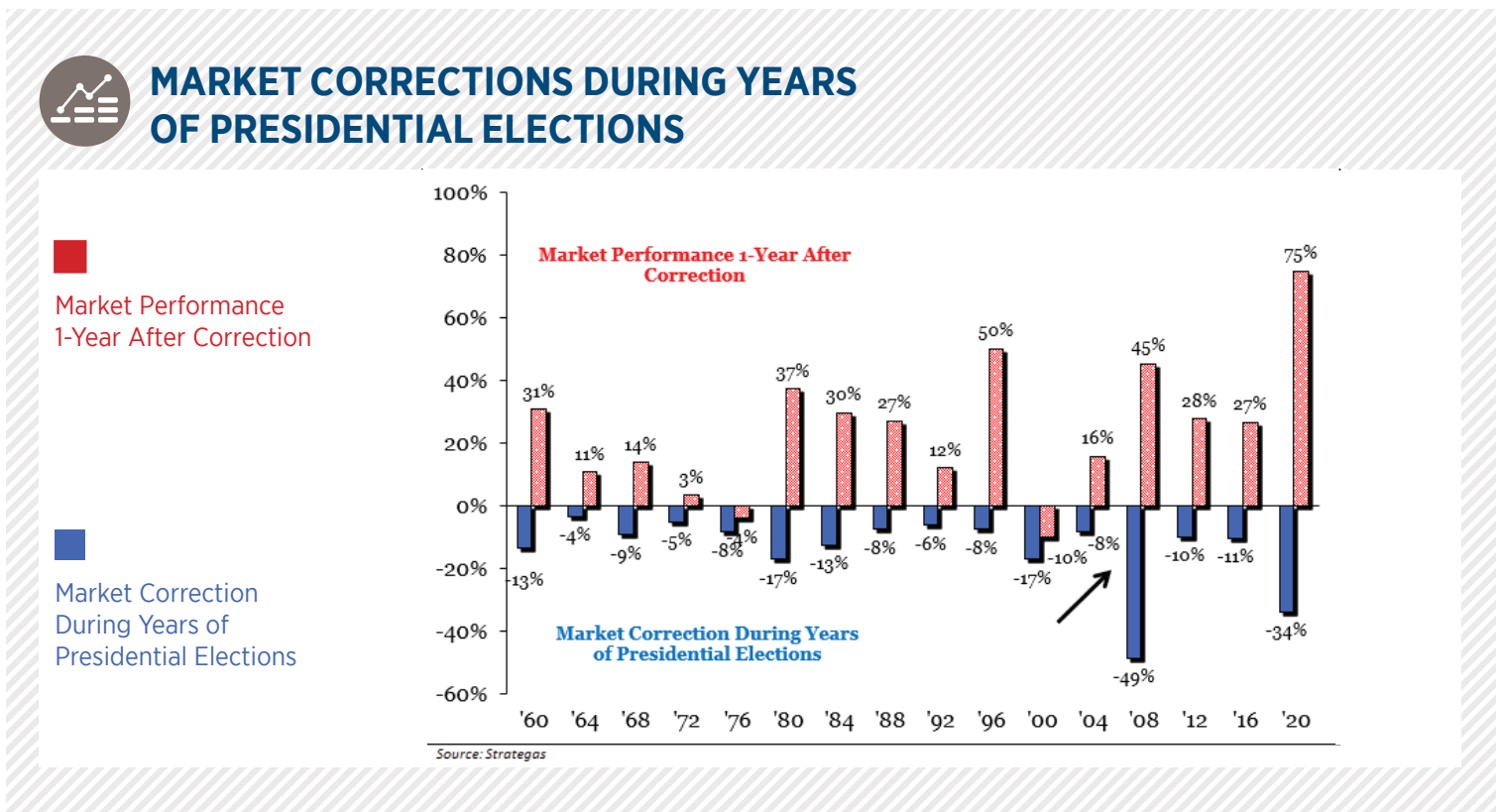


Headlines and Markets

We are often asked what one should do with their investments and retirement savings given the news of the day. It is a reasonable question, especially when inundated with headlines and their apparent impact on markets. In just the past few years, there has been no shortage of such headlines related to government shutdowns, debt ceiling debates, pandemic responses, policy responses to curb inflation, labor disputes...and so on. While it may seem premature, we anticipate similar questions will be raised in 2024 with a presidential election cycle that has already and surely will continue to garner a lot of attention.

Markets do not move in a straight line. Said differently: Volatility—up and down market gyrations—is normal, especially in the short-term, as investors overreact to headlines and speculate on future events. We understand market turbulence can promote feelings of unease—that, too, is normal. History has shown us repeatedly that the investor who can remain rational and stay the course despite short-term unease will be rewarded.

Let’s look at the U.S. presidential election cycle. Markets have endured 16 presidential elections since 1960, each with its own characteristics and politically charged and polarizing qualities. Markets typically experience increased volatility leading up to an election, with larger day-to-day moves seemingly correlated to candidates’ standing in the polls and speculative outcomes based on proposed policies. While this often feels uncharacteristically volatile, the average market drawdown is typical. The chart below illustrates that the average market correction during years of presidential elections going back to 1960 is -14% (blue bars). This is also the average intra-year market drawdown since 1980. The chart illustrates that markets typically rally over the 12 months following a presidential election year correction, regardless of political party (red bars). In 2016, markets rallied after the Republican candidate, Donald Trump, was elected. In 2020, markets rallied after the Democratic candidate, Joe Biden, was elected.



The takeaway? Your financial plan and long-term investment objectives take short-term choppiness into consideration. Expect market volatility and don’t get caught up in the sometimes-deafening noise of headlines. View market downturns opportunistically to add quality exposure to your investment portfolio at relatively attractive prices.

Business Succession Planning

When developing a succession plan for your business, you must make many decisions, including the best way to structure the plan. There are countless options, and the choices can be overwhelming. Ideally, you are starting this process years before an actual transition. Here are a few ways to structure this change through a sale.

Selling your business outright

You can sell your business outright, choosing the right time to sell—now, at your retirement, upon your death, or anytime in between. The sale proceeds can be used to maintain your lifestyle or to pay estate taxes and other final expenses.

Transferring your business with a buy-sell agreement

A buy-sell is a legally binding contract that establishes when, to whom, and at what price you can sell your interest in a business. The ability to fix the purchase price as the taxable value of your business interest makes a buy-sell agreement especially useful in estate planning. Additionally, because funding for a buy-sell is typically arranged when the buy-sell is executed, you're able to ensure funds will be available when needed, providing your estate with liquidity that may be necessary for expenses and taxes.

Private annuity

With a private annuity, you transfer your ownership interest in the business to family members or another party. The buyer, in turn, promises to make periodic payments to you for the rest of your life (a single-life annuity) or your life and the life of a second person (a joint and survivor annuity). Because a private annuity is a sale and not a gift, you can remove assets from your estate without incurring gift or estate taxes.

Self-canceling installment note

A self-canceling installment note (SCIN) allows you to transfer your interest in the business to a buyer in exchange for a promissory note. The buyer must make a series of payments to you under that note, and a provision states that upon your death, the remaining payments will be canceled. Like private annuities, SCINs provide for a lifetime income stream, and they avoid gift and estate taxes. But unlike private annuities, SCINs offer a security interest in the transferred business.

ESOP

An employee stock ownership plan (ESOP) is a type of qualified defined contribution plan that you can use to help fund your employees' retirement. It can also be an effective vehicle for business succession planning. ESOPs, and stock bonus plans generally, are unique in that benefits can be paid to participating employees in the form of the employer's company stock. Selling a business to an ESOP can give business owners more control over the transition to ensure the arrangement is in the best interests of the company, sellers, employees and the community.

Before making any final decisions, or if you decide to make an outright gift or use a vehicle to gift your business interest, you should seek guidance from your financial, tax, and legal advisors. Contact your Camden National Wealth Management team if you have any questions about the best way to structure your succession plan.

Reach out to your Camden National Wealth Management team for advice on how to plan for your future goals.

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Investment solutions such as stocks, bonds and mutual funds are:

NOT A DEPOSIT • NOT FDIC INSURED • NOT GUARANTEED BY THE BANK • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY • MAY LOSE VALUE

We're excited to announce that we will be upgrading to a new operating system in April 2024! Our enhanced client experience will include a robust online portal, mobile app, and more.

Updates to follow soon!

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.