

The Rational Optimist™

What Do Clients Really Want?

by Mitch Levin, MD CWPP, CAPP



Many clients don't like change, and worry about change. That sentiment goes way back.

Did you know that the U.S. standard gauge for railroad track is 4 feet and 8.5 inches in width? You might ask, "why such an odd measure?" This was the measure used in England and the United States when railroads were built by the English ex-patriots. Where did the English get that measure?



Oregon Blue Book: Oregon at Work Web Exhibit. www.bluebook.state.or.us-Building the Oregon trunk railroad through central Oregon near Metolius in 1911. (Jefferson County Historical Society Museum)

The first rail lines were built by the same people who built the tramways that preceded railroads. They built the trams with the same jigs and tools used for building wagons. The wagons were built to that width so that

their wheels would fit the ruts of England's ancient, long-distance roads. The ruts had been made by the war chariots brought to England by the occupying Imperial Roman Empire. And the chariots were that wide to accommodate the rear ends of two horses. So it appears that you are not alone if you struggle with change.

What about change in the area of financial wealth management? The Securities Industry Association commissioned a study asking clients what they thought of the financial advisors who serve them. Two findings that came out of the study were:

- Over two-thirds of client/investors in the study felt more loyalty to their personal advisor than to the firm.
- Nearly half of client/investors felt their advisor could improve his or her services by making a greater effort to educate.

And in an additional study commissioned by TD Ameritrade, 71% of investors wanted transparency regarding fees and the value received

for fees.

In yet another survey by Investors Research, clients were asked the priorities for their financial advisor. The top six priorities were that the advisor should:

1. Understand my situation.
2. Educate me.
3. Respect my assets, no matter how large or small.
4. Solve my problems and don't sell me a product.
5. Monitor my progress.
6. Keep in touch.

At Summit Wealth Partners, we understand the importance of each of those priorities and we strive to fulfill them on a daily basis for clients in everything that we do. Because many believe way we do anything could be the way we do everything.

On your behalf, we have assembled a team of financial experts who are well educated and experienced and committed to your success, who collectively have hun-

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Q4 in the Mirror

By Chad A. Warrick, Chief Investment Officer

I hope this letter finds you and yours well. At Summit we take great pride in building comprehensive investment strategies for our clients. We are extremely disciplined in our evidenced-based approach, ever mindful not to take chances with performance that is not equal to our risk tolerance for a particular strategy.

Of course investing in the stock and bond market requires some level of risks. Our disciplined approach along with our philosophy on global diversification does not always mean it is in favor. Why maintain a global allocation? This can be easily explained with two words “risk management.” It is our belief that our global allocation vs. a pure S&P 500 index approach, or whatever may be considered the next hottest index, is the safest and surest path to solid growth.

We all must remember that having concentrated exposure can put your wealth at risk. No one can predict with accuracy how and when the market will respond to situations and conditions. The attached Equity Quilt explains the randomness of returns. This Benchmark Return Comparison (Fig.1) gives you a concise view of 2014 returns.

During the “heydays” of the late 1990s, when investors piled into technology stocks and/or the NASDAQ composite, is a good example of concentrated exposure and the associated risk. Many investors experienced tremendous asset depreciation and were forced to prolong their retirement dreams. In fact, the NASDAQ has not yet returned to the previous levels of 2000—14 years ago.

Yes, that was an extreme case but the evidence and effect continues to support our global diversification philosophy and prudent approach. Risk management will continue to be our primary focus with heightened volatility on the horizon. Therefore, during the next two quarters and beyond, we will be monitoring key economic factors and certain sentiments of the global economy.

We focus on risk-adjusted returns without chasing performance when managing portfolios. With a disciplined approach, we achieve a fair share of returns without putting our client’s hard-earned assets outside of their risk tolerance. We build strategies that fit different degrees of risk tolerance, goal objectives and needs.

Looking back, we have had a few surprises in 2014. These surprises came with their own set of pros and cons. First, the investment community and economists were surprised by the

strength of the U.S. dollar. A second surprise was the sharp decline of oil prices during the 4th quarter, after the prior drop in other commodity prices.

These both had a positive affect on the US Stock Market, and a negative affect on the global stock markets. And yet not, too long ago, while Wall Street was concerned about the devaluation of the US dollar, in actuality, quite the opposite occurred (Contrarian Indicator). The demonstrated cause and effect of the US continuing to be integral to the global economy, is proven again. Rather than focusing on short-term predictions, we plan for long-term outcomes.

- Investor Sentiment: The more optimistic investors become, the more potential there is during negative performing periods in the market. As mentioned in my 3rd quarter comments, volatility is on the rise and that will present opportunities for long term inves-

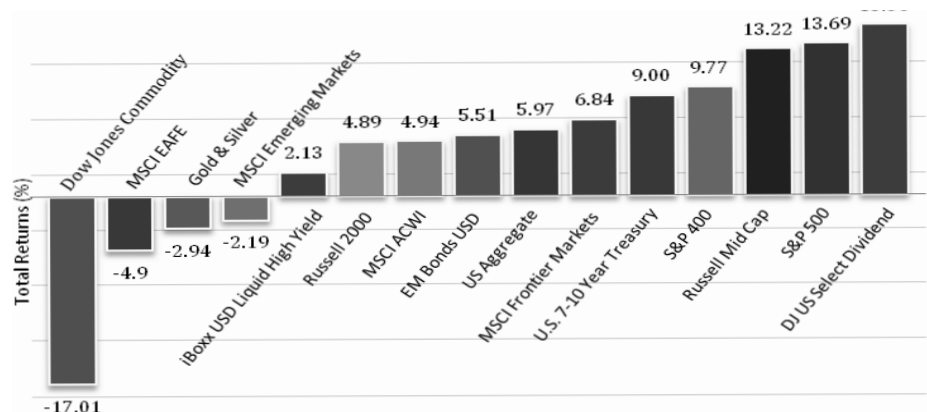


Fig. 1 Benchmark Return Comparison as of December 31, 2014

Source: BlackRock, Bloomberg, Morningstar
Index returns are for illustrative purposes only and do not represent actual performance of any investment. Index performance returns do not reflect any management fees, transaction costs, or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. Investing includes risk, including possible loss of principal. The information provided has been presented for educational purposes only. The information provided should not be construed as a recommendation to purchase or sell, or any offer to buy any security.

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dreds of years of financial expertise.

Our team makes every effort to excel in relating and communicating with you, in order to provide transparency, stability, simplicity and peace of mind in your financial affairs. Summit provides transparency of fees and costs, and a variety of tools and resources to help lower costs, fees, taxes, and risks.

Your benefits from this are:

- ✓ A complete understanding of your particular situation, so we can craft and implement a customized plan for your long-term success.

- ✓ A comprehensive and collaborative approach with other professionals (e.g., CPA, Attorney, etc.) that brings added confidence to your future.
- ✓ Simplifying the complex, discussing with you-- not talking at you.
- ✓ A greater chance to enjoy the comfort of solid growth.
- ✓ An entire team to provide you trusted advice that assures confidence in your progress and keeps you informed.

We take pride in how we service you, and listen to you; how we seek to improve; how we identify optimal planning strategies for you; treating each

of you, and your money, with the utmost respect and friendship, so you can have pride when you introduce us to your friends and colleagues.

When working with Summit, our goal is to bring the same level of confidence to your financial health that you would find when going to the Mayo Clinic, where a collaborating team of expert specialists takes a comprehensive approach to financial wellness while placing your interests ahead of our own. Solid Growth. Safely Managed. Trusted Advice.

Make great decisions.



Q4 in the Mirror continued from Page 2

tors.

- Federal Reserve: Fed meetings this year will be an important topic of discussion. And the initial reaction of such an announcement could increase the volatility. Higher rates in Fed Funds would signal the economy is doing well. No increase indicates the economy is not doing as well, or the Fed is concerned about the global markets. However, if the Fed doesn't move too quickly, this could lead to stronger international growth. Either way, the market will react. A "flat yield curve" could be in our future, meaning short-term rates increase as longer-term interest rates stay at similar levels, or even decline.
- US Dollar: The dollar may continue to strengthen. Historically, this has been a double edge sword; a

stronger dollar has lead to stronger US markets. Today, however, because a majority of US corporate revenues come from abroad, a stronger dollar could have a negative affect on corporate earnings.

- Oil Prices: Lower oil prices came with mixed results; many developing and emerging countries are 100% importers of energy. Lower prices in the US feel like a major broad-based tax cut. This can help stimulate growth at home and abroad. Not surprising, though, the decline in the price of oil had a negative affect on the energy sector, resulting in declines in many MLPs (Master Limited Partnerships). And high-yield bonds were negatively affected too, with their 13% exposure to the energy sector.

As we look ahead at both domestic and international stocks, they continue to be favorable over bonds and cash, even with the higher potential for volatility. We persist in finding asset classes with better valuation and risk-adjusted returns. No radical adjustments are necessary, as we maintain our disciplined and selective strategies with global portfolio holdings.

We have to be prepared for the unknown and the unexpected; the unexpected will continue to happen. Good planning along with a diversified portfolio have demonstrated time and time again to be the best plan for the unexpected.



THE WALL STREET JOURNAL



National Ethics Association
ethics.net



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Fearful Waters

by Nicole Sadez, Client Service Specialist

This past summer, I embarked on one of my most challenging adventures. With some persuasion from my dad, sister, and brother-in-law, I agreed to participate in a shark dive off the Southeast Coast of Florida. The dive entailed master divers chumming the water with bloody fish parts, in order, to attract sharks 90 feet below the surface. Sounds like a great idea, right? I didn't think so either. This dive site is known for attracting a variety of sharks, nurse, lemon and tiger sharks. And at any point of the dive, 30-40 sharks surround and interact with the divers!

As you can probably imagine, I was quite nervous. Scuba diving has been a hobby of mine for the past 12 years and I have completed countless dives in various conditions. Even though I had the experience and knowledge to successfully complete this dive, I was still very anxious to suit up and jump in the water with sharks. The dive master and my dad knew that I was uneasy. They talked me through the dive and reassured me that everything would go well and that I would really enjoy the experience. After some encouragement, I felt much better about the dive and was ready to jump in!

As a strong current flowed, all of the divers made their way down the descent line and settled onto the ocean floor at 90 feet below the surface. No more than five minutes later, sharks of different sizes and species began swimming around us. They were checking out the smell of fish chum. It was a truly amazing sight to see 35 or so sharks swimming around us, inspecting us, and trying to figure out what we were doing. The sharks started grabbing the fish that the dive master baited at them.

My fears quickly disappeared as I was engulfed with the breathtaking beauty and awe of these creatures in deep water. To my surprise, the sharks wanted nothing to do with us, except for the dive masters, who were handing out their lunch. Both the sharks and divers minded their own business while watching and learning about each other.



Nicole with her Dad Emilio Sadez

The main factor that helped me complete the dive and thoroughly enjoy the experience, was the fact that I had trust in the dive master, my dad and myself. Their guidance and professional expertise gave me the confidence I needed to make the decision of going forward with the dive.

Summit Wealth Partners prides itself on developing trust and providing sound guidance to each and every client. We would not encourage you to take a shark dive with your money. Our advisors understand that certain days in the market and certain secu-

rities in your portfolio can make you nervous. We are always available to openly communicate with you about your financial situation.

The key to the success of my shark dive, was first evaluating the entire situation and I never panicked. It is the same for investors. It is crucial to know the degree of risk you are willing to take and understand the potential

benefits of the risk. Our team at Summit Wealth Partners is always here to help calm any fears you may have and to foster solid growth that is safely managed with trusted advice. We work to provide you with great financial planning experience.

Nicole

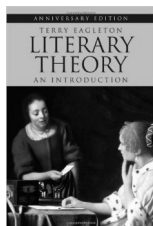
The Rational Optimist
Editing, layout and design work by
Vicki Brodnax

IN THE KNOW & ON THE *GO*

BOOKS WE'RE READING

Literary Theory: An Introduction

by Terry Eagleton—"A concise guide to the most interesting and mystifying trends in the study of literature over the last fifty years."—The Nation



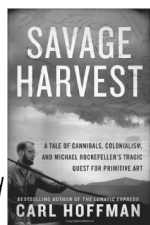
Yes Please by Amy Poehler—If Amy Poehler felt any pressure to live up to the success of best friend Tina Fey's *Bossypants*, you wouldn't know it from reading her assured, revealing, and above all, hilarious debut memoir.



Regaining Balance: The Evolution of the UUA by Michael Werner—Next *Hundred Million America in 2050* The author details the cultural, philosophical and political history of the Unitarian Universalist Association (UUA) especially in regards to Humanism and critical thinking.



Savage Harvest: A Tale of Cannibals, Colonialism, and Michael Rockefeller's Tragic Quest for Primitive Art by Carl Hoffman—The mysterious disappearance of Michael Rockefeller in remote New Guinea in 1961 has kept the world, and even Michael's powerful, influential family, guessing for years. Now, Carl Hoffman uncovers startling new evidence that finally tells the full, astonishing



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Contrarian is an investor who does the opposite of what most investors are doing at any particular time. According to contrarian opinion, if everyone is certain that something is about to happen, it won't. This is because most people who say the market is going up are fully invested and have no additional purchasing power, which means the market is at its peak. When people predict decline they have already sold out, so the market can only go up. Some mutual funds follow a contrarian investment strategy, and some investment advisors suggest only out-of-favor securities, whose price/earnings ratio is lower than the rest of the market or industry.

Patriot Bond is a special designation give the Series EE savings Bond after the September 11, 2001 World Trade Center terrorist attack

Qualified Plan or Trust is a tax-deferred plan set up by an employer for employees under 1954 Internal Revenue Service rules. Such plans usually provide for employer contributions—for example, a profit-sharing or pension plan—and may also allow employee contributions. They build up savings, which are paid out at retirement or on termination of employment. The employees pay taxes only when they draw the money out. When employers make payments to such plans, they receive certain deductions and other tax benefits.

Tout is to promote a particular security aggressively, usually done by a corporate spokesman, public relations firm, broker, or analyst with a vested interest in promoting the stock. Touting a stock is unethical if it misleads investors.

PLACES WE'RE GOING



February 5-6
Orlando, FL



February 12-13
Naples, FL

Retirement Academy

February 22-25
Orlando, FL

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



In Pursuit of Our Goals

by Patricia McNair, Client Service Specialist

Recently, I read the book The Alchemist by Paulo Coelho. It was a wonderful novel about a boy in pursuit of a dream, or what he referred to as his "Personal Legend." He set goals, worked hard and persevered, in order, to accomplish his dream. Along the way, he encountered obstacles and setbacks. Several times he nearly gave up. He trusted his heart and good people along the way, paid attention to his instincts, and eventually realized his dream.

The story was timely and made me think about my own goals for 2015. I'm sure many of you have done the same as we brought in the New Year. We ask ourselves, "What is it we want to accomplish?" Then we begin the daunting task of listing our goals and figuring out how to make it happen. At times throughout the year, we may

find ourselves straying from our goals, especially if we haven't carefully defined and planned them. Along the way, we may encounter unforeseen obstacles and think that what we set out to do is simply impossible. Mark Twain once said "The secret of getting ahead is getting started. The secret of getting started is breaking your complex overwhelming tasks into small manageable tasks, and then starting on the first one."

For the past eight months, I have had the privilege of working at Summit Wealth Partners and seeing how our advisors help clients every day to achieve financial goals. It is rewarding to play even a small part in the process. One of my goals this year is to continue to serve our clients with unparalleled



My husband Jim and I can hardly believe that this tropical paradise is where we call home! — Naples Pier, FL

professionalism and personal service. Accomplishing this one small task can make all the difference in my work and hopefully make a difference in the work that our advisors do for you!

I look forward to working together in pursuit of our goals for 2015!

~ Patricia

*Thank you for your business
and your recommendations
to friends and family!*

Beware Volatility Fatigue

The day we all drifted back to work after this year's Labor Day weekend, the broad equity market as measured by the S&P 500 closed at 2,002. As I write on the morning after the winter solstice, I see it at 2,072.

Not at all bad for four months' work, one might say: about a three and a half percent return in terms of price appreciation, plus another two thirds of a percent in dividends. Shall we just call it four percent in four months, for the sake of roundness and simplicity? In a world where it takes almost a year to earn half that much from a 10-year Treasury note, that seems pretty impressive.

Ah, but it didn't feel quite as calm and soothing as that while we were going through it, now did it?

No, because over a very few days in October, and again in about as many days in December, the Index staged a horrifically volatile decline. And then in a few more days on both occasions, it turned right around and soared again, wiping out both declines, for all the world as if they had never happened. One minute it was the end of economic life on the planet as we have known it. And the next...well, if you blinked, you missed it.

The question is not what happened (asked and answered: on net, nothing happened except a four percent return in as many months). Nor is the question why the sinking spells eventuated (the first episode was attributed to a confluence of ISIS, Ebola and a whiff of global deflation, and the second to the "black swan" 40% decline in oil prices, if "why" does anything for you). The question—and believe me, it is the only question that matters—is: *how did you react?*

I will stipulate to the narrow answer that most folks did not succumb to a panicky sell decision, if only because they didn't have time: in both cases, the turnarounds happened so fast and so decisively that even as one was cranking up to hit the panic button, the market had already taken off again.

But my question still stands. What emotional toll might these astonishingly compressed episodes of volatility be taking on you? And if they are repeated—much less prolonged—might the cumulative effect be that you capitulate, not even out of panic but simply from fatigue?

For you must not doubt that the more you are emotionally involved in the market's gyrations, and on the routinely apocalyptic rationales advanced in support of them, the more you become susceptible to chucking your long-term investment policy out of simple exhaustion. Be assured that when the immortal Vincent T. Lombardi said, "Fatigue

makes cowards of us all," he was most certainly not just talking about football.

Volatility fatigue—even if one is not aware of it—can be and often is cumulative, such that the eventual trigger for capitulation, the proximate cause, may be perfectly trivial in and of itself. I'm reminded of a *Wall Street Journal* profile of a retired couple in San Antonio who held on to their portfolio throughout the Great Panic of 2008-09—watched the S&P 500 go all the way down to 677 and back up to the neighborhood of 1,100—and then sold all their equities in response to the ephemeral and momentary "flash crash" of springtime 2010.

You may remember that that was an episode where a rogue algorithm and/or a computer glitch made five or six percent of the market's value appear to disappear in a matter of minutes—only to recover almost entirely in another hour or two more. The direct financial effect may have been virtually nil, but the cumulative emotional effect on these folks was fatal: "We just couldn't take it anymore," the wife said sadly.

I stress again: this is not a story about volatility. It's a story about volatility *fatigue*. Volatility is a phenomenon of markets: sudden, significant price movements *down and up* around equities' relatively smooth upward long-term trendline. Volatility fatigue is as personal as fingerprints, and takes place entirely within your own emotions. It's a choice you make, albeit not rationally, nor even consciously.

It is also, in this one man's opinion, a huge part of the reason your financial advisor was sent into the world: to help you to continue to act rationally under uncertainty. That is to say that one of the most important functions of an advisor is to encourage you to continue *acting on a plan* rather than *reacting to the markets*.

But you have to allow him or her to do that for you. And the first step in that process is disclosure. Just as you would not go to a doctor and hide your physical symptoms, you mustn't be reluctant to disclose your volatility fatigue—the cumulatively wearing effect of troubling current events on your state of mind.

Your advisor can't tell you when, where or why an episode of volatility will come to an end. What he or she can do—and is, in my experience, most eager to do—is to remind you that if your long-term plan hasn't changed, it is almost always a mistake radically to alter your portfolio. And that selling out of a high-quality portfolio of equities held for the furtherance of your long-term goals may appear to be a welcome respite from volatility fatigue. *But it's usually the wrong thing to do.*

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"Money will buy you a fine dog, but only love can make it wag its tail" - Richard Friedman

Source: <http://www.wisebread.com/64-funny-inspiring-and-stupid-money-quotes-from-famous-people>