Your Copperwynd Financial Newsletter: August 2021

Market Commentary

Clouds have gathered on the horizon today. Over the McDowell mountains, we see dark skies ready to dump some summer monsoon rains on the Phoenix area. A typical summer in the desert. Curiously enough, our "normal" summer – much welcome after a miserably hot record-breaker last year – has seemed cool and comfortable compared to the summer "heat dome" hitting so many parts of our country this year.

At the beginning of the year, with the vaccines ramping up and virus cases beginning to decline, it seemed like we could count on 2021 to bring us back to normal. Mother Nature not withstanding, we have seen other clouds gathering as supply chain disruptions have triggered a series of economic challenges this year, just when we should be enjoying a robust recovery.

From skyrocketing lumber prices peaking at over $1400/board foot, to a housing market frenzy that saw fierce bidding wars, to shortages in any number of items: jet fuel, lumber, paint, aluminum, pvc, and microprocessors. Each of these shortages fueled problems elsewhere – housing starts, remodeling projects, automobile sales and rental car shortages, to flight disruptions. Prices moved higher and so have bad tempers, while corporate profits and sales have stumbled a bit this quarter.

In defense of the Federal Reserve's position that these price movements and inflation are transitory, we have seen lumber prices drop dramatically from the May peak, to $624 per board foot today. The housing market is showing signs of relaxing, but no signs of crashing, as buyers have decided to be more patient and more homes are slowly coming to market. Prices remain much higher today than they were a year ago, even if bidding wars have stopped being the norm.

The economic data we will be watching now is wage growth. During the Great Recession of 2008, we lamented the fact that most workers' wages did not participate in the bull market that followed the crisis. In fact, after adjusting for inflation, the purchasing power of your average worker looked like they were back in the 1990's. This April, job openings set a record for 9.3 million openings, a record high not seen since 2000. Depending on the state and the employer, there have been offers to "new" employees of signing bonuses, even cash for just coming in for an interview! In an effort to retain employees, Walmart is offering free college education to all its employees. Blackrock is rewarding all employees, up to the officer level, with 8% pay increases. Morgan Stanley and Chase also recently bumped starting salaries for their investment managers from $85,000 to $100,000. Help wanted signs are everywhere and employers are getting creative.

Here is the problem. Wage growth like that is persistent and will not be transitory. Lumber prices may have dropped sharply, real estate sales may have peaked, but payroll numbers will have long term implications for corporate profitability and consumer prices.

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Once the Federal Reserve admits this means “real” inflation, it will require great finesse to keep markets calm as the accommodative environment stocks have enjoyed for over a decade begins a new chapter. We will be discussing inflation and the Federal Reserve’s options in our upcoming quarterly Zoominar, so mark your calendars now for Wednesday, August 24th at 11 am MST – 11 am for Arizona and noon for Utah.

In your portfolios here, we remain fully invested but watchful. During the month we saw volatility spike as the growing number of COVID cases raised some concerns about the potential to slow the recovery. In the end, the S&P pulled out a positive return for the month, up 2.44%, followed by the tech-heavy NASDAQ at 2.86% -but all other segments of the market posted losses, with emerging markets and small cap stocks stumbling the most. Our bond portfolio held steady and we will have picked up another month of dividends this week.

School has started back in Arizona and we are all happy to see our kids back where they need to be, even though we still have some challenges ahead. With school starting, can Christmas be far behind?! Before we get there, however, we did want to announce we have resurrected the Utah client appreciation event! September 29th we will be hosting a bbq and soccer match at the Real Salt Lake. Watch this newsletter and your email for upcoming details on how to register.

We hope you are enjoying the last of your summer!

Financial Planning

Every day in the news you seem to hear more and more about cyber hacks and cyber security. And we are reminded that high-level breaches can and do happen, and there’s nothing you can do to prevent them. But other attacks on your security and privacy hit closer to home. Making your devices, online identity, and activities more secure really doesn't take much effort. In fact, several of our tips about what you can do to be more secure online boil down to little more than common sense. These tips for being more secure in your online life will help keep you safer.

1. Use Unique Passwords for Every Login

One of the easiest ways hackers steal information is by getting a batch of username and password combinations from one source and trying those same combinations elsewhere. For example, let's say hackers got your username and password by hacking an email provider. They might try to log into banking sites or major online stores using the same username and password combination. The single best way to prevent one data breach from having a domino effect is to use a strong, unique password for every single online account you have. Creating a unique and strong password for every account is not a job for a human. That why you use a password manager. Several very good password managers are free, and it takes little time to start using one. You no longer spend time typing your logins or dealing with the time-consuming frustration of resetting a forgotten password.

2. Use Two-Factor Authentication

Two-factor authentication can be a pain, but it absolutely makes your accounts more secure. Two-factor authentication means you need to pass another layer of authentication, not just a username and password, to get into your accounts. If the data or personal information in an account is sensitive or valuable, and the account offers two-factor authentication, you should enable it. Gmail, Evernote, and Dropbox are a few examples of online services that offer two-factor authentication. Two-factor authentication verifies your identity using at least two different forms of authentication: something you are, something you have, or something you know.

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Something you know is the password, naturally. Something you are could mean authentication using a fingerprint, or facial recognition. Something you have could be your mobile phone. You might be asked to enter a code sent via text, or tap a confirmation button on a mobile app. If you just use a password for authentication, anyone who learns that password owns your account. With two-factor authentication enabled, the password alone is useless. Most password managers support two-factor, though some only require it when they detect a connection from a new device. Enabling two-factor authentication for your password manager is a must.

3. Use Different Email Addresses for Different Kinds of Accounts

People who are both highly organized and methodical about their security often use different email addresses for different purposes, to keep the online identities associated with them separate. If a phishing email claiming to be from your bank comes to the account you use only for social media, you know it's fake. Consider maintaining one email address dedicated to signing up for apps that you want to try, but which might have questionable security, or which might spam you with promotional messages. After you've vetted a service or app, sign up using one of your permanent email accounts. If the dedicated account starts to get spam, close it, and create a new one.

4. Turn Off the 'Save Password' Feature in Browsers

Speaking of what your browser may know about you, most browsers include a built-in password management solution. When you install a third-party password manager, it typically offers to import your password from the browser's storage. If the password manager can do that, you can be sure some malicious software can do the same. In addition, keeping your passwords in a single, central password manager lets you use them across all browsers and devices.

Here at Copperwynd we are constantly looking for ways to keep your and our online presence secure and safe. If you would like to reset your passwords and make sure that your accounts are secure, give us a call at the office to review your online access! A reminder as well, that we will always voice-verify any requests made to us to change addresses, email, contact information, or access to funds, as another way of ensuring your account security.

College and Tax Planning

Not only is it important to save toward paying for the skyrocketing cost of college, but there are other savings vehicles available for those under age 18. What better way to maximize a summer of babysitting, lawn cutting, or part time gig, than to begin saving in a minor Roth for long term growth?

Most children, whether they are teenagers or younger, don't spend a lot of time worrying about retirement. After all, when they are juggling schoolwork, extracurricular activities, and all the other challenges of adolescence, saving for retirement probably doesn’t register on their radar screen!

However, that doesn't mean that savvy parents, grandparents, and other family members can't step in to help jumpstart their children's retirement savings. One way to do that is to establish a custodial account Roth IRA, and more generally as a Roth IRA for minors. A Roth IRA for Kids provides all the benefits of a regular Roth IRA, but is geared toward children under the age of 18. Minors cannot generally open brokerage accounts in their own name until they are 18, so a Roth IRA for minors requires an adult to serve as custodian.

The custodial maintains control of the child's Roth IRA, including decisions about contributions, investments, and distributions. In addition, statements are sent to the custodian. However, the minor remains the beneficial account owner and the funds in the account must be used for the benefit of the minor. When the minor reaches a certain required age, typically either 18 or 21 in most states, the assets must be transferred to a new account in their name.

A contribution to a Roth IRA for minors can be made if a minor has earned income during the year. Eligible income can include formal employment income or self-employment income. Activities like babysitting or mowing lawns can qualify a minor for Roth IRA contributions. For example, if your child or grandchild earned $2,000 during a summer job, you could contribute up to $2,000 to a Roth IRA in their name.

Establishing a Roth IRA for minors allows the children in your life to begin taking advantage of the opportunity for tax-free growth at a young age and gives you an excellent way to begin discussing money and savings with your child. While your children may not be overly excited about this idea now, they will thank you later for launching their retirement savings in such a smart way. If you are interested in starting a Roth for the children in your life, give us a call at the office to get started!

401(K) Allocation

We have some changes.

A slight elevation in volatility and some emerging concerns about the Delta variant of the virus, combined with the end of earnings season that has seen some muted forward guidance, all lead us to take a proactive position of removing some risk in this month's 401K allocation. To be clear – all our models currently have us fully invested, and this may be some short-term volatility that is nothing more than a blip on the radar. Long term trends – i.e., the Federal Reserve hasn't stopped printing money or started raising interest rates! – are still in tact and this market should continue to push higher due to the sheer volume of dollars awash in our financial system – but we may see a bit of a pullback and the recent volatility may be the hint that is coming. Given that 401K changes can only occur monthly, we are taking a conservative approach and pulling just a little off of the table at this point. You can always elect to stay the course, make no changes, and check in next month to see if this volatility has persisted.

As always, we are here to answer your questions and help get your 401K accounts rebalanced if you need assistance.

	Agg. Growth *100% Equity*	Growth	Moderate	Balanced	Conservative
	10%	**25%**	**35%**	**50%**	**65%**
Stable Asset - OR - Short Term Bond	*10%*	*15%*	*25%*	*25%*	*45%*
Total Return	*0%*	*0%*	*0%*	*10%*	*20%*
High Yield Bonds	*0%*	*10%*	*10%*	*15%*	*0%*
Inflation Protected Bonds	*0%*	*0%*	*0%*	*0%*	*0%*
	70%	**60%**	**50%**	**35%**	**25%**
Large Cap Growth	*35%*	*30%*	*25%*	*15%*	*10%*
Large Cap Value	*35%*	*30%*	*25%*	*20%*	*15%*
	15%	**10%**	**10%**	**10%**	**10%**
Mid Cap Growth	*5%*	*5%*	*5%*	*5%*	*5%*
Mid Cap Value	*10%*	*5%*	*5%*	*5%*	*5%*
	5%	**5%**	**5%**	**5%**	**0%**
Small Cap Growth	*0%*	*0%*	*0%*	*0%*	*0%*
Small Cap Value	*5%*	*5%*	*5%*	*5%*	*0%*
	0%	**0%**	**0%**	**0%**	**0%**
Developed International	*0%*	*0%*	*0%*	*5%*	*0%*
Emerging Markets	*0%*	*0%*	*0%*	*0%*	*0%*

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