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SUMMIT WEALTH
PARTNERS, LLC

THE Rational Optimist™

Money and Values

BY JASON PRINT, CFP®
CO-PRESIDENT & CEO

On our family summer vacation, we laid down some money rules for the kids. Jamie and I decided to put an end to the days of our children asking if they could have a trinket or a toy at every store we visited during a trip. Instead, they would have their own money. We let them know a few months in advance how much they would get for doing their household chores (dishes, dog walking, laundry, etc.). If they wanted to earn something extra, we would provide opportunities – for example, let them wash the car or mow the lawn.

They were allowed to take with them any money they had managed to save, but there would be no requests. It was up to them to decide what toys or keychains they wanted more. From a father's perspective, this was quite entertaining, particularly when they asked questions like, "What if it turns out that the store we visit tomorrow has a shirt I like better than this one?" It was great watching them debate with themselves and learn to make decisions. Hopefully, they have learned lessons that will serve them throughout their lives.

There is always an opportunity cost and no shortage of options for spending your money. It all comes down to values and what you consider important with regard to money. In this aspect, my two children are quite different. Sydney, my 12-year-old daughter, blew all of her money on clothes, while Joseph, my 10-year-old son, spent all of his on a pocket knife. It is admittedly a very cool gadget, and he does treasure it. If the purpose of money is to allow one to experience joy, his purchase certainly fits the bill.

During the trip, I realized that my kids value different things. One urge I tried hard to resist was judging any of their purchases.

I couldn't tell the difference between an expensive and a cheap pair of yoga pants, but that's just me. I tried to remind myself these are their lives and their choices, and I don't need to judge. I may view a purchase through the lens of practicality, but they don't have to adopt my perspective.

After a great vacation, I thought about a wonderful article Morgan Housel wrote a few years ago. In this piece, he listed 10 money rules for his newborn child. Here's a recap for those who are new parents or grandparents.

1. You might think you want an expensive car, a fancy watch, and a huge house. You really don't. You want the respect and admiration you think that stuff will bring. However, it almost never does, particularly from the people you want to respect and admire you

2. It's normal to assume that all financial success and failure is earned. This is mostly true, but only up to a point. Our lives are a reflection of the experiences we've had and the people we've met. Some of us are born into flourishing economies, while others come into this world during great depressions.

3. This may sound harsh, but I hope you're poor at some point. It's difficult to learn the value of money without feeling the burden of its scarcity. It teaches you the difference between necessary and desirable. Learn to be poor with dignity, and you'll handle the inevitable ups and downs of financial life with ease.

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FEATURES

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Your favorite Newsletter is back by popular demand! We like to keep things interesting here, so reach out and tell us what YOU want to read more about!

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4. The goalposts always move. Most of us think, "Once I've saved/earned X amount of money, everything will be great." When we get there, we move the goalposts and get sucked into the cycle again.

5. Don't stay in a job you hate. Just because you made a career choice at 18 doesn't mean you have to stick with it forever. Most people don't figure out what they want to do with their life until much later.

6. Change your mind when you need to. Confidence improves faster than ability. Learn the skill of changing your mind, discarding old beliefs, and replacing them with new truths. It's hard but necessary.

7. The best thing money buys is control over your time. It gives you options and frees you from relying on someone else's priorities.

8. The road to financial regret is paved with debt. It's amazing what percentage of financial problems is caused by borrowing. Debit is a claim on your future, which you'll always miss, in order to gain something today, which you'll quickly get used to. Some debt (such as a mortgage) is OK, but be careful.

9. Your savings rate has little to do with how much you earn and a lot to do with how much you spend. There are many high earners who live paycheck to paycheck and many people who make a modest living but save 10% or 20% of their income. How much you earn doesn't determine how much you have.

10. Don't listen to me if you disagree with what I've written. No two people are alike. The world you grow up in will have values and opportunities different from those of the world I was raised in. More importantly, you'll learn best when you disagree with someone and are then forced to learn it yourself.

Jason

Riding Out the Storm: Managing Debt in a High Interest Rate Environment

BY ANDREW DICKENS, AIF®, CEXP™, CBVS™
DIRECTOR OF PENSION SERVICES & WEALTH ADVISOR

Ah, interest rates! They're like the weather of the financial world – constantly changing and often unpredictable, with a profound impact on our daily lives. For those of us who have sailed the calm waters of low interest rates, the prospect of a rising tide might seem daunting. Fear not, though: With the right compass and some deft navigation, you can steer through these choppy waters.

In simple terms, interest rates are the cost of borrowing money. When they are high, the price tag on borrowed funds increases, creating a ripple effect that inpacts everything - from your mortgage to your credit card balance. For borrowers, a high-interest environment can mean:

- Heftier monthly payments: Loans, especially variable-rate ones, may come with steeper monthly obligations.
- Cash flow pressure: Higher loan payments can strain personal or business cash flows, leaving less for other essential expenses.
- Stunted economic growth: On a macro level, high interest rates can deter borrowing and spending, potentially slowing down economic growth.

Breaking the Waves: Strategies to Manage Debt

1. Refinance to anchor down: If you are saddled with high-interest loans, consider refinancing. By locking in a fixed-rate loan, you can shield yourself from future interest rate hikes.

2. Pay down principal, not just interest: It is tempting to pay the minimum due on loans, but this often covers only the interest. Paying even a small additional amount towards the principal reduces the total interest accrued over the life of the loan.

3. Weatherproof with an emergency fund: Since high-interest environments can strain budgets, an emergency fund acts as a financial lifejacket, allowing you to continue paying down debts even if unexpected expenses arise.

4. Steer clear of new debts: Borrowing judiciously is key. Prioritize essential and appreciating assets. Maybe it is time to reconsider that impulsive yacht purchase? (Unless, of course, your sailing experience extends to navigating the choppy waters that are high interest rates.)

5. Snowball vs. avalanche method: The snowball method involves paying off smaller debts first for psychological wins, while the avalanche method focuses on clearing high-interest debts first. Both have merits, so make your choice based on what keeps you motivated.

6. Navigate with a budget: Chart a course with a clear budget. By knowing where your money is going, you can make informed decisions and allocate extra funds towards debt repayment.

Bracing for Future Storms: Long-Term Strategies

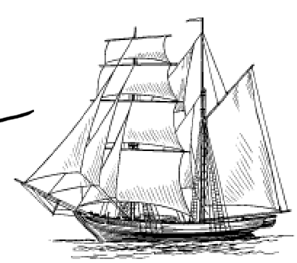
Go for fixed over variable: In uncertain times, fixed-rate loans offer stability. They might come with slightly higher rates initially, but they protect you from future spikes.

Stay diversified: Rising interest rates often impact bond prices and can affect stock markets. We ensure your investments are diversified so you can weather potential downturns.

Stay informed: While you do not need to become an economist, understanding the basics of central bank policies can offer insights into potential rate shifts.

Seek expert guidance: If you feel like you are drowning, talk to us! We can provide tailored strategies, ensuring you are not just floating but actively steering through the interest rate seas.

High tides bring challenges, but they also create skilled sailors. By understanding the nuances of a high interest rate environment and adapting strategies, you can ensure that your financial ship remains buoyant. Remember that every storm passes, and with resilience, foresight, and a bit of humor (who knew interest rates and sailing had so much in common?), you can navigate any financial tempest that hits you.



SUMMIT SPOTLIGHT

A LOOK INTO THE LIVES OF THE SUMMIT TEAM

Meals of Hope

Communities coming together to end hunger!

The Print Family volunteered at the Holidays Without Hunger food packing event that was held by Meals of Hope in December.

Together with many other organizations, they packed over 400,000 meals on December 16th! Sydney is 12 years old and currently in the 7th grade and Joseph is 11 years old and in 5th grade.

For more information on how to help you can visit mealsofhope.org/holidays-without-hunger

Qualified Charitible Distributions and Donor-Advised Funds

BY KRISTIANA DANIELS, CFP®, EA, BFA™
WEALTH ADVISOR

The days are long, but the years are short. It is a joy to journey with our clients as we make progress toward achieving the dreams and goals important to each family. One common theme we observe in many financial plans is charitable giving. While the specifics of donating generously may vary across households, there is always room for planning so as to maximize charitable gifts.

One of the most common ways people donate to charities is by giving cash or making a check payable directly to the charitable organization. While the majority of donors often choose this method, it may not be the most tax-efficient one when considering your specific situation.

Before the Tax Cuts and Jobs Act increased the standard deduction, significantly more households chose to itemize deductions when filing their tax returns compared to those who itemize now. If you are among the majority who use the standard deduction, you will not be able to list most of the charitable cash gifts you have given throughout the year, thus failing to benefit from your donation around tax time. Tax deductions are rarely the primary motivator for charitable giving, but there are perks offered by the IRS code to incentivize donating, so why not take advantage of this legal benefit?

Here are a couple of gifting strategies that might be useful in your financial plan.

If you are over 70.5, you are allowed to give to a charity from your IRA; this is referred to as a qualified charitable distribution (QCD).

Simply put, you can make a check payable directly to the charity of your choice from your IRA, and that distribution will not be taxable (up to the $100,000 QCD limit). In addition, if you are of the required minimum distribution (RMD) age, the QCD will count against the RMD figure you are obligated by law to take from your IRA, resulting in a lower taxable income for you. This makes a QCD a great option for retirees who do not need any additional withdrawals from an IRA.

QCDs can be a wise way to support the causes closest to your heart while using the IRS code to your advantage.

If you are younger than 70.5 or itemize your deductions, there are alternative solutions you can implement into your gifting strategy to maximize its impact. Donor-advised funds, for example, are an excellent option for many philanthropically inclined investors. These vehicles enable you to donate appreciated assets held in a taxable brokerage account and then direct the funds to your favorite charities on a time frame of your choice. This allows you to take your larger itemized charitable gift deduction and not pay tax on the capital gain. The contributions remain in your donor-advised fund until you are ready to grant them to your favorite charities. What is more, when a charity receives your gift, it gets the full amount and does not have to pay capital gains tax on the earnings.

When these two gifting strategies are applicable to you, each may have a place and a purpose within your financial plan. We can often use them in tandem to maximize the impact of your gift.

If charitable giving is important to you, let us know! We would love the opportunity to review your financial plan with you and help you get the most out of your generosity.

Kristiana

Market Prices Reflect Expectations

BY RYAN GAVIN, CFA™
PORTFOLIO MANAGER

Perhaps many remember the TV game show Who Wants to Be a Millionaire? Contestants would be asked a series of multiple-choice questions that grew progressively more difficult. Anyone who succeeded in answering all 15 questions stood to win $1 million. Whenever a contestant was stumped by a question, they could use one of three "lifelines." One option was to remove two of the four answer choices, leaving the correct answer and an incorrect one. Another option was to phone a friend or a relative. Presumably, contestants chose someone before the show, selecting a person they considered very smart, and this approach worked quite well, being successful 65% of the time. The third option was having the audience vote on the answer they deemed correct, and this proved the most reliable lifeline of all, with a 91% success rate.

For any given question, it's likely some audience members were sure what the correct answer was and others had no idea, but their collective wisdom would have been very difficult to beat. This concept is described by James Surowiecki in his book The Wisdom of Crowds, and it can be applied to financial markets as well.

Broadly speaking, markets are places where buyers and sellers transact at prices considered fair by both parties. Within that framework, a price can be viewed as an equilibrium point: If the price is too high, sellers will enter the market and push it down, and if it is too low, buyers will enter the market and push it up.

In markets where lots of smart people buy and sell, prices tend to adjust to a level that both sides regard as fair. Staying at The Ritz-Carlton costs far more than staying at the Holiday Inn, but both are successful businesses because their prices are considered fair by market participants.

What determines the prices (or equilibrium points) of financial assets such as stocks and bonds? Financial markets are giant information-processing machines, and asset prices represent their collective predictions about future performance. As expectations change, asset prices change accordingly.

This means investors making decisions based on predictions about things like gross domestic product (GDP) growth, changes in inflation, or the earnings growth of a particular company need to consider more than just the accuracy of their prediction(s). Instead, they should ask themselves the following question:

"What prediction is already reflected in the price, and is my prediction better or worse?"

This is essential for investors to understand. Accurate predictions about things fully reflected in prices shouldn't be expected to produce excess returns.

In financial markets, extracting the predictions baked into prices is generally difficult to do, but there is evidence to suggest that markets do a pretty good job of incorporating information into prices.

For example, in 2016, Dimensional Fund Advisors published a study on the relationship between GDP growth and stock returns from 1975 to 2014 for developed markets and 1995 to 2014 for emerging markets. They found that even if investors had perfect foresight of the GDP growth of different countries over the following year, that information couldn't be used to generate excess stock returns. In this case, future GDP growth was pretty accurately reflected in the stock prices.

This doesn't mean financial markets are always right. If that were so, all financial assets would be risk-free. However, it does suggest that outwitting markets with lots of smart buyers and sellers is tough to pull off. The good news for investors is they can achieve solid outcomes without trying to outsmart markets. In fact, there is strong evidence suggesting that investors who don't rely on market predictions achieve better outcomes than those who do.

Surowiecki, J. (2005). The Wisdom of Crowds. Anchor.

Ryan

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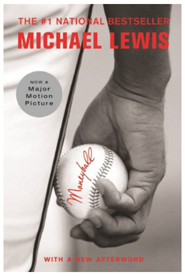
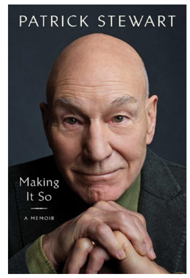


Moneyball | *by Michael Lewis*
Moneyball is a quest for the secret of success in baseball. In a narrative full of fabulous characters and brilliant excursions into the unexpected, Michael Lewis follows the low-budget Oakland A's, visionary general manager Billy Beane, and the strange brotherhood of amateur baseball theorists. They are all in search of new baseball knowledge insights that will give the little guy who is willing to discard old wisdom the edge over big money.Americas were first peopled more than 130,000 years ago – many tens of thousands of years before human settlements became established elsewhere.

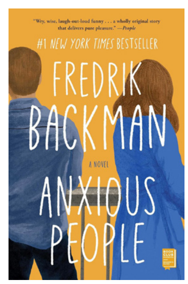


Making It So | *by Patrick Stewart*
THE NEW YORK TIMES AND USA TODAY BESTSELLER

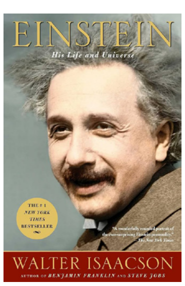
The long-awaited memoir from iconic, beloved actor and living legend Sir Patrick Stewart!

From his acclaimed stage triumphs to his legendary onscreen work in the Star Trek and X-Men franchises, Sir Patrick Stewart has captivated audiences around the world and across multiple generations with his indelible command of stage and screen. Now, he presents his long-awaited memoir, Making It So, a revealing portrait of an artist whose astonishing life—from his humble beginnings in Yorkshire, England, to the heights of Hollywood and worldwide acclaim—proves a story as exuberant, definitive, and enduring as the author himself.

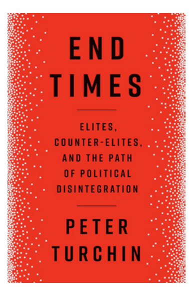
Woman on Fire | *by Lisa Barr*
A New York Times Bestseller
A gripping tale of a young, ambitious journalist embroiled in an international art scandal centered around a Nazi-looted masterpiece—forcing the ultimate showdown between passion and possession, lovers and liars, history and truth. A thrilling tale of secrets, love, and sacrifice that illuminates the destructive cruelty of war and greed and the triumphant power of beauty and love, Woman on Fire tells the story of a remarkable woman and an exquisite work of art that burns bright, moving through hands, hearts, and history.



Anxious People | *by Fredrik Backman*
Proving once again that Backman is "a master of writing delightful, insightful, soulful, character-driven narratives" (USA TODAY), Anxious People "captures the messy essence of being human.... It's clever and affecting, as likely to make you laugh out loud as it is to make you cry" (The Washington Post). This "endlessly entertaining mood-booster" (Real Simple) is proof that the enduring power of friendship, forgiveness, and hope can save us—even in the most anxious of times.



Einstein: His Life and Universe | *by Walter Isaacson*
Based on newly released personal letters of Einstein, this book explores how an imaginative, impertinent patent clerk—a struggling father in a difficult marriage who couldn't get a teaching job or a doctorate—became the mind reader of the creator of the cosmos, the locksmith of the mysteries of the atom, and the universe. His success came from questioning conventional wisdom and marveling at mysteries that struck others as mundane. This led him to embrace a morality and politics based on respect for free minds, free spirits, and free individuals.



End Times | *by Peter Turchin*
The lessons of world history are clear, Turchin argues: When the equilibrium between ruling elites and the majority tips too far in favor of elites, political instability is all but inevitable. As income inequality surges and prosperity flows disproportionately into the hands of the elites, the common people suffer, and society-wide efforts to become an elite grow ever more frenzied. He calls this process the wealth pump; it's a world of the damned and the saved. And since the number of such positions remains relatively fixed, the overproduction of elites inevitably leads to frustrated elite aspirants, who harness popular resentment to turn against the established order. Turchin's models show that when this state has been reached, societies become locked in a death spiral it's very hard to exit.

THE Rational Optimist™

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