

MOLDENHAUER & ASSOCIATES

FEBRUARY NEWSLETTER

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With the holiday season behind us, we are all focusing on the new year.

As I write this article, the markets are up and in uncharted territory. Financial predictions are upbeat for the coming year; not a time to put off your planning until tomorrow. As busy as things are at the office, it is an important time to schedule your next review meeting if it has not already been scheduled.

Beyond the financial world, the situation in the Middle East has most of us concerned. I am writing this article at the end of the 1st week of January, and tension on the global stage seems high. Because of this, I caution people to stay aware and alert. Do not consider high risk opportunities and be certain to meet with our advisor team on a regular basis.

Clients of Moldenhauer & Associates know that we have been providing monthly informational/educational seminars since 2000. This marks the 20th year that these, open to the public, dinner seminars have been offered. While they are open to the public, we encourage clients to attend periodically. With the new year, several new rules affecting taxation, qualified and non-qualified investing and the information we provide has been updated and reformatted. If you have been to one of these sessions in the past, you know the information provided is easy to follow and of benefit to most attendees. Clients are encouraged to bring a friend and enjoy the evening as our guests.

As usual, each newsletter has up-coming seminars listed, as well as, directions on making a reservation.

Brett, the advisors and the staff are eager to serve your financial planning needs and we hope to see each reader in the near future.

2020 will be an exciting year and we hope you and your family have much success.

Richard Moldenhauer

Richard Moldenhauer



2019 IRA DEADLINES ARE APPROACHING

Here is what you need to know.

Financially, many of us associate April with taxes – but we should also associate April with important IRA deadlines.

April 1, 2020 is the deadline to take your Required Minimum Distribution (RMD) from certain individual retirement accounts.

April 15, 2020 is the deadline for making annual contributions to a traditional IRA, Roth IRA, and certain other retirement accounts.¹

Keep in mind that withdrawals from traditional, SIMPLE, and SEP-IRAs are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty. Generally, once you reach age 70½, you must begin taking required minimum distributions.

To qualify for the tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawals can also be taken under certain other circumstances, such as a result of the owner's death. The original Roth IRA owner is not required to take minimum annual withdrawals.

The earlier you make your annual IRA contribution, the better. You can make a yearly IRA contribution any time between January 1 of the current year and April 15 of the next year. So, the contribution window for 2019 started on January 1, 2019 and ends on April 15, 2020. Accordingly, you can make your IRA contribution for 2020 any time from January 1, 2020 to April 15, 2021.²

You may help manage your income tax bill if you are eligible to contribute to a traditional IRA. To get the full tax deduction for your 2019 traditional IRA contribution, you have to meet one or more of these financial conditions:

- You aren't eligible to participate in a workplace retirement plan.
- You are eligible to participate in a workplace retirement plan, but you are a single filer or head of household with Modified Adjusted Gross Income (MAGI) of \$64,000 or less. (Or if you file jointly with your spouse, your combined MAGI is \$103,000 or less.)³
- You aren't eligible to participate in a workplace retirement plan, but your spouse is eligible and your combined 2019 gross income is \$193,000 or less.⁴

If you are the original owner of a traditional IRA, you are no longer able to contribute to it starting in the year you turn 70½. If you are the original owner of a Roth IRA, you can contribute to it as long as you live, provided you have taxable compensation and MAGI below a certain level (see below).^{1,3}

If you are making a 2019 IRA contribution in early 2020, be aware of this fact. You must tell the investment company hosting the IRA account which year the contribution is for. If you fail to indicate the tax year that the contribution applies to, the custodian firm may make a default assumption that the contribution is for the current year (and note exactly that to the I.R.S.).⁴

So, write "2020 IRA contribution" or "2019 IRA contribution," as applicable, in the memo area of your check, plainly and simply. Be sure to write your account number on the check. Should you make

your contribution electronically, double-check that these details are communicated.

How much can you put into an IRA this year? You can contribute up to \$6,000 to a Roth or traditional IRA for the 2020 tax year; \$7,000, if you will be 50 or older this year. (The same applies for the 2019 tax year). Should you make an IRA contribution exceeding these limits, you have until the following April 15 to correct the contribution with the help of an I.R.S. form. If you don't, the amount of the excess contribution will be taxed at 6% each year the correction is avoided.^{1,4}

The maximum contribution to a Roth IRA may be reduced because of Modified Adjusted Gross Income phaseouts, which kick in as follows.

2019 Tax Year⁴

Single/head of household: \$122,000 - \$137,000

Married filing jointly: \$193,000 - \$203,000

2020 Tax Year⁵

Single/head of household: \$124,000 - \$139,000

Married filing jointly: \$196,000 - \$206,000

The I.R.S. has other rules for other income brackets. If your MAGI falls within the applicable phase-out range, you may be eligible to make a partial contribution.³

A last-chance RMD deadline rolls around on April 1. If you turned 70½ in 2019, the I.R.S. has two ways for you to take your first RMD: you could a) take your first Required Minimum Distribution from your traditional IRA before December 31, 2019 or b) postpone it until as late as April 1, 2020.⁶

If you chose b), you will have to take two RMDs next year – one by April 1, 2020 and another by December 31, 2020. For subsequent years, your annual RMD deadline will be December 31. The investment firm that is the custodian of hosting your IRA should have already notified you of this consequence as well as the RMD amount(s) – in fact, they have probably calculated the RMD(s) for you.⁶

Richard Moldenhauer may be reached at 716-662-4361.

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

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Citations.

1 - [irs.gov/retirement-plans/ira-year-end-reminders](https://www.irs.gov/retirement-plans/ira-year-end-reminders) [11/08/2019]

2 - [irs.gov/retirement-plans/traditional-and-roth-iras](https://www.irs.gov/retirement-plans/traditional-and-roth-iras) [12/04/2019]

3 - [irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits](https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits) [12/04/2019]

4 - [irs.gov/retirement-plans/amount-of-roth-ira-contributions-that-you-can-make-for-2019](https://www.irs.gov/retirement-plans/amount-of-roth-ira-contributions-that-you-can-make-for-2019) [11/18/2019]

5 - [irs.gov/retirement-plans/plan-participant-employee/amount-of-roth-ira-contributions-that-you-can-make-for-2020](https://www.irs.gov/retirement-plans/plan-participant-employee/amount-of-roth-ira-contributions-that-you-can-make-for-2020) [11/08/2019]

6 - [irs.gov/retirement-plans/plan-participant-employee/retirement-topics-required-minimum-distributions-rmds](https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-required-minimum-distributions-rmds) [10/25/2019]

A RETIREMENT FACT SHEET

Some specifics about the "second act."

Does your vision of retirement align with the facts?

Here are some noteworthy financial and lifestyle facts about life after 50 that might surprise you.

Up to 85% of a retiree's Social Security income can be taxed.

Some retirees are taken aback when they discover this. In addition to the Internal Revenue Service, 13 states currently levy taxes on some or all Social Security retirement benefits: Colorado, Connecticut, Kansas, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Rhode Island, Utah, Vermont, and West Virginia. (West Virginia, incidentally, is phasing out such taxation.)¹

Retirees get a slightly larger standard deduction on their federal taxes.

Actually, this is true for all taxpayers aged 65 and older, whether they are retired or not. Right now, the standard deduction for a single filer in this age bracket is \$13,850, compared to \$12,200 for those 64 or younger. It is scheduled to rise to \$14,050 in 2020.²

Retirees can still use IRAs to save for retirement.

There is no age limit for contributing to a Roth IRA, as long as the owner earns income. So, a retiree can keep directing money into a Roth IRA for life, provided they are not earning too much. A senior can potentially contribute to a traditional IRA until the year they turn 70½.³

A significant percentage of retirees are carrying big debts.

Looking at data from the Federal Reserve's triennial Surveys of Consumer Finances, the median debt of senior households (age 65+) has more than doubled since the start of the century.⁴

The most stressful debt for seniors, according to a 2019 study from Ohio State University researchers, is credit card debt. The study calculates that each new dollar of credit card debt taken on by a senior household creates financial stress approximating an additional \$14-20 of home loan debt.⁴

Moreover, a sudden financial liability may delay retirement. Another 2019 study, co-authored by researchers from the Urban Institute and the Congressional Budget Office, looks at the potential impact of a new \$10,000 debt on an individual between 55-70 years old carrying the median amount of credit card debt for their age. The researchers concluded that this jump in debt would make a baby boomer 9% more likely to put off retiring.⁴

Fewer seniors live alone than you may think.

The Administration for Community Living (a federal agency) says around 14% of older adults (65+) live by themselves. With millennials living at home and blended and extended families becoming common, perhaps this is not so surprising. The ACL does note that nearly half of women older than age 75 are on their own.⁵

Just 15% of women say they have a retirement strategy set down in writing.

This factoid comes from the 2019 Transamerica Retirement Survey of American Workers. Another 42% say they have unwritten strategies. The remaining 43%? No strategy at all.⁶

Few older Americans budget for travel expenses.

While retirees certainly love to travel, a Merrill Lynch study says that only about a third of people aged 50 and older earmark funds for their trips.⁷

What financial facts should you consider as you retire?

What monetary realities might you need to acknowledge as your retirement progresses from one phase to the next? The reality of retirement may surprise you. If you have not met with a financial professional about your retirement savings and income needs, you may wish to do so. When it comes to retirement, the more information you have, the better.

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

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Citations.

1 - aarp.org/retirement/social-security/questions-answers/how-is-ss-taxed.html [4/9/19]

2 - efile.com/tax-deduction/federal-standard-deduction/ [12/4/19]

3 - investopedia.com/ask/answers/03/120403.asp [11/8/19]

4 - nextavenue.org/retirement-older-americans-debt/ [8/9/19]

5 - forbes.com/sites/howardgleckman/2018/05/04/a-new-snapshot-of-older-adults-in-the-us/ [5/4/18]

6 - transamericacenter.org/docs/default-source/women-and-retirement/tcrs2019_op_women_and_retirement_fact_sheet.pdf [11/19]

7 - kiplinger.com/article/retirement/T037-C032-S014-5-surprising-facts-to-know-about-retirement.html [11/11/19]

UPCOMING EVENTS:

Our February seminars are at:

The Roycroft Inn

Tuesday, February 11, 2020 at 6 p.m.
40 S. Grove Street
East Aurora, NY 14052

Allegheny Hills Golf Course

Thursday, February 13, 2020 at 6 p.m.
9622 Hardys Corners Rd.
Cuba, NY 14727

We encourage clients who live in the area to introduce potential clients to our firm by bringing a friend to one of our seminars. These are informational and educational events. We are not there to convince people that we are the only firm to consider. Rather, we believe our firm offers a quality opportunity for people looking for a new advisor. Please attend a seminar in your neighborhood with a friend.

Richard Moldenhauer is a representative with Commonwealth Financial Network. Call him at 716-662-4361.

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