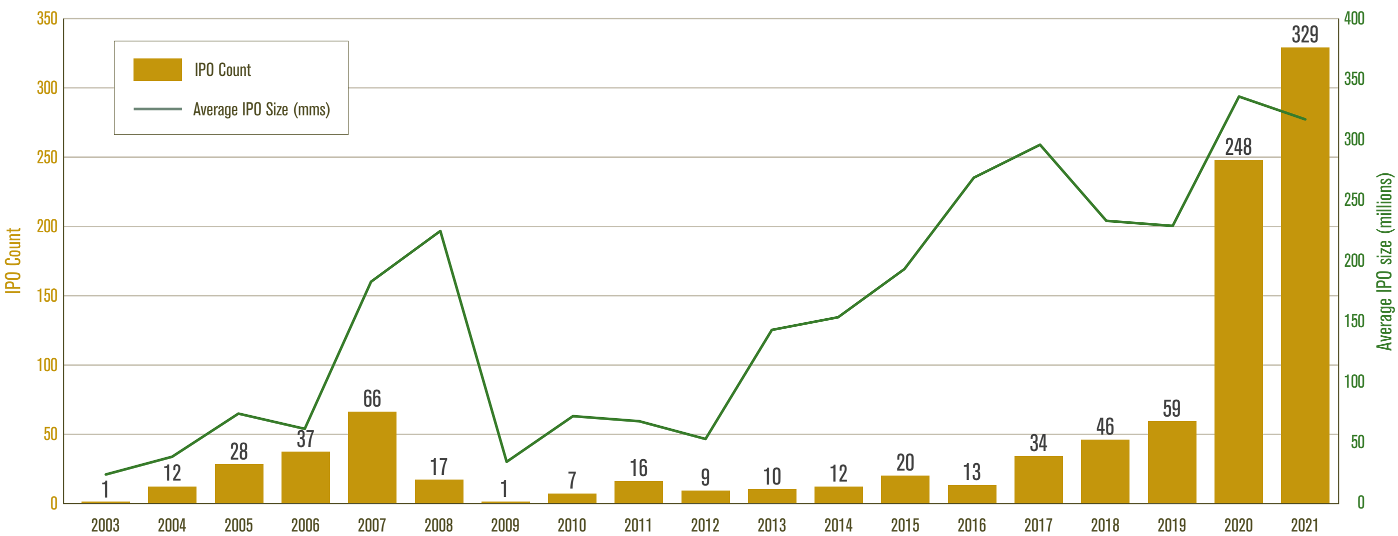
SPACs Are Over Two-Thirds of the IPO Market

Special purpose acquisition companies (SPACs), or "blank check" companies, are formed to raise capital through an IPO with the specific purpose of merging with a private company and thereby effectively taking it public. SPACs must first file with the SEC and publicly list their shares. As part of their structure, SPACs generally have two years to acquire a company or else must return raised capital back to investors. There are typically few constraints on the choice of target, lending opaqueness to what is a publicly available investment product. Two notable aspects of SPACs are their aggressive deal economics for SPAC sponsors and their role in enabling more companies to go public.

SPACs have had a colossal run in 2020 and 2021, in terms of both capital raised and the number of transactions. Many of the same factors that fast-tracked meme stocks and cryptocurrency drove the recent rise of SPACs. With retail investors devoting more time during the pandemic to new and speculative investments, SPACs garnered significant attention. SPACs were also popular leading up to the 2008 financial crisis, but then remained fairly dormant until the recent meteoric rise.

In 2020, 248 SPACs raised more than $83 billion with an average IPO size of $335 million (Exhibit 1).[4] Notably, there were more SPAC transactions in the first four months of 2021 than there were in all of 2020. Not only are a lot of SPACs raising capital and making acquisitions, but they »

EXHIBIT 1 SPAC IPO TRANSACTIONS BY YEAR



Sources: SPAC Analytics, RMB Capital; data through 5/26/21.

are also taking up more of the total IPO space: In the first quarter of 2021, SPACs represented 69% of the entire IPO market.[5] SPACs have existed for decades but have never risen to this level of prominence.

Many observers view the recent celebrity involvement in SPACs, including stars like Shaquille O'Neal and Alex Rodriguez, as a sign that the phenomenon has hit a crescendo. Institutional investors may be wary, but retail investors may more likely be drawn by the endorsements of household names. The SEC has taken notice, issuing an investor alert in March that cautions against investing in SPACs solely based on famous sponsors or investors. Attaching a famous person to a SPAC certainly makes headlines, which can be valuable for a public fundraise. The link between celebrity involvement and financial performance is less convincing.

"SPAC-mania" has been driven by sponsors and target companies seeking to tap into the surge of retail investors' demand. As with meme stocks and digital assets, recent monetary and fiscal policy has contributed to the rise in SPAC fundraising as money is loose. Part of the newfound popularity is also based on the lower costs and regulatory barriers for private companies to go public compared to a traditional IPO process. If sponsors cannot continue to get attention from retail investors, the surge is likely to slow.[6] The persistence of significant SPAC issuance will depend on several factors, including continued easy money conditions, the ongoing regulatory environment, and the longer-term fundamental performance of the companies that emerge.

SPACs, like meme stocks and digital assets, brought disruption to the markets during the pandemic, and it is unclear how long SPAC-mania will last. We believe evaluating SPACs on factors such as the underlying business and the management team is more advisable than casually embracing or rejecting the trend.

The Bottom Line

Recent investment trends stem from some common factors, in particular, advances in technology that create new ways for people to communicate and to access the markets, along with significant government stimulus and changes in behavior due to the COVID-19 pandemic. Aspects of these trends will eventually prove to be overhyped fads and will fall by the wayside, but not everything should be dismissed offhand. At RMB, we expend considerable effort separating meaningful advancements in technology and market structure from mania, and we believe elements of each of these trends may represent positive developments—from increased accessibility of markets to improvements in financial infrastructure. However, we also believe advancements in technology and extraordinary stimulus due to the COVID-19 pandemic have converged to take prices of some assets to levels based more on mania than fundamentals.

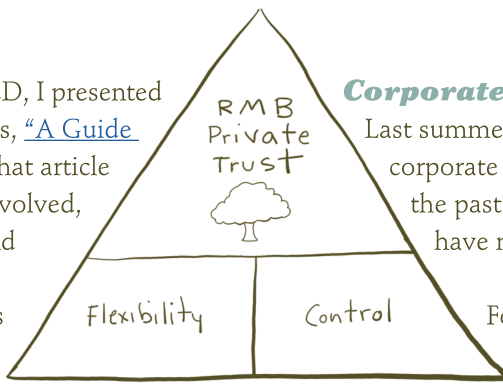
At RMB, we are long-term investors—aware of the noise but focused on the signal. Different investment fads come and go, and they reinforce our conviction to focus on fundamentals in our aim for outperformance over the long term. ■

1 *See our "Commentary: What to Make of the Recent Short Squeeze" for more on the gamification of trading and liquidity boom.*
2 *U.S. House Committee on Financial Services, "Virtual Hearing—Game Stopped? Who Wins and Loses When Short Sellers, Social Media, and Retail Investors Collide," February 18, 2021, https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=407107.*
3 *The terms digital assets and cryptocurrencies are often used interchangeably. There are some differences in meaning that we won't go into here, but instead will use the broader term of digital assets to refer to the larger market.*
4 *McKinsey & Company, "Global Private Markets Review 2021," April 21, 2021, https://www.mckinsey.com/~/media/mckinsey/industries/private%20equity%20and%20principal%20investors/our%20insights/mckinseys%20private%20markets%20annual%20review/2021/mckinsey-global-private-markets-review-2021-v3.pdf.*
5 *Dealogic, "SPAC and US IPO Activity," April 9, 2021, https://www.spacanalytics.com/.*
6 *J.P. Morgan, "Flows and Liquidity: SPAC activity appears to have peaked," April 28, 2021, https://markets.jpmorgan.com/research/email/f6kgq5i4/sb2tjZRelVxcY358cg6h8w/GPS-3724252-0.*

RMB CAPITAL

BY **Terrence LaBant, JD**
S.V.P., Director of Wealth Strategy

RMB Private Trust Responds to Client Needs



In our Summer 2020 issue of INVESTED, I presented an overview of private trust companies, "A Guide to Private Trust Companies Today." That article addressed how trustee services have evolved, compared available service models, and provided guidance to consider when selecting a private trust company. This article provides a brief recap. It also serves as our formal announcement of RMB Private Trust.[1] In response to our clients' evolving needs and desires, we formed RMB Private Trust to offer directed trustee services to our clients nationwide in many situations not otherwise served by other providers. Continue reading to learn more about how RMB Private Trust benefits our clients.

Estate Planning Evolution

Given the favorable status of estate taxes (relatively high exemptions and relatively low tax rates), estate plans now focus more on the preservation of family legacies. The planning process addresses broader decisions relating to the extent, timing, and stewardship of family inheritance across many generations.

As estate planning goals have evolved, people have increasingly hired professionals to preserve their long-term family legacies. Naming corporate trustees for administration is more common than ever, as is seeking investment advisors who are best suited to attain investment goals that complement family legacies.

Corporate Trustee Role Evolution

Last summer, I explained how the role of a corporate trustee has evolved substantially over the past few decades and how people now have more choices to fill this important role.

For example, traditional corporate trustees who operate under the "delegated trust" model retain custody of all assets, control beneficiary distributions, and manage all investments in-house. This old-fashioned approach often led to a reputation for higher fees, lower beneficiary service continuity, and conservative (lower) investment performance. The delegated trust model is most commonly found in traditional banks today.

Since the late 1980s, state trust laws have evolved, and most allow corporate trustees to follow the modern "directed trust" model. RMB Private Trust has adopted and follows this directed trust model.

Under the directed trust model, the trust agreement names separate fiduciaries to manage investment, business, or distribution decisions. This model provides RMB Private Trust with greater flexibility to focus on trust administration, while involving others to take responsibility for their respective roles.

Through RMB Private Trust, this approach leads to lower fees, increased beneficiary service continuity, and » strategic (higher) investment performance. It also provides our clients with more flexibility and control over their professional advisors and family legacies.

Appeal of Naming RMB Private Trust

When drafting a trust agreement following the directed trust model, our clients can now name RMB Private Trust to manage trust administration. They then can name and fill additional roles for:

- RMB Capital and other investment advisors they choose who manage assets based on their respective specialties;
- family business advisors who manage private family business interests;
- special asset advisors who manage nontraditional investments, such as oil and gas interests, real estate, or private equity; and
- distribution advisors who manage discretionary beneficiary distribution decisions.

Because family members retain control over the hiring and firing of each respective advisor, they maintain flexibility and control. Since each advisor is treated as a fiduciary, the acts of one advisor do not create additional risk for the others. The evolution of the directed trust model has created a growing industry of private trust companies that focus solely on trust administration—especially in states with the most progressive directed trust statutes, including Alaska, Delaware, Nevada, New Hampshire, South Dakota, and Tennessee. With its national charter and separate South Dakota office, RMB Private Trust can serve clients anywhere in the country, including these progressive directed trust states.

RMB Private Trust allows clients to retain more inclusive and diverse relationships with chosen professionals, including our RMB Capital advisory team, attorneys, and accountants who have served alongside their families for years.

Selecting RMB Private Trust

Last summer, I provided a list of several questions to consider when naming a private trust company. Shown here are the answers to those questions in the context of RMB Private Trust. »

Does the trustee:	*RMB Private Trust:*
» offer a directed trust option?	Yes
» offer directed trusts through more progressive states listed above?	Yes
» work well with outside investment advisors?	Yes
» work well with family members to make discretionary beneficiary distributions?	Yes
» work well with outside/multiple custodians?	Yes
» provide consolidated reporting for investment purposes?	Yes
» provide annual trust accountings to beneficiaries and tax advisors?	Yes
» prepare annual income tax returns if needed?	Yes
» accept all trusts, including special needs trusts?	Yes
» accept trusts with special or business investments?	Yes

If you decide to name RMB Private Trust, plan to take the following steps:

1. Review potential options with your RMB wealth advisor.
2. Review relative service options, fee schedules, and state law preferences to meet your needs.
3. Review required trust language to memorialize your appointment.
4. Work with your family attorney to update trust documents as needed.

RMB Private Trust offers services as a sole trustee, co-trustee, or agent for trustee. These different service levels allow our clients to get assistance with items like bill pay while they remain healthy. RMB Private Trust can then transition to shared or sole trust administration responsibility later. RMB Private Trust typically charges less for all service levels since it focuses on trust administration alone.

The evolution of the directed trust model provides families with greater control and flexibility regarding the professionals they choose to work together for their benefit. RMB Private Trust has been formed to help our clients attain these goals. ■

1 RMB Private Trust is a Trust Representative Office of National Advisors Trust Company (NATC). NATC is federally chartered and regulated by the Office of the Comptroller of the Currency (OCC), a bureau of the U.S. Treasury Department, and is authorized to do business in all 50 states. It is a member of the Federal Deposit Insurance Corporation (FDIC). By law, client assets are segregated from the capital assets of NATC and are not subject to potential creditor claims against the trust company. As an independent trust company created by the client's trust advisor, the trust company's primary responsibility is to ensure the safekeeping of investment assets.

BY **Seth Davis, CFP®**
Partner, Managing Director of Wealth Management

How Low Interest Rates Impact Your Insurance Coverage

One of the singular benefits of COVID-19 may well be the incredibly low interest rates that have allowed millions of Americans to purchase or refinance a home—saving consumers hundreds or thousands of dollars a year. While these low rates are advantageous to consumers in many ways, insurance companies, which provide the safety net we rely on for health, life, home, auto, and other types of protection, see a large negative impact. These businesses are required to invest most of the premium dollars they receive in high-quality bonds. Today, high-quality bonds have very low interest rates and, thus, low corresponding returns. »

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Why should you care about whether insurance companies are potentially earning a lower return on their investments? The amount we pay insurance companies in premiums depends on their ability to earn an adequate level of investment return, which is generally thought of as the difference between the amount they earn on their investment portfolio and the cost to service policies—either through claims or crediting the policy dividends. Therefore, persistently low interest rates may impact insurers in various ways, including lowering earnings, decreasing liquidity, and eroding competitiveness.[1] To mitigate these effects, insurers will likely increase the cost of insurance policies with variable premiums for many types of insurance coverage (such as life, long-term care, home, auto, and umbrella insurance) in the years ahead, shifting cost burdens to consumers.

Of all the types of insurance that may be affected, life insurance warrants special consideration because the impacts can be more hidden. Life insurance policies have a greater potential to underperform and thus either fall apart or require more years of premium payments. Let's explore this further, starting with a brief recap of the types of life insurance: term, whole life, and universal life.

Term is the most straightforward, providing a death benefit only if you pass away before the end of the predetermined coverage period. At the time you apply, you choose how long you want coverage, say 20 years, and the annual cost is generally set up either to be the same for each of the 20 years or to start lower and increase by a preset amount each year. Unless you are applying for new term insurance, you are unlikely to see a change in premiums based on low interest rates.

Whole life is designed to make sure an insurance benefit is paid at the end of someone's life, whenever that happens. It can contain a variety of features, including accumulation of cash value, the ability to borrow "against" the policy, and receipt of dividends from the insurance carrier. These policies act as an investment and insurance hybrid, though at a significantly higher premium cost than term policies, since these are designed to be there for the rest of your life.

Universal life policies come in several different flavors, including guaranteed, index, or traditional. We won't get into details on these policies here,[2] but many policies issued more than 10 years ago are likely traditional universal life. They embed assumptions on what the investment return for the insurance carrier will be and include a minimum return the carrier is required to credit to the policy.

In low-interest-rate environments, traditional universal life and whole life policies are at risk of underperforming what the agents and carriers assumed when they sold those policies—potentially by a meaningful amount. While carriers have generally done a good job of managing their solvency through careful matching of asset and liability cash flows, their investment underperformance does create a couple of risks to consider.

Underperformance—If a policy performs at or near its minimum rate over several years, it may require an infusion of cash from the insured just to prevent it from defaulting. Imagine a policy designed to last until age 100+, for which you may have already paid tens of thousands in premiums, suddenly going away.

Lower Dividends—One of the key benefits of whole life policies when they are sold to consumers is the dividend. Carriers love to illustrate how great these dividends have been, without emphasizing past tense enough. From 1989 through the end of 2020, insurance carriers consistently lowered dividend rates, which are now roughly half of what they were at the start of this period (Exhibit 1). »

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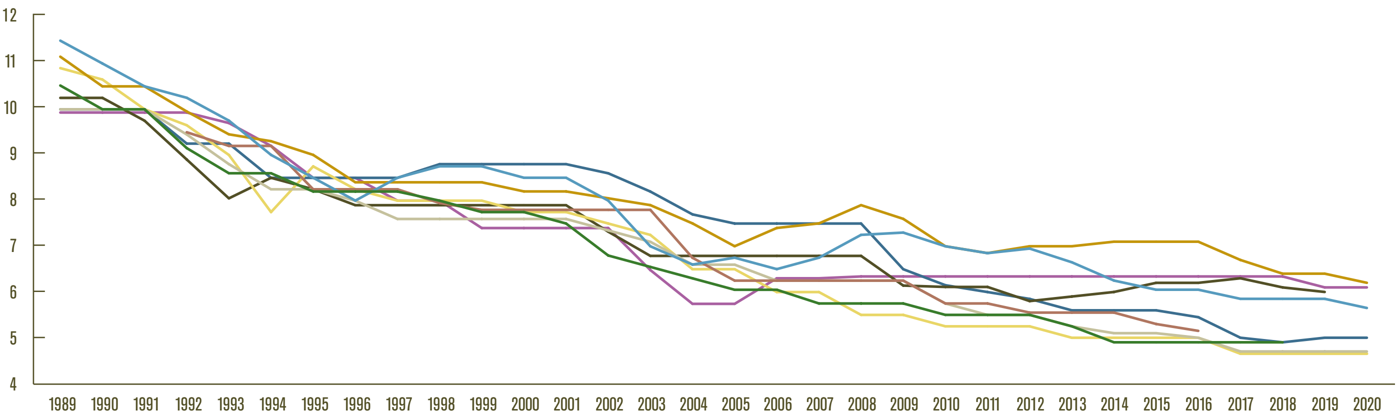
EXHIBIT 1 HISTORICAL WHOLE LIFE DIVIDEND RATES 1989-2020

Carrier	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General American	10.52	10.00	10.00	9.15	8.60	8.60	8.20	8.20	8.20	8.00	7.75	7.75	7.50	6.80	6.55	6.30	6.05	6.05	5.75	5.75	5.75	5.50	5.50	5.50	5.25	4.90	4.90	4.90	4.90	4.90	N/A	N/A
Guardian	11.50	11.00	10.50	10.25	9.75	9.00	8.50	8.00	8.50	8.75	8.75	8.50	8.50	8.00	7.00	6.60	6.75	6.50	6.75	7.25	7.30	7.00	6.85	6.95	6.65	6.25	6.05	6.05	5.85	5.85	5.85	5.65
John Hancock	N/A	N/A	N/A	9.50	9.20	9.20	8.25	8.25	8.25	7.95	7.80	7.80	7.80	7.80	7.80	6.75	6.25	6.25	6.25	6.25	6.25	5.75	5.75	5.55	5.55	5.55	5.30	5.15	N/A	N/A	N/A	N/A
MassMutual	11.15	10.50	10.50	9.95	9.45	9.30	9.00	8.40	8.40	8.40	8.40	8.20	8.20	8.05	7.90	7.50	7.00	7.40	7.50	7.90	7.60	7.00	6.85	7.00	7.00	7.10	7.10	7.10	6.70	6.40	6.40	6.20
MetLife	10.00	10.00	10.00	9.45	8.80	8.25	8.25	8.00	7.60	7.60	7.60	7.60	7.60	7.35	7.10	6.60	6.60	6.25	6.25	6.25	6.25	5.75	5.50	5.50	5.25	5.10	5.10	5.00	4.70	4.70	4.70	4.70
New England Financial	10.90	10.65	10.00	9.65	9.00	7.75	8.75	8.25	8.00	8.00	8.00	7.75	7.75	7.50	7.25	6.50	6.50	6.00	6.00	5.50	5.50	5.25	5.25	5.25	5.00	5.00	5.00	5.00	4.65	4.65	4.65	4.65
New York Life	10.25	10.25	9.75	8.90	8.05	8.50	8.25	7.90	7.90	7.90	7.90	7.90	7.90	7.32	6.79	6.79	6.79	6.79	6.79	6.79	6.14	6.11	6.11	5.80	5.90	6.00	6.20	6.20	6.30	6.10	6.00	N/A
Northwestern Mutual	10.00	10.00	10.00	9.25	9.25	8.50	8.50	8.50	8.50	8.80	8.80	8.80	8.80	8.60	8.20	7.70	7.50	7.50	7.50	7.50	6.50	6.15	6.00	5.85	5.60	5.60	5.60	5.45	5.00	4.90	5.00	5.00
Penn Mutual	9.93	9.93	9.93	9.93	9.70	9.20	8.50	8.50	8.00	8.00	7.40	7.40	7.40	7.40	6.48	5.74	5.74	6.30	6.30	6.34	6.34	6.34	6.34	6.34	6.34	6.34	6.34	6.34	6.34	6.34	6.10	6.10



Source: FAIR Insurance Solutions

Three Life Insurance Actions to Take Now

1. Perform a quick review. It's always a good idea to be reminded of what coverage we have. Pull out the policies gathering dust, and look at the carrier, amount of coverage, cost, and, of course, the type of policy you have.

2. Request an illustration. If you have a whole life or universal life policy, call the carrier shown on the policy and ask them to provide you an "in-force illustration" using the current dividend or crediting rates. We do this to better understand how the policy we bought is performing and whether there are risks that it won't earn the necessary return to remain solvent with the current level of premiums.

3. Schedule time with your RMB advisor. Heed the old adage, "There is no time like the present." In this case, set a time with your advisor to review your policy and the in-force illustration, so we can ensure the policy is still working effectively as part of your plan. ■

1 National Association of Insurance Commissioners, "Low Interest Rates," 9/3/2020, https://content.naic.org/cipr_topics/topic_low_interest_rates.htm.
2 For more information on life insurance, see "Time to Dust Off Your Life Insurance Policy" from our Summer 2016 issue of INVESTED.

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Reminders

Compliance

Please advise us promptly in writing of any significant change in your financial situation or investment objectives. In addition, please notify us if you want to modify any existing investment restrictions or impose new restrictions on your accounts.

Please note that RMB Capital is not a custodian and generally cannot accept or forward deposits for client accounts. Any cash or securities must be sent directly to the custodian of your assets and must reference your account number. Please contact your advisory service team if you have any questions about this.

You may have noticed additional disclosures and mailings, which are the result of new regulations. These documents include the Form CRS (Client Relationship Summary), a two-page document summarizing the ADV, as well as Sub-Advisor ADVs. These documents do not require client signature as they are informational only. Please contact your advisory service team if you have additional questions.

DocuSign

We utilize DocuSign software, an electronic signature technology, which enables you to sign forms electronically from your laptop, smartphone, or tablet. We believe this eases the administrative burden for our clients, while keeping your personal and private information secure from cybersecurity threats. Please note that, for security purposes, money movement forms (such as journal requests, wire requests, etc.) still require a signature (via hard copy, e-signature, or DocuSign) and verbal authorization.

Money Movement

Fraudsters have become more adept at finding ways to obtain vital information about others in order to use their identity. In an effort to stay ahead of these potential threats, we continue to enhance our protective measures against them. We receive daily alerts of money movement for our clients in order to monitor activity in the accounts. Additionally, for distributions of funds, we require both a client signature and, as an added precaution, verbal confirmation. Your Social Security number will not be requested as part of this verification process. We ask for your understanding and support related to these extra precautions, as we believe they can help protect your assets from landing in the wrong hands. If you have any questions, please contact your advisory service team.

RMB Client Portal

Our Client Portal includes a variety of helpful features. You can access the Client Portal via a web browser or through our mobile app (available at both the App Store and Google Play Store). Via the homepage, you can view your accounts as an aggregate total or grouped by category, examine detailed information about the holdings in your portfolio, and see how your portfolio aligns with your investment goals. Also, you can see who's on your team under "My Financial Team" and obtain contact information for each team member. Finally, you can access tax and other documents through the Vault and grant Vault access to other trusted advisors like your accountant or estate planning attorney. To learn more about the Client Portal, reach out to your advisory service team. »

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Reminders

Phishing

Phishing is the act of trying to trick you into revealing confidential information; it usually takes the form of a spam email or link to a fake website that asks for personal or financial information. If you receive a suspicious email, double-check the sender's name and email address to confirm whether they are familiar to you. Check the address carefully, as fraudsters will sometimes use a variation on a common spelling to deceive unsuspecting users. Hover your mouse over the link to verify that the web address in the balloon pop-up matches the web address shown in the email. If you are unsure whether the email is authentic, do not open it or click on any links. Instead, call the sender directly to verify it. Keep in mind that Fidelity Investments, TD Ameritrade, and Charles Schwab will never request Social Security numbers or login information via email. If you receive such a request from a custodian, please do not respond to the message; contact your advisory service team instead.

Chicago Clearing Corporation (CCC)

RMB has a relationship with CCC, a provider that handles securities and antitrust class action claims on behalf of our clients who have opted to use this service. CCC files claims as they arise, occasionally from securities held in accounts years ago. Generally, it takes 18 months from the filing due date to receive payment amounts. The settlement checks are then mailed directly to client addresses, along with a corresponding cover letter. Please contact your advisory service team if you have additional questions.

Emails from RMB

We regularly send emails to our contacts from RMB Capital via info@rmbcap.com. Topics include investment and advisory commentaries, monthly e-newsletters, event invitations, surveys, and company news. To ensure you don't miss emails from RMB, we suggest adding the address info@rmbcap.com to the safe senders list in your email program. Also, if you see any emails of this nature in your spam, junk, or clutter folders, we suggest moving those emails to your inbox. These actions will help your email system recognize our emails going forward and route them directly to your inbox. To find out whether you are subscribed to receive our emails, contact your advisory service team. You can also visit here to subscribe. ■

BY **Kate Demet**
Partner, Chief Marketing Officer

Employee Profile

Loren Knaster

Our Employee Profile series continues with this installment, featuring Loren Knaster, Partner and Wealth Advisor in our Denver office. We met for a virtual interview to talk about his personal story, including why he bleeds Bronco blue and orange, what his initial career aspirations were, and how his background in both journalism and conflict resolution play into his current role as an advisor.

Kate Demet: Let's start with some conversation about your deep roots in Colorado. I seem to recall you're a fourth-generation Coloradan? I know from my years of living out there how rare it is to even meet someone who's originally from Colorado, much less someone with such a rich family history there.

Loren Knaster: That's exactly right. In fact, my wife, Laura, is also fourth generation so our son is now a fifth-generation Coloradan. I love to brag about it, but outside of our family, nobody really seems to care.

KD: Ha! Well, I definitely appreciate how rare it is. What are some of the things you love most about being a Coloradan?

LK: There's all the stuff that Colorado is known for—the outdoorsy lifestyle, the mountains, the weather, and the overall vibrancy and health of a lot of the people that live here. Sure, that's all true, but I don't think about it that way. For me, it's home. My family has a strong connection to the Jewish community here, which is pretty tight-knit. I've also been a huge supporter of our sports teams from a very young age. For my fifth birthday, my grandparents gave me season tickets to the Broncos games, where I got to sit in between the two of them. So, from five years old until I went to college, I went to every Bronco game and tailgated with my grandparents. I almost didn't want to leave for school, just for that reason alone.

KD: That's amazing—what incredible memories. And yet, you not only decided to go away for school, but you moved all the way across the country. Why did you choose Syracuse University?

LK: Syracuse was the only school I applied to, the only school I ever wanted to go to. It has a world-famous journalism program and an amazing number of famous sportscasters that have come through that school. And I always thought that I was going to be a sportscaster; I had complete tunnel vision about that. So, I applied for early admission, got in, and that was that. Once I got there, I was as involved as you could possibly be on all the journalism fronts. I was our football, basketball, and lacrosse announcer, and I got to travel with the teams to do that. Two of my roommates and radio station colleagues from college are now pretty famous sportscasters. One of them is Jason Benetti, who does play-by-play for the Chicago White Sox. In my biased opinion, he is the most talented announcer in the country. So, I had lots of friends that all made it, but I didn't. »

KD: Well, wait a second—you got a start in the industry, right? I saw in your bio that you were a sports reporter for WPBN-TV. What's the story behind that? What changed your mind about pursuing it long term?

LK: Fair enough. I think about this a lot. So, after graduation, I came home to Denver and sent my resume tape to any open job I could find across the country. I really wanted to focus on storytelling more than play-by-play, so I was pursuing local news outlets. Finally, I got a call from a local station in Traverse City, Michigan, and went through the interview process, after which they offered me a three-year contract, sight unseen. I'd never even been to Traverse City. They called on a Friday afternoon while I was on the golf course with my brother and asked if I could start on Monday. So, we went home and packed up my car, and I hit the road.

At first, it was great. I got to be on TV, I was a local celebrity, people bought me drinks at the bar. But it's a hard life. Our viewing area went three hours in every direction of Traverse City, so I would spend half of my time just driving from city to city to cover stories. And with Michigan winters, racing around the state could get treacherous. But you had no choice—if you couldn't make it in time for your live shot, you didn't have a job.

Another big obstacle was that it was really difficult to make a living. My salary was so low that I couldn't even pay my rent. I got a job at Outback Steakhouse, where I could wait tables on my two days off. But when I told my news director, he put the kibosh on that, saying I couldn't be on the news five nights a week and slinging steaks across town the other two.

KD: (laughs) He had a point! I can see how that wouldn't reflect well on the station.

LK: For sure. But I was broke, and the job was a real grind. A lot of the news business is predicated on negativity, and even though sports is on the lighter side of things, the environment wasn't a good fit for me as a pretty positive person. So, I ended up returning to Denver and pieced together some freelance broadcast opportunities until I decided to go back to school for my master's degree.

KD: And you chose to get your degree in conflict resolution. What drove that decision, or what did you have in mind for your next career move?

LK: Well, I didn't really know what I wanted to do, but I researched this program and it really spoke to me. And then the way it all fell into place is basically kismet. I needed to make some money while I was in school, and I was presented with an opportunity to sell life insurance. I didn't really know what to make of it, but I knew a guy from my synagogue's softball team worked in the world of money, so I asked him for his perspective. That guy was Seth Davis, who not only talked me out of that job but also told me that he needed some help with his growing financial advisory practice. He offered to bring me on as a paid intern. Long story short, I started working with him in 2008, eventually transitioned to a full-time role when I finished graduate school, and then came along with him to RMB in 2011. That's really when I decided I was going to pursue becoming a financial advisor; joining RMB opened a lot of doors. So, I went on to get my CERTIFIED FINANCIAL PLANNER™ designation and then became a Chartered Financial Analyst, too. In fact, getting my CFA might have been both the most challenging and most rewarding process of my life.

KD: Wow, and that all started based on a connection from your softball league. You've obviously done a lot of work to build your credentials in this industry. I wonder whether your experience as a reporter and your study of conflict resolution somehow prepared you for your role as an advisor?

LK: Without question, in a few ways. First, storytelling is incredibly important in being able to take complicated information and speak to clients about it in a way that's compelling and easy to understand. I feel like that's a huge part of what I do every day. Also, I lean heavily on the skills that I learned about interviewing and being able to ask the right questions, get to the truth, get to the bottom of the situation—especially at the outset »

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of a client relationship. And then conflict resolution is really all about problem solving and negotiating. A strategy that I use is to acknowledge that everybody's financial situation is a giant, unique puzzle—and we can rise to the challenge of solving that puzzle together. So, in a weird way, it all led me to what I do today, which involves a lot of high-level problem solving, helping people through conflict, interviewing, listening, educating, and guiding. I love it.

KD: Fascinating—that itself is a great story!

LK: Absolutely. The last thing I would add on the storytelling front, which is another thing that's super cool about my job, is that I get to hear amazing stories from so many interesting people. I work with clients from different parts of the world who have such diverse backgrounds and ways that they've been successful. In many cases, I'm dealing with people who are the cream of the crop in their trade, and I love learning about what they do and how they experience life through their unique lens. It's really exciting. ■

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