

# THE Rational Optimist™

## Cybercrime's New Business Model

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

The evolution of cybercrime in recent years has less to do with hacker's technical tools and everything to do with a new business model.

In 2007, when hackers stole 45.6 million credit card numbers from T.J. Maxx servers, it catapulted this issue of "cybercrime" to national prominence and directly affected the lives of 13 out of every 100 Americans.

Even more recently, the Experian data breach that occurred in the fall of 2017 caused some level of personal financial data of over 143 million Americans to be exposed! This is over 44% of the population of the U.S. that was affected in the Experian data breach!

While data breaches still occur regularly, over the last ten years law enforcement has made significant strides in prevention. Credit card companies are getting better at detecting the breaches earlier and replacing consumer's cards as needed. Payment networks have adopted microchip-enabled cards that render the transaction data on the card worthless to cyber criminals.

The biggest shift that has occurred in the last ten years is that it has gotten less profitable to sell stolen credit card information to those who would use the data to commit fraud.

In fact, the price of stolen credit card information on the black market has dropped from \$25 in 2011 down to \$6 in 2016. It seems even the world of cybercrime is not immune to the law of supply and demand.

In response to the shortage of buyers in the marketplace for the stolen data, criminals have changed their business model to find a new way to monetize their plundered data - namely, they have started selling stolen data back to its original owner.

This represents quite a contrast to former "business practices" where a hacker would steal a huge cache of credit card data and then sell the data to other criminals who would then use it to manufacture fraudulent credit cards overseas. These cards would then be brought back to the U.S. to be sold, in order to avoid triggering fraud alerts from foreign-based purchases.

Each stage of the process exposed criminals to the risk of getting caught. While finding a way into computer networks is still relatively easy, it is the current market forces of supply and demand that have driven criminals to their new approach: Ransomware.

Ransomware is a form of malware that someone mistakenly downloads to their computer network which allows the hacker to encrypt the data on your hard drive and hold it for ransom. This approach solves several problems for criminals.

It is fairly easy to implement; in fact, just about any first year computer science student could do it. It takes data that is essentially worthless in today's data resellers market and sells it to the person for whom the data has the most value – its original owner.

The crime also tends to go largely unreported. All this explains why the use of ransomware is becoming increasingly common.

So, how can you protect yourself against ransomware? In a word: Vigilance. Be exceptionally careful when downloading anything to your hard drive.



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# In the Flick of Time

BY JASON PRINT, CFP®, CO-PRESIDENT & CEO



We all know Facebook has changed the way we communicate and share our thoughts, but has it invented a new way to measure time?

Many of us will admit that we have come to expect things quickly.

Do you remember when connecting to the internet meant unplugging our land line phone, plugging that cord into our computer and waiting several minutes to connect to the internet?

Would you have the patience to do that now?

Of course, searching the web 20 years ago and searching the web today are very different experiences. Today, we can watch videos instantaneously.

The math gets messy when you try to work on one frame at a time. At 24 frames per second, or FPS, each frame is approximately .04166666667 seconds long, or 41666666.669 nanoseconds.

Those numbers with repeating decimals are not easy to work with. In turn, that can make life difficult for programmers and artists who are trying to work precisely at these scales.

That is where the Facebook flick comes in. It can represent a single frame at a nice, even number, at a whole variety of framerates. For instance, at the 24 FPS of most movies, each frame is 29,400,000 flicks.

At 60 FPS, seen as a desirable framerate for action-packed video games, each frame is 11,760,000 flicks long. It's a clean number that can easily be divided or added up, without worrying about decimal points.

Facebook has actually released its documentation for the creation and use of flicks as open source, meaning that anybody

can download it and add support for the unit into their own software.

Releasing it as an open source to let others write their own software could mean the fast adoptions by others.

It's interesting that Zuckerberg and other leaders at Facebook chose to release this as an open source, instead of attempting to monetize or trade mark it in some way.

It also sets up the possibility that flicks could become a standard unit of time — if not on your wristwatch, then in the visual arts.

Over time we have seen technology change our world. New and exciting things are being developed and implemented every day. This day and age is an exciting one to live in. We look forward to embarking on new adventures with you and your families every flick of the day.

Regards,



***Our offices will be closed on Friday, March 30th in observance of Good Friday.***



***Flicks could become a standard unit of time — if not on your wristwatch, then in the visual arts.***

Nowadays, are you willing to wait several minutes for a video of less than a minute in length to download?

It's in the video world that the invention of a new measure of time comes into play as Facebook has invented a new unit of time: "flick."

A flick is equivalent to precisely one 705,600,000th of a second — larger than a nanosecond and smaller than a microsecond. It is meant to be useful to special effects artists and anyone else working in film or virtual reality.

Flicks cleanly divide each frame in a movie, TV show, or video game in an easy-to-read, easy-to-use number. According to its original inventor, Christopher Horvath, the term is short for "frame tick" which hints at its cinematic origins.

As for why Facebook needs a new unit of time, it goes back to the social network's Oculus VR subsidiary and its larger bet on virtual reality. And for Horvath, formerly a part of the cinematic world at firms like Pixar and Industrial Light & Magic, creating flicks seems to have been a passion project for him.

Most movies are shot at 24 frames per second, which means that the film displays 24 still images every second in a rapid sequence to give the illusion of motion. Creators in video, film and virtual reality therefore need to work and think in split-seconds.

# Navigating the Retirement Risk Zone: How to Avoid Running Out of Money, Part 1

BY CHAD LEATHERWOOD, CFP®, WEALTH ADVISOR



No one wants to face a rude awakening, especially later in retirement! We have all heard the stories of people running out of money or having to dramatically change their lifestyle. My hope is that through proper financial planning, no one reading this will have to face this hardship down the road.

To have the best chance of avoiding financial hardship later in retirement, it is imperative to make good financial decisions during what is referred to as the Retirement Risk Zone. This is generally the period from 5-10 years before retirement through the 5-10 years after your retirement date.

The decisions made during this period can greatly affect the quality of your retirement and whether you run the risk of running out of money later in life or are able to reach your legacy goals.



Some of the bigger decisions that are made during this period include when, where, and how you retire. Also, Social Security benefit options and Medicare insurance coverages are selected during this period.

This stresses the importance of having a retirement plan in place and a trusted advisor to guide you through these important decisions.

How you decide to invest your money is probably most important while you are in the Retirement Risk Zone. Inadequate diversification, chasing returns, or trying to time the market can all threaten the sustainability of your portfolio.

It is extremely important to have the proper balance between risk and reward.

While it is evident that having an appropriate portfolio is very important, having a prudent withdrawal strategy in place to meet your income needs is also vital.

One of the key risks in Retirement Risk Zone is the Sequence of Return Risk: when you will need to take withdrawals from your portfolio.

Even if the average returns of your portfolio are relatively good over the length of your retirement, having a series of negative returns early in your retirement can have a devastating effect on your portfolio's longevity.

If a bear market decline occurs while you are withdrawing money for income, you would likely have to continue your withdrawals throughout the decline. If you are withdrawing a fixed amount and the portfolio value is lower, you end up withdrawing a greater percentage.

With this being the case, how much can be safely withdrawn? One well-followed rule of thumb in is called the four percent rule. With this method, four percent is considered a safe starting rate of withdrawal from a portfolio for a retirement that is expected to last about 30 years.

The four percent rule was created by a financial advisor, named William Bengen, who conducted an exhaustive study of stock and bond market returns over a 50-year period from 1926 to 1976.

Bengen found that even with some bad market periods, there wasn't a time where a four percent annual withdrawal exhausted a retirement portfolio in less than 33 years<sup>1</sup>

While this is a helpful rule of thumb, it is important to understand that just

because this has worked in the past, it doesn't mean that is always the case.

Be sure to read Part 2 of this article in our next newsletter, where we will discuss some other important retirement planning methods.

If you are in the Retirement Risk Zone and would like to discuss your situation, reach out to us as we are happy to speak with you.

Regards,

A handwritten signature in black ink, appearing to read 'Chad'.

1. <http://www.investopedia.com/terms/f/four-percent-rule.asp#ixzz4n7ipDQg2>

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*Continued from page 1, **Cybercrime's New Business Model***

Be wary of clicking on "pop-ups." If you did not initiate the request for a download, then do not click on the link. Even if you did, be vigilant to make sure the link appears to be from a legitimate source.

You would be surprised how often hackers misspell words! It is also a great idea to back up the data on your computer on a predetermined regular basis. This can help minimize the damage of data loss if it can easily be recreated.

So if your data is kidnapped, can you trust that the hacker will return it if you agree to pay the ransom? It is truly a coin toss. Possibly the only way to put a dent into the profits of cybercriminals is to organize a concentrated campaign to stop people from paying for kidnapped data.

Best Regards,

A handwritten signature in black ink, appearing to read 'William Bengen'.

# Violated - What Identity Theft Really Feels Like

BY ANDREW DICKENS, DIRECTOR OF PENSION SERVICES & WEALTH ADVISOR



I've done all the things I've been taught to do and preached to others to protect our identities.

I check my accounts and credit reports regularly. I shred my personal documents at home. I use complex passwords and vary them up across different online accounts.

I have multiple bank accounts and minimize use of my primary personal debit card/account. I don't pay at the pump and conduct most banking transactions inside.

I have a working knowledge of technology and information security that I use to manage and protect our devices and home networks.

I've done everything I know to do, and yet on a slow weekend at the beginning of the year I discovered that I too was a victim of identity theft.

It all started on a Saturday. I woke up that morning and headed down to the airport's general aviation facility where I spent the remainder of the morning gabbing with some fellow aviators because the weather wasn't good for flying.

I picked up my kids from their grandmother's house on my way home, and I checked my bank account because I had stopped at Wawa for breakfast and I needed to go grocery shopping later that afternoon.

And there it was. Two charges from a company I am unfamiliar with, and I knew for sure that I did not have an account with them.

I contacted my bank immediately. I learned because the charges were still "pending" there was little information my bank could give me and nothing I could do to stop it until they posted.

I immediately ordered my debit card canceled. By the time I got off the phone with the bank, two more charges had appeared.

I spent the next several hours reviewing every detail of all checking and savings accounts at no less than four different institutions; no other fraudulent activity was detected.



After several back and forth emails with the vendor whose company's services I was charged for, I learned that my debit card information had recently been linked to an account with a first name of "DeAshley", but that was all the information they would provide.

I advised them that I did not know anyone by that name, never authorized its use to anyone else and had already canceled the card.

I was a little lucky; the vendor actually agreed to refund my account the balance of all four charges. Had they not refunded me on their own, I would have only seen a small portion of that reimbursement from my bank.

I reviewed all my auto-pay accounts to change information from my old debit card to a direct bank withdrawal (those that allowed it). Other than that, there was little else to be done with the banking.

I also put a credit freeze with all three credit reporting agencies to ensure no one could open any lines of credit using my information.

To my surprise, they now CHARGE you to put on a credit freeze.

Afterwards, I had a feeling that I can only described as "violated." In spite of everything I do to protect our identities and finances, I let something slip through the cracks and I didn't even know how or when it happened. And the worst part is that I may never know what went wrong.

As a few weeks passed and no other activity was detected, I began to relax my guard thinking that it was all over. Little did I know, we would be facing this problem again in the blink of an eye. And this time I unwittingly opened the door for them when they caught me in a distracted moment. Stay tuned for part two.

Best Regards,



*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.*

# It's Not the If, It's the How

BY CHAD WARRICK, CO-PRESIDENT & CEO



Just as 2017 was coming to a close, the Tax Cut and Jobs Act was passed. With provisions such as increased child tax credit and increased standard deduction, it seems to offer tax relief to Americans across the income spectrum.

One of the prominent highlights of the Tax Cut and Jobs Act is the higher standard deduction. This means more of us may be claiming the standard deduction instead of itemizing. This is not necessarily a bad thing, it just means rethinking our tax planning strategy.

Charitable donations, which capture financial benefit as itemized deductions, do not translate as an additional financial benefit when lumped into the new higher standard deduction.



However, if you are taking required minimum distributions (RMD) from your Traditional IRA, there is a strategy which will allow you to obtain a financial benefit from your charitable donations, even when claiming the standard deduction.

Rather than taking your required minimum distribution and increasing your taxable income, a Qualified Charitable Distribution can be made from your IRA directly to a charity. By leveraging the QCD provision, you can expand the standard deduction amounts, resulting in big tax savings.

For example, taking an RMD in the amount of \$10,000 essentially increases your taxable income by \$10,000. Let's also assume that a charitable donation of \$10,000 was made in that same tax year. This donation would not result in a financial benefit.

Assuming all other allowable deductions were not high enough to itemize, you would file under the new increased standard deduction. If we assume a tax rate of 24%, this means you are paying \$2,400 in taxes on the \$10,000 received from your IRA, and no financial benefit was received for your charitable donation.

Now, imagine in a similar scenario, where you were still filing under the new standard deduction, you decided to take a different approach. Perhaps you would consider transferring the \$10,000 RMD from your IRA, directly to your charity(ies) of choice. In doing so, you would see a tax savings of \$2,400.

When the donation is transferred from the IRA to a charity, fulfilling a required minimum distribution, the amount transferred is excluded from income.

Essentially, excluding the transferred amount from your income is a better tax benefit than receiving a tax deduction.

## ***The Qualified Charitable Distribution provision can result in big tax savings.***

It goes without saying that those who make charitable donations do so because of reasons that surmount the financial benefit; therefore, donating is not a matter of "if" it will be done. The objective of this article is to lightly touch on the "how."

By strategically planning the "how" we can work together to maximize tax efficiencies, in order to capture the financial benefits on the table.

The world around us is ever changing. We do not know what the future brings, nor what changes we will be talking about next year. But right now is the perfect time to revisit the benefits of Qualified Charitable Distributions, as it presents benefits that we may otherwise lose.

Please reach out to us so we can set up a time to discuss the specifics of your planning strategies.

Be Well,

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

# Investing in the Client Experience

BY NICOLE SADEZ, CLIENT RELATIONSHIP MANAGER



Here at Summit, our team is always exploring better ways to serve you. One way that we try to do this is by keeping up on the Registered Investment Advisory industry happenings.

In the beginning of February, a few of our team members attended the TD Ameritrade 2018 National Advisor Conference in Orlando, Florida. With three days packed with client-centric, motivating discussions, we wanted to share some of our takeaways with you.

SWP shares similar visions and values of our three trusted, hardworking custodians (TD Ameritrade, Charles Schwab, and Fidelity). Our custodians believe in investing in technology advances and understanding each client thoroughly to provide exceptional client service.

Our custodians are constantly investing in future-forward technology. These days especially, technology drives growth.



Nicole Sadez & Amanda Pate with Fearless Girl - TD Ameritrade Conference 2018

Technology allows customized solutions to be created to make the operational tasks at Summit more efficient which in turn allows us to focus more on your needs.

A key technology enhancement we have at SWP is our client portal, powered by eMoney, which gives you access to account aggregation

with real-time balances, document storage, planning tools, such as budgeting, and more.

If you have any questions about the vast capabilities eMoney offers or if you are not yet set up on our client portal and would like to be, please let any one of our team members know.

The TD Ameritrade conference was also filled with financial industry surveys to help us understand clients better. While these broad surveys are helpful, we want to hear from you personally!

- ▷ What topic (i.e. your investments, your financial goals and decisions, or the current economy) do you wish to speak to us about most?
- ▷ How often do you wish to hear from us?
- ▷ Do you find our website helpful? If not, how can we improve it?

We strive to deliver world-class experiences to you with every interaction we have. We hope to engage with you pro-actively, answer your questions thoroughly, and comprehensively resolve any issues that may arise.

If you have any thoughts as to how we can enhance your Summit experience, please give us a call. We are always open to hearing how we can better serve you.

Best Regards,

*Nicole*

## FINGLISH /'FiNG(g)liSH/(n.) - [Financial English]

**INFLATION TRADE:** A method of investing that seeks to profit from an overall increase in price levels. The inflation trade often involves trades in commodities, such as gold and oil, because their prices rise when inflation occurs. Everyone needs to protect themselves against inflation, but the term "inflation trade" refers to a speculative practice of attempting to profit when inflation occurs rather than just hedging against it.

**CAMOUFLAGE COMPENSATION:** Compensation that is granted to upper echelon employees, directors, consultants and related parties that is not fully disclosed in mandatory company filings. In some cases of camouflage compensation, the compensation is fully disclosed, but in such a way that it is very difficult for the average investor to decipher the true value of gross pay compensation.

**OLIGOPOLY:** A market structure in which a small number of firms has the large majority of market share. It is similar to a monopoly, except that rather than one firm, two or more firms dominate the market. There is no precise upper limit to the number of firms in an oligopoly, but the number must be low enough that the actions of one firm significantly impact and influence the others.

Source: Investopedia.com

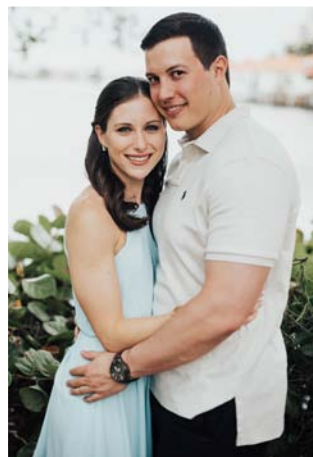
# SUMMIT SPOTLIGHT

A LOOK INTO THE LIVES OF THE SUMMIT TEAM

## Summit's Getting Married!



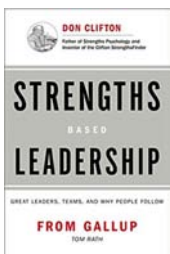
Love is in the air at our Naples office! Apolonia and Mischael got engaged on February 5, 2018 in Boston near Long Wharf Pier. They were introduced by mutual friends and got to know each other while volunteering with Hurricane Irma disaster relief. They plan to get married in Naples and are enjoying planning their wedding.



Nicole and Jeff got engaged on February 3, 2017 and are excited for their quickly approaching wedding on May 5th! They met at a local gym with a little help from Nicole's sister and brother-in-law, and Jeff proposed to Nicole at the beach in Naples. They will be honeymooning in Hawaii!



## BOOKS WE'RE READING



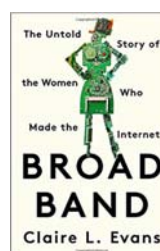
**Strengths Based Leadership: Great Leaders, Teams, and Why People Follow**  
by Tom Rath and Barry Conchie  
Strengths Based Leadership identifies three keys to being a more effective leader: knowing your strengths and investing in others' strengths, getting people with the right strengths on your team, and understanding and meeting the four basic needs of those who look to you for leadership.



**TED Talks Storytelling: 23 Storytelling Techniques from the Best TED Talks**  
by Akash Karia  
In this short but powerful guide, you're going to learn how to use stories to make your presentations engaging and entertaining. Using case studies drawn from TED talks by Sir Ken Robinson, Dr. Jill Bolte Taylor, Susan Cain, Leslie Morgan Steiner, Mike Rowe and Malcolm Gladwell, you'll learn how to craft stories that keep your audience mesmerized.



**Elizabeth the Queen: The Life of a Modern Monarch**  
by Sally Bedell Smith  
A close-up view of a woman we've known only from a distance, illuminating the lively personality, sense of humor, and canny intelligence with which she meets the most demanding work and family obligations. It is also a fascinating window into life at the center of the last great monarchy.



**Broad Band: The Untold Story of the Women Who Made the Internet**  
by Claire L. Evans  
Join the ranks of the pioneers who defied social convention to become database poets, information-wranglers, hypertext dreamers, and glass ceiling-shattering dot com-era entrepreneurs. This inspiring call to action shines a light on the bright minds whom history forgot, and shows us how they will continue to shape our world in ways we can no longer ignore.

Cover Images & Summaries: Amazon.com

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