LPL Financial

Eric Wasson, CFP®

CERTIFIED FINANCIAL PLANNER™

I hope you are enjoying this fantastic summer! Most of us are busy, busy, busy making the most of the warm air and sunshine, but don't forget to pay attention to your finances as well. While many of us stay "local" to enjoy the many wonderful things New England has to offer in the summer, summertime expenses such as amusement parks, sporting events and road trips add up quickly! Give me a call so we can go over your financial plan to make sure you're on track to make the most of your investing.

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

This month's drawing will be for $25 "Dover Dollars". Dover Dollars can be used to purchase items in over 30 downtown Dover locations.

By encouraging people to think locally for their purchases, Dover is striving to keep more money in the local economy, expand employment, nurture a sense of community and provide a more relaxed, fun and rewarding shopping experience. For more information click HERE.

And the question is...

What is the difference between per stirpes and per capita beneficiaries?

Click here to submit your answer by email. Good luck!

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In This Issue

Interesting Facts!

Italian handyman Vincenzo Peruggia pulled off one of the greatest art heists in history when he stole the Mona Lisa from the Louvre on August 21, 1911. He never could have guessed her absence would be the very thing that made her the most recognizable painting on the planet. Images of the artwork were splashed across international newspapers as the police hunt hit dead-end after dead-end.

So how did Peruggia do it? With mind-boggling ease, it seems. The handyman had been hired by the Louvre to make protective glass cases for some its famous works -- including the Mona Lisa. After hiding in a closet overnight, he simply removed the painting, hid it under his smock, and was about to leave the building when he discovered that he had been locked in. It seemed his plot was foiled until a helpful plumber passing by opened the door with his key and let Peruggia out.

The painting was recovered two years later when Peruggia contacted an art dealer in Florence to say that he had the Mona Lisa. He seemed to have been genuinely convinced he would be heralded as a national hero for returning the painting to Italy.

He was found guilty and spent 7 months in jail.

Local Events!

The Fabric of New England: Friday, August 7 from 5 p.m. to 8 p.m at The New Hampshire Art Association in Portsmouth. For more information click HERE.

Home Grown Music Fest: August 8 and 9 at Rochester Fairgrounds. For more information click HERE.

Walk with Washington Tour of Portsmouth: August 14 AT 11:00. For more information click HERE.

Avenue Q: August 14 - 16 at Seacoast Repertory Theatre. For more information click HERE.

Live Free & Wine 2015: August 16 from 12 to 5 at Flag Hill Winery & Distillery in Lee. For more information click HERE.

These websites are provided to you for informational purposes. We are not responsible for the website content

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Making Your Heirs Apparent: Life Insurance Beneficiaries

In the language of life insurance, a beneficiary is the recipient of the proceeds of a policy when the named insured dies. The owner of a life insurance policy has a great deal of flexibility in naming beneficiaries and can generally name anyone he or she chooses. When making beneficiary decisions, it is important to ensure that the wishes of the policyowner are fulfilled and that legal complications are avoided.

Types of Beneficiaries

Beneficiaries are typically categorized as either primary or contingent. A primary beneficiary is entitled to the proceeds of the policy upon the death of the insured, but such rights expire if he or she dies before the insured. A contingent (or secondary) beneficiary is entitled to the policy proceeds if the primary beneficiary has predeceased the insured. One fairly common arrangement might stipulate that, if a primary beneficiary dies before collecting the entire proceeds of the policy, then the remaining amount will be payable to the contingent beneficiary. It is often desirable to have several levels of contingent beneficiaries.

A beneficiary can be either **specific** (a person identified by name and relationship) or a **class designation** (a group of individuals such as the "children of the insured"). While the naming of specific beneficiaries is usually clear-cut, unintended complications can arise when designating classes of beneficiaries.

For example, if you plan to name your children as beneficiaries, you will need to clarify if you intend to include adopted children or children by a former spouse. If your children are minors, it is also important to determine if the insurance company will in fact pay the proceeds to a minor beneficiary. Generally, insurers insist on paying proceeds to a legal guardian rather than to a minor.

Consider the following hypothetical situation in which the policyowner's intentions appear straightforward, but could become complicated. Harriet, who is seventy years old, has planned for the proceeds of her life insurance policy to be paid to her children (Sam, Carole, and Jill) or her grandchildren. Now, suppose Sam and Carole die before their mother. Sam leaves four children and Carole has no children. How will the proceeds of the policy be distributed when Harriet eventually dies?

Methods of Distribution

Per stirpes and **per capita** are terms that describe methods of distributing property to family members and heirs. Per stirpes means "branches of the family," and per capita means "by heads." In the example above, under a per stirpes distribution, Jill (one branch) would receive one-half of the proceeds and Sam's surviving children (the other branch) would divide the remaining half among themselves. Under a per capita distribution, Sam's four children, along with Jill, would each receive one-fifth of the proceeds. Remember, there might be complications if any of Sam's children are still minors when Harriet dies and legal guardians have not been appointed.

Revocable vs. Irrevocable

There are also different consequences according to whether beneficiary designations are revocable or irrevocable.

If a beneficiary designation is **revocable**, the policyowner reserves the right to change the beneficiary. A person designated as a revocable beneficiary has only an "expectation" of benefits, since the owner of the policy can exercise any of the policy rights without the consent of the revocable beneficiary.

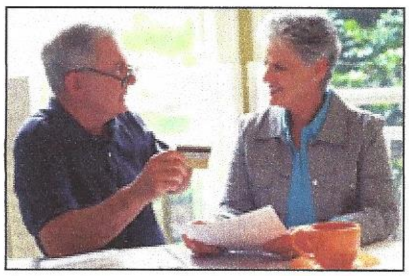
On the other hand, an **irrevocable** beneficiary designation cannot be changed without the consent of that beneficiary. While this arrangement is sometimes desirable for estate planning purposes, the legal status of an irrevocable beneficiary is uncertain. Some may regard an irrevocable beneficiary as a "co-owner" of the policy; therefore, the beneficiary's consent is needed to exercise any policy rights. At the other extreme, others may contend that an irrevocable beneficiary's consent is needed only for exercising a change of beneficiary.

The latter position can create the somewhat puzzling effect of having the beneficiary's rights compromised if the policyowner exercises other rights, such as surrendering the policy or permitting it to lapse. Due to the vague legal status of an irrevocable designation, it is usually preferable to use revocable beneficiary designations.

A further complication can arise when one's estate is named as a beneficiary of a life insurance policy. The policy proceeds may be tied up in the probate process or reduced by the claims of creditors.

The distribution desired by a policyowner must be clearly set forth in the beneficiary designation. A change in family circumstances after a policy is initially written, such as a divorce, could leave you with unintended beneficiaries, so it is important to review your insurance policies whenever such changes occur. If you are unsure about your beneficiary designations, check your policies, and take the steps necessary to make any appropriate changes. Your family will be sure to appreciate your thoughtfulness.

Identity Theft and Your Taxes



Identity theft is one of the fastest growing crimes in the United States, resulting in millions of victims every year. Identity theft is a type of fraud in which a thief uses your personal information to conduct transactions in your name. Criminals may, for example, use your identity to open or empty bank accounts, obtain credit cards, or take out loans. In addition to fraud directly concerning your finances, thieves can also use your information to commit crimes that may affect your taxes.

Types of Fraud

With your identifying information, an undocumented worker or another individual may use your Social Security Number on job applications and employment paperwork. The employer would then report the thief's W-2 wages earned to the IRS using your information, and as a result, when you file your tax return, it will appear to the IRS that you did not report all of your income.

An identity thief may also file a tax return using your name and Social Security Number in order to obtain a refund. When you later file your return, the IRS will believe that you already filed and received a refund; therefore, the return you submitted would be considered a second copy or duplicate.

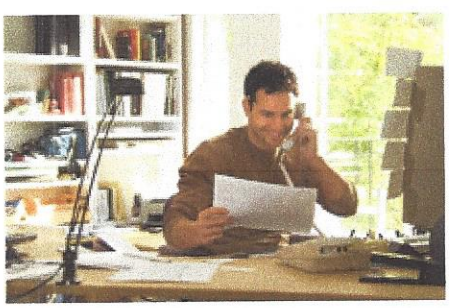
Protecting Yourself

If you receive a notice from the IRS that leads you to believe that your personal information has been used to commit tax fraud, contact the IRS by phone or in writing as directed in the notice. Possible triggers indicating you may have been the victim of identity theft include statements that you received wages from an employer unknown to you or that more than one tax return was filed in your name. IRS tax examiners can then work with you and other agencies, such as the Social Security Administration, to resolve these discrepancies. It is important to note that the IRS will not initiate a request by e-mail for taxpayer information in this, or any other, situation. If you do receive such a request, it may be an attempt from identity thieves to obtain your tax information.

In addition to other precautions you may take to protect your identity from thieves, the IRS recommends that you be extremely careful when choosing someone to assist you with tax preparation. Because this person will have access to your personal financial records, be sure to research their credentials and experience. Avoid preparers who guarantee results, base fees on a percentage of the amount of refund, or claim they obtain larger refunds than other preparers.

For more information about identity theft and ways to protect yourself, visit the Federal Trade Commission's website at www.ftc.gov.

Home Office Deductions



Entrepreneurs, small business owners, and those who work at home may consider claiming the home office deduction when they file their taxes this year. To claim expenses for the business use of your home, you must use a specific area of your home, apartment, condominium, mobile home, or boat regularly and exclusively for your business or trade, or as a place to meet with clients or customers. To qualify, the area must be a separate room, or a clearly identifiable space within a room, that is not used for personal activities. In addition, the office must be used on a regular-not incidental or occasional-basis.

If you are an employee, your work at home must be for the convenience of your employer in order to qualify for the deduction. This means that if your employer provides you with a place to work but you choose to work at home, then you do not qualify for the deduction.

Because home office deductions can be complicated, seek advice from a tax professional before filing your tax return.

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