



## In This Issue

Monthly Market  
Commentary

What in the World  
is an Equity  
Indexed Annuity?

Contacts/Events

Cayle's Connection

We're Listening...

The Screaming Eagles

## Quote of the Month

"The hardest thing to  
understand in the world  
is the income tax."

– **Albert Einstein**

## Financial Trivia

What two women  
have appeared on  
U.S. coins?

*(See page two for answer)*

## Monthly Market Commentary — Jeffery E. Townsend, CRPC®, CEA®

To some (mostly the uninformed) there is a belief that end times are near. Unemployment is soaring, corporate profits are plunging, dividends are diminishing, and government bailout plans are too many to mention and growing by the day. Insurance sales people, who hold themselves out to be senior financial advisors, are coming out of the wood work pitching products that promise that policy holders make money when the market is up and they can't lose money when the market is down. Please remember, if it sounds too good to be true it probably is or at the very least, you better do lots of home work before investing. Be sure to read this month's featured article, written by Terri Ashton, for the low down on these so called miracle products.

Despite the recent rally we saw in March, there is a strong case that we could see the markets flirt with 600 or even lower on the S&P 500 and that we are far from being out of the woods. This is based on the possibility of corporate earnings dropping another 20% or so. A level of 600 or lower on the S&P 500 is certainly possible when one considers consumer confidence. Is it probable? No one knows for sure, but one consideration is the levels of cash that the non-financial firms in the S&P 500 stock index are sitting on. According to Goldman Sachs' calculations, these companies are sitting on over \$800 billion in cash. This along with corporate buy back of their own stock running 35%

### Relative Strength of the Market:

**NEGATIVE**

below their levels a year ago (*source: Wall Street Journal*) tells me that these firms are expecting their share prices may go down even lower.

Some people may think the market bottom is behind us, but I think there is one more leg to go in this bear market. Before we see a sustained market recovery, we need to feel confident that there has been sufficient progress in the financial markets. There have been numerous proposals on additional fixes which has rallied the markets; however, we need to see some actual action. Keep in mind, this is a global problem and we'll need to see the rest of the world make some positive moves as well. This last leg will probably be the general public throwing in the towel. Can you relate to this?

What this means to our clients is that we are looking for an opportunity to lower our equity holdings even more where possible. We also plan on increasing our bond holdings with most of the increase going for corporate bonds. If you recall, corporate bonds were down last year due to credit concerns. Because of this, I feel today's corporate bond yields look extremely attractive especially compared to other investments available and I believe much of the risk has been flushed out.

*(continued on next page)*

Have retirement and/or financial questions?

Please e-mail your questions to [Jeff@TownsendRetirement.com](mailto:Jeff@TownsendRetirement.com) and we'll address them in future newsletters.

## Newsworthy Items

If you would like to receive our monthly newsletter via e-mail please visit our website: [www.TownsendRetirement.com](http://www.TownsendRetirement.com) and subscribe for electronic delivery.

### 401(k) recommendations are now available on our website.

We have been diligently working towards developing a web based 401(k) recommendation system that will give you our current allocation recommendations specific to your employer's retirement plan. I'm pleased to announce this system is now available on our website under the 401(k) Help tab located at the top right of our home page. You will need to contact our office for your password. If you don't see your employer listed please contact our firm so we can add it to the list.

### Lower the cost of your homeowner's insurance.

Raising your deductible on your insurance policy to \$2,500 from \$250 can possibly cut your premiums by 25% a year. Call your agent to see how much you may save.

### Now is a good time to shop your life insurance.

Insurance companies are cutting premiums, even for many older buyers. Today a healthy 50-year-old man can potentially save over 30% per year. For quotes, please e-mail: [Jeff@TownsendRetirement.com](mailto:Jeff@TownsendRetirement.com)

## Answer to this month's financial trivia question:

Susan B. Anthony and Sacajawea both appeared on the U.S. \$1 coin.

## Monthly Market Commentary — Continued

I am here to tell you that the sky is not falling and this too will pass. It's true that we have seen the largest market decline in our lifetime; however, I believe that we will also experience tremendous opportunities when the market eventually recovers. In the meantime, it will be important not to panic while, at the same time, not getting lured back into the market too soon. We've been fortunate that we have not seen our portfolios decline as much as the market.

With such a conservative position, should the market find new lows, we will be in a good position to take advantage of good buying opportunities. I know that this is nerve racking, but keep the faith. I still feel that our relative strength of the market will improve before the end of the year and nothing will help you recover faster than being in equities (stock).

### Market Commentary:

Sign up for our free weekly market returns on our web site by selecting the **Market Commentary** button at [www.TownsendRetirement.com](http://www.TownsendRetirement.com)

Do you know anyone who would enjoy our monthly newsletter? Please send them to our website [www.TownsendRetirement.com](http://www.TownsendRetirement.com) and have them sign up for our FREE monthly newsletter.

Do you know anyone who could use our help? If so, do your friend a favor and invite them to one of our workshops or have them call us for a complimentary consultation.

If you have any questions or concerns about your accounts, like always, you are invited to call us. If for some reason you are not able to speak with your advisor, please feel confident in speaking with Tiffany Brown or Debbie Macey, our research and planning specialists.

## What in the World is an Equity Indexed Annuity?

— by Terri Ashton, CRPC®

Over the past few weeks we have had several clients call and ask "What is an Equity Indexed Annuity" and should I own one? You have probably been overwhelmed by "junk" mail promising you no market loss, while participating in the upside potential of a certain index like the S&P 500. Sounds great huh? **Not so fast!** Let's take a closer look at this very complicated product.

Over the years, this product has been under intense scrutiny by the Securities Exchange Commission and FINRA.

### Why an Alert on Equity-Indexed Annuities?

Sales of **equity-indexed annuities (EIAs)** have grown considerably in recent years. Although one insurance company at one time included the word "simple" in the name of its product, EIAs are anything but simple. One of the most confusing features of an EIA is the method used to calculate the gain in the index to which the annuity is linked. To make matters worse, there are not one, but several different indexing methods.

**EIA's** are very complex financial products that have long surrender periods that vary from 7 to 14 years. If you surrender your policy prior to these periods, you are hit with very hefty penalties starting in the range of 25%. And while it sounds great not to lose money, **ESPECIALLY** in this market, the upside potential in these products are short of mediocre.

(continued on next page)

**What in the World is an Equity Indexed Annuity?** — *Continued*

**How is an EIA's index-linked interest rate computed?**

The index-linked gain depends on the particular combination of indexing features that an EIA uses. The most common indexing features are listed below.

**Participation Rates.** A participation rate determines how much of the gain in the index will be credited to the annuity. For example, the insurance company may set the participation rate at 80%, which means the annuity would only be credited with 80% of the gain experienced by the index.

- **Spread/Margin/Asset Fee.** Some EIAs use a spread, margin or asset fee in addition to, or instead of, a participation rate. This percentage will be subtracted from any gain in the index linked to the annuity. For example, if the index gained 10% and the spread/margin/asset fee is 3.5%, then the gain in the annuity would be only 6.5%.
- **Interest Rate Caps.** Some EIAs may put a cap or upper limit on your return. This cap rate is generally stated as a percentage. This is the maximum rate of interest the annuity will earn. For example, if the index linked to the annuity gained 10% and the cap rate was 8%, then the gain in the annuity would be 8%.

**Indexing Methods.** There are several methods for determining the change in the relevant index over the period of the annuity. These varying methods impact the calculation of the amount of interest to be credited to the contract based on a change in the index.

- **Index Averaging.** Some EIAs average an index's value either daily or monthly rather than use the actual value of the index on a specified date. Averaging may reduce the amount of index-linked interest you earn.
- **Interest Calculation.** The way that an insurance company calculates interest earned during the term of an EIA can make a big difference in the amount of money you will earn. Some EIAs pay

simple interest during the term of the annuity. Because there is no compounding of interest, your return will be lower.

- **Exclusion of Dividends.** Most EIAs only count equity index gains from market price changes, excluding any gains from dividends. Since you're not earning dividends, you won't earn as much as if you invested directly in the market.

**High Commissions:** Because this product ties your money up for a long period of time, the agent selling this is generally making a high commission. Commissions can be as high as 14% in some cases. So, you can see why someone would want you to purchase this product. If you had \$100,000 the agent would make \$14,000. WOW!!!

**View the undercover investigation from Dateline called; *Tricks of the trade***  
A Dateline hidden camera investigation to see what insurance agents say—and what they don't—when they think they are alone with a senior at: [www.msnbc.msn.com/id/24095230/from/ET](http://www.msnbc.msn.com/id/24095230/from/ET)

And lastly there is some good news on the horizon! The SEC is adding rule 151A meaning that as of January 2011, this rule will require all agents selling these products become securities licensed. Not soon enough in our opinion, but it is a step in the right direction.

For more information on these very complex products, you can visit [www.finra.org](http://www.finra.org), or the Securities Exchange website at [www.sec.gov](http://www.sec.gov). And, as always, you are welcome to call our office for more information as well.

(Equity indexed annuities are long term investments subject to possible surrender charges and 10% IRS early withdrawal penalty prior to age 59½?. Current Minimum return, principal value and prior earnings guaranteed by the issuing insurance company, subject to their claims paying ability, and contract provisions.)

**Newsworthy Items**

**Investors beware.**

The alliance for Investor Education offers tips on preventing financial fraud. To avoid Madoff-like Ponzi schemes go to [www.investoreducation.org/ponzischemes](http://www.investoreducation.org/ponzischemes).

**Pensions fall victim to the market downturn.**

According to Mercer, a benefits consulting firm reported that pension plans sponsored by the largest 1,500 U.S. companies went from a surplus of \$60 billion at the end of 2007 to a \$409 billion deficit at the end of 2008. As a result, many companies are freezing their plans. This could mean that retirees at companies with underfunded pensions may have their benefits reduced.

**401(k) balances are down.**

According to Fidelity Investments, the average worker account balance dropped from \$69,200 to \$50,200 in 2008. The average contribution was \$5,600. With pensions becoming a thing of the past it's more important than ever to be saving into your employer's 401(k) plan even if there is no matching. For every \$5,000 of supplemental income needed each year in retirement will require about \$100,000 of retirement savings.

**Make sure your beneficiary designations are up to date.**

The U.S. Supreme Court recently ruled that a company had to pay a deceased worker's retirement plan to his ex-wife.

**Attention Golfers**

Remember to call **Terri Wolfe** at **303-452-5986** to arrange your tee times at either Legacy Ridge or Heritage Golf Courses. Make arrangements to golf with your advisor and be sure to invite your referral friends. Our corporate membership allows us to schedule a foursome every day.

# Townsend

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## APRIL 2009 RETIREMENT REPORT

(303) 452-5986 office  
(800) 578-9896 toll-free  
[www.TownsendRetirement.com](http://www.TownsendRetirement.com)

### Information:

For Policy Changes, Account Information,  
New Accounts or Roll-Over Paperwork:

**Erin Buis X 202**

**Kendra Dudden X 216**

For Performance Results, Profile Updates  
or Questions on Your Accounts:

**Tiffany Brown X 209**

**Debbie Macey X 206**

For Scheduling Appointments or Golf:

**Terri Wolfe X 203**

For Client Billing:

**Tami White X 229**

### We have new e-mail addresses starting February 1, 2009.

Please be sure to update our addresses if you have them saved in your e-mail contact address book.

**Jeff Townsend** .....Jeff @TownsendRetirement.com

**Terri Ashton** .....TerriA@TownsendRetirement.com

**Tiffany Brown** .....Tiffany@TownsendRetirement.com

**Erin Buis** .....Erin@TownsendRetirement.com

**Kendra Dudden** ..Kendra@TownsendRetirement.com

**Annette Gomer** ..Annette@TownsendRetirement.com

**Christine Kaneta** Christine@TownsendRetirement.com

**Shawn Kelly** .....Shawn@TownsendRetirement.com

**Deborah Macey** .Deborah@TownsendRetirement.com

**Alex McCoy** .....Alex@TownsendRetirement.com

**Ryan Richardson** ..Ryan@TownsendRetirement.com

**Cayle Townsend** ...Cayle@TownsendRetirement.com

**Tami White** .....Tami@TownsendRetirement.com

**Terri Wolfe** .....Terri@TownsendRetirement.com

The old e-mail addresses (i.e. **jtownsend@myplanningpartner** etc.) will be active until the end of the year.

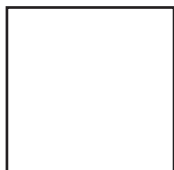
2761 West 120th Avenue, Suite 200, Westminster, CO 80234

Telephone: 303-452-5986 Toll Free: 800-578-9896 Facsimile: 303-452-5989

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Jeffery E. Townsend and Shawn R. Kelly, Registered Principals; Terri L. Ashton and R. Alexander McCoy,  
Registered Representatives. Advisory Services offered through Townsend & Associates Inc., DBA Townsend  
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2761 West 120th Avenue  
Suite 200  
Westminster, CO 80234

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## APRIL 2009 RETIREMENT REPORT

### Cayle's Connection — Cayle Townsend

**Denver Botanic Gardens** has their 2009 calendar of events posted. From art exhibits, spring plant sales, concerts, classes to lectures—they have it all!

[www.tinyurl.com/cxrzxy](http://www.tinyurl.com/cxrzxy)

April 1 - 5 at the Colorado Convention Center is the **Denver International Auto Show**. See all the new 2009 models, 2010 intros, concept cars, and the latest in tricked-out cars. I'll bet my husband finds his way to this show!

[www.denverautoshow.com](http://www.denverautoshow.com)

**Tang Concubines** plays April 7 - 19 at the Buell Theatre. This is supposed to be one of the most incredible shows to play in Denver in a while.

[www.denvercenter.org](http://www.denvercenter.org)

**Bruce Springsteen and the E Street Band** come to the Pepsi Center April 10. Tickets are available through Ticketmaster.

[www.ticketmaster.com](http://www.ticketmaster.com)

Play Ball! April 10 is the **Colorado Rockies home opener** at Coors Field.

[www.coloradorockies.com](http://www.coloradorockies.com)

April 12 is Easter. **Red Rocks** is the setting for one of the most spectacular sunrise services in the city.

[www.tinyurl.com/cd8sgd](http://www.tinyurl.com/cd8sgd)

Don't miss Denver's premier events for wine lovers—the **Ninth Annual DAM Uncorked Wine Tasting** on April 17 and the **DAM Uncorked Dinner and Auction** on April 18. Enjoy more than 400 wines from vintners around the world, helpful tasting guides, and delicious hors d'oeuvres at this annual fundraising event.

[www.tinyurl.com/cn73tg](http://www.tinyurl.com/cn73tg)

Take a trip! On April 18 experience the psychedelic era through 300 rock posters and the music, art, and culture that inspired their experimental design at the

**Denver Art Museum**

[www.tinyurl.com/ctuzhs](http://www.tinyurl.com/ctuzhs)

**Jerry Seinfeld** brings his comedy to the Paramount Theatre April 24. For more information, visit:

[www.tinyurl.com/de4ndn](http://www.tinyurl.com/de4ndn)

April 26 is this year's **Cherry Creek Sneak**. Nellie and I walked in this last year and had a great time.

For more information, visit:

[www.cherrycreeksneak.com](http://www.cherrycreeksneak.com)

On April 30 you can dine out and help **Project Angel Heart!** Participating restaurants donate 25% of their food sales from breakfast, lunch and dinner to

**Project Angel Heart** on the last Thursday in April.

For more information for *Dining Out For Life* and a listing of all restaurants visit

[www.projectangelheart.org](http://www.projectangelheart.org)

Boulder Dinner Theatre is presenting an interesting duo... **NUNSENSE and NUNSENSE A-MEN**

March 13 - May 23. [www.theatreinboulder.com](http://www.theatreinboulder.com)

On stage at the **Arvada Center** is **Avita** from April 21 - May 17. [www.arvadacenter.org](http://www.arvadacenter.org)

**A couple of discounts for you:**

**Garden Country** has been our choice for a local nursery and for our landscaping needs. The owner Don is offering you **\$10 off a \$50 purchase**. They are located on 120th across the street from Bradburn Village (4181 W. 120th) in Broomfield. Bring this newsletter and say hello to Murphy the dog!

One of Jeff's favorite places for breakfast and lunch is the **Delectable Egg** on 120th and Huron. Manager David will **give you 20% off your tab**. *Bring this newsletter and find out what makes this an office favorite.*

**As always, suggestions and recommendations are welcome! Happy Spring!**

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## We're Listening ... — by Shawn R. Kelly

First, we want to thank everyone for their participation in our annual client survey we conducted at the end of 2008. The information gathered from the survey is crucial for both your success and ours. Our overall performance was very high, but we know there is room for improvement. We received a lot of positive feedback—but we also received some suggestions that we want to address. It is our ultimate goal to provide you with a *First Class Experience*, and when you take full advantage of the services we offer, we believe that your experience with Townsend Retirement Specialists can be very fulfilling. Here are some areas that were discussed, and changes that have been made due to your responses.

### COMMUNICATION

*Not enough, infrequent, super contact*

- Weekly Market Updates
- Monthly Newsletters
- Quarterly Webinar
- Annual Client Conferences
- Annual Profile Updates
- Open phone lines—and the addition of our Planning and Research team
- Face-to-face meetings—with added meeting times for increased availability

### TEAM EXPERTISE

*Questions on licensing, excellent trained staff*

- Staff comprised of educated, licensed and talented professionals.

- Designations—CRPC®, CFP®, CEA® and licensing includes multiple Securities and insurance with ongoing certification and required annual continued education.

### GO GREEN

*Electronic newsletters, less mail*

- E-Newsletter option vs. receiving paper newsletter in the mail
- Phone tree notifications vs. mailings for reminders or updates
- Website for up-to-date information including archived webinars, monthly newsletters, weekly commentary and current reports.

### 401(k) HELP

*Pre-retirement help while still working*

- Development of 401(k) on-line recommendations while you are still working for our planning clients
- Annual profile updates

While our survey is sent annually, we are constantly researching and striving to find the most up-to-date way to deliver information in a timely fashion to keep you fully informed. We are open for suggestions and interested in your comments.

The survey results are located on our website at [www.TownsendRetirement.com](http://www.TownsendRetirement.com).

*Thank you for the opportunity to earn your continued trust and confidence.*

## The Screaming Eagles — Ready to Ride? We need your e-mail address!

The Screaming Eagles will begin organized rides starting the second Saturday in May and continuing through October (weather permitting). If you're interested, simply meet at Caribou Coffee on 120th and Federal (by my office) at 7:30 AM on the day of the ride.



We are planning a trip to the Grand Canyon on Wednesday, June 17th through Saturday, June 20th. If you can join us, please e-mail me at [Jeff@TownsendRetirement.com](mailto:Jeff@TownsendRetirement.com) by April 15th so I

can make hotel reservations. Everyone will be responsible for their own expenses.

Contact information and ride maps are sent via e-mail. If you will be riding with us this year, please send your current e-mail address to:

**Tami@TownsendRetirement.com**, so that we can keep you posted on the status of the Rides.

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