

MOLDENHAUER & ASSOCIATES

JULY NEWSLETTER

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Like you, I find it hard to believe that it is July. Nobody would have guessed that we would have experienced so many bad events that lasted so long. While I have analyzed the events each of us have seen on the television, I still cannot get a good grasp. All I know is that we must be strong and get through this trying time. I believe the future will be bright but we will need to come together as a country.

At Moldenhauer & Associates, we are all back at work. We are social distancing, practicing good hygiene and cleanliness. If you come to the office, we'll offer you a mask and provide as safe an environment as possible. I understand that the staff and advisors are happy to be back at work.

While NY State seems to be doing better, it is critical that we all stay alert and safe. People in much of the country are starting to get sloppy and cases of Corona Virus are increasing. Personally, because of my compromised immunity, I am being very careful. I hope you are being careful too.

As I have mentioned in previous articles, we are working hard to upgrade the client experience and services we provide.

If you, like me and many seniors (never thought I'd call myself a senior), are still concerned about social distancing, etc. and would prefer a phone or video review session, please call and one of our staff will be sure to arrange that type of session. Looking forward to a brighter tomorrow.

Richard Moldenhauer

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RETIREMENT PLAN OPTIONS FOR SMALL BUSINESSES

The SECURE Act and CARES Act may complicate the decision.

As a small-business owner, figuring out retirement choices can be a little intimidating. How do you pick the most appropriate retirement plan for your business as well as your employees?

There are three main types of retirement plans for small businesses: SIMPLE-IRAs, SEP-IRAs, and 401(k)s. Read on below to learn more about each type of retirement plan. Also, keep in mind that recent legislative changes that occurred with the passing of the SECURE Act and CARES Act may complicate the decision.

SIMPLE-IRAs. SIMPLE stands for Savings Incentive Match Plan for Employees. This is a traditional IRA that is set up for employees and allows both employees and employers to contribute. If you're an employer of a small business who needs to get started with a retirement plan, a SIMPLE-IRA may be for you. While this plan doesn't require an employee to contribute, employers must contribute 2% of their employee's salary to a retirement fund. If you do choose to offer a matching contribution to your employee's SIMPLE-IRA plan, you can match up to 3% of your employee's compensation. Employees can also participate in a SIMPLE-IRA plan by having automatic deductions go straight from their paycheck to their SIMPLE-IRA.^{1,2,3}

Distributions from SIMPLE-IRAs are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty. However, during the 2020 calendar year, the CARES Act allows eligible participants to take an early distribution of up to \$100,000 without paying the 10% penalty. Generally, once you reach age 72, you must begin taking required minimum distributions.

For a business to use a SIMPLE-IRA, it typically must have fewer than 100 employees and cannot have any other retirement plans in place. There are also no filing requirements required by the employer.²

SEP-IRAs. SEP plans (also known as SEP-IRAs) are Simplified Employee Pension plans. Any business of any size can set up one of these types of retirement plans, including a self-employed business owner. This type of retirement plan may be an attractive option for a business owner because a SEP-IRA does not have the start-up and operating costs of a conventional retirement plan. It also allows for a contribution of up to 25% of each employee's pay. This is a type of retirement plan that is solely sponsored by the employer, and the contribution to each employee's SEP-IRA must be the same amount. Employees are not able to add their own contributions. Unlike other types of retirement plans, contributions from the employer can be flexible from year to year, which can help businesses that have fluctuations in their cash flow.⁴

Much like SIMPLE-IRAs, SEP-IRAs are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty. The CARES Act applies to SEP-IRAs too. Generally, once you reach age 72, you must begin taking required minimum distributions.

401(k)s. 401(k) plans are funded by employee contributions, and in some cases, with employer contributions as well. In most circumstances, you must begin taking required minimum distributions from your 401(k) or other defined contribution plan in the year you turn 72. Withdrawals are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty. As of right now, the CARES Act exemptions apply only in the 2020 calendar year.⁵

Because of the recent legislative changes, resulting from the passage of the SECURE Act and the CARES Act, let's talk further about which of these plans may work best for you and your business.⁵

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Citations.

1 - IRS.gov, January 15, 2020

2 - IRS.gov, January 8, 2020

3 - IRS.gov, January 9, 2020

4 - IRS.gov, January 15, 2020

5 - U.S. Chamber of Commerce, February 20, 2020

WHO IS YOUR TRUSTED CONTACT?

This vital investment account question should be answered sooner rather than later.

Investment firms have a new client service requirement. They must now ask you if you would like to provide the name and information of a trusted contact.¹

You do not have to supply this information, but it is encouraged. The request is made with your best interest in mind – and to lower the risk of someone crooked attempting to make investment decisions on your behalf.¹

Why is setting up a trusted contact so important? While no one wants to think ill of someone they know and love, the reality is that seniors have lost an average of \$50,200 to someone they know. And studies have shown that almost half of all seniors aged 65 and older manage their own finances. Statistically speaking, if you fall within this age range, you could be vulnerable to scams.¹

The trusted contact request is a response to this reality. The Financial Industry Regulatory Authority (FINRA) now demands that investment firms make reasonable efforts to acquire the name and contact info of a person you trust. This person is someone that investment firms can contact if financial exploitation is suspected or they suspect the investor is suffering a notable cognitive decline.²

Investment firms may now put a hold on disbursements of cash or securities from accounts if they suspect the withdrawals or transactions amount to financial exploitation. In such circumstances, they are asked to get in touch with the investor, the trusted contact, and adult protective services or law enforcement agencies, if necessary.²

Who should your trusted contact be? At first thought, the answer seems obvious: the person who you trust the most. Yes, that individual is probably the best choice – but keep some factors in mind.

Ideally, your trusted contact is financially savvy, or at the very least, financially literate. You may trust your spouse, your sibling, or one of your children more than you trust anyone else, but how much does that person know about investing and financial matters?

Your trusted contact should behave ethically and respect your privacy. This person may be given confidential information about your investments. Is there any chance that they, upon receiving such information, might behave in an unprincipled way?

It is encouraged that your family members know who your designated trusted contact is. That way, any family member who might be tempted to take advantage of you knows another family member is looking out with your best interest in mind, which may be an effective deterrent to elder financial abuse. It should be noted that the trusted contact may, optionally, be an attorney, a financial professional, or a CPA.¹

Your trusted contact is your ally. If you are being exploited financially or could be at risk of such exploitation, that person will be alerted and called to action.

As the old saying goes, money never builds character, it only reveals it. The character and morality of your trusted contact should not waver upon assuming this responsibility. If given sensitive information about your brokerage accounts, that person should not sense an opportunity. Now is the perfect time to name your trusted contact. Choose your contact wisely.

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Citations.

1 - CNBC, September 27, 2019

2 - FINRA, March 4, 2020



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.

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Richard Moldenhauer is a representative with Commonwealth Financial Network. Call him at 716-662-4361.

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