EAGLE WEALTH STRATEGIES AUGUST 2021

THE EAGLE'S VIEW

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Paul J. Tully, CFP®, RICP®

We are different people than we were a year ago and the battle against COVID-19 may not yet be over, but it sure feels a lot better than it did 12 months ago.

We have experienced an avalanche of heartbreak and disruption to almost everyone's lives. Over 600,000 Americans have died as a direct or indirect result with millions more sickened and not yet sure of future effects. Every country on earth impacted by the illness, some variants still in its worst throes.

At the same time, a lightning-fast response by our pharmaceutical companies to develop and distribute a very effective vaccine that normally takes many years took just months. I am impressed and grateful.

Many jobs have been regained, though we still have close to 7 million Americans unemployed who had jobs in February of 2020. Much of that job loss remains because people are scared to leave their homes for work, in some cases due to a lack of available childcare as schools remained largely remote, but there are some people who with overly generous government benefits, simply would rather not work. Most of that worker shortage is in the service occupations and the current federal and state benefits replace much of their lost income. In some cases, they receive more than they were earning. This will be likely over by Fall.

Many small businesses closed and will not reopen, but there are also a record number of new businesses being started and many people whose businesses have closed are now looking for their next venture. There will be a lot of opportunities. New businesses and new ideas will be launched. I spent about an hour in May speaking with one of the students who won our EWS annual entrepreneurial scholarship at Rowan University. He already has a business where his firm and equipment will allow for farming on rooftops in cities, which is not only a successful business but addresses a societal problem as well. If you get a chance, Google *Jerah Siegal*. He is not

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July Market Recap

As the major domestic equity indices continued to mark new highs through July, they provided an example of how dueling narratives can both be true while the forward-looking market produces a clearly positive result. In this case, optimism bolstered by a broad selection of economic data and sentiment – gross domestic product (GDP) growth, employment, earnings and reduced inflationary fears among them – has managed to, for now, contain COVID-19 delta variant worries.

The S&P 500 and NASDAQ both set seven all-time highs in July, while the Dow Jones Industrial Average recorded five. Under those glossy headline numbers, however, lies a more com-

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letting COVID or anything else slow down his dream of creating a sustainable source of food. There are others just like Jerah who are talented and determined with loads of great ideas, energy, and resilience. I am very proud that he was awarded the scholarship we sponsor.

We have already seen some impactful ideas either developed or accelerated in the past year. Video conferencing has gone mainstream faster than it would have. Food delivery, telemedicine, and working from home have all accelerated trends already begun.

On the negative side, food delivery probably hurt the restaurant business (many were closed or restricted anyway) and video conferencing and work from home has, in my opinion, diminished the personal touch and collaboration inherent in many business and personal relationships. Many if not most businesses are addressing this and there will be some balance by Fall in terms of work schedules. Several large organizations, Penn Medicine and JP Morgan as examples, are mandating vaccines for workers and area colleges are doing likewise, to return to in person activities.

As anyone reading my letters over the past decade or so knows, I generally give credit for our financial success to the American businesses and people for economic progress. I have never subscribed to the theory that this or that administration or political movement has been the reason for our success (or failure).

Although I still feel the same, I applaud both the current and former administrations for rising to the occasion both financially and regulatorily in the past 15 months in providing the financial fuel to avert what might well have become a depression and for allowing the drug companies like Pfizer, Moderna and Johnson and Johnson the money and regulatory relief to develop the lifesaving vaccines that have enabled the recovery to occur.

The question I am asked most often recently is, to paraphrase, "so what's the future look like in terms of the economy, investment markets etc."?

Before giving my current thoughts below, I want to reiterate that we at EWS and our clients are long term, goal focused, planning driven investors. We have consistently found that the best course for us is to formulate a plan and build our portfolios, based not on a current view of the economy or the markets, but on each client's most important lifetime financial goals.

There are concerns around the amount of money the government has committed or would like to commit, that taxes may increase substantially, inflation is at least temporarily on the rise, the residential real estate market is surging, and the level of the stock market, which by old standards is at nosebleed levels. Fixed income concerns remain at the forefront after 12 + years of subpar interest rates on guaranteed investments. Also, the long-term impact of COVID on the way we live, work and travel.

Here are my answers in a "lightning round" short answer format.

I think the **government spending** was necessary, but unfortunately COVID has provided cover to a large agenda of spending unrelated to COVID. Much of the proposed spending will remain in the US for things that are nice to have, some even need to have, but they are not free. We will pay the piper, but no one seems concerned enough to stop it now. Battles are over "will we borrow another $1 trillion or $2 trillion" and not over, "how do we pay for this"? I believe we need **infrastructure**; we need **early childhood education**, and we need coverage for **long term care expenses**. We need all of this, but we should have it well thought out before indebting our country with trillions more in debt. We will not do it that way because there are political agendas and timeframes involved, as there are always, and we will get some of what we need at a price that will include a fair amount of waste. There are no brakes on this spending train!

Taxes will likely increase and not just on "the rich". If a business pays more in taxes, it will try to pass them on. If an individual pays more in taxes, she will have less to spend or invest. Every tax action has a reaction and while we need to raise revenue to pay for the spending, let us not kid ourselves that only a few people will pay enough to cover these costs. We all will pay one way or another, but if the money is largely improving our infrastructure and overall competitiveness, it may prove worthwhile.

Inflation is defined as a gradual grinding down of purchasing power. It will go up and then it will go down, according to a consensus of probably 20 to 25 different articles I have read or conference presentations I have heard in the past month. It is not unanimous and there are some very smart people I have followed for years who do not believe the inflation is short term or mild, including JP Morgan CEO Jamie Dimon and Dr. Jeremy Siegel of Wharton. On inflation, they are in the minority. The majority, which includes the Federal Reserve, feels that this is a several year phenomena (at most) and not longer. Dimon, CEO of JP Morgan, the biggest bank in the US, has stated that he does not see the pending inflation as a short-term phenomenon. Between Siegal and Dimon they have gotten my rapt attention that the benign inflation consensus may not be correct. Commodity costs for lumber, copper etc. have risen (but are already coming back down) but inflation is more impacted long term by wages and that is not occurring yet. Advances in technology and productivity will keep wage increases modest in my opinion. Historically, stock investments are the best antidote to rising prices of goods and services as those two elements cause both profits and dividends to rise as well.

House prices. Initially the surge was attributed to people moving to the suburbs to avoid the cities due to COVID. Prices did fall temporarily in urban areas, but all three of my sons have recently (last 9 months) bought homes in cities (New York, Philadelphia, Miami) and in each case prices are already up and in 2 cases there were bidding wars for the homes. Historically, housing prices go up at roughly the same rate as incomes and clearly, we have a mismatch on that now, but it has been a great time for anyone involved in housing and that is a lot of American businesses and workers.

The US **stock markets** have made numerous new highs in recent months. Much of that has been dominated by a handful of stocks (last year the S&P 500 was up 18% and 6 of the 500 stocks, all technology companies, accounted for 14% of the 18%). That is not particularly healthy. Extremely low interest rates available on guarantees are forcing many people, businesses, charitable foundations, and pensions to seek high levels of growth and the stock market is the only game in town for that. I do expect more volatility, especially as interest rates inevitably rise (someday) and I also expect the market growth to reflect a slowing of profits after the COVID euphoria burns off, but that may be a few years away. Fixed interest rates on bank accounts, certificates of deposit, etc. continue to be challenged as Morningstar reports that 85% of the world's developed countries government bonds yield less than 1%. I continue to have concerns about the very low level of interest rates and what that means for people using CDs, bonds, etc. to help create a lifestyle sustaining income. I believe that regardless of the perceived risk and volatility, more money will be invested in the stock market as an antidote to rising inflation and low interest rates.

This combination of lower interest rates and perhaps more modest stock market returns may create havoc in the traditional 60/40 balanced accounts. Vanguard reports that from 1926 through 2020 that portfolio averaged 6.1% per year, but JP Morgan projects it to average 3.7% over the next decade.

In the longer term, my research shows that most economists/market experts see a more modest next 10 years than last 10 years and I agree with that opinion, except perhaps for what are known as emerging markets (Asia, Africa, South America, and Eastern Europe).

Long term COVID impact

I do not think we will know the impact of COVID for a long time. For example, it is estimated that there will be 6 to 8 COVID related disabilities for every death. Those people will need treatment and workplace accommodations for years. On average, it has been estimated that each death occurred 9 years before "normal life expectancy". Some people were older and ill, but some were 50 years old with decades of earning and spending ahead. That is a lot of lost spending and productivity.

In closing I will quote a favorite singer, Carly Simon who I saw in 1972 at the Academy of Music, **as the opening act** for a guy now singing karaoke in East Jabip, Wyoming.

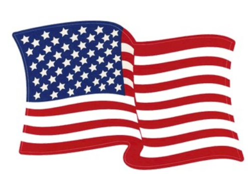
"We can never know about the days to come but we think about them anyway" - **Anticipation 1971**.

What is coming is unknown but very likely to be better than what we have experienced during the past year or so in terms of lifestyle, our collective health, and the economy.

I try not to get too caught up in the things I cannot control but am committed to helping clients control what we can in terms of taxes, costs, and risk to help them attain their life goals for themselves and their families.

If you would like to discuss how all of this may impact you or those you care about, call me at any time, 856-305-6524.

Enjoy your summer and stay safe!



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plex situation with wide disparities in performance between firm sizes, sectors, growth versus value, and commodities. For example:

- The S&P 500, reflecting large-cap firms, went up 2.38% in July. The Russell 2000 with its small-cap firms ended the month down 3.61%.
- The healthcare and real estate sectors were July's best performers, while energy and financials were its worst.
- The S&P Growth Index rose 3.79%. The S&P Value Index rose only 0.79%.
- Gold rallied, gaining 2.6% while oil was up slightly with a 0.7% gain.

"Part of this performance dichotomy may be related to concerns over the spread of the COVID-19 delta variant and its potential for slowing the economy," said Raymond James Chief Investment Officer Larry Adam. "However, our belief is that economic growth will remain strong as widespread lockdowns are unlikely to reoccur."

At the end of the month, the U.S. Department of Commerce reported GDP growth at a 6.5% annual rate in the second quarter, which follows 6.3% growth in the first. However, even this considerable rate understates the strength of the economy in the first half of the year as consumer spending and business investments have surged.

"The pace of growth is expected to slow in the second half of the year but should remain strong," said Chief Economist Scott Brown.

Let's look at the numbers:

	12/31/20 Close	7/30/21 Close	Change Year to Date	% Gain/Loss Year to Date
DJIA	30,606.48	34,935.47	+4,328.99	+14.14
NASDAQ	12,888.28	14,672.68	+1,784.40	+13.85
S&P 500	3,756.07	4,395.26	+639.19	+17.02
MSCI EAFE	2,147.53	2,321.09	+173.56	+8.08
Russell 2000	1,974.86	2,226.25	+251.39	+12.73
Bloomberg Barclays Aggregate Bond	2,392.02	2,379.96	-12.06	-0.50

Performance reflects price returns as of market close on July 30, 2021.

Here are some other notable events and trends through July.

Earnings beat historical average fifth time running

Corporate earnings have continued to beat estimates at rates that have become common over the last 15 months. About 85% of companies had higher quarterly earnings than expected, above the 69% historical average and in line with the 83% average of the prior four quarters. Also, results are beating estimates by a very elevated 19% once again, compared to a 5% historical average.

Value proposition remains with investment-grade corporate debt

The theme of July for fixed-income investments is a lower, flatter yield curve, as the basis point difference between short- and long-term Treasurys contracted. Investment-grade corporate debt, however, saw a marginal widening of the spread (the yield differential between Treasurys and investment-grade corporate bonds). High-yield corporate bonds saw a greater widening.

But yields in general remain tight as demand for fixed-income funds remains strong and uncertainty surrounds the COVID-19 delta variant. Looking long term, concerns about the consumer habits of the aging (and wealth-holding) U.S. population and how that could affect a wide swath of sectors may also play into the trend. Compared to other fixed-income alternatives, investment-grade corporate debt in the three- to seven-year duration range continues to provide a good balance between yield and risk.

The thousand-day infrastructure week

A bipartisan deal on infrastructure reached the Senate with $550 billion in new funds for physical infrastructure, broadband and electric vehicles while avoiding new tax impacts, which could spur a wave of municipal spending and new debt for partial cost matching. Next up, expect to see attention turn to additional social and infrastructure spending and several potential "fiscal cliffs" – namely, the national debt ceiling limit and the expiration of pandemic-related programs.

Europe takes a pause and Asian markets falter

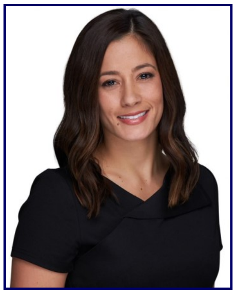
Though second-quarter pan-European corporate data has unsurprisingly shown significant year-on-year progress, stock markets across Europe generated little change during July. The U.K. relaxed its pandemic restrictions mid-month, priming August to beat expectations as spending and holiday travel rushes back.

In contrast, emerging markets struggled, especially in Asia-Pacific. Chinese and Hong Kong markets tallied significant losses throughout the month amid concerns about heightened levels of Chinese government intervention in certain sectors. Comments by many Chinese companies – which are mostly scheduled for August – will help provide further details. Nationwide economic restrictions resulting from the delta variant in Indonesia and Malaysia, and in some Australian cities, also caused headwinds.

The bottom line

How the COVID-19 delta variant may affect the economy has yet to be revealed even as hospitalizations increase to record levels in some places. Meanwhile, we continue to see positive economic data and tallied another high-performance quarter through July. In total, even with contrasting performances beneath the surface, July was another strong month.

Investing for the Next Generation



Jessica L. Ortega, CFP, RICP®
Director of Planning

As a parent, you want the best for your children, and you also need to make smart decisions for your own future. College costs seem to continue rising faster than we can keep up with. We are also living longer and may have less Social Security benefits to depend on down the road. Putting retirement first is in your entire family's best interest. Sacrificing your own goals now may mean that you need to depend on your children financially down the line.

When the time is right to save and invest for your children, we recommend creating a plan that includes both your retirement and savings for your kids. The sooner you begin saving for your goals, the less stress you'll feel on your cash flow as well as your mental and emotional wellbeing.

There are several ways you can save or invest for your children:

1. Bank savings account
This is the easiest and safest way to save as it comes with FDIC insurance. It also comes with very little interest or added benefits. You could opt for a high-yield savings account or CD to earn a bit more interest. One benefit is that there are no restrictions or penalties based on how you use these funds in the future. If the assets are in your child's name, they weigh heavier in the financial aid calculation than assets owned by a parent.

2. 529 college savings plan*
If your main reason for saving is to pay for college, a 529 plan is one of the best options available. You choose from a menu of options to invest your funds in (typically mutual funds), and funds grow tax-free if you use them to pay for qualified education expenses such as tuition, books, room and board, etc. You are also able to use up to $10,000 toward qualified elementary and secondary education expenses, such as private or religious school tuition. The drawback is that you will owe tax and a 10% penalty on any earnings that are not used for qualified education expenses (though contributions can be removed tax- and penalty-free). However, if your child earns a scholarship, the penalty (but not the tax) is waived up to the amount of the scholarship.

3. UGMA/UTMA account
This is an investment account in your child's name where you act as custodian, making investment decisions until they reach the age of majority in your state (usually 18 or 21). At that time, the account gets transferred into your child's name and is theirs to use as they please. Unlike a 529 plan, there are no restrictions on how the funds can be used. The downside is that parents have no control over how their child spends the funds. Also, since these are the child's assets, they are a more significant factor in the financial aid calculation than assets owned by a parent.

4. Roth IRA
If you have an older child who has earned income (either from a part-time job or self-employment), you can contribute to a Roth IRA on their behalf for as much as they earn up to the annual contribution limit ($6,000 for 2021). Contributions to Roth IRAs are not tax deductible, but earnings grow tax-free. Roth IRA balances are not included in the financial aid calculation, but withdrawals are included as income even if they are tax-free.

If your child is younger or does not have earned income, you may be able to contribute to your own Roth IRA (subject to income limits) to fund future expenses. Contributions can always be withdrawn tax- and penalty-free. Once you reach age 59.5 and have had the account open for 5 years, earnings can also be withdrawn tax- and penalty-free to be used for college or any other expense.

If you'd like to discuss your specific situation and goals, please feel free to reach out!

**Investors should carefully consider the investment objectives, risks, charges and expenses associated with 529 college savings plans before investing. More information about 529 college savings plans is available in the issuer's official statement, and should be read carefully before investing.*

Securities Based Line of Credit

Melissa Phillips
Operations Manager

A securities based line of credit, or SBLC for short, is a way to provide access to cash without disrupting your long-term financial strategy. An SBLC allows you to borrow against eligible assets in order to provide liquidity when needed. Eligible accounts are “pledged” as collateral. The minimum market value of a pledged account must be at least $100,000 and certain types of accounts and securities, such as retirement accounts and margin accounts, are ineligible.

Common uses of an SBL include:

- Financing home renovations or repairs
- Planning a major vacation
- Satisfying a tax obligation
- Starting or expanding a business
- Acting on a real estate investment
- Consolidating debt

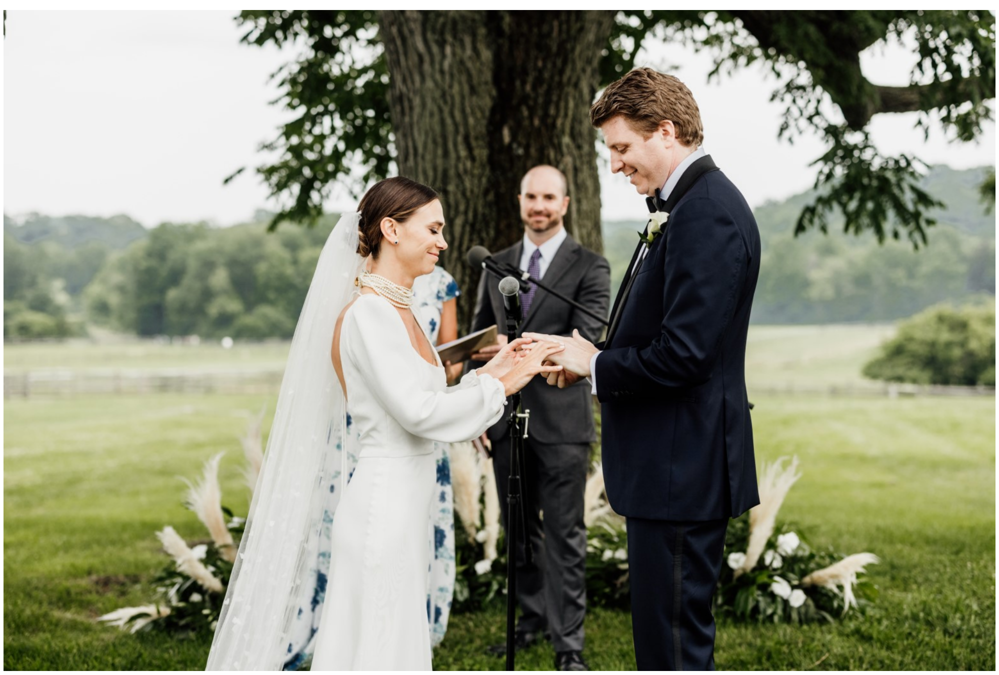
Please reach out to your advisor if you would like more details regarding the securities based line of credit and whether it may be a beneficial addition to your financial plans.

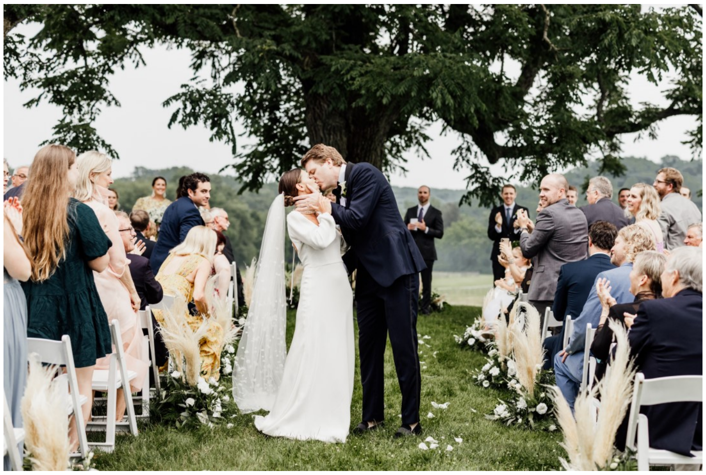
Margin or a Securities Based Line of Credit may not be suitable for all clients. The proceeds from a Securities Based Line of Credit cannot be used to purchase or carry margin securities. Borrowing on securities based lending products and using securities as collateral may involve a high degree of risk. Market conditions can magnify any potential for loss. If the market turns against the client, he or she may be required to deposit additional securities and/or cash in the account(s) or pay down the loan. The securities in the pledged account(s) may be sold to meet the margin call, and the firm can sell the client's securities without contacting them. The interest rates charged for a Securities Based Line of Credit are determined by the market value of pledged assets and the net value of the client's Capital Access account. The interest rates charged for Margin are determined by the amount borrowed. For additional information on margin, visit http://sec.gov/investor/pubs/

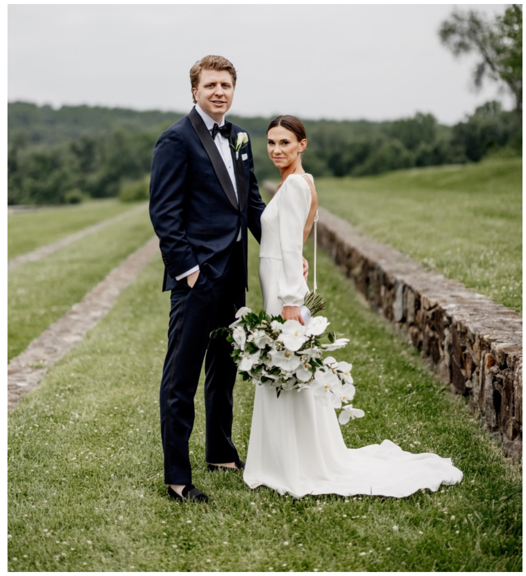
Securities Based Line of Credit provided by Raymond James Bank. Raymond James & Associates, Inc.

News at EWS

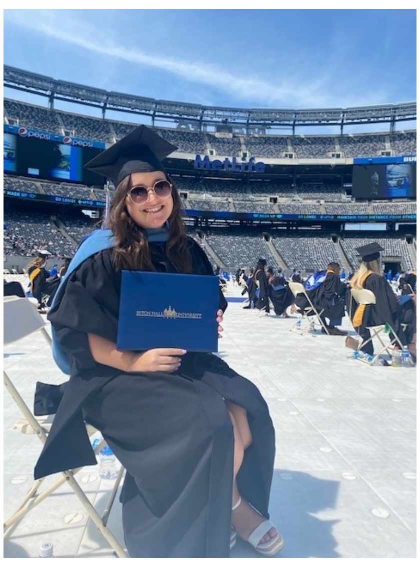
Chris and Molly were married on June 19th surrounded by friends and family. COVID restrictions had been lifted weeks prior in Pennsylvania and the day’s ominous weather departed just in the nick of time. Overall, it was a wonderful occasion and a fun evening! (More pictures on the next page)

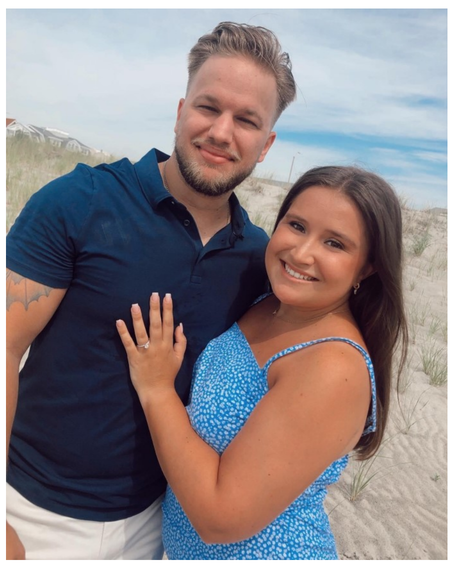




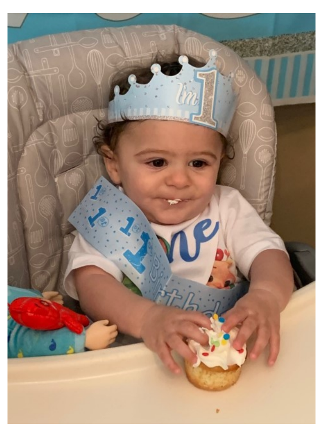


Anthony's daughter Anne graduated from Seton Hall University this past May with her Masters of Science Degree in Occupational Therapy. She successfully passed her boards exam and is now an Occupational Therapist Registered (OTR). She also got engaged to Patrick Toner of Washington Twp., NJ on Father's Day. It was a busy spring for the Panto family!





Frank's son Frankie celebrated his 1st birthday back on June 29th... obligatory cake picture!



EAGLE WEALTH STRATEGIES

AN INDEPENDENT PRACTICE

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Four of our financial advisors – **Paul Tully, Chris Tully, Steffanie Lerch, and Jessica Ortega** – hold the Certified Financial Planner™ certification and the Retirement Income Certified Professional® certification. The CFP® credential is awarded to a select number of financial professionals who satisfy the CFP® Board of Standard's rigorous educational and examination requirements, and who agree to adhere to its high level of ethical and professional standards. In order to receive the RICP® designation, one must meet experience requirements and ethic standards, successfully complete three courses which include rigorous tests to pass, and agree to comply with The American College Code of Ethics and Procedures.

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