

MOLDENHAUER ASSOCIATES

OCTOBER NEWSLETTER

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I said I would begin this month's newsletter where I ended last month. As you might recall, I was getting off a plane in Billings after a "flight from hell". There is more to the story about getting to Ft. Smith, Montana. I will skip the gory details. It was a good few days of fishing with old friends. See the picture at the bottom of this page for an indication of our success.

Sadly, the markets took another downturn minutes after I sent last month's article to the office for proof and preparation to publish. The markets, along with several other sectors that affect most Americans, will be tenuous and will be rough for the next month. While many financial experts see an improvement in the near future, I will keep my mouth shut for a while to see if things are ready to smooth out. In addition to the monthly newsletter, our website is frequently updated with market and economic outlooks.

After I returned from Montana, the office summer picnic was held on Friday, September 2, 2022. It was an enjoyable time where the staff and their families could get together for a few hours away from work. A few days earlier, despite the weather, we had our second successful golf outing of the year. Clients and advisors had a chance to share the day on the golf course.

We are scheduling our first seminars since the COVID restrictions went into effect. See the seminar page for sites and dates.

In recent months, the office has returned to the busy place it has been in the past. It is not uncommon to see 20-25 clients a day visit the office for reviews and planning updates. With five conference rooms, we are easily able to accommodate these client sessions.

Many years ago, when I moved the business from Delaware Avenue to Orchard Park, my goal was improving the client service model. No financial firm can control what happens in the market, but we can and do provide a top tier service system so all clients can meet, face to face, with their advisor on a regular basis.

This is what makes us different from other firms. They promise service, we actually provide service.

Richard Moldenhauer

Richard Moldenhauer





END-OF-THE-YEAR MONEY MOVES

Here are some things you might consider before saying goodbye to 2022.

What has changed for you in 2022?

This year has been as complicated as learning a new dance for some. Did you start a new job or leave a job behind? That's one step. Did you remarry? There's another step. Did you retire? That's practically a pirouette. If notable changes occurred in your personal or professional life, you might want to review your finances before this year ends and 2023 begins. Proving that you have all the right moves in 2022 might put you in a better position to tango with 2023.

Even if your 2022 has been relatively uneventful, the end of the year is still an excellent time to get cracking and see where you can manage your overall personal finances.

Keep in mind that this article is for informational purposes and is not a replacement for real-life advice. Please consult your tax, legal, and accounting professionals before modifying your tax strategy.

Do you engage in tax-loss harvesting?

That's the practice of taking capital losses (selling securities worth less than what you first paid for them) to manage capital gains. If you are thinking about this move, consider seeking some guidance from a professional who can provide insights.¹

You could even take it a step further. Consider that you can deduct up to \$3,000 of capital losses over capital gains from ordinary income. You can carry any remaining capital losses above that amount forward to offset capital gains in upcoming years.¹

Do you want to itemize deductions?

You may want to take the standard deduction for the 2022 tax year, which has risen to \$12,950 for single filers and \$25,900 for joint. If you think it might be better for you to itemize, now would be an excellent time to get the receipts and assorted paperwork together.²

Are you thinking of gifting?

How about donating to a qualified charity or non-profit organization before 2022 ends? Your gift may qualify as a tax deduction. For some gifts, you might need to itemize deductions using Schedule A.³

While we're on the topic of year-end moves, why not take a moment to review a portion of your estate strategy? Specifically, take a look at your beneficiary designations. If you haven't checked them for some time, double-check that these assets are structured to go where you want them to go, should you pass away. Lastly, look at your will to ensure it remains valid and up-to-date.

Check on the amount you have withheld.

If you discover that you have withheld too little on your W-4 form, you may need to adjust your withholding before the year ends.

What can you do before ringing in the New Year?

New Year's Eve may put you in a dancing move, eager to say goodbye to the old year and welcome 2023. Before you put on your dancing shoes, consider speaking with a financial or tax professional. Do it now rather than in February or March. Little year-end moves might help you improve your short-term and long-term financial situation.

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Provided by Richard C. Moldenhauer, CLU, CEP, RFC, ChFC

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Citations.

1. Investopedia.com, March 6, 2022
2. IRS.gov, December 15, 2021
3. IRS.gov, May 2, 2022



MANAGING PROBATE WHEN SETTING UP YOUR ESTATE

What can you do to help your heirs?

The probate process can be expensive for some estates.

Settling an estate through probate can cost you both time and money. It could take up to a year for the estate to be settled, plus attorney's fees, appraiser's fees, and court costs may eat up as much as 5% of a decedent's assets. Probating an estate valued at \$400,000 could cost as much as \$20,000.¹

What can you do to help your heirs have as smooth of a transition process as possible? There are a few steps that may help you along the way:

Joint accounts.

Married couples may hold property as a joint tenancy. Jointly titled property includes a right of survivorship and is not subject to probate. It simply goes to the surviving spouse when one spouse dies. Some states allow a variation called tenancy by the entirety, in which married spouses each own an undivided interest in property with the right of survivorship (they need consent from the other spouse to transfer their ownership interest in the property). A few states allow community property with right of survivorship; assets titled in this way also skip the probate process.²

However, joint accounts can still face legal challenges. A potential heir to assets in a jointly held bank account may claim that it is not a "true" joint account but a "convenience account" where a second account holder was added just for financial expediency. Also, a joint account arrangement with right of survivorship may not match what's detailed in an estate strategy.²

POD & TOD accounts.

Payable-on-death and transfer-on-death forms permit easy transfer of bank accounts and securities. If the original owner lives, the named beneficiary has no right to claim the account funds or the security. When the original owner passes away, all the named beneficiary needs to do is bring their ID and valid proof of the original owner's death to claim the assets or securities.²

Gifts.

For 2022 the IRS allows you to give up to \$16,000 each to as many different people as you like before owing taxes. By doing so, you reduce the size of your taxable estate. Gifts over \$16,000 may be subject to federal gift tax (which tops out at 40%) and count against the lifetime gift tax exclusion. The lifetime individual gift tax exemption is currently set at \$12.04 million. For a married couple, the lifetime exemption is now \$24.12 million.³

Revocable living trusts.

In a sense, these estate vehicles allow people to do much of their probate while alive. The grantor—the person who establishes the trust—funds it while they're alive with up to 100% of their assets and designating beneficiaries. A "pour-over will" may be used to add subsequently accumulated assets to the trust at your death, yet those assets "poured into" the trust at that time will still be probated.⁴

The trust owns assets that the grantor once did, yet the grantor can invest, spend, and manage these assets while they're alive. When the grantor dies, the trust lives on, becoming an irrevocable trust, and its assets should be able to be distributed by a successor trustee without having to be probated. The distribution is private, as opposed to the completely public process of probate, and it can save heirs court costs and time.⁴

Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional familiar with the rules and regulations.

Are there assets probate doesn't touch?

Yes, there are all kinds of non-probate assets. The common denominator of a non-probate asset is a beneficiary designation, which allows these assets to pass either to a designated beneficiary or a joint tenant, regardless of what a will states. Common assets that won't involve probate include jointly owned assets with the right of survivorship.²

Make sure to designate/update retirement account beneficiaries.

When you open a retirement savings account, you are asked to designate eventual beneficiaries. This stipulates where these assets will go when you die. A beneficiary designation commonly takes precedence over a will.²

Consider reviewing your beneficiary designations regularly to see if they need to be updated.

If you are married and have a workplace retirement plan account, your spouse is the default beneficiary of the account under federal law unless they decline in writing. Your spouse is automatically entitled to receive 50% of the account assets should you die, even if you designate another person as the account's primary beneficiary.²

To learn more about strategies to avoid probate, consult an attorney or a financial professional with solid knowledge of the estate process.

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Citations.

1. Nolo.com, 2022
2. Forbes.com, March 28, 2022
3. IRS.gov, February 4, 2022
4. SmartAsset.com, August 4, 2022

UPCOMING EVENTS:

Our upcoming seminars are at:

Bravo Café

Thursday, November 3, 2022 at 6 p.m.
5781 Seneca Street
Elma, NY 14059

Steelbound Brewery & Distillery

Tuesday, November 8, 2022 at 6 p.m.
243 W Main Street
Springville, NY 14141

Ilio DiPaolo's Restaurant

Wednesday, November 9, 2022 at 6 p.m.
3785 S Park Avenue
Blasdell, NY 14219

We encourage clients who live in the area to consider attending with a friend or two. We find that the best way to introduce new potential clients to our firm is when an existing client brings a friend to one of our seminars. As you know, these are informational/educational events. We are not there to convince people that we are the only firm to consider working with. Rather, we do believe that our firm offers a quality opportunity for those people looking for a new advisor relationship. Please consider attending an upcoming seminar in your neighborhood with a friend. You may register for a seminar by calling 716-662-4361 or through our website at www.moldenhauerassociates.com.

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