Eagle Wealth Strategies April 2020

THE EAGLE'S VIEW

In this issue:

Special points of interest:

- Update on the economy amidst COVID-19
- Investment Market predictions and trends
- Specifics on the coronavirus stimulus package
- Internet fraud during the pandemic
- EWS news

Paul J. Tully, CFP®, RICP®

After the past 6 weeks, which has seemed like a year, I really did not know what to write or even how to start this section. The first thing I thought of, being from the Philadelphia area, was the first Rocky movie in 1976 where his primary goal was to still be standing at the end of the fight. My thoughts exactly.

Although we continue to see the longer-term issues centering on longevity and lower guaranteed rates of return (and they are much lower today, only 90 days later), we see the returns on equity investments as perhaps being higher over the next 10 years than we saw a few months ago. We are starting from a lower base than in January and with the injection of money into the economy as a result of the virus, longer term stocks are more attractive to us than they have been in a while.

After a promising start to the year, the US stock market (as represented by the S&P 500) rose until February 19th, then endured the fastest 30% decline in history, followed by a 27% rise through April 9th. All time high, 35% crash, 27% gain, all within a span of 50 days. There you have it. Sounds simple, but it was terrifying, the worst experience in markets of my career. In the S&P 500, 68 stocks were down at least 50%, 7 down over 75%.

And that's not even the most important element of the story. From a health care perspective, COVID-19 has zoomed around the globe in seemingly an instant, creating illness, death and fear in its wake. Hopefully by the time you read this we will be close to a peak in the US, though that's far from certain.

We have just begun the first partially engineered financial downturn in history, with the country going into a temporary government-induced economic coma. We may go from 3.5% unemployment to 35% unemployment in 90 days. In the past 3 weeks, unemployment claims have increased by almost 20 million.

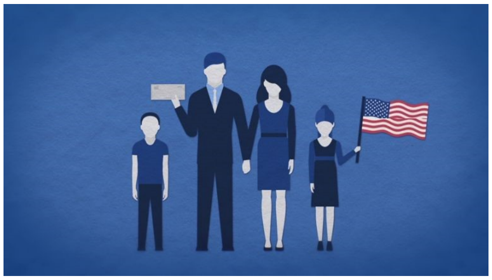
Continued on page 2

Economy & Investment Markets

Chris Tully, CFP®, RICP®, CIMA®

The first quarter of 2020 began with optimism and ended with unparalleled uncertainty. Whether you are an astute follower of the markets or not, it's highly likely you're already well aware of the extreme comings and goings of the past 90 days. The news has been peppered with frequent headlines beginning with the likes of "fastest 30% decline in history…", "worst week since…", "best week since…", etc. Much has already been written, debated, and discussed about what happened in the first quarter of 2020. Our focus here is more on what comes

Continued on page 3



Our government has committed over $4 trillion in what seems the blink of an eye, with promises of more money to come. The CARES Act is designed to support both businesses and workers through the difficult time in the coming months. The financial spigot is wide open and will be a key component in mitigating the financial impact of this crisis. Someday, there will be consequences to the amounts injected, but not today. Interest (no principal) on the 30-year bonds to pay for the $2.2 trillion will be $31 billion per year.

Like 9/11 – and perhaps for older generations, Pearl Harbor, and before that, the Depression – we will not ever forget what we are going through right now. Social distancing that has morphed into shared social anxiety is going to be with us a while. Instead of trying to make a few putts on a spring Saturday on a golf course, I made myself a mask out of a golf towel and large paper clip. Different world for now.

I don't know about any of you, but I'll take my time jumping back onto a plane or taking a cruise. Restaurants, golf, ball games, okay. Crowded bars, maybe later. I believe that we will get back to a sense of normal, but like after 9/11, normal will not be the same normal, at least for a long time.

The markets, which reacted first and violently on the way down, will most likely recover first largely because they can by traded every weekday and react to what will eventually be a daily or weekly dose of good news. Perhaps not soon, but there are legitimate reasons to see some economic light at the end of the tunnel beginning in the 3rd quarter starting July.

We are looking at our various portfolio holdings as well as alternatives to adjust to what the future may hold. With interest rates on 10-year government bonds at less than 1%, strategies will change. Stocks have routinely outproduced fixed income investments, albeit with a lot more visible volatility. As I stated in an earlier communication, many people may not like owning stocks, but at today's and tomorrow's interest rates, most people have little choice but to own some piece of America's and the world's leading companies. It's that simple, but it is admittedly not easy at times like these.

Although there will be debate for years, I believe the aggressive policy responses by the Federal Reserve and Congress were necessary to provide both tangible and psychological support at the most critical time. Maybe the money that will be spent will prove excessive perhaps the implementation will be a mess, but because it will be almost exclusively spent in the US, including a likely infrastructure package later this summer, the money will put strong support under the economic welfare of the country.

Financially, there will be changes. Businesses that were highly leveraged will become less so. More people may continue to work from home, some permanently as technology to facilitate that evolves.

There have been many reports of possible treatments and many companies are working on vaccines. Each day we get closer to a cure for the virus, though a vaccine may be a year or more away.

For certain, there have been some bad actors out there. Price gouging on essentials, even on items needed by medical professionals who are on the front lines. States have had to bid against each other, toilet paper became as scarce as Phillies victories in September. We must and will be better prepared for the next time – I am very confident of that.

There have also been heroes. People like previously unknown public servants in the medical field like Dr. Anthony Fauci and Dr. Deborah Birx, who have brought daily candor and inspired public confidence. Front line medical professionals have been true heroes, putting their lives at risk to help others.

One thing I have found that I have also found in the past, but it's good to be reminded: people are resilient and though frightened, at the same time confident that we will emerge successfully on the other side of this. It's bad to bet against human, especially American, ingenuity and re-

solve.

If there is a final message in my thoughts this quarter, it's that we should consider this economic crisis somewhat similar to the one engineered in the early years of the Raegan administration, 1982-83 when the Federal Reserve dramatically increased interest rates to bring inflation under control. It worked and the Dow Jones Average that reached 850 at one point consistently increased for decades after the crisis passed.

The COVID-19 crisis has real life consequences, but at the same time, I believe it is one that will end. As a result, people will reflect on what is most important to them and perhaps that will make us better and stronger in the future. I believe you will see changes in attitudes and life choices.

We have had pandemics, bear markets and recessions in the past. The uniqueness of this one is that except for the pandemic part, the economic result is because we have chosen to fight this battle by isolating the public via shutdowns and quarantines. It seems to be working, though no one will know for certain for at least several months.

Best wishes for your safe passage through this time. Follow the recommended guidelines and look forward to a bright future together.

Economy & Investment Markets *(continued from front page)*

next.

Many analysts are aiming to predict the duration of the downturn, whether we approach or surpass the market lows seen on March 23rd (with the S&P 500 reaching 2,191.86), and how quickly a return to prior highs last seen in February will take. Looking long-term, in our minds it really comes down to two ways of thinking. If you think as we do that the stock market is likely to be higher at some point in the future (whether that's 1 year, 3 years, or 5 years), and that this virus will not be taking down the entire economy permanently (though we recognize it's likely taking us down a peg or two in the short-term), then selling now or remaining in cash indefinitely is a very tough choice to make for someone whose financial goals require long-term growth to achieve them. Holding a large percentage of one's wealth in cash may provide short-term comfort, however, that comfort may come with a huge price tag in terms of one's future.

From the S&P 500's current level on April 9th (2,789.82), it would require a 21.6% return to reach the prior peak from February 19th (3,393.52). In terms of the time needed for a full recovery, history can help put things in perspective. Leading up to the last recession, the S&P 500 reached a peak in October 2007. The market bottomed in March 2009, then first eclipsed the October 2007 peak in April 2013 – 4 years

and 1 month later. The S&P 500's decline associated with the 2007-2009 downturn was approximately 57%, while the peak-to-trough currently associated with our currently crisis is approximately 35%. If it took 4 years to fully recover this time around, that would equate to an average annualized return of about 5.0% per year. While the final chapter of our current crisis has yet to be written, we believe that this recovery – at least in terms of the investment markets – will be swifter. If it takes 2 years, that will represent an approximate 10.3% average annualized return; if it takes 3, 6.7% would be the average. More conservative investments, such as bonds, CDs, or cash are unlikely to come close to these returns in our opinions.

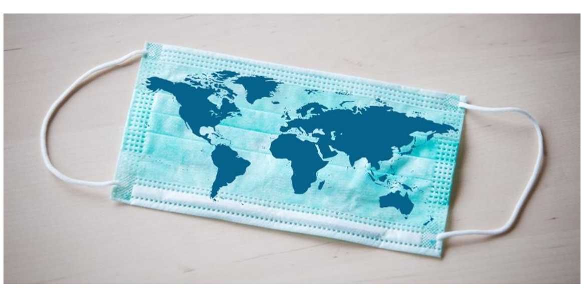
Looking back further, the first quarter of 2020 ranks as the third worst since 1978. The chart on the next page shows subsequent returns following the other 15 worst since that time. There have been several in-

S&P 500 - Worst Quarters since 1978					
Qtr End	Q Return	Next Q	Next 2Q	Next Yr	Next 2 Yrs
12/31/1987	-23.23	4.78	10.69	12.40	43.03
12/31/2008	-22.56	-11.67	1.78	23.45	39.23
3/31/2020	-20.00	-	-	-	-
9/30/2002	-17.63	7.92	4.04	22.16	36.71
9/28/2001	-14.99	10.29	10.23	-21.68	-4.32
9/28/1990	-14.52	7.90	22.60	26.73	36.51
9/30/2011	-14.33	11.15	24.49	27.33	48.62
12/31/2018	-13.97	13.07	17.35	28.88	-
6/28/2002	-13.73	-17.63	-11.11	-1.55	15.26
3/30/2001	-12.11	5.52	-10.29	-1.12	-26.90
6/30/2010	-11.86	10.72	22.02	28.13	32.16
3/31/2009	-11.67	15.22	32.49	46.57	66.17
9/30/1981	-11.50	5.48	-3.63	3.65	42.94
9/30/1998	-10.30	20.87	26.49	26.13	41.25
3/31/2008	-9.92	-3.23	-11.82	-39.68	-11.59
9/30/2008	-8.88	-22.56	-31.59	-9.37	-2.16
Average	-14.45	3.86	6.91	11.47	25.49
Median	-13.85	7.90	10.23	22.16	36.61

Source: FactSet, Raymond James Equity Portfolio & Technical Strategy

stances where the market was lower 2 years following the quarter, though most experienced dramatic increases, with an average two-year return of 25.49%.

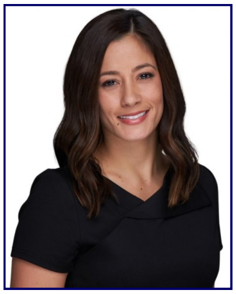
On the flip side, if you don't think like we do, and you believe the market is not only going lower in the short-term but it's going to remain lower for far longer than prior downturns, then a more conservative approach could be warranted. However, an investor with this line of thinking would have to be prepared for the potential consequences of being incorrect: relying on lower average returns and therefore reducing lifestyle in the future, or keeping lifestyle the same but increasing the odds that funds run out during one's lifetime. There are investors who have more wealth then they are likely to ever spend – and therefore have more of an ability to remain cautious – however, many need a greater degree of growth than low-yielding conservative investments are likely to provide, and missing out on the previously discussed 21.6% return (to the prior peak) may seriously impede the attainment of one's long-term goals.



This is a truly unique and scary environment, not just for investment markets, but life in general. Worrying about your health, your career, and your portfolio can be a daunting combination. Our role is to help with the ladder. Allow us to alleviate the worry associated with the markets so that your focus can be elsewhere.

Only time will tell which analysts are right and which are wrong, and if we've seen the worst or if the worst is yet to come. We will continue monitoring the markets and the investments within our clients' portfolios. We've made several adjustments in the last 30 days, at times to add protection and – more recently – to re-position with the eventual recovery in mind, and we will continue to monitor and adjust as necessary. As always, if you would like to discuss your portfolio, goals, or the markets in general, please reach out to us at any time.

The Coronavirus Stimulus Package: What you need to know



Jessica L. Ortega, CFP®, RICP®

As the COVID-19 pandemic has affected life in ways we couldn't imagine, the deadly virus and efforts to contain the spread have prompted a significant government response. Passed on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act provides an estimated $2 trillion in fiscal stimulus to combat the economic risks associated with a slowdown in individual spending and helps businesses of all sizes avoid closures and employee layoffs.

Below are some of the major provisions in the CARES Act aimed at providing relief to individuals and small businesses during this challenging period.

RECOVERY REBATES FOR INDIVIDUALS
The act provides payments to taxpayers (subject to income limits) in the way of a credit of $1,200 per individual and $2,400 per married couple filing jointly. There is also a $500 credit per qualifying child under the age of 17. The payment is reduced by 5% of the individual's adjusted gross income over $75,000 ($112,500 for head of household; $150,000 for joint filers). The payment will fully phase out when income reaches $99,000 for single filers, $146,500 for head of households with one child and $198,000 for joint filers. Individuals who have no income, as well as those whose income comes from non-taxable sources, also qualify.

The eligibility for the payment is based on your 2019 tax return. If it has not been filed yet, eligibility is based off your 2018 tax return. For most Americans, the credit will arrive in April 2020 through direct deposit while others may receive a check in the mail.

TEMPORARY WAIVER OF REQUIRIED MINIMUM DISTRIBUTIONS (RMDS)
Required minimum distributions (RMDs) are waived for 2020. This applies to traditional IRAs, inherited IRAs, SEP IRAs and SIMPLE IRAs as well as 401(k), 403(b) and governmental 457(b) plans. Since we have been experiencing volatility in recent weeks, this change allows retirement portfolios that have experienced recent declines time to potentially recover and might allow certain clients to draw income from more tax-efficient sources. If you have already taken your RMD for 2020, the funds can be returned if the distribution was made within the past 60 days as an indirect rollover. We have recently contacted you if you are eligible to return the funds using this strategy or if you have scheduled distributions later this year. If you have not taken a distribution yet, you don't need to.

PENALTY-FREE DISTRIBUTIONS FROM RETIREMENT ACCOUNTS
A coronavirus-related distribution of up to $100,000 can be made from IRAs and employer-sponsored retirement plans in 2020 by an individual impacted by the coronavirus. A coronavirus-related distribution includes one made to:

- An individual diagnosed with COVID-19.
- A spouse or dependent of a person diagnosed with COVID-19.
- An individual who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, or having work hours reduced due to COVID-19.
- An individual who is unable to work due to lack of childcare due to COVID-19.
- An individual who has closed or reduced hours of a business owned or operated by the individual due to COVID-19.
- Other factors as determined by the Secretary of Treasury (the IRS will need to provide more clarity on this one).

RELIEF FOR STUDENT LOAN BORROWERS
Required payments on federal student loans have been suspended through September 30, 2020. During this time, no interest will accrue on this debt. Note while required payments are suspended, voluntary payments are not prohibited. Unfortunately, that means automatic payments will continue unless individuals take proactive measures to contact their loan provider and pause payments.

EXPANSION OF UNEMPLOYMENT INSURANCE BENEFITS
The CARES Act has provided multiple unemployment protections above and beyond what each state pro-

vides. Anyone who can't work because of coronavirus may receive benefits, including those who were furloughed, laid off, became ill or had to care for someone else afflicted with the virus. Furthermore, the act extends benefits to the self-employed and independent contractors, a group that doesn't normally qualify for unemployment. The federal government will fund an additional $600 stacked on top of a recipients' weekly state benefit. The act also extends the length of time an individual may receive benefits for an additional 13 weeks on top of the state maximum.

EXPANSION OF HEALTH COVERAGE

If or when a COVID-19 vaccine becomes available, it will be free to those on Medicare. Medicare Part D recipients must be given the ability to have a 90-day supply of medication prescribed and filled during the COVID-19 emergency period.

SMALL BUSINESS PAYCHECK PROTECTION PROGRAM (PPP)

Partially forgivable small business loans are available through the Small Business Administration (SBA) to help cover necessary business expenses, including group health benefits, payroll costs, interest payments on mortgages, rent, utilities, and interest on debt for expenses. The loans are up to 2.5 times the average monthly payroll cost in 2019, up to $10 million. The two basic requirements are 1) businesses with fewer than 500 employees are eligible, including individuals who are self-employed, and 2) eligible borrowers are required to make a good-faith certification that the loan is necessary due to the uncertainty of current economic conditions caused by COVID-19.

The amount eligible to be forgiven is the amount spent during the first 8 weeks after the loan is made on payroll costs, rent, utilities, and group health benefits. Any debt forgiven pursuant to this provision is not included in taxable income for the year. To be eligible for loan forgiveness, the business must have maintained the same number of employees through the end of June 2020. Businesses are encouraged to apply through a lender they currently have a banking relationship with. A list of participating lenders as well as additional information and full terms can be found at sba.gov.

If you have questions about these or any of the other provisions in the CARES Act, please reach out. We can work together with your tax and legal professionals to determine how this legislation affects you directly. We'll continue to keep you updated with relevant, and hopefully useful, information.

Beware of COVID-19 Cyber Scams

Melissa Phillips
Operations Manager

Tough times often bring out the best in humanity, but scammers instead seize the opportunity to take advantage of people when they're at their most vulnerable. The bad actors are posing as the WHO (World Health Organization), CDC (Centers for Disease Control), and other health organizations looking to obtain personal information by tricking you into clicking on malicious links, filling out forms online, or giving your banking info over the phone. Here are some things to look out for:

Unknown (or sometimes, even known) senders urging you to click on links or attachments to see cases of COVID-19 near you or tips to avoid catching the virus – These links often contain malware, which if installed on your computer can take control, log your keystrokes, or access your information without your knowledge.

Requests for personal information – Scammers are posing as the IRS, calling and emailing people requesting their bank account information so that their stimulus check can be direct deposited. If you had your last tax return direct deposited, the IRS already has that info – and they would <u>never</u> call you to request any information.

Emails or phone calls that create urgency or demand that you act now – This is generally a red flag and should raise immediate suspicion.

What can you do? When in doubt, use your common sense. These emails often appear official, even using the actual organization's logo. If you receive an email that you believe to be malicious, do not engage, just delete it. If you're unsure whether it's legitimate or not, go straight to the source. If you're looking for CDC or WHO information, skip the link in the email and go right to the website. If you believe you've already given out information to a malicious source, it's always a good idea to call the three major credit bureaus and have an ID theft alert put on your record.

Select Electronic Delivery by April 24th

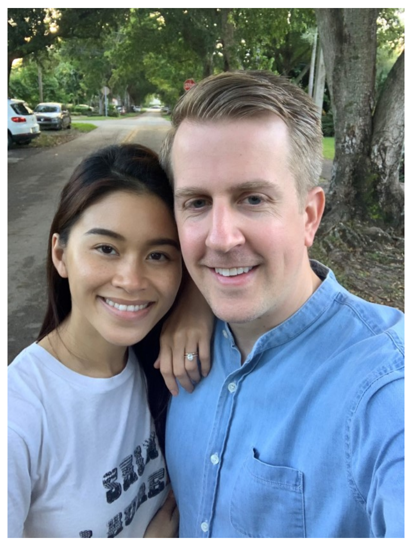
If you're not already enrolled, Client Access is Raymond James' secure and convenient online account access system. Benefits of a Client Access login include a comprehensive view of your accounts and asset allocation, mobile check deposit, secure document storage, and perhaps most handy - the ability to elect paperless delivery options for statements and other documents.

In June, Raymond James will be sending every client lengthy disclosures required by the SEC as a result of Regulation Best Interest, which goes into effect on June 30th. Unless you select electronic delivery for "Other Correspondence" before April 24th, you should expect to receive a 100+ page document in your mailbox sometime in June.

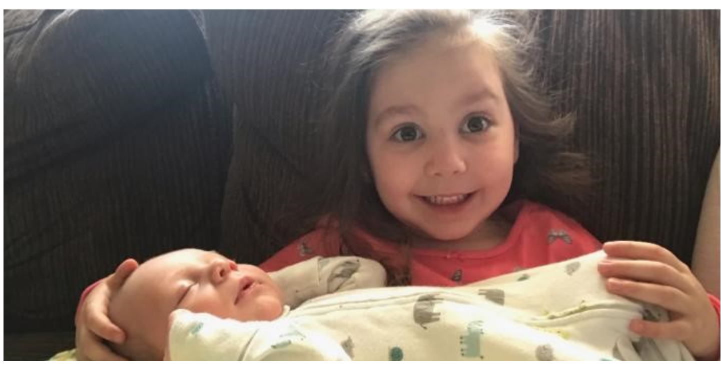
We sent out emails with instructions on enrollment and changing your delivery preferences on April 14th. If you don't have Client Access or need help enrolling or setting your delivery preferences, please contact me either by phone (856-845-4005) or email (melissa.phillips@eaglewealthstrategies.com).

News at EWS

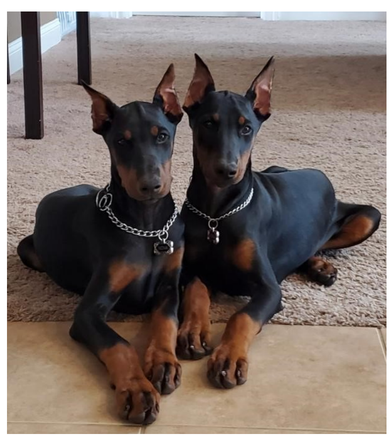
Paul and Kathy are expecting more grandchildren this summer; their son Geoff and his wife Jess are expecting twin boys! Pictured on the right are the proud, soon-to-be parents due on August 7, 2020.



Maureen welcomed her second grandchild to the world on March 14, 2020. Below is newborn Charlie pictured with proud sister, Cora.



Steffanie and her family adopted two female Doberman puppies in February -- meet sisters, Nova and Kona!



EAGLE WEALTH STRATEGIES

AN INDEPENDENT PRACTICE

Eagle Wealth Strategies is not a registered broker/dealer and is independent of Raymond James Financial Services located in West Deptford, New Jersey. Our team of financial advisors provides comprehensive financial and retirement planning services to successful individuals and families, retirees and those nearing retirement, single, widowed and divorced women, and attorneys, accountants and physicians.

Each of our financial advisors – **Paul Tully, Steffanie Lerch, Chris Tully, and Jessica Ortega** – holds 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.