July 2017
Third Quarter

The Eagle's View

Summer 2017

Economic Update *by Paul J. Tully, CFP®, RICP®*

Since it's now summer and the days are long, I plan to keep this short!

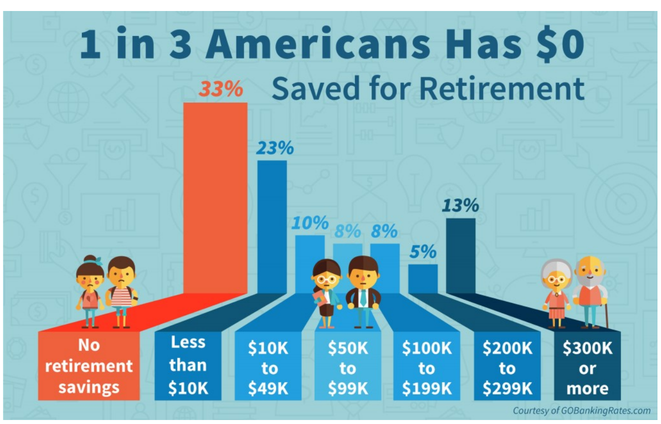
The first half of the year brought many surprises as well as some confirmation of issues that will benefit or plague the economy for years to come. The first surprise is how well the global investment markets have done, both based on lackluster growth in the US and a continuation, possibly even an acceleration, of the political dysfunction in both state and federal governments. It appears that investors have just accepted this as part of the variable to consider when investing and feel that the gridlock it causes is, if not good for the markets, not that bad either.

For the period ending June 30, the S&P 500 is +17.9% for the trailing 1 year, +9.6%, 14.6% and 7.8% annualized for the past 3, 5 and 10 years respectively. That is an exceptionally good performance by any standard, particularly in a low-inflation environment. Looking forward, I do not see any credible market experts expecting this to continue at the 5-year pace and not even at the 3-year pace. They are often wrong, but in an economy growing at just 2% annually, it's unrealistic to think you will see the returns at this level indefinitely. For the first 6 months of this year, the S&P 500 was +9.6%.

On a positive note, we are seeing considerable improvement in international markets for the first time since 2009. One reason for the improvement is that many US companies derive more than 50% of their revenue from non-US sales. Included in that group are Exxon (67%), Apple (62%), Johnson and Johnson (53%), General Electric (53%), and Boeing (58%) (Source: USA Today).

Another surprise is that interest rates, expected to move up sharply, have not. After hitting an all-time bottom on July 8, 2016 at 1.38% (they have traded for 227 years!), rates have moved up to only the mid twos, closing at 2.39% on July 7, 2017. Source: Federal Reserve. Continued slow growth in the US economy and low inflation are major contributors. So far, this year, investment markets are doing well in the US, even better internationally. The international markets are beating the US for the first time since 2009. Among the reasons for the US performance (and probably the foreign as well) was an expectation, following the elections in the US, that there would be a significant amount of favorable legislation and policy that would benefit the economy of the US, which then helps other economies as well.

It is fair to say that despite the early enthusiasm, much of that pro-business agenda has not moved forward at a rapid pace and the normal rancor between the political parties is as bad as it has ever been, maybe worse. They simply don't or won't listen to each other and it's sooner or later going to hurt the people they were elected to service. It's both parties listening to their own echo chambers. It reminds me of the line from a song by Simon and Garfunkel called "The Boxer:" "…a man hears what he wants to hear and disregards the rest." Sounds like Congress!



In any event, the economy is continuing to grow, though slower I believe than if we had more cohesive and business oriented policies from Washington. Term limits, anyone?

There are some dark clouds on the horizon regarding state spending, retirement savings and taxes. Several states, including our beloved New Jersey and Pennsylvania, are facing significant budget problems and Illinois is so bad, there is talk of finding a way to declare bankruptcy. Illinois' unfunded pension obligations alone are estimated at between $127 billion and $250 billion, the difference being that an independent rating agency (Moody's) thinks the Illinois estimates use unrealistic rate of return numbers. Most states do the same thing to keep down the amount of contributions they must make.

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We are in the retirement planning business (as everyone who gets this letter already knows) so we don't see many people in the position I will describe, but we recently had a client send us an article that you might want to Google (then again it is disturbing enough that maybe you should not). The title is ***The Secret Shame of Middle Class Americans*** by Neal Gabler and it appeared in The Atlantic. It is a rather long article written by a professional writer with some pretty good credentials and it is the tale of why so many Americans are very frustrated with so many things, politics among them. He states that according to a Federal Reserve survey, 47% of Americans could not come up with $400 immediately for an emergency. The author claims he is one of them and goes on to cite many negative facts that are almost too depressing to think about, except they are almost certainly true. As I was writing this letter to you I received an email from Social Security stating that 31% of Americans have no retirement savings at all. That's almost 1 in 3 workers.

Why do I write about this to an audience that by the nature of our relationship, we know is not in these statistics? The reason is that I have seen these or similar statistics before and want to warn people (you all know this already) that life is expensive (especially in the northeastern US where most of our clients reside) and fortunes can change quickly.

It is important for you and anyone you care about to have a well thought out plan in place, periodically reviewed and

"...33% of Americans have no retirement savings at all."

tailored to your life and that of your family.

I think as a group, many people have become complacent with the good investment performance and it is time to revisit plans for the proper allocations, reduce taxes and costs where possible, and keep risks to an acceptable level for your circumstances. On a different note, we frequently are asked which investment categories are "best" or have been best in the past years. I recently came across interesting information about how various asset classes have performed since 1997, as well as how the average investors have fared:

20-year annualized returns by asset class (1997-2016)

REIT's	9.7%
S&P 500	7.7%
60/40	6.9%
40/60	6.5%
Gold	5.8%
Bonds	5.3%
EAFE	4.6%
Oil	3.7%
Homes	3.4%
Average Investor	2.3%
Inflation	2.1%

Source: J.P. Morgan Asset Management, Dalbar Inc. Indexes used are as follows: REITS: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Barclays U.S. Aggregate Index, Homes: median sale price of existing single-family homes. Gold: USD/troy oz. Inflation: CIP. 60/40: A balanced portfolio with 60% invested in S&P 500 Index and 40% invested in high quality U.S. fixed income, represented by the Barclays U.S. Aggregate Index. The portfolio is rebalanced annually. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/16 to match Dalbar's most recent analysis.
Guide to the Markets – U.S. Data are as of May 31, 2017.

The FTSE **NAREIT** All **REITs Index** is a market capitalization-weighted **index** that and includes all tax-qualified **real estate** investment trusts (**REITs**) that are listed on the New York Stock Exchange, the American Stock Exchange or the NASDAQ National Market List. The **MSCI EAFE Index** is a stock market **index** that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. It is maintained by **MSCI** Barra, a provider of investment decision support tools; the **EAFE** acronym stands for Europe, Australasia and Far East. **West Texas Intermediate** (**WTI**), also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing. This grade is described as light because of its relatively low density, and sweet because of its low sulfur content. The **Bloomberg Barclays US Aggregate Bond Index**, which until August 24th 2016 was called the **Barclays Capital Aggregate Bond Index**, and which until November 3rd 2008 was called the "Lehman Aggregate Bond Index," is a broad base index, maintained by Bloomberg L.P. since August 24th 2016, and prior to then by Barclays which took over the index business of the now defunct Lehman Brothers, and is often used to represent investment grade bonds being traded in United States. Index funds and exchange-traded funds are available that track this bond index. The Standard & Poor's **500**, often abbreviated as the **S&P 500**, or just "the **S&P**", is an American stock market **index** based on the market capitalizations of **500** large companies having common stock listed on the NYSE or NASDAQ. The **S&P 500 index** components and their weightings are determined by **S&P** Dow Jones **Indices**.

News at EWS

Continuing Education

We had a very successful continuing education event that we cohosted with the Rowan University Rohrer College of Business for area CPAs on June 22. Our speakers were three partners from Friedman LLP and they did a great job in an interactive 4-hour program. EWS pays all the costs of the event and the CPA tuition goes to scholarships for accounting students at Rowan. We have two more scheduled, one in September with Erin Arvedlund, a Philadelphia Inquirer columnist who has written a book on Bernard Madoff and fraud detection and another in November with two former IRS officials speaking on cybercrime, identity theft, and Russian election hacking. Kidding on that last one!

We are continuing to explore issues that could make us a stronger practice including the feasibility of adding services and perhaps additional affiliations. It's a slow process, but better to be right than fast!

In Our Community

Steffanie attended United Way's Annual Volunteer Recognition Ceremony back in May. As Chair, Steffanie presented the United Way Women United Volunteer Leadership Award to Vice Chair, Kathy Schultes.

And in June, Steffanie participated in United Way's 5k Run. Her son Landon did the 1 mile walk for kids.

EWS Cookbook

Thank you to our clients, colleagues, and business associates for submitting your recipes for our cookbook which is now in production!

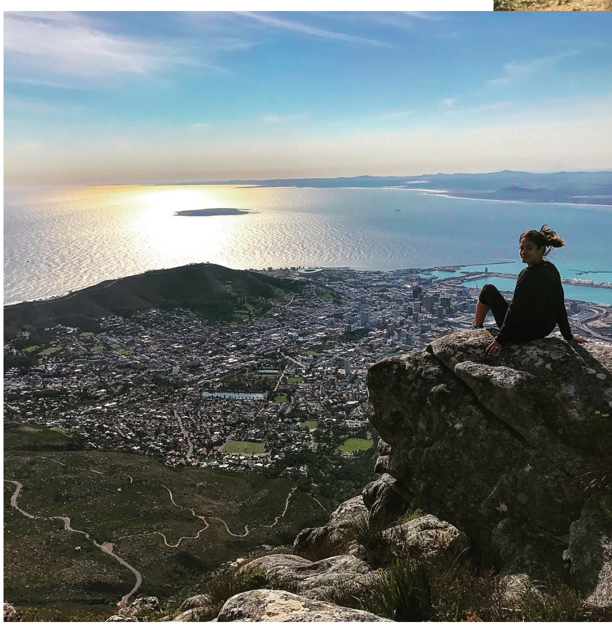
We were able to reach our goal of 100 recipes and as promised, donated $5 per recipe to the Food Bank of South Jersey giving us a **grand total donation of $500!**

For those of you who submitted recipes, we will automatically be sending you a copy of the cookbook towards the end of the summer.

For those of you who did not submit a recipe and would still like a cookbook, please call our office and we will send you a copy. Please keep in mind that we have a limited supply on hand!

Out of Office

Jessica and her husband traveled to Africa this month where they visited the Pyramids of Egypt, got up close and personal with some African elephants, and hiked up Table Mountain in Cape Town, South Africa. How cool are these pictures?!



Paul and Kathy are going to Italy in August with Brad, Lindsey and granddaughters Graycen, who is 3 now and McKenna, who is 1 ½ years old. Lindsey's parents are going as well so it should be an enjoyable time. It'll be Kathy's first trip to Europe, Paul's second. Pictures of Graycen (left) and McKenna (right) below!

Personal Note...

This is a first for me and I have thought long and hard about whether I should do it, but here goes. I had a very bad experience with a South Jersey swimming pool company. Apparently, they were well known for extremely poor service, but I did not know it. Maybe fraud involved, but certainly something I would never want anyone else to experience and I suspect this company is active in the area where most of our clients live.

I decided not to name the company in this letter, but please call me if you are contemplating any type of work on a pool, including building or servicing one. I can tell you that while the firm operates in much of southern NJ, they are not physically located in Gloucester or Camden counties.

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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 Paul, Chris and Steffanie 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.

Our Process for Successful Financial & Retirement Income Planning

Here is how we help to discover how your income and expenses can work together to fund your retirement lifestyle. We follow a well defined LIFE process (Long-term, Integrated Financial Engagement) to provide custom solutions for each client. To learn more about our process, please visit our website at www.eaglewealthstrategies.com.

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