

The Rational Optimist™

Swing Versus Club

Like many of you, I enjoyed watching the 2015 Masters Golf Tournament. The Augusta National Golf Club is one of the most beautiful and challenging courses anywhere in the world. This year marked the 79th anniversary for the Masters.



Jordan Spieth's performance was nothing short of amazing. For this young man to shoot 18 under par, at the age of 21, leaves no doubts that he is a champion. And he tied Tiger Wood's record for 18 under par that Tiger set when he too was only 21 years old. What I wouldn't give to be able to play golf like that.

I often ask people if they could choose between having a great golf swing or the best set of golf clubs, what would they choose? Of course you would choose the swing! This is the analogy that I use when speaking about us here at Summit. We are all about the "swing," or in other words, the process and planning that is true wealth management. Like the pro golfer, we are constantly developing and improving our process. We strive to be a champion among our peers.

We win by helping our clients reach their financial goals through preserving, protecting and growing their wealth.

The process includes:

- Financial planning
- Tax optimization
- Risk management
- Wealth preservation
- Wealth protection



by Mitch Levin, MD CWPP, CAPP

This process takes experience and expertise, all of which we have in abundance here at Summit. Collectively, our professional team has several hundred years of experience and a whole list of degrees and certificates confirming their expertise.



Our process carries clients through the important phases of their lives. During the accumulation phase, while working and saving and investing, the process works efficiently to optimize rate of returns, with a balanced blend of diversification and allocations that keeps the portfolio inside its targeted risk tolerance.

The process becomes even more critical during the distribution phase of your life, after retirement, when you want to preserve your wealth and ensure that it will last throughout your lifetime while maintaining your lifestyle and giving you peace of mind that you are prepared for life's unexpected challenges, such as long term healthcare expenses or the loss of a spouse. Our process often includes succession planning for leaving a legacy to charities and loved ones.

With Summit's swing, or rather our process, we utilize the best education, technology and the experience and knowledge available. We know that you must have a great set of clubs to perform well. And yes, we do have access to great "clubs" (financial service tools and investment opportunities) and more importantly, like the Jordan Spieth, we know whether, when and how to use them.

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Tail Winds to Head Winds

By Chad A. Warrick, Chief Investment Officer

During the 1st quarter, what didn't perform as well last year started improving. The reality is even though we no longer have the benefit and the tailwinds of quantitative easing, the economy, with some volatility, is beginning to stand on its own. The Federal Reserve, with its indications of raising interest rates, is suggesting that the economy is improving. But keep in mind, with rate raising indicators, may come tremors to the market. Despite the accomplishments of the US Markets over the last 24 months, the economy remains in a slow growth environment.

Primarily in the large cap space, with earning season just around the corner, the performance results from the 1st quarter confirm concerns for a slow-down in earnings. As mentioned in my last commentary, the increasing unease surrounding earnings growth began with corporations that generate larger portions of revenues abroad and expectations of their having lower earnings due to the effect of an increasing US dollar value over other currencies.

Since the 4th quarter of 2014, the US dollar has appreciated to a multi-year high over other currencies. The continuation of a stronger dollar impacts the investment world in a number of ways.

1. US corporations that generate a significant amount of revenue abroad will influence lower expectations for earnings of US corporations. This will make it more expensive to buy US goods.
2. The stock performance of US large stocks will reflect the impact of a stronger dollar. Primarily you will see it in large US companies with a broad revenue stream.
3. And US dollar denominated international investments will show signs of performance erosion.

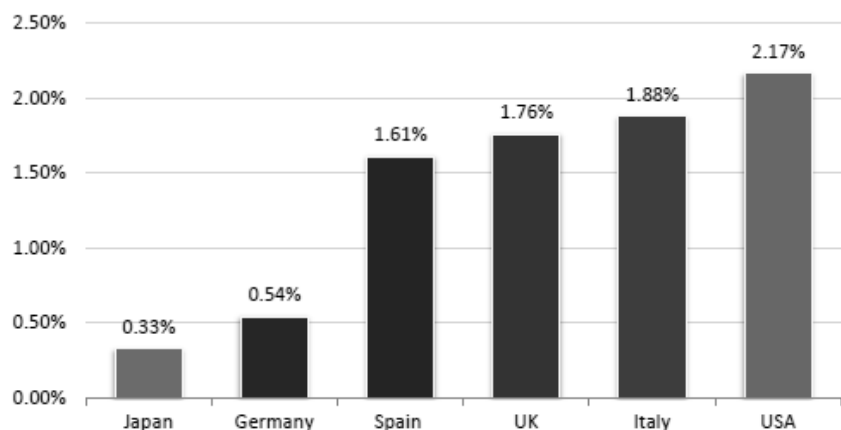
Part of Summit's investment research includes the study of currency and bond yields. This led us to bring in currency hedged international positions, based on the continued strength of the US dollar and its

effect on US dollar denominated international investments, along with favorable valuations. Currently, international equities offer higher dividend payments than US equities. According to FactSet, when we exclude small cap companies, 89% of the companies paying a dividend yield of 4% or more, were outside the US markets.

This drew our attention to small and mid cap allocations too. They have less exposure to international markets with less impact due to the US dollar abroad. Small cap equities have lagged behind larger stocks, but are showing stronger performance this quarter.

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10 Yr Government Bond Yields



Source: Bloomberg; as of 12/31/14





Succession Planning Affirmations from Buffet's Letter

By Jason Print, Senior Wealth Advisor, CFP

In the last issue of the Rational Optimist, I shared with you my thoughts on Buffet's remarks regarding market timing. This issue, I want to share additional thoughts on his remarks in his recently published annual letter to stockholders regarding succession planning at Berkshire Hathaway and the importance that he and his company place on culture.

Warren wants his son, Howard, to be a part of the company's future. He does not want him to have any day to day responsibilities in the investing world, but he does want Howard to be an important part of the governance process, in order to minimize a change in culture, in the unlikely event the wrong CEO is selected.

Obviously, Warren Buffet is a unique individual and it's unlikely that anyone can replace him and what he does as CEO. However, if the culture of the company continues, the likelihood of continued success should be high.

He mentions that, to a large degree, culture is regenerative and that both good and bad cultures self-select to perpetuate themselves.

This part of his message reminded me of the current situation at Apple. Certainly, Steve Jobs was also a unique individual and his ingenuity influenced society and changed the day-to-day lives of many. Yet, the company didn't fall apart after his untimely death. Although I've never worked at Apple, I have a strong belief the culture built by him is still largely in place and their product ingenuity continues to move along. Meanwhile there probably are differences, since the personality of Apple's new CEO, Tim Cook, is

different, and that has likely influenced some changes. The company as a whole though appears to be thriving. In other words, even though people have finite life spans, great companies can outlast their founders.

I am NOT comparing Apple and Berkshire Hathaway to Summit. Although in our commitment to company culture, we aspire to be the best. I believe there are corporate lessons that all companies, including Summit, can learn and implement to increase the likelihood of future success and growth of the firm that go beyond any one individual.

While Summit Wealth Partners is far from a Berkshire Hathaway, we are still very cognizant of what Warren Buffet refers to as "the ABC's of business decay; arrogance, bureaucracy and complacency." Our business is such that in order for us to continue to be successful, we must continue to earn the trust and confidence of our clients. And quite frankly, we wouldn't want it any other way; it is a responsibility and privilege that we take very seriously. In fact, all of our employees strive every day to continue to earn the trust and confidence of our clients.

During the past 12 months we have hired several additional team members in both our Orlando and Naples offices. We have learned that employees who strive for meaningful work while helping people, are attracted to Summit. They appreciate the opportunity and privilege of working for our valued clients and they enjoy working with you. Fellow employees and clients are all treated with the utmost respect. It's extremely exciting to think about the great service that these individuals will

be able to provide for our clients over the decades to come, as we continue to grow and develop in our respective roles at Summit.

Our leadership team is enthusiastic about the future of our company. Our growth is carefully calculated to continue to deliver to you solid growth, that is safely managed, through trusted advice, all within the culture you earned and deserve. We are confident that Summit's clients can rest easy knowing that your heirs can continue to enjoy the same personal, and state-of-the-art service by the same firm that has helped you for many years.



Image courtesy Google Images

The Rational Optimist
Editing, layout and design work by
Vicki Brodnax

Long term, bond yields have remained low and they may continue to remain low. However, quantitative easing has been replaced by an increase in international buyers of US bonds, which will work to keep long term rates low. European Central banks, along with others, are now entering their own rate tightening strategies similar to those implemented by our own Federal Reserve nearly five years ago.

With foreign yields below, and even in some countries negative, US Treasury yields are looking attractive abroad. So with a strong appetite for long term US Bonds, along with the Fed's interest and continued efforts to raise rates, we are developing a into a flattening yield curve.

According to the Federal Open Market Committees' (FOMC) press release, dated March 18, 2015, Janet Yellen used strong language that federal fund rates will be on the rise in June or September and perhaps again before the year is over. These rate increases will benefit and grow our economy.

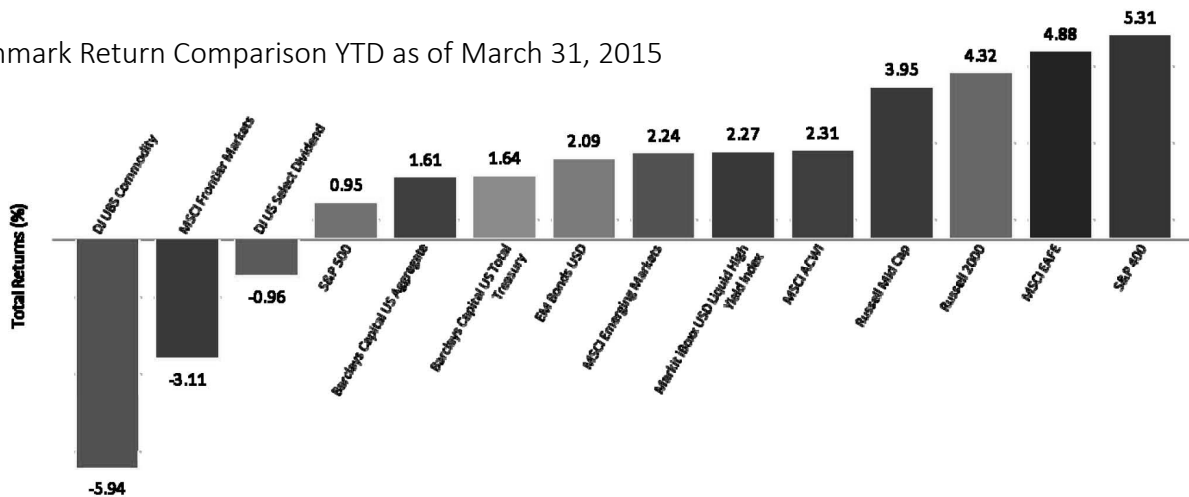
One of the first to benefit from the Fed's rate increase will be money markets and ultra short-term fixed rates, although longer term rates will remain intact. However, we will need to see continued global growth to experience higher yields across the yield curve.

We have the experience and expertise to look beyond traditional fixed bonds for income and can provide you with solid alternatives with less risk. Ask us about these options for your financial plan.

Here at Summit, we operate knowing that our client's goals are bigger and more important than any benchmark. With that said, we understand that performance of the markets is a critical component of a successful plan, as is tax efficiency, cash flow and investment expenses. Short term situations and strategies are viewed with a long term perspective to make sure that we provide solid growth that is safely managed with trusted advice.

Chel

Benchmark Return Comparison YTD as of March 31, 2015



Source: BlackRock, Bloomberg, Index returns are for illustrative purposes only and do not represent actual performance of any investment. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. Investing involves risk, including possible loss of principal. The information provided has been presented for educational purposes only. The information provided should not be construed as a recommendation to purchase or sell, or an offer to buy any security.

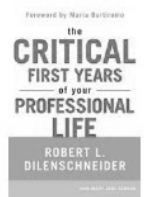
Need an Experienced and Interesting Guest Speaker?

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.



IN THE KNOW & ON THE *GO*

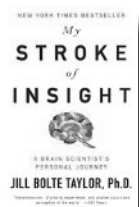
BOOKS WE'RE READING



The Critical First Years of your Professional Life by Robert Dilenschneider and Mary Jane Genova



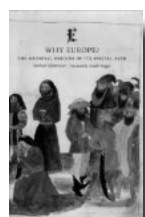
Sea of Darkness Unravelling the Mysteries of the H.L. Hunley by Brian Hicks



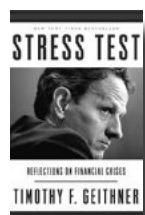
My Stroke of Insight A Brain Scientist's Personal Journey by Jill Bolte Taylor



Tools and Techniques of Employee Benefits and Retirement Planning by Stephen Leimberg



Why Europe? The Medieval Origins of its Special Path by Michael Mitterauer and Gerald Crapple



Stress Test: Reflections on Financial Crises by Timothy F. Geithner

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COLA acronym for cost-of-living adjustment, which is an annual addition to wages or benefits to compensate employees or beneficiaries for the loss of purchasing power due to inflation. Many union contracts contain a COLA providing for salary increases at or above the change in the previous year's CONSUMER PRICE INDEX (CPI). Social Security recipients also have their monthly payments adjusted annually based on a COLA tied to the CPI.

EARNINGS SURPRISE EARNINGS REPORT that reports a higher or lower profit than analysts have projected. If earnings are higher than expected, a company's stock price will usually rise sharply. If profits are below expectations, the company's stock will often plunge. Many analysts on Wall Street study earnings surprises very carefully on the theory that when a company reports a positive or negative surprise, it is typically followed by another surprise in the same direction. Two firms that follow general trends in earnings surprises are FIRST CALL and ZACKS ESTIMATE SYSTEM.

LAFFER CURVE curve named for U.S. economics professor Arthur Laffer, postulating that economic output will grow if marginal tax rates are cut. The curve is used in explaining SUPPLY-SIDE ECONOMICS, a theory that noninflationary growth is spurred when tax policies encourage productivity and investment.

RULE OF 72 formula for approximating the time it will take for a given amount of money to double at a given COMPOUND INTEREST rate. The formula is simply 72 divided by the interest rate.

PLACES WE'RE GOING

**May 4-6
Cancun Mexico**



**May 1-5
Santa Rosa Island, Florida**



**May 4-9
Louisville Kentucky**



**May 23-30
New Brunswick Canada**



**May 21-June 6
Germany, Scotland & Norway**



Office Closings

Friday, May 15th
Naples - 12:00 noon
Orlando - 4:00 p.m.

Monday, May 25th
Memorial Day

The Myth Of Instability

As I write in mid-March, with the Standard & Poor's 500 Stock Index around 2,065, the market capitalization of the five hundred companies included in that Index is about \$19.5 trillion. Expressed another, perhaps simpler way: the sum total of the value in the marketplace of all the outstanding shares of those five hundred companies is currently about \$19.5 trillion.

If you can't even imagine what a number that large can possibly mean—and I can't either—let me offer one other statistic which may begin to put it into some comprehensible perspective: a few weeks ago, the National Bureau of Economic Research reported that in 2014, U.S. Gross Domestic Product—the total value of all the goods and services produced in this country last year—was \$17.7 trillion.

Forgive me if I seem to belabor the obvious, here, but I promise you that sooner than later I'm going to make a point. ***What we have just established is that the value in the marketplace of the S&P 500 public companies exceeds by a considerable margin the value of all the goods and services produced in the U.S. all of last year.***

And what is the inference I hope you will take from this? It is simply this: the notion that the **real value** of those five hundred companies' businesses is seriously unstable, and even highly volatile, is an absurdity on its face. Note that I did not make any statement about the **prices** of those five hundred companies' shares at any given moment. I said, and now say again: ***the idea that the intrinsic value of the companies is inherently and vulnerably unstable is silly.***

The distinction between the enduring value of companies and the shorter-term volatility of their stock prices is by no means academic or technical. Indeed,

your ability to make it—and to stay lashed to its mast, even as stock **prices** gyrate sickeningly from time to time—may determine your ultimate success or failure as an investor.

An ecosystem comprised of \$19.5 trillion of enterprise value in a wide variety of large, profit-motivated, rationally managed companies is inherently stable. Let me offer a pertinent example, drawn from recent experience. During the halving of global oil prices over the past year, the businesses of publicly-held oil companies have surely experienced major reductions in their expected revenues and earnings; these shortfalls have been reflected in declining share prices. The question becomes: is that money gone? Has it leaked irretrievably out of the ecosystem, to the diminution of that system?

I suggest that it has not. Rather, a great deal of it has stayed in the pockets of the American consumer—the family which spent meaningfully less money these past many months to gas up its car and heat its home than it did a year ago. The family was able to take that increment to its disposable income and either spend it—on clothing, home improvement, dining out and so forth—or save and invest it, increasing the household's net worth. The oil companies' loss thus became a number of other companies' gain.

Of course, on some occasions, the whole ecosystem contracts, and the overall economy goes into **recession**. We can all remember the so-called Great Recession of December 2007 to June 2009—at seventeen months and a 4.3% overall decline in GDP, the longest and deepest recession since the end of WWII.

During this contraction, even the largest, strongest and most stable companies—those in the S&P 500—suffered

significant declines (however briefly) in their earnings and dividends, and in their true value as continuing businesses. But—wait for it—the **prices of their stocks declined peak to trough by a staggering 57%**, topping out a couple of months before the onset of the Great Recession and bottoming three months prior to its end.

In other words, the stock price declines were hugely disproportionate to the long-term impairment (if any) of the companies, and to the contraction of the economy as a whole.

And what, finally, is the takeaway here? In one sentence, it is this: at least historically, ***stock prices have been far more volatile than either the true long-term values of the companies or the economy as a whole.*** I invite you to assume that, human nature being what it is, this will probably always be the case.

An economy coming up on \$18 trillion in annual goods and services production, and a portfolio of five hundred companies approaching \$20 trillion in share value, are of a depth and diversification as to render them inherently stable. But excesses of human emotion—euphoria and panic, fad and fear—are such that **stock prices** in the short to intermediate term will significantly and even wildly overvalue and then undervalue real, stable businesses in the real, stable economy.

And why was your financial advisor sent into the world? Exactly: to try his or her best to keep your attention focused on the enduring strengths of the better companies in a free and growing economy, and off the volatile vagaries of stock prices.

And do you suppose there is a higher calling?

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Swing Versus Club continued from page 1

We help you focus on what the club can do for you. It matters very little what you call it. Old “niblick” clubs are now called “wedges.” You may not care for the name niblick, but they are both lofted and meant to carry the ball a short distance with little roll.

For example, how about “clubs” that:

- Provide triple compounding (1) on your principal; (2) on your interest; (3) on the tax you did not have to pay?
- Provide a higher retirement income for you, while lowering your risk, in addition to providing a large legacy for the ones you leave behind?
- Provide some of the only remaining tax deductions?
- Provide tax-free income in retirement that lowers your tax rate and tax threshold and lowers the tax you pay on social security?



There are financial tools such as insurance and annuities that are designed to perform in very specific applications in order for them to be successful for you. Used appropriately, they help you win. Our goal is to always place you in a better financial position.

With Summit’s process, the goal is for you to have a greater chance of successfully reaching your financial goals and maintaining your lifestyle. That is the power of the swing versus the club, or more directly, the process versus the tool.

Call us to discuss, and as always, make great decisions.

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*From our families to yours,
thank you for your sacrifice!
God Bless America!*

The National Moment of Remembrance, established by Congress, asks Americans, wherever they are at 3 p.m., local time, on Memorial Day, to pause in an act of national unity for a duration of one minute. The time 3 p.m. was chosen because it is the time when most Americans are enjoying their freedoms on the national holiday. The Moment does not replace traditional Memorial Day events; rather, it is an act of national unity in which all Americans, alone or with family and friends, honor those who died in service to the United States



THE WALL STREET JOURNAL.





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*'By three methods we may learn wisdom:
by reflection, which is noblest;
by imitation, which is easiest; and
by experience, which is the bitterest.'*

—Confucius (551 B.C., Lu - 479 B.C., Lu)

Confucius was a Chinese teacher, editor, politician, and philosopher of the Spring and Autumn period of Chinese history.