Alton Securities
& Asset Advisors

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Matt Maberry & Augie Wuellner
111 E. 4th St. Suite 100
Alton, IL 62002
618-466-9700
mmaberry@bbgrahamco.com
awuellner@bbgrahamco.com

Content:

Season of Change

Summer has ended for many and Autumn is upon us bringing a season of change.

The kids are back in school. Football season is beginning. The temperatures are getting cooler and the leaves will soon begin their spectacular color show.

With all of these changes happening around us, one thing remains the same. Alton Securities & Asset Advisors will still be here to handle all of your financial needs.

Please do not hesitate to give us a call.

Need Tax Deductions? Consider Making Qualified Charitable Contributions

Qualified charitable distributions (QCDs) are distributions made directly from an IRA to a qualified charity. Such distributions may be excluded from income and count toward satisfying any required minimum distributions (RMDs) you would otherwise have to receive from your IRA. Individuals age 70½ and older can make up to $100,000 in QCDs per year. This provision has been permanently extended.

What are the tax benefits of donating to charity?

Through tax legislation, Congress has attempted to encourage charitable giving because it is good social policy. Most every charity depends on individual contributions to remain financially solvent, especially in this era of fewer direct government dollars. As a result, charitable giving has become interconnected with the tax laws, which have grown more and more complex.

Congress has sweetened the pot for taxpayers who donate to qualified charities. First, you generally receive an income tax deduction in the year you make the gift. Second, you do not have to worry about gift tax because federal gift tax does not apply to charitable gifts. Third, charitable gifts serve to reduce your taxable estate, thus reducing your potential estate tax liability. Over the next 30 years, an estimated $8 trillion of assets will pass from one generation to the next, resulting in the assessment of significant estate taxes. One solution to minimize these estate taxes is charitable giving.

For more information on charitable contributions, please contact your financial advisor.

Growing Your Retirement Savings

Some people are natural gardeners; they can grow anything. Others can kill a plant just by picking up a watering can. Fortunately, growing your retirement savings doesn't depend on having a green thumb or some oth-

Growth from Contributions

The amount you contribute to your plan during your working years can make a big difference in how much you have in your retirement plan account when you retire. If you don't contribute very much, you can't expect to have a big account balance. If you could be doing a better job in this growth area, increase your contributions gradually until you're on track to meet your savings goal.

Growth from Earnings

The returns your investments generate also add to your account's growth. Over the long term, stocks historically have earned higher returns than bonds and cash alternative investments, although stocks are riskier.* (Cash alternatives are short-term securities that can readily be converted to cash, such as U.S. Treasury bills. Past performance does not guarantee future results.)

If you put too much of your account in lower risk investments, there may not be enough long-term growth to meet your savings goal. Instead, consider investing in a diversified portfolio that includes stocks.

The stock market can be scary for investors, especially when the market is dropping. But ups and downs are part of stock investing. If your account balance drops due to volatility, resist the urge to cut your losses and sell all your stock investments. If you sell and the market eventually recovers, as it always has after past declines, you'll be watching from the sidelines. Much of the stock market's past growth has occurred during short periods. If you're not invested in stocks during similar periods that may occur in the future, you could stunt your account's long-term growth.

Growth from Compounding

Compounding can boost your account's growth. Any earnings your plan investments generate go into your account. You now have a larger pool of invested money than before — your contributions plus your earnings. A larger pool of invested money has the potential to generate even more earnings. Increasing the amount you're contributing to your plan increases the potential benefit you may realize from compounding.

Keep It Growing

It's not always easy to keep saving. But taking a break can really nip growth in the bud and could jeopardize your retirement. You may think you only need to take a short break. But short breaks can easily turn into longer ones. There's also no guarantee that you'll be able to start saving again. It's very possible that new financial demands will surface. The thing is, you're already in the habit of contributing to your plan. And it's automatic. Try to avoid taking any breaks.

Growth from Tax Breaks, Too

Plan contributions are tax deferred, which means you don't have to pay federal income tax on the money contributed to your account until you withdraw it. And earnings on your plan investments are also tax deferred until withdrawal. Tax deferral means you have more money working for you, and it can help your balance grow.

Trust Basics

Whether you're seeking to manage your own assets, control how your assets are distributed after your death, or plan for incapacity, trusts can help you accomplish your estate planning goals. Their power is in their versatility--many types of trusts exist, each designed for a specific purpose. Although trust law is complex and establishing a trust requires the services of an experienced attorney, mastering the basics isn't hard.

What is a trust?

A trust is a legal entity that holds assets for the benefit of another. Basically, it's like a container that holds money or property for somebody else. There are three parties in a trust arrangement:

• The grantor (also called a settlor or trustor): The person(s) who creates and funds the trust

• The beneficiary: The person(s) who receives benefits from the trust, such as income or the right to use a home, and has what is called equitable title to trust property

• The trustee: The person(s) who holds legal title to trust property, administers the trust, and has a duty to act in the best interest of the beneficiary

You create a trust by executing a legal document called a trust agreement. The trust agreement names the beneficiary and trustee, and contains instructions about what benefits the beneficiary will receive, what the trustee's duties are, and when the trust will end, among other things.

Funding a trust

You can put almost any kind of asset in a trust, including cash, stocks, bonds, insurance policies, real estate, and artwork. The assets you choose to put in a trust will depend largely on your goals. For example, if you want the trust to generate income, you should put income-producing assets, such as bonds, in your trust. Or, if you want your trust to create a fund that can be used to pay estate taxes or provide for your family at your death, you might fund the trust with a life insurance policy.

Potential trust advantages:

• Minimize estate taxes

• Shield assets from potential creditors

• Avoid the expense and delay of probate

• Preserve assets for your children until they are grown (in case you should die while they are still minors)

• Create a pool of investments that can be managed by professional money managers

• Set up a fund for your own support in the event of incapacity

• Shift part of your income tax burden to beneficiaries in lower tax brackets

• Provide benefits for charity

Potential trust disadvantages

• There are costs associated with setting up and maintaining a trust, which may include trustee fees, professional fees, and filing fees

• Depending on the type of trust you choose, you may give up some control over the assets in the trust

• Maintaining the trust and complying with recording and notice requirements can take considerable time

• Income generated by trust assets and not distributed to trust beneficiaries may be taxed at a higher income tax rate than your individual rate.

Types of trusts

There are many types of trusts, the most basic being revocable and irrevocable. The type of trust you should use will depend on what you're trying to accomplish.

Living (revocable) trust

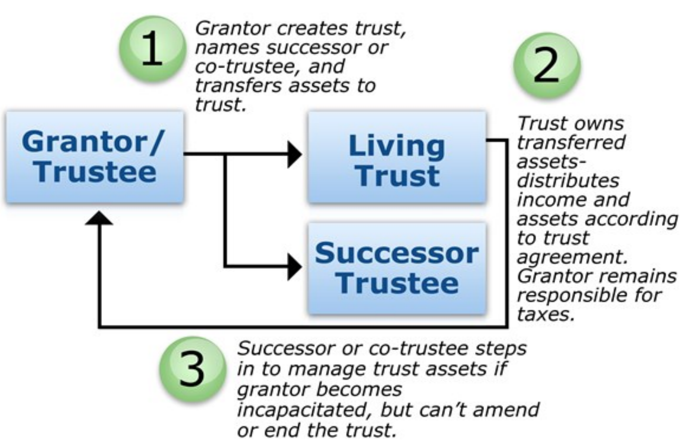
A living trust is a trust that you create while you're alive.

A living trust:

• Avoids probate: Unlike property that passes to heirs by your will, property that passes by a living trust is not subject to probate, avoiding the delay of property transfers to your heirs and keeping matters private

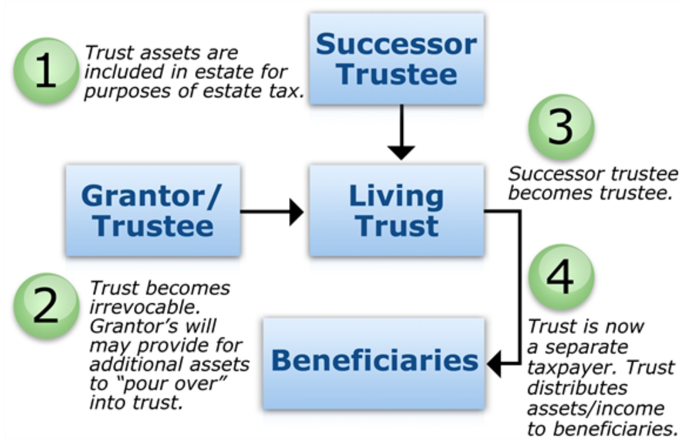
• Maintains control: You can change the beneficiary, the trustee, any of the trust terms, move property in or out of the trust, or even end the trust and get your property back at any time

• Protects against incapacity: If because of an illness or injury you can no longer handle your financial affairs, a successor trustee can step in and manage the trust property for you while you get better. In the absence of a living trust or other arrangement, your family may have to ask the court to appoint a guardian to manage your Property.



A living trust can also continue after your death--you can direct the trustee to hold trust property until the beneficiary reaches a certain age or gets married, for instance.

Caution: *Despite the benefits, living trusts have some drawbacks. Property in a living trust is generally not protected from creditors, and you cannot avoid estate taxes using a living trust.*



Irrevocable trusts

Unlike a revocable trust, you can't easily change or revoke an irrevocable trust. You usually cannot change beneficiaries or change the terms of the trust. Irrevocable trusts are frequently used to minimize potential estate taxes. The transfer may be subject to gift tax at the time property is transferred into the trust, but the property, plus any future appreciation, is usually removed from your gross estate. Additionally, property transferred through an irrevocable trust will avoid probate, and may be protected from future creditors.

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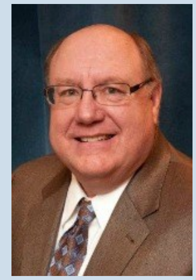
Matt Maberry



Augie Wuellner

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Alton Securities & Asset Advisors
2410 State Street
Alton, IL 62002