



MOLDENHAUER ASSOCIATES

SEPTEMBER NEWSLETTER

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As it is mid-August 2022, I am beginning to put together the September Newsletter. Summers go faster with each passing year. I am sure we all feel that way.

Kathy and I have spent this summer on the lake, as we have for the past 9 years. We've seen several old friends and we were able to spend time with our grandchildren, which was nice. We've even made a few new friends.

The early August markets seem to be moving in a positive direction. Perhaps the old adage that I have addressed in the past is accurate. The markets lead us into a recession, and they often lead the way out.

We continue working on improving the office facility to accommodate client needs. Lately, we've improved access from the parking lot with new sidewalks and we added a back-up generator to minimize any power problems, which Orchard Park has had its share of in the past. The landscaping is finally done and a few of the large trees have been removed.

Please remember that if you are arriving at the office and need assistance entering the building, please call and one of our staff will be there to assist you.

We still (and will continue) to practice careful surface cleaning before each client meeting. If you feel more comfortable wearing a "mask", ask your advisor to respect your preference and wear one too. Your safety and comfort are our number one priority. Despite everyone's best efforts, we hear of people contracting the latest version of COVID. From personal experience, we've learned to be careful, test periodically, and understand that if a family member gets it, quarantine, protect the non-infected and stay home a few days, as per the latest government edict.

I am wrapping this edition up while on a plane headed to Montana for a few days. Today, my 4 a.m. flight was canceled and I was provided no options. Then I discovered a flight at 11:45 a.m. from Rochester. Kathy, in her kindness, rushed me to Fredrick Douglas Airport in Rochester. That flight left an hour late for Charlotte. Of course, the flight from Charlotte was leaving late for Dallas. When we got to Dallas (late), the departure ramp would not work for 30 minutes. After departing the plane in Dallas, I waited for 3 hours to get the plane to Billings, Montana. I arrived an hour late in Billings. That made for a perfect day for American Airlines. A cancelation, 3 delayed flights and then a 2-hour flight to the place we'll stay for a few days of fishing.

Perhaps, I'll share the results of the trip in next month's post.

A flight that was to total 6 ½ hours took over 16 hours and nobody seemed to think it was out of the ordinary, except every passenger I happened to overhear. It's crazy to see what can happen to a one-time efficient industry.

Next trip, I'll drive.

Let's hope the economy and markets are straightening out or at least returning to more normalcy.

Richard Moldenhauer

Richard Moldenhauer





PLANNING FOR RETIREMENT WHEN YOU ARE SINGLE

If you aren't married, you should consider these potential expenses & needs.

How does retirement planning differ for single people?

At a glance, there would seem to be no difference in the retirement saving effort of an individual versus the retirement saving effort of a couple: start early, save consistently, and use vehicles that allow tax-advantaged growth and compounding of invested assets.

On closer inspection, differences do appear – factors that single adults should pay attention to while planning for the future.

Retirement savings must be built off one income.

Unmarried adults should save for retirement early and avidly. Most couples have the luxury of creating retirement nest eggs from either or both of two incomes. They can plan to build wealth with a degree of flexibility and synchronization that is unavailable to a single saver. So when it comes to building retirement assets, a single adult has to start early, save big and never let up, as there is no spouse around to help in the effort and only one income from which savings can emerge.

The Social Security claiming decision takes on more importance.

An unmarried person's Social Security benefits are calculated off his or her lifetime earnings record. Simple, cut and dried.¹

Married people, however, have an option that the unmarried lack. Once their spouses begin to collect Social Security, they have a chance to claim a spousal benefit as early as age 62 rather than wait for benefits based solely on their own earnings. In fact, they may be able to claim this spousal benefit at age 62 even if they are widowed or divorced. If they are caring for a son or daughter from that marriage who is also receiving some form of Social Security benefits, they may be eligible for a spousal benefit before age 62.^{2,3}

All this means that a couple can potentially rely on two Social Security incomes before both spouses reach what the program deems full retirement age. An unmarried person cannot exploit that opportunity, so the decision to claim Social Security early at reduced monthly benefits or postpone claiming to receive greater benefits becomes critical.

An unmarried person may someday have a huge need for long term care insurance.

If there are no adult children or spouse around to serve as caretakers in the event of a debilitating mental or physical breakdown, an unmarried individual may eventually become destitute from costs linked to that sad consequence. LTC coverage is growing more expensive and fewer carriers are offering it these days, so many married baby boomers are wondering if it is really worth the expense; in the case of a single, unmarried baby boomer retiring solo, it may be.

Housing is often the largest expense for the unmarried.

In an ideal world, a single adult could pay half of the monthly housing expense of a married couple. That seldom happens. Relatively speaking, housing costs usually consume much more of a sole individual's income than the income of a couple. This is true even early in life: according to Bureau of Labor Statistics data, married folks in their late twenties spend \$7,200 per person less on housing expenses annually. So a single person would do well to find ways to cut down housing expenses, as this frees up more money that can be potentially assigned to retirement saving.¹

Saving when single presents distinct challenges.

In fact, saving for retirement (or any other financial goal) as a single, unmarried person is often more challenging than it is for a married couple – especially in light of the fact that spouses are given some distinct federal tax advantages. Still, the effort must be made. Start as early as you can, and save consistently.

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Citations.

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- 2 - oregonlive.com/business/index.ssf/2015/09/dont_miss_out_on_spousal_socia.html [9/21/15]
- 3 - ssa.gov/planners/retire/applying6.html [9/24/15]

5 RETIREMENT CONCERNS TOO OFTEN OVERLOOKED

Baby boomers entering their "second acts" should think about these matters.

Retirement is undeniably a major life and financial transition.

Even so, baby boomers can run the risk of growing nonchalant about some of the financial challenges that retirement poses, for not all are immediately obvious. In looking forward to their "second acts," boomers may overlook a few matters that a thorough retirement strategy needs to address.

RMDs.

The Internal Revenue Service directs seniors to withdraw money from qualified retirement accounts after age 72. This class of accounts includes traditional IRAs and employer-sponsored retirement plans. These drawdowns are officially termed Required Minimum Distributions (RMDs).¹

Taxes.

Speaking of RMDs, the income from an RMD is fully taxable and cannot be rolled over into a Roth IRA. The income is certainly a plus, but it may also send a retiree into a higher income tax bracket for the year.¹

Retirement does not necessarily imply reduced taxes. While people may earn less in retirement than they once did, many forms of income are taxable: RMDs; investment income and dividends; most pensions; even a portion of Social Security income depending on a taxpayer's total income and filing status. Of course, once a mortgage is paid off, a retiree loses the chance to take the significant mortgage interest deduction.²

Health care costs.

Those who retire in reasonably good health may not be inclined to think about health care crises, but they could occur sooner rather than later – and they could be costly. A report by HealthView Services found that even with additional insurance coverages such as Medicare Part D, Medigap, and dental insurance, a healthy 65-year-old couple can expect to pay almost \$208,000 out-of-pocket for their healthcare expenses.³

Eldercare needs.

Those who live longer or face health complications will probably need some long-term care. One month's stay in a private room in a nursing home costs an average of \$9,000 nationally, so it's important to consider these when preparing for retirement. Long-term care insurance is expensive, though, and can be difficult to obtain.⁴

One other end-of-life expense many retirees overlook: funeral and burial costs. Preparing to address this expense may help surviving spouses and children.

Rising consumer prices.

Historically, healthcare costs inflation has risen between 1.5-2 times the Consumer Price Index. For a 65-year-old couple, this equates to an additional projected \$85,917 in lifetime retirement healthcare costs. Retirees would be wise to invest in a way that gives them the potential to keep up with increasing consumer costs.⁵

As part of your preparation for retirement, give these matters some thought.

Enjoy the here and now, but recognize the potential for these factors to impact your financial future.

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Citations.

- 1 - thebalance.com/required-minimum-distributions-2388780 [1/14/22]
- 2 - <https://www.investopedia.com/articles/retirement/12/will-you-pay-taxes-during-retirement.asp> [7/31/22]
- 3 - <https://hvsfinancial.com/wp-content/uploads/2020/12/2021-Retirement-Healthcare-Costs-Data-Report.pdf> [2021]
- 4 - <https://www.genworth.com/aging-and-you/finances/cost-of-care.html> [2022]
- 5 - <https://hvsfinancial.com/wp-content/uploads/2022/03/HVS-Data-Report-Brief-0312222.pdf> [2022]

UPCOMING EVENTS:

Our upcoming seminars are at:

The Roycroft Inn

Thursday, October 13, 2022 at 6 p.m.
40 S Grove Street
East Aurora, NY 14052

The Orchard Park Country Club

Thursday, October 20, 2022 at 6 p.m.
4777 S Buffalo Street
Orchard Park, NY 14127

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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