NEWSLETTER
WINTER 2025

TOWNSEND

303.452.5986
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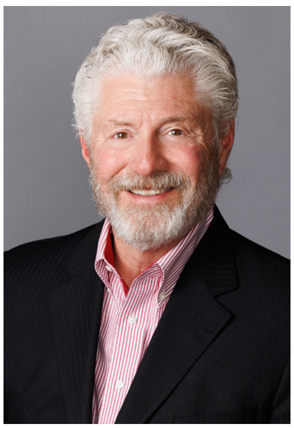
Designing a Path to Retirement Security



If you are reading this article, you're likely already retired or are getting serious about planning for a secure retirement. For our younger readers, if retirement is decades away you may want to think in terms of financial independence. Wherever you are on your journey planning and investing is very important and know that we're here to help you.

For my first article for 2025 I want to discuss possible roadblocks that can deter you from reaching your goals and how to find your way around them. According to a recent Charles Schwab survey of 401(k) participants, 99% of Gen Z workers, 88% of millennials and 91% of Gen Xers say that they face obstacles that prevent them from saving or saving enough for retirement. Regardless of if you are just starting or are nearing the end of your career there are strategies you can adopt to navigate your way to a secure retirement.

Obstacle #1: No room in the budget to save – Now more than ever making your paycheck last until the next payday can be difficult, especially when you are just starting out. It's easy to postpone saving for retirement but even a modest contribution along with employer matching to your 401(k) or other retirement plan can add up significantly over time. So where will this money come from? It often boils down to habits and priorities. Start by keeping track of your expenses by category. You can do this by downloading a budget app or do as I do which is using a spreadsheet. Almost everyone will see something they didn't realize they were spending money on or don't need.

Start making small contributions and increase your contributions every year as you receive pay increases.

Obstacle #2: Changing jobs – It's tempting to cash-in your 401(k) plan when you change jobs, but this comes with a significant long-term cost. Not only will you be taxed and possibly pay a 10% penalty if you're under age 55 but you interrupt the magic of compounding. Consider this, $10,000 earning 10% over 30 years will give you $174,494!

So, rather than cashing in your 401(k) you can rollover the sum into an IRA or you may be able to rollover your balance of your 401(k) to your new employer's 401(k) if they allow it.

(Continued on page 2)

34 YEARS OF TOWNSEND RETIREMENT & INVESTMENT ADVISORS QUALITY SERVICE

Obstacle #3: The rising cost of childcare – The U.S. Department of Agriculture estimates that it will cost the average family $331,933 to raise a child born in 2023 until age 18, and that doesn't include college. A big contributor to the total cost is the cost of day care. According to Care.com the average family spends 27% of household income on childcare.

To help reduce these costs make sure to take advantage of all the tax breaks and workplace benefits available to you. Check to see if your employer offers a dependent-care flexible spending account (FSA), which allows you to make pretax contributions, including Medicare and Social Security tax, of up to $5,000 annually. These funds can be used to pay for childcare and even adult dependents who need care. You may also be eligible for Child and Dependent Care tax credit of up to $6,000 p/y if you have two or more children under age 13. Any level of tax help can help to free up money for retirement.

Obstacle #4: Health care costs – Even a well-funded retirement plan can be sabotaged by a medical emergency. Perhaps one of the best defenses against this retirement derailer is taking advantage of a Health Savings Account (HSA). An HSA is one of the best ways to save for out-of-pocket medical expenses providing you have a high deductible health insurance plan. For 2025 a high deductible health insurance plan must have a deductible of at least $1,650 for self-only coverage or $3,300 for family coverage.

Contributions to an HSA are pretax or tax deductible if not offered through your employer. Funds grow tax-free and withdrawals are tax-free as long as the money is used for health care expenses and one of the many benefits is that it's not a "use it or lose it" account if you don't use it by the end of the year. For this year you can contribute up to $4,300 as a single or up to $8,550 for family coverage. If you are 55 or older you can put in an extra $1,000 as a catch-up provision. Many HSA plans allow you to invest all or a portion of your contributions. This is especially important if you are fortunate enough to pay current medical expenses out of cashflow. This will allow the account to grow to pay for out-of-pocket expenses in retirement.

Obstacle #5: Running out of time to save – It's not unusual for workers to reach their fifties and realize they haven't saved enough to retire and maintain their lifestyle. There's a quote that asks, "When is the best time to plant a tree and the answer is fifty years ago but the second-best time is today." This is true for saving for retirement as well. We have found that people don't really get serious about retirement planning until they're in their early fifties. This may be the case because they're becoming empty nesters and finances are getting freed up.

While you can't make up for lost time you can supercharge your savings. For 2025 workers 50 and older can contribute up to $31,000; However IRA and Roth IRA contributions remain at $7,000 if you're 50 and older. If you can save even more don't overlook investing in a brokerage account. It won't be tax deductible, but it can provide additional retirement income at more favorable tax rates than a qualified account.

There's no limit to obstacles but hopefully the ones I listed will be helpful. If you need help with any obstacles we're here to help. If you're not a client and are looking for guidance or a second opinion don't hesitate to contact us.

As always, it's an honor to serve you! Wishing you a happy, healthy and prosperous 2025!

Jeff

Jeff Townsend, CEO, CRPC

NEWSWORTHY ITEMS

- Social Security inches up. The Social Security Administration released cost-of-living adjustments for this year with a 2.5% increase in retiree benefits. This is the smallest increase in four years. The average monthly social security check for retirees will be $1,976 in 2025, up $49 from 2024, however Medicare part B premiums will go up about 5%. So, at the end of the month you may be a Big Mac or two ahead. (Source: WSJ)

- Retirement contribution limits go up as well. The IRS recently announced that the maximum amount an individual can contribute to their 401(k) plans this year is $23,500, a $500 increase from last year. For those over the age of 50 can make a maximum catch-up contribution of $7,500 which is the same as last year. Maximum contribution limits for IRAs remain the same as last year at $7,000. (Source: IRS)

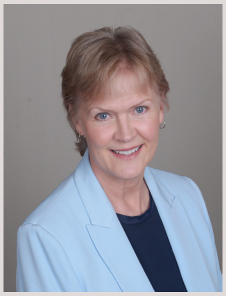
- The age of first-time homebuyers is rising. The median age of first-time homebuyers hit a record high of 38 last year, up from 35 the year before. Here's another record, the market share of first-time homebuyers decreased to a record-low of 24% last year compared to 32% in 2023. Remember how old you were when you purchased your first home? (Source: National Association of Realtors)

- About time! 92% of parents surveyed with children in grades K through 12 agree that it is critical for their children to learn about finances and how to invest in order to prepare for their financial future. 74% said that they would probably or definitely enroll their children in a different school if it offered financial literacy and investment courses. (Source: SIFMA Foundation)

- Auto loan worries. Over the last four quarters delinquent auto loans rose to 8.1% of total auto loans. That's the highest since the end of 2010. (Source: New York Federal Reserve)

- Crypto craze! Bitcoin has more than doubled in price last year as it closed in on $100,000, but most Americans remain skeptical including Warren Buffet and Jamie Diamond. 63% of Americans are not confident in the reliability and safety of cryptocurrencies. Only 5% are extremely or very confident, making investing in crypto a speculative play. (Source: Pew Research Center)

- The glass ceiling is rising. The number of female CEOs at Fortune 500 companies continue to climb, rising to 55 last year versus only 24 in 2018. This number should continue to climb as eight business schools reached gender neutrality last year for full-time MBA students compared to only one in 2020. (Source: Fortune)



Gifting Collections and Memorabilia in Your Estate Planning

Most of our estate planning discussions are centered around who you want to pass your financial assets to, but we seldom talk about tangible assets like collections, memorabilia and other valuable personal property. You may have collected works of art, movie memorabilia, coins, books, antique watches or collector cars during your life but who do you want to receive these things when you're gone? Do you want to keep them in the family or share them with a wider audience?

When heirs don't realize there's a collection or don't know its value, they may end up selling something that their loved one invested years of work and passion into at an estate sale or on Facebook Marketplace. Then they find out years later how much it was worth - financially and emotionally. You need to plan for the disposition of these assets, or they could be potentially at risk.

Who do you want to give the collection to? The answer is often loved ones, but with some collections a collector might want to share them with a wider audience. There are cases where collections are gifted to a charity or left in full or in part to a museum or organization associated with the items.

If you want to leave the collection to a charity or museum, the first thing you need to find out is if the charity or museum even wants the collection. This often comes down to the ability to house and exhibit a collection. For collections left to heirs, it's about gauging whether there is an interest by the recipient. This often hinges on how much you've communicated with them about a collection's origins and your passion for it. Storytelling and sharing the value of a collection is critical. Whether you have these discussions informally or make them part of an official planning process, talking about your collection with the people you hope will want them is crucial.

Once you've decided where a collection is wanted, you need to consider how it gets there. Do you want a collection to be given in full to a single person or entity or are you planning for multiple recipients? Gifting can be straightforward or carefully customized to include specific conditions or instructions for recipients.

From a tax planning perspective, if your collection has increased in value over time, making the gift part of your estate can result in a stepped-up basis and a tax savings should your heirs ultimately sell it in the future. Knowing what your collection is worth is required if you plan to make it a gift. The IRS expects qualified appraisals for collections valued at $5,000 or more and collections worth $20,000 or more must include a signed appraisal with the tax return. Most people who have put effort into a collection know approximately what it's worth because they have probably been insuring it.

If you have any memorabilia or collections that you want to give as part of your estate planning, make sure that you begin planning early. If you have any questions or want to discuss the gifting of various items as part of your estate plan, please feel free to give me a call at Townsend.

Sallie

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Exciting News: Introducing Text Messaging for Appointment and Event Reminders!

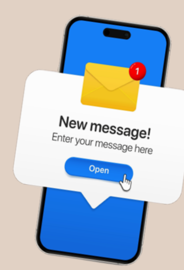
We are thrilled to announce a new feature designed to enhance your experience with Townsend. Starting early 2025, we will be rolling out text messaging for important reminders!

What This Means for You:

Convenience: **Receive timely reminders directly on your mobile device.**

Efficiency: **Easily confirm or request to reschedule appointments with a quick reply.**

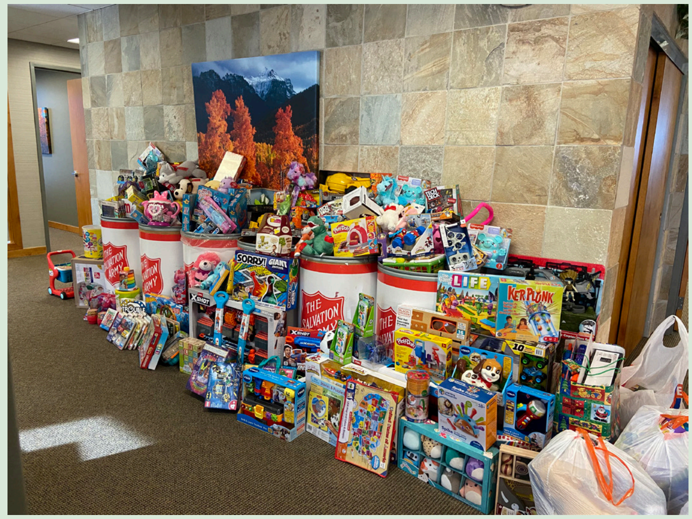
Stay Informed: **Never miss an event with our automated reminders.**

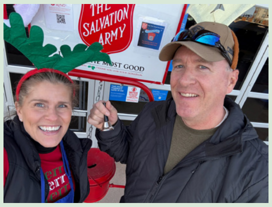


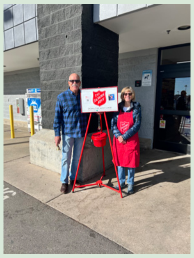
We believe this new feature will make managing your Townsend events even easier and more convenient.

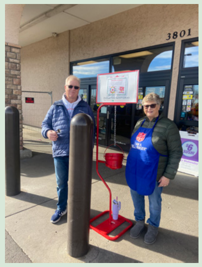
The Townsend Toy Drive & Kettle Bell Ringing

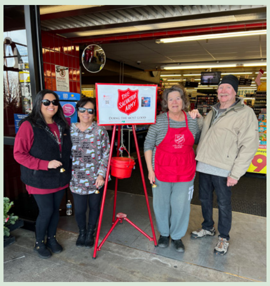
It is an annual tradition at Townsend to support The Salvation Army. Each year, our clients donate hundreds of toys so underpriviledged children can have a very merry Christmas.

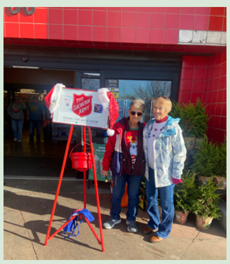


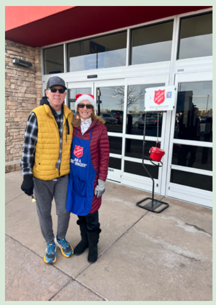




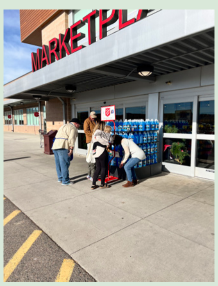


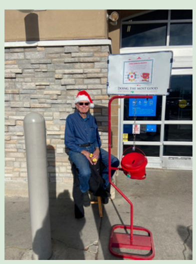


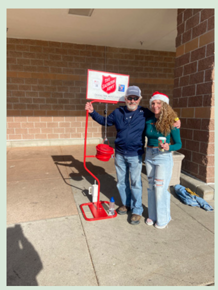


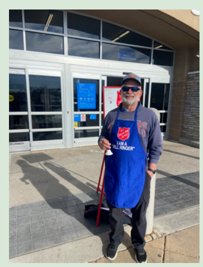


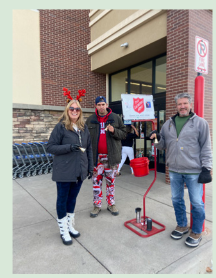
Our clients also donated their time and money to our annual Salvation Army bell ringing event. This resulted in **$ 6,629.24** of donations and the Townsend Foundation matched this amount for a total of **$13,258.48.**







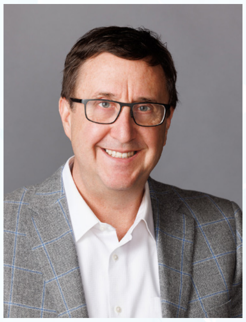




Friends Helping Friends

Our firm continues to grow because of referrals from clients like you! As we look ahead to 2025, we believe one of our primary roles is to provide clients with all the essential tools and information to succeed. If you have ever wondered if your family or friends are really prepared for retirement, or if they are working with a good advisor, we would love the opportunity to talk to them. Give us a call and we will help facilitate an introduction that is comfortable for both you and your guest. As always, we are so grateful for your trust in us.

"As a general rule, it is foolish to do just what other people are doing, because there are almost sure to be too many people doing the same thing."
- William Stanley Jevons



The Trump Trade

With Trump about to take office, many wonder what his presidency may mean for investors. For a long time, the US economy and markets have been mostly independent of whomever occupies the White House, but today the threat of large, widespread tariffs is new, and it could potentially have an economic impact. Trump's election took place with a relatively strong economy and with the stock market at all-time highs, but also at a time of record high debt, out-of-control spending, geopolitical turmoil and softening labor market. Republicans, who will control both the Senate and the House, will likely support the bulk of the America First agenda. Very few truly know what Trump will do when he enters office, but by all accounts, and given his previous statements and actions during his first term, Trump does believe that tariffs will be beneficial.

The Trump trade kicked into high gear and speculative appetite surged following his decisive victory on November 5. The S&P 500 hit a new record high, the US dollar strengthened, and Bitcoin rallied strongly. But gold, silver, energy stocks and foreign stocks all fell. Longer-term interest rates initially jumped on the prospects of greater US economic growth and expanding fiscal deficits but have since fallen 0.3% (for the 10-year Treasury as of this writing). All of this price action is reminiscent of what happened after Trump's election in 2016 when stocks rallied and Treasury yields jumped from 1.8% to 3.2% by 2018, but then they fell to 1.5% by August 2019 because capital spending failed to rise after the passing of the 2017 Tax Cuts and Jobs Act (TCJA).

Today, given the fiscal situation, the prospect of tax cuts is much smaller than it was in 2017 when House Republicans had a 47-seat majority. And the potential for a negative impact from a renewed trade war is larger. It is likely that the TCJA, which is set to expire in 2025, will be made permanent in the next legislative session, but the TCJA is not new stimulus – extending it will just be a continuation of existing stimulus. Extending the TCJA is estimated to cost $5.35 trillion over the next 10 years. Eliminating taxes on overtime, tips and social security income will cost an additional $3.6 trillion over the next ten years[1]. On the spending cut and new revenue side, it is estimated that revenue from establishing a baseline tariff and savings from eliminating certain departments, reducing waste and fraud, would benefit the budget by about $3.7 trillion over ten years. Of course, these are estimates and major uncertainty exists over what will actually be realized. The point is that significant deficits will likely remain.

A huge issue will be tariffs. Whether Trump will (or can) carry out a 10% across the board tariffs and 60% on imports from China is open for debate. The market consensus right now is that he will not but, given the trade war in his first term, tariff risk is probably underestimated. Trump refers to protective tariffs as though they are a way of improving the free market and says that they fulfill a need to keep money at home. He also says that another benefit of tariffs is to force foreign companies to relocate some production to the US. Those sound great but there are also concerns about tariffs increasing prices of goods that can be made cheaper and more efficiently elsewhere.

Besides trade, there are other issues that Trump will have to contend with: 1) Rising debt service costs from higher interest rates could necessitate spending cuts, which will have to come from social spending. 2) Reducing immigration and beginning deportations (if that happens) will reduce labor supply, but it will also reduce labor demand from the economic effect of a declining need for immigrant housing (mostly older multifamily housing), and their associated expenditures. And 3) Interest rates are in restrictive territory. 7%+ mortgages would be OK if home prices were more affordable and, like in the 1990s, the economy was in a disinflationary boom. But housing affordability is at all time low levels and business capital expenditures is declining.

[1]Source: Committee for a Responsible Federal Budget

Of course, removing regulatory burdens will help the economy tremendously. And in an optimistic scenario of no trade war, a reduction in the corporate tax rate from 21% to 15% (not a certainty) would raise S&P 500 EPS by 4% (according to Bank of America and Goldman Sachs). But this is less than how much the S&P 500 increased in the month after the election and overlooks the fact that before the election the S&P 500 was trading at record highs relative to both cyclically adjusted earnings and GDP.

A hugely important and underappreciated factor for markets is that the incoming Treasury secretary will need to refinance $15 trillion of borrowing (almost half the debt) in the next two years. Over the last two years, Janet Yellen refinanced most of the maturing debt by issuing T-bills (they mature in one year or less), which carry no price volatility. This pushed bond market volatility past the upcoming inauguration. This was a risky thing to do on her part. It did contribute to a rising stock market but now forces the Fed to err toward lowering the Fed funds rate and risk stoking inflation. So, bond volatility could be coming as the US has to refinance at much higher rates going forward (5-year Treasurys yield 4.5%). This will increase interest expense on Treasurys and put pressure on government spending -- a huge part of our economy. Moreover, many importers will be frontrunning post-inauguration tariffs (and a possible renewal of port strikes) by buying lots of goods – possibly adding to inflation pressure (and interest rates) in the short run.

The point of all of this is not to be a Debbie Downer, but just to relay that Trump's election by itself doesn't solve many of the problems that pre-existed him and that caution is still in order. Much of the market optimism around Trump's election is understandable, but some key realities remain. We're not predicting a market decline but it is important to know market declines happen from time to time and are perfectly normal. The good news is that market declines are always temporary. We will continue to own well-priced shares of businesses that should produce high returns no matter what happens in the economy or markets. Our number one goal is to make money for our clients without taking large risks. And to do that, we need to consider factors that other investors are likely to be overlooking and not get swept up in the hype and enthusiasm of traders and speculators.

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Near and Dear to Our Hearts..... FOOD BANK OF THE ROCKIES™

Our clients are very gracious with their time and often volunteer, both with Townsend and on their own time. Client Mike Gilbert volunteers his time at **Food Bank of the Rockies**. This is the largest hunger-relief organization in the Rocky Mountain region. Since 1978, they have shown up for people experiencing hunger and know that food insecurity can impact anyone at any point in their lives.

If you would like to volunteer your time at the Food Bank of the Rockies 45th Ave Distribution Center, they have morning or afternoon shifts.

WHERE: 10700 W. 45th Ave, Denver, CO 80239
WHEN: Morning shifts range from 8 A.M. - 12 P.M. and afternoon shifts range from 1 - 4 P.M.
OPPORTUNITIES: Order Selection (volunteers help pull and build pallets of food from their inventory to distribute to their Hunger Relief Partners); Main Warehouse (volunteers help inspect, clean and sort incoming donations); Everyday Eats (volunteers assemble nutritious food boxes in assembly lines for qualifying individuals aged 60+).

You can create an account at www.foodbankrockies.volunteerhub.com and then access their calendar to sign up for open shifts.

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!

CAYLE'S CONNECTION

Happy New Year! I'm ready for a new year with new adventures.

I know many of you enjoy a good car ride. Here are some scenic rides you may enjoy:

- Independence Pass near Aspen, Last Dollar Road near Telluride, Trail Ridge Road outside Estes Park, Shrine Pass near Vail, Peak to Peak Scenic Byway near Estes Park, Collegiate Peaks in central Colorado, Guanilla Pass near Georgetown, Million Dollar Highway near Durango, San Juan Highway near Durango and the Alpine Loup near Lake City. I plan to talk Jeff into a few of these this summer.

- What to do when the weather is too cold? Lava Island is an indoor playground with trampolines, climbing walls, ladders, slides and mazes. There's also a special infant and toddler designated area. It's located in Aurora and you can guess who I want to take there soon! https://lavaisland.com/

- Upstairs Circus is a unique bar and DIY space in downtown Denver. We've help women's events here and always had a good time. Great place to take family and friends. https://upstairscircus.com/lodo/

- When have you visited Union Station downtown? It's been a few years for me. It was remodeled in 2014 and has been remodeled again. There are hotels, bars, restaurants and much more. https://www.denverunionstation.com/

- The Georgetown Loop is a narrow gauge railroad that is open year round and offers several rides daily. We recently did this as a family and it was the perfect length for Eli. Very enjoyable day! https://tinyurl.com/sr4zhcdb

- By now you all know I'm a little obsessed with history and old things. Salida is home to the largest National Historic District and great shops, restaurants, art galleries and outdoor opportunities. https://www.cityofsalida.com/

If you should try any of these – or have some I should include – please let Savanna know.

INTRODUCING: SHAWN MARIE SWAGERTY

For years Townsend clients have worked with Liz Tredennick on all their Medicare needs and questions. As Liz transitions to retirement, we want to introduce you to Townsend's new trusted Medicare expert. In 2025, Shawn Marie will lead our Medicare focused educational class, but in the meantime you can reach out to her via phone or email to ask her any questions regarding Medicare.

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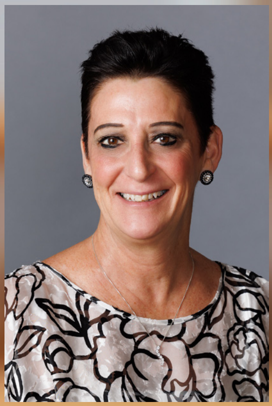
Office 303.418.4848 | Direct 303.710.6335 | MyMedicareHero.com

Townsend's Recipe Round-Up

This is an easy and hearty soup for the cold winter nights. And don't forget to serve with your favorite red wine! If you have been following any of my recipes, you should have a good collection of red wine and red pepper flakes in your pantry, as these two items are pretty much part of every one of our meals. My husband, Townsend advisor Mark Thomas, has come to love spicy food - like he really has a choice! ENJOY!



Italian Sausage Tortellini Soup

Ingredients:
1T of vegetable oil
1 lb of hot (or mild) Italian sausage links or ground (I use links and cut into small pieces)
1 medium onion diced
3 cloves of fresh garlic (crushed)
1 16 oz can of tomato sauce
1 16 oz can of crushed tomatoes
1 32 oz carton of beef broth
2 T of fresh chopped basil
1 T of Italian seasoning
1 t of crushed red pepper flakes
9 oz of refrigerated cheese tortellini (or frozen, but let it sit out a bit before adding to soup)
2 cups of fresh spinach
Salt & pepper to taste
Fresh Parmesan cheese to put on top to serve

PREPARE:
Heat oil in a large sauce pan, and add sausage. Cook until browned (no pink left). Add onion and garlic and cook about 2 minutes. Add tomatoes, tomato sauce, beef broth and all the seasonings. Let simmer for about 15 minutes, and then add the tortellini. After a few minutes, throw in the fresh spinach (spinach will cook fast, so put in just before serving). You can also add a splash of red wine to the soup or save it for drinking!

Serve with a warm baguette and don't forget the red wine!

TOWNSEND
Retirement & Investment Advisors

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Renee Michel
Kimberly Davis

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