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MOLDENHAUER & ASSOCIATES

JULYNEWSLETTER

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With half of 2024 behind us, we are living in a hotter than usual summer. Hotter and wetter. Hopefully, your air conditioners are working properly. Most of us forget maintaining equipment is important if we want it to work when needed.

With that in mind, I recommend you take a few moments to review the beneficiaries on all investment accounts. This includes qualified and non-qualified accounts. Also take the time to review life insurance beneficiaries. Do this annually, and you are your way to improving your financial plan.

Recently, I was working with a client, and they have been having a difficult time focusing on updating their estate plan. Their family structure had changed, and they hesitated in making necessary corrections. I reminded the client of a story I heard from a senior planner early in my career.

A senior citizen, we'll call her Mary, had planned on leaving her estate to her two children and their families. The death of one of her divorced adult children created obstacles in Mary's decision-making process. Thus entered the primary evil of planning, PROCRASTINATION.

Between Mary's confusion, and an attorney with a lack of urgency, Mary expired before finding the courage to make needed changes. This created an estate in crisis, and expensive litigation ensued. After many long months, the estate was settled. No one was happy with the outcome. I believe that Mary would be rolling over in her grave.

I'd like to say that the client did take immediate corrective action, but that did not occur in Mary's situation. I am hoping that clients get serious and solve a simple problem before time turns it into a complex expensive problem.

Perhaps someone reading this will take the idea of updating their estate planning to heart. That would make someone's life better.

On a different topic, this is an election year and we should all be doing some soul searching. While neither party has all the right answers, we should study the issues that concern us. Both political parties keep giving money to special interest groups at the expense of the general electorate. If you like this, and it continues, expect higher tax rates and stickier inflation.

As I am writing this, the courts are blocking the proposed $150 billion college loan pay-off. This is the program where people who did not go to college, or fulfilled their financial commitments for their college education will be expected to pay for the college education of others. This is one example of very divisive political topic facing this nation at the moment. What do you think?

The American economy has endured a 20%+ inflation on food, clothing, and medical supplies. We have experienced a 40%-60% increase in restaurant costs and automotive expenses. The cost of housing, vacations, and education have increased even more.

Young people can't afford their first home and many who have a home can't afford to keep up the cost of ownership. Older people are affected if not to the extent that younger people. I worry for future generations if we don't get off this train.

I wrote about this topic a couple of years back and a couple of readers got angry and said I was wrong (that is not exactly what they said). I believe in America and would like to see our children's children live in a world where everyone has a chance; where merit determines outcome, and where the future can be better for all law-abiding citizens.

I believe we should avoid entangling alliances that may lead us to be involved in other country's wars. As a student of Military and American History, and an old combat veteran, let me point out that we have not been on the winning end of a war since World War II, yet well over 100,000 young Americans have died in foreign conflicts. Peace.

I am hoping we all have a pleasant summer season.

Richard Moldenhauer

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IS YOUR FINANCIAL PLAN A GOOD FIT?

The "perfect" financial plan won't do you much good if it doesn't meet three necessary criteria:

1. It should outline a course of action to pursue your personal goals.
2. It should be financially feasible.
3. It should be implemented.

Before taking the next steps to put this plan into action, ask yourself the following questions. It will help us ensure that we are on the right track and alert us if there is a need to make changes.

Does Your Financial Plan Meet Your Goals?

- Does this plan ease your concerns about your financial future?
- Would achieving these goals satisfy you or fill you with enthusiasm?
- Are there any important goals that this plan does not address?
- Do you feel that this plan is sufficiently flexible in the areas where you may want to make a change in the future?

Is Your Financial Plan Financially Feasible?

- How confident do you feel in being able to save the amount of money per month that the plan calls for?
- Do the investment and inflation assumptions in the plan feel okay to you, or are they too risky?
- Do you understand the costs associated with carrying out this plan?

Can We Implement This Financial Plan?

- How confident are you about taking the necessary steps to implement the plan (e.g., about getting a will drafted, having a physical to qualify for insurance)?
- Do you understand the steps required to carry out the plan? Do you understand the plan as a whole?
- Do you have a relationship with a trusted CPA, attorney, or other financial professionals?
- Are there personal matters that could affect the implementation of the plan that we have not discussed (e.g., marital difficulties or divorce, health, children, care for other family members)?

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TO ROLL OVER - OR NOT TO ROLL OVER - YOUR 401(K)

As you advance in your career and hold jobs at various companies, you may discover at some point that you've left behind valuable cookie crumbs: a trail of employer-sponsored retirement accounts. Leaving previous plans with former employers saves you from having to take any action, and you still have the ability to roll them over later. If you prefer the investment choices with your old plan or that plan has lower fees than a new 401(k) or IRA, you might want this option. Also consider that you won't pay a tax penalty for taking a distribution from your employer's 401(k) after you turn 55, which you would pay on an early withdrawal from an IRA. So, while there can be benefits and it may feel easier to leave them as they are, managing and keeping track of those cookie crumbs could become burdensome. Consolidating or rolling them over into one account is one way to alleviate that burden. Here is helpful information to help you decide whether a rollover is the best choice for you.

Benefits of a Rollover

Simplicity and streamlining.

One major benefit of consolidating your retirement accounts into one account is that there's less information to track. You'll receive one statement, have only one retirement account to manage (with one password and one account number), and be able to see your overall financial picture more clearly by reducing multiple savings sources to one.

Avoiding overlap and easier rebalancing.

When you have multiple retirement savings accounts, you might assume your investments are sufficiently diversified, but this may not be true. Over time, as portfolios shift due to market movement, rolling all of your accounts into one allows you to properly analyze asset allocation in one place instead of many.

Keeping track of RMDs.

Starting at age 73, you must withdraw minimum amounts, called required minimum distributions (RMDs), from your retirement accounts each year. With multiple retirement accounts, it's more difficult to calculate accurate RMD amounts and there are steep tax penalties for underestimating RMDs and missing the deadline. Combining accounts can help reduce these risks.

Potentially fewer fees.

401(k) plans incur various fees, including administrative, management, investment, and service charges. By combining accounts, you may pay fewer fees. In addition, you may be able to avoid certain fees altogether if fee reductions are dependent on the total account balance.

Estate-planning convenience.

Thinking about your death isn't pleasant, but it's important to consider the responsibilities your loved ones and beneficiaries will have when you're gone. With all of your retirement funds in one place, there will be less work for your family to do when tracking down your assets.

Your Rollover Options

Roll into your new employer's 401(k) plan.

If you have a new job and establish a retirement plan with your new employer, one option is to roll your previous account balance into your new plan. Requesting a direct rollover of funds from previous employer to new employer is a nontaxable transaction that retains creditor protection.

Roll into an IRA.

Whether you're switching jobs or retiring, rolling your retirement savings into an IRA might give you more flexibility in how you manage the money you've saved. IRAs often have a wider range of investment options that might not be offered by an employer's 401(k) plan. In this type of account, your investments continue to grow tax deferred, meaning you'll pay taxes upon withdrawal. Please note: You can't borrow from an IRA as you can with a 401(k), and RMDs are still required at age 73.

Roth IRA.

Withdrawing traditional, pretax assets from a 401(k) into a Roth IRA is known as a Roth conversion. By doing so, you will owe income taxes on the amount converted in the year of the transaction. One benefit of this strategy is that any additional earnings in the Roth IRA can grow and be withdrawn at retirement age tax free (as long as the withdrawal occurs at least five years after the Roth account was created).

Take a cash distribution.

Although this option might seem appealing if you have debts or major expenses, there are many reasons not to withdraw your funds. One major drawback is potentially not having enough money to retire or maintain your lifestyle in retirement. In addition, you could pay significant penalties and taxes for early withdrawal.

Rollover Tips to Keep in Mind

Whether you roll over to a 401(k) or an IRA, these are trustee-to-trustee transfers where the money moves directly from one provider to the next. If you receive a check in your name, you may have inadvertently requested a withdrawal, which would result in owing income tax on the amount and additional penalties if you have not yet reached retirement age. If this occurs, contact the recordkeeper immediately to discuss a correction.

When considering a Roth, note that your 401(k) could have Roth or after-tax dollars already within it, and these assets will transfer to a Roth IRA without additional taxes. Contact the recordkeeper to determine if the dollars in your 401(k) are on a pretax or post-tax basis—or a mix of both.

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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!

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

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.