



DECEMBER 2017

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“It’s liquidity that moves markets”

Market Commentary

What a year.

Of course, it’s not over yet but the final day of 2017 will be here before we know it. It seems to sneak up on us faster every year, doesn’t it? But we were perhaps distracted by more than our fair share of headlines this year and while the days have flown by it seems that getting anything done in Washington takes forever! We await the final vote and details of the tax reform bill as it comes out of the House and Senate conference committee.

When we reflect back on the events of the past twelve months, which one stands out to you as the pivotal moment in 2017?

- The confirmation of the 45th president of the United States, Donald Trump
- The “missile tests” conducted by North Korea’s Kim Jong Un with no less than two missiles flying over the country of Japan
- The devastation wrought by Mother Nature between the hurricanes in Texas, Florida and Puerto Rico and the worst fire season in California history
- The legislative agenda – attempting (twice failing) to repeal the Affordable Care Act and now waiting on tax reform
- The rise of both the Black Lives Matter and the Me Too movements

All of these events may have caught our attention and received plenty of air time, but the markets largely ignored all of it and marched steadily higher throughout the year. That wasn’t how it was supposed to play out. When I go back and look at the analysts’ forecasts for 2017, the over-riding themes were “higher dollar” “muted returns” “greater volatility”. I would like to point out the now obvious, that none of these things in fact occurred. How do we explain how mounds of data could support such projections and yet we get an unexpected result?

Liquidity. Stan Druckenmiller, (known in investing circles for having shorted the British pound along with George Soros and made a killing doing so) once stated:

“Earnings don’t move the overall market; it’s the Federal Reserve Board... Focus on the central banks and focus on the movement of liquidity... Most people in the market are looking for earnings and conventional measures.

It’s liquidity that moves markets.” (emphasis mine)



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We will expand more on this topic after the first of the year because we do see changes on the horizon. In the meantime, we continue to use our models to trade the markets we get, not the markets we think we ought to have, and you will find these have served you very well this year as most models remained fully invested over the course of 2017.

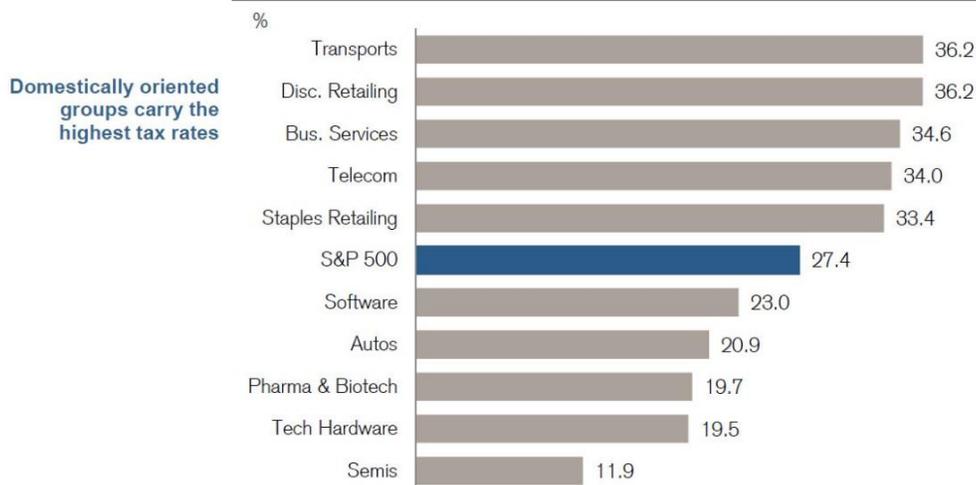
As this will be our last newsletter before the end of the year, let us wish you and your family the very best of holidays wherever and however you may celebrate at this time of year! Thank you for the trust you place in the team here at Copperwynd and we look forward to helping you with all your financial planning goals in 2018!

Graphic of the Month

While profit-taking is the likely culprit for some of the recent weakness in technology stocks, which have been on a tear this year, it could also be that this sector of the market will get the least “bang for the buck” when it comes to tax reform. Here is a look at who may be the biggest benefactors in the tax reform lottery given the proposed corporate tax decrease.

Effective Tax Rate – Industry Groups

Figure 1: Median Effective Tax Rate – Industry Groups



Source: Standard & Poor's, FactSet, and Credit Suisse. Based on median 3 year trailing GAAP effective tax rate



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Market Metrics

	Nov 30	Oct 31	1 Year Ago
Dow Jones Ind. Avg.	24,272	23,337	19,170
S&P 500	2,648	2,575	2,192
Nasdaq	6,776	6,728	5,445
The Russell 2000	1,512	1,503	1,314
Developed International Markets	69.4	69.63	56.71
MSCI Emerging Markets	461	466	351
Bond Index	109.08	109.47	108.02
10 Year US Treasury Yield	2.32%	2.38%	2.39%
Gold (\$/oz75)	\$1,279	\$1,276	\$1,152

College Planning Tip of the Month

Give the gift of education! If you're looking to make an impact in a child's life without buying the latest trendy toy, consider providing cash for a 529 plan. A 529 plan is a great way to save for college because contributions grow tax-deferred, and withdrawals are tax-free. Helping fund a 529 college savings account for a grandchild, friend or someone else doesn't just benefit them — it has potential tax savings for you. With the cost of education on the rise, the ability for parents to meet their college savings goals can seem out of reach. But you don't have to go it alone. Adding gifting as part of your college savings strategy can help reach those goals. For Arizona residents, Arizona offers a state tax deduction but those contributions must be made by December 31. Even small gifts today can grow into something big tomorrow.





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Financial Planning Tip of the Month

With the holiday season upon us, it can be tough to find the time to organize your financial life. While it may seem easier to simply push off your financial planning until next year and bundle it together with all of your other New Year's resolutions, there are a number of financial moves you can consider making before the end of the year.

1. Max out company retirement plan contributions. - \$18,000 maximum for 2017 with \$6,000 catch-up contributions for those age 50+
2. Review required minimum distributions and Roth Conversion opportunities failure to take your required minimum distribution could result in big penalties!
3. Defer and accelerate business expenses
4. Review estate plans and beneficiaries for any changes
5. Prepare charitable donations and planned giving before December 31st
6. Review health insurance and your health savings account, and your flex spending balances
7. Make any 529 contributions- several states offer tax deductions for your contributions but the amounts may be limited and deposits must be received by December 31!

It's never too soon to start thinking about next year! Review what worked for your financial plan in 2017, and what you can improve on in 2018. If you have questions on if you benefit from any of these tips, please give us a call! Also, if you live in Arizona, there are many state-specific tax credits which we have detailed below. As with any charitable contributions, all of these elections must be completed by December 31st of this year.

- AZ Military Family Relief Fund
<https://dvs.az.gov/military-family-relief-fund-2017>
- Qualifying Charitable Organizations (use to be Working Poor)
<https://www.azdor.gov/TaxCredits/QualifyingCharitableOrganizations.aspx>
- Qualifying Foster Care Charitable Organization (use to be rolled up with Qualifying Charitable Organizations, separate since 2015)
<https://www.azdor.gov/TaxCredits/QualifyingCharitableOrganizations.aspx>
- School Tax Credits
<https://www.azdor.gov/TaxCredits/SchoolTaxCreditsforIndividuals.aspx>
- School Tuition Organization for Scholarships to Private schools.
<https://www.azdor.gov/TaxCredits/QualifyingCharitableOrganizations.aspx>



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Your 401k Allocation

This time of year always makes for an interesting market as institutional investors reposition their portfolios to take profits, anticipate changes for the coming year, and of course try to also anticipate what may or may not be in the forthcoming tax reform bill and how that may impact investments going forward. Given the number of events creating some volatility, we are choosing to stand pat on the current allocations until the dust settles and we know what we need to know for next month. There has been some weakness in both emerging market stocks and technology stocks as lower oil prices and profit taking have respectively driven some sell-off in both areas of the market. We would expect that the oil production quotas agreed to by OPEC should provide a floor to the oil prices, and technology will continue to be the growth story going forward, but the tax bill could definitely shift market priorities going forward, so continued weakness could definitely lead to some changes in the January allocation! For now, go finish your Christmas / Hanukkah / Holiday shopping and baking and we'll let this settle itself out before making any changes!

December 2017					
		Agg. Growth	Growth	Moderate	Conservative
Bonds / Cash		10%	15%	35%	65%
	Stable Asset - OR - Short Term Bond	10%	15%	35%	35%
	Total Return	0%	0%	0%	30%
	World Bond	0%	0%	0%	0%
	Inflation Protected Bond	0%	0%	0%	0%
Large Cap:		45%	45%	38%	20%
	Large Cap Growth	38%	38%	33%	16%
	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:		20%	18%	12%	5%
	Developed International	7%	7%	7%	0%
	Emerging Markets	13%	11%	5%	5%



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New and Noteworthy

With the end of 2017 approaching quickly, we want to make you aware of several approaching year-end activities with potential tax implications for 2017, and the dates by which action must be taken in order to meet the TD Ameritrade processing deadlines. (December 31 falls on a Sunday this year.)

December 21st:

- All required minimum distribution forms must be received by December 21st to guarantee processing by the deadline of December 29th.
- Roth IRA Conversions: Clients must submit a Roth Conversion Form in good order by December 21, 2017. Forms received after that date will be processed on a best-efforts basis.
- Deadline for Removal of Non-Marketable Securities: To have non-marketable securities removed from your accounts by the end of the calendar year.

For all Charitable Gift Requests (Which also include tithing donations):

- December 18, 2017: Gift requests of mutual funds**
- December 21, 2017: Gift requests between accounts custodied at TD Ameritrade
- December 21, 2017: Gift requests of cash delivered via check and/or federal funds wire
- December 21, 2017: Gift requests of equities and fixed-income products to external accounts

If you have any questions about any of the dates listed or if you feel like you have any year end planning that you still need to accomplish, feel free to give us a call at the office and we will be happy to help!

