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MOLDENHAUER & ASSOCIATES

NOVEMBERNEWSLETTER

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As the months of 2018 march on, our firm continues to work at the improvement of the quality of service we provide clients. During most of the year markets were improving. Some volatility is expected over the remaining quarter. As always, we recommend that clients think long term and be proactive with the areas of financial planning we control.

As soon as I started writing this article, the markets had a terrible few days. What I said about thinking long-term is truer than ever.

Here are a few things I suggest clients review at least once each year.

- Are Wills and Directives current? Consider family members and their needs. This could include marital status of children and grandchildren. Are the executors and guardians still appropriate?
- Is there adequate insurance for death benefits, long-term care, and disability needs. With people living longer, there is a need for money to cover expenses. Over the last several years, new life insurance policies allow a large percentage of death benefits to be paid as 'living benefits". This can create significant extra money to cover living and medical costs.
- Consider the use of Trusts to protect and preserve family assets.
- Discuss concerns with financial advisors and attorneys, as well as, key family members.

I could expand this information, but I just wanted to get the readers thinking.

The firm has added a new employee and an intern. We are still looking for an added advisor or advisor trainee. If the reader has a suggestion, please let us know.

This fall Kathy and I have been in Charleston (dealing with the fringes of 2 hurricanes). We've had a couple of projects, including the dock expansion. We enjoy spending time with the kids who live here when we are here, but we miss the kids in WNY more each time we leave. They are all growing so fast.

I've been to Duke a couple times. I am planning to be back in WNY at the end of October or early November for a short time.

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CASH FLOW MANAGEMENT

An underappreciated fundamental in financial planning.

You've probably heard the saying that "cash is king," and that truth applies whether you own a business or not. Most discussions of business and personal "financial planning" involve tomorrow's goals, but those goals may not be realized without attention to cash flow, today.

Management of available cash flow is a key in any kind of financial planning.

Ignore it, and you may inadvertently sabotage your efforts to grow your company, or even build personal wealth.

Cash flow statements are important for any small business.

They can reveal so much to the owner(s) and/or CFO, because as they track inflows and outflows, they bring non-cash items and expenditures to light. They denote your sources and uses of cash, per month and per year. Income statements and P&L statements may provide inadequate clues about that, even though they help you forecast cash flow trends.

Cash flow statements can tell you what P&L statements won't.

Are you profitable, but cash poor? If your company is growing by leaps and bounds, that can happen. Are you personally taking too much cash out of the business? That may inadvertently transform your growth company into a lifestyle company. Are your receivables getting out of hand? Is inventory growth a concern? If you've arranged a loan, how much is your principal payment each month and to what degree is that eating up cash in your business? How much money are you spending on capital equipment?

A good CFS tracks your operating, investing, and financing activities. Hopefully, the sum of these activities results in a positive number at the bottom of the CFS. If not, the business may need to change to survive.

In what ways can a small business improve cash flow management?

There are some fairly simple ways to do it, and your CFS can typically identify the factors that may be sapping your cash flow. You may find that your suppliers or vendors are too costly; maybe you can negotiate (or even barter) with them. Like many companies, you may find your cash flow surges during some quarters or seasons of the year and wanes during others. Maybe you could take steps to improve it outside of the peak season or quarter.

What kind of recurring, predictable sales can your business generate? You might want to work on the art of continuity sales – turning your customers into something like subscribers to your services. Perhaps price points need adjusting. As for lingering receivables, swiftly preparing and delivering invoices tends to speed up cash collection. Another way to get clients to pay faster: offer a slight discount if they pay up, say, within a week (and/or a slight penalty to those that don't). Think about asking for some cash up front, before you go to work for a client or customer (if you don't do this already).

According to the Small Business Administration, entrepreneurs use credit cards for only about 10% of their funding. Be that as it may, there is a temptation for an owner of a new venture to get a high-limit business credit card. It might be better to shop for one with cash back possibilities or business rewards in mind. If your business somehow isn't set up to receive credit card payments, think about how the potential for added cash flow could render the processing fees utterly trivial.[1]

How can a household better its cash flow?

One quick way to do it is to lessen or reduce your fixed expenses, specifically loan and rent payments. Another step is to impose a ceiling on your variable expenses (ranging from food to entertainment), and you may also save some money in separating some or all those expenses from credit card use. Refinancing – if you can do it – and downsizing can certainly help. There are many free cash flow statement tools online where you can track family inflows and outflows. (Your outflows may include items like long-term service contracts and installment payment plans.) Selling things you don't want could make you money in the short term; converting a hobby into an income source or business venture might help in the long term.

Better cash flow boosts your potential to reach your financial goals.

A positive cash flow can contribute to investment, compounding, savings – all the good things that tend to happen when you pay yourself first.

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

Citations.

1 - entrepreneur.com/article/290796 [3/22/17]

SMART FINANCIAL & INSURANCE MOVES FOR NEW PARENTS

As you start a family, consider these ideas.

Being a parent means being responsible to a degree you never have been before. That elevated responsibility also impacts your financial decisions. You are now a provider and a protector, and that reality may make the following financial moves necessary.

Think about a budget.

As a couple, you may have lived for years without budgeting. As parents, this may change. You will face new recurring costs: clothes, toys, diapers, food. Keeping track of weekly or monthly expenses will be handy. (The Department of Agriculture has an online calculator where you can estimate the total cost of raising a child to adulthood. The math may surprise you: the U.S.D.A. puts the average cost at $233,610 for a middle-income family.)[1,2]

Take care of health and life insurance.

Your child should be added to your health insurance plan quickly. Most insurance providers require you to notify them of a child's birth within 30 days. You can get started before then; be aware that a Social Security number and birth certificate can take weeks to arrive in the mail. If you are in a group health plan, talk with the human resources officer or benefits administrator at work, and let them know that you want to add a dependent to your health care plan. (If you have coverage through a private plan, your premiums may go up after you notify the carrier.) Under the Affordable Care Act, a parent or legal guardian who has health coverage arranged through the federal or state Marketplace has 60 days from the date of birth or adoption to enroll a child as a dependent on their plan; once that is done, health care coverage for the child will apply, retroactively.[3]

Term life insurance provides an affordable way for new parents to have some financial insulation against a worst-case scenario, and disability insurance (which may be available where you work) provides coverage in the event of an extended illness or injury that stops you from doing your job. If you have a Health Savings Account (HSA), you can contribute more per year when you have a child. The maximum annual contribution for a family is currently set at $6,850 (and for the record, the I.R.S. is allowing families to contribute up to $6,900 in 2018).[4]

Draft a will and review beneficiary designations.

A will can do more than declare who receives your assets when you die. It can also name a legal guardian for your child in the event both parents pass away. Additionally, you can specify a guardian of your estate in your will, to manage the assets left to a minor child. While you may have named your spouse or partner as the primary beneficiary of your IRA or investment account, you may decide to change that or at least add your child as a contingent beneficiary.[5]

See if you can save a little for college.

The estimated cost of four years at a public university starting in 2036? $184,000, CNBC reports. That may convince you to open a 529 plan or have some other kind of dedicated college savings account with investment options. Most 529 plans require a Social Security number for a beneficiary, so they are commonly started after a child is born, rather than before.[2,6]

Review your withholding status and tax forms.

An addition to your family means changes. You may also become eligible for some federal tax breaks, like the Earned Income Tax Credit, the Adoption Tax Credit, the Child Tax Credit, and the Child & Dependent Care Credit.[7]

Keep the big picture in mind.

You still need to build retirement savings; you still need to have an emergency fund. Becoming a family might make accomplishing those tasks harder, yet they remain just as important.

After reading all this, you may feel like you need to be a millionaire to raise a child. The fact is, most parents are not millionaires, and they manage. Whether you are wealthy or not, you will want to take care of many or all of these financial and insurance essentials before or after you bring your newborn home.

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

Citations.

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5 - everplans.com/articles/what-does-a-guardian-of-the-estate-do [9/20/18]

6 - cnbc.com/2018/05/07/this-is-how-much-parents-need-to-save-to-cover-college-bills-in-2036.html [5/7/18]

7 - efile.com/tax-deductions-credits-for-parents-with-children-dependents/ [9/20/18]

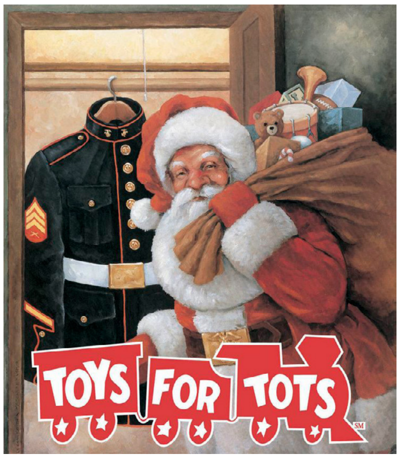
HAVE A BLESSED THANKSGIVING!

Thanksgiving is fast approaching. We really have a lot to be thankful for, this year and every year; the beauty, love and laughter available in the world. The level of prosperity and freedom we enjoy, and the men and women who serve our country and our communities so that it may continue. The opportunities and gifts life offers us daily.

Moldenhauer & Associates wishes you and your loved ones the very best this Thanksgiving. Have a special holiday and a great celebration.

TOYS FOR TOTS

It's that time of year again. Moldenhauer & Associates is proud to, once again, be a drop of destination for Toys for Tots. If you happen to be coming into our office, or perhaps just passing by, please consider donating an unused, unwrapped toy for those in need. Your donation is giving less fortunate children hope and a reason to believe in their future. Thank you, in advance, for your donation! The drop off box will remain in our lobby through the first week of **December.**



LIFE INSURANCE REVISITED

I just received a letter from a client. I took the letter to heart and decided to write this article.

It is a primer on the basics. There are three types of life insurance (with several variations). They all work if you understand the rules and the way they should be funded.

- First, there is term insurance. It is less costly than other forms and is designed to last for a term (10, 20 or, in some cases, 30 years). The advantage is cost. The disadvantage is that it probably won't be there when you die unless you die prematurely.
- Whole Life is the old permanent form of insurance. Fixed premiums that are higher than other forms of life insurance. There are no cash values in early years. It is a great product for people who start young and are disciplined enough to pay the premiums.
- Universal Life—The product has been around for over 30 years and companies still work at improving the features. It is the most popular form of insurance that can be permanent. The initial premiums are far less than Whole Life. In an ideal world, the cash values will be higher and there is the ability to fund the policy in a flexible fashion.

I like the product but, like term and whole life, it has advantages and disadvantages.

- You can fund the contract to a point where you accumulate a large cash value that can be used to fund part of your retirement.
- You may earn a higher return.
- The product can cover the cost of "end of life issues". This feature allows the use of death benefit while still alive. This is a major benefit that is only on newer policies. It is important and should be discussed at length with a qualified advisor.
- On the disadvantage side, if you under fund any universal type of contract, the death benefit may not last until the time it is needed.

I have written this article for the benefit of clients. Any questions can be directed to me via: info@moldenhauerassociates.com.

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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