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SUMMIT WEALTH
PARTNERS, LLC

THE Rational Optimist™

Retirement 2.0

BY CHAD WARRICK, CO-PRESIDENT & CEO

The word Retirement is defined quite simply as "the action or fact of leaving one's job and ceasing to work"- Such a straightforward definition for such a dynamic and complex stage of life.

The concept of retirement has changed drastically over the years. During a time where employer sponsored pension plans were more prominent, retirement was the much anticipated "golden years" where retirees could live comfortably off their pension, Social Security, 401k, and/or personal saving vehicles. However, the number of pension plans in the US have steadily declined since the 1980's.

In addition to the diminishing existence of pension plans, Americans are living longer, creating a greater time horizon to plan for, on a limited number of income streams.

Imagine four faucets before you, representing the common income streams available during retirement: 401k, Social Security, annuities, and personal savings. Although the same four sources are available to others, the variable factors in your financial picture will dictate the optimal cash flow strategy.

For some it might make sense to delay Social Security for a period of time while depleting a personal savings vehicle, while for others it may be optimal to "drip" from each faucet.

Retirement has evolved into a whole new landscape with goals beyond just stopping work. Retirees might seek opportunities for reduced work, pursue a second career, spend a substantial amount of time volunteering, or even pursuing the "gig" business (Lyft, Uber, etc).

The ironic part – Retirees who return to work, known as reverse retirement, are not merely doing so because of financial need.

The Federal Reserve Board conducted a study to determine the percentage of people finding work after retirement, by income levels. They found the highest reverse retirement rates are in both the highest and lowest income groups.

While the need for income could be the driving factor in one group, just as many retirees could be returning to work for the sense of fulfillment and satisfaction it brings.

Adjusting to "traditional" retirement is difficult, despite the fact we spend a majority of our adult life working towards it. Perhaps because the concept, in its original interpretation is so unnatural.

Taking a stroll down history lane, we realize that the onset of retirement was truly during the Industrial Revolution where the older and less productive workers were not leaving the workplace fast enough.

President Franklin D. Roosevelt proposed the Social Security Act of 1935, essentially paying workers enough to stop working. Shortly after, retirement was popularized as a leisure-filled milestone to be achieved.

Fast forward 80 years, and there is not enough leisure to keep retirees from returning to work. For many, it's still in our nature – to be productive, to earn an income, to know that our skill set contributes towards a series of accomplishments.

Perhaps the definition of retirement could be less about "ceasing to do work" and more about doing what you enjoy – whether that's pursuing work or sailing the Caribbean islands.

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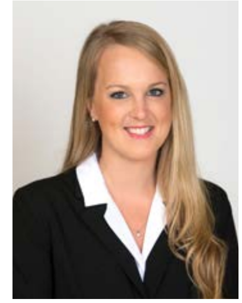
ALSO IN THIS ISSUE:

9 Things Retirees Should Never Keep In Their Wallets



BY AMANDA PATE, CFP®, CLIENT RELATIONSHIP MANAGER

You have finally made it to retirement. Why risk losing anything if your wallet or purse goes missing?

Kiplinger editors talked with consumer-protection advocates to identify the nine things retirees should purge from their wallets immediately:

1) Social Security Card

ID-theft experts say your Social Security card is the worst item to carry around. So remove anything containing yours or your family members SSN.

Since December 2005, states cannot display your SSN on newly issued driver's licenses, state ID cards and motor-vehicle registrations.

If you have an older photo ID, request a new card prior to the expiration date. There might be an additional fee, but it's worth it to protect your identity.

2) Password Cheat Sheet

The average American uses at least seven different passwords, so it's no wonder we struggle to keep track of them all! Carrying your PIN number and passwords (especially those for access to accounts) on a scrap of paper in your wallet is a prescription for financial disaster.

Keep your passwords in a locked box in your house. Or consider a password management service, like LastPass that will store your passwords behind one master password. This can also help you create unique passwords that may be impossible to remember, but that's OK because you won't need to type them in yourself!

3) Spare Keys

A lost wallet containing your home address and spare key is an invitation for burglars to do far more harm than just opening a credit card in your name. Don't put your property and family at risk.

Even if your home isn't robbed, you'll likely spend $100 to change the locks for peace of mind. Instead, keep your spare keys with someone you trust.

4) Paper Checks

Blank checks are an easy way for thieves to withdraw money from your checking account. With the routing and account numbers, any thief could attempt to transfer funds electronically.

Only carry paper checks when you absolutely need them, bringing only the exact number you need that day.

5) Passport

If you're planning a lot of international travel in retirement, note this: A government-issued passport, including a wallet-size passport card, opens up a world of possibilities for a con artist.

Instead, keep only your personal ID in your wallet while traveling inside the US. When you're overseas, carry a photocopy of your passport on your person, so you can leave the original in the hotel lockbox.

6) Multiple Credit Cards

Although you shouldn't ditch credit cards altogether (those who regularly carry a card tend to have higher credit scores), consider a lighter load. The more cards you carry, the more you'll have to cancel if your wallet is lost. We recommend carrying a single card for unplanned purchases, plus a rewards card when you expect to buy eligible gas or groceries.

7) Birth Certificate

A birth certificate won't get ID thieves very far. However, it could be used in correlation with other types of fraudulent IDs, leading thieves free to do the same things they could with a passport or Social Security card.

Be especially cautious on occasions such as a mortgage closing, when you might need to present your birth certificate, Social Security card and other personal documents. Take the time to bring them home, and don't leave them in your car.

8) Multiple Receipts

Since 2003, businesses have not been allowed to print your card's expiration date or more than the last five digits of your credit card number on receipts. Still, a crafty ID thief can use the limited information on receipts to phish for your remaining numbers.

Clear receipts out of your wallet nightly, shredding the ones you don't need. But for receipts you must save, keep them safe by going digital. An app like Shoeboxed lets you create and categorize digital copies of your receipts and business cards.

9) Medicare Card

A law signed in 2015 requires all SSNs to be removed from Medicare cards by 2019. Photocopy your Medicare card and carry the copy instead. Take caution by blacking out your SSN on the copy. If a medical appointment requires your full SSN, you can provide it upon request.

Did you have any of those items in your wallet or purse? As we all know, securing your personal information is more important than ever these days. Here at Summit, security is always on top of mind. We thank you for your trust and confidence when it comes to your financial well being.

Warm Regards,

Amanda

Useful apps from this article:
LastPass & Shoeboxed

https://www.kiplinger.com/slideshow/retirement/T048-S001-things-retirees-should-never-keep-in-their-wallets/index.html?cid=OLA_0015f9f6e7b34780cd8b6217ab2694376a

Is Buying an Index Fund Passive Investing?

BY JASON PRINT, CFP®, CO-PRESIDENT & CEO

Many people incorrectly believe that investing in index funds is synonymous with an unchanging and monolithic investment philosophy. That's not necessarily how it works.

As index funds have gained popularity, and assets, over the last decade, millions of investors have benefited from lower management fees, simplicity, and tax efficiency.

Traditional stock pickers try to seek out companies with bright growth prospects, disregard those with a dim outlook and, therefore, efficiently allocate their capital through choosing stocks to invest in.

Some think that investing in a diversified basket of stocks (via an index fund) does not provide this same efficient allocation of funds.

There are now nearly 2,000 ETF's that offer a wide variety of market exposures across the globe

However, index asset managers still can engage with management at companies to foster long-term growth on behalf of the stock owners and therefore are a meaningful source of capital for corporate growth.

As index funds continue to grow and multiply, they offer exposure to an increasing multitude of various sectors and asset classes. There are now nearly 2,000 ETF's that offer a wide variety of market exposures across the globe allowing investors to target specified market areas.

Many of these different indexes offer the same ability to promote an efficient allocation of capital in the economy as stock selection does while making it easier for investors to simply choose one ETF rather than individually select stocks.

As money flows to different sector indexes, capital is being allocated to those areas seen as having a high likelihood of an attractive return on investment. The reality is index investors can be similar to stock-pickers and make active decisions every time they buy or sell.

Many proponents of index investing believe that index-tracking ETF's promote the efficient allocation of capital in the economy.

At Summit Wealth Partners, we favor index funds and ETF's as a way to build clients' portfolios with low cost, proper diversification and risk management. We also commonly implement factor-based ETF's which allow us to invest in areas and stocks that historically outperform over long periods of time.

Using academic-research, we invest in those areas of the market that have proven to be large drivers of returns. These factor-based ETF's rebalance regularly, allowing Summit to maintain a disciplined approach to those stocks that meet our selection criteria.

Best Regards,

Jason

Continued from page 1 - Retirement 2.0

By strategically outlining your income streams and managing tax efficiencies, our team is committed to partnering with you to financially fuel the lifestyle you have worked hard to achieve.

Thank you for your trust and confidence.

Be Well,

Mobility as a Service *The Impact of Autonomous Vehicles*

BY JEFFREY JANSON, CFP®, AIFA®, SENIOR WEALTH ADVISOR

In our last newsletter, I laid out the case for why I think we are now in the Golden Age of Technology and listed off several areas of technological innovation in support of my somewhat grandiose claim.

Consider the area of Autonomous Vehicles ("AV's"). Due to superior economics and increased convenience, the commercial acceptance of AV's is likely just a few years off.

As a result of this, autonomous taxis could see a 10-fold increase in use, radically changing the cost of point-to-point travel and dramatically shifting consumer behavior in the process.

The Economics of Cheaper Travel

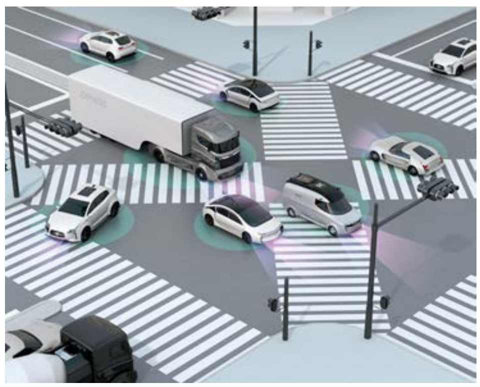
At an average cost of $3.50 per mile, traditional driver-controlled taxis were always destined to remain a niche form of transportation. However, as ride-sharing services have proven, when the cost of transportation comes down significantly, the utilization rate goes up *exponentially*.

> ***Autonomous Vehicles could be the greatest sea-change in personal transportation since the railroad.***

For nearly 80 years, the consumer cost of point-to-point travel through the use of a personally owned car has stubbornly remained at an inflation-adjusted $0.70 per mile. It is estimated that as consumers shift to using autonomous taxi ride-sharing that the cost could drop in half. This will cause many consumers to re-think the economic necessity of owning a car.

More miles traveled

If this supposition is correct, the number of autonomous miles covered will exponentially increase as consumers will have more pricing power in their transportation budgets. For those who own a car, there will be new ways to make that "stranded asset" economically productive by making it available as a taxi to help defray the long term cost of ownership.



Safer travel

Paradoxically, that increase in total miles travelled will also likely see a decrease in auto accidents and fatalities due to the safer driving protocols these autonomous taxis will follow. Some estimate that accident rates could decrease by as much as 80%!

This is because AV's don't drive aggressively, have quicker reaction times, and maintain focused attention 100% of the time.

The Case for Creative Destruction

Mobile app ridesharing services such as Uber or Lyft are already taking wallet share from auto sales. Impact will be huge in China, India, and Southeast Asia as many consumers in those emerging markets will simply "leap-frog" the idea of owning a vehicle and instead adopt transportation via autonomous taxi's, just like they leap-frogged from using landlines and PC's and went straight to smart phones.

Even culturally, the adoption of this technology will be much easier in China and other emerging markets. Personal car ownership is not nearly as ubiquitous in other countries as it is here in the US or in Europe.

For example, in China, only 20% of the population even has a driver's license as compared to 70% here in the US.

A drawback to this global trend is that there will likely be a shakeout among the world's car manufacturers in the long run. While auto sales would likely increase initially, some estimates have cut auto sales in half by the end of the 2020's.

While car companies will bear the brunt of the economic hit, other industries will benefit. Semi-conductor chip makers supporting autonomous vehicles should benefit as well as companies that control data as AV's need copious amounts of data to operate safely and effectively.

The smartest car companies will deploy fleets of AV's to get their share of this new revenue stream and shift their focus from outright sales to the new model of Mobility as a Service (aka "MaaS").

Even though the car companies will most likely experience negative effects on

Continued on page 6

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.

New Tax Law Means New Opportunities For Business Owners

BY ANDREW DICKENS, DIRECTOR OF PENSION SERVICES & WEALTH ADVISOR

The new tax law, the Tax Cuts and Jobs Act or H.R. 1, offers new planning opportunities for closely held business owners as some owners of "pass-through" businesses may now be able to deduct up to 20% of their "qualified business income."

We'll go over some highlights in this article, but there is much guidance yet to be had from the IRS regarding how this new rule will be implemented.

First and foremost, a "pass-through" business is one where the net income from the business is "passed through" to the owner's 1040. Instead of the business income being taxed at corporate tax rates, it is taxed at the individual's tax rate.

Pass-through business forms include sole proprietorships, partnerships, S corporation and most LLCs. Only pass-through businesses are eligible for this 20% deduction; traditional C corporations had their tax rates slashed to a flat 21%.

One important definition is a "specified service trade or business," which is generally any trade or business where their principal asset is the reputation or skill of its employees or owners. This includes doctors, lawyers, financial advisors, athletes, consulting, performing arts and more. There is specific exemption for architects and engineers from this definition.

Let's talk about how a company sponsored retirement plan might help you achieve your objective.

The new 20% deduction is a "below the line" deduction, meaning it's generally in the same category as charitable and mortgage interest deductions.

Below the line deductions are made after Adjusted Gross Income (AGI) is computed. And while it's not expected to be "itemized," it is subject to phase outs and limitations like other below the line deductions. It's these limitations that owners of pass-through entities need to be focused on.

The second definition is "qualified business income," or QBI. QBI is the net income from the business, excluding reasonable compensation or payments for services outside the scope of ownership. Generally, this means ordinary non-investment income net of expenses. QBI is determined at the business level, not the individual taxpayer level.

Otherwise eligible business entities are subject to income limitations on the 1040. Every pass-through business owner with taxable incomes under a certain amount ($315,000 married, $157,500 single), might be eligible for the deduction. However, the deduction is also limited to the lesser of the 20% of QBI or 20% of total taxable income less net capital gains.

For business owners with incomes above these limits, their eligibility for the deduction depends on whether they are a "specified service or trade business."

If they are, they enter a phase out up to total taxable incomes of $415,000 married or $207,500 single. At or above those incomes, they are phased out entirely from the deduction and are considered not eligible. For all other businesses, the deduction has a wage and capital limit applied.

For businesses at or near the applicable income thresholds, in order to take advantage of the deduction, we need to find other "above the line" deductions to reduce your AGI so you qualify for the deduction.

Summit can help you do that by discussing how a company sponsored retirement plan can help you achieve that objective.

Consider the following case study provided by the retirement plan administrator Kravitz Inc:

Jack is a married 56-year-old sole owner of a business that is a "specified service trade business". He pays himself a salary of $200,000 per year and has net pass through income of $300,000. They have no other income.

Continued on page 6

Let us know how we can help.

***Thank you for your* TRUST *and* CONFIDENCE.**

Continued from page 4, Mobility as a Service

earnings, the lower cost of transportation will effectively give consumers more disposable income to spend, thus benefiting other areas of the economy.

The net economic result

While some estimates have placed the lost revenue at a cumulative cost of $4.2 Trillion (through a combination of lost car repair, maintenance costs, fuel sales, and insurance), the offsetting revenue gain is expected to be $11.7 Trillion! This nets a gain of $7.5 Trillion of positive economic impact due to increases in productivity!

Certainly fortunes will change hands from those old economy models to those who can better navigate the realities and shifting consumer habits of the new economy.

In conclusion, AV's could be the greatest sea-change in personal transportation since the railroad. AV's will make transportation more affordable and more available to people who cannot drive, such as the elderly or blind, or those economically disadvantaged citizens who cannot afford their own car.

It has amazing potential to result in lives and time saved and to increase productivity.

Best Regards,

Continued from page 5, New Tax Law-

- W2: $200,000
- QBI: $300,000
- Taxable Income: $500,000
- QBI Deduction: $0 (taxable income over $415,000)

Jack is not eligible for the 20% QBI deduction because his income is over $415,000. However, after some analysis I inform Jack that he can contribute for himself about $185,000 to a cash balance retirement plan. These contributions are "above the line" reducing his AGI.

- Retirement Plan Contribution: $185,000
- Taxable Income: $315,000 *($500,000 - $185,000)*
- QBI: $115,000 *($300,000 - $185,000)*
- QBI Deduction: $23,000 *(20% * $115,000)*
- Net Taxable Income: $292,000 *($315,000 - $23,000)**

Jack's $185,000 contribution to his own retirement yielded a $208,000 reduction in his taxable income!

As you can see, with proper planning it may be possible to take a company that is otherwise excluded from this tax cut and make them eligible by shifting the owner's income from one pocket to another, the other being a tax deferred qualified retirement plan.

Feel welcome to reach out to us if you have any questions about using a qualified retirement plan for your business.

Regards,

This article provides general information only and is not a substitute for professional tax advice. Please consult with your tax advisor to review your specific case.
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Welcome, Owen Morrow!

We are happy to welcome Owen to the Summit Wealth Partners team. Owen joined our Naples team back in June after graduating from Ohio State University with a Bachelor of Science degree in Finance and a minor in Economics. He is pursing a career in financial planning because it will give him the chance to develop creative solutions to help clients reach their goals. He hopes that being a part of the service team with allow him to appreciate the value of the client relationship.

In his free time, Owen enjoys playing basketball, golf, and sand volleyball. He is also a big fan of Cleveland sports. He is looking forward to getting to meet the clients in the Naples office and is enthusiastic about the future of Summit.

FUN FACTS ABOUT OWEN

- Born and Raised in Cleveland Ohio, but currently resides in Naples, FL
- The Middle child - 2 brothers
- Favorite sports teams: Cleveland Cavaliers or Ohio State Football
- Enjoys working out and jet-skiing
- Breakfast food lover - it works for any meal of the day!
- Christmas is his favorite holiday

SUMMIT SPOTLIGHT

A LOOK INTO THE LIVES OF THE SUMMIT TEAM

ALARMING High Seas Adventure

The Print family took a 7 day Norwegian Cruise to the Caribbean. Having endless entertainment options on one large ship was more significant to us than the actual ports we stopped at. The kids enjoyed themselves fully, taking advantage of water slides, pools, mini-golf, rock-climbing and all-you-can-eat ice cream!

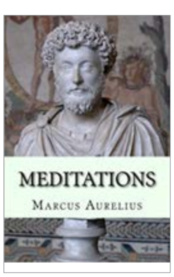
We certainly picked a memorable cruise; an unfortunate highlight was a crew member falling overboard on the last day at sea! After failing to report for him morning shift, and no sign of him in his stateroom, the search was on. The ship turned around and quickly and selected a search area based on the currents and wind. Along with the Coast Guard and several other vessels willing to help, we spent hours searching. After sundown, the Coast Guard released our ship from the search effort. The Captain let us know that the prospect of finding our crew member alive was slim.

Our ship quickly headed back to Miami in an effort to get cruise passengers back for flight departures, and we ended up getting back to Miami about 7 hours later than scheduled. As we disembarked, we received good news that a Carnival cruise ship with a similar route to ours had spotted our crew member alive and was able to rescue him. Within a few hours he was pronounced stable and recovering in a hospital. While many reports suggested he was in the water for about 22 hours, it was certainly longer than that. It was remarkable he not only survived the fall, but also the blazing summer heat for well over a day.

It was certainly an eventful and memorable cruise, with a happy ending. The Print family was even able to enjoy a few more extra meals and ice cream before heading back to reality. We will certainly cruise again, but hopefully keep everyone on the ship next time! We highly recommend cruising, particularly for big groups with varying ages.

Jason

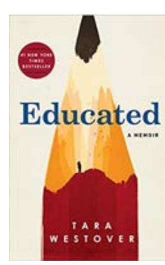
BOOKS WE'RE READING



Meditations

by Marcus Aurelius

A series of personal writings by Marcus Aurelius, Roman Emperor 161 180 CE, setting forth his ideas on Stoic philosophy. Marcus Aurelius wrote the 12 books of the Meditations in Koine Greek as a source for his own guidance and self-improvement. It is not clear that he ever intended the writings to be published, so the title Meditations is but one of several commonly assigned to the collection. These writings take the form of quotations varying in length from one sentence to long paragraphs.



Educated: A Memoir

by Tara Westover

A memoir about a young girl who, kept out of school, leaves her survivalist family and goes on to earn a PhD from Cambridge University. It is a tale of fierce family loyalty, and of the grief that comes from severing one's closest ties. A universal coming-of-age story that gets to the heart of what an education is and what it offers: the perspective to see one's life through new eyes, and the will to change it.

Cover Images & Summaries: Amazon.com

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