COPPERWYND FINANCIAL

APRIL 2020

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"Through this difficult, but ultimately temporary disruption, remember that your plan is designed to help you achieve your personal long-term financial goals."

Market Commentary

First and foremost, we hope this letter finds you, your family and loved ones healthy and safe.

At the beginning of 2020, market fundamentals were arguably as positive as they had been in years. Interest rates were low, the labor market was historically strong, the U.S. and China achieved a potentially lasting truce in the long-standing trade war, and the global economy was showing signs of acceleration following a sluggish 2019.

But what a difference a month makes. As news of the COVID-19 pandemic swept the globe, market volatility surged in the first quarter to levels last seen more than a decade ago during the financial crisis. The swift spike in new coronavirus cases outside of China resulted in a sharp drop in stocks in late February. Those declines were then compounded throughout March as the number of active coronavirus cases in the U.S. began to increase rapidly. The S&P 500 tumbled more than 34% from the mid-February highs to the late-March lows, amid rising fears that "social distancing" measures being implemented globally to stop the spread of the disease, would have a broad and substantially negative economic impact.

Across the nation, and the world, roads are mostly empty, office buildings are vacant, schools are closed and normal life as we have known it has largely ground to a halt as we wait to see where the virus "peaks".

Borrowing from its playbook following the Great Recession of 2008, the U.S. government has acted swiftly to support the economy as the Federal Reserve cut interest rates to zero percent and implemented several important measures to provide short-term cash for corporations and ensure there's plenty of capital for the broader banking system. Congress also passed multiple economic relief bills, the largest of which was a $2.2 trillion stimulus package aimed at providing support for businesses and displaced workers. Those actions are working to help keep the banking and financial systems functioning in an orderly manner as well as supporting the economy through this unprecedented shutdown. Stocks reacted to these positive events by rallying sharply during the last week of March, although the major averages still finished the first quarter with large declines.

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We have created a resource page on our website in order to provide as much information as we felt relevant to our clients about the details of this stimulus, as well as ways in which you are impacted – from tax filing deadlines to support for small businesses. You can find this information HERE

It's important to point out that, as Fed Chair Powell stated in a recent interview, there was nothing "wrong" with our economy before the coronavirus hit. There was no tech stock bubble and no housing bubble, like we saw in the last two U.S. recessions. As mentioned, economic fundamentals were rather positive prior to this unprecedented shock, and that offers some comfort when we look at investing over a longer time horizon.

To that point, it is also important to remember that this unprecedented market volatility, along with these societal disruptions, are temporary. At some point, the spread of the virus will peak and begin to recede. The biggest unknown will be the longer term damage to the global economy and we are certain to see some shocking statistics on unemployment and damage to GDP growth forthcoming. The world has come to an almost complete stop and it will take some over-sized efforts, such as the $2.2Trillion stimulus bill, to get us all back on track. The good news is those efforts are being made globally and without hesitation.

Through this difficult, but ultimately temporary disruption, remember that your plan is designed to help you achieve your personal long-term financial goals. Meanwhile, shares of some of the most-profitable, well-run companies in the world are now trading at substantial discounts to levels at the beginning of the year, and history has shown us that over the longer term, these tumultuous episodes can create fantastic investment opportunities, and some of the most ideal buying conditions the market can offer.

In your portfolios here you will see we raised a degree of cash as various models triggered risk-off measures. Some of this cash has been invested in ultra-short term bonds while we pause for volatility to subside and those models to signal an all-clear. We have been providing weekly updates to keep you apprised of developments but always encourage you to call or email with any questions or concerns.

We will get past these challenging times, too.

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Financial Planning Tip

Federal Deposit Insurance Corporation (FDIC) insurance and Securities Investor Protection Corporation (SIPC) offer two different types of coverage that help protect your assets. FDIC insurance and SIPC coverage protect bank and brokerage firm customers, respectively, against the risk of failing financial institutions. They do not protect customers against market losses. Individual assets may be covered under either SIPC or FDIC, but not both.

SIPC vs FDIC: The differences between the two: The FDIC is an independent federal agency created after catastrophic bank failures in the early 20th century. The agency is concerned with the potential loss of deposit accounts, such as checking and savings accounts, money market deposit accounts and certificates of deposit.

Customers of banks that carry FDIC insurance are able to recoup up to $250,000 per account holder per insured bank per deposit account type. FDIC insurance does not cover investments in stocks, bonds, mutual funds, life insurance policies, annuities, municipal securities, or money market funds, regardless of whether the bank that holds the investments is FDIC-insured.

The SIPC is not an agency, but a nonprofit membership corporation that was formed by federal statute. Its insurance covers customers of broker-dealers that are members of SIPC. Each customer of member firms can get reimbursed for investments up to $500,000 per customer in case of the member-company's failure. The insurance does not cover declines in value of investment themselves, but only loss of investments due to failure of the firm that manages them.

Why do they matter to investors?: The FDIC and SIPC are essential not only to individual customers who want to make sure their money is protected in case of an institution failure, but also to maintaining societal confidence in the financial system. Such confidence prevents runs on institutions like the panic that prompted the creation of the FDIC, ensuring a stable and trusted financial sector.

For individual customers, these corporations are important because they provide reassurance that your money will still be available if your institution encounters a major problem. Customers of banks insured by the FDIC may not even feel any pain at all if the bank that holds their deposits fails. That is because in most cases the FDIC takes the role of selling the deposits and loans owned by the failing institution to a healthy institution. The failing bank's customers automatically become customers of the healthy bank and can easily carry on with their financial lives without a problem.

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Tax Planning Tip

As the numbers of confirmed cases of COVID-19 continue to increase in the United States, the federal government is taking action to reduce the impact on taxpayers. Specifically, the Internal Revenue Service (IRS) has announced that the tax filing season been pushed to July 15, 2020. We've put a simple guide together to help you navigate the new tax Filing Due dates. The following dates are based on the tax year 2019, coming due in 2020.

Federal Taxes: The 2019 income tax filing and payment deadlines for all taxpayers who file and pay their Federal income taxes on April 15, 2020, are automatically extended until July 15, 2020. This relief applies to all individual returns, trusts, and corporations. This relief is automatic, taxpayers do not need to file any additional forms or call the IRS to qualify.

This relief also includes estimated tax payments for tax year 2020 that are due on April 15, 2020. Payments for estimated taxes are due on four different quarterly dates throughout the year:

1Q — April 15 (this has been delayed until July 15, 2020 as well)

2Q — June 15 (this has NOT been delayed yet, but likely will)

3Q — September 15

4Q — January 15 of the next year

Penalties and interest will begin to accrue on any remaining unpaid balances as of July 16, 2020. You will automatically avoid interest and penalties on the taxes paid by July 15. Individual taxpayers who need additional time to file beyond the July 15 deadline can request a filing extension by filing Form 4868.

State Taxes: While it is expected that most state tax agencies will follow suit, like Arizona and Utah have already announced, more detailed information based on your specific state requirements can be found by clinking the link here:

Retirement Plans: Individuals that receive a "coronavirus-related distribution" during 2020 will not be subject to the 10% penalty on early withdrawals of up to $100,000 from qualified retirement plans.

A "coronavirus-related distribution" is one made during the 2020 calendar year to an individual, or spouse of an individual, diagnosed with COVID-19, or to an individual who experiences adverse financial consequences as a result of quarantine, business closure, furlough, layoff, or reduced hours due to the virus.

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These distributions are subject to regular income tax, although the tax may be spread over three years.

Any "coronavirus-related distribution" may be treated as a non-taxable rollover contribution if the funds are repaid to the plan within three years of the date the distribution was received.

Required minimum distributions (RMDs) for IRAs and defined contribution plans, such as profit sharing and 401(k) plans, are waived for 2020, including the first RMD for individuals that reached age 70½ during 2019. These are waived regardless of whether the taxpayer has been impacted by the pandemic.

If an RMD has already been received during 2020, it may be rolled over or rolled back into the plan within 60 days in order to defer paying taxes on the RMD.

Overall, these changes are good news for taxpayers, especially those who are cash-strapped by the economic slowdown and the coronavirus outbreak. If you have questions on how this may impact your financial plan, please don't hesitate to reach out!

401k Allocation

We are at maximum risk off. This is no different than where we were at the start of March – but you may have decided, as world events unfolded, that even this was not enough for you! If so, move down one (or two) levels of risk until you can sleep at night. Do we have further to go? The peak of the virus is in front of us still, and once we are past that point we will have to examine what this "scorched earth" approach has done to our global economy. What we can hold onto right now is that governments around the world are responding quickly and in a big way to a big event. We have often said, "don't fight the Fed" – meaning that when the Federal Reserve is printing money, risk assets like stocks tend to perform well. And there are a lot of good companies that are on sale. The day will come when we can get back to business as usual. It's just not right this second!

As always, if you have any difficulty in rebalancing your 401K to this grid, please reach out and let us know and we're happy to guide you through the changes.

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April 2020					
		Agg. Growth	Growth	Moderate	Conservative
Bonds / Cash		25%	30%	55%	85%
	Stable Asset - OR - Short Term Bond	15%	15%	35%	50%
	Total Return	10%	15%	20%	35%
	High Yield Bonds				
	World Bond	0%	0%	0%	0%
	Inflation Protected Bond	0%	0%	0%	0%
Large Cap:		60%	55%	35%	15%
	Large Cap Growth	30%	30%	20%	5%
	Large Cap Value	30%	25%	15%	10%
Mid Cap:		15%	15%	10%	0%
	Mid Cap Growth	5%	5%	0%	0%
	Mid Cap Value	10%	10%	10%	0%
Small Cap:		0%	0%	0%	0%
	Small Cap Growth	0%	0%	0%	0%
	Small Cap Value	0%	0%	0%	0%
International:		0%	0%	0%	0%
	Developed International	0%	0%	0%	0%
	Emerging Markets	0%	0%	0%	0%

Graphic of the Month

Stay Safe, Stay Healthy, and Stay Home if you can!