

MOLDENHAUER & ASSOCIATES

JUNE NEWSLETTER

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May has been a busy month for many of us. Kathy and I had a trip to Duke and then we traveled to WNY for the summer. We always miss the northern grandkids when we are in South Carolina. When in WNY we miss the grandkids in South Carolina. Round and round we go. It has been a great winter and spring, but we are happy to return to WNY.

The firm will attempt to restart the seminar system in June. We are excited about being able to do this. Be aware that we are following all COVID-19 protocols, and assuming attendance is a success, we will be attempting to get back on our regular seminar schedule soon. Please consider attending and bring an interested friend.

If you have been reading any of my articles for the past several months, you will note that most financial professionals are expecting tax and financial rules to change. If you have any concerns, this is a great reason to attend one of the upcoming seminars. Despite the many problems we are facing as a society, I believe that people who prepare properly will come out better than we went in this troubling time.

When I initially started reading various articles about the pending tax changes, I first noticed the disparity between what the government officials were saying and what the technical analysts were forecasting.

I recently had a friend in South Carolina complain about the unwillingness of his financial person to meet with him and his wife on a regular basis. They are great people but have worked with a firm from a state where they

previously lived for over 10 years. He asked what our procedure was for servicing our clients. I explained that we like to meet with our clients at least twice each year, either in person or virtually. I mentioned with clients in many states the virtual method has benefited the client and our firm. I indicated that while clients do sometimes fall off the routine service grid, we are always eager to restore the relationship and get back on schedule.

We have learned that even through COVID, we have been able to provide uninterrupted reviews and related service for our clients. I have always said that Moldenhauer & Associates' trademark qualities are our sincere willingness and desire to provide the best in ongoing service for all clients.

If for some reason you have fallen off the standard semiannual review schedule, please call Karen, Sharon or Jennifer W. at the office and get back on schedule.

Richard Moldenhauer
Richard Moldenhauer



2021 RETIREMENT CONFIDENCE SURVEY

A deep dive into workers' expectations in retirement versus actual income sources.

Will your retirement dreams match your reality?

That's perhaps the most critical question to ask people who are currently retired. Was your retirement what you expected, or was it something else?

For more than 30 years, the Employee Benefit Research Institute (EBRI) has conducted the Retirement Confidence Survey, which gauges the views and attitudes of working-age and retired Americans regarding retirement and their preparations for retirement.¹

Part of the survey takes a deep dive into workers' expectations for sources of income in retirement versus retirees' actual income sources.

Here's a couple of highlights of the 2021 survey.

Only 33% of workers expect Social Security to be a significant source of retirement income. In reality, 62% of retirees say it's a major source.

Further, more than 50% of workers believe that workplace retirement savings plans will be a significant source of retirement income. But the 2021 survey found that workplace plans are a major source for only 20% of retirees.

Surprised? We're not. These numbers are consistent year after year. Here's another nugget to consider: 26% of workers plan to work for pay in retirement. In reality, only 7% of retirees do.

For most, retirement is the "next chapter" in life. It's critical that your finances support your retirement vision, so there are no surprises when it's your turn.

Let us know if there's a change in your retirement dream. We'd welcome the chance to hear what prompted the difference, and we'll be sure to make any needed adjustments in your financial strategy.

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

The Roth IRA offers tax deferral on any earnings in the account. Withdrawals from the account may be tax free, as long as they are considered qualified. Limitations and restrictions may apply. Withdrawals prior to age 59 ½ or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Future tax laws can change at any time and may impact the benefits of Roth IRAs. Their tax treatment may change.

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Citations.

1. Employee Benefit Research Institute, 2021 Retirement Confidence Survey

POLICY VALUATION

25 years ago, an older client called me and suggested that she wanted to terminate an older life policy. Believing that it was not in the person's best interest, I urged them not to terminate the policy. Fortunately, the client listened and studied her needs and then kept the policy.

Since then, this has happened dozens of times. Sometimes the client kept the policy and sometimes they did not. There were many times I realized the client did not need to maintain the coverage and there were times they made a financial choice.

Several years ago, a concept called "Life Settlement" was invented. This article is too short to explain the real history of this concept: simply stated, it provides the client a third choice. This choice can be much better in some cases than surrender or cancellation. There is occasionally a 3rd option, selling part of a policy and retaining the remainder. Each case is different.

Here is a partial summary of consideration steps. The idea begins with a Policy Valuation. An individual policyholder over age 65 who is considering what to do with a policy should do the following:

1. Evaluate what you now own. What type, how much, will it provide the survivor income you want, and has it kept up with inflation?
2. Why did you purchase the policy? Is there still a need? Is the need greater or less?
3. If it is permanent coverage, are you funding adequately? If term, should you convert if convertible? If term and not convertible, should you take other action?
4. If you are experiencing liquidity issues, new options exist. If the policy is convertible term, it may be possible to recoup part of the past premiums paid without surrendering the policy.
5. If the policy is permanent and either partially or totally unneeded, you may be able to sell part or all the policy for more than the cash value.

I repeat, if you are 65 years old or older, have a valuation completed for each policy you presently own. In any case, do not make a decision without all of the facts.

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THE ENHANCED CHILD TAX CREDIT FOR 2021

Be aware that the Child Tax Credit has increased to \$3,000 per child (\$3,600 for under age 6). Most people with children will qualify but children must have a Social Security Number to be eligible.

The phase out starts for single returns at \$75,000, head-of- household returns at \$112,500- and two-income families at \$150,000.

Families whose incomes are over the \$200,000 /\$400,000 income numbers may still qualify for the old \$2,000. For a two-income family joint return, there are reductions against the \$2,000 credit.

There are added qualifiers to be aware of, so please discuss the phase out rules with your advisor and/or your accountant.

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COLLEGE FUNDING CHOICES

Explore the different ways you can help finance the costs of higher education

How can you help cover your child's future college costs? Saving early (and often) may be key for most families. Here are some college savings vehicles to consider.

529 college savings plans.

Offered by states and some educational institutions, these plans allow you to save up to \$15,000 per year for your child's college costs without having to file an I.R.S. gift tax return. A married couple can contribute up to \$30,000 per year. However, an individual or couple's annual contribution to a 529 plan cannot exceed the yearly gift tax exclusion set by the Internal Revenue Service. You may be able to front-load a 529 plan with up to \$75,000 in initial contributions per plan beneficiary—up to five years of gifts in one year—without triggering gift taxes.^{1,2}

Remember, a 529 plan is a college savings play that allows individuals to save for college on a tax-advantaged basis. State tax treatment of 529 plans is only one factor to consider prior to committing to a savings plan. Also, consider the fees and expenses associated with the particular plan. Whether a state tax deduction is available will depend on your state of residence. State tax laws and treatment may vary. State tax laws may be different than federal tax laws. Earnings on non-qualified distributions will be subject to income tax and a 10% federal penalty tax.

If your child doesn't want to go to college, you can change the beneficiary to another child in your family. You can even roll over distributions from a 529 plan into another 529 plan established for the same beneficiary (or another family member) without tax consequences.^{1,2}

Grandparents can also start a 529 plan or other college savings vehicle. In fact, anyone can set up a 529 plan on behalf of anyone. You can even establish one for yourself.^{1,2}

Coverdell ESAs.

Single filers with modified adjusted gross incomes (MAGIs) of \$95,000 or less and joint filers with MAGIs of \$190,000 or less can pour up to \$2,000 into these accounts annually. If your income is higher than that, phaseouts apply above those MAGI levels. Money saved and invested in a Coverdell ESA can be used for college or K-12 education expenses.³

Contributions to Coverdell ESAs aren't tax-deductible, but the accounts enjoy tax-deferred growth, and withdrawals are tax-free, so long as they are used for qualified education expenses. Contributions may be made until the account beneficiary turns 18. The money must be withdrawn when the beneficiary turns 30, or taxes and penalties may occur.^{3,4}

UGMA & UTMA accounts.

These all-purpose savings and investment accounts are often used to save for college. They take the form of a trust. When you put money in the trust, you are making an irrevocable gift to your child. You manage the trust assets until your child reaches the age when the trust terminates (i.e., adulthood). At that point, your child can use the UGMA or UTMA funds to pay for college; however, once that age is reached, your child can also use the money to pay for anything else.⁵

Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional who is familiar with the rules and regulations.

Imagine your child graduating from college, debt-free. With the right kind of college planning, that may happen. Talk to a financial professional today about these savings methods and others.

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Citations.

1. IRS.gov, March 5, 2021
2. FINRA.org, 2021
3. IRS.gov, March 5, 2021
4. TheBalance.com, April 27, 2021
5. Finaid.org, 2021



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.

We encourage clients who live in the area to consider attending with a friend or two. We find that the best way to introduce new potential clients to our firm is when an existing client brings a friend to one of our seminars. As you know, these are informational/educational events. We are not there to convince people that we are the only firm to consider working with. Rather, we do believe that our firm offers a quality opportunity for those people looking for a new advisor relationship. Please consider attending an upcoming seminar in your neighborhood with a friend. You may register for a seminar by calling 716-662-4361 or through our website at www.moldenhauerassociates.com.

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