



COPPERWYND FINANCIAL

Providing financial navigation for your life's journey.



Copperwynd Financial

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Your Copperwynd Financial Newsletter: February 2021

Market Commentary

The day will come when we can resume some normalcy in our life. The conversation in my household sounds a bit wistful talking about “what we’ll do when ... “ but you can be sure that a resumption of our wanderlust is high on that list! I was thinking about future destinations this past month as we have watched the news with some dismay (which I have decided is not suitable for anyone’s mental and emotional health, no matter what) regarding the efforts to get the world vaccinated. The pandemic we have all endured for almost a year now has taken the lives of more people than there were US soldiers killed in World War II. And it was during World War II that we realized some of those most amazing leaps in logistical planning ever seen – second only, perhaps, to landing on the moon.

I am not a war buff, but I am a Francophile, and so it’s impossible to spend time in France and not want to visit the beaches of Normandy. It’s a trip I highly recommend for many reasons (I don’t think there is better butter anywhere in the world), but the obvious purpose is to visit the many sites that were key to turning the tide of that war. The D-Day beaches, the Normandy American Cemetery, and the World War II Museum in Caen are the better-known destinations. Still, I was fascinated with the Embarkation Museum in Arromanches-sur-Bain, just west of the D-Day beaches. Here you will find the stories behind all the logistical challenges that the US and its allies had to surmount to make this tiny village a central location for landing ships (where there was no dock and the waters were unfavorable) and resupplying troops during the invasion. The ingenuity the Allies brought to solving so many problems was as inspiring as it was fascinating! The things we can do when we pull together for a greater good.

So I was hopeful when it was reported last year that the US Military was in charge of distributing the vaccine here in the US, that we would see some of that same brilliance in managing our way through this herculean effort. For us to return to normal, to see our economy get back on solid footing, and kids back in school, we must get to the point where we have herd immunity. That can be achieved through the development of antibodies for those who successfully survived the virus or through immunization. Herd immunity will provide the reassurance necessary for people to feel safe to return to building our economy and their lives.

Let’s just say we are off to a slow start (see our [Graphic of the Month](#)). No-fault of our military – they did their job in making the deliveries to the states. It is at the state level where things have fallen far short of logistical brilliance!



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Friday, just as the first month of this year wound to a close, we had news from both Johnson & Johnson and Novovax regarding their third-round clinical trials. That news looks good, as both showed solid results – and via more traditional vaccination mechanisms where there is no special refrigeration required. They both will file for emergency approval of the vaccine as early as this week, and the vaccine may be available to ship within a few weeks after that. These are positive developments for the balance of this year if we can just come together to fix the scheduling issues we see across every state. Maybe then, we see things get back to normal.

We certainly did not start off the year with 'normal.' Between the eventful transfer of power in Washington and now the headline-gripping short squeeze occurring with several stocks (Gamestop, AMC, and others) – volatility has returned to the stock markets. The final weeks of January saw a reversal of the steady upward climb markets have enjoyed over the past few months, although the S&P finished only slightly negative for all that drama.

We have said many times that the markets are driven less by headlines and more by the Federal Reserve's monetary policy and the business cycle in which we find ourselves. Years like 2020, months like January, it is a challenge to see how that will still hold true, and we acknowledge that all these events (and probably a few others we can't see coming yet) will continue to create market volatility. But at the end of the day, we still hear Chairman Powell, head of the Federal Reserve, maintaining their stance of low-interest rates and continued bond purchases. The Biden administration has a \$1.9 Trillion additional stimulus package on the table – that does not even begin to touch on the infrastructure spending we felt would meet with bi-partisan support, so that is likely still to come. And earnings announcements have primarily been positive as the 4th quarter saw consumers spend more and companies continued to figure out how to drive expenses down and profits up.

Your portfolios remain fully invested here. We picked up some additional small company stocks and a smidge of international as the rotation to all parts of the market and not just technology, stayed steady. We will continue to monitor the headline volatility and the government's monetary policies, and our models will help give us direction. As always, if you find you cannot sleep at night, we encourage you to speak with us so we can make appropriate adjustments to your portfolio.

In closing, let me share that the extended family at Copperwynd has seen more than its fair share of loss over the past twelve months. Not all losses were directly related to the virus, and it is never our intent to impose any medical, spiritual, or political beliefs on anyone. We want everyone to have their best shot at the future they are planning for. Reaching herd immunity is going to be critical for that success.



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Financial Planning

Health savings accounts or HSA's are perhaps the best retirement planning tool available. HSAs are tax-advantaged savings accounts designed to help people who have high-deductible health plans with paying for out-of-pocket medical expenses. There are major advantages to these types of accounts, for instance you can contribute to an HSA until age 65 when Medicare becomes available, and you can contribute up to age 65 even if you're not working. And unlike a Flexible Spending Account, your HSA money is yours forever, and it's portable.

An HSA has three powerful tax benefits. Contributions to the account are tax deductible, or excluded from gross income when an employer makes them. The account can be invested, and income and gains compound tax free in the account. When distributions are taken from the account to pay for qualified medical expenses, the distributions are tax free. You can contribute to an HSA until age 65, even when you're not working. And unlike a Flexible Spending Account, your HSA money is yours forever, and it's portable.

The annual contribution limit for an HSA in 2021 is \$3,600 if you have individual health insurance coverage and \$7,200 if you have family coverage. For people age 55 and older, an additional \$1,000 catch-up contribution is allowed. You can make the contribution, or an employer can contribute to your account. You must have a qualifying high-deductible medical insurance policy. The deductible for individual coverage must be at least \$1,400 and for family coverage the deductible must be \$2,800.

A little known, but important secret: if you're looking for cash to fully fund the year's HSA contribution, a transfer from an IRA might do the job. When you're fully or partially funding the HSA, a possible source of cash for contributions is your IRA using a qualified HSA funding distribution (QHFD). The QHFD is a once-in-a-lifetime limit per taxpayer and can only be rolled over to cover the maximum contribution for that year only and you must be covered by a high-deductible health care plan for the entire calendar year in which a QHFD is made.

The best way to use an HSA is to treat it as an investment tool that will improve your financial picture in retirement. By waiting as long as possible to spend your HSA assets, you maximize your potential investment returns and give yourself as much money as possible to work with. You'll also want to consider market fluctuations when taking distributions, the same way you would when taking distributions from an investment account. If you want to talk through your HSA investment options, give us a call at the office!



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College and Tax Planning

Entering “the real world” comes with a long list of responsibilities. One of which is accurately reporting and paying income taxes on time. These tips are meant to highlight the essentials of what college students and recent graduates need to know in order to efficiently handle taxes and take advantage of tax deductions and tax credits.

Know Your Tax Bracket

How much you earn will determine how much you pay in taxes each year. A tax bracket specifies the percentage of taxable income that is paid in taxes. In 2020, for instance, single individuals who earned between \$9,876 and \$40,125 fell into the 12% tax bracket. Those earning between \$40,126 and \$85,525 fell into the 22% tax bracket. There is a considerable disparity between these brackets, which will impact your total tax liability.

Know How Much to Withhold if You're an Employee

If you're classified as an employee, you'll need to fill out a W-4 form before beginning your job. The way you fill out a W-4 will determine how much your employer withholds from your paycheck. There are multiple options, so you want to choose the right one based on your situation. Failing to withhold enough tax can result in you owing a significant amount of money once it's tax time in April and potential penalties. On the other hand, if you withhold too much, you'll likely have a limited budget each month, which can be difficult for college students and recent graduates who are just starting out. Be sure to carefully read through the W-4 to decide how much to withhold.

Know the Tax Filing Deadline

The IRS has strict deadlines about when taxes must be reported each year. Failing to do so on time can result in some ugly consequences. According to Bill Smith, managing director of CBIZ MHM's National Tax Office, the failure-to-file penalty costs 5% of your unpaid taxes for each month your tax return is late and goes up to as much as 25%. This penalty kicks in the day after the tax deadline ends. That's why you always need to know the tax-filing deadline and make sure you're on time — ideally being a little early to give yourself some wiggle room. The deadline for filing a 2020 Individual Federal Income Tax return is April 15, 2021.

Understand Student Loan Interest Deductions

Approximately 70% of students in America take out some type of student loan to fund their education. If you fall into this category, you may be able to deduct up to \$2,500 from your taxable income as long as you meet eligibility requirements, including the following:



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- No one is claiming you as a dependent
- You're not married and filing separately
- You currently are or were enrolled at least half time

The amount of the student loan interest deduction is based on the amount you paid in interest on federal and private student loans during the previous calendar year. This deduction is an above-the-line exclusion from income, meaning that you can claim it even if you claim the standard deduction.

Familiarize Yourself With Relevant Tax Forms

Finally, it's important to have a basic understanding of the types of documents you'll need for reporting taxes. For example, if you work for an employer, you'll receive a W-2. If you're an independent contractor, you'll receive a 1099 from each company.

The 1098-E is a Student Loan Interest Statement — a form that shows how much interest you paid on your student loan during the year. There's also the 1098-T Tuition Statement. "Schools must send IRS Form 1098-T to any student who paid 'qualified educational expenses' in the preceding year," says TurboTax. "Qualified expenses include tuition, any fees that are required for enrollment, and course materials required for a student to be enrolled."

These two forms will be necessary for student loan interest deductions, so be on the lookout for them in the mail.

Whether you are a current student, a college grad or someone helping out one, armed with these tax tips, and the confidence to file your own taxes, you can improve your chances of reducing your tax burden and maximizing any refund you're due.



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401(k) Allocation

Small changes this month.

Markets continue to drift higher as the Biden administration's objectives are digested and we start to see Q4 earnings coming in the door. As we have seen for the past few months, small company stocks and international are continuing their trend for the moment, although developed international (Europe) has braked for the shut-downs due to COVID and we are exiting developed international for the moment and adding that to emerging markets. Where markets go from here, when "here" is a bit expensive, depends on whether we can see the economies start to re-open and unleash that pent up consumer demand. The next two months will be critical to that outcome, so stay tuned!

As always, if you need assistance with rebalancing your 401K or we have not yet created your customized "de-coder ring" for you, we encourage you to reach out to us and we're happy to help!

	Agg. Growth 100% Equity	Growth	Moderate	Balanced	Conservative
Bonds / Cash	0%	10%	30%	45%	60%
<i>Stable Asset - OR - Short Term Bond</i>	0%	10%	25%	30%	30%
<i>Total Return</i>	0%	0%	5%	15%	30%
<i>High Yield Bonds</i>	<i>You may purchase half of your bond position in high yield if your plan offers this investment</i>				
<i>Specialty Bond</i>					
Large Cap:	45%	45%	35%	25%	15%
<i>Large Cap Growth</i>	25%	25%	20%	15%	10%
<i>Large Cap Value</i>	20%	20%	15%	10%	5%
Mid Cap:	20%	20%	15%	10%	10%
<i>Mid Cap Growth</i>	15%	10%	5%	5%	5%
<i>Mid Cap Value</i>	5%	10%	10%	5%	5%
Small Cap:	15%	15%	10%	10%	10%
<i>Small Cap Growth</i>	10%	10%	5%	5%	5%
<i>Small Cap Value</i>	5%	5%	5%	5%	5%
International:	20%	10%	10%	10%	5%
<i>Developed International</i>	5%	0%	0%	5%	0%
<i>Emerging Markets</i>	15%	10%	10%	5%	5%
	100.00%	100.00%	100.00%	100.00%	100.00%



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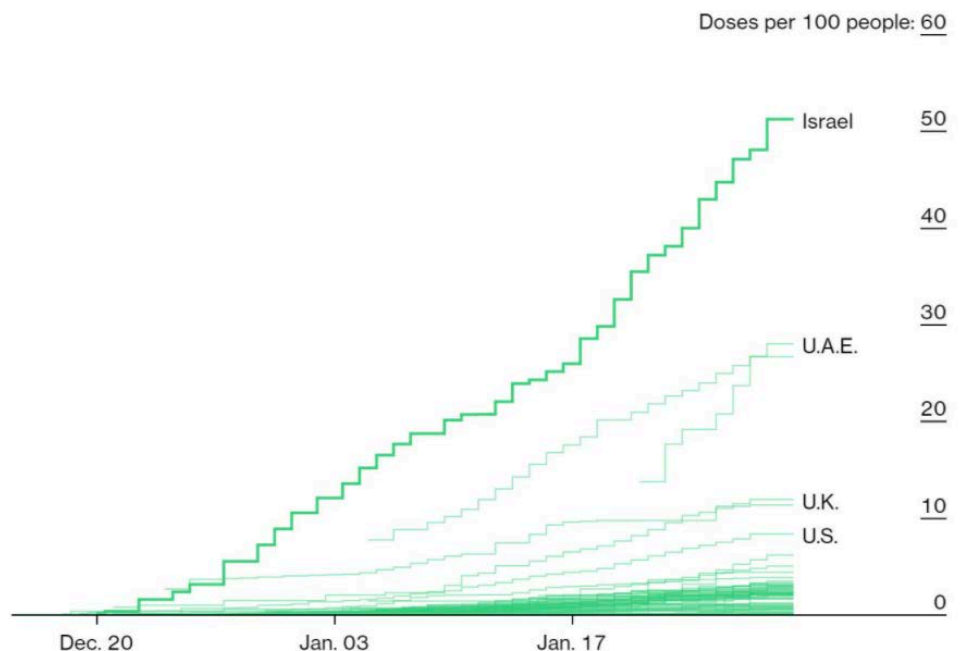
Graphic of the Month

So how are we doing? Compared to Israel and the UK (with substantially smaller populations) – not as well as we would like, but many are struggling with some of the same logistical issues we are having here. For complete coverage on the vaccine globally, refer to our COVID-19 Resources: [CLICK HERE](#)

Race to End the Pandemic

Doses administered per 100 people

Select a country...



Note: Two doses are needed for full protection with the vaccines currently in use. Data from Bloomberg's Covid-19 Vaccine Tracker