Your Copperwynd Financial Newsletter: March 2022

Market Commentary

You know the world is on its last nerve when the Canadians go rogue and the Swiss pick a side.

Just a few weeks ago, we watched the Canadian blockade in Ottawa that paralyzed key ports of entry into the US as truckers protested rules about mandatory vaccinations. Well, the world has found something else to obsess about other than the pandemic; that is perhaps the good news. The not-as-good news of course is the Russian invasion of the Ukraine. They have moved tanks and troops and dropped bombs into Ukraine, the likes of which have not been seen on the European continent since the last world war. The implications across the global markets are huge and will continue to evolve as this conflict plays out for all the world to watch.

When presented with an option to escape Ukraine with his family, president Zelensky is rumored to have said that he didn't need a ride, he needed bullets. And with that, David took aim at his Goliath. The world loves an underdog and what started out as typical and expected sanctions from the US, NATO and the EU, quickly took on a life of its own engaging not only countries, but companies, the sports world, even individuals. No fly zones for any Russian airline. No soccer or Paralympics for Russian athletes. Apple, Nike, Ford and a host of companies have restricted product sales to Russia. No UPS or Fedex deliveries, and restrictions to deliver strictly humanitarian supplies by major shipping lines. Even Elon Musk stepped up to provide Starlink satellite service to help with communications in the Ukraine. The world is engaged and Putin may not have anticipated what can happen when one man and social media come together as right now he's losing the public relations war. But you also cannot rule out a bully, especially one with nuclear weapons.

The economic impact will be felt here and globally and it won't be comfortable. Certainly gas prices have responded with crude jumping to over $110 a barrel, as this represents Russia's largest export to the world markets. At home, we import less than 7% of our total oil consumption from Russia and are in the unique position to be able to completely replace that with our own oil resources. Europe is not so lucky, counting 25% of their oil and 40% of their natural gas supplies from Russia. Which makes the support of the EU sanctions that much more meaningful, particularly from Germany whose new chancellor, Olaf Scholz, has stated that they will strive to completely remove their reliance on natural gas from Russia. Second to oil, Russia's next largest export is wheat; between Russia and the Ukraine, they produce 25% of the world's supply of wheat (see our graphic of the month – CLICK HERE). Sanctions can be powerful diplomatic tools, but they come at a cost and currently, this will be higher prices on a variety of products in a world where inflation had already become a problem.

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

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

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Markets have behaved erratically attempting to anticipate what the fallout may be from these events and we have seen growth stocks falter further, oil rally strongly, and a flight to safety as the US dollar and treasury bonds – even gold, finally! – all rallied. And then the next day, or the next hour, those trends reversed.

For the month, all major indices were down by varying degrees, led by growth-stocks and technology down 4.96% and the S&P down 3.6%. This brings losses to these two indices to over 13% for the NASDAQ and almost 10% for the S&P. Surprisingly, emerging and developed international markets, while down more still held up well given the circumstances, closing down for the month 4.28% and 4.34% respectively.

We did caution that this is a transition year and to expect volatility. Last week was a case study in what can happen in markets during periods such as this; Thursday the tech-heavy NASDAQ was down over 3% at the open … and finished up by more than 3% by the close. We anticipate more such days as events unfold in Europe.

In your portfolios here, we began an exit out of bonds in Total Return in January and have completely gone to cash as the risk of rising interest rates continued to pressure bond prices. We have seen this before and we prefer to be sitting in cash while the bond market sorts itself out, then to return once prices have stabilized and yields are higher. On the stock side of the equation, models with a risk-off trigger have raised some cash, and we will continue to monitor the situation both overseas and with the Federal Reserve. As always, if this volatility prevents you from sleeping well at night, we encourage you to speak with us so we can make sure your plan is aligned with your investments.

At home, we see little progress on the major league baseball strike. While they have not yet cancelled spring training, it is looking less likely by the day and we will notify you if our games are cancelled just as soon as we know.

Tax day is six weeks away and all 1099's should now be available; please let us know if you need any assistance or copies of documents and we are happy to help. Don't forget our Tax Tips tab on our website for forms and tips.

Talking about such mundane activities – going to a baseball game or filing a tax return – is in stark contrast to what is happening across the ocean today. It serves as a reminder to us that freedom isn't free and the Ukrainian people deserve our compassion and support as they fight for their country.

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Financial Planning

When financial uncertainty strikes—either because of personal job insecurity, losses of income, or local and national events such as economic recessions—many investors take a cautious approach to managing their money and shift their focus toward playing it safe and keeping their finances afloat until circumstances improve.

Although it is wise to exercise caution in the face of uncertainty, too many people respond to this uncertainty by putting their financial planning on hold. But pausing financial planning doesn't put you in a better position to come out of uncertain times stronger than you were before. In fact, financial planning can help you turn uncertainty into an opportunity to actually increase your financial security and take strong steps toward a brighter future. Here are some tips on how to approach the financial planning process in the face of these challenges.

Start by Setting (or Revising) a Budget
If you don't use a budget to manage your spending, it is time to develop one. A budget divided into spending categories can be a tool to help you manage your money, control spending, and even identify new opportunities to save. If you already have a budget, consider reviewing your spending limits to identify ways to scale back your spending. Look for opportunities to cut back on unnecessary expenses. You might also consider scaling back your budget even if you haven't suffered a loss of income. This proactive approach can pad your financial cushion in case financial uncertainty increases in the future.

Prioritize Your Emergency Fund
If you don't have a healthy emergency fund in place, now is the time to build it up. Emergency funds are designed to offer additional security in the event of financial emergencies that may develop during periods of economic uncertainty. Even if you have an emergency fund in place, you may consider building up your finances to give yourself extra padding to withstand unforeseen events. It is common for consumers to increase their cash reserves when they're anticipating economic recessions, losses of income, or other disruptions to their financial plans.

Polish Up Your Credit Score
One of the frustrations of taking out credit is that, when your score is in great shape, you probably aren't as dependent on credit to finance certain purchases. But when your financial circumstances change and you need to take out credit to bridge financial gaps, your credit score can drop, making it tougher to qualify for this credit. Take preventative action by getting your credit score in great shape before you need it. Pay bills on time, reduce your credit card balances, and check your credit report for errors. If you end up needing credit in the future, you'll start from a stronger position.

Don't Wait to Seek Out Help
If economic uncertainty has thrown your financial plans into disarray, don't wait until your finances unravel to seek out help. Give us a call at the office and we can review your current outlook and recommend adjustments to your financial planning with the ultimate goal of curbing—or even avoiding altogether—the financial problems you're worried about.

With our help and the Planning Portal (CLICK HERE), we can help you centralize your information, draw the big picture of your financial resources and the impact of spending, inflation, growth rates – everything you need to know to face down that uncertainty! If you haven't spent time with us creating that plan on your portal, please contact us at the office so we can get you started and you can sleep better at night knowing you are on track.

Tax Planning

Now that you are getting ready to file your taxes, or it you already have you might be wondering what to do with those stacks of old tax returns and other tax records. Can you just throw them away? Do you need to keep the hard copies? How can you get them out of sight and out of the way? Few people know how long they must keep various tax records, receipts, and full tax returns. Another question is how to safely store these documents without feeling like you are living like a hoarder. While some of those documents were important and needed to be kept, most should have been shredded and thrown away long ago.

According to the Internal Revenue Service (IRS), the length of time you should keep your tax documents will depend on the type of file you are talking about and what kind of transaction to which it relates. You will want to keep any tax records to support your income, various tax deductions, tax credit, and exemptions until at least the period of limitations for each tax return ends. If you aren’t a certified public accountant (CPA) or a financial planner, you are likely wondering, what the heck does that mean for me?

Period of Limitations

The period of time when you are still able to amend your tax returns to claim a tax credit, or refund, is called the period of limitations, according to the IRS. During this time, the IRS may still assess you with additional tax liabilities. Unless stated otherwise, a time period of limitations refers to years after the taxes were filed. Here are a few different time frames to consider holding on to those records for:

- Keep records for three years from the date you filed your original return or two years from the date you paid the tax, whichever is later if you file a claim for credit, or refund, after you file your return.
- Keep records for seven years if you file a claim for a loss from worthless securities or bad debt deduction.
- When you own property (house, rental property, cars), you should keep all tax records for at least three years after selling that property and filing the corresponding tax returns. That may include records for depreciation, amortization, or depletion deduction, all of which will figure into whether you are going to realize a gain or loss when you sell the property.
- Keep employment tax records for at least four years after the date that the tax becomes due or is paid, whichever is later.

With the help of technology, scanning, and cloud storage it is possible to keep copies of your filed tax returns indefinitely. Having access to copies of your older tax returns may help in preparing future tax returns and making computations if you need to file an amended return.

Once you have created digital files of your paper copies, don’t just throw your old returns into the garbage. There is so much personal information on your tax returns, your Social Security number, for example. You don’t want this information to fall into the wrong hands. Once you have scanned your tax documents, make sure to dispose of them in a secure manner. At the very least, shred them before throwing them in the trash. If you have questions on what you should keep or convert digitally, give us a call at the office!

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401(K) Allocation

There are trades.

This is a challenging market and the trades this month reflect a desire to lower the volatility in the allocation. We have seen daily swings in the markets as everyone digests the evolving situation in Europe; uncertainty breeds fear and fear means volatility, but you may have noticed some rather large positive days sprinkled in with the negative days! How is this possible when it feels like the world is a hot mess?

First, the US economy is still performing well, for all the challenges of the past few years. Secondly, we are now back in the phase of “bad news is good news”. The Ukrainian crisis is leading markets to expect a more dovish Federal Reserve than would have been anticipated at the beginning of the year. We have said often that the Fed and liquidity are what has driven our stock market and having priced in an aggressive removal of the liquidity that markets have enjoyed the past two years, the market is now adjusting that expectation.

Near-term, as events in Ukraine play out and we see what is next from Putin, expect bumpy days and bumpy markets.

Mar-22	Agg. Growth *100% Equity*	Growth	Moderate	Balanced	Conservative
	10%	**25%**	**40%**	**55%**	**80%**
Stable Asset - OR - Short Term Bond	*10%*	*20%*	*40%*	*55%*	*80%*
Total Return	*0%*	*0%*	*0%*	*0%*	*0%*
High Yield Bonds	*0%*	*0%*	*0%*	*0%*	*0%*
Inflation Protected Bonds	*0%*	*0%*	*0%*	*0%*	*0%*
	75%	**65%**	**50%**	**40%**	**20%**
Large Cap Growth	*30%*	*25%*	*20%*	*15%*	*5%*
Large Cap Value	*45%*	*40%*	*30%*	*25%*	*15%*
	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%*

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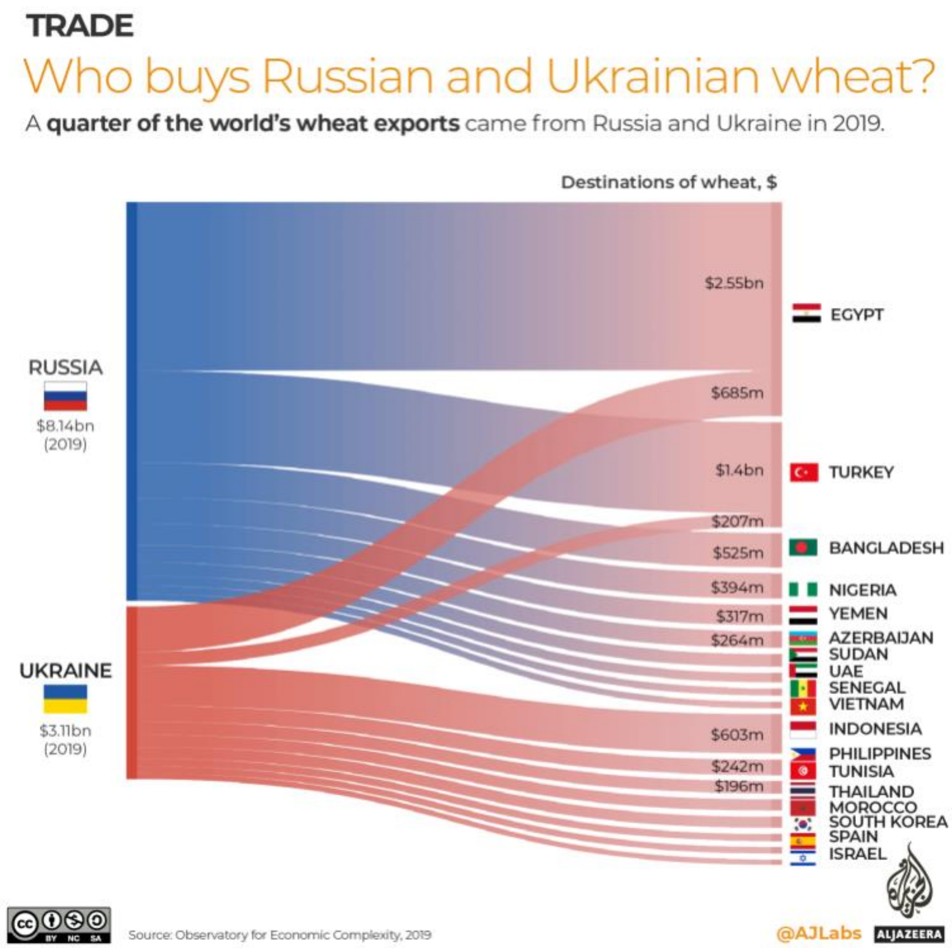
Graphic of The Month

Sure, Russia exports a lot of oil … but did you know they are also one of the largest exporters in the world of wheat? Between Russia and the Ukraine, they represent 25% of the worlds production of wheat. Your pasta is about to get more expensive.

Infographic: Russia, Ukraine and the global wheat supply

More than a quarter of the world's wheat exports come from Russia and Ukraine.
By Hanna Duggal and Mohammed Haddad - Published On 17 Feb 202217 Feb 2022

CLICK HERE



SOURCE: AL JAZEERA AND NEWS AGENCIES
https://www.aljazeera.com/news/2022/2/17/infographic-russia-ukraine-and-the-global-wheat-supply-interactive

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