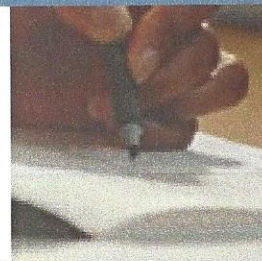




LPL Financial
Eric Wasson, CFP®
CERTIFIED FINANCIAL PLANNER™
Member FINRA/SIPC



AZTEC Financial Group Newsletter

In This Issue

Did You Know?

Local Events!

The Business Cycle

Spotting Credit Trouble

**The Investment Risk No
One's Ever Heard Of**

Quick Links

Our Team

Mission Statement

Products & Services

Useful Links

About LPL Financial

LPL Research

Resources

Past Newsletters

The longer I'm in this business, the more convinced I am that change is the only constant. I realize that the market up and downs can be extreme and unpredictable, and that volatility can play havoc with your nerves. This is why working with a Certified Financial Planner™ is so important. Let's get together to take a look at your portfolio and make sure it's still headed in the right direction.

I would like to thank everyone who submitted answers to our question last month. The winner of the drawing for January is (not drawn yet). Congratulations (xxx)!

This month's drawing will be for a \$25 gift certificate to La Festa Brick and Brew Pizzeria located in downtown Dover. Whether you are looking for dinner to take home, a dining experience or catering for an event, La Festa can help! For more information click [HERE](#).

And the question is...

What is the economic cycle?

[Click here](#) to submit your answer by email. Good luck!



www.aztecfg.com

(603) 343-4515
eric.wasson@lpl.com

Did You Know?

The island town of New Castle is the smallest by land mass in New Hampshire. It covers .8 square miles. Pittsburg, New Hampshire is the largest town in all of New England. It covers roughly 300 square miles. Interestingly, the population for both towns is about the same (around 1,000).

Local Events!

16th annual Snowfest at Loon Mountain: Friday, February 5, 2016 to benefit CASA of New Hampshire. For more information click [HERE](#).

The 19th Annual Murder Mystery Dinner at The Governor's Inn: Presents "Rock of Ages" from Feb. 5 - March 26, 2016. For more information click [HERE](#).

3rd Annual Fire + Ice Festival: February 10 - 15 at various locations in Portsmouth. For more information click [HERE](#).

Wine Me, Dine Me and TANGO!!: Sat, Feb 13, 2016, 6:00 PM at The Atlantic Grill in Rye. For more information click [HERE](#).

Laconia World Championship Sled Dog Derby: February 11-14 start/finish at Laconia Country Club. For more information click [HERE](#).

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The Business Cycle



What has upswings and downturns, troughs, peaks, and plateaus? Though such terms could easily describe a roller coaster ride, in fact they are commonly used to refer to something known as the business cycle.

The business cycle - also known as the economic cycle - refers to fluctuations in economic activity over several months or years. Tracking the cycle helps professionals make forecasts about the direction of the economy. The National Bureau of Economic Research makes official declarations about the economic cycle, based on factors such as the growth of the gross domestic product, household income, and employment rates.

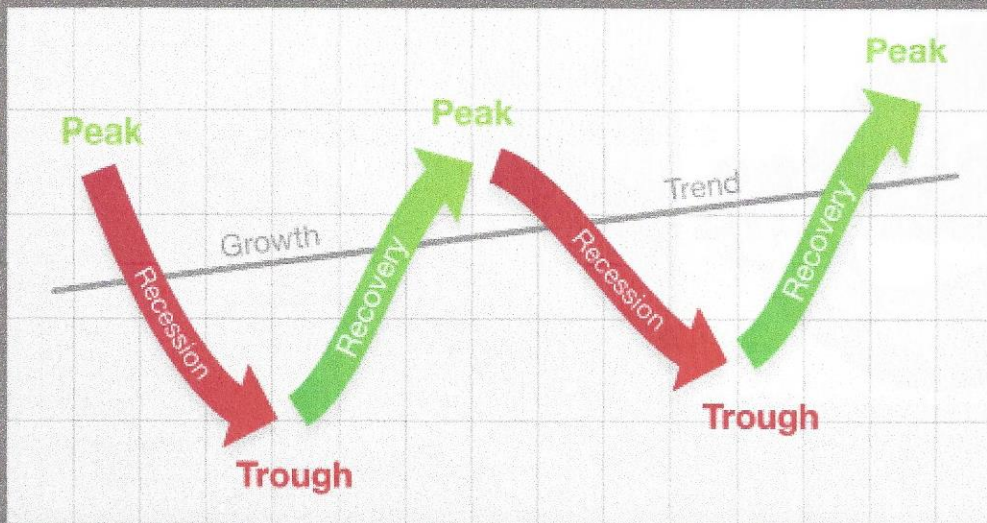
Recovery & Recession

An upswing, or recovery, occurs when the economic indicators improve over time. A recession occurs when the same indicators go through a contraction. A particularly long or severe recession is referred to as a depression.

Despite being called a cycle, it's important to understand that the business cycle is not regular. It doesn't happen at set intervals. Some recoveries have lasted several years while others are measured in months. Recessions, too, can last for a number of years or be as short as a few months.

Moving in Waves

The economic cycle moves through periods of recession and recovery. Despite being called a cycle, it's important to understand that the economic cycle is not regular.



Stages of Cycle

So how should investors look at information about the business cycle?

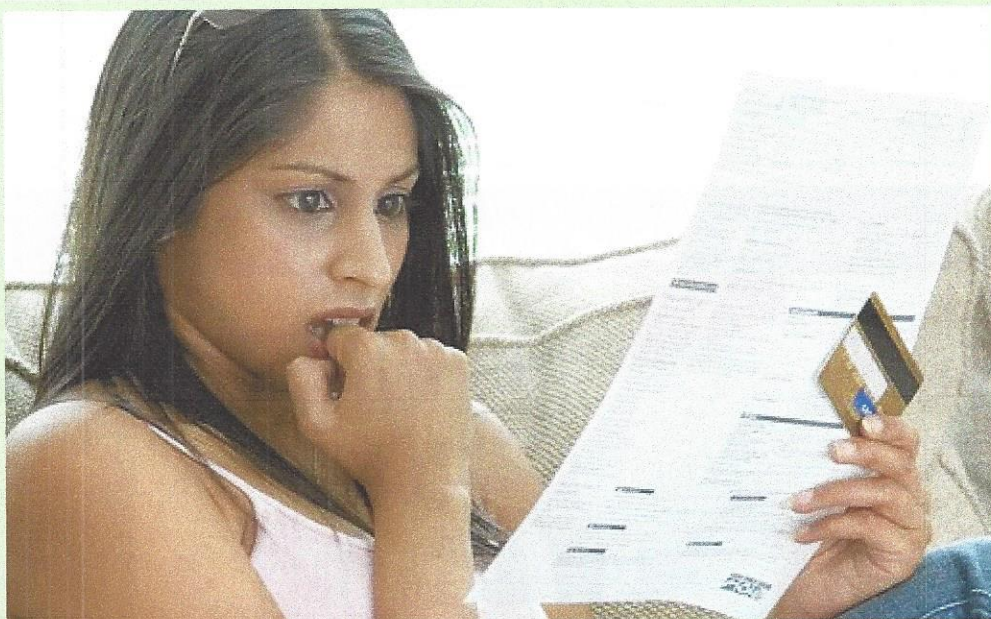
Investors who understand that the economy moves through periods of recovery and recession may have a better perspective on the overall cycle. During recovery, understanding whether the economy is at an early or late stage of the cycle may influence certain investment decisions. Conversely, during a recession, deciphering whether the economy is passing through a shallow or deep cycle also may influence certain decisions.

Generally, the business cycle will transition from recovery to recession - and recession to recovery - over several months. Understanding that the economy travels through cycles may help you put current business conditions in better perspective.

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Spotting Credit Trouble



Almost half of American households carry a balance on their credit cards, and the average debt totals \$15,863.¹

The wise use of credit is a critical skill in today's world. Used unwisely, credit can rapidly turn from a useful tool to a crippling burden. There are a number of warning signs that you may be approaching credit problems:

1. Have you used one credit card to pay off another?
2. Have you used credit card advances to pay bills?
3. Do you regularly use a charge card because you are short on cash?
4. Do you charge items you might not buy if you were paying cash?
5. Do you need to use your credit cards to buy groceries?
6. Are you reluctant to open monthly statements from creditors?
7. Do you regularly charge more each month than you pay off?
8. Do you write checks today on funds to be deposited tomorrow?
9. Do you apply for new credit cards so you can increase borrowing?
10. Are you receiving late and over-limit credit card charges?

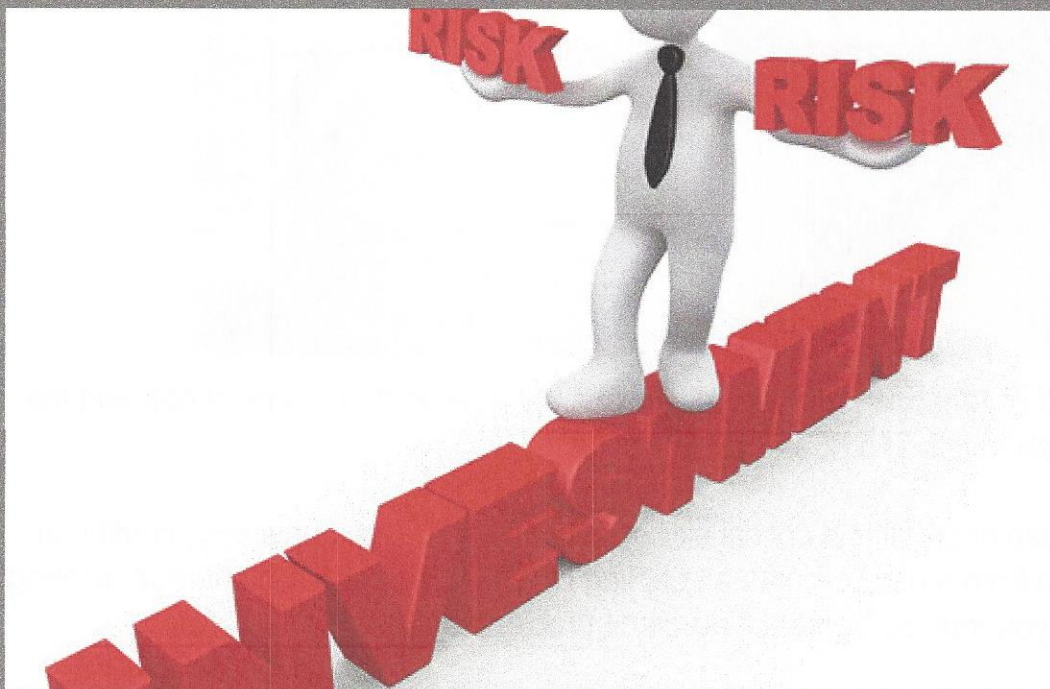
It is important to recognize the warning signs of potential credit problems. The quicker corrective action is taken the better. Procrastinating is almost a sure way to guarantee that you may face financial difficulty down the road.

1. Nerdwallet.com, 2015

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The Investment Risk No One's Ever Heard Of



Knowledgeable investors are aware that investing in the capital markets presents any number of risks-interest-rate risk, company risk, and market risk. Risk is an inseparable companion to the potential for long-term growth. Some of the investment risks we face can be mitigated through diversification.¹

As an investor, you face another, less-known risk for which the market does not compensate you, nor can it be easily reduced through diversification. Yet, it is a risk that may be the biggest challenge to the sustainability of your retirement income.

This risk is called the sequence of returns risk.

The sequence of returns risk refers to the uncertainty of the order of returns an investor will receive over an extended period of time. As Milton Friedman once observed, you should, "Never try to walk across a river just because it has an average depth of four feet."²

Sequence of Returns

Mr. Friedman's point was that averages may hide dangerous possibilities. This is especially true with the stock market. You may be comfortable that the market will deliver its historical average return over the long-term, but you can never know

when you will be receiving the varying positive and negative returns that comprise the average. The order in which you receive these returns can make a big difference.

For instance, a hypothetical market decline of 30% is not to be unexpected. However, would you rather experience this decline when you have relatively small retirement savings, or at the moment you are ready to retire and your savings may never be more valuable? Without a doubt, the former scenario is preferable, but the timing of that large potential decline is out of your control.

Timing, Timing, Timing

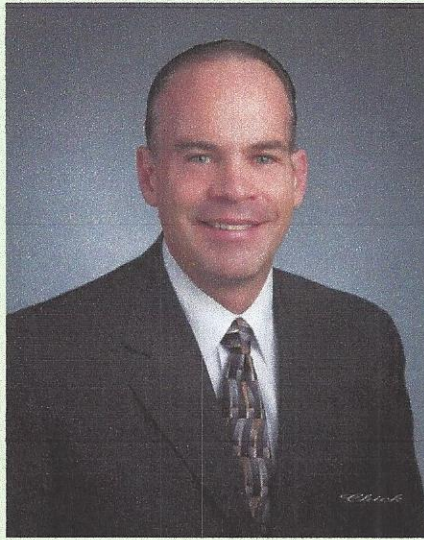
The sequence of returns risk is especially problematic while you are in retirement. Down years, in combination with portfolio withdrawals taken to provide retirement income, have the potential to seriously damage the ability of your savings to recover sufficiently, even as the markets fully rebound.

If you are nearing retirement, or already in retirement, it's time to give serious consideration to the "sequence of returns risk" and ask questions about how you can better manage your portfolio.

1. Diversification is an approach to help manage investment risk. It does not eliminate the risk of loss if security prices decline.
2. www.hoohila.stanford.edu, November 2015

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Eric Wasson CFP®
LPL Financial

660 Central Avenue, Dover, NH 03820
Phone: (603) 343-4515 Fax: (603) 343-1863
Email: eric.wasson@lpl.com

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