6195 W. Quaker St., Orchard Park, NY 14127 // 716.662.4361
www.moldenhauerassociates.com

MOLDENHAUER & ASSOCIATES

APRILNEWSLETTER

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

As a long winter ends, it is time to get excited about the year ahead.

I am both grateful and enthusiastic.

Grateful for family, friends and business associates. Grateful for good health and the ability to still be involved with the world. As each day starts, I take time to consider the many "gifts" I have been given personally. Gifts so varied they are hard to count.

I firmly believe that if each of us started the day thinking about what we should be grateful for, we'd be happier and the world would be a better place.

Enthusiastic as I look forward to the new year and its challenges and opportunities. Finding even small things to get excited about creates new fun in our lives.

I received a couple "thank you" notes this week. Unexpected but appreciated. Today, a friend I was speaking with introduced me to a fellow who had similar interests and he invited me to fish with him soon.

You, too, have these types of things in your life. The time to be grateful and enthusiastic. Life will continue to get better!

The year has started out well at Moldenhauer & Associates. As is our objective, we are always attempting to create new and ongoing value for clients and friends. Despite the challenges of the winter season, we haven't had to cancel an event and the office has been open every day.

Advisors Jon, Nick, and Brett are off to a great year. Seminars and workshops have had good attendance. The administrative staff is improving skill levels and developing new capabilities.

COO, John Ring,is diligently managing the day to day operation and providing the support we need in today's complex compliance environment.

By the way, Greg is in the process of transitioning over to a financial advisor. Many clients have had the benefit of Greg's technical support over the past 3 years.

The firm is looking to add an additional advisor when we find one that can measure up to the firm's requirements. If you, as a client or friend of the firm, know or hear of a qualified person we should interview, please refer that person to me personally. I'll be in WNY in April for 10 days, if you are at the office, please take the time to say hello.

Richard Moldenhauer

Richard Moldenhauer

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GOOD REASONS TO RETIRE LATER

Working longer might work out well for you.

Are you in your fifties and unsure if you have enough retirement savings?

Then you have two basic financial choices. You could start saving and investing more of your pay than you currently do, or you could work longer so you have fewer years of retirement to fund.

That second choice might be more manageable, and it may also work out better financially.

Research suggests that working longer might be a good way to address this shortfall.

Last month, the National Bureau of Economic Research (NBER) published a paper on this very topic, and its conclusions are significant. The four economists writing the report maintain that when you reach your mid-sixties, staying on the job just one more year could help you greatly. Waiting a little longer to file for Social Security also becomes a plus.[1]

What was the most noteworthy finding?

By the time you are 66, staying on the job just an additional three to six months will do as much for your standard of living in retirement as if you had contributed 1% more to your retirement plan for 30 years.[1]

Here is an example from the report, with an asterisk attached.

A 66-year-old who has directed 9% of their earnings into an employee retirement plan during the length of their career retires. Had they simply put 10% of their pay per year into that retirement plan rather than 9%, they would have retired with 11.11% more money in that account.[1]

If they work for another year, retire at 67 and file for Social Security benefits at 67, they may put themselves in a better financial position. In this simple example, Social Security benefits would constitute the other 81% of their retirement income. They are just slightly past their Full Retirement Age as defined by Social Security, so by retiring at 67, they receive 108% of the monthly Social Security benefit they would have received at 66.[1,2]

The asterisk in this scenario is the outlook for Social Security. In the future, will Social Security benefits be reduced? That possibility exists.

Working full time until age 67 may be a tall order for some of us. Right now, only about a third of American workers retire after age 65; about a fifth retire at age 60 or younger. Perhaps the ambitious, energetic baby boom generation will alter those percentages.[3]

Working one or two more years may be worthwhile for several reasons.

Your invested assets have one or two more years to compound before potentially being drawn down – and when assets have grown for decades, even a year of compounding is highly significant. If you have $350,000 growing at 6% annually in a retirement fund, waiting just a year will enlarge that sum by $21,000 and waiting five more years will leave it $118,000 larger – and this is without any inflows.[3]

Spending another year on the job may help you become fully vested in a pension plan, and it also positions you to receive greater Social Security payments (assuming you are currently 62 or older). Wait until age 65 to retire, and you can leave work without having to worry about buying health insurance – Medicare is right there for you. You also keep your mind active by working longer, and you maintain the friendships you have made through your career or workplace.[3]

Retire later, and you may do yourself a financial favor.

Consider the idea, and be sure to consult with the financial professional you know and trust today regarding your retirement prospects.

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

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

Citations.

1 - marketwatch.com/story/you-may-want-to-work-longer-heres-why-2018-01-22/ [1/22/18]

2 - bloomberg.com/view/articles/2018-01-23/the-remarkable-financial-benefits-of-delaying-retirement [1/23/18]

3 - fool.com/retirement/2017/04/23/5-benefits-of-delaying-retirement.aspx [4/23/17]

HAVING THE MONEY TALK WITH YOUR CHILDREN

How much financial knowledge do they have?

Some young adults manage to acquire a fair amount of financial literacy. In the classroom or the workplace, they learn a great deal about financial principles. Others lack such knowledge and learn money lessons by paying, to reference William Blake, "the price of experience."

Broadly speaking, how much financial literacy do young people have today?

At this writing, some of the most recent data appears in U.S. Bank's 2016 Student and Personal Finance Study. After surveying more than 1,600 American high school and undergraduate students, the bank found that just 15% of students felt knowledgeable about investing. For that matter, just 42% felt knowledgeable about deposit and checking accounts.[1]

Relatively few students understood the principles of credit. Fifty-four percent thought that having "too many" credit cards would negatively impact their credit score. Forty-four percent believed that they could build or improve their credit rating by using credit or debit cards. Neither perception is accurate.[1]

Are parents teaching their children well about money?

Maybe not. An interesting difference of opinion stood out in the survey results. Forty percent of the parents of the survey respondents said that they had taught their kids specific money management skills, but merely 18% of the teens and young adults reported receiving such instruction.[1,2]

A young adult should go out into the world with a grasp of certain money truths.

For example, high-interest debt should be avoided whenever possible, and when it is unavoidable, it should be the first debt attacked. Most credit cards (and private student loans) carry double-digit interest rates.[3]

Living independently means abiding by some kind of budget.

Budgeting is a great skill for a young adult to master, one that may keep them out of some stressful financial predicaments.

At or before age 26, health insurance must be addressed.

Under the Affordable Care Act, most young adults can remain on a parent's health plan until they are 26. This applies even if they marry, become parents, or live away from mom and dad. But what happens when they turn 26? If they sign up for an HMO, they need to understand how out-of-network costs can creep up on them. They should understand the potentially lower premiums that they could pay if enrolled in a high-deductible health plan (HDHP), but also the tradeoff – they might get hit hard in the wallet if a hospital stay or an involved emergency room visit occurs.[3,4]

Lastly, this is an ideal time to start saving & investing.

Any parent would do well to direct their son or daughter to a financial professional of good standing and significant experience for guidance about building and keeping wealth. If a young adult aspires to retire confidently later in life, this could be the first step. A prospective young investor should know the types of investments available to them as well as the difference between investments and investment vehicles (which many Americans, young and old, confuse).

A money talk does not need to cover all the above subjects at once.

You may prefer to dispense financial education in a way that is gradual and more anecdotal than implicitly instructive. Whichever way the knowledge is shared, sooner is better than later – because financially, kids have to grow up fast these days.

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Citations.

1 - stories.usbank.com/dam/september-2016/USBankStudentPersonalFinance.pdf [9/16]

2 - tinyurl.com/yc6ejxjp [10/27/16]

3 - cnbc.com/2017/03/02/parents-need-to-have-real-world-money-talk-with-kids.html [3/2/17]

4 - healthcare.gov/young-adults/children-under-26/ [6/8/17]

UPCOMING EVENTS:

Our April seminars are at:

Chanderson's Steak & Seafood Tuesday, April 10, 2018 at 6 p.m. 11851 Route 16 Yorkshire, NY 14173	**Old Orchard Inn** Thursday, April 12, 2018 at 6 p.m. 2095 Blakeley Road East Aurora, NY 14052
Beef Haus Tuesday, April 17, 2018 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.