

THE Rational Optimist™

The Great Enrichment

BY MITCH LEVIN, MD, CWPP, CAPP



Over the past 200 plus years, the average world income per person has soared from \$3/day to \$33/day (in today's dollars). There is no sign that we are slowing down.

Rather, this increasing wealth is accelerating world-wide. We call this period "The Great Enrichment." Nothing like this has ever happened before.

During Greek and Roman times over similar 200-year time frames at their peak, incomes doubled (up 100%). To give you some contrast, currently we are enjoying an 11-fold increase (10,000%)!

The United States has led the world in income and wealth increases per person for that 200 year period - and we continue to do so. This is important to remember in today's era where media focuses on negative news often resulting in panic.

Here is a compendium of some problems from soon after WWII: 13 million young men coming back from the war, right after the Great Depression - where would they find jobs?; 4,630 strikes and work stoppages in the U.S., when 5 million walked off the job for a total of 120 million work-days in 1949 alone; USSR hegemony; impoverished Europe requiring the Marshall Plan and Berlin airlift...and we think things are bad now.

Yet the S&P 500 stood at about 16. Now we are at 2,400 or so. I could go on, about different time frames, but you get my point. This time is not different. We know history.

We know human nature. We know that worldwide economic liberty, nay independence, marches on.

Many will exclaim, "What about the debt?!" While large in absolute terms, U.S. debt is not appreciably higher than right after WWII as a percentage of GDP (93% in 1949, 100% now).

Furthermore looking specifically at the stock market, there is no relation between economic performance and stock market performance.

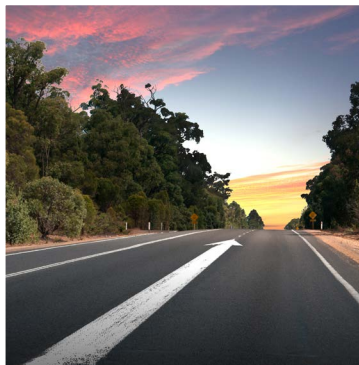
How can I say that? Easy. The number one performing country stock market through history has been France.

Our current economy is universally agreed (except to politicians) to be anemic at best, yet US stocks are near an all-time high. We encourage you to not get "sucked into the doomsday media."

This period of Great Enrichment is a result of systems. Systems such as pooled investments of capital. Systems such as manufacturing, transportation and delivery, financial, outreach, and compensation. Most importantly, systems to develop, refine and commercialize ideas.

How do we help you gain and maintain independence? Through planning, systems, equities, and behavior. That is our value proposition. Plain and simple.

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The Benefits of Asset Location

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

Undoubtedly, you have heard of the importance of “Asset Allocation.” This term is widely understood by advisors and investors alike as being the driving force behind 90+% of the long-term rate of return you receive on your investment portfolio.

But did you know that asset **location** can also have a significant effect on the tax-efficiency, and hence the longevity of your portfolio?

Asset location is the concept of placing different types of investments in the most advantageous type of account so as to minimize or delay the tax hit paid on the investments. In other words, the ultimate purpose of asset location is income tax minimization.

Asset location is about strategically placing or locating assets in the most tax-efficient account type, thus extending their useful life.



To understand the potential tax benefits of asset location, one must first understand how various types of investments are taxed. For example, bond

interest from high-yield, corporate, and government bonds is taxable to the investor as “ordinary income,” subject to federal tax rates as high as 39.6%.

Whereas, equity (stock) investments held longer than one year are subject to long-term capital gains tax rates, which are typically 15%, but can go as high as 23.6%. Even if you find yourself at the highest 23.6% capital gains tax rate, notice that rate is still only a little over half the highest federal tax rate due on ordinary income.

To illustrate this difference and the potential tax benefits of asset location, financial educator, Michael Kitces, prepared two examples of 50% equity/50% fixed income portfolios. The first example was arranged tax-inefficiently and the second example was arranged tax-efficiently.

In both of the examples, the fictitious investor had half of his \$1,000,000 portfolio in a taxable account and the other half in a tax-deferred IRA. To simplify the comparison between the two portfolios, he made the following assumptions in both scenarios:

Bonds generate a long-term average growth rate of 5% and are taxed at a 25% ordinary income tax rate. Stocks generate a long-term average growth rate of 10% and are taxed at a 15% capital gains tax rate. All investments were bought and held for 30 years.



The Tax-Inefficient Portfolio

In the first example, if bonds were held in the taxable account and stocks were held in the IRA (in other words, assets were held in a decidedly tax-inefficient manner), the total after-tax wealth generated by this strategy would be \$8,052,262.

The Tax-Efficient Portfolio

However, if the investor took full advantage of the asset location effect by holding stocks inside the taxable account (thus allowing him to benefit from lower capital gains tax rates) and held the bonds in the IRA (thus allowing him to defer taxation on the bond interest and allow it to compound as long as possible), he would end up with \$9,111,724!

This is a difference between the two methods of over \$1,000,000 - Achieved simply by being strategic regarding which assets were held in which type of account! This is quite amazing considering the volatility risk and rate of return assumptions were exactly the same under both scenarios.

The only difference was strategically shuffling the investments between two account types with different tax consequences to isolate the tax effect! So, how is the effect achieved?

By positioning stocks to reside in an account where they can be taxed at a lower capital gains tax rate of 15% and by allowing tax-inefficient bonds to reside in a tax-deferred IRA account where the interest can compound tax-deferred.

Apparently, real estate is not the only place where “location, location, location” is a significant consideration for a successful outcome.

To your investing success!

A stylized, handwritten signature in black ink, which appears to read "Jeffrey Janson".

The ABC's & D's of Medicare

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



One topic which is near the top of most clients minds when they are nearing retirement is healthcare. With open enrollment beginning next month, I wanted to provide an overview of the different parts of Medicare. As well as provide additional information so everyone can make the best decisions for their specific situation.

Medicare is a federal program that provides health insurance to retired individuals, regardless of their medical condition, and to certain younger people with disabilities. Here are some basic facts about Medicare that you should know.

What is not covered by Medicare Parts A & B?

Some medical expenses are not covered by either Part A or B. These expenses include: Your deductibles, coinsurance, or co-payments that apply, most prescription drugs, dental

care, hearing aids, eye care, custodial care at home or in a nursing home.

How much does Medicare cost?

Medicare deductible amounts and premiums change annually. Here's the minimum you're paying in 2017 if you're enrolled in Original Medicare:

Most individuals will pay \$109 per month (on average) for Medicare Part B. Due to a provision in the Social Security Act called the "hold harmless" rule, Medicare Part B premiums for existing beneficiaries who have their premiums deducted from their Social Security benefits cannot increase faster than their Social Security benefits.

Approximately 30 percent of Medicare beneficiaries are not subject to this "hold harmless" provision. This is a new rule. Under the old rule, the increase in premiums would be based on the annual Social Security COLA.

Under this new provision, under certain circumstances your increase can be higher than COLA.

For those that are not Held Harmless, the standard monthly Medicare Part B premium will be \$134, which is a 10 percent increase over 2016's monthly premium of \$121.80. You may fall into this group if:

- You enroll in Part B for the first time in 2017
- You don't get Social Security benefits
- You're directly billed for your Part B premiums
- You have Medicare and Medicaid, and Medicaid pays your premiums
- Your modified adjusted gross income (MAGI) as reported on your federal income tax return from two years ago is above a certain threshold.

The last bullet point pertaining to the MAGI continues to affect more and more clients. Often by proactive tax-planning, Summit can help minimize this increase by staying within certain Medicare premium brackets.

How do you sign up for Medicare and when can you change plans?

You'll be automatically enrolled in Medicare when you turn 65 if you're already receiving Social Security benefits, or when you apply for Social Security benefits at or after age 65. In either case, the SSA will notify you that you're being enrolled.

If you decide to postpone applying for Social Security past your 65th birthday, you can still enroll in Medicare when you turn 65.

Annual Enrollment period is October 15 to December 7, and Medicare Advantage dis-enrollment is January 1

Continued on page 5

ORIGINAL MEDICARE	
PART A HOSPITAL	PART B MEDICAL
OPTION 1 ADD ONE OR MORE OF THESE PLANS TO ORIGINAL MEDICARE	
PART D PRESCRIPTION DRUG PLANS	<ul style="list-style-type: none">+ Covers prescription drugs+ Must have Medicare Part A OR Part B to enroll+ Offered by private companies
MEDIGAP OR COST PLANS	<ul style="list-style-type: none">+ Helps pay for deductibles, copays, & other costs that Medicare doesn't pay+ Must have Medicare Part A & Part B to enroll+ Offered by private companies
OPTION 2	
PART C MEDICARE ADVANTAGE PLANS	<ul style="list-style-type: none">+ Joins Medicare Parts A & B+ Most include Part D (drug coverage)+ Usually have lower deductibles & copays+ Often include additional benefits+ Must have Medicare Part A & Part B to enroll+ Offered by private companies

Learning to Fly

BY ANDREW DICKENS, DIRECTOR OF PENSION SERVICES & WEALTH ADVISOR

A couple of months ago, my oldest daughter participated in a regional competition in middle school, known as the Science Olympiads. The event took place at Embry Riddle Aeronautical University (ERAU) in Daytona Beach.

While I am proud to say my daughter won several awards, it was our visit to ERAU that really caught my attention. As parents of a Science Olympiad participant, we were invited to learn about the quality of education offered at ERAU.



It is truly awe inspiring to see what a generation raised on technology can do with technology

Allow me to preface this by saying I do not represent ERAU, and this is not an endorsement of ERAU. Rather, this is a retrospection of what surprised me: Kids today are working with technology that, for many of us, seems generations away from what we had at their same age.

We started by exploring the flight simulations, where aspiring pilots first learn how to fly on computers. I have spent quite a bit of time flying both simulators and real planes, but I was still surprised to see a mix of simulators including fully enclosed, motion intensive simulators you normally expect in an Air Force flight school.

We were then taken to the computer technology section, where students

were learning cyber security, electrical engineering, programming and game theory.

In a laboratory, we were greeted with students who were building drones with precision laser and electromagnetic capabilities for civilian uses from fire rescue to structural mapping and underwater exploration.

After that, we traveled to the mechanical engineering building where students were working on a fully autonomous catamaran that was thoroughly embedded with complex computer processors, laser imaging and wave sensory analytics.

I was stunned how these kids were involved at such a high level in the design and construction of these sophisticated systems.

Later, we were taken upstairs where students learn how to manage and operate nearly every important area of an airport, from meteorology to air traffic control.

They showed us how the students compete in cross country flying trips and bragged about a female pilot graduate of ERAU who is trying to become the youngest female pilot to circumnavigate the globe by herself.

Finally, we were taken to the hangars and tarmac, where we learned how the student body engaged in saving

the fleet by flying 70+ aircraft all over the country to avoid destruction from

Hurricane Matthew in 2016 (with many thanks to Auburn University and the University of Alabama for hosting the pilots and their aircraft).

We saw a hangar with nothing but jet engines of every size and type, where students stripped and rebuilt them for testing. And we saw a full-size passenger aircraft, donated by a local law firm, used by the students to learn airframe and powerplant engineering.

It doesn't seem that long ago that my generation was in college. We got our news from the newsstand, mail from mailboxes and took pictures with real cameras. My laptop weighed 25 pounds and had one program. If we left our dorms or apartments, our friends had to leave a voicemail to reach us later.

While we sometimes poke fun at the younger generations, it is truly awe inspiring to see what a generation raised on technology can do with that technology when they are fully engaged with the resources to make a difference in the world.

Regards,



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's Trending

BY CHAD WARRICK, CO-PRESIDENT & CEO



After a long and busy week, it did not take much convincing to make our Friday a take-out dinner kind of night. So I placed an order from the local Italian restaurant, using the UberEATS app on my phone.

As we waited for the food to arrive, my oldest son shared a popular YouTube video with me while my youngest walked past us, perfecting the spin of his Fidget Spinner. Before we knew it, the food was delivered by a young gentleman wearing a CrossFit t-shirt.



It quickly dawned on me – our evening, or perhaps even our lives, have become inundated with terms, concepts, and trends that did not exist just a couple of short decades ago.

20 years ago, we did not have UberEATS, YouTube, Fidget Spinners, or CrossFit. Yet today, these are all a part of a typical Friday night in many households.

Trends, by nature, are notoriously difficult to predict. It's no wonder by the time we try to catch up it is often at the decline of the trend's cycle. The only constant factor with trends is that they are consistently changing.

Similarly, the markets are not something we can readily predict. In fact, volatility is more prevalent than ever, merely because of the increase in available information. Not to mention the increase in resources as well which make it easy to react to the information at hand.

With a surge in resources and information typically comes the trending investment fixations which we will call "bright and shiny objects." At the foundation of these bright and shiny objects is typically a certain degree of market prediction.

Some investors will watch a news story on one of these bright and shiny objects and be tempted to divert from their plan.

Rather than chasing one trend after another, based on something that is not concrete, our investment team believes in a systematic, evidence-based approach to investing in the markets.

This is our strategy not because it guarantees the highest returns, but because through this we can systematically manage the inevitable and very much unpredictable movements in the markets.

We cannot foretell the markets. However, through planning we can position you in the most appropriate way in order for you to reach and surpass your financial goals.

You can count on Summit to be your right-hand man providing you with trusted and steady advice through all of the ups and downs of the markets. Make wise choices.

Be Well,

Continued from page 3, The ABC's & D's of Medicare-

to February 15.

As always, please don't hesitate to contact the Summit team with any questions. While we may not have all the answers on your first call, as everyone's situation is unique and the complexity of this area is ever-changing, we can certainly help you find answers to your questions and hopefully make the process less painful.

Best Regards,

Broadridge Advisor Solutions -
<http://www.broadridge.com/advisor-wealth-solutions/advisor-solutions>

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

As an independent registered investment advisory firm, we are decidedly NOT a broker. We are not beholden to any corporate or other third party. We do not sell anything. The only thing you buy from us is our trusted advice.

We manage the risks (internal and external) and help you accomplish your goals. We work for you and you alone – acting in your best interest. And at the end of the day, success should be evaluated relative to your individual goals.

“Those that judge their portfolio by its performance relative to some narrow benchmark are focusing on an issue that is largely irrelevant to their ultimate financial success. The only benchmark that you should care about is one that indicates whether or not you’re on track to accomplish your financial goals. Risk is measured as the probability that you won’t meet your financial goal. Investing should have the exclusive objective of minimizing this risk.” - Adaptive Asset Allocation, by Butler, Philbrick, and Gordillo.

The future looks great, and we are looking forward to guiding you through it.

Make Great Decisions,

Rich

***Our offices will be closed on
Monday, September 4th
in observance of Labor Day***



Facts About Hurricanes



1. 40% of the hurricanes that occur in the United States hit Florida.
2. When the National Hurricane Center began giving official names to storms in 1953, they were all female. This practice of using only women's names ended in 1978.
3. The costliest hurricane to make landfall was Hurricane Katrina, a Category 5 storm that slammed Louisiana in August of 2005. Damages cost an estimated \$108 billion.
4. The term 'hurricane' is derived from 'Taino', a Spanish-origin Caribbean word which means evil spirit of the wind.
5. The winds in the hurricane can cause above 2 millions trillion gallons of rains per day.
6. It is believed that hurricanes have killed approximately 1.9 million people over the past 200 years.
7. The year 2005 saw the most hurricanes ever to form in a single Atlantic season, with 15.

Sources: nhc.noaa.gov, conserve-energy-future.com

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

Frontspread: A type of options spread in which a trader holds more short positions than long positions. This type of spread has unlimited risk of loss while also limiting profit potential. This type of trade is often implemented by professional traders who believe that the price of an underlying asset will make a calculated move higher or that volatility will decrease.

Mello-Roos: A form of financing that can be used by cities in the U.S., counties and special districts (such as school districts) to finance major improvements and services within the particular district. Special taxes and bonds used for this financing can only be issued by counties or districts in which 2/3 of the voters in the area have voted in favor of becoming a Mello-Roos district.

Touchline: The highest price that a buyer of a particular security is willing to pay and the lowest price at which a seller is willing to sell, at a given time in the trading day. The touchline therefore specifies the best bid or ask for a particular security at any point in time. Very liquid securities will generally have a narrow bid-ask spread, while illiquid securities will have a wide spread.

Source: Investopedia.com

SUMMIT SPOTLIGHT

A LOOK INTO THE LIVES OF THE SUMMIT TEAM

Introducing a Future Investor:

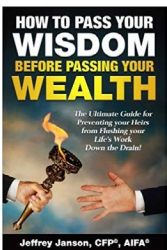
Ava Giuliana Ferraro



Alyssa and her husband, Chris, welcomed their first child, Ava Giuliana Ferraro, into the world on July 12. Their healthy baby girl weighed 8 pounds 2 ounces and was 19 inches long. Alyssa is loving watching her grow and change every day. Both mom and dad agree their favorite part about being parents so far is watching Ava smile.

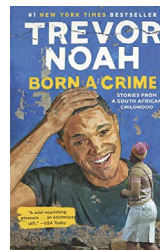


BOOKS WE'RE READING



How to Pass Your Wisdom Before Passing Your Wealth: The Ultimate Guide for Preventing your Heirs from Flushing your Life's Work down the Drain! by Jeffrey Evan Janson

Over the next several decades, there will be a great migration of inherited money flowing from wealth "creators" down to their children and grandchildren. The mission of this book is to provide a vision, motivation, and the practical steps necessary toward the development of a stewardship mindset in both the lives of those who have created wealth and those who will eventually inherit it.



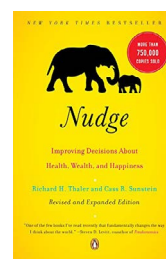
Born a Crime: Stories from a South African Childhood by Trevor Noah

Noah's unlikely path from apartheid South Africa to the desk of The Daily Show began with a criminal act: his birth. Trevor was born to a white Swiss father and a black Xhosa mother at a time when such a union was punishable by five years in prison. Living proof of his parents' indiscretion, his mother took absurd measures to hide him from the government. It is the story of a mischievous young boy who grows into a restless young man as he struggles to find himself in a world where he was never supposed to exist.



Creativity, Inc.: Overcoming the Unseen Forces That Stand in the Way of True Inspiration by Ed Catmull

A manual for anyone who strives for originality, and the first-ever, all-access trip into the nerve center of Pixar Animation—into the meetings, postmortems, and "Braintrust" sessions where some of the most successful films in history are made. It is, at heart, a book about how to build a creative culture—but it is also, "an expression of the ideas that I believe make the best in us possible."



Nudge: Improving Decisions About Health, Wealth, and Happiness by Richard H. Thaler

Nudge is about choices—how we make them and how we can make better ones. Drawing on decades of research in the fields of behavioral science and economics, it offers a new perspective on preventing the countless mistakes we make and show us how sensible "choice architecture" can successfully nudge people toward the best decisions.

Cover Images & Summaries: Amazon.com

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MYSUMMITWEALTH.COM

ORLANDO

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

NAPLES

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

JACKSONVILLE

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

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