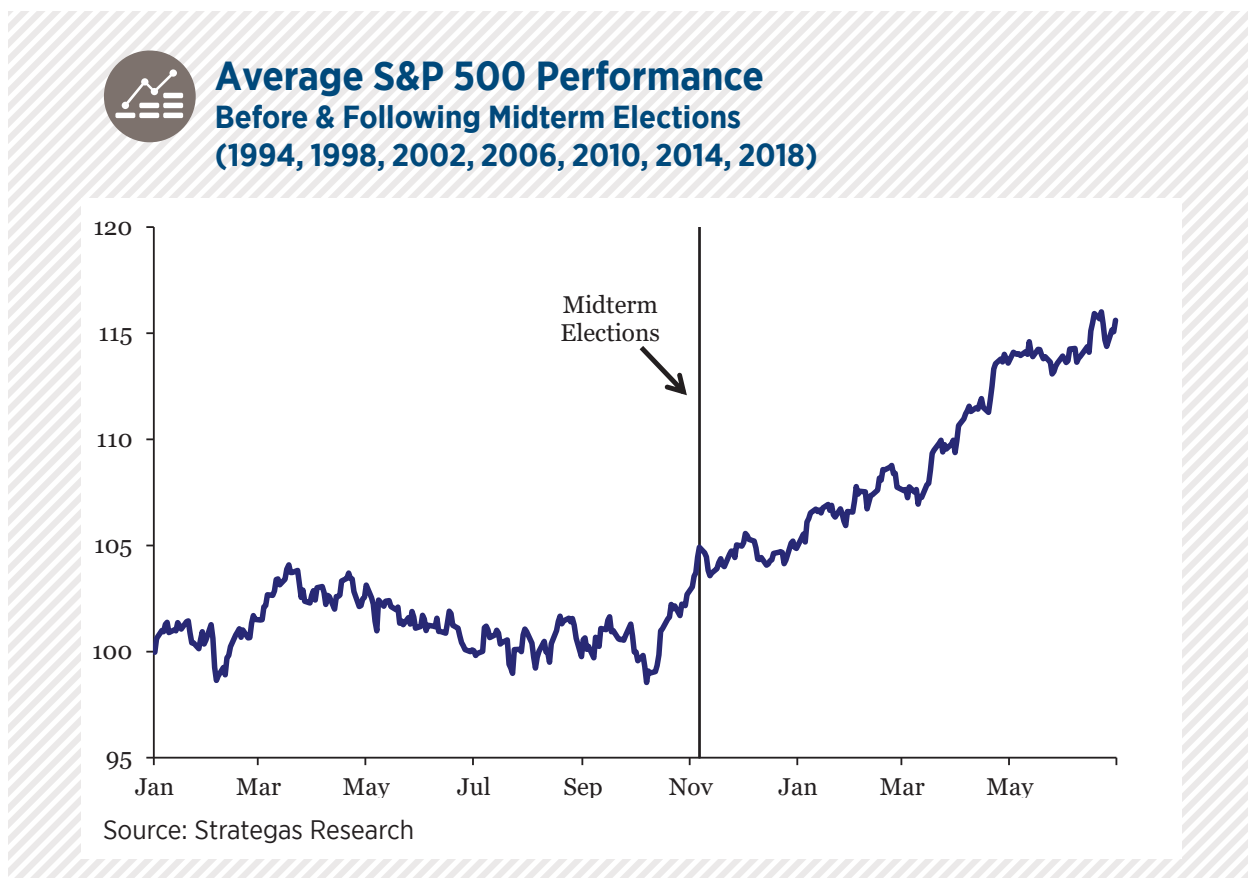


## Markets and Midterm Elections

This year has been a roller coaster of a ride for markets with the global economy struggling to emerge from the pandemic, and central banks acting in concert to raise interest rates to cool the economy in an attempt to tame stubbornly high inflation. Added to this backdrop, we have important U.S. midterm elections in November. Every House of Representatives seat is up for grabs and 35 Senate seats are also up for reelection. At the heart of the midterm elections is the potential control of one party or the other to influence the outcomes of several key issues and direct economic and social policy going forward. Investors often speculate on the possible market impact should one party gain control compared to the other. Corporations often pause capital expenditures and investment in their businesses until more certainty is ascertained. Regardless of which party wins in November, removing this uncertainty is often enough to once again put markets on a positive trajectory.



If recent history is any sort of guide, the party of the sitting president tends to suffer widespread losses in the midterm elections (as in 2010, 2014, and 2018). This often creates political gridlock where one party controls one or more chambers of the legislative branch and the other controls the executive branch. Typically, markets view that as the most positive outcome where no one party is so emboldened with power that they can pass legislation on agendas that might prove detrimental to the overall economy. In every one of those years, markets closed higher 12 months later. The chart above highlights the scale of market movement historically before and after mid-term elections since 1994. As one can see, markets often decline into September and then regain their footing as the election nears.

This relationship becomes more complicated when inflation is high. Stocks did not rally going into the midterm elections during periods of elevated inflation. In 1970, an election year, the market closed the year flat due to persistently high inflation, while in 1974, stocks closed the year markedly lower due to double digit inflation readings.

Despite the potential for midterm elections to move markets in the short term, our investment strategy remains focused on market and company fundamentals—looking to the macro environment, balance sheet strength, and earnings stability and growth

potential. In the current environment, inflation combined with the tightening of financial conditions through interest rate increases by the Federal Reserve remains the primary market driver in the short term. These elements continue to put a crimp on corporate profits and companies' ability to borrow money through difficult periods. We believe that as the economy continues to slow, it is increasingly important to focus on those companies that have maintained low debt levels, trade at reasonable valuations, and continue to grow cash flows through dominant market positions or differentiated product lines.

While markets rarely move in a straight line, we recognize that periods of heightened volatility can evoke stress. It's always helpful to reassess short- and long-term goals with your Camden National Wealth Management team during such periods. Please reach out anytime with questions or thoughts—we are here to help.

## Planning for the Future

As we approach year-end, this is an ideal opportunity to review your plan for the transfer of assets after your death. There are several ways to leave a legacy for your beneficiaries: (1) by Last Will and Testament, (2) by trust, (3) by beneficiary designation, and (4) by joint ownership arrangements.

### Last Will and Testament

A Last Will and Testament is the cornerstone of any estate plan. Your Will governs the distribution of probate assets, which are assets in your name individually and have no beneficiary designation. In your Will, you can designate specific distributions to named beneficiaries, or divide your estate among a group of beneficiaries in percentage interests. You can also designate a trust as a beneficiary (often called a "pourover Will").

### Trusts

A Trust can be a useful tool for transferring property to or for the benefit of beneficiaries. Assets that are titled in the name of a Trust are not subject to probate. Revocable trusts are very flexible because you can change the terms, update beneficiaries, and add or remove property in the trust. An irrevocable trust, on the other hand, can't be changed or ended except by its terms, but can be useful if you want to help reduce estate taxes or protect your property from potential creditors.

### Beneficiary Designations

Certain assets will designate a beneficiary who will receive the property directly upon your death. This can include such assets as: life insurance policies; annuities; retirement accounts; and payable on death accounts (POD). You can generally update a beneficiary designation as much as necessary. When reviewing your beneficiary designations, keep in mind that there may be income and estate tax ramifications for your heirs and your estate. It is also important to review your beneficiary designations in conjunction with your Will and Trust to ensure that your plan is coordinated.

### Joint Ownership Arrangements

Two (or more) persons can own property together. Generally, at the death of one joint owner, the other becomes the sole owner automatically. Joint ownership arrangements may be useful and convenient with some types of property. However, adding another owner to property gives that person an ownership interest, which may not be your intent. For example, if you add one child as a joint owner of a bank account, your other children will have no legal interest in that account, which may defeat your estate planning goals.

*Please reach out to your Camden National Wealth Management advisor if you have questions about planning for your beneficiaries. We are happy to help.*

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## About Camden National Wealth Management

Camden National Wealth Management provides investment management, goals-based financial planning, and trust and estate services to individual and institutional clients in Maine and throughout the United States. Our highly credentialed team averages 25 years in the business and includes Chartered Financial Analysts, estate planning attorneys, CTFA trust specialists, and financial planners. Together, we bring a customized investment and planning approach to meet each client's unique financial needs.