

# TOWNSEND

## NEWSLETTER

### 2022 SPRING EDITION



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#### QUARTERLY COMMENTARY – Jeff Townsend, CRPC®

**I**nflation, energy and the Ukraine remains a big concern for us. While it would be great to have these concerns behind us soon, unfortunately I don't believe this will be the case.

The Federal Reserve Bank has vowed to do everything they can do to rein in inflation. They have kept interest rates too low for too long and have pumped in too much liquidity for too long. Now their job is to rein this in without crippling our economy. They will certainly be walking a tight rope to get this right. Historically, the best antidote to high inflation has been tightening up the money supply, raising interest rates and recessions. As I mentioned in our last economic and market commentary, recessions are nothing to fear and are very normal after periods of strong growth. A recession may or may not happen this year but if it

does history tells us that an average recession only lasts 1.5 years.

The ongoing war in Ukraine and the retaliatory sanctions against Russia are causing significant disruption in the oil supply, which has made for a volatile energy market. In time, sustained higher energy costs may lead to a slow-down in economic growth as consumers are forced to reduce spending on discretionary goods and services. For the sake of our national security and economy we need to get back to being energy independent.

The February Labor Department report showed that the Consumer Price Index (CPI) jumped to 7.9% month over month over the previous 12 months. Not surprisingly, U.S. consumer sentiment fell to its lowest level in nearly 11 years in early March.

(Continued on pg. 3)

# NEWSWORTHY ITEMS

**31.5% did not pay any federal income tax**—46.7 million of the 148.2 million tax returns filed for 2019 tax year (the latest year for released data) did not pay any federal income tax. 83.5% of these non-taxable returns reported incomes of less than \$44,269 (*source: IRS*).

**Small businesses unable to fill job openings**—49% of 639 small business owners surveyed in December 2021 reported that they had job openings that they were unable to fill (*source: National Federation of Independent Business*).

**Will the invasion of Ukraine impact these exports?**—12% of the wheat and 16% of the corn world exports come from Ukraine (*source: Department of Agriculture*).

**The Federal Reserve owned \$1.37 trillion of mortgage-backed securities (MBS) on 3/11/20**—As of 3/02/22 this number doubled to \$2.69 trillion. The Federal Reserve plans on selling or allowing their MBS to lower their price resulting in higher yields (*source: Federal Reserve*).

**Will the housing market hold?**—The median sales price of a new home sold in the USA in January 2022 was \$423,300, an all-time high (*source: Census Bureau*). However, home prices don't always go up. For 17 consecutive quarters from 3/31/07 through 6/30/11 the average price of American single-family homes fell in value (*source: Federal Housing Finance Agency*).

**Congressional term limits?**—Senator Rick Scott (R-FL) introduced on 2/22/22 "An 11 Point Plan to Rescue America," including a recommendation to enact a 12 year term limit for members of Congress. As of 3/01/22, 123 out of 435 members of the House and 53 out of 100 members of the Senate have served 12 years or longer (*source: GovTrack.us*).

**National debt on the rise**—As part of a 10 year budget projection made by the Congressional Budget Office back in January 2012 our national debt, which was \$15.223 trillion then, was forecasted to reach \$21.665 trillion in 9/30/22. Our actual national debt is \$30.036 trillion as of 2/10/22 (*source: CBO*).

**New-builds maintain positive trend**—Ground was broken on the construction of 111,600 single-family homes in the U.S. last June, the largest monthly total since September 2006. The 1.12 million housing starts last year was the largest since 2006 as well (*Source: Census Bureau*).

**Food prices on the rise**—A food price index that measures the change in food prices internationally was up 19.6% on a year-over-year basis as of 1/31/22 (*source: Food and Agriculture Org.*).

**Upside down with China**—For every \$1 of goods that the U.S. companies have exported to Chinese buyers in 2021, American consumers imported \$3.35 of goods from China (*source: Department of Commerce*).

**Technology boosts Americans' productivity**—Thanks to technology, as of 12/31/21 an average American worker has increased his/her productivity by 52% since 2000, i.e. an average worker can complete in 2 hours in what use to take 3 hours (*source: Department of Labor*).

**Not a great return**—A high-income American couple (making \$100,000 or higher in today's dollars) who retired in 2020 is projected to have paid \$828,000 in Social Security taxes during their working years. They are projected to receive \$849,000 in lifetime Social Security benefits. That works out to every \$1 paid in taxes the couple will receive \$1.03 in benefits (*source: Tax Policy Center*).

## (QUARTERLY COMMENTARY CONTINUED)

You have probably noticed numerous trade confirmations from us. Our trading department has been busy this quarter making trades in our Portfolio Advantage accounts to help navigate the volatility we've seen this year. It has actually been a long time coming.

Last year we became more conservative by reducing our equity positions and shortening the maturities of our bonds in anticipation of rising interest rates and a market correction. Both of these happened in the first quarter of this year.

One of the first moves we made was to lower our high-growth tech positions. The rising costs will and has hurt companies who may not have large net cash flows to pay rising borrowing costs. We increased our position in Treasury Inflation-Protected Securities (TIPS). TIPS pays a relatively low interest rate but the principal goes up by the rate of inflation. Between TIPS and our commodities fund, which invests in futures for commodities like agriculture, energy and metals helps to reduce the impact of inflation

We took advantage of the recent market correction by adding to equity positions. Most recently we have rotated some of our growth equity positions to value positions. This is more of a defensive play in the event we see a slowing economy. We also like companies who can adapt to higher inflation by having pricing power and can improve their efficiencies.

In conclusion:

Inflation and the stock market volatility remains elevated. It's quite possible that we may see further market declines which could provide us another buying opportunity. Keep in mind that we try to keep a good cash reserve to weather market declines, meet withdrawal needs and provide buying opportunities.

Market declines, regardless of the reason, don't last very long and always recovers. I said this in the past but I think that it's worth repeating and that is you and I are long-term, goal focused and plan-driven investors. We do not get caught up in current events and the daily market's ups and downs.

As always, I welcome your comments, questions and concerns. Thank you for being our client, it's an honor and privilege to serve you.

- *Jeff Townsend*

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# CHARITABLE GIVING

## *In* Estate Planning

Often during the process of estate planning where you dictate who will inherit your assets when you die and who can make medical and financial decisions on your behalf during your life, charitable giving falls by the wayside. Many people forget to include it in their estate planning process or don't know how to best integrate their charitable wishes into their plan.

If you're not sure what you want to do with your assets at your death, think about what you want to leave behind as your legacy. If your answer is helping and serving others, then consider charitable giving through estate planning.

People give to charities for many reasons such as to honor a loved one, to help with a cause they are passionate about, or simply to do something good. Charitable giving can also have significant tax implications that can lower income taxes during your life as well as estate taxes at your death. How to maximize the value of giving will depend on the size of your estate, the amount and type of assets you want to give, and how you want to give them.

There are a variety of options on how to charitably give your assets both during your life and at your death. These can include the giving of appreciated stock, providing a charitable distribution from an IRA during your lifetime or making a charity the beneficiary of your IRA at death, bequeathing your life insurance proceeds, making a bequest in your will or trust or establishing a separate charitable vehicle all together such as a Donor Advised Fund (DAF).

The focus of this article is on only two of the methods mentioned above, namely leaving a bequest in your will or revocable trust and the establishment of a DAF as a beneficiary of your estate.

**Will or Trust Bequest.** A bequest is a provision in either your will or trust stating the amount you'd like to leave to the charity, the correct legal name of the specific charity, and the specific purpose you would like the funds used for, if you have one in mind. When listing a specific purpose, be certain that the charity can fulfill that purpose, otherwise the charity may need to refuse the bequest. If your request is very specific, you should consider contacting the development office to confirm that the charity is able to achieve your objective. If the charity initially fulfills your objective and down the road changes course, a concept called mission drift, then you should also provide instructions on how you want the "drift" handled.

You may also want to consider leaving an annual amount or percentage rather than an outright lump sum distribution to a charity. If the charity receives an endowment each year from your estate, then your giving can be monitored to make sure the charity is complying with your vision and desire for the funds. With a lump sum distribution the charity is in control and may lose sight over the years of how you wanted your legacy to carry on.

**Donor Advised Fund.** A DAF is a dedicated charitable fund maintained by a public charity (a “sponsored organization”) that is exclusively dedicated to charitable giving.

When you contribute to a donor advised fund during your lifetime, you are eligible for an immediate income tax deduction. When your estate makes a contribution to a DAF at your death, there may be estate or inheritance tax benefits, in addition to income tax benefits.

If you are charitably inclined during your life and/or at the time of your death, Fidelity Investments has a DAF called The Giving Account. Instead of naming specific individual charities as beneficiaries in your estate planning documents, you could name a specific DAF account as the charitable beneficiary under your will, trust, annuity, insurance contract, or retirement plan or investment account. The DAF could receive a specific dollar amount, a percentage, or the remainder after other distributions. The DAF account increases the efficiency of settling a trust or estate because the trustee or executor has clear instructions on how to distribute certain assets in accordance with your wishes. It is much simpler for the trustee or executor to make a single distribution to a DAF than to coordinate distributions to multiple charities.

A DAF can also be used to effectively pass the gift of philanthropy on to the next generation. For example, you can name individuals as the succession plan for your DAF with shared advising responsibilities, potentially becoming a reason that siblings, children, and grandchildren stay close as they pursue a shared mission together.

There are many ways to benefit charities, both during your life and at your death. The method you choose can have different tax implications. Your charitable giving can ultimately increase the amount received by not only the charity, but your loved ones as well and can help pass on your legacy to the next generation. To learn more about charitable giving or if you have any questions, please don't hesitate to call me. | 303.452.5986.

*Sallie Diamond*  
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## UPCOMING EVENTS

### April

April 14<sup>th</sup> — Economist Presentation (virtual)  
April 19<sup>th</sup> — Sew & Sews / Social Club / 2:00pm  
April 26<sup>th</sup> — Sunday, May 1<sup>st</sup>  
Rolling Oldies RV Club, Moab Trip

### May

May 5<sup>th</sup> — Retirement Presentation / 6:00 p.m.  
May 10<sup>th</sup> — Sew & Sews / Social Club / 2:00 p.m.  
May 19<sup>th</sup> — Wednesday, May 25<sup>th</sup>  
Rolling Oldies RV Club, Nebraska Trip  
Saturday, May 21<sup>st</sup> — Screaming Eagles Motorcycle Ride

### June

June 1<sup>st</sup> — Ladies Golf Clinic / 3:00 p.m. or 5:00 p.m.  
June 8<sup>th</sup> — Ladies Golf Clinic / 3:00 p.m. or 5:00 p.m.  
June 8<sup>th</sup> — Monday, June 13<sup>th</sup>  
Rolling Oldies RV Club, Glenwood Trip  
June 9<sup>th</sup> — Nine & Dine / 4:00 p.m.  
June 15<sup>th</sup> — Sunday, June 19<sup>th</sup> — Screaming Eagles CO Ride  
June 15<sup>th</sup> — Ladies Golf Clinic / 3:00 p.m. or 5:00 p.m.  
June 21<sup>st</sup> — Sew & Sews / Social Club / 2:00pm  
June 28<sup>th</sup> — Rolling Oldies RV Club, Grand Lake Trip  
June 24<sup>th</sup> — Golf Tournament / Legacy Ridge 8:00 a.m.  
June 26<sup>th</sup> — Townsend Triggers Shooting Club / 9:00 a.m.

# CLIENT CORNER



*Volunteer Appreciation Breakfast*  
**The Omni Hotel**



## MEET OUR NEW TOWNSEND TEAM MEMBERS



**DEVIN DEBOUT, CFP®**  
FINANCIAL PLANNER



**CAITLIN MITZEL**  
MARKETING COORDINATOR



**ANDREW WYCHOFF, CFP®**  
FINANCIAL PLANNER

# Cayle's Connections

Hello! Happy Spring! I heard the best news yesterday. It's quite possible we can stop the Daylight Savings Time nonsense. Fingers crossed! I've had such positive comments about my column and all the adventures. There's more for you here! If you go to any of these places, I'd love to hear about it! Send pictures and comments to [Caitlin@townsendretirement.com](mailto:Caitlin@townsendretirement.com).

Located in Palisade is Sage Creations Organic Farm. It's a family-owned farm that grows 3 different species of lavender. You can pick your own bundle, attend classes and shop! This too, is on our places to visit list. <https://sagecreationsfarm.com/>

Are you interested in dinosaurs? Our grandson Eli is, and I can see us taking him to one of the longest dinosaur track sites in the world, Purgatory River Track Site. Located near LaJunta, Picketwire Canyon is home to 100 trackways and another 1,500 individual footprints. It is also home to fossils, artifacts and pictographs. <https://www.fs.usda.gov/rec-area/psicc/recarea/?recid=77620>

We've hiked often in Rocky Mountain National Park, but we've never hiked with llamas! Rocky Mountain Llama Treks has a variety of hikes from day to multi-day. <https://wildlandtrekking.com/>

For you foodies out there looking for the perfect juicy burger or comfort food, Bob's Atomic Burgers, located in Golden, offers so many choices of meat and toppings – and they have milkshakes! <https://bobsatomicburgers.net/menu/>

Have you taken a train ride through Colorado's unforgettable landscape? You may want to try the Georgetown Loop Railroad. It gains 600 feet in elevation, navigates a narrow canyon and crosses four bridges. We've done the dinner ride and it's well worth some time. <https://www.georgetownlooprr.com/>

How does a drive down one of the scariest roads in Colorado sound? Skyline Drive is in Canon City and offers beautiful landscape and an old dinosaur trackway. Built by inmates in 1905, this one lane road runs 3 miles. <https://tinyurl.com/3s4e4a7u>

Speaking of going out for a ride, June 10<sup>th</sup>-June 12<sup>th</sup> is the 70<sup>th</sup> Annual Rallye Glenwood Springs. Put on by the Rocky Mountain MG Car Club, the three-day event consists of a Time-Speed-Distance Rallye Friday, a driving tour on Saturday, and a Car show +BBQ in the park on Sunday. All makes and models of cars are welcome to join in the fun. Even better, Townsend client, Doug Eulberg and his daughter are Rallye Masters this year. You can find more information at the following link or you can contact Doug directly with questions at [eulberg.dp@gmail.com](mailto:eulberg.dp@gmail.com) <https://mgcc.org/rallye-glenwood-springs/>

I like me a good zipline and found out that Canopy Run Zipline in Snowmass starts with a canopy walk on a rope bridge through the trees and then cross 7 ziplines. I'll see if I can talk Jeff into this one! <https://tinyurl.com/yv2ny34x>

Looking for a family weekend getaway in Fruita? There is an Airbnb with 5 bedrooms, gathering spaces, steam room and the original stained-glass windows. This beautiful old church, Our Lady of Perpetual Motion XIX, was established in 1921 and is listed on the Colorado Register of Historic Places. <https://tinyurl.com/msk9n37a>

- Cayle Townsend



# 2022 RETIREMENT REPORT – SPRING ISSUE

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Renee Michel x 223  
Nellie Townsend x 202

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Tiffany Brown x 209  
A.J. Holmes x 222

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We're open Monday through Thursday 7:30 a.m. - 5:00 p.m. and Fridays 8 a.m. - noon.

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