



MAY 2020

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“As always, we hope you and your family remain healthy, remain safe, and remain positive in these challenging days.”

Market Commentary

As we have been keeping you updated weekly with information on markets and the economy, we thought this month we would bring you David’s update on the markets with his latest Dave Talks.

As always, we hope you and your family remain healthy, remain safe, and remain positive in these challenging days.

Financial Planning Tip

With more of us staying home for longer periods of time, sometimes a good project is enough to keep one distracted. What better way to pass the time than declutter your financial life of unnecessary forms, statements, and paper!

1. Say Goodbye - The problem is many of us don’t equate holding onto financial paperwork with untidiness. We think it’s important stuff we’ll need at some point. But truthfully, most of it’s really not worth keeping. If anything, it may be costing you time (looking through all your stuff) and money (when late bills and fees incur because of forgotten envelopes in that pile). You have to learn to say goodbye and discard.

2. Learn What to Keep - Here’s what you need to hang onto and for how long:

Items to Keep	When to Toss
Medical bills	Once the claim has been paid, you don’t need these any longer, unless you’re deducting the medical expense on your annual tax return. Then follow IRS guidelines for keeping these documents.
Utility bills	Typically, you could dispose of these after your bill has been paid. If you anticipate selling your home, hang onto the last year’s worth to help potential home owners.
Documentation of major loans and insurance policies	Keep these along with all of your important identification papers (birth certificates, marriage license, Social Security cards, passports, etc.) in a secure spot, such as a safe deposit box at your home.
Annual tax returns and supporting documents	Keep the most recent three years. You can be audited for up to seven by the IRS (see irs.gov for more details).
Paystubs	Keep these until you’ve received your annual W-2 form
Property records that show improvements to your home	These can be used when selling a home to offset capital gains when the property is eventually sold. Keep until the house is put up for sale.
Bank statements	Keep these for one year
Investment documents	Keep all capital gains tax reports for three years



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3. Make a shredder your best friend - Invest in a quality paper shredder or get the okay to use one at the office. Shredding is key when getting rid of old documents. If it's going away, it needs to be shredded to prevent anyone from acquiring any personal information about you. Recycle what's left. For the important stuff that remains, develop an easy to follow filing system that you'll actually use. Invest in colored folders with tabs and a label maker if you don't already own them. Categorize, label, and keep them in a drawer or filing cabinet.

4. Switch to digital - Going digital with your statements and paychecks can help solve a lot of problems. Almost every bank, credit card company, investment company, and employer now offer a paper-free option. Take them up on this and switch to paperless delivery. Surprisingly, just 12 to 15 percent of bills and statements are electronic. Although opting in to e-delivery helps prevent additional physical clutter, you may still have a big mess on your hands in time. This one will just be on your computer. So, make sure you employ the same thinking there as with your desk. Keep it clean and organized. Regularly go through your emails and purge the ones that no longer are relevant. And don't forget to back up those folders!

5. Get started now - Make upkeep a normal routine. Play some music to get in the mindset for firing up that shredder. The longer you wait to tackle that mess, the bigger that mountain of paper will grow. If you have question on what you should keep, shouldn't keep, or ways to best tackle this, give us a call at the office!

College Planning Tip

Student loans can be a burden, and the current Covid-19 pandemic is not making it any easier. With unemployment at record highs, Americans are struggling to pay for necessities, let alone worry about student debt. One of the features of the CARES Act or the Coronavirus Aid, Relief, and Economic Security Act, which was passed by Congress and has supplied \$2 trillion of relief. Part of the CARES Act includes automatic suspension of principal and interest payments on federally held student loans through Sept. 30, 2020.

Of course, there is the fine print. Student loans come in all different shapes and sizes. How do you know for sure that you qualify for this type of relief? What about private loans? Most federal student loan borrowers don't have to do anything to qualify for CARES Act relief.

But how do you know if you qualify?





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You need to confirm that you have federally held federal loans. Federal loans that don't qualify for CARES Act relief are under the Federal Family Education Loan Program. Even though those loans are a part of a federal program, some of them are held by commercial banks, not the federal government. Those include PLUS loans and Stafford loans. Perkins loans held by an institution or school are also not eligible.

What if I have private loans that don't qualify for CARES Act relief?

Private loans, unfortunately, have no sort of blanket guidance other than to call your loan holder if you're financially struggling and see what they're offering.

Many private lenders are offering some automatic relief, while others are offering their typical option of forbearance, which allows borrowers to postpone payments, but interest usually continues to accrue. That means forbearance can end up costing a borrower more in the long run. One option to consider instead of forbearance is an income-driven repayment plan. That will help lower your monthly payment.

The best-case scenario is that you can continue making payments, those payments will be counted toward the principal of your loan, reducing your overall interest payments and ultimately paying down the loan faster. If you have questions about your current financial situation, please do not hesitate to give us a call! financial plan, please don't hesitate to reach out!

401k Allocation

There are trades this month, and we are dipping our toes into the hardest hit parts of the market – small and midsize companies.

Are we there yet? Probably not. In the history of corrections, we typically find three phases: initial panic, then relief rally, then capitulation or a re-test of the lows. Is it different this time? Probably not. Yet markets have rallied off of optimism for a treatment, the potential to re-open phases of the economy and frankly, the sheer magnitude and speed of the financial relief provided by the federal government. Within bear markets we find bull rallies the likes of which we have experienced the past two weeks.

The struggle with a 401K allocation is timing. Many plans do not allow for trading more frequently than once a month and some come with short term trading penalties, so we have directed this allocation with that in mind since we first developed the idea in 2011. I think we are in some uncharted waters here and in spite of current optimism and tools, we may still retest those lows – and unfortunately, that doesn't always happen on the first of the month! So to that end, I am asking you – if you follow these allocations regularly – to let me know if you would like to be notified should we reach our risk-off trigger mid-month by replying to this email. I will create a special mailing just to those who are interested that will only get sent if we find a pain point based on our modeling.



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For everyone else, the past two months should have been a healthy test of your risk tolerance! In conversations with many of you, I have also felt the need to add another column that isn't quite so extreme as Conservative, but is a slightly lower risk than Moderate, so we have added a Balanced category which, when fully invested is 50% stocks, 50% risk off. As always, please let us know if you need any assistance in rebalancing your 401K / 403B / 457 plan and if we haven't created an allocation for you based on your own plans investment options, please let us know and we'll be happy to create your own personal "decoder ring"!

May-20						
		Agg. Growth	Growth	Moderate	Balanced	Conservative
Bonds / Cash		10%	15%	45%	60%	80%
	Stable Asset - OR - Short Term Bond	5%	5%	25%	30%	45%
	Total Return	5%	10%	20%	30%	35%
	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:		65%	60%	40%	30%	20%
	Large Cap Growth	40%	35%	25%	20%	10%
	Large Cap Value	25%	25%	15%	10%	10%
Mid Cap:		15%	15%	10%	5%	0%
	Mid Cap Growth	10%	10%	%	5%	0%
	Mid Cap Value	5%	5%	10%	0%	0%
Small Cap:		10%	10%	5%	5%	0%
	Small Cap Growth	5%	5%	5%	5%	0%
	Small Cap Value	5%	5%	0%	0%	0%
International:		0%	0%	0%	0%	0%
	Developed International	0%	0%	0%	0%	0%
	Emerging Markets	0%	0%	0%	0%	0%





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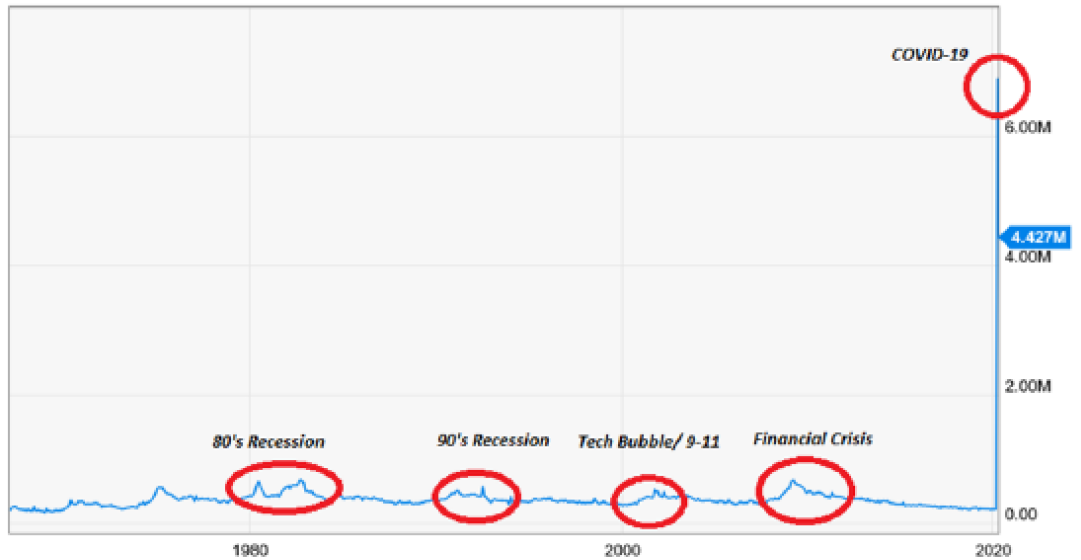
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Graphic of the Month

Based on the trends in initial jobless claims over the course of the last 4-8 weeks, the unemployment rate has likely surged into the low 20% range, which is just shy of the levels seen in the depths of the Great Depression where the UE rate topped 25%. These are huge numbers, but optimism for a swift reopening, recovery, and return to normal in the economy by the financial markets, has buoyed markets the past few weeks. What will the “new” normal look like a year from now?

US Initial Jobless Claims



Apr 23 2020, 12:24PM EDT. Powered by **YCHARTS**

