



# MOLDENHAUER & ASSOCIATES

## JULY NEWSLETTER

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The world is unpredictable. Who would ever guess that a perfect June could be fouled up by Canadian forest fires? Personally, I spent 3 days indoors because of the smoke. As I am writing this, I am hoping for a couple of days of good rain.

The markets have performed better than the economy, in general. Perhaps, because I am an optimist, I think the future will be better than many of the protagonist's project. Over the past 50 years, I have seen at least 2 dozen cycles that many experts predicted would destroy our economy and, still, here we are. Over the past few years, we have seen some crazy stuff, and, at times, one would wonder where it is all going. One trend I am interested in is how we are all getting our news. It seems like the era of television has come and gone. Growing up, there were three stations. They were called the national news stations. Then in 1980, the first Cable News Station started to take market share from the big three. Now I am getting most of the news and information from independent providers such as internet channels and, more recently, podcasts.

At home we have reduced the time we spend getting news from the "big flat screen" from 3 hours a day to less than 90 minutes a day. It seems like the cost of television equipment has come down and the quality of what I see is diminishing.

I have been communicating with several friends about health as a senior. I call myself a senior with reservations. When I was young and busy raising a family and building a business, I always tried to get in my exercise sessions. I still do that today. I think it has a positive effect on my health. I try to encourage the people I know to remember that most of their health is in their hands. While I spend a lot of time visiting my physicians, they always remind me that staying active is the most important thing I can do for my health.

So much more is known about maintaining good health and yet there are many more people suffering from health problems. I still remember my physician during the late 1990's. His name was Dr. James Phillips. He was in his early 90's and still working. He always reminded me that my health was up to me. He believed that staying active, physically and mentally, was more important than any medication or medical procedure.

No matter your age or health issues, increasing your physical activity and watching your caloric intake is the key to a longer life.

Kathy and I took a couple of trips in June. Most recently, we returned from a driving trip to New England. After visiting Rhode Island, we traveled to Maine where we visited an old friend from my earlier career days. While it rained throughout our trip, it was great to renew our friendship. We both marveled that while we had not seen each other in well over 20 years, it seemed like yesterday that we were last together. Later into our trip, I had an opportunity to visit with a second cousin whom I had never met before. We both enjoyed making a long overdue family connection.

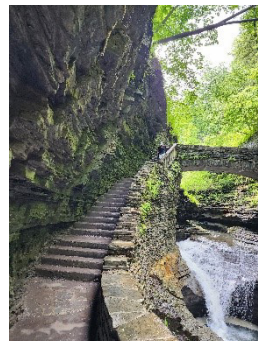
I guess this proves that staying active and busy is a great way to stay younger at heart.

Let me wrap this month up by suggesting you spend more time on your financial planning. Our staff is here to help. Keep your planning appointment and if you need to get back on schedule call your advisor or the office coordinator. If you are not a client yet, please call and get on our schedule.

Hope you enjoy our monthly newsletters.

*Richard Moldenhauer*

Richard Moldenhauer



## 9 FACTS ABOUT RETIREMENT

Retirement can have many meanings. For some, it will be a time to travel and spend time with family members. For others, it will be a time to start a new business or begin a charitable endeavor. Regardless of what approach you intend to take, here are nine things about retirement that might surprise you.

1. Many consider the standard retirement age to be 65. One of the key influencers in arriving at that age was Germany, which initially set its retirement age at 70 and then lowered it to age 65.<sup>1</sup>
2. Every day between now and the end of the next decade, another 10,000 baby boomers are expected to turn 65. That's roughly one person every eight seconds.<sup>2</sup>
3. The 65-and-older population is one of the fastest growing demographics in the United States. In 2019, there were 54.1 million Americans aged 65 and older. That number is expected to increase to 80.8 million by 2040.<sup>3</sup>
4. Ernest Ackerman was the first person to receive a Social Security benefit. In March 1937, the Cleveland streetcar motorman received a one-time, lump-sum payment of 17¢. Ackerman worked one day under Social Security. He earned \$5 for the day and paid a nickel in payroll taxes. His lump-sum payout was equal to 3.5% of his wages.<sup>4</sup>
5. Seventy-seven percent of retirees say they are confident about having enough money to live comfortably throughout their retirement years.<sup>5</sup>
6. The monthly median cost of an assisted living facility is \$4,500, and seven out of ten people will require extended care in their lifetime.<sup>2</sup>
7. Sixty-four percent of retirees depend on Social Security as a major source of their income. The average monthly Social Security retirement benefit at the beginning of 2022 was \$1,614.<sup>5,6</sup>

8. Centenarians – in 2020 there were 92,000 of them. By 2060, this number is expected to increase to 589,000.<sup>7</sup>
9. Seniors age 65 and over spend over four hours a day, on average, watching TV.<sup>8</sup>

### Conclusion

These stats and trends point to one conclusion: The 65-and-older age group is expected to become larger and more influential in the future. Have you made arrangements for health care? Are you comfortable with your investment decisions? If you are unsure about your decisions, maybe it's time to develop a solid strategy for the future.

*Presented by Brett A. Moldenhauer*

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#### Citations.

1. SSA.gov, 2022
2. Genworth.com, 2022
3. ACL.gov, May 4, 2022
4. Social Security Administration, 2022
5. Employee Benefit Research Institute, 2022
6. SSA.gov, 2022
7. Statista.com, August 3, 2022
8. BLS.gov, 2022

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## A PRIMER ON IRREVOCABLE LIFE INSURANCE TRUSTS

*"I'm proud to pay taxes in the United States; the only thing is, I could be just as proud for half the money."*  
-Entertainer Arthur Godfrey

The irrevocable life insurance trust (ILIT) can be an important estate strategy tool that may accomplish a number of estate objectives; however, it may not be appropriate for every individual.<sup>1,2</sup>

### What Is an ILIT?

An ILIT is created by an individual (the grantor) during his or her lifetime. The ILIT owns a life insurance policy on the grantor's life via the transfer of ownership of an existing policy or through the grantor's annual contribution of cash to pay the premiums on a policy purchased by the trust.<sup>3</sup>

The grantor designates beneficiaries, usually family members, who will typically receive the proceeds upon the death of the grantor.

The trust is irrevocable, meaning that the grantor forfeits all rights to the property contained in the trust. Its irrevocable nature is integral to accomplishing the ILIT's objectives.

### What Can an ILIT Accomplish?

The ILIT may be able to accomplish several estate objectives, including:

1. Meeting liquidity needs;
2. Managing estate taxation on the policy proceeds;
3. Providing income to survivors.

### How Does an ILIT Work?

When you die, the trust is designed to receive a payment equal to the policy coverage amount, e.g., \$500,000. Since the trust's ownership of the policy is irrevocable, the proceeds are not considered your property. Consequently, they do not fall into your estate, thus potentially avoiding estate taxation. (Remember, generally no income tax is due on such life insurance proceeds.)<sup>4</sup>

The trust provisions should be set up to provide direction about how and to whom payments may be made. You may direct that the trust pay out cash to cover certain expenses, e.g., funeral costs, probate, taxes, final medical expenses, and debts.

This may obviate the need to sell less liquid assets at an inopportune time to cover such costs.

The trust's beneficiaries may receive the proceeds (after any payments are made to satisfy liquidity needs), creating an inheritance free of estate taxes. Finally, creditors should not be able to attack these assets since they belong to the trust, not you.

Creating an ILIT should be done only with the assistance of a qualified estate planning attorney. It is a complicated exercise in which mistakes may result in losing the benefits ILITs offer.

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#### Citations.

1. Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional who is familiar with the rules and regulations.
2. 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.
3. Investopedia.com, 2021
4. This is a hypothetical example used for illustrative purposes only. It is not representative of any specific estate or estate strategy. The information in this material is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties. Please consult legal or tax professionals for specific information regarding your individual situation.

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## UPCOMING EVENTS:

Our upcoming seminars are at:

# TO RESUME IN FALL 2023

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](http://www.moldenhauerassociates.com).

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