The Eagle's View
FOURTH QUARTER 2017

As we enter the home stretch of 2017, it has been a surprising year in several ways. First, coming off a pretty good 2016, I was prepared for (and may yet experience) a much more modest investment environment this year. Though interest rates have remained low and earnings have been relatively high, several events that were expected to boost the markets have not occurred (tax reform, healthcare changes) and in my opinion, are long shots to happen this year, if at all. Congress on both sides seems entrenched in positions that have seemingly little room for compromise. So far, the markets seem to be ignoring the dysfunction as the economy grows modestly, but strong enough to maintain investment confidence. We are also being aided by strength from international markets, both the large established ones like those in western Europe and the emerging markets like China, India and other small economies that are experiencing very good growth.

I have spent a considerable amount of my reading time reading those "naysayers" who are perpetual pessimists, always looking for the next financial disaster. While they are out there, it is hard to find credible pundits who see anything significantly risky on the near-term risk. One exception to that would be a conflict with Korea, but even the political dysfunction is not seeming to cause concern yet. That day may be coming, however, as states and the federal government, and in the state's case it's their retirement plan and healthcare obligations, continue to pile on debt.

Investment Markets

There is a naturally growing sense that as investment markets continue to rise faster than the economy is growing, we are getting into levels that seem extreme, or at least at the upper end of normal valuations. There are always questions when markets get a little high, especially when it appears as it does today, that a relatively small group of companies is disproportionately driving the performance of an index.

Toys for Tots Toy Drive

We will be conducting our 4th annual Toys for Tots toy drive starting November 27th through December 15th. We are collecting new, unwrapped toys which you can bring to our office. The first three years have been great and we have been able to make the holiday season a happier one for area children. Thank you in advance for your support of this initiative!

There are arguments to be made on both sides of this issue. The most common fact cited is that the US stock market, as measured by the S&P 500, is trading at 18x earnings and that a historical multiple over the past 25 years is 16x. Granted, 18 is more than 16 but there are conditions currently existing and perhaps a few on the horizon that justify the slight premium to historical values. For example, investment markets do better when interest rates are low and today they remain at lows not seen since the 1960s, with little indication that they will rise more than modestly over the near future. For that reason, many people who might otherwise seek guaranteed income investments (like CDs from banks for example) are opting to invest some of their assets into "risk" investments in the hopes of getting a higher return.

In 2017, for the first time in 9 years, the international markets are outperforming the US markets as many foreign countries have finally stabilized their economies and are seeing growth that exceeds the growth we are experiencing in the US economy. That growth is attracting funds that had otherwise been non-invested.

There is a perception, so far unrealized, that the new administration in the US will be more business-friendly than the previous one and that initiatives in containing healthcare costs, rebuilding of our infrastructure, streamlining our tax code and the elimination of burdensome regulations all will have a positive impact on our economy which may then have a positive impact on investment markets. Personally, I do not believe we will likely see any major achievements in these areas, but likely SOME progress in each.

October 19th marked the 30th anniversary of "Black Monday" in 1987, the day the Dow Jones Industrial Average lost 22.61% of its value -- in one day! I was at EF Hutton in Cherry Hill and still remember the feeling I had as we exited the building that night. Not a feeling I want to repeat!

The US stock market has been unusually calm this year. There is a measurement of market volatility known as the VIX. It is often referred to as the investor fear gauge and is a forward-looking measure of expected volatility. Back in 2008, at the highest point of the market declined investor fear that I can recall, it was above 80. It is a generally accepted measure of market volatility. Since 1990, it has been below 10 (the lower the better) 39 times. 30 of those have occurred in 2017, 15 of them since Labor Day. This is pretty remarkable given the 27-year time frame. The lowest number during the 27 times was 9.19 on October 5, 2017 (Source: Crestmont Research).

COLA for 2018

The Social Security Administration has announced a cost of living adjustment (COLA) to recipients' monthly Social Security and Supplemental Security Income (SSI) benefits. More than 66 million Americans will see the 2% increase in their payments beginning in January 2018. The increase is tied to the Consumer Price Index for Urban Wage Earners and Clerical Workers and was put in place to ensure the purchasing power of these benefits isn't eroded by inflation. In addition to the cost of living adjustment, the Social Security Administration also announced that the maximum amount of earnings subject to Social Security tax will increase to $128,700 from $127,200.

This increase is the largest since 2012. The adjustment was a minuscule 0.3% increase in 2017, and there was no change in 2016. According to the Social Security Administration, retired workers on average collect $1,377 a month in Social Security payments, or roughly $16,524 a year. Raising the COLA by 2% will add about $27.38 a month to those payments, or around $329 for the year.

Financial Planning

For those of you who follow the regulatory environment (I know it's important but hope you have something more interesting to do!), it appears the Department of Labor Fiduciary rule initiative is being postponed, probably weakened, maybe eliminated.

If that occurs, it is a shame for people who have been hoodwinked for years by so-called advisors who are nothing more than financial product salespeople. We strongly believe in the cost reductions and transparency the new rules would have created and we will continue to conduct our business, as we have for years, in the spirit of that new set of disclosure rules.

This Newsletter

Although I have gone from writing these letters monthly back in 2008 and 2009, to quarterly in the past few years, I am finding that the issues I address are not new, don't really change that often or that much and deal with the same set of issues.

Those issues for most of our clients are those of how to finance increasing life spans in a financial world that offers extremely low returns on fixed income investments and risk on other investments, sometimes more than people are comfortable incurring. Also of concern are healthcare costs, general cost of living, and taxes.

Rather than try to make these topics more interesting each quarter, at least for now, I have decided to switch to a semi-annual, perhaps slightly longer letter that I will write in January and July.

We Need a Favor

As you know, we do not advertise, though Raymond James (with whom our advisors are affiliated) does frequently on news and financial programs. On our website we have now placed an ad, a 60-second video, which we think epitomizes the essence of our relationships with clients. I would really appreciate you taking a minute to review it and then send me your thoughts. It can be accessed at www.eaglewealthstrategies.com. The reason I had it put there is that many of our new clients or people looking for a CERTIFIED FINANCIAL PLANNER™ professional, check us out on our website. I think this ad provides a very nice first impression that resonates with those in need of important issues like financial, retirement and legacy planning. What I think of it really does not matter, it matters more what you think of it and I would appreciate learning that. ***Thanks!***

Shortened Trade Settlement Cycle

We wanted to inform you that on September 5, 2017, the U.S. Securities and Exchange Commission (SEC) shortened the settlement cycle from three business days to two business days for most securities transactions, including but not limited to trades for stocks, corporate and municipal bonds, mutual funds, and unit investment trusts (UITs).

As a result, you will receive faster payment following the sale of a security. Additionally, you will be required to provide funds more promptly following the purchase of a security, or interest will begin accruing after settlement date if the debit has not been covered.

You can find more information about this industry-wide change by visiting https://www.sec.gov/news/press-release/2017-68-0. If you have any questions, please do not hesitate to contact us.

News at EWS

On November 16th we completed our second year of co-sponsoring CPA continuing education at Rowan University. This last session for 2017 featured two former IRS agents discussing cybersecurity and identity theft. Recent revelation by credit company Equifax have made this a very timely topic.

Chris was interviewed and subsequently quoted in the Philadelphia Inquirer business section on November 12th. His topic was, as you might have guessed, retirement planning!

The Boys & Girls Club of Gloucester County had their annual fall fundraiser honoring Dr. Ali Houshmand, President of Rowan University, at Auletto's on October 19th which raised over $100,000 for the organization. Below is a picture of Chris being interviewed before the event and also a picture of Dr. Houshmand.

See some Halloween pictures below of Steffanie's kids and Dana's dogs!

Welcome, Maureen!

EWS has added another member to the team, **Maureen Wilson**. Maureen comes to us with over 30 years experience in the financial services industry and has both her Series 7 and 63 registrations. She will be our Registered Associate which includes being the primary point of contact for client inquiries, opening and maintaining client accounts, processing client unsolicited orders, and providing general assistance to our financial planning team.

Maureen resides in Pitman, NJ with her husband Rick, daughter Jessica and German Shepherd, Noodles. Her two sons, Mike and Rick, daughter-in-law Alyssa and granddaughter Cora reside in Pittsburgh, PA. When not at work, Maureen enjoys the Jersey Shore, the outdoors and traveling.

We are excited to have her and warmly welcome her aboard the EWS team!

Paul and Kathy vacationed this past August with Brad, Lindsey and their two granddaughters, Graycen and McKenna. It was Paul and Kathy's first trip to Italy (already want to go back) and it was great -- beautiful scenery, people were great, as was the weather. The food was fabulous and traveling and spending 11 straight days with the grandchildren was the highlight. Brad organized it all and did a great job. They saw Rome, Florence, Siena and a number of smaller villages that were almost indescribable in their beauty and hospitality. They stayed in Tuscany, where they visited (among other places) an organic winery in Chianti.

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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

LIFE™ Long-term Integrated Financial Engagement

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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