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MOLDENHAUER & ASSOCIATES

MARCHNEWSLETTER

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

Spring is always the season that gives new hope and the promise of a better year ahead. For me, it has always been the most looked forward to season.

For those of us who took the time to make New Year's resolutions, it is the time of the "acid test". Were we serious? Are we taking steps to make 2019 a better year?

Many people enter the year with resolutions of weight loss, physical improvement, financial progress, spiritual peace, and a better future. By the end of February, most resolutions have been broken. Do not give up. Return to those written goals and recommit. There is still time.

Among your reviewed resolutions, I hope you'll consider establishing an even closer connection with our firm. We are here to help you in any way possible. If you have worked with Brett and our team, you know we always do our honest best to be there to help.

We make no unrealistic promises, but we have a history of doing our very best to serve our clients. If you've stayed on course with review meetings and improving your planning, congratulations. If the business of life has gotten you off schedule, please call to set a review session for the near future.

Perhaps you've noticed that we have added a new staff person in investment services. We are still looking to add a qualified financial advisor candidate in the near future. As always, our best people come from client and staff recommendations.

Education Seminars have gotten off to a good start this year. Please note that we always welcome clients and client friends to attend. This year you'll see several new changes in the presentations. If you have not attended lately, please call in for a dinner reservation.

2019 has been a nice year for Kathy and me. Once all of the kids left after the Christmas Holiday, we took a few days to decompress. We love to see them, but we are not used to having 19 people running around for several days. Thank goodness Matt and J.R.'s families live locally, so they could share the people at times.

We did some traveling to Georgia and Florida to visit with good friends. January fishing was good, but the cold weather showed up with February. The same thing happened in WNY (as always).

Let's hope spring arrives early.

Richard Moldenhauer

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INVESTING MEANS TOLERATING SOME RISK

That truth must always be recognized.

When financial markets have a bad day, week, or month, discomforting headlines and data can swiftly communicate a message to retirees and retirement savers alike: equity investments are risky things, and Wall Street is a risky place.

All true. If you want to accumulate significant retirement savings or try and grow your wealth through the opportunities in the markets, this is a reality you cannot avoid.

Regularly, your investments contend with assorted market risks.

They never go away. At times, they may seem dangerous to your net worth or your retirement savings, so much so that you think about getting out of equities entirely.

If you are having such thoughts, think about this: in the big picture, the real danger to your retirement could be being too risk averse.

Is it possible to hold too much in cash?

Yes. Some pre-retirees do. (Even some retirees, in fact.) They have six-figure savings accounts, built up since the Great Recession and the last bear market. It is a prudent move. A dollar will always be worth a dollar in America, and that money is out of the market and backed by deposit insurance.

This is all well and good, but the problem is what that money is earning. Even with interest rates rising, many high-balance savings accounts are currently yielding less than 0.5% a year. The latest inflation data shows consumer prices advancing 2.3% a year. That money in the bank is not outrunning inflation, not even close. It will lose purchasing power over time.[1,2]

Consider some of the recent yearly advances of the S&P 500.

In 2016, it gained 9.54%; in 2017, it gained 19.42%. Those were the price returns; the 2016 and 2017 total returns (with dividends reinvested) were a respective 11.96% and 21.83%.[3,4]

Yes, the broad benchmark for U.S. equities has bad years as well. Historically, it has had about one negative year for every three positive years. Looking through relatively recent historical windows, the positives have mostly outweighed the negatives for investors. From 1973-2016, for example, the S&P gained an average of 11.69% per year. (The last 3-year losing streak the S&P had was in 2000-02.)[5]

Your portfolio may not return as well as the S&P does in a given year, but when equities rally, your household may see its invested assets grow noticeably. When you bring in equity investment account factors like compounding and tax deferral, the growth of those invested assets over decades may dwarf the growth that could result from mere checking or savings account interest.

At some point, putting too little into investments and too much in the bank may become a risk – a risk to your retirement savings potential. At today's interest rates, the money you are saving may end up growing faster if it is invested in some vehicle offering potentially greater reward and comparatively greater degrees of risk to tolerate.

Having a big emergency fund is good.

You can dip into that liquid pool of cash to address sudden financial issues that pose risks to your financial equilibrium in the present.

Having a big retirement fund is even better.

When you have one of those, you may confidently address the biggest financial risk you will ever face: the risk of outliving your money in the future.

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

Citations.

1 - valuepenguin.com/average-savings-account-interest-rates [10/4/18]
2 - investing.com/economic-calendar/ [10/11/18]
3 - money.cnn.com/data/markets/sandp/ [10/11/18]
4 - ycharts.com/indicators/sandp_500_total_return_annual [10/11/18]
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YOUR EMERGENCY FUND: HOW MUCH IS ENOUGH?

An emergency fund may help alleviate the stress associated with a financial crisis.

Have you ever had one of those months? The water heater stops heating, the dishwasher stops washing, and your family ends up on a first-name basis with the nurse at urgent care. Then, as you're driving to work, giving yourself your best, "You can make it!" pep talk, you see smoke seeping out from under your hood.

Bad things happen to the best of us, and instead of conveniently spacing themselves out, they almost always come in waves. The important thing is to have a financial life preserver, in the form of an emergency cash fund, at the ready.

Although many people agree that an emergency fund is an important resource, they're not sure how much to save or where to keep the money. Others wonder how they can find any extra cash to sock away. One recent survey found that 29% of Americans lack any emergency savings whatsoever.[1]

How Much Money?

When starting an emergency fund, you'll want to set a target amount. But how much is enough? Unfortunately, there is no "one-size-fits-all" answer. The ideal amount for your emergency fund may depend on your financial situation and lifestyle. For example, if you own your home or provide for a number of dependents, you may be more likely to face financial emergencies. And if the crisis you face is a job loss or injury that affects your income, you may need to depend on your emergency fund for an extended period of time.

Coming Up with Cash.

If saving several months of income seems an unreasonable goal, don't despair. Start with a more modest target, such as saving $1,000. Build your savings at regular intervals, a bit at a time. It may help to treat the transaction like a bill you pay each month. Consider setting up an automatic monthly transfer to make self-discipline a matter of course. You may want to consider paying off any credit card debt before you begin saving.

Once you see your savings begin to build, you may be tempted to use the account for something other than an emergency. Try to budget and prepare separately for bigger expenses you know are coming. Keep your emergency money separate from your checking account so that it's harder to dip into.

Where Do I Put It?

An emergency fund should be easily accessible, which is why many people choose traditional bank savings accounts. Savings accounts typically offer modest rates of return. Certificates of Deposit may provide slightly higher returns than savings accounts, but your money will be locked away until the CD matures, which could be several months to several years.

The Federal Deposit Insurance Corporation insures bank accounts and certificates of deposit (CDs) up to $250,000 per depositor, per institution in principal and interest. CDs are time deposits offered by banks, thrift institutions, and credit unions. CDs offer a slightly higher return than a traditional bank savings account, but they also may require a higher amount of deposit. If you sell before the CD reaches maturity, you may be subject to penalties.[2]

Some individuals turn to money market accounts for their emergency savings. Money market funds are considered low-risk securities, but they're not backed by the federal government like CDs, so it is possible to lose money. Depending on your particular goals and the amount you have saved, some combination of lower-risk investments may be your best choice.[2]

Money held in money market funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Money market funds seek to preserve the value of your investment at $1.00 a share. However, it is possible to lose money by investing in a money market fund. Money market mutual funds are sold by prospectus.[2]

Please consider the charges, risks, expenses, and investment objectives carefully before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.

The only thing you can know about unexpected expenses is that they're coming – for everyone. But having an emergency fund may help alleviate the stress and worry associated with a financial crisis. If your emergency savings are not where they should be, consider taking steps today to create a cushion for the future.

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Citations.

1 - cnbc.com/2018/07/02/about-55-million-americans-have-no-emergency-savings.html [7/6/18]

2 - investor.vanguard.com/investing/cash-investments [12/13/18]

UPCOMING EVENTS:

Our March seminars are at:

Old Orchard Inn Thursday, March 21, 2019 at 6 p.m. 2095 Blakeley Road East Aurora, NY 14052	**Chanderson's Steak** Tuesday, March 26, 2019 at 6 p.m. 11851 Route 16 Yorkshire, NY 14042
Beef Haus Thursday, March 28, 2019 at 6 p.m. 176 North Main Street Wellsville, NY 14895	

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.

Securities and advisory services offered through Commonwealth Financial Network, Member FINRA/SIPC, a Registered Investment Advisor, Fixed Insurance products and services offered through Moldenhauer and Associates.