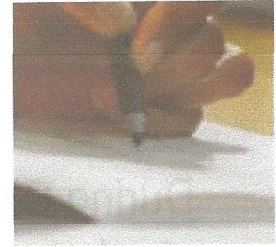


**LPL Financial**  
**Eric Wasson, CFP®**  
CERTIFIED FINANCIAL PLANNER™  
Member FINRA/SIPC



We have been faced with a cold and snowy winter so far but, historically, February tends to be a bit milder than January so perhaps it will be more comfortable to get outside and enjoy some activities (like skiing!). I would love to hear what you've been up to this winter. Give me a call so we can catch up!

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

This months drawing will be for a \$25 gift certificate to Garrison Hill Florists in Rochester. And the question is...

Why is important to regularly review your insurance policies? [Click here](#) to submit your answer by email. Good luck!



**Aztec Financial Group**  
**[www.aztecfg.com](http://www.aztecfg.com)**

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## **Interesting Facts!**

During Super Bowl XXXVI, the NE Patriots chose to be introduced as a team instead of the usual introduction of starting players. This request came from coach Bill Belichick to show a spirit of unity in the wake of the 9/11 attacks. The NFL originally rejected this idea but Belichick stood his ground and the NFL eventually honored his request. This marks the first time in Super Bowl history that a team had been introduced as a whole but it set a precedent that continues to this day.

## **Local Events!**

**Snow Golf:** Friday, February 7th, 8:00 - 10:00 am registration at Loon Mountain to benefit CASA. For information on this and other events at Loon Mountain go to:

<http://www.loonmtn.com/info/winter/events.aspx>

**Meredith Rotary Ice Fishing Derby:** February 8th and 9th. For more information go to:

<http://www.meredithrotary.com/>

**Bluegrass Jam Session:** February 21st, 6:30 - 9:00pm at Garrison Hill Players in Rollinsford. For information on this and other events at Garrison Hill Players Arts Center go to:

<http://www.garrisonplayers.org/events.php>

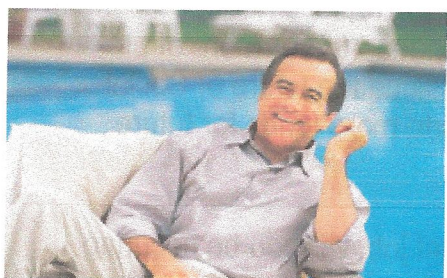


**Portsmouth Short Film Night:** February 28th, 7:00 - 9:00 pm at PPMtv in Portsmouth. For more information on this and similar events go to:

<http://psfn.filmunbound.com/>

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## Rules of the Road for Taking an Early Retirement

Have you ever entertained thoughts of taking an early retirement? Suppose you're age 55 and could take home a pension income that amounted to 60% of your pay if you retire now. If your income is high, it may seem that you would be able to retire in reasonable comfort. However, before calling it quits, weigh all of the facts carefully to be sure an early retirement makes financial sense for you. Here are eight rules to consider if you're thinking about taking an early retirement:

**Rule #1:** Weigh the pros and cons of retiring now or in the future. Retiring at age 55 with, hypothetically, 60% of your income may seem like a good deal at first. But if you wait until full retirement age, you will have another 10 years of full earnings under your belt, along with any pay increases from promotions, merit raises, and inflation. This will provide you with more money to save for retirement, and ultimately, it may boost your Social Security and pension benefits. Also, if you consider the difference in the percentage you will receive now and in 10 years (for example, 60% if you retire now versus 80% if you retire in 10 years) retiring now may not seem as attractive.

**Rule #2:** Remember to factor inflation into your decision. If you think you could manage on 60% of your income, remember that inflation will erode your pension. If you retire today and let's say you receive a pension income of \$1,600 per month for life, in 20 years at a 4% rate of inflation, you'll have the equivalent of \$707 in today's dollars.

**Rule #3:** Prepare for longevity. The longer you live, the more money you'll need in retirement. Due to increased longevity, an early retirement plan must include a budget to meet the financial needs of several decades beyond the normal retirement age of 65.

**Rule #4:** Evaluate other retirement income resources. If you already have a sizable nest egg, or if you expect to collect a pension from a previous employer, the amount of your current employer-sponsored retirement plan may not be as robust. If so, perhaps you can exit the labor force earlier because you have other sources of retirement income.

However, don't expect Social Security to provide most of your retirement income. The Social Security Administration (SSA) projects that benefits will replace about 40% of the average worker's pre-retirement income and retirees may need 70% or more of pre-retirement earnings to live comfortably (SSA, 2012). Also, since the future of Social Security and Medicare is uncertain, you may have to provide more funds for future health care expenses.

**Rule #5:** Part-time work. If you decide to leave your present job, will you be securing employment elsewhere until you permanently retire and start collecting your pension? Keep in mind that it may be difficult to find another equally high-paying position. Although the prospect of part-time work may make it possible to consider an early retirement option, be sure you can depend on a reduced part-time income until full retirement.

**Rule #6:** Be aware of the early retirement impact on Social Security benefits. If you are under full retirement age and continue working after you begin collecting Social Security benefits, you may have to "give back" a portion of your benefits. In addition, if you continue working after you begin collecting Social Security, a portion of your Social Security benefits might be taxed. The calculation to determine how much of your benefits will be included in your gross taxable income can be accessed online at the Social Security Administration's (SSA) website at [www.ssa.gov](http://www.ssa.gov).

**Rule #7:** Taking an early retirement before downsizing or layoffs occur. Is there a chance your company will lay you off if you do not elect to leave on your own? Many companies now lay off high earners as part of their cost-cutting measures. If your company is experiencing financial difficulties and downsizing appears imminent, you may get a better deal through early retirement than through the company's severance package.

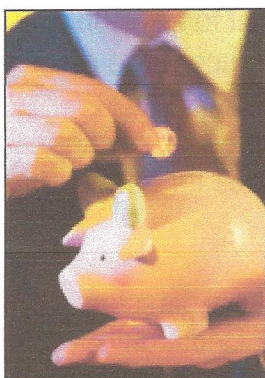
**Rule #8:** Understand the potential tax consequences of early retirement. If you opt for early retirement, in some cases you may incur a 10% Federal income tax penalty for



early withdrawals from a qualified plan. Keep in mind that withdrawals taken from an Individual Retirement Account (IRA) before age 59½ may also be subject to a penalty.

Early retirement may be a long-held dream and a financial possibility. But, before calling it quits, assess your situation carefully. You will have to live with the effects of your choice for the rest of your life. Take the time now to make sure it will be a smart decision in the long run.

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## Shielding Your Finances from Disaster

Recent catastrophic events, ranging from natural disasters to terrorist attacks, have clearly demonstrated that the homes and livelihoods in which Americans have invested over many years can be wiped out in a matter of hours. Once displaced, many victims of disasters struggle to get back on their feet financially. While there is little you can do to prevent a disaster from striking, there are steps you can take to protect yourself and your family from financial ruin should you be forced to evacuate your home in an emergency.

Here are some strategies you can use to prepare financially for potential disasters:

**Store important documents in an "evacuation box."** Collect and make copies of all your key financial and personal documents, including passports and birth certificates, marriage licenses, wills, property deeds, insurance policies, mortgage records, car titles, and stock and bond certificates. Make copies of the front and back of all credit cards and driver licenses. Then make a list of all your account and credit card numbers, as well as a written and photographic inventory all your valuables. You should also

prepare an envelope with enough cash or travelers checks to last your family about three days.

All essential documents should be stored in a bank safe-deposit box located some distance from your home or in an airtight, waterproof, and fireproof safe or container that can be easily taken with you in an emergency evacuation. Inform family members or trusted friends of the location of the box in case you are not able to retrieve it yourself.

**Make sure you have access to cash.** Avoid tying up all of your assets in real estate or investments that cannot be tapped without incurring significant penalties. Maintaining funds equal to three to six months' income in a savings or money market account should be among your top financial planning priorities. You may also want to have on hand several credit cards with high available balances or arrange in advance a line of credit that could be used in an emergency. If you have a 401(k) account with your employer, find out whether your plan allows you to take a loan out against your savings. Consider making contributions to a Roth IRA, which carries fewer penalties for early withdrawal than most other tax-advantaged retirement accounts.

**Protect your property.** If you live in an area that is frequently hit by natural disasters, consider what you can do to mitigate potential damage to your property. Depending upon the type of disaster likely to strike, you may want to take steps such as anchoring the foundation and roof, installing hurricane shutters on windows and glass doors, adding fire-resistant siding, securing objects that could fall in case of an earthquake, moving electrical panels and furnaces to upper levels, installing smoke detectors, and clearing brush from around the house. If you are uncertain about what improvements might be most effective, ask a building inspector to recommend structural or other types of changes. By taking measures to protect your home, you may also be able to negotiate a reduction in your homeowners insurance premiums.

**Purchase necessary insurance coverage and review your policies regularly.** Many people who have lost their homes to disasters find their insurance policies do not cover the cost of rebuilding. If you have homeowners insurance, review your policy annually to ensure it reflects the actual replacement cost of your home and its contents. This is especially important if your home has risen significantly in value or if you have made improvements to the property. Be aware that your policy may not cover damage due to specific causes, such as flooding. If the insurance you need is not available through private companies because you live in a disaster-prone area, find out whether state or federal insurance pools would provide coverage.

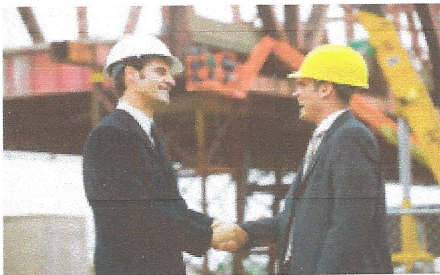
In addition to homeowners insurance, you should consider disability coverage to protect yourself and your family in case you are injured in a disaster and unable to work for a



period of time. If you receive health benefits through your employer but lose your job, you can keep your coverage in force under a federal law known as COBRA. You should also make sure that your life insurance coverage is sufficient to meet the needs of your family. Keep in mind that it may be possible to withdraw some or all of the cash value from a whole or universal life insurance policy, if necessary.

Your individual circumstances will ultimately determine what steps you should take to protect yourself and your family from a possible disaster. You may also want to consult with an attorney about whether your family would benefit from additional legal protections, such as trusts, powers of attorney, or living wills. Remember, disasters strike with little or no warning-the time to prepare is now.

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## Reducing Risks to Your Business

Many business owners are accustomed to taking risks in order to grow their businesses. While there are some forms of risk against which little protection is available, threats to your business can be greatly minimized by identifying potential liability issues, taking action to correct these issues, and finding ways to protect your business should such circumstances come to pass.

The cornerstone of any risk management strategy is having adequate insurance coverage. However, obtaining liability insurance, especially for certain types of risks, is becoming increasingly difficult and expensive. Taking steps to reduce potential risks is particularly important in areas where insurance coverage is unavailable or inadequate.

For businesses in labor industries, one of the biggest areas of risk exposure is related to worker safety. Despite receiving workers' compensation, workers who injure themselves may be entitled to sue their employers for damages. To reduce the chances that a personal injury lawsuit will be successful, be sure to comply with the procedures mandated by the Occupational Safety and Health Administration (OSHA). Any violation of OSHA guidelines that can be proven in court will greatly increase the chances of a large compensation award. To minimize the risk of an injury occurring in the first place, require workers to attend accident prevention training, and require supervisors to take disciplinary action against workers who exhibit unsafe behaviors.

In addition to ensuring that employees are trained in safety issues, consider providing workers with continuing education on workplace procedures. Mistakes made in the course of projects are often due to lack of knowledge on the part of workers. Even experienced workers may need instruction when they are asked to use new materials or apply unfamiliar methods. Providing workers with specialized instruction in problematic areas can be especially useful in reducing risk.

Whenever possible, draw up contracts that minimize your professional exposure to liability. For example, warranties on completed work should have time limits, and should explain what types of work are, and are not, under warranty. Pay particular attention to avoiding problems related to items that are covered under warranty. Consider, too, the risks posed by using lower quality materials. If the materials are sub-standard or are likely to lead to defect claims, the cheaper option could prove to be more costly in the long run.

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