THE EAGLE'S VIEW

AN INDEPENDENT FIRM

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Ownership Announcement

Chris Tully, CFP®, RICP®, CIMA®
President

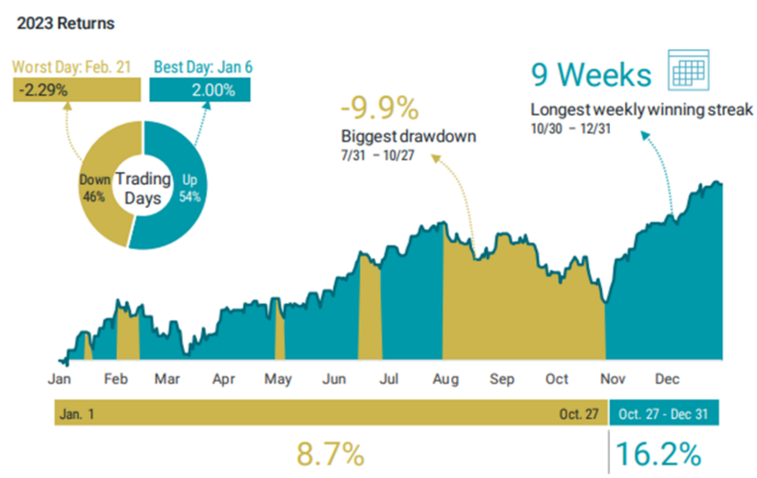
As we've written throughout the past year, 2023 brought considerable change to Eagle Wealth Strategies, but one recent change, in particular, deserves special attention. Our two longest tenured team members (other than Paul!), **Steffanie Lerch and Jessica Ortega, have officially become partners as of December 31st!**

Steffanie joined as a college intern in 2002 and Jessica joined as a high school intern in 2005. Since then, they've been committed, loyal, hard-working, and irreplaceable members of our team. EWS would not be what it is today without their contributions. Even more importantly, as our clients' needs evolve in an ever-changing world, they are integral to the future of our company. We have lofty plans for the next decade, and they are a big reason why I'm confident we'll achieve those goals.

Many factors contribute to the success – or failure – of a small business, but we believe human capital is at the top of the list. Having intelligent, caring members of the team is critical in so many ways, but none more than ensuring our clients' needs are met. Steffanie and Jessica have exemplified all this and more. Ownership is an exciting venture, and I know it's something they will not take lightly, so as we kick off the new year, *I hope you'll join me in congratulating them as they take the next leap forward in their careers!*

Market Update

After such a difficult 2022, 2023 was also a roller coaster ride. If you simply looked at your accounts on the first day and last day of the year, it was a great year, but if you looked in-between, it was certainly a rickety roller coaster ride up and down. The year was filled with geopolitical uncertainty, including wars in Ukraine and the Middle East, and political divisions at home that led to a debt ceiling standoff and a failure to pass funding for the 2024 budget.



The story of 2023 has its roots in 2022, when the Standard & Poor's (S&P) 500 Index lost almost 19.5 percent amid rising inflation and aggressive Federal Reserve rate hikes. As 2022 came to a close, many on Wall Street predicted further pain in the new year. Economists forecasted a 70 percent chance of recession in 2023, and consumer and investor confidence were both low.

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Pessimism persisted well into 2023. Some of the negativity may have been due to loss aversion. Behavioral economics has found that the pain of losing is far more powerful than the pleasure of winning. Overall, investors were less bullish than usual for much of 2023, according to the AAII Investor Sentiment Survey. In addition, consumer sentiment fluctuated significantly over the year, often reflecting expectations for inflation and interest rates. The S&P 500 trended higher from March through July. Early on, the rally was driven by just a few technology stocks; however, the gains became more widespread as inflation slowed, economic growth remained healthy, and the likelihood of recession receded. The rally cooled in August as investor confidence slipped when inflation data moved in the wrong direction, opening the door to additional Fed rate hikes. However, bullish sentiment improved again in October and remained above average throughout most of November and December. What does this tell us? There will always be 'something' going on but ignoring the noise and sticking to a long-term allocation based on planning, not emotion and gut feel, will win. If anything, down markets like 2022 turn out to be huge opportunities, and that was certainly the case for investors putting money to work in the downturn through 2023.

What about 2024: In 2024, there has been no diminution in the recession vs. soft landing debates thanks to a cycle filled with cross-currents in terms of economic data and inflation. What does the crystal ball show going forward? Well, as we've said many times before, short-term markets cannot be timed or predicted – there is no evidence that anyone knows how to time the short term. It's possible that the Fed engineered a Goldilocks scenario by bringing down inflation and, at the same time, not throwing us into a deep recession. Historically, when the Fed stops raising rates and indicates cutting rates, this is positive for both the stock and bond markets. As an investor with cash on the sidelines, this may end up being a good time to put funds to work. Here are 5 themes we are focused on for 2024:

- **Market's rally will broaden out in 2024:** Sectors that were most vulnerable to higher interest rates have enjoyed a strong rebound resulting in wider market participation. As markets make more headway, we believe this broadening of market returns is likely to continue. AI has both captured investors' hearts and minds and contributed to the outperformance of both the Mag7 and technology stocks more broadly; but it's been in conjunction with narrow market performance. We believe a theme in 2024 will be less about AI's "creators" and more about AI's "adopters"—across the spectrum of industries and sectors—as companies increasingly focus their capital spending on productivity-enhancing investments.

- **Active over passive as we continue the quality bias:** We expect increased performance dispersion across asset classes, sectors, and regions, in a world of greater growth volatility, higher capital costs, and geopolitical instability. We believe active investment strategies, a focus on diversification, and risk management will be important to navigate 2024 and help deliver alpha. In line with that, we have made changes to our equity models. We have added an active large cap value manager and an active small cap growth manager while removing or reducing the passive manager in these asset classes.

- **Elections, volatility, and long-term investing:** There will be an exceptional run of elections across the world during 2024 coinciding with a renewed interest in fiscal policy. While we don't have a crystal ball, looking into 2024 you can bet that politics will start dominating headlines seeing as the election is rapidly approaching. History suggests most investors are likely to see little lasting election impact on their portfolios.

- **Moving out of cash and into the markets:** Historically equities and bonds have tended to outperform cash after the Federal Reserve stopped hiking interest rates the years that followed a period of rising rates brought improved returns for stocks relative to cash. The more favorable macro backdrop should also be better for market activity and liquidity. Staying in cash comes with a cost of underperforming inflation- so we believe its important to move out of cash and into the markets.

- **The new normal world in 2024** means that we are in a higher rate and higher inflation world when compared to the zero rate and low inflationary world of the last decade. It means that there is income in fixed income and there is an alternative to stocks.

Changes to our models were made in January reflecting our thinking above, primarily with an emphasis on active over passive management as we enter the new world of higher interest rates. Accounts were also rebalanced back to their target stock-to-bond allocations, as stocks have outperformed considerably in recent years and bond valuations are finally once again attractive.

Sources: Bespoke, Apollo, Bloomberg, Capital group, Goldman Sachs, JPM, Morgan Stanley, Schroeders, Hambro, PIMCO, Brandywine, GWK, Vaughn Nelson, Fidelity, Schwab, Vanguard, Diamond Hill, Loomis and others.

Paul's Perspectives

Paul J. Tully, CFP®, RICP®
Founder

Chris asked me to write about "what I have learned" over the past 48 years of my career. It really gave me a lot to think about and I realized, while not a book, it could take a number of pages for me to do so completely. For now, here are some thoughts.

In 1975, there were no PCs, no internet, no cell phones. No cable TV, no Seinfeld. No Amazon! Politics was not yet a blood sport. In 1975, the year my career began, the Dow was up 38%, the best year ever. Things looked pretty easy! I soon learned they were not that easy. That was during a period from 1964 to 1981 when the Dow went from 874 to 875 because interest rates rose from 4% to over 14%.

So, what have I learned? I think I've learned a lot, which has provided me with my unique philosophy.

I have learned that people have the same goals and fears today as they did then. They want an opportunity for a better life, they want some security for their family, business associates, and friends. Some want to make a difference in society and their community. Younger people want more growth potential and options, older people want more certainty and simplicity in their finances.

Everyone wants lower taxes.

When we get a little too greedy, we frequently lose. I have helped clients discover frauds, have provided expert testimony on fraud, helped a major newspaper understand why some locally prominent investments were frauds. I know people who went to jail for fraud and a few others who deserved to.

I have learned that clients and their advisors need to be careful because the world of finance has gotten more complex as the global economy evolved. You need to be well read, and client-focused, on many topics.

There was a time where "winging it" could work, but I have witnessed far too many cases where people did not understand what they were buying/investing in and that rarely works out well for them.

Someday I may decide to write what will be the longest letter I have ever written. It will take a lot of thought, research, and hours. I'll do it if I think the message resonates and is helpful, but for now, my summary of what I've learned, applicable I think to many people, is as follows:

You need to have a plan and someone or team to help execute that plan. They need to be smarter and students of their profession. ***The world is far too risky today to rely on just past experience and luck. Facts change and when they do, you need to be willing to change your mind, your plans, even your team.*** Facts in tech and healthcare have changed and we have changed with them.

Especially as people age, mistakes take time to recover from and you have less time for that to happen. Better to avoid mistakes to begin with, to the degree that's possible in today's volatile markets.

I am more optimistic at this moment than I have ever been. Yes, there are challenges financially and in other areas, but there are increasingly smart people and technologies that will solve many of these for us.

In the past 45 years I have seen a lot. Recessions, soaring markets, market crashes, inflation, threats of deflation. High interest rates and low interest rates. Successes and failures. Two Phillies World Series championships. A Dow Jones that went from under 1,000 to over 38,000, not including dividends.

Mostly I have seen people successfully navigate these decades with a resilience that is inspiring.

Happy New Year! Make it a great one!

David Koehler, CFP®
Wealth Advisor

How Changes in the "Fed Funds Rate" Can Impact You

One of the Federal Reserve's tools for guiding U.S. monetary policy is the ability to increase or decrease the Federal Funds Rate, which helps determine how much it costs businesses and individuals to borrow money.

From early 2022-mid 2023, the Fed Funds Rate has increased 11 times from a near-zero target to the current level of 5.25-5.50%. Here's how other rates have been impacted:

Product	Week ending July 21, 2021	Week ending Dec. 6, 2023
30-year fixed-rate mortgage	3.04%	7.23%
$30K home equity line of credit (HELOC)	4.24%	10.03%
Home equity loan	5.33%	8.92%
Credit card interest	16.16%	20.72%
4-year used car loan	4.80%	8.31%
5-year new car loan	4.18%	7.72%

Source: Bankrate national survey data

While financing rates have become more expensive, interest rates on cash and cash equivalents have also increased. The average 1-year CD and savings account interest rates are roughly 9-10 times higher than they were when the Fed first raised rates[1]. It's important to note that rates can vary greatly depending on the bank/financial institution and are not directly linked to the Fed Funds Rate. The "big banks" tend to offer lower rates than online-only banks, for example. We've seen some rates decline in recent weeks from what may have been a near term peak in 2023, but the highest yielding cash equivalent options available continue to exceed 4% or even 5% in some cases. If your non-checking bank accounts are currently earning less than 3%, please contact one of our advisors to discuss easy alternative solutions to earn more.

Decisions related to financing a large purchase, paying down high interest debt, or where to keep cash savings may have a much greater impact on your overall finances in a higher rate environment. We continue to encourage clients to review their rates on debt and cash/cash equivalents to confirm they're competitive in today's market.

[1]Foster, SF. (2024, January 02). Bankrate's Interest Rate Forecast for 2024: Mortgages, credit cards and more will stay pricey, even if the Fed cut rates. Bankrate. January 15, 2024 from https://www.bankrate.com/finance/interest-rates-forecast/

Jessica Ortega, CFP®, RICP®
Director of Planning

New for 2024

With each new year comes new limits and thresholds for a variety of tax and planning areas:

- You can now save more in your retirement accounts. The maximum you can contribute to an employer-sponsored retirement plan in 2024 is $23,000 per year, or $30,500 if you're 50 or older. The SIMPLE IRA contribution limit will be increasing to $16,000, or $19,500 if you're 50 or older. If your goal is to max out your contributions, remember to review and update your deferral elections with your employer.

- The maximum IRA contribution will also be increasing to $7,000, or $8,000 if you're 50 or older.
- The annual gifting limit will increase from $17,000 to $18,000 per year per individual.
- Social Security benefits are getting a 3.2% raise while Medicare Part B premiums are increasing by 5.9%, or $9.80 per month. The standard Part B premium will be $174.70 for 2024.
- If you are working in 2024 but will not reach Full Retirement Age for Social Security this year, you can now earn $22,320 without your benefits being impacted.
- The standard deduction will increase by $1,500 for married couples filing jointly, going up to $29,200. For single filers and married individuals filing separately, the increase will be $750, going up to $14,600.

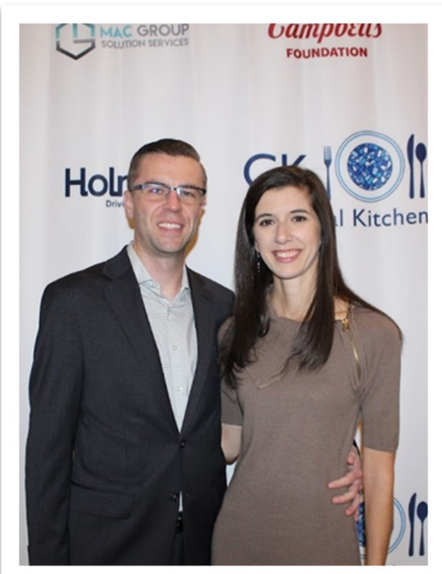
2023 IRA Contribution Deadline

If you have not contributed to your IRA for 2023, you can still make contributions until Monday, April 15, 2024. You'll want to be sure your contribution is reflected on your 2023 tax returns if you're making a deductible IRA contribution in 2024 for 2023, so while the deadline for the deposit is April 15, you'll want to coordinate it with filing your tax return as well.

News at EWS

EWS was a proud sponsor for Cathedral Kitchen's annual fundraising event, Harvest for Hunger. Cathedral Kitchen does an amazing job battling food insecurity in Camden and surrounding areas by providing over 100,000 meals a year to those in need.

David, his wife **Kim**, and **Ryan** attended the function and saw some friends, among them CPA **Harry Wills** of Bowman & Company.



The entire **Tully family** were happy to celebrate the holidays in style with the big man himself, Santa Claus

Melissa Phillips
Director of Operations
Chief Compliance Officer

Tax Season Has Arrived

Yes, folks, it's that wonderful time of the year where tax documents begin filling our inboxes and mailboxes. We are here to help you navigate and can tell you which forms you'll need and when you should receive them. The mailing schedule for our custodian, Raymond James, is as follows:

January 31: Sending of forms for retirement accounts and education savings accounts

February 15: First group of retail (non-retirement) account 1099s

February 28: Second group of retail account 1099s and first round of amended 1099s

March 15: Mailing of final group of retail 1099s and second round of amended 1099s

Keep in mind that amended 1099s can happen, even after March 15th. We will notify you via email if you are receiving an amended 1099, and recommend you speak with your CPA or tax preparer for advice when received. If you utilize Client Access to view your accounts and statements online, you can easily access your tax documents to print, save, or import directly into most popular tax prep software. Finally, if you are unsure whether you have everything you need from Raymond James in order to file your taxes, please call the office and we'll be happy to confirm or resend anything you might be missing. Happy filing!

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