

MOLDENHAUER & ASSOCIATES

JUNE NEWSLETTER

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May has been quite a month. My son Matt and Hannah's wedding took place over Memorial Day weekend. In between all the wedding preparations, Kathy and I made a quick trip to Banff to attend an Ameritas meeting. Having never been to Alberta, I was interested in seeing that part of Canada and having the opportunity to visit with old friends from across the USA who were also in attendance. The country is beautiful and the people are a delight. The Canadian Rockies match and exceed the splendor of the American Rockies.

When we moved to Charleston, 3 years ago, I could barely walk and was weighing only 150 pounds. So Kathy and I purchased a one floor house in a nice area of Mt. Pleasant. As I have worked at my health diligently, over the past 3 years, we started to realize that we'd have been happier if we could have found a home on the water. We found that home and will soon be moving.

We plan to be back in WNY by the second week in June where we will stay for several months before migrating back down south in early Fall. Hopefully, we'll be able to relax and I'll be able to spend some quality time at the office. It will be nice to see family, friends, and firm clients.

Happening around the office:

- Jonathan, Greg, and Patrick are doing a very nice job and their career development is coming along well.
- It is our plan to continually upgrade the seminar content.
- The firm has changed software management systems which should offer account updates in a timelier manner. It is our hope that this ease of information access for clients will be of benefit. Of course, there will be a "learning curve", but I am told it is moving along smoothly.
- While our consultants have recommended we raise our initial affiliation fee for our clients, we have decided to keep our fees at the present modest level through the rest of 2017.
- As I mentioned in the May Newsletter, the parking lot was completely replaced. The new lot should provide an improved parking area for all visiting clients.

Have an enjoyable Summer!

Richard Moldenhauer

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THE IMPORTANCE OF FINANCIAL LITERACY

Too few Americans understand personal finance fundamentals.

If only money came with instructions.

If it did, the route toward wealth would be clear and direct. Unfortunately, many people have inadequate financial knowledge, and for them, the path is more obscure.

Are most people clueless about financial matters?

That depends on what gauge you want to use to measure financial knowledge. The U.S. ranked fourteenth in Standard & Poor's 2015 Global Financial Literacy Study, with just 57% of the country's population estimated as financially literate.¹

Obviously, the other 43% of Americans have some degree of financial understanding – but it is mixed with a degree of incomprehension. Witness some examples:

- A recent LendU survey found that nearly half of college students carrying student loans thought those debts would eventually be forgiven if left unpaid.
- This year, Fidelity Investments asked Americans the following question in a multiple-choice quiz: "If you were able to set aside \$50 each month for retirement, how much could that end up becoming 25 years from now, including interest, if it grew at the historical stock market average?" The correct answer was \$40,000, but just 16% of respondents got it right. Another 27% guessed \$15,000 (i.e., 50 x 12 x 25, as if interest was not a factor).
- Only 42% of those quizzed by Fidelity knew that withdrawing 4-5% a year from retirement savings is commonly recommended. Fifteen percent of those older than 55 thought they would be "safe" withdrawing 10-12% per year.
- The S&P 500 has returned positively in 30 of the last 35 years. Just 8% of those answering Fidelity's quiz guessed this.^{2,3}

Apart from these examples, consider another one at the macro level.

According to the latest National Financial Capability Study from FINRA (the Financial Industry Regulatory Authority), only about a third of Americans younger than 40 understand the basic financial concepts of compounding, inflation, and risk diversification.¹

Statistics aside, think about how a lack of financial acumen hurts people's chances to build or protect

wealth. How about the employee who skips retirement plan enrollment at work, mistakenly thinking that a tax-advantaged retirement account is the same as a bank account? Or the small business owner puzzled by cash flow and profit-and-loss statements? Or the young borrower who fails to grasp the long-run consequences of only making interest payments on a credit card or loan?

Financial professionals continually educate themselves. They stay on top of economic, tax law, and market developments. Investors should as well. Ten or twenty years from now, you may find yourself in an entirely different place financially – who knows? The economy, the Wall Street climate, and even the investment opportunities before you could all differ from what you see today. If your financial knowledge is ten or twenty years out of date, you risk being at a disadvantage.

Financial literacy is not about prevention, but instead about empowerment.

The more you understand about personal finance, the more potential you give yourself to make smart money decisions.

Richard Moldenhauer may be reached at 716-662-4361.

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

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Citations.

1 - marketwatch.com/story/should-colleges-require-a-financial-literacy-class-2017-04-03/ [4/3/17]

2 - investopedia.com/news/3-ways-improve-financial-literacy/ [4/21/17]

3 - marketwatch.com/story/most-americans-failed-this-eight-question-retirement-quiz-2017-03-23 [3/23/17]





THE ROUGH CONSEQUENCES OF NOT SAVING FOR RETIREMENT

Do you really want to risk facing these potential outcomes?

Saving for retirement may seem a thankless task.

But you may be thanking yourself later. Putting away a percentage of one's income, money that could be used for any number of bills or luxuries, is a sacrifice made in the present in order to avoid a larger trouble down the road.

More than a quarter of seniors have no retirement savings.

To be more specific, the Government Accountability Office says 29% of households headed by people 55 or older have no savings in a retirement account and no possibility of receiving an employer pension.¹

Late last year, a PWC survey revealed that 37% of baby boomers had less than \$50,000 in retirement assets. Just 24% of baby boomer households PWC polled had saved more than \$300,000 for their "second acts."²

What kind of future awaits boomers who have saved less than \$50,000 for retirement?

It is hard to say exactly what may happen to them financially, but it is possible to make some educated guesses.

They will likely try to work into their seventies.

If their health permits, they will attempt to stay employed at least part time. Their earnings will presumably drop as they age.

They will probably rely heavily on Social Security & home equity.

Social Security income by itself will prove insufficient to retire on, so they will look at selling their homes or arranging reverse mortgages to help fund their retirement (if they own homes to begin with).

A fortunate few may have a third option: augmenting their inadequate retirement savings with proceeds from a business sale. Some small business owners save relatively little, believing that the money they get from selling their company will fund their future. That is not a given. It may take years for their business to sell, and it may sell for far less than they assume.

Within a few years, they will need to accept a significantly lower quality of life.

They may be forced to scale back creature comforts, live in tiny quarters, or relocate to a cheaper, less desirable area (assuming they can handle relocation costs). They may end up doing all of this.

At some point, they may start spending down their assets.

If they do enough of that, they will be eligible for Medicaid – a grim consolation in a sad process. Debts may impel them to whittle away their net worth even faster.

Then, they may need help from their children.

Having little or no income besides Social Security, they will struggle mightily to keep up with the bills. If they own their homes free and clear, at least they will be able to stay in them; if not, they may choose the apartment of last resort and move in with one of their adult children.

Will this be your future?

If you want to plan to avoid this financial nightmare, then you must save and invest for retirement. Save and invest as if your entire future depends on it, for it may. Saving and investing now could help you save your quality of life someday.

Richard Moldenhauer may be reached at 716-662-4361.

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Citations.

1 - smartasset.com/retirement/average-retirement-savings-are-you-normal [3/29/17]

2 - fool.com/retirement/2016/12/17/baby-boomers-average-savings-for-retirement.aspx [12/17/16]

UPCOMING EVENTS:

Our June seminars are at:

Bravo Café

Tuesday, June 13, 2017 at 6 p.m.
5781 Seneca Street
Elma, NY 14059

Italian Village Restaurant

Thursday, June 15, 2017 at 6 p.m.
6354 Transit Road
Depew, NY 14043

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

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