October 2016 | Volume 8 | Issue 9

SUMMIT WEALTH PARTNERS

THE Rational Optimist™

What is Scary? What is Dangerous? Are They the Same? BY MITCH LEVIN, MD, CWPP, CAPP

"October. This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August, and February."

- Mark Twain

The most deceptive of our organs could very well be the brain. We are told that we buy (or decide) emotionally and then rationalize intellectually. This statement carries the implication that perhaps, as logical human beings, we should strive to only make intellectual decisions.

Certainly a simple aspiration for a robot; however, we as humans are irrational by nature. We choose to eat foods that are not optimal for our health, we buy things we do not need, and we make decisions based on "gut feelings".

> ***Our perception of danger may be misplaced fears.***

Evidently, our brain can sometimes be a dangerous component of our everyday lives. It responds with fear in the face of trivial danger, while often ignoring the perils of *real* danger. Our perception of danger may be misplaced fears.

One example of fear misplacement is what many might call a parent's worst nightmare: The abduction and physical harm of our young children. Because of this, we warn our children with tenacity of "stranger danger". We are inclined to think it is an ever-present threat. It is not.

And the chance of such an occurrence has been dramatically declining for twenty years. According to the FBI, the number of missing person reports for juveniles under the age of 18 has declined by 40% since 1997.

There are also the fears, on a global level, which we continually manage to survive despite the great uncertainty we face with each one. Remember Y2K? Or, the Fiscal Cliffs? Or, Tax-Armageddon? Or, the Great Financial Meltdown? Or, Peak Oil? Now, Peak Demand? Or, Peak Global Trade? Or, GMO foods?

The media sells fear. Why? Because in the present, we experience pain 2-3 times greater than pleasure. Pleasure in the future, or delayed gratification, is often difficult for our minds and hearts to "buy into". This could very well be one reason so few are able to invest their hard-earned savings with a long-term focus.

Sometimes we overlook true dangers while remaining fixated on the fears which are least likely to affect us. We see this every day with investors. Some people may have concern towards the decisions of the Feds, the outcome of political elections, or the probability of the market tanking. However, the concern should only stand if there is not a plan in place to mitigate those fears. Naturally, the absence of a plan is one of the biggest risks one can take.

Continued on page 6

ALSO IN THIS ISSUE:

Inflation Risk on a Portfolio

BY JASON PRINT, CFP®, SENIOR WEALTH ADVISOR

As a follow up from my June article about the various risks a client faces when positioning a portfolio, in this article we will examine inflation risk, what it means and how it can affect your portfolio in retirement.

Fortunately over recent years inflation has been kept at bay for some parts of our economy. Energy prices are lower than several years ago. While housing prices have rebounded recently, prices overall are barely, back to where they were nine years ago.

I will contend, though, that my Publix bill has increased substantially over the last few years with the prices of peanut butter and bread seemingly at all-time highs.

> ***We can help protect you from the risks of inflation***

While inflation more or less increases the cost of goods and services from year to year, it represents a serious risk and challenge for retirement income planning, as the effects become magnified over an extended period of time.

For example, if an item costs $1 today, after one year of 5% inflation it would cost $1.05. However, after ten years of 5% inflation that same $1 item would cost nearly $1.63. This is often referred to as a decline in purchasing power, as one dollar may not buy as much in the tenth year as it would today.

Therefore, our retirement income planning takes inflation into account, because of the effect that a potential decline of purchasing power can have on your retirement plan.

Many retirees may not even feel this effect until ten to fifteen years into their retirement. Knowing this, we use a variety of strategies to better insulate your retirement income plan against the negative effects of inflation.

Since the 2008 crisis, inflation as measured by CPI (Consumer Price Index) has been in the low single digits. Considering recent inflation has not been as high as the 70s or 80s, it has not received the same level of attention directed at other types of retirement risks.

With life expectancies increasing, a longer retirement span is inevitable; This presents a new a factor that needs to be taken into consideration in the planning process.

Shares of the world's great companies may be the best hedge against inflation.

However, equities do involve volatility. This is often times unwelcomed, particularly when a retiree is looking for consistent income to meet monthly expenses.

This does not disaffirm our need for equity exposure; it merely emphasizes the importance of creating a balanced investment approach which hedges against both inflation and volatility.

This is why we use diversification as a tool when managing your portfolio so that in times of volatility, the fixed income portion can be used to meet income needs.

As always, we welcome your questions to discuss how your portfolio is positioned to protect against inflation risk.

Best Regards,

Jason

Your Financial Picture *Should* be Assembled by Hand

BY MISCHAEL BROSS, CLIENT SERVICE SPECIALIST

Well it's that time of the year again and a new iPhone has hit the stores. In fact, it may already be in your hands by now.

After reading an article about the new iPhone, I quickly learned that it not only takes technology and robotic assembly lines to put an iPhone together - it also takes a team of people. Yes, actual people.

Despite the technological advances we have made over the years, we still need humans, alongside this powerful technology to assemble a cell phone. The production process involves a total of about 140 tasks, including assembly of the product, which is done almost entirely by hand.

Your financial well-being certainly deserves more than just a robotic algorithm.

In addition to technology and human touch, it also takes an immense amount of collaboration on a global level. There are researchers, suppliers, engineers, graphic designers, and technology developers that need to properly and effectively communicate with each other in order to make this a seamless process.

The outcome of this highly collaborative process is the ability we have, as the consumer, to purchase an iPhone and have it configured and ready for use within minutes - oblivious to the many intricacies that went into making it.

Smart phones are not the only ones being bombarded by technological advances. Investing is now at the fingertips of many investors with the use of a robo-technology. Many are wondering if this easy-to-use technology is the future of investing. With so much changing around us, that is a valid question.

As much as I enjoy the degree to which technology has made our lives easier, even Apple still uses a team of human beings to assemble a cell phone. Bearing that in mind, I'm inclined to conclude that your financial well-being certainly deserves more than just a robotic algorithm. While technology has helped systemize the investment process and build efficiencies over the years, it is not the be-all and end-all.

Our goal is to get to know you, as our client, and understand what matters most. We will certainly manage your investments, leveraging technology to do so, and we will also be your sounding board when you have concerns or questions. We understand that retirement planning is more than just systematically rebalancing your accounts and reminding you to take your required minimum distribution.

"True Retirement Planning" requires us to look beyond just your investments. Planning for expenses, your loved ones, social security, taxes, and insurance needs, all play a vital role in the process. Much like the iPhone production process, we also collaborate with attorneys, accountants, insurance agents, and social security on your behalf, to ensure we are all working cohesively to reach your goals.

Not only do we consistently and systematically take care of your financial picture, we also provide world-class service with that extra layer of human touch and attention, which is necessary to deliver clarity, confidence, and a sense of control. In doing so, we are certain we can help you obtain, and keep, financial peace of mind. As smart as technology has become, a robot has yet to provide the personal, collaborative care you have earned and deserve.

Regards,

Mischael

Go-Go. . . Slow-Go. . . No-Go. . .

BY CHAD WARRICK, CHIEF INVESTMENT OFFICER

Recently participated in a joint meeting with "Jette" Browne, a valued team member of our organization, who has seen and done it all. From being a commander of a warship to a well-respected financial planner, Jette has used his military precision to construct financial plans, help clients achieve their goals, and continually exceed his clients' expectations by placing them in a better position.

Jette has always outlined retirement planning and life style into three phases: Go-Go Years, Slow-Go Years, and No-Go Years. The clients he works with have grown fond of this outline, as have I. I believe you will appreciate the insight as much as I do.

GO-GO YEARS (AGE 65-75)

- "Fun while I still can" mindset
- Traveling the U.S. and the World
- Taking family vacations
- Making a "dream purchase"
- Possibly starting a new venture or hobby
- Most expensive years in retirement

SLOW-GO YEARS (AGE 75-85)

- Reduced Traveling
- Less enthusiasm toward lengthy vacations
- Anxious to "slow the pace"
- Desire to downsize home & minimize expenses
- Reduction in high price purchases
- Increased frequency of healthcare appointments

NO-GO YEARS (AGE 85+)

- "Wise years"
- Minimal traveling
- Possibly living in a long-term care facility
- Potential increase in healthcare cost
- Most charitably inclined or generous years

When we plan for retirement, we do not use a linear equation as the basis of our financial planning. We understand that very few constants exist in retirement. Things such as your physical health will vary, which has a direct affect on your financial health.

As a trusted advisor who emphasizes the importance of planning, We understand that we cannot predict how long you will be in your "Go-Go" years, nor how soon you will be in your "No-Go" years. However, we can certainly predict the following: Changes and adjustments during retirement are inevitable. Therefore, our planning process is never-ending. As you glide through the different phases of retirement, we are standing by, prepared to adjust the sails with you.

Best Always,

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.

Change – And I Don't Mean Dimes and Nickels

BY AMANDA PATE, ADVISOR RELATIONSHIP MANAGER

For a number of reasons, (or maybe it's because I recently turned 29 and only have one more year until 30) I decided to find my way back to the basic fundamentals of life and make a few changes.

I took a moment and wrote down the areas in my life where I want to make adjustments or realign my focus: exercise consistently, eat a more health conscious diet, zero in on my budget for future travel goals, and dedicate the next 6 months to my CFP® exam studies.

I then wrote down specific, attainable goals with timelines, knowing that I can reach these milestones with some effort and raise the bar again once they are achieved.

According to Joe Markel of Millennial Planners, there are three ways to change oneself:

1. Change one's daily habits or routines,
2. Change one's environment, &
3. Change the people one surrounds him or herself with.

Markel states that outside of these three methods, change is improbable, if not impossible. A combination of all three is the recipe for success, and it takes one to act deliberately, in all phases if one desires real and permanent change.

For example, I started off my journey in late August by changing my gym membership to one with a nutrition-based focus and morning hours. By offering morning hours (yawn!), I will be able to devote more time in the evenings to my CFP® studies. Also, with nutrition at the center point of the new gym, I will be surrounded by like-minded individuals with similar health goals (which should make it easier to put down the cookies! Right?!).

For my travel budget goal, I have set up a new automatic transfer out of my bank account (in addition to automatic retirement savings transfers, of course!) on pay dates that will bring automated success by the time the travel bug bites. For me, this has proven to be the easiest way to save for future objectives because it takes very little effort to set up and allows me to exercise the "pay-yourself-first" mantra.

These might seem like insignificant changes, but as many say: It's the little things that can make the most difference.

> ***"To exist is to change; to change is to mature; to mature is to go on creating oneself endlessly."*** *– Henri Bergson*

The end of the year is quickly approaching (12 more Fridays until Christmas!) Change, though often hard to make, can be a good thing. And we all know life happens.

If you or any of your friends and family members would like to use us as a sounding board for setting or achieving any financial goals, please give us a call or send over an email. We would be honored to guide you (and them) along this journey we call life.

Warm Regards,

Amanda

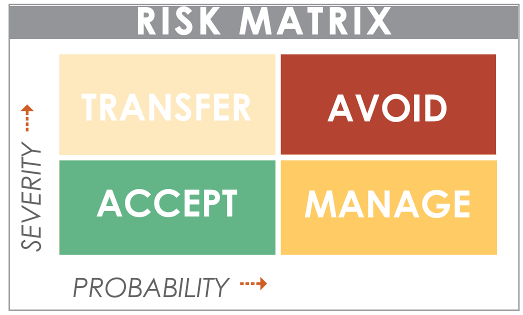
Let us know how we can help.

***Thank you for your* TRUST *and* CONFIDENCE.**

Continued from page 1

Below, you will find a Risk Matrix. This demonstrates the two major components of risk : Severity and Probability. As severity increases we go from accepting risk to transferring risk. While Probability increases we go from accepting risk to managing risk. And, as both severity and probability increase simultaneously, we must avoid the risk all together.

What Summit provides is investment advice, as far as the regulators are concerned. What our clients get is that tactic of investment advice: Solid growth & safely managed.



More importantly, our clients get the strategic planning that makes the tactics work.

Most importantly, Summit also delivers the behavioral counseling to help avoid the real dangers and alleviate those often misplaced fears.

Make great decisions,

October is National Cookie Month!

Stop by our offices any time during the month to enjoy some fall themed gourmet cookies by Sugar Dome. We look forward to seeing you!

SUMMITWISE

WE ARE A WEALTH OF KNOWLEDGE

The origin of the month name, October comes from the Latin word, octo meaning "eight"- so why is it the tenth month of the year?

October is the tenth month of the year in the modern day calendar; however it was originally the eighth month of the Roman calendar until 153 BCE. October was named during a time when the calendar year began with March, which is why its name no longer corresponds with its placement in the Julian and Gregorian calendars. *Source: timeanddate.com*

FINGLISH /'FiNG(g)liSH/(n.) - [FinHancial English]

Contrarian: Contrarian is an investment style that goes against prevailing market trends by buying poorly performing assets and then selling when they perform well. A contrarian investor believes the people who say the market is going up do so only when they are fully invested and have no further purchasing power.

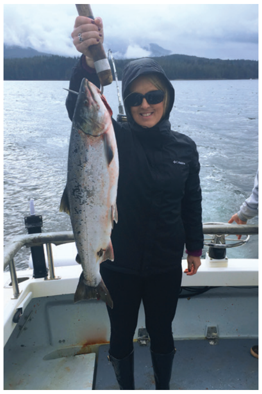
Rule of 72: The rule of 72 is a shortcut to estimate the number of years required to double your money at a given annual rate of return. The rule states that you divide the rate, expressed as a percentage, into 72:
Years required to double investment = 72 ÷ compound annual interest rate

Laughing Heir: A distant relative who has inheritance rights, despite not having a close relationship with the decedent. In most jurisdictions, the law requires that the property of a person who passed away without leaving a will be given first to members of the decedent's immediate family such as a spouse, children etc.

Source: Investopedia.com

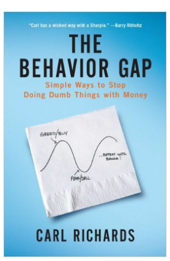
SUMMIT SPOTLIGHT

A LOOK INTO THE LIVES OF THE SUMMIT TEAM

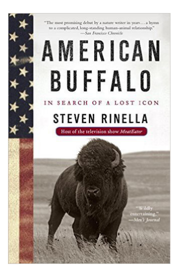


The Summit Team effortlessly transitioned from suits to camouflage as they experienced some epic adventures in September. Chad visited Montana and Amanda vacationed in Alaska. These beautiful pictures are just a glimpse into their wonderful experiences.

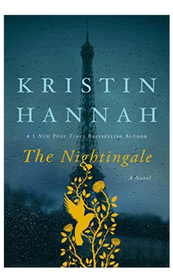
BOOKS WE'RE READING



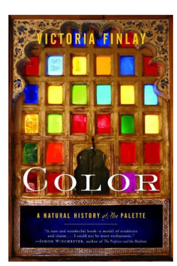
The Behavior Gap: Simple Ways to Stop Doing Dumb Things with Money
by Carl Richards
Why do we lose money? It's easy to blame the economy or the financial markets-but the real trouble lies in the decisions we make. Richards will teach you how to rethink all kinds of situations where your perfectly natural instincts (for safety or success) can cost you money and peace of mind.



American Buffalo: In Search of a Lost Icon
by Steven Rinella
A hunt for the American buffalo—an adventurous, fascinating examination of an animal that has haunted the American imagination. A narrative tale of Rinella's hunt for the American Buffalo. combines outdoor adventure with a quirky blend of facts and observations about history, biology, and the natural world.



The Nightingale
by Kristin Hannah
Hannah captures the epic panorama of WWII and illuminates an intimate part of history seldom seen: the women's war. The story of two sisters, separated by years and experience,and circumstance, each embarking on her own dangerous path toward survival, love, and freedom in German-occupied, war-torn France.



Color: A Natural History of the Palette
Discover the tantalizing true stories behind your favorite colors.
by Victoria Finlay
A blend of travelogue and historical exploration about the myriad ways color takes on meaning for us, whether as a matter of aesthetics, economics, war or culture.

Cover Images & Summaries: amazon.com

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INSIDE THE RATIONAL OPTIMIST:

- *Caution! Misplaced Fears Ahead!*
- *Do you have Enough, or are you Doomed?*
- *The Human Touch, it's not Dead*
- *The Tricky Phases of Retirement*
- *Treat Yourself to Change*
- *A Costume Switch for the Summit Team*

HAVE A HAPPY AND SAFE HALLOWEEN!

AS SEEN ON:

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