

# MOLDENHAUER & ASSOCIATES

## FEBRUARY NEWSLETTER

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The year has started and, as much as we are hoping that a return to normal life begins soon, COVID and related problems continue. Our firm continues to improvise and make every effort to serve our clients in an exemplar fashion.

The winter in WNY has been a bit harsher than in recent years. If you are coming to the office for a review meeting, we make every effort to keep the lot clear of snow, but please be careful because ice on both the roads and in parking lots can be hard to see. If you get to the lot and would like assistance to the office, please dial the office and one of the staff will come to your car to assist you.

Between our in-office technology and the support we receive from Commonwealth, we have the best systems to provide state of the art computer back-up.

Now I am getting to a difficult subject. The week in late January that I am writing this has been the worst week in the market since 2000. As we get into correction territory, and with no crystal ball at hand, let me note that we have been here before.

Each time the markets have a correction, we get a chance to be part of the rebound. Over the long (and not so long) term, each time those who have stayed the course have benefited because of pent up market growth energy.

As I write this article, I do not know how long this will last, but believing in diversification and market appreciation, I am expecting we will see a turnaround very soon. We will all feel better soon.

*Richard Moldenhauer*

Richard Moldenhauer



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## RMDS GET A SMALL REPRIEVE

*2022 brings new life expectancy tables.*

For the first time in nearly 20 years, the IRS has released updated actuarial or life expectancy tables. Those who take required minimum withdrawals (RMD) from retirement accounts may already know we use these tables to calculate your RMD. Using these new tables is relatively simple, but here are some considerations to keep in mind.

### What's my RMD?

We determine the required amount you must withdraw annually by dividing the previous year-end balance of your qualifying accounts by what the IRS calls a "life expectancy factor." The newest tables assume we'll live longer, which may impact the amount you need to withdraw.

### What about inherited accounts?

There are some exceptions, but you must generally withdraw all assets within ten years, regardless of your life expectancy. The Secure Act eliminated the ability to "stretch" your withdrawals across your lifetime if the original account owner passed away in 2020 or later.

While most RMD calculations are straightforward, the process can get more complicated if you have multiple accounts or other sources of retirement income. Before modifying your current strategy, consider reaching out to your financial or tax professional for help.

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

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## STAYING CONNECTED

When people are young, someone is always there to tell them what to do. Parents, teachers, coaches, friends. Then we get to be adults and we have families, jobs, commitments, and responsibilities. The beforementioned replace parents, teachers, etc. Through this point in life, it all seems to make sense. Then children leave home to start their lives, friends move or change interests, people retire, some develop health problems, and natural attrition takes place. This is where many of us find ourselves. If not now, we'll be there soon.

### What should you do?

As I've aged, I've tried several things. The most important is to stay connected with people I've cared about. I am not perfect at this, but I am working at it. My suggestion is to call a couple people each day. They'll appreciate hearing from you. Especially during this COVID world, people are more isolated than ever, and that is not healthy. You can be an important escape so pick up the phone (instead of texting). You'll feel better too. Stay physically and mentally active. Something as simple as reading more, walking more, or just getting outside can work wonders. Find new interests. This is one thing that your personal computer can help with. Learn about nature, gardening, or carpentry. The list is endless. Join new groups or reactivate old group interests. This is an important topic. Stay connected or get more connected. You'll feel better, people will like you more, and you might even live longer.

I'll expand on this in the future. If you'd like to hear more of my thoughts on this, please let me know at [info@moldenhauerassociates.com](mailto:info@moldenhauerassociates.com).

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## RETIREMENT PREPARATION MISTAKES

### *Why are they made again and again?*

Do bad money habits constrain your financial Much is out there about the classic financial mistakes that plague start-ups, family businesses, corporations, and charities. Aside from these blunders, some classic financial missteps plague retirees.

Calling them “mistakes” may be a bit harsh, as not all of them represent errors in judgment. Yet whether they result from ignorance or fate, we need to be aware of them as we prepare for and enter retirement.

### Timing Social Security.

As Social Security benefits rise about 8% for every year you delay receiving them, waiting a few years to apply for benefits can position you for higher retirement income. Filing for your monthly benefits before you reach Social Security’s Full Retirement Age (FRA) can mean comparatively smaller monthly payments.<sup>1</sup>

### Managing medical bills.

Medicare will not pay for everything. Unless there’s a change in how the program works, you may have a number of out-of-pocket costs, including dental, and vision.

### Underestimating longevity.

Actuaries at the Social Security Administration project that around a third of today’s 65-year-olds will live to age 90, with about one in seven living 95 years or longer. The prospect of a 20- or 30-year retirement is not unreasonable, yet there is still a lingering cultural assumption that our retirements might duplicate the relatively brief ones of our parents.<sup>2</sup>

### Withdrawing strategies.

You may have heard of the “4% rule,” a guideline stating that you should take out only about 4% of your retirement savings annually. Some retirees try to abide by it.

So, why do others withdraw 7% or 8% a year? In the first phase of retirement, people tend to live it up; more free time naturally promotes new ventures and adventures and an inclination to live a bit more lavishly.

### Talking About Taxes.

It can be a good idea to have both taxable and tax-advantaged accounts in retirement. Assuming your retirement will be long, you may want to assign this or that investment to its “preferred domain.” What does that mean? It means the taxable or tax-advantaged account that may be most appropriate for it as you pursue a better after-tax return for the whole portfolio.

### Retiring with debts.

Some find it harder to preserve (or accumulate) wealth when you are handing portions of it to creditors.

### Putting college costs before retirement costs.

There is no “financial aid” program for retirement. There are no “retirement loans.” Your children have their whole financial lives ahead of them.

### Retiring with no investment strategy.

Expect that retirement will have a few surprises; the absence of a strategy can leave people without guidance when those surprises happen.

### These are some of the classic retirement mistakes.

Why not attempt to avoid them? Take a little time to review and refine your retirement strategy in the company of the financial professional you know and trust.

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#### Citations

1. Forbes.com, December 9, 2021
2. SSA.gov, January 24, 2022



## UPCOMING EVENTS:

Our upcoming seminars are at:

## SEMINARS ARE TEMPORARILY ON HOLD.

Please visit our website at [www.moldenhauerassociates.com](http://www.moldenhauerassociates.com) for updates.

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