



LPL Financial
Eric Wasson, CFP®
CERTIFIED FINANCIAL PLANNER™



As you know, each month we have a drawing to award a gift certificate to one of our readers who has correctly answered the newsletter question. In an effort to promote our community, we award gift certificates to locally owned businesses. Do you know of a locally owned business that you would like to see featured in our newsletter? Please contact me to let me know!

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

This month's drawing will be for a \$25 gift certificate to Dover Natural Marketplace and Cafe.

Located at 7 Chestnut Street in Dover, Dover Natural Marketplace and Café offers a wide range of products like, supplements, gluten-free foods, health food, dried herbs, books, gifts, and bulk items. Their cafe includes, 4 homemade soups everyday, sandwiches, wraps, quasadillas, foccacia pizzas, lots of baked goods, a juice bar and smoothies . For more information click [HERE](#).

And the question is...

When would a legal settlement NOT be considered income for tax purposes?

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



www.aztecfg.com

(603) 343-4515
eric.wasson@lpl.com

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Interesting Facts!

From 1944 to 1946, 250 German and Austrian prisoners of war were housed at Camp Stark in Stark, NH. What set this camp apart from others was the positive interactions between the prisoners and their captors. Guards would often put down their weapons to help the prisoners fill their work quotas (cutting wood in the surrounding forest for the local lumber company). The POWs would buy cigarettes for the guards at the commissary to help the guards offset wartime rationing. They would also make gifts for the children of the lumber company employees. Several maintained the new friendships they had formed with local New Hampshire residents.

In 1986, five former POWs and about 30 of the Americans who guarded them met for a German-American Friendship Day, a reunion 40 years after the lives of captive and captor, native and foreigner had touched.

Local Events!

WOKQ Chowder Festival: June 6 beginning at 11:30 in Prescott Park. For information on this and other events at Prescott Park click [HERE](#).

Sand Sculpting Competition: June 12 - 20 at Hampton Beach. For more information click [HERE](#).

Market Square Day Festival: June 13 from 9:00 to 4:00. For information on this and other events click [HERE](#).

Wings and Wheels at Skyhaven: June 13 from 10:00 to 2:00 at Skyhaven Airport in Rochester. For more information click [HERE](#).

26th Annual Portsmouth Pocket Garden Tour: Jun 19 and 20, various times. For more information click [HERE](#).

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Windfalls and Your Taxes



When you receive a windfall-whether it's an inheritance from a relative, lottery or gambling winnings, or a legal settlement-you may be anxious to plan how you will spend that money. However, don't forget that taxes may be owed on the sum you received.

As soon as you learn that a significant sum of money is coming your way, consult with one of our qualified tax professionals about potential tax implications. In many cases, gifts from family members or friends, life insurance payouts, and

inheritances are tax free to the recipient, although taxes may be owed by the giver or the estate from which the inheritance is received. It is also important to consider state and local taxes, which may differ from Federal rules.

Inherited Retirement Accounts

If you have inherited a traditional IRA from someone other than your spouse, you can opt to withdraw the money as a lump sum and pay all of the income taxes due in that year. Or, you can delay the tax liability by directly rolling the funds over into an inherited IRA. You will have to take required minimum distributions (RMDs) from the account and pay taxes on these withdrawals; however, you can extend RMDs based on your anticipated life expectancy. You may also choose to transfer the IRA to another beneficiary within nine months of the account owner's death. Due to a recent change in the law, most non-spouse beneficiaries of 401(k) and other employer-provided retirement accounts are also permitted to roll over funds into an inherited IRA.

Lottery or Gambling Winnings

Any winnings from gambling or playing the lottery are fully taxable as ordinary income, not as capital gains. If you win a lottery prize payable in installments, you are required to report on your tax return both the annual payments and any amount designated as interest on the unpaid installments. If your lottery winnings exceed \$5,000, the payer will automatically withhold 25% of your winnings to cover Federal taxes-this percentage may be greater if you fail to disclose your tax identification number. In some cases, state taxes will also be withheld. In addition, you may owe estimated taxes, which must be paid quarterly. Failure to pay estimated taxes in a timely manner can result in penalties.

All gambling winnings are considered income on your Federal tax return, and the proceeds may also be subject to state taxes. If you wish to claim gambling losses on your Federal return, they must be reported separately as itemized deductions, not simply subtracted from the reported winnings. In claiming this deduction, your gambling losses may not exceed your winnings. If your gambling or lottery winnings exceed specified amounts, you will receive form W-2G, Certain Gambling Winnings, from the IRS.

Legal Settlements

If you have won a lawsuit and have been awarded a legal settlement, you are likely to owe taxes, unless the damages were awarded for physical injury or illness. Most other types of damages, including settlements for personal non-

physical injuries and all punitive damages, are taxed as ordinary income. To complicate matters, the percentage of the settlement that goes to your attorney in many cases also counts as your taxable income. While you are permitted to claim legal fees as an itemized deduction, this deduction could increase your alternative minimum tax (AMT) liability.

Sharing Your Windfall

If the lump sum you have received is liable to taxation, you may be able to reduce taxes by donating some of your windfall to a qualified charity. Keep in mind, however, that the deductibility of charitable gifts is limited to 50% of your adjusted gross income (AGI), although contributions that exceed these limits may be carried over for up to five years into the future. Gifts to family and friends from your windfall will not reduce your tax liability. In fact, there may be additional gift taxes involved.

Suddenly receiving a windfall can be very exciting, but don't forget to consider your tax liabilities. For advice according to your unique circumstances, consult your qualified tax professionals.

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Your Assets and Your Children: Dividing Your Estate



When planning the division of your assets, you may believe in a policy of "share and share alike." This is perhaps the easiest method to avoid conflicts and complaints of favoritism. But does equality necessarily equate to fairness? After all, fairness is only relative, especially when one considers factors such as age, talents/skills, interests, needs, and degrees of material success. A more practical approach to the division of assets may be one in which you recognize and compensate for differences in the abilities and needs of your children, even at the risk of producing some conflict.

Through your estate plan, you have a chance to provide a measure of fairness that your children may not otherwise have found in their own lives. Consider speaking with your children about their hopes, dreams, and expectations, as well as their worries, concerns, and frustrations. By listening first, you may gain valuable insights into how you can divide your estate constructively without causing jealousy and resentment. The decisions may be difficult to make, but in the long run, your family will appreciate your goal of trying to reach an agreement that addresses each child's individuality.

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A Risk Management Solution for Today's Small Business Owner



Considering all the things that can go wrong with a business, small business owners may be considered risk takers. However, there are two risk exposures that any business owner can ill-afford to overlook: **property loss** due to perils such as fire, theft, wind or water damage, and **liability loss** for injuries sustained by individuals while on business premises and/or during operation of the business. Although self-insuring was once a popular option, in today's litigious society, it is hardly cost-effective, particularly for potentially catastrophic losses. This is where a **business owners policy (BOP)** can play a crucial and beneficial role.

A BOP bundles prearranged property and liability coverages in one package. Thus, a BOP provides property coverage for a building and its contents, and losses of business income after an accident, as well as liability coverage for physical injury or physical damage caused by an employee. (**Health insurance, workers compensation, and business automobile coverage** are typically not included in the standard BOP.)

The main advantages of a packaged arrangement are ease of handling, streamlined rating procedures, and a reduced need for detailed risk management decisions. A BOP is typically less expensive than maintaining several policies.

Is a BOP Right for My Business?

Generally, specific criteria must be met in order to qualify for this type of policy. First, your business should be considered a "good" risk so that premiums can be priced attractively compared to individual exposure policies. For instance, a small neighborhood bookstore selling books on gardening may have an easier time obtaining a BOP than a company that is in the building demolition business (where accidents may be more likely to occur). Second, your business should have "ordinary" insurance needs without the potential for unusual liabilities. Again, a demolition company certainly has an unusual liability, which likely would negate otherwise standard coverage. A standard BOP that does not adequately meet the needs of a particular business may be customized to answer those specific needs, which often makes a BOP an appropriate choice for small mercantile and service businesses.

While every business is unique, many businesses are exposed to similar types of risk. If the risk exposures of your business are fairly common, you may want to explore the benefits of a BOP. Having most risks covered under one policy can prove to be a cost-effective risk management tool. For more information on BOPs, give us a call. One of our qualified insurance professionals will be happy to help you determine if a BOP is right for your business.

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660 Central Avenue, Dover, NH 03820

Phone: (603) 343-4515 Fax: (603) 343-1863

Email: eric.wasson@lpl.com

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Eric Wasson, CFP®
LPL Financial

(603) 343-4515



Eric.Wasson@LPL.Com

<http://www.aztecfg.com>

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