

# MOLDENHAUER & ASSOCIATES

## SEPTEMBER NEWSLETTER

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

### STARTING A ROTH IRA FOR A CHILD OR GRANDCHILD

P. 2

### KEEP YOUR LIFE INSURANCE WHEN YOU RETIRE

P. 3

### SEPTEMBER / OCTOBER SEMINARS

P. 4

I wrote this month's column in early August. The summer has had its challenges. One of the biggest had nothing to do with business or the weather. It seems every year Orchard Park has water line issues. It happened again this summer and we were forced to close the office for one day. The water lines on West Quaker were being replaced which had clients taking a convoluted road course to get to our office. Now the entire West Quaker Rd. water system has been replaced and the street traffic and business is back to normal.

It has been a couple years since we changed Broker Dealers. After years of research, we chose Commonwealth for many reasons, including their commitment to state-of-the-art client focused technology. Perhaps, the biggest influence on our move was the ethical due diligence support that Commonwealth provides. The transition took six months and was expensive, but in the final analysis, it was worth the effort and the cost.

Most clients appreciate the client-portal capabilities and we appreciate the extra effort Commonwealth provides with their compliance resources. Growth in this era is different than it was in the past. Our theorem for growth today is different than most firms. We will only grow if we can match the growth with our service support capabilities.

Today, all quality firms are more reliant on technology. In my early days technology was a telex machine and a rate book. Today, there is more capability on a laptop than there was in the computer division of a large bank or brokerage house. The key is having the will and desire to use this capacity to benefit our client base.

In those days, the big institutions hired us, threw us against a wall, and hoped one in 50 would stick. Today, we spend much more time selecting a firm member. People should be treated like people, not like disposable things. When we hire a firm member, we spend enormous amounts of time and money on their development. Our goal is 100% good hires and 100% career success for hired members.

As our firm continues to grow, we are creating career opportunities for other people. Currently, we are searching for an assistant service person with an investment background. We will train and educate a qualified serious person. We have found that qualified people often come from other successful careers or from college financial majors. The best often come from client and "friends of the firm" recommendations. This is not a sales position. We are committed to client service and the person we add will find their time occupied by assisting existing staff to better service our clients. For this reason, the person we would like to hire should enjoy both the analytical and the relationship parts of our business. By recommending a person to our firm, you may be opening the door to a meaningful and rewarding career. I, personally, hope you'll consider my request for help. Brett or John Ring are serious about meeting interested people.

This will be the last article I write before my September visit to Duke. I'll be back in WNY a few times in the fall and, perhaps, early winter. While I am physically out of town, my heart is always with the team at Moldenhauer & Associates as they work to improve the financial lives of our clients and the community in WNY.

I hope you had an enjoyable Labor Day.

*Richard Moldenhauer*

Richard Moldenhauer

## STARTING A ROTH IRA FOR A CHILD OR GRANDCHILD

*This early financial decision could prove profoundly positive over time.*

### Do you have a child or grandchild earning some income?

Indirectly, that after-school or summer job might present a savings opportunity for that teenager. You could help your child or grandchild save for future goals by assisting them to create and fund a Roth IRA.

So many people wish they had begun saving for retirement sooner. Imagine how your child or grandchild's prospects for building lifetime retirement savings might improve by starting as soon as possible.

Here is a little math to illustrate the potential. Suppose \$1,000 goes into a Roth IRA when a child is 17, with \$100 per month going into the account thereafter. Suppose the IRA compounds annually and returns 7% a year. After 45 years of saving and investing just \$100 a month with a \$1,000 lump sum to start, that IRA contains \$363,902 when they turn 62. From very little investment effort, a considerable sum might arise over time – and in reality, that sum might grow to be much greater than these calculations suggest, because when that young adult grows older, he or she may contribute much more than the equivalent of \$100 a month to the IRA.<sup>1</sup>

### The basic rules for creating a custodial Roth IRA for a minor are simple.

The child must have earned income. The yearly IRA contribution cannot exceed the child's yearly earnings. (If the child has earned more than the yearly contribution limit for the Roth IRA, the maximum may be contributed. The maximum contribution for 2018 is \$5,500.) You can give the child the money to contribute, if you prefer.<sup>2</sup>

Some fine print must be understood, though. The income must have been earned in connection with a legitimate business activity – it cannot be paid out in exchange for household chores. (Income earned as an independent contractor is acceptable.) The business involved must define the child worker as an employee for federal tax purposes. Also, the income that the child earns must be reasonable in view of the job performed or the services rendered.<sup>2,3</sup>

### The potential tax advantages of a Roth IRA are profound.

Earnings in a Roth IRA grow, tax free, and they may be withdrawn without being taxed once the IRA owner is age 59½ and has owned the IRA for five years. If your teen invests steadily and minds Internal Revenue Service rules, he or she could retire with a tax-free retirement fund that

might be six or seven figures large. Even a 25-year-old who contributes \$5,000 a year to a Roth IRA earning 8% for 40 years is positioned to have about \$1.4 million at age 65, and all of it may be withdrawn, tax free, if I.R.S. rules are followed.<sup>4</sup>

You may also realize a tax perk. If you make the initial contribution to the Roth IRA as a parent or grandparent, that money can count as a gift within your \$15,000 yearly gift tax exclusion (\$30,000 for a married couple).<sup>5</sup>

### Later in that child's life, the Roth IRA assets may be useful in multiple ways.

Did you know up to 100% of Roth IRA contributions may be withdrawn by a Roth IRA owner at any age, without any tax penalty? While reducing a retirement account balance is never ideal because it hurts compounding, this option does offer a young IRA owner a potential financial resource in an emergency. Earnings withdrawn prematurely will usually be taxed, and likely also hit with a 10% I.R.S. penalty, but there is a notable exception. Did you know up to \$10,000 of earnings can be taken out of a Roth IRA, tax free, at any time if the money is used to buy a first home? The I.R.S. even waives its 10% early withdrawal penalty in that case. If your child or grandchild becomes a parent, some of those Roth IRA assets might later be used to pay college tuition.<sup>4</sup>

A Roth IRA might give your child or grandchild a chance at a great financial start. Talk to the financial professional you know and trust about opening one, today.

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

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

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment.

Securities and advisory services offered through Commonwealth Financial Network, Member FINRA/SIPC, a Registered Investment Advisor, Fixed Insurance products and services offered through Moldenhauer and Associates.

Citations.

1 - investor.gov/additional-resources/free-financial-planning-tools/compound-interest-calculator [8/1/18]

2 - kiplinger.com/article/retirement/T046-C001-S003-helping-young-workers-open-a-roth-ira.html [3/26/18]

3 - forbes.com/sites/greatspeculations/2018/03/13/what-you-need-to-know-before-establishing-a-roth-ira-for-your-kids/ [3/13/18]

4 - kiplinger.com/article/retirement/T046-C006-S001-why-you-need-a-roth-ira.html [7/30/18]

5 - rtacpa.com/blog/consider-this-savings-opportunity-if-a-child-or-grandchild-has-a-summer-job [7/30/18]

## KEEP YOUR LIFE INSURANCE WHEN YOU RETIRE

*Some good reasons to retain it.*

### Do you need a life insurance policy in retirement?

One school of thought says no. The kids are grown, and the need to financially insulate the household against the loss of a breadwinner has passed.

If you are thinking about dropping your coverage for either or both of those reasons, you may also want to consider the excellent reasons to retain, obtain, or convert a life insurance policy after you retire. It may be the best decision once you take these factors into account.

### Could you make use of your policy's cash value?

If you have a whole life policy, you might want to utilize that cash in response to certain retirement needs. Long-term care, for example: you could explore converting the cash in your whole life policy into a new policy with a long-term care rider, which might even be doable without tax consequences. If you have income needs, many insurers will let you surrender a whole life policy you have held for some years and arrange an income contract with the cash value. You can pull out the cash, tax-free, as long as the amount withdrawn is less than the amount paid into the policy. Remember, though, that withdrawing (or taking a loan against) a policy's cash value naturally reduces the policy's death benefit.<sup>1</sup>

### Do you receive a "single life" pension?

Maybe a pension-like income comes your way each month or quarter, from a former employer or through a private income contract with an insurer. If you are married and there is no joint-and-survivor option on your pension, that income stream will dry up if you die before your spouse dies. If you pass away early in your retirement, this could present your spouse with a serious financial dilemma. If your spouse risks finding themselves in such a situation, think about trying to find a life insurance policy with a monthly premium equivalent to the difference in the amount of income your household would get from a joint-and-survivor pension as opposed to a single life pension.<sup>2</sup>

### Will your estate be taxed?

Should the value of your estate end up surpassing federal or state estate tax thresholds, then life insurance proceeds may help to pay the resulting taxes and help your heirs avoid liquidating some assets.

### Are you carrying a mortgage?

If you have refinanced your home or borrowed to buy a home, a life insurance payout could potentially relieve your heirs from shouldering some or all of that debt if you die with the mortgage still outstanding.<sup>2</sup>

### Do you have burial insurance?

The death benefit of your life insurance policy could partly or fully pay for the costs linked to your funeral or memorial service. In fact, some people buy small life insurance policies later in life in preparation for this need.<sup>2</sup>

### Keeping your permanent life policy may allow you to address these issues.

Alternately, you may seek to renew or upgrade your existing term coverage. Consult an insurance professional you know and trust for insight.

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

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment.

Securities and advisory services offered through Commonwealth Financial Network, Member FINRA/SIPC, a Registered Investment Advisor, Fixed Insurance products and services offered through Moldenhauer and Associates.

Citations.

1 - [forbes.com/sites/forbesfinancecouncil/2018/03/06/using-life-insurance-for-retirement-purposes/](https://forbes.com/sites/forbesfinancecouncil/2018/03/06/using-life-insurance-for-retirement-purposes/) [3/6/18]

2 - [nasdaq.com/article/4-reasons-to-carry-life-insurance-in-retirement-cm946820](https://nasdaq.com/article/4-reasons-to-carry-life-insurance-in-retirement-cm946820) [4/12/18]



## UPCOMING EVENTS:

Our September/October seminars are at:

### Orchard Park Country Club

Tuesday, September 11, 2018 at 6 p.m.  
4777 S. Buffalo Street  
Orchard Park, NY 14127

### Bravo's Café

Thursday, September 13, 2018 at 6 p.m.  
5781 Seneca Street  
Elma, NY 14059

### Old Orchard Inn

Tuesday, October 9, 2018 at 6 p.m.  
2095 Blakeley Road  
East Aurora, NY 14052

### Chanderson's

Thursday, October 11, 2018 at 6 p.m.  
11851 Route 16  
Yorkshire, NY 14042

### Papa Jake's Saloon

Tuesday, October 16, 2018 at 6 p.m.  
243 W. Main Street  
Springville, NY 14141

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.

Securities and advisory services offered through Commonwealth Financial Network, Member FINRA/SIPC, a Registered Investment Advisor, Fixed Insurance products and services offered through Moldenhauer and Associates.

#### Privacy & Security

Trust is at the heart of every successful, ongoing relationship. At Moldenhauer & Associates, earning and keeping your trust is the standard for everything we do. Because of this commitment, we never sell, rent or trade e-mail addresses with any other company. We use e-mail addresses furnished by our clients and potential clients strictly for sending newsletters and client communication.

Before investing, carefully consider the investment objectives, limitations, risks, fees and expenses of the products and any underlying investment options. This information can be found in the product prospectuses. Copies are available from our office. Please read carefully before investing.

