



LPL Financial
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 CERTIFIED FINANCIAL PLANNER™



AZTEC Financial Group Newsletter

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I would like to thank you for providing me the opportunity to serve you. It has been a rewarding experience working with you and may this New Year bring forth more opportunities for us to work together in planning your financial future!

I would like to thank everyone who submitted answers to our question last month. The winner of the drawing for December is Ray and Sue Cote. Congratulations, Ray and Sue!

This month's drawing will be for a \$25 gift certificate to Cara Irish Pub. Located in downtown Dover, Cara offers Irish cuisine, relaxed atmosphere and nightly entertainment.

For more information, click [HERE](#).

And the question is...

What are the two main types of buy/sell agreements?

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



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Did You Know?

If you're in the habit of saving your calendars, you may be able to put them to good use! You see, there are only 14 possible calendar configurations. That means in 2017, you can reuse your calendars from 2006, 1995, 1989, 1978, 1967, 1961, 1950, 1939, 1933, 1922, 1911 or 1905! There are, however, far less choices on a leap year. In 2020, for example, you would only be able to reuse the calendars from 1992, 1964, 1936 or 1908.

Local Events!

Fermentation Celebration: Friday, January 5 at 7th Settlement Brewery. For more information click [HERE](#).

Stranger Than Fiction: Friday, January 5 at Seacoast Repertory Theatre. For more information click [HERE](#).

Winter Farmers' Market: Saturday, January 7 from 10:00 to 2:00 at Rolling Green Nursery. For more information click [HERE](#).

National London Theatre Presents The Deep Blue Sea: Sunday, January 15 at The Music Hall Loft. For more information click [HERE](#).

Miss Peregrine's Home for Peculiar Children: Saturday, January 21 at Dover Public Library. For more information click [HERE](#).

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Changing Unhealthy Behaviors



Most Americans know the fundamentals of good health: exercise, proper diet, sufficient sleep, regular check-ups, and no smoking or excessive alcohol. Yet, despite this knowledge, changing existing behaviors can be difficult. Look no further than the New Year's Resolution, with its 8% success rate.¹

Generally, negative motivations are inadequate to affect change. ("I need to quit smoking because my spouse hates it.") Motivation needs to come from within and be positively oriented. ("I want to quit smoking so I see my grandchildren graduate.")

Goals must be specific, measurable, realistic, and time-related. In other words, "I am going to exercise more" is not enough. You need to set a more defined goal, such as, "I am going to walk 30 minutes a day, five days a week."

Permanent Change is Evolutionary, not Revolutionary

As a rule, individuals travel through stages on their way to permanent change. These stages can't be rushed or skipped.

Phase one: Precontemplation. Whether through lack of knowledge or because of past failures, you are not consciously thinking about any change.

Phase two: Contemplation. You are considering change, but aren't yet committed to it. To help move through this phase, it may be useful to write out the pros and cons of changing your behavior. Examine the barriers to change. Not enough time to exercise? How could you create that time?

Phase three: Preparation. You're at the point of believing change is necessary and you can succeed. When making plans, it's critical to begin anticipating potential obstacles. How will you address temptations that test your resolve? For instance, how will you decline a colleague's lunch invitation to that greasy spoon restaurant?

Phase four: Taking action. This is the start of change. Practice your alternative strategies to avoid temptation. Remind yourself daily of your motivation; write it down if necessary. Get support from family and friends.

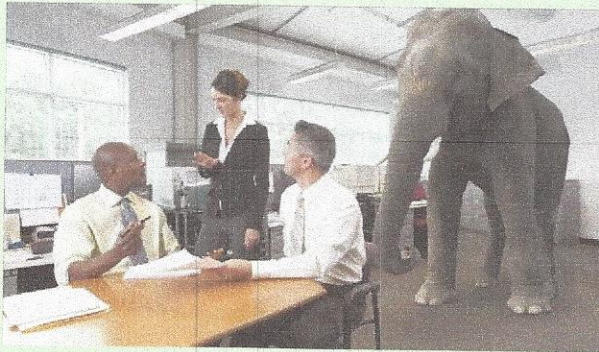
Phase five: Maintenance. You've been faithful to your new behavior. Now it's time to prevent relapse and integrate this change into your life.

Remember, this process is not a straight line. You may fail, even repeatedly, but don't let failure discourage you. Reflect on why you failed and apply that knowledge to your efforts going forward.

1. StatisticBrain.com, December 27, 2015

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Social Security: The Elephant in the Room



For most Americans, Social Security has represented nothing more than some unavoidable payroll deduction with the positively cryptic initials of "FICA" and "OASDI" (Federal Insurance Contributions Act and Old Age, Survivors and Disability Insurance). It hinted at a future that seemed both intangible and faraway. Yet, a new generation has begun drawing on the promise that was made with those payments.

As the wave of Baby Boomers enters retirement, questions and concerns abound. Is Social Security financially healthy? How much will my income benefit be? How do I maximize benefits for me and my spouse? When should I begin taking Social Security?

Questions & Elephants

Answering these questions may help you derive the most from your Social Security benefit, and potentially enhance your financial security in retirement. Before you can answer these questions, you have to acknowledge the elephant in the room.

The Social Security system has undergone periodic scares over the years that have inevitably led many people to wonder if Social Security will remain financially sound enough to pay the benefits they are owed.

Reasonable Concern

Social Security was created in 1935 during Franklin D. Roosevelt's first term.¹ It was designed to provide income to older Americans who had little to no means of support. The country was mired in an economic downturn and the need for such support was acute.

Since its creation, there have been three basic developments that have led to the financial challenges Social Security faces today.

1. The number of workers paying into the system (which supports current benefit payments) has fallen from over 8 workers for every retiree in 1955, to 2.8 workers in 2015. That ratio is expected to fall to 2.3 by 2030.²
2. A program that began as a dedicated retirement benefit later morphed into an income support for disabled workers and surviving family members. These added obligations were not always matched with the necessary payroll deduction levels to financially support them.
3. Retirees are living longer. As might be expected, the march of medical technology and our understanding of healthy behaviors have led to a longer retirement span, potentially placing a greater strain on resources.

Beginning in 2010, Social Security tax and other non-interest income no longer fully covered the program's cost. According to the Social Security Trustees 2016 annual report, this pattern is expected to continue for the next 75 years; the report projects that the trust fund may be exhausted by 2034, absent any changes. Should that happen, it is estimated that current deductions may only be able to pay about 75% of promised income benefits.³

Social Security's financial crisis is real, but the prospect of its failure seems remote. There are a number of ways to stabilize the Social Security system, including, but not limited to

Increase Payroll Taxes: An increase in payroll taxes, depending on the size, could add years of life to the trust fund.

Raise the Retirement Age: This has already been done in past reforms and would save money by paying benefits to future recipients at a later age.

Tax Benefits of Higher Earners: By taxing Social Security income for retirees in higher tax brackets, the tax revenue could be used to lengthen the life of the trust fund.

Modify Inflation Adjustments: Rather than raise benefits in line with the Consumer Price Index (CPI), policymakers might elect to tie future benefit increases to the "chained CPI," which assumes that individuals move to cheaper alternatives in the face of rising costs. Using the "chained CPI" may make cost of living adjustments less expensive.

Reform is expected to be difficult since it may involve tough choices-something from which many policymakers often retreat. However, history has shown that political leaders tend to act when the consequences of inaction exceed those that would come from taking action.

1. Social Security Administration, 2015
2. Social Security Administration, 2016 Annual Report
3. Social Security Administration, 2016 Annual Report

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Insuring Your Business With a Buy/Sell Agreement



Life insurance is designed to help protect a household from the financial hardships that may follow the untimely death of a primary wage earner. But how will a death affect a small business?

One way of safeguarding a business is to create a buy-sell agreement. A buy-sell agreement is a contract between different entities within a corporation to buy out the interests of a deceased or disabled member. A buy-sell agreement also can protect the business from loss of revenue and cover the expense of finding and training a replacement.

Types of Buy-Sell Agreements

There are two main types of buy-sell agreements commonly used by businesses:

Cross-Purchase Agreement. In a cross-purchase agreement, key employees have the opportunity to buy the ownership interest of a deceased or disabled key employee. Each key employee takes out a policy on each of the other key employees. Cross-purchase agreements tend to be used in smaller companies where there are not too many key employees to cover.

Stock-Redemption Agreement. Stock-redemption agreements are formal agreements between each of the key employees-and the business itself-under which the business agrees to purchase the stock of

deceased key employees. Key employees agree to sell their shares to the company, often in exchange for a cash value.

These agreements establish a market value for a key employee's share of the company.

Funding a Buy-Sell Agreement

There are several options for funding a buy-sell agreement:

Set Aside Funds. Money for a buy-sell agreement can be set aside, as long as it is easily accessible. These funds must be kept up for the life of the company, and may present a temptation during fiscally tough times. The business owners must determine the appropriate amount needed to cover the cost of a buy-out.

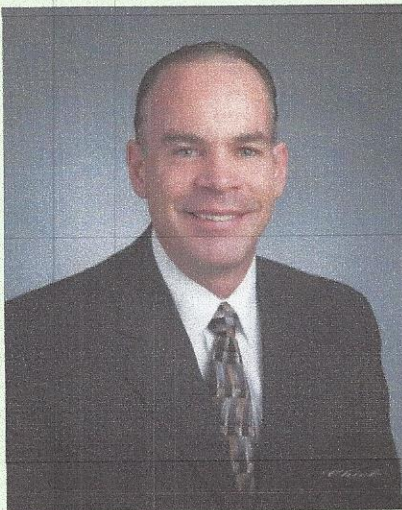
Borrow the Needed Amount. A company can borrow enough to buy out a withdrawing key employee at the time of his or her death. However, the loss of the employee can often affect a company's ability to secure a loan, and the payments become an added stress on the business during an already difficult time.

Life Insurance. Purchasing a life or disability policy in order to fund a buy-sell agreement is an option when preparing for the future. Using life insurance enables a buy-sell agreement to be funded with premium payments and attempts to ensure that funds will be available when they are needed.

Several factors will affect the cost and availability of life insurance, including age, health, and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

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