

# THE Rational Optimist™

## General Principles for the Future of the Investor Success

BY MITCH LEVIN, MD, CWPP, CAPP



Successful investing is goal-focused and plan-driven. Fruitful investors tune out the fads and fears of the moment and act continuously on a plan.

In contrast, investors who fail to produce favorable market returns continually (and often randomly) react to economic and market “news” - focusing more on performance-driven and market-fixated methods.

*“All of us would be better investors if we just made fewer decisions.”*

We do not forecast the economy; we make no attempt to time markets; and we cannot (nor, can anyone else) consistently project future relative performance of specific investments based on past performance.

In a nutshell, we are planners rather than prognosticators. Our highest-value services are planning and behavioral coaching -helping clients to avoid overreacting to both negative and positive market events.

Our essential principles of portfolio management in pursuit of our clients’ most important goals are fourfold:

- 1) The performance of a portfolio relative to a benchmark is largely irrelevant to financial success.
- 2) The only benchmark we should care about is the one that indicates whether you are on track to

accomplish your personal financial goals.

- 3) Risk should be measured as the probability that you will not achieve your financial goals.

- 4) Investing should have the exclusive objective of minimizing that risk to the greatest extent practicable.

Once a long-term plan has been put into place and funded with the investments that seem historically best suited to its achievement, we rarely recommend changing the portfolio beyond its regular scheduled rebalancing.



In brief, our principle is: if your goals have not changed, do not change your portfolio. The more often people change their portfolios, the higher the potential for unfavorable results.

We, at Summit, agree with the Nobel Prize-winning behavioral economist Daniel Kahneman when he said, “All of us would be better investors if we just made fewer decisions.”

*The nature of successful investing, as we see it, is the practice of rationality under uncertainty.*

The year 2016 began with what has been termed the worst first six weeks in equity market history - the S&P 500 declined more than eleven percent from its 2015 close through February 11.

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# One Nickel to Share

BY CHAD WARRICK, CHIEF INVESTMENT OFFICER

***“Alright Bud, Amy has 8 nickels, she gives 7 to her friend Jane. How many nickels does Amy have left?”***

***“Well, Dad... It doesn’t sound like she has many left... She really shouldn’t give them all away! What is she going to do with just ONE?!”***

This is a recent word problem that surfaced during homework time with my kindergartner. After analyzing and discussing the motive behind Amy’s philanthropic decision, we ultimately arrived at an answer and proceeded to the next word problem.

I later realized, the concern my 6-year-old felt, on behalf of Amy, was similar to the concern a handful of clients have expressed during conversations about their own budgeting and spending.

One of the greatest fears faced by retirees is the fear of outliving their savings - The fear of realizing you barely have a nickel to spare.



One of the biggest challenges of retirement budgeting is building flexibility within a budget, where the capacity to replenish savings accounts may no longer exist.

The fundamental components of budgeting are income and expenses.

When the budget feels compressed, we typically begin by looking at the

opportunity to increase income or reduce expenses.

In a perfect world, we would do both.

During retirement, however, income in the form of pension or annuity payments is fixed. For the sake of being conservative, let’s assume social security payments do not see a cost of living adjustment year after year, and therefore are also fixed.

Withdrawals from retirement or investment accounts are many times kept to a minimum in order to reduce taxable events and extend longevity of assets. Overall, we consider retirement income to be fixed.

Expenses, on the other hand, are inflating. Additionally, some expenses are unexpected and incurred at the most inopportune time.

Many retirees are wondering, “How do I manage these expenses on a fixed budget, without prematurely depleting my retirement accounts?”

The answer to this question is not a one-size-fits-all. It truly requires us to look at an individual’s financial picture. Even within a fixed retirement budget, we may find a sandbox of options that we can play with.

For some clients we have found that rebalancing their investment account to the predetermined portfolio allocations has raised the amount of cash needed at the moment. This can

be done within both qualified and non-qualified accounts.

For others, we have tapped into the cash value which has accumulated in their life insurance or annuity policies. On other occasions, we have even found that a reverse mortgage was a suitable option for decompressing a budget.

At Summit, we have the technology and resources to explore each option and analyze both the short-term and long-term implications it would have on net worth, cash flow, and taxable income.

Behind the technology and resources, you will find a caring team, prepared to work collaboratively on your behalf.

Our hope is that you each carry a sense of happiness, peace and fulfillment during retirement. Our commitment at Summit Wealth Partners is to ensure this phase of life is financially feasible for you.

Be Well,

*Chad*



# Protecting Yourself From Scams

BY LOREDANA WOLLETT, CLIENT SERVICE SPECIALIST



Most of us have, at some point, received some variation of a scam lottery winning in our mail.

An example is a counterfeit check which bears an impressive resemblance to a real cashier's check. The check may include the names and addresses of legitimate financial institutions and may even have real account and routing numbers.



Often, the scam directs you to deposit the check into your bank account and then use some of the money to wire funds to the fraudulent company to cover taxes and fees on the lottery winnings.

However, even if the bank does indeed deposit the check, they will soon discover that the transaction is illegitimate. Upon this discovery you are responsible for any funds you may have withdrawn against the check's balance.

Just because funds are available in your account from a check you deposit, it does not mean that the check has cleared.

Scammers use many forms of fake checks: Cashier's checks, money orders, corporate, and personal checks. Under federal law, banks generally must make funds available to you from official bank checks one business day after deposit.

## What you can do to protect yourself:

- 1 Throw away any offer that asks you to pay for a prize or a gift. You should never have to pay for a free gift.
- 2 Know all parties of the transaction and never wire money to strangers.
- 3 If you are selling something, do not accept a check for more than the selling price, no matter how tempting the offer or how convincing the story.

## Are you a victim?

If you think you have been targeted by a counterfeit check scam, report it to the following agencies:

- ➔ The Federal Trade Commission:  
<https://www.ftccomplaintassistant.gov>
- ➔ The U.S. Postal Inspection Service:  
<https://postalinspectors.uspis.gov/>
- ➔ Your state or local consumer protection agencies.  
Visit [www.naag.org](http://www.naag.org) for a list of state Attorneys General phone numbers.

If you ever receive anything that seems too good to be true, please give us a call. We are always available to advise you in the right direction.

Best Regards,



You may have noticed our recent introduction of paperless processes through our Client portal vault, as well as requesting e-signatures on some of your documents. Not only is this a more secure transmission of sensitive information than traditional mail or email, it also speeds up the process and response time significantly.

## What is an Electronic Signature?

The US Federal E-SIGN Act defines an "electronic signature" as an electronic sound, symbol, or process, attached to or logically associated with a contract or other record and executed or adopted by a person with the intent to sign the record. Electronic signatures have been used for eSigning offer letters, sales contracts, permission slips, rental/lease agreements, liability waivers, financial documents, etc. They are legally binding in most business and personal transactions in almost every country in the world. (Continued on page 6)

# Where Has All the Smart Money Gone?

BY JASON PRINT, CFP®, SENIOR WEALTH ADVISOR



In Berkshire Hathaway's annual letter written by Warren Buffet, he updated his Berkshire Hathaway shareholders on a \$1 million bet he made with Protégé Partners almost ten years ago.

The billionaire from Omaha challenged the asset manager to pick any group of hedge funds it thought would beat an S&P 500 Index Fund over the next ten years. Buffet placed his bet on the S&P 500 Index.

In his recent letter, Buffet provided an update: In the last nine years, the selected hedge fund bundle has compounded annual returns of 2.2%. This compares with the annual return of 7.1% for the S&P Index Fund. Buffet looks to be the winner on this one, with the proceeds from the bet going to charity.

➔ **Hedge your risk while optimizing performance**

The estimated explanation for the wide gap in performance is that a large portion of the gains achieved by the hedge funds were likely eaten up by performance-incentive fees as hedge funds notoriously take a percentage of all profits.

In the past, society has viewed hedge funds as sophisticated investment vehicles often pairing with "high" returns. After years of pulling back the curtains and analyzing their true performance, the public is coming to terms with the notion that hedge funds true returns are not what they were once thought to be.

Buffet is not the only one in the investment management world to weigh in on this change. Harvard University

has also shifted its view. Harvard University has the largest endowment of any university, by a long shot, at approximately \$35 billion. This is more than \$12 billion larger than Yale.

Not surprisingly, they have a large and sophisticated investment management team, known as Harvard Management Company, to oversee the endowment and invest these funds.

Surely with that amount of money and one of the most prestigious alumni bases of which to draw top tier talent they would employ the best and brightest minds in the country at managing money, right? Maybe not.

The Wall Street Journal reported that by mid-year they will lay off roughly half of the 230 staff members, including traders, and will close its internal hedge funds.



"If you're in the luckiest 1 per cent of humanity, you owe it to the rest of humanity to think about the other 99 per cent."

**- Warren Buffett**

Once lauded for their unique money management style in the early 2000s, they are now changing course after years of underperformance.

These changes are in step with an overall strategy shift that will move away from what Narvekar, the new head of Harvard management, called a silo investing



*As a value-added service to you, please feel free to tell your family, friends and colleagues that they may use us as a sounding board for their financial concerns free of charge and without obligation.*



approach, wherein managers focus on specific types of investments (i.e. stocks, bonds, real estate, or natural resources), and move towards a strategy in which everyone's primary goal is the overall health and growth of the endowment.

My personal belief is that the Harvard Management Company as well as Protégé Partners team are likely made up of very smart, sophisticated individuals.

They have billions of dollars at their disposal and access to the best software and investment research available. I believe they underperformed from their stated goals simply because nobody has a crystal ball.

When anyone makes concentrated bets on one style or sector of the market, there is a probability of significantly underperforming a broad benchmark.

Looking at all of this only further signifies the importance of diversification.

For clients of Summit Wealth Partners, a portfolio built for overall health and growth is nothing new. We have built efficient, well diversified portfolios for our clients for many years. We have done so using low-cost Exchange Traded Funds (ETFs). We see these investment vehicles as a tool which helps clients accomplish their goals and minimize risk.

We are always here for you, implementing True Market Model™ strategies to hedge your risk while optimizing performance.

Best Regards,



*Continued from page 1, General Principles-*

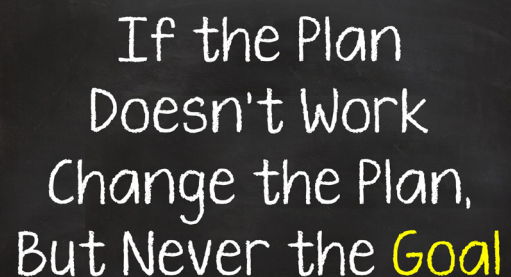
In June, the market went down nearly six percent in a (trading) day and a half following the Brexit vote. And there was a moment, somewhere around 2:00 A.M. EDT after the presidential election, when the futures of the Dow Jones Industrial Average were down 800 points!

Yet despite all that unnerving market volatility, the S&P 500 closed out the year at 2200. With dividends of about two percent, the market's total return for the volatile year of 2016 was 9.4 percent.

In a sense, the equity market put on a tutorial in 2016, highlighting the wisdom of tuning out shocking current events and the attendant volatility. During such episodes, it seems that the best investment advice we can offer is, "Turn off the television."

All in all, the most successful clients are the ones that have a long-term plan in accordance with their goals. At Summit, we are ready to not only create that plan with you, but to help you see it through. Your goals are our goals. Give us a call today to review your financial plan.

Make Great Decisions,



If the Plan  
Doesn't Work  
Change the Plan,  
But Never the Goal

**Let us know how we can help.  
Thank you for your TRUST and CONFIDENCE.**

### **Are electronic signatures secured?**

Our custodians follow industry-leading best practices for securing your data and transactions. Each electronic signature is unique, documentable, encrypted, and tamper-evident. They also ensure the confidentiality of all transactions and maintain a comprehensive audit trail of signing events.

### **Are digital signatures the same as electronic signatures?**

Electronic signatures, or eSignatures, are a broad category of methods for signing a document. A digital signature is a type of electronic signature that uses a specific technical implementation. Digital signatures are like electronic “fingerprints.” In the form of a coded message, the digital

signature securely associates a signer with a document in a recorded transaction. Digital signatures use a standard, accepted format, called Public Key Infrastructure (PKI), to provide the highest levels of security and universal acceptance.

As clients opt for speedier turn around times and convenience, our custodians have all been progressing toward the use of digital signatures, so your information is transmitted at the highest level of security. We understand this upgrade to our technology might be a difficult adjustment to some people, but know that we are always here to help and would be happy to walk you through using our favorite tech advances here at Summit.

*Sources: DocuSign.com & PCworld.com*



### **Where did April Fools' Day originate?**



Although it became popularized in Great Britain in the 1700's, some variation of April Fools' Day has been celebrated by various cultures for centuries. The exact origin of the holiday is still unknown, but historians speculate that it began in the western world in France, when the world switched from the Julian calendar to the Gregorian calendar in 1582. Many people failed to recognize the start of the New Year had been moved to January 1. Some people continued to celebrate the last week of March through April 1, and ultimately

became the target for hoaxes. People that were duped into still thinking that the New Year still began on April 1 earned the classification of “April Fools”.

There's also historical speculation that April Fools' Day was tied to the vernal equinox, or first day of spring in the Northern Hemisphere, when Mother Nature fooled people with changing, unpredictable weather.

Either way, April Fools' Day is still alive and well to this day. People go to great lengths to create elaborate jokes. Mainstream media even takes part reporting outrageous fictional claims. Were you the target of a great joke this year? We would love to hear about it!

*Source: History.com*

### **FINGLISH /'FiNG(g)liSH/(n.) - [Financial English]**

**Ratchet Effect :** Ratchet effect refers to escalations in production or price that tend to self-perpetuate. Once productive capacities have been added or prices have been raised, it is difficult to reverse these changes, because people tend to be influenced by the previous best or highest level of production.

**Loan Lock :** The securing of a specified interest rate on a mortgage that is in the process of being approved. It establishes the interest rate that a borrower will pay as long as the loan closes before the end of the lock period. Lock periods can last from 30 to 60 days, though in markets where the loan approval process is slow, they can last up to 90 days.

**Phantom Gain :** A situation that arises when a gain on an investment is offset by a loss in the same investment, which usually comes from an income tax provision. Phantom gains are named as such because there is no actual return, although it may initially seem otherwise.

*Source: Investopedia.com*



# SUMMIT SPOTLIGHT

A LOOK INTO THE LIVES OF THE SUMMIT TEAM



## Summit Adventures



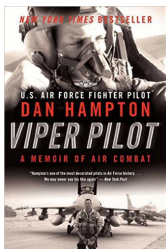
For Spring break this year the Print family went out to Denver to visit Jason's sister-in-law and family. They live east of Denver on a farm with chickens and horses, which provided much entertainment for two Florida suburban children.



Also providing entertainment was the snow capped mountains where Sydney and Joseph were not only introduced to snow, but they got to try skiing as well. Outside Boulder is a small mountain called El Dora, perfect for little ones as kids ski free! Much fun was had by all, you would never know they lived in Florida. The weather was 60 and sunny on the mountains, so they were quite spoiled!



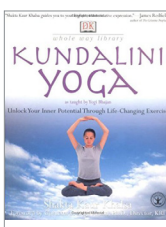
## BOOKS WE'RE READING



### Team of Rivals: The Political Genius of Abraham Lincoln

by Doris Kearns Goodwin

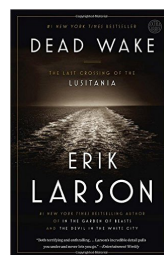
Goodwin illuminates Lincoln's political genius, as the one-term congressman and prairie lawyer rises from obscurity to prevail over three gifted rivals of national reputation to become president. This brilliant multiple biography is centered on Lincoln's mastery of men and how it shaped the most significant presidency in the nation's history.



### Kundalini Yoga

by Shakti Kaur Khalsa

Master yoga teacher and author Shakti Kaur Khalsa demonstrates how Kundalini Yoga works for everyday life and every person. You are not required to be in perfect physical shape or share any particular belief system. Designed to give you a hands-on approach to experiencing your deepest emotions and highest consciousness.



### Dead Wake: The Last Crossing of the Lusitania

by Erik Larson

It is a story that many of us think we know but don't, and Larson tells it thrillingly, switching between hunter and hunted while painting a larger portrait of America at the height of the Progressive Era. Gripping and important, *Dead Wake* captures the sheer drama and emotional power of a disaster whose intimate details and true meaning have long been obscured by history.



### The Anatomy of Greatness: Lessons from the Best Golf Swings in History

by Brandel Chamblee

In the first book from popular Golf Channel analyst Brandel Chamblee, the network's "resident scholar and critic" (The New York Times) explores the common swing positions of the greatest players throughout history—and reveals how those commonalities can help players of every skill level improve their own games.

Cover Images & Summaries: Amazon.com



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*Our offices will be closed  
on Friday, April 14th, in  
observance of Good Friday*



AS SEEN ON:



THE WALL STREET JOURNAL.

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