

NEWSLETTER

FALL 2023



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RETIRE TO SOMETHING

Welcome to fall! I hope that everyone had a good summer.

I've been writing about the economy and investment markets for a long time. However, with John covering this area in his articles I thought it would be a nice change to write about various aspects of retirement.



As you know, it's our goal at Townsend to help our clients get retired and stay retired with financial confidence. We focus on empowering our clients transition into retirement by crunching numbers, designing and stress testing portfolios, and offering advice about ongoing wealth management once they retire. Retirement is extremely complex and is ever changing. We believe that planning and guidance is one of the keys to a successful retirement but it's not the only consideration.

People need to understand the hurdles that are in front of them and ways they cannot just survive retirement but

thrive in it and leave a meaningful legacy. While numbers are critical to a successful retirement, an often overlooked and very critical aspect of retirement is knowing what you're going to do with all your extra time once you retire that will bring you happiness and purpose.

We often work for 30 to 40 years building our careers, building relationships with those we work with (for me that includes our clients) and creating a purposeful life. The day that we walk away from years of the fundamentals that brought us purpose and created our identity can leave us empty. I recently read that a retired adult is almost twice as likely to experience depression symptoms than a pre-retiree. Approximately

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one in four retirees deal with some type of mental health issues. Many of us view retirement as a finish line but when you really think about it it's more like halftime in our life. Retirement should be another chapter in our lives.

A few years ago, one of our successful retirees told me that it's more important to retire to something than from something. How can you live a purposeful retirement? With an extra 40 to 50 hours to fill, how do you plan to spend your time? You may like to fish, play golf, garden or some other favorite passion but I doubt that you will want to do it 40 or more hours a week, week after week. You may have dreamed of traveling during your golden years but as we know travel is expensive and isn't something that you'll want to or afford to do all the time.

The fact is you've worked hard for your retirement, and you deserve to enjoy it. You owe it to yourself to asking questions about what can bring you happiness and purpose in retirement. A book that you may find helpful is *Halftime: Moving from Success to Significance* by Bob P. Buford.

At some point, preferably before you retire, it's important to explore what's important to you. Identify your values. We each find purpose and value in our lives for different reasons that are dependent on our unique set of values. It's important to define your dreams. What will your dream retirement look like? Some people dream of moving to a warmer climate but that will mean leaving family and friends. If this is your goal I recommend renting for a while along with checking out active retirement communities. Of course, build a realistic budget that your resources can support. As a financial advisor I can't emphasize enough that it's important to live within your means and continue planning and reviewing your finances annually. You certainly don't want finances to add stress to your retirement.

Before retiring, it's important to think about what your community will look like. The phrase "no man is an island" is especially true for retirees. Humans are made to connect with other people. It's our goal as a company to organize various social and volunteer activities (we're always open to additional ideas) to give you avenues to meet other folks with similar interests. Many of our clients connect with other clients through these events to go on and do things together outside of Townsend, which warms my heart. But these events certainly won't fill up a 40-hour week.

There is so much more to learn about living a purposeful life than what I've outlined here but it's a start. I hope that we can incorporate this subject into a future educational event.

Thank you for being our client and for your referrals. It's a privilege to serve you!



Jeff Townsend, CEO, CRPC



NEWSWORTHY ITEMS

- *Boomers are spending more – Older Americans are increasing their spending faster than younger generations. This may be partially due to the 8.7% cost-of-living adjustment for Social Security beneficiaries this year. This may also be due to the younger generation facing higher housing costs and the end of the student loan repayment moratorium (source: Bank of America).*
- *Declining job openings – Indeed's job postings index has been trending lower since peaking in early 2022, but it's still 28% above its pre-pandemic levels from February 2020. Physicians and surgeons have seen the largest increase in demand of any industry as job postings have risen by 92.4% (source: Indeed).*
- *Low interest rates – The current federal funds rate is between 5.25% and 5.5%, the highest since 2001. Despite high short-term rates, the average savings account has a yield of only 0.42%, and yet 68% of middle-income Americans surveyed said they have not looked for higher rates (source: CNBC).*
- *Soaring solar – The consumption of solar energy has doubled in the last three years, topping 50 terawatt hours for the first time ever. Despite this increase solar only accounts for 2% of all US energy consumption compared to coal which accounts for 8% (source: Energy Information Administration).*
- *Underfunded for retirement – Many advisors recommend that by the time you turn 50 you should have around six times your annual salary saved for retirement. According to Fidelity, Americans aged 50 to 59 have a median 401(k) balance of just \$57,000 (source: Fidelity).*
- *The cost of housing – For buyers putting 20% down on the purchase of a median cost of a home in the US are paying the equivalent of 70.3 hours of salary. That's nearly double the 37.9 hours from May 2020 (source: Bespoke).*
- *The Swifties economy – Taylor Swift's recent tour of 117 concerts worldwide is projected to add up to \$5 billion to the global economy. The Swifites surveyed said they spent an average of \$1,300 per ticket. 91% said that it was worth it and would do it again (source: Questionpro).*



WHAT FACTORS MERIT USING A CORPORATE TRUSTEE?

I'm often asked what estate value merits naming a professional as a successor trustee to a trust. My response is generally that the size of your estate should not dictate whether to name a corporate trustee as the successor trustee of your trust. There are several more important factors that you should consider when making this decision.

While naming a loved one may seem like an obvious choice to oversee the succession of your estate, that person would likely need to fulfill this responsibility during a very difficult and emotional time. And while you wouldn't hand over such a major responsibility to just anyone, you should consider the potential complications and the burden that administering your trust estate may cause to a family member or friend. The use of a corporate trustee can alleviate the worry that comes with trust management and provide peace of mind.

Even if you've found someone you feel is trustworthy, like a family member or close friend, that doesn't necessarily mean that they're up to the challenges that come with such an important task. Availability and reliability are equally important. Your trustee will need to have the time and energy to sort out the distribution of your assets and settle any of your outstanding debts, all while juggling their own day-to-day lives. Using a corporate trustee can help unburden your loved ones.

Even if your estate is modest, it may contain assets that require expertise to manage properly, such that hiring a professional trustee may be your best course of action. Involving a professional can also be helpful if you have complex family dynamics. This way, someone without emotional ties to your assets and their distribution can carry out your wishes without any conflicts of interest or distractions. Corporate trustees are objective and administer the trust as it is written.

Corporate trustees are regulated by industry and laws and are examined regularly on multiple levels including internal controls and external auditors. Corporate trustees have a network of professionals that can obtain answers to difficult or unique questions. Corporate trustees will make certain that the proper tax returns are prepared and filed as well as work to maximize tax efficiency.

If you know you'll need a professional to help manage your estate but don't want to fully relinquish control to someone outside of your family, appointing co-trustees could be an ideal solution. A corporate trustee can handle the workload and the items requiring a professional's knowledge, while a loved one remains on board to make administrative decisions and ensure your family's values are upheld. Appointing successor co-trustees offers you the best of both worlds.

Although it's not easy to think about, taking the time to consider these factors will help you make the right choice for who should manage your estate when you're gone.

I would be happy to discuss the use of a corporate trustee for your estate. Please contact me at Sallie@TownsendRetirement.com.

Sallie

Sallie Diamond, JD
Legacy Planner

Maui Donation Update

Thanks to the generosity of Townsend clients, we were able to raise \$18,315.00. Plus, Jeff & Cayle Townsend matched the donation for a total donation of \$36,630.00 to help Hawaii find relief after the wildfires!

FOR YOUR ENJOYMENT



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 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.

"The stock market is a device for transferring money from the impatient to the patient."

— Warren Buffett



Crosscurrents

Some of the recent developments in markets conflict with each other and are worth examining. Crude oil prices have rallied strongly despite softening global economic data. Stock prices have remained buoyant despite rapidly rising interest rates over the last 3 months, (from 3.75% to 4.25% on the 10-year Treasury and from 6.5% to 7.2% on mortgages). Inflation has remained sticky despite the Fed's efforts to control it.

There are distinctive reasons for all these crosscurrents. For example, the rise of crude oil prices has resulted from supply challenges due to policy decisions, geopolitics, and production issues. Energy prices affect the price of just about everything that is physically produced and delivered, so inflation has persisted. Stock market liquidity has remained strong because financial conditions have continued to ease in the face of rising rates, which in turn have kept stock prices up. Interestingly, the rally in the S&P 500 through the first half of the year was limited, mostly, to a handful of large tech stocks that have generally been flat since June.

Stock price volatility has declined overall in the last quarter as investors, in aggregate, appear to be anticipating a so-called "soft landing" in the economy. A soft landing would mean continuing economic growth and declining inflation. This remains to be seen.

Making accurate predictions from past performance is a myth

One of the investment lessons I learned early in my career is that past returns do not predict future returns. In fact, the most recent returns often predict the opposite return over longer periods of time. This is a reality that the investment industry generally does not talk about.

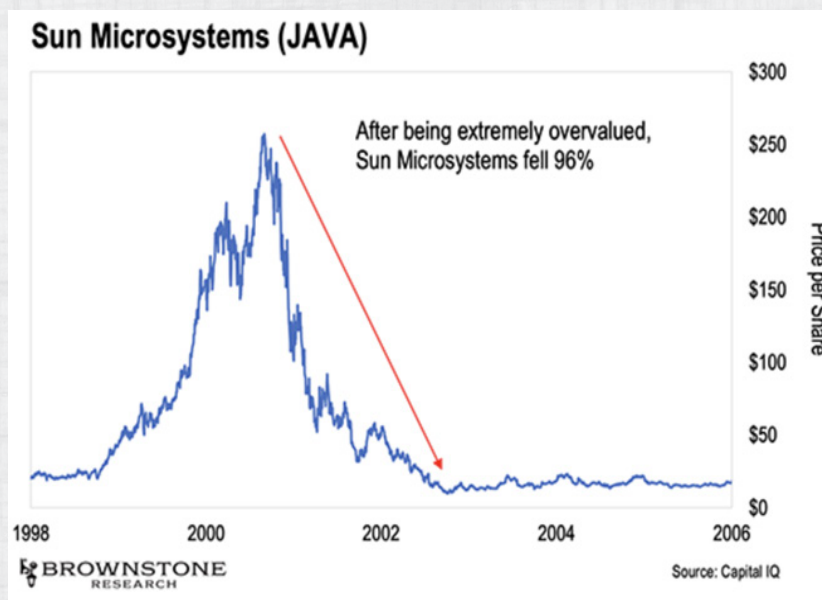
If past returns predicted future returns, Beyond Meat, Lyft, Teledoc, Zoom and Peloton would probably be worth around 100 times more than they are today, instead of being down significantly from their highs. The Janus Global Technology Fund would be up 10,000-fold after its tripling in 1999 instead being down 80% over the ensuing 18 months and trading at a loss for 20 years after its year 2000 net asset value. Excitement and return chasing (buying stocks whose prices have recently risen) is common behavior among both individual and institutional investors, but it does not work. It is important to be skeptical of today's winners because they can be the worst investments.

Some stock prices are driven higher for no good reasons other than hype, career risk, and herd behavior. Many professional investors fear not owning hot stocks and, God forbid, underperforming a benchmark. Accordingly, their decisions often have nothing to do with the quality of a prospective investment, its long-term prospects, or the value of the business itself. In the short run, the price of an investment reflects human emotion, behavior, incentives, and biases. And we humans are fickle. But for those investors who are able to have a long view and use time to their advantage, these mispricings create risk and opportunity.

A 90's bubble examination

I remember the late 1990s when Sun Microsystems and Cisco were the “hot stocks”. Professional money managers “had to” own them because they were large index constituents, and if you didn’t own them and your performance lagged in a rising market, you might lose business. Today, money managers “have to” own Nvidia, Apple, Google, etc. because there is little tolerance for “underperforming.” So those stocks are widely held, trade at very high prices and carry significant risk. Moreover, money pouring into the S&P 500 drives the prices of its largest constituents higher, but that capital is largely invested without regard to risk or price. In my opinion, realistic values of those businesses do not support their current stock prices.

Sun Microsystems and Cisco were on the forefront of technology development in the late 1990s - they were spoken of constantly on CNBC (and other financial media) and had performed spectacularly. Everybody talked about them all the time. But precisely at the peak of their popularity, they were terrible investments. Unfortunately, that is often how markets work.



A feature of every bubble is that many investors lose touch with reality. This environment is no different. Take the unprofitable Vietnamese electric vehicle maker, Vinfast Auto, as an example. In August, the company was valued by markets at \$200 billion - more than Boeing or Goldman Sachs; and GM and Ford combined. VinFast had produced 19,000 cars at a loss. This type of delusional pricing based on hype is commonly seen in bubbles, and, in VinFast’s case, it is a product of very few shares being publicly available, combined with institutional ESG mandates (criteria for socially responsible investing) and a clamor for any investment that checks ESG boxes.

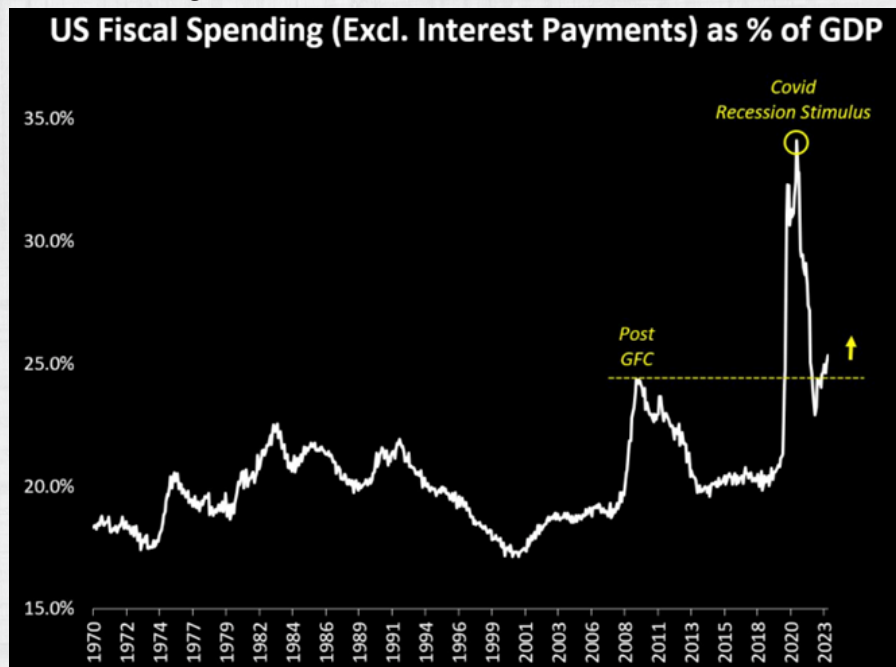
Contrary to renowned strategists such as Jeremy Grantham, I do not believe that there is a bubble in everything. Gold mining stocks, for example, trade at depressed prices relative to their likely value. Many stocks, in fact, trade at attractive levels. But the so-called ‘Magnificent Eight’ stocks trade at extremely high levels relative to their profitability and a realistic estimate of their future growth. The point is this: Wall Street promoters are still able to whip up performance chasing behavior that, in turn, runs up the prices of more speculative investments to unrealistic levels.

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Complacency in high-rate environments is not advised

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Going forward, we still must invest in an environment of much higher interest rates but one where many assets still carry the prices created by a low-rate environment. And in one of the most important crosscurrents and ironies of all, the Federal Reserve is combating inflation while Congress itself is contributing to it through record spending and fiscal deficits, (see chart below). In fact, fiscal spending is higher now than it was after the great financial crisis of 2008.



Source: Bloomberg

Considering these reasons, it makes sense to stick with reasonably-priced investments and to avoid excessive risk. Risk comes with too high prices. We also look for solid fundamentals -- good quality assets, manageable debt, and strong corporate governance. With Townsend, our goal is to earn you high returns on your investment dollars while avoiding large losses that can come from overpaying. Large losses significantly lower your average return. Investors who chase returns and don't care about the prices find this out the hard way.

That said, we invest in public markets where prices are set by other investors and speculators. No matter how well we do our analysis, price declines are an inevitable and normal part of the investing experience. This is also true for bonds, which is why we have kept maturities mostly short and quality high.

The team at Townsend Retirement thanks you for your trust and your referrals. Protecting the financial well-being of our clients is the essence of our business. We promise to work hard to make good decisions on your behalf and we encourage you to speak to your advisor if you have any questions about investments, personal finances, or anything else.

We look forward to hearing from you soon.

John
John Goltermann, CFA, CGMA



CAYLE'S CONNECTION

Happy Fall! After the crazy weather we've seen over this last spring and summer, I'm ready for fall. There's snow on some of the higher mountains and winter looks promising.

As a grandparent I'm always looking for ways to enrich Eli's life. A friend told me about Dolly Parton's Imagination Library. I signed Eli up and he receives an age appropriate book each month – for free from birth until 5! Amazing program from an amazing lady. imaginationlibrary.com

A few more places I'd like to take Eli:

The Bee Hugger Farm is in Longmont. You can feed animals, climb tractors, explore the farm, pick sunflowers and more. thebeehuggerfarm.com The Luvn Arms Animal Sanctuary in Erie rescues farm animals. They offer tours and cuddle sessions. luvinarms.org/visit-us

With Colorado politics heating up – again – I found my go to place to check on the various things I'm hearing. The Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Colorado's economy. commonsenseinstitute.co.org

I love a good scenic ride. If you do too, check out these worldatlas.com/places/9-most-scenic-road-trips-to-take-in-colorado.html

Everybody loves visiting a pumpkin patch to pick out the perfect pumpkin. This list of pumpkin patches will give you some great ideas for where you can go to find the best pumpkin. Many of these also have other activities as well. Anderson Farms, Erie- andersonfarms.com, Rock Creek Farm, Broomfield - rockcreekfarm.com, Maize in the City, Thornton- maizeinthecity.com, Rocky Mountain Pumpkin Ranch, Longmont- rockymtnpumpkinranch.com, Fritzler Farm Park, LaSalle- fritzlerfarmpark.com, Colorado Pumpkin Patch, Monument- coloradokidsranch.com, Miller Farms, Platteville- millerfarms.net

Have you heard of railbiking? Unused railroad tracks are fitted with modified hand carts that you ride like a bike. I found 2 – one in Southfork revrail.com/colorado-railbiking and one in Erie coloradorailbikeadventures.com This one is on my list to get Jeff to go with me on!

If you haven't donated blood yet, would you consider it? Jeff and I recently donated our pint to help offset the constant blood shortage. It doesn't take much time and can help so many people. vitalant.org

Client Corner



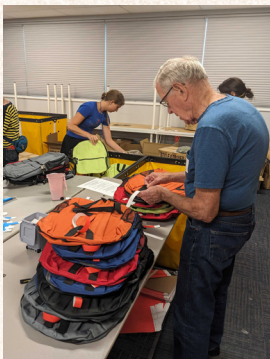
A summer of GOLF



7th Annual Fill-a-Backpack



3rd Annual Beesley Bike Build



Townsend's Recipe Round-Up

Each month, we want to share some of our favorite recipes. This month's recipes come to us from **Terri Thomas**, Senior Vice President & Financial Advisor at Townsend!

Since cooler nights are coming and fall and winter are approaching, I decided to share my go-to, delicious soup recipe. It's easy to make and very hearty. I don't usually measure anything, so I will do my best to share how I make it. As always, I like spice so if you are not into spicy, substitute with mild sausage.

Hearty Italian Sausage & Cabbage Soup

Ingredients

- > 1 LB hot ground Italian sausage
- > 1 lb of ground beef
- > Olive oil
- > 1 Tbs. fresh garlic, diced
- > 1 small onion, diced
- > Head of cabbage, diced (amount up to you, but I use at least ½ the cabbage)
- > 32 oz beef broth
- > 1 can of diced tomatoes (8 oz)
- > 1 can of red kidney beans (8 oz)
- > 1 can of Cannellini beans (8 oz)
- > Seasonings (Italian seasoning, salt, black pepper, red pepper flakes)
- > Fresh grated parmesan cheese for topping
- *Optional 2 cups of elbow macaroni
- *You may also need to add more liquid if you are putting in macaroni, eyeball it

ENJOY!

Directions

- 1) Heat 1 tablespoon of olive oil in the bottom of 3 quart saucepan.
- 2) Add garlic, sausage and ground beef. (I usually cook the sausage a few minutes before I add the ground beef. I think it takes longer to cook the sausage than it does the ground beef). Once the meat is browned, drain grease and add back to the saucepan.
- 3) Then add onion and cook together for about 5 minutes.
- 4) Add the remaining ingredients (Except for the cabbage and or the macaroni, save these for the last 15 minutes of cooking) Season to your taste (be brave and add a few red pepper flakes).
- 5) Let simmer for at least an hour.
- 6) 15 minutes prior to eating, add cabbage and macaroni (if using).
- 7) Cover with lid and cook until macaroni is done, or cabbage is cooked to your liking. I do like my cabbage a little more crunchy.
- 8) Top with parmesan cheese and serve.

Make sure you serve with a nice warm baguette and of course I drink my "all season" cabernet wine. (I think wine goes good with everything but cereal.)

P.S. Please share your comments with me if you do try this. Also, if you have a favorite recipe you would like to share, please send it to savanna@townsendretirement.com

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*We're open Monday through Thursday 8:00 a.m. - 5:00 p.m.
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