

MOLDENHAUER & ASSOCIATES

APRIL NEWSLETTER

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It was just a couple months ago that I wrote about the stock market and how well it had been performing for the last ten years. I then mentioned the volatility that we were experiencing. At that time, I suggested that cycles were normal and the markets would perform well in the long term.

Then the coronavirus came out of nowhere. The markets have been a mess and volatility is probably going to be with us for months to come.

For different reasons, the markets went through this in 1987, 2001, and 2008. Fear and uncertainty were the order of the day. Some advisors at other firms refused to answer phone calls from clients. Many people bailed.

For me, the business was no fun. We advised clients to stay calm. We suggested that clients who were properly allocated should stay the course. In the end, the markets returned and even exceeded past performance.

The coronavirus is an international pandemic. It can affect anyone. If you are a senior, you are more sensitive to this virus. If you are a senior with a compromised immune system, you are among the most at risk.

Moldenhauer & Associates always has taken every step possible to protect our clients. At the office, we always advise any employee who is not feeling well to please stay home. It is also the norm for our staff to frequently clean all door knobs, conference room tables and chairs after each meeting. This on-going practice will continue at our office. It is our top priority to make sure our staff and clients are safe and healthy. If you are ill, please consider calling to reschedule your meeting or doing the meeting via a conference call.

As I look to the future, I think it is very bright. As a Nation, it is time we learn how to deal with health adversity. Historically, when we, as a Nation, are faced with a crisis, we resolve the issue and are stronger because of it.

Unfortunately, we forget those lessons all too fast and because of that we face more future problems.

As a country, we must improve domestic production capability. Relying on an adversarial Nation to supply our medication, health supplies, or any other critical components of our economy is insanity.

Moldenhauer & Associates will continue to provide a high level of client service. We will work to make improvements where we can make improvements. Through this crisis we are continuing to provide ongoing client review meetings.

We always welcome your comments and suggestions as we make our best effort.

Stay safe and healthy. We all will get through this together!

Richard Moldenhauer

Richard Moldenhauer





SAVING EARLY & LETTING TIME WORK FOR YOU

The earlier you start pursuing financial goals, the better your outcome may be.

As a young investor, you have a powerful ally on your side: time.

When you start investing in your twenties or thirties for retirement, you can put it to work for you.

The effect of compounding is huge.

Many people underestimate it, so it is worth illustrating. Let's take a look using a hypothetical 5% rate of return.

How does it work?

A simplified example goes like this: Let's take a look using a hypothetical 5% rate of return on an initial investment of \$100. After a year, you earn 5% interest, or \$5. Another year, another 5%, which adds \$5.25 this time. In the third year, your 5% interest earned amounts to \$5.51, bringing your balance to \$115.76. The more money you deposit, the greater that 5% returns. So, if you were to deposit \$100 every month into that same account, you'd make a hypothetical \$809 in compound interest from \$6,000 in deposits over five years. That compounding continues, even if you stop making deposits. All you really need to do is let that money stay put.¹

The earlier you start, the greater the compounding potential.

If you start saving and investing for retirement in your twenties, you may gain an advantage over someone who waits to save and invest until his or her thirties.

Even if you start early & then stop, you may out-save those who begin later.

What if you contribute \$5,000 to a retirement account yearly starting at age 25 and then stop at age 35 – no new money going into the account for the next 30 years. That is hardly ideal. Yet, should it happen, you still might come out ahead of someone who begins saving for retirement later.

Are you wary of investing?

If you were born in the late eighties to early nineties, you are old enough to remember the market volatility in the early 2000s and the credit crisis of 2007-09. Recent events, in the wake of the coronavirus, might bring back memories of that time. All this may have given you a negative view of equities, shaped during your formative years; these events are clear examples of how risk plays a part in this type of investment.

The reality, though, is that many people preparing for retirement need to build wealth in a way that has the potential to outpace inflation. You will retire on the compounded earnings those invested assets are positioned to achieve.

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

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Citations.

1 - thebalance.com/compound-interest-4061154 [12/6/19]

A MESSAGE FROM BRETT MOLDENHAUER

We are committed to doing our part through this coronavirus outbreak. We are all working and committed to being the best advisory firm to our clients during this challenging time, so call for any reason whatsoever.

As mandated by the governor, we have closed the office to staff and visitors for the time being. We are here for you. All staff members are currently working remotely from home and are here to serve you. We will be doing our meetings via conference call, or we are happy to reschedule the meeting at the discretion of the client.

Please take the time to view our website, Facebook and LinkedIn pages for up to date market and economic research and insight. We are working hard to keep the content current, and educational. Knowledge is power, and we feel providing top quality research and viewpoints at this time is proving valuable to our clients.

We have been asked several times this week if we are still taking new clients. We strive to be the best for our clients, and it matters most in times like this. Our clients realize that their friends and family don't always get this same experience from other advisory firms. The answer is "YES", we absolutely look forward to new introductions and commit to delivering the highest level of service to new folks we meet.

TRADITIONAL VS. ROTH IRA

Do you know the difference?

Traditional Individual Retirement Accounts (IRA), which were created in 1974, are owned by roughly 33.2 million U.S. households. Roth IRAs, however, were created as part of the Taxpayer Relief Act in 1997, are owned by nearly 22.5 million households.¹

Both are IRAs. And yet, each is quite different.

Know the limits.

Up to certain limits, traditional IRAs allow individuals to make tax-deductible contributions into the account. Distributions 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. Remember, under the SECURE Act, in most circumstances, once you reach age 72, you must begin taking required minimum distributions from a Traditional Individual Retirement Account (IRA). Additionally, you may continue to contribute to a Traditional IRA past age 70½, under the SECURE Act, as long as you meet the earned-income requirement.

Filing single.

For singles, the maximum tax-deductible contribution starts shrinking once your modified adjusted gross income (MAGI) reaches \$65,000. Singles with adjusted incomes of \$75,000 and above are not eligible for a tax deduction.²

Filing jointly.

For those who are married and filing jointly, things are a bit more complicated. If you or your spouse makes an IRA contribution that is covered by a workplace retirement plan, the deduction begins phasing out when your adjusted gross income is at \$104,000, and it disappears at \$124,000. However, if you do not have a workplace plan, but your spouse does (or vice versa), the 2020 limit starts at \$196,000, and no tax deduction is allowed once the contributor's income reaches \$206,000.

Also, within certain limits, individuals can make contributions to a Roth IRA with after-tax dollars. To qualify for a tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet a five-year holding requirement and occur after age 59½.³

Income impacts total contributions.

Like a traditional IRA, contributions to a Roth IRA are limited based on income. For 2019, contributions to a Roth IRA are phased out between \$193,000 and \$203,000 for married couples filing jointly and between \$122,000 and \$137,000 for single filers.

Contribution limits.

In addition to distribution rules, there are limits on how much can be contributed each year to either IRA. In fact, these limits apply to any combination of IRAs; that is, workers cannot put more than \$6,000 per year into their Roth and traditional IRAs, combined. So, if a worker contributed \$3,500 in a given year into a traditional IRA, their contributions to a Roth IRA would be limited to \$2,500 during that same year.⁴

Catch-up contributions.

Individuals who reach age 50 or older by the end of the tax year can qualify for "catch-up" contributions. The combined limit for these is \$7,000.⁵

Let's chat.

When it comes to picking an IRA, both traditional and Roth IRAs may play an important role in your retirement strategy. If you have any questions, let's chat soon about how these products may be a good fit for your goals.

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Citations.

1 - [irs.gov/retirement-plans/individual-retirement-arrangements-iras](https://www.irs.gov/retirement-plans/individual-retirement-arrangements-iras), [01/09/2020]

2 - [irs.gov/retirement-plans/ira-deduction-limits](https://www.irs.gov/retirement-plans/ira-deduction-limits), [12/20/2019]

3 - [irs.gov/retirement-plans/are-you-covered-by-an-employers-retirement-plan](https://www.irs.gov/retirement-plans/are-you-covered-by-an-employers-retirement-plan) [01/08/2020]

4 - [irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits](https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits) [02/07/2020]

5 - Internal Revenue Service, 2019. The Tax Cuts and Jobs Act of 2017 eliminated the ability to "undo" a Roth conversion.



UPCOMING EVENTS:

Our upcoming seminars are at:

UPCOMING SEMINAR SITES AND DATES TO BE DETERMINED SOON.

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

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.

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