

# MOLDENHAUER ASSOCIATES

## MARCH NEWSLETTER

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It happened and we knew it would. The Market had its proverbial correction. Like many times in the past, it was just clicking along. Some people forgot. Some people thought things were different this time. Some people were out of sync; perhaps a bit too aggressive for their own good and perhaps getting sloppy.

If you were working closely with us, you did not have all your eggs in one basket. While it hurts, you were better prepared to weather both the ups and downs of the financial volatility curve.

I hope you were in the right position. If you were not, please be prepared to have us help you get where you should be. The timing to focus could not be better. If, as I hope, you are a client who has some appreciation for what we do, consider your friends who might need a prudent comprehensive advisory team to assist them. The future will be filled with ups and downs. Be prepared.

Looking back over the past few months, we all know people who have been ill. The flu and the multitude of colds, etc. have been without end. Some last longer and are more debilitating. Focus on your health more going forward, if possible.

I hate to say it, but I am a "senior". I've watched so many friends deal with medical issues. For some people it is extremely difficult. If you have a friend or relative who is dealing with a serious issue, take the time to visit them. They will appreciate it.

I was reflecting on some of the changes we are seeing in our world; some good, some not so good. The world keeps getting smaller and it seems many Americans have lost their perspective.

My mother and father were people who came from humble poverty and, with limited education, worked hard to improve their lives and the lives of those they cared for. A big trip was to Allegheny State Park or perhaps a shopping trip to Sattler's in the big city of Buffalo.

Today we take so much for granted. Perhaps we are losing the appreciation for the price our forefathers paid to create our way of life. It would be nice to see decency, patriotism, and a belief in the Almighty return to our lives.

As I get older, I am grateful for the opportunities America has provided. I could only hope that we, as people, can refocus and see how we can again believe in America, our fellow-man, and have an appreciation for what is good about our country.

I hope you're dealing well with the "cabin fever" that normally affects Western New Yorkers at this time of year. Happy New Year 2018.

*Richard Moldenhauer*

Richard Moldenhauer

## MANAGING STUDENT LOAN DEBT

*A review of some options for federal and private loans.*

### Are you dealing with student loan debt?

Have you explored ways to try and restructure it or have it forgiven?

No one wants to carry five figures of education debt into middle age or retirement, but some do. The burden is not just financial. Last fall, the Madison Capital Times asked student loan borrowers in the state of Wisconsin how they felt about their education debt. Sixteen percent said they were “terrified” of it, and another 30% indicated they felt only slightly less so. Fortunately, you may have possibilities to manage and reduce the debt load and the anxiety it breeds.<sup>1</sup>

### For a better chance of refinancing a student loan, lift your credit score.

The average credit score for borrowers able to refi in 2017 was 764, according to online education loan marketplace LendEDU. A 764 score means you have excellent credit; 850 is as high as you can go, and 700 is considered an “average” FICO score. If you are offered new terms, you may or may not like them; LendEDU says that the average interest rate on a newly refinanced loan last year was 5.56%.<sup>2</sup>

It is hard to arrange new terms of payment; LendEDU reports that more than half of student loan borrowers who applied for a refi in 2017 were turned down. Some borrowers reject the refinancing offers they get. In about 25% of states, you can also approach state refinance authorities, which tend to set the bar lower for qualifying credit scores. Keep in mind that if you refinance a federal loan, you may lose eligibility for an income-driven repayment plan that limits your monthly payment to 10-20% of your discretionary income.<sup>2,3</sup>

### If refinancing is not possible, consider both common and unusual financial options.

You could find a new job, one at which you can negotiate a higher salary than you now earn (in this economy, that might not be so difficult). Ask for a raise from your current employer. Sell things or freelance as a path to generating extra cash you can apply to your loans. Alternately, find the cash through frugality. Go car free, room with someone, sublet your apartment, or downsize to a less expensive residence. Think outside the box: would it be cheaper, better, and more fun to live in another country? Could you get a job that pays your rent for you?

### Can your loan be forgiven?

The channel the federal government offers toward student loan forgiveness is not for everyone. The Public Service Loan Forgiveness (PSLF) program asks you to work for a non-profit, in a public service capacity, for ten years. Some borrowers look at

those conditions and see career and salary compromises they are unwilling to make.<sup>4</sup>

If you have no interest in working in the non-profit sector, there are possible paths toward federal student loan forgiveness apart from the PSLF. Some states have their own payment assistance programs, some of which require less than five years of work for eligibility. Sometimes the assistance depends on the borrower moving to a rural community within the state or pursuing a STEM, medical, or educational career.<sup>4</sup>

Can you go to work for a big company? If you do, your employer might be willing to help. A small percentage of corporations are matching the student loan payments their employees make. Others are offering workers \$1,200-\$2,000 a year to apply toward repayments.<sup>4</sup>

Those who serve in the Army, Navy, Air Force, and National Guard can potentially take advantage of student loan forgiveness programs within those service branches. The Army's Student Loan Repayment Program (SLRP) can put as much as \$65,000 toward repayment of an active-duty soldier's education loans. Veterans may also find themselves eligible for these programs.<sup>4</sup>

Teachers can also pursue Teacher Loan Forgiveness (TLF). Through this federal program, you can arrange to have as much as \$17,500 in federal education loans waived once you have taught math or science for five years at the high school level or special education classes for five years at any grade level. You must work for an educational services agency or teach at a school where students are primarily low income to be eligible for TLF.<sup>4</sup>

### There is one inescapable fact about all this: eradicating student loan debt takes time.

You may live with that debt for a decade or longer; the good news is, you can save, invest, and plan to build wealth even while carrying such debt. Be sure to talk with a financial professional about that possibility.

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

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

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Citations.

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## TAX DEDUCTIONS GONE IN 2018

### What standbys did tax reforms eliminate?

#### Are the days of itemizing over?

Not quite, but now that H.R. 1 (popularly called the Tax Cuts & Jobs Act) is the law, all kinds of itemized federal tax deductions have vanished.

Early drafts of H.R. 1 left only two itemized deductions in the Internal Revenue Code – one for home loan interest, the other for charitable donations. The final bill left many more standing, but plenty of others fell. Here is a partial list of the itemized deductions unavailable this year.<sup>1</sup>

#### Moving expenses.

Last year, you could deduct such costs if you made a job-related move that had you resettling at least 50 miles away from your previous address. You could even take this deduction without itemizing. Now, only military servicemembers can take this deduction.<sup>2,3</sup>

#### Casualty, disaster, and theft losses.

This deduction is not totally gone. If you incur such losses during 2018-25 due to a federally declared disaster (that is, the President declares your area a disaster area), you are still eligible to take a federal tax deduction for these personal losses.<sup>4</sup>

#### Home office use.

Employee business expense deductions (such as this one) are now gone from the Internal Revenue Code, which is unfortunate for people who work remotely.<sup>1</sup>

#### Unreimbursed travel and mileage.

Previously, unreimbursed travel expenses related to work started becoming deductible for a taxpayer once his or her total miscellaneous deductions surpassed 2% of adjusted gross income. No more.<sup>1</sup>

#### Miscellaneous unreimbursed job expenses.

Continuing education costs, union dues, medical tests required by an employer, regulatory and license fees for which an employee was not compensated, out-of-pocket expenses paid by workers for tools, supplies, and uniforms – these were all expenses that were deductible once a taxpayer's total miscellaneous deductions exceeded 2% of his or her AGI. That does not apply now.<sup>2,5</sup>

#### Job search expenses.

Unreimbursed expenses related to a job hunt are no longer deductible. That includes payments for classes and courses taken to improve career or professional knowledge or skills as well as and job search services (such as the premium service offered by LinkedIn).<sup>5</sup>

#### Subsidized employee parking and transit passes.

Last year, there was a corporate deduction for this; a worker could receive as much as \$255 monthly from an employer to help pay for bus or rail passes or parking fees linked to a commute. The subsidy did not count as employee income. The absence of the employer deduction could mean such subsidies will be much harder to come by for workers this year.<sup>2</sup>

#### Home equity loan interest.

While the ceiling on the home mortgage interest deduction fell to \$750,000 for mortgages taken out starting December 15, 2017, the deduction for home equity loan interest disappears entirely this year with no such

grandfathering.<sup>2</sup>

#### Investment fees and expenses.

This deduction has been repealed, and it should also be noted that the cost of investment newsletters and safe deposit boxes fees are no longer deductible. In some situations, investors may want to deduct these fees from their account balances (i.e., pre-tax savings) rather than pay them by check (after-tax dollars).<sup>5</sup>

#### Tax preparation fees.

Individual taxpayers are now unable to deduct payments to CPAs, tax prep firms, and tax software companies.<sup>3</sup>

Legal fees. This is something of a gray area: while it appears hourly legal fees and contingent, attorney fees may no longer be deductible this year, other legal expenses may be deductible.<sup>5</sup>

#### Convenience fees for debit and credit card use for federal tax payments.

Have you ever paid your federal taxes this way? If you do this in 2018, such fees cannot be deducted.<sup>2</sup>

#### An important note for business owners.

All the vanished deductions for unreimbursed employee expenses noted above pertain to Schedule A. If you are a sole proprietor and routinely file a Schedule C with your 1040 form, your business-linked deductions are unaltered by the new tax reforms.<sup>1</sup>

#### An important note for teachers.

One miscellaneous unreimbursed job expense deduction was retained amid the wave of reforms: classroom teachers who pay for school supplies out-of-pocket can still claim a deduction of up to \$250 for such costs.<sup>6</sup>

#### The tax reforms aimed to simplify the federal tax code, among other objectives.

In addition to eliminating many itemized deductions, the personal exemption is gone. The individual standard deduction, though, has climbed to \$12,000. (It is \$18,000 for heads of household and \$24,000 for married couples filing jointly.) For some taxpayers used to filling out Schedule A, the larger standard deduction may make up for the absence of most itemized deductions.<sup>1</sup>

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Citations.

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2 - [tinyurl.com/y7uqe23l](https://tinyurl.com/y7uqe23l) [12/26/17]

3 - [bloomberg.com/news/articles/2017-12-18/six-ways-to-make-the-new-tax-bill-work-for-you](https://bloomberg.com/news/articles/2017-12-18/six-ways-to-make-the-new-tax-bill-work-for-you) [12/28/17]

4 - [taxfoundation.org/retirement-savings-untouched-tax-reform/](https://taxfoundation.org/retirement-savings-untouched-tax-reform/) [1/3/18]

5 - [tinyurl.com/yacz559c](https://tinyurl.com/yacz559c) [1/8/18]

6 - [vox.com/policy-and-politics/2017/12/19/16783634/gop-tax-plan-provisions](https://vox.com/policy-and-politics/2017/12/19/16783634/gop-tax-plan-provisions) [12/19/17]

## UPCOMING EVENTS:

Our March/April seminars are at:

### Bravo's Café

Tuesday, March 13, 2018 at 6 p.m.  
5781 Seneca Street  
Elma, NY 14059

### Orchard Park Country Club

Thursday, March 15, 2018 at 6 p.m.  
4777 S. Buffalo Street  
Orchard Park, NY 14127

### Chanderson's Steak & Seafood

Tuesday, April 10, 2018 at 6 p.m.  
11851 Route 16  
Yorkshire, NY 14173

### Old Orchard Inn

Thursday, April 12, 2018 at 6 p.m.  
2095 Blakeley Road  
East Aurora, NY 14052

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