

# MOLDENHAUER & ASSOCIATES

## JANUARY NEWSLETTER

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As I was preparing to write my 2020 New Year's Newsletter, I was walking on my dock. The winds were blowing with gusts of 20+ miles per hour. I could not stop thinking about the good fortune we had experienced in 2019 and the goals and objectives as we look ahead to 2020. Earlier, we'd been at church and during the service I could not help but think of the friends we had lost in 2019 and those that were having serious health issues. As I walked, I kept thinking about how I might try to provide some positive inspiration to those who might take the time to read what I might write.

It is easy to get down a bit. Perhaps the last year was not what we'd hoped. 2020 is a fresh start. We can build on what went well and we can start over in areas that were not what we had hoped for.

An old friend, since departed, once said getting older is not for sissies. As we age, we learn the wisdom in that message. But life does not end at a certain age. Years ago, I was inspired by a senior local attorney whose driver delivered him to his office well into his mid-90's. My past personal physician was known as "the doctor's doctor". He practiced well into his 90's. At this writing, President Jimmy Carter still makes an impact in his community. Yet, I see people who are negative and discouraged even in their 50's. If you know someone who could use an emotional lift, say something kind and inspiring. You might be the person that helps them turn the corner.

Each year, like many people, I think about my achievements and my short comings of the previous year. I think about the things I wish I had accomplished but did not and I think about the things I might have done better. These semi-negative recollections are the seeds of the next year's objectives and goals. We are better off taking risks and failing than never trying. I know that if my world were to end, I'd want to leave challenges I'd attempted unaccomplished rather than not venturing the effort. Let me encourage you to bite off a bit more than you think you can chew. If you do not challenge yourself, you will never know what you might have accomplished. I know for some of you who may be more sophisticated than I am, this may sound a little "hokey". If you do not dream it, it just cannot happen. If you can imagine something, you can probably accomplish it. Write down your honest objectives and review your notes periodically. If you do this, you won't forget. If your falling behind, you can do something to catch up. If you don't look at your goals, you'll be like all the folks who set up resolutions and then accept failure.

We at Moldenhauer & Associates hope you can look back with pride and look forward with true optimism.

*Richard Moldenhauer*

Richard Moldenhauer

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## BUY-SELL AGREEMENTS FOR BUSINESSES

*Planning for your future and beyond.*

For most, creating an estate strategy is important to make sure your loved ones are taken care of after you're gone. But it may be just as important to have an estate strategy for your business. Whether you're a sole proprietor who will be passing on your business to your heirs or your business partners will take over for you, having a plan in place might ensure that your business legacy continues to live on.

One way to potentially safeguard a business is to create a buy-sell agreement. A buy-sell agreement is a contract between different entities within a corporation to buy out the interests of a deceased or disabled partner. A buy-sell agreement can also protect the business from loss of revenue and cover the expenses of finding and training a replacement.

When is the right time to implement a buy-sell agreement? While a buy-sell agreement can be put into place at any time, it often makes sense to set one up at a critical point in your business, such as bringing in a new partner.<sup>1</sup>

### Types of Buy-Sell Agreements

There are two main types of buy-sell agreements commonly used by businesses:

#### Cross-Purchase Agreement.

In a cross-purchase agreement, key employees have the opportunity to buy the ownership interest of a deceased or disabled key employee. Each key employee takes out a policy on each of the other key employees. Cross-purchase agreements tend to be used in smaller companies where there are not too many key employees to cover.

For example, if your business has 3 partners, each partner will take out two (2) cross-purchase agreements to cover the other partners, for a total of 6 cross-purchase agreements.

#### Stock-Redemption Agreement.

Stock-redemption agreements are formal agreements between each of the key employees — and the business itself — under which the business agrees to purchase the stock of the deceased or disabled key employees. Key employees agree to sell their shares to the company, often in exchange for a cash value.

These agreements establish a market value for a key employee's share of the company.<sup>2</sup>

### Funding a Buy-Sell Agreement

There are several options for funding a buy-sell agreement:

#### Set aside funds.

Money for a buy-sell agreement can be set aside, as long as it is easily accessible. These funds must be kept up for the life of the company and may present a temptation during fiscally tough times. The business owners must determine the appropriate amount needed to cover the cost of a buyout.

#### Borrow the needed amount.

A company can borrow enough to buy out a withdrawing key employee at the time of their death. However, the loss of the employee can often affect a company's ability to secure a loan, and the payments become an added stress on the business during an already difficult time.

#### Life Insurance.

Purchasing a life or disability policy in order to fund a buy-sell agreement is an option when preparing for the future. Using life insurance enables a buy-sell agreement to be funded with premium payments and attempts to ensure that funds will be available when they are needed.<sup>3</sup>

Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

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

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Citations.

1 - score.org/resource/covering-your-back-buy-sell-agreement [2019]

2 - fitzsmallbusiness.com/buy-sell-agreement/ [07/12/2017]

3 - forbes.com/sites/forbesnycouncil/2019/05/13/why-business-partners-should-always-have-buy-sell-agreements/#34af2d1877f4 [05/13/2019]

## CREATING A RETIREMENT STRATEGY

*Most people just invest for the future. You have a chance to do more.*

Across the country, people are saving for that “someday” called retirement.

Someday, their careers will end. Someday, they may live off their savings or investments, plus Social Security. They know this, but many of them do not know when, or how, it will happen. What is missing is a strategy – and a good strategy might make a great difference.

A retirement strategy directly addresses the “when, why, and how” of retiring.

It can even address the “where.” It breaks the whole process of getting ready for retirement into actionable steps.

This is so important. Too many people retire with doubts, unsure if they have enough retirement money and uncertain of what their tomorrows will look like. Year after year, many workers also retire earlier than they had planned, and according to a 2019 study by the Employee Benefit Research Institute, about 43% do. In contrast, you can save, invest, and act on your vision of retirement now to chart a path toward your goals and the future you want to create for yourself.<sup>1</sup>

Some people dismiss having a long-range retirement strategy, since no one can predict the future. Indeed, there are things about the future you cannot control: how the stock market will perform, how the economy might do. That said, you have partial or full control over other things: the way you save and invest, your spending and your borrowing, the length and arc of your career, and your health. You also have the chance to be proactive and to prepare for the future.

A good retirement strategy has many elements.

It sets financial objectives. It addresses your retirement income: how much you may need, the sequence of account withdrawals, and the age at which you claim Social Security. It establishes (or refines) an investment approach. It examines tax implications and potential tax advantages. It takes possible health care costs into consideration and even the transfer of assets to heirs.

A prudent retirement strategy also entertains different consequences.

Financial advisors often use multiple-probability simulations to try and assess the degree of financial risk to a retirement strategy, in case of an unexpected outcome. These simulations can help to inform the advisor and the retiree or pre-retiree about the “what ifs” that may affect a strategy. They also consider sequence of returns risk, which refers to the uncertainty of the order of returns an investor may receive over an extended period of time.<sup>2</sup>

Let a retirement strategy guide you.

Ask a financial professional to collaborate with you to create one, personalized for your goals and dreams. When you have such a strategy, you know what steps to take in pursuit of the future you want.

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Citations.

1 - ebrl.org/docs/default-source/rcs/2019-rcs/rcs\_19-fs-2\_expect.pdf?sfvrsn=2a553f2f\_4 [2019]

2 - investopedia.com/terms/m/montecarlosimulation.asp [6/10/19]

## A CAREER IN THE FINANCIAL BUSINESS...AS A FINANCIAL PLANNER

My name is Richard Moldenhauer. After college and the military, I decided to get a job in the business world. I was offered many different jobs but most limited my future including my income. I had no money, but I decided the opportunity offered by the financial industry would allow me to achieve unparalleled financial success. I was not gregarious or particularly out-going. I was competitive but analytical. I was not afraid of hard work, but I wanted to have the chance to be successful. Some people said I'd never be a success in an industry that included sales. I was even fired for lack of production. I kept working and, finally, I became successful. That's my story.

If any of what I have just said sounds like you, consider talking to us. We are not looking for a “slick back slapper”. We are looking for an intelligent, friendly person who enjoys helping people in a critical area where there just are not enough qualified career people. That is right; there is a shortage of smart, honest, hard-working financial advisors.

When we find the right person, they will be trained to be the best they can be. They will be generously compensated because it takes time to learn the required skills. You will learn our business from the inside out. When you are ready, you will work with established successful people. You will see how they help their clients and how much their clients appreciate their help.

You will study, pass tests and earn licenses that will qualify you to become an entry level financial advisor. You will always have the support and assistance of the members of the firm. As your skills improve, your income will grow. You will be treated as a professional, because that is what you will become.

You will be provided benefits like a 401k, health insurance, paid vacation, and paid education leading to professional designations.

If you know a man or woman with the interest and potential ability to consider our career, please pass this along -- inexperienced or experienced. Suggest they send a resume to Sharon Fiederowicz at our office. She will get it to me and I will call.

## UPCOMING EVENTS:

Our January seminars are at:

### Steelbound Brewery & Restaurant of Springville

Tuesday, January 14, 2020 at 6 p.m.  
243 W. Main Street  
Springville, NY 14141

### GDI Countryside Inn

Thursday, January 16, 2020 at 6 p.m.  
2049 Sandridge Road  
Alden, NY 14004

### JP Fitzgeralds

Tuesday, January 21, 2020 at 6 p.m.  
4235 Clark Street  
Hamburg, NY 14075

### Beef Haus

Thursday, February 6, 2020 at 6 p.m.  
176 N. Main Street  
Wellsville, NY 14895

### The Roycroft Inn

Tuesday, February 11, 2020 at 6 p.m.  
40 S. Grove Street  
East Aurora, NY 14052

### Allegheny Hills Golf Course

Thursday, February 13, 2020 at 6 p.m.  
9622 Hardys Corners Rd.  
Cuba, NY 14727

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.

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