

## HAPPY NEW YEAR AND THE END OF DOOM

by Mitch Levin, MD, CWPP, CAPP



Welcome to the New Year! We hope that 2015 was wonderful for you and your families, and we wish for you that 2016 will be even better. Know that we are working on your behalf to help you make it your best year ever.

This will likely be an eventful year. We are facing Presidential elections. We will likely face even more geopolitical turmoil. More than ever before, we face what many consider to be overbearing regulations. With the world circumstance, it would be uncharacteristic for the markets to show little volatility.

In the midst of such uncertainty, one of our roles here at Summit, is to ensure that you have and enjoy more financial freedom.

In an index of Liberty in 152 countries, the U.S. is ranked 25th behind among others: Hong Kong, Finland, Norway, Austria, Iceland, Malta, Chile, and Mauritius?! This index uses 76 indicators of personal and economic freedom (the absence of coercive constraint) covering these 152 countries.

Freedom plays a central role in human well-being. Countries in the top quartile of freedom enjoy significantly higher incomes (\$30,000 per year) than those in the lower quartile (\$2,600 per year).

The U.S. has many controversial issues that must be addressed. We have already made progress by

curbing many of the worst abuses of eminent domain and civil asset forfeiture. Homeowners now have greater assurance that our properties will not be seized for private development, and innocent parties can more easily reclaim assets that, without the owner's knowledge or consent, have allegedly "facilitated" a commission of crime. And the federal judiciary has also become more engaged in binding the political branches with the chains of the Constitution.

In Ronald Bailey's 2015 book *The End of Doom* (St Martin's Press), he describes a wide range of issues that, thanks to human ingenuity, we have overcome: we feed more than 6 billion people than we were supposed to according to Britain's early political economist Thomas Malthus whose pessimistic views first appeared in 1798 in "An Essay on the Principle of Population" in which he laid out his tragic projections about the infinite growth of the human population set against a decreasing food supply utilizing a finite amount of land.

Contrary to Malthus' 150 year old dire predictions; obesity is surpassing famine as a greater global concern; cancer rates are falling; there are more trees on earth than 50, 100, and 250 years ago; more land is being restored to its natural state; 100 million people world wide emerge from poverty each year; the cost

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# QCD FROM IRA BENEFITS BECOME LAW

BY CHAD A. WARRICK, CHIEF INVESTMENT OFFICER



National Ethics  
Association  
ethics.net

BLACKROCK

Happy New Year! I hope that you have enjoyed the holidays and are ready to make this year the best year yet. For me and my family, Christmas and New Year's was full of fun. Santa brought us all everything we asked for and then some. For Liam and Aiden there were new bicycles under the tree. For New Years, we reminisced, counted our blessings and began our new year with Rational Optimism.

On December 18, President Obama signed into law, The Consolidated Appropriations Act of 2016 (vehicle for the Consolidated Appropriations Act, 2016 and the Protecting Americans from Tax Hikes Act of 2015). Even though it was anticipated, it is never wise to consider it final until it's final. This is great news for those of us who like to give to charities.

For Qualified Charitable Donations (QCD), this means qualifying individuals can make charitable gifts to qualified charities using pre-tax IRA assets rather than taking a required minimum distribution (RMD), paying income taxes and using after-tax assets to make a charitable gift.

For many of you, we were able to take advantage and utilize the benefits of QCD last year for your charitable giving goals. Because qualified charitable distributions from Individual Retirement Accounts (IRA) are now permanent by law, it is

a good time to review the rules.

- The IRA rollover allows donors 70½ or older to transfer up to \$100,000 directly from their IRA to a qualified charity each year
- An IRA rollover gift is a tax-exempt distribution
- An IRA rollover gift can be used to meet all or part of an IRA required minimum distribution
- An RMD cannot be put back or undone
- A permanent IRA rollover will give qualifying individuals certainty, allowing them to better manage their income, taxes and charitable giving
- The bill is retroactive to December 31, 2014. Since the bill became law, and you made a gift directly from your IRA to us at any point during 2015, your gift will qualify as a rollover gift
- The charity must also qualify for a QCD
- The charity that receives the donation must provide the same contribution acknowledgement needed to claim the QCD. Failure to obtain the acknowledgement will void the QCD
- QCDs may be made from any IRA or individual retirement annuity, but not from a simplified employee pension, a simple retirement account or an inherited IRA

At Summit, we have the forms and other resources to help you with your charitable giving and take advantage of the available tax breaks. If you have any questions, please don't hesitate to call us.

I look forward to seeing you soon! ■

*Chad*

SUMMIT WEALTH  
PARTNERS  
WILL BE CLOSED

NEW YEAR'S DAY  
FRIDAY  
JANUARY 1st  
&  
MLK DAY  
MONDAY  
JANUARY 18th



# CHARITABLE DONATIONS HIT RECORD HIGH

BY JASON PRINT, SENIOR WEALTH ADVISOR, CFP®

*charles* SCHWAB  
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Many people associate Christmas and Hanukkah as the season to give to those who are less fortunate. News about people helping people is uplifting and reaffirms the kindness of the human spirit. Recent headlines reported Mark Zuckerberg (founder and CEO of Facebook) and his wife Dr. Priscilla Chan (a pediatrician) intend to donate 99% of their Facebook stock over the course of his lifetime, a gift worth about \$45 billion.

Charitable donations hit a record high last year, totaling \$358 billion, according to Giving USA, which also projected overall donations to charities will raise again this year. Some are saying that we're in the midst of a bull market in charitable gifting.

The demographics of gifting tell an interesting story. According to a recently released survey compiled by Merrill Lynch and Age Wave, charitable giving occurs at all ages, but retirees have proven to be the most generous.

As the baby boom generation hits retirement age, many expect that the amount of time and money given to charities and the causes that are important to them will grow exponentially over the next two decades.

Although most of us are not in a financial position to be as generous as Mark Zuckerberg, nor will we be in the near future, we do have a generous spirit. Certainly if inclined, we may donate time or money to any cause we deem worthwhile, whether it's as simple

as donating a new book to a child and watching their face light up, or dropping pennies in the Salvation Army's red kettle in front of our local grocery store. I am happy to report that generosity is alive and well at Summit in both our clients and team members.

At Summit, our job is to help you accomplish your goals—and that may include charitable donations. There are various strategies available to help you give charitably, some are complex and some are simple. Please contact us to have an updated conversation about accomplishing your financial goals and the things that matter to you most! ■

*There is no greater compliment  
than you introducing  
us to your family and friends!*

*We are humbled by your trust and confidence  
Thank you!*

# What Did You Think Was Happening?

In seven recent trading days—climaxing on Tuesday, August 25—the broad equity market, as represented by the S&P 500, went down 11%. From its all-time high in May, it had declined 12.4%. This was the first time in nearly four years that equities had experienced a correction as that term is customarily defined: a decline of at least 10% on a closing basis. That in itself was somewhat remarkable, in that since 1980 the market has experienced such a correction on an average of once a year, and these corrections have averaged just over 14%.

Those, at this writing, are the dry facts, but they have nothing whatever to do with this little essay. The subject at hand is not what happened, mundane and even overdue as it was. Rather, the question is: as this short, sharp market decline was unspooling, *what did you think was happening?*

It is clear from the statistics showing huge and even record net liquidation of various equity investment formats during those seven days that many if not most market participants thought there must be a deep and/or long-lasting decline at hand. It is less clear why people thought that.

Much of the blame was laid by the financial press at the feet of communist China. There, a wild stock market bubble was in the process of imploding, with the government inexplicably trying to prop it up. At the same time, China's economic growth was perceived to be continuing to slow—or perhaps the fiction of the government statistics regarding that growth was beginning to unravel. It doesn't make much difference to the inquiry we're pursuing.

To thicken the plot, China then devalued its currency to some noticeable degree, in what seemed a desperate attempt to restart growth through exports, an economic

model which the country's leaders had avowedly been trying to leave behind.

Since less than one percent of America's exports are to China, and since cheaper Chinese goods are an unalloyed boon to the American shopper, it was as I say unclear what the genuinely negative effects of China's difficulties might be. But financial journalism was both clear and unanimous to the effect that China was the cause of our swooning equity market.

A secondary issue was said to be widespread concern that the economy might stall and equity values topple if and when the Federal Reserve, for the first time in nine years, raised its short-term interest rate from effectively zero to just slightly above zero. Again, the negative causality was not made clear, but sufficient unto the day are the manufactured terrors thereof, especially when the proverbial spaghetti is hitting the proverbial fan. Yet these, too, are actually outside the narrow focus of this essay.

Which, as you remember, is *what did you think was happening?* And what did you feel impelled to do in response?

When seized by moments of incipient fear—which might, if we gave in to them, cause us to abandon our long term investment plan and “get to safety”—I've always found it helpful to begin reciting my mantra until the dread passes. My mantra is, “**Remember that stocks are companies.**”

The practical fact seems to me to be that the prices of stocks in the short run are significantly more volatile than are the enduring values of well-financed, well-managed companies in the long run. And it is the long run that my family and I—and every rational investor I've ever personally known—are investing for. Hence my discipline, in moments of stress, of drawing a sharp distinction between **stocks** and **companies**.

If we process the day-to-day experience of being equity investors through the prism of the phrase *the stock market*, we are liable to all sorts of negative and downright frightening emotions. The phrase itself, particularly to those of us reared by Depression survivors, connotes instability at best, and dire peril at worst.

If on the other hand we are investing in, just for purposes of illustration, the S&P 500 Index, we may be more apt to think of the experience as *owning five hundred of the larger, better-financed, more profitable companies in America and the world*. If you're anything like me, you may find yourself breathing a little easier just reading that long phrase. And just see what happens to your mood when you read it out loud.

In the case of a sudden sharp decline in stock prices—say, 11% in seven trading days—consider the following exercise. Write down the names of ten large companies, irrespective of whether you own them, directly or indirectly. Just: your idea of ten large companies that intuitively strike you as being intrinsic to America's (or, even better, the world's) economy.

Then ask yourself: *do I really believe that the enduring values of these businesses have suffered long-term impairment of anything like eleven percent just in these seven days?*

I don't know how I'd go about demonstrating this to you. But I believe that the torrents of panic selling during the recent decline were not so much from people who got the wrong answer to this question. Rather, I think the emotion-driven selling came from people *who were incapable of framing this question in the first place*.

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engage in stock buybacks, roughly double the number of firms doing so 20 years ago. This has become a boon to many shareholders, as they get to book their profit at long-term capital gains rates—as opposed

If the cost of living inflates by two to three percent, as it's been doing these past several years, an overall Index dividend increase of something like twice the inflation rate will be most welcome, if indeed it happens.

### Seeing oneself as owning diversified

portfolios of rational companies rather than being always at the mercy of “the stock market” might be something you’ll wish to add to your agenda.

to dividends, which are taxed as ordinary income. Speaking of which:

**Dividends:** Goldman expects cash dividends paid to shareholders also to reach record levels next year, at around \$432 billion. If they're right, dividends will have risen by seven percent over 2015. That should seem something of a blessing to

None of this should be taken as any kind of prediction. As bright, diligent and disciplined as the Goldman analysts surely are, I don't suppose that their crystal ball is any less cloudy than yours or mine. Nor do I doubt that these estimates might become subject to significant downward revision due to a wide variety of global economic

enough. One is most certainly not making any sort of market call here.

We're simply observing that five hundred large profit-seeking companies, managed by experienced professionals, are currently planning to commit very large cash sums to strategies which might, if successful, result in both direct and indirect benefits to the patient, diversified, long-term investor.

You and your financial advisor may already be looking ahead to your annual review. This whole subject—in the largest sense: seeing oneself as owning diversified portfolios of rational companies rather than being always at the mercy of “the stock market”—might be something you'll wish to add to your agenda. Doing so might just make you a somewhat better investor in 2016. Such, surely, is my holiday wish for you.

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## IMPORTANT CHANGES TO SOCIAL SECURITY

by Jessica Feliciano,  
Client Relationship Manager

Social Security is an essential piece of the retirement puzzle. Understanding the different claiming strategies, allows individuals to maximize their benefits and ultimately meet their retirement goals.

On November 2, 2015, President Obama signed into law the Bipartisan Act of 2015. This made important changes to Social Security claiming rules, affecting how and when you can claim benefits. In some cases, action is required before April 2016, in order to take advantage of the “old” rules.

Selecting the right Social Security claiming strategy is an important aspect of financial planning and we are here to help find the most beneficial approach for you.

Please call our office at your earliest convenience and schedule a Social Security planning conversation and review how the new rules may affect your claiming strategies. ■

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is published by  
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## ATTENTION SMALL BUSINESS OWNERS

by Andrew Dickens  
Wealth Advisor and 401(k) Specialist

### **Have you considered the benefits of incorporating?**

Incorporating your business could help grow your business, provide you with significant benefits, and actually save you money in the process. Here's how:

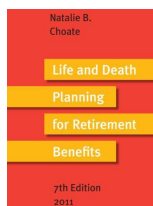
**Asset Protection:** When you incorporate your business, you are creating a legally distinct entity for the purpose of conducting business. In this way, you are able to separate your personal assets from most claims against the business. As a sole proprietor there is no distinction, and mistakes or errors made while conducting business could open up claims against your personal assets such as your home and bank accounts. This is one of the most important considerations for incorporation.

**Taxes Savings:** As a sole proprietor, you'll pay Federal and state income taxes on income generated under your schedule C, and additionally you're be responsible for self-employment taxes. As an incorporated business, you can pay yourself a salary from your income. They salary you pay is deductible to your business, and you'll be responsible for FICA/FUTA which is similar to self-employment taxes. However, the income you receive that is not paid out in salary will pass through the business as your income subject and will NOT be subject to the additional self-employment taxes. Additionally, you're FICA taxes will contribute to your Social Security benefit.

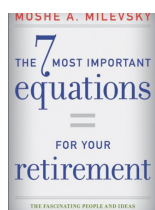
**Branding:** As an incorporated business, you lend yourself instant credibility in dealing with potential clients, vendors, suppliers, etc. It may not seem like much, but that “Inc.” at the end of your business name means a lot to some, and some simply will not conduct certain business with an individual for various reasons. And you can secure your business name and brand to ensure that no one can use that name. ■

# IN THE KNOW & ON THE *GO*

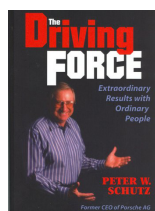
## BOOKS WE'RE READING



*Life and Death Planning for Retirement Benefits* 7th Edition by Natalie B. Choate. With this book, we can help our clients avoid costly mistakes and preserve their retirement savings. The retirement plan rules are among the most complex in our tax Code.



*The 7 Most Important Equations for Your Retirement, The Fascinating People and Ideas Behind Planning Your Retirement Income* by Moshe A. Milevsky. He explains the work of seven scholars—summarized by seven equations—who shaped all modern retirement calculations.



*The Driving Force: Extraordinary Results with Ordinary People* by Peter W. Schutz former CEO of Porsche AG. The central lesson of *The Driving Force*:

It's the people, not the buildings and equipment, that make a company—and make a company successful.

## FINGLISH

ESTATE PLANNING planning for the orderly handling, disposition, and administration of an estate when the owner dies. Estate planning includes drawing up a will, setting up trusts, and minimizing estate taxes, perhaps by passing property to heirs before death or by setting up a BYPASS TRUST or a TESTAMENTARY TRUST.

INTRADAY within the day; often used in connection with high and low prices of a stock, bond, or commodity. For instance, “The stock hit a new intraday high today” means that the stock reached an all-time high price during the day but fell back to a lower price by the end of the day. The listing of the high and low prices at which a stock is traded during a day is called the *intraday price range*.

MONOPSONY situation in which one buyer dominates, forcing sellers to agree to the buyer's terms. For example, a tobacco grower may have no choice but to sell his tobacco to one cigarette company that is the only buyer for his product. The cigarette company therefore virtually controls the price at which it buys tobacco. The opposite of monopsony is a MONOPOLY.

## PLACES WE'RE GOING



NAPLES, FL



PARK CITY, UT



FT LAUDERDALE, FL

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of “clean” energy sources may, without subsidies, fall below carbon-based fuel sources.

We humans tend to have a bias toward believing bad news and discounting good news. Yet while we do face challenges, the bulk of scientific and economic evidence shows that most of the trends are positive or can be turned in a positive direction.

The end of the world is not near. The end of doom is. At Summit, we are adding to our technologies, to our collective education and credentials, to our resources,

and to our services and staffing—to better serve you. Collectively, we are all committed to working tirelessly on your behalf to help make 2016 your best year ever.

Make great decisions. ■

## MAXIMIZE YOUR SOCIAL SECURITY

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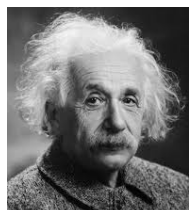
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"Try not to become a man of success but rather try to become a man of value."

—Albert Einstein (1879-1955)  
source: [Leadershipquote.org](http://Leadershipquote.org)