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## Quote of the Month

"To avoid criticism,  
do nothing, say nothing,  
be nothing."

– **Elbert Hubbard**

## Financial Trivia

Why did the  
U.S. government put  
grooves on coins?

(See page two for answer)

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

All of us can look back on difficult times in our lives and recall important lessons learned. For me, the challenges of 2008 served as a reminder of why strategy matters. Of course, in the face of the current global economic downturn, we don't know with certainty what challenges 2009 may bring. What we do know is that our commitment to our clients and strategy will not waiver.

From the markets low in early March, the stock market has come roaring back. Many think that we're in the beginning of a bull market and they may be right; however, I'm not as convinced or at least not yet anyway. This is because many of the previous problems still exist. Corporate earnings, while down in the first quarter, weren't down as much as many analysts predicted. This was mostly due to layoffs and not due to expansion. In fact companies are still contracting due to lack of sales.

Financials led the charge because they adopted a new accounting method to value their assets. Banks were using an accounting method called mark-to-market. The valuation of their assets was basically determined by what someone was willing to pay for it. This accounting method was adopted just a few years ago to boost bank's balance sheets. Since there isn't much of a market for sub prime loans currently, this accounting method made the bank's balance sheet dive. So what did the banks do? To bolster their balance sheet the banking industry voted to go back to

### Relative Strength of the Market:

**NEGATIVE**

the previous accounting method which was a cash-flow method. Since there are people still making their mortgage payments, these assets are producing cash flow. While this method in my opinion is a better method, I have two problems with this recent change. First, to change methods whenever it benefits the banks is worrisome and secondly, the fact remains that the banks are still sitting on toxic loans.

As of this writing (05.22.09), the market has retreated from the highs we saw early in May. Whether or not the market retests the lows of earlier this year, is yet to be seen. The good news is that the day-to-day volatility is much lower than we saw in the first quarter.

Uncle Sam has been extremely busy giving out money, and I might add our money, to bail out the auto industry and passing stimulus packages almost on a daily basis. This will lead to the government cranking up the money-printing presses to keep up with the demand. There is nothing like a monumental surge in government stimuli to help boost the markets. While the short-term response is predictable, the long-term effect is far from certain. Many analysts agree that we will most likely see more inflation in the future. Some of our money managers believe the lack of

*(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

### A 3800 Dow?

We have received multiple calls from clients who wanted our opinion on Harry Dent's latest prediction of a 3800 Dow. Mr. Dent is an author who in 2000 predicted a 40000 Dow by 12.31.09. I find it hard to take Mr. Dent's new prediction credible considering his 2000 prediction was a big bust.

### Most retirees will need to spend less.

More than three out of every five Americans (61%) will not be able to maintain their current standard of living into their retirement years. Unless most folks get realistic with their withdrawals they will exhaust their retirement savings (*source: Center for Retirement Research*).

### Are you saving more?

The personal savings rate in the U.S. is currently about 5%, a seven year high. The personal savings rate in China is greater than 20% (*source: Department of Commerce*).

### Delinquency is high!

16.4% of subprime mortgages were 60 days or more delinquent as of the end of 2008, compared to 2.4% of prime mortgages (*source: Comptroller of Currency*).

## Monthly Market Commentary — Continued

consumerism will probably keep the lid on short-term inflation and they don't think that inflation will become an issue for another year or so. One thing for sure is that holding large positions in cash will not be a good bet during high inflation.

Patience is still a virtue! We will continue to wait for opportunities where, we believe, the risk-reward ratio is in our favor. True strategy requires a long-term focus; it inspires discipline in good times as well as confidence in tough times. I'm confident that our strategy has prepared us to meet the challenges ahead of us and to build an even stronger portfolio for our clients.

For now, we will remain conservative. Our portfolios are over-weighted in cash and bonds. We are very pleased with the year-to-date performance compared to the S&P 500. Should our relative strength of the market go positive sooner than we had predicted earlier this year we will move back to our long-term allocations. Currently the S&P 500 is about 5% below our strike point.

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.

*The forgoing information and opinions are for general informational purposes only. The Registered Representative does not guarantee the accuracy and completeness, or assume liability for loss that may result from the reliance by any person upon such information or opinions. Such information or opinions is subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sale of any security or offering of individual advice.*

### 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 web site [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.

### Performance Reports

Register for 24/7 access to your accounts with us including up-to-date performance reports. We can then notify you when your quarterly performance reports are available as well. Call the office at **303.452.5986** for a temporary password, then go to our web site at [www.TownsendRetirement.com](http://www.TownsendRetirement.com), click on the **For Clients** tab then on **Performance Reports Access**. Be sure to call our office if you have questions or need help.

## Reviving Your 401(k) — Jeffery E. Townsend, CRPC®, CEA®

Given the market meltdown and economic crisis that Americans have faced over the past year or so, it's no surprise that our 401(k) plans have suffered as much as they have. We've seen market declines eat up nearly 1 trillion dollars of stock value on 401(k) and other defined-contribution plan accounts (*Boston College's Center for Retirement Research*). In addition to the decline of the market, there are several actions savers have taken that have resulted in poor 401(k) performance. For instance: "Many people don't save enough, make poor investment choices, pay high fees that eat into returns, and raid their retirement accounts to pay credit card bills or fight foreclosure." (*Laise, Eleanor. "Five Ways to Fix Up Your 401(k) Plan."*) Despite the rough state of your 401(k) plans, there are several steps you can take to revive them.

### 1. Save!

This age old adage holds true even in these rough market conditions. Check with your payroll manager to see how an increase in your 401(k) contributions would affect your paycheck. While the percentage may seem intimidating, you may realize over time that this is something you can easily implement.

### 2. Even if your employer doesn't match

Many large corporations are suspending their contributions. To make up for this, you should increase your own contributions. Combined, employees and employers should contribute between 15% and 20% of the worker's salary to help prepare for retirement.

### 3. Don't let emotions affect your investing

Sharp market swings can lead 401(k) savers to make drastic investment decisions, like dumping stock at depressed levels. This action locks in huge losses and eliminates the chance

of capitalizing on the upswing when stocks rebound.

One way to mitigate this problem of emotion based investing is to leave the asset allocation decisions up to us. We offer an affordable 401(k) solution which provides personalized allocations based off your risk levels and investment goals. If you would like additional information regarding this service, please visit our 401(k) help center online [www.townsendretirement.com](http://www.townsendretirement.com) or give us a call **303.452.5986**.

### 4. Keep fees to a minimum

There's no doubt that high costs eat into an investors return over the long run. It's vital for you to identify the expenses associated with the 401(k) so that you compare them with other retirement vehicles such as IRA's. If you need any assistance identifying fees, please call us at **303.452.5986**.

### 5. Take advantage of 401(k)s

Surprisingly, many companies do not offer 401(k)s, and many employees who do have the opportunity to invest do not. We encourage you to check with your current employer to see if this opportunity exists and to capitalize on it if they do.

*This is not a recommendation to buy or sell securities, or of any particular asset allocation strategy. These investment guidelines are not intended to represent investment advice that is appropriate for all investors. Each investor's portfolio must be constructed based on the individual's financial resources, investment goals, risk tolerance, investing time horizon, tax situation and other relevant factors. Please discuss with your financial advisor before implementing an investment plan. Source: (Laise, Eleanor. "Five Ways to Fix Up Your 401(k) Plan." Wall Street Journal)*

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

So that no one could shave the edges. People often did this when coins were made from silver and gold. Now each coin has distinctive groove patterns to help visually-impaired people tell them apart."

## Attention Golfers

- Remember to call **Terri Wolfe-Kelly** 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.
- We will not be hosting the summer golf tournaments this year.

# Townsend

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## JUNE 2009 RETIREMENT REPORT

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New Accounts or Roll-Over Paperwork:

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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-Kelly 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

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

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# JUNE 2009 RETIREMENT REPORT

## Cayle's Connection — Cayle Townsend

**The Botanic Gardens** offers not only lovely gardens to stroll through and concerts to enjoy but also classes on food and gardening. Check out all there is at: [www.botanicgardens.org](http://www.botanicgardens.org).

Come celebrate the **5th annual La Piazza dell'Arte on Larimer Square** June 6 & 7. The event will feature professional, amateur and student artists who will transform Larimer Square into a beautiful street museum of bright and colorful chalk art images over the course of two days. In addition to the visual feast of La Piazza dell'Arte, guests will enjoy music, Italian food, and beverages. For more information, call **303.685.8120**.

**Calling all Bronco fans!** It's the annual **Denver Broncos Fan Fair** June 6. Like past years, every Bronco player and coach is scheduled to attend with some notable alumni, the cheerleaders and Miles the mascot. [www.tinyurl.com/q2wp4b](http://www.tinyurl.com/q2wp4b).

**Summer Art Market** is June 13. This unique summer art market showcases over 250 artists displaying and selling paintings, drawings, sculpture, fine art, prints, ceramics and much more. Under the brilliant Colorado sun attendees shop for art, meet the artists and enjoy food, music and the feeling of an exciting community event. It's held in the quaint West Washington Park neighborhood on Grant Street in Denver. For more information call **303.730.6012** or visit [www.asld.org](http://www.asld.org).

The City of Westminster is hosting **Movies in the Park** the last Friday of every month. They also announced their concert in the park series. Visit [www.tinyurl.com/pm46te](http://www.tinyurl.com/pm46te) for more information. The City of Thornton has the same at 2 locations—one in Broomfield and one in Thornton. [www.tinyurl.com/pbsxdn](http://www.tinyurl.com/pbsxdn)

**The Broker Restaurant** is having **The Dinner Detective**, an Interactive Murder Mystery Dinner. Check out their web site [www.tinyurl.com/o9gqaf](http://www.tinyurl.com/o9gqaf) Looks like fun!

It's time for **Farmers' Markets!** I love going to farmers markets on the weekends. I Googled farmers markets in Westminster, Colorado and got 10 sites from Boulder to Arvada. If you find a really good one, let me know and I'll put it in the newsletter.

For information on things to do in **Summit County**, visit: [www.tinyurl.com/qacocg](http://www.tinyurl.com/qacocg).

Remember the free days at the **Denver Art Museum, Denver Botanic Gardens, Denver Museum of Nature and Science** and the **Denver Zoo!** For information and details, visit: [www.tinyurl.com/phxshd](http://www.tinyurl.com/phxshd).

**Chitty Chitty Bang Bang** (the musical) plays at the Buell June 23 – 26. For details, visit: [www.denvercenter.org/Home.aspx](http://www.denvercenter.org/Home.aspx)

For a **Fourth of July Celebration** near you, visit: [www.tinyurl.com/qrtre9](http://www.tinyurl.com/qrtre9)

**19th Annual Cherry Creek Arts Festival** July 3 – 5. This is one of Nellie and my favorites for the summer. [www.tinyurl.com/ozytdf](http://www.tinyurl.com/ozytdf)

For all you quilters, the play **"Quilters" is at the DCPA** now through July 12th. An international hit for more than 25 years, this rousing heritage musical was inspired by real life diaries and letters of American pioneer women, written as they braved the dangers and hardships of life on the frontier. [www.denvercenter.org/shows-and-events/Shows/Quilters/About.aspx](http://www.denvercenter.org/shows-and-events/Shows/Quilters/About.aspx).

**Best car detailer in town.** We've used Moses, the owner of **Signature Car Wash & Detail** for some time to detail our cars. He is by far the best in the business. He is mobile so he'll come to you. His phone number is **303.344.9274**.

**What's your favorite restaurant?** I'd like to have some recommendations for our clients from our clients! E-mail me at [Cayle@townsendretirement.com](mailto:Cayle@townsendretirement.com) and let me know where you love to eat and I'll include it next month.

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## 9 Steps for Handling Your Parents Real Estate in a Tough Economy

— by Adriane Berg, CEO of Generation Bold

You may hope it will never happen, but one day you may find that your parents or older relatives need your help to manage their home. How will you carry out the sacred trust of getting the best price or helping them keep their property and age in place?

Good communication is the key to success. David Solie, author of *“How to Say It to Seniors,”* counsels you to let the older person talk. Listen to their stories of life in the home. Then explain the financial aspects. If you have any doubts about their level of understanding, have them repeat what you said in their own words.

*Before you engage in any decision making follow these 9 steps:*

**#1. Calculate the best financial course to take.** Visit [www.Homelinstead.com](http://www.Homelinstead.com) where you can use an online calculator, *“Too Close For Comfort,”* on which I consulted, to determine if it really is financially better for Mom or Dad to stay put or move in with family. If the decision is to sell, you will need to explain some hard to understand legal and tax concepts amidst this emotional turmoil.

**#2. Check out Medicaid:** Home ownership does not disqualify you from applying for Medicaid, if you are otherwise eligible. Medicaid is a Federal program, but each state has different rules. If one of your parents needs to go to an assistive facility, the Medicaid Homestead Exemption does not count the home to determine eligibility, if their spouse still lives there. The house is also not counted as an asset if an adult child lived there for the preceding two years and acted as a caregiver. But, after the death of the Medicaid recipient there can be recovery against the equity in the home, if the spouse/adult child no longer lives in the home.

**#3. Check out Reverse Mortgages:** Available only to homeowners over the age of 62, a reverse mortgage is an annuity collateralized by your home. The technical term for the reverse mortgage is the reverse annuity mortgage, because the homeowner can collect a tax-free monthly check for the rest of their life, no matter how long they live. Some reverse mortgages allow a lump sum instead of a monthly amount. The amount and cost of the reverse mortgage is based on the age of the homeowner when they take the mortgage, the value of the home, and the interest rate at the time of the mortgage closing.

Reverse mortgage income is not taxable, and the real estate taxes are deductible. The loan is paid back upon moving, selling the home, or upon the homeowners death. There is a cap on the amount that can be borrowed, but the cap is getting larger and larger. At demise, there may be no equity left in the home, but not necessarily. If the home has appreciated, it is possible that heirs can pay off the mortgage and have an inheritance left.

Recently, the reverse mortgage was sanctioned to be issued at the closing of a home purchase. This means that if Mom and Dad decide to sell their home, and buy a smaller one, they can pocket the proceeds of the sale, and buy the new home with a reverse mortgage. In this way, they can use all of their equity to fund their future and still be homeowners. The AARP helps you compare plans at [www.aarp.org/revmort](http://www.aarp.org/revmort), and download the program, Home Made Money; see also, National Reverse Mortgage Lenders Association ([www.reversemortgage.org](http://www.reversemortgage.org)). Wendy Whitaker of Princeton Mortgage in Pennington, NJ

specializes in writing these reverse mortgages. She says that “the new rules permitting the reverse mortgage for a new purchase is a great boon for seniors looking to downsize their homes. Now they can do that, and get income as well.”

**#4. Consider selling a Remainder Interest:** If parents own a co-op or condominium, or even a private home, they may be able to sell it and still live in it. The price, of course, is set low, discounted for the years they plan to stay. The buyer takes the risk of their longevity. This works most easily with family members as buyers, but many co-op and condominiums allow these programs with investor/buyers.

**#5. Consider a Sale-Leaseback:** A related strategy is to sell the house outright, and lease it back from the buyer. Your parents get full, present market value, but they are responsible under a lease. In all cases, an attorney will negotiate the terms and protect them under the usual landlord-tenant laws. Of course, they also lose the upside potential for the growth of equity.

**#6. Consider Life Estates and Life Leases:** These are both traditional estate-planning strategies that allow your parents to transfer the home to you or other person and live there without interruption, for as long as they want. Done correctly, life estates and life leases keep the value of the home out of the estate for tax purposes, but preserve the step up in basis. When your parents transfer a home but keep a life use, they get the tax bills but they still get any senior tax breaks that the locale allows. The property can never be sold without their written consent.

**#7. See your accountant:** When transferring an appreciated home to an heir during their lifetime, remember that your parents do not get the “step up in basis” they would get if they left the home to you at their death. Sale-leasebacks and life estates/leases may still get the step up, because occupancy does not pass until death. Check with your attorney and accountant for proper structuring.

**#8. Check your zoning:** If a parent is slated to be with you for a long time, you may need to build a separate apartment for them on your grounds. This is called an Accessory Apartment. Many counties allow zoning for this, so long as the occupant is a parent.

**#9. Contact senior savvy professionals:** Senior Real Estate Specialists ([www.seniorsrealestate.com](http://www.seniorsrealestate.com)) are trained to be able to communicate with senior sellers, and to find suitable replacement homes. Geriatric care managers ([www.caremanager.org](http://www.caremanager.org)) also help relocate when there is need for long term care.

For more information on handling your parents affairs visit [www.LongevityClubOnline.com](http://www.LongevityClubOnline.com), where you can “Connect to Adriane,” post your questions on the social page, and listen to her call in Internet radio show.

**Adriane Berg** is a keynote speaker and **CEO of Generation Bold**, a business consulting firm helping companies and not for profits reach the boomer and senior generations, and the author of 13 books on personal finance, including *“How Not To Go Broke at 102: Achieving Everlasting Wealth,”* Wiley 2008, for information see [www.GenerationBold.com](http://www.GenerationBold.com).