Fourth Quarter
October 2016

The Eagle's View

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

If you were hoping for a hot summer, you got your wish. I like hot weather a lot, but this year was a test of that! The Phillies, on the other hand, were not that hot, but here come the Eagles!

The year is heading toward an end and the election cycle will be ending as well after a grueling, though at times entertaining, two years. Election Day is November 8th and the next presidential election campaign will likely begin at 12:01 a.m. on November 9th.

Hopefully, somewhere in the recesses of the campaigns, there are serious discussions occurring about issues like the economy, taxes, and regulations. Most of what I have heard is somewhere between undoable and unthinkable, especially with other government bodies (like Congress) yet to weigh in. Do not interpret any of the above to be a criticism or praise for any of the presidential candidates, as it is not targeted at any of them individually. This year, everyone qualifies.

We just ended the 3rd quarter of the year, which given the continuing headwinds of global unrest, slow economic growth and the election, it was still pretty good for investment markets worldwide. The S&P 500 was +3.31 (up 7.8% YTD), the tech heavy NASDAQ +9.7 (but only 6.1% YTD), and the MSCI EAFE representing the largest non-US firms +5.8%, but for the full year through September, only +1.7%.

As always there is a divergence of opinion on where things go from here, but I think there is a general consensus that as 3rd quarter earnings are announced (some by the time you receive this letter), they will be positive after 5 consecutive quarters of declines. That upward trend is expected to continue at least through 2017. Though the markets in the US are very close to historical averages in terms of price to earnings, we are still in an ultra-low interest rate environment and I am one of those who believes that rates are likely to remain low (as we know them) for an extended period, making both dividends and potential appreciation in stocks increasingly attractive versus a 10-year US Treasury rate below 2%.

It is anticipated that at some point, perhaps later this year, the Federal Reserve will begin a slow but steady increase in the short term interest rates, but future

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increases will be heavily dependent on the economy growing and inflation.

There is some good news that I think is increasingly crowded out in an election year. For example, inflation adjusted median household income in 2015 rose 5.2%, the largest gain in 50 years. Over 2.4 million new full time jobs were created and the largest income increase in those numbers were for the bottom 20% of earners. The bad news is that even with that, it remains below the pre-recession of 2008-2009 levels. It is moving in the right direction though and that gap is likely to close this year. The official poverty rate according to the Census Bureau, dropped from 14.8% to 13.5%. That may not seem like a big deal, but in a country our size, it represents approximately 3.5 million people.

People are concerned about the election outcome. That is understandable because of the proliferation of news availability and popular opinion espoused in the regular and social media. It is important to keep in mind, however, that 85% of presidential election years are positive for US stock markets, with 12 of the last 14 presidential election years ending with a positive return (Morningstar). History is no guarantee and we would probably agree that this year is different.

Quarterly Quote

"Success is not owned; it is leased… and rent is due every day."

- JJ Watt

NFL Defensive End,

Houston Texans

Financial Planning

As we have mentioned before, the Department of Labor has enacted new rules, the most sweeping in over 40 years, regulating the retirement account industry. Most of the rules are effective in April 2017, with some of the more complex ones in 2018. The rules have to deal primarily with the types of accounts and transparency of costs that are permitted for retirement accounts. We embrace the new rules, though many (perhaps most) firms that offer retirement accounts do not. They fear a backlash against the cost disclosure aspect and restrictions on certain high cost/high commission investment and insurance products. We have disclosed costs for many years and don't believe the high cost commission products belong in retirement accounts in the first place.

The new rule is known as the "fiduciary rule" and will be replacing the much more lenient "suitability rule." When a similar rule was enacted several years ago in Great Britain, 30% of those purporting to offer retirement planning advice left the profession in 2 years. A similar result may occur in the US.

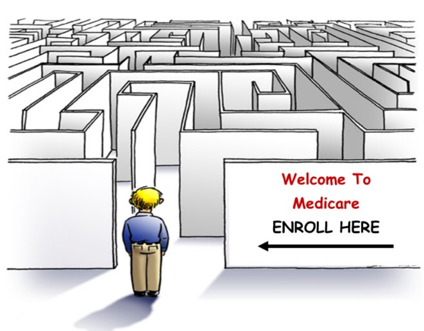
As a result, we are gearing up our capabilities to adapt to any changes that will impact you while at the same time suggesting that if you have people in your life who you care about their welfare, now may be as good a time as any to suggest they seek a qualified second opinion on their financial plan.

As Certified Financial Planner™ professionals, we are already held to a fiduciary standard and welcome those who have not been into the 21st century of transparency. We hope that the next shoe to drop will be a regulation of various and sometimes dubious professional designations and licenses, some that profess an expertise that does not exist. We believe in the disclosure for anyone offering retirement or financial advice of what licenses and credentials they possess so that the public can determine if that recommendation is objective or biased.

Ever since the financial crisis of almost a decade ago, there has been growing distrust of financial companies, banks in particular. Recent revelations about certain banks -- one the largest in Europe who just paid a $14 billion settlement over the 2009 mortgage crisis, the other, one of the largest US banks and very visible in our area opened over two million phony accounts in order for employees to win sales contests. Ultimately 5300 employees were fired and the CEO resigned; if you preside over that type culture, you deserve to be fired and not allowed to resign.

Some of you may have heard about an upcoming “23% cut in Social Security.” Technically a correct statement, but the year it could happen, according to Barron’s, is 2035, not 2017. It is no secret, except to those running for political office, that Social Security, Medicare and the federal budget in general are on a non-sustainable path to insolvency. People can and do argue the exact timeframe for each, but it’s pretty basic math, i.e. we spend a lot more than we make. The Social Security “fix” is the easiest and now has a bi-partisan reform committee with a solution. There are many parts to this, but the biggest and to some people the most difficult are these 4. First, taxes for employees and employers will increase gradually over 10 years from the present 6.2% to 6.7%; second, the wage base will increase from $118,500 this year to $195,000 in 2020 and will rise with inflation plus 0.5% in years thereafter; third, normal retirement age will rise to age 69 by 2070. As we have said many times, longevity makes this one mandatory. Many people will someday live to well over 100 years. One other provision would give a higher % benefit to people who pay into the system, but who are at the lower earnings level. There will be disagreements on this total one way or the other, but it is time to start addressing these type of issues.

A word about Medicare and insurance: Beginning October 15th and ending December 7 there is “open enrollment” for coverage beginning January 1. This is a time of year for people to re-evaluate features of their contracts to see if they are getting what they should from their part C and D plans. A recent article in ***Investment News*** estimated that 90 to 95% of beneficiaries overspend on Medicare, which is a pretty incredible statistic. The reason cited was that people buy plans that do not match their health care needs, tending to look more at the premium than the coverage as it pertains to their own needs. We selected a firm several years ago to work with our clients in making sure they have the right plans at the right price. They are independent of the insurance companies (they are brokers, not agents) and clients who have utilized their services have been very pleased. If you would like an introduction, please let us know.



News at EWS

In Our Community

Our second scholarship winner for the Rohrer College of Business at Rowan University has been selected. She is Ms. Angela Jordan from Washington Township -- a junior at Rowan majoring in entrepreneurship. Paul, Jessica and Steffanie recently had lunch with Angela and were intrigued by her career plans, which include owning and running a martial arts studio (preferably a chain of them) while at the same time performing martial arts in a wide variety of movies, which she is already doing. She graduated from high school as the #4 student in a class of almost 700. We were pleased to meet her and proud that she is our 2016 scholarship recipient.

Paul has also involved us in sponsoring a number of school projects in Camden under the Donors Choose program. It's a very interesting idea where donors can make a contribution to help fund projects (the schools are all over the US) either in whole or part. It's amazing how sometimes a relatively small amount can make a huge difference to young children who have very little in terms of financial support. See the picture to the right of the children helped. We have also received some very nice thank you notes, too long to fully put in this letter, but here is a portion of one:

"Mr. Tully, I want to extend my sincere appreciation for your generous donations and interest in my students learning. Your personal commitment is just incredible and will allow my students to achieve learning goals in an engaging way. Thank you so much for funding the needed materials that will offer my students varied ways to understand the content. With gratitude…"

Above is a picture of the children Paul helped in a Camden elementary school. If anyone is interested in seeing if a school has a project that you can fully or partially fund, go to www.donorschoose.org.

Back in August, Dana took part in a Painting with a Twist event while representing A Voice for Paws, the non-profit organization she volunteers for. The event raised money for the organization in their ongoing efforts to increase adoptions for animals at the Gloucester County Animal Shelter and provide assistance to the general community with things such as food and shelter for pets and feral animals. Pictured to the left is Dana with a fellow volunteer at August's event and to the right is the flyer for a similar event where you can paint your own pet! If you would like to attend, please contact dana.rohach@raymondjames.com.

EAGLE WEALTH STRATEGIES

AN INDEPENDENT FIRM

877 Kings Hwy, Suite 300

West Deptford, NJ 08096

(856) 845-4005

www,eaglewealthstrategies.com

Eagle Wealth Strategies is an independent firm 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 and Chris Tully– 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.

Our Process for Successful Financial & Retirement Income Planning

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.

PAUL J. TULLY
CERTIFIED FINANCIAL PLANNER™
RETIREMENT INCOME CERTIFIED PROFESSIONAL®

STEFFANIE A. LERCH
CERTIFIED FINANCIAL PLANNER™
RETIREMENT INCOME CERTIFIED PROFESSIONAL®

CHRISTOPHER T. TULLY
CERTIFIED FINANCIAL PLANNER™
RETIREMENT INCOME CERTIFIED PROFESSIONAL®

JESSICA L. ORTEGA
FINANCIAL PLANNING ASSOCIATE

DANA F. ROHACH
CLIENT COMMUNICATIONS & MARKETING ASSOCIATE