May 2018 | Volume 9 | Issue 3

SUMMIT WEALTH PARTNERS, LLC

THE Rational Optimist™

The Dawning of the Amazon Effect

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

The Amazon Effect is a term created to describe the ongoing evolution and disruption of retail markets, due to an increase in e-commerce.

As Amazon has grown, it's effect over a vast array of products, and both physical and online retail is astounding. The term itself, "Amazon Effect," is an acknowledgment of Amazon's continuing domination of all facets of the retail environment.

Amazon has come a long way since 1994 when it was just an online bookseller primarily competing against brick-and-mortar bookstores. They now control approximately 50% of total e-commerce sales in the U.S. and offer an endless number of products and services.

From grocery deliveries, original TV content, Amazon Web Services as well as about every product you can imagine from garbage disposals to coffins. Amazon has become such an integral part of our lives; it's hard to imagine life without it.

Due to Amazon's dominating presence, it's difficult to find a part of the economy that does not feel its impact. Inflation, the increase in the price of goods and services and subsequent decrease in currency value, is not an exception to this.

Shopping for the best deal on Amazon is easier than ever, attracting the price conscious American consumer. How often have you opened up Amazon to do a quick price check on a product?

As prices for products and services remain low, inflation has remained in check, and we have not seen a significant increase in this specific sector of our economy.

Almost all retailers have been forced to compete with Amazon's competitive pricing strategies, yielding mostly positive economic benefits, but it has not been without some casualties.

Many Mom-and-Pop retail stores have been forced to shut down their business, unable to compete with Amazon's pricing and low overhead. The retail workforce has also taken a hit as the Amazon Effect slowly but surely eliminates general retail positions.

According to Forbes, traditional retail employs about 16.5 million Americans - nearly 10% of the entire workforce. An estimated 6.2 million jobs are in the product lines targeted by e-commerce.

Over the next five years, the imminent decline of brick-and-mortar stores will likely cause 26% of all retail-related jobs to disappear.

Many economists believe Amazon has become such an economic powerhouse that the lowering of prices has had a deflationary effect on the Consumer Price Index or CPI. The consumer goods category makes up about 35% of core CPI, which excludes food and energy.

This category accounts for the majority of the Amazon's revenue. Many believe that Amazon's impact on the consumer goods category reaches much further than the products it sells alone.

Its presence has arguably changed the behavior of many large retailers, Wal-Mart, Macy's, and Target- just to name a few, forcing these companies to lower prices, and up efficiency, to compete with Amazon for market share.

To what extent has Amazon's business model, caused other companies to reduce their prices? Has the consumer demand

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Summit Social Security Snippets

BY AMANDA PATE, CFP®, CLIENT RELATIONSHIP MANAGER

8 Tips to help you get the most out of your Social Security benefit:

+ *Earned & Entitled*

To obtain Social Security credits, the Social Security Administration reviews at the amount of money you earn from work on which you have paid Social Security payroll tax. You must work for at least ten years and earn a minimum of 40 credits. The earnings amount needed per credit in 2018 is $1320, and four is the maximum number of credits you can earn in one year.[1]

The item that drives your benefit amount is based on the highest 35 years of earnings. If you have zero earnings within the 35-year calculation, your retirement benefit will be reduced. This is why it is essential to check your earnings history on your Social Security Statement to catch any earnings inaccuracies before applying for benefits.

Social Security Retirement Benefits can start as early as age 62. Disability benefits may start even sooner if you have a debilitating illness or injury that prevents you from working.

+ *Marriage Benefit*

You may be entitled to Social Security Retirement Benefits on not only your own work record, but as a spouse. You must be married at least one year to claim benefits as a spouse. Same-sex couples are entitled to the same Social Security benefits as heterosexual couples.

Depending on your age at the time of a claim, your spousal benefit could be as much as one half of your spouse's benefit. In most cases, the benefit you will receive will be the higher of the two - your work-record-driven benefit amount or your spousal benefit amount.

+ *Collect on Your Ex*

For the single divorcee, previously married for at least ten years, you may be able to collect Social Security Benefits on your ex-spouse earnings record. If you and your ex-spouse are both over the age of 62 years old and divorced for at least two years, you can collect benefits as an "independently entitled spouse" even if the ex-spouse has not yet claimed benefits.

+ *Disappearing Opportunity*

If you were born on or before Jan. 1, 1954, you are eligible to claim only spousal benefits on your spouse's earnings record when you turn 66, allowing your own retirement benefits to continue to grow by 8% per year up to age 70.[2]

Younger workers do not have this choice. Whenever they file for Social Security, they will be "deemed" to file for all available benefits and paid the higher of the two amounts.

+ *Caregiving Spouse*

If your spouse is collecting either Social Security retirement or disability benefits and you are caring for their minor child under age 16 or permanently disabled adult child, you may be eligible for a spousal benefit regardless of your age. Once the youngest child turns 16, you will lose your benefits until you qualify for retirement benefits as early as age 62.[2]

+ *Survivors Have Choices*

If you are entitled to a Social Security retirement benefit on your own earnings record, and you are a surviving spouse, you can choose whether to collect your retirement or survivor benefit first.[3] Later you can switch to the other benefit if it would result in a more substantial amount. Reduced survivor benefits are available as early as age 60.

+ *Earnings Test*

Anyone who collects any Social Security benefits — as a worker, spouse or widow — before full retirement age while continuing to work could lose some or all of their benefits to the earnings test.[3] They would forfeit $1 in benefits for every $2 earned over $17,040 in 2018. Any benefits lost to the earnings cap would be reinstated at full retirement age in the form of higher monthly benefits.

+ *Newest Suspension Rules*

If you are collecting benefits on your spouse's earnings record and your spouse decides to suspend benefits at full retirement age to earn delayed retirement credits, keep in mind that your spousal benefits would stop, too.

Under new rules that took effect in 2017, anyone can still suspend benefits at full retirement age, but no one can collect benefits on that worker's record during the suspension. There is an exception for divorced spouses. If an ex-spouse suspends benefits, it will not affect the benefits of a former spouse.

At Summit, we look to maximize your Social Security benefits by analyzing your retirement plan and cash flow needs. We can develop personalized strategies for our clients to optimize the benefits they may be entitled to receive. If you have any questions about your current situation or simply would like validation on your benefit status, we look forward to having the conversation.

Best Regards,

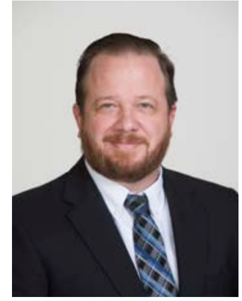
Amanda

http://www.investmentnews.com/gallery/20170609/FREE/609009999/PH/what-every-woman-should-know-about-social-security&Params=Itemnr=11

1. https://www.ssa.gov/benefits/retirement/
2. https://www.crainswealth.com/gallery/20170609/FREE/609009999/PH&Params=Itemnr=4
3. http://gerberco.com/newsletters/newsletters-2017_05_10_05.html

The Risky Business of Stability

BY ANDREW DICKENS, DIRECTOR OF PENSION SERVICES & WEALTH ADVISOR



We've had a remarkable recovery since the Great Recession of 2008 and 2009. The markets have been on a bull run for over nine years now.

The Dow Jones has had it's longest and most significant recovery since World War II. The S&P 500 is likewise having its second longest and largest recovery since the technology rally of the nineties.

The equities market is only half of the equation when it comes to most investor portfolios. The fixed income (or bond) market saw yields bottom out during the recession and early recovery, This benefited clients' fixed income portfolios as equities markets were declining or just beginning to recover.

However, this is not always the case and sometimes prevailing economic conditions give rise to situations where the fixed income side of the portfolio will suffer from price drag until prevailing interest rates stabilize.

At Summit, we manage risk in the fixed income portfolio in many ways, including using shorter duration income and non-correlated instruments.

While these strategies are effective in overcoming these shorter-term risks, they introduce longer-term risks if subsequent market cycles take abnormally long to develop.

For an investor currently in a 60/40 allocation, just shifting to a 64% equity, 16% fixed income, and 20% defensive income strategy could see as much as a 24% reduction in risk while increasing their potential legacy by 16%.

A recent tightening of the monetary policy from the Federal Reserve has led to a flattening of the yield curve. Investors are likely to see a drag on their fixed income performance because bond prices move inversely with yields, and yields are expected to continue to climb in the near future.

While equities are known to be "riskier" investments, with better return potential than comparable investments, the fixed income allocation of a portfolio is considered the "safe" portion.

Investors who are in the distribution phase, or "distributors," are especially susceptible to volatility in both equity and fixed income allocations.

The distribution phase refers to investors who are taking periodic withdrawals from a portfolio to supplement income in retirement. Due to this fact, distributors must periodically sell investments to produce the cash needed to distribute.

Selling investments that have produced gains are desirable to capitalize those gains and, when re-investing, to re-balance the portfolio. However, selling investments at a loss are capitalizing those losses because that distributed cash will never be able to participate in the subsequent recovery.

Unfortunately, we can't always control when we need to take withdrawals, but there are many different options available for investors to defray sequence risk.

One of the most effective we've found is for investors to consider shifting some of their fixed income allocations into a defensive strategy with a focus on stability and principal protection. This defensive option has the effect of insulating against fixed income losses during rising interest rate environment.

For a typical investor currently invested in 60% equities, 40% fixed income, considering a move of just 20% of their portfolio to a defensive strategy for the fixed income portion of the portfolio can reduce overall portfolio risk, by providing a bucket of assets to tap for withdrawals that is principal protected.

When we need to take a portion of our portfolio as income, and we don't have many good options to choose from, a defensive choice that has not been subject to the same daily fluctuations can provide that income without subjecting us to capitalizing losses in a down market.

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Planning for Long-Term Care

BY CHAD WARRICK, CO-PRESIDENT & CEO

One of the most significant concerns expressed by many of our clients is the unknown cost of healthcare during retirement. In addition to the price of basic healthcare, it's the variable cost of long-term care, should the need arise, that can be difficult to plan for.

The inability to quantify the extent and expense of long-term care essentially creates a moving target in the planning process.

The cost of health care has risen dramatically in recent years due to increased longevity (meaning extended continuing care), the high price tag associated with technology in healthcare, and the bureaucratic process of reimbursement and claim handling.

We can implement strategies to lessen the economic impact of the unknown

Because healthcare costs can be a potential threat to a retiree's estate – Long-term care planning is an essential part of our estate planning and financial planning conversations.

When the need for extended long-term care services arises, we must look towards the options of self-funding, drawing from an existing long-term care policy, and as a last resort, Medicaid.

Long-term care insurance is designed to help pay for an individual's long-term care expenses. Depending on the plan you choose, it may pay for a portion or all of your care.

Additionally, a long-term care policy could potentially be leveraged in conjunction with Medicaid benefits, as long as all Medicaid requirements are satisfied.

Recently, I met with a client and an experienced Elder Law attorney who assists with Medicaid planning strategies, as well as, the Medicaid application process.

Medicaid is the most extensive public payer of long-term care services. Considering it is a joint federal and state public assistance program, the rules and benefits often vary by state.

Typically, eligibility is based on two types of requirements – general and financial. Once qualified, there are additional functional requirements to meet in order to be eligible for long-term care services.

Due to stringent financial requirements for eligibility, the Medicaid application process requires a five-year look-back on financials.

Most gifts or transfers of assets made within five years of applying for long-term care are presumed to be an attempt just to qualify. Actions such as this will trigger a period of ineligibility on the theory that those assets could have been used to pay for the individuals care.

It is important to note that not all transfers trigger a period of ineligibility. Due to changes in Medicaid laws, there are various exceptions to the rule, and certain assets that can transfer without penalty.

There is an entire legal specialty that focuses on providing older Americans with help and support as it relates to Medicaid planning.

While we may not be able to control the unforeseen, we can implement strategies to lessen the economic impact of the unknown. Through collaborative planning, we can work together to create a plan long before the potential need arises.

Be Well,

Our offices will be closed on Monday, May 28th in observance of Memorial Day.

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.

Navigating the Retirement Risk Zone: How to Avoid Running Out of Money, Part 2

BY CHAD LEATHERWOOD, CFP®, WEALTH ADVISOR

In part 1 of this article, we discussed the importance of your financial decisions during what has been called the Retirement Risk Zone, or the period 5-10 years before retirement through the 5-10 years after your retirement date.

During this period, exposure to sequence of return risk is a serious concern. With this risk, a series of negative returns early in your retirement while you are making withdrawals can have a devastating effect on your portfolio's ability to last through your retirement.

A popular strategy used for dealing with sequence of return risk, is the 4% rule.[1]

Four percent has been considered a safe starting rate of withdrawal from a portfolio for a retirement that is expected to last about 30 years. With this method, 4% is the starting withdrawal rate from the portfolio and the amount withdrawn is increased each year for inflation regardless of what is happening with the markets.

▶ *Other Retirement Income Approaches*

There are different approaches beyond the 4% rule to consider. One of these methods is simply taking a fixed percentage without inflation adjustments. With this approach, if the portfolio goes down during a bear market, withdrawals would automatically be less based on the account value going lower. On the flip side, if the portfolio is growing over time, higher amounts would be withdrawn as the value increases.

Still, another method that is based one life expectancy could be considered. This is how Required Minimum Distributions (RMD) from Retirement accounts are calculated. With this kind of approach, a greater percentage could be withdrawn as you grow older and your life expectancy decreases.

▶ *A Safety-First Approach*

While longevity is an advantage, it can also be a risk to your wealth. Some prefer taking what well know retirement researcher and professor, Dr. Wade Pfau, Ph.D., CFA[2] calls a "safety-first" approach to income planning.

As an example of this kind of approach, expenses can be divided between needs, wants and legacy goals. These requirements can be satisfied with relatively safe sources of income, often from a combination of Social Security, Pensions, and Annuities.

With an income floor created, the risk for longevity and sequence of return is mitigated. When establishing the income floor, it is essential that sufficient inflationary increases are built-in.

With basic needs covered, your discretionary expenses (wants), can be covered by your portfolio, potentially using one of the withdrawal methods discussed above. Legacy planning goals might be satisfied by the investment portfolio or even life insurance.

▶ *Which approach is right for you?*

There is no one-size-fits-all solution for safely navigating the retirement risk zone and mitigating the risk of running out of money later in life. In this article, I covered some important considerations and some of the methods for creating a sustainable retirement income.

An approach or combination of approaches may be crafted to address your unique situation, preferences, and goals. If you are at this crucial stage of life and would like to learn more, or discuss your current strategy, please reach out to us.

Regards,

1. http://www.investopedia.com/terms/f/four-percent-rule.asp#ixzz4n7ipDQg
2. https://retirementresearcher.com/what-is-a-safety-first-retirement-plan/

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

Continued from page 1, The Dawning of The Amazon Effect

for lower-priced goods helped to limit inflation?

When the Federal Reserve lowered interest rates to zero a decade ago, most economists thought higher inflation was inevitable.

When you add 4% unemployment to the equation, and strong economic growth over the last several years, economists are left befuddled by the lack of inflation. The Federal Reserve highlighted in its recent commentary that Core CPI is below the inflation target rate of 2%.

While the direct effect of Amazon is one part of the equation, the indirect effects are a bit more challenging to quantify. Many companies have started utilizing Amazon's Web Services as a cloud management tool. This tool has enabled companies like Netflix, Adobe, Airbnb, McDonald's and BMW to reduce technology costs.

While this type of system is now a mainstream necessity to compete in today's tech-savvy world, it's just not cost-effective for companies to attempt to replicate.

Now that many small businesses can sell products on Amazon's website and use Amazon's fulfillment centers to manage the shipping, companies can keep their infrastructure costs low. Again, lowering costs for both small and large companies, which in many cases, are outside of the consumer goods sector.

With inflation not materializing as many anticipated, economists continue to study the influence of technology. The expectations are for the Federal Reserve to keep tightening, even if inflation remains relatively soft.

Stay tuned for the Amazon Effect part two coming in next months newsletter.

Best Regards,

Continued from page 3, The Risky Business of Stability

As your financial advisors, we manage risk and volatility for our clients in many ways:

1. Knowing your portfolio performance requirements per your long-term financial planning needs
2. Understanding your risk tolerance and allocating accordingly
3. Systematically re-balancing
4. Using cash reserves for short-term income needs
5. Utilizing alternative, defensive strategies for income bucketing and as a hedge against fixed income volatility

We know that each clients' situation is unique and risk tolerance can change over time, so it's important to be open to your advisor about this so we can reexamine your tolerance for risk more thoroughly.

In the next article, I'll discuss how using a stable, principal protected asset allocation for a portion of your portfolio can also help mitigate another type of risk, known as sequence risk, which is especially important for distributors as well as accumulation investors who are approaching retirement.

Best Regards,

Summit Orlando is Moving!

We are excited to announce that our Orlando location is moving to a brand new home this summer. We are looking forward to sharing some photos of the building project, conveniently located across the street, in the next newsletter.

SUMMITWISE

WE ARE A WEALTH OF KNOWLEDGE

Did You Know?

- More phone calls are made on Mother's Day than any other day of the year.
- 25% of all flowers purchased throughout the year are purchased on Mother's Day.
- In most languages all over the world, the word "mother" begins with the letter, "M."

Sources: history.com & msn.com

SUMMIT SPOTLIGHT

A LOOK INTO THE LIVES OF THE SUMMIT TEAM

Welcome, Chelsea McGee!

Chelsea joined the Orlando client service team in March. She brings with her a diverse background in the finance industry ranging from investment counseling as a series 6 licensed representative to corporate retirement plan administration. Chelsea's interest in the wealth management industry is derived from her desire to interact on a more personal level with the client base she serves while feeling like she is making a real difference.

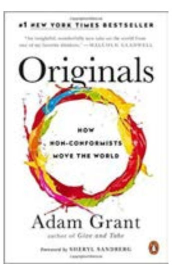
In her previous role, Chelsea held a spot on the process improvement committee which utilized six sigma concepts to improve upon existing business process; she hopes to bring some of those skills to Summit in order to better serve our clients.

When Chelsea is not at work, she can be found with her family enjoying the local theme parks and other outdoor activities.

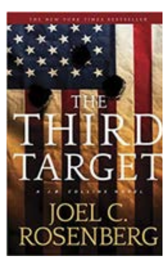
FUN FACTS ABOUT CHELSEA

- Born and Raised in Texas, but currently resides in beautiful Ocala, FL
- Mother of 2 awesome kids, Gauge, 9 and Delilah, 5
- Proud pet parent of an African Sulcata Tortoise, a cat, and a dog
- Disney Enthusiast- favorite park: Animal Kingdom
- Loves living in Florida, but dislikes the beach
- Mexican Food lover, vegetable hater
- Enjoys all things crafty and creative
- Number 3 of 13 siblings

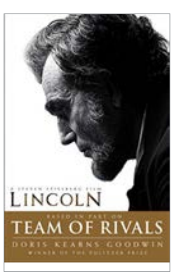
BOOKS WE'RE READING



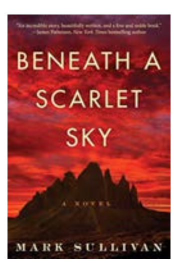
Originals: How Non-Conformists Move the World *by Adam Grant*
Originals addresses the challenge of improving the world, but now from the perspective of becoming original: choosing to champion novel ideas and values that go against the grain, battle conformity, and buck outdated traditions. How can we originate new ideas, policies, and practices without risking it all?



The Third Target: A J. B. Collins Novel
by Joel C. Rosenberg
When New York Times foreign correspondent J. B. Collins hears rumors that an al-Qaeda splinter cell—ISIS—has captured a cache of chemical weapons inside Syria, he knows this is a story he must pursue at all costs. Does the commander of the jihadist faction really have weapons of mass destruction? If so, who is the intended target? The U.S.? Israel? Or someone else?



Team of Rivals: The Political Genius of Abraham Lincoln
by Doris Kearns Goodwin
Goodwin illuminates Lincoln's political genius, as the one-term congressman and prairie lawyer rises from obscurity to prevail over three gifted rivals of national reputation to become president. This brilliant multiple biography is centered on Lincoln's mastery of men and how it shaped the most significant presidency in the nation's history.



Beneath a Scarlet Sky: A Novel
by Mark Sullivan
Based on the true story of a forgotten hero, the triumphant, epic tale of one young man's incredible courage and resilience during one of history's darkest hours. Pino Lella joins an underground railroad helping Jews escape over the Alps, and falls for Anna, a beautiful widow six years his senior.

Cover Images & Summaries: Amazon.com

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Our offices will be closed on Monday, May 28th in observance of Memorial Day.

AS SEEN ON:

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MYSUMMITWEALTH.COM

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

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

JACKSONVILLE
822 N A1A Hwy., Suite 310
Ponte Vedra Beach, FL 32082
(904) 273-4550

FORT MYERS
15050 Elderberry Ln., Suite 6-11
Fort Myers, FL 33907
(239) 362-9077