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Hi friends and clients!
Spring is right around the corner!
This winter has been milder than the
past few, but it is always good to
welcome warmer weather and color
returning outside.

As a reminder, the corporate tax
deadline is this month. For
individuals, there is still about a
month and a half left before the
normal deadline. There is also still
time to get last minute IRA or Roth
IRA contributions in for 2015.
Enjoy this month's articles.

Jim, Ken, Megan, Sharon, & Susie

March 2016 Financial Fitness

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INVESTMENT & RETIREMENT PLANNING

Financial Fitness

Duncklee & Nott Monthly Newsletter

Protecting Your Business from Cyber Threats



digital risks they face. Are you doing all you can to mitigate the risk of a cyber attack?

Understanding the risks

Many small-business owners may think their organizations hold little appeal to hackers due to their small size and limited scope. However, according to the Small Business Administration (SBA), this naivete may actually make them ideal targets. Small businesses are keepers of employee and customer data, financial account information, and intellectual property. Their systems, if not adequately protected, may also inadvertently provide access to larger supplier networks. "Given their role in the nation's supply chain and economy, combined with fewer resources than their larger counterparts to secure their information, systems, and networks, small employers are an attractive target for cybercriminals," reports the SBA on its cybersecurity website.

Consider the following tips compiled from information supplied by the SBA, the Federal Trade Commission (FTC), and the Federal Communications Commission (FCC).

Cybersecurity tips

1. Assess: To protect your organization, you must first understand your vulnerabilities. How are your systems protected? Do you collect and store personal information of customers and employees, such as credit-card information, Social Security numbers, and birth dates? If so, how is this information stored and who may access it? Do you have a Wi-Fi accessible to employees and customers? How do your vendors and other third-party service providers protect their information? It may help to engage a professional to help identify your risks.

Risk management is a key component in any successful business plan. In today's world--where data breaches are common occurrences--it's especially important for business owners to understand the

2. Protect: Ensure you have firewall and encryption technology protecting your Internet connections and Wi-Fi networks. Make sure your business's computers have antivirus and antispyware software installed and updated automatically. Require employees and others who access your systems to use complex passwords that are changed regularly. Keep only personal data that you actually need and dispose of it securely as soon as it no longer serves a business purpose. Back up critical information and data on a regular basis, and store the backups securely offsite. Assign individual user accounts to employees and permit access to software and systems only as needed. Be especially cautious with laptops and company-assigned smartphones. Question third-party vendors to ensure that their security practices comply with your standards.

3. Document: Establish clear security policies and procedures and put them in writing. Cover such topics as handling sensitive or personal information, appropriate use of Internet and social media, and reporting vulnerabilities. Clearly spell out consequences for failing to follow the policies.

4. Educate: Develop a mandatory employee training program on the importance of cybersecurity. Explain the basics of personal information, as well as what is and isn't acceptable to post on social media. Employees could unknowingly release information that could be used by competitors or, worse, by criminals. Ensure that employees understand the risks associated with phishing emails, as well as "social engineering"--manipulative tactics criminals use to trick employees into divulging confidential information.

For more information

Business owners who want to learn more can find a wealth of helpful information online. In addition to visiting the [SBA's cybersecurity website](#), business owners might want to review "Protecting Personal Information: A Guide for Business" and "Start with Security: A Guide for Business," both available on the [FTC's website](#).

Can You Get to a Million Dollars?



In trying to accumulate \$1 million (or any other amount), you should generally consider how much you have now, how much you can contribute in the future, how much you might earn on your investments, and how long you have to accumulate funds. But remember, there are no guarantees—even when you have a clearly defined goal. For example, the market might not perform as expected, or you may have to reduce your contributions at some point.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful. Review your progress periodically and be prepared to make adjustments when necessary.

Often in life, you have investment goals that you hope to reach. Say, for example, you have determined that you would like to have \$1 million in your investment portfolio by the time you retire. But will you be able to get there?

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Current balance--your starting point

Of course, the more you have today, the less you may need to contribute to your investment portfolio or earn on your investments over your time horizon.

Time (accumulation period)

In general, the longer your time horizon, the greater the opportunity you have to accumulate \$1 million. If you have a sufficiently long time horizon and a sufficiently large current balance, with adequate earnings you may be able to reach your goal without making any additional contributions. With a longer time horizon, you'll also have more time to recover if the value of your investments drops. If additional contributions are required to help you reach your goal, the more time you have to target your goal, the less you may have to contribute.

The sooner you start making contributions, the better. If you wait too long and the time remaining to accumulate funds becomes too short, you may be unable to make the large contributions required to reach your goal. In such a case, you might consider whether you can extend the accumulation period--for example, by delaying retirement.

Rate of return (earnings)

In general, the greater the rate of return that you can earn on your investments, the more likely that you'll reach your investment goal of \$1 million. The greater the proportion of the investment portfolio that comes from earnings, the less you may need to contribute to the portfolio. Earnings can benefit from long time horizons and compound rates of return, as returns are earned on any earlier earnings.

However, higher rates of return are generally associated with greater investment risk and the possibility of investment losses. It's important to choose investments that meet your time horizon and tolerance for risk. And be realistic in your assumptions. What rate of return is realistic given your current asset allocation and investment selection?

Amount of contributions

Of course, the more you can regularly contribute to your investment portfolio (e.g., monthly or yearly), the better your chances are of reaching your \$1 million investment goal, especially if you start contributing early and have a long time horizon.

Contributions needed

Now that the primary factors that affect your chances of getting to a million dollars have been reviewed, let's consider this question: At a given rate of return, how much do you need to save each year to reach the \$1 million target? For example, let's assume you anticipate that you can earn a 6% annual rate of return (ROR) on your investments. If your current balance is \$450,000 and you have 15 more years to reach \$1 million, you may not need to make any additional contributions (see scenario 1 in the table below); but if you have only 10 more years, you'll need to make annual contributions of \$14,728 (see scenario 2). If your current balance is \$0 and you have 30 more years to reach \$1 million, you'll need to contribute \$12,649 annually (see scenario 3); but if you have only 20 more years, you'll need to contribute \$27,185 annually (see scenario 4).

Scenario	1	2
Target	\$1,000,000	\$1,000,000
Current balance	\$450,000	\$450,000
Years	15	10
ROR	6%	6%
Annual contribution	\$0	\$14,728

Scenario	3	4
Target	\$1,000,000	\$1,000,000
Current balance	\$0	\$0
Years	30	20
ROR	6%	6%
Annual contribution	\$12,649	\$27,185

Note: This hypothetical example is not intended to reflect the actual performance of any investment. Actual results may vary. Taxes, fees, expenses, and inflation are not considered and would reduce the performance shown if they were included.

Filing Your 2015 Federal Income Tax Return



Filing deadline for most individuals:

- Monday, **April 18, 2016**
- Tuesday, **April 19, 2016**, if you live in Massachusetts or Maine
- Monday, **October 17, 2016**, if you file for an automatic six-month extension by the original due date

Whether you're preparing your own tax return or paying someone to do it for you, tax season can be a stressful time of year. Make things easier on yourself by pulling all your information together sooner rather than later--that includes a copy of last year's tax return, W-2s, 1099s, and any deduction records you have.

File on time

The filing deadline for most individuals is Monday, April 18, 2016. That's because Emancipation Day, a legal holiday in Washington, D.C., falls on Friday, April 15, this year. If you live in Massachusetts or Maine, you have until Tuesday, April 19, 2016, to file a federal income tax return because Patriots' Day, a legal holiday in both states, is celebrated on April 18.

If you're not able to file your federal income tax return by the due date, you can file for an extension using IRS Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*. Filing this extension gives you an additional six months (until October 17, 2016) to file your federal income tax return. You can also file for an automatic six-month extension electronically (details on how to do so can be found in the Form 4868 instructions).

Note: *Special rules apply if you're living outside the country, or serving in the military outside the country, on the regular due date of your federal income tax return.*

Pay what you owe

One of the biggest mistakes you can make is not filing your return because you owe money. If the bottom line on your return shows that you owe tax, file and pay the amount due in full by the due date if at all possible. If you absolutely cannot pay what you owe, file the return and pay as much as you can afford. You'll owe interest and possibly penalties on the unpaid tax, but you will limit the penalties assessed by filing your return on time, and you may be able to work with the IRS to pay the unpaid balance (options available may include the ability to enter into an installment agreement).

It's important to understand that filing for an automatic extension to file your return does not provide any additional time to pay your tax. When you file for an extension, you have to estimate the amount of tax you will owe; you should pay this amount by the April 18 (April 19 if you live in Massachusetts or Maine) due date. If you don't, you will owe interest, and you may owe penalties as well. If the IRS believes that your estimate of taxes was not reasonable, it may void your extension.

Limited planning opportunities may still be available

Though the opportunity for many potential tax-saving moves closed on December 31, the window is still open for IRA contributions. You generally have until the April due date of your federal income tax return to make contributions to a traditional or Roth IRA for the 2015 tax year. That means there's still time to set aside up to \$5,500 (\$6,500 if you're age 50 or older) in one of these tax-advantaged savings vehicles.

Note: *To contribute to either a traditional or a Roth IRA for 2015, you (or, if you file a joint return, your spouse) must have received taxable compensation during the year. Provided that you did not reach age 70½ by the end of the year, you're able to contribute to a traditional IRA. Eligibility to contribute to a Roth IRA depends on your filing status and income.*

With a traditional IRA, you're generally able to deduct the full amount of your contribution, provided that you're not covered by a 401(k) or another employer-sponsored retirement plan; if you or your spouse is covered by an employer plan, the ability to deduct some or all of your contribution depends on your filing status and income. With a Roth IRA, there's no up-front deduction, so contributing won't affect your 2015 tax situation, but it's still worth considering given that future qualified Roth distributions are free of federal income tax.

You also have until the due date of your return, including any extension, to undo ("recharacterize") a 2015 Roth IRA conversion. For example, if you converted a fully taxable traditional IRA worth \$100,000 to a Roth IRA in 2015 and that Roth IRA is now worth only \$50,000, the \$100,000 will be included on your 2015 federal income tax return. If you recharacterize the conversion, however, it's as though it never happened--you have a traditional IRA worth \$50,000, and no income or tax resulting from the conversion. If you do recharacterize a 2015 Roth conversion in 2016, you're allowed to convert those dollars (and any earnings) back to a Roth IRA after a 30-day waiting period (taxes due as a result of such a reconversion would be included on your 2016 federal income tax return).

You don't have to do it alone

When it comes to your taxes, you want to make sure that you get it right. A tax professional can answer any questions you have, help you evaluate your situation, and keep you apprised of any legislative changes that might affect you.

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Should I loan my child money for a down payment on a house?

For a lot of young people today, it's difficult to purchase a home without at least some financial assistance. As a result, many young adults turn to their parents or other family members for help with a down payment.

If you plan on lending your child money for a down payment on a house, you should try to assume the role of a commercial lender. Setting the terms of the loan in writing will demonstrate to your child that you take both your responsibility as lender and your child's responsibility as borrower seriously.

While having an actual loan contract may seem too businesslike to some parents, doing so can help set expectations between you and your child. The loan contract should spell out the exact loan amount, the interest rate and a repayment schedule. To avoid the uncomfortable situation of having to remind your child that a payment is due, consider asking him or her to set up automatic monthly transfers from his or her bank account to yours.

This type of loan documentation is also important for IRS purposes because there may be potential income and gift tax issues with these types of loans. For example, interest paid by your child will be considered taxable income, and if adequate interest is not charged for the loan, special imputed interest rules may apply.

If you don't feel comfortable lending your child money, you may want to consider making a smaller, no-strings-attached gift that doesn't have to be repaid. Currently, you can gift up to \$14,000 annually per person under the gift tax exclusion. However, if you do gift money for a down payment, your child's lender may still require him or her to put up some of his or her own money, depending on the type of mortgage chosen.

Keep in mind that lending money to family members can be a tricky proposition. Before entering into this type of financial arrangement, you should take the time to carefully weigh both the financial and emotional costs.



Can you separate college financial aid myths from facts?

For all you parents out there, how knowledgeable are you about college financial aid? See if you know whether these financial aid statements are myth or fact.

1. Family income is the main factor that determines eligibility for aid. Answer: Fact. But while it's true that family income is the main factor that determines how much financial aid your child might receive, it's not the only factor. The number of children you'll have in college at the same time is also a significant factor. Other factors include your overall family size, your assets, and the age of the older parent.
2. If my child gets accepted at a more expensive college, we'll automatically get more aid. Answer: Myth. The government calculates your expected family contribution (EFC) based on the income and asset information you provide in its aid application, the FAFSA. Your EFC stays the same, no matter what college your child is accepted to. The cost of a particular college minus your EFC equals your child's financial need, which will vary by college. A greater financial need doesn't automatically translate into more financial aid, though the

more competitive colleges will try to meet all or most of it.

3. I plan to stop contributing to my 401(k) plan while my child is in college because colleges will expect me to borrow from it. Answer: Myth. The government and colleges do not count the value of retirement accounts when determining how much aid your child might be eligible for, and they don't factor in any borrowing against these accounts.
4. I wish I could estimate the financial aid my child might receive at a particular college ahead of time, but I'll have to wait until she actually applies. Answer: Myth. Every college has a college-specific net price calculator on its website that you can use to enter your family's financial information before your child applies. It will provide an estimate of how much aid your child is likely to receive at that college.
5. Ivy League schools don't offer merit scholarships. Answer: Fact. But don't fall into the trap of limiting your search to just these schools. Many schools offer merit scholarships and can provide your child with an excellent education.

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