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SUMMIT WEALTH PARTNERS

THE Rational Optimist™

It Has Never Been Better

BY MITCH LEVIN, MD, CWPP, CAPP

As I take a moment to dissect the noise surrounding us, I am reminded that the naysayers and doomsayers prefer we remain fearful of the future. It is constantly reiterated that our economy and markets are built on debt, deception, exploitation and corruption.

Consequently, many are drowning in the choppy, murky, dangerous sea of negative, gut-wrenching, fear-mongering, emotional headlines.

Before we proceed, please relax, take a deep breath. Come down off the ledge and put down the TUMS®.

Let's continue, in the short term, the media must focus on the negative to sell.

Volatility is cyclical and driven by extremes of emotion.

For instances, you have heard that "unless you are Amazon, retail is dead" - again. Yet, teenagers and young adults have increased their mall visits. Malls above movie theaters, restaurants, and sports clubs are the most popular.

The crowd is often surprised that things are not as bad as feared. The crowd is often surprised how over time, their investment portfolios continue to increase in value - given "all the bad news out there."

Risk is everywhere. Always has been and always will be. Of course, we only perceive it differently now.

In reality, things have never been better in regards to the US economy.

A mountain of money in cash remains perched on the precipice of bank accounts and bonds, soon to create an avalanche that will fall into stocks/equities.

Business has pent-up demand. Demographically we are about to hit the largest tranche of people to enter the markets for products and services.

The "barbell economy" as coined by Demogronomics' Michael Walters is unfolding in front of our eyes, with ebbs and flows, but massive it is. It will last not only quarters but decades. The two largest cohorts of generations to ever affect the US economy are aging and moving through vital sectors.

The new waves of people growing up will drive our future as always. In the late 70s and 80s it was boomers. Now it is Gen X, Y, and Z (larger in number than boomers - by far), with their baked-in decades of demand.

It is not to deny our economy's systemic problems. Is the economy in a Stagnation? That is relative. It could be worse. Much worse. And yet this "weak recovery" is stronger than most understand.

On the other side, it could be better. Much better. I believe it will be. I believe we are still on the launching pad. Strap yourselves in.

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ALSO IN THIS ISSUE:

Basket Full of Eggs

BY CHAD WARRICK, CHIEF INVESTMENT OFFICER

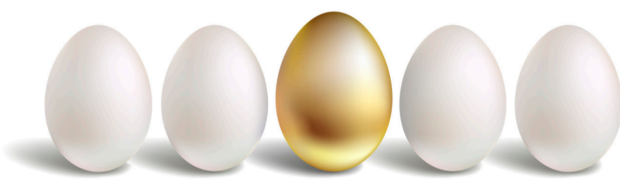
As Christmas was approaching, I asked my five-year-old if there was anything in particular he was hoping for this year. He began describing this elaborate toy with trap doors, interchangeable components, and fancy mechanisms. Definitely the "bright and shiny" type of toy every kid dreams of.

In hopes of spreading my Christmas budget amongst a few toys I told him, "Well...don't put all your eggs in one basket."

To which he replied, "Well...unless we are at the grocery store DAD!"

He was right, as always. Yet another analogy turned literal by one of the wittiest kids I know.

"Do not put all your eggs in one basket" is a phrase I have also shared with many clients. As it pertains to investments, the most common financial objectives I have encountered are safety, liquidity, and growth.



Safety. Liquidity. Growth.

Imagine the thought of pursuing an investment that lacked liquidity, safety, and growth. Many of you may be thinking, what would be the point? My sentiments exactly.

Over time I have learned, although clients desire all three objectives, many are reasonably willing to surrender one in exchange for the other two.

For example, to achieve liquidity and safety, assets can be held in cash, money market, or bonds. For those who prioritize liquidity and safety over growth, this is the most comforting investment option.

However, others may want growth while still having the luxury of safety. This is when it may be appropriate to consider insurance solutions; although this route may entail a lack of liquidity.

Moreover, there are the individuals who prefer to see growth, while maintaining the option to liquidate. Under such a scenario, we would consider stocks.

Although an allocation to equity is always carefully considered, the risk associated with investing in stocks is present and therefore minimizes the feeling of safety. This is an approach typically preferred by long-term investors.

This is where diversification comes into play. We use diversification to mitigate risk, by using an asset allocation model that would capture all three: liquidity, safety, and growth.

Your primary investment objective would be the priority, while still positioning a percentage of your portfolio to capture the secondary objective.

This approach, while meeting all objectives, will do so at a reduced magnitude. As you can imagine, only allocating a small portion of our portfolio to a high performing equity holding will only capture a small percentage of that growth.

On the other side of the token, when that same equity holding takes a dip, only a small portion of your portfolio will absorb the decline.

The degree to which we diversify your portfolio is a uniquely customized process that takes into consideration your individual priorities and objectives, risk tolerance, financial means, and personal time horizons. It is a series of steps, built into the development of your financial plan.

Our commitment to you is not only in the design of your plan but most importantly on the implementation of the plan.

Remember... do not put all your eggs in one basket; unless of course you are at the grocery store, in which case it would probably be easier.

On behalf of your team at Summit, we wish you a happy and healthy 2017!

Best Always,

Chad

Limits on This, Limits on That

BY AMANDA PATE, ADVISOR RELATIONSHIP MANAGER

With a New Year, come new goals and resolutions. Many of our clients are revisiting their financial plan and looking to continue maximizing savings goals while also being tax efficient in 2017.

In order to effectively plan, we begin by looking at tax-related changes such as tax brackets, standard deductions, and exemptions. Then we evaluate contribution limits and deduction limits, as it relates to qualified savings accounts and after-tax savings.

Changes to tax brackets are minimal for 2017. While this is the case, if you are expecting any significant life changes such as getting married, buying a house, having a baby, considerable increase of income or other life event, you may want to consider adjusting your withholding or reevaluating estimated tax payments.

Changes to standard deductions are minimal for 2017 as well. For single taxpayers and married couples filing separately, the 2017 standard deduction is $6,350, an increase from $6,300 in 2016.

Married couples filing jointly will see a standard deduction of $12,700, up from $12,600 in 2016. Finally, for head of households the standard deduction for 2017 is $9,350, up $50 from the prior year.

High-income taxpayers who itemize their deductions may notice certain deductions are capped or phased out under the Pease limitations (named after former Congressman Donald Pease).

There are no changes to the personal exemption amount for 2017. However, there is a phase-out threshold that may apply.

Contribution limits to 401(k)s, including catch-up contributions, are staying the same in 2017. These amounts are $18,000 and $6,000 respectively.

While the contribution limits are not changing, the income limits are. The income phase-out range for single filers is modified adjusted gross income between $118,000 and $133,000 in 2017 (that is up from $117,000 to $132,000 in 2016).

Married couples filing jointly have a phase-out range with Modified Adjusted Gross Income between $186,000 and $196,000, an increase of $2,000 on either end.

Self-employed and small business owners will see an increase in contribution limits in 2017. These increases will provide the option of adding more after-tax dollars to the retirement nest egg through a defined contribution plan.

The IRS tax code is an ever growing, complex document. So much so that the U.S. Treasury department utilizes an official interpretation of the tax code, known as Treasury Regulations.

Needless to say, comprehensive financial planning is most advantageous when we have the opportunity to collaborate with your accountant. In doing so, we work on your behalf to fine tune the details of your financial picture.

As a value-added service to you, we make ourselves available to your family, friends, and colleagues to use us as a sounding board for their financial concerns, free of charge, and without obligation.

Happy New Year to you and your loved ones!

Warm Regards,

Amanda

Updates from Fannie & Freddie

BY JASON PRINT, CFP®, SENIOR WEALTH ADVISOR

As the presidential election results rolled in marking America's 45th president, shockwaves were immediately sent through global markets.

By the next morning, losses were recovered. By the end of the day, the Dow had made a 1,000 point swing from where it stood just 12 hours prior.

The bond markets followed the upward trend, marking the biggest one-day jump on the 10-year Treasury yield, since July 2013.

Optimism has shifted to the common stock and preferred stock of Fannie Mae and Freddie Mac.

Steven Mnuchin, a former Goldman Sachs partner, as the next Treasury Secretary is driving hopes on Wall Street that government sponsored mortgage giants Fannie Mae and Freddie Mac will be privatized in the new administration.

"We have got to get them out of government control," Mnuchin told Fox Business News.

As a result of the new found optimism, shares of the two bailed-out mortgage agencies have rocketed recently. An end of government control may not be so easy, however.

To refresh your memory, the two Government Sponsored Enterprises needed close to $188 billion of taxpayer aid in the 2008 financial crisis and were placed under government conservatorship as part of the bailout.

High leverage and too many sub-prime loans led to their demise.

Even though they were both publicly traded companies, they operated with an implicit backing of the government.

Due to their unique relationship and because at one time both companies were a part of the US government, they were able to borrow money cheaper than a typical finance company on the open market.

In other words, they had to pay less interest to bondholders than a typical mortgage company.

Several years back there were several discussions about winding down the entities and reducing their role, particularly as they were close to paying back in dividends what was injected by the taxpayers. However, that ultimately went nowhere.

We also saw some attempts to bring them back to their old private company status since when times are good the companies can produce profits.

Several Hedge Funds scooped up large positions in the beaten down stocks and sought legal measures to capture some of those profits.

The legality of the sweeping of the profits to taxpayers was challenged in court, but this was denied. The stocks went back to their zombie state until recently.

The passing back of cash each quarter has helped the taxpayer and it has been an overall positive return from the bailout. However, this reduces the cash on the balance sheet for each of the entities.

With limited cash on the books, the risk of a future bailout

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.

from taxpayers increases.

As capital dwindles, quarterly financial fluctuations increase the likelihood that the enterprises will not be able to remit funds to Treasury, or may even need to tap taxpayer funds again.

An end of government control may not be that easy

They currently have just $600 million each set aside against a total of $5 trillion of loans on their books. That raises the embarrassing prospect of one or both of them having to go cap in hand to Uncle Sam for another bailout in even a mild housing downturn.

A downturn in housing and the mortgage business could cause the entities to lose money. However, these entities are vital to the US mortgage industry as the combined GSE's (Government Sponsored Enterprises) either own or insure three of every five mortgage loans currently outstanding in the country.

In all practicality, they are crucial to our present financial system and it would likely be prompted up again by the taxpayer.

This does appear to be a front burner issue for the upcoming administration as Mnuchin said recently that getting Fannie and Freddie out of government control is among the "top ten things" he will get done as Treasury Secretary.

Throughout all of these changes, please remember your team at Summit will continue to provide you trusted advice.

Best Regards,

Jason

Continued from page 1, It Has Never Been Better

Am I too optimistic? Not if we take the long view. There is simply no sign of secular stagnation in US standards of living.

Regardless, the systemic problems are solvable and will get solved - eventually. Our problems are ordinary and have been around a very long time. There is no value in over-reacting. Remember, volatility is not risk, unless you react to it.

"On Wall Street today, news of lower interest rates sent the stock market up, but then the expectation that theses rates would be inflationary sent the market down, until the realization that lower rates might stimulate the sluggish economy pushed the market up, before it ultimately went down on fears that an overheated economy would lead to a re-imposition of higher interest rates."

Quote from a caption- Bob Mankoff cartoon, 1981, The New Yorker Magazine

People make markets. Volatility is cyclical and driven by extremes of emotion on both sides. The noise and the volatility is our friend when we ignore it.

False: Investing is about finding new opportunities within security selections; Intelligence is all that matters; Complex times require complex solutions; Clients need more products, portfolio changes, more everything. All false.

No matter what, we, at Summit, bask on the beach of facts. We anchor our business model to goals-based

Continued on page 6

Let us know how we can help.
***Thank you for your* TRUST *and* CONFIDENCE.**

Continued from page 5, It Has Never Been Better

planning, disciplined diversification, and prudent behaviors.

Being prudent, in the scope of our service to you, entails being disciplined, patient, un-emotional, and focused on the long-term. That is how we, at Summit, help you and the people you care about. Bearing in mind, that volatility is not a risk, unless of course we react to it.

Simple can be the most difficult. We can help. We focus on the long-term, on the barbell demographics coming, on discipline and diversification. Our team is focused on your plan, and focused on you.

You and your family will be safe if you just stay close to us.

Make great decisions,

Mitch

Still not convinced that *It Has Never Been Better*? Visit our website for a list of interesting facts and stats that state otherwise!
Resources > Newsletter > January 2017 Supplement

SUMMITWISE

WE ARE A WEALTH OF KNOWLEDGE

Why do we make New Year's Resolutions?

New Year's resolutions can be traced back about 4,000 years ago to the Babylonians. The New Year originally began in March when crops were planted. This marked a massive celebration known as Akitu. During this festival, people made promises to the gods to pay their debts and return any objects they had borrowed. These promises could be considered the forerunners of our New Year's resolutions. If the Babylonians kept to their word, their gods would bestow favor on them for the coming year. If not, they would fall out of the gods' favor.

A similar practice occurred in ancient Rome, around 46 B.C. when Emperor Julius Caesar changed the calendar and established January 1st as the beginning of the New Year. The month of January, was named for the god Janus, a two-faced god whose spirit inhabited doorways. They believed that Janus symbolically looked backwards into the previous year and ahead into the future. The Romans offered sacrifices to the god and made promises of good behavior for the coming year.

Today instead of making promises to the gods, most people make resolutions only to themselves, and focus purely on self-improvement. As many as 45% of Americans say they make New Year's resolutions, while only 8% successfully adhere to them. *Source: history.com*

FING*LISH* /'FiNG(g)liSH/(n.) - [Financial English]

Gapping: A trading strategy in which the participant borrows short and lends long. This strategy gives the lender an overall better interest rate as short rates are generally lower than long rates. It can also refer to the use of a gap strategy which looks at stocks that display price gaps from previous closes.

Dumbbell: A method of investing in bonds that ensures the majority of an investor's portfolio consists of short-term, low-risk bonds and a small percentage of high-risk, long-term bonds. It allows investors to split his risk between high- and low-risk investments while capitalizing on the highest possible returns.

Narrow Market: A market with a low number of buyers and sellers. Since few transactions take place in a thin market, prices are often more volatile and assets are less liquid. The low number of bids and asks will also typically result in a larger spread between the two quotes.

Source: Investopedia.com

SUMMIT SPOTLIGHT

A LOOK INTO THE LIVES OF THE SUMMIT TEAM

A Goal Without a Plan is just a Wish...

Here are a few of our Resolutions for the New Year:

"Read more. My goal is to read at least 10 books in 2017."

"Videotape the family at least once a month for 30 minutes. It's easy to take lots of snapshots and 30 second records with todays phones. But, a 15 or 20 minute recording of kids can provide a different viewing experience."

"Be a kinder person."

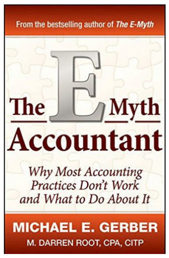
"Stop hoarding papers. Bills, receipts, magazines, etc. I want to have all bills be paperless, all receipts that must be saved scanned into an app, and have at least half of our household magazine subscriptions in electronic format."

"Embrace minimalism."

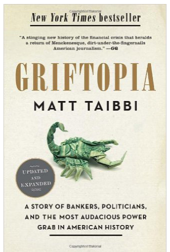
"Set aside a few days a month to enjoy my hobbies."

"Purge and donate things I don't need around the house on a monthly basis."

BOOKS WE'RE READING

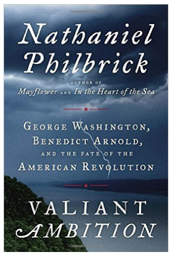


The E-Myth Accountant: Why Most Accounting Practices Don't Work and What to Do About It
by Michael E. Gerber
Distilled small business advice for accounting practices. Many accountants in small and mid-size practices are experts when it comes to their professional knowledge, but may not have considered their practice as much from a business perspective.



Griftopia: A Story of Bankers, Politicians, and the Most Audacious Power Grab in American History
by Matt Taibbi
A brilliantly illuminating and darkly comic tale of the ongoing financial and political crisis in America. The financial crisis that exploded in 2008 isn't past but prologue. The grifter class—made up of the largest players in the financial industry and the politicians who do their bidding—has been growing in power.

The 1% Windfall: How Successful Companies Use Price to Profit and Grow
by Rafi Mohammed
This breakthrough 'how to' book offers a practical and comprehensive framework that shows companies how to use price to drive profits from diverse customer segments in offensive and defensive (recession, inflation, and new competitor) situations.



Valiant Ambition: George Washington, Benedict Arnold, and the Fate of the American Revolution
by Nathaniel Philbrick
A surprising account of the middle years of the American Revolution, and the tragic relationship between George Washington and Benedict Arnold. A complex, controversial, and dramatic portrait of a people in crisis and the war that gave birth to a nation.

Cover Images & Summaries: amazon.com

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We look forward to seeing you this year!

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