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MOLDENHAUER & ASSOCIATES

MARCHNEWSLETTER

Editor: Richard C. Moldenhauer, CLU, CEP, RFC *Chartered Financial Consultant*

With a good part of winter behind us, a good part of the senior population has been vaccinated. Hopefully, society will begin safely reopening. It has been a brutal winter for much of the country, but as we get into March, perhaps we will see more sunshine.

Our office is getting back to normal activity. Our staff is fully back at the office and we hope there will be no more "moving to remote work". Soon we will be focusing more on creating a brighter tomorrow for clients and staff. We hope that your family's life is beginning to normalize.

In the February Newsletter, I mentioned I would discuss a few issues related to the pending tax regulations. None of this is good for anyone who works, has worked, or will work to improve the lives of those they love. The more the government promises to some people, the more it must take from others. Someone will pay. For that reason, people will need to begin doing more "defensive financial planning". One of the areas to think about is "estate planning". Several years ago, the exemption for federal taxation was increased. With that, most people assumed that they no longer needed to be concerned with estate taxation. Those times are going to be behind us before the end of 2021.

Many years ago, when I first met a prospective client, I would suggest that the first planning to be concerned with is estate planning. If you have accumulated a reasonable amount in your retirement account, own a home and a few other assets, you must be concerned about "terminal taxation".

If you own a successful business, the potential tax will be 30-50% of the businesses value. The government does not want buildings, land, machinery, receivables, or good will. They want cash, and they want it within 9 months.

For those folks who did planning a few years back, congratulations. Be certain to update things this year.

One example that comes to mind is a husband and wife that built a modest real estate empire. She died first and left everything to him. He died soon thereafter. They had done poor planning. After the 2nd death, the $10 million in real estate had to be liquidated to pay the taxes. $10 Million quickly became $6 Million. Then the government demanded almost $5 Million in taxes. The fact that things had been liquidated to raise cash did not devalue the original estate for tax purposes.

They had worked a lifetime to leave $1 million to their nieces and nephews. The government only wanted the money not the buildings.

I believe that the coming changes in taxation can be even more confiscatory than past laws. Be prepared; be careful.

While the markets have been performing well, do not assume that it will be smooth sailing in 2021. There is a very strong chance that we'll see substantial volatility as the year progresses. Be sure you set up and keep regular review meetings with your advisor. If, for some reason, and there have been many, you have fallen of the routine review schedule, get back on schedule. This is important if you want positive results. Call the office and get back on schedule.

If you have questions related to estate planning or business planning, send them to info@moldenhauerassociates.com and they will get to me. I will respond.

Richard Moldenhauer

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RETIREMENT QUESTIONS THAT HAVE NOTHING TO DO WITH MONEY

Think about these factors before you leave work for the last time.

Retirement planning is not entirely financial.

Your degree of happiness in your "second act" may depend on some factors that don't come with an obvious price tag. Here are some non-monetary factors to consider as you plan your retirement.

What will you do with your time?

Too many people retire without any idea of what their retirement will look like. They leave work, and they cannot figure out what to do with themselves, so they grow restless. It's important to identify what you want your retirement to look like and what you see yourself doing. Maybe you love your career, and can't imagine not working during your retirement. There's no hard and fast rule to your dream retirement, so it's important to be honest with yourself. An EBRI retirement confidence survey shows that almost 74% of retirees plan to work for pay, whereas just 27% of retirees report that they've actually worked for pay.[1]

While this concept doesn't have a monetary value, having a clear vision for your retirement may help you align your financial goals. It's important to remember that your vision for retirement may change—like deciding you don't want to continue working after all.

Where will you live?

This is another factor in retirement happiness. If you can surround yourself with family members and friends whose company you enjoy, in a community where you can maintain old friendships and meet new people with similar interests or life experience, that is a definite plus. If all this can occur in a walkable community with good mass transit and senior services, all the better. Moving away from the life you know to a spread-out, car-dependent suburb where anonymity seems more prevalent than community may not be the best decision for you.

How are you preparing to get around in your eighties and nineties?

The actuaries at Social Security project that the average life expectancy for men is 84 years old, and the life expectancy for women is 86.5 years. Some will live longer. Say you find yourself in that group. What kind of car would you want to drive at 85 or 90? At what age would you cease driving? Lastly, if you do stop driving, who would you count on to help you go where you want to go and get out in the world?[2]

How will you keep up your home?

At 45, you can tackle that bathroom remodel or backyard upgrade yourself. At 75, you will probably outsource projects of that sort, whether or not you stay in your current home. You may want to move out of a single-family home and into a townhome or condo for retirement. Regardless of the size of your retirement residence, you will probably need to fund minor or major repairs, and you may need to find reliable and affordable sources for gardening or landscaping.

These are the non-financial retirement questions that no pre-retiree should dismiss. Think about them as you prepare and invest for the future.

Richard Moldenhauer may be reached at 716-662-4361.
Provided by Richard C. Moldenhauer, CLU, CEP, RFC, ChFC

Citations.

1. EBRI/Greenwald Retirement Confidence Survey, 2020

2. SSA.gov, 2021

2020 IRA DEADLINES ARE APPROACHING

Here is what you need to know.

Financially, many of us associate April with taxes – but we should also associate December with important IRA deadlines.

December 31, 2021 is the deadline to take your Required Minimum Distribution (RMD) from certain individual retirement accounts.

April 15, 2021 is the deadline for making annual contributions to a traditional IRA, Roth IRA, and certain other retirement accounts.[1]

Some people may not realize when they can make their IRA contribution. You can make a yearly IRA contribution between January 1 of the current year and April 15 of the next year. Accordingly, you can make your IRA contribution for 2020 any time from January 1, 2020 to April 15, 2021.[2]

Thanks to the SECURE Act, traditional IRA owners can now contribute to their IRAs past age 72 as long as they have taxable income.

If you are making a 2020 IRA contribution in early 2021, you must tell the investment company hosting the IRA account for which year you are contributing. If you fail to indicate the tax year that the contribution applies to, the custodian firm may make a default assumption that the contribution is for the current year (and note exactly that to the I.R.S.).

So, write "2021 IRA contribution" or "2020 IRA contribution," as applicable, in the memo area of your check, plainly and simply. Be sure to write your account number on the check. If you make your contribution electronically, double-check that these details are communicated.

Richard Moldenhauer may be reached at 716-662-4361.
Provided by Richard C. Moldenhauer, CLU, CEP, RFC, ChFC

Citations.

1. irs.gov, November 23, 2020

2. irs.gov, November 10, 2020

CHARITABLE DEDUCTIONS FOR THOSE WHO USE THE STANDARD DEDUCTION

Many people use the Standard Deduction when they file their tax returns. Many of these people donate money to charities. Unfortunately, if they are using the Standard Deduction, they can not take a deduction for their charitable contributions.

Here is an idea that that may be worth your consideration. If you use the Standard Deduction and are taking Required Minimum Distributions from your IRA's, you may not be benefiting from a tax deduction for your charitable contributions.

If you make a slight change, you may be able to take advantage of the deduction. Instead of having your RMD sent to you, have the contribution directed from your IRA to the charity or charities.

If you do it this way, the contribution satisfies the RMD requirement. You do not have constructive receipt the RMD, so it is not added to your taxable income. This means you have a lower taxable income, thus paying less tax.

You benefit in two ways. You get the charitable deduction, and you pay less federal income tax, as well as, possibly, reduce your state income tax.

Please talk to your tax preparation people to verify that this tax deduction technique might save you significant money.

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ECONOMIC PREDICTIONS: WHAT LIES AHEAD?

Here's what the financial forecast may have in store.

It can be easy to overlook the nation's solid economic fundamentals when the financial media splashes stories every day about an army of amateur traders, short-selling mania, and initial public offerings (IPOs) that double in price on the first day of trading.

But a recent survey by The Wall Street Journal showed just how upbeat economists are about 2021.[1]

Here's a quick summary of the highlights:

Increased projected economic expansion.

Economists now expect the economy to expand by 4.9% this year, an increase from their estimate of 4.3% last month. The forecast has brightened due to the distribution of COVID-19 vaccinations and the prospect of additional fiscal relief.

They are less optimistic about employment.

The group sees 4.8 million jobs to be added this year, versus a January 2021 forecast of 5 million. There is an ongoing worry that jobs may take longer to return to certain industries, such as leisure, airlines, and restaurants.[2]

Brace for higher inflation.

They project a 2.8% increase in consumer prices in June 2021 compared with a year earlier.

Decreased chance of an economic downturn.

The economists believe there is a 17.5% chance of an economic downturn in the next 12 months, an improvement from the 21.2% risk estimate in January. Vaccines and the prospect for new federal spending are driving the optimism.

While the consensus is upbeat about 2021, it's important to remain vigilant as economic trends unfold this year. An outside force can cause a sudden shift in sentiment, which is why we monitor surveys like the one conducted by The Wall Street Journal.

Keep us in mind as you read information about the economy. We'd welcome the opportunity to hear your thoughts.

Richard Moldenhauer may be reached at 716-662-4361.
Provided by Richard C. Moldenhauer, CLU, CEP, RFC, ChFC

Citations.

1. The Wall Street Journal, February 11, 2021

2. S&P Global Market Intelligence, September 21, 2020

STAYING INVOLVED, STAYING ACTIVE

No matter where you are in life you must have a reason to get up in the morning. To many of you who are busy with family and work this may sound unnecessary to think about.

Whenever I felt overwhelmed, I remembered that the leaders of countries, the leaders of the biggest businesses, the most prolific artists and writers accomplish great things by staying involved and challenging themselves every day.

I bet that many of you started the year with a list of things you wanted to accomplish. Perhaps you have lost the list already. Find it and get back on track.

Not only will adding new goals to your life start you moving forward, staying active will make you healthier and you will live a longer more fulfilling life.

Think about reading more books, learning and perfecting new skills, making new friends, and getting more involved.

As I write this, I am inspired by many people. One of my best friends is slowly winding down the business he has successfully managed for over 40 years. Two years ago, he started getting up at 5 a.m. and writing. Thus far, he has had 3 books published. I have read 2 and they were great.

You never know what you can do until you challenge yourself.

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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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