

The Rational Optimist™

ALL THAT GLITTERS...

by Mitch Levin, MD, CWPP, CAPP



This article is not about gold, or real estate, or any other commodity. It is about the proper and prudent use of the proper investment tool. Please read this article in its entirety.

Not long ago, several competitors were promoting gold saying that it would protect against the bear, protect against the economic mess of the western world, protect against inflation, and protect against taxation. What they did not say was that gold is difficult and expensive to store and insure. Gold earns nothing, produces nothing and pays no dividend. It has a limited market for liquidity and you cannot buy anything with it as a form of currency.

And to make things worse, gold has barely kept up with inflation—but not always. Over short periods, it has underperformed relative to inflation. And governments can and already have determined its pricing by decree as President Roosevelt did in the early 1930s.

And then it was real estate. But wait. What about the 1930s, the Dust Bowl and the market crash; the collapse of the Savings & Loan in the 1980s; and then there was the 2008 financial crisis? Historically, real estate (RE) has earned little more than bonds (+/- 2.5% above long term inflation rates).

“Imagine taking a loss on the value of your investment, and then having to suffer additionally by a tax on top of the loss”

RE is usually based on the 10-year Treasury note. When rates go up, RE returns go up (called “cap rates”). Also, when cap rates go up, property prices decline. Conversely, when cap rates go down, property values go up. Just like bonds, the rates and the prices of the asset are inversely proportional. Since Treasuries are at historical lows, RE cap rates are too. Which way are interest and cap rates likely to go? What then will happen to their values?

Most successful RE investors employ combinations of other peoples’ money (OPM) with debt, leverage, or mortgages to maximize returns. All of which can increase risk. And the equity in RE earns nothing. It never has, never can, and probably never will.

Here is why; imagine two identical buildings sitting right next to each other. One is 100% leveraged and has no equity. The other building has 100% equity and no mortgage. Which building goes up or down

in value more with the markets? Correct. They fluctuate equally. If they were each valued at \$1 million and the markets go up 10%, they both would have an increased value of \$1.1 million. Thus the equity in the second building earned nothing. The rate of return was infinite for the one that was all leveraged.

Don’t misunderstand. RE is a great investment tool, when done correctly. I know this first hand. RE also includes risks and sometimes

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Protect your “Target Date”

Tolerance for Risk and Volatility while keeping your eye on your goals.

BY CHAD A. WARRICK, CHIEF INVESTMENT OFFICER & SENIOR WEALTH ADVISOR,

Market volatility can affect one’s decision-making capability, particularly if you have a short-term investment time horizon, with your target date, right around the corner. Just because you are approaching retirement does not mean we stop investing. The degree to which we invest is a function of not only the time horizon, but also your risk tolerance, and cash flow needs.

We are not limited by a two-switch function of: Risk vs No Risk. Much like a light switch with a dimmer, which grants more possibilities than just on or off, our approach allows for investment adjustments on a personal level, driven by your individual needs. Retirement planning is at the core of what makes Summit stand out. It is our vision that you, as our client, are able to maintain your life style in and through retirement.

And it is our planning process that helps identify your needs over the next few years, in conjunction with our allocation to lower risk, and adequate planning of liquid investments, that enables us to meet both your short-term and long-term goals. These are also the reasons we successfully enter recovery phases of a market correction, delivering to you the ability to maintain life style, even in the most volatile period of time.

Period	Peak-to-trough decline of the S&P500	Recovery date	Time to recovery
February 1966 to October 1966	-22%	May 1967	1 year & 3 months
November 1968 to May 1970	-36%	March 1972	3 years & 6 months
January 1973 to October 1974	-48%	July 1980	7 years & 7 months
November 1980 to August 1982	-27%	November 1982	2 years
August 1987 to December 1987	-34%	July 1989	1 year & 11 months
July 1990 to October 1990	-20%	February 1991	7 months
March 2000 to October 2002	-49%	June 2007	7 years & 3 months
October 2007 to March 2009	-57%	March 2013	5 years & 5 months
Average	-34%		3 years & 2 months

Understanding your short-term needs is critical for successful planning. What is a short-term time horizon you ask? We believe that is one to three years, keeping in mind that the average recovery of a bear market cycle is about three years.

As part of our best practices philosophy, and decades of navigating clients towards, and through, your retirement goals and dreams, our True Wealth™ management process assesses risk tolerances and time horizons.

Portfolio/Strategy	Maximum Drawdown	8/2000 to 3/2016 Annualized Return	Growth of \$1M After 5% Real Annual Withdrawals
Equity Balanced Strategy (100/0)	-57.8% (11/07 to 2/09)	+8.4%	\$1,654,264
Aggressive Balanced Strategy (80/20)	-47.5% (11/07 to 02/09)	+7.8%	\$1,482,972
Normal Balanced Strategy (60/40)	-36.1% (11/07 to 02/09)	+7.0%	\$1,255,325

We align your particular time horizon, with a particular portfolio allocation that has the highest likelihood to maintain your particular lifestyle needs. And monitoring your plan is just as important as implementing your plan. Properly allocating resources to cover short-term, mid-term, and long-term needs while strategically rebalancing your portfolio in good and bad

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Source: DFA Matrix Book. Index and mutual fund performance shown includes reinvestment of dividends and other earnings but does not reflect the deduction of investment advisory fees or other expenses except where noted. Schwab Center for Financial Research with data provided by Bloomberg. Chart reflects periods in which the S&P 500 Index fell 20% or more over a period of at least three months. Time to recovery is the length of time it took the S&P 500 to complete its peak-to-trough decline and then rise to its prior peak. This content is provided for informational purposes and is not to be construed as an offer, solicitation, recommendation or endorsement of any particular security, products, or services.



What is this new Fiduciary Rule I keep hearing about?

BY JASON PRINT, CFP® SENIOR WEALTH ADVISOR

Some clients and colleagues have asked us about articles in the Wall Street Journal and other periodicals regarding the new rule pertaining to retirement accounts announced in early April from the Department of Labor (DOL). First, here is a brief overview of the different business models within our industry. I will then discuss how the rule affects those business models.

Many Financial Advisors who offer retirement planning services both to 401(k) plans as well as Individual Retirement Accounts (IRAs) are held to a suitability requirement. This means if they are selling something to you, it needs to be suitable based upon your general situation.

In contrast, Summit Wealth Partners operates by delivering advice that is in your best interest. Essentially, acting as a fiduciary is being held to a higher standard.

One good example: Suitability means you walk into a department store looking for an outfit for a fancy dinner that evening, and the sales person sells you anything reasonable, as long as the sale is made. Fiduciary means the store requires the suit would truly have to fit you, be well made, and look good on you.

DOL's initial proposal required those who provide investment advice to retirement plans and IRAs to abide by this fiduciary standard – putting their

clients' best interest before their own profit. This initial proposal was criticized as being overly burdensome by many in the large brokerage firms, resulting in the final ruling getting curtailed somewhat. However, the curtailed rule does represent some important changes to financial services. Now, others must behave the way we at Summit have and continue to.

With the new rule, brokers will be held to the fiduciary standard with respect to not only 401(k) assets, but also distributions from 401(k) plans and IRA assets. In fact, the recommendation to "rollover" is itself a fiduciary act. Extending coverage to the rollover as well as to IRA assets is important, given that both 401(k)s and IRAs are integral and equally important parts of clients' retirement assets.

The rule also contains a "best interests contract" (BIC) exemption (or BICE) because ERISA (Employee Retirement Income Security Act of 1974) prohibits fiduciaries from benefiting from their own recommendations and other forms of conflicted compensation. To permit the continued use of commission-based distribution channels, brokers must sign a contract that states they are putting the customer's best interest first. The BIC requires that Financial Institutions give the retirement savers a private right of action for any breach of

contract, which is particularly important for advice regarding IRA investments since IRAs were not covered by ERISA. This move away from a commission based compensation system and moving more towards a more transparent fee based system is something we at Summit have been advocating. Having recently attended the prestigious Investment Management Consultants Association conference, this was a big topic of conversation. While the broker-dealers still operate on the suitability business model, Summit always operates in the fiduciary capacity.

Since this rule was recently announced, many of the lawyers for the large brokerage firms have not yet digested the new regulations, so it is too early to tell what the practical outcome of the new rule will be. Six arcane and esoteric "carve-outs" have already been added into the regulation to exclude certain persons and activities from the fiduciary rule (for details on this, email me directly). The final rule will not begin to take effect until April of 2017 and full implementation is due January of 2018.

As always, we have you covered. The Summit team welcomes any questions or concerns regarding this topic or any others.

"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."



Getting Organized

Let Summit Help You!

BY NICOLE SADEZ, CLIENT RELATIONSHIP MANAGER

How long should I keep records? It is a simple question with a complex answer. The time period you should keep documents varies on the action, amount it records, and if it has tax implications; every situation is unique. If you are uncertain, please consult legal advice before destroying records.

What about organization of the documents that you do keep? First you will need to decide if you wish to keep primarily paper or electronic records. (For some documents, it is best to keep the original paper form.) Once decided, you will want to create a filing system that suits your specific needs.

If you decide to keep your records in paper form, a binder with dividers is a great solution. A good organization starting point is to group records into sections. Below are some common sections:

1. Important Information - Emergency and family contacts, emergency instructions, contacts: legal, financial, doctor, medical and other professional contacts.
2. Proof of Person (best to keep original paper forms) - Birth certificate, passport, marriage license, military service papers, Social Security card, citizenship records, etc.
3. Financial - Tax returns, receipts, credit card and bank statements, bills, credit card agreements, loan documents, credit reports and insurance documents.

4. Medical - Medical history, test results, bills, prescription and allergy information.
5. Professional - Employment contacts, performance reviews, employee manuals, vacation/sick day authorization, continuing education certificates, and important notices that affect benefits.
6. Proof of Ownership/Purchase - Any documents that prove you own your large purchases and most valuable assets, i.e. deeds for real estate, other mortgage papers, automobile titles, major appliances, bond and stock certificates, electronics, and jewelry.
7. End of life/Estate - Last Will and Testament, Power of Attorney, funeral wishes and arrangements.

Consider keeping a second, smaller binder containing only the "Important Info" section in case of emergency. Tell someone you trust where it is stored. It is important to communicate with the appropriate professionals to review and update your important documents on a regular basis.

Let Summit Wealth Partners help you! We are currently offering by appointment shredding, scanning and creating a digital or hardbound "Summit Life™" binder. Call us today!

Please remember to honor our fallen soldiers on Memorial Day with a moment of silence at 3 p.m., local time. The National Moment of Remembrance, established by Congress, asks Americans 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. This 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.

Office Closings

Friday May 13th : Orlando closing at 1:00pm

Monday, May 30th : All offices closed in observance of Memorial Day

JUST A COMMON SOLDIER

A Soldier Died Today, by A. Lawrence Vaincourt

He was getting old and paunchy and his hair was falling fast,
And he sat around the Legion, telling stories of the past.
Of a war that he had fought in and the deeds that he had done,
In his exploits with his buddies; they were heroes, every one.

And tho' sometimes, to his neighbors, his tales became a joke,
All his Legion buddies listened, for they knew whereof he spoke.
But we'll hear his tales no longer for old Bill has passed away,
And the world's a little poorer, for a soldier died today.

He will not be mourned by many, just his children and wife,
For he lived an ordinary and quite uneventful life.
Held a job and raised a family, quietly going his own way,
And the world won't note his passing, though a soldier died today.

When politicians leave this earth, their bodies lie in state,
While thousands note their passing and proclaim that they were great.
Papers tell their whole life stories, from the time that they were young,
But the passing of a soldier goes unnoticed and unsung.

Is the greatest contribution to the welfare of our land
A guy who breaks his promises and cons his fellow man?
Or the ordinary fellow who, in times of war and strife,
Goes off to serve his Country and offers up his life?

A politician's stipend and the style in which he lives
Are sometimes disproportionate to the serve that he gives.
While the ordinary soldier, who offered up his all,
Is paid off with a medal and perhaps, a pension small.

It's so easy to forget them for it was so long ago,
That the old Bills of our Country went to battle, but we know
It was not the politicians, with their compromise and ploys,
Who won for us the freedom that our Country now enjoys.

Should you find yourself in danger, with your enemies at hand,
Would you want a politician with his ever-shifting stand?
Or would you prefer a soldier, who has sworn to defend
His home, his kin and Country and would fight until the end?

He was just a common soldier and his ranks are growing thin,
But his presence should remind us we may need his like again.
For when countries are in conflict, then we find the soldier's part
Is to clean up all the troubles that the politicians start.

If we cannot do him honor while he's here to hear the praise,
Then at least let's give him homage at the ending of his days.
Perhaps just a simple headline in a paper that would say,
Our Country is in mourning, for a soldier died today.

As seen...



THE WALL STREET JOURNAL.





CROSSING THE FINISH LINE

By Kristiana Daniels, Client Relationship Manager

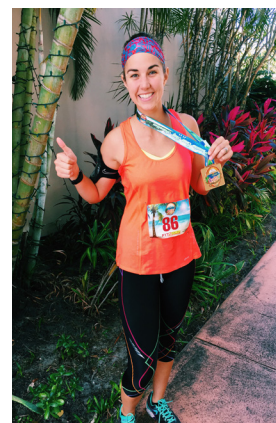
Thirteen point one. That number never held a significant meaning to me. However, this past April I ran my first timed half-marathon which has completely changed my perception of the number “13.1”. Throughout the event, I could not help but think of how closely running a race, related to investing your hard-earned savings.

My first few miles felt great! The soles of my feet made gentle, rhythmic contact with the ground. Surely my face reflected the excitement and confidence I felt brewing inside of me. It was not long before sentiments began to change. Traces of fatigue surfaced, and my mind fought to stay focused and engaged. I had set this goal, and even after steadily training to achieve it, I was desperate for a break by mile 9. My focus drifted to the right, where I saw people lining the course, simply to cheer on the runners. A smile crawled across my face, as I reached for a sip of water, and became engulfed by the encouragement. These people surrounding me were the catalyst to push me forward. They reminded me of my goals, when the task at hand appeared impossible. When I was prepared to surrender, the sound of one voice shouting, “You’re almost there” was enough to realign my momentum. Crossing the finish line at the end of 13.1 miles delivered a humble sense of accomplishment.

When our clients allow us the privilege to assist in planning for their financial future, the process looks quite similar. The concept of adhering to a financial plan seems simple in theory; however as the years pass, unpredictable variables, such as market volatility and recoveries, can sometimes raise feelings of fatigue and concern. This change in sentiment may cause you, as an investor, to question the likelihood of meeting your retirement goals. These variables are a part of running the race. They do not disqualify you from crossing the finish line. Simply look to your side, and we will be there cheering you on, running the race with you, always acting in your best interest.

At Summit, your long-term goal is our long-term goal. We are proud to train for it together.

Kristiana



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the net returns can be disappointing. I know this first hand, too. I have advised several colleagues on how best to begin their RE ventures. Feel free to call me or any Summit advisor for more input and perspective.

What prompted this article was the recent headline in the April 2016 Wall Street Journal, “Tax Pain from MLPs Worsens.” Master Limited Partnerships (MLPs) are a highly complicated investment vehicle of choice for energy (oil and gas drilling sites, mineral rights, pipelines, and other ancillary services). The reason is the tax treatment.

When energy prices are stable, or rising, MLPs function well. There is depreciation that offsets income. When

energy prices are volatile, or declining, there may not be enough cash to cover the obligations. Then you could get hit with “phantom income tax.” Imagine taking a loss on the value of your investment and then having to suffer additionally by a tax on top of the loss. That is exactly what has happened to many MLP investors.

MLPs were being heavily touted by many financial sales people from 2010 to 2014. Energy prices were in full bloom. The economies emerged from a near collapse. Fracking took off, making new millionaires out of farmers from Texas to Pennsylvania, to North Dakota. The Keystone XL Pipeline was still a dream while BP’s gulf disaster remained fresh in our memories.

MLP owners were happy and earning high returns with (unrealized) capital gains. Oil at \$100 a barrel was supposed to go to \$200. Yikes! They forgot that oil, like all commodities, is volatile. It plummeted to below \$30 per barrel. Now certain investors suffered realized capital losses and a tax bill. Ouch.

The moral of this story is that at Summit, we do not sell financial tools. We provide advice, trusted advice, on which tools to buy and when and how to use them. You pay us a fee and only a fee, for that advice. That is how we work to deliver Solid Growth that is Safely Managed with Trusted Advice.

Nick

IN THE KNOW & ON THE GO

FINGLISH

Continued from Page 2

markets, protects your investments, and improves the distributions of income you deserve and enjoy.

One new process we have developed and refined gives you improved access in the monitoring of your retirement and financial plans through the launch of our True Total Wealth Engine™. It includes an online site and smart phone app that helps you monitor your plan, along with the ability to store vital documents such as Wills, Deeds, Trusts, Tax Returns, Titles, etc.

One a side note, a very big “Thank You” to the clients who helped me put this article together. We know the markets have been volatile, and we are making important decisions regarding your financial security everyday. Thank you for appointing us to be your Trusted Advisor.

Thank you for the responsibility to maintain discipline on your behalf. That discipline leads you to continue making great decisions. We will not allow fear and greed to guide important decisions, which can have a negative and life-time effect.

I look forward to seeing you soon.

*Be Well,
Bill*

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

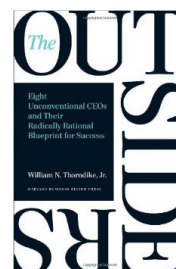


RALEIGH, NORTH CAROLINA



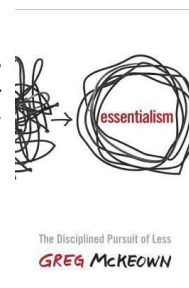
NAPLES, FLORIDA

BOOKS WE'RE READING



The Outsiders
By William N.
Thorndike, Jr.

**Essentialism: The
Disciplined Pursuit
of Less**
By Greg McKeown



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

"Intense love does not measure, it just gives"

—Mother Teresa