

THE Rational Optimist™

The ABC's of 529's BY JASON PRINT, CFP®, CO-PRESIDENT & CEO

It's that time of year when kids are heading back to school! For some, this means tuition payments. Luckily, the recent tax law changes have made 529 college savings plans more flexible.

The original 529 program was a prepaid tuition plan established by the Michigan Education Trust (MET) in 1986. While 529 plans have been around for some time now, they have become increasingly popular in recent years.

+ *Tax law changes have made 529 college savings plans more flexible than ever.*

When the IRS issued guidelines for tuition plans in 1998, they did so under Code Section 529, and the name, "529 college savings plan," stuck. Fast forward to 2018, and there are billions in these investment savings plans.

The basics of 529 plans are relatively straightforward. A 529 plan is state-sponsored, meaning each state sets up their account. However, there is typically flexibility within the account.

For example, a Florida resident can invest in a Nebraska 529 plan, and the funds can be used for college in Massachusetts.

A donor adds after-tax money to a 529 plan. Once deposited, the assets grow tax-free as long as they are used to pay for qualifying expenses. These costs may include tuition, fees, books, and other required supplies. The 529 plans can even cover room and board costs.

The individual states set total 529 plan contribution limits states. However, to avoid gift tax consequences, federal law limits single taxpayers to contribute \$15,000 per year or a lump-sum contribution of \$70,000 to cover five years.

Under the old federal tax rules, 529 plans could only be used for eligible colleges and universities. With the Tax Cut and Jobs Act of 2017, new federal rules allow 529 plans to cover qualifying expenses for private, public, and religious schools.

These expenses are eligible to include kindergarten through 12th grade as well. These new rules and increased flexibility do come with some limitations.

The new rules apply a \$10,000 limit per year, per child on withdrawals. Overdraw this limit and taxpayers will face a 10 percent penalty in addition to taxes on the amount of investment growth distributed.

While the federal rules allow for kindergarten through 12th grade to qualify for expenses, that doesn't mean the state or educational institution sponsoring a specific 529 plan has adopted those same federal rules.

So far, less than half of the states in the U.S. have confirmed they will conform to the new federal standards.



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Asking the Expert: Medicare and Enrollment

An Interview with Brian Saben of Florida Medicare Experts

BY ANDREW DICKENS, DIRECTOR OF PENSION SERVICES & WEALTH ADVISOR



I had the opportunity to interview Brian Saben, a licensed insurance broker with Florida Medicare Experts. Brian has over ten years of experience counseling retirees on their Medicare options.

Question: For new Medicare enrollees, what do they need to know to get started?

Answer: The good and bad news is that six to nine months before turning 65 most people will be inundated by companies offering their products and information. To most people, it is an overwhelming amount of data. We feel like some of that information is intentionally designed to create confusion and steer people in one direction or the other.

While there is much to consider, the average person doesn't need to dive too deep into the details but rather understand the basics and what their options are.

Question: What are the typical options to consider?

Answer: There are three options to consider. Option one would be the Medicare supplement, which adds on the Medicare A and B and has monthly premiums. The second option is a Medicare Advantage plan, which is usually more affordable but comes with more restrictions. The final option, which is the unique case, would be if they have either group insurance from a current, former, or spouse's employer to consider instead of Medicare. For most people, it will be one of the first two options.

Question: What are the kinds of things people should consider before choosing a plan?

Answer: The most important thing to understand is how Medicare A/B with

a supplement differs from a Medicare Advantage plan. The Advantage plans have lots of rules and are network-based, whereas Medicare supplements are much more flexible. Knowing how each option may affect access to your preferred physicians, as well as the medications you are currently taking, are important factors to consider.

You should also examine your lifestyle; a couple who travels frequently will have different considerations than someone who doesn't travel much. It often boils down to personal preference. Keep in mind that everything is based on the individual consumer; there are no "family" plans. It's not uncommon for a husband and wife to have different coverages.

Question: For people already enrolled in Medicare, what reasons might cause them to revisit their choices?

Answer: The most common reasons are either financial or treatment considerations.

Supplements have monthly premiums and can be expensive for some people. Over time one's income might change making it difficult to afford the monthly premiums. In these situations, it may be beneficial to consider switching into a Medicare Advantage plan which typically doesn't have monthly premiums.

Where Advantage plans may have the edge regarding affordability, there are disadvantages when it comes to treatments. With advantage plans, you don't have the flexibility you have with traditional Medicare. With traditional Medicare, if a procedure is deemed medically necessary, Medicare will pay and so will any supplements related to that treatment. Advantage plans may force you to undergo other treatments first or may change their rules over time.

Question: Can there be issues for people who want to switch plans later on?

Answer: Yes, especially if switching from an Advantage plan to a supplement.

Medicare supplements are only "guaranteed issue," in other words guaranteed to be offered regardless of your health if you are turning 65 or a new enrollee. After that, health issues may prevent you from getting a supplement due to medical underwriting and costs will also be higher since you are older.

Question: How does Medicare handle long-term care or rehabilitation?

Answer: It's very limited. Provided you meet the conditions, Medicare will cover the first 20 days in full. From day 21-100, your current cost sharing in 2018 would be \$167.50 per day, unless covered by a supplement that pays. After 100 days, Medicare will not pay. Understand that Medicare is for acute care, not long-term care. If people are looking to cover long-term costs, such as assisted living or nursing home costs, they need to consider outside insurance options long before any such care is necessary.

Question: If someone wants to talk to a professional about their Medicare options, are there any red flags people should look out for?

Answer: Absolutely. Medicare will not call you. It's not unheard of for people to get calls from someone claiming to be from Social Security or Medicare and wanting to sign them up over the phone. These people are usually fishing for information, so don't fall for it. No one selling Medicare should call you either. It's also illegal to charge someone for a recommendation regarding Medicare or Medicare Advantage.

Also, in the past Medicare provided ID cards that contained your social security number. They are issuing new cards without your Social on them. These will be sent to you automatically; most people should have the new cards by April of 2019.

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The Bright Side of the Brainstorm

BY ALYSSA FERRARO, CLIENT EXPERIENCE MANAGER



Imagine technology being able to harmonize the feared clashing of right and left brain-behavioral stereotypes; overly analytic versus overly emotional. Exploiting the best of both right and left-brained strengths could be the new future of making ideal financial decisions.

The potential of this hybrid outcome certainly threatens to alter the study of Behavioral Finance, which identifies why people make specific financial choices.

Right-brained individuals are known for their creativity and perceptive nature. The right side of the brain is brilliant at seeing the “big picture” and how all the pieces of a puzzle work together.

However, I can’t help but wonder if there is an advantage to balancing both when it comes to financial planning.

Recently, I came across an article on Forbes.com, titled “Are you a Right Brain or Left Brain Investor,” by Rick Ferri. The concept of right and left brained people has always fascinated me but reading Ferri argue that right-brained people make poor investors kind of struck a nerve, as I consider myself to be a right-brained individual.

The aggregation of right and left-brained strengths could be the new future of making ideal financial decisions.

He claims, “Our right brain is incapable of considering risk and return simultaneously. That’s the job of our left brain. The left brain provides the analytical thought that the right brain lacks.” Ferri says right-brainers are focused on the probability of winning rather than losing, while left brain investors understand that “the probability of loss is more important than the possibility of return.”

This article also frequently references a book by psychologist and Nobel Prize Winner in Economics, Daniel Kahneman called, “Thinking Fast and Slow,” that shares a similar stigma against right-brained people.

Kahneman summarizes the reasoning of a right-brained investor, “If an investment sounds good, it must be good. Relying on intuition for investment decisions is a mistake.” He believes that the left brain recognizes and oversees the risk mitigation of poor right-brained choices.

These two authors’ views on the right brain suggest that it has no place in the world of sound financial advice and that the left

brain’s attention to detail is necessary for orderly financial decision making.

Head of behavioral design at Capital One, Chris Risdon, draws an interesting comparison between snowflakes and “math” (broadly referring to formulas and equations) in a blog article. He states that no two snowflakes are alike -they all have unique qualities about them. Similarly, people have unique circumstances, individual values, our employment, place in life, financial situation - each one-of-a-kind.



Regardless of our unique qualities, it is true that there are scientific methods that can encourage specific uniform behavioral outcomes or equations solved by behavioral science. The math equations themselves that Risdon refers to are ultimately formed by blending the strengths and weaknesses of the right and left sides of the brain.

In this age of rapidly developing technology, computers can be trained to find patterns in our daily lives by using algorithms. The data collected over time becomes more and more detailed. These formulas are created to respect our uniqueness as “snowflakes,” and

help balance stereotypical right and left-brained tendencies by using emotional decision making to our advantage rather than our detriment.

On a basic level, this technology increases our ability to better manage things, like money. Taking it a step further, rather than managing things it can help manage behaviors, ultimately encouraging people to make better choices and assist them in achieving better long-term behavioral goals, like saving for retirement.

Best Regards,

Alyssa

Ferri, R. (2012, April 23). <https://www.forbes.com/sites/rickferri/2012/04/23/are-you-a-right-brain-or-left-brain-investor/> [Web blog post]. Retrieved August 10, 2018, from <https://www.forbes.com/sites/rickferri/2012/04/23/are-you-a-right-brain-or-left-brain-investor/>

Risdon, C. (2017, October 25). [Scaling nudges Machine Learning](http://behavioralscientist.org/scaling-nudges-machine-learning/) [Web blog post]. Retrieved August 10, 2018, from <http://behavioralscientist.org/scaling-nudges-machine-learning/>

Kahneman, D. (2011). *Thinking, fast and slow*. New York: Farrar, Straus, and Giroux

It's Called Fishing, Not Catching

BY CHAD WARRICK, CO-PRESIDENT & CEO

As a child, some of my favorite memories took place during the summer. It was not the break from school as much as it was the visit from Gram which made my summers memorable. Looking back, I realize that my Grandmother was unlike any other. Her visits were filled with affection, genuine laughter, lots of fishing, and valuable lessons.

When fishing together, she would always remind me "Patience is a virtue." This was a difficult concept to grasp – especially for a 10 year old boy who was just so eager to catch a fish.

She would reiterate, "Patience is a virtue Chad... The fish won't always bite." I recall taking deep breaths and singing along with her, "Fishy, Fishy in the brook – Wont you bite my little hook?"

➔ **Instant gratification should be approached with caution as it relates to financial planning**

There were days when we trolled back to the dock empty handed – and then there were days where I reeled in the greatest Bass

I had ever seen. It still brings a smile to my face when I recall the sound of Gram's voice whispering "Psst... Tell everyone that I was the one who reeled it in, okay?"

Since then, I have loved the outdoors - and I owe

that to my Grandmother. It's one of those things I hope to pass down to my children. I hope to also pass down the virtue of patience.

With the luxury of instant gratification almost everywhere we go, teaching and modeling patience to kids can be challenging.

All of the wonderful luxuries of modern day society facilitate the ongoing ability to reduce wait time. We have Disney Fast Pass, TSA pre-check, preferred boarding at the gate, mobile pre-order at Starbucks, Amazon Prime same day delivery and more.

As much as I have come to appreciate many of these luxuries, instant gratification should be approached with caution as it relates to financial planning.

Psychologist Walter Mischel conducted a famous research study over 40 years ago that examined self-control in children. The findings revealed that the human brain tends to surrender logic when presented with the opportunity for instant gratification.

The study began by offering the preschoolers two options: Receive one marshmallow right away or wait fifteen minutes and receive two marshmallows.

Although most children agreed to waiting the fifteen minutes for the two marshmallows – the anticipated second marshmallow was soon surrendered in favor of obtaining just one marshmallow instead.

These same children were followed into adulthood, as a continued study, and it was discovered that childhood tendencies have a direct correlation to potential success in adulthood. The behaviors of a child reflect their innate abilities and foundation for their adult logic.

Simply put, our habits reflect the way our brain computes and weighs decisions.

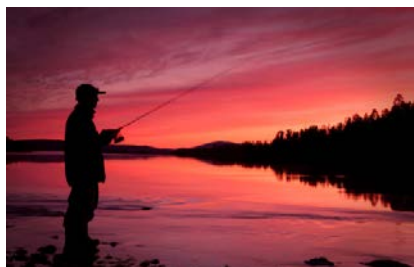
Therefore, patience is indeed a virtue. It powers our ability to exercise self-control and steer away from the temptation of instant gratification. As a child, it was by patience that I learned to appreciate fishing.

It is with *much* patience that I will teach and hand-off the virtue itself. It is also a huge piece of the financial planning conversations I have with clients - as long term plans require day-to-day commitments.

Be Well,



Mischel, W. (2014). *The Marshmallow Test: Mastering self-control*



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 is Financial Planning Anyway?

BY CHAD LEATHERWOOD, CFP®, WEALTH ADVISOR



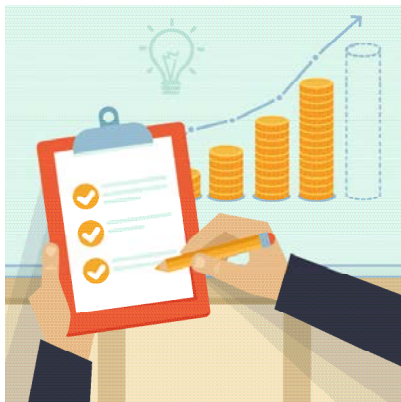
I recently met with a couple who came to see me about their portfolio. When I brought up the importance of financial planning, they promptly told me they already had a financial plan in place.

It turns out their idea of a financial plan was an account with several mutual funds and taking distributions from the account as needed. While this may be an element of a plan, it is not an actual financial plan.

The concept of financial planning is often misunderstood. It's not surprising since there have been some financial advisors purporting to do financial planning by simply providing some basic reports or illustrations to sell a product.

▶ *A little planning can go a long way.*

It's a misconception to think of financial planning as just "saving and investing." While this is a core part of Financial planning, it is much more than this. Saving and investing, while necessary, is not the only lever to pull in making sure you can reach your objectives.



According to the Certified Financial Plan Board, "financial planning is the process of determining whether and how an individual can meet life goals through the proper management of financial resources."

The CFP Board identifies the financial planning subject areas to include

but not limited to financial statement preparation and analysis (including cash flow analysis/planning and budgeting), insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning.

Each financial plan is unique, and all of these areas may or may not be necessary for your plan. It is essential that it be designed

and customized to your specific needs, goals, and objectives.

Let's assume you put a solid investment strategy in place and now have enough money to get you through retirement comfortably.

What happens if you fail to address planning for long-term care, and a chronic illness arises that puts your lifestyle in jeopardy?

What if a trust is established and the accounts are not retitled to the name the trust?

What happens over time when lack of tax planning results in continuously over-paying?

A little planning can go a long way. Financial planning goes beyond investment planning to address these other critical issues.

At Summit, we want to establish a financial game plan for our clients. We make sure you are aware of potential obstacles that can derail your plan. Our process is designed to bring all the pieces of your financial life together, make sure the components are working efficiently, and assemble them correctly to make your dreams and goals attainable.

Regards,

A stylized, handwritten signature in black ink, appearing to read 'Chad'.

Heckman, S., Seay, M., Kim, K., & Letkiewicz, J. (2016). Household use of financial planners: Measurement considerations for researchers. *Financial Services Review*, 25(4), 427.

For CFP® Professionals. (n.d.). Retrieved September 7, 2018, from <https://www.cfp.net/for-cfp-professionals/professional-standards-enforcement/current-standards-of-professional-conduct/standards-of-professional-conduct/terminology>

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

Continued from page 1 - The ABC's of 529's

Even with these limitations, the new laws are opening up an entirely new strategy when planning for education expenses. Be sure to check with us for specifics regarding any possible college funding plans.

Best Regards,

Jones, J. (2018, April 26). *How Tax Reform Is Changing 529 Plans*. Retrieved August 15, 2018, from <https://money.usnews.com/money/blogs/the-smarter-mutual-fund-investor/articles/2018-04-26/how-tax-reform-is-changing-529-plans>



Continued from page 2 - Asking the Expert -

Question: Any final thoughts?

Answer: Don't let anyone stress you out or pressure you into making a decision. They give you a three-month window before your 65th birthday with plenty of notice in the mail, and you have some flexibility if you make a decision you don't like early on and want to make changes in coverage.

Finally, don't feel like you must do it alone. Brokers will make recommendations at no cost to you, and there are plenty of resources and even non-profits that can help you get up to speed with what you need to know.

We would be glad to assist you if you would like additional resources, or help getting in touch with a Medicare expert.

Regards,

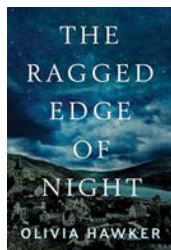
BOOKS WE'RE READING



The Amazon Way: 14 Leadership Principles Behind the World's Most Disruptive Company

by John Rossman

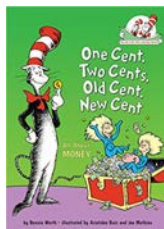
Rossman introduces readers to the unique corporate culture of the world's largest Internet retailer, with a focus on the fourteen leadership principles that have guided and shaped its decisions and its distinctive leadership culture -- as only an insider could do. He witnessed it all--the amazing successes, the little-known failures, and the experiments whose outcomes are still in doubt.



The Ragged Edge of Night

by Olivia Hawker

For fans of *All the Light We Cannot See*, *Beneath a Scarlet Sky*, and *The Nightingale* comes an emotionally gripping, beautifully written historical novel about extraordinary hope, redemption, and one man's search for light during the darkest times of World War II.



One Cent, Two Cents, Old Cent, New Cent: All About Money by Bonnie Worth

THE CAT IN the Hat puts to rest any notion that money grows on trees in this super simple look at numismatics, the study of money and its history. Also included is a look at banking, from the use of temples as the first banks to the concept of gaining or paying interest, and a step-by-step guide to minting coins. A fascinating introduction is bound to change young reader's appreciation for change!



Girl, Wash Your Face: Stop Believing the Lies About Who You Are so You Can Become Who You Were Meant to Be by Rachel Hollis

As the founder of the lifestyle website *TheChicSite.com* and CEO of her own media company, Rachel Hollis developed an immense online community by sharing tips for better living while fearlessly revealing the messiness of her own life. Rachel exposes the twenty lies and misconceptions that too often hold us back from living joyfully and productively, lies we've told ourselves so often we don't even hear them anymore.

Fall begins on Saturday, September 22

Cover Images & Summaries: Amazon.com

SUMMIT SPOTLIGHT

A LOOK INTO THE LIVES OF THE SUMMIT TEAM

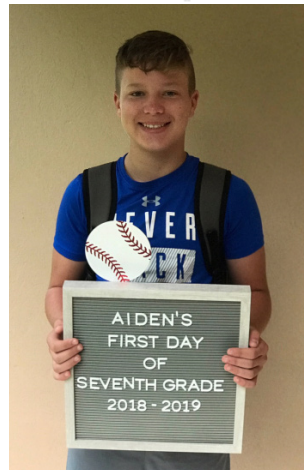
Back to SCHOOL 2018



Jason sporting matching ties with his son Joseph



Jason Print's kids, Sydney and Joseph started 2nd grade and Kindergarten



Chad Warrick's sons, Aiden and Liam started 7th grade and 2nd grade



Andrew Dickens' daughters, Keira and Ariel started 5th grade and 8th grade



Alyssa Ferraro's daughter, Ava is 14 months old going on 14 years



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