LPL Financial

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CERTIFIED FINANCIAL PLANNER™

# AZTEC Financial Group Newsletter

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Quick Links



Ah, September. The summer begins to wind down. The days get shorter, the evenings get cooler. Frantic "back to school" activities are done and our thoughts turn to fall. Even though it happens year after year, the arrival of autumn is always a little surprising. What do you like best about September?

I would like to thank everyone who submitted answers to our question last month. The winner of the drawing for August is Ronni Bovyn. Congratulations, Ronni!

This month's drawing will be for a $25 gift certificate to Christopher's Third Street Grille. Located in the square in downtown Dover, Christopher's Third Street Grille was voted Best Casual Restaurant in 2015.

For more information click HERE.

And the question is...

What is a catch-up contribution?

Click here to submit your answer by email. Good luck!

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## Did You Know?

Even though September is the 9th month in the calendar year, September comes from the Latin root septem-, meaning "seven". This is because in the original Roman republican calendar September was the seventh month of the year rather than the ninth.

## Local Events!

**27th Annual Hampton Beach Seafood Festival:** September 9 - 11 at Hampton Beach. For more information click HERE.

**Rochester Fair:** September 16 - 25 at Rochester Fairgrounds. For more information click HERE.

**Your Husband is an Idiot:** 8:00pm September 17 at The Rochester Opera House. For more information click HERE.

**3rd Annual Hilltop City Bluegrass Festival:** September 17 from 10:00 to 6:00 at The Pavilion at Somersworth High School. For more information click HERE.

**Seacoast Cancer 5K:** Starting from Wentworth-Douglass Hospital at 9:00 on September 25th. For more information click HERE.

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

## Catch-Up Contributions

A recent survey found that 37% of people were very confident about having enough money to live comfortably through their retirement years. At the same time, 28% were not confident.[1]

Congress in 2001 passed a law that can help older workers make up for lost time. But few may understand how this generous offer can add up over time.[2]

The "catch-up" provision allows workers who are over age 50 to make contributions to their qualified retirement plans in excess of the limits imposed on younger workers.

**How It Works**

Contributions to a traditional 401(k) plan are limited to $18,000 in 2016. Those who are over age 50-or who reach age 50 before the end of the year-may be eligible to set aside up to $24,000 in 2016.[3]

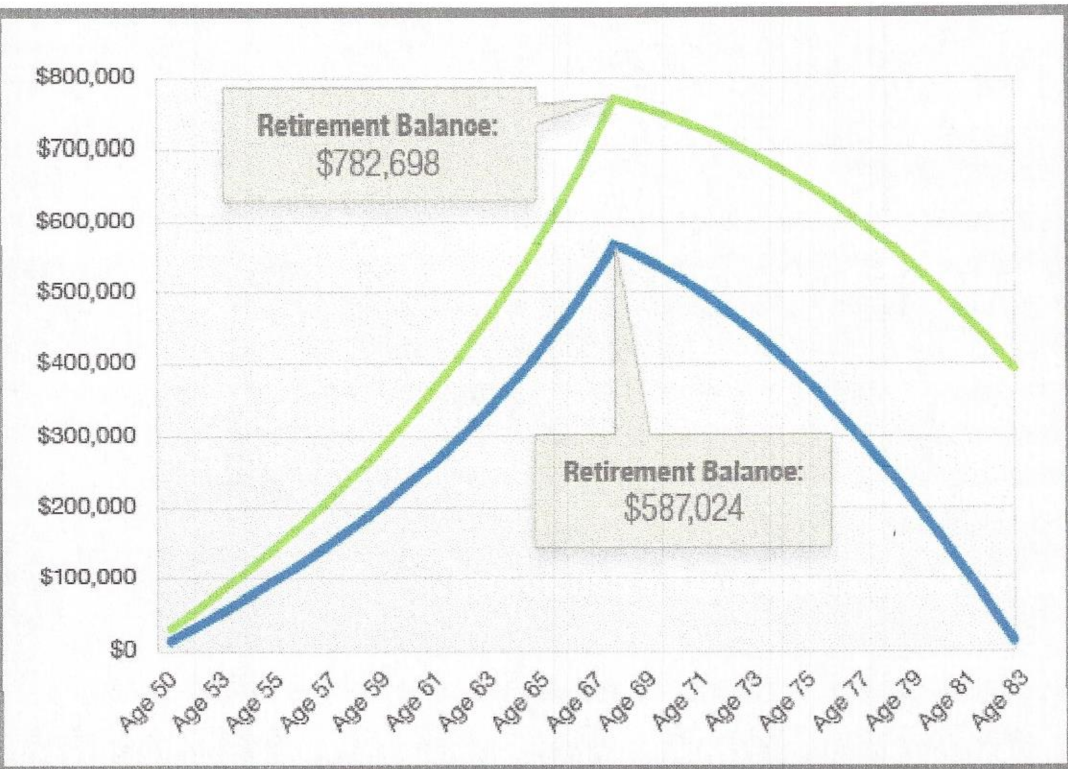
Setting aside an extra $6,000 each year into a tax-deferred retirement account has the potential to make a big difference in the eventual balance of the account. And, by extension, in the eventual income the account may generate. (See accompanying illustration.)

**Catch-Up Contributions and the Bottom Line**

This chart traces the hypothetical balances of two 401(k) plans. The blue line traces a 401(k) account into which the maximum regular annual contributions are made each year, but no catch-up contributions. The green line traces a 401(k) account into which the maximum regular and full catch-up contributions are made each year.

Upon reaching retirement at age 67, both accounts begin making payments of $4,000 a month.

The hypothetical account without catch-up contributions will be exhausted by the time its beneficiary reaches age 83.
This hypothetical example is used for comparison purposes and is not intended to represent the past or future performance of any investment. Fees and other expenses were not considered in the illustration. Actual returns will fluctuate.




Both accounts assume an annual rate of return of 5%. The rate of return on investments will vary over time, particularly for longer-term investments.Contributions to and withdrawals from both accounts have been increased 2% each year to account for potential 2% inflation.
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.

1. EBRI, 2015 Retirement Confidence Survey
2. Economic Growth and Tax Relief Act of 2001
3. IRS, 2016. Catch-up contributions also are allowed for 403(b) and 457 plans. 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.



## Yours, Mine and Ours: Estate Strategies for Second Marriages

If you are one of the many Americans who are in a second marriage, you may need to revisit your estate strategy.[1]

Unlike a typical first marriage, second marriages often require special consideration that should address children from a prior marriage and the disposition of assets accumulated prior to the second marriage.

**Second Marriages**

Here are some ideas you may want to think about when updating your estate strategy:

- You may want to ensure that your children from your first marriage are set up to receive assets from your estate, even as you provide your second spouse with adequate resources to live should you die first.
- Consider titling of assets. Assets that are jointly owned in your name and your second spouse's name are set up to pass to your second spouse, often regardless of any instructions in your will.
- If you are designating your second spouse as beneficiary on retirement accounts, remember, once you die the surviving spouse can name any beneficiary he or she chooses, despite any promises to name your children from a previous marriage as successor beneficiaries.
- Consider any prenuptial and postnuptial agreements with a professional who has legal expertise in the area of estate management.
- If your new spouse is closer in age to your children than to you, your children may worry that they may never receive an inheritance. Consider passing them assets upon your death, which may be accomplished through the purchase of life insurance.[2]
- Consider approaches to help protect against the drain extended health care may have on assets designed to support your spouse or pass to your children.

1. 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.

2. 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.



## Stop Wasting Money


Benjamin Franklin once said, "a penny saved is a penny earned."[1] The modern upgrade to that observation might be that $100 not spent is more like $143.[2] One way to find the money to meet your spending or saving needs is to examine your current spending habits and consider eliminating money wasters.

### Top Money Wasters

1. **Bargain Shopping ... and its Expensive Cousin, Impulse Buying**
   Fire sales and impulse buying (such as products sold on infomercials) can be money wasters, made worse by how often items purchased this way sit idly in a closet or drawer.
2. **Unused Gym Memberships**
   At a monthly rate of $40-50, unused memberships can add up over time. Begin your fitness commitment inexpensively by walking or jogging; you can graduate to the gym once you know you're going to stick with it.
3. **Cable and Cell**
   Call your provider and see if it's possible to negotiate a new rate. Cell providers, who face stiff competition, may be responsive. Cable companies

may be less so, especially if they are a single provider, but you can review your package and make sure you are not paying for service you don't want.

4. **Paying for Water**
   Switching from an essentially free product to one that may cost up to $1.50 a day or more is real budget leak. Consider purchasing a reusable container and using that during the day.
5. **Gourmet Coffee**
   $2 or $3 a day may not seem like a lot of money, but when Americans step into a gourmet coffee shop, they may often buy more than just the coffee. Consider brewing your own coffee. It can be ready before you leave for work, and it'll save you the wait in the drive-through line!
6. **Eating Out**
   Americans now spend more money dining out than they do at the grocery store.[3] Consider the cost of going out to lunch twice a week. If you spent $10 each time, it would cost you $1,040 annually. While dining out may be one of life's pleasures, eating out is often less about socialization and more about convenience. Twice a week may not seem like much, but over time it can add up.

1. Brainy Quote, November 2014
2. This is a hypothetical example that assumes a 30% tax rate. The example is used for illustrative purposes only. It is not representative of any specific tax rate or combination of tax rates.
3. Bloomberg, April 14, 2015



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