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Quote of the Month

"There are no such things as limit to growth, because there are no limits to the human capacity for intelligence, imagination, and wonder."

– Ronald Reagan

Financial Trivia

What was the best single year increase on the Dow Jones?

(See page three for answer)

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

I'm sure that you have heard the old saying, "The stuff that doesn't kill you will make you stronger." Well, whoever came up with this saying probably hadn't lived through a market that we have, and are living through. While many of us are aware of Warren Buffett's investment strategy "be greedy when others are fearful," which is much easier said than done. When one thinks that things can't get worse it seems like it does.

Volatility is up and rationality seems to be down. Stocks soar and sink from what seems to be from hour to hour. This market volatility may have you questioning everything that you thought you knew about investing. There is plenty of reason to be afraid to be sure, but I believe that where there is fear there is, or at least, will be opportunities for those who don't buckle under stress.

So why is this particular bear market so crazy? In part, it's been due to technology which executes trades in microseconds. Hence the reason for huge market swings in the final minutes prior to the market close. Another thing is that many investors do not sufficiently understand the short term risk of the market. This is especially true for those who, rather than having a diversified portfolio chase returns.

I've recently talked with some clients who think the answer to stock volatility is to invest in individual corporate bonds.

It's true that many corporate bonds are offering very attractive yields but what one may not understand is that there is plenty of risk in doing this. First, it's difficult to get proper diversification amongst more than a couple of companies unless you have a substantial portfolio. Second, even if you own individual bonds the prices fluctuates daily. If you hold the bonds to maturity you will not always receive 100% of your original investment back. This is due to the fact you may have paid above par for them. Another risk is the solvency of the company that issued the bond. Even if the company is solvent the company could call the bond and issue new bonds at a lower interest rate.

So you may be thinking why not invest in government bonds, after all this is the safest way to go. You would certainly think so; however, with so many investors flocking to government bonds we are seeing these securities trading at a premium which is dropping the yield. The talk about deflation has recently caused other alternative government investments which seek to protect against inflation to drop in price. However, I believe there will be opportunities with these investments as inflation will start to reappear when the government will need to print more money. Ok then, if corporate and government bonds won't work for you why not simply put your money in a bank savings or CD account? I have always believed that for money that you

(continued on next page)

Have retirement and/or financial questions?

Please e-mail your questions to Jeff@TownsendRetirement.com and we'll address them in future newsletters.

Newsworthy Items

Equity Index Annuities (EIAs) to be regulated as securities in 2011. SEC Chairman Christopher Cox said the action was long over due to provide protection for investors of whom many are seniors by providing full disclosure. Surrender charges can be as high as 15% to 20% and surrender periods can be as long as 15 years. The abusive marketing of these products were sparked by an NBC "Dateline" segment.

Need help with your 401(k) allocations? We have provided help to our clients who are still working and have their 401(k) for some time. The reallocations we made in December to your accounts should be reflected in your 401(k) as well. If you have not reallocated your 401(k) to coincide with your allocations in your accounts with us please give us a call. We are here to help. If you know any friends or colleagues who need our help please have them call us as well.

Very Wrong—Stock strategist James Finucane predicted on March 24, 2008 that the Dow, then at 12,361, would rise to at least 18,000 within a year really missed the mark. Finucane became well known by correctly calling the rally that followed October 1987 market correction. (Source: *Barron's*)

Scandal—An article questioning Bernie Madoff's investment strategy, titled *Don't Ask, Don't Tell*, appeared in print on May 7, 2001, 7½ years before his Ponzi scheme was discovered. When asked about the investment policy that he utilized, Madoff replied "it's a proprietary strategy and I can't go into it in great detail." (Source: *Barron's*)

Monthly Market Commentary — Continued

may need in its entirety within 5 years should be kept in cash, but holding cash long term may cause a shortfall in your long-term objectives like retirement. When you consider today's low interest rates and then back out inflation and taxes you are faced with a negative net return.

If you are thinking that there doesn't seem to be any good place to invest today you are probably correct. However, that is today. I believe that there will be plenty of opportunities later this year. Fundamentally the market is under value but emotionally no one can say for sure. There is the likelihood that we may see short-term rallies only to see those gains wiped out. I can't rule out that November's lows may be retested and potentially even go lower. Currently we are in a very conservative position. We have a heavy position in cash and bonds. Yes, we still hold a position in stocks but it's low. We are positioned to minimize further decline but at the same time we can move quickly to respond to take advantage of the next sustained rally, which I believe will take place later this year.

The long-term outlook is brighter than the present. Markets have always turned up after downturns and there's no reason to think this pattern will end. In hindsight, some of the best times to invest were in time of great pessimism. Consider a hypothetical investor who bought into the market in early 1929, just before a three year bear market that took 90% of the market's value. Such an unlucky individual would have shown profits after 15 years, according to Ibbotson. After 17 years the returns were five times as much as cash; after 24 years, stocks annualized returns were twice as much as "safe" intermediate-term government bonds. Time may not heal all wounds, but a sufficient amount of time probably can heal any injuries suffered by patient, well-diversified investors.

Don't give up on the market. Don't fear market corrections, understand them!

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 asking to speak with Tiffany Brown or Debbie Macey, our research and planning specialists.

Market Commentary:

You can find weekly market returns on our website by selecting the **Market Commentary** button at www.TownsendRetirement.com

Do you know anyone who would enjoy our monthly newsletter? Please send them to our website 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.

Words of Warning About Paperless Banking — by Michele Knight, CPA

In the last year, I've seen a significant increase in people taking advantage of online banking services such as bill pay and paperless statements. While there are some great advantages to implementing these two strategies, I want to make you aware of some of the downfalls that can affect you at tax time and throughout the year.

Unfortunately, the banks aren't always forthcoming about the downsides of their paperless service. The most obvious issue is that if you need your information, you are reliant on your computer and the bank's computers to be up and running at the same time. Banking websites frequently shut down for maintenance periods during which you can't access your accounts, and we all know that our personal computers can give us trouble at the worst times. Another downside is that many banks only make statements and copies of checks available on the internet for a period of three to six months. After the time expires, customers must pay a fee to obtain copies of their own records. I've seen the fee as high as \$3.00 per check and \$25 per monthly statement, so you can imagine the potential cost.

If you have weighed these pros and cons and decide to proceed with online banking, I want to offer a few words of advice based on my experience as a tax preparer. First, you should either print or save electronic copies of your statement each month. If you choose the latter option, don't forget to backup your computer on a regular basis. Second, you must still keep a check register or use a checkbook with a carbon copy option. Most bank statements only show the date, check number and amount, not the payee, so you still have no evidence of to whom checks were made out to.

Why do you need such details? Business owners are often reminded of the need to keep good records, but individual taxpayers are not asked for records nearly as often. Unfortunately, the times when individuals need to produce records

are often many years following significant events, and therefore they find themselves unable to take advantage of their full tax deductions. The IRS is able to audit tax returns up to seven years after they are filed, and bank statements are one of the first things they request. In addition, if you face capital gains at the time you sell a stock, mutual fund, residence or rental home, you may be asked to prove the cost of your investment made in that asset. Bank statements and checks are commonly called upon to determine your cost basis, and without those critical documents, you may be forced to forgo a perfectly valid deduction. By taking some precautions, you can enjoy the benefits of online banking without finding yourself scrounging for documents in your time of need.

For more tax tricks and tips, please visit my website at www.cpamichele.com or call **303-598-4413** to schedule an appointment.

Diane Kessel Knight

is a certified professional coach who is dedicated to helping individuals take personal responsibility for finding more success and fulfillment in their lives, especially during times of transition. If you're in the middle of a career change, or are considering one, she can assist you in clarifying your career goals and creating a plan to accomplish them, providing the support needed to successfully navigate the transition to a new job or career. For more information, contact Diane at dkessel2@comcast.net.

Newsworthy Items

Much Bigger—On January 23, 2008, the nonpartisan Congressional Budget Office (CBO) predicted that the budget deficit for fiscal year 2008 would be \$219 billion. The actual budget deficit for the year was \$455 billion, more than twice the CBO forecast. (Source: *Wall Street Journal, Treasury Department*)

Oil Slide—The price of crude oil for February delivery fell to \$39.03 a barrel on Tuesday, December 30, 2008. In July, the price of oil peaked above \$147 a barrel, a difference of over \$100 per barrel in just six months. (Source: *BTN Research*)

Required Minimum Distribution (RMD) takes a vacation—Congress passed a bill that will allow those who are 70½ years old or older to skip taking their 2009 RMD. This is especially good news for those who do not need the money. (source: *BTN Research*)

Answer to this month's financial trivia question:

June 1932 to May 1933. The Dow went from 42.84 to 88.10, a 105% increase. (Source: *BTN Research*)

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.

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FEBRUARY 2009 RETIREMENT REPORT

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Information:

For Policy Changes, Account Information,
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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:

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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.

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

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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
Retirement Specialists & Securities America, Inc., are not affiliated. 01/09

www.TownsendRetirement.com

Can You Afford to Retire After a Layoff? — Jeffery E. Townsend, CRPC®, CEA®

We understand that whether or not you are near retirement or at any stage of your career, the news of a company layoff affects everyone, including your family.

If you are well capitalized or you have saved well throughout the years, you may be able to retire instead of looking for a new job. One way to find out is by having a **Retirement Outlook Analysis**. Our Retirement Outlook Analysis shows our clients the big picture by being completely objective, clear and easy to understand. The analysis encompasses client investments, retirement accounts, estate planning, social security, pensions and insurance. With this information, an advisor creates a year-by-year analysis showing what a client's current retirement picture will look like if they continue on the same path, and offers recommendations that can help improve their retirement outlook. We encourage our clients to have their Retirement Outlook Analysis updated annually. Like an annual physical, the annual financial review helps ensure that our clients are on track for a successful retirement.

Because no two investors are alike, we design financial plans specifically tailored to a client's lifestyle and goals. Our **Five Step Investment Process** details our investment strategy. Equally important is the quality of the relationship a client has with an advisor. We devote a great deal of time and energy to getting to know each of our clients personally—from family to finances.

It's one belief that active portfolio management of a client's retirement and investment accounts will yield better results. Considering that change is inevitable in life, around the world and the financial markets, we too adapt to change as it occurs with regard to your investments, including a change in employment status like a layoff.

While someone is still working, their 401(k) and other employer pension plans can represent a lion's share of their wealth. Because most employers offer very limited advice on 401(k) plans, we provide

affordable advice to help employees be more successful with their 401(k) investments. After all, if we can help our clients before they retire, the transition into full retirement will be so much easier. We highly encourage you to visit our website and read the article—*Planning an Exit Strategy for Your 401(k)*. You can read the article by selecting the Surviving Layoffs button on the home page and then selecting the article.

The issues surrounding an early retirement due to a layoff can be complicated and this is why we offer a personal meeting before and after a layoff to help our clients make educated and informed decisions.

We have additional information available on our website at www.TownsendRetirement.com under the tab "Planning Resources" then select "Surviving Layoffs." We offer many interesting and informative articles and will be adding to them each month. Below are the first three available and we've also included the first article, *Can You Afford to Retire After a Layoff*, in this newsletter.

- ❖ *Can You Afford to Retire After a Layoff?*
- ❖ *Planning an Exit Strategy For Your 401(K)*
- ❖ *Connectors, How to Network!*

Included is a **Surviving Layoffs** resource link page on the Website with a variety of topics that are useful before and after a layoff.

We hope you will find this information helpful and that you will also mention it to anyone else that may have an interest. In the meantime, if you have questions, please call us at **303-452-5986**.

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FEBRUARY 2009 RETIREMENT REPORT

Cayle's Connection — Cayle Townsend

Don't forget—Valentines Day is this month!

There is a Valentines tradition in Loveland, Colorado. Put your valentine card in a stamped, addressed envelope. Then put it inside a larger envelope and address it to: **Postmaster, Attention: Valentines, Loveland, CO 80538-9998**. Your Valentine will be postmarked Loveland and stamped with a special poem, then sent to your sweetie! You need to mail your valentine to Loveland by February 10, if it's to be delivered in state, or by February 4, if it will be sent out of the state/country.

The Arvada Center presents **The Crucible**—
February 3 through March 8, 2009.
www.arvadacenter.org

If you dream of chocolate, historic Olde Town Arvada (West 57th Avenue & Olde Wadsworth) celebrates all things chocolate at the **8th Annual Chocolate Affair** – February 7, 2009.
Call **303-420-6100** for more information.

Don't forget the first free Saturday at the **Denver Art Museum**. Their doors open at 10.
www.denverartmuseum.org/utility/calendar/eventDetails/eventId--177497

Colorado Garden & Home Show is February 7 – 15, 2009 at the Colorado Convention Center. For details
www.gardeningcolorado.com

February 12, 2009 at the Pepsi Center **Smucker's Stars On Ice** expands its boundaries as it returns for the 23rd season. The all-new production, *On the Edge*, promises to keep fans on the edge of their seats as the best skaters in the world show their amazing moves on the ice.

Tickets are available through Ticketmaster.

5th Annual Boulder International Film Festival will be February 12 – 15, 2009 at the Boulder Theater. The Festival will feature over 50 films from around the world.
www.biff1.com

Denver Restaurant Week (a seven-day celebration of the culinary scene in Denver) will be February 21 – 27, 2009. For one week, participating restaurants will offer a multi-course dinner for the fixed price of \$52.80 for two, or \$26.40 for one (not including tax or gratuity). With nearly 200 restaurants participating across the city, you don't have to pick just one!
www.denver.org/denverrestaurant/default.aspx

En Fuego Mardi Gras—Fat Saturday will be celebrated in Copper Mountain February 21, 2009. There will be a torchlight parade, street entertainers, bonfires and a fireworks display.
www.coppercolorado.com

Another mountain celebration will be held in Vail February 22 – 24, 2009. **Carnival** is their annual winter blowout bash which includes merriment, celebrations, amusement, costumes and the world's highest low country crawfish boil.
www.vail.snow.com

Celine Dion brings her *Taking Chances World Tour* to Denver February 24, 2009.
Visit www.pepsicenter.com for more information.

The Phantom returns! My favorite opera *The Phantom of the Opera* returns to the Buell Theatre February 25 – March 22, 2009.
For tickets, visit www.denvercenter.org

For you ballet fans, *A Midsummer Night's Dream* runs February 28 – March 14, 2009.
www.coloradoballet.org

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