



MOLDENHAUER ASSOCIATES

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During my visit to the office in May, I noted the progress the firm is making. While the USA and, for that matter, the world is dealing with multiple issues, our firm is staying on track in our effort to provide a quality client experience. We begin each day with the proper attitude. The facts are, we are dealing with several issues beyond our control. However, if history is any teacher, we have learned several things:

1. When things seem particularly bad, things are getting ready to get better. Each time the economy does poorly, it is building energy for the future.
2. If you think long term, it is easier to deal with short term volatility.
3. The pundits, with rare exception, are more concerned with scaring people than they are with guiding people.
4. The people who are most serious and can handle market cycles, do best in the long term.
5. More wealth was created during and following bad markets than during good markets.
6. People that run for cover every time it rains, rarely see the sunshine.

So, here I am, again, telling people the same thing I've said during similar times in the past.

I am gaining optimism about the future for several reasons:

1. People are getting back to more normal lives because we are dealing better with the waning COVID period.
2. Companies are having their employees get back to work.
3. Despite what is reported on television, most Americans have decent value systems and do not hate the country.
4. I see more babies, small children, and pets.

I hope you agree with most of my points. I intentionally try to get to the next points.

Let me call this section my GRATITUDE THOUGHT PROCESS.

Each day we see more negative stuff on our televisions, computer newsfeeds, etc. Lately, there has been a lot of terrible stuff.

What we don't see is information as to why we are lucky to be in America. Here is what I think about on a regular basis.

First, my ancestors, like yours, left their homes in what was called the "old world" to escape governmental repression, poverty, and a caste system. Most came to America with nothing but the clothes on their backs and the desire for a better life. They paid for their voyage to America and waited in line to become US Citizens. As far back as the 1860's, some were conscripted into the military of their new country. They fought in the Civil War, World Wars I and II, Korea, and Vietnam. Then came the Middle East and Afghanistan.

Most of our ancestors had pride and love for their new country. Whether they believed in the war or not, they supported the Nation.

It was not easy for most of our ancestors. Yet, they were grateful for what they had. They survived. They always worked.

I am grateful for the above and I am grateful for so much more.

The challenges we are dealing with as a Nation will be managed. It is the responsibility of every American to be involved, contribute, and hold our state and national leaders to the same high standards that we as citizens are held to.

I am grateful that we live in a country that allows this to happen.

Richard Moldenhauer

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REHEARSING FOR RETIREMENT

Try living as a “retiree” for a month or two before you commit to leaving your career.

Imagine if you could preview your retirement in advance.

In a sense, you can. Financially and mentally, you can “rehearse” for the third act of your life, while still enjoying the second.

Pretend you are retired for a month or two.

Take two steps to act out your rehearsal – one having to do with your budget, the other with your expectations.

Draw up a retirement budget & live on it for one, two, or three months.

Make a list of essential expenses (groceries, gas, utilities, mortgage, medicines), and then a list of discretionary expenses (such as movie tickets, dinners out, spa treatments). This may reveal that you can live handily on less than what you currently spend each month.

Next, list your income sources for retirement. They might include Social Security benefits (depending on when you want to claim them), retirement plans, pension checks, dividends, freelance or consulting payments, or other revenue streams. Investment income is also in the mix here, so check with a financial professional to determine a withdrawal rate from those accounts that you can safely maintain through your retirement. (It might differ slightly from the long-recommended 4%.) When you have your list, stack the projected total income up against your essential expenses and see how much you have left over.

Try living off of that level of monthly income for a month or more while you are still working. If it covers your necessary monthly expenses and not much else, then some adjustments in your retirement strategy might be needed – a housing change, a change in your retirement date.

See how it feels to retire.

Before you conclude your career, try to arrange some “previews” of your retirement lifestyle. If you want to serve your community, volunteer avidly for a month or two to get a taste of what daily volunteer work is like. If you see yourself traveling enthusiastically at the start of retirement, take a dream vacation or even a couple of consecutive trips (if your schedule allows) to see how they truly fit into your financial picture.

Your “rehearsal” need not be last-minute.

If you think you will retire at 65, you could try doing this at 63, 60, or even before then. The earlier your attempt, the more time you have to alter your retirement strategy if needed.

What else should you consider as you rehearse?

Besides income, expenses, and the day-to-day retirement experience, there are a few other factors to gauge.

How much cash do you have on hand? Starting retirement with a strong cash position provides you with some insulation if you happen to retire during a market downturn. The possibility of a bear market coinciding with your entry into retirement may make you want to revisit your portfolio allocations as well.

Take a second look at your projected monthly income. Will it be consistent? If it will vary, you will want to address that. If you are in line for a pension, you will face a major, likely irrevocable, financial decision: should it be single life, or joint-and-survivor? The latter option may reduce your pension income in retirement, but give your spouse 50% or more of your pension payments after you die. Your employer might also offer you a lump-sum pension buyout; if that turns out to be the case, you might want to consult with a financial professional who can help you to decide if the lump sum constitutes the better deal versus a lifelong income stream.¹

How about your entry into Medicare? You may enroll in it at medicare.gov within a window of your 65th birthday (that is, beginning three months prior to your birthday month and ending three months after it). If you sign up before your birthday, you will be covered beginning on the first day of your birthday month. Sign up following your 65th birthday, and you may have to wait for coverage to begin.²

If you expect to stay on the job after 65, consider signing up for Medicare Part A (the part that pays for hospital care) within the usual window. It will not cost you anything to do so, and sometimes Part A makes up for shortcomings in employer-sponsored health plans. You can enroll in Part B and other Medicare component parts later – within eight months of your retirement, to be precise. You will want to pay attention to that 8-month deadline, as your premiums will jump 10% for every 12-month period afterward that you refrain from enrolling. If you pay for your own insurance, you will still need to enroll in Medicare when you are eligible (Medicare will make that coverage superfluous, so you can anticipate dropping it).³

Rehearsing for retirement can be very insightful.

Some new retirees leave work abruptly only to have their financial and lifestyle assumptions jarred. As you want to make a smooth retirement transition to a future that corresponds to your expectations, test-driving your retirement before it begins is only wise.

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Citations.

1 – TheBalance.com, December 13, 2021

2 – Medicare.gov, 2022

3 – CMS.gov, 2022

CREATING A RETIREMENT STRATEGY

Most people just invest for the future. You have a chance to do more.

Across the country, people are saving for that “someday” called retirement.

Someday, their careers will end. Someday, they may live off their savings or investments, plus Social Security. They know this, but many of them do not know when, or how, it will happen. What is missing is a strategy – and a good strategy might make a great difference.

A retirement strategy directly addresses the “when, why, and how” of retiring.

It can even address the “where.” It breaks the whole process of getting ready for retirement into actionable steps.

This is so important. Too many people retire with doubts, unsure if they have enough retirement money and uncertain of what their tomorrows will look like. Year after year, many workers also retire earlier than they had expected, and according to a 2022 study by the Employee Benefit Research Institute, about 47% do. In contrast, you can save, invest, and act on your vision of retirement now to chart a path toward your goals and the future you want to create for yourself.¹

Since it’s impossible to predict the future, some people dismiss having a long-range retirement strategy. Indeed, there are things about the future you cannot control: how the stock market will perform, how the economy might do. That said, you have partial or full control over other things: the way you save and invest, your spending and your borrowing, the length and arc of your career, and your health. You also have the chance to be proactive and to prepare for the future.

A good retirement strategy has many elements.

It sets financial objectives. It addresses your retirement income: how much you may need, the sequence of account withdrawals, and the age at which you claim Social Security. It establishes (or refines) an investment approach. It examines financial implications and possible health care costs, as well as the transfer of assets to heirs.

A prudent retirement strategy also entertains different consequences.

Financial professionals often use multiple-probability simulations to try and assess the degree of financial risk to a retirement strategy, in case of an unexpected outcome. These simulations can help to inform the financial professional and the retiree or pre-retiree about the “what ifs” that may affect a strategy. They also consider sequence of returns risk, which refers to the uncertainty of the order of returns an investor may receive over an extended period of time.²



Let a retirement strategy guide you.

Ask a financial professional to collaborate with you to create one, personalized for your goals and dreams. When you have such a strategy, you know what steps to take in pursuit of the future you want.

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Citations.

1 – EBRI.org, 2022

2 – Investopedia.com, October 4, 2021



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