

# The Rational Optimist™



## Entrepreneur vs. Employee Does Your Business Have Enterprise Value? By Mitch Levin, MD, CWPP, CAPP

Recently, my wife Swantje and I were invited to attend a meeting in Utah targeting business owners and professionals – the middle class millionaire. Afterwards, I reflected on the event. The participants were a diverse group of men and women of different races and experiences, but they all had a common thread. They believed in this country, what it stood for, and the opportunities it gave them and their family. They all had definite goals, dreams and ideas for their businesses. I felt proud to be among them and hear their stories of the old American dream and their thoughts on the foundation forming for the new American dream in their fields.

As I listened to their stories, I took a look back on the past to see where we came from, what experiences form the way we are in business. I learned about business early from my father. He was a classic American entrepreneur of his generation. In his early thirties, he founded the floor-covering store, Tile Mart, in the small Long Island town of Syosset, NY. You will note, and I smile in acknowledgement, that he knew about integrity and hard work then and I am sure that it carried over into many families today.

In those days, the store was the place to go for quality products and services for the burgeoning post-war middle class home owner. If you weren't sure of the right ceramic or tile or covering or carpet or the exact adhesive mixture or substrate, then Tile Mart had the answer. Re-

member, in the early 60's we didn't have big store competition yet. The big boys like Home Depot and Wal-Mart were simply not even a consideration. But they weren't far off.

By many accounts and standards, the store was good for my father and our family. We didn't have everything we wanted, but we always had everything we needed and it provided college educations for me and my brothers.

I relate this story to you because it is extremely important for anyone who calls himself an entrepreneur or wants to be one, to understand the difference between being an entrepreneur and becoming an employee of your own company. While my father started his own business with nothing down and it provided for and fed and clothed the family for 30 years or more, my father wasn't an entrepreneur as we know it today. He was simply an employee of his own company. There is nothing wrong with being an employee of your own company or someone else's, but be aware. As his own employee, my father didn't have a vacation plan, a health plan, or a retirement plan. In addition, he alone bore all of the risk of the business. The business ultimately didn't survive because of the

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## Debt Ceiling, Federal Reserve and the Bond Market Could it be déjà vu?

Chad A. Warrick

Senior Wealth Advisor, Chief Investment & Compliance Officer

Since May of this year volatility has certainly picked up, after Ben Bernanke announced plans that the Feds were to begin tapering their quantitative easing (QE) beginning this September and Wall Street over reacted which sent the stock and bond market plunging (while interest rates rose).

The stock market, more so than the fixed income market quickly, recovered from a knee jerk reaction. Then in mid-August the threat of war in Syria took front stage presenting another opportunity for the stock market to retreat. After heated discussions with world leaders, President Obama and Congress regarding Syria and their progress in making plans toward removal of their chemical weapons, the stock market rallied.

And lastly, on September 18<sup>th</sup>, Bernanke announced a delay in their QE tapering efforts, which was estimated to be a \$10 billion dollar cut in its \$85 billion dollar buy-back program. The stock and bond market reacted favorably to the announcement.

## It Tolls for Thee!

Save the Date!

Tuesday, October 15<sup>th</sup>

Watch CNBC @ 9:30 a.m. EST

**Chad will be ringing the opening bell for the NYSE!**

iShares has invited Chad to a ceremonial ringing of the opening bell at the New York Stock Exchange, along with engaging in discussions with MSCI and Standard & Poors.

This is a special honor and Chad will be thinking of you and your families when he tolls the bell. Thank you for your trust and confidence..

SPDR S&P 500 ETF			
120 Day Period	May	High	-8.6%↓
	Jun	Low	8.8%↑
	Aug	High	
	Aug	Low	-4.4%↓
	Sep,ITM	High	5.9%↑

However on the other side of the coin, because the Feds announced their plans to taper QE in May, interest rates rose higher than they expected. The Feds used these changes in the economic data for the rationale to delay the tapering. The announcement by the Feds delaying tapering of the QE, plus the slower unemployment recovery combined with minimal wage growth could be signal of a slower rising interest rate environment. This delay will also allow the Feds time to observe how the debt ceiling debate plays out.

Congress, now back in session, will need to address three fiscal issues.

1. October 1st the U.S. Government closing its doors unless the House and Senate can approve a 2014 budget
2. Budget cuts discussions
3. Debt ceiling debate

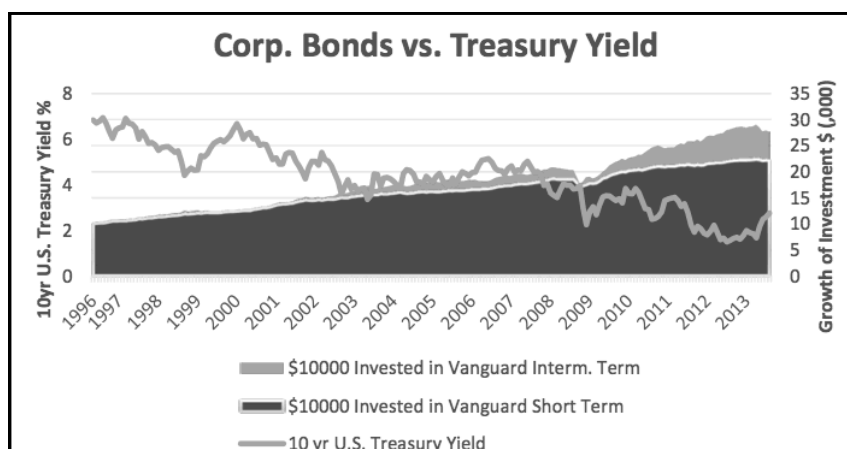
These issues have a high probability of causing additional volatility based on the potential of more uncertainty.

We will continue to use this period of higher volatility to rebalance and reposition portfolios to ensure that they are aligned to your specific financial goals and objectives. I continue to remain optimistic today and beyond this near-term headline news.

While you and I cannot control the events or issues that add to the volatility of our markets, we can remain strategic in rebalancing to take advantage of every opportunity. In our quarterly commentary we will expand our discussion of the economic events impacting the economy and the markets. More importantly we will discuss how we are working with you in our efforts to provide you solid growth, safely managed and trusted advice.

Sincerely,

*Chad*



Source: MorningStar and Yahoo (March 31,1996 to August 31, 2013)

Thank you for introducing us to your families and friends! It is an honor and we thrive when they become clients too! We would like to introduce you to a few of our cutest family members. Thank you for your trust and confidence!

## Happy Halloween from our Pumpkin Patch to yours!



Summit Wealth Partners continues to earn the trust and confidence of families , professionals, business owners and institutions. We believe it is our honor and privilege. Here are a few pictures of some other reasons why we do what we do. For all of us, it doesn' t get much better than that! Left to right, top row, Chad Warrick' s sons Liam (3) and Aiden (6); Loredana Wollet' s daughters Elena (4 months) and Cristiana (5). Bottom row, Vicki Brodnax' s grandsons Connor (9 months) and Liam (4), Jason Print' s children, Joseph (1) and Sydney (3); and Vicki' s granddaughter Taylor (2).



# Entrepreneur vs. Employee

## Does Your Business Have Enterprise Value?

By Mitch Levin, MD, CWPP, CAPP

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big box competition, my dad lost everything, and because it only provided him work, there was little upside. He was very frustrated and didn't know what to do. He felt trapped in his own business. I tell you this story because for years, I didn't understand it. Like my father, I didn't know what it meant to be an entrepreneur and many of you may not either.

Entrepreneurism isn't the creation of a job for you, no matter how valuable that role is to this country and to families like mine. Creating a job is a fine goal especially if you are out of work or unhappy with your present situation. Many professionals long to own their job, i.e., doctors, lawyers, accountants. Today's entrepreneur visualizes goals.

What I want you to see, however, is that there is another goal, the power of leveraged entrepreneurship that is obtainable. As you take your business beyond the scope of providing a job, the business can provide for you in a sustainable way beyond your own personal efforts. This is the power of leveraged entrepreneurship when your business works for you. This is enterprise value.

If all you are getting from your business is a monthly paycheck, you aren't getting enough for all of the overtime and risk you are putting in. Instead, you should be getting your paycheck plus a leveraged reward for your efforts as the creator of the business. At some point, you should be able to hire someone to do your daily job functions while your business continues to pay you for what you have created. This is your goal as an entrepreneur.

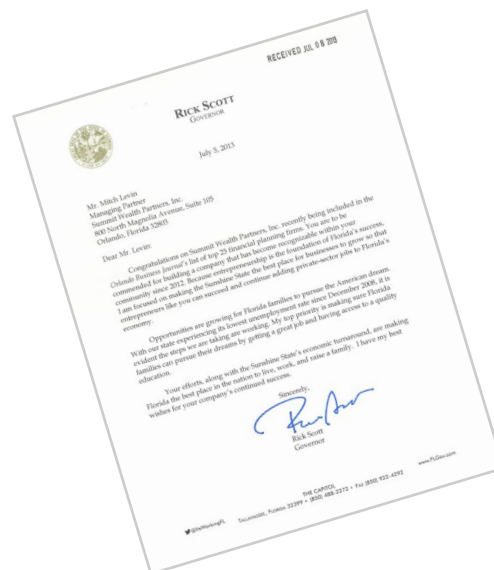


On a recent Friday, Mitch visits with Florida Governor Rick Scott at our offices, after receiving his congratulatory letter.

It isn't easy to build a business and even when you do, it frequently doesn't last as long as you want and often you have to create sustainability. But this should be your goal. Here at Summit we help our clients visualize their goals and give them clarity. Without clarity, you may not see an opportunity and miss using it to your advantage. Why not let Summit help you in developing enterprise value for your business.

**Make good decisions!**

*Mitch*





## How Organized Are You?

### Suzanna Letchford, Client Service Specialist

Americans waste 9,000,000 hours per day searching for misplaced items (American Demographics Society). How many times have you needed your checkbook but it wasn't where you thought it would be? How much time did you spend looking for it? Are you one of the millions of Americans who don't complete as many tasks as you would like to because you either can't find or it takes too long to find the paperwork you need? You are definitely not alone! Many people lose opportunities, time and money due to disorganization. Don't let being disorganized keep you from reaching your financial goals.

Having your financial documents in order can give you peace of mind, a cleaner desk and can help you make more money. Really? Yes! Getting organized can make you money. Having what you need will empower you to explore new investment planning opportunities, avoid late fees from vendors and creditors as well as give you the confidence and peace of mind to clearly see your full financial picture and be open to big goals. Although the task may seem daunting, if you take it step by step it can be done – and with no bloodshed! (How do you eat an elephant? One bite at a time!)

Having all of your important papers in one place is vital. I often help people put together what I call a "Life Binder." This includes everything you or those that are important to you need to know in an emergency situation.

The following information will help you to build a main binder and a smaller binder for emergencies. The main binder you can keep at your home, with a professional or in a safe deposit box. Give an electronic copy (on a USB drive) of the binder to your attorney, applicable family members, etc. Let anyone who needs to know where a copy can be found.

The smaller binder is for emergencies and should be kept next to the microwave or somewhere else easy to remember and accessible. In case of emergency you can grab this to bring with you to a hospital or shelter. This not only

helps you reduce stress, gain confidence and know all aspects of your life picture, but it also relieves a lot of pressure and stress on those you love during any tough situations.

Communicate with your advisors frequently to review your plans and important documents. Make sure to notify the appropriate professionals if you have any changes and keep your files up to date. By spending a little extra time now you can save time and money later! Let Summit Wealth Partners help. Call your advisor today for a complete review of your financial documents.

#### **What you will need:**

- 3 Ring Binder (at least one)
- Dividers (24)
- 3 Hole Punch
- At least 1 USB storage drive

#### **Documents to discover & how to categorize them:**

##### **Important Info:**

- Emergency & family contacts
- Emergency Instructions
- Legal, financial & professional contacts
- Doctor and medical contacts

##### **End of life / Estate**

- Last will & testament
- Power of Attorney
- Funeral wishes and arrangements

##### **Medical:**

- Medical History
- List of medications & allergies
- Designation of Health Care Surrogate

##### **Assets:**

- Balance Sheet
- Investments
- Account Info
- Safe Deposit
- Insurances

##### **Lifestyle:**

- Children Information
- Pets
- Memorabilia
- Vehicle Service Record

##### **In a separate binder keep additional copies of:**

- Emergency & family contacts
- Emergency Instructions
- Legal, financial & professional contacts
- Doctor and medical contacts
- List of medications & allergies

## Daniel Kahneman

### 2002 Nobel Prize

### Winner for Economics



Daniel Kahneman is an Israeli-American psychologist and winner of the 2002 Nobel Memorial Prize in Economic Sciences. He is notable for his work on the psychology of judgment and decision-making, behavioral economics and psychology. He is currently the professor emeritus of psychology and public affairs at Princeton University's Woodrow Wilson School. Despite having never taken an economics course he was awarded the Nobel Memorial Prize for Economics in 2002 for his work in "Prospect Theory". "Prospect Theory" states that given two equal choices, one stated in terms of gains and the other in terms of losses, people will choose the gain even if both represented equal outcomes. This is due to the emotional impact of a "loss" rather than the impact of a "gain". Kahneman studied at the Hebrew University of Jerusalem where he earned a Bachelor of Science degree in psychology with a minor in mathematics. He later went on to earn his PhD in psychology from the University of California, Berkeley.

Together with Amos Tversky, Kahneman published several articles which culminated in "Prospect Theory," and also introduced the notion of "anchoring." Anchoring is the process by which people use the first piece of information available to them in order to make subsequent decisions. In both 2011 and 2012, Daniel Kahneman was named to "Bloomberg's 50 most influential people in global finance." Here at Summit Wealth Partners, our advisors integrate the use of "Prospect Theory" and "Anchoring" by showing clients that the first piece of information may not always tell the whole story. The advisors work closely with clients to ensure that they are aware of the safest and most important investments available to them and not just the current fad. Summit Wealth Partners applauds Dr. Kahneman and his seminal work on investor behavior. This research is only one tool that enables us to provide financial advice that you can trust.

Source: Wikipedia



## "Finglish" (n) Financial English

### 2-1 Buydown - Definition

A type of mortgage with a set of two initial temporary start interest rates that increase in stair-step fashion until a permanent interest rate is reached. The initial interest rate reductions are either paid for by the borrower in order to help them qualify for a mortgage, or might be paid for by a builder as incentive to purchase a home.

### 5 By 5 Power in Trust - Definition

A common clause included in many trusts allowing for beneficiary withdrawals from the trust. Specifically, 5 by 5 Power or the 5 by 5 clause, gives the beneficiary power to withdraw the greater of: a) \$5,000, or b) 5% of the trust's fair market value from the trust each year.

### Non-Qualified Plan - Definition

Any type of tax-deferred, employer-sponsored retirement plan that falls outside of employee retirement income security act (ERISA) guidelines. Non-qualified plans are designed to meet specialized retirement needs for key executives and other select employees. These plans also are exempt from the discriminatory and top-heavy testing that qualified plans are subject to.

Source: Investopedia



**National Ethics  
Association**  
ethics.net



*The Heart of Financial Planning™*

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**“A wise person should have money  
in their head, but not in their heart.”**

**— Jonathan Swift**