



LPL Financial
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CERTIFIED FINANCIAL PLANNER™



Poet William Cullen Bryant wrote that the fall season is "the year's last, loveliest smile." I couldn't agree more! As a matter of fact, New England is one of the top destinations for leaf peepers. People travel to White Mountains from all over the world to take in the brilliant fall colors. What is your favorite thing about Autumn?

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

This month's drawing will be for \$25 for 7th Settlement Brewery.

7th Settlement is a community-supported farm to table establishment. They offer craft beer brewed right in house as well as their selection of locally-sourced artisan cuisine. For more information click [HERE](#).

And the question is...

What is business credit life insurance?

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



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Interesting Facts!

Did you know that, over distance, a human can outrun any other animal on earth? While most animals have the ability to sprint faster, jump higher and generally overpower a human, those activities can only be sustained for short periods of time. We are the only animals with the musculoskeletal system, balance and cooling (perspiration) system that will allow us to maintain a steady run for long distances. You might call us the tortoises of the animal kingdom. In the past, when humans hunted with what were essentially pointed sticks, this ability allowed us to hunt most large land animals by simply chasing after them until they fall over from overheating and exhaustion.

Local Events!

Halloween Events: Click [HERE](#) for a list of spooky (and not so spooky) October events in New England.

Jeanne's Journey 5k Presented by Orthopedic & Sport Therapy Services: Saturday, October 10 beginning at 10:00 from Somersworth High School. **AZTEC Financial** is a proud sponsor of this marathon so we hope you can join us! For more information click [HERE](#).

7th Annual NH Brew Fest: Saturday, October 17 from 12:00 to 9:00 at Redhook Ale Brewery in Portsmouth. For more information click [HERE](#).

Northeastern Ballet Theatre Presents "Dracula": Saturday, October 24, 2015 at 7:00pm at Oyster River High School in Durham. For more information click [HERE](#).

Portsmouth Halloween Parade: Saturday October 31 beginning at 7:00 pm. For more information click [HERE](#).

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 \$42,000 (Trends in College Pricing-2014, The College Board). At these prices, the final cost of a bachelor's degree from a private institution could exceed \$168,000. 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 2015) 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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A Short Course in Insurance: Term vs. Permanent



There are two basic types of life insurance coverage--**permanent** (sometimes referred to as **cash value**) and **term**. Permanent insurance not only helps provide financial security at the death of the insured, but it also maintains a cash value for the policyholder. Premium payments first pay the cost of the policy coverage itself. Then, the insurance company invests the "leftover" dollars. Some cash value policies provide policyholders with annual **dividends**, which are the result of higher investment returns and lower expenses than were originally predicted when premium amounts were set. Dividends are not guaranteed.

Premium amounts are contractually guaranteed and will not change as long as they are paid in accordance with the schedule set forth in the policy. Permanent life insurance protection is guaranteed in accordance with the terms of the policy. Evidence of insurability will never be necessary as long as the original policy remains in force, and benefits will never decrease.

Funds may be borrowed against the cash value of the policy at a predetermined loan interest rate. These loans are generally tax free, and there are no restrictions on their use. However, keep in mind that withdrawals may be subject to surrender charges and could have a permanent effect on the cash value and death benefit.

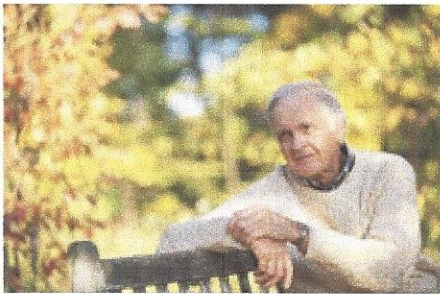
In a term insurance policy, there are three basics to consider: First, the period of protection is for a predetermined, specified term. Second, policies do not accumulate cash value like permanent insurance. Third, premiums may initially be substantially lower than cash value premiums. Premiums will, however, increase

over the period of protection. While term insurance is available for longer durations (e.g., to age 95), increasing premiums may result in higher costs than permanent insurance in the long term.

A thorough review of your insurance needs can help you choose the right policy for your individual situation. It is important to determine the short-term and/or long-term nature of your needs, your current financial position, and the coverage you can afford.

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Using Life Insurance for Business Ends



Life insurance is an important feature of many business arrangements. While most business owners are familiar with providing life insurance as an employee benefit, many may not fully appreciate the variety of other business uses that are available. Here are some of the more common ways you can use life insurance to help benefit and solidify your business:

Funding Buy-Sell Agreements. Under a typical buy-sell agreement, business partners agree to purchase each other's interest if one of them dies. Life insurance can be a cost-effective method of funding this type of agreement provided you and your partner are insurable. And, if you purchase **cash value insurance**, you can use the accumulated cash value to buy out your partner's share if he or she retires or becomes disabled. Keep in mind, however, that access to cash values may affect the death benefit and other features of the policy.

Providing an Employee Benefit. Life insurance is a basic component of many employee benefit packages. One good example is a traditional **employee group term plan**, which generally covers most employees. You can also use life insurance to enhance the benefits of select (key) employees who are vital to the

success of your business. In many instances, this death benefit coverage can be provided at little cost to the select employee.

Insuring Key Employees. The death of a key employee can create a number of financial pressures for a business: revenues may be affected; customers must be assured business operations will continue; and a replacement must be recruited and trained. **Key person life insurance** can provide funds to help meet all these needs without jeopardizing your business operations or cash flow.

Insurance in Qualified Retirement Plans. Life insurance can generally be acquired within a company's qualified retirement plan. Legal limits apply in general, and some may be specific to whether the plan is a **defined contribution plan** or a **defined benefit plan**.

Guaranteeing Business Loans. Owners of new or growing businesses may face difficulty in obtaining business loans. Lenders want to be assured that loans will be repaid, even if you die unexpectedly. **Business credit life insurance** may make it easier to obtain financing by guaranteeing repayment with a life insurance policy.

Tax Benefits and Consequences

Life insurance presents business owners with many opportunities for tax savings, but has the potential for negative tax consequences. It is important to understand the issues up-front. Careful planning is essential to maximize the tax benefits and minimize-or eliminate-any tax consequences.

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