Your Copperwynd Financial Newsletter: June 2021

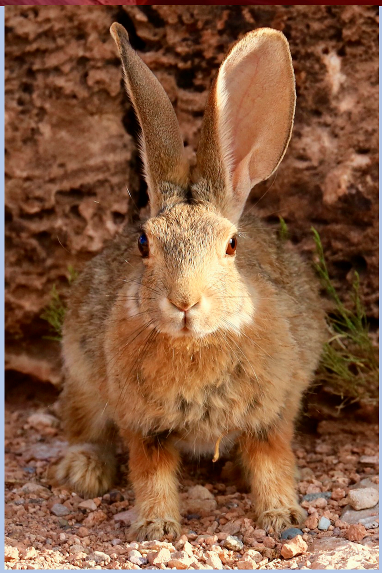
Market Commentary

We have arrived at another Arizona summer! The kids having a pool party next door, the dog walkers out at 5 am instead of 7, and the thermometer on my car dashboard - all say it's so. How nice to see signs of a normal summer this year, even if it does mean the start of an endless string of 100 degree days….

Even stock markets have had a fairly normal year, with a strong earnings season fueling continued gains in stocks and a steady, if unexciting, ride for bonds. Diversification this year has been the name of the game as Value has continued to out-perform Growth, with the Dow Jones up 1.9% for the month of May while the tech-heavy NASDAQ was down 1.8%. The S&P settled in the middle with a slight gain of 0.5%. Both small company and mid-size company stocks have participated in the year's rally, unlike the past decade which saw them languish far behind, although we saw both segments take a bit of a breather in May, finishing slightly positive at 0.1%. The big winner this month? International markets.

Perhaps the re-opening of Europe's main markets as vaccination efforts are improving will be the catalyst for growing consumer confidence and spending, which should in turn fuel corporate profits and gains in the markets. Indeed, the UK announced its first day of no COVID deaths in over a year today! Pockets of problems still exist, however, as we have all witnessed on the nightly news the horror of India's resurgence, while several countries in South America continue to struggle with their response to the pandemic as well. All serve as a reminder that the work is not quite done yet, even though we will celebrate the progress we have made in just over a year. Whether it is consumer confidence or just frustration over personal limitations during the pandemic, the consumer is back with a vengeance. Retail sales scored another strong gain last month, up over 11% with the services sector keeping pace with manufacturing. The housing market strength (might be an understatement) is being joined by the travel industry as flights, cruises, and hotels are booked solid for summer vacations. We have heard some interesting stories of rental car shortages just as we are gearing up for what will likely be a record summer for travel.

Government spending, personal spending … there is a lot of money washing around the global economy right now and the topic of inflation remains persistent in the financial press (see our Graphic of the Month for a visual on how the USA stacks up vs the rest of the world with debt). The Federal Reserve says inflation is 'transitory' although they decline to define just how much time they consider 'short term' to be. Costco's CEO disagrees, stating that rising wages and material costs are going to persist much longer than we expect. Nothing but nothing is less expensive now than it was a year ago, I think we could all agree. and will look forward to hearing about your adventures at our next meeting!



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The response by the Federal Reserve to persistent inflation will be tightening monetary policy through the following paths: first up will be stopping their purchases of bonds, then raising short-term interest rates and finally working to decrease the size of their balance sheet. The latter has steadily risen since January, up another $100 Billion each month this year, and currently sits at just shy of $8 Trillion. Finesse will be necessary once they start this process of tightening monetary policy because markets have become addicted to this drug called easy money. We are watching closely as this will have investing implications for all of our portfolios, but we expect they will telegraph their moves well in advance and move slowly so as not to create havoc in the stock markets. Next week will be the next Federal Reserve Board meeting and markets have moved sideways this past week while we all wait to see how they are viewing the economic data and their timeline for any changes.

Currently, we remain fully invested in both stocks and bonds in your portfolios here, as trends continue to be positive. As always, should you be uncomfortable with your current risk levels we encourage you to share your concerns with us so we can take appropriate action in the context of your overall financial plans.

A reminder that our office does enjoy summer hours and we will be closed on Fridays at 1 pm in AZ. We hope you have plans to get out and enjoy time in the fresh air with family this summer and will look forward to hearing about your adventures at our next meeting!

Financial Planning

Being a grownup brings with it some thankless tasks (doing laundry, filing taxes and sitting in traffic are three that come to mind). But paying your monthly utility bills—which can easily cost hundreds of dollars a month—has to be near the top of the list. Ever wish you could keep more of that money in your pocket? If you're not sure whether one of your monthly bills is negotiable, it doesn't hurt to ask (and it just might help your bank account). There's not much at stake beyond a few minutes on the phone.

How to Negotiate Your Bills

Negotiating your bills can pay off in big savings—if you know how to play the game. As with any negotiation, such as buying a car, it pays to do your homework and plan ahead. Understanding the process, what to ask for and what you're willing to accept can help you be more confident and boost your odds of success in your negotiations. Follow these steps to negotiate your bills like a pro:

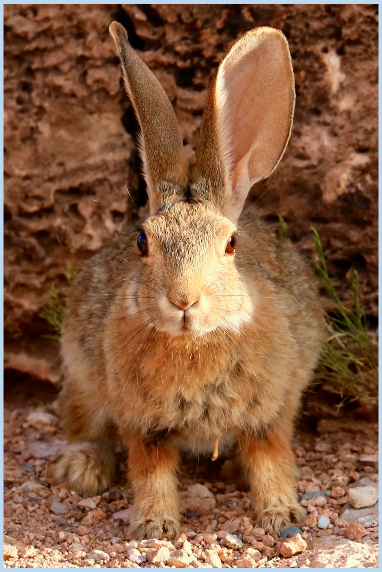
1. Gather your info. Create a list of all your monthly bills, including utilities, services and subscriptions, and how much you pay for each. Anything you pay on a regular basis could be fair game for negotiation.

2. Know your worth. Note how long you've been a customer of each service. The longer you've been a customer, the more the provider should be motivated to keep you. The size of your bill may also give you the upper hand in negotiations. A cellphone provider, for example, may do more to please someone with six lines than it would do for someone with just one. Do you always pay on time? Not only does that help build your credit score, but it also makes you a more valuable customer.

3. Identify your options. For each monthly service, identify the company's competitors. It's generally easier to negotiate when many companies are vying for your business and harder when choice is limited.

4. Research rates. Gather details about what's offered by the company you're already with as well as its competitors. Are companies wooing new customers with lower introductory rates, rebates, extra services or other goodies? Write it all down. Based on this information you've gathered, set a goal for the discount you want for each provider and the minimum discount you're willing to settle for.

5. Make the call. Set aside at least an hour for each negotiation. You may have to go through several layers of automation and customer service personnel before you get to someone who can help you. Once they're on the phone, you can start to develop a rapport with your customer service rep.



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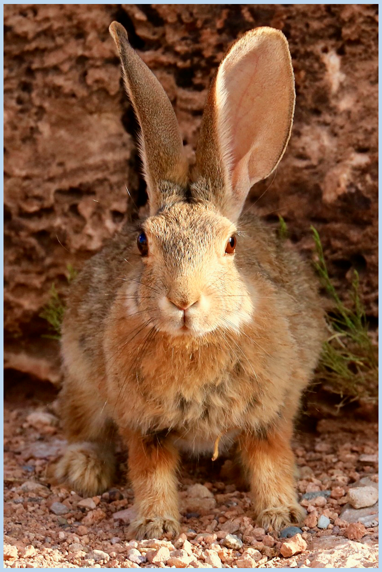

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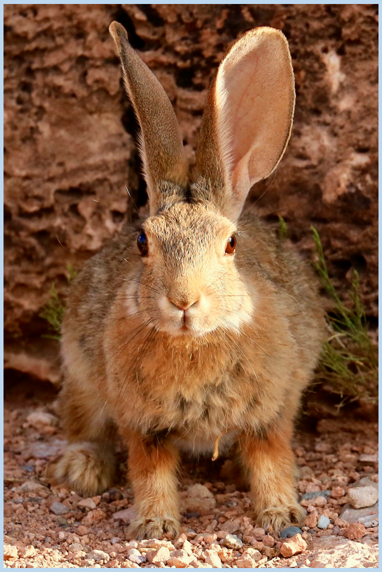
As you make your request, try to stay upbeat, polite and friendly. Customer service reps are more likely to help you if you're nice. Approach the call with a confident tone that assumes you and the rep are on the same team.

6. Keep it open-ended: Reps can generally offer deals you don't know about, so asking a general question like, "What can you do to help me lower my bill?" can get better results than asking for a specific discount.

7. Be patient: Don't give up at the first "no." If the rep you're speaking to says they aren't authorized to change your bill, ask to speak to someone who is—and keep going all the way up the chain.

8. Be willing to walk away: If you threaten to cancel your service, be ready to go through with that threat. Even if you don't intend on going through with it, asking to cancel your service usually gets you transferred to the company's customer retention or loyalty department. These reps are highly motivated to keep you on board and empowered to offer discounts to do so.

What if your service provider says there's no wiggle room? Don't give up. Ask if there are any other options to shrink your monthly bill. These might include: Cost-reduction programs and rebates, Convenience discounts, Retention credits or even signing a longer-term contract.
When you do succeed in getting a lower bill, celebrate—but first, be sure to confirm the details, including when any promotional offers will expire. When you get next month's bill, review it to verify that your cost actually went down. Negotiating your utility bills is a little-known tactic that can pay off big. You may never be able to negotiate your way out of laundry or taxes, but with a little practice, you can negotiate your way to lower monthly bills—and have more money for the things that really matter to you.



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College and Tax Planning

Student loans are one of the most significant financial burdens that many young Americans face. Making these payments on top of other financial responsibilities can be challenging. As a result, more than 1 million student loan borrowers go into default every year. Furthermore, a study by the Federal Reserve found nearly one in five student loan recipients were at least 90 days behind on payments. There can be many negative consequences of failing to make your student loan payments, including wage garnishment, a drop in your credit score or a suspension of your professional license. Luckily, there are steps you can take to prevent this — so act early if you're struggling to make your loan payments.

1 . If you can't make your federal student loan payments during the COVID-19 outbreak, you're in luck. The federal government has suspended payments and interest on all federal student loans through September 30, 2021. But if you still can't make your payments once the suspension of loan payments has ended, you still have a number of options.

- If you can make your payments the first thing you might consider is changing your repayment plan. The federal government allows borrowers to change their repayment plan at any time for free, so you can switch to one that better fits your situation. The standard repayment plan requires borrowers to pay off their loans in 10 years. But someone with more than $30,000 of debt is eligible for an extended repayment, which gives you an extra 15 years to pay off your loans. The variety of income-based repayment plans guarantee that your monthly payments don't exceed a certain percentage of your income.

- If you can't make your payments at all, a new repayment plan likely isn't going to be enough. In that case, you might consider either deferment or forbearance of your loan to temporarily suspend payments.

    - Deferment allows you to postpone loan payments and pauses interest accrual on subsidized student loans. At the end of the deferment period, interest will be capitalized (meaning added to the principal balance to also accrue interest).

    - Forbearance is a similar concept, except that interest will accrue the entire time.

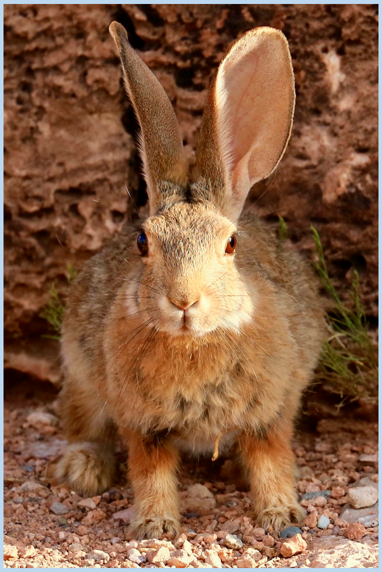
    - For both programs, you may need to provide your loan servicer with proof of your financial hardship. Make sure to take this step as soon as you know you can't make your payments because you can't enter deferment or forbearance once you go into default on your loans.

2. Private student loans can be a bit trickier than federal ones. These loans don't often come with flexible repayment plans. Most often, your lender simply puts you on a repayment plan that will have the loan fully paid off on their desired timeline.

- If you can't pay, your first step should be to call your lender and ask if they have any special repayment programs. For example, SoFi offers an Unemployment Protection Program, which allows for a 12-month forbearance if you lose your job through no fault of your own. Sallie Mae offers forbearance for borrowers facing temporary financial hardship, also for up to 12 months.

- Another option for making your payments more affordable is to refinance your private student loan. By doing so, you may be able to reduce your interest rate, extend the life of your loan, or both for purposes of lowering your monthly payment and catching up on overdue payments.

42 million Americans have student loan debt, and before the COVID-19 outbreak, only about half of those were in repayment. The rest were in forbearance, deferment, or default. As the number of people who can't make their student loan payments increases, it's more important than ever that borrowers understand what happens if they don't pay their student loans. It's not a problem that goes away. But by implementing some good budgeting measures coupled with a suggestion or two listed above can keep you or a loved one on track and in a good credit rating. If you have questions on how to best pay for college or work your repayment schedule into a long-term financial plan, give us a call at the office!



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401(k) Allocation

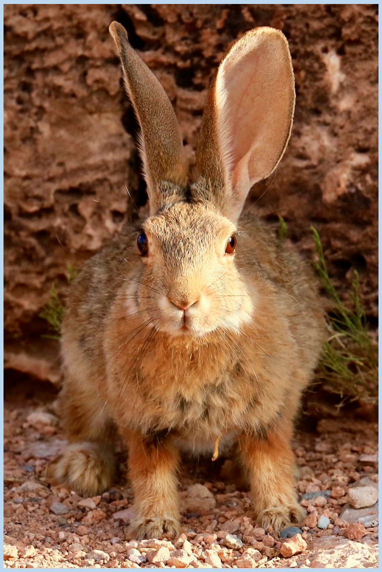
There are Trades.

We are back tipping a toe into international waters. As Europe begins to re-open following their latest round of lock-downs, their vaccination rates are hovering in the 20-30% ranges (as a percentage of their populations) and improving. Can they experience the same rewards in their stock market with demand for goods and services rising with a return to normal? The current trend says yes, and we are taking small positions back into those markets with this month's allocation. In the US, the value story continues to lead growth, and after a little sell-off in the early part of the month, small and mid-size company stocks appear to have stabilized. It is still game on (risk on) for the moment!

As always, if you need any assistance with re-allocating your 401K plan, just give us a call at the office and we'll be happy to help!

June

	Agg. Growth ***100% Equity***	**Growth**	**Moderate**	**Balanced**	**Conservative**
	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					
Inflation Protected Bonds					
	65%	**55%**	**45%**	**35%**	**25%**
Large Cap Growth	*30%*	*25%*	*20%*	*15%*	*10%*
Large Cap Value	*35%*	*30%*	*25%*	*20%*	*15%*
	15%	**15%**	**15%**	**10%**	**10%**
Mid Cap Growth	*5%*	*5%*	*5%*	*5%*	*5%*
Mid Cap Value	*10%*	*10%*	*10%*	*5%*	*5%*
	10%	**10%**	**5%**	**5%**	**5%**
Small Cap Growth	*5%*	*5%*	*0%*	*0%*	*0%*
Small Cap Value	*5%*	*5%*	*5%*	*5%*	*5%*
	10%	**10%**	**5%**	**5%**	**0%**
Developed International	*10%*	*10%*	*5%*	*5%*	*0%*
Emerging Markets	*0%*	*0%*	*0%*	*0%*	*0%*



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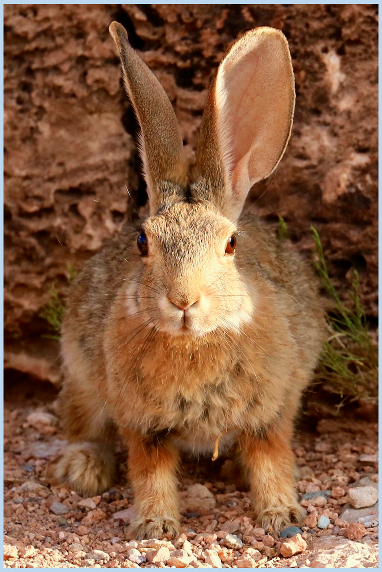

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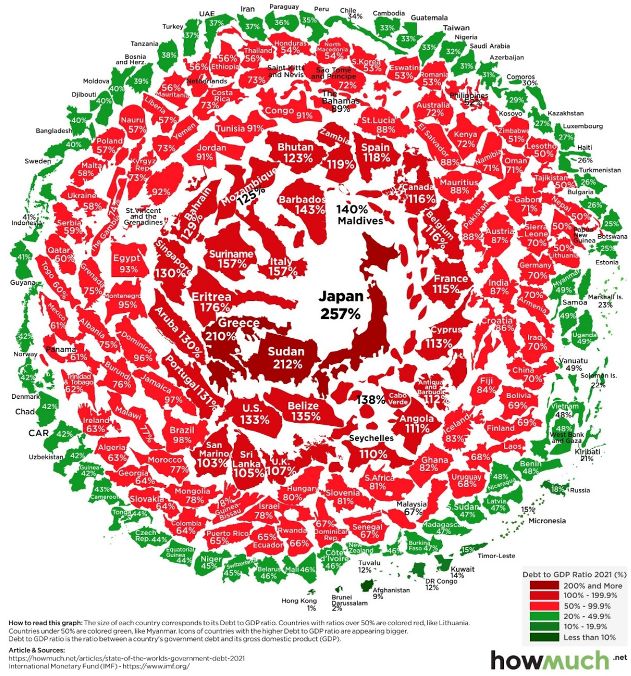
Graphic of the Month

Visualizing the Snowball of Government Debt

(https://www.visualcapitalist.com/government-debt-in-2021/)



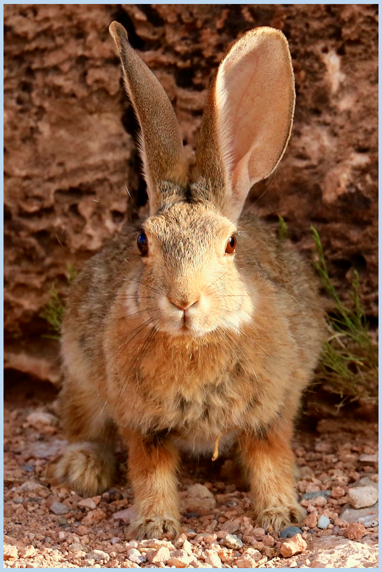
As we approach the second half of 2021, many countries around the world are beginning to relax their COVID-19 restrictions.

And while this signals a return to normalcy for much of the global economy, there's one subject that's likely to remain controversial: government debt.

To see how each country is faring in the aftermath of an unprecedented global borrowing spree, this graphic from HowMuch.net visualizes debt-to-GDP ratios using April 2021 data from the International Monetary Fund (IMF).

Ranking the Top 10 in Government Debt

Government debt is often analyzed through the debt-to-GDP metric because it contextualizes an otherwise massive number.



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Take for example the U.S. national debt, which currently sits at over $27 trillion. In isolation this figure sounds daunting, but when expressed as a % of U.S. GDP, it works out to a more relatable 133%. This format also allows us to make a better comparison between countries, especially when their economies differ in size.

With that being said, here are the top 10 countries in terms of debt-to-GDP. For further context, we've included their 2019 and 2020 values as well.

Rank (2021)	Country	Debt-to-GDP (2019)	Debt-to-GDP (2020)	Debt-to-GDP (April 2021)
#1	Japan	235%	256%	257%
#2	Sudan	200%	262%	212%
#3	Greece	185%	213%	210%
#4	Eritrea	189%	185%	176%
#5	Suriname	93%	166%	157%
#6	Italy	135%	156%	157%
#7	Barbados	127%	149%	143%
#8	Maldives	78%	143%	140%
#9	Cape Verde	125%	139%	138%
#10	Belize	98%	127%	135%

Source: IMF

Japan tops the list with a ratio of 257%, though this isn't really a surprise—the country's debt-to-GDP ratio first surpassed 100% in the 1990s, and in 2010, it became the first advanced economy to reach 200%.

Such significant debt burdens are the result of non-traditional monetary policies, many of which were first implemented by Japan, then adopted by others. In the late 1990s, for instance, the Bank of Japan (BoJ) set interest rates at 0% to counter deflation and promote economic growth.

This low cost of borrowing enables businesses and governments to accumulate debt much more freely, and has seen widespread use among other developed nations post-2008.

What are the Risks?
Given that a majority of countries in this visual are red (meaning their debt-to-GDP ratios are over 50%), it's safe to say that government borrowing is common practice.

But are large government debts a cause for concern?

Some believe that excessive borrowing will lead to higher interest costs in the long run, which could detract from economic growth and public sector investment. This theory is unlikely to become a reality anytime soon, however.

A recent report by RBC Wealth Management reported that the cost of servicing U.S. federal debt actually decreased in 2020, thanks to the low borrowing costs mentioned previously.

Perhaps a more prescient question would be: how long can the world's central banks keep interest rates at near-zero levels?