



COPPERWYND
FINANCIAL

OCTOBER 2017

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Market Commentary

It's finally here! Sub-100 degree days in Arizona? Snow falling in Utah? Yes to both of those, but more importantly, the much heralded tax reform bill.

Having failed to repeal, revise nor improve the Affordable Care Act, the Republicans and the Trump administration need a win this time. Given bi-partisan support for some version of tax reform, we would put the probability fairly high that some version of a bill will get approved, but as always the devil is in the details. Here are the highlights of what has been proposed:

Individuals.

- Total number of tax brackets to be simplified to 3 from the current 5 with the lowest bracket increasing from 10% to 12% and the highest bracket declining from 39.5% to 35%.
- The standard deduction would double, effectively eliminating the need for many people to itemize deductions.
- The child care tax credit would increase.
- The deduction for state and local taxes would be eliminated (which, if you don't itemize, you won't miss).
- Personal exemptions would be eliminated.
- Eliminate the Alternative Minimum Tax
- Eliminate the estate tax

He is proposing to retain the favorite deductions for retirement plan contributions, home ownership, charitable giving, and higher education but if the standard deduction doubles, it remains to be seen how many people will still be able to use these deductions anyway.

Corporate Taxes.

- Drop the current tax rate from 35% to 20%
- Make the maximum tax-rate on pass-through businesses (partnerships and SubS corporations) 25%
- Issue a one-time “repatriation tax” to allow corporations holding cash overseas to bring those funds back to the US at a favorable tax rate.



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Much negotiation will be going on behind doors before we see a final proposal. Then the real math of who wins and who loses will begin! The biggest winner right now appears to be small companies as the lower corporate tax rate and the pass-through rate decrease would help bolster the bottom lines for those firms. In fact, while the markets all took a nice positive ride in September, small cap stocks were the hands-down winner, while profit-taking in the technology and international sectors caused those sectors to lag behind. Happily, September proved a positive month for all markets with the DOW, NASDAQ and S&P all hitting all-time highs.

Flying a little more under the radar is the Federal Reserve's move to begin the process of thinning their balance sheet. If you recall from prior posts, due to all of the printing of money and buying of bonds by the Feds since 2008, their balance sheet sits at a hefty \$4+ trillion dollars. Starting next month, they will be to decrease that balance, which is effectively "quantitative tightening". Between that and an upcoming decision on who Trump will name as the next Fed Chairman – not believed to be Janet Yellin – the markets will have some key factors to digest going into the end of the year.

Will these markets cool off along with the temperatures now? Hard to say as the resiliency of the stock market this year has been remarkable, shrugging off any headline that would have ordinarily resulted in some selling – and we have had more than our fair share of negative headlines this year. With a PE (price:earnings ratio) of 25, this is not a cheap market so we will need to keep a wary eye on any change of momentum. For now, however, we will just enjoy the weather!

Market Metrics

	Sept. 30	Aug. 31	1 Year Ago
Dow Jones Ind. Avg.	22,405	21,948	18,308
S&P 500	2,519	2,474	2,168
Nasdaq	6,496	6,429	5,312
The Russell 2000	1,491	1,405	1,251
Developed International Markets	68.27	66.9	58.97
MSCI Emerging Markets	448	448	375
Bond Index	109.4	110.5	112.2
10 Year US Treasury Yield	2.34%	2.12%	1.6%
Gold (\$/oz75)	\$1,278	\$1,327	\$1,272



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Graphic of the Month

The Consumer Sentinel Network, maintained by the Federal Trade Commission (FTC), tracks consumer fraud and identity theft complaints that have been filed with federal, state and local law enforcement agencies and private organizations. The Center says there have been 956 breaches in 2017 so far (as of August 30) with 19.3 million records exposed. The business sector accounted for 57 percent of the 2017 breaches. These figures do not include the many attacks that go unreported. In addition, many attacks go undetected..

Number Of Data Breaches And Records Exposed, 2007-2016



(1) As of January 18, 2017.

Source: Identity Theft Resource Center.

College Planning Tip of the Month

October 1st, marks the opening of FAFSA submission window! The FAFSA is the first step in the financial aid process. It is used to apply for federal financial aid, such as grants, student loans, and work-study. Even if you don't think you are eligible for financial aid, you should still fill it out because many states and schools also use it to award non-federal aid. The FAFSA can be a complicated process, so here are a few mistakes to avoid:

1. Completing the FAFSA too late. Families have a higher probability of negotiating their financial aid packages if they submit FAFSAs earlier. Families should submit their FAFSA right after the October 1 release date. Don't delay it!
2. Assuming that you make too much money to fill out the FAFSA: As of 2016, \$2.7 billion in free federal aid went unclaimed because qualifying families did not submit the FAFSA. Many families assume they make too much money and don't apply.





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3. Failing to submit the FAFSA just because you lost your password to your FSA ID. Many families end up giving up on the FAFSA because they lose their passwords. It can take up to three days to reset a new password, but make sure you do.
4. Not checking “interested in work study” on your application. Students should check this box because it allows them on-campus work opportunities with tax benefits as a subsidy for college costs. Many don’t know what the term means so they ignore it, but it’s great supplementary income if you can manage it.
5. Assuming you’re an “independent.” Even if you pay your own bills, file your own taxes and even live by yourself, you may still fall into the category of a dependent student and must provide your parents’ financial information.

By avoiding these mistakes, hopefully it means more in the way of financial aid and options for your student.

Financial Planning Tip of the Month

Consumer protection varies when it comes to debit verses credit cards. In the modern banking age, a debit card is pretty much essential, cheaper and keeps you from racking up senseless debit. But by using a debit card exposes your entire bank account. If your debit card is stolen, the money that subsequently disappears comes directly out of your bank account. If you use a credit card, and it’s stolen, the lost money is the banks. Banks will have greater incentive to deal with a case if it involves their stolen money, instead of yours. Also, if a fraudulent charge is on a credit card, you can challenge it and have it cancelled. There’s little to no impact on your finances. If it’s on a debit card, money disappears from your bank account, and it could take weeks to get the money back. The danger of using a credit card, of course, is that balances accumulate to the point that it’s hard to pay them off, resulting in a continuing debt cycle. But if you use a credit card the way you would a debit-card, paying the balance down to zero each month, you’ll stay out of trouble.





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Your 401k Allocation

September brought everyone back to work and resulted in some profit-taking as technology and emerging markets – this year’s winning market segments – took a dip while those dollars rotated into the most underperforming market segment this year, Small Company stocks. The result for the 401K allocation is that we will follow suit with taking some of our profits in those areas and rotating some of the stock allocation into small cap stocks. Otherwise we remain fully invested on the stock side of your investments. On the bond side, we continue to take the most conservative approach by keeping your low risk investments in the short term bond / money market options in your plans. While this has lagged the bond index (AGG) this year – thus far – the potential for losses in bonds in a rising interest rate environment remain high. The last thing we want you to do is lose money in your safest investments!

As always, if you need assistance in getting your 401K accounts into position or have any questions regarding the allocation, please let us know!

October 2017					
		Agg. Growth	Growth	Moderate	Conservative
Bonds / Cash		10%	15%	35%	65%
	Stable Asset - OR - Short Term Bond	10%	15%	0%	35%
	Total Return	0%	0%	0%	30%
	World Bond	0%	0%	0%	0%
	Inflation Protected Bond	0%	0%	0%	0%
Large Cap:		37%	37%	30%	15%
	Large Cap Growth	30%	30%	25%	11%
	Large Cap Value	7%	7%	5%	4%
Mid Cap:		15%	12%	7%	5%
	Mid Cap Growth	10%	10%	7%	5%
	Mid Cap Value	5%	2%	0%	0%
Small Cap:		10%	10%	8%	5%
	Small Cap Growth	5%	5%	4%	3%
	Small Cap Value	5%	5%	4%	2%
International:		28%	26%	20%	10%
	Developed International	15%	15%	15%	10%
	Emerging Markets	13%	11%	5%	0%



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New and Noteworthy

- **October 10th – Phoenix Medicare Lunch and Learn Seminar – Copperwynd Offices**

We would like to invite you to an upcoming informational Lunch and Learn to hear more about Medicare and supplement options. The seminar will be presented by Howard Farkash, an independent agent and consultant specializing in Medicare Options. Lunch will be provided and you are welcome to bring a friend who may also need some help with Medicare options, but seating is limited, so please call the office to reserve your spot today!

- **November 9th, 2017: Women's Lunch and Learn – Retirement Planning– Gardner Village, West Jordan, Utah 12:00pm**

We invite you to join us for a continuation of our Women And Finances series as we introduce you to Retirement Planning basics. Please join us for lunch and feel free to invite a guest. If you would like to attend, please RSVP to Amy Diamond by email at adiamond@copperwyndfinancial.com or by calling us at the office, and we look forward to seeing you there!

- **November 10th – Utah Medicare Lunch and Learn Seminar – Gardner Village, West Jordan, Utah 12:00 pm**

We would like to invite you to an upcoming informational Lunch and Learn to hear more about Medicare and supplement options. The seminar will be presented by Tracy Weir, an independent agent and consultant specializing in Medicare Options. Lunch will be provided and you are welcome to bring a friend who may also need some help with Medicare options, but seating is limited, so please call the office to reserve your spot today!

- **Beat the Rush!**

In the next few weeks we will be starting our year end planning including RMD processing and charitable donations. If you need one of these taken care of before December 31st, and would like priority processing, give us a call today!

