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Summit Wealth Partners, LLC

The Rational Optimist™

Perma Bears Never Built Anything

BY JASON PRINT, CFP®
CO-CEO

As I write this, the markets are delivering a great performance, and unless something shocking happens, it will be two years in a row of solid stock market returns. I think of all the pundits who recommended moving to cash in 2022 (right around the market lows) in anticipation of a recession. As those fears begin to fade, it strikes me that optimists usually win in the long run.

Now, I don't want people to get the wrong idea. We will certainly have a recession at some point, and we will definitely have another bear market similar to that in 2022. Statistically, bear markets happen about once every four years. Prior to 2022, we had the COVID-19 crash and a short-lived bear market.

Timing the market is extremely difficult. However, we typically have a recovery on the other side of these pullbacks. This is what's easy to lose sight of. Oftentimes, most people don't believe it when it starts to happen. It may seem like it will take many years to recover from the losses. This reminded me of a famous J.P. Morgan story from many, many bear markets ago.

***My Favorite J.P. Morgan Story* by Mark Skousen**

In the early days of the twentieth century, when J.P. Morgan ruled Wall Street, a visitor came to the city. He was a commodity trader from Chicago and a long-time friend of Morgan's. He was what might be called a "perma bear" following the Panic of 1907.

No matter how high or low the stock market went, his outlook was pessimistic - another crash, panic, and depression were just around the corner.

This was his first visit to the world's greatest city. He arrived at 23 Wall Street and was ushered into J.P.'s spacious office, which overlooked the Exchange on one side and George Washington's statue on the other.

They immediately began talking about the markets, Morgan being bullish as ever, and his friend being his usual bearish self.

"J.P.," he said, "the news overseas doesn't look too good."

"A buying opportunity!" responded Morgan.

After an hour of friendly disputes about the markets, Morgan invited his guest to join him for lunch. They walked outside and started moving up toward Broadway. As they did so, his friend couldn't help but admire the skyscrapers that dotted the Manhattan skyline. Morgan pointed out the Singer Building, the Woolworth Building across from City Hall, the famous three-sided Flatiron Building, and the recently completed Met Life Tower rising 50 stories high, the tallest skyscraper in the world at the time.

Continued on page 2

UPCOMING

Women & Wealth
January 23rd, 4:30pm - 6:30pm
Bistro Bella Vita
44 Cesar E. Chavez Ave SW, Grand Rapids, MI 49503

All Aboard Travel Group
January 27th, 5:30pm - 7:00pm
Gravity Taphouse Grille
3210 Deposit Dr NE, Grand Rapids, MI 49546

connect@mysummitwealth.com

Continuing from page 1 - Perma Bears Never Built Anything

His friend was duly impressed, saying he had never seen anything like it, not even in Chicago.

Finally, J.P. Morgan stopped his friend and said, "Funny thing about these skyscrapers – not a single one was built by a bear!"

I often look at the Forbes 400 list – not out of envy but out of curiosity. How many times were the people on this list written off by society, friends, and mentors? How many times were the companies they owned days away from bankruptcy? A large number of them went through bankruptcy before finding success later on.

After the dotcom crash in the early 2000s, Amazon's stock price was down more than 90%. Many doubted that the company would be able to make a profit with its business model. Amazon's market cap on December 31, 2001 was $4.02 billion. That's still quite a bit of money, but the market cap today is over $2.5 trillion.

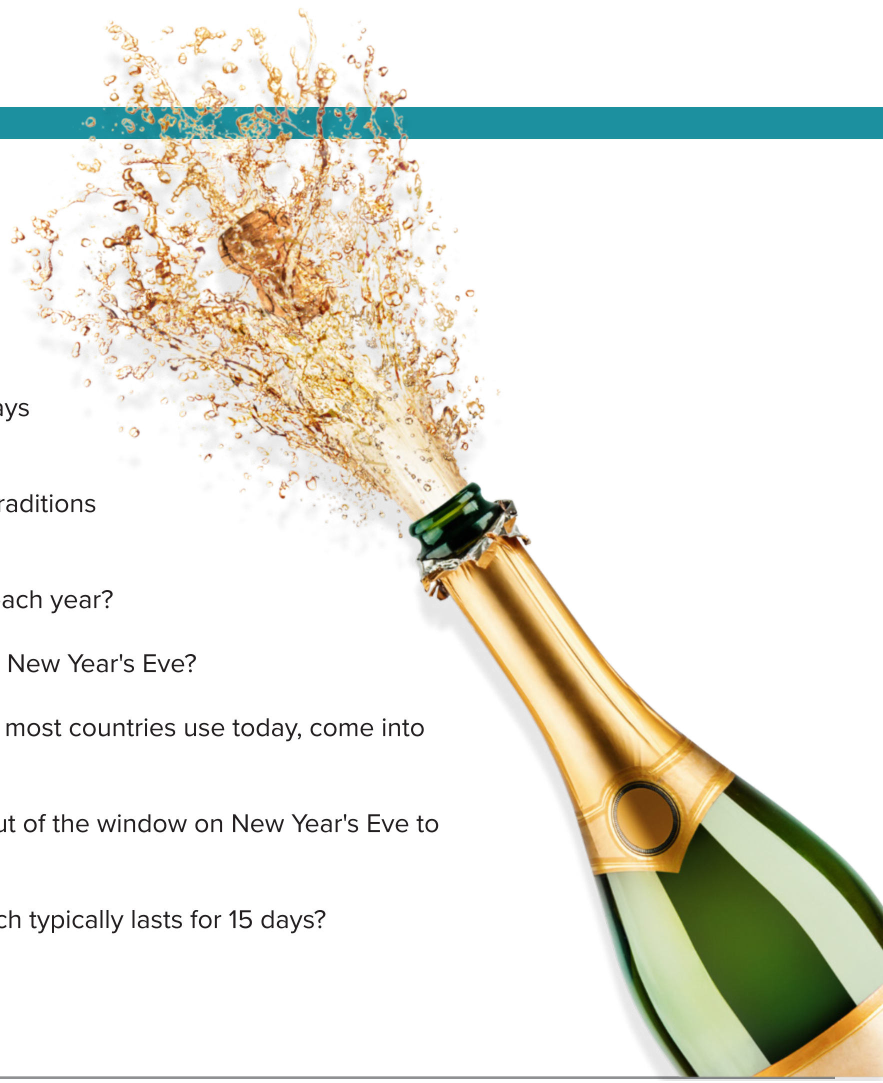
Elon Musk admitted several times that Tesla was about a month away from bankruptcy in 2017 following five straight quarters of negative free cash flow.

I'm certainly not recommending that people go out and buy Amazon or Tesla. Nor am I recommending they move more aggressively into stocks. Quite the opposite, in fact.

After two years of great market performance, it's a perfect time to speak with your advisor about what your target allocation should be for the future.

When bad news hits, pessimism can be seductive and lead us into decisions we wouldn't make when optimism reigns. Now is a great time to have a conversation about what to do when the next disaster strikes, how to get through it, and what the long-term plan should be. It's important that the plan we have in place allows us to sleep through the night in uncertain times so we stay on track when the sun rises again.

Jason



New Year's Trivia Questions

1. What is the average amount Americans spend on holidays gifts each year?

2. Which ancient civilization is credited with creating the traditions of making New Year's resolutions?

3. Which country is the first to celebrate New Year's Day each year?

4. In Spain, it is a tradition to eat 12 of what at midnight on New Year's Eve?

5. In what year did the modern Gregorian calendar, which most countries use today, come into effect?

6. In which country is it a tradition to throw old furniture out of the window on New Year's Eve to symbolize getting rid of the old year?

7. What is the name of the Chinese New Year festival, which typically lasts for 15 days?

Social Media's Impact on Your Money Mindset

BY AMANDA E. PATE, CFP®, CHFC®
OPERATIONS MANAGER

There are a variety of viewpoints on how social media influences our society - both good and bad. After all, some people are spending hours a day on these platforms and we need to be aware of their impact. From our vantage point, we're paying close attention to how these networks influence our clients' spending, saving, and investing habits.

Social media often showcases a curated and exaggerated view of reality. People don't often post about their child's behavioral problems at school or about the stress of caring for an aging parent. They post about luxury vacations, great seats at sporting events, and fancy nights out. It creates a distorted sense of what is "normal" and can lead to an unconscious pressure to keep up. Let's say you follow friends or influencers who travel the globe, stay at the best hotels and dine at Michelin star restaurants. Maybe subconsciously, this alters the way you feel about the "standard" vacation you take to the beach, even though you've enjoyed it for years.

Or maybe you're seeing posts during the holidays of friends spending time in second homes. You might begin to feel that owning a second home is more common and necessary than it really is.

Remind yourself that social media often highlights the best moments of someone's life, not their everyday reality. Set personal financial goals that reflect your values and priorities rather than the curated lives you see online.

To be clear, there's nothing wrong with traveling or buying a second home. In fact, proper financial planning can help you make these choices with confidence and within your means. It's just important to avoid the sense of never having enough or always needing to upgrade.

It should also be mentioned that social media has the potential to inspire positive financial habits as well. Many financial advisors, asset managers, and publications have taken to the platforms and can offer valuable advice.

It's all about what posts appear in your newsfeeds. You can influence this by the pages and profiles that you follow. Consider following pages that build your knowledge base, rather than aspirational pages of perfection.

Social media's influence on our views of money, spending, and investing is undeniable. By being aware of its impact, practicing mindful consumption, and seeking credible information, we can navigate the digital landscape without compromising our financial well-being. Remember, your financial journey is unique, and staying true to your values and goals

Amanda

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.

Should I Pay Off My Mortgage?

BY SHARI DE RON
CLIENT SERVICE SPECIALIST

Being unsure whether to pay off your mortgage or not is a good problem to have. It means you have significant savings and have afforded yourself some choices. While the idea of being debt-free is appealing to many, there are also compelling reasons to keep your mortgage. Let's explore both sides of the debate to help you make an informed decision.

The Case for Paying Off Your Mortgage

1. Peace of Mind

There is a certain peace of mind that comes with knowing your home is fully paid off. It also offers a sense of accomplishment as you've reached the end of a major financial commitment.

2. Return on Investment

Paying off your mortgage offers a return equivalent to your mortgage interest rate. For example, if your mortgage rate is 4%, you're essentially getting a 4% return as you're now done with that obligation.

3. Reducing Financial Risk

By eliminating your mortgage, you reduce the risk of financial strain if your income decreases or if you face unexpected expenses. This can be particularly important for those approaching retirement.

4. Simplified Finances

Paying off your mortgage simplifies your financial life. With one less bill to worry about, budgeting becomes more straightforward, and you free up mental bandwidth to focus on other financial goals.

The Case for Keeping Your Mortgage

1. Opportunity for Higher Returns

One of the primary arguments against paying off your mortgage is the potential for higher returns elsewhere. Historically, the stock market has delivered average annual returns that exceed most mortgage interest rates.

2. Maintaining Liquidity

Paying off your mortgage ties up a significant amount of money in an illiquid asset. If you need access to cash for an emergency or investment opportunity, having funds invested in accessible accounts can be very helpful.

3. Tax Benefits

For those who itemize deductions, mortgage interest can be tax-deductible, reducing the overall cost of your loan. Although the tax benefits of mortgage interest have decreased with recent changes in tax laws, they are still worth pursuing.

4. Low Interest Rates

If you locked into a low-interest rate, you might want to hang on to it. Rather than paying off a low-rate mortgage, you might prefer to use your money for other investments, lifestyle upgrades, or even keeping it in savings for future needs.

Ultimately, the decision to pay off your mortgage early depends on your individual financial situation, goals, and comfort level with debt. If your primary goal is financial security and peace of mind, paying off your mortgage might be the right choice for you. However, if you are comfortable managing debt and see potential for higher returns through investing, keeping your mortgage may make more sense.

Shari

New Year's Trivia Answers

1. Around $1,000

2. The Babylonians

3. Kiribati (specifically the Line islands)

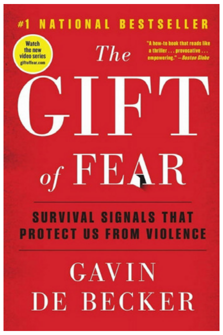
4. Grapes

5. 1582

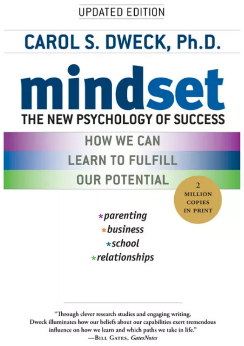
6. Italy

7. Spring Festival

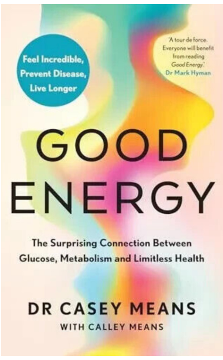
BOOKS WE'RE READING:



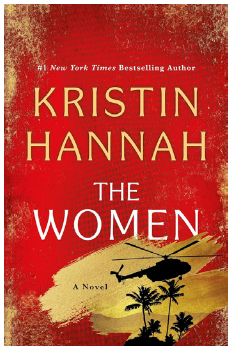
The Gift of Fear | *by Gavin de Becker*
Gavin de Becker shows how trusting your instincts can help you stay safe in dangerous situations like street crime, domestic abuse, or workplace violence. Drawing from his experience protecting high-profile clients, he shares practical tips and real-life examples to help anyone recognize warning signs and feel more secure.



Mindset: The New Psychology of success |
by Carol Dweck
Psychologist Carol S. Dweck explains how shifting from a fixed mindset to a growth mindset can transform success in every area of life. She shares new insights, tackles misconceptions about growth mindset, and shows how it can inspire personal and group achievements.



Good Energy | *by Dr. Casey Means*
Dr. Casey Means reveals how optimizing your metabolic health—the way your cells create and use energy—can prevent and even reverse many chronic health issues, from anxiety to heart disease. With cutting-edge research, personal stories, and a practical four-week plan, she shares simple strategies to improve your energy, health, and overall wellbeing for a vibrant life at any age.



The Women | *by Kristin Hannah*
Twenty-year-old Frankie McGrath joins the Army Turse Corps during the Vietnam War, trading her sheltered life for the chaos and heartbreak of the battlefield. This powerful novel follows her journey of bravery, friendship, and sacrifice, both in the war and in returning to a divided America, shining a light on the often-overlooked heroism of women in wartime.

Interesting Tax Planning Opportunities for Rental Properties

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

The explosion in short-term rental properties set off by Airbnb and VRBO has had many landlords re-thinking their long-term tenancies, especially for properties that can attract those clients. With its beaches, tourism, and wildlife, Florida offers unique opportunities for landlords to consider short-term rentals.

Traditionally, landlords file rents and expenses under Schedule E of the 1040, as is required. Profits are treated as passive income and losses as passive losses.

Start with narrowing down a specific time for your exit. If I had a nickel for every time a business owner told me they wanted to bow out in 3-5 years, I'd be at least $50 richer. Planning an exit starts with getting specific but also with understanding that you may need to be flexible on the timing. It makes a difference in how you approach the planning process when you stick a pin on a calendar as a way of saying, "This is the day I start doing something different with my life."

Passive income is taxed like ordinary income, based on the tax bracket you fall into with all your other income. Passive losses offset passive income, or they can be carried forward to the next tax year if there isn't enough passive income to offset.

Passive losses can only offset ordinary income under two circumstances: (1) you or your spouse is a "real estate professional" or (2) your modified adjusted gross income (MAGI) is less than $100,000, in which case you can deduct up to $25,000 in passive losses against ordinary income; there is a phase-out up to $150,000. (I'll leave real estate professional tax considerations for another article.)

Whether or not clients need to offset ordinary or passive income depends on their personal tax situation, but an interesting planning opportunity exists for landlords with short-term rental properties. In some cases, it's possible to treat passive income as self-employment income under Schedule C. Schedule C losses will offset ordinary income.

Substantial or not?

The IRS specifies that any rental property with an average tenancy of more than 30 days during the year should be filed under Schedule E. This would include pretty much all long-term rentals and even some short-term rentals.

If the average tenancy during the year is under 7 days, any income/loss should be filed under Schedule C. It's in the "between 7 and 30 days" spot where things get interesting, and you might be able to file under Schedule C or E. The difference mainly comes down to providing "substantial services."

Definitions of substantial services are a little vague, but in general, they may include housekeeping services during the stay, changing linens, providing meals and/or entertainment, and concierge services. Cleaning common areas and taking out trash would not be considered substantial, but it might be a matter of opinion whether other services (such as providing coffee and accessories) are substantial or not.

If you are providing substantial services with average rentals of between 7 and 30 days, you would file under Schedule C, and if not, you would file under Schedule E. This provides a planning opportunity where your accountant can determine under what schedule you might want to file.

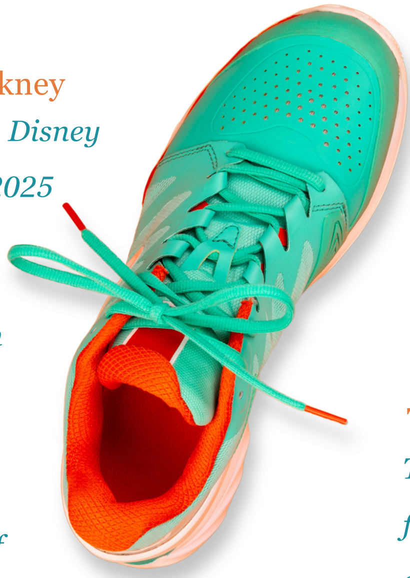
A hole in one!

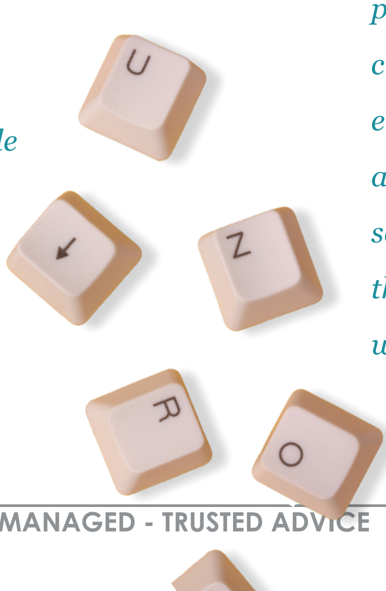
Another interesting option is to use the Masters Rule 280(A)(g), but it applies to your primary residence. If you rent it out for up to 14 days during a tax year, you are not required to report that income to the IRS. It's called the Masters Rule because of its association with the influx of golf enthusiasts to Augusta, Georgia for the Masters Tournament. During that event, many locals take advantage of it to rent out their homes (or rooms in their homes).

The Masters Rule can be used by business owners as well. Let's assume business owner Jane has monthly sales meetings with her staff at a local restaurant or hotel convention center. Instead of paying the restaurant or hotel, she could use her own home and pay a "reasonable" expense to herself from the business for each monthly meeting. In doing so, she would shift taxable business income to unreportable income under the Masters Rule and legitimately avoid taxes on those payments to herself. Now that's a hole in one!

New Year, New Beginnings

As we bid farewell to the old year and welcome the new, we thought we would share our resolutions and goals for the year ahead. We believe in the power of setting intentions to inspire growth, foster innovation, and strengthen our commitment to serving you better. Here's to a year filled with positive change, continued success, and shared accomplishments.





Cricket Stickney

Train for the Disney 10K race in 2025

Jason Print

Learn Spanish

Shari Hooper

I am hoping to run in a half marathon by end of the fall season 2025. I was so close in 2022 that I just must get it done!

Shari de Ron

Primarily I plan to make more time to travel with my family this year. Additionally, I want to further expand my knowledge in wealth management to become a larger resource within the firm.

Amanda Pate

To teach my son how to ride his bike without training wheels.

Ryan Gavin

Improve my skills with the programming languages 'Python' and 'R'

Bill Kovacs

My grandson Ethan is 8 and has started piano lessons which he is enjoying, much to his mother's surprise. I have always wanted to play the piano so at age 78 I am taking him to his piano lessons and trying to learn along with him.

Todd Hooper

To release the rest of the songs from the Album I recorded earlier this year in Nashville

Richard Sanchez

Read more books

Chloe Fletcher

Start a garden

Chad Warrick

My goal is to build a piece of furniture or create a keepsake for each of our children as a family heirloom. This will serve as a lasting reminder that great work ethic and attention to detail will always result in beauty and quality.

National Ethics Association ethics.net

charles SCHWAB INSTITUTIONAL

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