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MOLDENHAUER & ASSOCIATES

FEBRUARYNEWSLETTER

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Let us start this edition with some positive news. Finally, people are getting vaccinated. I received my first shot on December 31, 2020 and my second in late January. Kathy has had her first shot and will soon get her second. I feel a bit freer to start returning to some improved normalcy. Many of the folks I know are doing the same.

Hopefully, all of you are making plans to get vaccinated as soon as possible. It has been a very rough past 10-11 months for everyone, and our world has changed significantly. Perhaps, if we are fortunate, life will get back to normal over the next few months.

This past year has forced innovation in most people's lives. The businesses that have survived have innovated and will continue to innovate.

For the past few years, our economy was strong and, perhaps, that strength will return. With the change in administration, we will undoubtably see more change. I am hoping that the job markets get stronger, the stock market strengthens, and the government does not continue down the path of unbridled debt increases and the decline in the value of the currency.

The double-edged sword of cheap money negatively affects everyone. We like to see our investments grow, but that is only part of reality. If you can borrow inexpensively, the flip side will be low returns on fixed investment accounts and bank returns. These hurt "savers". It also hurts seniors, who are often very thrift focused.

As an advisor, much of my career was built around assisting clients with estate planning. For the past several years, this topic has been less of a "hot topic" because of the reduction in Federal Estate Taxes. While New York and other high tax states have still had a significant tax on inheritances, there is reason to believe the Federal tax exemptions will be reduced and that will create a large tax issue for many people.

The government's debt will have to be repaid and common sense says they will be looking at the middle class to cover the spiraling debt. Perhaps I will discuss this topic more in coming months.

At Moldenhauer & Associates, we strive to provide the absolute best advice and service possible for our clients. Our hope is that 2021 is a great year for you and your families.

Richard Moldenhauer

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DO OUR BIASES AFFECT OUR FINANCIAL CHOICES?

Even the most seasoned investors are prone to their influence.

Investors are routinely warned about allowing their emotions to influence their decisions. However, they are less routinely cautioned about their preconceptions and biases that may color their financial choices.

In a battle between the facts & biases, our biases may win. If we acknowledge this tendency, we may be able to avoid some unexamined choices when it comes to personal finance. It may actually "pay" to recognize blind spots and biases with investing. Here are some common examples of bias creeping into our financial lives.

Letting emotions run the show. An investor thinks, "I got a great return from that decision," instead of thinking, "that was a good decision because ______."[1]

How many investment decisions do we make that have a predictable outcome? Hardly any. In retrospect, it is all too easy to prize the gain from a decision over the wisdom of the decision, and to, therefore, believe that the findings with the best outcomes were the best decisions (not necessarily true). Putting some distance between your impulse to make a change and the action you want to take to help get some distance from your emotions.[1]

Valuing facts we "know" & "see" more than "abstract" facts. Information that seems abstract may seem less valid or valuable than information that relates to personal experience. This is true when we consider different types of investments, the state of the markets, and the economy's health.[2]

Valuing the latest information most. In the investment world, the latest news is often more valuable than old news. But when the latest news is consistently good (or consistently bad), memories of previous market climate(s) may become too distant. If we are not careful, our minds may subconsciously dismiss the eventual emergence of the next bear (or bull) market.[2]

Being overconfident. The more experienced we are at investing, the more confidence we have about our investment choices. When the market is going up, and a clear majority of our investment choices work out well, this reinforces our confidence, sometimes to a point where we may start to feel we can do little wrong, thanks to the state of the market, our investing acumen, or both. This can be dangerous.[3]

The herd mentality. You know how this goes: if everyone is doing something, they must be doing it for sound and logical reasons. The herd mentality is what leads many investors to buy high (and sell low). It can also promote panic selling. The advent of social media hasn't helped with this idea. Above all, it encourages market timing, and when investors try to time the market, they frequently realize subpar returns.[4]

Sometimes, asking ourselves what our certainty is based on and reflecting about ourselves can be a helpful and informative step. Examining our preconceptions may help us as we invest.

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Citations.

1. CNBC.com, September 28, 2020

2. Forbes.com, March 26, 2020

3. Forbes.com, March 19, 2020

4. CNBC.com, June 26, 2020

FINANCIAL STRATEGIES FOR YOUNG FAMILIES

It's never too late to start.

The hardest part is getting started. Even though more than half of U.S. households have some form of investment in the stock market, many new parents may still find that creating a financial strategy is the last thing on their minds. And who can blame them? After all, new parents have a million concerns to keep in mind on top of any unexpected financial pressure that may arise. But for young families with discretionary income, creating a financial strategy may be easier than they realize.[1]

Remember that investing involves risk, and the return and principal value of investments will fluctuate as market conditions change. Investment opportunities should take into consideration your goals, time horizon, and risk tolerance. When sold, investments may be worth more or less than their original cost. Past performance does not guarantee future results.

What's your end goal? What expenses do you anticipate in 5, 10, or even 15 years from now? These can be tough questions to answer while raising a family.

Establishing your investments' goal or goals is one of the many ways your financial professional can help. Before your first meeting, jot down all the financial questions you can think of – no matter how silly they may seem to you. These answers can help define your family's short-term and long-range financial goals.

Once you start, try not to stop. If you have already started investing, congratulations may be in order! In getting an early start, you have taken advantage of a powerful financial asset: time. However, don't overlook the power of consistency. For some, consistent investing may be the most realistic pathway to pursuing their financial goals.

For those who haven't started, that's okay too. Remember, it doesn't always take a lump sum to begin. Even auto-depositing $100 a month into an account is a step toward your family's goals. And who knows? As your family's circumstances change, you may be able to contribute even more over time.

There is no "one way." The point is that there isn't a single, one-size-fits-all solution for young families that are looking to invest in their future. Financial professionals also know this and can help craft a strategy suited to your risk tolerance, goals, and financial situation.

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Citations.

1. PewResearch.org, March 25, 2020

PERSEVERANCE

After talking about Principles in January's newsletter, I was not sure where to go in February. Then it hit me almost immediately.

The title is Perseverance, but what it means is "Don't Quit" or "Don't Give Up".

For some of you this hits home. Many people thought about quitting in 2020. I sure did. Then I thought about all those times during my life when I wanted to quit. In each case, I did not give in and, because of perseverance, things got better. Sometimes, the things that had me on the verge of quitting got so much better. I was shocked.

Once you quit trying, several things happen.

- Once you give up, quitting becomes easier the next time.
- Your self-image changes and people see you differently.
- Your future dims.

Perseverance is the only answer. When things get the scariest, we are often on the verge of a significant breakthrough.

In Western New York, the Buffalo Bills fans exemplify a great example of people who have persevered through thick and thin to support their favorite team.

A few years ago, a good friend who lived the philosophy of perseverance passed away in his eighties. Until John was in his early eighties he worked as a sales consultant. On weekends, he ran marathons, lumber-jacked, and gave motivational speeches. John's favorite topic was "Age is a State of Mind". In John's mind, he was never old. His ability to persevere and think like a man 30 years younger than his actual age was an inspiration to hundreds of people. I was one of those people.

As we come out of a historically bad year, let us remember to persevere.

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UPCOMING EVENTS:

Our upcoming seminars are at:

UPCOMING SEMINAR SITES AND DATES TO BE DETERMINED SOON.

Please visit our website at www.moldenhauerassociates.com for updates.

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