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The Old English name for October is "Winterfylleth", meaning "Winter's Full Moon" which marks the first full moon of the winter. When many of us think of October, we think of the last few beautiful weeks of autumn, apple picking, hayrides and sightings of little ghosts and goblins! What is your favorite fall activity?

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

This month's drawing will be for a \$25 gift certificate to Christopher's Third Street Grill in Dover.

Located in downtown Dover, Christopher's offers fine dining and a relaxed bar atmosphere serving a selection of exquisite cuisine ranging from steaks to seafood and more. For more information click [HERE](#).

And the question is...

What are two things you should consider about your financial situation before taking out a home equity loan?

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

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In This Issue

[Interesting Facts!](#)

Local Events!

Home Sweet Home Equity

The "Kiddie Tax" Grows Up Fast

Reduce Workplace Stress

Interesting Facts!

Alaska is the most Northern, Eastern, AND Western state in all of America. It is the only state that enters the "Eastern Hemisphere" making it also the most eastern lying and western lying state.

Local Events!

30th Annual Apple Harvest Day: Saturday, October 4 starting at 9:00 on Central Ave. in Dover. For more information click [HERE](#).

Jeanne's Journey 5k: Saturday, October 11th at 8:30 am beginning at Somersworth High School. For more information click [HERE](#).

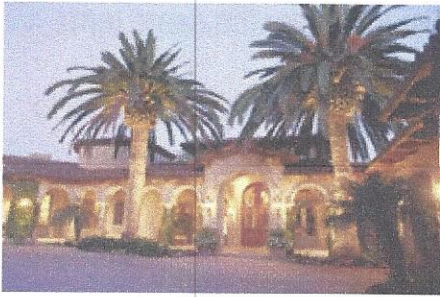
The Addams Family: Thursday, October 16, 7:30 at the Rochester Opera House. For more information on this and other events at the Rochester Playhouse click [HERE](#).

Ghosts on the Banke: Saturday, October 25, 6:00 pm at Strawberry Banke. For more information on this and other events at Strawberry Banke Museum click [HERE](#).

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

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Home Sweet Home Equity



When the Tax Reform Act of 1986 phased out income tax deductions for interest paid on auto loans, personal loans, and credit card debt, many consumers turned to home equity loans to help finance a variety of personal purchases. You can still deduct interest on up to \$100,000 of home equity indebtedness (incurred after October 13, 1987) used for purposes other than improving your home.

More recently, home equity loans have been used to consolidate other outstanding debts, such as credit card bills. Some observers are becoming concerned, however, about people jeopardizing the roofs over their heads because of overburdensome debt.

Debt Basics

Any mortgage on a home is secured debt. When you borrow against your home, you are pledging your house as collateral against the loan. Should you be unable to repay the loan, the lender would have the right to force foreclosure, with the loan being repaid from the eventual sale of the property.

In contrast, credit card debt is unsecured in that assets are not pledged against the outstanding balance. In this case, the lender's recourse would be to sue and obtain a judgment against the debtor. This might adversely affect your ability to borrow in the future and, in serious debt situations, could lead to bankruptcy.

In addition to the tax deduction for the interest paid, one attraction of home equity loans is usually a lower interest rate and the ability to stretch out payments. However, when you consolidate credit card debt with a home equity loan, you are replacing unsecured debt with secured debt-potentially placing your house at risk.

Why a Home Equity Loan?

Here are some guidelines for judicious use of home equity lines of credit.

It may make sense to borrow against your house under the following circumstances:

- You are consolidating credit card debt and plan to repay the loan quickly.
- You use the cash to purchase a vehicle, taking advantage of a favorable interest rate and the tax write-off. Also, you plan to pay off the loan over the same term, as you would have with a vehicle loan.
- You use the funds for expenditures, such as education, that have the potential to return more than the cost of the loan.
- You can handle the payments comfortably within your current budget. Also, if your income were to decrease, you would not have to sell other assets to make the payments.

It may be *inadvisable* to borrow against your house in the following situations:

- You are unsure of your job security, and repaying the loan would be difficult if your income were to drop.
- You are financing a consumable purchase, such as a vacation.
- Home sales have slowed in your neighborhood.

The equity in your home can be an important source of "opportunity" capital. By weighing the potential advantages and disadvantages of tapping this money supply, you can make sure that you'll still have a roof over your head on rainy days.

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The "Kiddie Tax" Grows Up Fast



While Congress has provided many favorable tax breaks to individuals in recent years, the "kiddie" tax has been expanded, subjecting some parents of children with investment income to a sudden tax increase. For many families, this sudden change affects their tax-efficient investing strategies, particularly those developed to help fund a college education. While the reform does not affect the taxation of 529 plans or Coverdell Education Savings Accounts (ESAs), it does affect custodial accounts and investment holdings that generate taxable income.

The Tax Impact

In 2014, the kiddie tax kicks in when investment income exceeds \$2,000 for children under age 19 (or under age 24 for full-time students). They do not pay tax on the first \$1,000 of investment income, and they pay tax at their own rate on the next \$1,000. Any unearned income above \$2,000 is taxed at the parent's rate. Bear in mind that the kiddie tax only applies to a child's unearned income; wages from employment are exempt.

In the past, to take advantage of their children's lower tax brackets, many parents shifted appreciated stock to their kids. The children would then sell the assets, oftentimes to pay for college expenses, and pay tax at their own, likely lower, rates. With the kiddie tax's bump up in age, however, these asset-shifting plans now have different tax consequences. Rather than owing zero tax on long-term gains for their college-bound kids, unsuspecting families may now owe 15%.



Alternate Strategies

If changes in the kiddie tax negatively impact your education strategies, consider your other tax-favored options, such as 529 plans and ESAs. 529 college savings plans are state-sponsored investment accounts that offer tax-deferred earnings and tax-free withdrawals for qualified higher education expenses. Eliminating some of the uncertainty surrounding these plans, Congress made permanent the favorable tax benefits for 529 plans that were set to expire in 2010.

ESAs also offer tax-deferred earnings and tax-free withdrawals, and funds may be used to fund secondary-school expenses, as well as college expenses. Annual contributions are limited to \$2,000, and income limits apply.

To keep a child's investment income low, consider growth stocks that pay little in dividends. The tax liability occurs if and when the stocks are sold for a gain. Also consider tax-efficient and low-turnover mutual funds. Buying and holding an investment until a child reaches age 19 can help you mitigate the implications of the new rules.

Financial Aid Considerations

When it comes to financial aid, there are definitely advantages to keeping money earmarked for education out of your child's name. Colleges generally expect 35% of a student's assets to be dedicated to education, whereas the expectation for parents is lower—only 6% of your assets are considered in the funding formula for aid. The less savings children have in their own name, the more aid they may receive, depending on the cost of attendance and your family's overall financial situation.

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Reduce Workplace Stress-Improve Your Company's Health



In today's increasingly demanding work world, it is not surprising that workplace stress is on the rise. The National Institute for Occupational Safety and Health (NIOSH) reports that 40% of workers describe their jobs as "very or extremely stressful" and 25% of employees view their jobs as the most stressful area of their lives.

Some employers may rationalize that stressful working conditions are a necessary evil, assuming that companies must constantly demand more from workers to remain competitive, productive, and profitable in today's economy. However, work-related stress can have serious consequences, not only for the health of employees, but also for the overall success of a business. Stress raises the risk of workplace accidents, cardiovascular disease, psychological problems, and other health disorders. Business owners may also pay a high price through increased employee absenteeism, tardiness, and disability claims, as well as reduced employee satisfaction and productivity.

Conditions That Cause Stress

What exactly is job stress? According to NIOSH, job stress is defined as harmful physical and emotional reactions that occur when job demands do not match workers' abilities, resources, or needs. Researchers disagree, however, on whether the primary cause of work-related stress centers more around worker characteristics, such as personality or coping style, or working conditions. Although the impact of the differences among individual workers cannot be ignored, certain working conditions are likely to contribute to the stress levels of most people. These include the following:

- **Work Roles.** Without a clear definition of reasonable job functions, employees may feel stress. Having conflicting tasks, vague job expectations, or too much responsibility may contribute to this problem.
- **The Nature and Design of Tasks:** Job functions involving heavy workloads, fast turn-around times, long work hours, infrequent breaks, and routine or mundane tasks may contribute to employee stress.
- **Management Style.** Employee stress may be the result of a lack of communication within the organization; poor communication techniques of a direct manager; exclusion from decision-making that affects job functions; and a need for family-friendly policies, which allow workers to meet pressing personal responsibilities.
- **Interpersonal Relationships.** A poor social environment and the lack of support from managers and other coworkers may intensify feelings of stress among employees.
- **Career Concerns.** Employee stress may be related to sudden or rapid changes in organizational structure; job insecurity; and a lack of opportunity for growth, advancement, or promotion.
- **Conditions of the Work Environment.** Unpleasant or dangerous physical conditions, such as air pollution, noise, crowding, or ergonomic problems, may also contribute to stress for employees.



Solutions That Work

Business owners can benefit from the example of relatively stress-free work environments. NIOSH research has recognized the following organizational actions associated with both healthy, low-stress work and high levels of productivity: acknowledging good employee performance, creating a culture within the organization that values the individual worker, providing career development opportunities, and maintaining consistency between management actions and organizational values.

A business owner may make changes to job functions and organizational structures that affect employee stress. The following may serve to prevent work-related stress: stimulating jobs with clearly defined duties and responsibilities; open channels of communication that seek workers' input in job-related decisions; and flexible work schedules that allow employees to more easily fulfill personal responsibilities. As an added measure, employers may make an effort to develop a more pleasant work environment that permits a reasonable amount of social interaction among employees.

If high stress is likely already affecting employees, business owners may consider implementing a stress management program. Stress management programs involve educating employees about the causes of stress, the effects of stress on health and work, and the skills that may help an individual reduce stress, such as time management and relaxation exercises. An alternative may be to offer an Employee Assistance Program (EAP), which provides individual counseling for employees experiencing both work and personal problems. However, stress management programs, while often effective in the short-term, may not be as effective as making the appropriate organizational and job function changes to help employees meet the demands of their jobs.

By taking these practical measures, business owners can help reduce the high cost of workplace stress, improve productivity, and generate benefits that go straight to the bottom line.

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