

# MOLDENHAUER & ASSOCIATES

## OCTOBER NEWSLETTER

Editor: Richard C. Moldenhauer, CLU, CEP, RFC Chartered Financial Consultant

### A BUCKET PLAN TO GO WITH YOUR BUCKET LIST

P.2

### EIGHT MISTAKES THAT CAN UPEND YOUR RETIREMENT

P.3

### OCTOBER / NOVEMBER SEMINARS

P.4

The summer flew by. It seems to go faster each year. Those people I've seen, it was nice visiting with you. Those I did not see, you were in my thoughts.

Some of you may have noticed the hurricane that sadly destroyed the Bahamas, only did minimal damage in Charleston. We had a little damage on the dock and with a few trees but nothing like the poor people in the Bahamas.

The office educational seminar season has started. If you have not been to one recently, consider attending and bringing a friend. Many of the topics discussed have changed or been modified to more closely align with key issues in the economy.

Our firm has long had its motto: "Planning with a Purpose". Sometimes I think the meaning of that phrase is lost in translation. When people finally consider financial planning seriously, they have goals, reasons, or as we say "purpose". Over the years, those purposes change or modify. Often, a plan starts out simply to accumulate some money. Soon it is that new home, a child's education and then retirement. Then some people want to leave a meaningful legacy. Everyone of those is a "purpose".

It has always been the goal of this firm to assist clients fulfill their purpose. I hope that our system benefits your planning.

*Richard Moldenhauer*

Richard Moldenhauer



Moldenhauer & Associates is on Facebook.

Follow us on our Facebook page for latest updates and features at Moldenhauer & Associates.

You will also be able to comment on our posts and ask questions to any of our experienced advisors! You may have a question where our answers could benefit you and others! Find us at <https://www.facebook.com/pages/Moldenhauer-Associates/292972874217494>

## A BUCKET PLAN TO GO WITH YOUR BUCKET LIST

*A way to help you prepare.*

The baby boomers redefined everything they touched, from music to marriage to parenting and even what “old” means – 60 is the new 50! Longer, healthier living, however, can put greater stress on the sustainability of retirement assets.

There is no easy answer to this challenge, but let’s begin by discussing one idea – a bucket approach to building your retirement income plan.

The Bucket Strategy can take two forms.

### The Expenses Bucket Strategy:

With this approach, you segment your retirement expenses into three buckets:

- Basic Living Expenses – food, rent, utilities, etc.
- Discretionary Expenses – vacations, dining out, etc.
- Legacy Expenses – assets for heirs and charities

This strategy pairs appropriate investments to each bucket. For instance, Social Security might be assigned to the Basic Living Expenses bucket. If this source of income falls short, you might consider whether a fixed annuity can help fill the gap. With this approach, you are attempting to match income sources to essential expenses.<sup>1</sup>

The guarantees of an annuity contract depend on the issuing company’s claims-paying ability. Annuities have contract limitations, fees, and charges, including account and administrative fees, underlying investment management fees, mortality and expense fees, and charges for optional benefits. Most annuities have surrender fees that are usually highest if you take out the money in the initial years of the annuity contract. Withdrawals and income payments are taxed as ordinary income. If a withdrawal is made prior to age 59½, a 10% federal income tax penalty may apply (unless an exception applies).

For the Discretionary Expenses bucket, you might consider investing in top-rated bonds and large-cap stocks that offer the potential for growth and have a long-term history of paying a steady dividend. The market value of a bond will fluctuate with changes in interest rates. As rates fall, the value of existing bonds typically drop. If an investor sells a bond before maturity, it may be worth more or less than the initial purchase price. By holding a bond to maturity an investor will receive the interest payments due, plus their original principal, barring default by the issuer. Investments seeking to achieve higher yields also involve a higher degree of risk. Keep in mind that the return and principal value of stock prices will fluctuate as market conditions change. And shares, when sold, may be worth more or less than their original cost. Dividends on common stock are not fixed and can be decreased or eliminated on short notice.

Finally, if you have assets you expect to pass on, you might position some of them in more aggressive investments, such as small-cap stocks and international equity. Asset allocation is an approach to help manage investment risk. Asset allocation does not guarantee against investment loss.

International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risk unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

### The Timeframe Bucket Strategy:

This approach creates buckets based on different timeframes and assigns investments to each. For example:

- 1 to 5 Years: This bucket funds your near-term expenses. It may be filled with cash and cash alternatives, such as money market accounts. Money market funds are considered low-risk securities but they are not backed by any government institution, so it’s possible to lose money. Money held in money market funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Money market funds seek to preserve the value of your investment at \$1.00 a share. However, it is possible to lose money by investing in a money market fund. Money market mutual funds are sold by prospectus. Please consider the charges, risks, expenses, and investment objectives carefully before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.
- 6 to 10 Years: This bucket is designed to help replenish the funds in the 1-to-5-Years bucket. Investments might include a diversified, intermediate, top-rated bond portfolio. Diversification is an approach to help manage investment risk. It does not eliminate the risk of loss if security prices decline.
- 11 to 20 Years: This bucket may be filled with investments such as large-cap stocks, which offer the potential for growth.
- 21 or More Years: This bucket might include longer-term investments, such as small-cap and international stocks.

Each bucket is set up to be replenished by the next longer-term bucket. This approach can offer flexibility to provide replenishment at more opportune times. For example, if stock prices move higher, you might consider replenishing the 6-to-10-Years bucket, even though it’s not quite time.

A bucket approach to pursue your income needs is not the only way to build an income strategy, but it’s one strategy to consider as you prepare for retirement.

Richard Moldenhauer may be reached at 716-662-4361.  
*Provided by Richard C. Moldenhauer, CLU, CEP, RFC, ChFC*

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment.

Securities and advisory services offered through Commonwealth Financial Network, Member FINRA/SIPC, a Registered Investment Advisor, Fixed Insurance products and services offered through Moldenhauer and Associates.

Citations.

1 - [kiplinger.com/article/retirement/T037-C000-S002-how-to-implement-the-bucket-system-in-retirement.html](http://kiplinger.com/article/retirement/T037-C000-S002-how-to-implement-the-bucket-system-in-retirement.html) [8/30/18]

## A DECISION NOT MADE IS STILL A DECISION

*Indecision can lead to no decision.*

Investment inaction is played out in many ways, often silently, invisibly, and with potential consequence to an individual's future financial security.

Let's review some of the forms this takes.

### Your workplace retirement plan.

The worst non-decision is the failure to enroll. Not only do non-participants sacrifice one of the best ways to save for their eventual retirement, but they also forfeit the money from any matching contributions their employer may offer. Not participating may be one of the most costly non-decisions one can make.

The other way individuals let indecision get the best of them is by not selecting the investments for the contributions they make to the workplace retirement plan. When a participant fails to make an investment selection, the plan may have provisions for automatically investing that money. And that investment selection may not be consistent with the individual's time horizon, risk tolerance, and goals.

Distributions from workplace retirement plans and most other employer-sponsored retirement plans 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. The 10% early withdrawal penalty may be avoided in the event of death or disability.<sup>1</sup>

### Non-retirement plan investments.

For homeowners, "stuff" just seems to accumulate over time. The same may be true for investors. Some buy investments based on articles they have read or on a recommendation from a family member. Others may have investments held in a previous employer's workplace retirement plan.

Over time, they can end up with a collection of investments that may have no connection to their investment objectives. Because the markets are dynamic, an investment that may have made good sense yesterday might no longer make sense today.

By periodically reviewing what they own, investors can determine whether their portfolio reflects their current investment objectives. If they find discrepancies, they are able to make changes that could positively affect their financial future.

Whatever your situation, your retirement investments require careful attention and benefit from deliberate, thoughtful decision making. Your retired self will one day be grateful that you invested the necessary time to make wise decisions today.

Richard Moldenhauer may be reached at 716-662-4361.  
*Provided by Richard C. Moldenhauer, CLU, CEP, RFC, ChFC*

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment.

Securities and advisory services offered through Commonwealth Financial Network, Member FINRA/SIPC, a Registered Investment Advisor, Fixed Insurance products and services offered through Moldenhauer and Associates.

Citations.

1 -<https://theweek.com/articles/818267/good-bad-401k-rollovers> [1/17/18]

## THE SWISS ARMY KNIFE

I attempt to insert an article about serious insurance planning periodically. Years ago, a great man once told me that he often compared a permanent life insurance policy to a swiss army knife.

For those who do not know what a swiss army knife is, let me explain. It is not just a knife; it is a package of useful tools that looks like a big pocket knife. In addition to the knife blade, there are other tools, screw drivers, pliers, a file, scissors, and often eating instruments. Many tools in one package.

A permanent life policy is not just life insurance, it is many other things:

1. It is a cash accumulation device.
2. It can be collateral for a loan or a mortgage.
3. It can be a retirement planning tool.
4. It can be a part of long-term care planning.
5. It can provide living benefits during a serious illness.
6. It can be a source of college funding that need not be disclosed on a college aid application.
7. It can provide disability protection for an accumulation plan.
8. It can be borrowed on in an emergency.
9. It can be a method of funding a business sale and a buy-out.
10. It can be a method of paying estate taxes for pennies on the dollar.
11. And yes, it can protect a family in the event of the most serious of all events, death.

The irony is that most people do not want it when they can get it at the most economical cost. Yet, everyone who cannot get it would buy as much as they could.

That is the Financial Swiss Army Knife.



## UPCOMING EVENTS:

Our October/November seminars are at:

### Old Orchard Inn

Tuesday, October 15, 2019 at 6 p.m.  
2095 Blakeley Road  
East Aurora, NY 14052

### Panes Restaurant

Tuesday, November 12, 2019 at 6 p.m.  
984 Payne Avenue  
North Tonawanda, NY 14120

### Bobby J's Italian American Grille

Wednesday, November 13, 2019 at 6 p.m.  
204 Como Park Blvd.  
Cheektowaga, NY 14227

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.

Securities and advisory services offered through Commonwealth Financial Network, Member FINRA/SIPC, a Registered Investment Advisor, Fixed Insurance products and services offered through Moldenhauer and Associates.

#### Privacy & Security

Trust is at the heart of every successful, ongoing relationship. At Moldenhauer & Associates, earning and keeping your trust is the standard for everything we do. Because of this commitment, we never sell, rent or trade e-mail addresses with any other company. We use e-mail addresses furnished by our clients and potential clients strictly for sending newsletters and client communication.

Before investing, carefully consider the investment objectives, limitations, risks, fees and expenses of the products and any underlying investment options. This information can be found in the product prospectuses. Copies are available from our office. Please read carefully before investing.