



MOLDENHAUER & ASSOCIATES

AUGUST NEWSLETTER

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July 2022 was the best month for stocks since June 2020. This surprised me as we are technically on our way to a recession. I remember the old story that the markets typically lead into a recession, and then the markets lead the way out of a recession. Perhaps that is what we are seeing on the horizon. If so, better days are ahead.

This is my 52nd year working in the financial industry. While I do not work in the same way as I did in earlier years, I still spend a substantial amount of time doing things that I hope benefit the firm and its clients. I have enjoyed seeing many people over the summer.

We are fortunate, as a firm, to have Brett doing an excellent job leading the firm into the future with the help of John Ring. The staff and advisor team has come through the pandemic in terrific form. The pandemic has taught us new skills and ways to service our clients.

The new sidewalks are finished and entering the building should be easier for people with mobility concerns. Please remember that if you need assistance from your car to the office, let us know and one of the staff will be there to help you.

There was 100% attendance by clients and guests at the firm's recent golf outing. It was a great day and it was a great event. The 2nd golf outing will take place in late August. If you're coming, have a great time. These events are becoming traditions, and in the future will be something to look forward to.

We plan on restarting our educational dinner seminar programs in the near future, provided they can be done safely. In the pre-pandemic years, these events were a meaningful part of client and prospective client financial education.

Enjoy the balance of the summer and stay safe.

Richard Moldenhauer

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WHAT HAPPENS WHEN THERE ARE NO BENEFICIARIES?

Where do those accounts and policies end up?

Some accounts have no designated beneficiary.

Rarely, the same thing occurs with insurance policies. This is usually an oversight. In exceptional circumstances, it is a choice. What happens to these accounts and policies when the original owner dies?

The investment or insurance firm gets the first chance to determine what happens.

On many retirement plans, for example, a spouse is often the default beneficiary, even if not named on a beneficiary form. If the deceased has no spouse, then the plan assets may just become part of that person's estate. Brokerage accounts without any designated beneficiaries are also poised to become part of the estate of the decedent. The next step for these assets could be probate.¹

The state may end up deciding where the assets go when beneficiary forms are blank.

If the deceased failed to name account or policy beneficiaries but had a valid will or other valid estate documents, this will influence the path from here – but it may not exempt the assets from probate court.

If no legally valid estate documents exist, then the deceased party dies intestate, and the state determines the destiny for the assets. Most states go by the same ladder of potential inheritors – surviving spouse at the top, then kids, then grandkids, then parents, grandparents, siblings, nephews or nieces. If absolutely no legitimate heir can be found, then the assets become property of the deceased's state of residence.²

What about life insurance policies?

A life insurance policy usually has at least two levels of designated beneficiaries, and it is rare when a policyholder outlives them and even rarer when a policy has none. In such a circumstance, the proceeds of the life insurance policy become part of the estate of the policyholder upon the policyholder's death.³

Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

What if a person simply lacks possible heirs, or sees no worthy heirs?

Occasionally, this happens. Some people remain single for life, and others are estranged from relatives or heirs who would otherwise be beneficiaries.

A person in this situation has a choice: charity. Perhaps a charitable or non-profit organization deserves the assets. Perhaps a college or university would be a worthwhile destination for them. Choices exist, and those who are single can explore them as they consider their estate.

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Citations.

1. Kiplinger, June 6, 2022
2. Schwab.com, September 24, 2021
3. SmartAsset, April 28, 2022



REQUIRED MINIMUM DISTRIBUTIONS 101

Understanding mandatory retirement account withdrawals.

If you are approaching your seventies, get ready for required minimum distributions.

You may soon have to take RMDs, as they are called, from one or more of your retirement accounts.

You can now take some RMDs a bit later in life, which is good.

Recent rule changes give your invested savings a little more time to potentially grow in your retirement savings vehicles before that first required drawdown.

What account types require RMDs?

Any retirement plan sponsored by an employer, plus traditional Individual Retirement Arrangements (IRAs) and IRA-based retirement plans, such as SIMPLE IRAs and Simplified Employee Pension plans (SEPs). Original owners of Roth IRAs do not have to take RMDs.¹

You can take your initial RMD from a retirement plan by December 31 of the calendar year in which you turn 72. You actually have the choice of taking that first annual RMD as late as April 1 of the following year, i.e., the year in which you will turn 73, but you'll have to take your second RMD by December 31 of that same year. So, if you wait 16 months to take your first RMD, you will end up taking both your first and second RMDs from that account in the same year – and since each RMD represents taxable income, that could lead to higher-than-anticipated tax bill for that year.¹

How are RMDs calculated?

The Internal Revenue Service provides calculation formulas in Publication 590-B. Commonly, you calculate your yearly RMD by dividing the balance of your retirement account on December 31 of the previous year by a life expectancy factor, a number you take from tables published within Publication 590-B.¹

If you have multiple retirement accounts (as many of us do), each one will require an annual RMD calculation. If you own multiple traditional IRAs, you have the choice to calculate RMDs for each of those IRAs and take the combined RMD amounts for all three IRAs from just one of those IRAs. You have the same choice if you have multiple 403(b) plan accounts.¹

What do you need to do to avoid penalties with RMDs?

The most important thing to do is to take them by the annual December 31 deadline. The second most important thing to do is to withdraw the right amount.

If you take an RMD after the December 31 deadline or withdraw less than you should, a penalty may apply. The I.R.S. may levy as much as a 50% tax on the amount not withdrawn.¹

The good news is some investment firms will update you on your upcoming RMDs well in advance of annual deadlines, and your RMDs may even be calculated for you. This is not a given, however, and even when you receive such information, you must act on it, because it takes time to authorize and execute the RMD.

Lastly, take a look at how the RMD income may affect your taxes.

There are ways to manage the tax impact of RMDs, and you can explore those choices with a financial or tax professional.

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Citations.

1. Internal Revenue Service, March 16, 2022



UPCOMING EVENTS:

Our upcoming seminars are at:

SEMINARS ARE TEMPORARILY ON HOLD.

Please visit our website at www.moldenhauerassociates.com for updates.

We encourage clients who live in the area to consider attending with a friend or two. We find that the best way to introduce new potential clients to our firm is when an existing client brings a friend to one of our seminars. As you know, these are informational/educational events. We are not there to convince people that we are the only firm to consider working with. Rather, we do believe that our firm offers a quality opportunity for those people looking for a new advisor relationship. Please consider attending an upcoming seminar in your neighborhood with a friend. You may register for a seminar by calling 716-662-4361 or through our website at www.moldenhauerassociates.com.

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