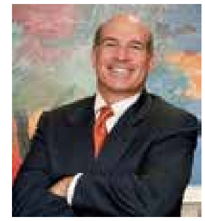
SUMMIT WEALTH
— PARTNERS —

Volume 6, Issue 6, June 2015

The Rational Optimist™

Frets Over "Peak Demand"

by Mitch Levin, MD CWPP, CAPP



We have gone from "there is not enough of anything" (Malthus, 19th Century and Erlich, 20th Century) to "there is too much of everything (Alpert and Diamandis, 21st Century). While many believe there is too much debt, government, taxation, regulation others believe there is never enough.

Economics used to be the evaluation of managing to scarcity. Now we have an abundance of commodities (except for water in California). (What is not widely publicized is that before the drought, California agencies diverted over four trillion foot-gallons of water into the San Francisco Bay.) The one thing many say we do not have of right now is risk-taking. Whatever your beliefs, do not be led astray.

America is so much stronger now than ever. Yes "the rest" is rising and perhaps at a pace that has diminished, slightly, the discrepancy between us and other countries. And that is as it should be. After all, we will keep "exporting" our political and economic systems, our defenses and our technologies to those that did not have access to such institutions. Isn't that the reason 100 million people escape poverty every year around the globe?

We have so much more freedom and opportunity that mass amount of people want to immigrate to our country. We have so much wealth that we can afford, now we must allocate cheap labor costs abroad. With so much wealth, what about our debt?

Let's take a look at our debt. The world now has $270 trillion in total wealth. The US portion is estimated at $95 trillion, which is about one third. Our total debt is by some estimates $40T: $18T government, US household debt $12T, $5T corporate, and $5T financial debt. That is we have debt to equity ratio of less than 0.5, which is not great, but it is acceptable. That debt by the way has declined, but our assets and wealth have grown. Some say government debt is likely to skyrocket. Perhaps. Would our economic growth likewise not grow too?

The US is number one in the world, or near the top in the following categories: employment, immigration, research, wealth creation, income, GDP, innovation, art, finance, technology, military power, food and energy production, data management, transportation, and so much more. The next several countries closest to the US combined still do not equal what we can do and what we have.

Like it or not, we are the world's policeman. We are the world's source of liberty and ideas. We are the world's leader.

For over 100 years we can find no correlation between trends in the dollar and stock prices. Global GDP in 2007 rose from $57.46T to $77.30T in 2014. That is an increase of over $19.85T. In the meantime, US GDP stood at $17.70T

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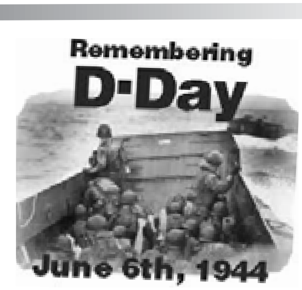


Fixed Income Markets—Dead Money?

By Chad A. Warrick, Chief Investment Officer

A critical asset class to any portfolio is fixed income. In order to understand its significance, we must first take a step back and take a moment to look at how important fixed income allocation is to your overall investment plans. Then we identify the role that fixed income has for the overall success of the portfolio. The role of fixed income is pretty simple.

1. Diversification – remove equity volatility from the portfolio (see Correlation Chart)
2. Protect – protect against interest risk and credit events (traditional fixed income has interest risk embedded)
3. Income – produce income for the portfolio

At Summit, we incorporate all three of these roles into our strategic fixed income asset allocation. With proper planning and equity exposure, we can accomplish all three. With fewer and fewer bonds yielding 4% and above, there is no denying that the traditional fixed income market and the interest rate environment is like squeezing water out of a rock in order to find solid income.

It appears that after the recent FEDS meeting, higher interest rates may come slowly and as smaller adjustments upward over a longer period of time. Because of the mixed bag of global economic data, the Federal Reserve does not want to move too fast and disrupt our slow growing economy.

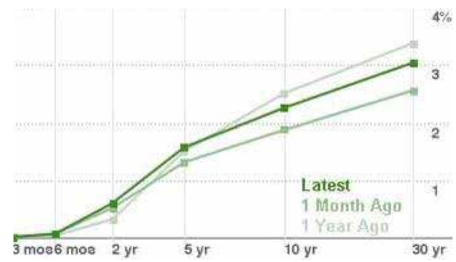
Low interest rates could equal low returns; we haven't seen this interest rate environment since the 1940s and 1950s. During the 40s, inflation averaged 5.34 percent and during the 50s it averaged 2.23 percent, with returns on fixed income below 1.83 percent during both decades. Currently, stabilizing energy prices and aggressive policy action by foreign central banks have boosted the short-term expectations on the global economy. This impacted global yields and the Feds' thought process on future rate hikes.

Traditional Fixed Income Offers Protection When Markets Decline

In the past 43 years, markets declined in the following 9 years **(Source: Blackrock)**

Year	S&P 500	AGG Bond Index
1973	-14.7	4.6
1974	-26.5	5.7
1977	-7.2	3
1981	-4.9	6.5
1990	-3.1	9
2000	-9.1	11.6
2001	-11.9	8.4
2002	-22.1	10.3
2008	-37	5.2
Average	-15.17	7.14

Summit's strategic fixed income allocations utilize both traditional and non traditional bond exposures along with a dynamic focus on duration, credit quality, and global exposure. We stress test fixed income allocations for growth using variables such as fiscal change and changes in the economy. Depending on the clients' goals, risk tolerance and their own unique situation, we may consider alternatives to traditional fixed income allocations that we refer to as fixed income surrogates. As always it is not only important, but also vital for us to be goal oriented and aware of all of our client's planning needs to successfully accomplish their financial planning goals.



30 Year Treasury Curve
(Source: TD Ameritrade)

Why am I writing about fixed income? Evidence has shown that higher interest rates are very beneficial for fixed income investors beginning 3-4 years after interest rates begin to rise. Fixed income has the ability to tell a clearer picture of the state of the economy. It is often the gateway to the heart of the economy and not just in the United States but the world's economy too.

In speaking about gateway to the heart, I want to wish everyone a very Happy Father's Day. It is an honor and a privilege to be of service to the best clients in the world.

I will be enjoying Father's Day with my family while our sons Aiden and Liam continue to teach me what it means to be a very happy father. Whatever Father's Day means to you, I hope that you enjoy the day and spend it with those that mean the most to you.

College Funding with 529s (Part One of Two)

By Jason Print, Senior Wealth Advisor, CFP

Late 2014 President Barack Obama signed into law a bill allowing investors in the popular, state-sponsored 529 college-savings plans to make changes to their investment holdings twice a year, rather than the once-yearly change that was permitted under previous Internal Revenue Service restrictions.

The new rule for 529s was included in the Achieving a Better Life Experience (ABLE) Act, the primary purpose of which was to create tax-free accounts to save for disability-related expenses. The twice-yearly provision in that law was made to apply to existing college-plan 529s, too.

529 plans are named for the section of the federal tax code that created them in 1996 and are a way for parents and others to finance college or graduate school with tax-free funds. 529 plan dollars are funded with after tax contributions and once they are deposited in the account, they grow tax deferred. As long as the funds are used to pay for qualified higher-education expenses, they generally aren't subject to taxation upon withdrawal either.

If, however, the funds were used for purposes other than qualified higher education costs, the original principal would not be subject to tax or penalty. The earnings portion however, would be subject to a 10% penalty and applicable taxes on the growth portion.

Meanwhile, other restrictions on 529 movements remain intact under the new rules. For example, only one tax-free rollover from one 529 plan to another is allowed in a 12-month cycle. If, you change the beneficiary, you would be allowed to move the account again in a 12–month cycle.

Since 529 plan assets have grown substantially over the years, it has ultimately resulted in $244 billion dollars invested in state sponsored 529 plans. Some clients have asked us "just because you can make changes to your 529 twice a year, should you?" The answer would depend upon your own unique situation.

Next month, in Part Two, I will share with you some alternatives to 529s. Our mission is to provide you with the best and most service while helping you achieve your financial planning goals.

Jason

Frets Over Peak Demand continued from p.1

in 2014. While world economic output has expanded by an amount larger than the total size of our economy in just the past seven years, could that be a good reason why we invest globally?

Does that really mean the US is in decline? No it does not. It means that what we are exporting is working. We are experiencing a global improvement. The US has 325 million people out of the 7.3 billion on earth, a tiny fraction. When smaller countries grow, even from their smaller base, it shows up in greater proportion than our growth. Yet the US economy and wealth represents only about a quarter of the world's total. When we grow, we have a greater affect due to our disproportionate size.

The world is in the middle of the greatest global growth spurt since the early 19th century and the beginnings of capitalism. (Capitalist is a moniker made up at the time by socialists, who called themselves that because they cared more about society, while true-marketeers cared only for money, hence called "capitalists".)

Because the world is enjoying greater global wealth could mean greater peace, and prosperity. While we are not, have not been, nor cannot ever be perfect, focusing on the negatives too often makes us lose sight of the big picture.

Make great decisions.

Mitch

CLIENT'S CORNER

Irrational Stocks And Rational Companies

It has once again become fashionable in the bazaars of financial journalism to speak of a "stock market bubble." "Bubble" is a code word—the kind media use in place of thought—to express the idea of equity prices propelled absurdly aloft by irrational exuberance, excessively loose Federal Reserve monetary policy, or air, depending on which pundit one is reading at the particular moment.

The unspoken corollary, of course, is that this wild overvaluation must vanish at any moment—in the analogy, the bubble will burst—and equity prices will without warning crash to some fraction of their present levels.

The core assumption underlying this cartoon theory of equity valuation is that stock prices are inherently random, unstable, and certainly not rooted in—much less governed by—any objectively verifiable standard.

In fact, equity prices are, in the long run, reliably related to the fortunes of the companies whose ownership the stocks represent. That is, stocks are shares of direct ownership in businesses. It is perhaps too easy, during periods of extreme public pessimism (and optimism, for that matter) for people to forget this. ***Stocks are companies.***

Granted, in the short and even intermediate term, that equity prices can and will be affected by geopolitical events, extremes in investor psychology, interest rates on bonds which compete for savers' capital, and other phenomena not directly related to the operations of the underlying companies. But in the long run—and all investing worthy of the name is long-term—stocks have very efficiently and quite consistently reflected the earnings, dividends and cash flows of the companies in which they are shares.

In periods of cyclical or event-driven financial or economic contraction (a credit crisis, say, or a recession), stocks have often declined in price. Sometimes these declines have been quite significant, reflecting not just actual prevailing conditions but the public's herd-like overreaction thereto. But such a decline, though it may seem sudden, isn't often random. It's simply a reflection of the declining earnings, cash flows and even dividends of the companies. *Yet just as these fundamental declines in the businesses of the companies have historically been temporary, so have the declines in their stock prices.*

For a demonstration of this, look no further than the catastrophic collapse of the financial system, and the longest economic recession since WWII, which took place beginning in the autumn of 2007 and continued to the middle of 2009. (This is admittedly an extreme example of the phenomenon, but it's also classically instructive.)

A number of very prominent financial institutions failed. Two of the three leading automakers became insolvent. *On net, the earnings of the companies in the Standard & Poor's 500-Stock Index did not merely decline: they disappeared.* In sympathy, the equity market—the prices of these besieged companies' shares—declined more than they had since the 1929-1932 event.

Today, as you know, the earnings of the S&P 500 companies are by a very significant margin in new all-time high ground. As is the Index itself: once again, the aggregate value of the shares in the five hundred companies. ***There is absolutely nothing random about this.*** Over time, the values of the shares must follow the fortunes of the companies.

What, we may ask, did the companies—rational business enterprises managed in the long-term interest of shareholder value—do to weather this epic storm, and to emerge more valuable than ever? They did what well-run businesses always do in adverse times.

They reduced their manufacturing activities because of weak demand, and laid off employees for whom there was no work. They closed facilities altogether. They sold off excess inventories, even at a loss, to raise cash and shore up their balance sheets. They wrote off aging and obsolescing plant and equipment. All of these losses, taken suddenly together, caused their earnings to disappear.

Yet many companies concluded that this was still not enough: they reduced or eliminated the dividends normally paid to shareholders. (If there are no earnings, paying dividends can only deplete precious cash.) They used the savings to pay down debt and otherwise to further strengthen their balance sheets. In sum, *they behaved rationally.*

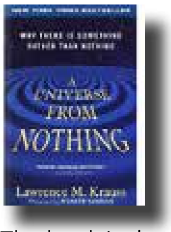
And in time, as the global economy continued to expand and the American economy revived (however slowly), the survivors thrived as never before, and their share prices—which can do little else—rose to reflect this.

Stock price movements may appear random and irrational—and this is certainly the narrative reinforced by financial journalism, whose only goal is to keep you nervously clicking on to it.

But the next time you find yourself bedeviled by the seeming irrationality of stock prices, invite your financial advisor for a cup of coffee. I can confidently forecast that you will find him or her serenely confident in the ultimate value of shares in well-diversified portfolios of rational companies.

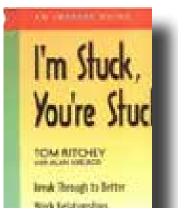
IN THE KNOW & ON THE *GO*

BOOKS WE'RE READING



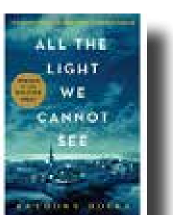
A Universe from Nothing: Why There Is Something Rather than Nothing by Lawrence M. Krauss (Author), Richard Dawkins (Afterword)

The book isn't exclusively an argument against divine creation, or intelligent design, but, rather, an exploration of a tantalizing question: How and why can something—the universe in which we live, for example—spring from nothing?



I'm Stuck, You're Stuck: Breakthrough to Better Work Relationships and Results by Discovering your DiSC Behavioral Style by Tom Ritchey (Author), Alan Axelrod (Author)

Often when people feel stuck, they try to change something about themselves. This book suggest that instead they should learn to see situations in new ways and create new options for relating to others. That process begins with DiSC, an assessment tool that reveals one's style of interaction. DiSC is an acronym for the four styles-- Dominance (direct and decisive), Influence (optimistic and outgoing), Supportive (sympathetic and cooperative), and Conscientious



All the Light We Cannot See
WINNER OF THE PULITZER PRIZE
From the highly acclaimed, multiple award-winning Anthony Doerr, the beautiful, stunningly ambitious instant New York Times bestseller about a blind French girl and a German boy whose paths collide in occupied France as both try to survive the devastation of World War II.

FING*LISH*

LADY MACBETH STRATEGY Takeover tactic whereby a third party poses as a white knight then turns coat and joins an unfriendly bidder.

NORMAL RETIREMENT point at which a pension plan participant can retire and immediately receive unreduced benefits. Pension plans can specify age and length-of-service requirements that employees must meet to be eligible for retirement.

PEOPLE PILL defensive tactic to ward off a hostile takeover. Management threatens that, in the event of a successful takeover, the entire management team will resign at once, leaving the company without experienced leadership. This is a version of the POISON PILL defense.

SAUCER technical chart pattern shaped like a saucer signaling that the price of a security or a commodity has formed a bottom and is moving up. An upside-down saucer shows a top in the security's price and signals a downturn.

TAX COURT the United States Tax Court, a federal court whose sole jurisdiction is litigation involving individuals and the internal Revenue Service. It has locations in the different states and an Electronic (North) Courtroom in Washington, DC> www.ustaxcourt.gov/.

VELDA SUE acronym for *Venture Enhancement & Loan Development Administration for Smaller Undercapitalized Enterprises*, a federal agency that buys small business loans made by banks, pools them, then issues securities that are bought as investments by large institutions.

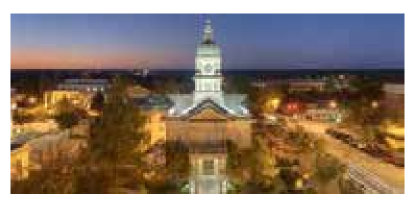
PLACES WE'RE GOING

Germany

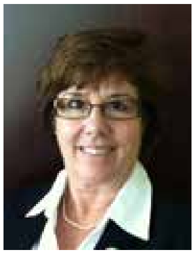
Scotland

Norway

Athens, Georgia



Dominican Republic



A Tale of Two Fathers

By Vicki Brodnax, Editor

Like many of you, my husband and I won't get to spend Father's Day with our dads. They died many years ago. Still, we miss them and celebrate the new dads in our family because we love them and know how important fathers can be. Pete and Everett were similar in many ways. Family was everything to both of them. They dedicated their adult lives to providing for and caring for their families. Although Pete and Everett had much in common, they were very different, especially when it came to finances and financial planning.

Pete had a long and successful career in the automobile industry. At the peak of his career, he became a national sales manager for a major automobile manufacturing dealers' program. Together with his wife Mollie, they raised four children. Their family lived the American dream with an above average income for a middle class family. During his lifetime, Pete earned a sizable fortune and managed to accumulate a nice nest egg. He wasn't comfortable investing in the market and he chose to place his money in CDs and other conservative investments.

Everett worked as a chemist for a large Texas firm while earning a modest income. During his lifetime, he didn't earn near the amount of money that Pete had. However, with his modest income, Everett developed a comprehensive and diversified financial plan. He systematically invested in the stock market and he purchased a small amount of real estate and a life insurance policy.

Everett died young at the age of 49 and Pete passed away at age 68, shortly after his retirement. Both families were devasted by their loss.

I watched my mom become a widow at the age of 49. Like many widows and widowers, she had no choice but to rebuild her life. As difficult as it was for her to lose her spouse, she didn't have the added worry of money. Everett's financial plan made sure that she would be able to maintain her lifestyle until her death and that she would never have to worry about running out of money. My sister and I were very grateful. That was such a loving and thoughtful gift to mom.

Things were very different for my husband's family when his dad died. Even though Pete had earned nearly three or four times what my dad had earned over his lifetime, with no financial plan in place, there was constant worry and discussion about finances. With everyone offering advice, the situation became overwhelming.

Here their mother was at the worst time in her life, feeling lost and vulnerable with so many decisions to be made and too many choices. It is no wonder that she became fearful and confused. This was the last thing that Pete would have wanted for his wife of nearly 50 years. Why didn't he have a financial plan?

Only Pete knew the answer. But I have first hand knowledge of what having a financial plan in place can do for families. And I have seen what can happen to a widow and her family when the husband dies and there is no financial plan in place.

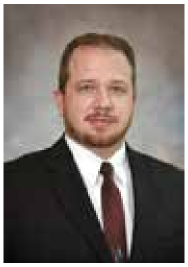
It is remarkable that even though Pete had an additional 20 years and almost triple the income, Everett's financial plan provided the greatest benefit. Take the time to develop a financial plan.

I wish all fathers a very Happy Father's Day, but most of all I wish them all to have a financial plan. If you don't have one, call us, we can help.

Vicki

Need a Guest Speaker?

Invite a professional from Summit Wealth Partners' team to speak at your next event! Our financial experts are well versed on any number of topics relevant to the financial industry, from Social Security to investments to wealth management and more. For availability and to discuss the specific topics that are of interest to your group, please call Vicki Brodnax at (407) 656-2252 or email vbrodnax@mysummitwealth.com.



Beneficial Information About Beneficiaries

By Andrew Dickens, Wealth Advisor,

Beneficiary designations are an important, but often underappreciated means of transferring wealth. Tax qualified accounts, bank accounts, brokerage accounts, life insurance and annuities comprise the majority of accounts that permit beneficiary designations, and when properly structured will avoid the costly, inefficient, and time intensive probate process. Various sources point to as much as 80% of beneficiary designations being outdated, incomplete, or improperly structured.

This first step is to make sure, wherever desirable, to have beneficiaries named on every account that permits it. The second step is to make sure that those beneficiary designations are properly structured. Designations should be updated periodically, and contingent beneficiaries should always be considered. Again, proper structure is the key.

Per capita and per stirpes designations have significantly different effects on who will receive that asset, and if improperly structured may end up going to a distant relative that you haven't seen or spoken to in decades, or one you may not even know about!

Designations should be carefully reviewed after divorce or death of a partner or heir. Naming minors as beneficiaries can also introduce financial and oversight burdens, as most states will require a court appointed trustee or guardianship over the assets until the minor reaches the age or majority, in which case they may receive an unintentional windfall that gets spent carelessly.

Beneficiary designations cannot be overridden by wills or trusts, an all too common mistake. Naming the estate as the beneficiary will subject the assets to the probate process, which is an undesirable result in most cases. Depending on the type of asset, naming a trust as a beneficiary can result in unintended tax consequences if not structured properly.

The benefits of beneficiary designations in avoiding probate and getting assets quickly under the control of the heir or trustee is a clear benefit, but improper beneficiary designations can cause disaster, strife, loss of control, and create undue financial burdens. If you haven't had a beneficiary review of your accounts in the last year, we encourage you to reach out to us for a full review.

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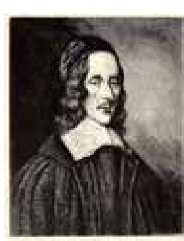
LOOK INSIDE!



"One father is more than a hundred school-masters." —George Herbert (1593-1633)

George Herbert was a Welsh born English poet, orator and Angelican Priest