



COPPERWYND
FINANCIAL

FEBRUARY 2020

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“Having come off of a blistering finish to 2019, no one is particularly surprised that we have seen some negative days and heightened volatility, but the cause for the uncertainty is probably not what anyone was expecting.”

Market Commentary

In the movie Dr. Doolittle, one of the more curious animals is a Push-Me Pull-Me, a lama-looking creature with two heads that has a hard time deciding which direction to go since one must go backward when the other is moving forward. That’s our stock market right now.

Having come off of a blistering finish to 2019, no one is particularly surprised that we have seen some negative days and heightened volatility, but the cause for the uncertainty is probably not what anyone was expecting.

To the positive we have had solid year-end earnings reports out of the companies with almost 68% of companies reporting results above analysts’ consensus estimates. We also have the Federal Reserve continuing to operate the money printing presses, having added \$407 Billion to its balance sheet since September, a topic we have covered in prior commentaries as well as two Dave Talks. Just this week they announced they will extend their “Repo Operations” through the end of April. The consumer and the Federal Reserve are the Push side of the economy right now.

Pulling in the opposite direction we first consider that the US stock market (S&P) rose 30% in 2019, a year when S&P earnings averaged 5%. In other words, they got expensive for no logical reason. Then we kicked off the year flirting with a potential situation with Iran, which has taken a back burner to the latest concern, the Coronavirus.

In 2018, the common flu was responsible for 80,000 deaths in the United States. To date, the Coronavirus has claimed 259 lives. Obviously we are in the early innings of the game here with no idea what the true impact will be on lives until we have found our way to the other side of the problem. It is not so much the fact that this virus exists that is causing markets to wobble, it is the magnitude of the response from the world that has the potential to impact the global economy and thus stock markets.



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China has quarantined 50 Million residents in 17 cities. Wuhan, where the virus originated, is the most populous city in central China and a major hub in the country's transportation network, which makes the threat of transmission – especially during Chinese New Year – that much greater. While the Chinese are being applauded for acting quickly to get the word out about the virus, the “cure” may be as painful as the disease as supply chains have been disrupted globally. US-based companies such as Starbucks and McDonalds have told workers to stay home. Apple has huge manufacturing concerns in the Hubei province, where Wuhan is located, and are busily working out alternative manufacturing sources. And we all know that the US has considerable trade with China, as does most of the world, so the prolonged restriction of travel and trade will undoubtedly impact corporate profits. See our graphic of the month for details.

We have commented frequently on the slower pace of growth in the US since the Great Recession, with GDP growing between 2 – 3% over the decade. In the marathon known as the economy, if you are jogging, you can run a lot longer; when you are sprinting you cannot sustain that pace for a long time. The downside is when you are jogging, it doesn't take as much to come to a full stop. For the present time, the coronavirus is creating the Pull on the economy, with more to come.

Our bond models have removed our high yield bond position to short term cash and Rotation has added treasuries and investment grade corporate bonds in response to this week's volatility. We remain cautious and vigilant in the near-term. Ultimately, we feel that the virus and all its consequences will run its course and the force of the printing machine that is the Federal Reserve will once again Push asset prices higher. As always, your questions are welcome if you feel at all concerned.

With the Christmas decorations all packed away for another 9 months (some of us start early!) and the Phoenix Open about to wrap up a gorgeous run of weather, can spring training be too far behind? Well, no actually – in just four weeks the Cactus League crowds will be here and so, too, will our client appreciation events. We are hosting two games as usual – Diamondbacks vs the Giants at Talking Stick stadium in Scottsdale and Diamondbacks vs the Cubs at the Cubs stadium in Mesa. Be sure to get your reservations in now as tickets are limited!





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Financial Planning Tip

As we age and live longer, financial, legal, health care and long-term care issues affect families, not just individuals. And talking to our own aging parents or expressing wishes to our children, isn't always the easiest of conversations to have. Sometimes it can be helpful to have a 3rd party there to facilitate the discussion and we regularly conduct multi-generational meetings to help facilitate open and honest communication about family plans for taking care of aging parents and passing along wealth.

Whether you tackle this alone or allow us to help you, here are some of the details that are important to a smooth transition:

Financial Organization - There are many financial resources that your loved one might already be receiving or be eligible for. Social Security, retirement compensation plans, tax-deferred annuities, or individual retirement accounts (IRAs). Some people have "lost" a pension they earned, while others forget about a retirement account set up many years prior. Ask ...

- What type of retirement income do you receive?
- Are pension savings from all jobs over the years being collected?
- Is there a need to apply for Supplemental Security Income benefits?
- Who can access your important financial information in case of emergency?
- Where do you keep these important documents?
- What checking or savings accounts do you have and how are they titled?
- Double-check beneficiaries on all assets

Legal Preparation - Wills and power of attorney may not be topics your relatives want to discuss. But these issues need to be addressed before it's too late to make sure that their assets are properly taken care of and that their medical treatment preferences are known. Ask ...

- Do you have a will?
- Have you executed a durable power of attorney or considered who you might want to handle your finances or health care decisions in the event that you are unable to do so?
- Are important legal documents up to date?
- Where are these important documents kept?
- What other legal matters are you concerned about?
- A list of logins and passwords to email, bank accounts, utility accounts, and social media



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Health Insurance - Health care is a high-cost necessity, so it is crucial to know what is available to meet your family member's needs, and what they are eligible to receive. Medicare does not cover all needs, and Supplemental Insurance might be necessary to cover additional health costs. Long-term care insurance is available through the private market to assist individuals to cover the cost of long-term care services, like home health and nursing home care. Ask ...

- As your health status changes, are you prepared to meet your long term health care needs?
- Do you have proper health insurance coverage (not too much or too little)?
- Who are your doctors and how can they be contacted?
- Where do you keep your insurance card, Medicare information, and other important health care documents?

All in all, you will need to prepare yourself to be open, honest and not argumentative. Be ready to listen and hear what is being said to you on both sides of the conversation. Having these conversations little by little and knowing how your loved ones feel about long term care in general, makes decisions easier if the situation ever needs to be made.

Tax Planning Tip

Individual retirement accounts (IRAs) are among the most common ways to save for retirement. But if you own an IRA and you're not fully funding it each year, you could be missing an opportunity for your investments to grow tax-deferred. Two of the most frequently asked questions about IRAs are, "How much can I contribute?" and "What's the deadline for my annual contribution?"

2019 and 2020 Contribution limits

Age 49 and under: \$6,000

Age 50 and over: \$7,000

To make a contribution, you have to be eligible, which means you must either:

Have taxable compensation, or

Have a spouse with taxable compensation and file a joint tax return.



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If you have more than one IRA (for example, a traditional and a Roth), your total combined contribution to all your accounts cannot exceed the above limits.

In addition, if your income exceeds certain levels, the maximum you can contribute to a Roth IRA may be lower than the above amounts, or you may not be able to contribute to a Roth IRA at all. It's all based on your modified adjusted gross income, or MAGI. Below is an overview; if your MAGI falls in the "partial" range, your tax advisor can help determine your exact maximum.

Individual Filer

2020 MAGI	2020 Roth IRA Contribution Limit	2019 MAGI	2019 Roth IRA Contribution Limit
Less than \$124,000	Full	Less than \$122,000	Full
\$124,000 - \$138,999	Partial	\$122,000 - \$136,999	Partial
\$139,000 or more	None	\$137,000 or more	None

Married Filing Jointly

2020 MAGI	2020 Roth IRA Contribution Limit	2019 MAGI	2019 Roth IRA Contribution Limit
Less than \$196,000	Full	Less than \$193,000	Full
\$196,000 - \$205,999	Partial	\$193,000 - \$202,999	Partial
\$206,000 or more	None	\$203,000 or more	None

Married Filing Separately

2020 MAGI	2020 Roth IRA Contribution Limit	2019 MAGI	2019 Roth IRA Contribution Limit
\$1 - \$9,999	Partial	\$1 - \$9,999	Partial
\$10,000 or more	None	\$10,000 or more	None

2020 Contribution deadline

The deadline to make your yearly IRA contribution is April 15 of the following year.

If you would still like to make a contribution for either 2019 or 2020, give us a call at the office and we can help you get that completed!





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401k Allocation

Slight changes for February. Last month we peeled off 10% of the stock exposure across all risk levels in anticipation of market volatility created by the death of Iranian general Soleiman and the expectation of reprisals. Right action, but wrong reason! Having settled down fairly quickly (although still smoldering) the Iranian situation quickly took a back seat to the Coronavirus out of China. The potential for the quarantines and travel restrictions to have a negative impact on corporate bottom lines is very real and we will have benefited from the early move to reduce risk. This month we simply add a small piece to the cash position, removing the international allocation as foreign markets are even more susceptible to the impact of slowing trade.

As always, if you need assistance with your reallocation, please don't hesitate to reach out to us. Remember to change both your CURRENT investments as well as your FUTURE investments when you complete your reallocation.

February 2020		Agg. Growth	Growth	Moderate	Conservative
Bonds / Cash		20%	25%	50%	75%
	Stable Asset - OR - Short Term Bond	10%	10%	30%	40%
	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%	60%	38%	20%
	Large Cap Growth	35%	35%	23%	10%
	Large Cap Value	25%	25%	15%	10%
Mid Cap:		20%	15%	12%	5%
	Mid Cap Growth	5%	5%	0%	0%
	Mid Cap Value	15%	10%	12%	5%
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%



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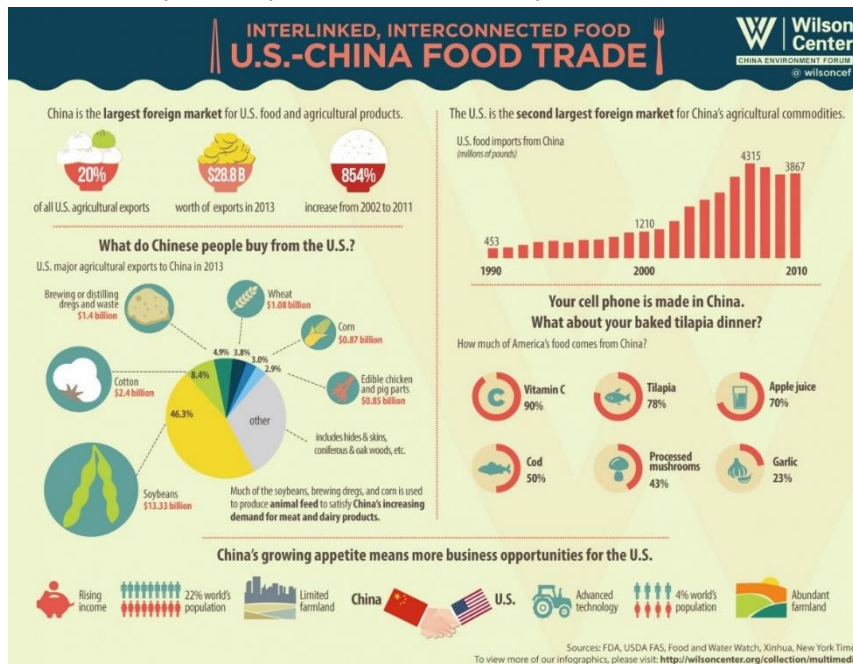
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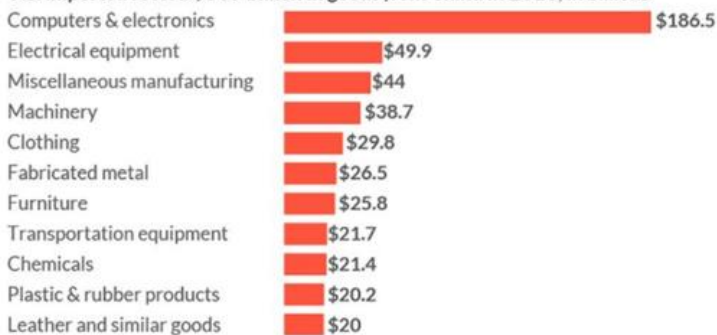
Graphic of the Month

These two graphics illustrate what we buy from China, and by extension, what industries would be most impacted by restrictions caused by the Coronavirus.

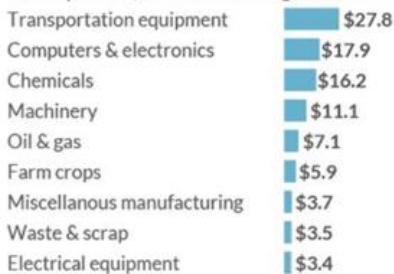


U.S. and China trade standoff: What's at stake

U.S. imported record \$539 billion in goods from China in 2018, in billions



U.S. exported \$120.3 billion in goods to China in 2018, in billions



Source: U.S. Census

Why the U.S.-China trade deficit is so huge: Here's all the stuff America imports