EAGLE WEALTH STRATEGIES FALL 2021

THE EAGLE'S VIEW

AN INDEPENDENT PRACTICE

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Paul J. Tully, CFP®, RICP®

"All That Matters"

This is the title of the latest album by my favorite jazz pianist, Brian Simpson, who Kathy and I saw live, front table, on September 9th as we celebrated our 43rd anniversary at South Jazz Kitchen in Philadelphia.

He mentioned that he titled the album after all that people had been through over the past 18 months. He was referring to Covid, but for many people, including our family, there were other events that hit much closer to home.

On July 22nd while shopping, Kathy was literally knocked to the floor of a local store by what turned out to be something we had never heard of, an aortic dissection aneurysm. She was rushed by ambulance to Shore Memorial Hospital and immediately diagnosed. A helicopter was ordered, and within a few hours she was in what turned out to be a 7-hour lifesaving heart surgery at the University of Pennsylvania Hospital in Philadelphia. Other than the dissection, everything else went as well as possible. A lightning-fast diagnosis by the emergency room doctor, availability of the helicopter, an incredible heart surgeon at Penn, and simply amazing treatment along the way and afterwards all came together to save her life. She is now on her way to what we are told will be a complete recovery, largely because people who were educated, trained, and amazingly focused came together in time.

What I learned from this experience is "all that matters" and maybe, "all that really doesn't matter very much", which unfortunately occupies a lot of our daily lives. Lessons learned should be lessons shared.

This may not be directly relevant to you, but in some ways, maybe it is. It reinforces to me the need to be ready for anything. In this case it was health, but in other cases it is financial, and you need to have available, to the degree that you can, the right team. This time we did. All that matters indeed!

My economic outlook today is not much different than it was last quarter, with a couple of exceptions. I think the rapid spread of the Delta variant caught many of us by surprise. Maybe it was wishful thinking, but after being vaccinated in February, I assumed we were on our way to "normalcy".

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Economy & Investment Markets

Chris Tully, CFP®, RICP®, CIMA®

Over the past month, as I began outlining my thoughts for our Fall newsletter, I expected the main theme to be centered around the complacency we have seen because of the historically low volatility of the past 10 months. Over those 10 months, the markets have continued their ascent without any real sustained downside movement. It is common for the market to experience corrections or pullbacks, but up until the last week of September, we had not seen even a 5% pullback since last Fall. So, while this is still part of my theme, it seems like the market beat me to it!

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Not so fast. It does appear though that between booster shots and a new drug announced just last week that might be close to a "cure" to those infected, we are making more progress in fighting this virus each day.

I have probably sounded a bit like a broken record or a scene from" Groundhog Day" movie in the past, but I don't see the fundamental issues as having changed much in many years.

People's goals remain pretty much the same; to take care of their families, businesses, and for some, charities and to do so with as little risk and expense as possible.

While we do see opportunity all over the globe, financial risk is simply an unwelcome part of our lives for the foreseeable future. With interest rates at today's low levels and likely to not go all that much higher in the foreseeable future, people have had to accept the reality of a lot more risk than many are comfortable with to reach their financial and lifestyle goals.

One thing I have seen is more fear because of Covid than anything I have previously experienced, with a repeat of September 11 being the only fear close for those of us on the east coast or near a major city.

As real as those fears have been, professionally, on behalf of all clients I have dealt with for over 45 years, my biggest fears for them fall somewhere between not reaching long term goals they set for themselves and not having enough money to live the life they desire, which means different things to different people. Those fears for me will outlast my concerns about Covid.

Investing for retirement has never been easy, but is much more difficult today with close to zero interest rates. Clients realize that to achieve reasonable rates of return, there is a riskier path than in the past and likely lower returns as well. There is quite a difference between knowing the path and walking the path and people are still quite fearful of the current environment and a post Covid world.

It is wise to be cautious as much has changed.

Taxes are likely to rise, but as I type this, we are not sure how much or on who, but we probably all will be impacted. Plenty of current debate on the role of the government in providing services that need to be provided and paid for by someone - not sure who that someone will or should be. Childcare, long-term care for seniors, and infrastructure are all items that are needed and are expensive, regardless of who is paying.

Long term care, for example, will be needed by 70% of people over age 65 at some point in their lives, and lives are getting longer due to advances in medicine. Medicaid (which you must qualify for) pays over half, private insurance pays 11%, the rest is paid by people out of their own assets. It is a big problem, growing every year. *(Source: LongTermCare.gov)*

Real estate, stock, and bond prices are at historically high levels, cars are difficult for dealers to get and expensive for you to buy, and that may last another year. Inflation is higher than projected and likely to remain so longer than expected. Food and gas prices are higher as well.

As we look to the future, it seems that interest rates must rise someday, but no one knows when. Interest rates on US government bonds hit their all-time peak 40 years ago, on September 30, 1981. The stock market, having reached over 35,000 on the Dow Jones Average earlier this year, was at less than 3,000. Someone with all their assets in CDs in 1980 earning over 10% now gets less than ½% on the same principal amount 40 years later. As recently as 2010 the 10-year US Treasury note yielded 3.63%. Today, less than 1.50%. Living expenses over 10 years have not decreased 50%!

Meanwhile, the stock market investor has seen the market increase almost 12x, not including annual dividends! That unwelcome risk, properly balanced, is probably worth it, with proper guidance and a lifetime plan.

There is more uncertainty today than I have seen for many years, but when you have this much uncertainty everything that is important becomes very clear and people focus on getting lives in order.

We are always trying to improve our services and advice to clients. We believe we are prepared for an uncertain future and perhaps, a little over prepared. Better over prepared than surprised.

Clients today are no different (just wealthier and older) than when I started in 1975.They are looking for holistic, understandable, trustworthy guidance without conflict. We welcome the opportunity to continue to share our expertise and resources with you and the people who are important in your life. Reach me anytime at 856-305-6524.

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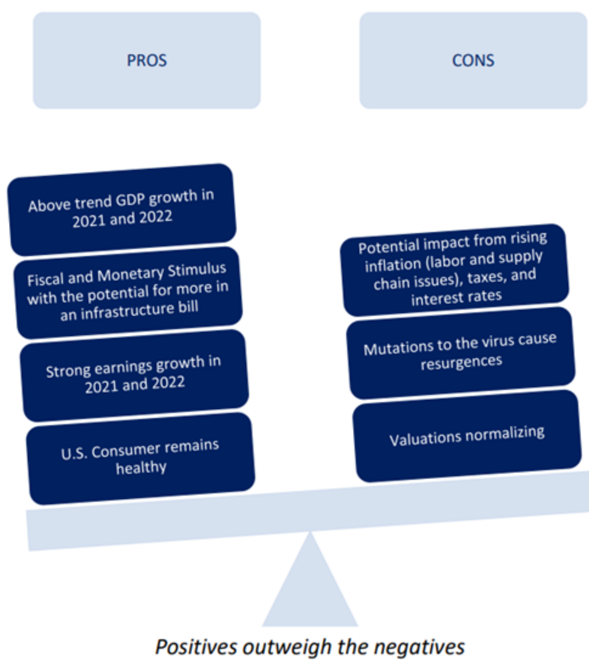
Pullbacks are a normal part of an investment cycle and tend to happen year in and year out. Since 1980 the average intra-year decline has been 14.3%. In meetings over the past few months, we have cautioned clients that the road ahead is likely to be bumpier than it has been lately. Fears of inflation, negative news out of China, and ongoing fighting in Washington among other things led to a relatively flat 3rd quarter in both the US bond and US stock market (though globally, both stock and bond markets were negative).

Markets will go up and markets will go down, but our analysts still believe that the positives outweigh the negatives. So, while things may become choppier on a day-to-day or week-to-week basis, we believe long-term investors will be rewarded if they remain patient. For shorter-term investors – whether it's because of an upcoming house purchase, or the beginning of college payments for a child or grandchild – it's always a good idea to review the stock-to-bond allocation to make sure the risk aligns with the new timeframe.

Raymond James recently released their "3rd Quarter Equity Market Update", and as mentioned above, they believe the pros outweigh the cons.



SOURCE: Raymond James 2021 3rd Quarter Equity Market Update (Page 5)

In conversations with clients, we are routinely asked a variation of the question, "but what about inflation/China/taxes/politics/etc.….?" We think it's important to remember that there are always going to be cons and potential headwinds floating about. In our careers we have never seen a chart like the one above that had nothing but pros, and if we did, it would probably be a good time to step back and become very skeptical.

Even with the dramatic drop last Spring, the stock market has experienced a robust run since the start of 2019. The MSCI ACWI ("All Country World Index"), which represents many countries – including the US – around the globe, was up 26.60% in 2019, 16.25% in 2020, and 12.45% in 2021 through October 7th. For the past 5 years, the index has averaged 13.19% (through September 30th). Valuations may be high (though not quite as high when you factor in low interest rates), and while we do not believe that means a major crash or correction is imminent, we do believe that the probability exists that we will experience lower average annual returns in the next 5 to 10 years compared to what we have experienced in the past 5 and 10.

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At the time of this writing – the morning of October 8th – the S&P 500 is at 4,400. In the Raymond James report mentioned earlier, analysts updated their "end of 2022 price target" to 4,950, which would be a 12.5% increase from today's levels. Since this is 5 quarters instead of 4, the annualized return would be lower than the averages of the past few years, but still a nice return if it comes to fruition, particularly against the backdrop of low interest rates (low rates of returns on cash and CDs, and potentially negative returns in bonds if rates begin to rise).

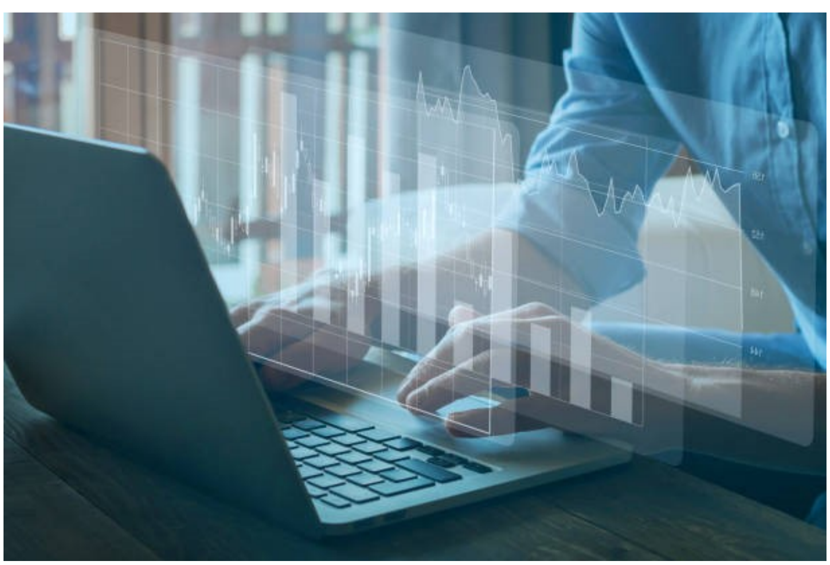
This bull market, which began last Spring, is still young when compared to bull markets of the past ~70 years. The average bull market has lasted 1,233 days and has brought average returns of 155%:

Bull Markets

Trough	Peak	Price Change	# of Days
6/13/1949	8/2/1956	267%	1,789
10/22/1957	12/12/1961	86%	1,042
6/26/1962	2/9/1966	80%	913
10/7/1966	11/29/1968	48%	516
5/26/1970	1/11/1973	74%	665
10/3/1974	11/28/1980	126%	1,555
8/9/1982	8/25/1987	231%	1,277
10/20/1987	7/16/1990	71%	691
10/11/1990	7/20/1998	304%	1,963
10/8/1998	3/24/2000	68%	368
10/10/2002	10/11/2007	105%	1,259
3/6/2009	2/19/2020	396%	2,758
Average		***155%***	***1233***
3/23/2020		98%	398

SOURCE: Raymond James 2021 3rd Quarter Equity Market Update (Page 5)

Looking forward, we are likely making changes to both sides of our strategies – stocks and bonds – in the coming months. We adjusted the conservative side of our strategies last October and expect to do the same following this October's internal Investment Committee Meeting. While we made several changes to the growth side of our strategies this summer, we may be making additional adjustments in November or December. As always, as changes are made you will receive trade confirmations, and if you would like additional information as to the rationales, please let us know.



Overview of Proposed Tax Changes

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

In September, the House Ways and Means Committee released a much-anticipated tax proposal, which turned out to be different than many expected. The number of changes from the plan originally outlined by the Biden administration in April indicates that some negotiations may have already taken place. While the bill has yet to become law, it's important to know what it contains and what decisions may need to be made.

The legislation addresses a variety of topics, though it did not include some speculated measures such as eliminating the step-up in basis at death or equalizing capital gains rates to the same rates as an individual's wages. The proposed bill includes several tax increases on households earning more than $400,000. Some of the more notable points include:

- Restoring the 39.6% top marginal tax rate beginning 2022 (was reduced to 37% by the Tax Cut & Jobs Act in 2017). More significantly, a lower income threshold to get into that top tax bracket - $400,001 (currently $523,601) for individuals and $450,001 (currently $628,301) for married couples.

- Increasing the top capital gains rate to 25% for individuals earning $400,000 ($450,000 for married couples) immediately, meaning any long-term capital gains incurred on or after September 14, 2021. This means you would not be able to sell such assets before the end of the year to avoid the increase.

- Closing "loopholes" commonly used by wealthy individuals, such as:

  - The "Backdoor Roth IRA" and "Mega-Backdoor Roth IRA" by prohibiting Roth conversions of after-tax funds, beginning in 2022. Many will be sad to see this go!

  - Prohibiting any Roth conversions for those in top tax brackets. This won't go into effect until 2032, providing high earners 10 more years to process Roth conversions (and tax revenue that legislators can count on for budget projections).

- A new Required Minimum Distribution (RMD) of 50% of combined retirement account balances over $10 million for high earners ($400,000 for single filers, $450,000 for joint filers), regardless of age, effective for 2022. Since both the income level and account balances need to apply for this provision, it could be avoided by reducing your income. For combined balances above $20 million, the lesser of 1) total Roth balances or 2) amount necessary to bring total retirement accounts to $20 million will need to be withdrawn before completing the 50% RMD.

- Prohibiting new IRA contributions for high earners ($400,000 for single filers, $450,000 for joint filers) who also have more than $10 million total in retirement accounts. This restriction does not apply to employer-sponsored plans (such as a 401(k) plan), SEP IRAs or SIMPLE IRAs.

- Extension of the increased Child Tax Credit through 2025. This credit was expanded for 2021 to $3,000 per child (or $3,600 for children under 6) with advance monthly payments for the second half of 2021. It will be a 2-step process with income phaseouts at $150,000 for couples and $75,000 for single filers.

- A 50% reduction in the estate and gift tax exemption to about $6 million for 2022 and beyond.

It's worth remembering that this proposed legislation is not final and will continue to be debated in Congress. While we don't know exactly what the final legislation will be, it seems clear that we will be seeing some important changes. We'll be prepared to act quickly if needed as many of the major measures are set to go into effect on January 1. We'll keep you updated!

Exciting New Additions to the Team

Melissa Phillips
Operations Manager

Our primary goal for 2021 and beyond was clear: to build the capacity to continue to provide exceptional service and personal attention to each of our clients. In order to achieve this, we set out on an extensive hiring process to find talent who not only bring experience and ambition, but also share in our philosophies in terms of investment management and financial planning.

As a result, we are pleased to introduce two new team members: **Ryan Miller** and **David Koehler**. Each brings a wealth of knowledge and experience with unique strengths, and both have already proven to be assets to our team. You may have already had the pleasure of meeting one or both, but please read on to learn a bit more about their backgrounds, credentials, and interests.

Ryan Miller
Relationship Manager

Ryan Miller

Ryan joined EWS in May of 2021, bringing with him 10 years of experience in the financial planning industry in roles such as paraplanner and associate financial advisor. Most recently, he worked for Merrill Lynch as a Financial Solutions Advisor, helping clients to achieve their financial goals using a detailed, holistic approach. Ryan holds his Series 7 and 66 licenses along with NJ Life, Accident, & Health Insurance licenses. He has plans to obtain the CERTIFIED FINANCIAL PLANNER designation in the near future.

Ryan is a newlywed and resides in Sicklerville with his wife, Sophia and dog, Luna. When not at work, he loves to compete – whether basketball or family game night – and enjoys hobbies such as cooking, reading, and exercising.

David Koehler, CFP®

David Koehler, CFP®

David, a CERTIFIED FINANCIAL PLANNER™ professional, came to us in July from Janney Montgomery Scott, where he began his financial services career in 2015. He worked with a team of advisors to develop comprehensive financial plans outlining retirement, tax, college savings, and estate planning strategies. David holds his Series 7, 66, 9 and 10 Licenses along with NJ Life, Accident, & Health insurance licenses.

Active in the South Jersey community, David serves on the Board of Trustees for the South Jersey Young Professionals Association and is a member of the White Horse Rotary Club serving as club treasurer.

David currently resides in Marlton with his wife, Kim and dog, Zoey – and just after joining EWS, he and Kim welcomed a beautiful daughter, Olivia. David's hobbies include watching or attending Philadelphia sports events, traveling, golfing, and spending time with his family.

Please join me in welcoming Ryan and David to EWS!

News at EWS

Here are a few from the Tully family vacation—as you can see, Paul and Kathy's grandchildren are getting bigger and more adorable by the day!

Jess and Dave celebrated Emerson's 2nd birthday by taking a family road trip to Connecticut, complete with an Alice in Wonderland themed afternoon tea party.

BACK TO SCHOOL! Steffanie's kids, Brielle and Landon, were all smiles as they started Kindergarten and 4th grade.

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 both 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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877 KINGS HIGHWAY WEST DEPTFORD, NJ 08096 | (856) 845-4005