

TOWNSEND

NEWSLETTER

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MARKET COMMENTARY – Jeff Townsend, CRPC®

Relative Strength of the Market:

POSITIVE

Dog Days of Summer?

Since 03/06/09, the market has roared to new highs, gaining over 175%, but the bad news is that the new high was on 06/22/15 (S&P 500 hit 2122). Since then the market has had two corrections of greater than 10%. Heaven knows, the market was entitled to take a breather. Today the market is slightly lower than it was a year ago.

The fascinating aspect of the great recovery was how many people have fled the market; 20% of adults who had been invested in the market have gotten out since the highs of 2007. I found it shocking to see how many folks (not our clients, I'm happy to report) fled the market last fall when we saw our first correction in over 43 months. Net outflows soared to levels not seen since 2008 (source: Gallup's annual Economy and Personal Finance

Survey). The market nearly recovered toward the end of 2015, but soon after experienced another correction.

I believe much of the panic is due to our infamous media. They were quick to point out at the end of the first six weeks of this year that this was the worst first six weeks in human history. On April 29, USA Today wrote that the current bull market is now the second longest in American history. Not exactly comforting is it?

Here's what I think: It's important to know that the market is a great mechanism to create wealth and income. It's also one of the most effective tools to transfer wealth from the impatient to the patient.

I was talking to client last fall, and she was very concerned about the market. The fact that she was worried is understandable, and it's one of our jobs to protect our clients from themselves. However, she said to me that at her age, she can't afford to gamble her life savings. I told her that I understood, and neither can I for

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NEWSWORTHY ITEMS:

Social Security

As expected, the number of people claiming Social Security at the age of 62 is falling — according to Boston College's Center for Retirement Research. For 62-year-old men, the percentage fell to 36% in 2013, from 56% in 1996. For 62-year-old women it fell to 40% from 63%. To read more about the changes in the number of people claiming today, check out <http://squaredawayblog.bc.edu>

The Consumer Financial Protection Bureau has launched an online tool called "Before You Claim" which looks at some of the implications of claiming Social Security at different ages, and at how factors such as marital status and continuing to work can affect the decision of when to actually claim. For more information, visit www.consumerfinance.gov/retirement

Investing

A new Securities and Exchange Commission bulletin helps investors prepare for the possibility of diminished capacity to handle financial affairs. The bulletin offers steps investors can take to organize their finances, as well as advice for someone who may need to help manage a loved one's money. If interested in learning more, go to www.Investor.org

Taxes

If you are contemplating moving in retirement, you should first assess the property tax burden of potential new locations. A new Tax Foundation map shows the average property tax deduction taken on the federal Schedule A for each county in the U.S. To see your property taxes, visit www.taxfoundation.org and then type in "property taxes" in the search field.

Retirement Accounts

The income limits for contributing to a Roth IRA will increase this year. The phaseout range will be \$184,000 to \$194,000 of adjusted gross income for married taxpayers filing jointly. For single filers, the range will be \$117,000 to \$132,000. This is a \$1,000 increase in each category from 2015.

With your retirement accounts, the maximum contribution limits to your 401(k) accounts and IRAs remain unchanged for 2016. Workers can stash up to \$18,000 in a 401(k) plus an extra \$6,000 for workers 50 and older. Taxpayers can contribute up to \$5,500 to an IRA plus an extra \$1,000 for those 50 and older.



New Investment Guidance Rules: Regulatory Oversight

By Shawn Kelly

The Department of Labor recently issued new regulations that govern retirement accounts, which include 401(k) and pension plans as well as Individual Retirement Accounts (IRAs). The new 1,023 page document is known as the DOL fiduciary rule. It is considered to be the most significant rule change in our industry since 1974. The rule change is intended to ensure that the financial guidance a client receives about their retirement assets is in their best interest.

Before I start to go into further detail about the upcoming rule change, I wanted to point out to you that we already act in a fiduciary capacity with our financial planning clients, as we are a Registered Investment Advisory firm with the SEC. Additionally, I would like to point out that our financial advisors are paid a salary. By compensating financial advisors this way, it takes the incentive of selling investments that might pay a higher commission out of the way and puts the focus on providing the best possible advice and solutions to meet our clients' needs.

Without going into the nuances of the rule, I will provide a 25,000-foot viewpoint of the fiduciary rule. As mentioned previously, the fiduciary rule will require a financial professional who is giving advice on retirement assets to have the clients' best interest in mind. Believe it or not, not all financial professionals have to do this. Instead, they operate under the suitability standard which lets them sell investments which, while still appropriate for the client, the financial professional might put the client into a product that is more expensive and more profitable for themselves. It will now require financial professionals to provide an explanation to their decision.

Furthermore, the financial professional is going to be required to justify the value they bring to the table with the services they provide, whether it be through education presentations, technology platforms, financial planning, customer service, and access to financial professionals, to name a few.

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A client should find value with their relationship with their financial advisors and respective firm before proceeding to doing business with them. The rule will start being implemented in 2017, and won't be in full force for 2018 as firms and financial professionals prepare their policies and procedures to satisfy the rule.

Even though there have been a lot of individuals in opposition to this rule, I truly believe it has been needed for some time to help out investors with their retirement assets. A lot of supporters, including me, hope this rule will cut down on product pitches, high commissionable products, and questionable marketing practices by putting the focus back on the clients' best interests.

Employee Spotlight

Meet the newest member of the Townsend Team!

Christine McNutt

Registered Office Assistant

Christine joined Townsend in January and has been excelling in her role ever since. Her primary role is to assist the financial planning team and financial advisors in updating retirement plans for new and existing clients, answer client questions, and provide additional research. Christine holds various industry licenses. Christine is also a member of our investment committee.

Learn more about Christine:

- I grew up in southern New Jersey, right across the bridge from Philadelphia and only a 45-minute drive to Atlantic City and the Jersey beaches. After graduate school, I moved to Washington, D.C. where I lived for two years before moving back to New Jersey to pursue a new career in the financial industry. A year and a half later, here I am in Denver!
- My favorite thing about Denver is my home in the Sunnyside/Highlands neighborhood of Denver where I live with my boyfriend and our two labs (one is white and one is black). It's walking distance to great restaurants, breweries and even the Rockies stadium. It is also pretty amazing to be so close to the mountains, a weekend trip is always possible being that close.
- For undergrad, I went to Rowan University in Glassboro, NJ and for grad school, I went to Temple University in Philadelphia, PA.
- My favorite part of working at Townsend is knowing that, as a team, we are always going above and beyond for our clients. And I'm very excited to attend my first golf tournament this month!

NEWSWORTHY ITEMS:

Healthcare

If you have a health savings account and are Medicare eligible, you must stop making HSA contributions once you're enrolled in Part A. Otherwise, you'll face tax penalties for excess contributions. If you sign up for Medicare past age 65, be sure to stop contributions to your HSA at least six months before you sign up — Part A benefits are retroactive for up to six months if you were 65 or older during that time.

Economy

Inflation is expected to climb, though at a modest rate. Core inflation, which excludes food and energy, will rise to about 2.3% in 2016, above 2.1% in 2015. Prices for medical care will rise 3.4%, from 3%; shelter, 3.4%, from 3.2%; and food, 1.4%, from 0.8%. A steady upward trend in the core inflation rate is likely to spur the Federal Reserve to raise interest rates once or twice a year.

Banking

To make sure your money is fully covered by the Federal Deposit Insurance Corp., use the "Electronic Deposit Insurance Estimator" tool at www.fdic.gov/edie. The FDIC insures up to \$250,000 for an individual account per bank. It also covers up to \$250,000 in deposits in retirement accounts, such as IRAs, at each bank.

As part of its BankSafe initiative, the AARP Public Policy Institute has issued a report looking at measures financial institutions are taking to fight exploitation of seniors. They include watching out for scams, and enabling caregivers to monitor accounts for irregularities. Go to www.aarp.org to read "Snapshots: Banks Empowering Customers and Fighting Exploitation."

Boston College's Center for Retirement Research has a comparison chart on the various changes the presidential candidates have proposed for Social Security. The center says it will update the chart throughout the campaign season. Go to <http://crr.bc.edu> and type "candidates" in the search field.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Townsend), or any non-investment-related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Townsend. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. Townsend is neither a law firm nor a certified public accounting firm, and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the Townsend's current written disclosure statement discussing our advisory services and fees is available upon request. If you are a Townsend client, please remember to contact Townsend, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.



The Beauty of Budgeting

Although making money and budgeting seem to go hand in hand, a surprising number of Americans don't budget their money at all. A Bankrate.com survey in 2015 found that only 26% of Americans prepared a detailed computerized household budget, while 36% of Americans had written budgets. On the other hand, 18% said they didn't budget while another 18% said yes to keeping the information "all in your head."

If you're one of those who don't budget, or have a less than perfect way of tracking your money, keep reading to get a better idea of how you spend your money by putting together a personal budget.

Get over the Terminology

Much of Americans' aversion to budgeting might just be the word itself. The word "budget" — much like the word "diet" — has negative connotations. Both terms are seen as restrictive reminders of things that we cannot have. Instead, it's important to view such words as "tools" that, when used properly, lead to a desired outcome. If it helps, drop the word "budget" and instead refer to it as your "spending plan" and think about the things it allows you to buy.

Start with Your Bills

Those earning an hourly wage or working commission argue that they cannot create a budget when they don't know exactly how much money they will be getting in any given paycheck. While this is true, a budget has less to do with how much you *make* and more to do with how much you *spend*.

Instead of focusing on how much you will make each month, focus on your monthly spending and where your money is going. Regardless of how much you are making, everybody has fixed expenses that will stay the same from month to month such as your mortgage payments/rent, utilities, food, transportation, insurance, and healthcare, among other things. If these recurring expenses don't add up to the monthly income, your next step would be to save receipts from all other purchases to categorize where else your money is going.

Beyond the Basics

Once you have your fixed income covered, it's time to look at the variables such as gym memberships, birthdays and holidays, pet care, clothes, vacation, and other forms of entertainment. These items are listed as *variables* because the expense may vary from month to month. Also, if you don't have the money to cover them, these expenses can be reduced or eliminated without much difficulty. Part of taking control of your money is learning how to exercise some discipline in your spending habits.

Look at Your Income

Now that you have your basics down, it's time to apply the theoretical aspects of budgeting to your life. Look at your monthly income and determine how much you are bringing in on your worst month. Compare that number to the amount that you are spending. Ideally, the income should be larger than the output. If that is the case, then it is time for a personal savings plan. If you are spending more than you are earning, then it is time to review your spending habits and cut your expenses. Strategies to cut expenses include eliminating impulse buys, and cutting out planned but unnecessary expenses. If it doesn't fit within your spending plan — don't buy it!

Create Your Spending Plan

Although we have all wished for more money at some point, the wealthiest among us are essentially living on a fixed income. They bring in a certain amount each month and when it's gone, it's gone. Accepting that reality is key to living a happier, wealthier life. Getting your finances on track isn't that difficult, and while there are spreadsheets and software programs designed to make budgeting faster and easier, all you really need is a piece of paper, a pencil and the desire to live within your means.

As a general rule, you should plan to set aside enough money to cover three months' worth of expenses in case of an emergency. Like every other recurring item in your budget, the emergency fund is something you fund one month at a time until you reach your goal.

The Bottom Line

Despite the negative connotations, budgeting is really just a helpful tool that can work to put your personal finances on the right track. Budgeting your money can seem like a chore, but accepting the limits of your income is the best way to take control of your spending.

Ask your advisor for tips and tricks on how to live within your means and reach your financial goals. Please feel free to reach out to Townsend at 303.452.5986 with any questions.

Summer Social Clubs



JOIN IN ON THE FUN!

Townsend has many social clubs to choose from during the summer months.

See below for one that might interest you!

TOWNSEND TRIGGERS SHOOTING CLUB:

Interested in shooting clays? Join Townsend Triggers at Colorado Clays to shoot 100 rounds.

SCREAMING EAGLES MOTORCYCLE CLUB:

Do you love feeling free on the road while seeing beautiful Colorado? This group is for you! Join in on the day rides throughout the summer.

For more information on these social clubs, visit our website at www.TownsendRetirement.com or call our office at 303.452.5986.

0% of your planning fees with Townsend go toward social events or clubs.

(Market Commentary continued)

that matter; I'm not a gambler. In my entire life, I have not gambled more than \$20. I reminded her that the market odds are heavily in her favor.

Many of you may have heard me say this before, but it's certainly worth repeating. History tells us that over the past 85 years, the market has gone up three out of four years. At the beginning of every year there is a 75% chance that the market will be up. With that reminder it's also important to know that during the same 85 years, the market has seen an average of three 5% declines per year, one 10% correction every two years and one 20% or greater correction every three and half years. The average recovery time after a 20% correction or greater is 12 months. But here is probably the most important consideration: After every market decline, the market has recovered 100% of the time.

I don't know about you, but I don't see investing as gambling, as long as you adhere to investing principles. My recommendation is: Don't concern yourself with bull and bear markets. They come and go, and there is not a thing that you can do about it. Worrying about it gets you nowhere except maybe an ulcer or even worse; it can lead to making costly investment mistakes. I see market declines as opportunities. If wealth is going to transfer from the impatient to the patient, I'd like to see wealth transfer to our clients and me.

A question that we are getting now from clients is how will the election this fall affect their investments. Emotions are running high in this campaign, but I feel the real threat to your portfolio is your emotions and not any candidate.

Conventional wisdom says a president's economic policies matter greatly to Wall Street, but history tells us that investors have managed to make money in war and peace, and under successful and failed administrations.

There is no evidence to suggest that the president, whether Republican or Democrat, should cause you to deviate from your long-term investment strategy. The fact is that the market rises over time no matter who's in the White House. Since World War II, stocks have gained under every president except for Richard Nixon and George W. Bush. The key to your success is understanding that your emotional reaction to the election, not who actually wins, is what really matters.

Don't hesitate reaching out to let us know if you have any questions, or would like to review your accounts with us at 303.452.5986.

CLIENT CORNER

Check out the pictures below from some of our great events so far this year!



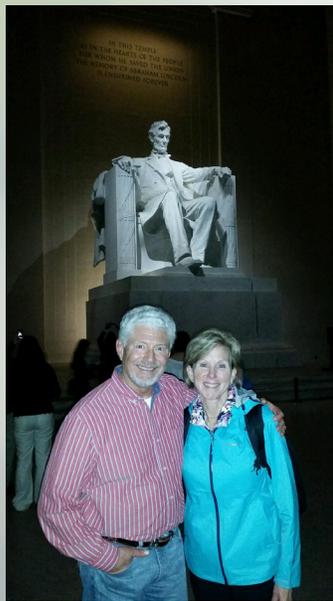
SEW N' SEWS QUILTING CLUB

The quilting club worked on a special donation quilt in May. The donation was used to benefit SYC Colorado. SYC Colorado is a faith-based ministry that provides an opportunity for youth with disabilities/challenges to hunt. It is provided free to kids who apply. The fundraiser is to pay for the clothing, lodging, and food for a weekend to hunt. They also pay for the hunting licenses! The quilt was auctioned off for an impressive \$250.00! The SYC hold a dear place in Diane's heart, as her son Nathan was able to get his hunting license through this program.

TRAVEL CLUB WASHINGTON, D.C.

On the first week of April, the Townsend Travel Club took off for Washington, D.C.

This is typically the time of year when the cherry blossoms are in full bloom, making for gorgeous views. Due to the crazy weather, the cherry blossoms had bloomed the week prior to their arrival, but the group had a blast anyway! Each day the group had a private tour, allowing them to see the best of what D.C. had to offer.



ADVENTURE CLUB BICYCLE RIDE TO DENVER

The Adventure Club branched out in new directions in June. The new bike group made their way down the Platte River to REI and back north, enjoying the great weather and great friends!



LADIES GOLFING CLINIC

Townsend ladies enjoying themselves while learning how to play golf.

In a series of five classes, they have learned important skills and etiquette, focusing on putting, chipping, pitching, full swing, and on-course experience.

Although some rain has tried to get in the way, these ladies have toughed it out on the Legacy Golf Course and have had a blast in the process.

They will be pros in no time!



Caule's Connection

OUTDOORS:

35th Annual Hot Air Balloon Rodeo and 42nd Annual Art in the Park | July 9 – July 10

The Hot Air Balloon Rodeo and Art in the Park offer artistry and color both on canvases and in the air, making them a staple of Steamboat Springs, Colorado, in the summertime. Get to the launch grounds early to see the balloons inflate, then watch the balloons dot the Yampa Valley sky. Afterwards, head over to Art in the Park and visit with one hundred-forty artist vendors, catch some live entertainment, and let the kids play in the interactive art area.

Pedal The Plains | September 16 – September 18, 2016

Pedal The Plains is Colorado's end-of-season cycling bash and the ideal tour for riders of all speeds and ages. PTP includes barbecues, on-route tours of working farms, historic sites and live music. Check it out at <http://www.pedaltheplains.com/>

FESTIVALS:

Keystone's 20th Anniversary of the Bluegrass and Beer Festival | August 6 – August 7, 2016

Escape the heat for a fun weekend in the beautiful CO mountains. Enjoy over 40 breweries pouring their craft beers along with 16 of the best bluegrass bands playing on three stages. <http://www.keystonefestivals.com/festivals/bluegrass-and-beer/tickets/>

Estes Park Wine Festival | August 13 – August 14, 2016

Sipping wine in the summer sun doesn't get better than in the heart of the Rocky Mountains! Enjoy live music, endless tastings & great vendors all while surrounded by the peaks of Rocky Mountain National Park in the heart of downtown Estes. Check out all the summer activities here: <http://www.visitestespark.com/events-calendar/>

Palisade Peach Festival | August 18 – August 21, 2016

Celebrate the Western Slope's peach harvest! The Peach Festival offers days of fun-filled, entertaining events with more than 100 food, art and craft vendors, great live musical entertainment, a fantastic children's area, various culinary activities, numerous special events, and of course, world famous Palisade Peaches! There is something for everyone! <http://palisadepeachfest.com/pf/>

Boulder Craft Beer Festival | August 20, 2016

The 3rd Annual Boulder Craft Beer Festival brings together the best craft breweries from Boulder County and beyond for a tasting festival, offering attendees samples of Boulder's best beer. The festival includes live music and food for purchase. For more information visit: <https://www.boulderdowntown.com/>

A Taste of Colorado | September 2 – September 5, 2016

A Taste of Colorado returns to Downtown Denver's Civic Center Park. As the state's largest free event, A Taste of Colorado entertains over 500,000 guests with five entertainment stages and a variety of culinary delights. Visit <http://atasteofcolorado.com/> for more details.

22nd Annual Oktoberfest | September 9 – September 11, 2016

Breck's Oktoberfest brings a weekend of parties, German cuisine and plenty of Paulaner beer. It's one of the largest Oktoberfests in the Rocky Mountain region and offers collectible steins imported from Germany. The weekend is a mix of traditional (with Munich's Paulaner, one of the six breweries who provide beer for the German festival) and local flavor (from Breckenridge Brewery). <http://www.gobreck.com/events/breckenridge-oktoberfest>

FUN NEW FINDS:

For those of you who live in the Littleton area, Hudson Gardens has tons of summer fun to offer! This year's lineup features top-name performers, including "Empress of Soul" Gladys Knight, The B-52s, and "Weird Al" Yankovic. Shows run now through September 11th. Tickets can be purchased at www.altitudetickets.com. Prices, and show times can be found at www.hudsongardens.org

Attention Townsend Sew n' Sews!! Pencil in some time for an afternoon at the 34th Annual New Legacies: Contemporary Art Quilts. One of the premier contemporary quilt exhibits in the country, this national exhibit showcases the best work of artists who are pushing the limits of the medium, working with new techniques and materials, and creating breath-taking and beautiful art. For more information visit: <http://www.lctix.com/exhibitions>

THEATRE:

ARVADA CENTER:

Sister Act | September 9 – October 2, 2016
arvadacenter.org

THE BUELL THEATRE:

Beautiful: The Carole King Musical | July 19 – July 31, 2016
The Phantom of the Opera | August 25 – September 11, 2016
Cabaret | September 27 – October 9, 2016
www.denvercenter.org

CANDLELIGHT DINNER PLAYHOUSE:

The Wizard of Oz | July 21 – September 11, 2016
www.coloradocandlelight.com



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Tiffany Brown x 209
Debbie Macey x 206
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The BBB has determined this business meets BBB accreditation standards, which include a commitment to make a good faith effort to resolve any consumer complaints. BBB Accredited Businesses pay a fee for accreditation review/monitoring and for support of BBB services to the public. BBB accreditation does not mean that the business' products or services have been evaluated or endorsed by BBB, or that BBB has made a determination as to the business' product quality or competency in performing services.

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