

## TURKEY SLIPPED ON GREECE BROKE CHINA & IRAN

BY MITCH LEVIN MD, CAPP, CWPP



Recent headlines took me back to when I was in seventh grade, when we would repeat over and over the phrase “Turkey Slipped on Greece, broke China, and Iran.” We thought we were so clever. Almost four years ago, those countries were making headlines when I wrote the blog post, “When PIIGS fly?,” an acronym to help remember the countries Portugal, Italy, Ireland, Greece, and Spain. It is amazing how history repeats itself and little changes. The financial media concern then (and now) was that these indebted countries could bring down the entire financial system.

What we have learned since then is that they did not. And it is unlikely that they ever could. Their economies are too small and shrinking. They are a small percentage of the Euro-zone economy, let alone the world economy. They have shrinking populations with growing elderly and entitlement costs.

All of Europe has been likened to a “living museum.” It seems as if nothing great has come from that region since the 1930s, while everything of importance seems to have originated in the U.S., i.e. transistors, MRIs, lasers, telecom, computing, internet, pharmaceuticals, nuclear and space science, jet travel, etc.

Now, here we are four years later in 2015, the latest geo-political headlines are about China’s stock market “crisis” and the Iranian nuclear threat. While one may be brought on by top-down market interference by

the Communist Party, the other may have been brought on by poor negotiating skills and may present an existential threat to several U.S. allies in the region. The outcome of each could be devastating, or not.

My mother-in-law used to say, in German, “nothing is served as hot as it’s cooked.” Which in English may sound something like, “a lot of water must flow under the bridge.”

While it is not the intention of this article to minimize the risks other countries present, it can be helpful to put things into perspective, especially when our focus is on you and your wealth. Your investments, your financial plan, your goals, your risk tolerance, your purpose for money is our business. We take that responsibility seriously.

It is important to remember that the market presents opportunities both on good days and bad days. Our strategic approach is based on evidence and not emotion-driven behavior. You hire us to take care of your nest egg. I know I speak for all of us at Summit, when I say that we strive every day to help you avoid the big and costly mistakes, to achieve solid growth, that is safely managed through trusted advice.

Make great decisions. •

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# TO BEGIN OR NOT TO BEGIN... COLLECTING YOUR SOCIAL SECURITY?



BY CHAD A. WARRICK, CHIEF INVESTMENT OFFICER

At Summit, we strongly believe in our holistic and comprehensive approach in developing solutions for our clients. In today's economy, it is important that we look at outside investments also. This week, in working with two separate clients, collecting social security, when and how was an important consideration. There is no one-size-fits-all. What is beneficial for one client may not be beneficial at all for another.

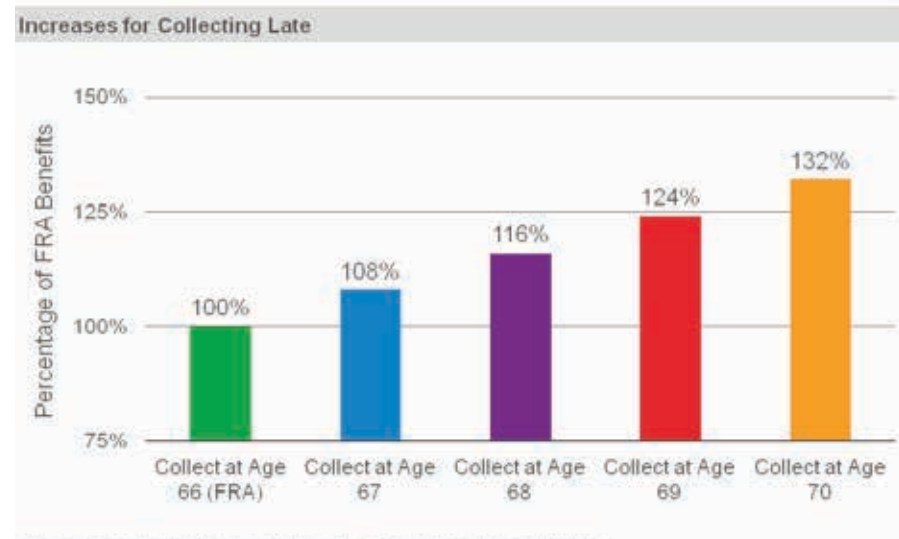
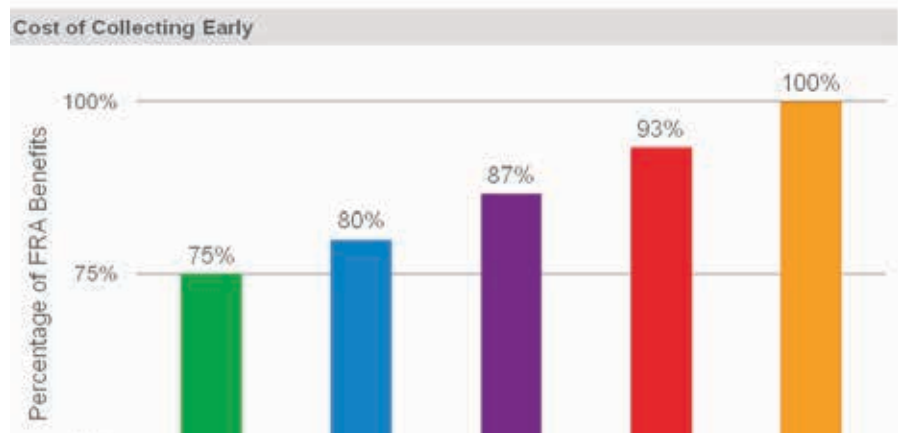
There are literally hundreds of options and strategies to consider before choosing when and how to collect your benefits. It is not merely the option of what age to start between 62 and 70. There are many complex strategies to consider and it depends on your purpose for the money.

Do you want to maximize your social security benefit? Is it more important to reduce taxes? Whatever your purpose is for collecting your social security, please allow us to help you to choose wisely. We utilize the latest tools and resources to calculate and illustrate different strategies for you and your spouse, including a combination of different collecting options.

Couples can choose between their own social security benefit

or their spousal benefit, or any number of combinations. There are many factors to consider

electd to collect their social security benefits early beginning at age 62. Apparently, many



when choosing how and when to collect your social security. They include health, longevity, investment style, taxability, and maximizing your income.

These tables illustrate the cost of collecting early and the increases for collecting late. An astounding 73% of all eligible workers have

might be concerned that the Social Security Administration may "run out of funding."

If you are considering collecting early, please consider these questions:

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# THOUGHTS ON THE CRISIS DU JOUR

BY JASON PRINT, SENIOR WEALTH ADVISOR, CFP®

Red seems to be the dominant color on market screens lately. The daily aches and pains typically begin with negative global news. Usually it manifests into a drop in the international markets, a further drop in the price of oil, and finally a drop in the major domestic indices.

China devaluing its currency has started a bit of a trend and caught many by surprise. What wasn't as widely reported during China's devaluation day was that China intervened in the global markets to make sure the devaluation didn't go any further. Even though China is projected to grow at 7% this year, it's likely not what the country's leaders are aspiring for. Intervening in the stock market is a strategy they hope will make Chinese exports cheaper and ultimately lead to an increase in sales and more growth.

Keep in mind that as a whole, the emerging market sector is in a long earnings recession. While

commodity stocks and emerging market stocks are cheap, it doesn't mean they can't get cheaper in the short term.

Now for the good news, the underlying economy is strong. The price of oil is helping manufacturing companies reduce their costs. And for consumers, this is essentially a tax cut when we fill up our gas tanks. Housing has rebounded substantially from its great recession and this has improved our personal balance sheets. Also benefiting are industries closely related to housing, such as construction, finance, etc.

The current unemployment rate is now 5.3% and getting back to levels we haven't seen since before the financial crisis. Also on the upside, oil doesn't have another \$40 a barrel to fall. Even though it's not worth what it was a year ago, it still has economic value.

At Summit, our Investment Committee meets regularly to

discuss important issues like these to look for new opportunities and to determine what changes, if any, need to be made in the areas of portfolio management and construction. The recent expansion of minimum volatility ETF's on the international and emerging market positions, as well as the addition of currency hedged funds has had a positive effect on relative performance.

Summit Wealth Partners will always emphasize a disciplined approach and make decisions based on research and evidence. Please don't hesitate to give us a call with any questions or concerns. •

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## TRAVEL TO THE ONCE FORBIDDEN ISLAND: CUBA



*Grouper At The Garden Of The Queen*

This past August, I had the opportunity to travel to Cuba through a People-to-People program with the Oceans for Youth Foundation, a non-profit designed to encourage underwater education for youth and adults. Open tourism by U.S. citizens is not yet permitted; however, travel through People-to-People educational programs is allowed as it is a cultural exchange.

Our program consisted of a group of 19 people traveling from locations all over the United States. The adventure lasted nine days in which the first three days were spent on land exploring the city of Havana. More than half of the cars we saw were American classics. With no automobile imports coming into the country, the cars are preserved through improvised fixes by Cuban mechanics and the owners themselves. It is amazing how well the cars have been kept up over the past 60 years!

During our stay, we visited the Cuban National Aquarium and art museums and dined with the locals. The Cuban people love to dance and sing. At all the restaurants live music played while we enjoyed dishes of fresh bread, shredded meats, black beans, rice, plantains and flan. The food was

fantastic and it reminded me of my grandmother's cooking. My grandparents were born in Cuba and moved to the United States when they were in their twenties. Two iconic restaurants we enjoyed were La Bodeguita del Medio, claimed as the birthplace of the Mojito cocktail, and El Floridita, one of Ernest Hemingway's favorite hangouts and where the daiquiri was perfected.

We had plenty of time to stroll the streets of Havana to observe the beautiful architecture. Many consider Havana to be more of a museum than a city. It possesses some of the most diverse styles of architecture, from castles built in the late 16th century to modern day high-rises. The Cuban people love the center of Havana and the city is full of life. The locals were welcoming and eager to converse with us everywhere we went.

The latter part of the trip was enjoyed on a live aboard scuba diving boat. There we spent our time scuba diving the Jardines de la Reina: "Gardens of the Queen". This marine park is one of the biggest treasures of the Caribbean and it can also be considered one of the world's best preserved marine areas. The "Gardens of the



*Coral Reef At The Garden Of The Queen*



*Emilio, Nicole And Linda Sadez Overlooking Havana*

Queen” comprises a set of islands, keys and banks located at the southeastern section of the Cuban shelf. The sea life and coral reefs were so abundant, bright, and alive and the amount of diversity in the sea life was incredible! We encountered massive schools of tropical fish, groups of sharks (mainly Silky and Caribbean Reef), grouper of all descriptions and sizes, including a 200 pound jewfish, large stingrays, lobsters, green moray eels and tarpons. Just to name a few!

Viewing first hand the differences between the standard of living in Cuba and the United States certainly makes me grateful to live in the U.S. where there is financial stability and freedom. I am (as many Americans are) interested to see how our relationship evolves with Cuba in the future. I would encourage anyone with the opportunity to visit the country. It is a wonderful experience and most certainly a trip to remember. Make sure to pack your camera! •



*To Begin or Not to Begin... Collecting Your Social Security: Continued from page 2*

- Are you actually retiring?
- Will you work, even part-time, before FRA?
- How is your health?
- Is there an expectation of longevity?
- Are you married?
- What is the age difference between spouses?
- Whose benefits can the spouse collect?

No matter what your purpose is for your hard-earned social security benefits, the important decision of when and how to begin collection affects your retirement income for the long-term. Let us help you with the evidence by researching your options and strategies. We can help you make the best decision for when and how to collect your social security benefits. •

# Irrational Stocks And Rational Companies

It has once again become fashionable in the bazaars of financial journalism to speak of a “stock market bubble.” “Bubble” is a code word—the kind media use in place of thought—to express the idea of equity prices propelled absurdly aloft by irrational exuberance, excessively loose Federal Reserve monetary policy, or air, depending on which pundit one is reading at the particular moment.

The unspoken corollary, of course, is that this wild overvaluation must vanish at any moment—in the analogy, the bubble will burst—and equity prices will without warning crash to some fraction of their present levels.

The core assumption underlying this cartoon theory of equity valuation is that stock prices are inherently random, unstable, and certainly not rooted in—much less governed by—any objectively verifiable standard.

In fact, equity prices are, in the long run, reliably related to the fortunes of the companies whose ownership the stocks represent. That is, stocks are shares of direct ownership in businesses. It is perhaps too easy, during periods of extreme public pessimism (and optimism, for that matter) for people to forget this. **Stocks are companies.**

Granted, in the short and even intermediate term, that equity prices can and will be affected by geopolitical events, extremes in investor psychology, interest rates on bonds which compete for savers’ capital, and other phenomena not directly related to the operations of the underlying companies. But in the long run—and all investing worthy of the name is long-term—stocks have very efficiently and quite consistently reflected the earnings, dividends and cash flows of the companies in which they are shares.

In periods of cyclical or event-driven financial or economic contraction (a credit crisis, say, or a recession), stocks have often declined in price. Sometimes these declines have been quite significant, reflecting not just actual prevailing conditions but the public’s herd-like overreaction thereto. But such a decline, though it may seem sudden, isn’t often random. It’s simply a reflection of the declining earnings, cash flows and even dividends of the companies. *Yet just as these fundamental declines in the businesses of the companies have historically been temporary, so have the declines in their stock prices.*

For a demonstration of this, look no further than the catastrophic collapse of the financial system, and the longest economic recession since WWII, which took place beginning in the autumn of 2007 and continued to the middle of 2009. (This is admittedly an extreme ex-

ample of the phenomenon, but it’s also classically instructive.)

A number of very prominent financial institutions failed. Two of the three leading automakers became insolvent. *On net, the earnings of the companies in the Standard & Poor’s 500-Stock Index did not merely decline: they disappeared.* In sympathy, the equity market—the prices of these besieged companies’ shares—declined more than they had since the 1929-1932 event.

Today, as you know, the earnings of the S&P 500 companies are by a very significant margin in new all-time high ground. As is the Index itself: once again, the aggregate value of the shares in the five hundred companies. **There is absolutely nothing random about this.** Over time, the values of the shares must follow the fortunes of the companies.

What, we may ask, did the companies—rational business enterprises managed in the long-term interest of shareholder value—do to weather this epic storm, and to emerge more valuable than ever? They did what well-run businesses always do in adverse times.

They reduced their manufacturing activities because of weak demand, and laid off employees for whom there was no work. They closed facilities altogether. They sold off excess inventories, even at a loss, to raise cash and shore up their balance sheets. They wrote off aging and obsolescing plant and equipment. All of these losses, taken suddenly together, caused their earnings to disappear.

Yet many companies concluded that this was still not enough: they reduced or eliminated the dividends normally paid to shareholders. (If there are no earnings, paying dividends can only deplete precious cash.) They used the savings to pay down debt and otherwise to further strengthen their balance sheets. In sum, *they behaved rationally.*

And in time, as the global economy continued to expand and the American economy revived (however slowly), the survivors thrived as never before, and their share prices—which can do little else—rose to reflect this.

Stock price movements may appear random and irrational—and this is certainly the narrative reinforced by financial journalism, whose only goal is to keep you nervously clicking on to it.

But the next time you find yourself bedeviled by the seeming irrationality of stock prices, invite your financial advisor for a cup of coffee. I can confidently forecast that you will find him or her serenely confident in the ultimate value of shares in well-diversified portfolios of rational companies.

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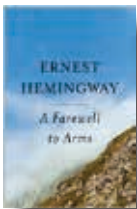
# IN THE KNOW & ON THE GO

## BOOKS WE'RE READING



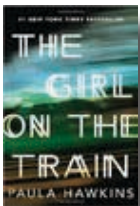
*Me Before You* by Jojo Moyes. Louise is hired as Will's caretaker for six months at which time he plans to commit suicide. Moyes takes you on an adventure designed by

Lou for her paralyzed patient and the challenges of their growing relationship before an unexpected and emotional ending.



*A Farewell to Arms* by Ernest Hemingway is lauded as the best American novel to emerge from World War I. *A Farewell to Arms* is the

unforgettable story of an American ambulance driver on the Italian front and his passion for a beautiful English nurse. Set against the looming horrors of the battlefield.



*The Girl on the Train* by Paula Hawkins is a psychological thriller of romance, addiction and betrayal mixed with self revelations.

## FINGLISH

### COMBINATION PLAN (OR POLICY)

1. a life insurance policy with elements of both term and whole life coverage.
2. a pension plan that combines an insurance policy with some type of auxiliary fund.
3. an automobile policy with two or more insurers.

### GRAY MARKET

Consumer goods: sale of products by unauthorized dealers, frequently at discounted prices. Consumers who buy gray market goods may find that the manufacturer refuses to honor the product warranty. In some cases, gray market goods may be sold in a country they were not intended for, so, for example, instructions may be in another language than the home market language.

### NEARBYS

months of futures or options contracts that are nearest to delivery (for futures) or expirations (for options). For example, in January, futures and options contracts settling in February and March would be considered nearbys. In general, nearby contracts are far more actively traded than contracts for more distant months.

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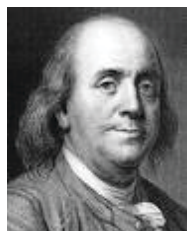
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"An investment in knowledge pays the best interest."

—Benjamin Franklin (1706-1790)

Benjamin Franklin was one of the Founding Fathers of the United States. A renowned polymath, Franklin was a leading author, printer, political theorist, politician, freemason, postmaster, scientist, inventor, civic activist, statesman, and diplomat.

Wikipedia