July 2024 | Volume 16 | Issue 4

SUMMIT WEALTH PARTNERS, LLC

THE Rational Optimist™

Politics and Portfolios: Investing During an Election Season

BY ANDREW DICKENS, AIF®, CEXP™, CVBS™
DIRECTOR OR PENSION SERVICES

Election season is typically a time of brightly colored yard signs, heated debates, countless television ads, and... market jitters. Every electoral cycle raises the burning question "How will this impact my investments?" Let's unpack the intricate relationship between politics and your portfolio.

Elections are emotionally charged events. The thrill of supporting a candidate, the anxiety of unpredictable outcomes, and the sheer volume of information can feel overwhelming. Often, these emotions spill over into our investment decisions, prompting some to make impulsive moves based on the political mood of the day.

It is not just folklore: Markets do exhibit short-term volatility during election years. Uncertainty reigns supreme, and as we know, markets dislike unpredictability. However, a look into history reveals an enlightening pattern – over the long run, markets have consistently grown irrespective of political affiliations and election outcomes.

While certain sectors might be more sensitive to specific policy changes promised during campaigns (think healthcare, energy, or defense), the broader market tends to be resilient. For instance, since the 1930s, the S&P 500 has shown positive returns in most presidential election years regardless of which party emerged victorious.

What factors underpin this resilience? Markets are influenced by an array of factors beyond politics: global economic shifts, technological innovations, interest rates, corporate earnings, and even natural disasters. No single event, not even an election, dictates market trajectories entirely.

Stock markets also tend to be forward-looking. While they may react to immediate uncertainties, they adjust relatively quickly as clarity emerges after elections. Investors and businesses adapt to new policies and strategies, keeping the economic machinery moving.

So, what can investors do to shake off their election season jitters?

1. Stay calm, stay invested: History indicates that a buy-and-hold strategy often yields better results than attempting to time the market based on electoral predictions. Market timing can be perilous, creating the potential for missed opportunities.

2. Diversify, diversify, diversify: A well-diversified portfolio acts as a buffer against unpredictable market movements. By spreading assets across various sectors and regions, you reduce the risk of a significant downturn...

Continued on page 2

FEATURES

UPCOMING

Women & Wealth
Thursday, July 18 at 4:30 p.m.
Palio-Grand Rapid, s 545 Michigan St NE #102, Grand Rapids, MI 49503

Medicare Open Enrollment 101 Webinar
Monday, September 16 at 10 a.m. CT

Marketplace Open Enrollment 101 Webinar
Monday, October 21 at 10 a.m. CT

connect@mysummitwealth.com

Continued from page 1 - Politics and Portfolios: Investing During an Election Season

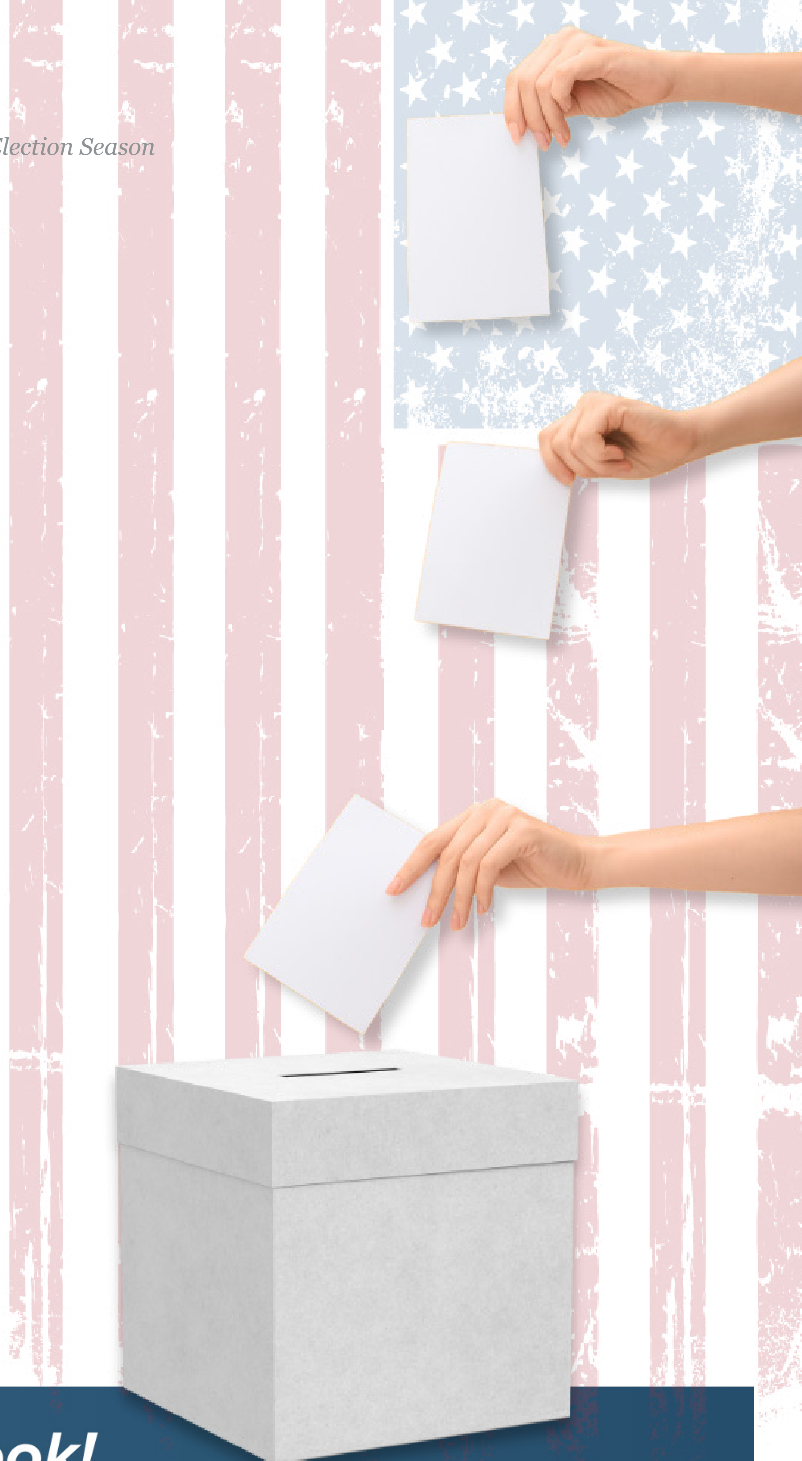
in any single area affecting your entire portfolio.

3. Reach out to your advisor: Engaging with your advisor here at Summit during these times can be highly beneficial. We can provide an objective perspective, helping you sift through the noise and keeping you aligned with your long-term financial goals.

4. Limit media consumption: While it is essential to be informed, excessive media consumption can exacerbate anxieties. It might be beneficial to set a limit on how much news you consume during an election period.

Elections are a testament to the vibrant democracy we live in, but they need not cause financial distress. By understanding historical market behaviors, acknowledging the multifaceted influences on stock markets, and adhering to time-tested investment principles, we can navigate these politically charged times with grace and confidence.

While the future is always uncertain, equipping ourselves with knowledge and strategic foresight ensures that we remain poised for success irrespective of who occupies the Oval Office.



Our website has a new look!

Come check out our fresh new appearance at

mysummitwealth.com

Kids & Financial Literacy

BY KRISTIANA DANIELS, CFP®, EA, BFATM
WEALTH ADVISOR

We have the privilege of accompanying many clients and their families on the journey of transferring generational wealth. Passing along inheritance is an intricate issue that involves emotions, complex family dynamics, and sometimes different values.

Money alone is not enough

Wealth transfer will happen whether planned for or not. You would be shocked at how quickly the money can disappear: It is estimated that 70% of families go through all of their generational wealth by the second generation, and 90% lose it by the third generation! This goes to show that if all someone bequeaths is money, without passing along wisdom and good financial habits, the wealth does not last long. Financial literacy is an acquired skill.

Given these statistics, you would think that our educational system might incorporate teaching our kids basic financial literacy. Hopefully, this will become a requirement across the board one day soon, but as of right now, only 25 states actively require one semester of personal finance before high school.

As the mother of two young boys, I have been thinking a lot about ways to teach them such skills and help them form positive habits from a very early age. If I have observed anything about kids, it is that they are perfectly capable of grasping big concepts much earlier than we give them credit for.

I recently read *Value Creation Kid* by Scott Donnell and Lee Benson. They framed the concept of financial competency as a means of teaching our children to be value creators. How can we open up opportunities for our kids to participate in society in a way that produces something valuable both for themselves and others, thus changing the mindset from 'taking' to 'creating and giving'?

What you can do to raise financially literate kids

Scott Donnell's credits also include co-developing GravyStack - an app with banking features that allows children to gain experience with real money under the supervision of their parents. It gives kids and teens the opportunity to play games with financial themes, earn money from their parents by completing real-life tasks (such as mowing the lawn or painting the fence), and learn budgeting concepts through features such as save/spend/give jars.

Chad Willardson, the co-creator of GravyStack, offers these seven tips for raising money-smart kids in an increasingly complex financial world:

1. Open checking accounts for them at an early age (and involve them when appropriate).
2. Have them earn their allowances rather than hand them money for nothing.
3. Pay them to read books on personal finance or goal-setting.
4. Teach them how to spend, save, and donate.
5. Share your own financial goals and plans with them.
6. Involve them when planning big purchases.
7. Be transparent about the cost of everything you buy.

In our office, we love it when clients start including the next generation in meetings and conversations as this helps create purpose for the future. Personally, I am learning at home that the wealth transfer process starts early by layering in useful habits and nuggets of knowledge.

We may live in a world where everything money-related is becoming more digital by the day, but teaching tangible skills remains as important as ever. I am in the early stages of this parenting journey, so I would love to hear your best tips on raising kids who are givers and value creators. I hope you feel the same joy and sense of privilege I feel as I watch my boys learn and help them grow into responsible, financially literate individuals.

Kristiana

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.

Why Does Negativity Sell?

BY JASON PRINT, CFP®
CO-PRESIDENT & CEO

Has it ever occurred to you that an online piece mentioning an imminent market crash is way more tempting to click on than an article stating that a diversified portfolio has a strong probability of delivering high single-digit returns over decades? The second one sounds pretty boring, right? On the other hand, clicking on the first is hard to resist. This tendency is completely normal, and every news outlet and social media company knows it. As a matter of fact, their business model depends on human beings continuing to act as such.

Negative news sells primarily because it taps into certain psychological and sociological aspects of human behavior. Here are several reasons why we feel drawn to bleak tidings.

1. Emotional response: Negative news often elicits stronger emotional responses from viewers or readers than positive news. Stories about conflict, tragedy, or injustice provoke feelings of fear, anger, sadness, or outrage, which can captivate and engage audiences. Many millennia ago, this human response was likely critical for our survival as a species because it prepared us for threats.

2. Evolutionary bias: Humans have evolved to pay more attention to potential threats and dangers in their environment. This evolutionary bias, often referred to as the negativity bias, makes negative information more salient and memorable compared to positive or neutral information. As a result, negative news tends to grab our attention more easily.

3. Confirmation bias: Individuals may be more likely to seek out or consume news that aligns with their established beliefs or worldviews. Negative stories that confirm existing fears or biases may be particularly appealing to certain audiences, reinforcing their perceptions of the world.

4. Social comparison: Negative news stories often involve comparisons between individuals or groups, highlighting disparities in wealth, power, or privilege. This can trigger feelings of superiority or schadenfreude in some readers or viewers, leading them to consume such content.

5. Media agenda and profit motives: Media organizations may prioritize negative news coverage because it is perceived as more newsworthy or attention-grabbing. Additionally, sensational or negative stories may be more profitable for media outlets as they tend to attract more views, clicks, or advertising revenue. This is not meant to disparage media companies – they are for-profit entities trying to create value for their shareholders. However, it is important for consumers to be aware that these organizations are not trying to help them make smart financial decisions. That is not their goal; their goal is to rake in advertising dollars, and clicks help them do so. (By the way, an independent financial advisor is the one trying to help you make smart fiscal choices, and they stay in business by providing valuable advice. Promoting a disaster "du jour" is counter-productive for all parties.)

6. Psychological impact: Constant exposure to negative news can have psychological effects such as increased anxiety, stress, or feelings of helplessness. Despite these potential adverse consequences, people may still be drawn to negative news due to its perceived relevance or importance. For investors, sometimes the anxiety accompanying a bear market does not have to do with the actual reduction in a portfolio's value, but the perceived destruction of all markets caused by trending news.

While negative news may dominate headlines, it is essential to recognize that it does not represent the entirety of the human experience. Positive and uplifting stories also exist, but they may not always receive the same level of attention from media outlets or audiences. Being aware of these biases can help individuals make more informed choices about the content they consume and realize its potential impact on their well-being. We are not necessarily recommending a "bury your head in the sand" strategy – we are merely attempting to explain to our clients why there will always be a story about an impending disaster. Simply put, it sells very well. Even though I have been doing this for 25 years, I also get tempted to click on a piece where some "expert" declares that the market is crashing tomorrow for whatever reason.

Jason

Big Changes Start with Small Ideas

BY SHARI HOOPER, CSA, BFA
SENIOR WEALTH ADVISOR

"Alone we can do so little; together we can do so much."
Helen Keller

Imagine a cruise ship. It is like a city on water, isn't it? Despite being enormous, it seems easy to maneuver as long as it is moving in a straight line. When you need to change direction, however, it takes time for the rudder to make the change. I don't want to get too descriptive and lose sight of the point, which is that the ship will not turn right or left quickly. Changing the course requires a small action that will result in a big change.

This leads perfectly into a real-life example I want to share with you, but let's first lay some groundwork. In order to retire at some point in our lives, we need to be responsible enough to save money. Years ago, companies may have provided more help to their employees with pensions, but currently, we are finding that the responsibility is on us and perhaps our employers will offer us opportunities to invest using salary deferrals. The company you work for may provide different options for your plan to help you get ahead even faster, but it gets to decide whether or not to include these extras, which often cost it more money.

One of the options many of us will recognize is a company match. This is what we often refer to as "free money" provided we meet the requirements. The company may ask us to defer a certain percentage of our salaries in order to receive some or all of the match. This is a great option and one I hope everyone takes advantage of today.

What I want to shed light on is having a ROTH in your 401k as an option to salary-defer. This will provide tax-free growth on the funds invested in the ROTH. Not every company offers this option, which still surprises me. The benefits of having the ROTH in your retirement plan are certainly worth requesting it when it is not a current option.

This is where my story truly gets into gear. I met with a client a year or so ago, and while we were reviewing her company retirement plan, I suggested that she salary-defer into the ROTH portion where she could create another tax bucket – a move you might call diversifying your tax strategy. When we went to select the ROTH, it wasn't there. I didn't expect this option to be absent because her employer is a major company here in West Michigan, and it was using a very familiar custodian that I knew offered the option on the platform. This basically came down to the company needing to choose the option for its employees and adding it to their retirement plans.

Let's summon back up that ship image. I had just had a conversation with my daughter about her employer and not being able to make changes quickly. As I told her, it only takes a small adjustment to the rudder to change significantly the ship's direction. Change CAN happen, but we may have to be persistent during the process, even patient. Sometimes, we think that one person cannot trigger a change when we are up against such a big company, but in this instance, one person DID make a difference.

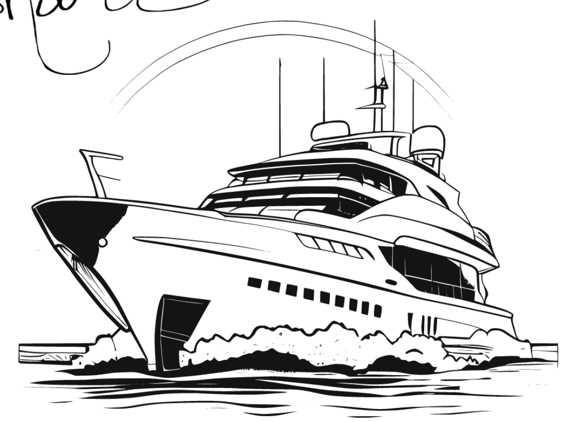
My client was intrigued by the ROTH option and also surprised that it wasn't offered. She asked great questions and took notes. The next thing she said was that they were going into a new contract the following year and she was on the team. Lo and behold, she brought it into the contracting process. I know it took many months, and there were several items on the table to consider, discuss, and approve.

In the end, her employer was able to introduce the ROTH into the company retirement plan as of January 01, 2024. This client is a true champion in my eyes. It went from our one-on-one financial review to her fact-finding mission followed by her fighting for her union employees to get it all done. This process took two years from start to finish, but she was persistent and patient, passionately serving those who put her in a position to fight for them.

This huge ship took time to make the turn, but ultimately, it was worth every bit of effort, perseverance, and faith. A single person made a difference, and now hundreds can reap the benefits of change.

I am thrilled to have been a small part of this process and to have witnessed my client become a true champion of change.

Shari



Tokenization: Is It the Wave of the Future?

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

If you have not yet heard of tokenization, you likely will in the near future. It is a promising innovation and a potential solution to some of the systemic challenges embedded in traditional finance (TradFi). Tokenization refers to the process of converting traditional assets (such as real estate, stocks, and commodities) and non-traditional assets (works of art, rare collections, wine, etc.) into digital tokens stored on a blockchain, which is a type of distributed ledger technology (DLT). The main challenges embedded into the TradFi system are illiquidity, high costs, and inaccessibility by the masses.

Benefits of tokenization

Increased liquidity: Tokenizing assets can enhance liquidity, allowing for easier and faster trading and settlement of transactions compared with traditional markets. In theory, tokenized assets can be traded around the clock on decentralized platforms, which would unlock value and reduce illiquidity premiums.

Lower transaction costs: Tokenization eliminates the need for most intermediaries and streamlines the settlement process, leading to quicker settlement and lower costs for investors as it is algorithmically driven. Additionally, fractional ownership enables smaller investors to buy into high-value assets that were previously considered out of their reach.

Improved accessibility: The tokenization of assets has the potential to democratize access to investments by breaking down barriers to entry. Regular investors may have the opportunity to incrementally invest in a diverse range of assets – including real estate, fine art, and venture capital projects – without the need for large capital outlays, which have served as a de facto barrier to entry in the past.

Challenges and risks of tokenization

Regulatory uncertainty: The regulatory frameworks surrounding tokenization vary greatly across jurisdictions and are still evolving. There is no universally agreed-upon framework yet. The uncertainty surrounding legal and compliance issues may hinder the widespread adoption of tokenized assets and potentially lead to regulatory crackdowns in some cases as all of this is still being figured out.

Security concerns: The digital nature of tokenized assets introduces cybersecurity risks, including hacking, fraud, and outright theft. These issues could be proactively addressed by means of encryption and multi-factor authentication to better protect investors and build trust in tokenized platforms.

Market manipulation: As with any financial market, tokenized assets may be susceptible to manipulation and abuse. This will require transparency and robust market surveillance so that regulators can provide much-needed oversight to quickly detect and effectively deter illicit market activities.

How has Wall Street responded?

According to a SEC filing from March 19, 2024, BlackRock – the 800-pound gorilla of Wall Street – has created a new tokenized asset fund called the BlackRock USD Institutional Digital Liquidity Fund. On-chain data reveals the fund has been seeded with initial capital of $100 million USDC (USD Coin, a digital stablecoin) on the Ethereum blockchain. With this new venture, BlackRock clearly hopes to pioneer and lead the transition from traditional investments to decentralized digital assets.

Conclusion

Is tokenization the wave of the future? It certainly has that potential, and based on the BlackRock announcement, the future may already be here. If approved and implemented, tokenization would go a long way toward democratizing access to premium assets that have so far been available only to the uber-wealthy, thus helping tear down the walls between the haves and the have-nots. The rapid and "always on" nature of trading tokenized real-world assets would certainly add to the convenience, but it may also increase an investor's emotional anxiety as there would always be live market pricing on hard-to-value assets.

All in all, asset tokenization has all the hallmarks of a disruptive technology with the potential to make life both easier and more complex. Regulators must proactively keep pace with innovations and provide investors with the protections they need and deserve. If executed properly, tokenization can become the rising tide that lifts all investor boats.

Navigating Fixed-Income Investments in 2024

BY CHAD WARRICK
CO-PRESIDENT & CEO

The world of fixed-income investments has been quite a ride in the past few years. Since June 2022, the Federal Reserve (Fed) has introduced a record number of rate hikes in a record amount of time as part of efforts to combat the inflationary environment following the COVID-19 pandemic.

If you have been keeping an eye on the bond market, you have probably noticed some significant movements influenced by the Fed's policies and broader economic trends. We started 2024 with Fed members forecasting six rate cuts, but we are already halfway through the year, and we have seen zero rate cuts. It is now estimated there will be one or two rate cuts before the end of this year, with a gradual decline throughout 2025 and a leveling out in 2026. It is possible that we will see the first rate cut in December, after the presidential election.

The Fed has been a major player this year. Despite talk of potential rate cuts, the reality of persistent inflation and a surprisingly robust economy has kept the Fed's policies more restrictive than many anticipated. This cautious stance has resulted in relatively stable returns for bonds so far.

Our economy has shown impressive resilience, managing to avoid severe downturns and trending instead toward a "soft landing"; This means financial conditions have eased somewhat, and corporate bond issuance has surged as credit spreads tightened. Segments like high-yield bonds and leveraged loans have benefited from these conditions – they have been particularly attractive, offering higher yields amid a supportive financial environment. However, as credit spreads narrow, sustaining this momentum for the rest of the year remains a challenge.

Why Include Fixed Income in Your Portfolio

Diversification: First and foremost, fixed-income investments can add much-needed diversification to your portfolio. They usually come with lower volatility compared to stocks, which can help balance out the overall risk.

Steady income: If you are looking for regular income, fixed-income investments can be a reliable source. They offer regular interest payments, making them a great choice for retirees or anyone seeking steady cash flows, especially when savings account interest rates are low.

Capital preservation: For those who prioritize preserving capital, high-quality bonds (such as government or investment-grade corporate bonds) can offer a safer haven compared to the more volatile stock market.

Economic hedge: Fixed-income investments can serve as a hedge against economic uncertainty and market volatility. In times of economic stress, bonds – especially government bonds – tend to perform well as investors flock to safer assets.

Predictable returns: One of the biggest advantages of bonds is their predictability. With fixed coupon payments, you know what to expect, which can be crucial for financial planning.

In conclusion, 2024 has been a fascinating year for fixed-income investments, with current yields far above their 10-year average. This asset class offers stability, income, and diversification. Our team has continued to carefully manage portfolio allocations to fixed income, giving proper consideration to quality and duration. Intermediate-term bonds offer higher coupon payments for a longer period of time and enhance overall portfolio performance and stability.

SUMMIT SPOTLIGHT

A LOOK INTO THE LIVES OF THE SUMMIT TEAM

Summit Wealth Partners, LLC Hosts a Transformative Retreat in Naples, Florida

From Friday, May 17, to Sunday, May 19, 2024, Summit Wealth Partners, LLC gathered for a company retreat in Naples, Florida. This much-anticipated event aimed to unite our team, discuss best practices, brainstorm future initiatives, and enhance our ability to serve our clients better.

With team members dispersed across the U.S., the retreat was a significant milestone for many, marking the first in-person meeting for several colleagues. Amanda braved flight delays in Dallas to join us from Arizona, while Shari and Todd Hooper traveled from Michigan. Kristiana managed the journey from South Carolina with her two young sons. Chloe and her husband embarked on a two-day drive with their newest addition, and Bill flew in from Chicago. Our Florida-based team members who were not already in Naples made the early morning drives from across the state to join the retreat on Friday.

The weekend was a blend of productive discussions, strategic planning, and enjoyable team-building activities. Friday's agenda included a comprehensive review of our achievements over the past year and the setting of goals for the upcoming year. We were fortunate to have Financial Advisor Coach Joe Lukacs lead a powerful session, offering insights on industry trends and ways to enhance our services. A major highlight was our deep dive into the potential and implications of AI in our industry, weighing the benefits of increased efficiency against the need to address security concerns.

One exciting outcome of our discussions was the decision to develop a series of client-focused webinars. Topics will range from Medicare planning to Estate planning, underscoring our commitment to empowering clients with valuable knowledge. By the time you read this article, we will have already had our first session in June on Cyber Security. The retreat also featured the entertaining Marshmallow Challenge, which fostered creativity and teamwork. Teams constructed various structures using marshmallows and spaghetti, leading to amusing results and valuable lessons on collaboration and problem-solving. For those unfamiliar with the challenge, we highly recommend watching Tom Wujec's TED Talk on the subject.

In summary, the retreat was a resounding success, forging stronger bonds within our team and equipping us with fresh perspectives and strategies to elevate our service offerings. As we look ahead, we are more united and prepared than ever to navigate the future and continue delivering exceptional value to our clients.

Warm regards,
The Summit Wealth Partners Team

Summit Scramble Answer Key:
1. Loan 2. Interest 3. Credit 4. Asset 5. Income 6. Expenses 7. Budget 8. Balance Sheet 9. Mortgage 10. Taxes

SUMMIT SCRAMBLE

Instructions: Unscramble the letters to reveal common financial terms. Write your answers in the spaces provided.

ANOL: ____________________
EERINTTS: ____________________
CTRIED: ____________________
ETASS: ____________________
ONECMI: ____________________
XEEESSNP: ____________________
TEGUBD: ____________________
ABECANL TEHSE: ____________________
AOGGMRTE: ____________________
SXAET: ____________________

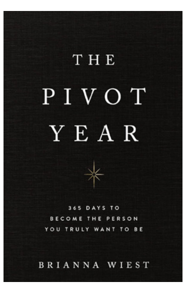
Enjoy unscrambling these financial terms! Find the answer key on the bottom of page 8.

STAY CONNECTED WITH US:

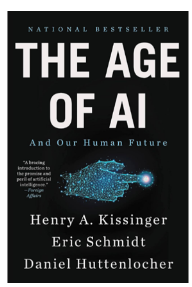
linkedin.com/company/mysummitwealth

facebook.com/mysummitwealth

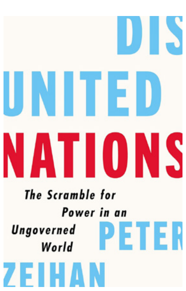
BOOKS WE'RE READING:



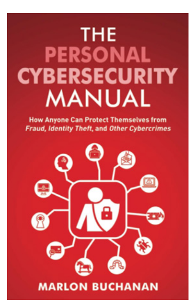
The Pivot Year | *by Brianna Wiest*
A collection of insightful essays that explores the transformative power of embracing change during pivotal moments in life. Wiest encourages readers to confront uncertainty, overcome self-doubt, and take bold steps towards personal growth and fulfillment. Emphasizing self-awareness, resilience, and the courage to let go of what no longer serves us, the book offers practical advice on navigating relationships, career changes, and finding purpose.



The Age of A.I. and Our Human Future | *by Henry A. Kissinger; Eric Schmidt; and Daniel Huttenlocher*
The authors explore how AI is reshaping various aspects of our lives, from decision-making processes and economic structures to international relations and ethical considerations. Through a combination of historical context, technical analysis, and philosophical inquiry, the book provides a comprehensive overview of the potential future shaped by AI, urging policymakers, technologists, and citizens to engage in a dialogue about the responsible development and use of this transformative technology.



Disunited Nations: The Scramble for Power in an Ungoverned World | *by Peter Zeihan*
Zeihan argues that the decline of American influence and the breakdown of international institutions are leading to a more chaotic and competitive world order. He examines the strengths and vulnerabilities of various countries, predicting a future where regional powers rise and fall based on geography, resources, and demography. Zeihan's analysis offers a provocative look at the coming era of disunity and the potential for new global dynamics.



The Personal Cybersecurity Manual: How Anyone Can Protect Themselves from Fraud, Identity Theft, and Other Cybercrimes | *by Marlon Buchanan*
Buchanan provides practical advice and step-by-step instructions on securing personal information, recognizing and avoiding cyber threats, and implementing effective cybersecurity measures. The book covers essential topics such as password management, secure online behavior, and protecting against various forms of cybercrime, making it an invaluable resource for anyone looking to enhance their personal cybersecurity.

National Ethics Association
ethics.net

charles SCHWAB
INSTITUTIONAL

Fidelity
INVESTMENTS

BLACKROCK

iShares
by BLACKROCK

eMoney
Advisor

RiA
STANDS FOR YOU.

THE Rational Optimist™

FEATURES

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**