COPPERWYND FINANCIAL

AUGUST 2020

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"Massive stimulus and an accommodating Federal Reserve have allowed much of the market to recover. But can it continue?"

Market Commentary

The S&P rose 4.8% for the month of July and turned positive for the year, a feat that would have seemed impossible had anyone known at the start of 2020 that we would have a pandemic and all its assorted consequences. Massive stimulus and an accommodating Federal Reserve have allowed much of the market to recover. But can it continue? Can we fully reopen our economy, get back to normal, get the kids back to school? Or is the market the only thing that is recovering?

Earlier this week we got the official GDP (Gross Domestic Product) results and, even though it was expected to look ugly, a decline of 32.9% for the last quarter was still a difficult number to digest as it represented the largest decline of GDP … ever. First time claims for unemployment have persisted in excess of 1 million claims for 19 straight weeks; they have even pushed higher each of the last three weeks, likely coinciding with renewed lock-downs in several states that had seen surges in cases of COVID. Throw in continuing violent domestic protests, a contentious (more than usual) run-up to the presidential election, increasing bankruptcies, concerns over rental evictions, getting our kids and teachers back to school safely … there seems to be no end of the things that can worry us today and could eventually weigh on these markets.

The Federal Reserve can take most of the credit for helping investors to recover but Congress is in charge of helping the taxpayers. The initial round of stimulus checks, the supplemental unemployment benefits, the stays for rental evictions, all were part of their efforts to provide safety nets for the millions of affected workers. The supplemental unemployment insurance expired Friday. There does seem to be some awareness of the gravity of the situation as we do see lawmakers working over the weekend to parse out a solution. And it is necessary. The unemployment level and the continued rise in the virus cases simply leave too many families imperiled.

Assuming a deal can be struck quickly in Washington, attention can focus on the very positive results coming from several of the companies working to find a vaccine. Astra Zeneca, Moderna, and Pfizer, all had positive responses in their latest studies. We should see the next round of results in early October, which will give us more insight into what may yet be possible in conquering this thing. No doubt hope for a fast answer has also helped to buoy markets.

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This week the Federal Reserve Chairman, Jerome Powell, reiterated their position that they will keep the printing presses at work and interest rates low for potentially years. Along with the next round of support for the American family, these policies should continue to support stock prices, albeit with heightened volatility, especially as we draw closer to the presidential election. In your portfolios here, we continue to be fully invested in all models but are mindful of the disconnect that markets seem to have with our economy and we remain vigilant.

Thank you for the faith you place in us to help you navigate these challenging times. We hope you and your family are enjoying some time together this summer – and staying cool!.

Financial Planning Tip

The pandemic reminds us all just how important our health is—and making sure we have the right plans in place for ourselves and our loved ones should we fall ill. Generally, when it comes to making important health care and "life or death" decisions, the following 3 key legal documents should be available to the family to ensure that your loved one's wishes are carried out.

1. Living will
2. Health care proxy
3. HIPAA authorization

What is a living will? A living will allows someone to state their wishes regarding certain kinds of medical treatments, as well as life-prolonging and end-of-life procedures. This document typically takes effect if someone cannot communicate their own health care decisions.

What is a health care proxy? A health care proxy grants authority to another person to make medical decisions on a person's behalf when that person is not able to communicate decisions on their own. The health care proxy ends when the person granting authority revokes it, or dies.

What is HIPAA authorization? Health Insurance Portability and Accountability Act (HIPAA) authorization is a legal document that allows an individual's health information to be used or disclosed to a third party, typically the individual named as health care POA. This waiver can be customized to some extent, allowing for sharing some information while keeping other information private.
Take the following steps to get health care documents in order and consider adding new COVID-19 directives:

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- Locate your health care proxy, living will, and HIPAA authorization (and if you don't have them, get them drafted).
- Confirm that the documents still reflect your wishes. Some questions to ask:
- Is the named agent still appropriate?
- Do you have back-up or alternate agents in case something happens to your designated POA?
- Review the documents to see if they need to be updated to reflect current circumstances. For example:
- Consider whether or not you want life-prolonging medical treatment used if a recovery is unlikely.
- Consider an update to the definition of "medical treatment" to specifically include the maintenance of respiration, nutrition, and hydration by artificial means.
- Consider the definition of "extraordinary measures" and whether they might make sense under certain circumstances, such as the use of a ventilator in treating COVID-19 related illnesses.
- Consider adding language for how your POA can communicate with medical staff and whether email, video conference, and other means of communication are acceptable.

With COVID-19 in our midst, now may be a good time to hold a family meeting to lay the groundwork for a solid estate plan, including the addition of health care proxies for all family members, to help manage expectations for all involved. Making sure that plans are set up for you and your family in the best of times, will pay if the unthinkable happens.

Tax Planning Tip

School may look a little different this year, but there are many tax credits and potential saves that teachers and college students may be entitled to. Eligible teachers and other educators can still deduct certain unreimbursed expenses on their tax return next year.

Who is considered an eligible educator: The taxpayer must be a kindergarten through grade 12 teacher, instructor, counselor, principal or aide. They must also work at least 900 hours a school year in a school that provides elementary or secondary education as determined under state law.

Things to know about this deduction: Educators can deduct up to $250 of trade or business expenses that were not reimbursed. As teachers prepare for the school year, they should remember to keep receipts after making any purchase to support claiming this deduction.

The deduction is $500 if both taxpayers are eligible educators and file their return using the status married filing jointly. These taxpayers cannot deduct more than $250 each.

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Qualified expenses are the amounts the taxpayer paid themselves during the tax year. Examples of expenses the educator can deduct include:

- Professional development course fees
- Books
- Supplies
- Computer equipment, including related software and services
- Other equipment and materials used in the classroom

We all have teachers in our lives that could use this extra deduction, especially in times like this!

Also, if you have a college student of majority age, it may be more beneficial for your student to file their own taxes than for you to claim them as a dependent. If your student has any for of earned income, but paid little in the way of income taxes, they may be eligible for certain education credits like the American Opportunity Credit, or the Lifetime Learning Credit, and potentially CARES Act stimulus checks.

You can claim the American Opportunity Credit tax credit if you're an undergraduate and have not completed the first four years of post-secondary education as of the beginning of the year. You'll need to be in a program at a recognized post-secondary educational institution working toward a degree or certificate.

The Lifetime Learning Credit allows you to claim a credit of up to $2,000 on qualified education expenses. Unlike the American Opportunity Credit, this is nonrefundable. You won't get money returned to you, but it can reduce what you owe. Unlike American Opportunity, the Lifetime Learning Credit is good for postsecondary education and any courses to acquire or improve job skills.

These are just a few potential ways to claim credits and deductions that you may qualify for. Talk with your CPA about the best strategies for you!

401k Allocation

No changes for August.

So state all the models we look at to determine trends. That being said, there is much ahead of this country right now that could upset the apple cart with schools set to re-open, Washington in great debate about another round of economic stimulus and support for the unemployed, and the "battle fatigue" that is emerging from five months of fighting – first this virus and now, it appears, each other. The fact that the S&P is positive for the year in light of the stunning loss of jobs, homes, businesses, GDP … if you are on the conservative side, this might be a really good time to re-evaluate your risk tolerance and take some off the table. That's an observation, not a trend, so this must be left to your "gut check".

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International markets, particularly emerging markets, are still trending more positively than the US, likely helped by a weaker dollar. For now, we'll stand pat with the weighting we have given to international to see if this exhibits further strength. As always, if you need assistance in rebalancing your 401K plan, don't hesitate to give us a call!

		Agg. Growth	Growth	Moderate	Balanced	Conservative
Bonds / Cash		0%	10%	35%	45%	70%
	Stable Asset - OR - Short Term Bond	0%	0%	0%	5%	10%
	Total Return	0%	10%	35%	40%	60%
	High Yield Bonds	If you have a high yield bond option, you may have HALF of your bond weighting to this position				
	World Bond	0%	0%	0%	0%	0%
	Inflation Protected Bond	0%	0%	0%	0%	0%
Large Cap:		70%	60%	45%	35%	25%
	Large Cap Growth	50%	45%	30%	25%	15%
	Large Cap Value	20%	15%	15%	10%	10%
Mid Cap:		15%	15%	10%	10%	5%
	Mid Cap Growth	10%	10%	5%	5%	5%
	Mid Cap Value	5%	5%	5%	5%	0%
Small Cap:		5%	5%	5%	5%	0%
	Small Cap Growth	5%	5%	5%	5%	0%
	Small Cap Value	0%	0%	0%	0%	0%
International:		10%	10%	5%	5%	0%
	Developed International	5%	5%	5%	5%	0%
	Emerging Markets	5%	5%	0%	0%	0%

Graphic of the Month