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SUMMIT WEALTH PARTNERS, LLC

The Rational Optimist™

Meet George Jetson

BY CHAD WARRICK
CO-CEO

Growing up, I always loved watching George Jetson glide out of his house on his automated pathway, effortlessly whisked off to his workday. Back then, it felt like pure science fiction: a world where robots did the chores, flying cars filled the sky, and technology made life easy.

Here we are now, going through what some are calling the Fourth Industrial Revolution, with artificial intelligence (AI) rapidly transforming the way we live, work, and interact with the world around us. AI is no longer just a futuristic concept; it's here, embedded in everything from our smartphones to our financial markets, shaping the next era of human progress.

A bit of history
The idea of machines thinking like humans was first introduced in 1950 by British mathematician and computer scientist Alan Turing, who is widely regarded as the father of modern computing. By 1956, AI had been officially recognized as a field of study at the Dartmouth Conference although it would take decades for technology to catch up with the ambition. Breakthroughs in machine learning and neural networks in the late 20th and early 21rst centuries changed everything, propelling AI from a theoretical concept into a real-world force that touches nearly every industry.

The personal touch
Today, AI has quietly woven itself into our everyday lives. With integrations into email providers, it can be used to manage inboxes and calendars. Financial institutions use AI-powered fraud detection to monitor transactions in real time, often before the activity is noticed by account holders. Streaming services also use AI to analyze our viewing preferences and suggest the perfect show or movie to watch next. Even our homes are getting smarter, with AI adjusting lighting, temperature, and security based on our habits.

Apple recently took it a step further, embedding Apple Intelligence into its operating system. With smarter writing tools, personalized emojis, and an upgrade to Siri, AI is no longer just about automation – it's about making life more intuitive and efficient.

The market gets excited
Beyond personal convenience, AI is making waves in the financial world, with the biggest players in the market going all in. The largest AI-focused firms are projected to invest over $1 trillion between 2024 and 2027, reinforcing the role of AI as a long-term growth driver.

Within our firm's portfolio construction, we are capturing these tailwinds through our allocation to Core Large-Cap Growth funds, which have direct exposure to the Magnificent 7, each playing a crucial role in shaping the future of AI. While this AI-driven momentum has fueled a strong market performance, it has also pushed valuations above the historical average of the S&P 500 PE ratio, reflecting heightened investor enthusiasm and the need for disciplined risk management.

Earlier this year, the release of DeepSeek - an advanced AI model out of China - sent shockwaves through the tech sector, triggering a massive drop in Nvidia's stock price. This sudden reaction underscored just how sensitive the market has become to AI advancements.

Continued on page 2

FEATURES

UPCOMING

GR Savvy Seniors
Tuesday 3/18/2025, 10am t0 11:30am
The Prince Conference Center at Calvin University
1800 E. Beltline Ave SE, Grand Rapids, MI 49546

Women and Wealth
Thursday 3/20/2025, 4:30pm to 6:30pm
El Centenarios Mexican Grill
5039 28th St SE, Grand Rapids, MI 49512

connect@mysummitwealth.com

Continuing from page 1 - Meet George Jetson

As the landscape continues to evolve, the growth opportunities are undeniable, but they will certainly come with volatility. We are closely monitoring these developments, knowing that AI is now a major driver of market movement, capable of fueling rapid gains but also sharp corrections as new innovations disrupt the competitive landscape.

What's next?

Where all of this leads is still uncertain, but one thing is clear: We are well on our way to a future that might start strongly resembling the one we saw in "The Jetsons." AI is already transforming the way we work and live, so who knows? One day, we may all have a Rosie scootering around the house, vacuuming and dusting furniture. Whether we embrace it with enthusiasm or skepticism, one thing is certain - we're all watching, curious to see where AI will take us next.

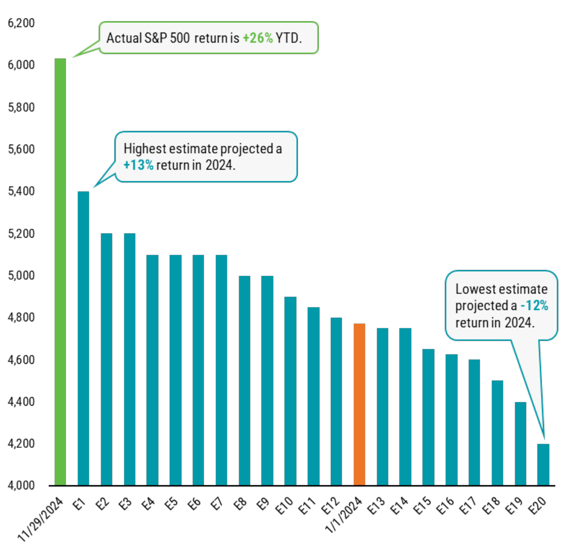
The Futility of Forecasting

BY RYAN GAVIN, CFA
PORTFOLIO MANAGER

As we begin a new year, many investors are reflecting on market forecasts for the one ahead. Predictions from economists, banks, and asset managers about how the S&P 500 will finish the new year often grab headlines. How accurate are these forecasts, and what do they tell us about investing strategies?

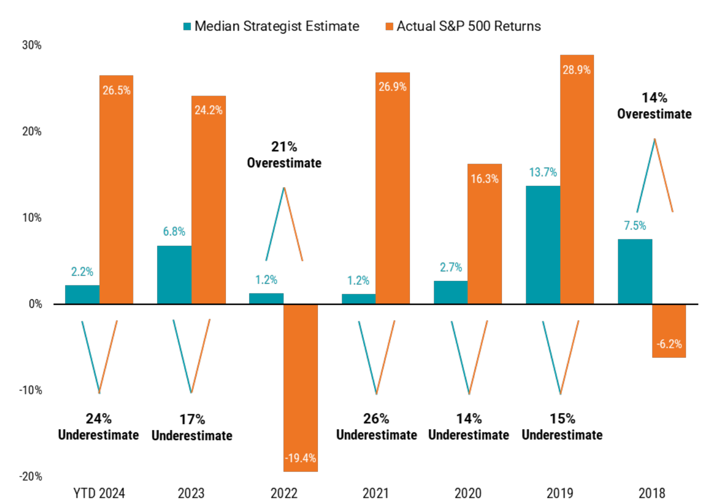
A closer look at past predictions offers an interesting lesson. At the end of 2023, 20 firms issued year-end 2024 price targets for the S&P 500. Their estimates varied widely, with the highest being a 13% rise and the lowest a 12% decline. Yet, as of November 2024, the index had risen by 26%, exceeding even the most optimistic prediction. The closest estimate undershot the actual return by over 10 percentage points, while the most pessimistic missed by nearly 40 percentage points.[1]

Figure 1 | 2024 Forecasts Missed the Mark



This isn't an isolated phenomenon. Examining consensus estimates over the past seven years reveals a persistent pattern of inaccuracy. Consensus predictions have never been within 10 percentage points of the S&P 500's actual annual return. For instance, they have underestimated it by as much as 26 percentage points and overestimated it by up to 21 percentage points.[2] This track record highlights the challenges inherent in forecasting market movements and the risks of relying on these predictions for investment decisions.

Figure 2 | Consensus S&P 500 Estimates vs. Actual Returns (2018-2024)



If that's the case, why do forecasts hold such an appeal? Behavioral psychology provides some clues. Human beings are naturally drawn to stories and patterns.

Forecasts offer a sense of control in the face of uncertainty, promising clarity in an unpredictable world. They appeal to our desire to believe that experts can see what lies ahead, even when the evidence suggests otherwise. This bias toward prediction can lead investors to overvalue forecasts and underestimate the complexity of markets.

The risks of market timing become apparent when considering the potential consequences of acting on forecasts. Investors who sold their holdings based on pessimistic predictions at the end of 2023 missed out on the substantial gains of 2024. Missing even a few periods of strong performance can significantly impact long-term returns, making market timing a perilous strategy.

Fortunatey, successful investing doesn't require short-term market predictions. Instead, investors can focus on time-tested principles: maintaining a disciplined approach, adhering to well-diversified asset allocation aligned with their goals and risk tolerance, and avoiding impulsive decisions based on market noise. Over the long term, such strategies have demonstrated a strong track record of delivering positive outcomes.

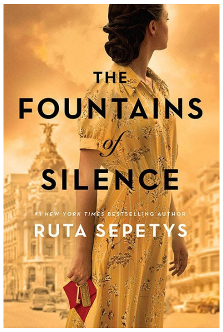
In conclusion, while market forecasts may capture our attention, they're no substitute for a sound, long-term investment plan. By resisting the temptation to time markets or react to predictions, investors can position themselves for enduring success in the face of uncertainty.

Data as of 11/29/2023. Sources: Avantis Investors, "ETF Monthly Field Guide," December 2024; Tom Aspray, "Should You Worry That Strategists Keep Raising Their S&P 500 Targets?" Forbes, October 20, 2024.

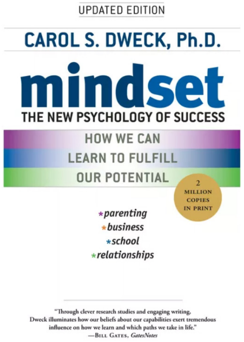
Data from 1/1/2018 - 11/30/2024. Sources: Avantis Investors, "ETF Monthly Field Guide," December 2024; Emily McCormick, "What Wall Street Strategists Forecast for the S&P 500 in 2019," Yahoo Finance, December 31, 2018; Jeff Sommer, "Clueless About 2020, Wall Street Forecasters Are at It Again for 2021," New York Times, December 18, 2020; Jeff Sommer, "Forget Stock Predictions for Next Year. Focus on the Next Decade," New York Times, December 16, 2022; Senad Karaahmetovic, "Top Wall Street Strategists Give Their S&P 500 Forecasts for 2023," Investing.com, December 27, 2022; and Tom Aspray, "Should You Worry That Strategists Keep Raising Their S&P 500 Targets?" Forbes, October 20, 2024. Past performance is no guarantee of future results.

Ryan

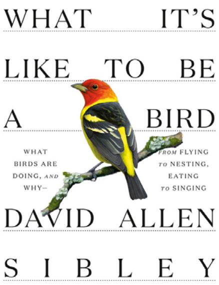
BOOKS WE'RE READING:



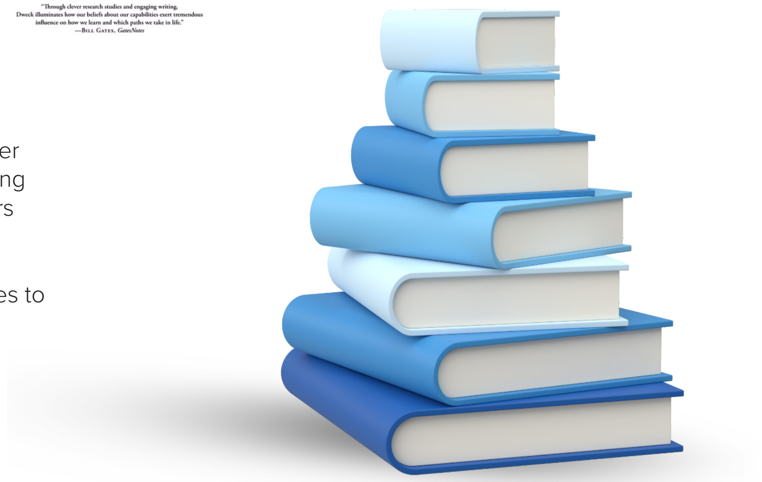
The Fountains of Silence | *by Ruta Sepetys*
In 1957 Madrid, under Franco's fascist regime, Spain hides dark secrets while welcoming tourists with sunshine and wine. When young photographer Daniel Matheson meets Ana, their connection unveils the lingering scars of the Spanish Civil War, forcing him to face dangerous truths and make difficult choices to protect those he loves.



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.



What It's Like to Be a Bird | *by David Allen Sibley*
David Sibley answers common questions about over 200 bird species with vivid illustrations and engaging insights, making it perfect for both casual bird lovers and enthusiasts. Focused on familiar backyard birds and easily observed species, this accessible, beautifully illustrated book invites readers of all ages to explore the fascinating world of birds.



SCALING THE SUMMIT

Our Journey: Part One

Back in the early 2000s, Chad Warrick and Jason Print, now co-CEOs, first met while working as financial advisors for two different companies that eventually merged. They initially operated out of separate offices but communicated frequently, sharing thoughts on best practices, financial planning philosophies, and investment management. At the time, both were employees and non-owners but held each other in high regard.The two were also committed to a transparent business model. One of Chad and Jason's non-negotiables was operating in a fiduciary capacity.

In 2010, as the ownership structure of their parent company changed, Chad and Jason were driven by a strong desire to become part of it. They knew they wanted to continue working with the firm's existing clients throughout their careers and were committed to a transparent business model. One of their non-negotiables was operating in a fiduciary capacity, which sets them apart from non-fiduciary advisors. Here are the key distinctions:

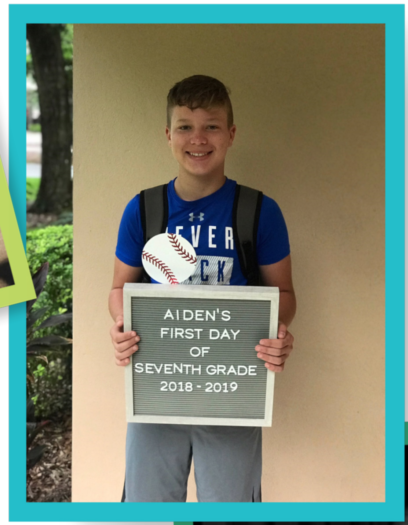
1. Legal obligation: Fiduciaries are legally bound to prioritize your interests. Non-fiduciaries aren't.
2. Compensation structure: Fiduciaries typically charge flat fees or a percentage of assets managed, while non-fiduciaries may earn commissions on investment products.
3. Disclosure requirements: Fiduciaries must be transparent about all potential conflicts of interest. Non-fiduciaries operate under less stringent disclosure requirements.
4. Investment recommendations: Fiduciaries must recommend the best options for you, even if it means less profit for them. Non-fiduciaries can recommend suitable but not necessarily optimal products.

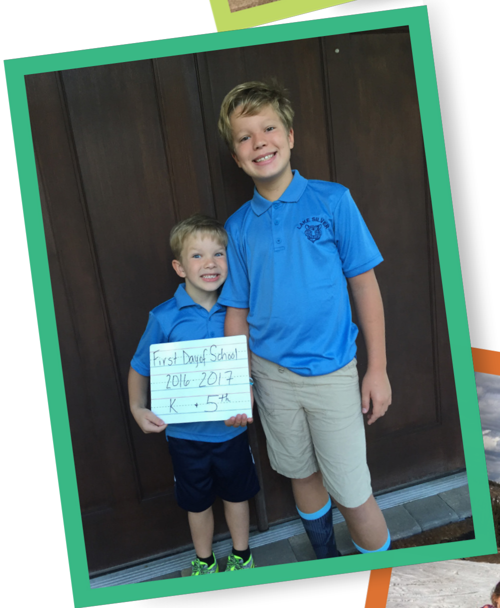
Chad and Jason were also determined to establish a business independent of the large brokerage houses and banks. The financial crises had a significant negative impact on all investors, and they witnessed firsthand how it affected clients and advisors associated with the big banks and brokerages. During a time when client portfolios were down sharply due to the investments, they were not only concerned about the investments but also questioned whether the company holding those investments would remain in business the following week.

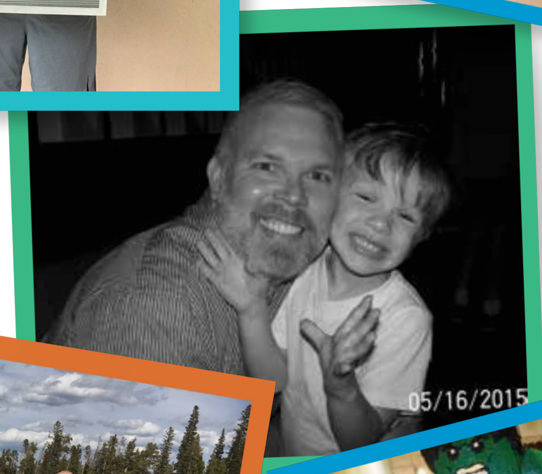
As mortgage crises and bad loans affected other areas of these large banks and brokerages, many clients and advisors suddenly found themselves working with new companies that had different processes and products to sell. It was clear from the beginning that Chad and Jason wanted their careers to flourish in a company solely focused on servicing its clients. Their vision was to concentrate on planning and investment management without the often-stringent requirements or directives of a large corporation. They sought the independence to serve clients in the best way possible.

Curious to see how their journey unfolds? Stay tuned for part two as we explore their path to co-ownership and the challenges they overcame to build a thriving, client-focused business.

Check out the images of Chad and Jason with their families, symbolizing their commitment to both their professional and personal lives.







What Does a Future Steeped in AI Look Like?

BY JASON PRINT, CFP®
CO-CEO

Have there been two letters more popular than "AI" in the last couple of years? This acronym, which stands for artificial intelligence, has certainly dominated the earnings calls of many publicly traded companies. Not only has it whipped the investment community into a frenzy, but a lot of people rave about how ChatGPT and other AI models free up enormous amounts of time and help them summarize long pieces of text or compose emails.

So, should we be concerned about AI wiping out millions of jobs? Will it change the way we go about our daily lives? Perhaps, but probably not to the degree many people fear. It's likely to change our lives. Much of it will be an improvement although there will be unintended consequences or hassles along the way. Online banking has made paying monthly bills much easier and quicker, but we now have to worry about our bank accounts being hacked.

Similarly to online banking, AI will make things easier, but there will likely be risks along the way. While it may not completely eliminate industries or jobs, it will change the way we do some things. There are still many people employed as receptionists and administrative assistants. Thirty years ago, a large part of these jobs was answering phones and scheduling appointments. We now have email to set up appointments and voicemail to communicate with those who call when we are not available. Some feared that these new capabilities would eliminate the need for receptionists and assistants altogether. In reality, the job has changed, and we may not need as many, but there is still a need. Assistants now spend a great deal of time sorting through the hundreds of emails coming in every day – a problem we didn't have 20 years ago.

Another example that comes to mind is travel agents. I remember when we could first book a plane ticket online – wow! It was 2000 and I was trying to book a flight to Hawaii. I had dial-up internet (remember that AOL tone?) and it took me 45 minutes. Despite the fact that we can now book almost anything travel-related online, I know of many travel agents who make a good living and stay very busy. After all, is that really the excursion I want to go on? Which state room is the best on the ship? My guess is that some jobs are different from 20 years ago, but the technology didn't eliminate an industry – it just changed things, likely making them better, cheaper, and more efficient than decades ago.

I see AI as the same type of catalyst. When I was in college (30 years ago – yikes!), the new program being rolled out at my university was computer programming. Universities were predicting that a huge number of computer programmers would be needed to drive the technological revolution, and they proved correct. It's been an exploding field over the last 30 years. However, AI may be able to do some basic computer programming better and more efficiently than a human being did 20 years ago. Will computer programming disappear completely? I wouldn't bet on it. There's a strong likelihood we get something similar to the travel industry. Basic stuff can be done by AI, but there will be new needs and problems to be solved that it can't quite handle yet.

While companies are tripping over themselves and spending billions in a race to build the best AI platform, it's extremely difficult to predict which one will come out on top. More to come in future newsletters on DeepSeek vs. ChatGPT.

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.

The Accountable Plan: Keep the IRS Happy, Save on Taxes, and Avoid Receipt Chaos

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

Have you ever stared at a pile of receipts and wondered if the IRS is secretly laughing at your expense system? Good news: The IRS doesn't want you confused (at least not about this). Cue the accountable plan – a simple, IRS-approved system for tax-free expense reimbursements. Here's why you need one and how to make it happen.

An accountable plan is a formal policy that lets businesses reimburse employees (including you, the owner) for work-related expenses without those reimbursements being taxed as income. In short, it makes reimbursing costs simple, clean, and tax-efficient.

Without an accountable plan, reimbursed expenses are considered taxable income, which is bad news for both you and your team. Having one is a tax-free win-win.

Think of it as the financial version of a GPS for expense management. It ensures:

- Tax-free reimbursements: Employees (and owners) don't pay income tax, and businesses don't pay payroll tax on properly documented reimbursements.
- Clear rules: It defines what's reimbursable (meals, travel, office supplies, etc.) and how to document expenses.
- IRS approval: You stay in the IRS' good graces by following its rules.

Here's a simple example. Sheila, your top salesperson, spends $500 on a client dinner. Without an accountable plan, reimbursing her means $500 gets added to her taxable income – and you pay payroll taxes on it, too. With an accountable plan, Sheila gets reimbursed tax-free, you save on payroll taxes, and everyone is happy (except maybe the IRS, but it can't complain because you followed the rules).

Creating an accountable plan isn't rocket science. Follow these steps:

- Write it down.
    - Your plan needs to be in writing. Outline:
        - Eligible expenses (e.g., travel, meals, office supplies).
        - Documentation requirements (e.g., receipts and business purpose).
- Establish a process.
    - Employees submit receipts within a reasonable timeframe (typically 30 days).
    - Reimbursements are prompt, and any unused advances are returned (within 120 days).
- Enforce accountability.
    - If an employee (or you) doesn't document an expense properly, treat it as taxable income. No exceptions!
- Get professional help.
    - Consult an accountant or tax advisor to ensure your plan is airtight.

If you skip the accountable plan, reimbursed expenses may trigger tax headaches such as:

- Employees owe income tax on reimbursements.
- You owe payroll taxes.
- The IRS could scrutinize your records, turning missing receipts into fines.

Bottom line: Without an accountable plan, expense reimbursements get messy, not to mention costly.

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