First Quarter
January 2016

AN INDEPENDENT FIRM

The Eagle's View

Financial Planning

by Paul J. Tully, CFP®, RICP®

Life tomorrow.

Those two words seem pretty simple, but are really profound, as that is what we are helping people prepare for. It does not matter how much income or assets one has; essentially, clients and prospective clients all have the same two questions, expressed in their own words:

- *Will I "make it" financially, to live as I choose to and meet my legacy goals?*
- *Do I have any financial blind spots and if so, what can I do about them?*

Basically, people want to reach personal and family financial goals with as little risk as possible, which has never been easy and now seems more challenging than ever. Underlying the questions above are two realities, somewhat unique to baby boomers and definitely the generations to follow:

- *I might live a lot longer than I initially expected…and it might be expensive to do so.*
- *I don't have the pension my parents had that guaranteed some level of monthly income. Instead I have my own assets, which are very volatile and seem even more so as I get older. And I have Social Security, which also seems uncertain to me today.*

All the other stuff -- stocks and bonds, asset allocation, diversification, global markets, etc. -- are simply the means to answer those two questions.

Markets go up and down day to day and sometimes it is difficult for

INSIDE THIS ISSUE

SPECIAL POINTS OF INTEREST

- Financial planning in the new year
- The 2015 economy at a glance
- Looking back at the investment markets through the years

people to focus on what all of that means in their life. Generally, other than some lost sleep, it does not mean very much in the long term.

As you might expect, we do a lot of reading and we frequently participate in conference calls and meetings with a wide variety of investment managers and experts in fields as diverse as healthcare, longevity, insurance and taxes.

What we continue to hear is really unchanged from what it has been for a number of years. People are very concerned with running out of money, followed by concerns about healthcare and long term nursing care and taxes. Their concerns about investments are only because it is a funding source for attaining their goals.

In fact, a recent survey had a 69% response from pre-retirees that checked "terrified" as their answer about anticipated healthcare costs in retirement (Merrill Lynch). Almost 2/3 of those said that they did not discuss this with their

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spouse out of not wanting them to worry.

People are also concerned about the taxes they pay (income, real estate) because in many cases, incomes have not kept pace with increasing living costs.

There are other important issues that people need to address as part of a solid financial plan. Here are several that would be good to address early in the year:

- Review your insurance coverage. This may seem like quite a task, but it's important. Umbrella coverage is something I believe everyone should have and it's relatively inexpensive. Check with your property insurance company, but for $1 million coverage it's generally a few hundred dollars per year.
- Have a list of emergency contacts. Anyone who should be contacted in an emergency should be on this list -- your children, closest friends and other relatives plus your CPA, attorney, financial advisors, insurance agents, etc. The names and contact information for your doctors should also be included, should a medical emergency ever arise. I would even add out-of-state relatives to this list as their email and phone contact information may not be readily available.
- Prepare a list of passwords for your heirs. We have had several cases recently where someone died and all of the financial records were unavailable because no one had the passwords.
- It was just suggested to me that everyone should have readily available an envelope, probably sealed, with instruction for survivors that outlines funeral desires and

who to notify beyond the very obvious, special requests. I think it's a great idea and I am going to look to see if we can create something to share with you for this.

- Review all beneficiary designations. We frequently see people who either don't know how their beneficiaries are set or soon realize that what they have set is not what they now want…including ex-spouses still listed! It's important to make sure your life insurance, IRA, 401(k) and other "contractual property" (employment contract benefits, annuities, stock options if applicable) are correct.

- Consider consolidating all financial accounts. Most people in retirement see this as pretty standard practice, but keeping track of multiple providers of financial services is crucial. Our experience is that consolidation frequently occurs at retirement, but we now are offering a service that will allow you to maintain multiple accounts not at Raymond James while having a consolidated statement available online that includes all of your accounts from multiple sources. Please ask us about this very helpful new service. ◇

2015 Economy & Investment Markets

"Hot dog, hot dog, hot diggity dog."

That is a verse in my 18-month-old granddaughter Graycen's favorite song from the Mickey Mouse Clubhouse show. It might also be the sentiment for investors who are glad that 2015 is behind them.

It was the worst year since the decline in 2008 (Dow up 0.21%, S&P 500 up 1.38%, Russell 2000 [small US stocks] down 4.41%, MSCI EAFE [developed foreign markets] down 0.81%, MSCI EM [emerging markets] down almost 14.92%). Unlike other years, it did not seem to matter what you owned whether stocks or bonds, commodities, domestic or foreign. Even some of the stalwart US stocks like Exxon (down 15.7%), Apple (down over 21% from hitting its all-time high on April 28) and IBM (down 14%) were caught in the upheaval. The first week of 2016 has offered no respite.

SEMINAR SERIES COMING SOON

Starting in April 2016, we will be hosting several seminars on various financial topics over the course of six months.

We will be announcing the topics within the next month so stay tuned for communications on the seminar dates!

Quarterly Quote

Even bonds were impacted with the Barclays Global Bond Aggregate negative for the third consecutive year, down 3.15%, while Barclays US High Yield Intermediate was down 4.52%. The Bloomberg Commodity index, which includes oil, was also down for the third straight year, this time minus 24.7%.

There are many reasons for the market struggles, some of which are likely to persist into 2016 and perhaps beyond, but since a new year should start off with some good news, there are some things that are positive and worth noting.

First, the global economy, though growing very slowly, is nonetheless growing and at a rate that is expected to modestly surpass last year's.

China's growth has slowed from almost 10% to 5 or 6%. It's better than the US, the world's leading economy, not being able to even get to 3%. We continue the slowest recovery of any since The Depression. Some of this is a result of a financial crisis that takes longer to recover from and some may also be a result of the last seven years all ranking in the top 10 of most new regulations issued by the federal government in history. No doubt those 80,000 pages of regulations issued in 2015 all have a purpose, but one purpose does not seem to be economic growth or job creation.

Unemployment in the US continues to improve, though as noted in previous letters, there is more going on than the rate itself suggests as many of the new jobs are part time or low paying and the number of people working or seeking work (known as the labor participation rate) is the lowest in 30 years. Some good news, however is that as I was finishing this letter, I read a report that jobless claims are lower than expected and layoffs from December are expected to be the lowest in over 15 years.

Inflation is extremely low, as are interest rates and energy costs, and the average consumer has more disposable income they have had in 30 years as a result. Many people do not feel that way and to some degree, visible expenses like taxes continue to rise faster than wages, especially for the middle class.

Real estate is rebounding, in some areas impressively, in other areas modestly. The market has been weak for eight years now though we may continue to see growth in prices, even with little inflation, due to lower inventories combined with rising new family formations.

I attended an energy summit in the fall at the Philadelphia Federal

Reserve. It was a fascinating morning and there were several expert speakers, including the chairman of the Philadelphia Fed.

It seems like we are very close to energy independence in the US and that the northeast and Philadelphia in particular are poised to benefit tremendously as a result. One speaker, perhaps a bit of an enthusiastic local exec, claimed that because of our healthcare systems, universities and infrastructure that our area would surpass the Houston area as the US leader in the energy field. There was also talk of the development of various alternative sources of energy as well (solar, wind, fuel cell) and those prospects were also impressive, though a little further in the future. With current supply of oil exceeding demand by about 2 million barrels per day, it seems to me that energy prices are likely to remain low for a while, though Middle East tensions can

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A Little Different Perspective

We all understand that with 24/7 news and bad news catching more eyes than good news (no one seems to care whose house did not burn down last night) that sometimes the urgency of today can cloud our vision. Sometimes it's no big deal, but when it causes people to make major life decisions, it can be very dangerous to one's wellbeing.

I recently read an interesting and illuminating summary of the investment markets from 1975 through 2015. That 40-year period covers most of the investing lifetime of those who will read this. It would take too much space to cover it all in detail, so here are some highlights and results for each of the years ending in "5":

1975

Saigon falls; President Ford survives two assassination attempts in 17 days; Margaret Thatcher is elected; global population is 4.1 billion, 50% of whom live in extreme poverty. US population is 216 million; our economy is $5.5 trillion; the S&P 500 closes at 90.2; a US postage stamp costs a dime.

1985

Windows 1.0 is released; first human heart transplant; world population is 4.8 billion; US economy is $7.7 trillion; S&P 500 closes at 221; the stamp now costs 22 cents.

1995

Oklahoma City bombing; OJ trial; world population is 5.7 billion, US population

266 million; US economy is $10.3 trillion; S&P 500 closes at 616; postage stamp is 32 cents.

2005

Hurricane Katrina; Saddam Hussein trial; London subway bombing; global population is 6.5 billion, 1 in 3 of which now live in extreme poverty; US population is 296 million; US economy is $14.4 trillion; S&P 500 closes at 1248; stamp costs 37 cents.

2015

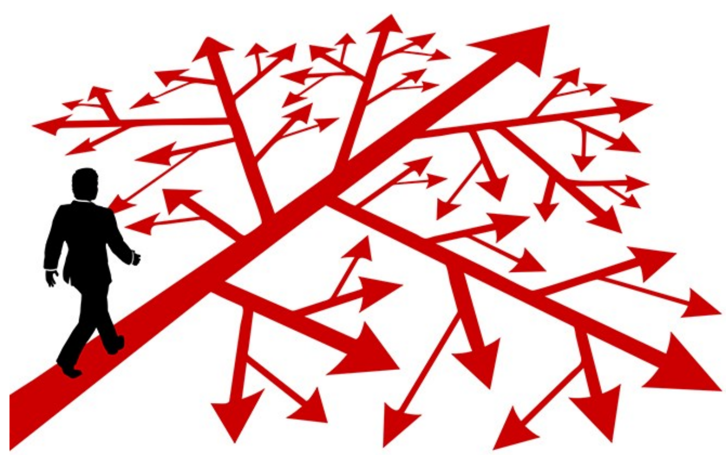
ISIS, Paris, Ferguson; global population now 7.3 billion, but now less than 1 in 10 live in extreme poverty; US population is 322 million; US economy is over $16 trillion; S&P 500 gets hammered on last day of year, closes at 2044; a stamp is now 49 cents.

Over the four decades, world population was up 80% with extreme poverty going from 1 in 2 people to less than 1 in 10. The US population is up almost 50% and the economy tripled on a 50% population increase. The S&P 500 increased 20x, US corporate earnings 15X, dividends from public companies 12x; the postage stamp increased in cost almost fivefold. While that was happening, there was also a lot of turmoil and much of it not reported as it is today (all of the time, everywhere you are). It really takes patience and trust to ride out times like these, but if the last 40 years are any indication, and perhaps this time they are not, the end result works out well.

I think the chart on the next page tells the story very well.

I realize I could include some far more sobering statistics that are not so pretty, including the federal deficit, the decline in housing prices since 2005, problems with middle class wages, the number of people who are underemployed and have stopped looking for jobs, and a general feeling which I think is growing because of the media drumbeat (and coming elections) that we are quickly headed backwards as a nation. That information is so readily available 24/7 it is almost debilitating.

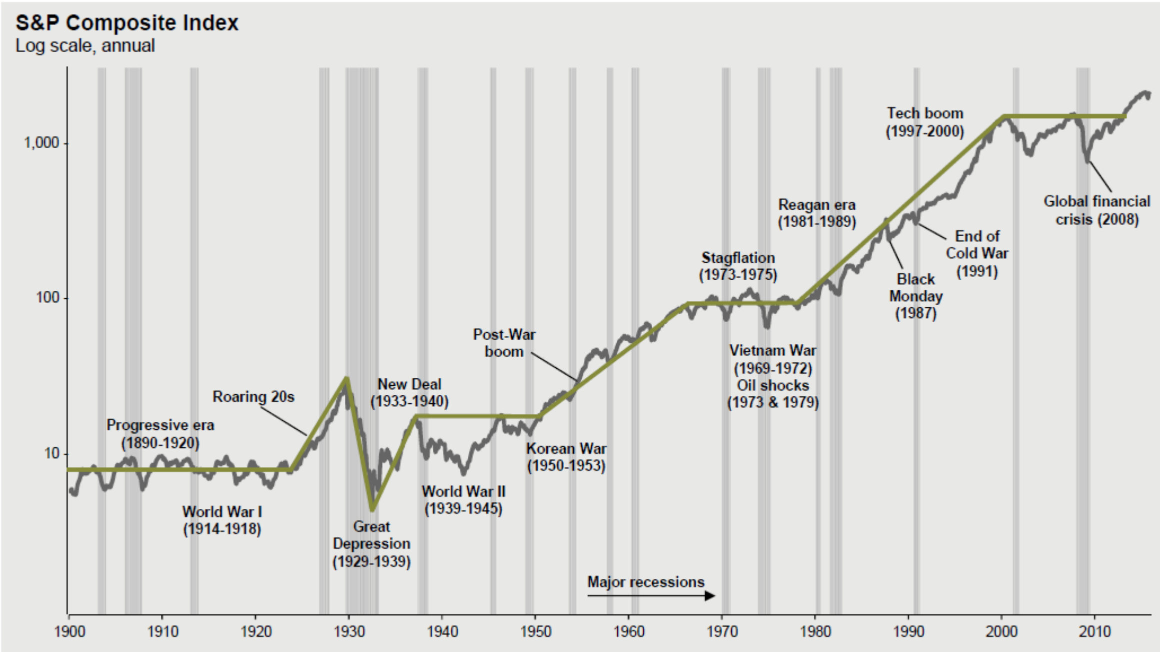
My view is that over long periods of time, your investing lifetime as an example, we have encountered many headwinds and outright catastrophes, and grew more than people ever imagined was possible. That reality sells a few books, but rarely gets the attention that the bad stuff does and there have been numerous studies that show that people are generally drawn to fearful news more than to good news. ◊



Stock market since 1900

GTM – U.S. | 15

Equities



Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management.
Data shown in log scale to best illustrate long-term index patterns.
Past performance is not indicative of future returns. Chart is for illustrative purposes only.
Guide to the Markets – U.S. Data are as of December 31, 2015.

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J.P.Morgan
Asset Management

News at EWS

Steffanie has returned from her maternity leave after Brielle's birth (Brielle on the right!). She got back just in time to assume her new role as President of the United Way Women's Leadership Council. We're happy to have her back and congratulate her on the new position with this great organization.

Later this year, Chris will begin his term as President of The Boys and Girls Clubs of Gloucester County, an organization he has been a director of for several years. Another big congrats to Chris as he continues his leadership role within the Boys and Girls Club.

Jessica returned from a holiday vacation to Italy and Greece sporting something new and shiny…an engagement ring! We all know her fiancé Dave well and we are really happy for them. Dave proposed in Greece on New Year's Eve. Exciting news to kick off the new year!

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Eagle Wealth Strategies is an independent firm in West Deptford, New Jersey. Our team of financial advisors provides comprehensive financial and retirement planning services.

Each of our financial advisors – Paul Tully, Steffanie Lerch and Chris Tully – holds the CERTIFIED FINANCIAL PLANNER™ certification. This distinguished industry 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.

Our Process for Successful Financial and 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.

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