THE EAGLE'S VIEW

IN THIS ISSUE:

Paul J. Tully, CFP®, RICP®

Twelve months ago, we were all very happy to see 2020 end, after experiencing the sheer terror of the Covid pandemic in our personal, business, and financial lives starting in March.

With the vaccines on their way to the majority of American arms, I was very optimistic as were most people I spoke with that 2021 would turn things around. Much has happened since, some good, some not as good. The best phrase I have heard to describe 2021 vs 2020 is "marginally better". It fits.

January 6th, another impeachment trial, a new president, a 56% drop in monthly Covid cases, the vaccine distribution kicks into high gear, and retail sales, real estate, and corporate profits all take off to record levels…that was just the first 6 months!

The second half was dominated by the Delta and Omicron variants, inflation at a 31-year high, and continuing price surges in US stocks and real estate. Overall, a pretty wild year. For investors, another very solid year as Chris will discuss in his commentary. My thought on the US stock market is, despite all the headlines, we experienced the 7th best year in the past half century.

Vaccines have saved many lives, but have become a political flashpoint. We have now lost over 800,000 Americans to this disease and millions more globally. Plenty of the usual political noise and, fortunately, the economy and the markets ignored most of that and hopefully will continue to do so.

There have been notable private sector advances in treatment for Covid and vaccines, especially with the booster shot, that have proven to be very successful. There are numerous studies that show that people fully vaccinated plus "boosted" have a far greater chance of avoiding a hospital stay or worse.

The variants, which when the word first rolls off your tongue doesn't sound so bad, have been both a surprise to me and more than a little bit of an issue in the economy. First Delta, now Omicron. Next? Hopefully nothing, but our recent track record isn't a good one. The variants are a wild card and will remain so until they prove to be no worse than a cold or mild flu.

People's lives are moving rapidly toward the 3rd year of disruption and the frustration is very evident.

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Economy & Investment Markets

Chris Tully, CFP®, RICP®, CIMA®

Another year in the rearview, another year upon us! The changing of calendars used to feel different, but in the last few years it's felt like a continuation of one long year. 2021 – and 2020 – have brought as wide a range of highs and lows as I've seen in my career, and in my life. And I know from talking to clients every day that a lot of people feel similarly.

The economy went into recession…and snapped back quicker then ever before. The market plunged over 35% in a few short weeks…then recovered in record time. My family went through health scares (though

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As noted rock group ***Eagles*** founder and songwriter Glenn Frey once sang, ***"There's no easy way to see this through. All the broken dreams, all the disappointments…".*** Frey, who was a neighbor of Brad's in NYC and passed in 2016, sure described today, even though he never lived to see it.

Inflation is at a 30-year high, though I continue to believe it's a temporary phenomenon. Might be longer than expected though, and 2022 may see another year of it. I will make a prediction, which I rarely do, that it will be more of a political issue a year from now than a financial one.

Interest rates plunged to close to zero in 2020 and weren't very high before then, being at very low levels since 2008. It's likely the Federal Reserve will begin to raise rates in 2022, maybe 2 or 3 times.

Life expectancy in the US suffered a very rare decline year over year. Early retirements have increased dramatically, in part because people investing in either real estate or stocks have done very well in recent years, but also, I have read, out of a fear that life in general is far less certain than many anticipated and there is a more "live for today" sense among many older people. I think that is true.

Last night as I was finishing this letter Kathy opened a Christmas card from her former college teammate in Ohio only to find a note from her husband that she had died suddenly from the effects of Covid, before we had the vaccines available. Quite a shock. Few of us have not had Covid hit very close to home. Our own Christmas celebration, while a great time for us, was sadly impacted when our son Geoff tested positive and he and Jess and the twins were unable to join us in Connecticut. Zoom helps, but clearly not the same. They did get to NJ on New Year's Eve, so our holiday was complete!

Great progress is being made in the fields of genetics and longevity. There is a downside – that the intersection of increasing life spans and financial plans that did not account for it are on a collision course that will be epic. People living to 100 was not in most plans, but may become a reality.

That problem is as close to intractable as any I can name. You simply can't create money at that advanced point in our lives. People in our profession can be part of the solution, but it really is going to be a challenge as people live perhaps much longer and are not prepared for the costs. I believe that advances in technology and medicine will alleviate some of the costs but there is likely to first be a period, really already here, where the longevity has arrived but not all of the solutions.

Fortunately, the people we advise, by the nature of what they have in terms of resources and what we do as planners, are much less likely to be impacted, but the majority of people in the US are underinvested, as are many in the generations below the baby boomers. There is a wave coming of wealth passed to the next generations, but people living to 100, for example, means that passage may be delayed, with significant implications, including that living to 100 may erode much of that legacy.

I have recently been asked (and accepted) to be a contributing writer for a media company called "Rethinking 65". I've already written my first article (actually I was interviewed, so I didn't write it) and I have met some very interesting people. I will share some of their stories in the future and if anyone would like a copy of my interview, email me or call me at 856-305-6524.

If I have a message for 2022, it is this:

In 2022, our lives, Covid and its variants, and investment markets may be more uncertain than in recent years. I believe it is a time to "buckle up" and do what you can to remain safe, both health wise and financially.

Perhaps this is the transition year back to some sense of normal, but as I have written previously, I believe this recent period will impact us in many ways for a generation or more. Perhaps we will benefit from some of the great discoveries and new ways of living and working, but it will be different and it's on such a massive global scale that everyone will be impacted.

Progress is being made in many areas, and I believe that we will come through this better off in many ways, but the rapid pace of economic recovery since April 2020 is slowing and the medical recovery is "variant dependent", which is an even bigger unknowable.

An old favorite television show, Hill Street Blues, had a famous line, "Lets be careful out there". Good advice for 2022.

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everyone is ok!) ...and I got married to my beautiful wife, Molly. I turned 40 this week...and well, I turned 40 this week! Overall, the highs and the lows have all helped their fair share in giving me and others perspective, both on life and in business. 2022 arrives with many old themes, and several new ones. COVID-19 is very much still a part of our everyday lives, with record cases as we speak. Though it seems that hospitalizations and deaths are down (relative to the number of cases), and many individuals have adjusted to this new world, the threat remains. Talks of inflation and interest rates, as well as the upcoming mid-term elections, will be ever present.

At Eagle Wealth Strategies, we have also seen changes over the past several years. We have adapted to the changing world and have been fortunate to have grown. In 2019, Anthony Panto joined our firm with over 35 years of experience, bringing a wealth of knowledge in the areas of investments, insurance, and company sponsored retirement plans. In 2021 we hired David Koehler and Ryan Miller, two advisors from Janney Montgomery Scott and Merrill Lynch, and expanded our investment research capabilities. David and Ryan will be working directly with EWS clients, either independently as lead advisors or in conjunction with other EWS advisors. We expect to hire again in 2022, with an eye towards "more" for our clients: more communication, more services, and more guidance.

Markets and Economy

The investment markets in 2021 also brought highs and lows. The US stock market – and many stock markets around the world – continued to march higher. The S&P 500 Index, which represents a collection of large US companies, was up 28.71% for the year. On a global scale (including the US), the MSCI ACWI Index ("All Country World Index") was up 18.54%.

Those were the highs, now for the lows. Bonds, which are generally used as the conservative segment of an investor's portfolio, had a rougher year. In the US, the Barclays Aggregate Bond Index, which is commonly used benchmark to measure the performance of bonds, was negative -1.54%. Globally, the Barclays Global Aggregative Index fared worse, down -4.71%. One factor in the performance of bonds is the movement (both the direction and the magnitude) of interest rates. If interest rates are increasing, bond values tend to decrease, and vice versa. In 2021, the 10-Year Treasury Bond rate started the year at 0.92%. By February 25th it quickly climbed to 1.61%, and on December 31st it ended the year at 1.51%. While this may not look like a significant increase initially, it represented a 66% increase from 1/1 to 12/31. Before COVID, the rate was 1.85% as of January 17th, and in 2018 it spent a portion of the year above 3.0%. So, while it increased in 2021, it is still considerably lower than we saw in the years prior to the pandemic. Predicting the direction and timing of interest rates can be tough in the short-term, but as the economy continues to recover, and as the Federal Reserve begins to increase their interest rate, it's very possible to see the 10-Year Treasury rate continue to climb in the years ahead. As we have written in the past, and as we discuss in conversations with clients, there are many types of bonds. Some categories – such as high yield and municipal bonds – were positive in 2021. The managing of category selection was key in 2021, and we believe it will be key in 2022 and beyond.

Looking ahead to 2022 there are several things we are keeping a close eye on, including inflation, interest rates, and the upcoming mid-term elections.

Per Michael Gibbs, Managing Director of Equity Portfolio and Technical Strategy at Raymond James: "The biggest risk over the next year (as we see it now) is if inflation proves sticky and investor sentiment shifts to a stance of belief that the Fed is behind the curve. Sustainably higher inflation can not only impact margins, but would also likely result in the Fed becoming tighter than expected - both of which can impact credit conditions and valuation. We view the Fed's more hawkish pivot (three rate hikes expected in 2022) as prudent given very loose financial

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conditions, an improving jobs market, and elevated inflation. However, given that the Fed has been so important to equity markets since the credit crisis, a normalization of monetary policy could come with more moderate returns and normal volatility in 2022. With Fed policy becoming much more telegraphed and uniform over time (rather than a surprise), choppiness may occur in the lead up to the first rate hike. In looking at the last two rate hike cycles (and granted each period is different), the S&P 500 experienced a 12% to 14% pullback around the first rate hike in 2015 (though the US was in the midst of a manufacturing recession) along with a more normal 8% pullback around the initial rate hike in 2004. Rate hikes alone do not derail equity markets and concerns become more heightened following a yield curve inversion, which is far off. However, the Fed's hawkish pivot from ultra-lenient policy could come with more normal volatility/choppiness than what investors have grown accustomed to since March 2020. With overall conditions likely to remain healthy, weakness can be used opportunistically."

Positives Outweigh Negatives

Positives	Negatives
• Above-trend economic growth	• Potential sticky inflation
• Solid earnings growth	• Investor perception of Fed's path
• Healthy US consumer	• Virus mutations
• Relative value of stocks versus bonds	• Elevated valuation

2022 Year-End Outlook

S&P 500	EPS ESTIMATE	P/E	PRICE
Bull Case	$245	22.5x	5,513
Base Case	$235	21.5x	5,053
Bear Case	$225	19.5x	4,388

Source: Raymond James Equity Portfolio & Technical Strategy

We will continue to send out market and portfolio updates as needed, and we look forward to another year working with our clients in pursuit of their goals!

New for 2022

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

With each new year comes new limits and thresholds for a variety of tax and planning areas:

- You can now save more for retirement. The maximum you can contribute to an employer-sponsored retirement plan in 2022 is $20,500 per year, or $27,000 if you're 50 or older. There are no changes to contributions for IRAs – the limit is still $6,000, or $7,000 if you're 50 or older.

- For the first time in several years, the annual gifting limit will increase from $15,000 to $16,000 per year per individual.

- Social Security benefits are getting an impressive 5.9% raise – the largest cost-of-living adjustment in decades. Naturally, Medicare Part B premiums are following suit with a $21.60 increase per month.

- If you are working in 2022 but have not yet reached Full Retirement Age for Social Security, you can now earn $19,560 without your benefits being impacted (up from $18,960 in 2021).

- The standard deduction will increase by $800 for married couples filing jointly, going up to $25,900. For single filers and married individuals filing separately, the increase will be $400, going up to $12,950.

There are a few topics that are still unclear in the new year. Capital gains rates could have some changes, but nothing has been decided yet. The child tax credit that was paid monthly during the second half of 2021 may continue, and there may be new income eligibility limits. Taxpayers were able to deduct $300 (single) or $600 (married filing jointly) of charitable contributions in 2021 even if they did not itemize, but it's not clear whether that will be extended for 2022. There are also proposals to increase the state and local tax (SALT) deduction, which is currently capped at $10,000. As decisions get made and we get more clarity around these topics, we'll keep you updated.

2021 IRA Contribution Deadline

If you have not contributed to your IRA for 2021, you can still make contributions until April 15, 2022. You'll want to be sure your contribution is reflected on your 2021 tax returns if you're making a deductible IRA contribution in 2022 for 2021, so while the deadline for the deposit is April 15, you'll want to coordinate it with filing your return as well.

Important Operational Reminders

Melissa Phillips
Operations Manager

Happy New Year! As we start 2022, I wanted to take the time to offer some helpful reminders. As always, if you have any questions regarding technology and operations, you are more than welcome to contact me directly.

Check Deposits

Due to strict regulations with regard to custody of funds, we can only accept checks that are made payable to:

- Raymond James & Associates, Raymond James, RJ&A or,
- You, the client (or the minor, if a 529 or UTMA account)

We cannot accept checks payable to Eagle Wealth Strategies or Raymond James Financial Services. If we receive one, we will mail it back and contact you to arrange a replacement *Did you know that you can save time and a stamp by depositing checks through the Client Access app on your phone?* Just like most banks nowadays, Raymond James allows mobile check deposit – easy as snapping a picture of the front and back of the check. If you are interested in learning more about this feature, please reach out to me.

Annual Reviews

It is incredibly important to have a chat with your advisor at least annually. Collaboration on your goals, risk tolerance, time horizon, and other factors such as health and family can lead to effective and necessary changes to your plan. You may feel it unnecessary, and while we appreciate the trust you instill in us, as fiduciaries we feel that communication is key to ensuring that we are effectively servicing your needs.

We recognize that your time is valuable and appreciate that you may not be able to come into the office for a 'formal' meeting. We offer phone calls and Zoom (or other web conferencing) meetings, and in many cases can keep it to 30 minutes or less. If we contact you during a month that is inconvenient, please let us know when would be better and we'll be happy to accommodate.

Email Communications

Throughout the year, we send a number of important communications solely via email. Some are general (such as the tax document mailing schedule, market updates, or this newsletter) and some targeted (changes to our portfolios, delayed/amended 1099 notices, etc.). Please note that if you do choose to unsubscribe, choosing "unsubscribe me from ALL mailings" will leave you out of the loop on many timely topics! If you've unsubscribed in the past and would like to change that, please call the office and ask to be added back to the list. We will also be reaching out individually to all of our unsubscribes to ask whether you would like to receive all or just certain communications again.

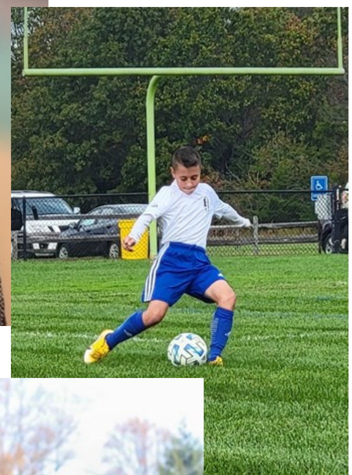
Dropping By?

With the recent spike in Covid cases, we have temporarily shifted back to a partly remote work situation and while we aim to always have at least one person in the office, there is a chance that we may not 'be home' now and then. We would hate to see you make the trip only to find a locked door, so if you need to stop in or drop something off, please give us a call first so we can ensure that someone is there at your desired day and time.

News at EWS

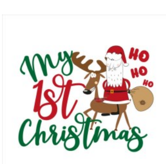
Steffanie's *kids each had a birthday in late 2021.*

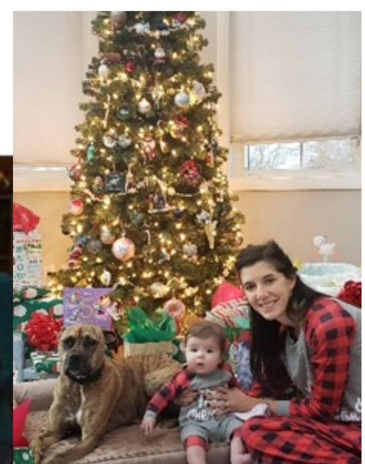
Brielle turned 6 in October and has been keeping busy with her competition cheerleading and tumbling. Here she is at her first competition of the season.



Landon turned 10 in December and has been keeping busy playing in two soccer leagues. Here he is passing the ball up field.

Frank's *son, Frankie, is now 18 months old! Here he is to the left with his daddy decked out in their matching Christmas jammies, and to the right is one from the Febbo family photo shoot.*





David *and his wife, Kim, celebrated little Olivia's first Christmas. Even their dog, Zoey, was all smiles when visiting Santa!*

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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.

Five of our financial advisors – **Paul Tully, Chris Tully, Steffanie Lerch, Jessica Ortega, and David Koehler** – hold the CERTIFIED FINANCIAL PLANNER™ certification, and Paul, Chris, Steffanie and Jessica also hold 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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