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Your Copperwynd Financial Newsletter: February 2022

Market Commentary

This is the time of year when we desert dwellers in Arizona …. Well, we gloat a bit. Summer and blistering heat will be here soon enough, but right now we get to enjoy temperatures in the 70's, bright blue cloudless, rainless and certainly snow-less days! In the meantime, we are watching our friends and family from the Midwest to the Northeast batten down for yet another major storm blowing through this week, with record low temperatures and record snowfall. Brrr!

And one might say the same for the start of the year in the stock market …. Temperatures and enthusiasm dropped quickly as we moved from smooth sailing to air turbulence, watching markets move over 1,000 points in the space of a single day. The final few days of January, bargain-hunters went shopping as most of the major indices had dropped into correction territory – defined as a decline of 10% or greater. Despite the turbulence, the S&P had recovered almost half of its early losses in the last two days of the month, but small company stocks are in definite correction territory, having dropped more than 20% since their November 2021 highs. The question for 2022 will be whether January is the recipe for the rest of the year?

US Style Boxes

Value	Blend	Growth	
-1.66%	-5.27%	-8.40%	Large Cap
-4.40%	-7.37%	-12.93%	Mid Cap
-5.85%	-9.53%	-13.42%	Small Cap

There are several underlying causes for what we are seeing: a market that had an amazing run up over the past two years might be considered expensive. Rising tensions between Russia and the Ukraine have only slightly distracted us from the latest virus variant. But most importantly, the Federal Reserve has begun to shift from easy monetary policy by accelerating the end of their bond purchasing program and to signal several interest rate increases, with the first coming as soon as their March meeting.

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We have pointed to monetary policy as the driving force behind the amazing recovery coming out of the pandemic, so it should come as no surprise that a change in these policies will affect markets. The initial steps include dialing back on the amount of bonds that the Federal Reserve is purchasing. When the Federal Reserve intervened during the height of the pandemic, they stepped in to purchase bonds that provided essential liquidity to the stock market. That move was massive and important. It drove the balance sheet of the Federal Reserve from $3.5 Trillion to over $7 Trillion in about six weeks. A ghastly high number, but make no mistake – without that move, we would have had a much different stock market these past two years. The trick now, is to take away that punch bowl and see if what has recovered can now be self-sustaining. Will there be other buyers to step in and buy the mortgages and corporate debt that the Federal Reserve was purchasing, and only time will tell.

Secondly, they have felt pressured to respond to the issue of inflation and the policy tool they wield to help slow that impact is the short-term interest rate. At their most recent meeting this month, they have signaled the first rate increase for March of this year and the market is anticipating at least four increases at each of their next meetings, potentially five. This should translate into higher mortgage rates which may help temper the pace of home sales. The danger is that these tools can often take time to show up in the economic numbers and patience may be a virtue, but one that has been in short supply in this country of late.

The impact of the Fed policy changes and plenty of other 'headline risk' from national events will all have their mark on the stock market this year. For a more in-depth discussion on these ideas, we encourage you to join us for this quarter's zoominar on Wednesday, February 9th. If you have not yet registered, you may do so by linking to the registration here: CLICK HERE. As usual, we will record these and will also push out a link to the recording once it has been published to our website.

In your portfolios here, we saw risk-off (move to cash) trades for the first time in quite a while as we have exited several of our bond positions and have been bounced out and then back in to various stock positions. We anticipate markets will continue to be volatile as we move through this "regime change" with the Federal Reserve beginning to tighten monetary policy . Because it has been a few years since the markets took a big hit with the pandemic fears, it can feel a bit unsettling to see those nice plump account balances take a hit. Markets do not go up forever and we want you to consider your risk level as we go through these next few months to ensure you are comfortable with those moves in your portfolio.

After a two-year hiatus, we are all anxious to get back to doing "normal" things and decided to proceed with our annual Client Appreciation event … Spring Training 2022! … just in time for the Major League to announce their strike and throwing a return to the diamond in question. We are going to proceed as though they can iron out their contract disputes and begin our registration for the games. We have reserved seats for the DBacks vs. Rockies for Saturday, February 26th at Salt River Fields, and our second game is of course the Cubs vs. the Giants at Sloan Park in Mesa on March 1st. Please reach out to Kim Costlow at the office or via email at kcostlow@copperwyndfinancial.com to reserve your tickets now. Let's hope for the best!

Of course it is now also tax season. Many of you have already seen tax documents in your mail! All custodians, like TD Ameritrade, have until the middle of February to mail those 1099's and we encourage you to make sure you have the most up-to-date 1099 as revisions are common, especially for taxable accounts. We would like to point you to our latest website tool, to give you better insight into some of the special tax items for both Arizona and Utah, along with important filing dates and links to relevant forms and resources: CLICK HERE. As always, we are here to assist you and if you need a tax preparer to help you file your return, we have several cpa's we are happy to recommend.

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Financial Planning

A credit score, also known as your "FICO" score, is a number that lenders use to help them decide how likely it is that they will be repaid on time if they give you a credit card or loan you money. Your personal credit score is built on your credit history. Your FICO® Score ranges from 300 to 850. A decent credit score is essential for your financial well-being because the higher it is, the less of a credit risk you are and the more likely you are to be able to use credit effectively to help manage your monthly cash flows. There are primarily two types of credit scores, generic scores and custom scores:

- Generic credit scores are used by many types of lenders and businesses to determine general credit risk. You can access your generic score as one score using the same formula across all three credit reporting agencies.

- Custom credit scores are developed for use by individual lenders. They rely on credit reports and other information, such as account history, from the lender's own portfolio. They are unique to the specific business, or they may be used by specific types of lenders, such as credit unions. Custom credit scores can apply to specific types of lending, such as mortgage lending or auto lending.

Understanding Credit Score Factors and Improving Your Credit Scores: The elements from your credit report that shape your credit scores are called credit score factors. These factors include:

- Your total debt
- Types of accounts
- Number of late payments
- Age of accounts

Factors indicate what elements of your credit history most affected the credit score at the time it was calculated. They also tell you what you must address in your credit history to become more creditworthy over time. Monitoring your credit on a regular basis can help you keep a close eye on how these factors are affecting your score and what you may be able to do to improve your score.

Why Lenders Use Credit Scores?: Before credit scores, lenders physically looked over each applicant's credit report to determine whether to grant credit. This process was time-consuming, led to mistakes or biased results, and allowed lenders to make decisions that may have had little bearing on the applicant's ability to repay debt.

- Today, credit scores help lenders assess risk more fairly.
- Credit scores are consistent and objective

They reflect only your likelihood to repay debt responsibly based on your past credit history and current credit status.

If I am concerned about identity theft, should I freeze or lock my credit?: A credit freeze may offer stronger protection than a credit lock. This means you're not financially responsible if someone exploits your credit during the freeze. And under a federal law passed in 2018, credit bureaus are required to let you freeze and unfreeze your credit free of charge.

A credit lock is simply an agreement between you and a credit bureau to pause any new accounts in your name. Since credit locks are a voluntary feature, bureaus aren't legally required to make good on any losses, and you may have to pay a fee.

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While it's true you can lock and unlock your credit in an instant, it doesn't take much longer to thaw your credit. In fact, credit bureaus are required to unfreeze an account within an hour of receiving the request.

How to See My Credit Score?

Everyone can request a free copy of their credit report once a year through each of the three main credit reporting agencies. To view your credit report, you may request this by visiting www.freecreditreport.com on the Federal Trade Commission website. You will be required to confirm your identity – as you should be! – through a series of questions and providing personal information.

Strong credit health can be empowering and help you achieve the financial goals you've set. Achieving good credit health begins with knowing your credit score and where you land on the credit score spectrum, understanding what's in your credit report, and learning what actions you can take to maintain or strengthen your credit health. Check your credit score regularly and review your credit report annually to take better control of your finances and reach your full credit potential. If you have additional questions about your credit, or want to take extra steps to secure your accounts with us, give us a call at the office!

Tax Planning

It's tax time! The world may not have fully resumed business as usual since the onset of the pandemic, but our tax filing deadlines are back in synch! The past few years saw delays in the filing deadlines but in 2022, even Uncle Sam is trying to get back onboard with *normal*.

2022 Tax Filing Deadlines:

Personal Tax Return	April 18, 2022
Personal Tax Return Extension	October 17, 2022
Estimated Tax Payments	April 18, 2022, June 15, 2022 September 15, 2022, January 17, 2023

Is it a Credit or a Deduction?

If you are confused by the difference between the two, you are not alone. A tax deduction reduces your taxable income, which in turn, lowers the amount of taxes you may pay by the amount of your tax bracket. So, if you are in the 20% tax bracket, a $100 deduction saves you $20. In contrast, a tax credit allows you to direct where your tax dollars go; it does not mean you pay less money. Every state has their own host of credits available, and we have links to those offered in Arizona and Utah below.

As always if you need assistance, we are here to provide you with as many answers as we can. While we do not prepare tax returns, we are well versed in the information you need to complete your returns and, if more help is needed, we have a number of outstanding tax professionals we can refer you to!

Arizona Tax Credit Summary   Utah Tax Credit Summary

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401(K) Allocation

There are trades.

Buckle up!

While most of 2021 was a smooth ride higher (two or three "wobbles" of 5% declines over the course of the year) – 2022 started out with more angst than we have seen since the start of the pandemic. Many things contributed to that volatility including Federal Reserve changes to their previously 'easy money' policies and the beginning of interest rate increases this quarter; heated exchanges between the US and Russia regarding issues with Ukraine; a rough ride through Q4 earnings season as many companies met or exceeded expectations – then gave challenging forward guidance for this quarter. The latter is being driven by on-going issues in the supply chain and with "employment reluctance" – more job openings than people to fill the positions.

The balance of 2022 will likely continue this theme of turbulence as we make this transition to slow the money printing presses and see how the world has now changed going forward and what those implications are for the economy and investing. What we will try to not do – is react to each wobble in the market with a hair trigger. Investing in this phase of the economic cycle requires a bit more patience.

If you need assistance with rebalancing your portfolio, please don't hesitate to reach out to us at the office and we will be glad to provide assistance! Remember when you rebalance to do so for both your current allocation (dollars already invested) as well as future contributions (new money).

Feb-22	Agg. Growth *100% Equity*	Growth	Moderate	Balanced	Conservative
	0%	15%	30%	45%	70%
Stable Asset - OR - Short Term Bond	*10%*	*15%*	*30%*	*50%*	*70%*
Total Return	*0%*	*0%*	*0%*	*0%*	*0%*
High Yield Bonds	*0%*	*0%*	*0%*	*0%*	*0%*
Inflation Protected Bonds	*0%*	*0%*	*0%*	*0%*	*0%*
	85%	75%	60%	50%	30%
Large Cap Growth	*35%*	*30%*	*25%*	*20%*	*10%*
Large Cap Value	*50%*	*45%*	*35%*	*30%*	*20%*
	15%	10%	10%	5%	0%
Mid Cap Growth	*5%*	*0%*	*0%*	*0%*	*0%*
Mid Cap Value	*10%*	*10%*	*10%*	*5%*	*0%*
	0%	0%	0%	0%	0%
Small Cap Growth	*0%*	*0%*	*0%*	*0%*	*0%*
Small Cap Value	*0%*	*0%*	*0%*	*0%*	*0%*
	0%	0%	0%	0%	0%
Developed International	*0%*	*0%*	*0%*	*0%*	*0%*
Emerging Markets	*0%*	*0%*	*0%*	*0%*	*0%*
	100.00%	100.00%	100.00%	100.00%	100.00%

Graphic of The Month

No one, but no one, likes to pay taxes. We all know that different states tax income and property differently – amongst a host of other taxes – and here's a breakdown of who pays more.

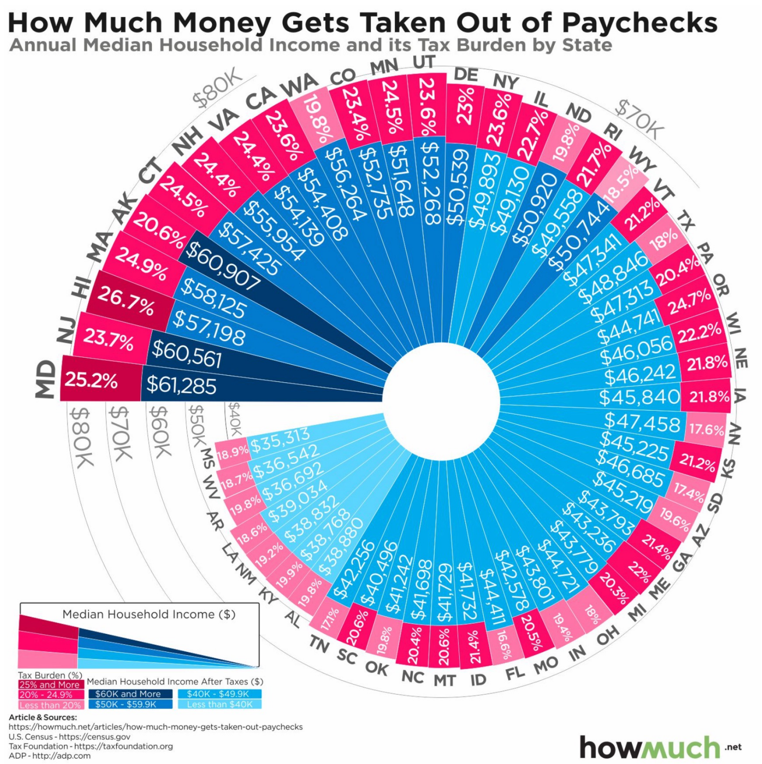
Top 5 States with the Lowest Tax Burden

Florida: 16.6% on median income of $53,267
Tennessee: 17.1% on median income of $50,972
South Dakota: 17.4% on median income of $56,499
Nevada: 17.6% on median income of $57,598
Ohio: 18% on median income of $54,533

Top 5 States with the Highest Tax Burden

Hawaii: 26.7% on median income of $78,084
Maryland: 25.2% on median income of $81,868
Massachusetts: 24.9% on median income of $77,378
Oregon: 24.7% on median income of $59,393
Connecticut: 24.6% on median income of $76,106

https://howmuch.net/articles/how-much-money-gets-taken-out-paychecks



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