



Financial Strategies For Your Future

October Newsletter

Hello Eric,



"Fall Is Proof That Change Is Beautiful." -Unknown

I also love Fall because it means **ski season is coming!**

Change can be difficult, but it can also be extremely beneficial. If you would like some advice about any financial changes in your life, please give us a call at:

(603) 343-4515 to schedule a meeting.

I am available for virtual meetings or in person, whatever makes you more comfortable.

Did you know...

Weight gain around this time of year may not be from all the food?

Researchers have found that lack of vitamin D reduces fat breakdown and triggers fat storage. So, the lack of sunlight has more to do with the extra gain than all the pumpkin spice lattes. Well, at least some of it.

<https://www.onecountry.com/entertainment/10-fun-fall-facts/>

Events & Resources

Apple Harvest Day

Virtual 5k

**Date(s): Friday Oct 9,
5:00 p.m. &**

Monday Oct 12, 11:30 p.m.

Cost: \$25

This year's virtual Apple Harvest Day 5k will allow participants to run while staying socially distanced! Whether you choose to run the traditional Apple Harvest Day 5k course, or a 5k route of your choosing, you can run at a time that is convenient for you during Columbus Day weekend.

Visit 'Apple Harvest Day at Home' at: **AppleHarvestDay.Com** for demonstrations and performances!

[More Information](#)

Always...Patsy Cline

Online, or in the theater!

**Where: Seacoast Rep Theater
125 Bow St. Portsmouth NH or
Online**

**Date(s): Thursday, Oct 1st t-
Friday, October 23rd.**

Cost: Varies

"Always...Patsy Cline" is more than a tribute to the legendary country singer who died tragically at age 30 in a plane crash in 1963. The show is based on a true story about Cline's friendship with a fan from Houston named Louise Seger, who befriended the star in a Texas honky-tonk in 1961, and continued a correspondence with Cline until her death.

[More Information](#)



31st Milford Pumpkin Festival

Date & Time:

October 10 & 11th

Local Music & Entertainment
presented on virtual stages

14th Annual Pumpkin Festival
Variety Show

Online raffles and fundraising for the
2021 Milford Pumpkin Festival

Special Edition 2020 Pumpkin
Festival Tee Shirts

Mural Painting by Eric Escoabr
hosted by Station 101

and more to come...

[More Information](#)

Art 'Round Town

Downtown Portsmouth, NH

Date & Time: The FIRST FRIDAY
of every month, from 5 to 8pm (year
round!) downtown Portsmouth
celebrates its inspired, intimate
urban community with big city style
by presenting its Art 'Round Town
gallery walk. New work, libations,
and more!

As a thriving creative community
rich in history, Portsmouth retains
and honors its past while
continuously cultivating an ebullient,
exciting contemporary art scene.

[More Information](#)

How Will Working Affect Social Security Benefits?



In a recent survey, 74% of current workers stated they plan to work for pay after retiring.¹

**And that possibility raises an interesting question:
how will working affect Social Security benefits?**

To answer that question requires an understanding of three key concepts: full retirement age, the earnings test, and taxable benefits.

Full Retirement Age

Most workers don't face an "official" retirement date, according to the Social Security Administration. The Social Security program allows workers to start receiving benefits as soon as they reach age 62 – or to put off receiving benefits until up to age 70.

"Full retirement age" is the age at which individuals become eligible to receive 100% of their Social Security benefits. For example, individuals born in 1956 can receive 100% of their benefits at age 66 years and 4 months.²

Earnings Test

Starting Social Security benefits before reaching full retirement age brings into play the earnings test.

If a working individual starts receiving Social Security payments before full retirement age, the Social Security Administration will deduct \$1 in benefits for each \$2 that person earns above an annual limit. In 2020, the income limit is \$18,240.³

During the year in which a worker reaches full retirement age, Social Security benefit reduction falls to \$1 in benefits for every \$3 in earnings. For 2020, the limit is \$48,600 before the month the worker reaches full retirement age.³

For example, let's assume a worker begins receiving Social Security benefits during the year he or she reaches full retirement age. In that year, before the month the worker reaches full retirement age, the worker earns \$65,000. The Social Security benefit would be reduced as follows:

Earnings above annual limit

$$\mathbf{\$65,000 - \$48,600 = 16,400}$$

One-third excess

$$\mathbf{\$16,400 \div 3 = \$5,467}$$

In this case, the worker's annual Social Security benefit would have been reduced by \$5,467 because they are continuing to work.

Taxable Benefits

Once you reach full retirement age, Social Security benefits will not be reduced no matter how much you earn.

However, Social Security benefits are taxable.

For example, say you file a joint return, and you and your spouse are past the full retirement age. In the joint return, you report a combined income of between \$32,000 and \$44,000. You may have to pay income tax on as much as 50% of your benefits. If your combined income is more than \$44,000, as much as 85% of your benefits may be subject to income taxes.⁴

There are many factors to consider when evaluating Social Security benefits. Understanding how working may affect total benefits can help you put together a program that allows you to make the most of all your retirement income sources – including Social Security.

Source: Social Security Administration, 2020

1. Employee Benefit Research Institute, April 23, 2020

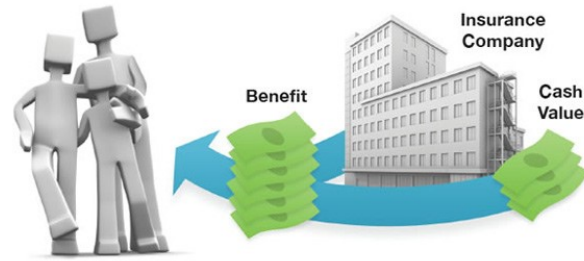
2. SSA.gov, 2020

3. SSA.gov, 2020

4. SSA.gov, 2020

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Universal Life Insurance



Universal life insurance is permanent life insurance — that is, it remains in force for your whole life. But universal life insurance has an important difference from other types of permanent insurance: it provides a flexible premium.

That means **the policyholder decides how much to put in** above a set minimum. By extension, the policyholder also determines the face amount of the policy.

Universal life insurance policies accumulate cash value — cash value that grows tax deferred. Guarantees are based on the claims-paying ability of the issuing company.

Universal life insurance policies normally let **policyholders borrow a portion of their policy's cash value** under fairly favorable terms. And interest payments on policy loans go directly back into the policy's cash value.*

When the policyholder dies, his or her beneficiaries receive the benefit from the policy. Depending on how the policy is structured, benefits may or may not be taxable.

*Universal life insurance has certain features that make the policy suitable for some individuals. Whether universal life insurance is appropriate for you will depend on your goals, needs, and circumstances.

Accessing the cash value in your insurance policy through borrowing — or partial surrenders — has the potential to reduce the policy's cash value and benefit. Accessing the cash value may also increase the chance that the policy will lapse and may result in a tax liability if the policy terminates before your death.

Universal life insurance can be structured so that the cash value that accumulates will eventually cover the premiums. However, additional out-of-pocket payments may be required if

the policy's dividend decreases or if investment returns underperform.

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.

Withdrawals of earnings are fully taxable at ordinary income tax rates. If you are under age 59½ when you make the withdrawal, you may be subject to surrender charges and assessed a 10% federal income tax penalty. Also, withdrawals will reduce the benefits and value of the contract. Life insurance is not FDIC insured. It is not insured by any federal government agency or bank or savings association.

Generally, loans taken from a policy will be free of current income taxes, provided certain conditions are met, such as the policy does not lapse or mature. Keep in mind that loans and withdrawals reduce the policy's cash value and death benefit. Loans also increase the possibility that the policy may lapse. If the policy lapses, matures, or is surrendered, the loan balance will be considered a distribution and will be taxable.

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Is a SEP-IRA Right for Your Business?



If you're like many small business owners, running your own business is an all-consuming endeavor.

In the face of everyday demands, choosing a retirement plan for your business can become a casualty. The idea of establishing a plan could evoke worries about complicated reporting and administration.

If this sounds familiar, then you may want to consider whether a **Simplified Employee Pension (SEP)** may be right for you. A SEP can be established by sole proprietors, partnerships, and corporations, including S corporations.

The advantages of the SEP begin with the flexibility to vary employer contributions each year from 0% up to a maximum of 25% of compensation, with a maximum dollar contribution of \$55,000 in 2018.

Employees Vested

The percentage you contribute must be the same for all eligible employees. Eligible employees are those age 21 or older who have worked for you in three of the last five years and have earned at least \$600 (in 2018). Employees are immediately 100% vested in all contributions.

There are no plan filings with the IRS, making administration simple and low cost. You only need to complete Form 5305 SEP and retain it for your own records. This form should be provided to all employees as they become eligible for participation.

Unlike other plans, a SEP may be established as late as the due date (including extensions) of your business' tax filing (generally April 15th) for making contributions for the prior year.

A Menu of Options

Each eligible employee will be asked to establish his or her own SEP-IRA account and self-direct the investments within the account, relieving you of choosing a menu of investment options for the plan. The rules for accessing these funds are the same as those governing regular IRAs.

Under the SECURE Act, in most circumstances, once you reach age 72, you must begin taking required minimum distributions from a SEP-IRA and Traditional Individual Retirement Account (IRA). Withdrawals from Traditional IRAs are taxed as ordinary income and, if taken before age 59½, may be subject to a 10% federal income tax penalty.¹

Unlike the self-employed 401(k), which is only available to business owners with no employees, you cannot take a loan from your SEP assets. Under the SECURE Act, in most circumstances, you must begin taking required minimum distributions from your 401(k) or other defined contribution plan in the year you turn 72. Withdrawals from your 401(k) or other defined contribution plans are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty.¹

The SEP earns the “simplified” in its name and stands as an attractive choice for business owners looking to maximize contributions while minimizing their administrative responsibilities.

1. IRAs have exceptions to avoid the 10% withdrawal penalty, including death and disability.

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