

# MOLDENHAUER ASSOCIATES

## APRIL NEWSLETTER

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As we approach the beginning of the second quarter of 2024, most of the harsh weather is behind us. The Fed still seems to be confused as to how it will attempt to get inflation under control. The very wealthy have done well during the inflation of the past Covid and post Covid years. There have been governmental financial giveaways to several categories of people. Our clients have done well. Yet, most of the population has seen inflation erode their wealth, make major purchases difficult, and discourage savings for much of the middle class.

During a recent discussion, a very knowledgeable person stated that inflation had eroded the dollar and it's buying power during the past 2 ½ years by an average of 20%. That, my friends, is permanent yet the government brags that inflation is slowing down. If it is, I haven't felt it have you?

I know my advice is not for everyone, but I thought I would share a few of my ideas with you. This list is a composite that would be of help to anyone who is attempting to be smart with their money.

1. Resist impulse spending.
2. Before you make a purchase, think.
3. Save before you spend.
4. Become a careful shopper.
5. When you buy a major item, read the guarantee and the warranty.
6. Trust but verify.

This is a partial list, but simply adhering to these six steps will enhance your financial position. Copy down the list and try it for a few months, then ask yourself if this helped you.

I am tempted to tell you about my personal experiences related to each point. Something as simple as #6 is worth thousands of dollars. A very large percentage of television ads tout benefits, but then in the last second a disclaimer flashes. The print is micro sized and even the best eyes cannot read the words. If you could read the words, they would take back all the ad's great claims as well as tell you that you might suffer irreparable damage or die. These ads are usually about your greatest asset, your health. Such is the pharmaceutical industry today.

Perhaps because I am getting older, I have been thinking more about relationships and why good quality relationships may be the second most valuable thing any of us have in our lives; family, friends and, for people that work at our firm, our clients. I don't want this to seem hokey, but I think it is worth talking about.

In 1970, I returned from Vietnam in a state of both depression and optimism. For me, the war was over, and I still had all my parts. I had lost friends and acquaintances. I had seen promising young lives destroyed in a flash. Then the war was over. We did not win and most of my fellow soldiers felt deceived or worse. But that was behind me, and my future was ahead of me.

I was lucky that first year. I met my future wife and lifetime companion, Kathy. I was hired by a financial company, and then fired by that company for lack of production. They suggested that another carrier might suit my skills better. Kathy suggested I ask for my job back without compensation. I thought she was crazy, but I asked, and they hired me without pay until I proved I belonged in the industry.

This was a tenuous thing. We were getting married, and my job was not providing me an income. The craziest part was I was providing advice to people who were doing better than me, at least with money.

It's funny, but because I was honest and sincere, people started to want to do business with me. In hindsight I know they were looking for a relationship with someone who cared more about them than the commission. This is the time I started building what I called "trusted relationships."

Now, 50 + years later, some of those people are still firm clients. Many of their children are firm clients. Most of the firm's clients were direct or indirect referrals from relationships. Many present and past employees and associates had similar roots.

I often tell present day friends that I never was concerned with financial success, I just enjoyed working with and having sincere relationships with good people. I believe Brett and firm members today feel the same way. Perhaps that is why we have survived and are still a growing successful enterprise.

As I close this article, still today, I believe having valued trusted relationships with family, friends, clients, and the population, in general, is one of the most important things in a happy life.

*Richard Moldenhauer*

Richard Moldenhauer

## CHOOSING YOUR EXECUTOR OR TRUSTEE

Your estate plan isn't complete until you appoint someone to carry out your wishes. Your choice of executor (sometimes called personal representative) or trustee is important. Before selecting an obvious choice, such as a spouse or child, consider the time involved in assuming either role, the scope of duties, and the burden that both roles may impose.

### Your Executor

Under the supervision of the probate court, an executor manages and distributes the estate according to the decedent's will or, in the absence of a will, according to state laws of intestacy. In executing your will, you nominate your choice or choices for executor. Although only the court can officially appoint the individuals named to that role, it will generally respect the wishes expressed in the will unless there is a compelling reason not to. If there is no will, the court would consider any petitions for appointment as executor of the estate and will appoint an executor from those petitions.

A will gives you the ability to nominate your executor, along with how your assets will be managed and distributed. An executor is responsible for paying the expenses of your estate and the debts you leave behind. The executor may have to oversee the running of your business, arrange for the care of your dependents, and prudently invest your assets. An executor must also file tax returns and probate court reports. If you own property in several states, your executor will have to deal with additional probate court systems. Settling an estate typically takes approximately one year, but it can take longer and become time consuming.

Ideally, the individual you nominate as executor will be responsible, competent, organized, and trustworthy. An executor doesn't have to be an attorney but should be someone known for getting things done.

When deciding on an executor, keep in mind the potential conflicts of interest that could disrupt family harmony. A spouse is a common choice, for example, but children from a previous marriage could view a current spouse as biased. Also, when choosing one sibling over another, consider their relationship and history. Your heirs should regard your choice as someone who has common sense and is fair. These attributes go a long way when managing family dynamics and handling squabbles that can erupt during the settlement of your estate. If you can't find someone in the immediate family who has the necessary qualities, appoint a third party. You generally have the ability to nominate multiple executors to serve at the same time, though this should also be considered carefully.

**Be sure that the individual you choose is willing to serve.** Settling an estate is time consuming. In addition, in some cases, the executor may incur out-of-pocket costs

such as the cost of a surety bond. Generally, the executor would be entitled to reimbursement from the estate for these expenses. Further, an executor will be liable for their actions, and there can be repercussions for failing to act properly. Even if your choice is willing and able to take on the job today, they may not be able to continue in the future. That's why it's important to always name a successor executor in your will.

### Your Trustee

You might also consider a revocable trust if your goals include avoiding probate, controlling distributions of assets to heirs after your death, or ensuring professional management. When you establish a trust, you will also appoint a trustee.

A trustee manages the assets left to your trust for the benefit of your beneficiaries according to the instructions you provide in the trust document. A trustee has duties similar to those of an executor; however, a trustee's decisions can have long-lasting consequences because, unlike an estate, a trust can last for decades, sometimes even over several generations. For this reason, many people rely on the professional services of a trust company.

If you have created a revocable trust, you probably serve as your own trustee and have named a successor trustee to take over if you incur a disability or when you die. When choosing a successor, look for someone with the following qualities:

- **Competent.** A good trustee understands the trust document and their duties. The trustee will also know their limitations and seek expert advice on legal, tax, or investment issues when needed.
- **Willing and able.** Lack of time is the principal reason that personal friends and family members resign trustee positions. It is always wise to name several alternatives.
- **Insightful.** A good trustee understands what you, the grantor, had in mind and is close enough to beneficiaries to understand their needs. For this reason, you may name a friend or family member to serve as a co-trustee with a trust company. The trust company can perform all administrative duties so that your personal trustee can be relieved of day-to-day management. Meanwhile, the trust company can benefit from the insight provided by the personal trustee.
- **Impartial.** Your trustee understands that they have an obligation to consider the needs of all beneficiaries and not favor one over another.
- **Mature.** The ideal trustee would have the family's respect. An individual who has trouble communicating or who is indecisive is not the best choice because they may have to deal with difficult beneficiaries or make unpopular decisions.

- **Astute.** Your choice should have a history of making good financial and personal decisions.

Although your business partner, attorney, CPA, investment advisor, or insurance agent might seem like a natural choice, these individuals could face conflicts of interest by serving as successor trustee because they might be simultaneously providing professional services to the trust or its beneficiaries.

An alternative is a professional trustee such as the trust department of a bank. A professional trustee (also called a corporate trustee) will have extensive experience in trust management and will be accountable to banking authorities, as well as to internal and outside auditors. Using a professional trustee may also be the best way to preserve family harmony.

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## SHOULD YOU CONSOLIDATE YOUR RETIREMENT ACCOUNTS?

If you're like most people, you've saved for retirement in multiple ways, including employer plans and individual retirement accounts (IRAs). As you approach retirement, it may make sense to consolidate all of your savings into one account to achieve a coordinated investment plan.

### Why Consolidate?

Consolidating your retirement accounts offers several potential benefits:

- **Less administrative hassle.** You'll receive just one account statement, making it easier to keep track of your funds. Consolidating your accounts also simplifies required minimum distribution calculations and tracking.
- **No overlap.** If you have multiple accounts, that doesn't necessarily mean that your investments are properly diversified. In fact, your money may be invested in similar asset classes with significant overlap. Consolidating your retirement accounts gives you a clearer view of your asset allocation picture, as well as any adjustments you may need to make.
- **Easier rebalancing.** Any retirement savings account requires periodic rebalancing to keep it in line with your objectives. By consolidating your accounts, you're more likely to achieve a cohesive investment strategy.

### How to Consolidate

Moving a retirement account to a new employer plan or to an IRA can be done via rollover or transfer. Although these terms are often used interchangeably with transfer, there are significant differences between the two.

With a rollover, the retirement funds are paid to you directly, and you have 60 days to move them to another plan or IRA. If you are moving money from an employer plan, a 20 percent tax withholding will be deducted from the check. To avoid facing potential penalties, you must



contribute enough to your new retirement account to replace the 20 percent withholding. Alternatively, you can ask your retirement plan administrator to make out a check payable to your new IRA custodian and mail it directly to you. It is then your responsibility to deposit the funds in your new account within 60 days.

With a trustee-to-trustee transfer, the funds are sent directly from one plan to another. That is why this type of transfer is often referred to as a direct rollover. Unlike regular rollovers, there is no withholding requirement for direct transfers. When requesting a transfer from your employer's plan or another retirement account, be sure to use the right terms to avoid unwanted tax consequences.

### Should You Move Your Employer Plan to an IRA?

A former employer will generally let you keep your money in its retirement plan for as long as you want. You may also choose to move those savings to an IRA. Before making the switch to an IRA, however, it's wise to consider the following factors:

- **Investment choices.** An employer's 401(k) plan may be lower cost, but your choice of investments will be limited, as 401(k) plan sponsors tend to simplify the investment decision for employees by reducing the number of options. With an IRA, you have a potentially unlimited choice of investments, including individual stocks, mutual funds, and alternative investments rarely offered by employer plans.
- **Control over distributions.** Another benefit of IRAs is that you have more control over when your retirement savings are paid to you. Distribution requirements vary among IRA providers, so be sure to understand the choices available to you and your beneficiaries.
- **Creditor protection.** If creditor protection is a concern, both employer plans and IRAs safeguard your retirement savings from creditors to a certain extent. Employer plans generally offer better protection than IRAs do, however. The level of protection an IRA offers depends on your state laws.
- **Early withdrawal.** One reason to keep funds in an employer account, at least temporarily, is that you may need to tap into your retirement savings before you reach age 59½. There is no tax penalty for taking a distribution from your former employer's plan after you reach age 55. Although you'll still pay income taxes, you will avoid the 10 percent penalty for early withdrawal, which would be assessed if you withdrew funds from an IRA before age 59½. Exceptions to the penalty on early IRA distributions include:

- ◇ Unreimbursed medical expenses that amount to more than 7.5 percent of your adjusted gross income
- ◇ Disability
- ◇ Distributions from a beneficiary IRA upon the death of the original IRA owner
- ◇ Qualified higher-education expenses
- ◇ Qualified first-time home purchase
- ◇ Distributions under a "substantially equal payment" plan, per Section 72(t) of the Internal Revenue Code

- **Employer stock.** Finally, before moving funds to an IRA, talk to your advisor about the best way to handle employer stock held in your 401(k) or other employer retirement plans. There may be significant tax advantages to moving stock "in kind" to a taxable brokerage account rather than to an IRA. This is often referred to as the net unrealized appreciation strategy. You will pay ordinary income tax on what you paid for the stock, but any appreciation will be taxed at long-term capital gains rates.

### A Retirement Strategy That Works for You

If you have any questions about consolidating your retirement accounts, don't hesitate to reach out to us. We can help you develop the best strategy for you, keeping you on track to meet your retirement goals.

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## UPCOMING EVENTS:

Our upcoming seminars are at:

### JP's Pub

Tuesday, May 14, 2024 at 6 p.m.  
1986 Lakeview Road  
Lakeview, NY 14085

### Ilio DiPaolo's Restaurant

Thursday, May 16, 2024 at 6 p.m.  
3785 S. Park Avenue  
Blasdell, NY 14219

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