

# MOLDENHAUER & ASSOCIATES

## MAY NEWSLETTER

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As I listen from self-imposed quarantine, I hear the pandemic is beginning to mitigate. Much of the improvements seem to be coming from the "safe distancing" and enhanced health safety process.

Brett has been working hard on a daily basis, and the rest of the staff has been working remotely from their homes. Most incoming phone calls have either been handled by Brett, or have been rerouted to our staff and advisor's homes. We have not laid off any employee and do not intend to have any layoffs. As a matter of fact, we would like to hire a new quality advisor trainee. Typically, we have found that we have added client service needs and new clients are attracted to our firm during times like this.

This has been an awful experience for everyone. When things are particularly bad, I remember information that positive, successful people have shared with me during my life.

We live in a country that is fundamentally good. The Nation has had terrible times along the way. Most leaders have been both good and bad. Nobody is perfect. There is always a dawn following a dark day. If you quit, you lose. If you do not quit, you always have a good chance to come out a winner. Believing in an ever brighter tomorrow has helped make America the shining city on the mountain.

When I was in the thick of Vietnam, my goal was to endure the bad days. I believed that if I could just endure and survive, I'd eventually make it home. That attitude helped and, eventually, I did return home.

When I was struggling to recover from my lung transplant, a young doctor from Argentina gave me some advice. He said that if I wanted to recover and live, I should walk. Not just walk but walk until it hurt. With his advice in mind, each day I tried to walk more than the day before. I got stronger and stronger and each day I set goals. The goals worked because I worked.

This recovery will be like other recoveries.

We are about to start coming out of this shut down. The reopening of our society will not be smooth, but it will work. While this has been going on, we have been thinking of how we can make each and every part of our client service process better. As you continue working with us in the future, you will see many enhancements to our process. You will also see new client education opportunities and added ways that the clients can stay connected and benefit from the value our relationship with Commonwealth can provide.

I won't get ahead of Brett on this, but I think you'll notice several enhancements in our firm's client communication systems.

If you dream at all, please dream positive dreams of a brighter, better tomorrow. This is a time to bring all of us to be optimists.

*Richard Moldenhauer*

Richard Moldenhauer





Many businesses and individuals are struggling with the realities that COVID-19 has brought to our communities. The CARES Act, however, may provide some much-needed relief. Contact your financial professional today to see if these special 2020 distribution rules are appropriate for your situation.

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

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Citations.

- 1 - CNBC.com, March 25, 2020.
- 2 - The Wall Street Journal, March 25, 2020.
- 3 - The Wall Street Journal, March 25, 2020.
- 4 - The Wall Street Journal, March 25, 2020.

## KEY PROVISIONS OF THE CARES ACT

### *Distributions can be waived in 2020 for Inherited Accounts, 401(k)s, and IRAs.*

Recently, the \$2 trillion "Coronavirus Aid, Relief, and Economic Security" ("CARES") Act was signed into law. The CARES Act is designed to help those most impacted by the COVID-19 pandemic, while also providing key provisions that may benefit retirees.<sup>1</sup>

To put this monumental legislation in perspective, Congress earmarked \$800 billion for the Economic Stimulus Act of 2008 during the financial crisis.<sup>1</sup>

The CARES Act has far-reaching implications for many. Here are the most important provisions to keep in mind:

#### Stimulus Check Details.

Americans can expect a one-time direct payment of up to \$1,200 for individuals (or \$2,400 for married couples) with an additional \$500 per child under age 17. These payments are based on the 2019 tax returns for those who have filed them and 2018 information if they have not. The amount is reduced if an individual makes more than \$75,000 or a couple makes more than \$150,000. Those who make more than \$99,000 as an individual (or \$198,000 as a couple) will not receive a payment.<sup>1</sup>

#### Business Owner Relief.

The act also allocates \$500 billion for loans, loan guarantees, or investments to businesses, states, and municipalities.<sup>1</sup>

#### Your Inherited 401(k)s.

People who have inherited 401(k)s or Individual Retirement Accounts can suspend distributions in 2020. Required distributions don't apply to people with Roth IRAs; although, they do apply to investors who inherit Roth accounts.<sup>2</sup>

#### RMDs Suspended.

The CARES Act suspends the minimum required distributions most people must take from 401(k)s and IRAs in 2020. In 2009, Congress passed a similar rule, which gave retirees some flexibility when considering distributions.<sup>2,3</sup>

#### Withdrawal Penalties.

Account owners can take a distribution of up to \$100,000 from their retirement plan or IRA in 2020, without the 10-percent early withdrawal penalty that normally applies to money taken out before age 59½. But remember, you still owe the tax.<sup>4</sup>

## THINGS THAT ARE HAPPENING IN THE FINANCIAL INDUSTRY... WHAT SHOULD YOU CONSIDER?

1. All financial companies are attempting to learn new skills and processes. In the end, this will mean more paperless transactions and it will cause improvements in services that companies provide. Today, many companies are struggling but they will learn and most will get better. In our firm, we'll be able to do more client reviews via tele/video communication.
2. Long Term Care Insurance--- There will be more companies leaving this industry. Several have recently left. The number of LTC carriers has been reduced from over 150 a few years ago to less than 50 nationally. In New York, the number is probably under 15 today. Just today, I received a notice that Mutual of Omaha has stopped taking any applications on people over 65 years of age. They were one of the largest carriers. If this is an area you may have future interest in, understand requirements will be stiffer and premiums will be increasing.
3. Disability Insurance--- Like LTC, companies will be increasing premiums, using more restrictions and doing more in-depth underwriting.
4. Life Insurance—Some companies will go away and a few will get bigger. While actual medical exams will be more liberal, more in-depth medical histories will be demanded. This may mean more people will find it harder to get the best rate classifications and premiums may increase slightly.
5. It is time for everyone to be certain their beneficiaries are up to date and accurate. Even if you are sure they are ok, review and be absolutely certain. With low interest rates, do not get rid of an underperforming existing contract without an in-depth comparison by a disinterested party.

## IT'S NOT TOO LATE TO FUND YOUR IRA

If you're like many investors, you're probably looking for a way to manage your tax bill. One way to do this is to make sure you've contributed the full amount to your retirement accounts.

### It's not too late to fund your retirement account for 2019.

Didn't save quite enough money by the end of 2019? That's okay. You can fund your retirement accounts for the previous year up until the annual personal tax filing deadline of July 15, 2020. Just make sure that the custodian who takes care of your retirement account is aware that the contribution you are making is for the previous year. In fact, you might want to actually talk to someone there to make sure your contribution is credited for that year.<sup>1,2,3</sup>

Here's another consideration: you may continue to contribute to a Traditional IRA until age 72, under the SECURE Act, as long as you have earned income.

Once you reach age 72, you must begin taking required minimum distributions from a Traditional Individual Retirement Account (IRA) in most circumstances. Withdrawals from Traditional IRAs are taxed as ordinary income, and if taken before age 59½, may be subject to a 10-percent federal income tax penalty.<sup>2</sup>

A provision in the Coronavirus Aid, Relief, and Economic Security (CARES) Act allows you to take a penalty-free distribution from IRAs and qualified retirement plans up to \$100,000 before December 31, 2020. If you are considering making a move, let's consult your tax, legal, and accounting professionals before modifying your strategy.<sup>4</sup>

You can contribute to your retirement accounts for 2019 until July 15, 2020.

Let's get together and talk about how we can continue to build your retirement strategy.

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

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Citations.

1 - IRS.gov, January 28, 2020.

2 - IRS.gov, January 28, 2020.

3 - Forbes, March 24, 2020.

4 - The Wall Street Journal, March 25, 2020.



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## UPCOMING EVENTS:

Our upcoming seminars are at:

## UPCOMING SEMINAR SITES AND DATES TO BE DETERMINED SOON.

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

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