THE EAGLE'S VIEW

EAGLE WEALTH STRATEGIES
AN INDEPENDENT PRACTICE

Paul J. Tully, CFP®, RICP®

No one seems disappointed that 2020 is over. There is a lot of enthusiasm for 2021 and people are the most upbeat I have seen in almost a year now that the vaccines are approved and being distributed.

Then came January 6th and the historic mayhem in our nation's capital. I hope I never see, nor my grandchildren ever have to see, something like this happen again in our country.

Political disagreements in recent years have reached levels unknown in my lifetime. It has not been unusual to witness severe fractures in personal, family and business relationships as a result. Such candid conversations can become all but impossible. The long-term implications of this anger cannot possibly be good for us.

Often, people are holding their own views as unassailable, the other side's as monstrous. People blame the politicians and to a point that is true, but we largely have done this to ourselves with our reactions.

Fortunately, politics historically has had little impact on portfolio performance as you will see later in this letter and the markets do not care whether you or I like the person who is president, governor etc.

Since 1975 I have seen a wide range of significant, market-rattling events and new administrations and through it all, the US survives and thrives amid the chaos. I do not expect this time to be different.

We have remained steadfast in helping people through difficult times where knowledge, experience and perspective are imperative, and a calm approach is what creates the confidence for people to maintain their long-term plan when it may have been easier to capitulate to the current crisis. One thing we have not done is overreact to the news/noise of the day. It is difficult to remain invested and committed to a plan through turmoil, but we

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SPECIAL POINTS OF INTEREST:

- *Economic update after election results & ongoing pandemic*
- *Investment market environment*
- *IRA contribution FAQs*
- *Important operational updates and announcements*

Economy & Investment Markets

Chris Tully, CFP®, RICP®, CIMA®

After living through the roller coaster experience of 2008-2009 and the ensuing recovery, we thought we had seen at all. Then came 2020, which provided a not-so-gentle reminder that there is always more to see! Volatility – the sharp ups and downs of the stock market – was taken to another level. The S&P 500, which tracks the performance of approximately 500 of the largest companies in the United States, closed up or down at least 1% in 109 of the year's 253 trading days (43% of the time!). For comparison's sake, the year prior saw only 37 such days. Volatility should be lessened in 2021, but that does not necessarily mean we are in for a completely smooth ride. An occasional decline

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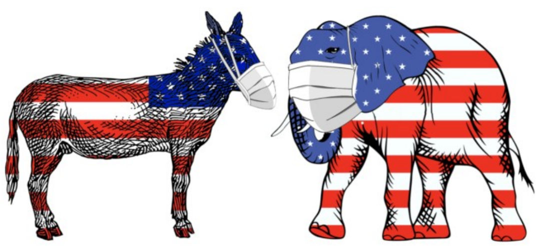
believe it is one of the best reasons to engage us or someone like us.

I have had more deep conversations with people in the past 10 months than any similar period in my career. I suppose when the whole world experiences a health threat of this magnitude at the same moment that is bound to happen. We have had over 50 clients, associates, and family members experience COVID-19, and sadly two clients succumbed to it. An illness that has caused the death of over 400,000 Americans by the time you read this - it is a defining moment in our lives as a nation.



Problems we had pre-COVID-19 remain with us and growing. We continue to spend dangerously more than we take in taxes, for example. Income disparity is getting worse and recently I have read several stories of “food insecurity” which seems incredible in this country. Just before typing this, I read about children in poor schools who hoard their lunch on Fridays because they will not eat again until Monday, and that there are an estimated 13 million children living in a “food insecure” home.

It truly is time for leaders in government, politics, business, and society to come together and address these large and growing problems. It’s late - not too late, but tougher with passing time.

2020

The following facts illustrate the magnitude of what we have experienced and are still experiencing. In 33 days, America’s 500 biggest public companies lost 1/3 of their value, the fastest “bear” market in history. Five weeks later, we were back to where we started, and by December 31st, the S&P 500 had risen 68% from its low point even though the virus raged on.

The economy fell 30% in one quarter and rose 30% in the next, though unfortunately they do not equal out, and we are still somewhat behind. Twenty million people who were employed at the beginning of February were unemployed by the end of April. Only half of them have been rehired. Bankruptcies have soared, the most since 2009. Companies from mid-price retailers like JC Penney and SteinMart to high end like Neiman Marcus and Brooks Brothers all sought creditor protection in 2020. Job creation peaked in May and has declined every month since, culminating in a loss of jobs in December of 140,000.

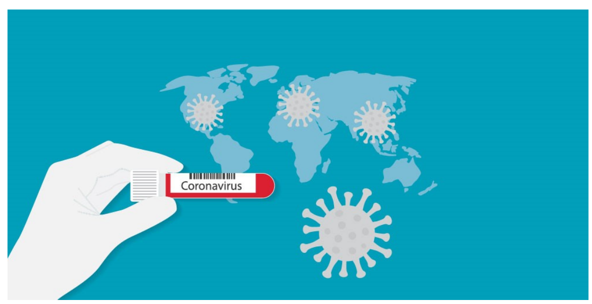
2021

Once the elections in Georgia were over, step one for me was to see what has happened when one party has control of the presidency and both Houses of Congress. In the past 100 years, this has occurred (2-year increments because of midterm election) 21 times for the Democrats and 14 times for the Republicans. The last 4 presidents (2 from each party), Bush, Obama, Trump and now Biden all have had 2 years of full party control at the beginning of their presidency, so this is nothing new.

On average, US equity markets have risen 2/3 of the time and had an average 2-year gain of 17.8% for the Democrats 75% of the time and returns of 18.4% for the Republicans.

Our history has showed our economy and investment markets grow regardless of who is president, though what grows and by how much is influenced by actions taken politically.

Recovery will come, but all of this is contingent on a successful vaccination distribution globally.



In 2020, global GDP declined 5.4%. In the US it declined 3.6%, the worst performance since World War II. It is expected that in 2021, the global economy will grow 4.2% and the US 4%, the largest rebounds ever for both. In 2020, of the 20 largest economies, 19 were in recession and 93% of all countries were in recession. In 2021, none of the top 20 are expected to remain in a recession. Big turnarounds expected in India and China will help fuel the global rebound.

Individual expectations are equally impressive, which should add a much-needed boost to the US economy. People are anxious to get out, with 67% wanting to go to a restaurant, 58% to fly, 65% wanting to travel more than they did pre COVID-19, and 54% planning a "bucket list" vacation trip.

If we do not get other "unknown unknowns" popping up, life should start returning to normal by mid-year for most people. Whether the investment markets already reflect that expectation or will react as it occurs is never predictable, but it seems that markets are already pricing in a robust recovery.

We continue to be concerned about the lack of low-risk income investments, with the rates on US Treasuries continuing at a very low level. In 2020, the 10-year US Treasury note at one point had a yield of only ½% per year and finished the year at 9/10 of 1%. Those are both 230-year-old record lows!

Looking forward

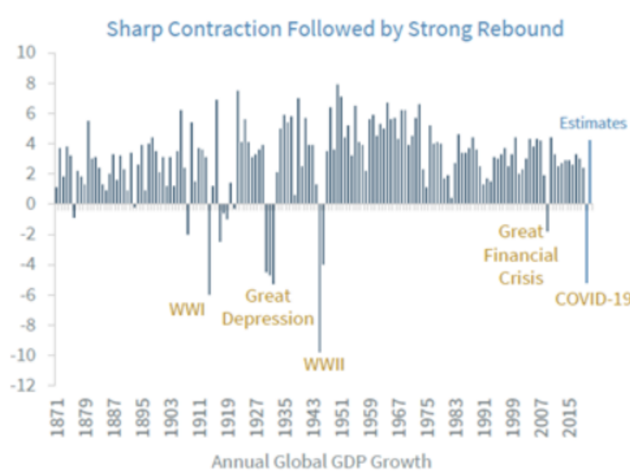
There is a saying, I am not sure who said it (I did not) that goes, "the pessimist complains about the wind, the optimist expects it to change, the realist adjusts the sails." Though I am an optimist about many things in life, at EWS we strive to be financial realists.

I certainly hope that my next letter reflects the healing and growth we expect to experience, but if anything concerns you or someone close to you, call me anytime. My cell number is 856-305-6524.

Economy & Investment Markets *(continued from front page)*

in the market is a common and healthy occurrence, but nonetheless can feel painful and cause fear while we are in the midst of the action. 2020 was also a reminder that investing based on unexpected shocks to the system is difficult and that patience pays off. Following a swift and sharp decline in February and March, markets around the world not only recovered quickly during the subsequent months, but finished the year considerably higher, with double digit returns in most stock indexes, and high mid- to high-single digit returns in bonds.

2020 represented the worst year of global growth since World War II (1945), with nineteen of the twenty largest economies around the world experiencing recessions.



Source: FactSet. All charts as of 12/31/2020

Sharp declines are generally followed by sharp increases, and while a 2021 global economic recovery is expected, the timing and strength hinges on several key items. Additional government stimulus in excess of $1 trillion is likely in the near future, which will provide a boost in the short-term (but could negatively position us over the long haul). Several vaccines have arrived, and though the rollout has been less than hoped for thus far, there are signs of momentum gaining steam, and additional vaccines are likely to be released soon. The Federal Reserve is providing a boost, employment is improving, housing is strong (but looking a bit too strong in certain areas – hello southern New Jersey!), and there will surely be plenty of pent-up demand from consumers unleashed on the economy once re-opened. Vigilance will be required, however, particularly in the coming years as things may change, particularly in the realm of taxes and regulations.

You will often hear that investing is a marathon, not a sprint. On a recent Raymond James "2021 Outlook" webinar, triathlons were referenced. A triathlon, in our opinion, is a far more accurate descriptor. Describing investing as a marathon helps embody the longevity of an investor's timeframe, but it does not accurately reflect all of the twists and turns, and tools needed along the way. What worked (and happened) in the near past, may or may not work in the next leg of the race. We can review history to gain context about how things have reacted and recovered in the past, but the future is ultimately unknowable. Variables today are different than variables long ago, though through it all investment markets – both stocks and bonds – have continuously trended upwards. Trends in prior bull markets do suggest that the year ahead will see positive returns – especially with an accommodative Fed and additional stimulus – but managing risks will remain key.

Every four years the elections dominate the news and our thoughts. And every four years half of the population is disappointed. Keep in mind, however, that three of the highest performing Presidents of the past century – in terms of stock market returns – were Clinton, Obama, and Trump. Needless to say, these were three very different Presidents and people. All entered and exited under different (and often unique) circumstances that impacted their market growth, but it goes to show that neither political party maintains a monopoly on performance. A change in power does not necessarily reflect a 180 degree turn within the investment world. Technology was the best performing US sector under President Obama…and the best performer under President Trump.

It is tough to predict how much the markets will make in any given calendar year. Many financial institutions try, and many fail. Over time, things change. Things that appear positive now can turn bleak, and vice versa. So, the key is to watch and listen, and as changes occur act accordingly.

With stock valuations high (cause for concern for stocks) and interest rates low (cause for concern for bonds), 2021 will likely require a delicate balancing act. But not every stock or every bond is created equal. Within stocks, we can shift between countries, sizes, and sectors. Within bonds, we can shift in terms of quality, length of maturity, and type. We can also add "alternative investments" to offset risks in either category. The trick is to rotate enough to find more of what will do well and less of what will not, without taking too much risk in the process. As you may expect, this is easier said than done. We are not anticipating substantial changes (as changes were made most recently in the fall), though we believe slight tweaks in certain areas may provide better positioning in the short- and intermediate-term. Based on our recent Investment Committee Meetings, we are likely starting with the bond side of the equation in the coming months. While bonds have produced more than adequate returns in the prior few years, we expect them to mostly serve in more of an offsetting role in 2021 and potentially beyond: helping to dampen a diversified portfolio's return when the stock market is volatile, as opposed to providing robust growth. And while returns within bond markets may be more muted, we believe there are areas of opportunity we can take advantage of.

We – along with many around the world – are looking forward to what will hopefully represent a new beginning in 2021. 2020 brought plenty of fear, sadness, grief, and confusion, though hopefully the light at the end of the tunnel will continue to brighten, and one day lead to a return to normalcy. As always, we look forward to continuing our work with all of our clients in 2021. We will remain focused and alert and continue to make decisions that we believe are solely in your best interest.

*"Yesterday is history.
Tomorrow is a mystery.
And today? Today is a gift.
That's why we call it the present."*

—Eleanor Roosevelt

IRA Contribution FAQs

Jessica L. Ortega, CFP®, RICP®

Beginning in 2020, there is no longer an age limit for contributing to a traditional IRA or Roth IRA. If you have earned income during a tax year, you can make a contribution for that year up to the lesser of your earned income or the contribution limit. For 2020 and 2021, the maximum you can contribute to either an IRA or Roth IRA is $7,000 ($6,000 if you are under age 50). Keep in mind, for Roth IRAs there still are income limits that apply ($140,000 for 2021 for single filers and $208,000 for married filing jointly).

What If I Have Required Minimum Distributions?

Once you reach age 72, the IRS requires that you begin taking Required Minimum Distributions (RMDs) from your IRA. However, even if you must take an RMD, you can still make an IRA contribution if you have earned income for the year. You still need to take your RMD, but you can also make a contribution which will essentially negate part of the RMD. If lowering your taxable income isn't necessarily a priority, you could take your RMD and then make a Roth IRA contribution instead to allow for tax-free growth (again, subject to income limits).

What If I Take Qualified Charitable Distributions?

One thing to keep in mind is how contributions will affect Qualified Charitable Distributions (QCDs). QCDs are a tax-efficient way to make charitable donations from an IRA once you have reached age 70 ½ (still allowed at this age even though the RMD age has been pushed to 72). These distributions will satisfy your RMD without being included as taxable income on your tax return, making them the perfect pre-tax donation. To prevent individuals from abusing this provision, QCDs must be reduced by any IRA contributions you make. There are several strategies to avoid this, such as contributing to a Roth IRA (doesn't offset QCDs), having one spouse take QCDs and the other make an IRA contribution, or using highly appreciated stock for the charitable donation instead.

What If My Spouse Works But I Don't?

A non-working spouse is also eligible to make an IRA or Roth IRA contribution if the working spouse earns at least the amount of the total contributions for both spouses. For example, if the working spouse earns $15,000, each spouse can make the $7,000 maximum contribution. However, if the working spouse earns $5,000, the combined contributions of both spouses can only be $5,000 or less.

What If I Am Covered by a Retirement Plan at Work?

You can still contribute to an IRA or Roth IRA if you are eligible for a retirement plan through your employer. However, your deduction for your IRA contributions may be limited if your income (including your spouse's income if married) exceeds certain levels. Deduction limits apply if either spouse is covered by a plan through work. Roth IRA contributions may be limited if your income exceeds certain levels, regardless of whether you are eligible for a plan through work.

The rules around this can be complicated. If you'd like to discuss your situation with us in more detail, please contact our office.

Operational Updates

Melissa Phillips
Operations Manager

FireEye and SolarWinds Cybersecurity Attack – No Threat to Raymond James
You've likely seen media attention with regard to a cyberattack on FireEye and SolarWinds targeting the U.S. Government and large companies. Raymond James' Cyber Threat Center determined that our firm and data systems were not impacted and continue to employ the most up to date safeguards, 24/7 monitoring, and research into enhancements to provide the highest levels of protection. This combination of technological and human defenses enables Raymond James to protect against and mitigate the effects of cyberattacks.

Regular Market and Economy Updates with Raymond James Webinars
Raymond James' Chief Investment Officer, Larry Adam, has been holding regular webinars to provide up to date information on the markets and economy. They generally happen in the early half of the month and we will send an email reminder ahead of time. If the time or day isn't convenient for you, watch the replay on demand at www.raymondjames.com/investment-strategy-client-call. The next one is scheduled for Monday, February 8th. Many of our clients have commented on how informative these have been. They are slated to be published for as long as there is notable news to report – which seems likely to continue!

Tax Season Approaching – What to Expect
2020 tax document mailings will begin with 1099-R, 5498, and 1099-Q's going out on January 31st. Retail 1099 composite forms will begin mailing as early as February 15th. We know that sometimes it can be confusing – some accounts might not produce a form, others may be delayed or amended – please feel free to call us so we can help you and your tax preparer make sure you have everything you need to file. If you show up on the delayed or amended list, we will email you. You may also access your tax documents in Client Access/Documents/Tax Reporting.

Stay Informed – Update your Contact Info
Many of our alerts are communicated via email, so it's important that we have up to date information – if you need to make an update, just call our office and any one of us can make that change for you.

News at EWS

ACENDA
INTEGRATED HEALTH

<u>**In Our Community**</u>
This past year we did not get to host our annual Toys for Tots Toy Drive, but we still wanted to give back to our community. In an effort to remain contactless for the safety of our staff and clients, EWS decided to make their annual holiday donation to Acenda (formerly Robins Nest) who ran a virtual toy drive for local children this holiday season. Our monetary donation helped to provide toys and joy for many kids in our area.

In other news, enjoy some of our staff's holiday pictures!

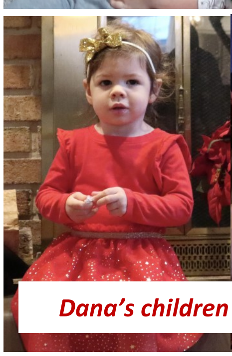
Frank's family

Steffanie's family

Jessica's family

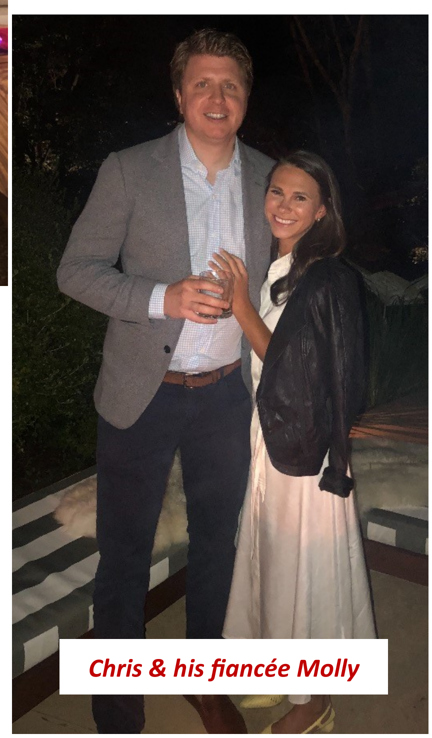
Maureen's grandchildren

Paul's four grandchildren



Dana's children

Anthony's family



Chris & his fiancée Molly

EAGLE WEALTH STRATEGIES

AN INDEPENDENT PRACTICE

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Four of our financial advisors – **Paul Tully, Chris Tully, Steffanie Lerch, and Jessica Ortega** – hold 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.

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