

MOLDENHAUER & ASSOCIATES

SEPTEMBER NEWSLETTER

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Summer is winding down and the conversion to Commonwealth as our Broker dealer is well under way. If, for some reason, we have not been able to reach you, please take the time to call the office at (716)662-4361. Ask for Sharon or Karen, or the staff member you prefer. We must have all forms completed and submitted very soon.

The change of broker dealer allows copies of all client reports to continue being sent to our offices. The reports will be accessible to you through our secure encrypted client vault system as well as being sent to you as they have been in the past. Instead of AIC, Commonwealth will be our new Broker Dealer. In some cases, certain account management charges may be slightly reduced.

The new client vault system should improve the timeliness of account information being accessible to you. If you need instruction on how to best use this valuable tool, ask any of our advisors and we will educate you on using the system. During June, we welcomed John Ring, JD to our firm. John has accepted the position of Chief Operations Officer. In house, he will be responsible for Compliance issues, assisting the coordination of planning documents with clients' attorneys and he will work closely with the advisors. John brings over 25 years of legal experience to our firm. His presence in our firm will create many advantages for our advisors and clients alike. During July, we welcomed Evan Lewis to our firm as a junior advisor. Evan had over 3 years experience with a National Advisor chain. Evan joins our team and, along with our advisor staff, looks forward to serving our clients whenever he can be of help.

As you can see, we are busy here at Moldenhauer & Associates. Under Brett's leadership the firm has grown and improved.

Over the years, unfortunately, we have had a few clients miss a review meeting, move and not let us know, or have another change in their lives. We are making a very serious effort to reconnect with those clients. If you are one of those people, please call the office to schedule an appointment. While the Broker Dealer change may not affect you if you do not have an equities based portfolio, you will still want to have access to the account tools we will provide all clients. If it has been a few years, things like beneficiaries, wills and related documents should be reviewed. We can help you if you will allow us.

Beginning in September, I will be dividing my time between Charleston and WNY. We have had some difficulty with the Charleston relay to our main receptionist station. If that number poses a problem, let us know, but, please use either the WNY number (716)662-4361 or the Watts line to reach me (800)724-8415.

I occasionally add some personal information, so here goes. Our youngest son Matthew just got engaged to the lovely Hanna, and a spring wedding is planned. I have had a reasonably successful summer of fishing despite the lack of rain and low water levels. Kathy got her new kitchen at the lake. She and I recently celebrated our 45th wedding anniversary (who thought??).

Physically, the Good Lord has been looking out for me. I have been feeling great, walking about 4-5 miles each day and have returned to a good level of fitness. I am hoping that my September visit to Duke verifies how I am feeling. I attempt to write a Blog article each week. Check it out if you have a chance.

Richard Moldenhauer
Richard Moldenhauer

HOW MILLENNIALS CAN GET OFF TO A GOOD FINANCIAL START

Doing the right things at the right time may leave you wealthier later.

What can you do to start building wealth before age 35?

You know time is your friend and that the earlier you begin saving and investing for the future, the better your financial prospects may become. So what steps should you take?

Reduce your debt.

You probably have some student loan debt to pay off. According to the Institute for College Access and Success, which tracks college costs, the average education debt owed by a college graduate is now \$28,950. Hopefully, yours is not that high and you are paying off whatever education debt remains via an automatic monthly deduction from your checking account. If you are struggling to pay your student loan off, take a look at some of the income-driven repayment plans offered to federal student loan borrowers, and options for refinancing your loan into a lower-rate one (which could potentially save you thousands).¹

You cannot build wealth simply by wiping out debt, but freeing yourself of major consumer debts frees you to build wealth like nothing else. The good news is that saving, investing, and reducing your debt are not mutually exclusive. As financially arduous as it may sound, you should strive to do all three at once. If you do, you may be surprised five or ten years from now at the transformation of your personal finances.

Save for retirement.

If you are working full-time for a decently-sized employer, chances are a retirement plan is available to you. If you are not automatically enrolled in the plan, go ahead and sign up for it. You can contribute a little of each paycheck. Even if you start by contributing only \$50 or \$100 per pay period, you will start far ahead of many of your peers.¹

Away from the workplace, traditional IRAs offer you the same perks. Roth IRAs and Roth workplace retirement plans are the exceptions – when you “go Roth,” your contributions are not tax-deductible, but you can eventually withdraw the earnings tax-free after age 59½ as long as you abide by IRS rules.^{1,2}

Workplace retirement plans are not panaceas – they can charge administrative fees exceeding 1% and their investment choices can sometimes seem limited. Consumer pressure is driving these administrative fees down, however; in 2015, they were lower than they had been in a decade and they are expected to lessen further.³

Keep an eye on your credit score.

Paying off your student loans and getting started saving for retirement are a great start, but what about your immediate future? You’re entitled to three free credit reports per year from TransUnion, Experian, and Equifax. Take advantage of them and watch for unfamiliar charges and other suspicious entries. Be sure to get in touch with the company that issued your credit report if you find anything that shouldn’t be there. Maintaining good credit can mean a great deal to your long-term financial goals, so monitoring your credit reports is a good habit to get into.¹

Do not fear Wall Street.

We all remember the Great Recession and the wild ride investments took. The stock market plunged, but then it recovered – in fact, the S&P 500 index, the benchmark that is synonymous in investing shorthand for “the market,” gained back all the loss from that plunge in a little over four years. Two years later, it reached new record peaks, and it is only a short distance from those peaks today.⁴

Equity investments – the kind Wall Street is built on – offer you the potential for double-digit returns in a good year. As interest rates are still near historic lows, many fixed-income investments are yielding very little right now, and cash just sits there. If you want to make your money grow faster than inflation – and you certainly do – then equity investing is the way to go. To avoid it is to risk falling behind and coming up short of retirement money, unless you accumulate it through other means. Some workplace retirement plans even feature investments that will direct a sizable portion of your periodic contribution into equities, then adjust it so that you are investing more conservatively as you age.

Invest regularly; stay invested.

When you keep putting money toward your retirement effort and that money is invested, there can often be a snowball effect. In fact, if you invest \$5,000 at age 25 and just watch it sit there for 35 years as it grows 6% a year, the math says you will have \$38,430 with annual compounding at age 60. In contrast, if you invest \$5,000 each year under the same conditions, with annual compounding you are looking at \$596,050 at age 60. That is a great argument for saving and investing consistently through the years.⁵

Richard Moldenhauer may be reached at 716-662-4361.

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

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Citations.

1 - gobankingrates.com/personal-finance/money-steps-need-after-graduating/ [5/20/16]

2 - usatoday.com/story/money/personalfinance/2015/07/03/money-tips-gen-y-adviceiq/29624039/ [7/3/15]

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DO WOMEN FACE GREATER RETIREMENT CHALLENGES THAN MEN?

If so, how can they plan to meet those challenges?

A new study has raised eyebrows about the retirement prospects of women.

It comes from the National Institute on Retirement Security, a non-profit, non-partisan research organization based in Washington, D.C. Studying 2012 U.S. Census data, NRIS found that women aged 65 and older had 26% less income than their male peers. Looking at Vanguard's 2014 fact set on its retirement plans, NRIS learned that the median retirement account balance for women was 34% less than that of men.¹

Alarming numbers? Certainly. Two other statistics in the NRIS report are even more troubling. One, a woman 65 or older is 80% more likely to be impoverished than a man of that age. Two, the incidence of poverty is three times as great for a woman as it is for a man by age 75.^{1,2}

Why are women so challenged to retire comfortably?

You can cite a number of factors that can potentially impact a woman's retirement prospects and retirement experience. A woman may spend less time in the workforce during her life than a man due to childrearing and caregiving needs, with a corresponding interruption in both wages and workplace retirement plan participation. A divorce can hugely alter a woman's finances and financial outlook. As women live longer on average than men, they face slightly greater longevity risk – the risk of eventually outliving retirement savings.

There is also the gender wage gap, narrowing, but still evident. As American Association of University Women research notes, the average female worker earned 79 cents for every dollar a male worker did in 2014 (in 1974, the ratio was 59 cents to every dollar).³

What can women do to respond to these financial challenges?

Several steps are worth taking.

Invest early & consistently.

Women should realize that, on average, they may need more years of retirement income than men. Social Security will not provide all the money they need, and, in the future, it may not even pay out as much as it does today. Accumulated retirement savings will need to be tapped as an income stream. So saving and investing regularly through IRAs and workplace retirement accounts is vital, the earlier the better. So is getting the employer match, if one is offered. Catch-up contributions after 50 should also be a goal.

Consider Roth IRAs & HSAs.

Imagine having a source of tax-free retirement income. Imagine having a healthcare fund that allows tax-free withdrawals. A Roth IRA can potentially provide the former; a Health Savings Account, the latter. An HSA is even funded with pre-tax dollars, as opposed to a Roth IRA, which is funded with after-tax dollars – so an HSA owner can potentially get tax-deductible contributions as well as tax-free growth and tax-free withdrawals.⁴

IRS rules must be followed to get these tax perks, but they are not hard to abide by. A Roth IRA need be owned for only five tax years before tax-free withdrawals may be taken (the owner does need to be older than age 59½ at that time). Those who make too much money to contribute to a Roth IRA can still convert a traditional IRA to a Roth. HSAs have to be used in conjunction with high-deductible health plans, and HSA savings must be withdrawn to pay for qualified health expenses in order to be tax-exempt. One intriguing HSA detail worth remembering: after attaining age 65 or Medicare eligibility, an HSA owner can withdraw HSA funds for non-medical expenses (these types of withdrawals are characterized as taxable income). That fact has prompted some journalists to label HSAs "backdoor IRAs."^{4,5}

Work longer in pursuit of greater monthly Social Security benefits.

Staying in the workforce even one or two years longer means one or two years less of retirement to fund, and for each year a woman refrains from filing for Social Security after age 62, her monthly Social Security benefit rises by about 8%.⁶

Social Security also pays the same monthly benefit to men and women at the same age – unlike the typical privately funded income contract, which may pay a woman of a certain age less than her male counterpart as the payments are calculated using gender-based actuarial tables.⁷

Find a method to fund eldercare.

Many women are going to outlive their spouses, perhaps by a decade or longer. Their deaths (and the deaths of their spouses) may not be sudden. While many women may not eventually need months of rehabilitation, in-home care, or hospice care, many other women will.

Today, financially aware women are planning to meet retirement challenges.

They are conferring with financial advisors in recognition of those tests – and they are strategizing to take greater control over their financial futures.

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Citations.

1 - bankrate.com/financing/retirement/retirement-women-should-worry/ [3/1/16]

2 - blackenterprise.com/small-business/women-age-65-are-becoming-poorest-americans/ [3/18/16]

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6 - fool.com/retirement/general/2016/05/29/when-do-most-americans-claim-social-security.aspx [5/29/16]

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THE TRANSITION AT MOLDENHAUER & ASSOCIATES

Many people realize that the transition in leadership at our firm has worked well. As I have assumed a lesser role, Brett's role has increased. Along with that change, Nick Ingold has become a Vice President of the firm and we have added John Ring, JD as our Chief Operations Officer.

Perhaps we prepared well and that is why the transition worked well. It may be the reason growth has continued. Personally, I have enjoyed integrating back into the business as the principle focusing on Employer Benefits and Estate Planning. This gives me a chance to work in areas that I am most experienced in and enjoy working with. At the same time, I have the opportunity to help design the future of the firm.

The transition I am addressing is not about Brett or me. It is about the change in Broker Dealer. This was something I personally hesitated to do, but it was needed for the benefit of the firm and our clients. Our new Broker Dealer, Commonwealth, brings many things to the table that our old Broker Dealer, AIC, did not.

The people at AIC were great, as are the people at Commonwealth. However we believe that Commonwealth's technology and their focus on Financial Planning will assist our business model to grow into the future.

If you have not as yet completed your transfer paperwork, please contact the office so we can set up a meeting for you. If, for some reason, it is impossible for you to come to the office, we will arrange for Patrick or Evan to come to you and help you complete your forms.

By the way, this is an excellent time to review the balance of your Financial Plan. Are wills up to date? Are beneficiaries in need of change? Has your life insurance been reviewed? For your information, the new Care4Life rider is a less expensive alternative for Long Term Care Insurance planning in some cases. Our staff is here to assist you during and after this transition. We look forward to being of continued service

Richard Moldenhauer

Richard Moldenhauer

UPCOMING EVENTS:

Our October seminars are at:

The Byrd House

Tuesday, October 4, 2016 at 6 p.m.
4178 N. Buffalo Road
Orchard Park, NY 14127

Beef Haus

Thursday, October 6, 2016 at 6 p.m.
176 North Main Street
Wellsville, NY 14895

Cadillac Jacks

Wednesday, October 12, 2016 at 6 p.m.
24 Monroe Street
Ellicottville, NY 14731

The Century Manor

Thursday, October 13, 2016 at 6 p.m.
401 East State Street
Olean, NY 14760

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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