THE EAGLE'S VIEW

AN INDEPENDENT PRACTICE

Paul J. Tully, CFP®, RICP®

We came perilously close to a Depression a year ago, lost 1/3 of our stock market value in 33 days, and then recovered it all in 1 day short of 6 months. Lost 20 million jobs and have so far recovered about half of those. The workplace of tomorrow may be here today, with more deliveries to your home and fewer people commuting to a workplace than ever before. The economy and the investment markets have improved for some but remain deeply wounded for many others.

I am frequently asked how I see events developing in the future, especially in the economy and investment markets. I do not know, but have some thoughts based on my professional experiences.

Technology

Some things have changed forever due to an acceleration of technological trends. Electric cars, working from home, distance learning, telemedicine, and food delivery all have been accelerated by COVID-19. Each trend may slow down, but we are not going back to pre-COVID-19 technology.

Fiscal Restraint

US politicians of both parties have pretty much abandoned any thought of fiscal prudence, and rising levels of debt are accelerating. We have increasingly complicated financial issues, ranging from infrastructure to entitlements that simply cannot be paid for under current tax revenue structures. We are going to have some very difficult choices on spending and taxes in the next few years.

Vaccines

We have proven once again that when we must solve a big problem, the people and companies of the US are without peer. Developing a vaccine in less than a year is unheard of in world history. It is a very good feeling to know that human resolve can overcome obstacles on this scale. We continue to read about other treatments in the process, including drugs for Alzheimer's and several cancers.

Continued on page 2

Economy & Investment Markets

Chris Tully, CFP®, RICP®, CIMA®

Trends in the final three quarters of 2020 carried over into the first quarter of 2021. Globally, stocks have continued to climb. March 23rd was the one-year anniversary of the "market bottom" from last year's COVID market panic, and since that date we have experienced the best 12-month performance in the S&P 500 since the 1930s. Through the 1st quarter, the index is up 6.17%; and on Thursday April 1st, closed above 4,000 for the first time in history. Foreign markets have also brought positive performance, though are lagging slightly in 2021. Globally, the MSCI ACWI (All Country World Index) was up 4.57% through the end of March.

Continued on page 3

IN THIS ISSUE:

SPECIAL POINTS OF INTEREST:

- *Economic update amidst pandemic relief/vaccine rollout*
- *Investment markets update*
- *Key points of the newest tax legislation*
- *The importance of reviewing life insurance*
- *Returning to normal post-COVID*

877 Kings Highway West Deptford, NJ 08096 | (856) 845-4005

Taxes

Taxes are going up, perhaps by a lot, and the implications will not only be on the higher income earners, the wealthy, and businesses. Taxes will be passed on to consumers wherever possible. COVID-19 has provided cover for a broad menu of government spending and that spending will be mostly borrowed (57% was borrowed in past 12 months). COVID-19 has also provided cover for massive tax increases on income and wealth. Senator Sanders has recently introduced a bill, not likely to pass, that will get the ball rolling on what is coming soon. Buckle up if you are a taxpayer.

Every administration since President Carter has had major tax legislation in the first year, so this is nothing new. While I do not see tax increases as good for the economy or investment markets, I also do not see any reasonable alternative given the amount of money we are spending as a nation and this spending train has no brakes and no guardrails.

It is part of my role to help clients strategize ways in which to minimize the tax impact on themselves, their families, and their businesses. We are spending a lot of time both researching the tax proposals and evaluating potential solutions.

Other Issues

We have seen considerable attention paid to long-term social problems, including the huge income disparity between those in the top 1 to 5% of income and others. In 1980, the top 1% earned 11% of all income. Today, its 20%. Wealth statistics are equally distanced. One way or another, this will change.

Our capitalist system is designed to reward innovation, creativity, risk taking and hard work. Results in recent decades have created an imbalance that I believe is responsible for much of the social and political unrest we have experienced. It has shaken the very foundation of our society and though I do not experience this much in my daily life because of what I do professionally, I read constantly and as I learn about more and more people falling further behind, I understand that a new tax approach may be needed for us to continue to grow. With the 4th largest population in the world, 330 million people, we are well past the point to let everyone swim or sink on their own. Whether we like it or not, a government's role is to address issues that cannot be successfully addressed otherwise. Roads, ports, digital infrastructure, and defense among them. The current situation is unsustainable.

Despite what I see as some volatile times in the short term, I remain a long-term optimist.

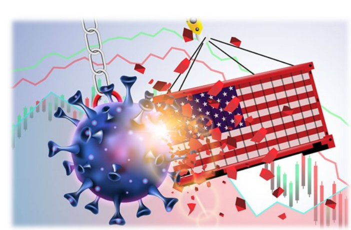
Advances in technology, medicine and healthcare/treatments will make life for us, our children, and grandchildren much better. Almost every day I read about potentially life altering advances coming in medicine. The vaccine development in record time is a preview of how quickly things will improve.

We need to get our fiscal houses in order, in the cities, states and federal budgets. It will be a herculean task and one that I believe is all but impossible to accomplish without a re-structuring of the tax system in a way we have never anticipated. We will need a new generation of political leaders who are smart, savvy and collaborative. Neither the problems nor the solutions are based on only one political party.

There will be new risks that we do not see coming. In the past century the Depression, World War II, September 11, and COVID-19 were each world altering surprises causing unfathomable disruption.

In addition to higher taxes, I see continued lower interest rates for a longer period and soon, a slow growth economy after our initial post COVID-19 surges. The slowdown will be reflected in the investment markets and this decade will not likely match the last decade in stock market appreciation. I hope I am wrong, but beyond the 2021 recovery from the disaster that was 2020, I see a return to the economic growth we have experienced for close to 15 years, a 2% (some years a little better, others a little worse) growing economy that will ultimately be reflected in the stock and bond markets. The last year we grew by 3% was 2005. This year will be double that, but only as a rebound from 2020.

The upside of all of this is that I believe we are at a unique inflection point in the American economy. We need to address the issues that we seem to be addressing simultane-



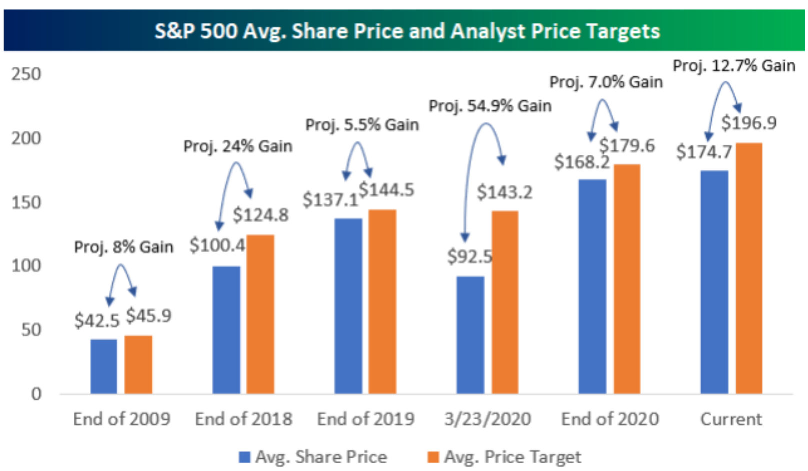
ously, which will be difficult but perhaps the pandemic makes them timely. We as a country have talked about infrastructure for decades and done little about it. Same with taxes, spending, climate change, income and wealth disparity and regulating (or not) new forms of mass communication and the role of government. Each of these are disruptive but potentially of great value to the economy and the investment markets once resolved.

Perhaps now is the time for the great American Re-Set. We will see.

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

Unprecedented amounts of government stimulus, support from the Federal Reserve, and an accelerated vaccine rollout have been catalysts for higher markets, and we believe these themes will continue to aid in the economic recovery and market gains. It will not always be a smooth ride, however. A lot of time is spent by the financial news on predicting the timing of declines, or discussing various ways that markets are "overvalued". Market "corrections" (a decline of between 10% and 20%) are inevitable, but rarely easy to predict, and never enjoyable to experience. Fortunately, for our clients who are invested for the long haul, past market corrections will mostly be forgotten. We have experienced 36 declines of over 10% since 1950. And more recently, in the past ~3 years we have experienced 3 such declines. While the significant COVID-induced decline in early 2020 is fresh on investors' minds, many do not recall the reasonings or resulting fears from the drops in early 2018 (January-February) and late 2018 (September-December). At the end of 2017, the S&P 500 was at 2,673, which means that in a little over 3 years the market was up 50%. The ride was not always smooth, and at times far from it, but investors with a long-term mindset and an abundance of patience have been rewarded.

Even with the past year's gains, analysts remain optimistic. In fact, according to Bespoke Investment Group, as of March 24th, the average analysts' price target projection remains double digits (far right):



On the other side of the equation (bonds), interest rates – as measured by the 10-Year Treasury Bond – have risen dramatically since last March, particularly in the past 2 months. On March 9th of 2020, the yield on a 10-Year Treasury Bond was 0.398%. As of today's writing (April 2nd), yields are now 1.679%. This quadrupling of the rate has led to the worst quarter (1st quarter of 2021) since 1997. As we wrote in the 1st quarter's "Eagle's View", not all bonds are created equally, fortunately. While the widely used Barclays US Aggregate Bond Index was down -3.37% in the 1st quarter, a variety of bond types that we utilize in many of our portfolios have fared better, with several even positive.

Through March 31st:

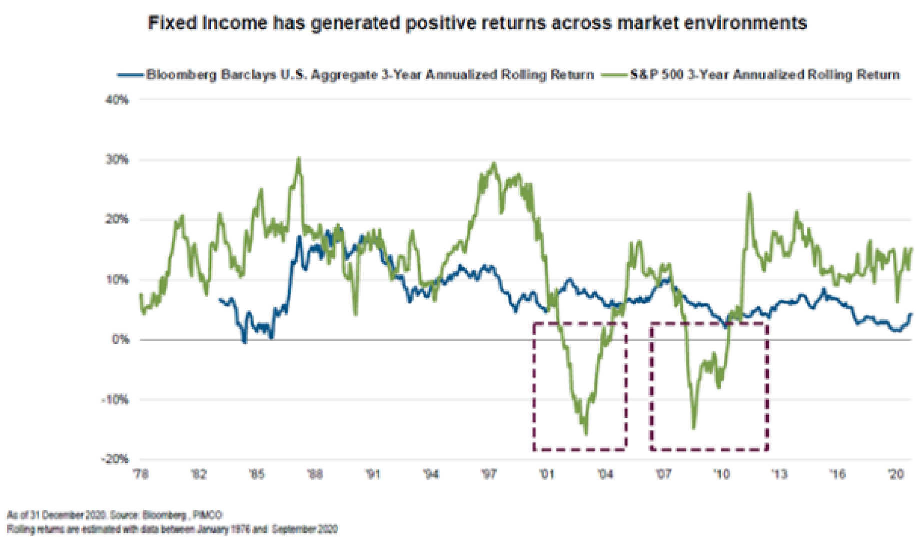
- S&P Leveraged Loan Index (Bank loans) = +1.78%
- Barclays US High Yield Bond Index = +0.84%
- Barclays Muni Index = -0.35%
- Barclays US 1-3 Year Credit Index (Shorter term bonds) = -0.02%

Guessing which direction interest rates will go – and the significance of the move – is a tricky proposition. While rates are still low historically speaking and may trend higher over the short- and long-term, bonds still have a place in a diversified portfolio for many clients, particularly those with shorter time horizons or lower tolerances for risk.

Per Aradhana Kejriwal of Practical Investment Consulting (PIC), bonds have rarely experienced negative 3-year periods (blue line in the first chart below, while the US stock market – as measured by the S&P 500 – is the green line), and have historically served as a buffer in periods of sharp stock market declines:

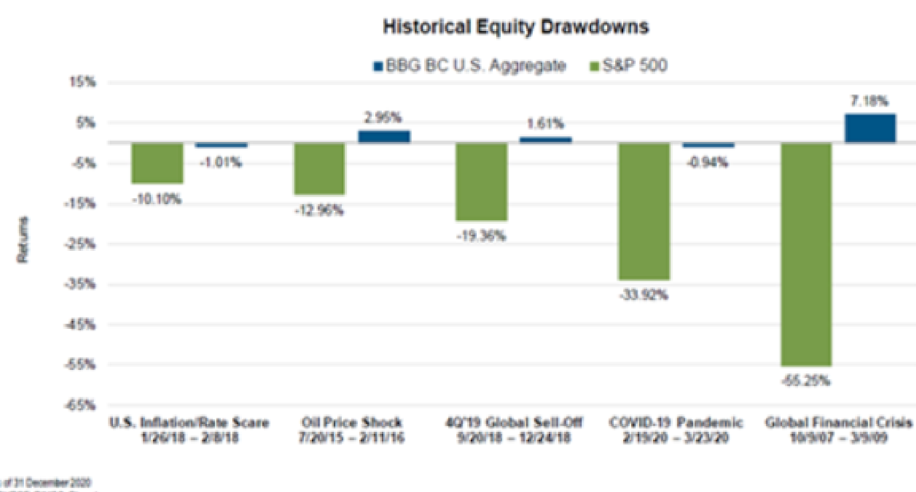
Bonds have rarely had a negative return over a rolling 3-year period.

For investors with 3 years holding period, negative returns from high-quality fixed income have been rare:



Bonds provide diversification to equities.

High-quality bonds may help preserve wealth. The chart below shows some recent market drawdowns and a comparison of performance between stocks and bonds.



Overall, we remain optimistic, and will continue to preach patience and a long-term view if the markets begin to experience greater swings. Changes were made following our February "Investment Committee Meeting" (on both the stock and bond side of the equation) and we will continue to monitor the investments and markets and adjust accordingly.

The American Rescue Plan Act of 2021

Jessica L. Ortega, CFP®, RICP®

Last month the Biden administration ushered in its first major piece of tax legislation: the American Rescue Plan Act Of 2021, intending to drive economic stimulus and provide fiscal relief for the ongoing COVID-19 pandemic.

A few key provisions:

- Third round of stimulus checks of $1,400 per eligible individual (subject to income limits)
- Expansion of the Child Tax Credit to $3,000 per child or $3,600 if the child is under age 6. These enhanced tax credits are subject to a significantly lower income phaseout ($150,000 for joint filers, $75,000 for single filers) than the standard $2,000 Child Tax Credit (which doesn't phaseout until $400,000 for joint and $200,000 for single)
- Extension of unemployment benefits set to expire. Federal subsidies to states providing unemployment to individuals was extended through September 6th

Other important aspects include a significant increase in the Dependent and Child Care Credit, increases in the Premium Assistance Tax Credit for households buying health insurance on the exchange, and a tax credit for employers to offset COBRA coverage for employees who are involuntarily unemployed.

Notably, RMD relief was NOT included nor was the highly debated minimum wage increase.

Many of these new provisions are for 2021 only (or in a few cases, until 2022 as well), making them temporary relief. However, there is still potential for additional tax legislation in the months ahead that could make some of these provisions permanent (like the Child Tax Credit). As always, we will keep you up to date with any legislation-driven tax planning opportunities throughout the year.

The Forgotten Asset Class

Anthony L. Panto
Financial Advisor

We have always found it interesting that the majority of people we speak with do not know the amount or the kind of life insurance they own. In fact, many we speak with do not even have any form of personally owned life insurance.

Through the years, individuals acquire life insurance when an emotional event has come their way -marriage, divorce, home purchase or children. For many, it is an unwilling, but seemingly necessary purchase at the time and so the policy gets placed in a drawer and that is it. According to LIMRA (Life Insurance Marketing and Research Association), "46% of Americans are uninsured and many more do not have enough coverage. Before the Pandemic, nearly 1 in 3 families said they would face financial challenges within a month if the primary wage earner died."

At the highest level, long term financial planning has everything to do with the achievement of your goals assuming you "live too long," but also if you die too soon. Investors are consumed with investment returns, but many times overlook the completion of their financial goals under the "die too soon" scenario.

We strongly urge you to have this conversation with your advisor. Pull out those old policies and get an understanding of what you own and how it fits within your plan. Ask us to review of those older "cash value" life contracts to determine if they are performing as expected or if they may be in danger of lapsing just when you may need them the most. A simple question you may wish to ask yourself is this: "Do I have all the assets and liquidity I need to leave my loved ones in manner I would be pleased with?"

Let us have the discussion as our team is always ready to serve.

Until next time, have a wonderful spring!

For Some, Anxiety Builds As We Creep Back Toward "Normal"

Melissa Phillips
Operations Manager

While many of us are breathing a collective sigh of relief as we begin slowly edging toward some semblance of normalcy, some are experiencing anxiety as expectations to return to a life we once knew begin to become reality. The past 13 months have reshaped our daily routines like we never imagined – from cancelling family gatherings, to remote work, to changing something as simple as going to the store for a loaf of bread! Now that the vaccine is rolling out, offices face a decision in the coming months – go back in person full time, try a hybrid work from home setup, or ditch the office leases and stay 100% remote indefinitely.

Vaccinated or not, some will welcome the freedom of gathering indoors mask-less while this might induce panic in others. Some fear losing the flexibility of working from home. Others might even feel awkward being in the presence of so many humans again and will need time to adjust. Everyone's feelings, while sometimes wildly different, are valid. Here at EWS we continue to be cautious and monitor the situation and will soon craft our plans to return to the office. We'll likely use a phased approach based on everyone's comfort levels, including flexibility for remote work continuing to be an option.

Whether dreading or loving the idea of returning to the office, a gradual switch back to pre-COVID world is likely best – easing us back into the "new, old" way of life, taking lessons from what we've learned along the way and applying them as we get back to "normal" again.

Prevent "Zoom Fatigue" in the Meantime

Several new phrases have been added to our lexicon as a result of the pandemic – "social distancing", "flatten the curve", and… "Zoom fatigue"! As we (mostly) continue to spend much of our time in the virtual world, it's become apparent that video conferencing, while a lifesaver, can also become rather exhausting at times. Scientists have evidence that your brain actually has to work harder during video calls to read and decipher others' expressions. Experts on the subject recommend these tips to help cope:

- Turn off your self-view – it's like looking at yourself in a mirror constantly and you're likely to become more critical of yourself
- Don't use the video feature if you really don't need it; but if you do, don't use the full-screen option
- Limit the length of meetings, if possible
- Turn off your camera for 5 minutes during a lengthy meeting to give yourself time to move around a little bit

News at EWS

Paul & Kathy during their recent trip to Jamaica

Enjoy some of our staff's photos from Easter weekend!

Paul's four grandchildren

Steffanie's children

Frank's family

Dana's children

Jessica's daughter

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.

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.

Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™, CFP® (with plaque design) and CFP® (with flame design) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

877 Kings Highway West Deptford, NJ 08096 | (856) 845-4005