



Financial Strategies  
For Your Future

## AZTEC Financial Group Newsletter



Greetings!

*We hope you are enjoying our new and improved newsletter!*

*You are cordially invited to our **Client Social Event on Thursday, June 13 from 4pm - 7pm**. We are very excited about our presenter Sarah Bohorquez! She will be using a spinning wheel to spin prepared wool into yarn. She will be displaying different fibers (Alpaca, Angora, Mohair, sheep's wool, silk) showing a sample of yarn and knit samples made from each kind of fiber. There are also examples of yarn and garments*

*Please feel free to bring a guest.*

*From our team at AZTEC Financial Group we wish all fathers a very Happy Father's Day!*

[Contact Us](#)

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## Did You Know?

Hawaii officially became apart of the US on June 14, 1900.

Hawaii consumes more **Spam** than any state in our union -- in total, 7 million cans a year. The island's love affair with **Spam** began in World War II, when GIs were served the salty luncheon meat because it didn't require refrigeration and had a long shelf life.



## Local Events!

### 2019 WINGS & WHEELS

Skyhaven Airport  
*June 1*  
Rochester, NH

[More Information](#)

### MARKET SQUARE DAY

*June 8*  
Portsmouth, NH

[More Information](#)

### 7th ANNUAL NEW HAMPSHIRE MAKER & FOOD FEST

*June 29*  
Dover, NH

[More Information](#)

### DISNEY'S BEAUTY AND THE BEAST

*Prescott Park*  
*June 21 - August 17*  
Portsmouth, NH

[More Information](#)



## Difference?

With international stock markets comprising nearly two-thirds of the world's capitalization, a broad range of investment opportunities exist outside the borders of the U.S.<sup>1</sup>

For investors who are looking to diversify their mutual fund portfolio with exposure to companies located outside the U.S., there exist two basic choices: A global mutual fund or an international mutual fund.<sup>2,3</sup>

By definition, international funds invest in non-U.S. markets, while global funds may invest in U.S. stocks alongside non-U.S. stocks.

### Make a Choice

The definition may seem clear, but what may seem less clear is why an investor might select one over the other.

An investor may select a global fund in order to give her portfolio manager the latitude to move the fund's investments between non-U.S. markets and the U.S. market. This may give the manager the flexibility to take advantage of shifting opportunities that could be present at any given moment.

By investing in a global fund, the challenge for the investor is that he may not know at any point in time his total exposure to the U.S. market, within the context of his overall portfolio.

### An Inside Look

Some investors choose to manage their risk by setting the desired asset allocation for their portfolio and then identifying funds that are within those asset classes. For these investors, an international fund may make more sense, since it allows them to maintain a greater adherence to their desired domestic/international stock allocation.

Keep in mind that asset allocation is an approach to help manage investment risk. Asset allocation does not guarantee against investment loss.

Mutual funds are sold only by prospectus. Please consider the charges, risks, expenses and investment objectives carefully before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.

As you consider a global or an international fund, you should also be aware of the fund's approach to the inherent currency risks. Some funds choose to engage in strategies that may mitigate the effects of currency fluctuations, while others consider currency movements—up and down—to be an element of portfolio performance.

1. World Federation of Exchanges, December 2017

2. Diversification is an approach to help manage investment risk. It does not eliminate the risk of loss if security prices decline.

3. International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

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When an individual dies, the executor is faced with an important decision that has the potential to impact the taxes owed by the estate and its heirs.<sup>1</sup>

The executor will have the option of valuing the estate on the date of death, or on the six-month anniversary of death — the “Alternate Valuation Date.”

### **Pick a Date**

It may seem like an obvious decision and simple choice, but it’s not. Here’s why.

For estates with substantial holdings in stocks, the use of the Alternate Valuation Date may be an appropriate approach if the executor believes stock prices will be lower than they were on the date of death.

When heirs inherit assets, such as stocks, they may receive a step-up in the cost basis if the value of the asset is higher than it was when the original owner acquired it. The heir’s valuation is reset to either the value on the date of the owner’s death — or the value on the Alternate Valuation Date — whichever is chosen by the executor.

### **Market Moves**

Let’s take a look at a hypothetical example. Say Dad bought Out of Date Technologies at \$10 per share several years ago. At his death, the stock was worth \$35. The executor used the Alternate Valuation Date and six months later, due to market movements, the stock was worth \$28.

His heir, Julie, will inherit this asset and receive a step-up in the cost basis to \$28, the value declared by the estate. Let’s now assume that Julie sells the stock a short time later at \$35.

If the estate had used the value on the date of death — \$35 — she might not have owed capital gains tax, since she would have been selling the stock at the same price as her cost basis. But, since she received the stock with the lower cost basis — \$28 — because the executor chose the Alternate Valuation Date, capital gains tax on the \$7 per share gain may be due.<sup>2</sup>

In this example, the estate saved money by electing the Alternate Valuation Date, but the heir was exposed to a lower cost basis and the prospect of paying higher capital gains tax in the future.

### **Consider & Balance**

As the executor thinks through this balancing act, he or she should consider the relative prevailing tax rates for the estate and for the heirs to ascertain what approach may result in the most efficient transfer, net of taxes, to the heirs.

Keep in mind the information in this article is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties. Please consult legal or tax professionals for specific information regarding your individual situation.

1. The article assumes the deceased has a valid will and has named an executor, who is responsible for carrying out the directions of the will. If a person dies intestate, it means that a valid will has not been executed. Without a valid will, a person’s property will be distributed to the heirs as defined by the state law.
2. This is a hypothetical example used for illustrative purposes only. It is not representative of any specific investment or combination of investments.

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## Can Group, Private Disability Policies Work Together?

According to the Social Security Administration, a 20-year-old has a 25% chance of becoming disabled before reaching age 67.<sup>1</sup>

Loss of income for such a duration has the potential to cause significant financial hardship. And while Social Security Disability Insurance may help, it's critical to understand that about two-thirds of initial applications are denied and SSDI recipients typically receive less than \$2,000 a month.<sup>2</sup>

Disability coverage may be available through your employer, who may pay all or a portion of the cost for your coverage.

Employer plans typically pay up to 50% of your income. This limited coverage might not be enough to meet your bills, which is why you may want to supplement employer-based coverage with a personal policy. Supplemental policies may be purchased to cover up to about 70% of your income.<sup>3</sup>

### Taxation of Disability Benefits

When you purchase a personal disability policy, the benefit payments are structured to be income tax-free. Consequently, you may not be eligible for coverage that equals your current salary since your take home pay is always less.

If your employer paid for your coverage, then the income you receive generally will be taxable. If you paid for a portion of the employer-provided coverage, then the pro rata amount of the benefits you receive are structured to be tax-free.

### Choices, Choices, Choices

Consider the waiting period before disability payments begin. A longer waiting period saves you money, but it also means that you may have to live off your savings for a longer period. You are the best judge of how much of this risk you are comfortable assuming.

You also may want to coordinate the waiting period with any short-term disability benefits you could have. For example, if your short-term disability covers you for 90 days, look to have at least a 90-day waiting period so that you can potentially lower the cost on the long-term policy.

Ask how a policy defines an inability to work. Some policies will say "the inability to do any job or task;" others will say "own occupation." You may prefer the latter definition so you're not forced to perform some less-skilled, lower-paid work. That type of work may not help you meet your bills.

1. Social Security Administration, 2018
2. Marketplace.org, October 20, 2017; Social Security Administration, 2018
3. Npr.org, October 11, 2017

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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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