

# MOLDENHAUER & ASSOCIATES

## OCTOBER NEWSLETTER

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### INHERITING DEBT FROM A FAMILY MEMBER

P. 2

### YOUR YEAR-END FINANCIAL PLANNING CHECKLIST FOR 2023

P. 3-4

### TOYS FOR TOTS

P. 5

A major portion of 2023 is over. The firm has had a good year despite an uncertain economy. Inflation is hurting the purchasing power of the dollar and mortgage rates have damaged the real estate market. At times like this, being disciplined in financial planning is essential for success.

There are opportunities in both good and bad markets. The fundamentals we have learned in any basic investment course are truer than ever. It is a fundamental fact that investments made in a down market will perform better than expected when markets recover. Investments made when the market is at its peak have less chance of appreciation in the near future.

Most investment truths are counterintuitive. The discipline of concepts, such as dollar cost averaging, makes sense year in and year out. As a financial planning firm, we are not speculators, we believe in market discipline, and we think that clients that stick with a sound long term plan benefit most.

Congratulations to Greg Kotecki. Greg and Amber were married last month. They recently returned to WNY from their honeymoon. If you see Greg, be sure to congratulate him.

Karen Russi celebrated 20 years of employment with Moldenhauer & Associates. Most clients know Karen as the friendly person at the front desk who welcomes clients when they arrive to the office.

Sharon Fiederowicz, who has been with us since 1981, recently reminded me of the moves our main office has made. In 1983 we moved from the 16th floor of what is now called the Statler Towers to 199 Delaware Avenue. Then in 1989 we moved to 255 Delaware Avenue. In 1999 we moved from the city and relocated to our present building in Orchard Park. Sharon has been a very important part of our success through all the moves and years.

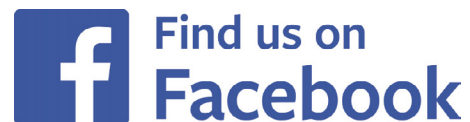
This month a new carpet was put in the front lobby. As most clients know, we make an effort to improve and freshen up the facilities on a regular basis.

I am deeply saddened when I hear of the passing of firm clients. Our clients are often very close to their advisors and the firm. Over the summer we've lost a few very dear clients. Kathy and I pray for the families of those we have lost.

As I close this article, I hope the year ends well for each of us. I attempt to start each day with gratitude and hope. I am thankful for the blessings of health, friends, and family. I am hopeful for a brighter and more joyful tomorrow.

*Richard Moldenhauer*

Richard Moldenhauer



## INHERITING DEBT FROM A FAMILY MEMBER

Thinking about a loved one's outstanding debt is the last thing on anyone's mind when a family member passes away. Unfortunately, many people find themselves dealing with creditors and figuring out how to pay their loved one's debts as they grieve. To avoid this situation, it makes good financial sense to consider these matters ahead of time.

### Who's Responsible for Outstanding Debt?

Generally, the deceased person's estate assets are used to satisfy creditor claims before being distributed to beneficiaries. If estate assets are insufficient to pay all outstanding debt, the estate is considered insolvent, and state law prioritizes the payment of the deceased person's bills with the available assets.

In some cases, however, outstanding debts may not fall to the estate:

- **Cosigned or joined debts.** If you've cosigned on a loan or credit card with the deceased person or owned the account jointly, you are financially responsible for that debt.
- **Guaranteed debts.** A similar situation to cosigning, if you are the guarantor of a loan for someone who has passed away, you will owe the lender payment of any remaining debt.
- **Community property.** If your spouse passes away, you may find yourself responsible for debts for which you weren't a cosigner or coapplicant. Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin are considered community property or quasi-community property states, meaning all property and debt acquired during a marriage is considered jointly owned. If you live in one of these states, you could be held responsible for debts your spouse incurred.

### How Are Different Types of Debt Handled?

- **Credit card debt.** Again, family members are not responsible unless they cosigned on the credit card. Although debt collectors may be aggressive, they can only make a claim against the estate. If you did cosign, you will be held responsible for the debt, even if you didn't directly incur it. However, being an authorized user on the credit card account will not make you responsible for the credit card debt.
- **Medical debt.** If your parent qualified for Medicaid, the state may try to recover the payments made for their care. The state cannot ask you to pay, but it may be able to put a lien on your parent's home to recover the funds or seek recovery from your parent's estate. If a family member dies with other unpaid medical bills (unrelated to Medicaid), those bills become an estate debt. Keep in mind that many states have filial responsibility statutes that, under certain circumstances, hold adult children

responsible for a deceased parent's medical debt. A spouse might also be responsible for a deceased spouse's medical debts under a state's family expense act. Be sure to understand how state law may apply in your situation.

- **Mortgage debt.** If you inherit a residence with a mortgage, you generally aren't required to pay it off immediately. If you fail to make the mortgage payments, however, or cannot sell the house for a price that will pay off the mortgage, the lender will likely foreclose (or possibly agree to a short sale). If you don't wish to own the real estate, you may disclaim it, at which point it would transfer to the next estate beneficiary.
- **Student loan debt.** Federal programs, such as Perkins and Stafford loans, usually offer cosigners forgiveness if the borrower passes away. However, private loans may be another story. Although some lenders have started to discharge the debt if a borrower dies or becomes disabled, many demand the money owed from cosigners.
- **Taxes.** The estate is responsible for paying any property, income, or estate taxes. Tax authorities are usually given top priority as creditors.

### Don't Be Bullied

Family members of deceased debtors—and all consumers—are protected by the federal Fair Debt Collection Practices Act (FDCPA), which prohibits debt collectors from using abusive, unfair, or deceptive practices in attempting to satisfy a debt. Under the FDCPA, collectors can contact the deceased person's spouse, guardian, executor, or administrator to get their contact information, but they are not allowed to discuss the details of the debt. You have the right to control your interactions with these collectors. For more information, visit the [Federal Trade Commission's website](#).

### Know Where You Stand

Inherited debt can be a complex issue. If you find yourself in this situation, seek advice from your financial advisor and an attorney who can guide you through the probate process and work with debt collectors. Although dealing with a loved one's death is never easy, getting your questions answered and protecting your inherited assets may make the situation a little less stressful.

*Presented by Brett A. Moldenhauer*

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# YOUR YEAR-END FINANCIAL PLANNING CHECKLIST FOR 2023

As 2023 winds down, your focus may begin turning to holiday planning, family gatherings, and delicious food. You might even entertain the idea of getting your tax documents in order. Consider going a few steps further and preparing for a yearly check-in with your financial advisor to start 2024 with your money matters in good shape.

After all, it's been a year of changes that will likely affect your finances in one way or another. The passage of SECURE 2.0 in late December changed many retirement plan rules, interest rates have continued rising, and the Supreme Court struck down the Biden administration's proposed student loan forgiveness program.

How can you get a clear picture of what all of this means for your financial planning? By scheduling time to connect with your trusted financial advisor, of course. So, before you head to your annual meeting with your financial advisor, read over these questions and use them as a helpful guide for your conversation.

## 1. Can I Contribute More to Retirement Funds?

Although the state of the economy might make you hesitant about setting additional income aside, consider whether you're financially able to maximize (or increase) contributions to your workplace retirement plan. At the very least, find out whether you're contributing the minimum to take full advantage of any employer match benefit. Increasing your contributions to a traditional IRA is another option, though you should be mindful that those with higher incomes may not qualify for a tax deduction.

## 2. Do I Have FSA Dollars to Spend or Carry Over?

Use what you can from your flexible spending account (FSA) and check your employer's plan to see whether unused funds can be carried over to the next plan year. Although the rollover option applies to your employer's plan year rather than the calendar year, this year-end assessment is a good reminder to ensure that you're on track. If permitted, the maximum FSA carryover amount is \$610. If you have a dependent care FSA, you can save as much as \$5,000 (family limit) or 2,500 (married filing separately) in 2023.

It's also a great time to discuss maximum health savings account (HSA) contributions if you have a high-deductible health plan (HDHP). This can be a complex topic, so it's a great idea to tap into your advisor's knowledge to learn more.

## 3. Should I Consider Roth Conversions?

If you have some room in your current tax bracket before reaching a higher federal income tax rate, you may want to consider doing a Roth conversion. This would involve converting some of your pre-tax retirement savings, like in a traditional IRA, into a post-tax account, like a Roth IRA, so you'd never have to pay taxes on future earnings. Taxes would be paid upfront on the conversion amount, and you'd enjoy tax-free growth in the future. If this interests you, discuss this strategy with your advisor, who can help determine whether it's an ideal time to do a conversion. Your advisor can also run projections to see whether you would pay less in taxes over time with this strategy.

## 4. What Is Tax-Loss Harvesting?

If some investments in your portfolio have suffered a loss, the end of the year is a common time to consider whether it makes sense to harvest losses by selling them. Doing so can offset gains you have realized in your portfolio as well as up to \$3,000 of your earned income. Tax-loss harvesting can get complex, so this is a great topic to seek professional help on. Be aware: Investments can be repurchased only after a certain period; selling a security for a loss and buying back within 30 days does not qualify.

## 5. Do My Charitable Donations Qualify for a Tax Deduction?

Charitable contributions donated directly to a qualified charity or to a donor-advised fund can help you get a federal tax deduction. Keep in mind, however, that this is often beneficial only if you're itemizing. It's worthwhile to discuss with your tax professional whether your charitable contributions, in addition to other deductions, will surpass your standard deduction. For those older than 70½, a qualified charitable distribution (QCD) may be a viable option. In addition, 2023 is the first year QCD distributions (up to certain limits) are allowed to be gifted to charitable remainder trusts or charitable gift annuities, which could provide you with a right to income.

## 6. What Should My Strategy for Stock Options Be?

If you have vested stock options included in your compensation package from your employer, now may be a good time to consider whether it would be more beneficial to sell them in January 2024 as opposed to this year. Review your stock option statement and plan document with your tax professional and discuss which year offers the best opportunity from an income tax perspective.

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## 7. Do I Need to Think About RMDs?

Some retirement accounts are subject to required minimum distributions (RMDs). This means once you near age 73, you may be required to start taking distributions from your retirement accounts, owing taxes on the way out. It's common for people to forget to take RMDs. What's more, recent legislation has made them a bit more complex, so RMDs for retirees and their beneficiaries are best planned with your advisor to be sure that you're following the rules.

## 8. When Do I Need to Resume Repaying Student Loans, and Do I Qualify for Student Debt Relief?

As a result of the Supreme Court overturning the Biden administration's proposed student loan forgiveness program, federal student loans resumed accruing interest on September 1, 2023, with payments resuming in October 2023. Those payments are subject to a 12-month on-ramp transition period during which default will be waived for nonpayment. The Biden administration has launched a new, income-driven student loan repayment plan—the Saving on a Valuable Education (SAVE) plan. A website for that plan can be found [here](#). To get the latest information, consult this helpful [factsheet](#) and sign up for updates on the [U.S. Department of Education website](#).

## 9. Should I Update My Estate Plans?

It's always a good idea to review estate plans as part of year-end financial planning. As life events happen, such as marriage or the birth of a child, your estate plan should be updated with your attorney. At the end of each year, discuss with your family how life events over the past year might affect your estate planning. When you meet with your advisor, be sure to update and review beneficiary designations, trustee appointments, power-of-attorney provisions, and health care directives. Also, the amount that may pass free of federal estate tax is scheduled to be reduced by approximately half in 2026, so you may need to plan ahead for that.

### Take Advantage of Your Advisor's Knowledge

Although this year-end financial planning checklist covers a lot of ground, it's intended to serve as a springboard for planning conversations with your financial advisor. This checklist provides an excellent starting point to discuss issues and deadlines most relevant to you. New strategies becoming available (e.g., rollovers from a 529 plan to a Roth IRA for the 529 beneficiary, subject to certain time restrictions and requirements) may also be worth discussing. Beyond that, be sure to add anything else you want to know to this list so you don't forget to inquire. An annual planning meeting is a great time to ask questions you need answered regarding your financial plans for the coming year.

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Editor's note: This post was originally published in October 2022, but we've updated it to bring you more relevant and timely information.

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## ANNOUNCEMENTS:

Once again, Moldenhauer & Associates is going to do our part to give the many disadvantaged children in WNY a very Merry Christmas. Please consider donating to this worthwhile cause. When you enter our waiting area, **from November 1st through December 13th**, you will see a Toys For Tots display that is sponsored by the Marine Corps Reserve of WNY.

If you're coming in for a scheduled appointment with one of our financial advisors, or if you just happen to be in the neighborhood, please make it a point to stop by and add a new, unwrapped toy to the barrel. The Christmas season is one of good will and cheer. Help us do our part to send the spirit of Christmas to as many children as we can. Let us all make a difference that counts.



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