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## Quote of the Month

"Chains of habit are  
too light to be felt until  
they are too heavy  
to be broken."

– **Warren Buffett**

## Financial Trivia

How did the word  
"bread" come to  
mean money?

(See page two for answer)

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

Since mid March the markets have had a substantial rally and many investors are convinced that we are in a sustained rally. Whether this rally can be sustained or not remains to be seen. At the time of me writing this article (04.18.09) the market is within 11% from the point that we would rate our relative strength of the market indicator to positive.

Much of the recent gains have come from the new accounting rules for banks. Banks have been allowed to change the method in which they value their assets. The previous method was called mark-to-market which meant the value of the asset was based on what someone was willing to pay for it. Since there isn't much of a market for toxic loans at this time it was practically impossible to come up with a reasonable value. Because of this, the banks balance sheets were turned upside down. The new method of accounting allows banks to value these toxic loans based on the income they receive from these investments. This income is from people who are making their mortgage payments. This new method seems reasonable but it concerns me that banks are able to change accounting methods solely to make their balance sheets look better. Let's not forget the real problem still exists, and that is; home values are still dropping and foreclosures are still climbing.

### Relative Strength of the Market:

**NEGATIVE**

Another problem is that money seems to be getting created from thin air by the worlds central banks. Money printing is a potent force that can't solve our problems but can affect the stock market in such a way as to appear that the worst is behind us. It is worth knowing that some of the best rallies occur in bear markets. For instance, in the first half of 1930, the market jumped 40% (*source: moneycentral.msn*) and many thought the recession was over, but as we know, this was the calm before the storm resulting in the Great Depression. I'm in no way predicting that we'll see another period like that but what I'm trying to point out is that caution is still needed.

Having said all of that, it is possible that money printing and the new bank accounting method could lift the economy. However, in my opinion, such an outcome to occur now isn't very likely. We can't overlook that US citizens are saving more and spending less. That, along with tighter credit and continued job worries, means that an economic recovery isn't very likely anytime soon or at least not this year.

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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

### Performance reports are now available on line 24/7.

Call our office for the temporary password, then go to our website [www.TownsendRetirement.com](http://www.TownsendRetirement.com), go to the "For Clients" tab and click on "Performance Reports Access" and then follow the instructions. This will allow you to generate an up-to-date performance report and balances to all of your accounts. This will also allow us to notify you when quarterly reports are ready. This is our attempt to go green, provide you with timely reports and most importantly... keep you informed.

### We are part of CBS Channel 4's advisor list.

We have recently been added to a new service that Channel 4 has added for their viewing audience. This service is called *Haystack Colorado* and is for people who are looking for qualified, reliable and reputable businesses to provide a particular service. We will be featured in a number of "Ask the Expert" segments on Saturday mornings.

### The 2009 Required Minimum Distributions (RMD) have been waived for IRAs.

We have mentioned this before and we believe it's worth mentioning again. Congress passed a law in December 2008 that allows any individual who turned 70½ in 2008 or earlier can elect not to take their RMD for 2009 (source: *IRS Publication 590*). If you do not need the income it would be wise to take advantage of this ruling. Not only will it contribute to your accounts recovery, it may save you taxes as well.

**Alternative Minimum Tax (AMT) patch.** For 2009, the AMT exemption rises to 46,700, up \$500, for singles and \$70,950, up \$1,000, for joint filers. (Source: *Kiplinger*)

## Monthly Market Commentary — Continued

I was expecting the rally that we are currently experiencing to have happened late last year. Since this didn't happen we reduced our equity (stock) exposure late December. Early April we again lowered our equity exposure and increased our corporate bond holdings. The reason for this action was to increase the yield and reduce volatility.

For now we will remain conservative; however, should our relative strength of the market go positive sooner than we predict we will move back to our long-term allocations.

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:

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.

## The New World — Jeffery E. Townsend

This has been a nasty recession and while our portfolios have done relatively well against the major indexes or in other words have not declined nearly as much, this investing landscape is much different from previous recessions.

As many of you have heard me say, I believe that we will see our relative strength of the market improve later this year. When we eventually do experience this sustained rally we will need to move swiftly to add more equities back into our portfolios because historically the first twelve months of a recovery is the best twelve months of the next bull cycle. However, once this period is behind us I believe the investment landscape will be

substantially different than what we've experienced over the past couple of decades. I see two reasons for this and they are:

1. There will be lower levels of debt and leverage in the economy.
2. Taxes will be higher.

Let's start with leverage. The current crisis that we are in is largely due to high leveraging or too much borrowing. Banks didn't seem to mind lending money to people who were simply not qualified. This was mostly due to new financial innovations such as derivatives and credit default swaps. Banks thought they could simply package these loans, slice

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## The New World — Jeffery E. Townsend (Continued)

and dice them, securitize them and sell them to other financial institutions who in turn borrowed money to buy them. Oh what a tangled web they wove! Gone are the days of “no credit, bad credit or income not verifiable... no worries, just sign the dotted line and let real estate appreciation take care of the problem.” After all, real estate has never fallen in value.

The high leveraging is not just a consumer or banking problem. Many firms took advantage of this to get money simply to boost their profits. Leveraging can and did boost the economy and corporate profits but as soon as there is a hiccup in the economy, like a house of cards, everything quickly comes crashing down.

The next consideration is taxes. I don't think that it takes too much of an economist to figure out that taxes will be going up. Our administration has already proposed higher taxes especially on businesses and couples who make more than \$250,000. With record levels of deficit spending I don't believe that Congress will stop there.

So what does all this mean? First, with lower leveraging the cost of borrowing will go up. Lenders will require a greater risk premium through higher interest rates to pay for the risk they are taking which is very reasonable. This will be true for both the consumer and businesses.

This crisis has brought a rude awakening to many consumers. Hopefully we have learned that one cannot merely borrow our way to prosperity. Hard work and thrift are coming back in style. Today, consumers are saving close to 5% of their income which is greater than any other point in this decade but is still a far

cry from the 10% rate seen prior to the mid '80's. (Source: *BTN Research*). Save more and spend less, wow what a novel idea right? While this new fiscal responsibility makes sense it will come at a price. If we are saving more we are spending less which in turn is a massive drag on our economy. Remember that close to 70% of our gross domestic product comes from us, the consumer.

What this will mean to businesses is that as leverage goes down and taxes go up, a company's return on equity will drop. As for banks, this will mean they will have to rely less on leverage to be profitable which in return will mean low interest rates for savers and higher interest rates for borrowers and larger down payments on purchases.

By now you may be thinking that with lower consumerism and higher taxes our future doesn't sound too promising however there are some benefits to a world with less leveraging. For one, finance companies have greatly improved their credit standards which will lead to better credit quality for the lenders down the road. And for another it will lead to more investing since there won't be much of a chance meeting your retirement goals simply by leaving your money in low interest paying bank accounts. While we may not see the type of returns that we experienced in the last twenty years I believe this could lead to much lower volatility.

In essence, as the old saying goes, “if it is to be it'll be up to me.” Investing wisely never goes out of style, keep diversified between stocks, bonds and cash, don't chase returns, don't invest by emotions and whenever in doubt pick up the phone and call us.

## Newsorthy Items

### A Reverse Mortgage can be used to purchase a home.

A housing law passed in 2008 allows seniors 62 and older to use a reverse mortgage to purchase a home. If you want to figure out the calculations try the online calculator at [www.goldengateway.com](http://www.goldengateway.com).

### How does your 401(k) stack up?

Go to [www.brightscope.com](http://www.brightscope.com), click on “Ratings Directory” and put in your company's name. If there is enough data you can get the rating of your 401(k) compared to others in its peer group.

### Please take me out!

48% of Americans would not contribute to Social Security if given the option. (source: *Sun Life*)

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

“Bread,” the slang word for money comes from an old Cockney rhyme “Give me your money. Give me your bread and honey.”

## 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.
- **We will not be hosting the summer golf tournaments this year.**

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## MAY 2009 RETIREMENT REPORT

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New Accounts or Roll-Over Paperwork:

**Erin Buis X 202**

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

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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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# MAY 2009 RETIREMENT REPORT

## Cayle's Connection — Cayle Townsend

### Happy May!

If April showers do indeed bring May flowers, we are in for very large bouquets!!!

#### *Here's a sampling of things to do in Denver:*

#### **David Copperfield: An Evening of Grand Illusion**

will appear at the Buell Theatre, May 8 - May 10.

[www.denvercenter.org/Home.aspx](http://www.denvercenter.org/Home.aspx) for tickets.

#### **60th Annual Denver Botanic Gardens Plant Sale,**

May 8-9. Stock up on everything you need to get your garden blooming this spring. Just in time for Mother's Day, The Denver Botanic Gardens' annual sale features perennials, annuals and heirloom plants; more than 65,000 plants especially suited for Denver's climate are on sale. Call **720.865.3500** or go to [www.botanicgardens.org](http://www.botanicgardens.org)

This is my Mother's Day Present!!! Legendary super-group **Fleetwood Mac** will be embarking on their first concert tour in five years and will include all the Macs' many greatest hits from over the course of one of rock's most enduring and influential bands of our time. Sunday, May 10 at 8 p.m. Pepsi Center.

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

#### **Spamalot plays the Buell Theatre** May 13 – 17.

Lovingly ripped off from Monty Python and the Holy Grail, the funniest show on earth is back to taunt Denver for a second time! May 13 – 17.

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

#### **6th Annual Corks & Cuisine** is May 14, 5:30 – 8:30 p.m.

Held at Four Mile Historic Park, it promises to have some of Colorado's finest vintners and caterers at this popular event. *Bring your appetite!*

Reservations are encouraged, call **720-865-0815**.

**Colorado Bluegrass Festival** featuring over 10 Colorado bands will be held May 16 at the Douglas County Events Center in Castle Rock.

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

#### **Tesoro 7th Annual Indian Market and Powwow,**

May 16-17. Colorado's largest Indian Market Powwow features Native American artists from across the country displaying arts, pottery, jewelry, paintings and sculptures. More than 60 tribes in vibrantly colored costumes fill the grounds with sacred songs and dancing during the Powwow competition. Get a true taste of culture and enjoy authentic Native American and early West food and drinks. Call **303.839.1671**, or go to [www.tesorofoundation.org](http://www.tesorofoundation.org)

**Steve McGrew** (aka Mudflap on KYGO) is one of the funniest comedians Jeff and I have seen. He is appearing at Comedy Works May 13 – 17.

[www.comedyworks.com/Home.aspx](http://www.comedyworks.com/Home.aspx)

#### The **11th Annual Downtown Denver Arts Festival**

will showcase the best of Colorado artists. Over 130 artists will be at the Pavilions (16th & Glenarm St.) May 22 - 25.

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

This one is for all you knitters and crocheters! May 30 at Tamarac Square Mall is the **Yarn Event—A Knit & Crochet Retreat**. Meet new friends, enjoy special activities and speakers. *One Time, One Date, One Place! This is it!* Your opportunity to network with other yarn lovers! Exhibit and sell your yarn designs. Bring a current working project.

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

**Bolder Boulder**, May 25. Tens of thousands of runners will race to—and through—Boulder for this Memorial Day 10K road race. Call **303.444.7223**, or go to [www.bolderboulder.com](http://www.bolderboulder.com)

*If you participate in this, please send me pictures!*

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## 5 Reasons Why Estate Planning is Important to Your Children — by Brandon Culter

Brandon Culter is of Special Counsel for Donelson Ciancio & Goodwin, P.C., with a concentration in Estate Planning and Administration, Probate, and Business Planning. He can be reached at [brandonculter@colo-law.com](mailto:brandonculter@colo-law.com).

The start of every New Year brings countless resolutions. One notable resolution people make, especially those with children, is to complete their estate plans. However, even for many of these people, a few weeks go by and suddenly this resolution begins to fall by the wayside.

For some, it's the day-to-day time constraints that make them decide that estate planning can wait. For others, it's the fear of addressing estate planning issues; subconsciously they may believe "If I don't think about it, then I won't need to deal with it for a long time." But when parents fail to plan, they are making a choice to have their choices made for them. The end result can be very different from what the parents would have really wanted, and may have a dramatically negative effect on their children's lives. What's the upside to keeping this resolution? Great peace of mind!

So, in an effort to keep you motivated to get your estate planning done, following are five areas where proper planning can significantly help your children:

**1. Guardianship**—When you leave behind minor children without designating a guardian for them, you place that choice in the hands of a complete stranger: a judge. After hearing testimony and considering legal priority, the judge appoints a guardian based upon what he/she feels is in the best interest of the child; a decision which may be completely contrary to what you might have wanted.

If a parent does nothing else in estate planning, deciding who would care for minor children if the parent cannot is probably one of the most important things they can do for their children and their extended family.

**2. Education**—There are many educational planning tools available to parents today. For example, there is the 529 plan, the Coverdell Education Savings Account, custodial accounts, and a variety of trusts. However, some of these hold much greater benefit than others, for both the donor and the child.

The donor's desired income, gift, and estate tax benefits, and concerns about the child's ability to obtain financial aid are some of the factors that dictate which plan should be utilized.

**3. Maximizing What's Left Behind**—The current tax system can take an enormous bite out of an estate when someone dies. The estate tax rate, which is currently 45%, is applied to any individual or married couple with an estate over \$3.5 million.

Additionally, certain assets may also be subject to income tax upon the owner's death when passed on to the beneficiary. The most notable are retirement benefits. While proper planning can help reduce the amount and timing of the tax, the fact is that not enough attention is given to these assets prior to death.

**4. Protecting Children from Themselves and Others** People often don't know that the assets they are leaving to their children may make those children a potential target. They may think that because they are leaving behind such a small amount that there is no risk to the assets or children. However, leaving even \$100,000 could be a big deal, particularly to a child's creditors or soon-to-be ex-spouse.

As with the other areas of protection already discussed, parents definitely have a range of choices—from the simple to the complex—with regard to protecting assets left to their children.

**5. Blended or Divorced Families**—Estate planning for blended families can be complex and worrisome. There is great potential for conflict among the current spouse, ex-spouse, and any children from the previous and current marriages.

As a parent in a blended or divorced family, the challenge then is to divide the assets among the family according to the parent's wishes and to put the desired person in control of such assets while minimizing any animosity among the family members.

While these five areas of planning are the most prevalent with respect to children, there are certainly others. The most important thing to remember is that you have choices, and that there are people who can help you understand and make those choices. Proper planning then becomes one of the greatest gifts you can give yourself and your children!

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