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This Fourth of July, we might find ourselves barbecuing, congregating with loved ones and enjoying our precious free time. But July Fourth is also a time to step back, take stock and appreciate the deep freedoms we enjoy every day. Happy Fourth of July to you and your family!



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In This Issue

Interesting Facts!

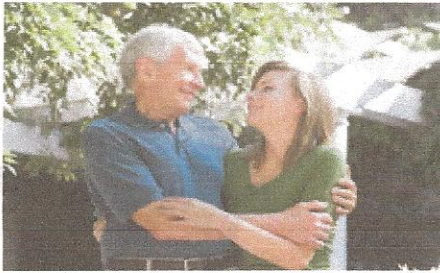
Assessing the Needs of an Aging Parent

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Interesting Facts!

The word "daisy" comes from the Old English "daeges eage", meaning "day's eye", as it reminded people of the sun.



Assessing the Needs of an Aging Parent

Planning for the future needs of aging parents can often be a sensitive and delicate task for adult children to undertake. Baby boomers who must balance the needs of their own children with concerns about their parents' well being, have become known as members of the "sandwich generation," as they struggle to provide multigenerational care and support. The amount of stress that comes with stretching oneself too thin is supported by today's culture, which often seems to revere the notion of "superman" and "superwoman." However, providing care for aging parents does not have to be a task that you face alone.

Although the topic may be difficult to broach, many are surprised to discover that talking with parents about their needs often opens doors of communication and strengthens familial bonds. One way to do this is through an assessment-which takes a thorough look at one's physical, mental, environmental, social, and financial situation-to discover areas of concern and help ensure that risks are lessened, and that independence is maintained for as long as possible. You can perform an assessment by yourself, or enlist the aid of a professional who can help provide solutions for any situations that might arise. Following is a list of some issues you may want to cover.

Health

- Do your parents suffer from any chronic diseases or illnesses?
- Do they experience incontinence, weight fluctuations, bone fractures, unsteadiness, dental problems, or other irregularities?
- Can you provide a list of doctors and other medical professionals your parents visit?

Psychological

- Have they ever been diagnosed with any of the following conditions: depression, anxiety, Alzheimer's disease, or

dementia?

- Do they show signs of mood swings, forgetfulness, confusion, or depression?
- Do they appear to have a decreased interest in things that once captivated them, such as friendships or recreational activities?

Prescriptions

- Do you have a list of your parents' medications and dosage amounts?
- Do they take their medicines as directed?

Lifestyle

- With what level of ease do your parents move about the house? Do they need walkers, canes, or other special devices, such as bathroom grab bars?
- How many of the following activities can they perform on their own: bathing, dressing, communicating by telephone, walking, climbing stairs, cooking, cleaning, and driving?
- If your parents have pets, are they able to give them the level of care they require?

Safety Issues

- Is their neighborhood secure, and does their home contain safety features such as smoke alarms, grab bars, and non-slip flooring?
- Can they perform the necessary maintenance on their home and yard?
- Do they know how to protect themselves from predatory scams and fraud?

Social

- Is the contact information of friends and family members easily accessible?
- Do they interact with friends or have social contact on a regular basis?
- Are they close to family members whom they see often?

Hygiene

- Has their level of personal hygiene remained the same? Do they need help with routine tasks such as washing,

- shaving, or hair and teeth brushing?
- Are clothes appropriate and clean?

Money

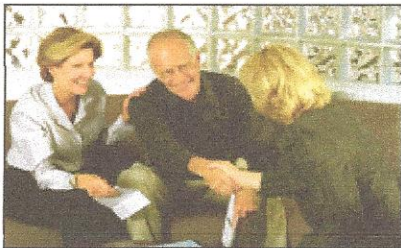
- Are your parents able to pay their bills and maintain good financial health?
- Do they have, and can they locate, legal documents such as wills, powers of attorney, etc.?
- Do you know where to find important information about insurance and financial accounts?

You may wish to expand upon this partial list, or speak with a professional regarding areas of particular concern. In many cases, a parent may require more assistance in one area than another.

Boomers who are struggling to meet the demands of older and younger generations may find that outside help is necessary. In many situations, assistance has a price tag. Proper planning can help smooth the necessary transitions, both financially and emotionally. For many families, long-term care insurance can provide a measure of support. It offers a flexible funding alternative, often covering varying levels of care, and can help ensure that both medical and financial needs are met.

Preparing today can help you provide for your family's needs tomorrow.

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How Charitable Giving Can Really Pay Off

Jill and Harry have always set aside a small portion of their budget for charitable donations. In addition to feeling good

about supporting a number of worthy causes, they've been able to deduct from their federal income tax return all the charitable gifts they've made. Now, the couple think it is time to make a rather substantial charitable contribution. Their intent is to donate a piece of artwork they purchased years ago for \$1,000 that has since risen to \$50,000 in value. However, before they move ahead, they realize there are several issues that need to be resolved. For instance, Harry is a bit reluctant about making the donation because, by doing so, he realizes their children will never reap the benefits of its appreciated value. On the other hand, Jill wants to make sure the donation is executed in a manner that is both advantageous to them and to the charity. Upon careful review, they have come up with a plan that alleviates their concerns. Here's a closer look.

The first step is to address Harry's concerns. They'll do this by purchasing a life insurance policy in an amount that is equal to the value of the artwork—that is, \$50,000. That way, they can help ensure their children ultimately will receive a benefit that generally is commensurate with the value of the donated art. Certainly, they will increase their expenses because of the policy's premiums. But, as you'll soon see, donating the artwork will actually help pay for the policy.

Next up, addressing Jill's concern by donating the actual artwork to the charity, rather than sell it and then donate the proceeds. There are two reasons for this:

First, if they sold the artwork, they'd realize a gain of \$49,000 ($\$50,000 - \$1,000$) that would, in turn, result in a tax of \$7,350 ($\$49,000 \times 15\%$). Therefore, the couple's donation would be reduced from \$50,000 to \$42,650. By donating the art directly to the charity, any appreciation in its value is not taxed (either to Jill and Harry or to the charity). Secondly, the income tax deduction for a charitable gift is based on the fair market value (FMV) of the gift and their federal income tax bracket.

So, assuming Jill and Harry are in the 28% federal income tax bracket, a gift of \$50,000 would give them a \$14,000 charitable income tax deduction ($\$50,000 \times 28\%$). On the other hand, a gift of \$42,650 would give them only an \$11,942 charitable income tax deduction ($\$42,650 \times 28\%$). In effect, donating the appreciated artwork outright produces a greater current year tax deduction than selling it and donating the proceeds after taxes.

Ultimately, it is the substantial tax deduction that will help offset the costs associated with the life insurance policy. The end result truly is a "win-win-win" situation. The charity wins because they receive the full value of the artwork, Jill and Harry win because they get a significant (and maximized) charitable income tax deduction, and their children win

because they eventually will receive a life insurance death benefit that replaces some, or all, of the value of the art

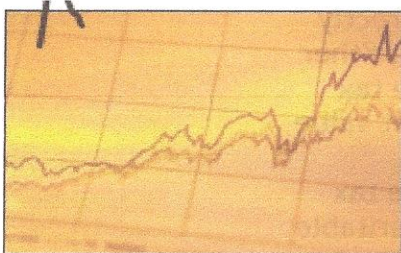


Making the Most of It

If you would like to maximize the tax benefits of charitable giving, be sure to consult a qualified tax professional. There are some limitations on charitable giving based on the type of gift, the type of organization receiving the gift, and your adjusted gross income (AGI) for federal income tax purposes. Nevertheless, the ability to receive a potentially substantial income tax deduction and possibly replace some of the donated wealth with life insurance makes charitable giving pay off for you and for the organizations whose work you wish to support.

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Understanding the Consumer Price Index



The highs and lows of the economy affect people and markets in a variety of different ways. While some sectors of the economy are thriving, others may be sluggish. One economic indicator used to gauge the state of the American economy is the Consumer Price Index (CPI), which measures the rate of inflation in the U.S.

Inflation, which is defined as the rise in the average price level of all goods and services, can have a significant impact on the American economy and your financial affairs. Understanding the CPI, and the ways it measures inflation, can provide a strong foundation for understanding not only market and economic swings, but also the ways in which fiscal and monetary policies affect America's finances, and your own. To begin, let's take a look at the information used by

the U.S. Bureau of Labor Statistics (BLS) to compile CPI data.

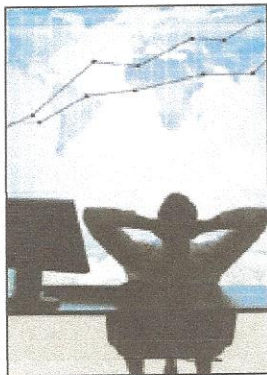
Determining the Market Basket

Each month, the BLS surveys prices for a "market basket" of goods and services in order to create an economic "snapshot" of the average consumer's spending, which is quantified as the CPI. Actual expenditures are classified into more than 200 categories and eight major groups. These include the following, defined below by a sampling of items included within each group:

- Food and Beverages-common groceries, alcoholic beverages, and full-service meals
- Housing-rent, furniture, and utilities
- Apparel-clothing, shoes, and jewelry
- Transportation-vehicle lease and purchase costs, gasoline, auto insurance, and airfare costs
- Medical Care-doctor's visits, hospital care, and prescriptions
- Recreation-cable television, pets, events, and sporting equipment
- Education and Communication-school tuition, postage, telephone service, and computer equipment
- Other Goods and Services-tobacco, haircuts, personal services, and funeral expenses.

Because the CPI looks at expenditures in these fixed categories, this index is a valuable tool for comparing the current prices of goods and services to costs last month or one year ago.

Interpreting and Using the CPI



As a measure of inflation, the CPI has three main uses. First, the CPI often serves as an indication of the health of the economy and the effectiveness of government policy. To a certain extent, some inflation is the sign of a healthy economy; however, too much inflation, or no inflation at all, can be a sign of troubling economic times. In fact, one of the primary U.S. economic policy goals is to maintain an inflation rate ranging from 1% to 3% each year. Constant fluctuations in the CPI will cause Congress and the Federal Reserve Board (the Fed) to take measures to control the amount of inflation and stimulate economic growth. As a result, business executives, labor leaders, and other private citizens may change their spending and saving patterns. For example, the Fed may attempt to curb rising inflation by raising short-term

interest rates; this increase in the cost of borrowing money is likely to slow personal and business spending. Conversely, if the economy is not growing, the Fed may attempt to stimulate inflation by lowering short-term interest rates; in this case, lowering the cost of borrowing may trigger increased spending among businesses and individuals

As a second use, the CPI helps determine the "real" value of a dollar over time by removing the effects of inflation. As prices increase, the purchasing power of a dollar decreases; in other words, more dollars are needed to purchase the same amount of goods and services. Comparing inflation-free wages and prices also allows economists to determine the actual earning and spending patterns of the American consumer, what percentages of money are being saved or spent in certain areas.

Lastly, the CPI is used as a means of adjusting salaries and government benefits to account for price changes. For example, as a result of collective bargaining agreements, wages of over 2 million workers increase according to the amount of change in the CPI. The CPI is also used to determine the benefits of almost 80 million people covered under government programs, including Social Security beneficiaries, military and Federal Civil Service retirees and survivors, and food stamp recipients. In addition, changes in CPI can be seen in the price of school lunches, as well as through rents, royalties, alimony payments, and child support payments as determined by private firms and individuals. Finally, the CPI has been used to adjust the Federal income tax structure to prevent increases in taxes caused solely by inflation.

For More Information

Inflation can have a serious impact on the American economy as it affects both government policy and the spending and saving patterns of businesses and individuals. Understanding and following changes in the CPI can help you know how the value of the dollar changes and estimate how inflation may affect your future plans. The U.S. Department of Labor (DOL) publishes current information on the CPI each month through the BLS. For more information, visit their website at www.bls.gov/cpi.

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