COPPERWYND FINANCIAL

MAY 2018

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"At the moment, this market has not picked a winner. Rally on a strong economy or head for safety until the headline risk from Washington settles down?"

Market Commentary

Much ado about nothing. That's how we would describe the daily dose of volatility we have experienced in the markets over the first 1/3rd of the calendar year. In 2017 we recorded a total of 8 days with a 1% move, either positive or negative, in the markets. Through the end of April, we had already witnessed 30 such days! And given that the annual average is 53 days of a 1% move, we appear to be well on our way to a record year for volatility. And the result all this noise? As of the close of April, the S&P was … almost exactly where it started the year, closing down 0.47%. So plenty of drama in the markets but very little in the way of results, one way or the other. What's driving this?

No surprise that it's headline news again out of Washington, whether it continues to be trade tariffs or now the dismissal of the Trump administration of the former nuclear agreement with Iran, there continues to be controversy coming out of the White House. But it is also this administration that pushed through some of the largest tax reform we have seen in a generation and that has provided ballast to the drama.

More than half-way through the earnings season, we have had earnings growth rates of 22.9% with 80% of the companies reporting having surpassed analysts' earnings estimates. And earnings outperformance was substantial, with companies surpassing average estimates by 9.4%. Unemployment numbers last week hit a new low of 3.9% and first time claims for unemployment continue to be at historic lows. As the economy continues to perform, we do keep an eye out for hints of inflation which would be a likely result of a hot labor market.

At the moment, this market has not picked a winner. Rally on a strong economy or head for safety until the headline risk from Washington settles down? We suspect we will continue to see this bipolar behavior throughout the year, so buckle your seat belts! In your portfolios here, several of our models continue to be in risk-off mode as the volatility triggered the move to safety. As you will see in our graphic this month, cash reserves throughout the country have been on the rise, so volatility has caught everyone's attention! Will those dollars flood back into the market when calmness returns to markets? Time – and our models – will tell!

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If you are looking for a diversion from the news and the markets, please join us for our 3rd annual soccer outing in Salt Lake City next month! Or tune in to the June newsletter for more on Erick's trip to Spain, where he has hopefully been able to relax and enjoy time with his family away from the financial markets. See the end of the newsletter for dates and details on the soccer match, and we hope to see you there!

Market Metrics

	Mar 29	Feb 28	1 Year Ago
Dow Jones Ind. Avg.	24,103	25,029	20,663
S&P 500	2,641	2,714	2,368
Nasdaq	7,063	7,273	5,914
The Russell 2000	1,529	1,512	1,382
Developed International Markets	69.68	70.27	62.38
MSCI Emerging Markets	483	480	397
Bond Index	107.25	106.77	108.41
10-Year Treasury Rate	2.74%	2.87%	2.42%
Gold ($/oz75)	$1,325	$1,319	$1,251

College Planning Tip of the Month

According to The College Board, the average cost of a public 4-year college in 2015 was $9,139 for in-state tuition. The average cost for a private college was $31,231. When you start plugging those numbers into the college savings calculator, suddenly you're supposed to start saving over $500 per month for your child. Building that into the budget along with your own retirement savings can be daunting if not impossible for most, so by following Robert Farmington's College Savings Order of Operations For Saving For Your Child's College, can help put things into perspective. The key phrase is **Y.E.S**.:

(Y) YOU: You have to make sure your own financial house is in order before you try to save for your child's college. If you can't make rent, or buy groceries, there are bigger issues to fix first. However, the YOU bucket also includes saving for your own retirement and making sure you have an emergency fund. You can't get a loan for retirement. Make sure you save for yourself first.

(E) Education Savings Accounts: If you've saved for yourself, next you can save for your child in Education Savings Accounts, like the 529 Plan.

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(S) Savings: After contributing some amount to the 529 plan or other education savings account, it's smart to save in a traditional savings account as well, in case there are other expenses you want to help your child with that don't qualify as education expenses.

It's simply important to remember that you don't have to save and pay for all their college. It's THEIR college - not yours. Plus, there are tons of ways for them to find help paying for school, from finding scholarships, to getting student loans. Working with a plan, having realistic expectations, and saving when possible all will add up in the end.

Financial Planning Tip of the Month

When we hear the word legacy, many of us think that it only applies to the rich and famous. It is important to remember that a legacy is the transfer of family goals, dreams, history and, yes, financial assets. There are many factors to consider when deciding how much to leave in an inheritance, and the best ways to pass along wealth to family.

1. Life insurance: The most economical way to leave an inheritance is always through the use of life insurance. Maintaining a life insurance policy into retirement lets you spend other assets and still pass along funds to beneficiaries. The good news, if you receive life insurance proceeds this amount is almost always tax-free. You will not have to report life insurance payouts received as taxable income on your tax return.
2. A trust: Trusts are legal arrangements that allow you to hold and pass on property and assets to beneficiaries, such as family members. You'll also designate a trustee to manage the trust. A key advantage of a trust is that it does not pass through probate, the legal process that ensures your debts are paid and assets distributed after you die. Probate can be expensive and time-consuming.
3. Inherited Stocks and Investment Accounts: For mutual funds or stocks that are not owned in retirement accounts or IRAs, the tax rules are different. Your value on these assets for tax purposes will be the value as of the deceased person's date of death. From that point, you will either have a capital gain or a loss depending on the value of the asset when you sell it.
4. Inherited IRA/401k Plans: Most retirement account money has not been taxed yet, so when you cash in this type of account the amount you withdraw is included on your tax return as taxable income. These funds are typically rolled into an inherited IRA account so that you only have to take what are called required minimum distributions each year. In many cases, this can allow you to stretch the income and taxes on your inheritance over your life-expectancy.

If you want to leave a meaningful legacy, you must have a plan. If you have questions on how to best structure your assets to leave to your family, give us a call today!

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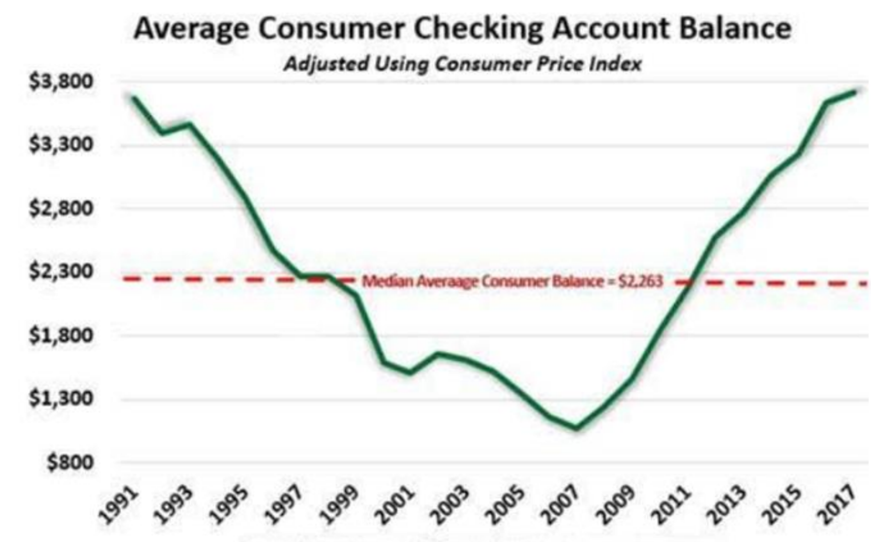
Graphic of the Month

When times are good, Americans feel confident by keeping little in checking, but when times are difficult consumers store money in checking accounts, effectively pulling back on spending on retail and restaurants.

Consumers had the least amount of money in their checking accounts in 2007, when times were good just before the Great Recession. In fact, they had on average less than $1,000 in their account. Since 2008, the checking account customer has been hoarding more money. And today? The average checking account customer has more than $3,700 stashed away. The median amount in checking accounts since 1991 is $2,263. “Anything lower than this signifies the economy is doing well,” Moebs said. “Anything above this indicates the economy is not doing well.”



Source: FDIC & NCUA CALL Reports & Moebs Services, Inc. © 2017

Your 401k Allocation

The end of April finds the major indices hovering right at the line between small losses or small gains – less than ½% in either direction! The only winning category is Technology where we have been overweight (via your Large Cap Growth option) for the past two years. What has happened as a result of this volatile, yet range-bound market, however is that 2 of our 3 risk-off models have lightened their stock exposure, as you have seen in the past few months. This continues to be the case and the only changes for your 401K this month result in a shift in “where” we are investing, not “how much” we are investing. Small company stocks managed a very good result this past month and are back to a “buy” so we will see that added to the portfolios across the board.

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As always, should you need any help re-allocating your portfolio, don't hesitate to call, we are here to help!

May 2018					
		Agg. Growth	Growth	Moderate	Conservative
Bonds / Cash		25%	40%	60%	75%
	Stable Asset - OR - Short Term Bond	25%	40%	60%	75%
	Total Return	0%	0%	0%	0%
	World Bond	0%	0%	0%	0%
	Inflation Protected Bond	0%	0%	0%	0%
Large Cap:		40%	35%	19%	15%
	Large Cap Growth	28%	22%	13%	10%
	Large Cap Value	12%	13%	6%	5%
Mid Cap:		10%	5%	5%	0%
	Mid Cap Growth	5%	5%	5%	0%
	Mid Cap Value	5%	0%	0%	0%
Small Cap:		15%	10%	8%	5%
	Small Cap Growth	10%	10%	8%	5%
	Small Cap Value	5%	0%	0%	0%
International:		10%	10%	8%	5%
	Developed International	5%	5%	5%	5%
	Emerging Markets	5%	5%	3%	0%

New and Noteworthy

- We are excited to announce the Utah Client Appreciation soccer game that we will be hosting this year again in Salt Lake City, Utah!
  - **Saturday, June 2nd, 2018 – Real Salt Lake vs. Seattle Sounders @ 7:30 PM at Rio Tinto Stadium.**

  Any client that will be in the area and like to attend this game with us, give us a call at 480-348-2100 or email adiamond@copperwyndfinancial.com and we will get you on the reservation list!