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MOLDENHAUER & ASSOCIATES

FEBRUARY NEWSLETTER

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

So far, it has been a crazy winter for everyone. January, for Kathy and I, was unusual. Coming from Western New York we, like most of you, are used to harsh winters, plenty of snow and winter driving. In Charleston, it is different. In early January we had 6" of snow and the world came to a halt. No plows, no salters, but many crazy drivers. Schools, stores, and restaurants were closed for days. It reminded me of "The Blizzard of 77". I miss the orderly way we handle bad weather in WNY. There were more cars in ditches than on the roads, airports were closed for days, and water pipes were blowing in most homes. I understand, however, there has been some good skiing in WNY. On the upside, it was nice to see the Bills make the playoffs.

I was talking with a building contractor the other day. As we talked he seemed frustrated about something. I asked him what was concerning him. Knowing the type of work I have spent my career doing, he had a question. Actually, he had several connected questions.

First, "How do I prepare for retirement?"

After thinking a few seconds, I suggested:

- Save as much as you can before retirement. Understand, that when you retire you'll have things you want to do. Don't be restricted because you have not saved before retirement.
- Do not retire until you can afford to retire.

Second, "What is your best advice for retirement?"

- Don't run out of money.
- Do not completely retire. Have a serious avocation, hobby, or go back to work. Keep your mind active and as importantly do your best to keep your body healthy.

As our conversation closed, the lights came on and he thanked me for my insight.

As we looked back at the last year, we were happy to know that we'd experienced substantial growth. It appears 2018 is off to an excellent beginning. I get some satisfaction seeing our younger advisors mature, become better educated and provide quality help to our clients.

Senior staff and I were thinking about ways we might increase value received by clients and potential clients. My suggestions were that we should encourage clients to be certain to establish and attend review sessions. We do encourage all clients to be aware of life events and changes and to make us aware of them as well. Beneficiaries and wills should be kept up to date and portfolios should be reviewed and updated. We are here to help but the client must drive the relationship.

The content of our Seminars change gradually because of economic conditions, rule changes, and topics that we feel are important to add or, in some cases, delete. We encourage clients to periodically attend and consider bringing a friend or relative along who might benefit from our seminar.

As a firm we are committed to the highest ethical standards as well as complying with the governmental regulations. As a fee based firm, our clients benefit from the fact that our success is tied to the client's success and progress.

As I close this article, I wish each of you a great 2018. I hope to see many of you during my time in WNY.

Richard Moldenhauer

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TALKING TO YOUR HEIRS ABOUT YOUR ESTATE PLAN

They should not be left ill-informed or unaware.

Talking about "the end" is not the easiest thing to do, and this is one reason why some people never adequately plan for the transfer of their wealth. Those who do create estate plans with help from financial and legal professionals sometimes leave their heirs out of the conversation.

Have you let your loved ones know a little about your estate plan?

This is decidedly a matter of personal preference: you may want to share a great deal of information with them, or you may want to keep most of the details to yourself. Either way, they should know some basics.

Having this talk can become easier when it is a values conversation, not a money conversation.

Values driven estate planning.

You can let your heirs know that your values are at the core of the decisions you have made. You need not tell them how much they will inherit. You may let them know about the planning steps you have taken to make a difficult time a bit easier.

For example, you can tell your loved ones that you have a will and/or a revocable living trust. In all probability, your executor or successor trustee has been informed of his or her future responsibilities – but other heirs may not know who the executor or successor trustee will be.

You can tell them that you have an advance health care directive in place and inform them who you have named as an agent to make health care decisions on your behalf if you cannot do so. You can provide the contact information for your estate planner, your CPA, your retirement planner, and any insurance, legal, and medical professionals you consult. Have your heirs ever met these people? Tell your heirs the role they have played for you, your family, or your company and why the judgment of these professionals should be trusted.

Do people beyond your household need to know any of this?

Think about it for a second. If you have grandchildren, nieces, or nephews, do they figure into your estate plan? Is it appropriate to let them know that you have made an estate-planning decision or two on their behalf? How about charities or non-profits you have supported – have you notified them of your intent to make a gift from your estate and could knowledge of your decision better facilitate the process? How about your business partner(s)? Do they need to be informed of particular estate-planning intentions you have?

Obviously, you must keep certain details close to the vest. Keeping everything to yourself, however, can be problematic. Are your heirs aware of the location of a copy of your health care proxy? Might they discover that you have planned for some of your estate to transfer to charity only after your death? Dilemmas and surprises like these may be avoided through communication – the type of communication that anyone planning an estate should make a priority.

Not every couple or individual does, though. BMO Wealth Management asked the high net worth clients it advises if they had disclosed the location of their wills and power of attorney forms with their heirs. Thirteen percent of respondents said their heirs had no clue; 25% said "only my spouse and I" knew the location of the documents.[1]

A 2017 Caring.com poll determined that just 42% of Americans had gone so far as to draw up a will, let alone an estate plan. So, if you have planned for the transfer of your wealth, you are ahead of many of your peers. Just see that your intentions, and some specific details, are effectively communicated.[1]

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

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

Citations.

1 - cnbc.com/2017/11/15/12-financial-planning-documents-to-handle-health-end-of-life-care.html [11/15/17]

TAX DEDUCTIONS GONE IN 2018

What standbys did tax reforms eliminate?

Are the days of itemizing over?

Not quite, but now that H.R. 1 (popularly called the Tax Cuts & Jobs Act) is the law, all kinds of itemized federal tax deductions have vanished.

Early drafts of H.R. 1 left only two itemized deductions in the Internal Revenue Code – one for home loan interest, the other for charitable donations. The final bill left many more standing, but plenty of others fell. Here is a partial list of the itemized deductions unavailable this year.[1]

Moving expenses.

Last year, you could deduct such costs if you made a job-related move that had you resettling at least 50 miles away from your previous address. You could even take this deduction without itemizing. Now, only military servicemembers can take this deduction.[2,3]

Casualty, disaster, and theft losses.

This deduction is not totally gone. If you incur such losses during 2018-25 due to a federally declared disaster (that is, the President declares your area a disaster area), you are still eligible to take a federal tax deduction for these personal losses.[4]

Home office use.

Employee business expense deductions (such as this one) are now gone from the Internal Revenue Code, which is unfortunate for people who work remotely.[1]

Unreimbursed travel and mileage.

Previously, unreimbursed travel expenses related to work started becoming deductible for a taxpayer once his or her total miscellaneous deductions surpassed 2% of adjusted gross income. No more.[1]

Miscellaneous unreimbursed job expenses.

Continuing education costs, union dues, medical tests required by an employer, regulatory and license fees for which an employee was not compensated, out-of-pocket expenses paid by workers for tools, supplies, and uniforms – these were all expenses that were deductible once a taxpayer's total miscellaneous deductions exceeded 2% of his or her AGI. That does not apply now.[2,5]

Job search expenses.

Unreimbursed expenses related to a job hunt are no longer deductible. That includes payments for classes and courses taken to improve career or professional knowledge or skills as well as and job search services (such as the premium service offered by LinkedIn).[5]

Subsidized employee parking and transit passes.

Last year, there was a corporate deduction for this; a worker could receive as much as $255 monthly from an employer to help pay for bus or rail passes or parking fees linked to a commute. The subsidy did not count as employee income. The absence of the employer deduction could mean such subsidies will be much harder to come by for workers this year.[2]

Home equity loan interest.

While the ceiling on the home mortgage interest deduction fell to $750,000 for mortgages taken out starting December 15, 2017, the deduction for home equity loan interest disappears entirely this year with no such grandfathering.[2]

Investment fees and expenses.

This deduction has been repealed, and it should also be noted that the cost of investment newsletters and safe deposit boxes fees are no longer deductible. In some situations, investors may want to deduct these fees from their account balances (i.e., pre-tax savings) rather than pay them by check (after-tax dollars).[5]

Tax preparation fees.

Individual taxpayers are now unable to deduct payments to CPAs, tax prep firms, and tax software companies.[3]
Legal fees. This is something of a gray area: while it appears hourly legal fees and contingent, attorney fees may no longer be deductible this year, other legal expenses may be deductible.[5]

Convenience fees for debit and credit card use for federal tax payments.

Have you ever paid your federal taxes this way? If you do this in 2018, such fees cannot be deducted.[2]

An important note for business owners.

All the vanished deductions for unreimbursed employee expenses noted above pertain to Schedule A. If you are a sole proprietor and routinely file a Schedule C with your 1040 form, your business-linked deductions are unaltered by the new tax reforms.[1]

An important note for teachers.

One miscellaneous unreimbursed job expense deduction was retained amid the wave of reforms: classroom teachers who pay for school supplies out-of-pocket can still claim a deduction of up to $250 for such costs.[6]

The tax reforms aimed to simplify the federal tax code, among other objectives.

In addition to eliminating many itemized deductions, the personal exemption is gone. The individual standard deduction, though, has climbed to $12,000. (It is $18,000 for heads of household and $24,000 for married couples filing jointly.) For some taxpayers used to filling out Schedule A, the larger standard deduction may make up for the absence of most itemized deductions.[1]

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Citations.

1 - forbes.com/sites/kellyphillipserb/2017/12/20/what-your-itemized-deductions-on-schedule-a-will-look-like-after-tax-reform/ [12/20/17]

2 - tinyurl.com/y7uqe23l [12/26/17]

3 - bloomberg.com/news/articles/2017-12-18/six-ways-to-make-the-new-tax-bill-work-for-you [12/28/17]

4 - taxfoundation.org/retirement-savings-untouched-tax-reform/ [1/3/18]

5 - tinyurl.com/yacz559c [1/8/18]

6 - vox.com/policy-and-politics/2017/12/19/16783634/gop-tax-plan-provisions [12/19/17]

UPCOMING EVENTS:

Our March seminars are at:

Bravo's Café

Tuesday, March 13, 2018 at 6 p.m.
5781 Seneca Street
Elma, NY 14059

Orchard Park Country Club

Thursday, March 15, 2018 at 6 p.m.
4777 S. Buffalo Street
Orchard Park, NY 14127

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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