

# TOWNSEND

## NEWSLETTER

2020 SUMMER EDITION



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### QUARTERLY COMMENTARY – Jeff Townsend, CRPC®

Relative Strength of the Market:

**NEUTRAL**

Since our last newsletter we've seen quite a recovery in the market. Back in March we were extremely busy talking a few of our clients off the ledge. The common theme we heard from clients was that this was unprecedented, and the market would go down even further and wouldn't recover for years. Fortunately, I believe that no more than one or two of our clients ignored our advice to stay the course. Those who did heed our advice have been rewarded with a very good recovery.

While the market is still down about 3% for the year as of the time of this writing (06/24/20) the market is up about 36% since March 23rd. Rather than focusing on calendar returns I think that it's

wiser to look at rolling years. For example, over the last 12 months the market is up 4.5%, 36 months the market is up over 25% and 60 months the market is up over 45%. Don't lose sight that the market has always recovered after major declines. You may recall the Great Recession, five years following the market bottom the market was up about 185%!

It's funny how we are attracted to things that go on sale such as clothing, cars and things that we don't even need and conversely shy away from things that seem to be getting more expensive. This is perfectly normal but when it comes to quality companies going on sale, we shy away from them and want to sell them. When there is a financial and/or economic disruption and stock prices decline by a third or so, which they have about every five years since

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# NEWSWORTHY ITEMS

**Shifting away from China** – United States manufacturers have moved some of their supply chains away from China in 2019, increasing imports from Taiwan (up +22% YTD through 5/31/19), from India (up +12% YTD) and from South Korea (up +12% YTD).  
*Source: Commerce Department*

**A lot in a few** – Of the 532 banks failures that have occurred in the USA during the 15 years ending last August 2019, 51% (270 failures) have taken place in just four states – Georgia, Florida, Illinois and California.  
*Source: FDIC*

**We're almost even** – The USA has 121 companies in the Fortune Global 500 rankings for 2019 compared to 119 companies from China. 20 years ago (1999), the USA had 181 companies in the Fortune Global 500 rankings while China just had 5 companies. The rankings are based upon annual revenues. *Source: Fortune*

**They paid more than half** – the top 3% of United States taxpayers in tax year 2017 (the latest year that tax data has been released), paid 52% of the \$1.6 trillion paid in federal income tax for that year, i.e. in a random sample of 100 taxpayers, the top 3 individuals based upon adjusted gross income paid more federal income taxes than the other 97 taxpayers.  
*Source: Internal Revenue Service.*

**Way behind** – After adjusting for the impact of inflation, an average millennial in 2019 has a net worth 41% less than the net worth of a similarly aged adult 30 years earlier in 1989. Millennials were born between 1981-1987 and are age 22-38 in 2019.  
*Source: Federal Reserve Bank of St. Louis*

**Back and Forth** – In national elections going back to 1928, the United States has elected 7 Republican presidents (beginning with Hoover and ending with Trump) and 7 Democratic Presidents (beginning with FRD and ending with Obama) *Source: BTN Research*

**Just a select few** – The United States Supreme Court receives approximately 7,000 requests each year to hear cases that have already been adjudicated in a lower court. The nation's top court accepts just 100-150 cases for their review from the 7,000 petitions.  
*Source: Supreme Court*

**Trade school, not college** – There are 30 million full-time jobs in the United States today (19% of all jobs nationwide) that pay at least \$55,000 per year and don't require a bachelor's degree from college.  
*Source: Georgetown University Center of Education and Workforce*

**Newborns** – Our nation's "general fertility rate," defined as the number of births per 1,000 women between the ages of 15-44, was just 59.0 births in 2018, a record low for birth data that has been tracked nationally since 1909 or the last 110 years.  
*Source: National Center for Health Statistics.*

**Not a second time** – There have been just 2 United States presidents in the last 75 years who were elected to a first time in office who failed to win their re-election bid for a 2nd term – Jimmy Carter in November 1980 and George H.W. Bush in November 1992.  
*Source: BTN Research*



All families are anxiously awaiting for the new school guidelines come August.

It's important for us to recognize this is an additional stress to those parents who struggle affording school supplies for their children. Whatever the outcome is moving forward, let's work together to set these children up for success!

Fill-A-Backpack is a tradition at Townsend. We partner with A Precious Child and The Salvation Army to fill 500+ backpacks for children in need. Each backpack is filled with all the required supplies for that child's grade level.

In a couple weeks you will see an invitation to our "virtual" Fill-A-Backpack event. Townsend is purchasing 500 backpacks and we need your help with the supplies.

We used to ask for your time in volunteering to fill the backpacks, but in this challenging season of life, we will be asking for a monetary donation. With full hearts (& backpacks), we thank you for considering this opportunity to give.

## (Quarterly Commentary continued)

1945, we fear that we are experiencing a permanent loss. These are all very normal human behaviors! The difference between a successful investor and a failed investor is how they react to these events. It's our duty to help talk our clients off the ledge during these rough patches. Thinking short term and forgetting that your investments need to last your lifetime and perhaps even the lifetime of your kids and their kids can lead to irreversible mistakes.

Current trends such as retail sales, a better-than-forecasted jobs report and optimism on the reopening of our economy suggests that the worst may be over, but you never know. COVID-19 is still with us and there are concerns with the recent spike in cases. There's uncertainty regarding how businesses and consumers will react to the new normal.

We fully expect the second quarter GDP to be dismal due to the economic shut down, but we do expect the second half of the year to improve. It's our sense that we won't revisit March's low and the recent selling was actually constructive and the economy and earnings are moving in the right direction however, expect continued volatility. We will continue managing our portfolios the same way as we have always done, by investing in quality companies and by being diversified.

While our office never closed and we worked mostly from the comforts of our homes, our staff is now back in the office on rotating shifts. We are not doing any in-office appointments, but we are doing conference calls and a lot of Zoom meetings. New normal? I certainly hope not but we want to keep both our staff and clients safe.

Don't hesitate to let us know if you have any questions. Stay healthy and be safe. And as I said in the last newsletter, together we'll get through this and see better times!

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 & Associates, Inc. ["Townsend"]), or any non-investment related content, made reference to directly or indirectly in this commentary 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 commentary serves as the receipt of, or as a substitute for, personalized investment advice from Townsend. 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, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. Townsend is neither a law firm, nor a certified public accounting firm, and no portion of the commentary content should be construed as legal or accounting advice. A copy of the Townsend's current written disclosure Brochure discussing our advisory services and fees continues to remain available upon request. Please advise us if you have not been receiving account statements (at least quarterly) from the account custodian.



- Consider leaving some asset outright to your biological children on your death. That way, they will not be sitting around waiting for their stepmother or stepfather to pass. A life insurance policy naming your children as primary beneficiary can be used so they have some funds available immediately upon your death.
- Decide who will make health care decisions. Colorado allows you to name more than one person at a time to make health care decisions for you. This can lead to disagreements between these agents. Give this topic a lot of thought. Consider naming your agents successively rather than jointly.
- Review assets with beneficiary designations. Review the beneficiary designations on all retirement plans, life insurance, annuities, and other assets that have beneficiary designations. It is not uncommon for these to be overlooked, and the proceeds end up being distributed to an unintended beneficiary due to an outdated designation document.
- Specific Personal Property. If you know there are specific items you'd like to leave your children, start putting together a list. Make a note to address these in writing in your final plan. One of the biggest mistakes people in blended families make is that they're not specific about leaving certain property to their children. This can create disappointment and tension if the children don't receive an item they're convinced their parent wanted them to have--even if it's of little financial value.

With a plan in place, you can minimize stress and conflict with other family members when you or your spouse pass. To make sure your plan fits your family goals, feel free to contact our office for an estate planning check-up!

## EMPLOYEE SPOTLIGHT



**Shawn Kelly,  
CRPC®, President**

Shawn is president of Townsend and is in charge of the various departments here. Additionally, he is the firm's Chief Compliance Officer, and has been actively involved in the securities industry

since 1999. Shawn is a Chartered Retirement Planning Counselor™ and is a member of our investment committee.

### Get to know Shawn...

- *I was born and raised in Alliance, Nebraska and attended Doane University on a football scholarship.*
- *I enjoy spending time with my wife and dogs.*
- *Outside of the office, I'll spend a considerable amount of time in the outdoors enjoying a round of golf, hunting, hiking and fishing. I prefer to watch sports on the collegiate level over national leagues (Go Huskers!).*
- *A place I visit often is our home on Lake McConaughy, and when I have any free time you can find me doing home improvements or working on random projects!*
- *Favorites of mine: Listening to the Mashall Tucker Band, grilling a nice steak and enjoying the perfect glass of Scotch.*
- *As the President of Townsend, I've really enjoyed watching relationships form between clients and our team. In my 12 years with Townsend, it's something truly unique.*
- *I naturally thrive when building out projects. This holds true in my career as I feel fulfilled when navigating dynamic initiatives and making autonomous decisions to help grow the company.*

# TOWNSEND CLIENT CORNER



## SCREAMING EAGLES RIDE TO SEDONA, AZ



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C: BRAIN SYNAPSES        D: INTERNAL O



*over 500 people together*



# Cayle's Connections

What a strange time we're living in. No baseball, no concerts, no movie theatres. Not much to be planning for. I thought I'd share some things I like to do and adventures Jeff and I will be thinking about. By the time you get this Jeff and I will have made our initial trip in our new 5th wheeler. That's what we'll be doing this summer. (If you have an RV - have you joined the Townsend Rollin Oldies RV Club?) We are looking forward to a couple trips with clients in the coming months!

With the Stay At Home orders we are eager to get outside and explore! I'm interested in discovering new places to hike - I'd love for you to share with me some of your favorite parks and trails. If you have any recommendations please email me [caylet@comcast.net](mailto:caylet@comcast.net).

I love to go antiquing. I like imagining who may have owned things or what they were used for. I collect cookie cutters with wooden handles and cookbooks and am always on the lookout. Here's some of my favorite places to look: The Brass Armadillo (Wheat Ridge), Noble Treasures Antiques (Lafayette), and recently Emma and I ventured out to Milliken to visit Traegan Architectural Salvage and got a wonderful bird house.

I don't know where you stand on the idea of Bigfoot but in Bailey there's The Sasquatch Outpost. Listed as one of the top 10 wackiest places to visit in all of Colorado, the Sasquatch Museum is a must-see for anyone who has any interest in Bigfoot. We're planning on visiting this one!

Someplace I'd like to take Nellie is the Sand Wash Basin to see the herd of wild horses. How incredible would it be to see wild horses?

<http://www.sandwashbasin.com/>

Everyone knows about the Grand Canyon, yet very few realize that Colorado is home to a number of its own canyons, too! Before the summer ends, we'll be checking out some of these little-known canyons: Black Canyon of the Gunnison (Montrose), Eldorado Canyon State Park (Eldorado Springs), Browns Canyon National Monument (Salida), Castlewood Canyon State Park (Franktown), Unaweep Canyon (Grand Junction) and Waldo Canyon (Manitou Springs)

The Paris Gold Mine is on our calendar for August. We'll be camping at Tiger Run and plan to go to Alma to see the mine. It just might make for a good day trip!

I read an article on NW Colorado and it's inspired our thoughts about where to explore next summer. Steamboat Rock, Mitten Park Fault, Harpers Corner Trail are all amazingly beautiful. Check out the article here:

<http://www.coloradolifemagazine.com/May-2020/Northwest-Exposure/>

Soapstone Prairie Natural Area is over 28 square miles of wide open vistas, grasslands, miles of trails and world-renowned cultural resources. It is truly a place to treasure! Soapstone Prairie is 25 miles north of Fort Collins.

<https://www.fcgov.com/naturalareas/finder/soapstone>

What is it about ghost towns in Colorado that is so intriguing? Like antiques, I imagine the lives that were lived and the events that occurred. Here are 5 that just might make our short list for this summer: Animas Forks (near Silverton), St Elmo (near Buena Vista), Gothic (near Crested Butte), Independence (near Aspen), Climax (near Leadville).

~Cayle Townsend



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