

MOLDENHAUER & ASSOCIATES

OCTOBER NEWSLETTER

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I spent A LOT of time in the mountains of Western North Carolina. I went to college in Tennessee, and the 800 mile trip to WNY made the trip too long for short breaks and holidays. As a result, I was welcomed by my friend Ben's family for Thanksgiving Dinner, Easter Sunday, Fall Break, etc. I grew to love the hikes, rock climbing (I would need a thicker rope these days), and even squirrel hunting (Elmer Fudd style). Even after college, I would visit his parents when I needed a break from the nightlife of a 20 something year old living in Charlotte.

So much of that area has been devastated by Hurricane Helene. For me, the pictures are truly heartbreaking. Wonderful towns have become ruins. Families have lost their homes, their personal belongings, and even their loved ones. The time, effort and money it will take to rebuild is enormous. The first person I reached out to was my friend's mother. Fortunately, she is ok. The difficulty her neighbors and community find themselves in is overwhelming. The next call after that was from my father. He suggested a donation to charities that are working hard to help those impacted. It seems the least we could do.

As I write this, Hurricane Milton is threatening landfall in Florida. We hope for the best, but the forecasts are for severe damage. Times like this paint a picture of how quickly things can change, and how fragile life is.

These sudden disasters have me reflecting on things I have been procrastinating on. There are small projects I have put off around my house. At the office, we need to update things like our website (I'm still working on our "new one", which I started before Covid!). People keep asking about my father's various diplomas in the conference room, and why I haven't added more recent pictures of my kids. I intend to fix this soon...no more procrastination!!

With that said, check on your friends and loved ones. Help (if you can) people impacted by the recent natural disasters. Stop procrastinating on the things that will improve your life!

Stay safe and enjoy the fall season!

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WHAT YOU SHOULD KNOW ABOUT QUALIFIED CHARITABLE DISTRIBUTIONS (QCDs)

A qualified charitable distribution (QCD) is a payment made directly from an IRA to a charitable organization. Specific requirements and circumstances must be met before an IRA owner can make a QCD. To help you understand the ins and outs of this charitable distribution, we've summarized the rules and best practices below.

What Are QCDs, and How Do They Work?

Generally, regular IRA distributions are considered taxable income for the IRA owner. Qualifying amounts that you donate as a QCD, on the other hand, are excluded from your taxable income. As such, you can use QCDs for lowering your taxable income and, perhaps, minimizing taxes in retirement. To make a QCD, the IRA owner must be age 70½ (the distribution must be made on or after the date they reach 70½). In addition, a QCD may count toward part or all of their required minimum distribution (RMD) for that year.

Although there is no limit on the number of QCDs that can be made each year, the maximum allowable amount per year that can be distributed as a QCD is \$105,000 (for 2024). Any donation amount above \$105,000 will not be considered a QCD and will not qualify for the QCD tax benefit. For married taxpayers filing a joint tax return, \$105,000 can be donated from each spouse's IRA.

The receiving charity must be an organization eligible to receive tax-deductible contributions. Charities that do not qualify include private foundations and donor-advised funds. Be sure to check with your tax preparer or with the organization to confirm eligibility before making the distribution.

Be Aware of These Limitations

QCDs can be made only from traditional IRAs and traditional inherited IRAs. If making a QCD from an inherited IRA, you would still need to be age 70½ to qualify. QCDs *cannot* be made from active retirement accounts that you may have with your employer (e.g., SEP IRAs, SIMPLE IRAs, or qualified retirement plans, such as 401(k)s and 403(b)s). One exception to this rule is for inactive SEP and SIMPLE IRAs.

QCDs are available from a SEP or SIMPLE IRA plan if the plan has been terminated with the employer or you're no longer employed with the company sponsoring the plan. Secondly, though a QCD is not taxed, it cannot be claimed as a charitable deduction. A tax advisor can help you determine whether a QCD or a charitable deduction provides the most benefit based on your situation.

Lastly, QCDs are calendar-year transactions. To receive a benefit, the distribution must be processed by the end of the calendar year that applies to that particular tax year. There is no option for a QCD to be distributed and applied to a prior tax year.

Special Processing and Reporting Requirements

To qualify as a QCD, the payment must be made directly from your IRA to the charity. So, when issuing a check from the IRA, the check must be made payable to the charity. The funds cannot be distributed to you directly and then later donated as a personal check. Typically, the check is mailed directly to the charity. In some situations, it can be mailed to you, and then you can then send it to the charity (again, the check must be payable to the charity).

Some custodians allow checkwriting features on IRAs. You might think this is a convenient way to make a QCD, to simply write a check from your IRA to your desired charity. Although this will satisfy the QCD requirements, it's not recommended—for two reasons:

- Sometimes, taxes are withheld automatically on checks written against IRAs, and withholding taxes from QCDs is not advisable.
- IRA custodians report the distribution only after the receiving charity cashes the check. If the charity fails to cash the check in a timely manner, the distribution may not be reported as you intended.

All distributions taken from the IRA will be reported on the Form 1099-R issued to you and to the IRS as normal distributions (code 7). There is no special coding on this form that designates a distribution as a QCD. Custodians have no way to confirm if the distribution is made to a qualifying charity, so they will not declare the distribution as nontaxable. Generally, Form 1099-R will have a box that is checked called "Taxable Amount Not Determined." This will allow the client to exclude the amount from their income on their tax return. It's recommended that you notify your tax preparer of your intent to make a QCD so the tax preparer can report the distributions accordingly. In general, a QCD is reported on Form 1040 as follows:

- Enter the full amount as a charitable distribution on the line for IRA distributions.
- On the line for the taxable amount, enter zero if the full amount was a QCD. Then, enter "QCD" next to this line.

The charitable organization may provide you with a receipt for the payment, which can be included with your tax filing as proof of the donation.

QCDs from Roth IRAs and IRAs with Nondeductible Contributions

Under certain circumstances, a QCD may be made from a Roth IRA. Roth IRAs, however, are not subject to RMDs, and distributions are generally tax free. So, you should consult with a tax advisor to determine whether making a QCD from a Roth is appropriate for your circumstances.

In the event you have IRAs with deductible and nondeductible contributions, distributions made under the QCD provisions will be made from the deductible (pretax) portion of the IRA before the nondeductible (after-tax) portion.

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2024 YEAR-END FINANCIAL PLANNING CHECKLIST

As we approach the end of 2024, it's time to take a good look at your finances and plan for the year ahead. Think of this as your annual financial checkup—a chance to ensure that you're on a strategic path and not missing any opportunities. We've put together a guide to help you get ready, covering all the important issues you might want to chat about with your financial advisor, along with suggestions on topics to discuss and small things you can do immediately to get started.

1) Supercharge Retirement Savings

One of the first areas to focus on is maximizing your retirement savings. Consider whether you're taking full advantage of your workplace retirement plans, such as 401(k)s or 403(b)s. In 2024, you can contribute up to \$23,000 to these plans, with an additional \$7,500 allowed if you're age 50 or older. You might also want to explore contributing to an individual retirement account (IRA). The contribution limit for 2024 is \$7,000, with an extra \$1,000 permitted for those 50 and older.

- **Smart move:** Ask your advisor about eligibility based on your income and how these contributions might affect your taxes.
- **Quick action:** Log in to your retirement account right now and increase your contribution by 1 percent. Even this small amount can make a big difference over time.

2) Maximize Your Health and Dependent Care Dollars

Take a look at your health and dependent care savings. If you have a flexible spending account (FSA) for health expenses, check whether you can carry over unused funds (up to \$640) or if you need to use them before year-end. For those with dependent-care FSAs, the limit is \$5,000 per family in 2024. If you have a health savings account (HSA) paired with a high-deductible health plan, you can save up to \$4,150 for individual coverage or \$8,300 for family coverage this year.

- **Smart move:** Discuss with your advisor how to best use these accounts for your health care needs and tax situation. Their insights may help you maximize these benefits.
- **Quick action:** Review your FSA balance. If you have money to use, schedule that dental checkup or another overdue appointment. For a list of FSA-eligible purchases, contact your plan administrator.

3) Trim Your Tax Bill

As the year ends, explore ways to reduce your tax burden. Your income level affects your tax rate and potential additional taxes, with different rules applying if your taxable income exceeds certain thresholds.

- **Smart move:** Discuss with your advisor strategies to manage your taxable income, such as deferring income or accelerating deductions where possible. They can help you navigate the complexities of tax planning.
- **Quick action:** Gather your tax documents and schedule a meeting with your tax professional to discuss year-end strategies.

4) Review Your Investment Portfolio

A year-end financial review should include an assessment of your investment portfolio. It might be time to rebalance to ensure that your investments still align with your goals and risk tolerance.

- **Smart move:** Your advisor can help you determine whether it makes sense to sell some investments to offset gains with losses, potentially reducing your tax bill. This strategy, known as tax-loss harvesting, can be a powerful tool.
- **Quick action:** Review your asset allocation and note any significant changes you'd like to discuss with your advisor.



5) Amplify Your Charitable Impact

Consider incorporating charitable giving into your financial plan. Donations to qualified charities may be tax deductible if you itemize deductions. If you're 70½ or older, you might benefit from making qualified charitable distributions directly from your IRA.

- **Smart move:** Ask your advisor about the most effective way to give, whether through cash, appreciated securities, or a donor-advised fund. They can help you maximize the impact of your generosity.
- **Quick action:** Make a list of charities you want to support this year and figure out how much to budget for donations.

6) Manage Your RMDs and Tax Obligations

Don't forget about taxes and required minimum distributions (RMDs). If you're concerned about owing taxes, you might need to adjust your withholding or make estimated tax payments. For those 73 or older, you generally need to take RMDs from your retirement accounts.

- **Smart move:** Discuss with your advisor how to manage these obligations efficiently. They can help you avoid penalties and optimize your withdrawals.
- **Quick action:** If you're 73 or older, check if you've taken your RMD for the year.

7) Tackle Student Loans

If you have student loans, review your repayment strategy. Federal student loan payments resumed in October 2023, but the Biden administration's Saving on a Valuable Education (SAVE) program remains the subject of legal proceedings, which may impact your repayment plan. So, stay informed about any news regarding student loan policies.

- **Smart move:** Ask your advisor about strategies for managing your student loan payments alongside your other financial goals. Their insights may help you balance debt repayment with saving and investing.
- **Quick action:** Look over your student loan terms and payment schedule, noting any changes since payments resumed.

8) Plan Your Legacy

Take time to update your estate plan. This includes reviewing your will, trusts, beneficiary designations, and other estate-planning documents. If you're planning to leave a significant inheritance to your children, consider discussing financial literacy with them.

- **Smart move:** Ask your advisor about potential changes to estate tax laws and how they might affect your plan. If changes are needed, follow up with an estate planning attorney or legal professional to help ensure that your wishes are carried out efficiently.

- **Quick action:** Review beneficiary designations on all accounts and insurance policies to ensure that they're correct.

Remember, these are general guidelines, and everyone's financial situation is unique. It's crucial to discuss your specific circumstances with your financial advisor and tax professional. Don't hesitate to ask questions—that's what we're here for! Feel free to contact us to schedule a meeting and prepare to make 2025 your most strategic financial year yet.

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5 FINANCIAL HABITS FOR LONG-TERM SUCCESS

In the world of personal finance, it's not just about how much you earn; it's about how you manage what you have. Whether you're fresh out of college, eyeing retirement, or somewhere in between, developing strong financial habits is critical for long-term success. This article will explore five key moves that can help you build wealth, reduce financial stress, and achieve your long-term goals. Although they aren't quick fixes, you'll be amazed at how they can positively affect your financial future if you stick with them.

Put Savings and Investments on Autopilot

You've heard this before, but don't dismiss it as a cliché: pay yourself first. This means setting up automatic transfers from your checking account to your savings and investment accounts as soon as you get your paycheck. Begin by logging in to your online banking platform and setting up recurring transfers. You can start small—even 5 percent is worthwhile—and gradually increase the percentage over time. If your employer offers a 401(k) match, ensure that you're contributing enough to take full advantage of this free money. Remember, even small, consistent contributions can grow significantly over time due to compound interest.

Cut Back on Impulse Purchases

That late-night online shopping scroll that somehow ends with a cart full of stuff you didn't know you "needed" isn't helping you reach your money goals. To reel in impulse purchases, try setting aside a cooling-off period for nonessential items you're considering buying. Instead of purchasing, add them to a wish list on your phone or to a Post-it Note—and keep it out of your cart. Then, give it a day or two. That "must-have" item might seem unnecessary after 24 hours. You can also try the 30-day rule for larger purchases, giving yourself a full month to decide if it's worth the cost. You may realize you didn't need it that much.

Track Your Spending

To make informed money decisions, you need to know where your cash is going. Keeping track of spending helps you figure out where you can cut back and increase the funds you put toward your goals. Start by choosing a way to record your purchases, whether it's a budgeting app, a spreadsheet, or just an old-fashioned notebook. Record every expense, no matter how small, for one month. Then, go over your spending patterns and figure out where you can make cuts. You might find some surprises, like buying coffee, snacks, or a daily lunch salad add up to a vacation's worth of cash over time. Use this information to create a practical, goal-centered budget, and continue tracking to ensure that you're sticking to it.

Get Familiar with Your Credit Report

Your credit score affects everything from loan approval to interest rates, so it's a major factor in your financial life. Make it a habit to check your credit report regularly to catch errors and find ways to improve your score.

Hot tip

Every 12 months, you're entitled to one free credit report by mail from each of the three major credit bureaus (Equifax, Experian, and TransUnion) through annualcreditreport.com. If you set a reminder to request one report every four months, you'll have a year-round overview of your credit. You can also receive free weekly online credit reports through the same site. What should you be on the lookout for? Any unfamiliar accounts, incorrect balances, or payments that mistakenly show they were late. If you find issues, file a dispute with the credit bureau as soon as possible. Regularly monitoring your credit can also help you discover identity theft early.

Stick to It

It's not always fun or easy to stick to a financial plan, but consistency is critical when it comes to money matters. Developing discipline helps you stay on track, even when you spot a great sale or find a must-have collector's item. Start by setting clear, achievable goals. Write them down and keep them somewhere you'll see them often, like your fridge or as a phone background. Break larger goals into smaller, manageable steps. If you want to save \$5,000 for an emergency fund, for instance, set monthly or weekly savings targets. Create accountability by sharing your goals with a trusted friend or family member. When you're feeling discouraged or tempted, remind yourself that your long-term financial success is worth it.

Developing strong financial habits is a marathon, not a sprint. It's about making small, smart choices each day. It requires patience, persistence, and a willingness to learn from both successes and setbacks. Start by choosing one or two habits to focus on, and gradually incorporate the others as you become more comfortable.

As always, we're here to help you reach your goals. Feel free to reach out for more information or advice on how to adopt these habits for a more financially secure future. can do immediately to get started.

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UPCOMING EVENTS:

Once again, Moldenhauer & Associates is going to do our part to give the many disadvantaged children in WNY a very Merry Christmas. Please consider donating to this worthwhile cause. When you enter our waiting area, **from November 1st through December 11th**, you will see a Toys For Tots display that is sponsored by the Marine Corps Reserve of WNY.

If you're coming in for a scheduled appointment with one of our financial advisors, or if you just happen to be in the neighborhood, please make it a point to stop by and add a new, unwrapped toy to the barrel. The Christmas season is one of good will and cheer. Help us do our part to send the spirit of Christmas to as many children as we can. Let us all make a difference that counts.



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