SUMMIT WEALTH PARTNERS

June 2016 -Volume 7-Issue 6

The Rational Optimist™

Charitable Gift Planning : Part One

by Mitch Levin, MD, CWPP, CAPP

How unusual, you may be thinking, that I did not write about this topic in December, when most people think about gifting. Philanthropy includes thoughtful giving of your treasure, and often your time and talent as well. Some use the phrase, "wealth, work and wisdom". Planning is critical to be certain your gift has the meaning you desire. Planning now, in preparation of gifting, can make all the difference.

In my book, *Under the Radar*, we discuss many of the mechanisms one may use to optimize the effects of your gifting more efficiently. Some of these range from Charitable Gift Annuities (CGA) to Charitable Remainder Unitrust (CRUT) to Charitable Lead Annuity Trusts (CLAT) to Donor Advised Funds (DAF) to Private Foundations, and more. There is the "Ultimate Gift" where you can create a tremendous mechanism for large gifts, employ the family, and enjoy the asset you have gifted with wealth replacement. There is "Intergenerational Lifetime Income System," where your family can enjoy an income stream and carry out your gift wishes. There are Tax-Free Roth Conversions through DAFs; Family Loans within Trusts; Pre-gifting of highly appreciable assets...

> "Most people give emotionally - what many in the tax-exempt industry call 'check book giving' ".

For many with substantial wealth, preparing your family as heirs, can be just as important as planning for the preservation of your wealth. As with most other tools and tactics, there are plusses and minuses to each. We can help you identify which combination suits your situation.

Most people give emotionally—what many in the tax-exempt industry call "check book giving". Notice I did not write non-profit. That is because many so-called charities actually make a great deal of money. Their profit however is tax exempt. Some wind up harming their locale by reducing the tax base. They pay no income tax, no real estate tax, and no property tax.

Some have completely changed their original intent to carry out a different mission that may be contradictory. Some have multi-billion dollar structures, with an entire team of very highly compensated employees,

Continued on Page 5

ANDREW DICKENS
New Fiduciary Rules
Page 2

JASON PRINT
How we Reduce the Risks Clients Face in Retirement
Page 3

AMANDA PATE
A Gift that lasts
Page 6

How the New Fiducíary Rule affects Individuals and Business Owners

BY ANDREW DICKENS, WEALTH ADVISOR,

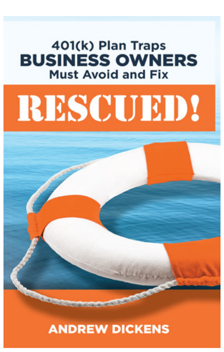
You may have recently heard news regarding the finalization of a new "fiduciary rule" that will impact IRA and 401(k) accounts. These proposed changes have been in the works for years and we now have a final rule that brings both some clarity and still some more confusion all at the same time.

The genesis of these new rules stem from the design of the industry itself: commissionable agents/ brokers versus fee-based advisors. These are very different business models that also have very different standards of care for their clients. Agents and brokers, who are generally paid by commission and revenue-sharing, must make suitable recommendations based on their clients' financial situations. However, fee-based (or fee only) advisors are held to a fiduciary standard that requires them to hold the client's best interest above their own. We, at Summit Wealth Partners, are and have been fiduciaries.

YOUR PERSONAL 401(K)/IRA UNDER THE NEW FIDUCIARY RULES

It might not seem like a big difference, but it is. In a nutshell, this new ruling attempts to force more agents and brokers under a fiduciary model. The results have yet to be determined, but the impact will likely begin to be felt by average investors in short order. The main accounts affected by the new rules are transactions tax qualified accounts, such as IRAs, 401(k)'s, and 403(b)'s. These include not just investment transactions but also advice, including advice on rolling over an old 401(k).

The biggest take away for the average investor is simply awareness that there are two different standards of care that their financial advisors could be working under. The best course of action for investors is to simply ask their advisor whether the advice they have been getting, prior to the rule change, was fiduciary or not and what to expect from their advisor moving forward.



Andrew is the author of the book :
Rescued! 401k Plan Traps Business Owners Must Avoid and Fix.
This book provides a comprehensive guide and resource for anyone managing a 401k Plan.

BUSINESS OWNERS AND THEIR 401(K) PLANS: THE NEW FIDUCIARY RULE

The problem for most business owners is that the world of retirement plan management is an extraordinarily complex field and changing all the time. Companies need good, qualified, competent advice for their retirement plans; however, the industry for too long has allowed inexperienced brokers and insurance agents to dabble into the retirement plan business. While many companies have experienced first-hand the expensive consequences of bad advice, most other companies may not even know how to measure the quality of the advice they are getting.

While most employers may scoff at the urgency or seriousness of reviewing their retirement plan management and advisors, they are about to be in for a rude awakening. The Department of Labor, one of three principal government agencies responsible for regulatory enforcement, has recently indicated its intention to audit every corporate retirement plan in the United States over the next decade or so. Considering the fact that over 70% of plans audited concluded with a monetary result against the business or plan officials, now is the time to ask serious questions about how you are managing your plan and the quality of the advice you may or may not be getting.

How we Reduce the Risks Clients Face in Retirement

BY JASON PRINT, CFP® SENIOR WEALTH ADVISOR

There are a number of risks clients face prior to and throughout retirement. In this 3 part series we will take a look at and analyze some of the large, prominent risks clients face when nearing retirement. Three prominent risks on a retirement portfolio consist of sequence of returns risk, longevity risk, and inflation risk.

This article will focus on sequence of returns risk. Explained simply, sequence of returns risk is the possibility that precisely when a retiree begins to take distributions from his or her portfolio, a bear market hits. In this case, instead of receiving the assumed growth rate on the assets, the portfolio declines as the retiree is withdrawing assets. Because they are withdrawing assets from a decreasing portfolio, even when a bull market returns the portfolio size will be smaller and therefore the dollar gain would be smaller.

If one would have retired in 2008 with a 50% equity, 50% fixed income allocation, it is quite possible their portfolio decreased by 20% over the next year. In this example, a $1,000,000 portfolio became an $800,000 portfolio and if they were taking out living expenses of $60,000 annually, now their $1,000,000 portfolio is worth $740,000. This is a significant change from their once $1,000,000 nest egg.

However, if one instead decided to retire in 2013 and saw a 10% increase on their 50/50 portfolio over the first year, the $60,000 withdrawal for living expenses simply reduces some of the growth of the portfolio. This would result in the retiree being left with $1,040,000 at the end of their first year of retirement.

"How can we navigate through this risk and reduce the overall impact that negative returns have on a portfolio in the years leading up to or early years of retirement? "

While the sample size covers two drastic return scenarios, it nonetheless illustrates how the timing of retirement can have a $300,000 difference on a $1,000,000 retirement portfolio over the course of one year.

The initial years of retirement are not the only years subject to a heightened risk for returns, but also the last couple of years *prior* to retirement are at risk.

Imagine a client who has a portfolio of $950,000 and they are planning on retiring in one year. If their 50/50 portfolio has a year with 10% positive growth, the client exceeds their goal. However, a 20% downturn in the year before retirement can have a profound affect on the safe withdrawals the client can make from the portfolio. How can we navigate through this risk and reduce the overall impact that negative returns have on a portfolio in the years leading up to or early years of retirement?

At Summit Wealth Partners one of our primary objectives is to help clients make smart choices so you can accomplish your goals. When it comes to sequence of returns risk, there are several planning strategies we may deploy. Here's a sample of a few strategies to reduce this specific risk.

1 – Cash Levels: By having several years worth of living expenses in cash, during a downturn in the market one would not need to sell equities, rather you can use the cash reserves until the market and portfolio recover. This reduces the risk of drawing assets on a down portfolio.

2 – Cash Flow: For some clients we work on constructing a plan that focuses in on cash flow. By utilizing income from sources such as social security, pension, etc. combined with the dividends and interest generated within the portfolio, we are able to create enough cash flow to meet the

Continued on Page 5

Firing on all cylinders

BY JESSICA FELICIANO, CLIENT RELATIONSHIP MANAGER

Remember when retirement felt like a distant destination at the end of the very long road?

Thoughts of an ice cold glass of lemonade, under the breezy shade of a tall palm tree, come to mind before taking a deep breath and coming to the discomforting realization; the concept of retirement is flooded with unpredictable variables, producing fear and doubt within the soon-to-be retiree.

Studies have shown that 90% of Americans feel a sense of uncertainty towards retirement. Of those individuals, facing retirement with uneasiness, many are wondering, Can I maintain my current lifestyle, over the next 25-35 years, without earning an income? How will my nest egg be affected by medical expenses and inflation? What is the best approach to structuring the use of my nest egg? How much of my savings will be absorbed by taxes? Will I even be able to retire?

These questions and concerns are valid and deserve a thorough response. In essence, your ability to earn an income and save is the greatest asset you have. Your nest egg is the fuel that will propel you through retirement.

When it comes to an automobile, the functionality that facilitates motion of the vehicle is the engine, which converts chemical energy into mechanical energy. The proper care and maintenance of the engine will not only ensure a safe, smooth ride; it will also extend the longevity of your vehicle.

By having your financial picture analyzed, our team at Summit can pop the hood, and help ensure you are equipped to fire on all cylinders. We care about continuously addressing and resolving the doubts and concerns towards retirement. Together, we can continue working to structure a sustainable cash flow, manage expenses and inflation, and look for ways to become more tax efficient.

While retirement may seem uncertain, we can help convert your savings energy into efficient lifestyle supporting energy.

"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. Let us know how we can help. Thank you for your trust and confidence."

Continued from Page 1

whose job sometimes is mere self-perpetuation. Some have so very little positive affect, many wonder whether they should be permitted to retain their tax-exempt (read as tax payer subsidized) status. Contact me for some names of prominent entities in this category.

Some entities are perpetual. Think Rockefeller or Ford Foundation. Others have a “sunset provision”. Think Bill and Melinda Gates Foundation. Some are private while others are public (which means they solicit and accept outside donations).

There are 5 basic sub-groups of tax-exempt organizations. In descending order of how much goes to each, they are: religious, educational, health care, social services, and arts. We may help you break these down even further if you like. Some like to give to national or even global entities. Some prefer to give only locally where the gift will have more noticeable effect. There is no right or wrong. There is only to know how your gift will be used.

Make great decisions.

Mitch

Look for Part Two in our next issue.

Continued from Page 3

client’s needs. This gives the ability to rebalance the portfolio and make adjustments based on what the markets provide.

3 – Dynamic Withdrawal Strategy: Since we don’t know when the next downturn will occur, we can sell equities when the markets are providing positive returns and sell fixed income investments during market downturns. The downside to this strategy is that the asset allocation of the portfolio can change. For example, one can become heavily weighted in equities by selling and reducing fixed income in order to meet your cash needs.

4 – Adjustable Withdrawal Strategy: Simply put, when implementing this strategy one would reduce the withdrawals on the portfolio when the market pulls back. When the market recovers, one could then increase the withdrawals from the portfolio. This reduces the effect of drawing down on a depleted portfolio and over the long term can have significant positive effects. The downside to this strategy is many people want a consistent withdrawal from the portfolio.

5 – Retirement Maximizer: We have developed and refined a process, for people you know, in their 40's & 50's, who should incorporate this to their delight. With enough pre-retirement time we can create all of these in advance.

Know that we are working on your behalf to create an optimal strategy for you.

Regards,

Jason

As seen...

CNBC

BARRON'S

FOX

ORLANDO BUSINESS JOURNAL

abc

THE WALL STREET JOURNAL.

USA TODAY

NBC

A Gift that lasts

BY AMANDA PATE, ADVISOR RELATIONSHIP MANAGER

Another school year is coming to a close, leading many families into a string of months filled with summer camps, family vacations, back to school shopping, and anticipation for the next school year to begin. This time of year reminds me of some of the fun moments of my childhood. From staying up past bed time with my younger brothers, to spending more time on the beaches in my hometown of Melbourne with friends; summer was always filled with good memories.

It is incredible how fast each year passes, and how a 1st grader quickly becomes a high school senior, making a decision about where to continue his/her education. When we consider the significance of this moment, and how quickly it is approaching, we realize that it is never too early to start preparing. Growing up, I remember, and I am sure as do you, opening birthday cards that held within them gift cards or checks. While I do not recall how I spent the birthday gifts every year, I do recall the feeling of excitement and gratitude I felt towards my parents, other family members, and friends.

Imagine gifting your loved ones a gift that would last longer than a stroll through the toy store. Though the excitement and gratitude may be a delayed gratification, the long lasting gift of education will resonate with them as they navigate through life.

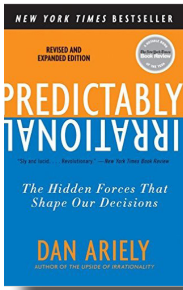
There are many different options and strategies when it comes to designing a plan for college funding, some of which offer tax benefits. It all begins with the decision to contest the increasing education costs, with a tangibly designed Education Funding Plan.

Our team would be honored to serve as a sounding board, should you, your family, friends, or colleagues, be faced with any financial questions or concerns.

Amanda

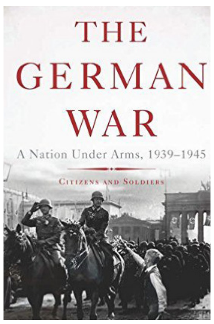
IN THE KNOW & ON THE *GO*

BOOKS WE'RE READING

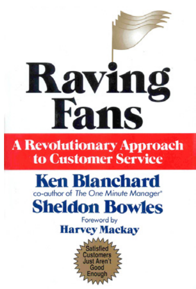


Predictably Irrational: The Hidden Forces That Shape Our Decisions

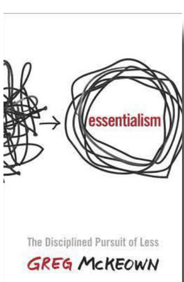
By Dan Ariely



The German War
By Nicholas Stargardt



Raving Fans
By Ken Blanchard and Sheldon Bowles



Essentialism: The Disciplined Pursuit of Less
By Greg McKeown

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/.

PLACES WE'RE GOING

CHARLOTTE, NORTH CAROLINA

LOS ANGELES, CALIFORNIA

WHEATON, ILLINOIS

GRAND RAPIDS, MICHIGAN

The Rational Optimist is published by Investors Advocate LLC.

Editing and Layout by Jessica Feliciano

FOR RECORDED PODCASTS VISIT:
www.myassetprotectiongroup.com/
client education/podcasts

PRE-SORTED
STANDARD
U.S. Postage
PAID
Orlando, FL
Permit No. 2825

SOLID GROWTH • SAFELY MANAGED •TRUSTED ADVICE

MYSUMMITWEALTH.COM

ORLANDO
One Orlando Centre
800 N. Magnolia Avenue
Suite 105
Orlando, FL 32803
(407) 656-2252

NAPLES
Vanderbilt Financial Center
9045 Strada Stell Court
Suite 101
Naples, FL 34109
(239) 254-1875

JACKSONVILLE
4223 Duval Drive
Jacksonville Beach FL 32250
(904) 273-4550

SUMMIT WEALTH PARTNERS

- Charitable Gift Planning... p. 1
- New Fiduciary Rules p. 2
- Risks Client face in retirement p. 3
- Firing on all cylinders p.4
- A Gift that lasts p.6
- Books We're Reading p. 7
- Fin*glish* p. 7
- Places We're Going p. 7

Happy Father's Day! Thank you for all you do.

"A good father is one of the most unsung, unpraised, unnoticed, and yet one of the most valuable assets in our society"

–Billy Graham