DIETZENBACH FINANCIAL
INVESTED IN YOUR FUTURE

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THE ISSUE


Eric and Matt Dietzenbach

In This Issue:

2020 OFFICE UPDATE

Eric Dietzenbach
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Hello everyone!
Hope all is well with you and your families. 2020 has certainly been an interesting year for all. For Dietzenbach Financial, it was an eventful year with some major steps forward in our business and capacity to serve our clients.

On January 1st we started the remodel of our new office located at 101 N Maryville Street in Calmar. It was a family affair as we all pitched in with Life Time Construction (my wife, Andrea's brother) taking the lead. About the time the dust settled on the project, the country was put on COVID lockdown. We officially moved into the space on April 6th with basically no visitors for the next couple months. Despite the early challenges, we are excited to have an office outfitted with the necessary tools to serve clients for years to come.

In early 2020, my brother Matt, decided to join Dietzenbach Financial. He spent the past 5 years as a Commodity Broker at Advance Trading and had been an Ag Lender prior to that. With strong demand for my time, a new office and Matt looking for a career change, we decided it was time to join forces. With plenty of COVID delays, he was finally able to finish his exams and officially started as a Financial Advisor on June 16th. With his risk management perspective, he has proved to be a valuable partner and I believe clients will benefit from our ability to collaborate on financial solutions.

In 2020, we were fortunate to merge our practice with Tom Boeding. Tom has been a Financial Representative for 22 years and works with 350 households. Tom brings a wealth of perspective as he has spent his 45-year career in business and customer service. With the addition of Tom, we are excited to expand our Healthcare offerings which now includes Individual, Group, Disability, Long Term Care, Medicare Supplements, Drug Plans and Medicare Advantage. We thank Tom for the opportunity to work together and look forward to continuing to serve our new client base for years to come.

With the addition of Matt and merger with Tom, our part-time office manager, Ashton Kout, will transition to full time in January 2021. She is finishing up her Business Specialist Degree at Northeast Iowa Community College and graduates this December. Ashton is most likely the friendly voice to greet you on the phone or the smiling face when you walk in our door. She quickly has become integral in our behind the scenes work, allowing us to spend more time with our clients.

We are committed to providing you with the support and resources you need to navigate your financial journey. Please find the enclosed articles that may be of interest to you, your family or business. Although 2020 wasn't the year we had hoped for, we must count our blessing and keep moving forward.
Let us know how we can help, whether that be reviewing your existing accounts and policies or just having a conversation about ideas for the future.

All the Best in 2021!
Eric Dietzenbach

NEXT PAGE: THIS MONTH'S FEATURED ARTICLES

How Long Will It Take to Double My Money?

Before making any investment decision, one of the key elements you face is working out the real rate of return on your investment.

Compound interest is critical to investment growth. Whether your financial portfolio consists solely of a deposit account at your local bank or a series of highly leveraged investments, your rate of return is dramatically improved by the compounding factor.

With simple interest, interest is paid just on the principal.

With compound interest, the return that you receive on your initial investment is automatically reinvested. In other words, you receive interest on the interest.

But just how quickly does your money grow? The easiest way to work that out is by using what's known as the “Rule of 72.” Quite simply, the “Rule of 72” enables you to determine how long it will take for the money you've invested on a compound interest basis to double. You divide 72 by the interest rate to get the answer.

For example, if you invest $10,000 at 10 percent compound interest, then the “Rule of 72” states that in 7.2 years you will have $20,000. You divide 72 by 10 percent to get the time it takes for your money to double. The “Rule of 72” is a rule of thumb that gives approximate results. It is most accurate for hypothetical rates between 5 and 20 percent.

While compound interest is a great ally to an investor, inflation is one of the greatest enemies. The “Rule of 72” can also highlight the damage that inflation can do to your money.

Let’s say you decide not to invest your $10,000 but hide it under your mattress instead. Assuming an inflation rate of 4.5 percent, in 16 years your $10,000 will have lost half of its value.

The real rate of return is the key to how quickly the value of your investment will grow. If you are receiving 10 percent interest on an investment but inflation is running at 4 percent, then your real rate of return is 6 percent. In such a scenario, it will take your money 12 years to double in value.

The “Rule of 72” is a quick and easy way to determine the value of compound interest over time. By taking the real rate of return into consideration (nominal interest less inflation), you can see how soon a particular investment will double the value of your money.

The Rule of 72 is a mathematical concept, and the hypothetical return illustrated is not representative of a specific investment. Also note that the principal and yield of securities will fluctuate with changes in market conditions so that the shares, when sold, may be worth more or less than their original cost. The Rule of 72 does not include adjustments for income or taxation. It assumes that interest is compounded annually. Actual results will vary.

AM I PREPARED FOR LONG-TERM CARE EXPENSES?

In general, Americans are not sufficiently prepared to pay for long-term care. Many of them go through their lives simply hoping that they won't ever need it. Unfortunately, in the event that you or a loved one does need long-term care, hope won't be enough to protect you from potential financial ruin.

Self-insurance as an option

To self-insure — that is, to cover the cost yourself — you must have sufficient income to pay the rising costs of long term care. Keep in mind that even if you have sufficient resources to afford long-term care now, you may not be able to handle rising future costs without drastically altering your lifestyle.

The Medicaid option

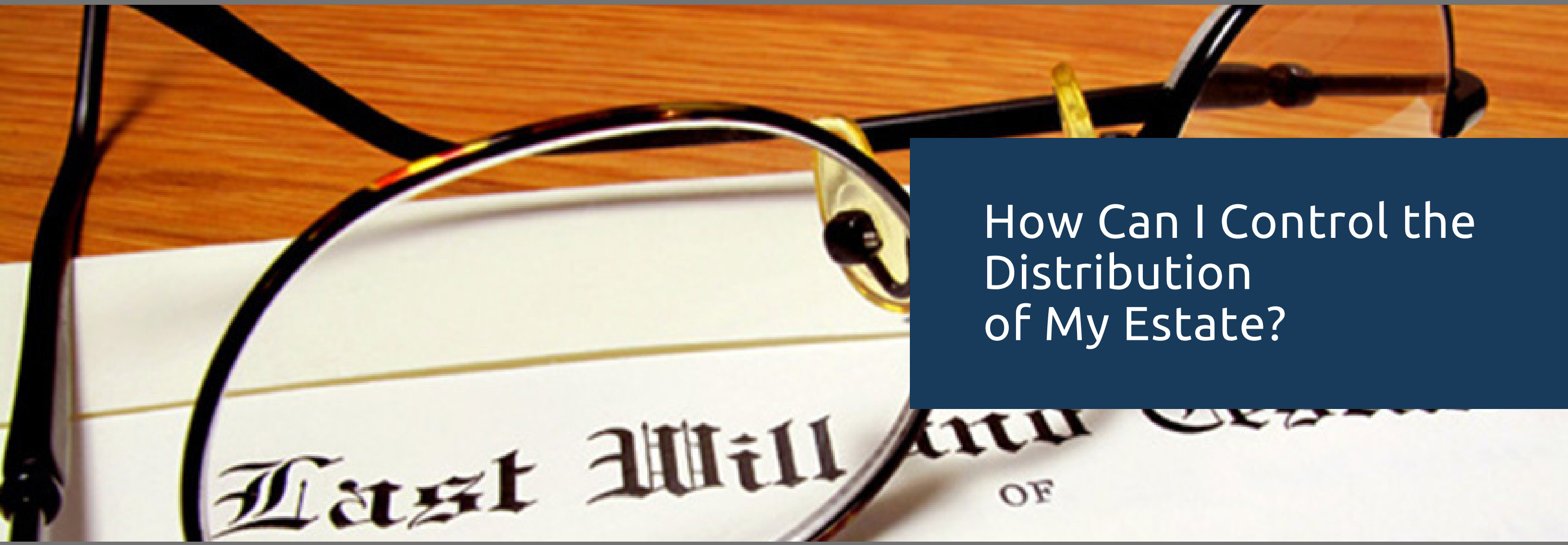
Medicaid is a joint federal and state program that covers medical bills for the needy. If you qualify, it may help pay for your long-term care costs. Unfortunately, Medicaid is basically welfare. In order to qualify, you generally have to have few assets or will need to spend down your assets. State law determines the allowable income and resource limits. If you have even one dollar of income or assets in excess of these limits, you may not be eligible for Medicaid. To receive Medicaid assistance, you may have to transfer your assets to meet those limits. This can be tricky, however, because there are tough laws designed to discourage asset transfers for the purpose of qualifying for Medicaid. If you have engaged in any "Medicaid planning," consult an advisor to discuss any new Medicaid rules.

Long-term care insurance

A long-term care insurance policy may enable you to transfer a portion of the economic liability of long-term care to an insurance company in exchange for the regular premiums. Long-term care insurance may be used to help pay for skilled care, intermediate care, and custodial care. Most policies pay for nursing home care, and comprehensive policies may also cover home care services and assisted living. Insurance can help protect your family financially from the potentially devastating cost of a long-term disabling medical condition, chronic illness, or cognitive impairment. A complete statement of coverage, including exclusions, exceptions, and limitations, is found only in the policy.

Long-term care riders on life insurance

A number of insurance companies have added long-term care riders to their life insurance contracts. For an additional fee, these riders will provide a benefit — usually a percentage of the face value — to help cover the cost of long-term care. This may be an option for you.



How Can I Control the Distribution of My Estate?

There are a number of ways your estate can be distributed to your heirs after your death. Each allows a different degree of control over distribution, and each poses different challenges and opportunities. If you haven't taken steps already, it's important to consider planning now for the distribution of your assets.

Intestacy

If you die without a will, it is called dying "intestate." In these situations, the probate court will order your debts paid and your assets distributed. Unfortunately, your assets will be distributed according to state law. Since the state doesn't know your preferences, the probate court may not distribute your assets according to your wishes. Because intestacy is settled in the probate court, your heirs may have to endure a long, costly, and public probate process that could take six months to a year or more. They will have to wait until the probate process is over to receive the bulk of their inheritance. And depending on the state, probate fees could be very expensive.

Wills

A will is your written set of instructions on how you want your estate to be distributed. While using a will guarantees probate, it is a more desirable alternative than intestacy. In a will, you can name a "personal representative" of your estate. This person or institution (e.g., a bank or trust company) will act as the executor and will be appointed to carry out your wishes according to your testament. You can also nominate a guardian for your minor children and their estates. Without such a nomination, the court can appoint a guardian based on other information, often depending upon who volunteers. A will can also set forth the trust terms, including who you have named as trustee to manage the assets for the benefit of your beneficiaries. This is often referred to as a "testamentary" trust because it is created as part of the last will and testament and takes effect at the probate of the will.

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Trusts

A trust is a legal arrangement under which one person, the trustee, manages property given by another party, the trustor, for the benefit of a third person, the beneficiary. Trusts can be very effective estate planning tools. Trusts can be established during your life or at death. They give you maximum control over the distribution of your estate. Trust property will be distributed according to the terms of the trust, without the time, cost, and publicity of probate. Trusts have other advantages, too. You can benefit from the services of professional asset managers, and you can protect your assets in the event of your incapacity. With certain types of trusts, you may also be able to reduce estate taxes. If you use a revocable living trust in your estate plan, you may be the trustor, trustee, and beneficiary of your own trust. This allows you to maintain complete control of your estate. While trusts offer numerous advantages, they incur up-front costs and ongoing administrative fees. These costs reduce the value of future probate savings. The use of trusts involves a complex web of tax rules and regulations. You might consider enlisting the counsel of an experienced estate planning professional before implementing such sophisticated strategies.

Joint Ownership

Another way to distribute your estate is through jointly held property — specifically, joint tenancy with rights of survivorship. When you hold property this way, it will pass to the surviving co-owners automatically, "by operation of law." Because title passes automatically, there is no need for probate. Joint tenancy can involve any number of people, and it does not have to be between spouses. "Qualified joint tenancy," however, can only exist between spouses. In common law states, this arrangement is generally known as "tenancy by the entirety." Qualified joint tenancy has certain income and estate tax advantages over joint tenancy involving nonspouses. How you hold title to your property may have substantial implications for your income and estate taxes. You should consider how you hold title to all of your property, including your real estate, investments, and savings accounts. If you'd like to know more about how the way you hold title may affect your financial situation, consult a professional.

Contracts

The fifth and final way to pass your property interests is through beneficiary designations. If you have an employer-sponsored retirement plan, an IRA, life insurance, or an annuity contract, you probably designated a beneficiary for the proceeds of the contract. The rights to the proceeds will pass automatically to the person you selected. Just like joint tenancy, this happens automatically, without the need for probate. It is important to review your employer-sponsored retirement plan, IRA, life insurance, and other contracts to make sure your beneficiary designations reflect your current wishes. Don't wait until it's too late.

Many Considerations

A variety of considerations will determine the distribution methods that are appropriate for you. For example, you must consider your distribution goals. By examining your situation and understanding how your assets will pass after your death, you may be able to identify the methods that will help you achieve your goals most effectively. Likewise, the larger your estate, the more you may want to use a trust to help guide your estate distribution. In addition, you will have to consider any special situations you may have — such as a divorce or a disabled child. All these are important factors to think about.

HAPPY HOLIDAYS

FROM OUR FAMILIES TO YOURS

ERIC AND FAMILY

Eric & Andrea Dietzenbach
Kinley (6), Cole (4),
Knox (2), Cooper (8)

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