NEWSLETTER
FALL 2024

TOWNSEND

303.452.5986
WWW.TOWNSENDRETIREMENT.COM

Politics and Your Investments

As the US presidential election nears, many clients wonder how the election might affect the stock market and most importantly their accounts. While elections do impact policy and society, history tells us that markets have ups and downs regardless of who is in office.

Every four years far too many people make short-term investment decisions based on what they think will happen if their candidate isn't elected. Over the years there have been a lot of statistics that demonstrate that presidential elections don't matter nor does the occupant of the White House. Here are just a couple:

Since 1900, the Dow Jones median performance during the administration of Democratic presidents has seen a gain of 30.9% compared with 22.5% for Republican presidents. However, the average performance of the Dow Jones under Democrats has been 7.7% compared to 7.9% under Republicans (source: Bespoke).

Since Eisenhower's inauguration in 1953 through March 14, 2024, had you invested $1,000 in the S&P 500 only during Republican administrations you would have $29,000 on a total return basis versus $58,800 when a Democrat has occupied the White House. Had you stayed invested through that entire time you would have been rewarded to the tune of $1.7 million! (source: Schwab Center for Financial Research & Morningstar)

So, what would a rational long-term investor conclude from these statistics? If you said: "It doesn't seem to matter much who the president is" you'd be correct."

IN THIS ISSUE......

34 YEARS OF TOWNSEND RETIREMENT & INVESTMENT ADVISORS QUALITY SERVICE

BBB ACCREDITED BUSINESS

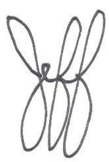
(Continued on page 2)

The broad equity market goes up most of the time regardless of who is elected and it's best to remain invested. To follow the former vice chairman of Berkshire Hathaway Charles Munger's advice: "The first rule of compounding is to never interrupt it unnecessarily." The unnecessary selling of investments in anticipation of a presidential election is never a wise move.

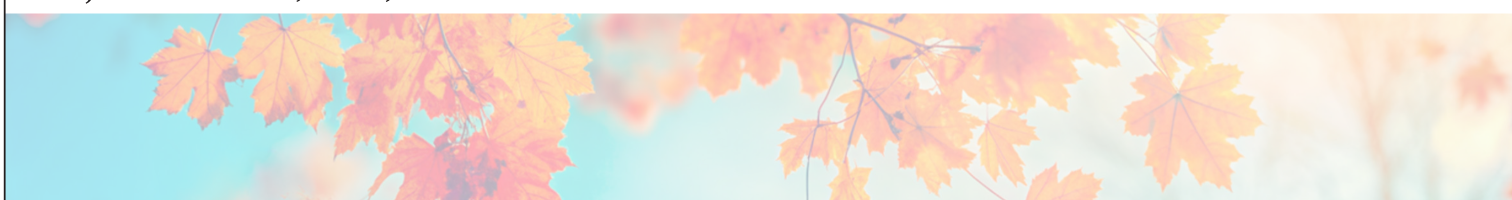
The outcome of November's election and what short-term effect it may have on the market is simply unknowable. Whatever the outcome is, great companies will work through it. Historically, the most probable way of capturing the superior returns of equities has been to ride out the declines.

I, like you, am a lifetime investor. I follow a plan (not the media or events) that has worked well. Presidents and their policies come and go. Through it all superior companies continue to serve their customers, increase their earnings and raise their dividends. That is what we're investing in and everything else is simply noise.

As always, it's an honor to serve you! Don't hesitate to contact us if you have questions or if there is anything that we can do for you.



Jeff Townsend, CEO, CRPC



Near and Dear to Our Hearts.....from Gayle Townsend

Jeff and I support a local nonprofit whose mission is to take donated bikes and rebuild them to sell at low or no cost. They also do high quality repairs and rebuilds at reasonable rates. More Better Bikes started in the garage of Pastor Kim Skattum and is now housed on the west side of the Baptist church on the corner of 104th and Huron. If you have a bike to donate or need repairs, tune ups or help with your bike check them out!

https://www.morebetterbikes.com/

If you have a nonprofit you would like to share with other clients, please email Savanna at Savanna@TownsendRetirement.com. Townsend clients love to support good causes!

NEWSWORTHY ITEMS

- Happy Birthday Social Security! This year marked the 89th anniversary of the Social Security Act that was signed into law by FDR. This year the trust fund will pay out a whopping $1.5 trillion in benefits to more than 71 million Americans, which is about 21% of the US population. (Source: Social Security Administration)

- Were the Dallas Cowboys a good investment? Despite not winning a Super Bowl since 1996 the Dallas Cowboys are the first professional sports team to reach the stunning estimated value of $10.32 billion. That's $10.18 billion more than the $140 million that owner Jerry Jones paid for the team in 1989. (Source: CNN)

- What teenagers are asking for - A recent survey of US teens aged 13 to 17 found that 68% would eagerly enroll in a financial literacy course if offered the opportunity. I can't imagine a more important course considering how much adult life consists of so many financial matters. (Source: Junior Achievement USA)

- Failure to launch! Seventeen percent of Americans between the ages of 25 and 35 are currently living with their parents. That's up from a low of seven percent in the 1970s. Of those adults living at home 78% say that they can't afford the median rent level of the city the live in. (Source: Apartment List)

- Software developers are on a decline. According to data from job-search website Indeed, 33% of 45 industry groups tracked now have a lower number of job postings than they did before COVID hit in February 2020. Software development job postings are down the most at a 30.8% decline.

- Woman power! For the fourth consecutive Summer Olympics, most of the US team members were women (56%) and the US has the most women competing of any participating country. Women accounted for 49% of all athletes at this year's Olympics compared to only 4% the last time Paris hosted the Summer Olympics back in 1924. (Source: AP, NPR)

- The IRS is warning of an increase in scams. According to the IRS, victims are pressured by fake IRS representatives into making immediate payments through gift cards or wire transfers under the pretense of resolving fictitious tax liabilities. Scammers' techniques include the manipulation of caller IDs. If you receive a call from someone claiming to be from the IRS, you should hang up immediately. The IRS does not make unsolicited calls. Do not return the call using the number provided by the caller or the one displayed on your caller ID. If you're uncertain about the legitimacy of any IRS communications you can contact the IRS customer service for verification at 800-829-1040.

- Dating Scams - Millions of people use online dating apps or social networking sites to meet someone. But instead of finding romance, many find a scammer trying to trick them into sending money. Read about the stories romance scammers make up and learn the number one way to avoid a romance scam. To learn more go to https://consumer.ftc.gov/articles/what-know-about-romance-scams

- FedEx Scams - Is that text message about your FedEx package really a scam? If you get an unexpected text message, don't click on any links. If you think it could be legit, contact the company using a website or phone number you know is real. Don't use the information in the text message. To learn more go to https://consumer.ftc.gov/consumer-alerts/2020/02/text-message-about-your-fedex-package-really-scam

- E-Commerce Scams - We just learned of a client losing their entire company 401(k) plan through an e-commerce cyber scam. There's no shortage of e-commerce scams. To learn more go to https://myfbaprep.com/blog/direct-to-consumer/common-ecommerce-scams/

HOW TO PROTECT GENERATIONAL WEALTH

Generational wealth is essentially any kind of asset that is passed down from one generation to the next. This might include cash, investment funds, stocks and bonds, real estate properties, or even businesses. It's projected that more than $80 trillion will be passed down from today's older generations to their children and other heirs over the next two decades. When it comes to building wealth, growing your net worth is only half the battle. Building lasting wealth involves creating a plan for how your assets will be transferred and passed down to the next generation.

Investors are concerned about smoothly transferring their assets, but only 40% say they have had discussions with heirs regarding their wishes. And although investors overwhelmingly want their legacy transfer to go smoothly, their lack of communication and inadequate estate planning can be costly and lead to unresolved family conflicts.

Many families shy away from having conversations about what will happen to specific assets when a family member falls ill or passes away. It can be uncomfortable to start a conversation with your loved ones and heirs about money. One step you can take to achieve this goal could be to plan a family meeting. A meeting provides an opportunity to reconnect and share the family's vision for the future. The conversations also help the next generation learn and understand finances. Discussing with family members their vision of how they want the transfer to happen poses a significant planning opportunity, both for the generation that will be transferring assets as well as those that will receive it. We can help facilitate this meeting if you wish.

Recent surveys show that only 33% of Americans have a will or living trust, and one in three Americans who have no will or trust feel like they don't have enough assets to create a plan for what they will leave behind. Focusing only on the short term could cost you and your loved ones down the line. Regardless of what you have now or what you think the future holds, having documents in place that ensure a smooth transfer of whatever assets you do leave behind protects the wealth you've built and gives the next generation a foundation to start from.

If building generational wealth is important to you, you will want to consider creating a trust that will leave your legacy to your beneficiaries and if set up properly may last for generations. You will want to carefully think about who you name as a successor trustee of your trust, and the terms of distribution. If you are concerned that your child may not have the skill set to administer the trust, you can name a professional trust company to take on that responsibility and provide additional benefits.

The most important thing to do when you are building generational wealth is to surround yourself with a team that will help you accomplish your objectives. Your team should include not only your estate planning attorney, but your financial advisor and tax adviser as well. These experts can help you create a plan for your beneficiaries that clearly outlines how your wealth should be distributed and invested, and who will be entrusted with your assets and wishes.

If you would like to discuss how to pass your wealth on to the next generation, give me a call at Townsend.

Sallie

Sallie Diamond, JD, C.R.P.C.

"To understand the actual world as it is, not as we should wish it to be, is the beginning of wisdom." -- Bertrand Russell

Economic Slowdown

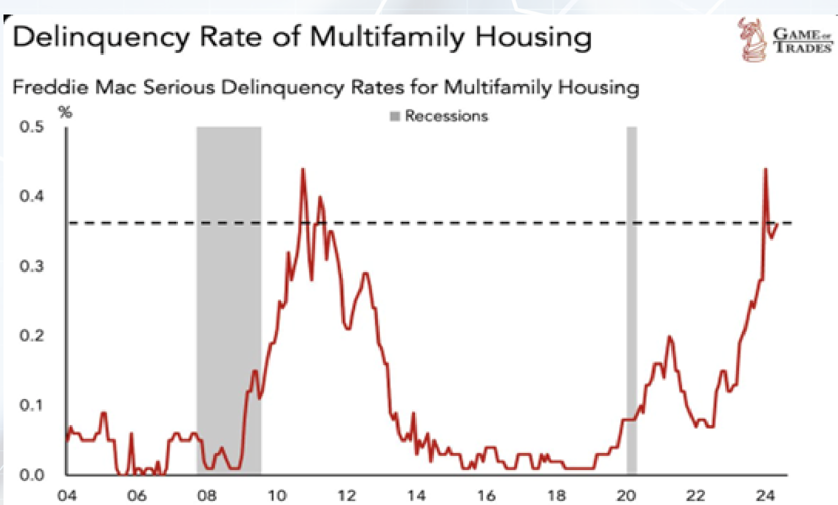
Except for a hiccup in early August, around the writing of this article (in early September) 2024 has been another year of generally low price volatility for stocks and rising prices.

Markets have risen in anticipation of rate cuts by the Federal Reserve. Its rate hiking cycle ended in August of 2023. The stock and bond rallies were especially strong in August as we saw a huge revision to the payroll numbers, which is calculated by the Bureau of Labor Statistics (BLS). That rally was associated with a strong prospect of Fed Funds rate cuts going forward.

The revision was to the number of reported new hires being 818,000 lower than reported for the period March 2023 to March 2024. It was the largest revision since 2009 and means job growth was 1.2%, not the 1.9% reported. Therefore, the economy is much weaker than previously thought. Had the Fed had accurate data, it may not have raised rates as much as it did, which strengthens the case for cuts.

Year-to-date (through Sept. 5) the S&P 500 is up 16.5%, and the NASDAQ is up 14.1%. Interestingly, the equal-weighted S&P 500 has played catch-up this last quarter and is up 10.3%. What this shows is that the strong rally in mega cap tech stocks has stalled a bit and liquidity has flowed to other better/cheaper opportunities. The valuations in mega-cap tech, in my opinion, suggest limited upside and huge downside going forward whenever fundamentals start to matter.

While the markets have been generally buoyant, there is a lot happening under the surface. Volatility picked up a bit in August and September as the effects of rate hikes have started to impact the economy. We see these effects primarily in the jobs market, but also in residential real estate prices rolling over, economically sensitive stocks softening, bonds rallying, defaults and delinquencies increasing (see chart below on multifamily housing delinquencies), crude oil prices under pressure and myriad other data. The point is that rising rates do have an effect. The effect takes place with a long-time lag, but it is happening now.

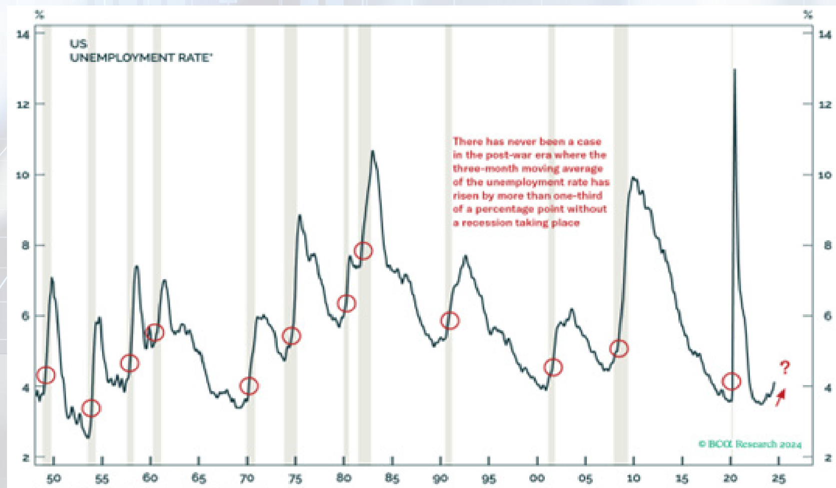


Source: Bloomberg L.P., National Bureau of Economic Research, Game of Trades

(Cont. on Page 6)

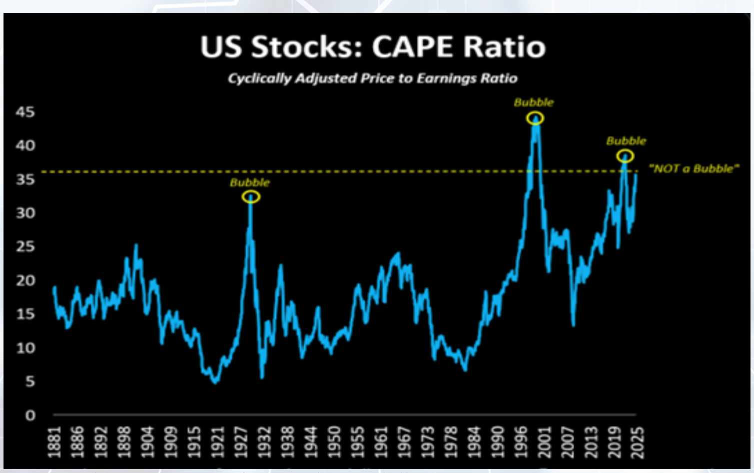
One of the factors behind recent volatility and reduction in market liquidity is a strengthening Yen. I do not want to get too into the weeds on this, but for those of you who want to look into it, it's an interesting phenomenon. The short version is that the Japanese Yen is what they call a 'funding currency', meaning that global investors borrow in Yen because the Yen is structurally weak (for all sorts of reasons). The proceeds from that borrowing fund speculative activities of all sorts. They call this the 'yen carry trade'. When the yen strengthens, like it did recently, the cost of borrowing for those speculators increases dramatically and they close out positions (sell assets and close out trades) that they had with their yen-based loans. There is a momentum effect here, so this could have further to go and reduce market liquidity (putting pressure on stock prices) in the US.

The jobs situation is a factor that has begun to signal increasing slack in the economy. The recent data reveals softening in the labor market. Yes, some of the uptick in the unemployment rate (about 40% of it) is due to new entrants and re-entrants coming back into the labor pool, but some is also due to business conditions, a reduction in hiring, and outright layoffs. You can see from the chart below that when the unemployment rate ticks up, it ticks up by a lot, not a tiny bit. It has increased by at least 2% in each cycle, sometimes by 5% and it has happened quickly. So, we are probably at the beginning of a slowing cycle.



Source: BCA Research 2024

We are also faced with a backdrop of high prices in US stocks. As I have discussed before, this statistic is skewed higher by a heavy weighting of the technology sector in indices (tech carries characteristics of being in a bubble), so is not an accurate depiction of stocks overall. But it is important to keep in mind that whenever there is a bubble, the prevailing view is that there is not a bubble. Almost nowhere in the financial press today is there talk that the Magnificent 7 stocks, or tech stocks in general, may be in a bubble. And because everything is obvious only in hindsight, we don't want to be on the wrong side of history repeating itself and will stay mostly disinvested here.



Source: Yale University, Professor Robert J. Shiller; Tavi Costa

So how do we deal with this situation? The first thing is to stay on top of the data. We can't predict the future, but it appears we are indeed lining up toward a slowdown and we want to monitor it closely. The second is to prepare mentally for the possibility for tougher times ahead. Markets and economies are cyclical by nature, but recessions do not automatically mean lower stock prices. Moreover, recessions bring benefits through the creative destruction of inefficient businesses and their replacement with better ones. They also reset investor expectations and bring more efficient allocations of resources.

Some stocks, namely those with prices implying extremely optimistic profit growth, are more exposed to permanent losses. Value investors in the 2000 - 2002 time frame (during a recession) performed well, but price volatility did pick up. Broad stock prices will decline dramatically at some point and when that happens, we want to be focused on opportunities to reallocate to attractively priced investments coming out of any major selloff. We, however, cannot time any selloff and we will not try. So having an appropriate asset allocation for your financial situation and comfort level is extremely important.

We try to own stocks of businesses with pricing power that should survive a recession and get stronger. We will try to stay out of stocks that only offer limited long-term upside and large risk of permanent losses, and instead to be invested in high quality assets that are underpriced and under appreciated. Musical chairs is not a wise game to play with investment dollars. We try to maintain hedges against inflation if the Fed and Congress are overstimulative by owning some resource producers, foreign stocks and precious metals. Apart from that, we try to leave emotions out of our decisions as emotions tend to lead to low-quality decisions.

From where we sit, many investments already reflect expectations of an economic slowdown. The data has confirmed the slowdown. We expect headline reactions leading into the election, and, because volatility is common in the fall, there will likely be choppiness ahead. This is not a cause to do anything different. But please know we want nothing more than to deliver the best outcomes to you, our clients, to honor the trust you have put in us.

John

John Goltermann, CFA, CGMA
Senior Vice President and Chief Investment Officer

CAYLE'S CONNECTIONS

HAPPY FALL! We're right around the corner from Halloween and I'm very ready for cooler weather. If you go on any of my adventures or have one of your own to share, please let Savanna know.

Jeff and I are always looking for a **GOOD HIKE** and there's one close to home in Evergreen. Pence Park Is a good place to go to leaf peep and enjoy some outside time. This park is on both sides on Parmalee Gulch Road not far from Kittridge. There are 2 trails – Bear Creek Trail and Independence Mountain Trail. https://www.alltrails.com/parks/us/colorado/pence-park

Two and a half hours from Denver is **HOLYOKE** – a small-town rich in history and agriculture. Might make a good day trip to discover a new restaurant or shop. https://www.cityofholyoke-co.gov/

This is one I'm going to definitely try. Colorado **RAILBIKE ADVENTURES** in Erie offers rides on abandoned rail that is no longer used for trains. The railbike holds up to 4 people and powered by you. https://tinyurl.com/y5tntsud

Want something eerie to visit this Halloween season? The **ATLAS E. MISSILE SITE** in Greeley has been called one of the most eerie. This site was part of the first multi-stage Intercontinental Ballistic Missiles used during the Cold War. https://www.weld.gov/Government/Departments/Facilities/Missile-Site-Park

Also eerie, the **STANLEY HOTEL** in Estes Park is reportedly teeming with paranormal activity. Opened in 1908 this hotel inspired Stephen King to write The Shining. If you're feeling brave stay in room 217 – reportedly the most haunted. The hotel also offers seances, ghost tours, whiskey tastings, magic shows and has the Stanley Steam Car Museum. Jeff and I got engaged there! https://www.stanleyhotel.com/

I believe I've shared the Wild Animal Sanctuary in Keenesburg as a fun place to spend a cool morning/late afternoon observing their many rescued animals. https://www.wildanimalsanctuary.org/ I recently learned about the Colorado **WOLF AND WILDLIFE CENTER** an hour from Colorado Springs. It's the full-time home of coyotes, foxes and even wolves. They offer standard, feeding, full moon kid and interactive tours. https://www.wolfeducation.org/

Townsend's Recipe Round-Up

Since fall weather is around the corner and the 90–100-degree days are subsiding, I thought this would be a great recipe for Fall newsletter. I have made this several times for the potluck dinners we have done with the Townsend Rolling Oldies RV group, and have been asked several times for the recipe, so here ya go! Please let me know if you have tried any of my recipes and don't be shy about giving me feedback. I would like to know if you liked/or disliked anything so far. ** Important ** if you now have a drinking problem, please forgo any wine suggestions in future recipes.

Bon Appetit!

Mississippi Pot Roast (With some Terri tweaks)

- 1 3-4LB Chuck Roast
- 1 packet of Ranch Dressing Mix
- 1 packet of Brown Gravy Mix (or Au-Jus Gravy Mix)
- 1 Cup of Butter
- 1 16 oz jar of Pepperoncini peppers (I get the sliced ones instead of taking stems off each pepper)
- Red pepper flakes (to your liking or you can skip)
- Mashed potatoes or egg noodles

VERY EASY INSTRUCTIONS

Put roast in the bottom of crock-pot, then sprinkle the ranch dressing and gravy mix over the top.

Next: Add the butter on top and then pour the jar of peppers over the top (juice and all). Turn the crock-pot on low for 8 hours and once done, take forks and shred the roast. Once shredded, serve over mashed potatoes or noodles. *Do not add any other liquids or salt, as this is very flavorful and enough liquid that makes more of a gravy to serve over potatoes*

Serve with some warm bread and DEFINITELY don't forget the Red wine. I think red wine pairs with just about anything. The only thing I haven't figured out is how to pair it with Cheerios! Some of our favorite Red Wines are Beringer Bourbon Barrell Cabernet, Louis Martini Cabernet, and Josh Cellars Cabernet. These are not expensive and good for everyday wine.

And since you are surely enjoying a nice glass of cabernet wine with your dinner, use a little for this delicious dessert!

Red Wine Chocolate Cake

This moist, rich red wine cake is great to make ahead for special occasions because its flavor improves the next day. It's got a super chocolate-red wine flavor that's unbelievable!

- 1 cup all-purpose flour
- 1 cup unsweetened cocoa powder
- 1 teaspoon baking soda
- 1 teaspoon salt
- 1 teaspoon ground cinnamon
- 1 cup (2 sticks) unsalted butter, softened
- 1 cup granulated sugar
- 1 cup brown sugar (preferably dark)
- 2 large eggs
- 2 teaspoons vanilla extract
- 1 cup dry red wine (I used Cabernet, but you can also use Merlot)

Instructions

1. Preheat oven to 350F/180C degrees. Grease a 12-cup bundt pan and set aside.
2. In a medium bowl sift flour, cocoa powder, baking soda, salt, and cinnamon. Set aside.
3. In a mixer bowl fitted with the paddle attachment, beat together butter and sugar on medium-high speed for 3-4 minutes until light and fluffy. Beat in the eggs one at a time until combined. Scrape down the sides and bottom of the bowl as necessary. Beat in vanilla extract. On low speed, beat in (or fold by hand) the flour mixture in 3 additions, alternating it with the wine in 2 additions (starting and ending with the flour). Do not over mix.
4. Scrape the batter into the prepared pan and smooth the top. Bake for 45 minutes or until a toothpick inserted into the center comes out clean. Allow the cake to cool in the pan for 10 minutes on a wire rack, then turn it out and let it cool completely. Dust the cake with powdered sugar or drizzle chocolate ganache over the cake.
5. Store cake at room temperature in an airtight container for up to 3 days.

TOWNSEND
Retirement & Investment Advisors

2761 W. 120th Avenue
Suite 200
Westminster, CO 80234

303.452.5986 **Office**
800.578.9896 **Toll-Free**
303.452.5989 **Facsimile**

Information

For Any Changes, Account Information, New Accounts or Rollover Paperwork:
Kaitlin Bell
Renee Michel
Kimberly Davis

For Performance Results, Profile Updates or Questions on Your Accounts:
Tiffany Brown
Jonathan Amick
Grace O' Mara
Mia Kitner
A.J. Holmes

For Scheduling Appointments:
Corinne Wytulka
Trish Frankel

Email Addresses

Jeff Townsend ....Jeff@TownsendRetirement.com
Linda Addison..........Linda@TownsendRetirement.com
Jonathan Amick.....Jonathan@TownsendRetirement.com
Kaitlin Bell.................Kaitlin@TownsendRetirement.com
Tiffany Brown............Tiffany@TownsendRetirement.com
Savanna Brown........Savanna@TownsendRetirement.com
Steve Carlisle................Steve@TownsendRetirement.com
Kimberly Davis......Kimberly@TownsendRetirement.com
Sallie Diamond............Sallie@TownsendRetirement.com
Nato Francescato...........Nato@TownsendRetirement.com
Trish Frankel................Trish@TownsendRetirement.com
John Goltermann..........John@TownsendRetirement.com
Megan Chiles..........Megan@TownsendRetirement.com
Drew Hanna............... Drew@TownsendRetirement.com
Rick Harrison ....Rick@TownsendRetirement.com
A.J. Holmes........................AJ@TownsendRetirement.com
April Jackson................April@TownsendRetirement.com
Christine Kaneta...Christine@TownsendRetirement.com
Shawn Kelly.............. Shawn@TownsendRetirement.com
Mia Kitner.....................Mia@TownsendRetirement.com
Renee Michel..............Renee@TownsendRetirement.com
Grace O' Mara............Grace@TownsendRetirement.com
Mark Thomas..............Mark@TownsendRetirement.com
Terri Thomas................Terri@TownsendRetirement.com
Corinne Wytulka....Corinne@TownsendRetirement.com
Drew Hayworth...Drew.Hayworth@TownsendRetirement.com
Marah Quinonez-Dominguez...Marah@TownsendRetirement.com

www.TownsendRetirement.com

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