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MOLDENHAUER & ASSOCIATES

OCTOBERNEWSLETTER

Editor: Richard C. Moldenhauer, CLU, CEP, RFC *Chartered Financial Consultant*

It has been a nice summer. With the economy ticking along nicely, the tendency for most people is "Procrastination". People tend to ignore the key planning issues, perhaps assuming the new economic norm will last. It never does. Our job is to help get our clients on track and then to help them stay on track. When clients schedule and keep periodic meetings, it is easier to be of help. When meetings are canceled, missed, or postponed it is difficult for us to supply the proactive advice that helps people stay on course.

We recommend reviewing investment plans, insurance programs and testamentary plans periodically and when "life changes" occur.

I was reading about a couple celebrities that recently passed away. It was interesting.

Aretha Franklin died without a will. Already there is fighting in the family. Stay tuned and you'll learn that estate battles can get very messy.

Burt Reynolds did some interesting planning. While his career was on the decline, Burt did some creative things. Because of the planning he did, he was able to stay in his world and enjoy life until the very end. This was interesting because years ago, it looked bleak. He was about to lose his home and there were real financial problems. Good advisors and attorneys saved the day and Burt lived life on his own terms.

If you read this and have not been in for a while, please call and the staff will get you back on a regular service schedule.

In mid-September, Kathy and I headed to Duke for my 5 year evaluation (post-transplant). It has been a great summer in WNY. I've seen many clients and have even worked with some great new people which has been really enjoyable.

While I'll be back in a few weeks, Kathy and I needed to address a few issues in Charleston. Hurricane Florence touched down north of our home in South Carolina. The storm was merciful to our home but not to many areas north of us in North and South Carolina.

Richard Moldenhauer

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GETTING YOUR PERSONAL FINANCES IN SHAPE FOR 2019

Fall is a good time to assess where you stand and where you could be.

You need not wait for 2019 to plan improvements to your finances.

You can begin now. The last few months of 2018 give you a prime time to examine critical areas of your budget, your credit, and your investments.

You could work on your emergency fund (or your rainy day fund).

To clarify, an emergency fund is the money you store in reserve for unforeseen financial disruptions; a rainy day fund is money saved for costs you anticipate will occur. A strong emergency fund contains the equivalent of a few months of salary, maybe even more; a rainy day fund could contain as little as a few hundred dollars.

Optionally, you could hold this money in a high-yield savings account. A little searching may lead to a variety of choices; here in September, it is not hard to find accounts offering 1.5% or more annual interest, as opposed to the common 0.1% or less. Remember that a high-yield savings account is intended as a place to park money; if you make regular deposits and withdrawals to and from it and treat it like a checking account, you may incur fees that diminish the savings progress you make.[1]

Review your credit score.

Federal law entitles you to a free copy of your credit report at each of the three nationwide credit reporting firms (Equifax, TransUnion, and Experian) every 12 months. Now is as good a time as any to request these reports; visit annualcreditreport.com or call 1-877-322-8228 to order them. At the very least, you will learn your credit score. You may also detect errors and mistakes that might be harming your credit rating.[2]

Think about the way you are saving for major financial goals.

Has your financial situation improved in 2018, to the extent that you could contribute a little more money to an IRA or a workplace retirement plan now or next year? If you are not contributing enough at work to receive a matching contribution from your employer, maybe now you can.

Also, consider the way your invested assets are held. What are your current and future allocations? Some people have heavy concentrations of equities in their workplace retirement plan, IRA, or brokerage account due to Wall Street's long bull market. If this is true for you, there may be some pain when the next bear market begins. Check in on your portfolio while things are still bullish.

Can you spend less in 2019?

That might be a key to saving more and putting more money into your rainy day or emergency funds. If your pay has increased, your discretionary spending does not necessarily have to increase with it. See if you can find room in your budget to possibly cut an expense and redirect the money into savings or investments.

You may also want to set some near-term financial goals for yourself.

Whether you want to accomplish in 2019 what you did not quite do in 2018, or further the positive financial trends underway in your life, now is the time to look forward and plan.

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

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

Citations.

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2 - ftc.gov/faq/consumer-protection/get-my-free-credit-report [9/6/18]

MINIMIZING PROBATE WHEN SETTING UP YOUR ESTATE

What can you do to lessen its impact for your heirs?

Probate subtly reduces the value of many estates.

It can take more than a year in some cases, and attorney's fees, appraiser's fees, and court costs may eat up as much as 5% of a decedent's assets. Probating a "routine" estate valued at $400,000 could cost as much as $20,000.[1]

What do those fees pay for? In many instances, routine clerical work. Few estates require more than that. Heirs of small, five-figure estates may be allowed to claim property through affidavit, but this convenience isn't extended for larger estates.

So, how can you exempt more of your assets from probate and its costs? Here are some ideas.

Joint accounts.

Married couples may hold property as a joint tenancy. Jointly titled property includes a right of survivorship and is not subject to probate. It simply goes to the surviving spouse when one spouse passes. Some states allow a variation called tenancy by the entirety, in which married spouses each own an undivided interest in property with the right of survivorship (they need consent from the other spouse to transfer their ownership interest in the property). A few states allow community property with right of survivorship; assets titled in this way also skip the probate process.[2,3]

Joint accounts can still face legal challenges. A potential heir to assets in a jointly held bank account may claim that it is not a "true" joint account, but a "convenience account" where a second accountholder was added just for financial expediency. Also, a joint account arrangement with right of survivorship may be found inconsistent with an estate plan.[4]

POD & TOD accounts.

Payable-on-death and transfer-on-death forms are used to permit easy transfer of bank accounts and securities (and even motor vehicles, in a few states). As long as the original owner lives, the named beneficiary has no rights to claim the account funds or the security. When the original owner passes away, all the named beneficiary has to do is bring his or her I.D. and valid proof of the original owner's death to claim the assets or securities.[5]

Gifts.

For 2018, the I.R.S. allows you to give up to $15,000 each to as many different people as you like, tax free. By doing so, you reduce the size of your taxable estate. Gifts over $15,000 may be subject to federal gift tax (which tops out at 40%) and count against the lifetime gift tax exclusion. The lifetime individual gift tax exemption is currently set at $11.18 million. For a married couple, the lifetime exemption is now $22.36 million.[6,7]

Revocable living trusts.

In a sense, these estate planning vehicles allow people to do much of their own probate while living. The grantor – the person who establishes the trust – funds it while alive with up to 100% of his or her assets, designating the beneficiaries of those assets at his or her death. (A pour-over will can be used to add subsequently accumulated assets to the trust at your death; yet, those assets "poured into" the trust at that time will still be probated.)[8]

The trust owns assets that the grantor once did, yet the grantor can invest, spend, and manage these assets while living. When the grantor dies, the trust lives on – it becomes irrevocable, and its assets should be able to be distributed by a successor trustee without having to be probated. The distribution is private (as opposed to the completely public process of probate), and it can save heirs court costs and time.[8]

Are there assets probate doesn't touch?

Yes, there are all kinds of non-probate assets. The common denominator of a non-probate asset is a beneficiary designation, which allows these assets to pass either to a designated beneficiary or a joint tenant, regardless of what a will states. Examples: assets jointly owned with right of survivorship, trusts and assets held within trusts, TOD accounts, proceeds from life insurance policies, and IRA and 401(k) accounts.[9]

Make sure to list/update retirement account beneficiaries.

When you open a retirement savings account (such as an IRA), you are asked to designate eventual beneficiaries of that account on a form. This beneficiary form stipulates where these assets will go when you die. A beneficiary form commonly takes precedence over a will.[7]

Your beneficiary designations need to be reviewed, and they may need to be updated. You don't want your IRA assets, for example, going to someone you no longer trust or love.

If you are married and have a workplace retirement plan account, your spouse is the default beneficiary of the account under federal law, unless he or she declines to be in writing. Your spouse is automatically entitled to receive 50% of the account assets should you die, even if you designate another person as the account's primary beneficiary. In contrast, a married IRA owner may name anyone as a primary or secondary beneficiary, without spousal consent.[10]

To learn more about strategies to avoid probate, consult an attorney or a financial professional with solid knowledge of estate planning.

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Citations.

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2 - info.legalzoom.com/difference-between-community-property-rights-survivorship-vs-joint-tenancy-21133.html [9/12/18]

3 - law.cornell.edu/wex/tenancy_by_the_entirety [9/12/18]

4 - clarkhill.com/alerts/a-guide-for-challenging-a-joint-account-arrangement-in-michigan [3/16/17]

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6 - thebalance.com/how-is-the-gift-tax-calculated-3505674 [7/25/18]

7 - marketwatch.com/story/how-to-avoid-making-the-same-mistake-aretha-franklin-did-2018-09-04 [9/4/18]

8 - thebalance.com/how-does-a-revocable-living-trust-avoid-probate-3505224 [7/24/18]

9 - fidelity.com/life-events/inheritance/inheritance-basics/probate [9/12/18]

10 - connorsandsullivan.com/Articles/Beneficiary-Designations-Getting-the-Right-Assets-to-the-Right-People.shtml [9/12/18]

UPCOMING EVENTS:

Our October/November seminars are at:

Papa Jake's Saloon
Tuesday, October 16, 2018 at 6 p.m.
243 W. Main Street
Springville, NY 14141

The Old Orchard
Tuesday, October 23, 2018 at 6 p.m.
2095 Blakeley Road
East Aurora, NY 14052

Chanderson's
Thursday, October 25, 2018 at 6 p.m.
11851 Route 16
Yorkshire, NY 14042

Eden Pub
Thursday, November 8, 2018 at 6 p.m.
8557 N. Main Street
Eden, NY 14057

Ilio DiPaolo's Restaurant
Tuesday, November 13, 2018 at 6 p.m.
3785 S. Park Avenue
Blasdell, NY 14219

JP's Pub
Thursday, November 15, 2018 at 6 p.m.
1986 Lakeview Road
Lake View, NY 14085

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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