

MOLDENHAUER & ASSOCIATES

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AVOIDING COMMON ERRORS SURROUNDING RMDS

P.2

BUDGETING FOR THE HOLIDAY SEASON

P.3

TOYS FOR TOTS

P.4

During a return visit to Western New York in mid-October, I started thinking about my contribution to the November Newsletter. When I stopped by the office, I welcomed Greg back from his honeymoon and I spent some time commiserating with the staff. As I returned to my summer home after my office visit, I considered how lucky I have been in my life and career.

If I looked at just today, I could get down. The Market is down a bit, there are wars in Eastern Europe and the Middle East, and our politicians can't seem to get anything positive accomplished. What a downer!

But then I look at the upside. I am alive and living in a free country. While my free country may have some big problems, we have the capability to solve our problems and make progress toward a brighter future.

The USA helped save the world in WWI and WWII. We ended slavery and provided opportunity to every citizen who was willing to lace up his boots and put in an honest day's work. Certainly, we can help put America and the world back on the right path if only we have the right attitude and understand that the future can be brighter than the past.

Over what has been an interesting career, I've learned that if we survive the storm's darkness, the sun always returns to the sky. The thing is that only those who survive the storms get to see the sun's warmth and light.

All I am saying is that our bad times are better than some countries best times. As Americans, we should smile and be grateful for God's Blessings.

I am smart enough to realize that our humble firm has always attempted to keep the promise of honest quality service on a sustained basis. This, alone, has helped us have an exceptionally high client retention rating. The fact that we always try to do what is in the best interest of clients helps us continue to thrive in good and not so good times.

Before I close this article, I'd like to wish you and yours a happy Thanksgiving holiday. Thanksgiving is the traditional "All-American Holiday". It is a time to get together with friends and family and appreciate the gifts we have been given as Americans.

Richard Moldenhauer

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AVOIDING COMMON ERRORS SURROUNDING RMDs

When it comes to their retirement accounts, many investors often fail to think about required minimum distributions (RMDs). That oversight can lead to unnecessary tax burdens and other financial issues. In order to handle RMDs effectively, an understanding of the rules—and common errors people make—can be beneficial.

Common error: *I took an RMD from my 401(k). This will satisfy both the RMD for that account and the one I have to take for my IRA—or any other account for that matter.*

What the rules say: RMDs can be aggregated for certain accounts. For instance, if you have multiple traditional IRAs, you can take an RMD from one account that equals the total amount of RMDs you would have to take from all accounts. So, if you have two traditional IRAs and each has an RMD of \$1,000, you can withdraw \$2,000 from one account to satisfy both RMDs. RMDs for SEP, SIMPLE, and Rollover IRAs can be aggregated with traditional IRAs as well.

This same RMD aggregation rule can be applied to multiple 403(b) plans, too. You cannot, however, take an RMD from a 403(b) plan to satisfy an RMD from an IRA. And when it comes to 401(k)s and other non-IRA accounts, such as profit-sharing plans, you must take a separate RMD from each plan.

Common error: *My mother passed away and left me her IRA. She hadn't yet taken an RMD for the year. I don't need to take one either.*

What the rules say: When you inherit a traditional IRA from which the decedent (i.e., original account owner) was taking RMDs, it is up to you, as the beneficiary, to satisfy any missed distribution and to pay the taxes on that distribution at your marginal tax rate. If there are multiple beneficiaries, the RMD amount is typically divided among the group, and each person is responsible for paying taxes on his or her portion from his or her own IRA beneficiary distribution account (BDA).

Tip: When multiple siblings are involved, one beneficiary may want to take a lump-sum distribution of the inherited account, rather than continue taking RMDs from an IRA BDA. In this case, the sibling taking the lump sum could use some of those funds to satisfy the decedent's missed RMD, leaving the other siblings' IRA BDAs intact until they reach their required beginning date (RBD) and have to start taking their personal RMDs. Of course, this would require the sibling taking the lump-sum distribution to agree to the solution.

Common error: *I just retired and have a substantial RMD due from my 401(k) plan. I can just roll the 401(k) into an IRA and take the RMD from the IRA.*

What the rules say: Although you can roll your 401(k) into a traditional IRA, the RMD amount is not eligible for rollover. The 401k RMD must be satisfied from the 401k prior to the rollover. If, for some reason, the financial institution makes a mistake and allows the RMD to be rolled with the other eligible assets, the RMD is deemed to be satisfied from the 401k, but now represents an excess amount in the IRA since RMDs are not eligible for rollover. The amount of the 401k RMD would get removed as a return of excess from the IRA to correct the error.

Otherwise, the RMD would be taken entirely from the traditional IRA; as we know from the first error outlined in this article, traditional IRA and 401(k) RMDs cannot be aggregated.

Common error: *I am still working, so I don't have to take an RMD from my SEP or SIMPLE IRA at my current employer.*

What the rules say: Although you do not have to take an RMD from a 401(k) plan if you are still working and do not own 5% of the company, this exception does not exist for SEP or SIMPLE IRAs. Once you reach age 73, regardless of employment status, RMDs need to come out of SEP and SIMPLE plans.¹

Quick Facts About RMDs

- RMDs generally begin at age 73.¹
- IRA RMDs can be aggregated.
- 403(b) plan RMDs can be aggregated.
- Qualified plan RMDs (i.e., 401(k) or profit-sharing plans) cannot be aggregated.
- IRA-based plans (SEPs, SIMPLEs, and SAR-SEPs) always have RMDs at age 73.
- Depending on the circumstances, inherited retirement accounts must distribute RMDs over the beneficiary's life expectancy or the full balance must be depleted within 10 years of the original owner's death.
- When inherited, both Roth and traditional IRAs have RMDs.
- Designation Roth accounts (i.e., Roth 401(k)s, 403(b)s, and 457(b)s) no longer have RMDs starting in 2024.

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1. If the account owner turned age 70 1/2 before January 1, 2020, then RMDs must begin at age 70 1/2. If turned 72 before January 1, 2023, RMDs must begin at 72.

BUDGETING FOR THE HOLIDAY SEASON

As the winter holidays approach, current economic conditions might cause you to be more cautious than usual about how much to spend on friends and family this year. If rising costs, an uncertain stock market, and high interest rates are giving you pause about spending this holiday season, use these tips as a guide to stretch your dollar and help your spirit of giving thrive.

Create a budget.

Reading headlines and online discussions about the economy can create a perception that consumers should be more cautious and avoid spending on luxuries, including holiday gifts. Instead of letting the news guide your budget, write down an actual breakdown of your income and expenses to see what you can afford.

Pay with cash.

Americans increasingly rely on credit cards to pay for goods and services. Unless you pay your balance in full, however, you'll spend far more on your holiday gifts than the retail price because you'll also pay interest. To keep spending in check, and to avoid tacking interest payments onto the cost of your purchases, pay with cash—or be sure that you can pay off your entire credit card balance. Although using a debit card is another option, be aware that this method puts you at greater risk for cybercrime. If your account number is somehow stolen, it's much easier for a scammer to quickly access your money—and there are fewer consumer protections with a debit card than there are with a credit card.

Shop sales.

Keep an eye out for sales, coupon codes, and free shipping perks before making a purchase, especially at big box stores. Overstocked products will find their way to off-price retailers as larger stores sell off their excess. If you're looking for a specific gift, compare that item at various retailers to ensure that you're getting the best deal.

Buy off-season.

While most people are focusing on pumpkin spice and sweater season, stores are hoping to get rid of swimsuits, beach towels, and pool floats they still have in stock. If you can suspend your summer mindset for a few more weeks, you could score significant deals on gear for next year. Remember this tip at the end of winter, too, when prices for cold-weather attire are similarly slashed.

Support small businesses.

If you have wiggle room in your budget, purchasing gifts from a nearby small business might help keep that company in the black during a tough year. Buying small stimulates the local economy and keeps jobs in your community.

Although the state of the economy might not be ideal for holiday gifting, be assured that there are ways to use current conditions to your advantage—and spread holiday cheer and generosity to everyone on your list.

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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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