

MOLDENHAUER & ASSOCIATES

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I am writing this month's newsletter as I prepare to travel to Western New York for the summer. For me, each season brings new blessings and new challenges. During the past several months, my health has been good, and I appreciate the blessings God has provided. I believe that we are put here for a reason. Staying connected to the business and friends in Western New York helps keep me moving forward.

As I had previously mentioned, in 1970, when I returned from the military, I had an interest in the financial industry. Why someone chose to hire a penniless young man with no market and no sales skill surprised me. Six months later when the same person fired me for lack of success, I was not surprised. When my wife-to-be suggested I plead for my job back without compensation, I thought we were both crazy. Who would work 12 hour days with no compensation? That was what was required. More time, more knocking on doors, and many more phone calls to strangers slowly led to success. The work was hard, and the hours were long. I learned to deal with constant rejection and know, in my heart, that I was helping people.

That is what kept me going. I believe I helped many people and, in the end, my work provided a good life for my family. What more could I want.

It all sounds simple, but it wasn't and is not simple. My wife, Kathy, took the best care of the 4 sons we raised. She always placed the family's best interests ahead of hers. Today, we look at our son's accomplishments with some pride.

Most of you know Brett better than you ever knew me. He and the staff are better at servicing our many clients, and we are always looking to do more and better for those

who have entrusted us with their futures. There may have been a time I thought I was irreplaceable, but I learned that the right people can always improve on the past.

I just received a phone call that brought me back to the beginning. One of my original clients from 1971, who became a great friend and later an Office Manager at Moldenhauer & Associates during the 1990's, had been very ill at his home in New Mexico. In a conversation with his wife, I learned that he had just passed away. Jim was a terrific leader, a great husband and father, and he'll be missed.

It has been a good month in the markets (following a couple tough months). Volatility will continue, but hopefully the markets will continue to find stability. Our dinner seminars have been going well during the spring. They will be resumed in the early fall. The schedule will be posted in the future monthly newsletters and invitations will be mailed. If you'd like to be sure you receive an invitation, let us know by calling Karen at the office.

As in past summers, you'll possibly see me getting in the way at the office. If you see me, take the time to say hello.

Richard Moldenhauer

Richard Moldenhauer

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FINANCIAL PLANNING FOR EMPTY NESTERS

Congratulations are in order! You planned, saved money for education expenses, and now your child is off to college. But as you settle into your “empty nest,” you might be wondering, now what? It’s time to figure out how to adapt to your child’s new independence while keeping your family on a steady course financially.

Here, we’ll focus on some common financial planning issues encountered by empty nesters (or those soon to be!). From finding new ways to save to considering powers of attorney, learn how to navigate this exciting transition while planning for the next phase of life.

Are College Students Kids or Adults? It’s Complicated

The rules governing financial matters for young adults are, in a word, complicated. College-age students do gain financial responsibilities and can often begin independent investing. But, in many cases, a child’s financial status doesn’t change immediately when he or she turns 18. The “kiddie tax” applies to many full-time students who are age 23 and younger. And college students younger than age 26 can be included on their parents’ health care coverage. On the other hand, while many states provide that UTMA accounts do not terminate until age 21, most states give 18-year-olds the legal status to open new accounts on their own. And if a child plans to work part-time during school or the summer, he or she will have earned income and could begin contributing to a Roth IRA.

Health Care and Financial Powers of Attorney

You’ve no doubt filled out a litany of emergency contact forms and reviewed emergency preparedness plans in connection with your child’s on-campus housing. Now, it’s time to consider the value of health care and financial powers of attorney for your college student.

Generally, powers of attorney provide broad authority to a named agent to manage all aspects of that person’s finances and important health care decisions, especially in times of need or incapacity. Many states offer statutory forms, which are readily available through the state’s bar association or local probate courts. But working with an attorney to craft your desired powers and restrictions is encouraged so that the overall impact of executing such a document is understood.

Properly executed documents in the student’s home state are typically accepted across state lines. If your student attends school out of state, however, it’s worthwhile to consult an estate planning attorney. You may want to work directly with an attorney in the school’s state to ensure that the documents will be effective if needed. Typically, health care directives are state specific, so you will benefit if your documents are familiar to health professionals in the

state where the student will reside. Financial powers of attorney, through the Revised Uniform Fiduciary Access to Digital Assets Act, are a useful tool for managing our ever-growing digital presence. If something were to happen once your child is a legal adult, you may not be able to access information in his or her email or social media accounts. In addition, mobile apps such as Venmo, PayPal, or DraftKings might contain a monetary value.

Similarly, if your children are older than 18, you might not have access to important health information in the case of an emergency. That’s why it’s so important to understand the advantages of health care powers of attorney and living wills. Having these types of directives in place can provide you with peace of mind, while also clarifying your child’s wishes on issues such as organ donation and palliative care.

Time to Switch Gears

Over the years, you’ve likely been focused on saving, saving, saving. Now that your child is off to college, it may be time to switch gears. Your college funds will likely have been accumulating through different savings vehicles, with each one governed by a complex set of regulations. It’s important to spend these funds wisely.

529 plans. When it comes to 529 plans, everyone tends to remember that these funds should be spent on something called “qualified” expenses. But where does the IRS draw the line on what’s qualified and what’s not? Generally, qualified expenses cover all tuition and fees, room and board, and supplies directly related to the student’s education, including computers and software primarily used for school. Keep in mind, though, that travel costs, extracurricular activity fees, and health insurance are not qualified expenses.

UTMA accounts. How to pay for those expenses 529 plans don’t cover? For things like travel to and from campus and the can’t-be-missed trips over winter and spring breaks, a child’s UTMA account can fill in the gaps. Because minors typically become old enough to receive legal control of UTMA accounts during their college years (as discussed above), these funds give students a good way to pay their extra expenses.

Keep in mind that suddenly having control over their finances is a big transition for students. As such, take some time to help your children understand the importance of expense management and saving.

Tuition payment. If funds from a 529 plan won’t cover the entire amount necessary for tuition, room and board, and school supplies, you might want to consider direct payment of tuition. If you take this option, the rules on gifting come into play. Tuition expenses paid directly to the qualifying educational organization are exempt from counting toward the annual gift exclusion amount of \$18,000 per person, per year, for 2024.

The overall rules are complex, however, so you'll need to carefully monitor all other payments made to or on behalf of the student to ensure that you don't exceed the annual exclusion limit. It's also important to consider other regular gifts associated with your estate plan. For instance, you might factor Crummey contributions into the \$18,000 exclusion you anticipate using to provide extra funds to your children.

Small Ways to Save Big

And now back to a familiar topic: saving! Finding new ways to save money is an essential part of financial planning for empty nesters. Perhaps you're thinking ahead about how your housing needs will change when your children go off on their own. Or, if you're planning for retirement, you might be considering moving to a retirement-friendly state. In either case, downsizing is just around the corner. But even before that time comes, you might be able to save in small ways that could add up over the years. Here are three simple tips to get you started:

1) Auto insurance discount. Many of the major auto insurers offer a "student away at school" discount to policyholders.

2) Home energy assessment. Are rooms in your home going unused now that your kids and their friends aren't around all the time? It might be worthwhile to seek the input of your energy providers. Most utilities around the country now offer free home energy assessments. In addition to money-saving advice, these programs often offer discounts for further improvements and upgrades.

3) Subscriptions review. What about all those subscriptions you have amassed over the years? Whether for magazines, gym memberships, music streaming, photo or file storage, or video streaming services, these subscriptions might not be necessary anymore. Canceling unused subscriptions or coordinating services with the college student's roommates could save hundreds of dollars a year.

Blue Skies Ahead

Understandably, becoming an empty nester can be a time of uncertainty for many. But armed with the right strategies, you and your children will successfully navigate this leg of your family's financial journey.

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BE A SAVVY SENIOR: KNOW THE WARNING SIGNS OF ELDER FRAUD

Just browse the latest true crime documentaries on your preferred streaming network; you'll see that people of all ages and income levels are vulnerable to financial scammers. Unfortunately, as we age, certain factors put us at greater risk. Social isolation, recent loss of a spouse or close family member, diminished cognitive abilities, and accumulated wealth can make seniors especially attractive to fraudsters.

According to the FBI, there was a 84 percent increase in losses reported by victims over age 60 in 2022 compared with losses reported by the same age group in 2021. To keep yourself and loved ones safe from senior scams, ask yourself these questions before you transfer money.

Am I being asked for a payment up-front to receive funds in the future?

Advance-fee scams promise that if you pay a sum of money now, you'll receive a much larger amount in the future. Of course, the victim of this scam will never actually receive the promised funds. This can take different forms, such as in lottery or romance scams. In one common scenario, for example, the scammer claims to have an inheritance in an individual's name, but states that taxes or fees need to be paid to a government entity or entities in order for the victim to receive the inheritance.

Is there an urgency attached to the request for funds?

Government agencies, well-known companies, and banks don't typically ask for immediate money transfers. If you find yourself being rushed to provide cash as soon as possible, start with the assumption that the request isn't legitimate. One way to do this is to call the institution back at a phone number you've used before or that you find on its website, not the contact information in the request.



Don't give out personal information or verify an authentication code to anyone who called you, regardless of who they claim to be or what phone number appears on your screen. Even if the urgent request seems to come from a close friend or family member, you'll want to call that person to verify their identity and confirm the need for money.

Does the method of payment make it impossible to recover your funds (if necessary)?

If you're asked to send money by mailing cash, gift cards, or prepaid cards, or transferring bitcoin, those are all red flags. Once such funds are sent they can be very difficult, if not impossible, to get back. Another sign of a scam might be a person requesting money and instructing you to pay a third party.

For example, a fraudster may claim to be from the IRS but ask you to mail cash to an individual at a residential address, claiming the person is an attorney for the IRS. A con artist in a romance scam might ask for funds to be sent to someone they claim is a personal assistant or an accountant. Involving a third party makes the transaction harder to trace.

Does this transfer raise any alarms with your financial advisor?

If someone contacts you and says you owe them money and the rationale isn't clear to you, contact your financial advisor as a trusted resource to help you determine whether the request is valid.

If you answered "yes" to any of the above questions regarding a request for money, there's a chance you could be the victim of a scam. Depending on your specific situation, consider taking these steps:

- Stop communicating with the requestor immediately.
- If you did send any checks or wire transfers, contact your financial institution and ask if they can stop payment or recall a wire transfer.
- If you sent payment through the mail, contact the carrier service you used to report the fraud and ask if they can stop delivery. (A tracking number is helpful in this type of scenario.)
- Contact your local police.
- Report the incident to [ic3.gov](https://www.ic3.gov) (the FBI) or the Federal Trade Commission through their online reporting portals.
- Change your email and online banking passwords.

- Initiate a credit freeze through the major credit bureaus.
- Stay on high alert for subsequent scams. Once a person becomes a victim of fraud, other criminals might target the same individual from a different email address or phone number.
- If you continue to get fraudulent calls and emails, consider changing your email or phone number.

As we get older and potentially more vulnerable, we hope to be surrounded by people we can trust. But senior scams are unfortunately on the rise. Your best protection against elder fraud is to be aware of warning signs; talk to loyal family, friends, and advisors about financial issues; and thoroughly vet any party requesting funds from you.

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UPCOMING EVENTS:

Our upcoming seminars are at:

Our financial planning dinner seminars will return in the fall

Have a safe and enjoyable summer!

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