



MOLDENHAUER & ASSOCIATES

FEBRUARY NEWSLETTER

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The new year started with mild weather and a market that seems determined to improve. If both continue, most of us will be happy.

It would be nice to see the political environment improve, but political divisions seem greater than in my memory. This does not surprise most people. Only 19% of schools teach American History. Young people will have little idea that America is the land of freedom and opportunity.

One of my college majors was American History. There is much to learn about "the last hope for freedom". That should be taught in our secondary school system but, for some reason, it is not happening.

As I write this article, it is mid-January in WNY. The past weekend there were sub-zero temperatures and over a foot of snow. The ski resorts are finally open and skiers are happy.

The firm has added an experienced para-planner to assist Jennifer. Our goal is to provide the best technical service assistance for our clients. As soon as everyone adapts at working together, our efficiency will get even better.

We are still in need of a qualified junior planner. Our training program is designed to assist people wanting to learn the financial planning business by helping our experienced planners work with clients. Over the past couple years, two young planners have gone through the program. Because of the mentoring provided by senior advisors, people wanting to learn the career the right way have a path to success.

If you, or any one you respect, knows a person interested in this type of career, please provide an introduction.

Enjoy the winter, stay warm. We look forward to seeing you in the near future.

Richard Moldenhauer

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TRADITIONAL VS. ROTH IRAS

Some specifics about the "second act."

IRAs can be an important tool in your retirement savings belt, and whichever you choose to open could have a significant impact on how those accounts might grow.

IRAs, or Individual Retirement Accounts, are investment vehicles used to help save money for retirement. There are two different types of IRAs: traditional and Roth. Traditional IRAs, created in 1974, are owned by roughly 35.1 million U.S. households. And Roth IRAs, created as part of the Taxpayer Relief Act in 1997, are owned by nearly 24.9 million households.¹

Both kinds of IRAs share many similarities, and yet, each is quite different. Let's take a closer look.

Up to certain limits, traditional IRAs allow individuals to make tax-deductible contributions into the retirement account. Distributions from traditional IRAs are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty. For individuals covered by a retirement plan at work, the deduction for a traditional IRA in 2019 has been phased out for incomes between \$103,000 and \$123,000 for married couples filing jointly and between \$64,000 and \$74,000 for single filers.^{2,3}

Also, within certain limits, individuals can make contributions to a Roth IRA with after-tax dollars. To qualify for a tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet a five-year holding requirement and occur after age 59½. Like a traditional IRA, contributions to a Roth IRA are limited based on income. For 2019, contributions to a Roth IRA are phased out between \$193,000 and \$203,000 for married couples filing jointly and between \$122,000 and \$137,000 for single filers.^{2,3}

In addition to contribution and distribution rules, there are limits on how much can be contributed to either IRA. In fact, these limits apply to any combination of IRAs; that is, workers cannot put more than \$6,000 per year into their Roth and traditional IRAs combined. So, if a worker contributed \$3,500 in a given year into a traditional IRA, contributions to a Roth IRA would be limited to \$2,500 in that same year.⁴

Individuals who reach age 50 or older by the end of the tax year can qualify for annual "catch-up" contributions of up to \$1,000. So, for these IRA owners, the 2019 IRA contribution limit is \$7,000.⁴

If you meet the income requirements, both traditional and Roth IRAs can play a part in your retirement plans. And once you've figured out which will work better for you, only one task remains: opening an account.

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Citations.

1 - <https://www.ici.org/pdf/per23-10.pdf> [12/17]

2 - <https://www.marketwatch.com/story/gearing-up-for-retirement-make-sure-you-understand-your-tax-obligations-2018-06-14> [6/14/18]

3 - <https://money.usnews.com/money/retirement/articles/new-401-k-and-ira-limits> [11/12/18]

4 - <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits> [11/2/18]



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SUCCESSION PLANNING

Preparing a smoother transition.

A successful finale.

If you are an entrepreneur, what is the final act for you and your business? If you have been successful, you likely want the company you created to be able to continue once you are no longer at the helm. For that reason, many people in your position create a succession plan to implement when the time comes.

What do you need to think about?

It may be helpful to start with the end – that is, visualize how you see things looking without you in charge. You have an opportunity to guide your company to a potentially lasting legacy, as your staff contends with the changes. If there is a sense of continuity in place, this may allow the transition to progress more efficiently.¹

It may also be wise to plan for succession to take place in stages, some of them unfolding while you are still at the wheel. This will allow you to determine who in your organization is ready right now, the individuals who you will want to train, and tasks you will want to undertake during later phases of the transition. Another important thing to consider: who will be your successor? Will you divide your tasks amongst multiple people? All important factors to consider.¹

Who's on your team?

Who will be helping you create your succession plan? Naturally, you will want input from trusted people within the leadership of your organization, but you may also want to consider outside perspectives.

You may want an estate planning attorney on your side. Especially in the case of a family business or a situation where your family plays a part in your intended succession. An estate planning attorney could also help you navigate any state laws that may apply to your business. Additionally, if the transition is preceded by death rather than retirement, it will be helpful to your family and your company to have someone to look out for any complex issues that may arise.²

Does life insurance play a part in your succession plan? If you're the person in charge, a part of your plan might involve key person insurance, which allows your company to replace income that might be lost by your business in case you suddenly and unexpectedly die. This could be the difference between your business being able to negotiate a difficult time or fold up because there's no contingency in place.³

Succession planning involves a careful consideration of where you are, where you want to be, and how you are going to get there. It also involves planning for positive outcomes – and less-than-desirable ones. By making these decisions now, you can create a scenario in which your company is ready for your absence, and you can rest easier knowing that your business is prepared when that time comes.

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Citations.

1 - forbes.com/sites/forbescoachescouncil/2018/09/27/the-importance-of-succession-planning-and-how-you-can-start/ [9/27/18]

2 - thebalance.com/do-you-need-to-hire-an-estate-planning-attorney-3505703/ [4/29/18]

3 - forbes.com/sites/catherineschnaubelt/2018/11/26/4-reasons-you-should-consider-life-insurance-as-a-planning-tool/ [11/26/18]

UPCOMING EVENTS:

Our February and March seminars are at:

Lancaster Country Club

Tuesday, February 26, 2019 at 6 p.m.
6061 Broadway
Lancaster, NY 14086

Orchard Park Country Club

Thursday, February 28, 2019 at 6 p.m.
4777 S. Buffalo Street
Orchard Park, NY 14127

Bravo's Café

Tuesday, March 5, 2019 at 6 p.m.
5781 Seneca Street
Elma, NY 14059

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.

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