Your Copperwynd Financial Newsletter: April 2021

Market Commentary

We hope this letter continues to find you safe and healthy during these still-unprecedented times.

The first quarter of 2021 was marked by several macro- and micro-economic surprises that resulted in increased market volatility compared to the fourth quarter of 2020, but additional economic stimulus combined with accelerating COVID-19 vaccine distribution and a decline in coronavirus cases helped stocks start the new year with solid gains.

The first surprise of 2021 came on January 5th when both Democratic candidates won Georgia Senate seats in the runoff election, giving the Democratic party a majority in the Senate and control of Congress and the presidency. The very next day, during confirmation of the November 2020 presidential election results, protestors stormed the U.S. Capitol, causing a temporary delay to the election certification and marking a historically tragic day in the U.S. democratic process. But after that short delay, Joe Biden was certified as the winner of the 2020 election and became president-elect of the United States. Both the surprise election results and the incident at the Capitol caused a volatile start to the new year.

In late January, after two weeks of relative calm, market volatility returned, this time driven by a historic short squeeze in videogame retailer GameStop (GME). The disorderly trading in GameStop and select other stocks caused broader market volatility, primarily due to fears of losses inflicted on large hedge funds because of the various short squeezes. Those factors combined to pressure stocks and the S&P 500 finished January with a modest loss.

But concerns of widespread losses due to GameStop trading ultimately proved unfounded, and the volatility linked to the GameStop saga dissipated in early February. And as trading returned to normal, investors began to focus on macro-economic positives. First, the Democratic controlled government immediately began steps to pass another massive economic stimulus bill, and that helped stocks rally in early February. Second, vaccine distribution throughout the U.S. meaningfully accelerated in February. That increased distribution combined with the authorization of a single-dose Johnson & Johnson COVID-19 vaccine helped investors embrace the idea that the end of the pandemic was now possibly just months away, and that sentiment helped stocks rally further. Finally, COVID-19 cases began to decline rapidly in the U.S., leading to economic reopenings in several states. The S&P 500 recouped all of January's losses and ended February slightly positive for the year.

Markets continued to rally in early March as investors began to price in a looming economic recovery following the passage of the massive $1.9 trillion economic stimulus bill, which President Biden signed on March 11th. That new stimulus, combined with COVID-19 vaccine distribution reaching 2.5 million doses/day, resulted in growing expectations for a full economic

Copperwynd Financial
14256 N. Northsight Blvd
Suite B-115
Scottsdale, AZ 85260

Office: 480-348-2100
Toll Free: 877-658-2100

https://www.copperwyndfinancial.com

David Daughtrey, CFA, CFP®
Lynda Elley, CTLC, CCFS® CFP®
Erick S. Newton, CFP®
Jake Eggett, CFP®

reopening and recovery in the coming months. But expectations for an acceleration in economic growth also pushed Treasury yields higher during the month of March. The 10-year Treasury yield surged to fresh one-year highs and the rapid rise in bond yields weighed on stocks periodically throughout March, as higher borrowing costs could become a future headwind on economic growth. But while the risk of high yields must be monitored going forward, it was not enough to offset the reality of historic economic stimulus and improvement in the pandemic, and stocks drifted higher to finish the quarter with solid gains.

The first quarter of 2021 at times reminded investors of the volatility and unpredictable nature of markets that we all witnessed in 2020; however, just like markets proved resilient last year, stocks overcame multiple surprises during the first quarter to provide another positive quarterly return.

As we begin the second quarter, the outlook for markets remains broadly positive. Monies from the recently passed stimulus bill are now entering the economy on a personal, corporate and government level, and those funds should help to spur economic growth in the months ahead.

Additionally, while the COVID-19 outlook has recently dimmed in Europe, the outlook for the U.S. remains generally positive. Vaccine distribution continues to accelerate, with the goal of having vaccines available to all adults nationwide by May. As a result, it is not unreasonable to think the pandemic will be declared "over" by the early summer (although obviously COVID-19 inflections will continue, just not at a pandemic level that requires a large-scale government response).

Meanwhile, the outlook for the economic recovery remains bright, with improvement across multiple economic indicators, while the Federal Reserve has pledged numerous times in recent months to continue to keep interest rates low and its quantitative easing (QE) program ongoing until the economy returns to pre-pandemic activity levels.

Those factors all provide substantial support for markets as we begin the second quarter.

So far in 2021 markets have embraced the Democratic agenda of more economic stimulus. But numerous prominent Democrats also are in favor of increased corporate, personal and investment taxes, and if those efforts gain momentum, we can expect that to increase market volatility.

Similarly, investors are expecting inflation to accelerate as historically massive stimulus fuels the economic recovery. Right now, Federal Reserve officials expect any increase in inflation to be temporary, but if that expectation proves to be incorrect, then the Fed will have to remove stimulus via a reduction in the current QE program, and that is not priced into markets right now. Inflation and taxes are the two most frequently mentioned topics in our conversations with you and for more on our thoughts about the challenges and opportunities ahead, we encourage you to join us for our Q2 webinar on Wednesday, May 5th at 11 a.m. MST. A separate email invitation will be sent out in the next few weeks with the registration information.

Copperwynd Financial
14256 N. Northsight Blvd
Suite B-115
Scottsdale, AZ 85260

Office: 480-348-2100
Toll Free: 877-658-2100

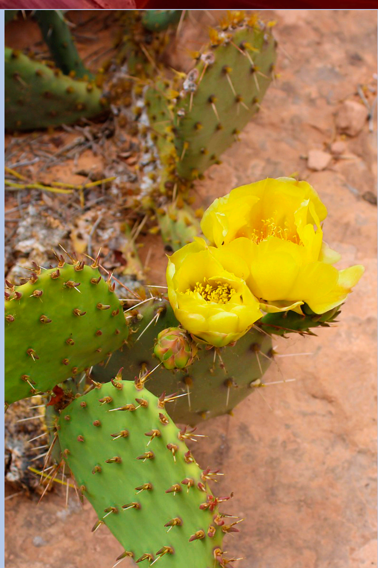
https://www.copperwyndfinancial.com

David Daughtrey, CFA, CFP®
Lynda Elley, CTLC, CCFS® CFP®
Erick S. Newton, CFP®
Jake Eggett, CFP®

For now, these potential risks do not outweigh the actual positive influences pushing stocks higher, and as such, the macroeconomic outlook for the second quarter remains positive. But rest assured we will be monitoring all of the risks listed above as well as any others that pose threats to your investments.

In your portfolios here we remained fully invested the entire quarter with a slight shift in allocation from last years winners, technology stocks, into more value-oriented stocks, along with small cap and some international. Bonds took a slight detour as those yields rose on the 10-year treasury, threatening values on longer dated bonds, and we exited both preferred stocks and municipals during the quarter. We are presently back into municipals and rotated to floating rate bonds, which tend to do very well when there is interest rate volatility and no recession on the horizon. These tactical moves have resulted in positive returns for our bond portfolios, which is in contrast to the index (AGG) down 3.1%. As always, we remain watchful and use our models to help give guidance and direction.

Please do not hesitate to contact us with any questions, comments, or to schedule a portfolio review.



Copperwynd Financial
14256 N. Northsight Blvd
Suite B-115
Scottsdale, AZ 85260

Office: 480-348-2100
Toll Free: 877-658-2100

https://www.copperwyndfinancial.com

David Daughtrey, CFA, CFP®
Lynda Elley, CTLC, CCFS® CFP®
Erick S. Newton, CFP®
Jake Eggett, CFP®

Copperwynd Financial
14256 N. Northsight Blvd
Suite B-115
Scottsdale, AZ 85260

Office: 480-348-2100
Toll Free: 877-658-2100

https://www.copperwyndfinancial.com

David Daughtrey, CFA, CFP®
Lynda Elley, CTLC, CCFS® CFP®
Erick S. Newton, CFP®
Jake Eggett, CFP®

Financial Planning

"In this world nothing can be said to be certain, except death and taxes" ~ Benjamin Franklin

What adds even more salt to the wound is when these two things coincide: when something we have failed to do in planning for the inevitable (or something we did incorrectly) results in leaving behind an estate with a big expensive mess.

Over the course of the next several months, we are going to highlight several estate planning tips from some of the attorneys we have worked with over the years to help you narrow down problem areas in your plan. Of course, if you have not created a trust or will or put in place beneficiaries, we could start with that being your first priority!

Most wills and trusts take into consideration the obvious areas of your life to be concerned about. What they sometimes fail to address are the nuances, those simple things that can make life very challenging for your loved ones when you pass away.

This month's priority: utility bills. What does that have to do with estate planning you ask?

Well, let us share a cautionary story out of Tucson with a family member whose husband took care of all those pesky bills. It was only his name on the utility bill. So when she went to pay the bill, when she went to move the bill into her name – they wouldn't even talk to her. In fact, they shut off her electricity in the middle of the summer! She didn't have any idea what the online account information was – login or password – and the City of Tucson wasn't going to help her figure it out. It took the intervention of one of our state legislators to get the City to come to her assistance and get the utilities turned back on in her name. An extreme example, to be sure!

And think about this same scenario; what if she needed to renew a driver's license right now? What do they ask you to bring into the MVD as part of your proof of residency…that's right: a copy of a utility bill. All these little details that you never think twice about but suddenly have created a huge hassle.

So, your April homework:

1. Check all the account titles on your utility bills (electric, gas, cable, cell phone, Netflix, home warranty) and add your spouse or a responsible adult child to the account.
2. If you have set up electronic payment of these bills, make sure your spouse knows how to access the account, including login and password. And like all online security, make sure you have a safe place to keep this information from unwanted access.

Such a simple thing to do to make life easier for those you love. Next month we talk about social media!

College and Tax Planning

One of the biggest apprehensions we hear from parents and grandparents when discussing 529 plans is, "What if my child or grandchild doesn't go to college?" While ideally the funds would be used for the intended purpose, there are options if life does not go as planned.

The reality is that you will never lose all of your 529 plan savings, no matter what path your child decides to take. Your contributions (what you put in) are made with after-tax money and therefore will never be taxed or penalized. If you take a non-qualified distribution – meaning a distribution not used for appropriate expenses - you will owe ordinary income tax and a 10% penalty on the earnings portion of the distribution only. There are a few exceptions to the penalty rule, such as if the beneficiary dies, becomes disabled, gets a scholarship, or decides to attend a U.S. military academy.

Just because your child or grandchild decides not to go to college doesn't mean you have to liquidate your 529 plan. Here are some other options to consider so you can avoid paying taxes and penalties and keep more of your savings:

- Pay for the beneficiary to attend a community college, trade school, vocational school or other post-secondary education at an eligible institution.
- Change the 529 plan beneficiary to a sibling or other qualifying family member who will go to college or a private K-12 school.
- Make yourself the 529 plan beneficiary and use the funds for your own continuing education.
- Save the funds for a future grandchild. 529 plans do not have time limits, so you can let the funds grow indefinitely.
- Your child may decide to take a path other than traditional college, but they will most likely have to pay for some sort of postsecondary education or career training. In most cases, saving for college in a 529 plan is worthwhile, despite the chance of having to pay taxes and penalties on a non-qualified distribution.

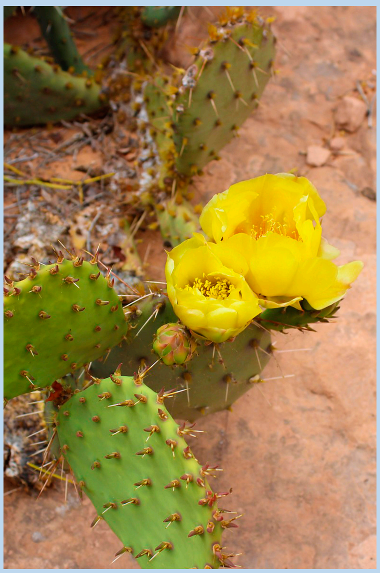
Remember, too, that there are often tax advantages to making 529 plan contributions and that those contributions can be made up until you file your 2020 tax returns! Please call us at the office with any questions, or to open a 529 college savings plan for your child or grandchild.

Copperwynd Financial
14256 N. Northsight Blvd
Suite B-115
Scottsdale, AZ 85260

Office: 480-348-2100
Toll Free: 877-658-2100

https://www.copperwyndfinancial.com

David Daughtrey, CFA, CFP®
Lynda Elley, CTLC, CCFS® CFP®
Erick S. Newton, CFP®
Jake Eggett, CFP®



Copperwynd Financial
14256 N. Northsight Blvd
Suite B-115
Scottsdale, AZ 85260

Office: 480-348-2100
Toll Free: 877-658-2100

https://www.copperwyndfinancial.com

David Daughtrey, CFA, CFP®
Lynda Elley, CTLC, CCFS® CFP®
Erick S. Newton, CFP®
Jake Eggett, CFP®

401(k) Allocation

We remain fully invested – but there are some small changes. Namely, we have shifted our overweight from Growth to Value and we have removed the High Yield Bonds from consideration in the fixed income section of the bond portfolios.

The promise of an economic re-opening has fueled better performance in that segment of the stock market. We still love the technology companies that drove the recovery during the pandemic as they are likely to see continued growth, but the out-performance there was due to cool for a bit. What we have seen across the board this past month has been a push toward those value-oriented companies as a result.

We have been in small cap and international stocks since November. Small cap had been on a tear since the election and has cooled its trajectory the past few weeks, but remains in an up-trend and should be a big benefactor of a re-emergent economy in the US. International (as well as commodities) have been hit by the strength in the dollar and the rising yields on the US treasuries, as well as some concern over new lock-downs in Italy and France, so we may find ourselves re-deploying those dollars next month, but the longer trend is still positive and so we will let this play out a bit longer before making that change.

As always, if we have not yet created a de-coder ring for your specific plan options, we invite you to send us your investment options so we can create one for you! And if you need assistance with rebalancing we are here to help.

Apr-21					
	Agg. Growth	Growth	Moderate	Balanced	Conservative
	100% Equity				
	0%	10%	30%	45%	60%
Stable Asset - OR - Short Term Bond	*0%*	*10%*	*25%*	*30%*	*30%*
Total Return	*0%*	*0%*	*5%*	*15%*	*30%*
High Yield Bonds					
Specialty Bond					
	45%	45%	35%	25%	15%
Large Cap Growth	*20%*	*20%*	*15%*	*10%*	*5%*
Large Cap Value	*25%*	*25%*	*20%*	*15%*	*10%*
	20%	20%	15%	10%	10%
Mid Cap Growth	*10%*	*10%*	*5%*	*5%*	*5%*
Mid Cap Value	*10%*	*10%*	*10%*	*5%*	*5%*
	15%	15%	10%	10%	10%
Small Cap Growth	*10%*	*5%*	*5%*	*5%*	*5%*
Small Cap Value	*5%*	*10%*	*5%*	*5%*	*5%*
	20%	10%	10%	10%	5%
Developed International	*5%*	*0%*	*0%*	*5%*	*0%*
Emerging Markets	*15%*	*10%*	*10%*	*5%*	*5%*