

TOWNSEND NEWSLETTER

2020 SPRING EDITION



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303.452.5986

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QUARTERLY COMMENTARY – Jeff Townsend, CRPC®

Relative Strength of the Market:

NEGATIVE

What a difference a quarter makes or in this a case, a month. When I wrote my last market commentary, we were coming off one our best years. However, the world seems to be changing faster and faster since my last commentary. We are presented with new information relating to COVID-19 daily and its impact on the equity markets and our daily lives. As financial partners and more importantly as people doing our best to navigate this weird time in history, I want you to know my team and I are committed to serving you and delivering you with the best advice, planning and service possible. We take our stewardship of managing

your hard-earned capital very seriously, our job is to give you one less thing to worry about.

One of the words I continue to hear is “unprecedented”. While it’s very true that none of us have experienced a time like this where it’s not socially acceptable to shake hands, which is very difficult for me, and to distance ourselves from everyone, and now shelter in place. While this is new to us, we have gone through many “unprecedented” times before. After all, unprecedented simply means never done or known before.

One thing that was unprecedented was going from an all-time market high into a bear market in just 16 trading days. This reality may tempt you to conclude that this current crisis

(Continued on pg. 3)

NEWSWORTHY ITEMS:

COVID-19 STIMULUS SCAMS: Congress recently passed a large COVID-19 relief and stimulus package. As with other aspects of the COVID-19 pandemic, fraudsters are exploiting the relief and stimulus to victimize the public. The U.S. Secret Service is observing a rise in stimulus relief fraud over the past several days and expects the fraud attempts to continue throughout the pandemic.

Criminal actors are using a variety of means to contact potential victims. In one instance, the criminal actors are using spoofed email addresses posing as U.S. Treasury officials requesting that the victim provide personal identifying information (PII), so that they can receive their share of the stimulus.

Other than via email, criminal actors are contacting potential victims via SMS/text, robocalls, and other messaging platforms. Through texts, criminal actors are sending links which directs individuals to a website, which then prompts the potential victim to enter PII and other sensitive information, such as bank account numbers, email addresses, and passwords.

The U.S. Secret Service stresses that individuals seeking information about the stimulus/relief program to contact the specific government agency via its website for guidance. Individuals should follow protocols published by those government websites. During this time, it is stressed that the public maintain an increased vigilance when providing any personally identifiable information or other privileged and protected information.

The U.S. Secret Service is working with domestic and foreign law enforcement partners, along with the private sector, to disrupt and dismantle COVID-19 related fraud schemes. If anyone has any information related to this alert, the GIOC can be contacted at GIOC@uss.s.dhs.gov (source: *Global Investigative Operations Center - Washington, DC*).

BEFORE COVID-19 HIT: 59% of Americans surveyed in early February 2020 admit they live “paycheck to paycheck” and are unable to consistently put money away for an emergency or for retirement (source: *Charles Schwab Modern Wealth Survey*).

WILL WE GO HIGHER? The United States has tracked unemployment rates in the nation since 1948. Our country’s highest recorded jobless rate is 10.8% from November 1982 and December 1982. During the 2008-2010 financial crisis, our nation’s jobless rate peaked at 10.0% in October 2009 (source: *Department of Labor*).

WHAT WE SPEND IN 2 ½ DAYS: If the United States was to fund the entire \$2.3 trillion “Coronavirus Aid, Relief and Economic Security” Act (CARES) by issuing new 30-year bonds at the long-dated bond’s interest rate from the close of trading on 3/31/20 (1.35%), the annual debt service cost would be \$31.05 billion per year. During fiscal year 2019, the US had outlays of \$12.18 billion per day (source: *Treasury Department*).

(Quarterly Commentary continued)

is nothing like before and may give you a strong impulse to abandon your long-term investment plan and liquidate your equities until the picture becomes clearer. You wouldn't be human if you didn't feel fear in a situation like this but feeling fear and acting on it are two different things.

You probably wouldn't have gotten to where you are today financially had you acted on unprecedented events over the previous decades. On October 19, 1987 the equity market declined more by percentage than ever before. No one had ever experienced anything like this before and it felt like the Great Depression to many. Remember the 2008 financial crisis and the Great Recession which was unprecedented? The market declined around 60% from October 2007 through March 2009, however it gained over 400% to its all-time high. Or, how about the terrorist attacks of 9-11? The equity market reacted violently to this unprecedented attack!

Over the past extremely eventful 40 years the S&P 500 index has been positive 30 of those years and has risen from 108 to its present levels. The markets are resilient and are always moving – up, down and sideways. While unsettling, market volatility is inevitable and completely normal. Time after time the equity markets have recovered from ultimately short-term declines and gone on to post new highs.

It's human nature to be a failed investor by selling equities after such events. Many sell and turn an unrealized loss to an actual realized loss then reenters the equity market when the coast is clear long after major gains. Many of you have heard me say that failed investors buy high, sell low and repeats this nonsense until broke.

I have no idea when this virus will be controlled or cured, or how long this may last, or if the market will decline even further but I can say that historically the equity market has always recovered and goes on to new highs. I believe that those who are patient, focused on long-term goals and remain invested will be rewarded.

Obviously, our portfolios have declined, and rather quickly I might add, however the declines are well within annual decline norms. It's our goal here at Townsend not to necessarily maximize your returns but to minimize your long-term regrets. It's during times like this that we are your best insurance and earn our keep.

I know that this is a very stressful time. When there are events or situations that are out of my control I always pray "Let go and Let God". It has worked for Cayle and I 100% of the time. God Bless America!

Don't hesitate to let us know if you have any questions. Stay healthy and be safe. Together we'll get through this!

Jeff Townsend, CRPC®

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THE CLOCK IS TICKING

Under the sunset provisions of the 2017 tax overhaul, the federal estate tax exemption of \$11.58 million per person in 2020 is scheduled to revert back to about \$5.5 million in 2026 unless Congress moves to increase it. In other words, without further action by Congress, the lifetime exemption amount is set to revert to its 2017 level beginning on January 1, 2026. This is the so called “sunset”. As the law currently stands, taxpayers have now through 2025 to take advantage of the increased estate and gift tax lifetime exemption assuming no intervening legislative changes.

Many people are calling for increased taxes on wealth and the wealthy. In response, certain presidential candidates have unveiled ambitious plans to fund universal healthcare and other programs by lowering the amount of the exemption to \$3.5 million and increasing the estate tax rate which now tops out at 40%, to 45% - 77%, depending on the size of the estate. If one of these presidential candidates is elected president, the result could be a strong push to increase estate

taxes by raising rates or lowering exemptions, or both. These changes could then actually happen before 2026.

Another presidential candidate, in order to pay for his higher education initiatives, has proposed narrowing or eliminating a provision in the tax code that benefits heirs who have inherited assets that have appreciated in value by eliminating the step-up in basis on those assets. A step-up means that the heir receives the asset valued as of the date of death. If the beneficiary sells the asset right away, he or she won't pay any capital gains taxes.

Although the idea of a wealth tax has a lot of support, estate taxes are not popular as most people believe it's fundamentally unfair to tax inherited wealth. November will be an indicator of whether the estate tax exemption drops down earlier than the sunset.

If you are concerned that a future lowered exemption could reduce the amount you leave to your heirs, there are a few ways to avoid estate taxes. One way is to give away assets while you are alive. The current gifting limit is

\$15,000 to as many people as you wish without the need for filing a federal gift tax return. Gifting can lower the value of your overall estate. Another method is to give appreciated stock or mutual funds in taxable accounts to a charity. This method could also lower your current tax bill.

If you live in one of the 18 states that have a state estate tax (Colorado isn't one of them), you could change your residence to a state which has no estate tax. President Trump recently changed his residency to Florida which has no estate tax. A recent study found that as wealthy individuals age, they're less likely to live in a state with an estate tax.

No matter who is elected president, the federal estate tax exemption is living on borrowed time. While the current exemption of \$11.58 million per person (\$23.16 million per couple) gives most families plenty of estate planning leeway, if the exemption returns to \$5.5 million in 2026, you may want to update your estate plan and gifting strategy to ensure that you take full advantage of the increased lifetime exemption and annual exclusion amounts.

Please contact our office with any questions you may have.

Sallie Diamond JD
Townsend Estate Planning Specialist



Townsend Events: Important Update

Like many of you, we are concerned with the risks posed by the COVID-19 pandemic. Following state and federal recommendations to slow the spread of COVID-19, we have cancelled and/or postponed all educational presentations and special events through June. (Presentations and special events beyond June are also subject to cancellation depending upon the duration of the pandemic.)

Our top priority will always be the health and well-being of our clients; we look forward socially engaging, connecting and having face-to-face interactions when it is prudent to do so.

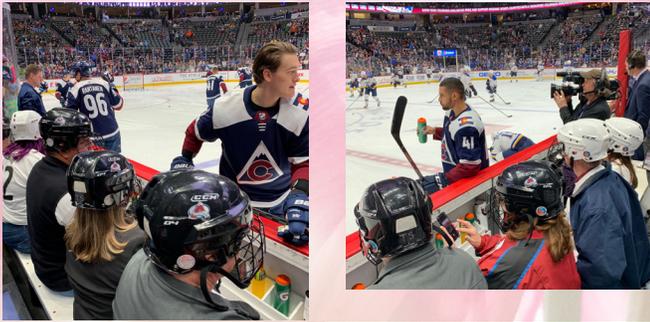
We recognize that things are changing by the minute during this crisis, and we appreciate your patience and understanding during this challenging time. For the latest information about office closures, events cancellations, and updates on how we are adapting to this unique situation, please visit our website at www.TownsendRetirement.com

On behalf of the entire Townsend Family, I want to thank you for your loyalty, trust and understanding. Our hearts go out to all those impacted by this pandemic.

*Encouraging you to stay
mindful & healthy!*

Townsend Client Corner

Avalanche Game | December 2019



Sew n' Sews | Quilting Club | January 2020



Volunteer Appreciation Brunch | February 2020



**Anthem Ranch Sizzlin' Seniors
December 2019**



Hunting Day | January 2020



Dance Classes | February 2020



Cayle's Connection

Things To Do

One of the charities Jeff and I support is The Wild Animal Sanctuary in Keenesburg. This amazing sanctuary rescues wild animals from questionable circumstances and gives them a second chance at a life in the wild. Into The Wild is one of their fund raisers held on June 6. There is a walk/run, face painting & temporary tattoos, arts & crafts vendors and lots more. Jeff and I are doing the Jaguar Jaunt 5K Family Fun Walk. Check out these links and let me know if you'll be there!

<https://tinyurl.com/urp3ljy>

<https://www.wildanimalsanctuary.org/>

It was sad when the Old Spaghetti Factory in downtown Denver closed, but it's reopened as an indoor putt-putt golf course. There are two nine-hole courses as well as food and drink. Check it out: <https://tinyurl.com/wjnqzv9>

A new music festival is coming to Estes Park in May! Roots on the Ridge is a daylong music and arts festival. There will be country, bluegrass and folk music as well as a regional arts and crafts show. <https://rootsontheridge.com/>

For the ladies – I'm golfing 9 holes each Wednesday this summer. I play Chick Golf – I just can't take it seriously. If you're a golfer – regardless your ability, come golf with me. My goal is to be outside, enjoy the women I golf with and try not to lose too many golf balls. If you're interested, call the office and let them know.

In an effort to explore more, I've been sharing some of Jeff's and my weekend adventures. Here are 7 inexpensive road trip destinations in Colorado. Let me know if you make it to any of them! <https://tinyurl.com/w8p4bxe>

Have you ever wanted to stay in a treehouse? There is one in Glenwood Springs called Rocky Mountain Treehouse. Looks like a fun weekend to me! <https://tinyurl.com/vkhd kru>

Did You Know...

Have you ever heard of Road Scholar? They lead global educational adventures for adults. I've heard really good things from my friends. Check out this link to National Park tours. <https://tinyurl.com/waotf6a>

If you're like me – always looking to learn something new – then Curiosity Stream may be for you. It's a streaming service that gives you access to thousands of documentaries for a minimal yearly charge. <https://curiositystream.com/about>

This article was shared by a client and I thought it was worth passing along. It's a list of 21 thoughts on things to consider as we grow older. Many of these thoughts have been shared with me by people who live at the same assisted living facility where my mom lives. What would you add to this list? <https://tinyurl.com/r6vdamh>

~Cayle Townsend



303.452.5986 office
800.578.9896 toll-free
www.TownsendRetirement.com

Information:

**For Policy Changes, Account Information,
New Accounts or Rollover Paperwork:**

Jason Aubuchon x 225
Kaitlin Bell x 232
Renee Michel x 223

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

Jonathan Amick x 243
Tiffany Brown x 209
Derek Cheshire x 206
A.J. Holmes x 222
Christine White x 235

For Scheduling Appointments:

Sarah Gefen x 203
Renee Hathaway x 220

For Client Billing:

x 500

Email Addresses

Jeff Townsend	Jeff@TownsendRetirement.com	Renee Hathaway.....	ReneeH@TownsendRetirement.com
Jonathan Amick.....	Jonathan@TownsendRetirement.com	A.J. Holmes.....	AJ@TownsendRetirement.com
Jason Aubuchon.....	Jason@TownsendRetirement.com	Christine Kaneta.....	Christine@TownsendRetirement.com
Kaitlin Bell.....	Kaitlin@TownsendRetirement.com	Shawn Kelly.....	Shawn@TownsendRetirement.com
Tiffany Brown.....	Tiffany@TownsendRetirement.com	Renee Michel.....	Renee@TownsendRetirement.com
Steve Carlisle.....	Steve@TownsendRetirement.com	Christine White.....	ChristineW@TownsendRetirement.com
Derek Cheshire.....	Derek@TownsendRetirement.com	Madison Petersen.....	Madison@TownsendRetirement.com
Sallie Diamond.....	Sallie@TownsendRetirement.com	Mark Thomas.....	Mark@TownsendRetirement.com
Sarah Gefen.....	Sarah@TownsendRetirement.com	Terri Thomas.....	Terri@TownsendRetirement.com
Annette Gomer.....	Annette@TownsendRetirement.com	Nellie Townsend.....	Nellie@TownsendRetirement.com
Drew Hanna.....	Drew@TownsendRetirement.com	Jessica Vega.....	Jessica@TownsendRetirement.com
Rick Harrison.....	Rick@TownsendRetirement.com	Corinne Wytulka.....	Corinne@TownsendRetirement.com

We're open Monday through Thursday 7:30 a.m. - 5:30 p.m. and Fridays 8 a.m. - noon.

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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www.TownsendRetirement.com



2761 West 120th Avenue
Suite 200
Westminster, CO 80234

