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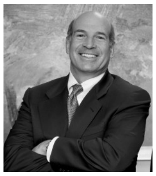

Present (almost) Perfect? Or, Are We In the Age of Self-Reliance?

By Mitch Levin, MD, CWPP, CAPP
CEO and Managing Director

It is been said that the best time to plant a tree was 20 years ago; and the second-best time is now. Here is a "tree" recently planted that may give some us more hope.

In early October 2013, in a nationally televised address, Willem-Alexander, King of Holland, delivered a message to the Dutch people. He said:

> The welfare state of the 20th century is gone…In its place a 'participation society' is emerging, in which people must take responsibility for their own future and create their own social and financial safety nets, with less help from the national government. The shift to a 'participation society' is especially visible in the areas of social security and long-term care. The classic welfare state of the second half of the 20th century in these areas is unsustainable in their current form.

The King's message is a strong indicator that we may be returning to the age of self-reliance. Another, of course, is our own can-do, independence, I-came-here-to-better-myself-and-my-family attitude that is the hallmark of Americans. We never lost it.

Dear reader, I am not being Pollyannaish. We have serious and perhaps imminent problems, i.e., the national debt and government over-spending possibly the most egregious. Yet others have been predicting our national collapse since our inception. Never bet against the American people. We know that present work leads to future reward. And yet there are some who are trumpeting our demise right now. Perhaps you have heard some say we are now the "land of the regulated, and the home of secure." Others have asked, "as our government gone wild"?

> "Never bet against the American people."

All that may be so. Maybe it was always so. The media manipulators are as bad as the political manipulators. Wasn't the Civil War going to be the end of us? Wasn't the New Deal going to be the end of us? Or was it the Great Society? Remember Wisconsin Senator (D) William Proxmire's Golden Fleece Awards of the 1970s and '80s?

And perhaps in its cumulative form that dismal prediction may yet become a reality. But it won't now, nor any time soon. At least some of our state governors know what the Dutch King knows.

So as a country, the producing segment has come to realize we cannot and ought not to rely upon the government. On the contrary, the government is going to rely on us even more as its spending continues apace.

The question becomes for us as investors and as investor advisors, as your wealth manager—what do we do now?
How do we maintain our portfolios' power recognizing our need for self-reliance, and our government's reliance on us even more?

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What's Inside This Issue:

What's the Story with Fannie and Freddie?

Jason Print, CFP
Partner and Financial Wealth Manager

Both Fannie Mae and Freddie Mac are still owned and operated by the U.S. Government, as has been the case since 2008 when the Treasury department determined neither organization would be able to survive on their own and both organizations were far too important to let fail.

Currently, the two organizations own or guarantee over half of all new mortgages issued today. Fannie has $3.3 trillion in assets on its books and Freddie has approximately $2 trillion. As a critical component of the U.S. housing market, it's essential to keep the organizations guaranteeing mortgages; without them the housing market would have been much worse. Since 2008, the U.S. taxpayers loaned both companies a total of $187.5 billion, this kept the mortgage market on life support through the housing crisis.

Fannie announced a dividend to the Treasury department of $59.4 billion

Here's the good news. In May of 2013, Fannie announced a dividend to the Treasury department of $59.4 billion.

Just a couple of years ago with housing sales anemic and foreclosures dominating the market, it seemed unlikely that Fannie and Freddie would ever pay back the money loaned. Now, with a surging housing market and less homeowners defaulting on mortgages, it's only a matter of time before Fannie and Freddie pay back the entire $187.5 billion loan.

Originally, the injection of capital came with a 10% dividend on senior preferred shares owned by the Treasury, as well as, warrants to acquire up to 80% of the firms common shares. Last year, the agreement was changed and there is no longer a dividend. Instead all profits are sent to the Treasury as dividends. The additional benefit to taxpayers is the way the agreement was set up, Fannie and Freddie will continue to send all profits to the Treasury even when the original loan is paid back.

Going forward, there are two main options being considered; Plan A, also called "the PATH Act" is a market-based reform that would phase out the government guarantee and ultimately phase out these two extremely large companies. This has been presented by the House Financial Services Committee. Plan B, presented by the Senate is to establish a new government guarantee for mortgage-backed securities and then wind down Fannie and Freddie, Unfortunately, at this point it's uncertain if either Plan A or B have enough support to pass Congress and with a surging housing market there may not be enough political will.

We know that the present set up has significant risks which can be very costly to us the taxpayers. If a long term solution is not put into place, then those same dangers will remain. Your Summit team will keep you abreast of these important issues.

Safeguarding against identity theft

The following are general tips on how to help keep your information protected against the world's fastest—growing cyber-crime — identity theft.

Trust your email instincts.

Many internet scams involve emails that appear to be from a trusted source. Links and attachments are often used to remotely install malware on your computer without you even knowing it. That's why it is important for you to handle your emails with caution.

- Don't reply to any email asking for personal information such as a password, user ID, Social Security number, or other account details.
- Avoid clicking on embedded links in the body of an email or attachments.
- Look out for emails that appear to come from a friend or known acquaintance, but contain a generic message directing you to a link or attachment.
- Turn off your "preview pane" to disable the ability for malware to be executed indirectly.

Password
Do's and don'ts.

Creating a strong, complex password is key to helping prevent a cyber attack. To increase the security of your password, follow these simple steps:

Do

- ✓ Do use a combination of letters, numbers, and symbols.
- ✓ Do substitute letters for numbers whenever possible in a password. Example: Replace "s" with the number "5" (pas55word).
- ✓ Do change your passwords frequently.
- ✓ Do use different passwords for different accounts.
- ✓ Do answer security questions with answers only you would know and that cannot be accessed by public information.

Don't

- × Don't use personal information such as a pet's name, birthdates, or hobbies.
- × Don't use words found in the dictionary. Read the above for examples of how to build a safe password.
- × Don't mirror or slightly alter your User ID as a password.
- × Don't use simple letter or number sequences.
- × Don't email your User ID and password to anyone.

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Keep your private information, private.

Protecting yourself from identity theft all begins with making sure your personal and financial information is not shared. Data such as your name, address, Social Security number, and account information is valuable and should not be made accessible to others.

- Don't share or write down online account information — including your long-in details such as user names and passwords.
- Avoid accessing your account from public computers or networks, including internet cafes, libraries, hotels, parks, and more.
- Always log off and close your browser after accessing your account.
- Secure any data stored on your smartphone by deleting images of checks and other important personal information.
- Contact your wireless provider to inquire about the security of the information on your smartphone and the network you use to transmit data.

Protect your computer and network.

- The online security landscape is constantly evolving, so it's critical to keep updating your defenses against new threats.
- Install antivirus and anti-spyware software and configure automatic updates.
- Always use the latest version of your preferred browser.
- Only add software you are familiar with to your computer.
- Use a secure password to protect your wireless network.

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Present (almost) Perfect? Or, Are We in The Age of Self-Reliance?

Investors are smart and sophisticated. This is not the time to "go off the reservation." We must maintain discipline and perspective, to sustain our successful portfolios. Who would have thought that in 2013 investing in Greek stocks or even Greek bonds would offer some of the highest returns? This is not the time to engage in freestyle investing. That is how too many investors are burned over and over again.

"Watch the world, not the West. Concentrate on the companies, not the countries." It is true that the markets seem to be telling us that the West, in general, the U.S. specifically, is in for long periods of slow growth, higher taxes, and higher risk.

This is why it's important for us to collaborate with your most trusted advisors, to bring you a comprehensive perspective and discipline. That is what makes our clients so successful. This is why at Summit, we collaborate on behalf of our clients with your attorneys and accountants to minimize taxes, to optimize returns, to understand interest rate risks, the risk of longevity, and the risk of not having the proper allocation, the risk of avoiding the wrong risks, and taking on other unnecessary risks unknowingly.

> "...the producing segment has come to realize we cannot and ought not to rely upon the government."

This time is not different, because this time is never different. We must stay steady in our philosophy and in our strategies while we continue to move ahead. Avoiding the losses is more powerful than trying to pick the winners. Consistent excellence outperforms occasional brilliance.

> "The future is our financial freedom."

As society's producers, there are ever more obstacles to our success. As consumers, we are ever more empowered. Our money is stored and leveraged labor and time, for future use and sharing. It is not an expiring subscription like e-books, or digital entertainment. It is more analog, like we are. Keep it away from the government and it will always be there for you.

The future is our financial freedom. That means the ability to do what you want, when you want. It is the beginning of a great era if we know how to capture it. The solution, the key to continued success is collaborative comprehensive planning. That is how we prosper in the age of self-reliance.

People generally and rightly act upon their own enlightened self-interest. Only those who make great decisions, decisions based on evidence, not emotion, will enjoy future financial freedom, and the present (almost) perfect.

Mitch

What Happened Yesterday May Not Happen Tomorrow

Chad Warrick, Senior Wealth Advisor
Partner and Chief Investment Officer

There is no denying what a banner year the U.S. Stock market has had in 2013! With only a few days before the end of the year, the equity markets have experienced a nice Santa Claus rally. This is a continuation of the momentum of strong equity performance since May, after the wake-up call when the Fed first announced their plans to reduce the purchase of treasury bonds. As mentioned in previous articles, my crystal ball broke a long time ago. We can only rely on the information that we have and assume that a portion of the information coming is unreliable. I believe that the equity market indicates where they want the economy to be and that the fixed income market tells us where the economy is. Given how the markets are performing, as we approach the New Year, the upcoming debt-ceiling conversation, due in February, may be another nonevent.

As the economic picture begins to improve and stabilize a bit in the eyes of the Federal Reserve, they will start there tapering efforts in the first quarter. This is a sign that the Fed is confident that the economy can handle a reduction in stimulus, which is still to be seen how the market will react when the rubber hits the road. For this reason, I believe it is safe to assume that heighten volatility will be on the rise, as we have seen a rising correlation amongst asset classes. An important key to point out is that many assets appreciated because of monetary policy 'government intervention' over the last couple of years. What we would like to see is assets appreciating based on earning growth and new hiring/wage growth, which has been somewhat lack luster in 2013. But 2014 is a new year!

Some asset classes have performed better than others in 2013 such the US Large and Small Cap outperforming International Equities and Commodities. However, it is harder to demonstrate the importance of diversification when you have a year like 2013. But we cannot forget about the down years, when diversification shined. Having a well positioned/ diversified portfolio will not beat every asset class each year, but it will help manage portfolio volatility and allow alignment for our client goals and objectives with their TRUE risk tolerance and return expectations.

So where do we go from hear? We have captured our fair share of growth in 2013, based on our risk tolerance, needs and goals. On the fixed income side, this is not the time to increase the duration of our fixed income holdings, nor is it the time to take on more risk in low quality of bonds. The long-end of the fixed income market presents a larger potential for price negative volatility. So I believe we need not case yield. As for equities, there is ample reason to be cautiously optimistic in 2014, making sure that stock prices have not gotten too far ahead of earning.

I want to see that all of our clients prosper now and through retirement. We will continue to work hard to preserve current growth and focus on future growth and income opportunities. I look forward with rational optimism to the New Year!

2013 Nobel Prize in Economics Awarded to 3 Americans

Eugene F. Fama, University of Chicago
Lars Peter Hansen, University of Chicago
Robert J. Shiller, Yale University

By Ben Brumfield and Michael Pearson, CNN, Oct. 14, 2013

(CNN)— Groundbreaking research that reshaped the way economists and investors look at how markets work has earned three American professors the Nobel Prize in economics, the Royal Swedish Academy of Sciences announced Monday.

Eugene F. Fama and Lars Peter Hansen of the University of Chicago and Robert J. Shiller of Yale University received the prize "for their empirical analysis of asset prices," the Nobel committee said.

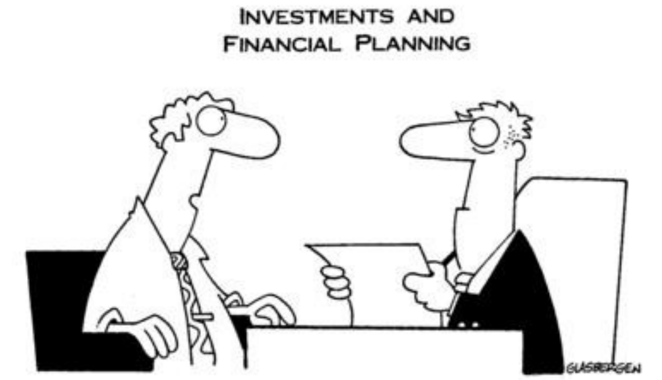
According to the committee, the economists' research "laid the foundation for the current understanding of asset prices."

Their research showed that while it is difficult to predict asset prices in the short term, prices can be predicted in broad terms over longer periods, such as three to five years, according to the academy.

Their work resulted in the emergence of stock index funds — collections of assets designed to mimic the results of broader stock indexes, such as the Dow Jones Industrial. Such funds are often staples of retirement and individual investment accounts.

Shiller warned about the 1990s — era "stock bubble" and about high home prices before the decline in housing values that greatly contributed to the recession from which the U.S. economy continues to recover.

Source: To read the entire article go to www.cnn.com



"Explain to me again why enjoying life when I retire is more important than enjoying life now."

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phone: (216) 371-8600 / e-mail: ft@funnytimes.com

"Finglish" (n) Financial English

CAPITAL ASSET
Long-term asset that is not bought or sold in the normal course of business. Generally speaking, the term includes FIXED ASSETS — land, buildings, equipment, furniture and fixtures, and so on. The Internal Revenue Service definition of capital assets includes security investments.

EARNEST MONEY
Good faith deposit given by a buyer to a seller prior to consummation of a transaction. Earnest money is usually put in an escrow account until the closing.

DWARFS
Pools of mortgage—backed securities, with original maturity of 15 years, issued by the Federal National Mortgage Association (FANNIE MAE).

SUBSIDIARY
Company of which more than 50% of the voting shares are owned by another corporation, called the PARENT COMPANY.

Source: *Barron's Dictionary of Finance and Investment*

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CONTACT

www.MySummitWealth.com

Orlando

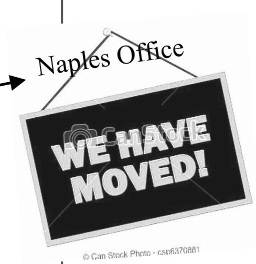
One Orlando Centre
800 N. Magnolia Avenue
Suite 105
Orlando, FL 32803
PH: (407) 656-2252
FX: (407) 656-8116

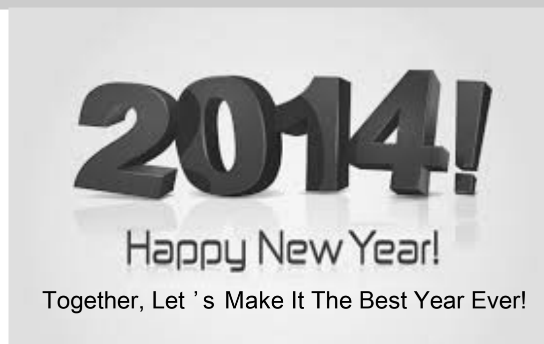
Naples

Vanderbilt Financial Center
9045 Strada Stell Court
Suite 101
Naples, FL 34109
PH: (239) 254-1875
FX: (239) 254-0476

Jacksonville

4223 Duval Drive
Jacksonville Beach, FL 32250
PH: (904) 273-4550
FX: (904) 212-0193





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"Lack of money is the root of all evil."
- George Bernard Shaw