COPPERWYND FINANCIAL

NOVEMBER 2018

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*"Ultimately, your investments need to serve your long-term goals and needs."*

## Market Commentary

Election day looms on the immediate horizon. Earnings season was a mixed bag of great results and less-than-stellar forward guidance. Trade tariffs continue to dominate financial headlines. This, in a nutshell, created a very bumpy October for stock markets and served as a reminder that markets do not always march higher.

Is the party over? Well, the sugar high probably is – the boost earnings received from tax cuts and the very short-term high created by demand that was pulled forward in anticipation of increasing material costs resulting from the aforementioned trade tariffs. The markets got a little ahead of themselves and took a step back. The market leaders, technology stocks and small company stocks, took the brunt of the correction although still managed to stay in positive territory for the year. The same could not be said for the S&P and the DOW as both dipped into negative territory before closing out the month with some recovery and finishing slightly positive. Internationally, the bloodbath continued for emerging markets and developed markets haven't seen positive territory since this spring.

Fundamentally, there is still much about this economy that is functioning very well. Unemployment is now 3.7% and we have seen the best wage growth in over 9 years. Gross Domestic Product growth continues at a pace greater than 3%, which could put us on track to finish 2018 with GDP higher than 3% - a feat not accomplished in the past decade. Real estate sales continue on a very strong pace through much of the country, but we have seen some slowing in price increases and new housing starts – although not to anything approaching levels that concern us at this point. The housing market is still very much a seller's market with continued inventory levels below normal. In short, the market had a sharp pullback driven by higher interest rates and the trade war that we seem to be in, but the economic fundamentals still look strong and this now seems like a regular correction that we have seen many times during bull markets.

Ultimately, your investments need to serve your long-term goals and needs. Volatility such as we have experienced the past month is a gentle reminder to examine your risk tolerance and test the assumptions you have about the returns needed to satisfy your long-term plans. We have implemented new financial planning software this summer that we will be introducing to you during our upcoming reviews that will continue to help fine-tune that picture. As it is Long Term Care Month, know that part of your new financial plan will be to discuss that "post" retirement plan and how it influences your investment decisions.

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Don't forget that volatility can also be opportunity and we will see how our models reflect any changes. There has been some cash raised over the course of the month on the stock side of the portfolio, but our bonds remained fully invested in floating rate bonds, which has continued to be very supportive. In fact, there was a point during October that the "boring bond portfolio" I alluded to in last month's newsletter – was actually ahead of the stock market for the year!

By the time the next commentary is ready, we hope you will have enjoyed a true feast with family and friends and every reason to give thanks this year. We appreciate the faith you place in us to guide your financial plans and wish you a very happy Thanksgiving..

## Financial Planning Tip of the Month

Among 65-year-olds, 70% of them will use some form of long-term care in the years ahead. Buying long-term care insurance is one way to prepare. Long-term care refers to a host of services that aren't covered by regular health insurance. This includes assistance with routine daily activities, like bathing, dressing or getting in and out of bed. A long-term care insurance policy helps cover the costs of that care when you have a chronic medical condition, a disability or a disorder such as Alzheimer's disease. Regular health insurance doesn't cover long-term care, and Medicare won't come to the rescue, either. It covers only short nursing home stays or limited amounts of home health care when you require skilled nursing or rehab. It does not pay for custodial care, which includes supervision and help with day-to-day tasks.

If you don't have insurance to cover long-term care, you'll have to pay for it yourself. You can get help through Medicaid, the federal and state health insurance program for those with low incomes, but only after you've exhausted most of your savings. That may mean considering long-term care costs, either insurance premiums or self-funding, as an important part of any long-term financial plan, especially in your 50s and beyond. Whether long-term care insurance is the right choice for your family depends on your situation and preferences. Our goal over the course of 2019 is to explore this concept with each of you and see if it makes sense for your family's comprehensive financial plan. If this is something that you would like to review with us before your annual review, please do not hesitate to reach out to us!

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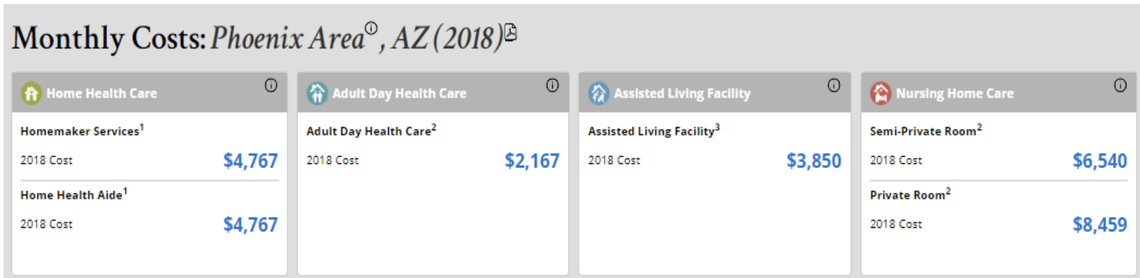
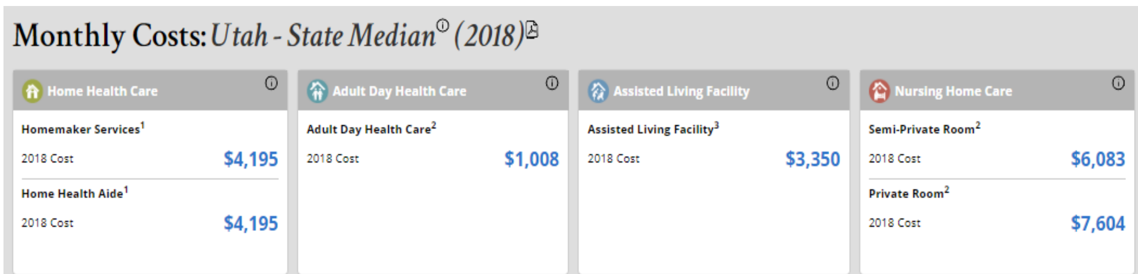
## Graphic of the Month – Median Costs of Long Term Care



Monthly Costs: *Phoenix Area, AZ (2018)*

| Home Health Care | | Adult Day Health Care | | Assisted Living Facility | | Nursing Home Care | |
|---|---|---|---|---|---|---|---|
| Homemaker Services[1] 2018 Cost | $4,767 | Adult Day Health Care[2] 2018 Cost | $2,167 | Assisted Living Facility[3] 2018 Cost | $3,850 | Semi-Private Room[2] 2018 Cost | $6,540 |
| Home Health Aide[1] 2018 Cost | $4,767 | | | | | Private Room[2] 2018 Cost | $8,459 |



Monthly Costs: *Utah - State Median (2018)*

| Home Health Care | | Adult Day Health Care | | Assisted Living Facility | | Nursing Home Care | |
|---|---|---|---|---|---|---|---|
| Homemaker Services[1] 2018 Cost | $4,195 | Adult Day Health Care[2] 2018 Cost | $1,008 | Assisted Living Facility[3] 2018 Cost | $3,350 | Semi-Private Room[2] 2018 Cost | $6,083 |
| Home Health Aide[1] 2018 Cost | $4,195 | | | | | Private Room[2] 2018 Cost | $7,604 |

Source: Genworth

## Your 401k Allocation

Not surprisingly, the volatility of October has issued a risk-off alert for November. In capturing 3 consecutive positive days last week, this isn't an easy change to make, but we are peeling off a little bit of risk here. The biggest shift really comes from lightening the small cap and large cap growth and shifting toward large cap value stocks. Large company growth stocks – dominated primarily by technology companies – have been the market overperformers going on two years now. It is not uncommon in late stage bull markets for that shift to large value-oriented (think dividend paying in most cases) stocks to take over the leadership role. Is that time upon us? Well, we're adding to Value for the first time in a very long time, so we will have to see if that trend persists. It may also be a short-term reaction to the volatility we experienced in October and it's game back on to finish the 4th quarter! Time will tell –

As always, if you have any difficulty in setting up your allocations, please don't hesitate to give us a call.

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| November 2018 | | | | | |
|---|---|---|---|---|---|
| | | Agg. Growth | Growth | Moderate | Conservative |
| Bonds / Cash | | 10% | 20% | 50% | 75% |
| | Stable Asset - OR - Short Term Bond | 10% | 20% | 50% | 75% |
| | Total Return | 0% | 0% | 0% | 0% |
| | World Bond | 0% | 0% | 0% | 0% |
| | Inflation Protected Bond | 0% | 0% | 0% | 0% |
| Large Cap: | | 60% | 55% | 36% | 18% |
| | Large Cap Growth | 40% | 35% | 25% | 8% |
| | Large Cap Value | 20% | 20% | 11% | 10% |
| Mid Cap: | | 20% | 17% | 9% | 5% |
| | Mid Cap Growth | 5% | 7% | 0% | 0% |
| | Mid Cap Value | 15% | 10% | 9% | 5% |
| Small Cap: | | 10% | 8% | 5% | 2% |
| | Small Cap Growth | 10% | 8% | 5% | 2% |
| | Small Cap Value | 0% | 0% | 0% | 0% |
| International: | | 0% | 0% | 0% | 0% |
| | Developed International | 0% | 0% | 0% | 0% |
| | Emerging Markets | 0% | 0% | 0% | 0% |

## Notable and Quotable

It is not too early to begin RMD planning! Beat the rush and take care of your 2018 RMD before the hustle and bustle of the Holiday Season! Give us a call at the office to complete your distribution today!