

# PERSPECTIVES AND SCALES— HOW DO YOU SEE THINGS?



By Mitch Levin, MD, CWPP, CAPP

Numbers can mean many things. They often gain or lose importance when they are compared, or “scaled.” For example \$1 billion is a lot of money for you and me. For the Federal budget, \$1 billion is not close to the largest number.

Another example is the measure of the US stock market, the Dow (a price weighted index, not a capital size weighted like the S&P 500), can go up or down 400 points in a day; yet that may only be a 2-3% change.

For someone worth \$1 billion, a loss of 20%, or \$200 million has little affect on their lifestyle; there is no need to sell the jet or yacht. For the middle class millionaire, worth \$2 million, a 20% loss or \$400,000 may be the difference between a comfortable or uncomfortable retirement and a loss large enough to cause a loss of sleep.

Some say the Dow is over valued by showing its absolute change over the last several decades (Figure 1). However, by showing the percentage change over that same period (Figure 2) it appears to be steady. And when inflation adjusted, the look is different yet again, illustrating perspective and scale.

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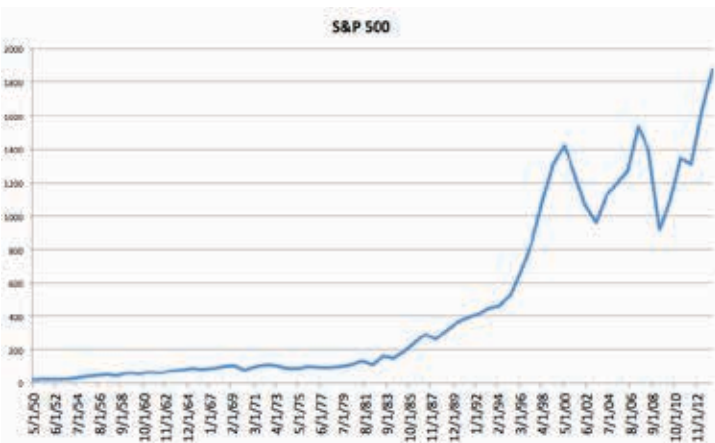


Figure 1. S&P 500 1950 to 2012

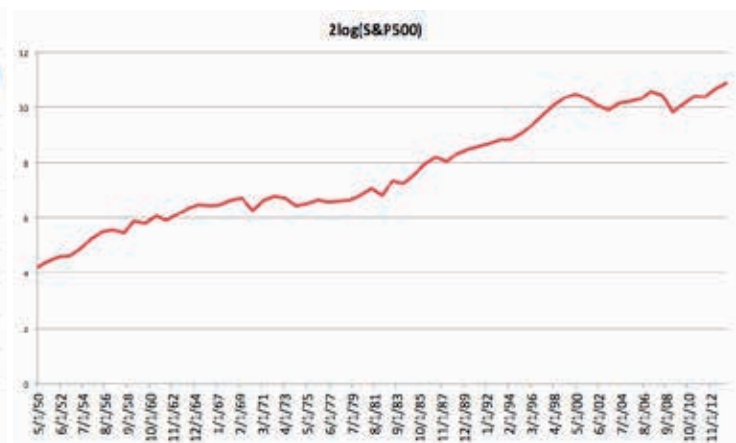


Figure 2. S&P 500 1950 to 2012

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# GLOBAL DIVERSIFICATION & THE MARKETS

BY CHAD A. WARRICK, CHIEF INVESTMENT OFFICER



& JASON PRINT, SENIOR WEALTH ADVISOR, CFP®



Happy New Year! On behalf of everyone here at Summit, we look forward to continuing our work to bring you great value and service.

As we begin 2016, some may question, where do we go from here? What are the real risks and opportunities? Of course, we cannot predict the future, but we do have experience and evidence to guide us and a thorough understanding of economics and investor behavior. We know that a solid disciplined approach to global diversification is the key for successful long-term investors. The answer may sound simple but implementation, not so much. Together, we will utilize strategies for your success to insure solid growth that is safely managed with trusted advice.

Here are a few points that are important for you to consider as we move into 2016?

- Understand the purpose of your portfolio
- And the goals along with the time horizon for assets at risk for growth
- Remain disciplined
- Remember that asset classes and sectors move in and out of favor, and are highly unpredictable

Today's economy is increasingly interconnected globally with

investment opportunities and valuations presenting themselves with unique potential for growth and diversification. A globally diversified portfolio is essential for long-term success. Looking back, 2015 was a year that tested the disciplined approach of global diversified portfolios.

It is important to remember that 78% of equity market growth between 2000 and 2012 came from developed countries outside the U.S. This was during the same period that the S&P 500 was coined 'the lost decade of investment returns.

This is more evidence that a globally diversified portfolio is essential for long-term success. Too many investors equate only U.S. large company stocks with the "market." At Summit, we define markets as more than 12,000 stocks in more than 46 countries.

There are many asset classes to the markets and performances are just as varied. For example, in the first 10 years of this millennium, international stocks trounced U.S. stocks. Prior to that, small company stocks were the stars. And for nearly 30 years, bonds outperformed stocks.

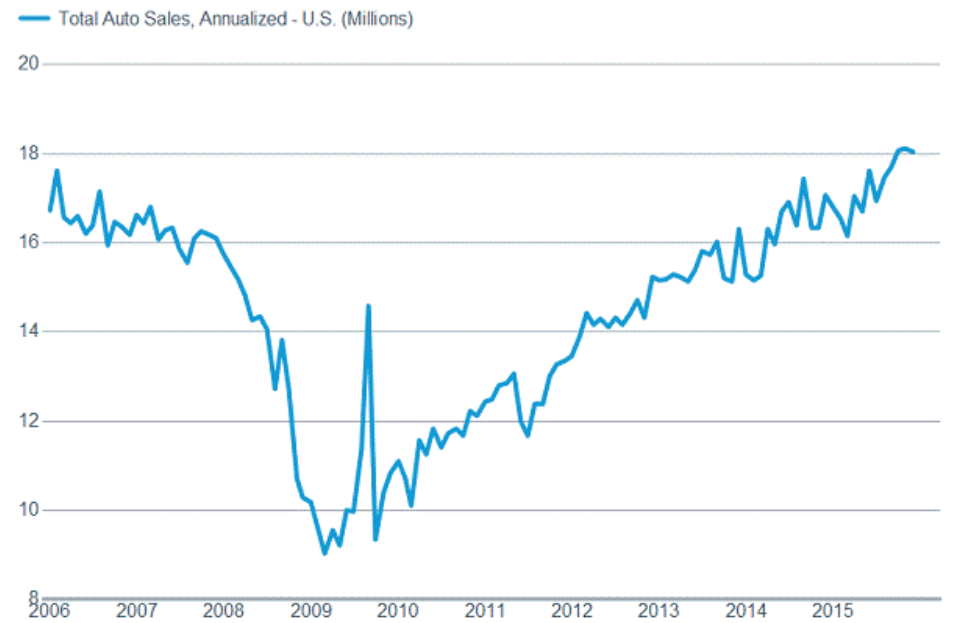
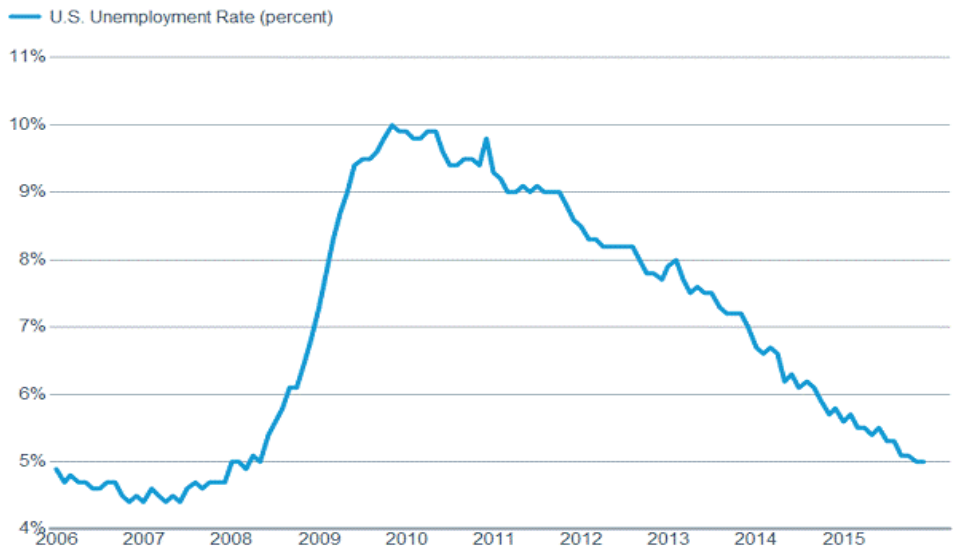
Here are a few highlights of asset classes from the 2015 Market highlights:

1. Large caps, especially growth were favored more than small caps
2. Best performing sectors were consumer cyclical, technology and healthcare
3. International allocations were lead by developing countries as emerging markets struggled due to speculation of a hard landing with China's economy, which also caused pressure on foreign investments in face of the stronger dollar

We recognize that since 2008, we have seen less than stellar GDP with the U.S. hovering around 2% for the past 7 years. This was despite Quantitative Easing, the government loosening monetary policy, and an aggressive bond buy-back program, all for the purpose of stimulating our economy.

Yet, look at the graphs on page 3 and 5 to see what else happened during the past 7 years?

- Equity investment assets have tripled (p.5)
- Housing prices have doubled (p.3)
- Automobile sales have doubled (p.3)
- And lastly, unemployment has reached the lowest levels since the financial crisis (p.3)



Our investment strategies include all asset classes. Together, we will own all the asset classes, in the appropriate allocations, on a risk adjusted basis. Successful investing for the long term has proven that broad diversification and strategic rebalancing provide the most opportunity for higher rates of return. Our investment strategies help you optimize the changing tides and cycles of asset classes on a risk adjusted basis, ultimately delivering the comfort and confidence in achieving your financial goals.

And now it's time to say hello to 2016, a year some characterize as a low and slow growth global environment with heightened volatility. With a rocky start into the New Year, we are seeing first hand, the downside of volatility, driven by uncertainty about what the future has in store.

Just to be clear, a low and slow growth global environment does not indicate a recession at all. To the contrary, global equity markets are expected to perform well as global GDP is forecast for around 3.3% and for the U.S., approximately 2.5%, as the world's great companies continue to improve revenues. When profits and wages grow, so does the economic outlook.

Factors to market performance:

- Further weakening of China's economy. Keep in mind that China's GDP is forecasted for 6.5% growth; while China's economy transitions from exporting to consuming

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# MONEY MESSAGES

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

We all are a product of our experiences in life; perhaps none more formative than our upbringing. Some people have grown beyond these lessons learned in youth; however, most remain guided by these ideas as a form of “auto-pilot” governing their interactions with others throughout the whole of life, never stopping to ask, “Why do I believe that?”

Because of this common human reality, it is advisable to catalogue your own beliefs and subject them to the cold light of day to determine whether they still have value or whether they should be rejected and replaced with something more meaningful.

While this thought has application for personal attitudes, relationships, and many other areas, one area where this process has value is in our belief system in and around money. We all grew up receiving various “messages” around the topic of money - some overt; some subtle.

Here are some examples of money messages you may recognize:

## Messages of Abundance

- Easy come, easy go.
- It's not about having what you want; it's about wanting what you've got.
- America is the land of opportunity!
- Money is a blessing!
- You can't take it with you.

## Messages of Scarcity or Frugality

- Money doesn't grow on trees!
- A penny saved is a penny earned.
- You've got to make hay while the sun shines.
- Money doesn't buy happiness.
- We can't afford that!

## Messages of Control

- He who has the gold makes the rules.
- If you do this for me, I'll buy you that thing you want.
- Money makes the world go around.

## Messages of Judgment

- You must have taken advantage of someone if you are rich.
- Money is a burden.
- Money is the root of all evil (often misquoted from the Bible) It is more correctly stated that, “the love of money is the root of all kinds of evil.”

## Messages of “Worth”

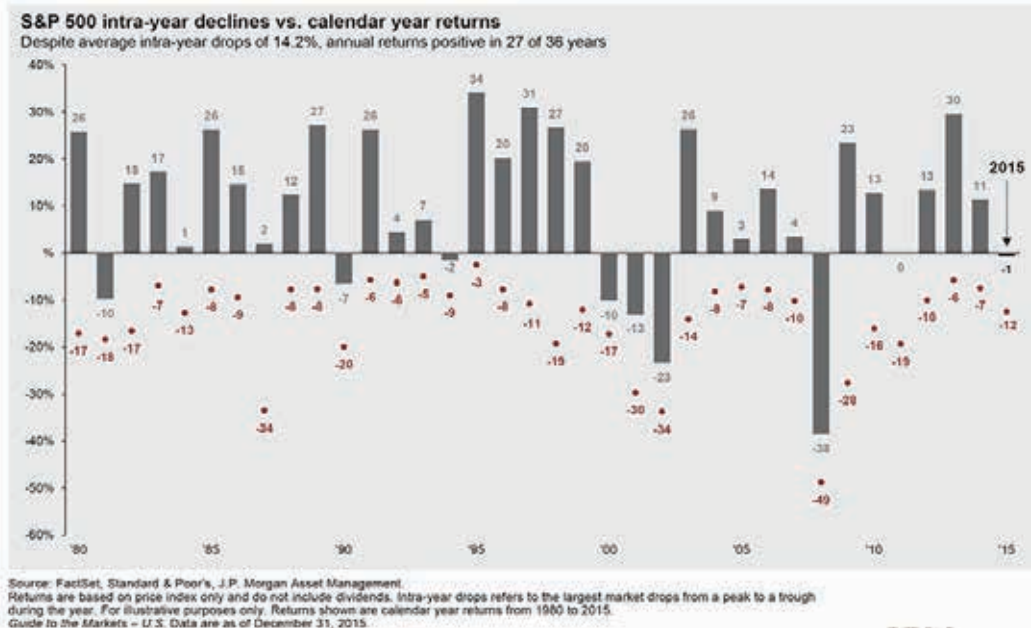
- I deserve it, so I'm going to get it.
- I deserve only the best.
- I don't deserve it.
- I earned it.
- Self-worth is a function of net worth.

What money messages do you live by? These are just a few; there are undoubtedly thousands more! It can be valuable to write down your own money beliefs and consider how you came to hold those beliefs. Perhaps you will discover differing core beliefs about money are the source of financial disagreements with your spouse. Did your beliefs originate with your parents, your friends, or from your own personal experiences? Do they still ring true? Do they square with your current values and belief system? Do you wish to continue to perpetuate them in your own life?

If not, give yourself the freedom to “re-write” money rules that you have out-grown. This is a great way to grow beyond our original programming as a human being. Bringing your inner beliefs about money into the open and deciding which ones to keep, discard, or cultivate is important (and hard) work.

May I suggest a “new” rule to start with? Money is neither good nor bad. It is merely a tool that can be used to support you in pursuing those values in your life that you hold most dear.

Here's to healthy thinking!■



- Slow down in U.S. corporate earnings causing the question of fundamental valuation of U.S. stock. Some pressure may come from the stronger dollar making U.S. goods more expensive to foreign countries. This has the potential to impact U.S. corporations that rely heavily on exporting
- Tensions in the Middle East and the U.S. Presidential election
- European Central Bank, beginning in 2015, along with the Bank of Japan beginning in 2014, continues efforts to loosen fiscal policy and increase quantitative easing. The Euro consumer has responded positively so far to that stimulus and Europe is gaining traction. So while the U.S. continues its tightening policy (raising rates), the dollar continues to get stronger. On the flip side, valuation might be ahead of itself, domestically speaking, causing investors to take a strong look overseas to the Euro zone and Japan, as valuations there begin to look more favorable and their economies proceed with

more stimulus strategies

- Despite higher short-term interest rates, we still have lower long-term interest rates
- Lower oil prices cost investors but benefit consumers and improving overall economic outlook

Volatility will continue to be a key component in 2016. That has its advantages. Having a globally diversified portfolio provides the most opportunities with the lowest risk characteristics.

At Summit, we know and understand the markets and the global economies. More importantly, we know you, your needs and your goals. Our investment and wealth management strategies are working for you and your long term success.

Best wishes for a healthy, happy, and prosperous New Year!■

As seen...



THE WALL STREET JOURNAL





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Time Frame	Positive Returns	Negative Returns
One Day	54%	46%
One Quarter	68%	32%
One Year	74%	26%
5 Years	86%	14%
10 Years	94%	6%
20 Years	100%	0%

Figure 3.

Another perspective and scale that is time: for the last 90 years, the following are the percentages that you might see positive versus negative investment returns.

Figure 3 above demonstrates that the longer you remain invested, the lower your risk. But you knew that, and we have been saying this for years. How difficult it is though to remain invested when your portfolio experiences several quarters of painful decreases.

Please allow me to bring in additional perspectives and scales going back only 30 years (because most of us will be investing for that period of time, and more. Why? Because at age 65, there is a 50% chance, for couples, that at least of one will live well into their 90s; and most likely will leave something to their children or charities).

Looking at Figure 4, what are your perspectives? Can you see the inexorable 20-year trends? Global population climbed 80%, while the numbers of those living in poverty was slashed from 50% to 10%. U.S. population was up by half and yet our density is a mere fraction of other developed nations. Real GDP more than tripled—a soaring increase out of proportion to our population increase.

Stocks, or shares in the worlds great companies, are around their long term average valuations of a 6% earnings yield, or 2.7 times the 10-year Treasury. Long-term that ratio is less than 2%. Are stocks, then, undervalued compared to debt, which itself appears overvalued?

Year	Global Pop	US Pop	US GDP	S&P 500	Earnings	Dividends
1985	4.6B	238M	\$7.7T	211	\$16	\$8
1995	5.7B	266M	\$10.3T	616	\$38	\$14
2005	6.5B	296M	\$14.4T	1,248	\$76	\$22
2015	7.3B	322M	\$18.2T	2,050	\$118	\$43

Figure 4.

Everything wasn't peaches and cream during this same period. In 1985, the Soviet Union appeared ominously permanent, the internet domain name system was created, Windows 1.0 was published, a postage stamp cost \$0.22.

In 1995, we had the Oklahoma City bombings. Yitzhak Rabin was assassinated. The Rock and Roll Hall of Fame opened and a postage stamp cost \$0.32. In 2005, Hurricane Katrina devastated the Gulf Coast, Saddam Hussein went on trial, and a postage stamp cost \$0.37.

In 2015, ISIS threatens global security, there are millions of refugees, and a postage stamp cost \$0.49.

The point is that the inexorable climb is never linear. No. There are always some steps backward; yet forward we go.

We have just enjoyed the greatest accretion of real wealth by the greatest number of people in the history of the world. This mega-trend includes the spread of free markets and shows no signs of slowing down. Be prepared for the explosive and exponential progress in information and other technologies. And let Summit help prepare you for a great future.

Make great decisions. ■

# IN THE KNOW & ON THE GO

## BOOKS WE'RE READING

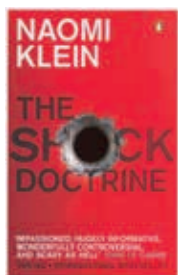


**Rescued! 401(k) Plan Traps Business Owners Must Avoid and Fix** by Andrew Dickens. A must read for business owners who have a 401(k) plan, or are planning one for their company. It is applicable to all types of qualified plans.



**Joy in the Morning** by P.G. Wodehouse. First published in the U.S. in 1946 and 1947 in England. The title is derived from an English translation of Psalm 30:5

“Weeping may endure for a night, but joy cometh in the morning.” and the story is another adventure of Bertie Wooster and his resourceful valet Jeeves.



**The Shock Doctrine, The Rise of Disaster Capitalism.** Short synopsis off the back cover: Alternative history of the most dominant ideology of our time, Milton Friedman’s free-market economic

revolution. Naomi Klein challenges the popular myth of this movement’s peaceful global victory. From Chile in 1973 to Iraq, Klein shows how Friedman and his followers repeatedly harnessed *terrible shocks and violence to implement policies.*

## FINGLISH

**FINANCIAL PLANNER** professional who analyzes personal financial circumstances and prepares a program to meet financial needs and objectives. Financial planners, who may be accountants, bankers, lawyers, insurance agents, real estate or securities brokers, or independent practitioners, should have knowledge in the areas of wills and estate planning, retirement planning, taxes, insurance, family budgeting, debt management, and investments.

Fee-only planners charge on the basis of service and time and have nothing to sell. Commission-only planners offer their services for free but sell commission-producing products, stocks, and bonds. Fee-plus commission planners charge an up front fee for consultation and their written plan, then charge commissions on the financial products they sell. Fee-offset planners charge fees against which they apply credits when they sell commission-producing products.

The Certified Financial Planner Board of Standards, Inc., in Denver, Colorado, issues the Certified Financial Planner (CFP) license, and the Financial Planning Association, also in Denver, maintains a referral list. The American Institute of Certified Public Accountants in New York City provides a list of CPAs who offer Financial Advisors (NAPFA) in Arlington Heights, Illinois, lists fee-only planners. The International Association of Registered Financial Consultants (IARFC) in Middletown, Ohio, lists financial consultants and planners. The National Endowment for Financial Education, in Denver, offers a financial planning starter kit to consumers, on request.

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“The four most dangerous words in investing are: ‘this time is different.’”

—Sir John Templeton (1912-2008)

Sir John Marks Templeton was an American-born British stock investor, businessman and philanthropist. source: Investopedia