Your Copperwynd Financial Newsletter: September 2023

Market Commentary

Market Update

By Corrina Olson

Just like those of us trying to make it through record-breaking summer heat, Wall Street was suffering through the dog days of August. August is historically a tough month for the market—and this year was no different.

Market Performance

At the beginning of the month, the U.S. government's credit rating was downgraded one notch (AAA to AA+) by Fitch Ratings. Rising debt at the federal, state, and local levels and a steady deterioration in standards of governance over the past two decades were the rationale. This downgrade, along with other factors, caused the U.S. treasury yields to move from below 4% to as high as 4.35% before ending August at 4.11%. The bond market volatility caused stocks to sell off for most of the first three weeks of the month before they staged a rebound in the final week.

The rebound was not enough though and the month ended with U.S. equities finishing lower as the S&P 500 and Nasdaq posted their first monthly declines since February. In June, we talked about a narrow number of stocks driving returns. These stocks have been nicknamed the "Magnificent Seven." They are responsible for over 75% of the Nasdaq gains in 2023 through July, but they saw mixed results for the month. The index declined for the month yet is still up over 42% YTD.

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Equities	August	YTD 2023
S&P 500	-1.63%	18.66%
Dow Jones	-2.04%	6.28%
Nasdaq	-1.48%	42.37%
Mid Cap	-2.97%	10.02%
Small Cap	-5.08%	8.87%
International Developed	-3.94%	10.99%
Emerging Markets	-5.90%	4.63%

Fixed Income	August	YTD 2023
Bloomberg Aggregate Bond Index	-0.63%	1.60%
High Yield Corporates	0.25%	6.69%

Source: *YCharts, 7/31/2023 - 8/31/2023, Total Return Data using SPY, DIA, IJH, IWM, QQQ, EFA, VWO, AGG, and JNK. YTD returns as of 8/31/2023.*

Economic Commentary

Attention turned to Jackson Hole towards the end of the month as the Fed met for the 46th annual Economic Symposium. In his Jackson Hole speech, Fed Chair Powell stated that while inflation has moved

down from its peak, it remains too high. July's headline CPI was in-line with expectations at +0.2% M/M and up 3.2% Y/Y compared to 3.0% in June. Chairman Powell made it clear that the two percent inflation target will remain in place and that they will need to see below-trend growth for a sustained period to be assured that inflation is on track. They are prepared to raise rates further if needed. We have already seen 11 interest rate hikes that have pushed the Fed Funds Rate to a target range of 5.25%-5.5%, the highest level in more than 22 years. In addition, the Fed has reduced its balance sheet to its lowest level in more than two years.

The Fed reinforced that they continue to remain data dependent and one of the reports they look at is the jobs report. The most recent report offered several signs that the job market is cooling after an extremely hot run. The Labor Department reported that the economy added 187,000 nonfarm jobs in August, slightly higher than expected. The department also subtracted 110,000 jobs from the June and July tallies. The unemployment rate unexpectedly rose to 3.8%. Rising unemployment is bad news for Americans, but for the Fed it means some demand has been taken out of the economy, helping ease price pressures. And we finally saw labor participation increase to 62.8% after being stuck at 62.6% for months. This was a bright spot in the report. The rise in the participation rate indicates that the labor market is loosening as more people enter the work force, so companies won't have to scramble as much for employees, and it will put downward pressure on longer-term wage inflation. These numbers make it likely that the Fed will not raise rates at the September policy meeting. However, this doesn't rule out another rate hike this year.

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Looking Ahead

There's still uncertainty over the extent to which the Fed's 11 rate hikes will ultimately weigh on economic activity. We have already seen banks toughen their lending standards, Americans put themselves in more debt, and soon student loan repayments will resume. This summer, we saw a lift in consumer spending thanks to Taylor Swift, Beyoncé and 'Barbenheimer'. But the end of those music tours in the U.S. and declining viewership for these films could lead to a "hangover effect" to consumer spending in the fourth quarter. All of this could all lead to Americans spending less and companies laying off workers if their bottom line is taking a hit.

It's also possible the job market holds steady as recession fears continue to fade, allowing businesses to address staffing shortages. There are still many companies who say they've been unable to fill a vacancy due to a shortage of skilled workers. And some companies have put hiring on hold due to fears of a recession. If fears subside and with the increase in labor participation, these companies may be able to staff up.

It remains to be seen how resilient the US economy will be in the coming months. We will continue to remain nimble in the portfolios so that we can navigate this ever-changing landscape.

As always, if you are concerned about your risk level, please reach out to us, and schedule a time to review your allocation and financial plan.

Schwab Transition

You may remember back in 2020 Charles Schwab & Co., Inc. bought TD Ameritrade. Throughout 2023, Schwab and TD Ameritrade will become one company solely under the Schwab brand. Your relationship with Copperwynd Financial will not change. Schwab automatically transferred your assets and holdings over Labor Day weekend 2023.

If you have not done so already, please establish your Schwab Alliance credentials. To set-up your Schwab Login ID and password, go to Schwab Alliance (schwaballiance.com) and select New Schwab User, then follow the prompts. You will be asked to provide your TD Ameritrade account numbers. Full account numbers are available on your monthly statements. If you need a full account number, please call the office and we can provide you with one for your account(s).

For more information about the transition, please visit https://welcome.schwab.com/. If you have any questions, please do not hesitate to contact our office at 480-348-2100.

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Do I need a trust?

By: Javier Jimnez

Are you charitably inclined? If so, you may consider the following tax-efficient strategies: a Qualified Charitable Distribution (QCD) or gifting appreciated securities.

A QCD allows an individual who is 70.5 years old or older to donate up to $100,000 per year directly to one or more eligible charitable organizations from an IRA. For someone who has reached their Required Minimum Distribution (RMD) age, a QCD helps to satisfy all or a portion of the RMD amount.

Below are 2 scenarios to illustrate the tax benefit for a retired married couple over the age of 70.5 filing jointly in 2023 taking their $110,000 RMD and donating $15,000 to an approved charity:

Take RMD and donate $15,000 in cash		
Taxable Social Security:	$	50,000.00
Annual RMD:	$	110,000.00
QCD:	$	-
Total income:	**$**	**152,500.00**
Schedule 1 Deductions:	$	-
AGI:	**$**	**152,500.00**
Standard deduction:	$	30,700.00
Taxable income:	**$**	**121,800.00**
Estimated taxes due:	$	17,411.00

Donate $15,000 as QCD & take remainder of RMD		
Taxable Social Security:	$	50,000.00
Annual RMD:	$	110,000.00
QCD:	$	(15,000.00)
Total income:	**$**	**137,500.00**
Schedule 1 Deductions:	$	-
AGI:	**$**	**137,500.00**
Standard deduction:	$	30,700.00
Taxable income:	**$**	**106,300.00**
Estimated taxes due:	$	14,111.00

Tax Savings:	**$ 3,300.00**

Another strategy is to gift appreciated securities from a taxable or non-retirement account to a charity. Most qualified charitable organizations will accept stock as a gift or donation. This works well when you own stocks with long-term capital gains (held for 1 year or more) that have appreciated in value. When you donate appreciated stock instead of cash, the stock's fair market value may be itemized as an income tax deduction, and you don't pay taxes on the appreciation. If you have extra cash on the sidelines, you can also buy additional shares of that stock to reset its cost basis.

You can also donate stock to a charity by way of a donor-advised fund (DAF). In this case, you can transfer the stock you wish to donate to the DAF and eliminate capital gains on the sale of the stock. You can decide at a later date what charity to donate the stock to.

There are a lot of moving pieces when it comes to tax strategies, so we suggest talking to your advisor for the recommendation best suited for your tax situation.

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Fraud Alert

By Myra Alport

There are endless worthy causes to support If you are charity minded. Before saying “yes” to a new donation request, take a brief pause to investigate whether a charity is legitimate. Charity fraud is on the rise by scammers who create fake charities or mimic legitimate charities to solicit donations in the form of cash, wire transfers, gift cards and cryptocurrency. While charity scams are widespread, they are especially prevalent after major disasters such as wildfires, hurricanes, earthquakes and other horrific circumstances.

As we have shared in previous newsletters, scammers pressure you to act right away. They may approach you via telemarketing calls, text messages or email phishing scams. You may be alerted on social media and crowdfunding platforms. Someone may even knock on your door! Here are some tips to protect yourself from fake charity scams:

- Avoid pressure campaigns of any kind. Legitimate charities will accept donations anytime.
- Verify and research. Ask for the exact charity’s name, address and website so you can independently confirm it. Ask for a call back number and verify online.
- Be wary of donations by way of gift cards or wire transfers. Once verified, pay with a debit or credit card so you can dispute the charge with your bank or credit card company if necessary.
- Protect your privacy. Release limited personal information if asked. A charity won’t ask for your SSN, date of birth or bank information.

Check out the following resources to help you avoid becoming a victim of charity scams:
- Charity Navigator
- Better Business Bureau Wise Giving Alliance
- Charity Watch
- The Internal Revenue Service website offers this searching tool of tax-exempt organizations.

International Charity Fraud Awareness Week is Nov 12-18, 2023, to increase awareness of fraud by promoting anti-fraud awareness and education.

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401(k) Allocation

By: Jake Eggett

No changes.

The main pillars that have driven this market higher remain in place:

1. Fed is at or near the end of its hiking cycle,
2. Lower inflation,
3. Economic growth remains resilient.

However, the U.S. economy is losing momentum. That's not debatable. What is debatable is whether that loss of momentum is limited and results in no recession/mild recession or a much deeper recession. For now, our base case continues to be a mild recession, but time will tell. We'll continue to follow the trends and remain nimble as things evolve over time.

We remain fully invested with stocks and continue to have an overweight of U.S. over International, Large Cap over Small Cap and Growth over Value.

The bond side remains fully invested as well. We continue to favor having a portion of your bond exposure in high yield or floating rate bank loans given the yields and trends of those markets.

As always, if you have any questions about how to rebalance your 401K, we encourage you to reach out to us!

Aug 2023

Asset Class	Description	Agg. Growth 100% Equity	Growth	Moderate Growth	Balanced	Conservative
Bonds / Cash		**0%**	**20%**	**40%**	**50%**	**70%**
	Stable Asset - OR - Short Term Bond	*0%*	*0%*	*10%*	*10%*	*15%*
	Bond Index	*0%*	*5%*	*10%*	*20%*	*30%*
	*Floating Rate Loans***	*0%*	*10%*	*10%*	*10%*	*15%*
	*High Yield Bonds***	*0%*	*5%*	*10%*	*10%*	*10%*
	Inflation Protected Bonds	*0%*	*0%*	*0%*	*0%*	*0%*
Large Cap:		**65%**	**55%**	**45%**	**35%**	**20%**
	Large Cap Growth	*35%*	*30%*	*25%*	*20%*	*10%*
	Large Cap Value	*30%*	*25%*	*20%*	*15%*	*10%*
Mid Cap:		**25%**	**15%**	**10%**	**10%**	**10%**
	Mid Cap Growth	*15%*	*10%*	*5%*	*5%*	*5%*
	Mid Cap Value	*10%*	*5%*	*5%*	*5%*	*5%*
Small Cap:		**10%**	**10%**	**5%**	**5%**	**0%**
	Small Cap Growth	*5%*	*5%*	*5%*	*5%*	*0%*
	Small Cap Value	*5%*	*5%*	*0%*	*0%*	*0%*
International:		**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%**

** If High Yield Bonds or Floating Rate Loans are not an option in your 401k, you can allocate that portion to either your Bond Index or Short Term bond fund

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