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MOLDENHAUER & ASSOCIATES

MAYNEWSLETTER

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

In early April, I had the opportunity to visit WNY and assist with a couple firm projects and visit with family. Normally Kathy and I return to WNY by early May and stay for a few months during which time I am in the office several days each week. With my recovery going well, I have the opportunity to do things that I was restricted from doing for well over ten years.

I arrived in town on April 1st to celebrate Brett's birthday. The day I arrived the sun was shining and it looked like early summer in April. The following week we had a torrential rainstorm and the following day we had sub-freezing temperatures and several inches of snow. I guess that is WNY spring weather.

I enjoy spending time at the office and assisting in the development of the "business of tomorrow". Our industry is changing and many firms are having a difficult time keeping up with the times. Our technology and staff development are being continually upgraded. It is my belief that the next several years will see many changes in our industry and we are working hard to be on the cutting edge.

The day of the "salesman" may be over and many of the "old guard" are having a difficult time adjusting. In many industries the word "service" has been an aberration. We have always placed service ahead of sales. Of course, new business is vital to our success but we have always encouraged existing clients to regularly visit our office to discuss existing plans as well as future plans.

While our lives change more often than we expect, keeping current is critical. Because we believe our business places service first, we are seriously searching for qualified people who can accept our culture of "service first" to join our firm.

I thought I'd briefly comment on the progress of several associates. Greg is doing a very good job as our new chief para planner. We are creating an opening for someone to assist him and expect to fill that position during the coming months.

Jonathan and Patrick are improving their client service skills and we are pleased to see their development. They are doing an excellent job and have taken their career development very seriously. With Brett, Nick and John working diligently to help our clients, the future looks bright for Moldenhauer & Associates.

By the time this is published, our parking lot will be completely redone right down to the base stone which is being covered by a brand new blacktop surface. I expect you'll notice the upgrade on your next visit to the office.

Before I close, let me suggest that if any reader knows of a qualified person, perhaps a man or woman who has graduated from college during the past decade, who is looking for a meaningful career in the financial planning world, send me a personal note and I'll be glad to arrange a confidential interview with them.

As I'll be in Charleston until early June (because of son Matt's upcoming wedding). I hope to see many of you during the 4 months I'll be in WNY.

Richard Moldenhauer

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THE 60-DAY IRA ROLLOVER RULE

Will it apply to your retirement savings distribution?

If you receive a distribution from your IRA or workplace retirement plan, what will you do with it? You will probably want to arrange an IRA rollover – a common and useful financial move designed to take these invested assets from one retirement account to another, without tax consequences. The I.R.S. may give you just 60 days to do it, however.

The clock starts ticking on the day you receive the distribution.

If assets from your employee retirement plan account or your IRA are paid directly to you, you have 60 calendar days to transfer those funds into an IRA or workplace retirement plan. If you fail to do that, the I.R.S. will characterize the entire distribution as taxable income. (It may also tack on a 10% early withdrawal penalty if you take possession of such funds before age 59½.)[1]

Your goal is to make this indirect rollover by the deadline.

It is called an indirect rollover because its mechanics can be a bit involved. If the assets are coming out of an employee retirement plan, your employer may withhold 20% of them in accordance with tax laws. Unfortunately, you do not have the option of depositing only 80% of the distribution into an IRA or another employee retirement plan – you must deposit 100% of it by the deadline. You have to come up with the remaining 20%, yourself, from your own savings. The withheld 20% should be returned to you at tax time if the rollover completes smoothly.[2]

Can you make multiple IRA rollovers using funds from a single IRA?

You can, but the I.R.S. says the rollovers must occur at least 12 months apart. Additionally, the I.R.S. prohibits you from making a rollover out of the "new" IRA that receives the transferred assets for a year following that transfer.[1]

This 12-month limit does not apply to every kind of retirement plan rollover.

Trustee-to-trustee transfers, where the investment company (acting as custodian of your IRA or retirement plan account) simply sends a check for the assets to the brokerage firm that will eventually receive them, are exempt from the 60-day deadline. So are rollovers between workplace retirement plans, IRA-to-plan rollovers, and plan-to-IRA rollovers. If you are converting a traditional IRA to a Roth IRA, the 60-day rule is also irrelevant.[1,2]

Some retirement savers simply opt for a trustee-to-trustee transfer – a direct rollover – rather than an indirect one. A direct rollover of retirement assets is routine, and it can be coordinated with the help of a financial professional. If you do prefer to perform an indirect rollover on your own, be mindful of the 60-day rule and the potential ramifications of missing the deadline.

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

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

Citations.

1 - irs.gov/retirement-plans/plan-participant-employee/rollovers-of-retirement-plan-and-ira-distributions [2/8/17]

2 - fool.com/retirement/2017/03/08/what-to-do-with-your-old-401k-when-switching-jobs.aspx [3/8/17]

MAY IS DISABILITY INSURANCE AWARENESS MONTH

Do you really want to live without this coverage? If you forgo it, you may pay a high price.

Disability insurance is an important insurance coverage that most people lack.

Many people think of it as optional – when they think of it at all.

Have you thought about it? If you are a parent or a head of household, you should. The odds of a disability are not that long. The Council for Disability Awareness, a non-profit research and education group, estimates that roughly a quarter of today's 20-year-olds may become disabled at some point in their working lives.[1]

If you are a breadwinner going without disability insurance, are you taking a risk?

Suppose an injury stops you from working for months or years. Even if your household benefits from two or more incomes, the financial hit could be significant. It could lead you to borrow to make ends meet. It could direct money away from college saving, retirement planning, or a small business toward your household expenses. Medical costs related to the injury or disability might drain your bank or retirement accounts.

The economic shock may be even more pronounced if you are single and self-employed. How long could you last without a paycheck?

Disability insurance benefits can help you compensate for lost income.

Short-term disability coverage (commonly six months or less) pays you around 60-70% of your base salary; there may be a dollar cap on monthly payouts. Long-term coverage usually pays you around 40-60% of your base salary; payouts often begin after a 90-day waiting period. They can be made to you as long as you are disabled, until you retire, or the term of the policy ends.[2]

How affordable is this coverage? Very.

Annual premiums are usually 1-3% of your yearly income. As with life insurance coverage, age, health, occupation, and gender are the major variables affecting policy premiums.[2]

Yes, some employers sponsor short-term disability coverage. (California, New York, New Jersey, Rhode Island, Hawaii, and Puerto Rico require employers to offer it.) This coverage may apply even if the worker's disability is unrelated to his or her job. The term of coverage is often too short, however – it can be as short as nine weeks. As the CDA notes, the average long-term disability incident lasts 34.6 months.[1]

Wondering about Social Security Disability Insurance (SSDI)? To receive any of that, you must first meet the Social Security Administration's definition of "disabled" – and cash benefits are typically only granted to those unemployed a year or longer. If you can perform any other kind of work, your chances of getting any SSDI may be slim.[3,4]

What about workers' compensation insurance? That is a form of disability insurance, but it only pays out if the injury or disability occurs on the job. Most long-term disabilities do not stem from work-related injuries.[2]

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Citations.

1 - thebalance.com/short-term-disability-basics-1177839 [10/19/16]

2 - nerdwallet.com/blog/insurance/disability-insurance-explained/ [6/27/16]

3 - ssa.gov/planners/disability/dqualify.html [3/29/17]

4 - ssa.gov/planners/disability/dqualify5.html [3/29/17]

UPCOMING EVENTS:

Our May seminars are at:

JP Fitzgerald's
Tuesday, May 9, 2017 at 6 p.m.
4236 Clark Street
Hamburg, NY 14075

JP's Pub
Thursday, May 11, 2017 at 6 p.m.
1986 Lakeview Road
Lakeview, NY 14085

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.