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## AZTEC Financial Group Newsletter

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Do you know what starts in October? For those of you who know me well, the answer is easy to guess! Skiing! Yes, Sunday River is scheduled to open this month. While daydreaming about my next ski adventure, I realized that planning a ski trip has a lot more in common with investing than you may think. Just showing up at the mountain hoping everything will be fine is a recipe for disaster. You need to plan in advance to figure out the best time to arrive, where to park and to make sure the trails you choose are not too risky for your skiing style. And don't forget to find where the hot chocolate is! Planning in advance is crucial to your financial future as well. This is where a professional (financial adviser or ski instructor!) comes in handy. Give me a call and we can set up a time to talk about your financial goals and how to reach them. I may be able to give you a few ski tips as well.

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

This month's drawing will be for a \$25 gift certificate to Kelly's Row. Located at 417 Route 108 in Somersworth, Kelly's Row serves breakfast, lunch and dinner with an Irish flare!

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

*And the question is...*



When and where in history did the first brokers appear?

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



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### Did You Know?

Invented by George Renninger, a candy maker at the Wunderle Candy Company of Philadelphia in the 1880s, Candy Corn was originally called "butter cream candies" and "chicken feed" since back then, corn was commonly used as food for livestock (they even had a rooster on the candy boxes).

It had no association with Halloween or fall, and was sold seasonally from March to November. After World War II, advertisers began marketing it as a special Halloween treat due to its colors and ties to the fall harvest.

### Local Events!

**Tablescapes Around the World 2016:** October 7 - 9 at Discover Portsmouth Center. For more information click [HERE](#).

**Fairy and Hobbit House Festival:** October 8 - 10 at Bedrock Gardens in Lee. For more information click [HERE](#).

**4th Annual Memorial Bridge Road Race:** Sunday, October 9 at Memorial Bridge in Portsmouth. For more information click [HERE](#). All participants of this road race receive free admission to the [27th Annual WHEB Chili Cook-Off](#) which follows at 11:30!

**Oktoberfest Dinner Party at The Castle:** October 14 and 15 at Castle on Charles in Rochester. For more information click [HERE](#).



**Piscataqua Waterfront Walking Tour with Richard M. Candee, author of Building Portsmouth:** Saturday, October 22 at 10:00. For more information click [HERE](#).

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

## Insurance Needs Assessment: When You're Married With Children



A growing family, by definition, means growing financial obligations - both present and in the future. Raising children can increase your insurance needs and heightens the urgency for being properly prepared.

### Auto

When a child becomes a new driver, one option is to add the teenager to the parents' policy. You may want to discuss with your auto insurer ways to reduce the additional premium that accompanies a new driver.

### Home

You should periodically review your homeowners policy for three primary reasons. A growing family generally accumulates increasing amounts of personal belongings. Think of each child's toys, clothes, electronic equipment, etc. Moreover, household income tends to rise during this time, which means that jewelry, art, and other valuables may be among your growing personal assets.

The second reason is that the costs of rebuilding - and debris removal - may have risen over time, necessitating an increase in insurance coverage.



Lastly, with growing wealth, you may want to raise liability coverage, or if you do not have an umbrella policy, consider adding it now. Umbrella insurance is designed to help protect against the financial risk of personal liability.

## Health

With your first child, be sure to change your health care coverage to a family plan. If you and your spouse have retained separate plans, you may want to evaluate which plan has a better cost-benefit profile. Think about whether now is the appropriate time to consolidate coverage into one plan.

## Disability

If your family is likely to suffer economically because of the loss of one spouse's income, then disability insurance serves an important role in replacing income that may allow you to meet living expenses without depleting savings.<sup>1</sup>

If you already have disability insurance, consider increasing the income replacement benefit since your income and standard of living may now be higher than when you bought the policy.

## Life

With children, the amount of future financial obligations increases. The cost of raising children and funding their college education can be expensive. Should one of the spouses die, the loss of income might severely limit the future quality of life for your surviving children and spouse. Not only does death eliminate the future income of one spouse permanently, but the future earning power of the surviving spouse might be diminished as single parenthood may necessitate fewer working hours and turning down promotions.

The amount of life insurance coverage needed to fund this potential financial loss is predicated on, among other factors, lifestyle, debts, age and number of children, and anticipated future college expenses.<sup>2</sup>

Some couples decide to have one parent stay at home to care for the children full time. The economic value of the stay-at-home parent is frequently overlooked. Should the stay-at-home parent die, the surviving parent would likely need to pay for a range of household and child-care services and potentially suffer the loss of future income due to the demands of single parenthood.

## Extended Care

The earlier you consider extended-care choices the better. However, the financial demands of more immediate priorities, like saving for your children's college education or your retirement, will take precedence if resources are limited.



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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.

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## Choosing a Business Structure



In 2014, about 569,000 new business were created.<sup>1</sup> All individuals pursuing the dream of exercising their entrepreneurial muscles, will face the same question, "Which business structure should I adopt?"

Each option presents its own set of pros and cons. This overview is not intended as tax or legal advice and may not be used for the purpose of avoiding any federal tax penalties. Please consult legal or tax professionals for specific information regarding the most appropriate business structure for your organization.

### Sole Proprietorship/Partnership

This structure is the simplest. But it creates no separation from its owner. Income from the business is simply added to the individual's personal tax return.

Advantages: Easy to set up and simple to maintain.

Disadvantages: Owners are personally liable for the business's financial obligations, exposing their personal assets (house, savings, etc.). It does not offer the prestige or sense of permanence of a corporation or LLC.

### C-Corporation



A corporation is a separate legal entity from its owners, making it easier to raise money, issue stock and transfer ownership. Its life is perpetual and will survive the owner's death.

**Advantages:** There may be tax advantages, including more allowable business expenses. It protects owners from personal liability for the company's financial obligations and may lend a measure of prestige and permanence.

**Disadvantages:** More expensive to set up, the paperwork and formality are greater than for a sole proprietorship or LLC. Income may be taxed twice, once at the corporate level and when distributed to owners as dividend income.

### S-Corporation

After forming a corporation an owner may elect an "S-Corporation Status" by adopting a resolution to that effect and submitting Form 2553 to the IRS. The S-corporation is taxed like a sole proprietorship, i.e., the company's income will pass through to shareholders and be reported on their respective personal tax returns.

**Advantages:** S-corporations avoid the double taxation issue associated with C-corporations, while enjoying many of their tax advantages. Owners are shielded from personal liability for the company's financial obligations. It provides the prestige of a corporation for small businesses.

**Disadvantages:** S-corporations do not have all the tax-deductible expenses of a C-corporation. The cost of set up, the paperwork and formality are greater than for a sole proprietorship or LLC. S-corporations have certain restrictions, including a "100 or fewer" shareholders requirement. Shareholders must be U.S. citizens and the business cannot be owned by another business.

### Limited Liability Company

An LLC is a hybrid between a corporation and a sole proprietorship, offering easy management, pass-through taxation, and the liability protection of a corporation. Similar to a corporation, it is a separate legal entity, but there is no stock.

**Advantages:** LLCs provide the protections of a corporation, but are taxed similar to a sole proprietorship.

**Disadvantages:** Typically more expensive to form than a sole proprietorship, LLCs require more paperwork and formalized behavior.

Remember, the choice of business structure is not an irreversible decision. You may amend your business structure to accommodate your changing needs and circumstances.



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# How Stocks Work

## INITIAL PUBLIC OFFERING

In an initial public offering, a company basically divides itself into pieces. These pieces are called "shares," because they represent a share in the company.



These shares are then sold to investors as "stocks" or more accurately, "shares of stock."

Shareholders are partial owners of the company who can vote for those who serve on the company's board of directors.

## In short...

Entrepreneurs have many choices when they want to raise capital for a venture. They can turn to family and friends or they can look to outside investors, including venture capitalists. When the time is right, entrepreneurs also can decide to raise money in the form of an Initial Public Offering (IPO).



When shares of stock are purchased, the new shareholder traditionally receives a Stock Certificate. Nowadays, the shares can be held by the shareholder's broker—enabling a paperless transaction.

**49.9%** of American families own shares of stock and the average value of their holdings is \$29,000<sup>1</sup>

## HOW DO YOU MAKE MONEY WITH STOCKS?

Investors have the potential to make money from stocks two different ways:



When a company earns a profit, that money can be set aside for the future to reinvest in the business or pay debt. This money is referred to as "retained earnings." The company may distribute a portion of its retained earnings to its shareholders as dividends. Some people invest in stocks primarily to earn these **dividends**, which are taxable.



It is also possible to buy a stock, hold it for a





period of time, then sell it for a higher price. In this instance, an investor has a **capital gain**, which is also a taxable event.

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The return and principal value of stock prices will fluctuate as market conditions change. And shares, when sold, may be worth more or less than their original cost.

## HOW DO YOU TRACK THE MARKET?



### DOW JONES

In 1896, Charles Dow added up the closing stock prices of the stocks of 12 companies, divided by 12, and came up with an average he could use to track the stock market as a whole. The Dow Jones Industrials Average is published to this day.<sup>2</sup>

### S&P 500

The Standard & Poor's Company publishes an index based on the stock prices of 500 leading companies in leading industries of the U.S. economy.<sup>3</sup>

### NASDAQ

Nasdaq is a stock exchange that lists over 2,500 companies. The Nasdaq Composite is an index based on all the stocks listed on the Nasdaq market.<sup>4</sup>

### 100's of other INDICES

There are hundreds of other indexes that track the market or segments of the market – ranging from the very broad Wilshire 5000 Total Market Index to ethical indices such as the FTSE4Good Index series.<sup>5</sup>

Index performance is not indicative of the past performance of a particular investment. Past performance does not guarantee future results. Individuals cannot invest directly in an index.

## HISTORY OF THE MARKET

### 12th Century, FRANCE

Banks had men charged with managing and regulating the debts of agricultural communities—in effect, becoming the first brokers.<sup>6</sup>

### 1602, HOLLAND

The Dutch East India Company became the first company to allow investors to purchase shares. It's considered the start of global stock trading.<sup>7</sup>

### 1698, LONDON

The London Stock Exchange traces its history to John Castaing, who issued a list of stock and commodity prices at a coffee house in London.<sup>8</sup>

### 1792, NEW YORK CITY

24 brokers gathered under a buttonwood tree to sign an agreement establishing rules for buying and selling bonds and shares of companies. This

### 1830's, NEW YORK CITY

Traders began trading the stocks of small, newly created enterprises in the street outside the New York Stock Exchange. These curbstone brokers eventually became



group eventually became the  
New York Stock Exchange.<sup>8</sup>

the American Stock Exchange.<sup>10</sup>

### 1896, NEW YORK CITY

Charles Dow calculated his first  
average, which eventually became the  
Dow Jones Industrials Average.<sup>11</sup>

### 1971

The National Association of  
Securities Dealers (Nasdaq) went  
live with an **automated quotations  
system** for trading stocks.<sup>12</sup>



## MARKETS OF THE WORLD

The New York Stock Exchange is the  
granddaddy of all stock exchanges, handling  
roughly one-quarter of the capitalized market  
value of all the stocks in the world. That's nearly  
four times the size of either the London or  
Tokyo Stock Exchanges.<sup>13</sup>

**TOKYO**  
STOCK EXCHANGE

7.2%

**LONDON**  
STOCK EXCHANGE

5.8%

**NEW  
YORK**  
STOCK EXCHANGE

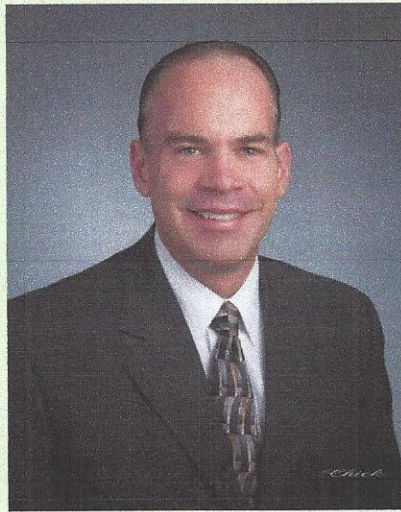
25%

### Sources:

- 1 U.S. Census Bureau, 2012
- 2 Dow Jones & Company, 2012
- 3 Standard & Poor's Financial Services, LLP, 2012
- 4 National Association of Securities Dealers, Inc., 2012
- 5 Wilshire Associates, Inc., 2012; FTSE, 2012
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