

THE Rational Optimist™



Financial Planning For a College Education

BY CHAD WARRICK
CO-PRESIDENT & CEO

The cost of college has been increasing steadily for years, and there is no end in sight. According to the latest data, the average annual cost of tuition and at a private four-year college is now over \$38,000.* For public colleges, the average cost is almost \$11,000 per year for in-state students and over \$22,000 per year for out-of-state students.

With the cost of college rising, more and more students are finding themselves unable to afford the education they need. As a result, many students are forced to take on excessive amounts of debt in the form of student loans. In fact, the average student loan debt in America is now over \$39,000.**

The high cost of college is a significant barrier to entry for many students, which is why many of our clients ask that we help them with this component of financial planning. Whether it is for their children or grandchildren, managing expenses for college-bound students has been the center of many financial planning conversations this year.

There are several ways to save for college, including 529 plans and prepaid tuition plans. But no matter how you plan for college expenses, it is important to start saving as early as possible.

If you are the parent of a college-bound student, you may be wondering how to best save for their future expenses. There are a number of different options to consider, each with its own set of pros and cons.

A 529 plan is a tax-advantaged investment account that can be used to save for college expenses. Student loans are another option, but they will need to be repaid with interest.

The first step for many students is FAFSA, or Free Application for Federal Student Aid. The FAFSA determines your eligibility for grants, loans, and work-study programs. You can fill out the FAFSA online at fafsa.ed.gov; this step is crucial in helping students and parents determine if they are eligible for financial aid and it opens every year on October 1.



In addition to the FAFSA, there are several other resources that can help you pay for college. Scholarships and grants are two other sources of financial aid that you can look into. You can search for scholarships on websites like scholarships.com or fastweb.com. And you can find information on grants at grants.gov.

Another option, typically funded by parents or grandparents, is a 529 College Savings Plan. Which is a tax-advantaged savings plan designed to encourage saving for future college costs. 529 Plans, named after Section 529 of the Internal Revenue Code, are sponsored by states, state agencies, or educational institutions and are managed by investment companies.

529 Plans offer tax benefits and other advantages to help you save for college. For example, earnings in a 529 Plan are never subject to federal income tax, and in some cases, they may also be exempt from state income tax. With proper planning, you can also use 529 Plan funds to pay for qualified expenses at any eligible college or university in the country, including both public and private schools.

..... Continued on page 2

FEATURES

2
Where Do Stock Returns Come From?
Ryan Gavin

3
FedNow, a (temporary) Reprieve from the Digital Dollar
Jeffrey Janson

4
The Hidden Cost of Inaction
Jack Malarik

5
Don't Be Shy - Interview Your Grandparents
Shari Hooper

7
Get to Know Your Service Team
Tracy Lane



Check your inbox for **SUMMIT INSIGHTS** to share with your Friends & Family

Add us to your contacts list!
connect@mysummitwealth.com

Prepaid tuition plans can also be a great planning tool - if you have access to them. Currently, only nine states are offering these plans:

Florida	Washington	Mississippi
Maryland	Nevada	Pennsylvania
Michigan	Texas	Massachusetts

Those who utilize prepaid tuition plans are pre-paying for college expenses, including tuition and most fees, based on today's rates. These plans are safe and guaranteed by the state, offering benefits such as portability, tax advantages, and locked-in prices.

Planning for college expenses can help reduce the amount of debt students have to take on, and it can also help families save money in the long run. By incorporating college planning into your financial plan, we can help identify potential sources of funding, estimate expenses, and develop a plan to budget for upcoming expenses. ♦

**2022 Top Private Colleges and Universities | <https://www.bestcolleges.com/news/analysis/2022/02/11/why-is-college-so-expensive/#:~:text=Higher%20education%20costs%20have%20increased,student%20services%20also%20increase%20costs>.*

***How Much Is the Average Student Loan Debt? | Capital One. <https://www.capitalone.com/learn-grow/money-management/average-student-loan-debt/>*



Where Do Stock Returns Come From?

BY RYAN GAVIN, CFA
PORTFOLIO MANAGER

growth rate of the economy and the projects a company invests in. Generally, businesses grow faster during economic expansions and grow more slowly, or even contract, during recessions. Furthermore, companies that invest in projects with high rates of return will grow earnings faster than companies that invest in projects with low rates of return.

Two of the primary factors that determine a stock's P/E multiple are the rate at which the company's earnings are expected to grow and the perceived riskiness of the company. All else equal, investors will pay a higher multiple for a company that is expected to grow its earnings faster and be less risky, and vice versa. As investors' beliefs of a company's growth potential and riskiness change, the multiple that investors apply to a company's earnings will change as well.

Investors buy stocks hoping to receive returns that exceed the returns of less risky assets, like bonds and money market funds, but what are the sources of stock returns? The model below provides a straightforward way of thinking about that question.

$$\text{STOCK RETURN} = \text{dividend yield} + \text{earnings growth} + \text{change in price-to-earnings (P/E) multiple}$$

Typically, younger companies have more high-return investment opportunities than more mature companies. Therefore, younger companies tend to reinvest most, if not all, of their profits, while more mature companies tend to payout a larger portion of their profits to shareholders in the form of dividends.

Investors who believe a stock is trading at a P/E multiple that's too low will buy the stock hoping to benefit when the multiple increases, and investors who believe a stock is trading at a P/E multiple that's too high will sell the stock hoping to get out before the multiple decreases. The change in the P/E multiple is the third term in the equation above.

In theory, the long-term maximum sustainable growth rate for a company is the long-term growth rate of the global economy. If a company's growth rate were greater than that of the global economy over the long-term, it would eventually become larger than the global economy. Earnings growth rate is the second variable in the equation above.

The P/E Multiple

A stock's P/E multiple is the price investors are willing to pay for \$1.00 of a company's earnings. For example, if a company's earnings per share were \$10.00, and its share price were \$100.00, its P/E multiple would be $\frac{\$100.00}{\$10.00} = 10$.

The model described above provides one way of thinking about stock returns, but there are several other models with varying levels of complexity. Models can be useful in determining the sources of past returns but using them to forecast future returns is difficult, because it requires having a reliable model and correctly forecasting the inputs to that model. For most investors, models offer more value as an educational tool than as a means of predicting the future. ♦

Dividend Yield

As companies generate cash from their business operations, they must decide what to do with it. For the most part, companies can choose to return that cash to shareholders, invest in new projects, pay off debt, or engage in mergers and acquisitions. Companies that choose to return cash to shareholders have two primary ways of doing so: dividends and share buybacks. To keep things simple, this article will only discuss dividends.

A stock's dividend yield is equal to its annual dividend per share divided by the current share price. For example, if a stock pays an annual dividend of \$2.00 per share, and its share price is \$100.00, the dividend yield would be $\frac{\$2.00}{\$100.00} = 2\%$. This is the first term in the equation above.

Earnings Growth

The growth of a company's earnings is based on multiple factors, including the



FedNow, a (temporary) Reprieve from the Digital Dollar

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

The federal government officially launched a real-time, digital payments system called "FedNow" in July of this year. Though it is years behind private sector competitors like Cash App, Venmo, and Zelle, once live, FedNow is expected to enjoy quick mass adoption as the only real-time payment system with implied government backing, making it a more extensive, safer, and "official" money transfer system.

This system's advantage is that real-time money movement means you will no longer have to wait for a check to clear the bank before it can be considered "funds in good order." Payment transactions will occur almost immediately, allowing you to send funds on the actual due date rather than trying to time the delivery of funds to arrive on or before the day they are due.



FedNow acts as the round-the-clock clearing service for financial institutions' transactions, enabling them to provide immediate end-to-end customer payments. Funneling commercial bank money from a sender to the recipient through a central Fed credit account will provide real-time gross settlement while subjected to built-in fraud detection to mitigate risk.

It will be operational 24 hours a day, seven days a week, 365 days per year, with over 10,000 financial institutions already using the Fed's current system having access to it. In contrast, money movement apps like Venmo and Cash App are separate from that system, so transferring funds from these apps takes days to reach your bank account.

FedNow has the potential to become the preferred method for payment settlement due to its ability to provide immediate settlement. As more consumers and businesses adopt this system, it may become difficult to revert to older, less efficient systems.

So how does FedNow fit into the story of a Central Bank Digital Currency (CBDC)? Some have argued that having a real-time payment system addresses one of the significant use cases for a US-sanctioned CBDC.

According to Federal Reserve Board Vice-Chair, Lael Brainard, "A CBDC would take far longer to get off the ground than FedNow, due to regulatory hurdles." She said, "If Congress were to issue a central bank digital currency, it could take five years to put in place the requisite security features." "FedNow will serve many of the same functions as a CBDC, anyhow," she opined.

Even though, as of this writing, over 100 countries have central banks developing their version of a CBDC (some are already operational), it is reasonable for the Fed to take its time and proceed with caution before implementing a federal government sponsored CBDC like the digital dollar.

Digital currencies have the potential to be "programmable," which could lead to misuse by authoritarian governments. It is concerning to consider the actions that a government with little regard for human rights might take against citizens who do not conform to their policies.

Take China, for example; given its status as one of the most heavily monitored nations worldwide, a central bank digital currency would be yet another tool to scrutinize the behavior of citizens. The Chinese Communist Party (CCP) may not hesitate to tie the functionality of their digital Yuan to compliance with acceptable social score levels. Given that the CCP already maintains a continuous social scoring system on its populace, it is plausible that the government may utilize this as a mechanism to regulate citizen behavior.

Those who abide by the system would have access to their digital funds. At the same time, those who oppose or challenge the state may discover one day that their digital money has become inaccessible, non-functional, or has vanished from their account. This scenario could make essential goods such as food, clothing, and shelter unattainable.

However, in the United States, the Uniform Commercial Code (UCC) provides consistency and uniformity in commercial transactions across all states. Before its adoption, each state had commercial laws, causing confusion and inconsistency in commercial activities.

The UCC governs a wide range of commercial activities, such as sales of goods, leases, negotiable instruments, bank deposits, collections, letters of credit, bulk transfers, secured transactions, and investment securities. It also guides on issues like contracts, warranties, and the transfer of ownership, ensuring smooth and consistent commercial transactions.

Continued on page 6



The Hidden Cost of Inaction

BY JACK MALARIK
WEALTH ADVISOR

Procrastination, delay, stall, and defer are all words that describe putting off a decision for another day. Sometimes this delay has a good outcome. Think of when something you wanted, not needed, to buy went on sale. Waiting was rewarded. However, there can be a negative outcome delaying some decisions. Please allow me to share with you an example of this.

Will and Power-of-Attorney

Most of us know what a will and power-of-attorney documents are used for. They let people know what you want to do with your stuff if you cannot make the decision at the moment. I met Mr. and Mrs. B at a workshop. He seemed disinterested in the topics discussed, and she requested that I visit them at their home the next day. When I went to see them, I found a long-time married couple totally dependent on each other. She had emphysema, and he had early stages of dementia. I learned that they had adult children but had no contact with them.

Their legal documents were very old, and they listed each other as their attorney-in-fact. Our legal team suggested adding a close friend or relative to the documents, although this wasn't easy due to their age and the age of their friends. Remember, they had no contact with their children. They decided to think about it.

As time passed, I got to know Mr. and Mrs. B better. Their health was declining, both in and out of the hospital frequently. I mentioned how they should update their legal documents, but they said there was never a good time. As it happened, I received a call from Mrs. B one afternoon. She and her husband were in a car accident in their neighborhood.

Mr. B had hit a police car at a stop sign. Fortunately, there was minor damage and no injuries to speak of. However, the police officer determined that neither of them was fit to drive. The police officer issued Mr. B. a citation, and the police drove them both home. The next day they received a visit from

the county Senior Services nurse to ensure they were OK. She determined that they should not be living on their own. Because no successor power of attorney was listed, the county became their guardian.

The county placed Mr. B. into a nursing home that offered specialized care for dementia. They sent Mrs. B. to a different nursing home. You can imagine how awful this was for both of them. This outcome was a high cost for not taking the time to update their legal documents.

We found a nephew willing to take care of Mr. and Mrs. B. We petitioned the court for a change in guardianship and moved them back home with the help of professional home care. This process took over three months and cost thousands of dollars. The nephew did a great job overseeing their care, enabling them to live in their home until the end of their lives.

Putting off Long-term Care Planning

Please visit www.ltconsumer.com/resources/cost-care-map/. This site has information on the cost of long-term care services in every state.



Expensive. The thesaurus shows you can use words like affluent, classy, or luxurious when choosing something expensive. You can also use the words high-priced or costly. I am going to focus on the word costly relating to expense.

I talk to all my clients about long-term care (LTC) costs, especially single clients. We discuss current health and what the potential of LTC may be for them. This conversation can be

awkward since no one wants to be in a nursing home, and the word "expensive" comes up 100% of the time. The average cost for a nursing home stay is over \$100,000 per year in my state.

There are two ways to cover the potential cost of LTC. The first is to self-insure, meaning you use your savings to pay for care that is not covered by Medicare or other insurance. The average stay in a nursing home is a little under three years and can potentially cost \$250,000 or more. The second way is to leverage your savings and purchase LTC insurance. This

Continued on next page >



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.

insurance is offered through annual premiums or a single deposit in an asset-based account. Either way, you can access more significant benefits than your deposit amount. In some policies, any unused benefit will go to your beneficiary tax-free.

Which type of LTC planning is most expensive, self-pay or LTC insurance? Are you more likely to seek benefits for something with your own money or when using an insurance company's money?

It isn't easy to place a monetary value on health. I typically see clients who choose to self-insure for potential LTC costs delay

asking for care. Their health declines forcing them to make a care decision. My clients with LTC insurance typically seek care sooner and receive the care for longer. They may use the same amount of personal funds when the care ends; however, those who choose care sooner may have a higher quality of life.

From understanding your estate plan to advising on asset protection from long-term healthcare costs, we can work with you and your family members during every step of the planning process. Effective financial planning starts with a trusted advisor. ♦



Don't Be Shy - Interview Your Grandparents

BY SHARI HOOPER, CSA®, BFA™
SENIOR WEALTH ADVISOR

Several years ago, a client told me everyone should sit down with their grandparents and interview them. Why? Because our grandparents had a whole life they lived, and most of us grandkids never asked about it. We were missing out on a wealth of information from learning, growing, family heritage, and just simple memories they experienced that could be so interesting from the people you love.

I didn't get the opportunity to interview all of my grandparents, and I wish I had heard of this advice sooner. My interview experience with my Grandpa and Grandma Butts has stayed with me for 5 years and brings me joy to share.

My grandpa, born in 1931, was diagnosed with stage 4 cancer in the late summer of 2018. With the reality of the diagnosis still setting in, interviewing him was the last thing on my mind then. I was comforted knowing that I still had some more time with him, and I did my best to make the most of it before the end of that year.

Finding one-on-one time with him became difficult, with so many other family members trying to maximize their time with him. I recalled my client's advice and got the questions I wanted to ask him on paper. I had some questions but decided to supplement my interview with an internet search for "An Interview With A Grandparent."

I remember the date so well, December 10th. It was also my mom's birthday; we had gone out as a family to have dinner and celebrate and then brought dinner to my grandparents'

home afterward. My mom, sister, and I all went and sat in the living room together with them. My grandpa looked so good that evening, even healthy. I didn't want to be so obvious as to interview just him considering the circumstances, so I also asked my grandmother each question.



The beginning questions were so basic, but I realized I didn't even know some of them or some things I had assumed needed to be corrected. One question was how many people were in your family, and again I knew my grandpa was from a large family, 13 to be exact. Still, I incorrectly guessed the order in which he came, number 7 of the 13.

What did you do for fun when you were young? He played outside, walked on stilts, played tag, and rode pigs and cows. Stop reading right now if this doesn't make you smile or laugh. This was super sweet to hear, and I imagine him doing just those basic fun things and sometimes even wishing we could have done them together.

Only on question number four, my mother was already yelling for them to each answer their own questions. It was pretty

Continued on page 6

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

comical, but I was learning so much. How much was a gallon of gas? Six to 10 cents per gallon- Boy, do we wish we could all return to this time! How much as a stamp? One cent. A movie ticket was only six cents, or better yet, they watched for free on the side of the building.

I learned that they only had a television once they were married. I also found out that my grandpa held various jobs- Tractor driver, cattle herding, working in refrigeration- all before moving to Grand Rapids in 1964.

His chores at home were to milk the cows while my grandma cleaned the house. They were 23 and 21, respectively, when they got married, and their first car was in 1953, and they purchased a 1946 Plymouth. I learned grandma drove at age 14, and my grandfather shared a Model A Ford with his siblings. My grandpa said he wanted to be in farming, a school subject that he loved at the time. My grandma said she would like to be a nurse working with children, and neither did what they had hoped as a child.

My mom had finally left the room, a welcome break from her trying to answer all the questions for them. My grandma looked at me and said, "Hurry, ask us our questions so we can answer while she is gone," We all laughed and continued.



The bonus question I asked them was whether they could remember their 3rd-grade teacher's name. They could! Mrs. Fern Downey at Fox School was my grandma's teacher, and Mrs. Miller at Brown School was my grandpa. These ladies must have made an incredible impact on them both to remember them so many years ago.

Although this experience lasted nearly 2 hours, it will never be forgotten for my lifetime. My heart was full that day! On Saturday that same week, my grandpa passed away, and once again, we were ALL there with him – every family member. Although I was so sad to lose him that day, I will always cherish the walk down memory lane we took with that interview.

Following this experience, I encouraged my kids to interview my mom. My son asked his updated list of questions, enjoyed receiving her responses, and also some great free advice- "Be kind and honest."

Some of the best takeaways from these interviews are the words of wisdom and straightforward advice. I recommend sitting down with any family member and listening to their life stories. We have much to gain from their experiences and priceless perspective to pass down to each generation. ♦



◀ Looking for more? Scan here to read our blog!

STAY CONNECTED WITH US:



[linkedin.com/company/mysummitwealth](https://www.linkedin.com/company/mysummitwealth)



[facebook.com/mysummitwealth](https://www.facebook.com/mysummitwealth)

Recently, there has been debate over whether a Central Bank Digital Currency (CBDC) should be recognized as money under the UCC. Because a CBDC is digital and programmable, it threatens individual privacy and could be used to track and monitor transactions. As a result, some states have taken steps to prohibit using CBDCs as money under the UCC.

While some believe such legislation is necessary to protect individual rights and privacy, others argue it could hinder innovation and the adoption of innovative technologies in the financial sector. It will be up to lawmakers and regulators to determine the best approach to balancing these competing interests.

As we move further into the digital age, the benefits of digital currencies like FedNow become increasingly apparent. With their convenience, speed, and security, it's easy to see why they are gaining popularity among consumers and businesses alike.

While there may be challenges to overcome, such as privacy concerns and regulatory hurdles, it's clear that the trend toward digital currencies is here to stay. As we look toward the future, we can anticipate continued advancements and innovations in adopting digital currency, bringing us ever closer to a more seamless, efficient, and secure financial system. ♦



Get to know

Tracy Lane



SUMMIT SPOTLIGHT

A LOOK INTO THE LIVES OF THE SUMMIT TEAM

Hi everyone,

My name is Tracy Lane and I am a Client Service Specialist with Summit Wealth Partners. I have resided in Naples for 4 years. Originally from Boston, I am a University of Massachusetts graduate. I previously served as a banker in the consumer banking industry and have many years of client service experience. I am focused on developing relationships built to last and maintaining client-advisor relationships.

At Summit, I provide a key role in consistently delivering a memorable client experience. My focus is on providing team member support as one of the direct contacts for processing most client service requests. I strive to enhance and accommodate client relationships with a high degree of direct communication and client service.

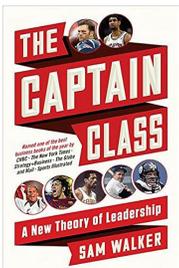
Outside of work, I have 4 daughters in their 20s – Gabrielle, Olivia, Nicolette, and Claudia that still live up North, but they enjoy visiting us in Naples whenever they can. I have a passion for Naples and I'm thankful for the spectacular sunrises and gorgeous sunsets. I spend my time going to the beach, golfing, cooking and entertaining family and friends with my boyfriend, Jeff.

After joining the Summit Wealth Partners team about a year ago, I have gotten to know our clients and enjoy assisting them. I look forward to building strong relationships with them as I continue to gain experience and knowledge in the investment industry. I am thankful for the opportunity to learn and grow from the Summit Wealth Partners team around me!

Best Regards,

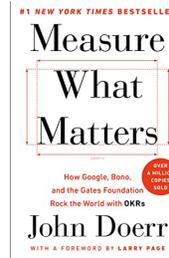
Tracy

BOOKS WE'RE READING:



The Captain Class: A New Theory of Leadership | by Sam Walker

The seventeen most dominant teams in sports history had one thing in common: Each employed the same type of captain—a singular leader with an unconventional set of skills and tendencies. Drawing on original interviews with athletes, general managers, coaches, and team-building experts, Sam Walker identifies the seven core qualities of the Captain Class—from extreme doggedness and emotional control to tactical aggression and the courage to stand apart. Told through riveting accounts of pressure-soaked moments in sports history, The Captain Class will challenge your assumptions of what inspired leadership looks like.



Measure What Matters: How Google, Bono, and the Gates Foundation Rock the World with OKRs | by John Doerr

Legendary venture capitalist John Doerr reveals how the goal-setting system of Objectives and Key Results (OKRs) has helped tech giants from Intel to Google achieve explosive growth—and how it can help any organization thrive. In this goal-setting system, objectives define what we seek to achieve; key results are how those top-priority goals will be attained with specific, measurable actions within a set time frame. Everyone's goals, from entry level to CEO, are transparent to the entire organization.

Covers & Summaries: Amazon.com



BLACKROCK



PRSR STD
US POSTAGE
PAID
ORLANDO, FL
PERMIT 1478

THE Rational Optimist™

FEATURES

Financial Planning For
a College Education

The Hidden Cost of
Inaction

Where Do Stock
Returns Come From?

Don't Be Shy -
Interview Your
Grandparents

FedNow, a (temporary)
Reprieve from the
Digital Dollar

Get to Know Your
Service Team

SUMMIT WEALTH PARTNERS, LLC

ORLANDO

800 N Orange Avenue, Suite 302
Orlando, FL 32801
(407) 656-2252

NAPLES

999 Vanderbilt Beach Road, Suite 609
Naples, FL 34108
(239) 254-1875

FORT MYERS

15050 Elderberry Lane, Suite 6-1
Fort Myers, FL 33907
(239) 362-9077

GRAND RAPIDS

2959 Lucerne Drive SE, Suite 120-A
Grand Rapids, MI 49546
(616) 426-8014

**SOLID GROWTH
SAFELY MANAGED
TRUSTED ADVICE**

mySUMMITwealth.com