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# MOLDENHAUER & ASSOCIATES

# OCTOBERNEWSLETTER

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I am writing this in early September. As of this writing, the "big hurricane" is heading toward Florida and there is an order to evacuate as far as South Carolina. There have been more hurricanes than last year.

It seems we went through this last year with Hurricane Matthew. Our home has been boarded and secured.  All we can do is hope.

And we Western New Yorkers complain about our weather??

Kathy and I are headed to Duke next week for my semi-annual inspection. This is always a critical time of year and Kathy and I are always a bit uptight as we head to Duke.

I have had a nice summer, but it could have been warmer and dryer for all of us. The farmers tell me that it will be a late harvest this year. Fishing has been rough because of high water and excessive rain. It is a nice time of year because we spend time with the northern half of our family, see clients and friends, and the grandchildren from South Carolina spend a week with us.

Enough about me.  Business is good at Moldenhauer & Associates. Our principal planners have been busy and our staff is developing new capabilities. With technology, we are becoming a more paperless office, but we still fill 3 shredding bins each month. Paperless but more paper to shred!

As many clients were told last summer, one of the principle reasons we changed broker dealer affiliations was the new fiduciary rules. We were primarily a "fee based" firm and the new DOL Rules that were to be effective this past April would have required the completion of the shift. Despite the delay (which was politically driven), we were committed to being a fee based firm whenever possible, so we made the change despite the DOL delay.

We believe the rule changes are in the client's best interest. Eventually, all firms will make the switch or possibly be put out of business. While many firms have done exactly what we have done, many are hoping the rules go away. They won't and we will welcome the qualified clients who come to us from commission driven firms.

I have conversations with advisors from around the country and while I occasionally learn something of value, the one thing that is constantly confirmed is that our commitment to our client process is rarely, if ever, matched. While our firm is not for everyone, I believe that our staff makes a sincere effort to make all clients happy. I know that, as we grow, this will always be our mission.

*Richard Moldenhauer*

Richard Moldenhauer

# THE EVOLVING CONCEPT OF WHAT WAS ONCE CALLED "NURSING HOME INSURANCE"

While you can still purchase the standard NHI, the costs are going up tremendously. For many people, the more you may need it, the less you can afford it.

Today, I often suggest products that have what is sometimes referred to as "Medical Needs Riders". When they are part of certain life policies, there is no added cost. The rider can be accessed during life in the event of certain illnesses or medical conditions. They may be more affordable.

Years ago, I would tell new clients that they should plan for all contingencies: live, die, become disabled, retire, were the usual topics I would mention. As the years went by, I also suggested considering the issues of college costs, nursing home costs and, for some people, retrieving the value of a business.

As I met people, I would notice that many people would attempt solving all issues with different product solutions approaches. My comment was often that people should attempt solving many problems with as few products as is possible. If approached properly, this can be accomplished better today than at any time in the past. An example would be the modern products that were first incorporated in the concept of "Golden Parachutes", "Deferred Compensation" and what I refer to as "SERP Plans".

These modern plans include the benefits of cash accumulation, disability compensation, end of life concerns, and yes, retirement income. Yes, one plan that solves many problems at a lower than previously available cost.

Should these plans be considered? Yes. I believe those open-minded folks who are concerned should study these plans and make one part of their planning if it fits. If started at an appropriate age, these plans can teach the discipline needed for success.

The idea is that cost can be reduced and more contingencies be addressed if the client can accept the challenge of future personal financial security.

Consider a discussion. Our capable financial planners can be of assistance.

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# ARE YOU REALLY SAVING ENOUGH FOR RETIREMENT?

*Why an early start (and accepting some risk) matters.*

## Are you on track to save $1 million or more for retirement?

If you are 50 or younger, you may need that much in savings to generate the kind of retirement income you prefer.

Personal finance website NerdWallet recently did some math concerning this very objective. What kind of sustained savings effort would a 30-year-old with nothing invested need to make to amass $1 million in retirement savings by age 67, assuming a consistent 6% annual return? (Keep in mind, a tax-advantaged retirement account is not the only potential source of retirement savings.)[1]

According to NerdWallet's projection, a 30-year-old earning $40,000 a year would have to set aside 18.3% of each paycheck toward that goal. The percentage drops to 12.2% for a 30-year-old earning $60,000 annually, and 9.2% a year for a 30-year-old with an $80,000 salary.[1]

Salaries are not frozen across a lifetime of working, of course – but this simple math denotes the initial effort a millennial may want to make. A general rule of thumb is that you should direct 10-15% of each paycheck into retirement savings.[1]

## You must take some risk as you save for the future.

Some people are afraid of Wall Street and reluctant to invest in equities; they wish they could just save for retirement through a bank account or in an investment vehicle with minimal risk.

For most people, this approach is not realistic. The earlier you start, the more compounding potential you have. Take the hypothetical example of a 25-year-old who starts investing just $200 a month in equities via a tax-advantaged retirement account. The investments earn 8% a year. That 25-year-old is positioned to have $622,000 in that account by age 65. So, even a little invested per month might help a young adult make considerable progress toward a retirement savings objective.[2]

While some people take too little risk when they invest, others simply invest too little. There are people in their forties and fifties who have very large cash positions – over $100,000 in deposit accounts. Their bank accounts are almost as large as their investment accounts.

They are taking another kind of risk: the risk of having too much money on the sidelines. Putting an extra $10,000 – just to throw out a figure – into retirement savings at age 45 or 50 could make a real difference. Just using the Rule of 72 (Google this phrase if it is new to you), at an 8% annual return, that $10,000 would double in just nine years; further growth and compounding would come after that, becoming more dramatic with time.[2]

Having a lot of cash in the bank is wonderful, but there are times when an emergency fund is larger than it may need to be. Some of that money might be better off in a tax-advantaged retirement account, especially if a household is behind on retirement saving.

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

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Citations.

1 - cnbc.com/2017/08/08/how-much-you-have-to-save-each-paycheck-to-be-a-millionaire-by-67.html [8/8/17]

2 - foxbusiness.com/markets/2017/05/15/here-easy-way-to-estimate-compound-interest.html [5/15/17]

# BEFORE YOU CLAIM SOCIAL SECURITY

*A few things you may want to think about before filing for benefits.*

Whether you want to leave work at 62, 67, or 70, claiming the retirement benefits you are entitled to by federal law is no casual decision. You will want to consider a few key factors first.

## How long do you think you will live?

If you have a feeling you will live into your nineties, for example, it may be better to claim later. If you start receiving Social Security benefits at or after age 67 (Full Retirement Age), your monthly benefit will be larger than if you had claimed at 62. If you file for benefits at 67 or later, chances are you probably a) worked into your mid-sixties, b) are in fairly good health, c) have sizable retirement savings.

If you sense you might not live into your eighties or you really, really need retirement income, then claiming at or close to 62 might make more sense. If you have an average lifespan, you will, theoretically, receive the average amount of lifetime benefits regardless of when you claim them; the choice comes down to more lifetime payments that are smaller or fewer lifetime payments that are larger. For the record, Social Security's actuaries project the average 65-year-old man living 84.3 years and the average 65-year-old woman living 86.6 years.[1]

## Will you keep working?

You might not want to work too much, for earning too much income can result in your Social Security being withheld or taxed.

Prior to age 66, your benefits may be lessened if your income tops certain limits. In 2017, if you are 62-65 and receive Social Security, $1 of your benefits will be withheld for every $2 that you earn above $16,920. If you receive Social Security and turn 66 this year, then $1 of your benefits will be withheld for every $3 that you earn above $44,880.[2]

Social Security income may also be taxed above the program's "combined income" threshold. ("Combined income" = adjusted gross income + non-taxable interest + 50% of Social Security benefits.) Single filers who have combined incomes from $25,000-34,000 may have to pay federal income tax on up to 50% of their Social Security benefits, and that also applies to joint filers with combined incomes of $32,000-44,000. Single filers with combined incomes above $34,000 and joint filers whose combined incomes surpass $44,000 may have to pay federal income tax on up to 85% of their Social Security benefits.[2]

## When does your spouse want to file?

Timing does matter. For some couples, having the lower-earning spouse collect first may result in greater lifetime benefits for the household.[3]

## Finally, how much in benefits might be coming your way?

Visit ssa.gov to find out, and keep in mind that Social Security calculates your monthly benefit using a formula based on your 35 highest-earning years. If you have worked for less than 35 years, Social Security fills in the "blank years" with zeros. If you have, say, just 33 years of work experience, working another couple of years might translate to slightly higher Social Security income.[3]

## Your claiming decision may be one of the major financial decisions of your life.

Your choices should be evaluated years in advance, with insight from the financial professional who has helped you plan for retirement.

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

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Citations.

1 - ssa.gov/planners/lifeexpectancy.html [7/27/17]

2 - newsok.com/article/5546356 [5/8/17]

3 - fool.com/retirement/2016/07/16/about-to-take-social-security-read-this-first.aspx [12/15/16]

# UPCOMING EVENTS:

Our October seminars are at:

## Ilio DiPaolo's Restaurant & Banquet Facility

Tuesday, October 24th at 6 p.m.
3785 S. Park Avenue
Blasdell, NY 14219

## Hideaway Grille

Thursday, October 26th at 6 p.m.
399 Division Street
North Tonawanda, NY 14120

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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