

# MOLDENHAUER & ASSOCIATES

## DECEMBER NEWSLETTER

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This has always been one of my favorite months. First, because it is an important month for Christianity with the celebration of Christ's birth. Secondly, it is the month of giving. Giving to those we care most for and for those people we want to help. It is the month the firm donates to many of the neediest charities and a tradition we only hope to continue and increase with each new year.

The Christmas Season is a time to consider what we have to be grateful for and to appreciate those we serve and those who work with us on this mission. I know that as I get older, I recognize that I have been blessed in so many ways. America, with all its imperfections, is still the best country on the planet and we are fortunate to be citizens.

I have been humbled by the good fortune this Nation has provided me and my family. My grandparents were poor people. Some of their children did not finish high school. They felt privileged to be Americans. Many served the Nation in times of war. They asked nothing, except a chance for their children to have a better life.

Their children all graduated from college and went on to have the careers they chose; each generation, more successful than the preceding generation. That is the American Dream.

What better time to celebrate that dream than at Christmas? As we approach the holidays and the New Year, it is a time for reflection and appreciation.

As most of us look forward to the Season and the coming New Year, this is a time to be Grateful and Thankful. It is a time to begin considering next year's challenges and goals. Each member of our firm wishes you and your families the very happiest of Holiday Seasons.

*Richard Moldenhauer*

Richard Moldenhauer

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*Decorative flourish*  
**HAPPY HOLIDAYS**



## REDUCING THE RISK OF OUTLIVING YOUR MONEY

*What steps might help you sustain and grow your retirement savings?*

### “What is your greatest retirement fear?”

If you ask any group of retirees and pre-retirees this question, “outliving my money” will likely be one of the top answers. In fact, 51% of investors surveyed for a 2019 AIG retirement study ranked outliving their money as their top anxiety.<sup>1</sup>

### Retirees face greater “longevity risk” today.

The Census Bureau says that Americans typically retire around age 63. Social Security projects that today’s 63-year-olds will live into their mid-eighties, on average. This is a mean life expectancy, so while some of these seniors may pass away earlier, others may live past 90 or 100.<sup>2,3</sup>

If your retirement lasts 20, 30, or even 40 years, how well do you think your retirement savings will hold up? What financial steps could you take in your retirement to try and prevent those savings from eroding? As you think ahead, consider the following possibilities and realities.

### Realize that Social Security benefits might shrink in the future.

For decades, Social Security typically took in more dollars per year than it paid out. That ongoing surplus – also known as the Social Security Trust Fund – is now projected to dry up by 2035. Congress may act to address this financing issue before then, but the worry is that future retirees could get slightly less back from Social Security than they put in. It may be smart to investigate other potential retirement income sources now.<sup>4</sup>

### Understand that you may need to work part time in your sixties and seventies.

The income from part-time work can be an economic lifesaver for retirees. What if you worked part time and earned \$20,000-30,000 a year? If you can do that for five or ten years, you effectively give your retirement savings five or ten more years to last and grow.

## Retire with health insurance and prepare adequately for out-of-pocket costs.

Financially speaking, this may be the most frustrating part of retirement. You can enroll in Medicare at age 65, but how do you handle the premiums for private health insurance if you retire before then? Striving to work until you are eligible for Medicare makes economic sense and so does building a personal health care account. According to Fidelity research, a typical 65-year-old couple retiring today will face out-of-pocket health care costs approaching \$300,000 over the rest of their lives.<sup>5</sup>

### Many people may retire unaware of these financial factors.

With luck and a favorable investing climate, their retirement savings may last a long time. Luck is not a plan, however, and hope is not a strategy. Those who are retiring unaware of these factors may risk outliving their money.

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

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## UNIVERSAL LIFE INSURANCE

*Coverage with a flexible premium.*

Universal life insurance is permanent life insurance – that is, it remains in force for your whole life as long as the premiums are paid. But universal life insurance has an important difference from other types of permanent insurance: it provides a flexible premium.

That means the policyholder decides how much to put in above a set minimum. By extension, the policyholder also determines the face amount of the policy.

Universal life insurance policies accumulate cash value – cash value that grows tax deferred. Guarantees are based on the claims-paying ability of the issuing company.

Universal life insurance policies normally let policyholders borrow a portion of their policy's cash value under fairly favorable terms. And interest payments on policy loans go directly back into the policy's cash value. Keep in mind that universal life insurance has certain features that make the policy suitable for some individuals. Whether universal life insurance is appropriate for you will depend on your goals, needs, and circumstances.

When the policyholder dies, their beneficiaries receive the benefit from the policy. Depending on how the policy is structured, benefits may or may not be taxable.<sup>1</sup>

Accessing the cash value in your insurance policy through borrowing – or partial surrenders – has the potential to reduce the policy's cash value and benefit. Accessing the cash value may also increase the chance that the policy will lapse and may result in a tax liability if the policy terminates before your death.

Universal life insurance can be structured so that the cash value that accumulates will eventually cover the premiums. However, additional, out-of-pocket payments may be required if the policy's dividend decreases or if investment returns underperform.

Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

Withdrawals of earnings are fully taxable at ordinary income tax rates. If you are under age 59½ when you make a withdrawal, you may be subject to surrender charges and assessed a 10% federal income tax penalty. Also, withdrawals will reduce the benefits and value of the contract. Life insurance is not FDIC (Federal Deposit Insurance Corporation) insured. It is not insured by any federal government agency or bank or savings association.

Generally, loans taken from a policy will be free of current income taxes, provided certain conditions are met, such as the policy does not lapse or mature. Loans and withdrawals reduce the policy's cash value and death benefit. Loans also increase the possibility that the policy may lapse. If the policy lapses, matures, or is surrendered, the loan balance will be considered a distribution and will be taxable.

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Citations.

1 - fool.com/retirement/2019/03/26/the-right-life-insurance-policy-for-you.aspx [3/26/19]

## 2020 IS THE YEAR TO END PERSONAL PROCRASTINATION

I could be talking about 100 things but I'm not. I am only suggesting that 2020 be the year that those important financial things you've known you should address get done.

Here are my tips for you:

1. Make a list of financial issues that are of concern.
2. Prioritize after careful consideration.
3. Commit to getting the first 2-3 done in the 1st Quarter of the new year.
4. Connect with the person or people who can help you. Remember it is your "list" and you must be the prime mover, but get help.

Here are some of the issues I have seen clients put off in the past year:

1. Will updates – families change, the law changes and, as we get older, we see things differently.
2. Health Care Proxies and Power of Attorney documents. People move, relationships change, people's health also change.
3. Life Insurance updates- What a dollar would have bought 10 years ago may take \$5.00 today. Are policies funded adequately considering the low interest economy?
4. Beneficiary updates- New family members, divorces, and deaths are only a few reasons to update.
5. Funding your retirement plan to the MAX. You'll never have too much money, but you could have too little. Sacrifice a little now for a better tomorrow. Remember the squirrel.
6. Attack debt—most people have too much and it destroys all other planning.

If you are a business owner, consider the following:

1. Improving employee satisfaction and retention
2. How will you get out profitably?
3. What can the business do for you on a pre-tax basis?
4. Get serious about value improvement.

I am tempted to expand each area above, but sometimes less is more. If you can make progress, it will be great.

## UPCOMING EVENTS:

Our January seminars are at:

### Steelbound Brewery & Restaurant of Springville

Tuesday, January 14, 2020 at 6 p.m.  
243 W. Main Street  
Springville, NY 14141

### GDI Countryside Inn

Thursday, January 16, 2020 at 6 p.m.  
2049 Sandridge Road  
Alden, NY 14004

### JP Fitzgeralds

Tuesday, January 21, 2020 at 6 p.m.  
4235 Clark Street  
Hamburg, NY 14075

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.

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