COPPERWYND FINANCIAL

OCTOBER 2020

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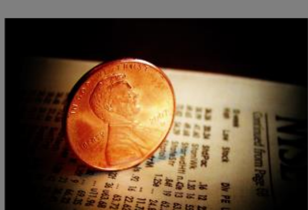

“Without a doubt, the question we are most often asked right now is how we are positioning your portfolios for the election."

Market Commentary

We hope that this letter finds you safe and healthy during these still-unprecedented times.

2020 continued to be one of the most unpredictable years in memory, as markets rose to new all-time highs in the third quarter despite a resurgence in coronavirus cases, as stocks rallied thanks to a combination of even more accommodative Fed policy, hopes for a COVID-19 vaccine and a stronger-than-expected economic rebound, before markets declined moderately from those highs in mid-September. While we all welcome this impressive comeback, we enter the final quarter of the year keenly aware that some of the biggest unknowns for the markets and the economy will be resolved positively or negatively in the next three months.

Starting with the obvious, November 3rd is Election Day, and apropos for 2020 this election will be one of the most uncertain in our lifetimes. Beyond the most important question, “Who will win the Presidency?” markets are also focused on whether the Democrats will be able to take control of the Senate. If so, and Biden wins the Presidency, Democrats would control both the legislative and executive branches of government, a scenario dubbed the “Blue Wave” by the financial media. Such a scenario would result in the increased potential for policy changes which would likely create short-term market volatility.

However, any near-term volatility associated with a Blue Wave would likely be small compared to the worst-case scenario for the election, namely that there is no clear winner by the end of Election Day and the election becomes contested which would result in the entire country being dragged through a similar episode of Bush vs. Gore in the early 2000s. In that outcome, we should expect significant short-term market volatility until a winner is declared, potentially as late as mid-December.

Unfortunately, the election is not the only source of potential uncertainty and volatility coming in the next three months. Hopes for a COVID-19 vaccine have helped stocks rally to current levels, and there are now three separate vaccines undergoing final Phase III trials. Those trials will likely reach their conclusion in the coming weeks, perhaps before the election. If those trials fail to produce a viable vaccine candidate, that will also create volatility as markets are expecting widespread COVID-19 vaccine distribution by early to mid-2021.

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And now, of course, we have President Trump testing positive for the virus, along with a growing number of staff and attendees of several of his recent events. This type of a health event for a president is not unheard of, but coming less than a month before very contentious elections in a year with a global pandemic it will only add to – you guessed it – the market volatility.

Finally, by the end of the fourth quarter, investors will learn the fate of the stimulus bill currently stuck in Congress. There's near-universal agreement the economy could use more stimulus, but the politics of the election, combined with Republican and Democrat differences about how much money should be spent and where that money should go, have prevented stimulus from being passed and delivered to the U.S. economy. Markets expect a stimulus bill to pass by year-end, and if that fails to materialize, it too will create more volatility.

Without a doubt, the question we are most often asked right now is how we are positioning your portfolios for the election.

In your portfolios here, the earlier volatility in September bumped part of our stock allocation to cash, but that was fairly short-lived and today all stock portfolios are fully invested. Our high yield bonds in the Total Return portfolio also exited to cash but we will likely see that cash put back to work in the very near term as markets have calmed in the promise of a new stimulus package. Provided nothing else new pops up!

As far as anticipating the direction of the market given all the possible events just discussed, we will continue to follow the models we have spent more than a decade developing and watching several of our indicators as events unfold. These models worked effectively for us when we all thought the world could come to an end earlier this year, and we trust they will continue to give us an edge through these events as well. Remember, too, that it is not the person sitting in the White House with the biggest long term affect on the markets – it is who is handling the monetary policy and that is the Federal Reserve. They have been very, very clear in communicating their desire to keep monetary policy accommodative for as long as necessary.

In spite of the volatility we anticipate will follow us through these next two months, it should tell you something that our models have us fully invested in stocks today. Volatility tends to be short-lived and once the unknown becomes known, markets tend to carry on. With the support of the Federal Reserve, and the anticipation of additional stimulus, we expect markets will calm and return to business once the election is past.

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If the potential for a bumpy ride ahead is keeping you up at night, we encourage you to talk to us about your specific risk level so we can adjust that accordingly. Welcome to the fourth quarter and let us all hope for clarity to the elections, a speedy recovery for everyone who is sick, and some positive news regarding the vaccine studies.

Financial Planning Tip

Interest rates continue to hover near historical lows, so it's not too late to lock in a lower mortgage payment for potentially the next decade or more. But a mortgage refinance isn't necessarily the right choice for everyone. You'll need to consider a number of variables, and it's important to understand how the process works, as well as the numerous pros and cons.

What are the benefits of refinancing?

There are many benefits to refinancing, but they will vary based on your current situation and financial goals. Typically, the number one benefit is saving money, but there are many others as well. For instance, with a refinance you can potentially get a better interest rate, lower your monthly payments, shorten the length of your loan, build equity faster, consolidate other existing debts by combining them all into a new mortgage, get rid of your mortgage insurance (if you're refinancing for less than 80% of the value of your home) or even remove a person from the mortgage.

What are the risks of refinancing?

Although there are many benefits to refinancing, it isn't right for everyone. As with any financial transaction, you'll want to make sure the math works in your favor. Normally, you'll be charged closing costs to refinance. These costs can often be folded into your new mortgage, but doing so will add to your monthly payments. Therefore, you'll want to fully understand these charges and take them into account to ensure that your monthly savings from a refinance will more than offset the costs.

To calculate how long it will take before the monthly savings from your new mortgage outweighs its closing costs (the "break-even" point), use a refinance calculator and enter the basic information about your current mortgage and the new mortgage. If you find that the break-even point on your new mortgage is 7 years, but you only plan on staying in your house for another 5 years, then refinancing might actually be more costly than just keeping your current mortgage, even if its interest rate is higher.

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You'll also want to keep the length of your new mortgage in mind. All mortgages are designed so that you're paying more interest than principal in the first half of the mortgage. That means if you're starting a new mortgage with a refinance, you'll be paying the bulk of the interest again at the top after previously paying the bulk of the interest in the first years of your old mortgage.

For example, if you currently have a 30-year mortgage and you're halfway through it, but then you refinance into another 30-year mortgage, you'll ultimately be paying interest on your mortgage for a total of 45 years. Even if your monthly payments are less with a refinance, your overall interest paid would likely be significantly higher. If you're already more than 10 years into a 30-year mortgage, you'll want to opt for a shorter length when you refinance. A 15 or 20-year mortgage will prevent you from having to pay a lot in extra interest.

Understanding the basics will help you make the best decision on whether a refinance makes sense for you. You'll want to not only look at the current interest rates and closing costs, but also think about your personal situation and your financial goals. If you would like to see how a mortgage finance would impact your overall retirement goals and cash flow, give us a call at the office to review your plan!.

College Planning Tip

Attention parents and grandparents! October 1st, marks the opening of FAFSA (Free Application for Federal Student Aid) submission window! The FAFSA is the first step in the financial aid process. It is used to apply for federal financial aid, such as grants, student loans, and work-study. Don't think your family will qualify for financial aid? The FAFSA should be completed regardless, as loans and scholarship awards may also take the information on the FAFSA into account, and with tuition prices where they are these days, every dollar counts!

These steps must be taken each year, before filing the FAFSA.

1. The student should create a FSA ID at https://fsaid.ed.gov/npas/index.htm The FSA ID is an electronic signature, used to sign the FAFSA. Write down the username, password, email address and challenge questions and keep this information somewhere safe (e.g., take a picture of it with your smartphone). Also, provide your cell phone number when registering for a FSA ID. This will make recovering a lost or locked FSA ID much easier. Even though the FAFSA season starts on October 1, you don't need to wait until then to get a FSA ID.

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AUGUST 2020

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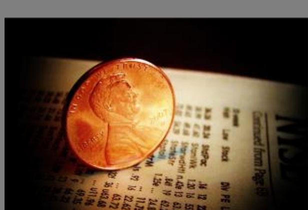

2. Determine the student's dependency status. The student's dependency status will affect whether parent information is required on the FAFSA. The student is only independent if he or she is pursuing a graduate degree, has a child, is married, or a member of the US armed services.

3. Gather important documents, such as your Social Security card and driver's license (if any). If you are not a U.S. citizen but an eligible non-citizen, get your alien registration number and permanent resident card (green card). And gather financial records relating to income, assets, and investments as all of this will be asked about while filling out the FAFSA.

4. Create a college list. You do not need to have applied for admission to a college to list it on your FAFSA. You must provide at least one college on the FAFSA for the FAFSA to be processed. It is a good idea for the college to be an in-state public college, since listing a state college first is often required for the student to be considered for state grants. You can add more colleges later.

The FAFSA is filed annually, once for each year in college.

If you are attending FAFSA workshops or presentations by your child's school, please be aware that while they are experts at the bureaucracy that is financial aid, they do not understand YOUR financial life. Consult with us before making any changes to your accounts as there are potential tax and estate considerations when you move money around.

401k Allocation

Fully invested per your risk tolerance.

As we indicated in the commentary, our models have us back into all our stock allocations. We are adding to Small Cap stocks in all the portfolios for your 401K plans with this month's allocation. A note to those who are concerned about the elections and the volatility we will likely see for the next 30-60 days: we would suggest you look at moving your allocation down a level if you are at all worried about these outcomes as a way of mitigating the risk.

As always, if you need assistance in re-allocating your 401K or we have not yet created your own personal "de-coder ring", please call the office and we will be happy to help you!

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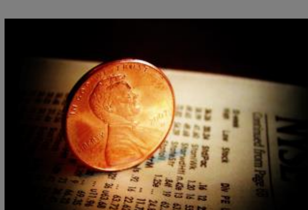

Oct-20						
		Agg. Growth	Growth	Moderate	Balanced	Conservative
Bonds / Cash		0%	10%	40%	50%	70%
	Stable Asset - OR - Short Term Bond	0%	0%	15%	20%	15%
	Total Return	0%	10%	25%	30%	55%
	High Yield Bonds	If you have a high yield bond option, you may have HALF of your bond weighting to this position				
	World Bond	0%	0%	0%	0%	0%
	Inflation Protected Bond	0%	0%	0%	0%	0%
Large Cap:		65%	55%	40%	30%	20%
	Large Cap Growth	45%	40%	25%	20%	10%
	Large Cap Value	20%	15%	15%	10%	10%
Mid Cap:		20%	15%	10%	10%	5%
	Mid Cap Growth	15%	15%	5%	5%	5%
	Mid Cap Value	5%	0%	5%	5%	0%
Small Cap:		15%	15%	10%	10%	5%
	Small Cap Growth	10%	10%	10%	10%	5%
	Small Cap Value	5%	5%	0%	0%	0%
International:		0%	5%	0%	0%	0%
	Developed International	0%	5%	0%	0%	0%
	Emerging Markets	0%	0%	0%	0%	0%

Notable and Quotable

This graphic illustrates the GDP growth rates for our country along the X access, with market performance along the Y axis for each of the Presidents going back to Eisenhower. As we pointed out in August at our Zoominar, the markets and economy are fairly agnostic when it comes to who sits in the White House. Obviously, the President helps impact foreign policy, tax legislation and regulatory policy (and let's not forget the Supreme Court appointments) and those things can certainly enhance the results of the economic cycle the country is already in. The evidence suggests however, that it is the Federal Reserve who the biggest driver of market performance.