6195 W. Quaker St., Orchard Park, NY 14127 // 716.662.4361
www.moldenhauerassociates.com

MOLDENHAUER & ASSOCIATES

NOVEMBERNEWSLETTER

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

END-OF-THE-YEAR MONEY MOVES P.2
THE FIRST RMD FROM YOUR IRA P.3
NOVEMBER SEMINARS P.4

Making the most of our time on this earth concerns most of us. How do we make progress? What is progress for me? How do I get ahead? Is there a better way? Am I happy with what I have achieved? These are questions each of us considers from time to time. We cannot avoid it, because we are human.

I have a friend, his name is Jim. I have only met Jim once, but I have mentored Jim through one of his life's biggest challenges. Like me, Jim developed an idiopathic lung illness and he was at a point of no return. Either have a transplant or face a painful end in the near future. After talking it through, Jim went to Duke to see if he was a candidate for Duke's transplant program. After his visit to Duke, Jim decided to proceed. This started a year long period of preparation, operation, and recovery. It went well for Jim. We have been in regular contact every few weeks. He just returned from a trip to Wyoming where he was able to deal with the highest altitudes in comfort. It had been years since he had been able to do that. Why did I share this with you? Because, for me, this is one way I measure my progress. Whether it is helping a friend, a stranger, or a client, this gives me some joy. These little shots of adrenalin help me as much as they do the people I know. For many people, when the kids are grown and on their own, a portion of the reason to get up and out each day changes. Staying involved may be one of the keys to a healthy longer life.

Let me bring this brief story back to our mission at Moldenhauer & Associates. When I meet with a new client, I always say that what they get from a relationship is our most important concern. If we bring no value, we do not deserve the client's trust and business. We make commitments to clients, but the client must be committed too. We will attempt to bring clarity and understanding to an ongoing relationship. A relationship built on mutual respect and consideration. We want to meet with clients on a regularly scheduled basis, but we are also willing to meet when the client perceives an immediate need. Usually, a regularly scheduled meeting helps the client stay on top of their planning and often eliminates the worry that is so common. Unlike the majority of planners, we see our mission as ongoing service, not sales. Yes, we want the client's business and the client's referrals, but we also believe that our ongoing concern and involvement with and on behalf of the client is the key to the value we hope to deliver. Yes, the differentiation is our commitment, which has been demonstrated by our practice, to stay with the client through the good and bad that the economic times may bring. If you are a client who has, for some reason, fallen off the routine service system, please reconnect and get back on a regular schedule. Like my dentist always says, if you take the time to care for your teeth, your teeth will take care of you.

As I get ready to close, let me share a new hobby that some of you might consider. A couple years ago, one of my sons bought me a "litter picker-upper". I now occasionally walk up and down the road picking up discarded items that careless people discard. I know this is crazy, but every time I do this, I not only clean up a bunch of ugly trash, but I feel really good when I am done. So if you're bored, or just want to do something nice, try my new hobby out.

Thanksgiving will be here soon. The holiday always gives us a chance to appreciate what we have – friendships, relationships, and a sense of togetherness. These gifts are priceless.

This holiday is also an appropriate time for Moldenhauer & Associates to thank you – for choosing us as your trusted financial professionals and for allowing us to get to know you and help you as you pursue your goals.

We hope that this year's Thanksgiving brings you some beautiful memories. Moldenhauer & Associates wishes you a great Thanksgiving and a wonderful holiday season.

Richard Moldenhauer

Richard Moldenhauer

END-OF-THE-YEAR MONEY MOVES

Here are some things you might consider before saying goodbye to 2019.

What has changed for you in 2019?

Did you start a new job or leave a job behind? Did you retire? Did you start a family? If notable changes occurred in your personal or professional life, then you will want to review your finances before this year ends and 2020 begins.

Even if your 2019 has been relatively uneventful, the end of the year is still a good time to get cracking and see where you can manage your tax bill and/or build a little more wealth.

Keep in mind this article is for informational purposes only and is not a replacement for real-life advice. Please consult your tax, legal and accounting professionals before modifying your tax strategy.

Do you practice tax-loss harvesting?

That is the art of taking capital losses (selling securities worth less than what you first paid for them) to offset your short-term capital gains. You might want to consider this move, which may lower your taxable income. It should be made with the guidance of a financial professional you trust.[1]

In fact, you could even take it a step further. Consider that up to $3,000 of capital losses in excess of capital gains can be deducted from ordinary income, and any remaining capital losses above that can be carried forward to offset capital gains in upcoming years. When you live in a high-tax state, this is one way to defer tax.[1]

Do you want to itemize deductions?

You may just want to take the standard deduction for 2019, which has ballooned to $12,200 for single filers and $24,400 for joint filers because of the Tax Cuts & Jobs Act. If you do think it might be better for you to itemize, now would be a good time to get the receipts and assorted paperwork together. While many miscellaneous deductions have disappeared, some key deductions are still around: the state and local tax (SALT) deduction, now capped at $10,000; the mortgage interest deduction; the deduction for charitable contributions, which now has a higher limit of 60% of adjusted gross income; and the medical expense deduction.[2,3]

Could you ramp up 401(k) or 403(b) contributions?

Contribution to these retirement plans may lower your yearly gross income. If you lower your gross income enough, you might be able to qualify for other tax credits or breaks available to those under certain income limits. Note that contributions to Roth 401(k)s and Roth 403(b)s are made with after-tax rather than pre-tax dollars, so contributions to those accounts are not deductible and will not lower your taxable income for the year.[4,5]

Are you thinking of gifting?

How about donating to a qualified charity or non-profit organization before 2019 ends? Your gift may qualify as a tax deduction. You must itemize deductions using Schedule A to claim a deduction for a charitable gift.[4,5]

While we're on the topic of estate strategy, why not take a moment to review your beneficiary designations? If you haven't reviewed them for a decade or more (which is all too common), double-check to see that these assets will go where you want them to go, should you pass away. Lastly, look at your will to see that it remains valid and up-to-date.

Can you take advantage of the American Opportunity Tax Credit?

The AOTC allows individuals whose modified adjusted gross income is $80,000 or less (and joint filers with MAGI of $160,000 or less) a chance to claim a credit of up to $2,500 for qualified college expenses. Phase-outs kick in above those MAGI levels.[6]

See that you have withheld the right amount.

If you discover that you have withheld too little on your W-4 form so far, you may need to adjust your withholding before the year ends.

What can you do before ringing in the New Year?

Talk with a financial or tax professional now rather than in February or March. Little year-end moves might help you improve your short-term and long-term financial situation.

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

Find us on Facebook

THE FIRST RMD FROM YOUR IRA

What you need to know.

When you reach age 70½, the Internal Revenue Service instructs you to start making withdrawals from your traditional IRA(s). These withdrawals are also called Required Minimum Distributions (RMDs). You will make them, annually, from now on.[1]

If you fail to take your annual RMD or take out less than the required amount, the I.R.S. will notice. You will not only owe income taxes on the amount not withdrawn, you will owe 50% more. (The 50% penalty can be waived if you can show the I.R.S. that the shortfall resulted from a "reasonable error" instead of negligence.)[1]

Many IRA owners have questions about the rules related to their initial RMDs, so let's answer a few.

How does the I.R.S. define age 70½?

Its definition is pretty straightforward. If your 70th birthday occurs in the first half of a year, you turn 70½ within that calendar year. If your 70th birthday occurs in the second half of a year, you turn 70½ during the subsequent calendar year.[2]

Your initial RMD has to be taken by April 1 of the year after you turn 70½. All the RMDs you take in subsequent years must be taken by December 31 of each year.[1]

So, if you turned 70 during the first six months of 2020, then you will be 70½ by the end of 2020, and you must take your first RMD by April 1, 2021. If you turn 70 in the second half of 2020, then you will be 70½ in 2021, and you won't need to take that initial RMD until April 1, 2022.[1]

Is waiting until April 1 of the following year to take my first RMD a bad idea?

The I.R.S. allows you three extra months to take your first RMD, but it isn't necessarily doing you a favor. Your initial RMD is taxable in the year that it is taken. If you postpone it into the following year, then the taxable portions of both your first RMD and your second RMD must be reported as income on your federal tax return for that following year.[2]

An example: James and his wife Stephanie file jointly, and they earn $78,950 in 2019 (the upper limit of the 22% federal tax bracket). James turns 70½ in 2019, but he decides to put off his first RMD until April 1, 2020. Bad idea: this means that he will have to take two RMDs before 2020 ends. So, his taxable income jumps in 2020 as a result of the dual RMDs, and it pushes the pair into a higher tax bracket for 2020 as well. The lesson: if you will be 70½ by the time 2019 ends, take your initial RMD by the end of 2019 – it might save you thousands in taxes to do so.[3]

How do I calculate my first RMD?

I.R.S. Publication 590 is your resource. You calculate it using I.R.S. life expectancy tables and your IRA balance on December 31 of the previous year. For that matter, if you Google "how to calculate your RMD," you will see links to RMD worksheets at irs.gov and a host of other free online RMD calculators.[1,4]

If your spouse is more than 10 years younger than you and happens to be designated as the sole beneficiary for one or more of the traditional IRAs that you own, you should use the I.R.S. IRA Minimum Distribution Worksheet (downloadable as a PDF online) to help calculate your RMD.[5]

If your IRA is held at one of the big investment firms, that firm may calculate your RMD for you and offer to route the amount into another account of your choice. It will give you and the I.R.S. a 1099-R form recording the income distribution and the amount of the distribution that is taxable.[6]

When I take my RMD, do I have to withdraw the whole amount?

No. You can also take it in smaller, successive withdrawals. Your IRA custodian may be able to schedule them for you.[7]

What if I have more than one traditional IRA?

You then figure out your total RMD by calculating the RMD for each traditional IRA you own, using the IRA balances on the prior December 31. This total is the basis for the RMD calculation. You can take your RMD from a single traditional IRA or multiple traditional IRAs.[1]

What if I have a Roth IRA?

If you are the original owner of that Roth IRA, you don't have to take any RMDs. Only inherited Roth IRAs require RMDs.[7]

Be proactive when it comes to your first RMD.

Putting off the initial RMD until the first quarter of next year could mean higher-than-normal income taxes for the year ahead.[2]

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

Citations.

1 - irs.gov/Retirement-Plans/Retirement-Plans-FAQs-regarding-Required-Minimum-Distributions [6/18/19]

2 - kiplinger.com/article/retirement/T045-C032-S014-avoid-the-5-biggest-ira-rmd-mistakes.html [7/9/18]

3 - taxfoundation.org/2019-tax-brackets/ [11/28/18]

4 - google.com/search?client=firefox-b-1-d&q=how+to+calculate+your+RMD [9/17/19]

5 - irs.gov/pub/irs-tege/jlls_rmd_worksheet.pdf [9/17/19]

6 - finance.zacks.com/everyone-ira-1099r-4710.html [3/6/19]

UPCOMING EVENTS:

Our November seminars are at:

Panes Restaurant	Bobby J's Italian American Grille
Tuesday, November 12, 2019 at 6 p.m.	Wednesday, November 13, 2019 at 6 p.m.
984 Payne Avenue	204 Como Park Blvd.
North Tonawanda, NY 14120	Cheektowaga, NY 14227

We encourage clients who live in the area to introduce potential clients to our firm by bringing a friend to one of our seminars. These are informational and educational events. We are not there to convince people that we are the only firm to consider. Rather, we believe our firm offers a quality opportunity for people looking for a new advisor. Please attend a seminar in your neighborhood with a friend.

Richard Moldenhauer is a representative with Commonwealth Financial Network. Call him at 716-662-4361.

Securities and advisory services offered through Commonwealth Financial Network, Member FINRA/SIPC, a Registered Investment Advisor, Fixed Insurance products and services offered through Moldenhauer and Associates.