



## Financial Strategies For Your Future

### AZTEC Financial Group Newsletter

**Hello Eric,**

November is here! Are you ready for the holiday season?

We hope you can join us for our Annual Open House on  
Thursday November 7, 2019 anytime between 4:00 and 7:00

Beverages and Hor'Doeuvres will be provided  
so just bring yourself and feel free to bring a guest.

Please RSVP to Joie; [joie.townsend@AztecFG.com](mailto:joie.townsend@AztecFG.com)  
or call 603-343-4515

#### Did You Know?

This statistic is actually pretty shocking—according to a small survey reported on by Forbes, 11 percent of survey respondents have never left their home state. And over half of those survey takers said they've visited ten states or fewer.



## Local Events!

### DIVE INTO SCIENCE!

*November 11*

*Seacoast Science Center Rye, NH*

[More Information](#)

### 300 YEARS OF THANKSGIVING TRADITIONS

*November 2-30*

*Strawbery Banke, Portsmouth, NH*

[More Information](#)



### SYMPHONY ORCHESTRA FALL CONCERT

*November 2nd at 7:30pm*

*Meredith, NH*

[More Information](#)

### 2019 DPMC CRAFT FAIR

*November 2nd*

*Dover High School*

[More Information](#)

## Buying vs. Leasing a Car



Some people approach buying a car like they approach marriage, "till death do us part." Others prefer to keep their options open, trading in every few years for the latest body style, the hottest technology, or the highest horsepower. Whichever describes you best, we all face a similar decision when it comes to acquiring a car: finance, lease, or pay cash.

About one-third of people lease their cars, but most choose to finance, and some still pay cash.<sup>1</sup> From an investment perspective, which choice is best? That depends on your

lifestyle, cash flow, and personal preferences.

### Buying vs. Leasing a Car

For many, paying cash for a car is the simplest way to get one. When you drive off the lot, you own the vehicle outright and are free to do whatever you want with it. You face no penalties or mileage restrictions, and you have no monthly payments. However, you have paid cash for a vehicle that is expected to depreciate over time.

Financing a car requires a smaller initial outlay of money, usually 10% to 15% of the vehicle's value, in the form of a down payment.<sup>2</sup> When you drive off the lot, the bank owns the car, not you. As with most loans, you make monthly payments of principal and interest with the promise of eventual ownership. The amount of your payment depends on a variety of factors, including the value of the car, the length of the loan, and the interest rate offered by the lender. Car dealers sometimes will offer "no money down" or low annual percentage rate loans, which can make financing more manageable.

**Fast Fact:** Watch the Miles. Mileage overages can cost 10 to 30 cents per mile, but you may be able to purchase extra miles up front at a discounted rate.

Source: U.S. News and World Report, August 26, 2016

If you like to have a new car every few years, leasing is an approach to consider. Leasing a car is like renting an apartment. You pay a monthly fee to use the car for a specific amount of time, usually two to three years. Monthly payments are typically lower than when you finance since you are paying for the depreciation on the car while you drive it. In certain situations, lease payments also may have tax considerations.<sup>3</sup> However, there are caveats to leasing. For one, a lease typically stipulates the number of miles you are permitted to drive during the course of the lease. At the end of your lease, you may face penalties if you have exceeded the total number of miles in the contract.<sup>4</sup>

Whatever your relationship with your car, it may eventually come time for a new one. Familiarize yourself with your options. You may find that changing your strategy makes sense in light of your lifestyle or financial situation.

1. Experian.com, 2016

2. Cars.com, September 2, 2016

3. The information in this material is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties. Please consult legal or tax professionals for specific information regarding your individual situation.

4. Cars.com, September 2, 2016

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## Building Your Legacy

Carve your name on hearts, not tombstones. A legacy is etched into the minds of others and the stories they share about you.<sup>1</sup>

Shannon L. Alder

The desire to leave a legacy may be the height of altruism, for it is a gift to the future; you may never witness the benefits of it nor feel the appreciation of others. Creating your legacy does not happen overnight, and it doesn't come without a strategy and hard work.

### Create Your Vision

You should have an end in mind before you begin. Start by reflecting on what you value and care most about. Consider your passions and the unique skills you have. Your career and hobbies are good places to start. Be sure to ask your friends and family to weigh in. They may offer insights you don't see about yourself.

### Determine Your Legacy

Think about the legacy you wish to leave and the impact you want to make. A legacy can come in many colors. It can be financial, institutional, instructional or wish fulfillment, or the passing on of values and life lessons.

### Develop a Strategy

A legacy will not happen without a blueprint and the persistent pursuit of your objective. A strategy can help you organize your efforts and keep you on the path that leads to success.

## Live Your Legacy

A legacy is not only what you leave behind, but the impact you make on others while alive. Be sure to live your values with your family, at work, and in your community. Nothing is more likely to survive you than your impact on the lives you touch today.

1. Goodreads, 2016

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## What Is a Roth 401(k)?



While many people are familiar with the benefits of traditional 401(k) plans, others are not as acquainted with Roth 401(k)s.

Since January 1, 2006, employers have been allowed to offer workers access to Roth 401(k) plans.<sup>1</sup> And some have rolled out offerings as part of their retirement programs.

As the name implies, Roth-401(k) plans combine features of traditional 401(k) plans with those of a Roth IRA.<sup>2,3</sup>

With a Roth 401(k), contributions are made with after-tax dollars – there is no tax deduction on the front end – but qualifying withdrawals are not subject to income taxes. Any capital appreciation in the Roth 401(k) also is not subject to income taxes.

### What to Choose?

The choice between a Roth 401(k) and a traditional 401(k) comes down to determining whether the upfront tax break on the traditional 401(k) is likely to outweigh the back-end benefit of tax-free withdrawals from the Roth 401(k). The information in this material is not intended as tax advice. It may not be used for the purpose of avoiding any federal tax penalties. Please consult a professional with tax or legal experience for specific information regarding your individual situation.

Often, this isn't an "all-or-nothing" decision. Many employers allow contributions to be divided between a traditional-401(k) plan and a Roth-401(k) plan – up to overall contribution limits.

### Considerations

One subtle, but key, consideration is that Roth 401(k) plans aren't subject to income restrictions, like Roth IRAs are. This can offer advantages to high-income individuals whose Roth IRA has been limited by these restrictions.

Roth-401(k) plans are subject to the same annual contribution limits as regular 401(k) plans – \$19,000 for 2019; \$25,000 for those over age 50. These are cumulative limits that apply to all accounts with a single employer; for example, an individual couldn't save \$19,000 in a traditional 401(k) and another \$19,000 in a Roth 401(k).<sup>4</sup>

Another factor to consider is that employer matches are made with pretax dollars, just as they are with a traditional 401(k) plan. In a Roth 401(k), however, these matching funds accumulate in a separate account, which will be taxed as ordinary income at withdrawal.

Setting money aside for retirement is part of a sound personal financial strategy. Deciding whether to use a traditional 401(k) or a Roth 401(k) often involves reviewing a wide range of factors. If you are uncertain about what is the best choice for your situation, you should consider working with a qualified tax or financial professional.

1. To qualify for the tax-free and penalty-free withdrawal of earnings, Roth 401(k) distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawal also can be taken under certain other circumstances, such as a result of the owner's death or disability. Employer match is pretax and not distributed tax-free during retirement. Generally, once you reach age 70½, you must begin taking required minimum distributions.
2. Distributions from 401(k) plans and most other employer-sponsored retirement plans are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty. Generally, once you reach age 70½, you must begin taking required minimum distributions.
3. Roth IRA contributions cannot be made by taxpayers with high incomes. In 2019, the income phaseout limit is \$137,000 for single filers, \$203,000 for married, filing jointly. To qualify for the tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawal also can be taken under certain other circumstances, such as a result of the owner's death or disability. The original Roth IRA owner is not required to take minimum annual withdrawals.
4. IRS.gov 2019

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