

The Rational Optimist™

A Case for Growth

by Mitch Levin, MD CWPP, CAPP



Many investors seem to be nervous about our current state of affairs. Whatever your position may be on regulation, taxation, unemployment, income equality or inequality, and the direction of our nation-- the news media noise can make us nuts. We have heard these conversations. "The country has never been here before: inflation is on the horizon, all that sovereign debt, all that welfare state spending, assets are in a bubble, taxes will have to go up." And, while much of it is true, historically we have been here before, it has happened to us, too, and frequently.

Here is what today's economic gloom-sayers are missing. The first is technology. The great era of technological progress between 1870 and 1914 was dependent upon cheap and ever better materials. Yet what is happening to materials now is a leap, far beyond any of the past, with new resins, ceramics, and entirely new solvents designed in silicon resulting in nano-technology

and graphene sheets of one-molecule-thin carbon that can be arranged to make the strongest, or the most flexible material on earth. Graphene is likely to replace silicon, and transistors, and solar cells, in applications we cannot even yet imagine. Gene modification is another area of expanding frontiers. "Nano-bomb" antibiotics that physically penetrate bacterial membranes are the next weapon in mankind's never ending war on microbes. Remember, robotics, artificial intelligence, and nano technology.

Where some look at technology as taking away jobs, many recognize the value it has brought to the world. In America, 50 years ago, the life expectancy was 72, the S&P 500 was 75, there were three TV channels, no computers, 15% of commercial buildings and fewer houses had air-conditioning. If that is too long ago, 20 years ago, 1994: beginning of cell phones and the internet, VHS, apartheid, Rwanda genocide, AIDS epidemic,

baseball strike, population 262 million, the S&P 500 was 460.

Now, we are 315 million, with a life expectancy in the mid 80s, and the S&P 500 is 2000.

The world's economy is growing, faster than the British grew during the industrial revolution. The American economy too is gaining strength; whatever your politics may be, the fact is that the second quarter of 2014 (last reporting at the time of this writing) has seen a pace of 4.2%. U.S. manufacturing – yes, we still produce stuff – has been on a roll. Capital expenditures are set to rise from 3% to 5.3%; Kiplinger forecasts 7% in 2015. Acquisitions have increased from \$69 billion to over \$81 billion according to Dealogic. Home sales are up 8.9% and new home starts are up 8.6%. Retail sales are up 4%, while vehicle sales are up 4.7%. Health care cost-inflation has decelerated to 3% from a high of 9% just a few years ago.

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Update on Qualified Charitable Donations

By Chad A. Warrick, Chief Investment Officer

It is the time of year when many of us are thinking about our charitable giving plans. Although the Qualified Charitable Donation (QCD) provision expired on January 1, 2014, it is very important for us to continue considering the provision now, as part of our 2014 tax planning strategy, as it will likely be re-authorized for 2014 and 2015. This past July, the House passed the "America Gives More Act of 2014" (H.R. 4719) which includes tax extenders. However, we will have to wait until after the November elections to see how the provisions will pan out.

To recap from my previous article: Qualified Charitable Distributions count toward satisfying any required minimum distributions (RMDs) that you would otherwise have to receive from your IRA in 2014, just as if you had received an actual distribution from the plan. However, to receive the tax benefit, the QCD must go directly from your IRA to the charity; it cannot come to you first, then go to the charity. In other words, distributions that you actually receive from your IRA (including RMDs) that you then subsequently transfer to a charity cannot qualify as QCDs.

Currently, under consideration are four tax breaks for charitable giving; two of them are "tax extenders." First, is the Charitable IRA Rollover which encourages older Americans to contribute from their Individual Retirement Accounts; IRA owners that are age 70 and ½ or older may exclude up to \$100,000

a year from income if the funds are paid directly to certain public charities. (Otherwise, the IRA owner would have to pay tax on the IRA funds before claiming the deduction.) Many of you utilized this tax break last year for your charitable giving contributions.



Also, under consideration, are provisions that would allow IRA funds to be placed into a charitable remainder trust or a gift annuity beginning at age 59 ½. The charity and the retiree would split the money, with the retiree receiving lifetime income which is taxable.

Second, is the enhanced conservation easement tax break. This was first put into place in 2006. With a conservation easement, you give some, or all, of the development rights on your land to a government agency, or not-for-profit, and you get a federal income tax deduction for the gift. Farmers and ranchers can offset up to 100% of their adjusted gross income with conservation donations, potentially zeroing out their tax liability for the next 15 years.

Third, is the charitable giving extension which makes it possible for givers to have up until April 15, 2015 to make a gift and have it applied to the 2014 tax year.

And finally, the fourth tax break would simplify the private foundation excise tax rules to a single 1% rate on their investment earnings, making it much easier for foundations to make charitable contributions.

Ashlea Ebeling of Forbes, wrote that the likelihood of the charitable giving extension and the private foundation excise tax break is uncertain as the Senate hasn't even considered them yet. As for the IRA charitable rollover and the enhanced conservation break, the Senate Finance Committee passed a tax extenders package in April which included them – renewing them for two years through 2015. These two appear to have a good chance at renewal and maybe even permanence.

If you have any questions, or concerns, please don't hesitate to call. We have all the forms and other resources here at Summit to help you make your charitable giving and take advantage of the available tax breaks for 2014

Good News About College Tuition

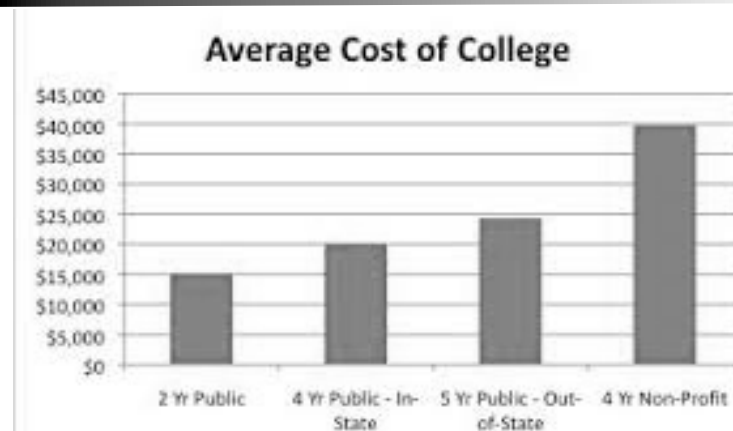
By Jason Print, Senior Wealth Advisor, CFP®



With the start of the football season, comes back to school time! For those with relatives in college, you know all too well the high costs of higher education. We have received some welcoming news and statistics about rate increases.

According to Cristina Lourosa-Ricardo writing for the Wall Street Journal, the average tuition and fees for in-state students attending a public four-year college rose only 2.9% in the 2013-2014 academic year; this is the smallest percentage increase in more than 30 years. For much of the early part of this decade, year over year tuition increases were in the high single digits. In the fifteen years since I graduated from the University of Dayton, tuition has more than doubled. As recently as 2011-2012, the average tuition increase was 8.5%!

The data for out of state schools is slightly higher than in state at 3.1% increase in 2013-2014 and total tuition



and fees for private nonprofit schools was 3.8%.

While the slower growth is a welcome relief, the total expense for a college education remains high. Average tuition and fees at a private nonprofit four-year college is approximately \$30,094. When you add in costs of room and board, books, supplies and other expenses, the total costs come to around \$44,750. On the more economical side, the total expense for public four-year in-state schools averages around \$22,826.

For those of you who are thinking ahead and would like to discuss different options to help meet higher education costs for a loved one, please don't hesitate to contact your advisor.

There are a number of options that exist, depending upon your time frame and unique situation. We would be happy to discuss them with you.

Something to Consider...

The people that you care about are seeking financial guidance from someone. Doesn't it make sense for them to receive this important guidance from someone that you know, like and trust?

Thank you for your continued trust and confidence!



IRS Changes for IRAs

by Andrew Dickens, Wealth Advisor

Here at Summit, we stay apprised of all new and changing IRS rules and updates to ensure that our clients are making the best decisions possible for their financial well being. You may find the following information interesting and helpful. This article is not intended nor should it be interpreted as providing individualized tax advice. Please consult your advisor, or a trusted tax professional for any specific questions related to these rules or any other tax related question.

Recently, I participated in an IRS webinar where we learning about some important rule changes that are happening now, or in the near future. I wanted to share with you, The two most significant rule changes which pertain to clients with IRAs, 1. new IRA rollover rules, and 2. the creation of longevity annuity contracts.

New IRA Rollover Rules

Earlier this year a monumental decision by the U.S. Tax Court in *Bobrow v. Commissioner* reversed a long standing IRS position. Rollover rules allow IRA owners the opportunity to take a distribution from an IRA and re-deposit into the same or different IRA without paying taxes on the distribution as long as the deposit was made within 60 days of the initial withdrawal. Prior to this Tax Court ruling, the IRS rules according to Publication 590 basically said that you cannot make a tax-free (within 60 days) rollover into an IRA if you have already completed a tax-free rollover into or out of the IRA within the previous 12 months. This interpretation allowed other, "untouched" IRAs to rollover funds tax-free at any time provided they complied with the 60 day rule. The Tax Court's decision ruled that IRAs are aggregated for the purposes of determining whether rollovers can be tax-free or not. For example, suppose you own two IRAs: IRA 1 and IRA 2.

According to IRS Announcement 2014-15, the new rules are intended to go into ef-

For example, suppose you own two IRAs: IRA 1 and IRA 2.

According to the OLD rules, if:

- You rollover \$30,000 from IRA 1 into a new IRA 3 within 60 days (tax-free); IRA 2 is untouched.
- Then you cannot make another tax-free rollover from IRA 1 or IRA 3 for the next 12 months.
- Since IRA 2 has not had any money rolled over in the previous 12 months, you may make a tax-free rollover from IRA 2 at any time.

Under the NEW rules:

- Any rollover into or out of any other IRA in the next 12 months (including the previously untouched IRA 2) will be treated as a taxable distribution.

fect January 1st, 2015 and we expect to guidance from the IRS in a revised Publication 590. Additionally, the IRS can PENALIZE you for rolling a TAXABLE distribution INTO an IRA and leaving it there. This rule DOES NOT apply to direct transfer between trustees, or generally in situations where you can't take constructive receipt of the funds. For specific information about this rule, refer to the tax code, IRS announcement 2014-15, or speak with your CPA or tax professional. Always remember to let your financial advisors know about any movements you're making or may make with IRS held away with other advisors.

Qualified Longevity Annuity Contracts

The second change can benefit clients who have IRAs and are approaching the Required Minimum Distribution age (70 ½) and do not need the income, and do not want to pay taxes on the required distribution. The Treasury is permitting a new type of annuity called a "Qualified Longevity Annuity Contract", or QLAC, which is designed to provide income later in life using qualified assets.

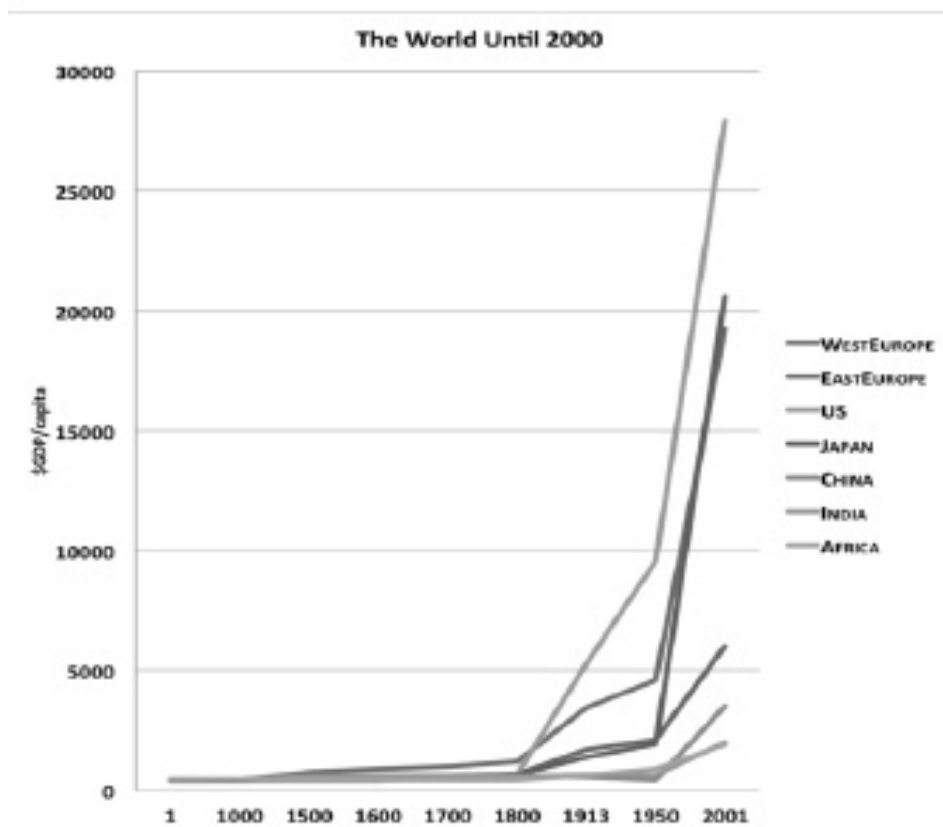
The QLAC is a deferred annuity contract that is designed to annuitize by the age of 85, and is used specifically for qualified accounts subject to Required Minimum Dis-

tributions. An annuity contract must meet certain criteria to qualify as a QLAC, and QLACs cannot use a variable or indexed annuity chassis.

Under Treasury Regulation 1.401(a)(9)-6, an account owner may transfer up to 25% of his aggregate qualified account balance, with a dollar maximum of \$125,000, into a QLAC. In doing so, the benefit is that the QLAC will not be subject to Required Minimum Distribution (RMD) rules provided that all the rules continue to be met. This could be a beneficial to clients who have qualified accounts that do not need the income and do not want to pay taxes on the RMDs. Any amount remaining in the IRA(s) will be subject to RMD's per the tax code.

In summary, it's important to try and stay ahead of the tax rules, but, "an IRS publication is not official guidance; the tax code is always the authoritative source. If you have questions or concerns about the new IRS changes, please call your advisor, or a trusted tax professional.

Income
Per
Capita
Fig. 1



Yes, real estate has recovered. Just. And there is only a finite amount. Coal, which supplies 40% of global energy needs, has for years been in a glut that has made prices drop to the point where mines were closing: gold, and palladium and other minerals are way down in price; the oil flowing from the Permian Basin in Texas is so plentiful, that it is threatening to lower world pricing (there is more oil now in Cali

fornia, Texas, and North Dakota available for extraction than in five Saudi Arabias – so much for running out as was forecasted in the 1970s). Iron ore and manganese are down. Copper is down. Platinum is down. These inexpensive prices make it more palatable for companies to purchase and re-invest. The dollar is up. Are these assets in a bubble? This cycle will persist.

The world is accelerating at a startling rate. The revolution in information, technology, supply chain delivery, communication, transportation, finance, innovation, and the speed of incorporation into everyday life shows no signs of slowing down. And that, dear readers, is my case for growth with rational optimism.

Make great decisions!

Mitch



THE WALL STREET JOURNAL



National Ethics Association
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Nicole Sadez

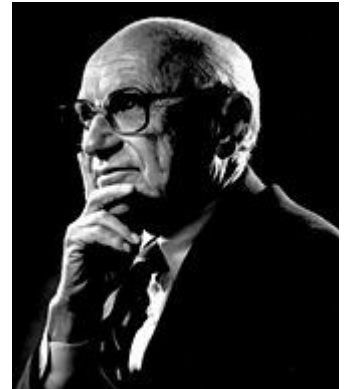
Please join Summit in welcoming the newest member to our team! Nicole Sadez, is serving clients in our Naples office. She is a recent graduate of Florida State University where she earned her B.S. degree in Finance and Marketing. As a client service specialists, Nicole will put her quality education and experience to good use for you!

While working as an undergraduate, she gained experience in both the finance and marketing industries through various internships.

Born and raised in Naples, Nicole has relocated to her hometown, to enjoy time with her family. She is an active member in the Rotaract Club of Naples where she is serving as the Community Service Chair.

Rotaract Club of Naples is a community-based Rotaract club that encourages membership of young men and women, ages 18 to 30, from anywhere in the Southwest Florida area. The club is sponsored by the Rotary Club of Naples, and because of this relationship, Rotaractors become "true partners in service" with Rotarians. We are happy to have you!

Milton Friedman won the 1976 Nobel Memorial Prize in Economic Sciences "for his achievements in the fields of consumption analysis, monetary history and theory, and for his demonstration of the complexity of stabilization policy." Milton Friedman was born in Brooklyn, New York and attended Rutgers University. He later earned his Masters of Economics from the University of Chicago.



Milton Friedman

Friedman worked as an advisor to senior officials

of the United States Department of the Treasury where he helped invent the payroll withholding tax system. His political philosophy was that of a free market economic systems with minimal government intervention. He has never been in favor of the Federal Reserve, and even goes as far as to blame them solely for their actions in creating the "Great Depression" which he termed the "Great Contraction."

Even though winning the Nobel Memorial Prize in Economic Sciences, Friedman believed his greatest accomplishment was eliminating conscription in the United States. In his retirement he served as an unofficial advisor to Ronald Reagan during 1980, and then served on the President's Economic Policy Advisory Board for the rest of Reagan's tenure. The Economist described Milton Friedman as "the most influential economist of the second half of the 20th century...possibly of all of it." The advisors here at Summit Wealth Partners, Inc. are much the same as Milton Friedman, minus the Nobel Prize of course. The advisors pour in countless hours to help their clients achieve their short-term and long-term monetary and life goals. With minimal intervention, the advisors want your money to work for you. Using theories and policies developed by Milton Friedman, Summit Wealth Partners is dedicated to finding the right solutions for their clients.

Source:Wikipedia

IN THE KNOW & ON THE *GO*

FINGLISH

BULL AND BEAR BONDS securities representing bonds issued with two tranches respectively designed to benefit from upward and downward movements in a designated index or other security.

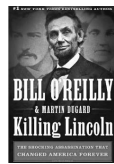
DWARFS pools of mortgage-backed securities, with original maturity of 15 years, issued by the Federal National Mortgage Association (FANNIE MAE).

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.

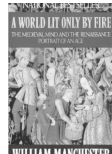
PBR abbreviation for price to BOOK VALUE ratio, which is the market value of a company's stock divided by its TANGIBLE NET WORTH. This ratio is especially significant to securities analysis where real estate not used in operations is a significant portion of assets, such as in the case of a typical Japanese company.

Source: *Barron's Dictionary of Finance and Investment Terms*

BOOKS WE'RE READING



Killing Lincoln: The Shocking Assassination that Changed America Forever by Bill O'Reilly and Martin Dugard



A World Lit Only by Fire: The Medieval Mind and the Renaissance: Portrait of an Age by William Manchester



Creature from Jekyll Island: A Second Look at the Federal Reserve by G. Edward Griffin

PLACES WE'VE BEEN

A few weeks ago, while visiting her parents in North Carolina, Amanda and Russell tried mountain biking for the first time! As you can see, the weather and scenery were beautiful! Although the landscape was steep and scary, they managed to come home with only a few bruises. They had so much fun, they plan to ride again.

Summit's
Amanda Morris
with fiancé
Russell Pate
Sugar Beech
Mountain, NC.



PLACES WE'RE GOING



September 29-October 1
Wealth Investment Exchange
West Palm Beach, FL



October 2-3
Global View Capital Management
Milwaukee, WI



October 22 and 23
Fidelity's Round Table
Naples and Tampa, FL



October 26-28
Medallion Financial Investments
Phoenix, AZ



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"Beware of little expenses. A small leak will sink a great ship." — Benjamin Franklin

<http://www.brainyquote.com/quotes/quotes/b/benjaminfr135836.html>