



## Duncklee & Nott

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Hi Friends,

Warmer weather is on the way! As a reminder, the partnership & S corp tax filing deadline is approaching (3/15), but individuals have over a month to get their taxes filed without an extension (4/18). Filing extensions isn't bad; just make sure that if you owe, you pay the estimated amount by 4/18. An extension may make for a more leisurely tax appointment during a less busy time, while also allowing for any 1099 delays or corrections. We know many of you have to deal with delayed 1099s for non-retirement brokerage accounts; the final 1099s should be ready soon if they haven't already been mailed.

If you've been waiting to make a last minute IRA or Roth IRA contribution for 2016, you should think about doing it this month as time is winding down.

We'll end with tax humor: " *If Patrick Henry thought that taxation without representation was bad, he should see how bad it is with representation.* " — *Farmer's Almanac*

Enjoy this month's articles!

Jim, Ken, Megan, Sharon, & Melanie

### March 2017 Financial Fitness

Buying a Fuel-Efficient Vehicle

Table: Federal Student Loans for College

What happens to my property if I die without a will?

Cartoon: Taxes Are Universal

# Financial Fitness

## *Duncklee & Nott Monthly Newsletter*

### Due Date Approaches for 2016 Federal Income Tax Returns



Tax filing season is here again. If you haven't done so already, you'll want to start pulling things together — that includes getting your hands on a copy of last year's tax return and gathering W-2s, 1099s, and deduction records. You'll need these records whether you're preparing your own return or paying someone else to do your taxes for you.

#### Don't procrastinate

The filing deadline for most individuals is Tuesday, April 18, 2017. That's because April 15 falls on a Saturday, and Emancipation Day, a legal holiday in Washington, D.C., is celebrated on Monday, April 17. Unlike last year, there's no extra time for residents of Massachusetts or Maine to file because Patriots' Day (a holiday in those two states) falls on April 17 — the same day that Emancipation Day is being celebrated.

#### Filing for an extension

If you don't think you're going to be able to file your federal income tax return by the due date, you can file for and obtain 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 (to October 16, 2017) to file your federal income tax return. You can also file for an extension electronically — instructions on how to do so can be found in the Form 4868 instructions.

Filing for an automatic extension 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 and pay this amount by the April filing due date. If you don't pay the amount you've estimated, you may owe interest and penalties. In fact, if the IRS believes that your estimate was not reasonable, it may void your extension.

**Note:** *Special rules apply if you're living outside the country or serving in the military and on duty outside the United States. In these circumstances you are generally allowed an automatic two-month extension without filing Form 4868, though interest will be owed on any taxes due that are paid after April 18. If you served in a combat zone or qualified hazardous duty area, you may be eligible for a longer extension of time to file.*

#### What if you owe?

One of the biggest mistakes you can make is not filing your return because you owe money. If your return shows a balance due, file and pay the amount due in full by the due date if possible. If there's no way that you can 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'll limit the penalties assessed by filing your return on time, and you may be able to work with the IRS to pay the remaining balance (options can include paying the unpaid balance in installments).

#### Expecting a refund?

The IRS is stepping up efforts to combat identity theft and tax refund fraud. New, more aggressive filters that are intended to curtail fraudulent refunds may inadvertently delay some legitimate refund requests. In fact, beginning this year, a new law requires the IRS to hold refunds on all tax returns claiming the earned income tax credit or the refundable portion of the Child Tax Credit until at least February 15.<sup>1</sup>

Most filers, though, can expect a refund check to be issued within 21 days of the IRS receiving a return.

<sup>1</sup> IRS.gov (IR-2016-117, IRS Urges Taxpayers to Check Their Withholding; New Factors Increase Importance of Mid-Year Check Up, August 31, 2016)

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INVESTMENT & RETIREMENT PLANNING



*Fuel-efficient vehicles are designed to help reduce pollution emissions and fossil fuel dependence, which can limit the effects of climate change. These factors make fuel-efficient vehicles appealing to drivers looking to be more green. But there are pros and cons to consider before buying an electric or hybrid car.*

## Buying a Fuel-Efficient Vehicle

You're searching for a new car and interested in fuel-efficient vehicles. On the surface, they sound like a good idea: You may save money by making fewer trips to the gas station, and you'll help protect the environment. However, there are pros and cons to owning and driving a fuel-efficient vehicle, particularly when it comes to your finances.

### Know your options

Many different vehicles fall into the fuel-efficient category. There are electric vehicles (EVs), which run solely on electricity. One or more electric motors are powered by rechargeable battery packs. Some EVs have built-in chargers, whereas others must be plugged into external chargers. EVs produce zero emissions and run quietly.

Another kind of fuel-efficient vehicle is the traditional hybrid, which exists in two forms: parallel and series. Parallel hybrids have a small internal combustion engine as well as batteries that power an electric motor. The vehicle's transmission and wheels can be powered by both the engine and electric motor. Series hybrids use an on-board generator to produce electricity which, in turn, charges batteries or powers the electric motor. The vehicle is never directly powered by the gasoline engine.

Plug-in hybrids are very similar to traditional hybrids, but plug-ins rely on a different primary energy source. The battery-powered electric motor functions as the main source of power. When the battery reaches a certain level, the internal engine's power kicks in and the vehicle uses gasoline to extend its range. The battery is recharged by plugging the vehicle into an external charger, hence the name.

In addition to EVs and hybrids, vehicles that run on alternative fuel are also considered fuel-efficient. Alternative fuels include diesel, bio-diesel, ethanol, compressed natural gas, and hydrogen fuel cells.

### Weigh the advantages against the disadvantages

One of the biggest factors in deciding whether to buy a fuel-efficient vehicle is cost. Generally, fuel-efficient vehicles come with a higher purchase price that can be off-putting when comparing them to standard vehicles. And if your fuel-efficient car is equipped with an expensive battery, you must be prepared to pay even more when the battery eventually needs to be replaced.

Other drawbacks include scarcity of public chargers, limited driving range, and fewer model options to choose from (as opposed to traditional vehicles).

On the other hand, driving a green vehicle could add some green to your wallet. Many EVs and hybrids qualify for a federal income tax credit. Depending on your vehicle's battery capacity, you could earn a credit ranging from \$2,500 up to \$7,500. However, certain restrictions do apply. For more information, see IRS Form 8936, Qualified Plug-in Electric Drive Motor Vehicle Credit.

Your auto insurance provider may also offer discounts if you drive an EV or hybrid. It's worth checking to see whether you will save on insurance by driving a fuel-efficient vehicle.

Chances are good that a fuel-efficient vehicle will save you money at the gas station. Fuel-efficient vehicles typically have superior fuel economy, which means you'll likely be taking fewer trips to refuel your car. Over time, the savings from reduced gas station stops could be significant.

### Decide what suits your lifestyle

Financial considerations aside, think about what kind of car best fits your needs. To help decide, ask yourself these questions:

- Can you afford a more expensive fuel-efficient vehicle, or does it make more sense to buy a conventional vehicle?
- How much driving do you do in a typical week?
- Do you want an EV or a hybrid? Or do you want to consider an alternative fuel option?
- If you choose an EV or plug-in, are you able to charge it at home? If you frequently drive longer distances, will you be able to recharge it easily on the road?
- When will you need to replace the battery in your vehicle? How expensive will it be?
- What kind of gas mileage should you expect to get from an EV or hybrid?
- Are there any reliability or safety issues associated with EVs or hybrids?

If you don't drive your vehicle on a consistent basis, you might consider sticking with a conventional vehicle. For example, after just one week of not driving an EV or hybrid vehicle, the battery could be affected and may not function properly.

## Table: Federal Student Loans for College

Many families rely on federal student loans to help pay for college. This table describes features of the most common federal loans.



*Over the past 10 years, the amount of borrowing increased 78% under the unsubsidized Stafford Loan program, 26% under the Parent PLUS Loan program, and a whopping 262% under the Grad PLUS Loan program.*

*Source: College Board, Trends in Student Aid 2016, Table 1*

	Direct Unsubsidized Stafford Loan	Direct Subsidized Stafford Loan	Perkins Loan	Direct PLUS Loan (Parent/Grad)
<b>Description</b>	A federal student loan available to students regardless of financial need	A federal student loan available only to students with demonstrated financial need	A federal student loan available only to students with the greatest financial need	A federal loan available to parents and graduate students with good credit histories regardless of financial need
<b>Eligibility</b>	Undergraduate and graduate students enrolled at least half-time	Undergraduate students enrolled at least half-time	Undergraduate and graduate students (can be enrolled less than half-time)	Parents of undergraduate students enrolled at least half-time, and graduate and professional students
<b>Funds dispersed by</b>	Federal government	Federal government	College	Federal government
<b>Borrower</b>	Student	Student	Student	Parent or graduate/professional student
<b>Based on financial need?</b>	No	Yes	Yes	No
<b>Interest rate for loans disbursed in academic year 2016/2017</b>	3.76% fixed for undergraduates; 5.31% fixed for graduate students	3.76% fixed	5% fixed	6.31% fixed
<b>Interest subsidized?</b>	No	Yes <sup>1</sup>	Yes <sup>1</sup>	No
<b>Grace period</b>	6 months	6 months	Generally 9 months	6 months
<b>Loan limits for academic year 2016/2017</b>	Dependent undergraduates: 1st year \$5,500 (\$3,500 subsidized), 2nd year \$6,500 (\$4,500 subsidized), 3rd to 5th year \$7,500/year (\$5,500 subsidized), \$31,000 maximum Independent undergraduates and dependent undergraduates whose parents don't qualify for a PLUS Loan: 1st year \$9,500 (\$3,500 subsidized), 2nd year \$10,500 (\$4,500 subsidized), 3rd to 5th year \$12,500/year (\$5,500/year subsidized), \$57,500 maximum Graduate students: \$20,500 per year, \$138,500 maximum including undergraduate loans		Undergraduates: \$5,500/year \$27,500 limit Graduate students: \$8,000/year \$60,000 limit (including undergraduate loans)	Total cost of education, minus any other financial aid received

<sup>1</sup> The federal government pays the interest on the loan while the student is in school at least half-time, in a grace period, or in a deferment period.

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## What happens to my property if I die without a will?

If you die without a will, your property will generally pass according to state law (under the rules for intestate succession). When this happens, the state essentially makes a will for you. State laws specify how your property will pass, typically in certain proportions to various persons related to you. The specifics, however, vary from state to state.

Most state laws favor spouses and children first. For example, a typical state law might specify that your property pass one-half or one-third to your surviving spouse, with the remainder passing equally to all your children. If you don't have children, in many states your spouse might inherit all of your property; in other states, your spouse might have to share the property with your brothers and sisters or parents.

But not all property is transferred by will or intestate succession. Regardless of whether you have a will, some property passes automatically to a joint owner or to a designated beneficiary. For example, you can transfer property such as IRAs, retirement plan benefits,

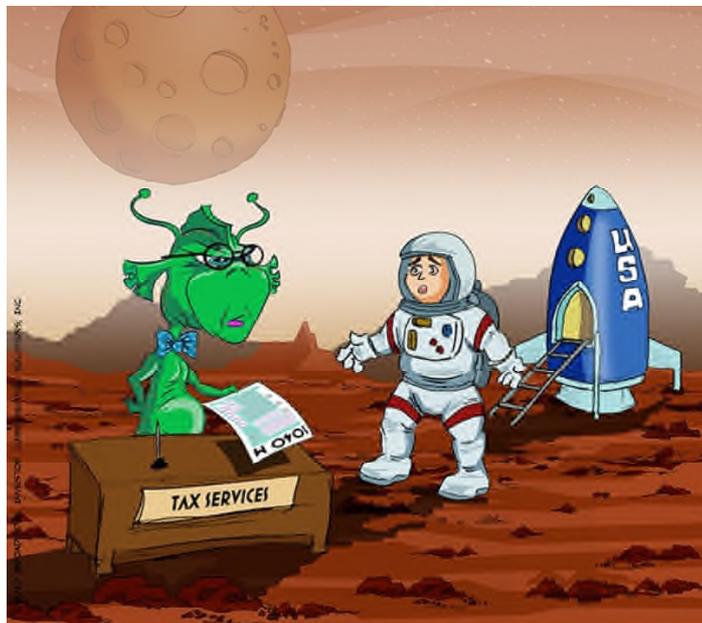
and life insurance by naming a beneficiary. Property that you own jointly with right of survivorship will pass automatically to the surviving owners at your death. Property held in trust will pass to your beneficiaries according to the terms you set out in the trust.

Only property that is not transferred by beneficiary designation, joint ownership, will, or trust passes according to intestate succession. You should generally use beneficiary designations, joint ownership, wills, and trusts to control the disposition of your property so that you, rather than the state, determine who receives the benefit of your property.

Even if it seems that all your property will be transferred by beneficiary designation, joint ownership, or trust, you should still generally have a will. You can designate in the will who will receive any property that slips through the cracks.

And, of course, you can do other things in a will as well, such as name the executor of your estate to carry out your wishes as specified in the will, or name a guardian for your minor children.

## Cartoon: Taxes Are Universal



THE GOOD NEWS IS THAT YOUR MILEAGE DEDUCTION IS \$17 MILLION.  
THE BAD NEWS IS THAT OUR TAX RATES ARE OUT OF THIS WORLD.

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