

THE Rational Optimist™

Piggy Banks, Budgets, and Promo Codes

BY CHAD WARRICK, CO-PRESIDENT & CEO

When it comes to teaching kids about finances - we, as parents, tend to emphasize the importance of saving. Typically demonstrated by the gifting of a piggy bank with a focus of periodically putting a few dollars away. The timeless piggy bank is a great start for children at an early age – one of which I have used.

+ *Give children hands-on experience in making small financial decisions to develop their ability to make more significant decisions down the road.*

In addition to saving, there is so much more our children capture about finances at home, which contributes to the development of their financial literacy.

Financial literacy is defined as the possession of the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources.

The skills and knowledge I hope my children will carry with them into adulthood include saving, setting a budget, strategic spending – and maybe even the basics of investing.

The most effective way that I can envision handing this knowledge off is by teaching a given financial concept, modeling the behavior, and then giving them a chance to put it into practice. I have outlined some ideas for teaching healthy financial habits to children.

Saving. For younger children, a tangible tool such as a piggy bank or jar helps instill the principle of saving. My suggestion would be to periodically count the accumulated savings together and provide praise to the child for his accomplishments. Let him decide what he is saving for and remind him of that goal along the way.



Once a child understands the principle of saving, perhaps an off-site savings mechanism can be introduced such as a custodial savings account or college savings account. Consider sharing the custodial account statements with the child, as early as age 12 or 13. This will teach them the basics of contributions, earnings, fees, and withdrawals.



Budgeting. Being inclusive with children as it relates to household budgeting helps open the understanding that money is finite. An exercise I have tried with my 13-year old is having him list out the different types of expenses he believes adults typically have on their budget. He was able to identify some of the most visible expenses such as a mortgage, car, insurance, and groceries. However, he had never considered how much is spent on an ad hoc basis – unexpected repairs, birthday gifts, vacations, and medical expenses.

Another exercise to consider for a young teen would be to give them a hypothetical vacation budget and have them research and map out the accommodations, food, and activities. Maybe even surprise them by implementing their carefully budgeted vacation ideas.

Strategic Spending. Many of us exercise strategic spending strategies on a daily basis, perhaps even subconsciously. On a smaller scale, we may use coupons, apply promo codes, or select the product that is currently "BOGO." On a larger scale, we research large purchases by looking into alternatives, reading reviews, and waiting for the right time to buy.

We can begin to teach this strategic concept to young children by simply narrating our purchasing decisions in a store. This could include verbalizing the benefit of purchasing a product

Continued on page 6

ALSO IN THIS ISSUE:

Look out Millenials- Generation Z is Paving Their Path JASON PRINT - PAGE 2

The Reverse Mortgage JEFFREY JANSON - PAGE 3

The Dreaded IRS Audit: What You Need to Know ANDREW DICKENS - PAGE 4

What Should You Be Asking Summit? NICOLE SADEZ - PAGE 5

Summit Spotlight - Welcome, Dawn & Travis! - PAGE 7



Look out Millennials- Generation Z is Paving Their Path

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



Taking a look back at the notable traits of Generation breakdowns over the last hundred years is a great way to appreciate the influences that help shape the newest addition to the workforce, Generation Z.

► *The Greatest Generation (or G.I. Generation) - Pre- 1924*

The Greatest Generation, refers to those who fought in World War II, as well as those whose productivity and sacrifice on the home front made a decisive material contribution to the war effort. Born before 1924, this generation (also known as the G.I. Generation) is known for their modesty and resourcefulness. Their commitment to family and country are defining traits.

► *Silent Generation - 1925-1945*

The Silent Generation children grew up in conditions complicated by war and a struggling economy. Typically defined as those born between 1925 until 1945, their earliest memories were many times marked by witnessing significant unemployment and scarcity. While many of them benefited from the post World War II economic boom, their earlier years certainly left an impression.

► *Boomers - 1946-1964*

Baby boomers are those born between 1946 and 1964-nicknamed "boomers" due to the massive increase in births following World War II. Their numbers are shrinking in size as the number of deaths among them exceeds the number of older immigrants arriving in the country. Boomers have become known for their strong work ethic, responsibility, and desire to be a part of a community.

► *Gen X - 1965-1979*

Generation X is known as the "sandwich generation" with smaller total numbers than both the preceding generation and the following generation. Born between 1965 and 1979, they came of age in an era of two-income families, and are known for their independence, resourcefulness, and self-sufficiencies.

► *Millennials - 1980-1994*

The Millennials (Generation Y), have given us much to talk about, and rightly so, since they are the largest generation in US history, soon to surpass the number of baby boomers. Based on how the baby boomers continue to influence the economic landscape of the United States, the expectations are also high for Millennials. Their technological capabilities and sheer numbers of 72 million strong born from 1980 to 1994, will no doubt help shape the world for decades to come.

► *Gen Z - 1995-2012*

Seventeen million members of Generation Z are now adults and starting to enter the workforce. A generation hasn't come of age during an economic crisis since The Great Depression. The Great Recession, war, terror threats, school shootings and the microscope of technological progress has shaped the actions, thoughts, and desires of this intriguing generation.

Getting a drivers license at 16 and moving out was a right of passage for prior generations. For Generation Z, it's not as important. In 2000, over 80% of high school seniors held a drivers license, in 2017, that number was slightly over 60%.

Many people see parallels with the silent generation, a parsimonious batch that also carried the scars of the Great Depression into adulthood while reaping the rewards of a booming postwar economy in the 50's and 60's. Gen Z similarly is set to enter the workforce with the national unemployment rate under 4% and companies struggling to find talented employees.

Not surprisingly Gen Z's attitudes about work reflect a craving for financial security, no doubt shaped from many having witnessed family, neighbors and others who had their lives re-shaped from the 2008 financial crises. After seeing their millennial predecessors drown in student debt, Gen Z is trying to avoid that fate.



The share of freshman who used loans to pay for college peaked in 2009 at 53% and has declined almost every year since,

falling to 47% in 2016. Overall student loan balances have grown at an average annual rate of 6% in the past four years, down from a 16% yearly growth rate in the previous decade.

Statistics show that Gen Z is more likely to be sober as well. Data from a Michigan survey and federal statistics show they were less likely to have tried alcohol. Being digital natives, Gen Z is even more adept and comfortable with technology, than Millennials. They have the highest media consumption and digital socialization rate of any other generation.

Unlike Millennials that are more experience-driven, Generation Z is more product-driven. This differentiation will be a key factor in planning for long-term marketing efforts.

The future is bright. As a small business owner, it's exciting to see the impact and positive affect multiple generations bring to an organization.

Best Regards,



Pew Research http://www.pewresearch.org/fact-tank/2018/04/11/millennials-largest-generation-us-labor-force/ft_15-05-11_millennialsdefined/
Metro Millennials: Why Do We Care? – Tribune.org. <http://www.tribune.org/metro-millennials-why-do-we-care/>
Gen Z Is Coming to Your Office. Get Ready to Adapt https://www.reddit.com/r/lostgeneration/comments/9dlbvr/gen_z_is_coming_to_your_office_get_ready_to_adapt/

The Reverse Mortgage

A Fresh Look at a Much-Maligned Planning Tool

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



Years ago, the topic of reverse mortgages was usually introduced by a sleazy, B-list celebrity pitchman on late night TV. Costs to establish reverse mortgages were exorbitant and aggressive sales tactics cast a well-deserved pallor over the topic. Before 2011, they usually only made sense as a safety net of last resort in the event of financial hardship.

However, if that is your current take on reverse mortgages, then it is in drastic need of updating.

Reform of the federally insured Home Equity Conversion Mortgage (HECM) program has drastically increased consumer protections and significantly lowered costs.



The Reverse Mortgage Stabilization Act of 2013 now prevents mortgage borrowers from using too much equity too soon and protects spouses who are too young to be co-borrowers on the loan by ensuring that they can remain in the house after the death of their older spouse. It also requires mandatory counseling of the borrower by a disinterested third party before approving any loan.

Options for reverse mortgage borrowers are four-fold:

- 1 **Access to a lump sum of money.**
- 2 **Access to a line of credit to be drawn upon at the whim of the borrower.**
- 3 **Monthly payments that can be used to supplement retirement income.**
- 4 **Some combination of the above methods.**

Initial set up fees have reduced dramatically. The upfront mortgage insurance premium has been cut from 2.5% of the loan amount down to just 0.5%, so long as the borrower taps less than 60% of the available balance in the first year. Other closing costs, such as title insurance, appraisal, and attorney fees are about the same as a traditional mortgage or home equity line of credit (HELOC).

In many cases, these costs can be rolled back into the loan,

leaving only the mandatory consumer counseling fee of \$125 as the borrower's out-of-pocket cost.

The borrowing limits on a HECM are based on available home equity, the age of the youngest borrower, current interest rates at the time of application, and lender's profit margin. Generally speaking, homeowners can tap about half of the home's appraised value up to a maximum home value limit of \$625,500. The older the borrower and the lower the interest rate, the higher the amount available.

It is considered "non-recourse" debt, meaning the borrower or heirs can never owe more than the home is worth, even if that value is less than the loan balance.

Why consider it?

With out-of-pocket costs potentially as low as \$125, it now makes sense to establish a home equity line of credit using a reverse mortgage for anyone age 62 or older. Once established, the available line of credit continues to grow each year (even if the underlying value of the home does not go up) because the borrower's life expectancy decreases with each year.

How can it be beneficial?

Using a Reverse mortgage as a "buffer asset" can help investors better manage "sequence of return risk" and make a retirement income plan much more flexible and efficient. In other words, having a line of credit established through a reverse mortgage can help retirees by reducing the probability of outliving their savings.

It does this by allowing them to access funds using loan proceeds during periods of time when the market is down, rather than being forced to tap into a shrinking nest egg. When markets inevitably recover, they can switch back to taking withdrawals from investment portfolios.

Also, distributions from HECM loans are considered "tax-free," opening up some interesting tax planning ideas. For example, lowering your overall tax bill by combining tax-free reverse mortgage distributions (via a line of credit) along with reduced distributions from your taxable retirement plans. This strategy can also help higher income clients avoid surcharges on their monthly Medicare premiums.

If you have questions about whether a HECM Reverse Mortgage makes sense for you, don't hesitate to ask your financial advisor. We are happy to discuss it with you!

Regards,



The Dreaded IRS Audit: What You Need to Know

An Interview with Kyle Kelley of Tax & Business Solutions

BY ANDREW DICKENS, DIRECTOR OF PENSION SERVICES & WEALTH ADVISOR



I recently had the opportunity to interview a CPA that I work with regularly about IRS audits and what every day people need to know about them. Kyle Kelley is the owner of Tax & Business Solutions Certified Public Accountant, LLC with offices in Daytona Beach and Altamonte Springs.



net profits or even losses. Returns that have errors in them may also be higher priority targets.

penalties because it never hurts to ask.

Question: I hear radio advertisements talking about how the IRS is hiring more auditors and aggressively going after taxpayers like never before...is there any truth to this?

Answer: In my experience, there are no more audits today than any other time I can remember. We now see more selective and targeted audits and less of what we might consider "random audits." It's no secret that the IRS has a scoring system and if your score is high enough it may get some extra attention behind the scenes.

As we understand it, only a small percentage of returns that score high are ever audited. The IRS is more likely to go after more significant cases in general, but I would disagree with the idea that the IRS is being more aggressive or conducting more audits.

Question: What are some red flags that can cause an audit?

Answer: In the past, the most likely targets have been unreimbursed employee expenses, but that will change in 2018 with the new tax law since that deduction will be going away. We've also found schedule C filers to be at higher risk in general, especially if they are showing elevated gross incomes but showing low

Question: What is process one can expect for an audit?

Answer: The first thing you'll receive is a letter in the mail notifying you that your return has caught their attention. In many cases, we see correspondence only audits, where they will ask for specific information but may never come out to inspect any books or records. How it proceeds from there depends on what they are looking at and the aggressiveness of the examiner.

Question: What should you do if you get a letter notifying you of an audit?

Answer: Don't panic. That first letter will request something from you within a specific time frame. It's a good idea to work with your tax professional to get them the information within the time frame they are requesting it.

If you can't, it's okay to ask for more time, and they'll most likely accommodate this request. In my opinion, the more information, the better. If possible, set up that information in an easily reviewable format like a schedule, spreadsheet, or even a Quickbooks file.

Question: So someone gets audited, and owe money, what happens next?

Answer: It depends on how much they owe. If they owe more than a certain amount, roughly twenty percent, of what they filed for then they could be subject to substantial underpayment penalties in addition to usual penalties and interest. You'll want to request an abatement of

Question: What if someone owes money and can't pay right away?

Answer: You can also ask for a payment plan. In general, anything under \$50,000 is usually easy to set up a payment plan for. Over \$50,000 they may request financial statements to demonstrate that you are otherwise financially burdened.

Question: Can you ask to have the debt reduced?

Answer: There are ways to negotiate with the IRS, but it's constrained to a precise formula. They will look at it as if they have ten years to collect, so someone in their thirties making good



money is less likely to get relief than someone in their sixties living on social security.

They can also ask about future inheritances, spousal income, or even income from someone you live with. It's my experience and understanding that there's a small percentage of taxpayers that will see any relief this way.



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.

What Should You Be Asking Summit?

BY NICOLE BOBEK, CLIENT RELATIONSHIP MANAGER



There are countless recommended lists regarding what to ask when trying to find the right financial advisor, but what about once you already have an established relationship with the right financial advisor? What questions should you be asking at that time?

While individuals have their own unique sets of goals, needs and wants, the below list of questions can help make sure you and your Summit advisor are continuously on the same page:

① *Is my investment strategy on track and are any changes necessary?*

Reviewing your target asset allocation with your advisor is crucial to ensure that your portfolio continues to meet your specific needs based on your risk tolerance, time horizon, and preferences. Some of your time frames that used to be long-term may be nearing short-term; maybe you are closing in on retirement or have you decided to purchase a vacation home five years sooner than initially planned. If circumstances have changed in your life, it may be appropriate to make adjustments to your investments. On the contrary, if your plan is working, it is important to remain disciplined and stay the course.



② *How am I progressing toward my goals?*

This question dovetails off of Question #1. Once you check in on your investment strategy, it is time to take a fresh look at your goals. Your Summit advisor can work with you to review where you are currently, compared to where you were a year ago, and where you want to be to achieve your goals. Our Client Portal,

powered by eMoney, is a great tool to track your goal progression.

③ *Am I saving tax efficiently?*

This question is important because the overall effect of taxes on performance can be significant. With ever-changing circumstances, it is crucial to explore your options continuously. While you can't control the market or tax law, you can control how you utilize accounts that offer various tax advantages. For example, if you have a 401(k) plan, IRA, or other qualified accounts available to you, are you taking full advantage of them? Are you entering retirement and transitioning from saving to spending? If so, a tax-sensitive withdrawal strategy can help make the most of your hard earned savings.

④ *Am I preserving my assets?*

Periodically reviewing your estate plan helps ensure that your plan continues to reflect your family dynamics and financial situation and that you are making the best use of the latest estate and tax laws. It is also important to review any life events that may have occurred recently. Marriage, divorce, birth, and death are the four events that significantly affect estate plans, but you may want to also consider other factors, such as current health, career changes, and moving that could also have an impact on your plan.

Asking the above questions to your Summit advisor can help give you peace of mind knowing that you are on track or the necessary changes are being made to keep you on track. So the next time you are in our offices for a meeting, don't be shy and ask us any questions on your mind!

Regards,

Nicole

<https://www.fidelity.com/viewpoints/personal-finance/5-things-to-review-annually>

Check out our new look: mySUMMITwealth.com

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

Continued from page 1, Piggy Banks, Budgets, and Promo Codes

on sale or the purchase of a generic brand, rather than a brand name.

Perhaps get their wheels turning by giving your children an allotted budget of let's say \$20 and have them choose the fruits for the week. This grants children hands-on experience in making small financial decisions – essentially developing the ability to make more significant decisions down the road.

As it relates to large purchasing decisions – allow your children to see you researching the item, comparing prices, considering alternatives, and even negotiating. This exposure at a young age will likely discourage the habit of impulsive spending in adulthood.

With each day that passes, kids inch closer to adulthood. By the time they reach adulthood the words of their parents may become distant – however, the experiences they had and the habits they formed remain close and familiar.

I hope the boys remember our piggy bank days, the times they "budgeted" for a vacation and our regular use of promotional codes for online purchases. If all goes according to plan, these core building blocks will be the foundation for a couple of fiscally responsible young men.

Be Well,

Financial Literacy. (2018, September 13). Retrieved October 7, 2018, from https://en.wikipedia.org/wiki/Financial_Literacy

Continued from page 4, The Dreaded IRS Audit

Question: What do you think about these advertisements for debt reconciliation firms that we see?

Answer: Be careful. These firms will essentially charge you thousands of dollars to fill out an application for you. Most tax professionals have access to software that will give us a good idea if there's any chance of getting debt relief from the IRS. Again, very few will get any relief and either way you'll be out additional money. Talk to your tax professional if you want to know more about your specific situation.

Question: Is there anything we can do to help prevent an audit?

Answer: Work with a tax professional. They will typically know what's out of the ordinary before you file. Make sure the return is "clean" and looks professional. Keep documentation and don't be afraid to attach additional documentation or explanations when you file for anything that might be out of the ordinary or excessive.

If you are receiving 1099 income and file a schedule C, seriously consider incorporating and setting up a payroll; in my experience corporations are less likely to be audited for the same triggers as someone just filing a Schedule C.

Best Regards,



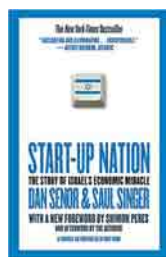
Our offices will be closed on Thursday, November 22nd for Thanksgiving. We will be open from 9:00-1:00 on Friday, November 23rd.

BOOKS WE'RE READING



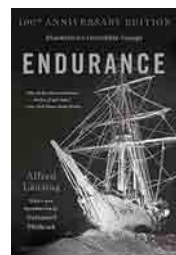
Upstairs at the White House: My Life with the First Ladies by J. B. West

A one-of-a-kind history of life among the first ladies told by the chief usher of the White House. For 28 years, he witnessed national crises and triumphs, and interacted daily with six consecutive presidents and first ladies. With a large staff he supervised every activity in the presidential home and coordinated its daily life



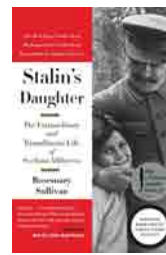
Start-up Nation: The Story of Israel's Economic Miracle by Dan Senor

How is it that Israel-- a country of 7.1 million, only 60 years old, surrounded by enemies, in a constant state of war since its founding, with no natural resources-- produces more start-up companies than large, peaceful, and stable nations like Japan, China, India, Korea, Canada and the UK? Senor examines Israel's adversity-driven culture, all backed up by government policies focused on innovation.



Endurance: Shackleton's Incredible Voyage by Alfred Lansing

The definitive account of Ernest Shackleton's fateful trip- Alfred Lansing brilliantly narrates the harrowing and miraculous voyage that has defined heroism for the modern age. The harrowing tale of British explorer Ernest Shackleton's 1914 attempt to reach the South Pole, one of the greatest adventure stories of the modern age.



Stalin's Daughter: The Extraordinary and Tumultuous Life of Svetlana Alliluyeva by Rosemary Sullivan

Epic in scope, it's a revolutionary biography of a woman doomed to be a political prisoner of her father's name. Sullivan explores a complicated character in her broader context without ever losing sight of her powerfully human story, in the process opening a closed, brutal world that continues to fascinate us.

Cover Images & Summaries: Amazon.com



SUMMIT SPOTLIGHT

A LOOK INTO THE LIVES OF THE SUMMIT TEAM

Welcome to the Team, Dawn & Travis!

► *We are excited to introduce the talented new additions to the Summit Client Service Team.*



Dawn Penny, a Client Service Specialist in our Naples location, brings nearly 30 years of experience providing high-level support to executives, board members, and major donors, most recently 18 years as Assistant to the Director of the Chrysler Museum of Art in Norfolk, Virginia. She looks

forward to working with Summit's team and clients. Newly relocated to Naples to be closer to her family, Dawn spends her spare time at the beach and playing with string: knitting, spinning, and weaving.

3 FACTS ABOUT DAWN

- * Dawn has an identical twin
- * Grew up in California, Pennsylvania, & Northern Virginia
- * Loves trying new foods
- * Avid yarn collector & textile art enthusiast
- * She's a professionally trained pastry chef in the French style
- * Favorite places: The Outer Banks in North Carolina, Paris, & Glacier National Park

3 FACTS ABOUT TRAVIS

- * All-around sports enthusiast & trivia fan
- * Enjoys attending sporting events & visiting stadiums around the world
- * Grew up in the Chicago area
- * Avid watch collector
- * Favorite author: Don Winslow
- * Five pound "Beast Burger"- Challenge Champion
- * Favorite places: Barcelona, the Caribbean, & Paris (where he recently got engaged to his fiancé, Andrea)

Travis Martin is a Client Service Specialist who joined the Summit Orlando location in 2018. He earned a Bachelor's degree from Indiana University. Prior to joining Summit, Travis has spent five years working in retail management for industry leaders. His passion for client service and decision-making

bring value to the Summit team. Outside of work, Travis likes to stay active by playing basketball, sand volleyball and golf. He also enjoys traveling with his fiancé and attending various sporting events.



FPA
FINANCIAL PLANNING
ASSOCIATION

The Heart of Financial Planning™



National Ethics
Association
ethics.net

TD Ameritrade
Institutional

charles SCHWAB
INSTITUTIONAL

BLACKROCK

iShares®

RiA
STANDS FOR YOU.

PRE-SORTED
STANDARD
U.S. Postage
PAID
Orlando, FL
Permit No. 2825

SUMMIT WEALTH

— PARTNERS, LLC —

INSIDE THE RATIONAL OPTIMIST:

- *Piggy Banks, Budgets, & Promo Codes*
- *Look out Millennials- Generation Z is Paving Their Path*
- *The Reverse Mortgage*
- *The Dreaded IRS Audit: What You Need to Know*
- *What Should You Be Asking Summit?*
- *Summit Spotlight - Introducing Dawn Penny & Travis Martin*



AS SEEN ON:



THE WALL STREET JOURNAL

mysummitwealth.com

**SOLID GROWTH
SAFELY MANAGED
TRUSTED ADVICE**

MYSUMMITWEALTH.COM

ORLANDO
800 N Orange Ave., Suite 302
Orlando, FL 32801
(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