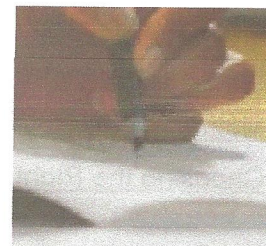


LPL Financial
Eric Wasson, CFP®
CERTIFIED FINANCIAL PLANNER™
Member FINRA/SIPC



It's that time of year again! Temperatures are getting warmer, days are longer, and you're starting to feel that urge to open up the windows and clean out the dust bunnies for a fresh new start.

But while you're vacuuming and sweeping and polishing, don't forget another big area of your life that might also need an annual overhaul: your finances. "Spring cleaning" means taking a big-picture look at your financial health to decide if any life events in the last year make changes to your finances necessary or beneficial. Call me to schedule a review and we can go over it together!

I would like to belatedly congratulate Paula Frenette, the winner of our March newsletter question.

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

This month's drawing will be for a \$25 gift certificate to Wentworth Greenhouses in Rollinsford. And the question is...

What are two ways to maintain your credit score? [Click here](#) to submit your answer by email. Good luck!



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In This Issue

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New England is rife with establishments that claim to be the oldest, the largest or the best. There's only one, though, that not only claims to have the world's longest candy counter, it has a certificate from the Guinness Book of World Records to prove it!

In 2000, an employee at Chutter's General Store in Littleton, New Hampshire convinced the folks at the Guinness Book to add a new category for the store's amazing, three-tiered, store-length candy counter, which measures 111 feet, 11-3/4 inches and holds 800 jars of sweet treats.

Local Events!

Portsmouth Children's Day: Sunday, May 4th from 12:00-4:00. For more information go to:
<http://www.proportsmouth.org/childrensday.cfm>

ISLES OF SHOALS: The Eternal Sound of the Sea: May 1st - 11th, Pontine Theater, Portsmouth. For more information on this and other events at the theater, go to:
<http://www.pontine.org/html/performance.html>

36th Annual Taste of NH: Friday, May 9th, 5:30 at the Attitash Grand Summit Hotel in Bartlett. For more information go to:

<http://www.nhmagazine.com/Calendar/index.php/name/36th-Annual-Taste-of-NH/event/9572/>

Newmarket Heritage Festival: Saturday, May 31st from 10:00 am to 8:00 pm at The Newmarket Mills. For more information go to:

<http://www.heritage-festival.org/>

These websites are provided to you for informational purposes. We are not responsible for the website content

Plan Ahead for College Funding and Financial Security



In recent years, the cost of higher education has risen well ahead of inflation. At some private colleges and universities, the net cost for one year's full-time education, including tuition, fees, and room and board, is around \$40,000 (*Trends in College Pricing-2013, The College Board*). At these prices, the final cost of a bachelor's degree from a private institution could exceed \$160,000. And, with many professions requiring graduate degrees, it quickly becomes apparent that very few families may be able to cover education expenses with their current incomes. With only one child, the costs can be prohibitive; for families with three or more children, college and graduate school costs could easily be hundreds of thousands of dollars.

How can parents and grandparents build a fund for college? They need to look ahead and prepare a "blueprint" as early as possible, and there are a number of ways to do this. The best method will depend on the age of the child, the family's resources and cash needs, and a number of other considerations.

No matter what the age of the child, there are legal techniques for placing money and property in a child's name. Since it is generally inadvisable for minors to own property or have large bank accounts in their own names, gifts to minor children are usually made either to a custodian or to a trust.

The Custodial Account

While some of the tax advantages of a custodial arrangement have been affected by tax law changes, the technique is still worth investigating. It is the simplest method to give money or property to a child, involving very little paperwork, hassle, and legal fees.

All states have adopted either the **Uniform Gift to Minors Act (UGMA)**, which authorizes a custodial arrangement for cash, bank accounts, and other savings vehicles, or the **Uniform Transfer to Minors Act (UTMA)**, which allows the custodian to hold real estate and other property, including limited partnership interests. The laws of the state in which the minor lives will govern the account.

In most states, money or property held in custody must be transferred to the child at either age 18 or 21, depending on state law. Some states allow the custodian to designate the age at which the child may access the account, even beyond the age of majority. When the child has attained access to the custodial account, he or she may use the funds for whatever purpose he or she chooses, even if it's not to pay for tuition.

Trust Benefits

Establishing a trust for a child may be more cumbersome and expensive than the custodial arrangement, but it may be desirable in some situations. One important reason to transfer property to a trust for the benefit of a child is to prevent him or her from "wasting" the funds. The money in the trust, whether it's principal or income, must be used solely for the purpose for which the creator of the trust intended-the child's education.

The creator of the trust may wish to use the Federal annual gift tax exclusion that allows individuals to give \$14,000 (in 2014) each year to as many donees as they wish (or \$28,000 if a spouse joins in making the gift). This exclusion only applies if the trust is structured to create a "present interest" in the child beneficiary. The present interest requirement may be used in a number of ways, some prescribed by the Internal Revenue Code (IRC), and some by case law.

Discretionary trusts can also be used. The trustee may accumulate income to take advantage of the trust's 15% tax bracket or to distribute it to the beneficiary in a tax bracket that is lower than that of the trust.

Prior to making gifts or establishing trusts, the effects of either method on long-term financial goals and college savings programs should be thoroughly assessed. Providing the best education for the child, while preserving the finances of the family, is integral to any decision.

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Maintain a Healthy Credit Report



Your credit report is an accumulation of information about your bills and loans, your repayment history, your available credit, and your outstanding debts. These reports are typically used by lenders when deciding whether or not to accept a loan or credit application. A healthy credit report can help you secure the funding you need to purchase a new home or car, fund a child's education, or start your own business. The following actions can help you maintain a healthy credit report.

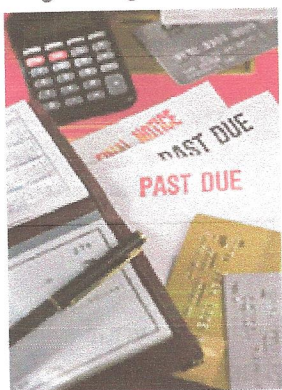
Establish and Maintain History: A rich history about your ability to pay off debt over time will paint a more complete picture for a lender inquiring about your financial habits. Therefore, consider maintaining your oldest credit card. Credit companies often suggest that you also maintain four to six accounts to showcase your commitment to managing multiple debt sources.

Close Extra Accounts: We've all be tempted by the free t-shirts, duffle bags, and contest giveaways offered by credit card companies in order to attract new customers. However, after we've received the gifts, we often forget about the accounts we've just opened. Many open accounts on a credit report may be a red flag to a lender, indicating that you could easily get into financial danger with the large amount of readily available credit. Consider closing any accounts that you do not use. This strategy may also minimize your exposure to identity theft.

Note: Cutting up the card itself or just not using it does not mean the account is closed. To properly close an account, you must call or write to the company with your request.

Make the Minimum Payments: Delinquencies on payments remain on your credit report for seven years, even if you've since settled the account balance and paid the debt. Therefore, you should always try to make at least the minimum payments by the due date requested by the creditor or lender.

If you are in a financial bind and decide to ignore an account for a period of time, be aware that accounts sent to collection agencies or charged off by creditors, meaning they have written the debt off as a loss, will also remain on your credit report for seven years. Consider contacting your creditor if you find yourself in this situation, rather than just ignoring this serious problem.



Pay Down Your Debt and Keep Debt in Line with Income: Determine your debt-to-income ratio by adding the balances of all your loans and credit cards, and comparing that with the amount of income you receive annually. If your total debt exceeds more than 20% of your annual income, lenders may be hesitant to consider allowing you more credit. If you have a large amount of debt, develop a strategy to pay it off gradually and within your budget considering your other expenses. One strategy may be to consolidate your payments under a home equity loan, which offers tax-deductible interest payments. In the meantime, consider curbing excess spending and avoid further debt.

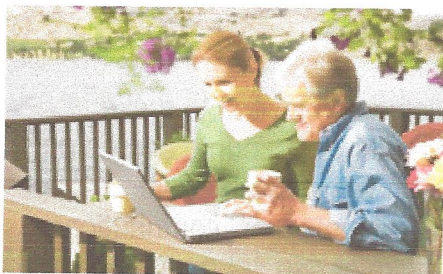
Control the Number of Inquiries about Your Credit: A large number of inquiries on your report may signal to a lender that you are in need of a lot of credit or preparing to take on a large debt. Neither situation bodes well for your ability to take on additional debt. Be aware that each time you apply for a new credit card, even if it is only to receive a free gift, an inquiry will appear on your report. Also, avoid multiple inquiries by car dealers and mortgage lenders by not authorizing a credit check until you have made the decision to purchase from that particular lender. Inquiries remain on your report for two years.

OPT-OUT of Inclusion on Marketing Lists: While soft inquiries, those made by marketers and others wishing to sell you something, do not usually appear on the version of your credit report shown to lenders, these inquiries indicate that your

personal information may be available and used by the companies listed, increasing your exposure to identity theft. Many marketers receive lists of potential customers directly from credit bureaus. You can "opt out" of being included on lists sold to these companies by either writing to each of the three credit bureaus or calling (888) 5OPTOUT. This action will remove your name from marketing lists for two years. According to the Fair Credit Reporting Act (FCRA), you can request a free copy of your credit report from each of the three major credit bureaus (Equifax, Experian, and TransUnion) once a year. For your convenience, you can access all three agencies through a single website, www.annualcreditreport.com. Monitor your credit report frequently and take actions that build and maintain good credit.

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Choosing the Right Retirement Plan for Your Business



You're an entrepreneur and you're not looking back. You've opened your own business, whether alone or with other partners, and you've found some success. Now you're thinking about retirement, not just for you, but also for any employees you may have.

Offering a retirement benefit plan can help your business attract and retain employees, while making it easier for you to save for your own retirement. Fortunately, choosing a plan may not be as difficult as you might imagine. Basic retirement plans for small businesses can be relatively easy to establish and administer, although you may want to reconsider your plan choice or offer additional features as your company expands and your personnel needs change.

Here are some of the retirement plan options available to business owners:

SEP IRA: The Simplified Employee Pension (SEP) is an IRA-based plan that is funded solely by the employer. Employees are fully vested in the plan from the time they join. Business owners do, however, have the flexibility to vary contributions to a SEP from year to year or to make none at all. The SEP is often a good choice for sole proprietors or businesses in a less stable financial position. Contributions can be set at a maximum of 25% of the employee's compensation or up to \$52,000 in 2014. The limit for self-employed taxpayers is 20% of compensation.

SIMPLE IRA: Savings Incentive Match Plan for Employees (SIMPLE) IRAs, which are restricted to businesses with 100 or fewer employees, are usually funded by both the employer and the employee. The employer must make matching contributions on behalf of eligible participants, generally the lesser of the amount deferred by the employee or 3% of the employee's compensation. Because employers are required to contribute a set amount each year, this plan is best suited to businesses with consistent earnings. Employees may defer as much as \$12,000 in 2014 to a SIMPLE plan, and those who are age 50 or older may contribute an additional \$2,500.

Profit-Sharing: Profit-sharing plans are relatively easy to administer and tend to be popular with small businesses. The plans are funded solely by the employer on a pre-tax basis, and contributions are discretionary. Many employers also require workers to remain with the company for a certain number of years before they become fully vested in the plan. With profit-sharing plans, the employer and employees can take out loans against the value of the funds in the account.

401(k): The 401(k) is an employer-sponsored plan that allows employees to make salary deferral contributions on a pre-tax basis. Earnings in 401(k) accounts accrue on a tax-deferred basis, but they are subject to income tax upon withdrawal. While employers have the option of matching a percentage of their employees' contributions to 401(k) accounts, they are not required to do so. The employer can set a vesting schedule for the portion of the funds contributed by the employer. The employee is responsible for managing the investments within the account. Employers may permit 401(k) plan participants to take out loans against their accounts, but this adds to the complexity of a plan. Employee contribution limits for 2014 are \$17,500 for most workers or \$23,000 for those aged 50 or older (with \$5,500 "catch-up" contribution). The employer's and employee's combined contribution in 2014 may not exceed \$52,000 or 100% of the employee's pay.

Because the 401(k) plan has many reporting requirements and is costly to administer, it is generally best suited to companies with at least 25 employees. Businesses with large disparities of pay between employees may also encounter problems with the 401(k) nondiscrimination tests, which can limit the contributions of highly compensated employees if the company's lower paid workers do not contribute comparable percentages of their incomes.

Safe Harbor 401(k): The Safe Harbor 401(k) offers the same benefits as the traditional 401(k), but it may allow employers to maximize contributions and still satisfy nondiscrimination rules. With a Safe Harbor 401(k), employers must make matching contributions for employees, but they have two options: Companies can make contributions for each eligible employee (even if the employee does not contribute) of

3% of annual compensation, or the company can match 100% of the first 3% of employees' deferred contributions, plus 50% of the next 2% of employees' contributions. While the mandatory employee match is larger with a Safe Harbor 401(k) than with most other plan types, the Safe Harbor may permit employers to make more pre-tax contributions on their own behalf.

Defined Benefit Plans: With the rise in popularity of 401(k) plans, defined benefit plans have faded from the spotlight. However, they can still be an attractive option, particularly for business owners with few employees who are looking to accelerate their personal savings. Using a defined benefit plan, business owners may be able to set aside significantly more than they could with a defined contribution plan. In 2014, the maximum annual benefit and accrual limit is \$210,000. On the other hand, defined benefit plans can be more complex and costly to administer than other options, and they are usually more expensive to fund than defined contribution plans.

Deferred Compensation Plans: A deferred compensation plan is often established by companies that already have a qualified plan, such as the 401(k), to provide additional retirement benefits to key executives or employees. This type of plan represents an agreement whereby one person (or legal entity) promises to compensate another for services to be rendered currently, with actual payment for those services delayed until sometime in the future. Using a deferred compensation plan, an employer can offer an employee extra income that will not be taxed until some future date, usually upon retirement, death, disability, or termination of employment. Because these plans are not governed by federal pension laws, making them "nonqualified," they can be extremely flexible. Their very flexibility-and the associated risks-means that business owners should seek out professional guidance from tax, legal, and financial professionals before setting up these plans.

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