SUMMIT WEALTH
— PARTNERS —

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The Rational Optimist™

Transparency, Disclosure, Truth, Integrity Are the Answers

by Mitch Levin, MD CWPP, CAPP

BARRON'S MAILBAG – March 16, 2015

The following letter to the editor was published in Barron's Mailbag - March 16, 2015. Dr. Levin wrote in response to Jon Picoult's essay published March 2, 2015 in Barron's Other Voices Views from beyond the Barron's staff . To read Jon Picoult's essay, please go to http://www.watermarkconsult.net/docs/Reforming-A-Tone-Deaf-Industry-(Barrons).pdf

Picoult is correct, "there isn't a lot of love out there for financial-services firms." I should know. I run a $350 Million registered investment adviser firm. Only our clients, who rehire us year in and year out, know how good we really are. Non-clients seem to lump all of us together. What a shame.

Unfortunately, most of the public, and some professionals, misunderstand the difference between a commission-based broker, and a fee based fiduciary adviser. To make matters worse, the regulators also do not seem to appreciate the difference in their respective values. And each type of professional does bring value, albeit different sets.

To say brokers are bad is not helpful to investors. To say only fiduciary advisers are good, also is not helpful. There is a place for each and there is plenty of opportunity for each to thrive. In a similar manner that Optometry and Ophthalmology with very different educations and licensed capabilities can and do thrive, particularly when working in concert on behalf of patients. Again, I should know, as a retired ophthalmologist.

The regulators biggest error lies in their willingness to allow persistent lack of "truth in nomenclature." Since when did stock brokers become

"Since when did brokers become advisors?"
Dr. Mitch Levin —Orlando, FL

"financial advisers"? To make matters worse, the client is also hurt when the financial media (your august publication is not guilt-free in this), in conjunction with certain brokers, encourage investors to engage in the harmful behaviors of security selection, track record chasing, or the various forms of market timing.

That is the opposite of prudent investing. That is also why so many brokers can make so much money. They may be gambling and speculating with your money. So you take the risk, while they take the upside.

Ultimately, it is not the firms or its agents and representatives that are harmful per se. Rather, it is their respective behaviors and the behaviors of the investor that cause the most harm. We already have enough laws, rules, regulations. More is not the answer. Transparency, disclosure, truth, integrity--these are the answers."

Mitch

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Could This Be the Only “True Alternative™”?

By Chad A. Warrick, Chief Investment Officer

Nothing gives me more satisfaction than constructing a portfolio that meets clients’ financial goals. There is no secret or magic formula. It takes hard work, a lot of education, and many years of professional experience to deliver solid growth that is safely managed.

It is important for all of us to understand all asset classes and choose the allocations that provide the correct balance and protection for the long term. There are an overwhelming number of products and vehicles utilizing only a finite number of equities.

Rarely, can we come up with a good short-term investment, that is also a good long term investment. Here I will describe a 10-year asset class that is unique, stable, and has low correlations with any other asset class. This asset class can provide a conservative balance of risk and growth as well as some tax advantages. I have discussed it with many of you already, and those that have elected to add this to your portfolio have seen how it works to your advantage.

This would be at least a 10-year commitment. Like many alternatives and like multi-year CDs, there is an early withdrawal penalty.

Unlike CDs and the noncorrelated-to-the-markets hedge or private equity funds previously referenced, this True Alternative™ does allow you to systematically withdraw 5-10% of your principal each year, penalty-free.

So what are the reasons to consider adding this to a portfolio?

One of the most compelling is that the principal only increases as the stock market climbs, at about half that rate. However, when the markets decline the principal remains at the “highest mark,” it does not decline.

The market’s worst days are just as important as its best days. You can see in the illustration that missing the 10 worst days can be just as important.

This “True Alternative™” asset class is designed mainly for that purpose, to help you accumulate wealth, while lowering risk. Adding a layer of noncorrelated assets to your portfolio lowers risk and works in concert with other allocations to provide more balance and complements a solid financial plan.

For more information on this alternative or others, please call me. I look forward to speaking with you soon.

Be Well,
Chad

The Market’s Worst Days Have Had a Large Effect on Returns
Growth of $1 in the S&P 500 Index from Dec. 31, 1927, to Dec. 31, 2014

Days	Ending Value ($)	Cumulative Return (%)
Total cumulative return	116.59	11,558.55
Miss 10 best	38.67	3,767.15
Miss 10 worst	365.69	36,468.68
Miss 10 best and miss 10 worst	121.30	12,029.86
Cash	19.33	1,832.68

Sources: Bloomberg L.P., Invesco, Morningstar.
 Past performance cannot guarantee comparable future results. Cash results are based on the Ibbotson U.S. 30-Day T-Bill Index.

Affirmations on Dangers of Market Timing

By Jason Print, Senior Wealth Advisor, CFP

Most people are familiar with who Warren Buffet is and his reputation as one of the world's most successful investor. Through investments, he has become the second richest person in the world. According to Forbes most recent ranking, Buffet has a net worth in the 67 billion dollar range. For investing, the measuring stick is typically accumulation of dollars and by this measure, no other investor beats him.

While reading his recently published annual letter to shareholders, what stood out to me was the affirmations on the dangers associated with market timing. Many times in his letter, he bluntly stated that he has absolutely no idea what is going to happen in the short term to his company, or the overall economy.

One of my favorite lines from his letter was: "Market forecasters will fill your ear but will never fill your wallet." Nobody can tell you when chaos will occur.

Plainly, he stated that he has no way to reliably predict market movements. He goes on to mention: "It is incredibly predictable that people will panic, but not at all predictable when this will happen. Though practically all days are relatively uneventful, tomorrow is always uncertain."

He stressed that the focus should remain on attaining significant gains in purchasing power over one's lifetime. With a long time horizon, the risk factor diminishes significantly. Owning equities for a day, week, or year is certainly more risky. By their own behavior, investors can make stock ownership highly risky, with active trading, attempting to "time" market movement, inadequate diversification, etc., etc., anything can happen anytime in markets.

Buffet asserts using low cost Index funds (something our clients have benefited from for many years) and proper diversification as preferential tools for accomplishing these objectives.

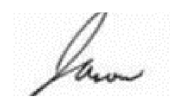
While caution for the overall market makes sense, I was pleasantly surprised to read his recommending caution in the purchase of his own company Berkshire Hathaway. His letter contained his thoughts and advice for family/friends looking out for the next 50 years. While he is certainly bullish on his own company over the long term, he emphasized uncertainty for the short term.

Despite the Berkshire Hathaway having approximately 55 billion in cash, a large and reliable stream of positive cash flow (it doesn't pay a dividend because so much of this cash flow is kept on hand), he went on to say Berkshire's stock had fallen about 50% three times, and it could reasonably be assured to happen again.

BERKSHIRE HATHAWAY BH HS HOMESERVICES

If Warren Buffet doesn't know of a way to reliably predict market movements, I'm certainly not going to say that I can. However, do we even need to try? Can't we accomplish reasonable growth goals with time, patience, prudent diversification utilizing thousands of the best companies in the world and periodic rebalancing?

Here at Summit, we are confident that we can help you accomplish the goals which are most important to you, despite whatever disaster de jour covers the front page of the newspaper. We believe solid growth, safely managed and trusted advice is key to long term success.



Forbes Image courtesy Google Images

Excessive 401(k) Fee Litigation in 2015

by Andrew Dickens, Wealth Advisor

In February, the Supreme Court of the United States (SCOTUS), heard the arguments for a case brought forth by the Department of Labor (DOL) against Edison International regarding excessive fees for Edison's 401(k) plan.

The DOL argued that the defendant failed in their duty to monitor plan expenses because the participants were given higher cost investment fund options. There is no debate that those exact same funds were available at a lower expense to participants, but the defendants argued that most of the original investments selected for the plan that carried "excessive fees" were selected outside of the statute of limitations.

It boils down to whether the defendants are indemnified or protected against a duty to monitor plan expenses, specifically with regards to investments, due to a statute of limitations. The plaintiffs argued that the law carries a duty to continuously monitor fees and select the lowest expense possible for the funds, thus the statute of limitations does not apply.

The fee arrangement being argued widely exists between retirement plan vendors and investment providers. This is evident, particularly, in mutual fund expenses which are born by participants through the investment and passed on to other service providers to compensate them for their services related to the plan. This is known as "revenue sharing," and it is a common practice in the industry. Recently, a new regulation was enacted that required plan officials to inform participants about fee arrangements. However, even with these new "fee disclosure" rules, participants often don't get the transparency that could be afforded.

After reading the court transcripts (70 plus pages), I formed my own opinion about how the court may

rule. I anticipate that SCOTUS will be sympathetic to the DOL's argument that Edison International failed in their duty to monitor plan expenses, but how that ruling will affect the advice that we give to our clients remains to be seen.

In any event, at Summit, we still believe that total transparency is a key component to an efficient retirement plan and we help our clients achieve total transparency. We also believe that an ongoing monitoring process helps ensure 401(k) plans get the best value available based on economies of scale.

Need a Speaker?

Invite a team member from Summit Wealth Partners to speak at your next event!

Collectively, our financial experts have several hundred years experience working and serving in the wealth management industry. Each one is committed to empowering full financial health, one investor at a time.

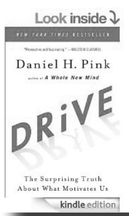
For availability and to discuss the specific topics that your group would like to have presented, please call Vicki Brodnax at (407) 656-2252 or email vbrodnax@mysummitwealth.com

The Rational Optimist
Editing, layout and design work by
Vicki Brodnax

IN THE KNOW & ON THE *GO*

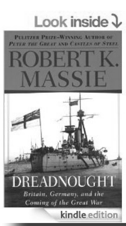
BOOKS WE'RE READING

Wild: From Lost to Found on the Pacific Crest Trail –At twenty-two, Cheryl Strayed thought she had lost everything. With no experience or training, driven only by blind will, she would hike more than a thousand miles of the Pacific Crest Trail from the Mojave Desert through California and Oregon to Washington State—and she would do it alone.



Drive: The Surprising Truth About What Motivates Us–Pink reveals the three elements of true motivation:

- Autonomy—the desire to direct our own lives
- Mastery—the urge to get better and better at something that matters
- Purpose—the yearning to do what we do in the service of something larger than ourselves.



Dreadnought: Pulitzer Prize-winning author, Robert K. Massie has written a richly textured and gripping chronicle of the personal and national rivalries that led to the twentieth century's first great arms race. Massie brings to vivid life, such historical figures as the single-minded Admiral von Tirpitz, the young, ambitious, Winston Churchill, the ruthless, sycophantic Chancellor Bernhard von Bulow, and many others.

FING*LISH*

G-8 FINANCE MINISTERS the finance ministers of the eight largest industrial countries: Canada, France, Germany, Great Britain, Italy, Japan, Russian, and the United States. Meeting of the G-8 take place at least once a year and are important in coordinating economic policy among the major industrial countries. The political leaders of the G-8 countries also meet once a year, usually in July, at the Economic Summit, which is held in one of the eight countries. Before the admission of Russia in 1998, the group was called G-7 Finance Ministers.

HYBRID ANNUITY contract offered by an insurance company that allows an investor to mix the benefits of both fixed and variable annuities, also called combination annuity. For instance, an annuity buyer may put a portion of his assets in a FIXED ANNUITY, which promises a certain rate of return, and the remainder in a stock or bond fund VARIABLE ANNUITY, which offers a chance for higher return but takes more risk.

PASSIVE BOND is a bond that yields no interest. Such bonds arise out of reorganization or are used in NOT-FOR-PROFIT fund raising.

QUASI-PUBLIC CORPORATION is a corporation that is operated privately and often has its stock traded publicly, but that also has some sort of public mandate and often has the government's backing behind its direct debt obligations. some examples: COMSAT (Communications Satellite Corporation, FEDERAL NATIONAL MORTGAGE ASSOCIATION (Fannie Mae), STUDENT LOAN MARKETING ASSOCIATION (Sallie Mae).

PLACES WE'RE GOING

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April 29-30
Ft. Lauderdale, FL

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Summit will not be open

Good Friday
April 3rd

Memorial Day
Monday, May 25th

CLIENT'S CORNER

Why You Didn't Get The S&P 500's Return Last Year

It seems to have become all too distressingly commonplace, as investors received their year-end statements in early January, for them to wonder out loud to their advisors why their portfolios returned less than did the Standard & Poor's 500-Stock Index, whose total annual return with dividends reinvested was about 13.7% in 2014.

The answer is simple, and—as I will shortly suggest—even noble, with respect to what superior advisors of my acquaintance are committed to accomplishing for their clients. Before investigating this answer in detail, however, I would ask with regard to the precipitating question ("Why didn't I get etc.") two questions of my own, in no particular order. They are (a) who in the world ever said that you would, and (b) what on earth does the one-year return of any group of equities have to do with the achievement of your financial goals? (Or even the five-year or ten-year return, for that matter?)

After nearly half a century in the financial advisory profession, I personally know about three thousand of the most dedicated financial advisors in the country—they are the subscribers to my advisor newsletter—and am casually acquainted, I suppose, with as many more.

I don't know a single one of them who warrants to his or her clients that they are going to outperform (or even equal) the return of any index or other benchmark over any period of time. Indeed, I believe I can state categorically that if a prospective client ever informed one of these accomplished professionals that his or her mission was "outperformance," the advisor in question would suddenly remember a pressing appointment back on Planet Earth, and terminate the interview.

You see, not only is a diversified portfolio's performance relative to one benchmark a variable which no advisor (nor anyone else) can control. It is perfectly irrelevant to the achievement of their clients' financial goals. The great advisors are financial planners, not market prognosticators, and their objective is to help their clients make manifest the family's most sacred lifetime financial goals—an aim which has nothing whatever to do with matching or outperforming an index.

Getting (much less exceeding) the return of a particular index is simply not a financial goal. To illustrate this, let's suppose you do in fact get the index return over your investing lifetime, while I underperform it by, say, three percentage points (that is, by nearly a third of equities' historical return). Let us further suppose that, because your portfolio did so much better than mine, you don't run out of money in retirement until you're 84, while I have run clean through my retirement savings by 79. *I submit that your achievement will avail you little when we are both sitting on a park bench at 85, without two nickels to rub together between us.*

Alternatively, let us suppose that—while you are merrily compounding the index return and I am shambling along in your wake, three percentage points behind—a financial crisis strikes, and the market goes down 30%. (It has declined this much, on average, a dozen or so times since WWII. Between October 2007 and March 2009, it actually went down 57%). Convinced by catastrophists in the media that "this time it's different," you bail out of your equity portfolio, and don't get back in until the market has once again soared. I, on the other hand, fly to my wise financial planner—I, too, bleating "this time it's different"—but she offers four countervailing words of sage advice—"this too shall pass"—and convinces me to hold on. Which of us do you suppose "outperforms"?

With that general statement off my chest, let me proceed to the reasons that many investors, blessed to employ the finest financial planners in this country, may very well not have gotten the 2014 return of the S&P 500. Permit me to suggest that it was, quite simply, because their advisor was too wise, too humble, and too deeply committed to achieving his or her clients' financial goals.

Too wise, because a long-term financial planner would never bet a client's entire portfolio on one idea—one sector (out of many) in the spectrum of equity disciplines. The S&P 500 is comprised of the very largest companies—in the jargon, "big-cap." But there are many other equity sectors—small- and mid-cap, emerging markets, and REITs (real estate investment trusts), to name only four. These sectors, individually and sometimes together, will be outperforming and underperforming the big-cap index at any time, given the randomness of market performance.

In 2014, the S&P 500 outperformed just about all these other sectors, if not all of them. Y***our advisor could not possibly have known it was going to do that with a degree of certainty that would have prompted him to bet your entire year's***

Continued on page 7

Client Corner continued from page 6

return on that one idea. Besides, putting it all on red, as it were, isn't investing at all. It's ***speculating***, and no advisor worthy of the name would ever do that.

Which implies another reason your portfolio return may not have equaled that of the S&P 500: in addition to being too wise for that, I submit that your advisor had too much humility.

You see, once a decision has been made to own equities in a goal-focused, planning-driven portfolio, the superior advisor's deepest commitment is to **diversification**, which is simply the professional's acknowledgment that he or she doesn't know which equity sectors are going to outperform—and which underperform—next. (Your advisor perceives no shame in this, realizing that no one else knows it either.)

Thus, having created a portfolio blending and balancing a variety of equity sectors—most or all of which ended up lagging the S&P 500 last year—your advisor was, I believe, demonstrating an all-too-rare quality: humility in the face of uncertainty.

Finally, by diversifying across equity sectors (and rebalancing once a year in order to come back to the desired portfolio mix), your advisor was and is reaffirming his or her deep commitment to your long-term financial success. The voice of the tortoise is heard in the land: ***slow and steady wins the race.***

A financial planner, first and foremost, creates a plan for you. He or she then funds that plan with an intelligently diversified portfolio. Thereafter, the mission simply becomes: if your goals and plans don't change, then don't change the portfolio—regardless of the fads or fears of the moment, and regardless of which equity sector or discipline happens to be shooting the lights out in any given year.

It takes a financial planner of significantly above-average wisdom, humility and commitment to do that, over years and decades, for a client family. I invite you to consider the possibility that, if you received this essay from one of my newsletter subscribers, *you may in fact already have such a rare advisor.*

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and your recommendations
to friends and family!

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LOOK INSIDE!

"A creative man is motivated by the desire to achieve, not by the desire to beat others."— Ayn Rand (1905-1982)

Ayn Rand was a Russian-American novelist, philosopher and playwright known for her novels "The Fountainhead" and "Atlas Shrugged." Rand was a pioneer of Objectivist philosophy — a system of thought which operates on the tenants of rational self-interest and happiness, and the pursuit of individual freedoms as exemplified in laissez-faire capitalism