Eagle Wealth Strategies January 2020

THE EAGLE'S VIEW

AN INDEPENDENT PRACTICE

In this issue:

Happy New Year and welcome to the new decade!

Paul J. Tully, CFP®, RICP®

In 2019 Eagle Wealth Strategies reached a milestone, now having provided financial, investment and retirement planning for over 600 families or businesses in 23 states and almost $400 million in client assets. I'm very proud of having started in April 1989 with literally none of the above, but with a desire and a plan to provide fiduciary level advice that I felt was lacking at the large Wall Street firms and banks. The day we opened the business, the Dow Jones Average was 2,500; today it is almost 29,000, not including annual dividends. The 6-month CD rate in April 1989 was 10.13% (Source; Forecast.com); a little higher than today! It's been a fascinating 30 years!

Along the way, our 9-person team has made it our priority to give back to our community in terms of leadership roles at Rowan University, the United Way, the Boys and Girls Clubs of Gloucester County, Inspira Health Systems and numerous other organizations. We also annually financially support a multitude of worthy causes.

It has been a very enjoyable experience and we believe that we have made a positive impact on our community and the many people we have served and guided during the past three decades. We have carefully added qualified people to our team to continue this legacy for many years to come and our experience, credentials and reputation is something for which I am very proud. During my career I have met many exceptional people including my wife Kathy and a number of close friends and professional mentors. Our clients, who entrust us with their life savings, their goals and dreams for their families, businesses and community are the cornerstone of our practice. We are honored by that trust and are committed to continue to earn it every day.

Since joining EF Hutton and subsequently

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Special points of interest:

- Update on the economy and market climate
- Investment trends and upcoming changes
- Updates on EWS staff and changing roles
- Financial planning goals and RMD changes
- Toys for Tots total and EWS news

Economy & Investment Markets

Chris Tully, CFP®, RICP®, CIMA®

2019 proved to be very different for the investment markets than 2018. At the end of 2018, we had just experienced a market correction of nearly 20%; fortunately, a quick rebound ensued with the rally continuing throughout the year. The global stock market – as measured by the MSCI ACWI ("All Country World Index") – was up 26.60%, while the global bond market – as measured by the Barclays Global Aggregate Bond Index – was also in positive territory, up 6.84%. In re-

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forming EWS, I have experienced investment bubbles and crashes, seven presidents of various parties and philosophies, several recessions, military conflicts around the world, high interest rates, low interest rates, high inflation, low inflation, record-high unemployment, record-low unemployment. All of these were newsworthy and moved investment markets, occasionally violently. In the end, the resilience of the American people and economy has continued to allow us to march forward and experience the greatest standard of living of our lifetimes. Many people in the world would trade their best day for my worst day over these past 30+ years.

In the future, I believe we face some challenges that are unique to the times in which we live. Those issues mentioned below (and others we don't yet know) will impact each of us:

Longevity

I have frequently mentioned this in past writing and newsletters. While it is wonderful that we are experiencing longer high-quality lives, that comes at a cost that many, including our government, are not prepared for. The longer you live, the more it costs. Most

people did not save enough to be retired for 2 or 3 decades and Social Security and Medicare never were designed for people to live this long and be treated for illnesses for which a generation ago, treatment did not exist. Those programs are not sustainable long term without raising revenue (taxes on somebody) or cutting costs (no one wants their healthcare cut). It remains to be seen how society handles this issue effectively.

Guaranteed income from investments

We continue to see interest rates on guaranteed investments at near record lows, in many cases below the rate of inflation and frequently below a level where people can live on the income. The interest rate on 10-year US government notes is less than 2%. We have had a 10-year period since early 2009 where the equity markets especially in the US have been strong enough to cover that shortfall, but we do not believe that is likely to continue at anywhere near the same rate of return. We are hopeful, but as the saying goes, "hope is not a strategy" and we are constantly and diligently seeking investments that will create portfolios for clients to reach their lifetime income and legacy goals. The

economy is continuing to grow at around 2%, which is pretty close to what it has done for the past 10 years. At that rate and with little inflation, it is unlikely that the Federal Reserve will raise interest rates, which is unfortunate for traditional conservative savers and investors.

Lower stock market returns

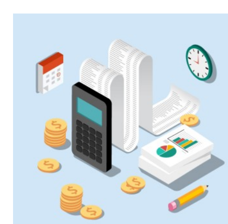
Since the bottom of the US equity markets in March 2009, rates of return have averaged over 12%. With many people, including me, feeling that US equities are finally at a fair value relative to earnings, it will take a continued growing economy and increasing annual earnings to keep market growth at even mid-single digits. While I believe this can happen, we are not assuming anywhere near the rates of return of the past 10 years.

Volatility

The world is a much different place than when we started in 1989. News is instantaneous and voluminous. There is seemingly an unending number of cable shows, blogs, tweets and websites that report news, some of it inaccurate or not true at all and as a result, the world, including investing, moves at lightning speed. Part of our job is to not overreact, nor allow the clients to and I believe this is one of our most valuable services. We do not get everything right, but we do not panic, and several clients have thanked us for that trait, especially during difficult economic times.

Taxes

Although significant tax reform was enacted several years ago, many people don't remember that for individuals, it's temporary and due to revert to the "old" tax in 2026. I see little likelihood that the new law will be made permanent because of the annually increasing federal deficit and



the likelihood that many states continue to struggle. I expect over time to see tax rates increase, not decrease, especially to cover items like healthcare, pensions and the growing role and cost of government.

2020

In the past few years, for a variety of reasons, I have not done as good a job as prior years regarding written communication. That will change this year and I hope you are pleased with both the frequency and content of communication. There was a time, definitely during the economic travails in the fall and winter of 2008 and 2009 where I spent most weekends, both days, researching and writing 8-page memos myself that were mailed monthly. As times improved, the writing slowed (but not the research) and while we have improved the quality of personal meetings, it's not enough, especially as we see a decade approaching which will have different and serious challenges financially for all of us. If you have specific topics you would like to see us write about, please let us know.

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

peating a trend we've seen since the market began its recovery in 2009, the US continued to outpace overseas markets (more on this below).

In terms of the economy, 2019 data was mixed (though it generally is), the consumer looked healthy (low unemployment, low amounts of debt, higher wealth, rebounding housing, etc.), the Federal Reserve reversed course and cut rates 3 times, and the trade disputes appear to be lessening going into 2020. At the beginning of the year, talk of a potential recession was prevalent. Such talk continues, though numerous research firms we follow peg the next recession for 2021 at the earliest. Clearbridge Investments, developed a recession risk indicator that utilizes 12 variables (current chart on next page). In the 1st quarter of 2019, the overall signal was "Expansion". In the second quarter, the indicator turned to "Caution" for only the second time (2016) since the recovery began over a decade ago. Some of the deterioration is likely due to the ongoing trade tensions, so there is certainly a possibility that it flips back towards "Expansion" if progress is made between the US and China.

In October of 2019 we made several changes to position ourselves more conservatively in our discretionary portfolios, particularly for our more conservative clients. During the preceding years, we were tilted more towards growth investments – such as stocks –but made the decision to pull back the reins slightly. The chart on the next page from Clearbridge Investments is one example of data we reviewed prior to making the changes. Our investment philosophy and process allow us the flexibility to re-position to stocks when opportune times present themselves or play more "defense" when a more cautious approach is necessary. In this case, we have positioned ourselves in a "neutral" manner for the time being.

With 2019 in the rearview mirror, it's now time to look ahead to 2020 and beyond. Bespoke Investment Group published a year-end "Equity Market Pros and Cons" report that detailed the positives and negatives for the US Market. On the "pros" side of the ledger, they reference items such as the Federal Reserves' low interest rate environment, the trend of the market after a year-long period (primarily 2018) of relative flat returns (a "consolidation" as it's generally called), a strong consumer, stocks' attractiveness relative to bonds, and "fund flows" (what asset classes investors are investing new money in). On the "cons" side, stock valuations – particularly in the US – are higher than average. When valuations are high, returns going forward tend to be lower than the historical average, and vice versa. The opposite was apparent over the past decade as we started with low valuations coming out of the Great Recession and ended with above average

U.S. Recession Risk Indicators

- 12 variables have historically foreshadowed a looming recession

		Current	Third Quarter 2019	Second Quarter 2019
Financial	Yield Curve	✕	✕	✕
	Credit Spreads	⬆	⬆	⬆
	Money Supply	●	●	●
Inflation	Wage Growth	✕	●	●
	Commodities	●	✕	✕
Consumer	Housing Permits	⬆	⬆	⬆
	Jobless Claims	⬆	⬆	⬆
	Retail Sales	⬆	⬆	⬆
	Job Sentiment	⬆	⬆	●
Business Activity	ISM New Orders	✕	✕	●
	Profit Margins	●	●	⬆
	Truck Shipments	⬆	⬆	⬆
	Overall Signal	●	●	●

⬆ Expansion ● Caution ✕ Recession

Data as of November 30, 2019.

Sources: ClearBridge Investments, BLS, Federal Reserve, Census Bureau, ISM, BEA, American Chemistry Council, American Trucking Association, Conference Board, and Bloomberg. The ClearBridge Recession Risk Dashboard was created in January 2016. References to the signals it would have sent in the years prior to January 2016 are based on how the underlying data was reflected in the component indicators at the time.

returns. Foreign markets, however, appear to be a better "bargain" at this point in time. Another area of uncertainty is the upcoming US election. Politics aside, the markets tend to view certain policies as more "business friendly" than others, so the eventual nominee on the Democratic side and ultimately the eventual President will have an impact on volatility in 2020 and returns beyond. Republicans who avoided investing under President Obama, and Democrats who are avoiding investing under President Trump have both been proven wrong to date, so it's important to remember that while political policies have an impact, they don't always dictate performance over the long haul.

On a January 2nd conference call with Dr. David Kelly (Chief Global Strategist for JP Morgan Asset Management) he was asked what his predictions were for 2020 performance. Many clients, advisors, economists, and portfolio managers routinely attempt to predict market moves over short periods of time. Dr. Kelly, however, did not take the bait. Instead, he emphasized the need for a longer view, particular as most investors are looking for growth over a period of time far longer than 12 months. As Dr. Kelly put it, "It'd be great to tell what the market will do over the next year, but we really don't know; we try to understand the climate, but we can't forecast the weather." He then outlined his performance views over the next 5 years. Coming off a robust decade in stocks, he believes the US stock market will return – on average – less than 5.0% per year. The foreign markets – which have lagged the US – could give investors between 8.0% and 10.0% (though the "emerging" countries, he noted, could see returns above 10.0%). For the fixed income market, he foresees more muted returns in the 2.0% to 2.5% range. Though not much is expected from fixed income, we believe it still retains a place in a diversified portfolio for more conservative clients, as it generally outpaces cash and can continue to serve as a form of insurance in case of a steep stock decline. As the 4th quarter of 2018 reminded everyone: you don't need a recession to drive the stock markets lower.

We will continue to monitor the economy, the markets, and client accounts. As always, if you have any questions, please let us know.

Upcoming at EWS

We are in the final stages of building portfolios within the realm of ESG investing: Environmental, Social, and Governance. Previously, this type of investing was referred to as "socially responsible", but in recent years has expanded to include additional factors. We will be developing both a stock and a bond portfolio so that we can mix and match with different amounts to build diversified accounts at every risk level. If you have an interest in learning more, please let us know, and please be on the lookout for additional announcements as 2020 continues.

EWS Staff & Tech Update

Melissa Phillips
Operations Manager

2019 brought some exciting new changes to EWS with the addition of three new team members – Anthony Panto, Frank Febbo, and Sean McGinn. Each has a very different role that we feel will augment our services and ultimately allow us to better serve our existing clients.

Anthony merged his advisory practice with EWS in February. Having worked in the financial services industry since 1985, Anthony started his career at First Pennsylvania Bank where he focused on personal and small business lending. In 1990 he joined Karr Barth Associates, Inc. where he began his concentration on investment and insurance planning. During his 21 years at Karr Barth, Anthony built his advisory practice before opening his own firm, Panto Wealth Strategies, in 2012. His experience with insurance and employer retirement plans makes him a great asset to the team.

Anthony L. Panto, RFC®

Frank came to us in January with four years of experience in the financial planning industry. As our Client Service Associate, Frank works closely with Maureen to efficiently handle client inquiries, open accounts, and process forms. In his first year, Frank has proven himself to be an integral part of our admin team and we look forward to further solidifying and evolving his position.

Frank Febbo
Client Service Associate

Sean, the newest member of our team, joined EWS in October as an Associate Wealth Advisor. Since earning a degree in Finance from Villanova University in 2015, Sean has shown a passion for comprehensive financial planning. He comes to us from a financial planning firm in Pennsylvania with several years of experience working one-on-one with clients to craft tailored financial plans. Sean is currently studying for the Series 7 license and the CERTIFIED FINANCIAL PLANNER™ designation and hopes to have both by the end of this year. Sean will be attending many client review meetings alongside Paul, Chris, Steffanie, and Anthony.

With these new additions also comes a shift, with Jessica taking on additional responsibilities. As many of you know, she has worked alongside our advisors for over a decade and will now be focusing more on the various planning needs of our clients, from plan development and oversight to implementing income strategies and long-term tax management. Jessica is a CERTIFIED FINANCIAL PLANNER™ professional and Retirement Income Certified Professional ®. Her knowledge and passion for planning make this role a natural fit that we know she will excel in.

And as we begin the new year, we will be encouraging you to learn more about the technology that Raymond James has to offer, including Client Access, Document Vault, External Account Aggregation, and paperless statement delivery options. Stay tuned for more details in our future newsletters.

Toys for Tots 2019

Our Toys for Tots Toy Drive brought in 113 toys this year! All of these toys were distributed to less fortunate families all over Gloucester County. We are so proud of how many we collected and are always amazed at how generous our clients and colleagues are during the holiday season. The EWS match this year was monetary donations to both Angels of God in Pitman and the Gloucester County Animal Shelter. Thank you so much to all who donated and continue to contribute to this great cause every year!

The Importance of Financial Planning

Jessica L. Ortega, CFP®, RICP®

Effective financial planning enables you to make smarter financial decisions. Our goal is to help you see the big picture by mapping out your financial future together. We want to clearly identify your short and long-term life goals to make it easier for you to make decisions and stay on track. Having a plan in place means you'll be more likely to attain your goals, and the sooner you know where you want to be, the sooner you can begin making decisions to allow you to get there.

Financial plans aren't just for those planning for retirement. Having a plan as early as your 20s can help to prevent you from making financial mistakes. The longer you wait to begin, the more you'll have to save to achieve the same goals. Many times, it's not our goals that are unattainable but the timeline we've set to achieve them. Once you have a plan in place, we can measure your progress and adapt as needed.

Managing your investments is just one piece of this puzzle. It's our job to help you find new ways to maximize your money, identify risks to your plan, and set priorities for addressing topics including (but not limited to) savings and cash flow; planning for major purchases, retirement, education, and emergencies; insurance needs; estate issues; and charitable giving. As such, my role on our team focuses on the planning needs of our clients, ensuring that we are delivering holistic advice for each of our clients' unique circumstances.

At Eagle Wealth Strategies, we understand that your financial goals are everchanging as they adapt to shifts in lifestyle such as a career change, marriage, growing family, home purchase, or transition into retirement. Financial planning isn't just about initially assembling a comprehensive plan; we're here to guide you along the way so that you can make confident decisions and live more comfortably.

Changes to Required Minimum Distributions

In December, new legislation was passed resulting in the most significant updates to retirement accounts in over a decade. The most notable change was the increase in age at which Required Minimum Distributions (RMDs) must begin from retirement accounts. Prior to the passing of the "Setting Every Community Up for Retirement Enhancement" (SECURE) Act, you were required to begin taking distributions from IRAs or employer retirement plans the year you reached age 70 ½.

- Beginning in 2020, your first RMD is not required to begin until you reach age 72.

- If you were age 70 ½ prior to January 1, 2020, your RMDs are **NOT** delayed. You are still required to take RMDs under the prior rules.

- Qualified Charitable Distributions (QCDs) will not be affected by the new rule and may still be taken from IRAs as early as 70 ½.

If you have questions about how this rule or other elements of the SECURE Act may affect you, please contact our office.

News at EWS

In Our Community & Recent Accolades

As President of Rowan University's Alumni Advisory Council, Steffanie was a guest speaker this past fall for a group of students from Rowan's College of Business answering finance questions and covering topics such as saving for retirement as well as how to get involved with organizations off campus. Steffanie also spoke for Rowan's Rohrer College of Business at the 2nd Annual Women's Summit.

In 2019, Steffanie was recognized in Rowan Magazine as one of Rowan University's Under Forty and Overachieving -- an exclusive list of 30 Rowan Alumni, chosen by peers/professors, who have excelled in their fields and continue to grow in their professions while enriching their communities. This is just the second time Rowan has compiled this list of standout individuals who have gone above and beyond since earning their degrees. Congratulations, Steffanie!

The 2019-2020 school year began Anthony's 15th year as the founder of the Washington Township Junior Achievement (JA) program. This is also JA's 100th Birthday since its start in December of 1919. The JA

program works to engage students at all grade levels with topics on business and marketing concepts, work readiness, and entrepreneurship as part of their participation in Junior Achievement (JA). Below are pictures from the November JA Day held at three elementary schools in Washington Township.

Anthony's wife, Jacquie, a Program Director at the Haub Business School at St. Joseph's University completed her MBA from the Haub School in May. Jacquie graduated the day before their daughter Anna graduated from Seton Hall University.

Family Matters

Jessica and her husband Dave welcomed their baby girl, Emerson, on August 18, 2019. Here is an adorable picture from her newborn photoshoot.

Frank and his wife Jenna are expecting their first child, a baby boy, in July 2020. Below is their pregnancy announcement photo. We are so excited as our EWS family continues to expand!

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.

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