



## Financial Strategies For Your Future

### AZTEC Financial Group Newsletter

**Greetings!**

*I hope you are having a wonderful Summer!*

I am excited to announce our new team member administrative assistant, Joie Townsend . She will be assisting me with portfolio review appointments.

Feel free to stop in and say hello!

*My wife and I have been season ticket holders at the Seacoast Repertory Theatre for many years. This summer, the theater was looking for people to host actors for their upcoming productions. When we heard this we jumped at the chance! We are hosting TWO actors from NYC!! Their shows are fabulous not to mention our guests' performances!*

#### Did You Know?

Rainbows are rarely seen at noon. To form a rainbow, sunlight needs to strike a raindrop at around 42 degrees. That's unlikely to happen if the sun is higher than 42 degrees in the sky, according to the website of the National Oceanic and Atmospheric Administration (NOAA).



#### Local Events!

PIRATES OF PENZANCE

33rd ANNUAL

*Rochester Opera House  
August 1 - 11  
Rochester, NH*

[More Information](#)

## COCHECHO ARTS FESTIVAL DINNER & MOVIE

*August 13 & August 27  
Dover, NH*

[More Information](#)



## ANDERSON EAST MAKES DEBT ON THE WILCOX MAIN STAGE

*Prescott Park  
August 18  
Portsmouth, NH*

[More Information](#)

## DOVER FARMERS' MARKET

*Now until Oct 2*

*Chamber of Commerce Parking Lot  
Dover, NH*

[More Information](#)

## IRA Withdrawals that Escape the 10% Tax Penalty

The reason withdrawals from an Individual Retirement Account (IRA) prior to age 59½ are generally subject to a 10% tax penalty is that policymakers wanted to create a disincentive to use these savings for anything other than retirement.<sup>1</sup>

Yet, policymakers also recognize that life can present more pressing circumstances that require access to these savings. In appreciation of this, the list of withdrawals that may be taken from an IRA without incurring a 10% early withdrawal penalty has grown over the years.

### Penalty-Free Withdrawals

Outlined below are the circumstances under which individuals may withdraw from an IRA prior to age 59½, without a tax penalty. Ordinary income tax, however, generally is due on such distributions.

1. **Death** — If you die prior to age 59½, the beneficiary(ies) of your IRA may withdraw the assets without penalty. However, if your beneficiary decides to roll it over into his or her IRA, he or she will forfeit this exception.<sup>2</sup>
2. **Disability** — Disability is defined as being unable to engage in any gainful employment because of a mental or physical disability, as determined by a physician.<sup>3</sup>
3. **Substantially Equal Periodic Payments** — You are permitted to take a series of substantially equal periodic payments and avoid the tax penalty, provided they continue until you turn 59½ or for five years, whichever is later. The calculation of such payments is complicated, and individuals should consider speaking with a qualified tax professional.<sup>4</sup>
4. **Home Purchase** — You may take up to \$10,000 toward the purchase of your

first home. (According to the Internal Revenue Service, you also qualify if you have not owned a home in the last two years). This is a lifetime limit.

5. **Un-reimbursed Medical Expenses** — This exception covers medical expenses in excess of 7.5% of your adjusted gross income.
6. **Medical Insurance** — This permits the unemployed to pay for medical insurance if they meet specific criteria.
7. **Higher Education Expenses** — Funds may be used to cover higher education expenses for you, your spouse, children or grandchildren. Only certain institutions and associated expenses are permitted.
8. **IRS Levy** — Funds may be used to pay an IRS levy.
9. **Active Duty Call-Up** — Funds may be used by reservists called up after 9/11/01, and whose withdrawals meet the definition of qualified reservist distributions.
  1. With an IRA, once you reach age 70½, generally you are obligated to begin taking required minimum distributions.
  2. Your required minimum distribution (RMD) may be based on your age or the deceased's age at the time of death. Penalties may occur for missed RMDs. Most are required to begin by December 31 of the year following the date of death. Any RMDs due for the original owner must be taken by their deadlines to avoid penalties. You will pay taxes on any distributions you take. Consider speaking with a financial professional who can help you evaluate the potential impact an inheritance might have on your overall tax situations.
  3. The information in this material is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties. Federal and state laws and regulations are subject to change, which may have an impact on after-tax investment returns. Please consult legal or tax professionals for specific information regarding your individual situation.
  4. The information in this material is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties.

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## Death is No Excuse

The federal government is an equal-opportunity tax assessor. Even the dead can't escape taxes.

The final accounting required of the deceased is not limited to an estate tax filing, but a federal income tax return must also be filed for the year in which the taxpayer passes. Please consult a professional with tax expertise if you find yourself in this situation.<sup>1</sup>

### Filing for the Deceased

Of course, the deceased can't file his or her own return, so that responsibility usually falls to the estate's executor or administrator. Here are the highlights of how a tax return is filed in the name of a deceased individual.

- The form used is the same as the one that would have been used if the taxpayer were still alive, but "deceased" is written after the taxpayer's name.
- The filing deadline is April 15 of the year following the taxpayer's death.
- Some income that might appear to belong on the decedent's final return may in fact be taxable to the estate or to the beneficiary who receives it. Otherwise known as "income in respect of a decedent," this is income that the decedent was entitled to receive at the time of death, but is not reported on the final income tax return.
- Deductible expenses paid before death can be utilized on the final return. The cost of a final illness can be deducted on the deceased's return even if the bills were paid after the date of death.
- If the taxpayer was married, the widow or widower may file a joint return. The executor usually files a joint return, but the surviving spouse can file it if no executor or administrator has been appointed.

- When an executor or administrator is involved, he or she must sign the return for the decedent. For a joint return, the spouse must also sign.
- If a refund is due, you should also complete and file a copy of Form 1310, Statement of Person Claiming Refund Due a Deceased Taxpayer.<sup>2</sup>

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2. IRS.gov, 2018

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## Personal Finance Tips for Military Families

One survey found that military personnel have higher credit card debt and fewer tangible assets than their civilian counterparts.<sup>1</sup>

While the financial situation of military personnel and their families mirrors the general population in many respects, heavy indebtedness and mismanagement of credit cards may be especially acute issues for service members.

Of course, military families face unique challenges, such as deployment to conflict zones, overseas assignments and the constancy of change, making personal finance even more critical.

### Money Tips to Consider

- Take Full Advantage of What's Available
  - The Thrift Savings Plan is one way to save for retirement and a Roth TSP is now available.
  - The Savings Deposit Program allows eligible personnel serving in designated combat zones to invest up to \$10,000 and receive a return up to 10%.<sup>2</sup>
  - Saving in a Roth IRA may be a good idea if you receive tax-free combat-zone pay. This allows you to deposit tax-free income and take tax-free qualified withdrawals in retirement.<sup>3</sup>
  - The Post-9/11 GI Bill covers the full cost of in-state tuition, up to 36 months.
  - Servicemembers' Group Life Insurance protects your family with low-cost life insurance.<sup>4</sup>
- **Set Goals**—Like any mission, success begins with articulating goals you want to pursue.
- **Establish a Budget**—A budget provides the financial discipline that may help you control spending impulses that can lead to greater debt levels.
- **Pay Yourself First**—Determine how much money you need to set aside to reach your savings goal, deduct this amount from your paycheck, and attempt to live within the limits of what remains.
- **Establish an Emergency Fund**—Uncertainty marks the life of military families, so be sure you have an emergency fund that allows you to be as prepared as possible for these changes.
- **Control Your Debt**—Indebtedness is one of the enemies of financial independence.

As you think through your financial goals, remember, taking action today is your first and most important step.

1. The National Foundation for Credit Counseling (NFCC), 2017  
2. The Savings Deposit Program is a benefit offered to eligible personnel serving in designated combat zones. The guaranteed rate of return is subject to change.  
3. To qualify for the tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet a five-year holding requirement and occur after age 59½. Tax-free and penalty-free withdrawal also can be taken under certain other circumstances, such as a result of the owner's death. The original Roth IRA owner is not required to take minimum annual withdrawals.  
4. 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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At AZTEC Financial Group, we help individual, families, business owners and employees achieve their financial goals through a comprehensive wealth management process.

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