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MOLDENHAUER & ASSOCIATES

JANUARYNEWSLETTER

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

I decided to start working on the January 2021 Newsletter just before Thanksgiving 2020. When I wrote the November 2020 letter, I thought we were finally climbing out of the bowels of Corona Virus. I was wrong. I was premature. Our family has already canceled and modified Holiday 2020 plans. Just this past week I lost three friends and a couple of other people I know are going though complex scary medical crises. Our family is taking this very seriously.

The office has returned to having part of the staff working remotely on a rotating shift basis. I am hoping this is only a short-term retrenchment. It seems our politicians are just that. They don't lead, they respond and only when it benefits them personally.

As a "senior citizen", I make every effort to be cautious. I do this because I understand my risk factors and I want to protect those people I know and care about. The way the schools are being run today makes no sense unless your goal is to damage children. Kids are at almost no risk, as are any teachers under age 55. Those between 55 and normal retirement age have less than 1% risk. The damage being done is immeasurable and must be stopped.

Currently, most small business owners are in jeopardy. Many will survive and become stronger. Even more will not survive this pandemic and their businesses and personal lives will be destroyed. The big banks, the large internet providers, the main street media, those in government and their largess will gain an even stronger grip on the balance of society. Please support your local small retailers and be wary of social media and the internet, in general.

It is my hope that by the time you receive this publication that the vaccine is being distributed and the light at the end of this dark tunnel is visible.

Today, as I write my last entries for the January Newsletter, I am heartened to see that people are starting to be vaccinated. This morning I watched VP Pence and his wife get vaccinated. Perhaps, some of us will be eligible soon. This new information should help some of us continue forward with cautious optimism.

As I reflect over my adult life, which I hesitate to do, my clarity of hind-site becomes clearer. There are lessons to be learned from the challenges we face and endure. It will be one of my goals to address life's lessons in 2021 newsletters.

Let me start with the importance of PRINCIPLES. Be sure to check out the article on page #2 of this newsletter.
Before I go there let me mention a few things about what we, as a firm, accomplished in an extremely tough year 2020.

- We survived. We did not just survive; we grew more than the national average of similar firms across the Nation.
- We did not lay off any employee. We added one financial advisor trainee.
- All people working here had an increase in income despite the economy.
- While the firm normally does many educational seminars and workshops, we did none since the beginning of the pandemic. We will begin doing them when it is safe for presenters and attendees alike.
- We updated the 1st floor of the office building and took new and added steps to make client visits to the office safe.

We look forward to seeing you in 2021.

Richard Moldenhauer

Richard Moldenhauer

RETIREMENT BLINDSPOTS

Some life and financial factors that can sometimes be overlooked.

We all have our "blue sky" visions of the way retirement should be, yet our futures may unfold in ways we do not predict. So, as you think about your "second act," you may want to consider some life and financial factors that can suddenly arise.

You may end up retiring earlier than you expect.

If you leave the workforce at "full" retirement age (FRA), which is 67 for those born in 1960 and later, you may be eligible to claim "full" Social Security benefits. Working until 67 may be worthwhile because it will reduce your monthly Social Security benefits if you claim them between age 62 and your FRA.[1]

Now, do most Americans retire at 67? Not according to the annual survey from the Employee Benefit Research Institute (EBRI).

In EBRI's 2020 Retirement Confidence Survey, 16% of pre-retirees expected to retire between ages 66-69, and 31% thought they would retire at age 70 or later. The reality is different. In surveying current retirees, EBRI found that only 6% had worked into their seventies. In fact, 70% percent of them had left work before age 65, and 33% had retired before age 60.[2]

You may see retirement as an extension of the present rather than the future.

This is only natural, as we all live in the present – but the future will arrive. The costs you have to shoulder later in retirement may exceed those at the start of retirement. As you may be retired for 20 or 30 years, it is wise to take a long-term view of things.

You may have a health insurance gap.

If you retire before age 65, what do you do about health coverage? You may shoulder 100% of the cost.

Looking forward, you may need extended care, and it seems to get more expensive each year. Wealthy households may be able to "self-insure" against extended care, but many other households struggle. In Genworth's 2020 Cost of Care Survey, the median monthly cost of a semi-private room in a nursing home is $7,738. In California, it is $9,023; in Florida, $8,803.[3]

Suppose you become disabled or seriously ill, and working is out of the question. How do you make ends meet?

Age may catch up to you sooner rather than later.

You may stay fit, active, and mentally sharp for decades to come, but if you become mentally or physically infirm, you need to find people to trust to manage your finances.

You could be alone one day.

As anyone who has ever lived alone realizes, a single person does not simply live on 50% of a couple's income. Keeping up a house, or even a condo, can be tough when you are elderly. Driving can be a concern. If your spouse or partner is absent, will there be someone to help you in the future?

These are some of the blind spots that can surprise us in retirement.

They may quickly affect our money and quality of life. If you age with an awareness of them, you may have the opportunity to manage the outcome better.

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

The Roth IRA offers tax deferral on any earnings in the account. Withdrawals from the account may be tax free, as long as they are considered qualified. Limitations and restrictions may apply. Withdrawals prior to age 59 ½ or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Future tax laws can change at any time and may impact the benefits of Roth IRAs. Their tax treatment may change.

Citations.

1. Social Security Administration, December 1, 2020

2. Employee Benefit Research Institute, December 1, 2020

3. Genworth Cost of Care Survey, March 30, 2020

BUILDING A HEALTHY FINANCIAL FOUNDATION

How many pieces do you have in place?

When you read about money matters, you will sometimes see the phrase, "getting your financial house in order." What exactly does that mean?

When your financial "house is in order," it means it is built on a solid foundation.

It means that you have six fundamental "pillars" in place that are either crucial for sustaining your financial well-being or creating wealth.

#1: A savings account.

This is your Fort Knox: the place where you store and build the cash you may someday use for your biggest purchases. Savings accounts pay a modest interest rate. You should still consider having a savings account, even in today's low-interest rate environment. Banks and credit unions often limit the number and amount of withdrawals you can make from savings accounts per month.

#2: A checking account.

This is your go-to account for everyday expenses, whether you pay your bills digitally or the old-fashioned way. Checking accounts pay a modest interest rate. Some accounts may have minimum balance requirements, so it's best to closely read the new account information. Also, opening a checking account may lead to opening a credit card account at the same financial institution.

#3: An emergency fund.

This bank account helps you deal with the unexpected. You know that label you see on fire extinguisher boxes – "break glass in case of emergency?" Only in a financial emergency should you "break into" this account. What is a financial emergency? Everyone's definition varies, but examples include hospital bills, major car repairs, and unemployment.

#4: A workplace retirement plan account.

Some want to start saving for retirement as soon as possible. Workplace retirement plans offer you a convenient way to get started. In most of these plans, your contribution is made with pre-tax dollars.[1]

Money saved and invested in these accounts can compound, and the compounding may become greater with time. Consistent monthly investment is the "fuel" for your account.

Regular monthly investing does not protect against a loss in a declining market or guarantee a profit in a rising market. Individuals should evaluate their financial ability to continue making purchases through periods of declining and rising prices. The return and principal value of stock prices will fluctuate as market conditions change. Shares, when sold, may be worth more or less than their original cost.

#5: An Individual Retirement Arrangement (IRA).

This is a tax-advantaged retirement savings account that you own. There are traditional IRAs (up-front contributions are not taxed; retirement withdrawals are) and Roth IRAs (up-front contributions are taxed; retirement withdrawals are not, provided federal tax laws are followed).[2]

Mandatory annual withdrawals are required from traditional IRAs starting at age 72. The money distributed to you is taxed as ordinary income; if such distributions are taken before age 59½, they may be subject to a 10% federal income tax penalty. No mandatory annual withdrawals are required from Roth IRAs while the original owner lives. To qualify for the tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawal can also be taken under certain other circumstances, such as the owner's death. The original Roth IRA owner is not required to take minimum annual withdrawals.

Thanks to the SECURE Act, you may contribute to Roth and traditional IRAs all your life, as long as you meet the earned-income requirement for account contributions.[2]

#6: A taxable investing account.

This is also popularly called an investment account or brokerage account. Unlike an IRA or workplace retirement plan, the invested assets in these accounts are taxed each year. A taxable investing account gives you access to a wide range of investment products, which can help complement the other accounts in your financial foundation.

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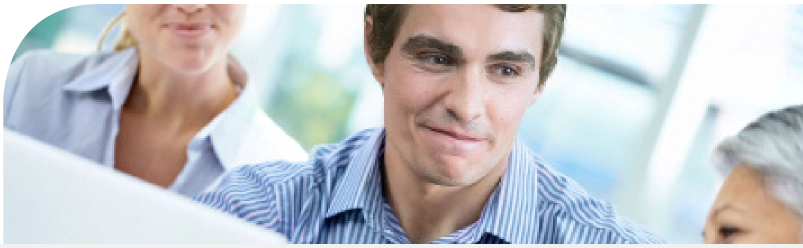
Citations.

1. Tax Policy Center, May 2020

2. Internal Revenue Service, November 10, 2020



MARKETS & MARRIAGE

How your investment strategy is like a long-term partnership.

Your investment strategy is a lot like a marriage. One day you may feel like everything's going swimmingly. The next day, there might be an argument over who forgot to load the dishwasher. And even the best marriages and partnerships have moments where one or both partners look around and go, "Is this as good as it gets?"

The stock market, much like a marriage, has days of ups and downs. Just look at what happened within the last few weeks. During the first week of December, the stock market jumped 200 points, only for that gain to disappear a week later.[1,2]

Investors cheered an upbeat consumer spending report, and stock prices rallied again when home sales stayed near a 14-year high. But the enthusiasm faded on mixed news about the job market, and selling continued on concerns about the rollout of the COVID-19 vaccine.[3]

Trying to make sense of the market and the economy during a pandemic is like trying to determine the health of a long-term relationship based on one day. The market may be fickle or have a roving eye, but it's important to remember that your investing strategy was created based on your goals, time horizon, and risk tolerance.

If you have any questions about what you're seeing in the news, please give us a call. We'd welcome the chance to hear your perspective on "what's next" for the economy.

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Citations.

1. CNBC.com, December 8, 2020

2. CNBC.com, December 2, 2020

3. WSJ.com, December 9, 2020

THE IMPORTANCE OF PRINCIPLES

Principles are the rules we, as individuals, live by. In my way of thinking, they can be compared to The Ten Commandments.

Another set of principles I learned as a youth occurred as a Boy Scout. I think they still apply. They are worth reading:

- The 12 Principles—A scout is trustworthy, loyal, helpful, friendly, courteous, kind, obedient, cheerful, thrifty, brave, clean, and reverent. These are values we can all live by regardless of age, wealth, health, education, political preference, religion, or national origin.
- The Scout Motto is simple: Be Prepared
- The Scout Oath: Duty to God and country; Duty to other people; and Duty to Self

I learned other sets of Principles along life's path, but even at my age, I come back to those I learned as a Scout.

You could lead your life by less worthy principles.

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