

SUMMIT PERSPECTIVES

LUMP SUM v. DOLLAR COST AVERAGING

Some people go swimming by diving into the pool; others prefer to edge in slowly, especially if the water's cold. A decision about investing a lump sum of money can be somewhat similar. Is it best to invest your money all at once, putting it all to work right away? Or should you invest smaller amounts over time to try to minimize the risk that you might invest at precisely the wrong moment?

These are questions we are often asked when clients receive a bonus, inherit assets, or sell real estate or a business. Often this results in the largest single sum of money that someone has ever invested. They're nervous about losing their nest egg, and want to know what the best course of action is.

What is dollar cost averaging?

Dollar cost averaging is the process of making regular investments on an ongoing basis. It involves continuous investment of the same dollar amount into a portfolio at predetermined intervals--usually monthly, quarterly, or annually--regardless of the investment's fluctuating price levels. For example, investing \$500,000 of real estate proceeds into a portfolio over 10 months in \$50,000 chunks.

Because you're investing the same amount of money each time when you dollar cost average, you're automatically



buying more shares of a security when its share price is low, and fewer shares when its price is high. Over time, this strategy can provide an average cost per share that's lower than the average market price (though it can't guarantee a profit or protect against a loss in a declining market – and it can't guarantee better results).

The merits of dollar cost averaging*

In addition to potentially lowering the average cost per share, investing a predetermined amount regularly automates your decision-making, and can help take emotion out of your investment decisions. It's virtually impossible to predict the exact best moment to invest, so committing to a consistent strategy assures that you do actually invest, and don't fall prey to waiting for the "right moment" for too long (we've met people who have been waiting for the right time for years!).

The case for investing a lump sum

While dollar cost averaging might feel right, you may want to at least



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CHEERS TO 10 YEARS! Happy Birthday Summit

Did you know that Summit just celebrated a milestone birthday? That's right, we hit double digits celebrating our first decade!

We are proud of our clients' accomplishments over the last ten years – and as a result our own. Summit was founded on the belief that if you do the right thing by clients, excellent business results will follow. And we can honestly say that has held true and continues to guide our actions.

Our little team started in a tiny office in Bishop Ranch where new hires worked at conference tables from their cell phones. Today, we have grown to a team of 30, and may have to think about more phones again someday! It seems like in every newsletter we are able to highlight at least one new member of the team (this issue is no exception!). In addition to the new talented teammates, we are very proud of our first employees celebrating their 10 year milestone along with us - **Congrats to Cody, Kimberlee, Teresa, and Nicole!** The Summit today is a

bit bigger and busier than 10 years ago, and our team has made it happen each step of the way.

And we can say that because of clients like you. Helping people reach their financial goals is a blessing, and we are thankful for those of you who choose us to guide their journey. Thank you for the trust that you've placed in us, and letting us be a part of your lives. Cheers to the decades ahead!



14TH ANNUAL CHARITY GOLF TOURNAMENT! Proceeds Benefit Canine Companions for Independence

It's summer. The weather is warm and many of you are thinking about golf! (We know this to be true because golf is mentioned in many retirement goals conversations around here!) If that's the case, please make plans to join us at the 14th Annual Summit Financial Group Golf Tournament as we support Canine Companions for Independence!

Canine Companions for Independence (CCI) is a non-profit organization that enhances the lives of people with disabilities by providing highly trained assistance dogs and ongoing support to ensure quality partnerships. They train four types of assistance dogs to master over 40 specialized commands:

- **Service Dogs** - assist adults with physical disabilities by performing daily tasks.
- **Hearing Dogs** - alert the deaf and hard of hearing to important sounds.
- **Skilled Companion Dogs** - enhance independence for children and adults with physical, cognitive and developmental disabilities.
- **Facility Dogs** - work with a professional in a visitation, education or healthcare setting.

Not a golfer? Join the Summit Team for dinner, the raffle and silent auction as we learn more about CCI and see a few of the service dogs in action! We are excited to add CCI to the list of worthy organizations that we have supported with our tournament! This event has raised over \$270,000 for local charities run by regular people where every dollar counts! With your help we are confident we will top the \$300,000 mark this year!

Find the enclosed flyer to register for the event or visit our website for more details!



STAFF SPOTLIGHT

Even More New faces on the Summit Team!

Angel Barrientos



Angelina, AKA Angel, joined the team in April, bringing a wealth of knowledge in corporate retirement planning. Before Summit, Angel was a paralegal at a local law firm where she became familiar with Bankruptcy and Family Law. She realized her enthusiasm

for guiding people, whether in personal finances or personal life. Her experience enriched her knowledge of retirement planning and managing client relationships which has helped her to make a smooth transition to a career in the financial services industry.

Angel lives for spending time with her daughter, Serena, and is a devoted Team Mom for Serena's team when softball is in season. She also loves to get out and explore new hiking trails around the Bay Area, travel, and hanging out with family, being one of seven siblings! Leftover time goes to a very worthy cause - volunteering at LOV Newark, a non-profit with a mission to enhance the quality of life for senior citizens, youth, and the needy.

Monica Lilly



Monica is our welcoming Front Desk Administrator assisting the Summit Operations Team. She comes to us from the hospitality industry where she has served in an administrative capacity for resorts, hotels and private clubs. A graduate of both Johnson and Wales University and Florida International University, holding degrees in Tourism and Hospitality Management, Monica easily combines her organizational skills with a graciousness she has acquired being in the service field for over three decades.

A native New Yorker, Monica has adopted Northern California as her forever home having spent the last twenty five years between the Napa Valley and San Francisco area. As a new resident of San Ramon, she is looking forward to hiking the beautiful hills of Mt. Diablo. As a golf widow, Monica bides her time consignment shopping, writing, practicing yoga and is an avid film buff. She shares her home with her husband of almost twenty years, Peter and their grumpy cat, Zoe.

AMYK IGNITES BRILLIANCE At Summit U

AmyK Hutchens – back by popular demand after her scintillating performance at the Summit Symposium – kept 100 business leaders dialed-in as she delivered a keynote titled “Igniting Brilliance in Your Leadership”. AmyK brought her high energy and enthusiasm, sharing hilarious stories about the dilemmas leaders face and giving practical advice for affecting change and increasing productivity within your teams. Attendees left with smiles, plenty of notes, and AmyK's new book; *The Secrets Leaders Keep*.

Summit University is our effort to bring you insightful business, financial, and personal education. Keep an eye out for future events, and don't be afraid to



share a great speaker or an important topic with our team. Christy Navarro would love your feedback at christy@summitadvisors.com!

LUMP SUM v. DOLLAR COST AVERAGING

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investigate the merits of lump-sum investing. Several academic studies have compared dollar cost averaging to lump-sum investing and concluded that, because markets have historically risen over the long term, investing in the market today tends to be better than waiting until tomorrow, since you have a longer opportunity to benefit from any increase in prices over time.

For example, a 2009 study by the Association of Investment Companies found that an investor who put a lump sum into the average British investment company at the end of April 2008 (talk about bad timing!) would have been down 30% one year later. Someone who invested the same total amount divided over 12 months would have been down only 7%. However, when the study examined the previous 5 years rather than a single year, the lump-sum investment made in April 2004 would have been up 26% by April 2009, compared to the periodic investment strategy's loss of 10% over the same time. Several U.S. studies over several decades reviewed overall stock market performance and reached a similar conclusion: the longer your time frame, the greater the odds that a lump-sum investment will out perform dollar cost averaging.

You have heard the argument for investing in a lump sum and for dollar cost averaging. Yet the decision about what to do weighs on you and you ask your advisor "What Should I Do"? Consider the following:

1 Consult your financial plan (you had to know we would say that – we're a planning firm!) – Is it a long time before you need this money? Do you have other assets to support emergencies? If you can answer "Yes" to these questions – then consider investing the lump sum. Nobody knows if that day is going to be the best day, but with a long time horizon, the results of the first few months won't matter.

2 Getting invested is more important than how fast you get invested. Let's be honest, it causes a bit of anxiety to put a large amount of cash into the markets – even if you have a long time horizon. The worst thing you can do is let that fear control you and sit on the sidelines for too long. Missing just the best few weeks of a market move upwards can seriously impact your long term returns too. If putting chunks to work over time lets you sleep at night – then do it!

3 Consider keeping the dollar cost averaging timeframe to 3 months. Most investor anxiety stems from the worry about the two to three issues currently in the news (Today it might be the threat of rising interest rates, the Election, or Britain leaving the EU). When viewed with hindsight, those pressing issues often cannot even be recalled. They fade into the fabric of our economy like so many crises before them. If the fear of investing a large sum is just too much, consider implementing over 3 months. In today's headline driven, short attention span world, 3 months is enough time for the apocalypse du jour to change several times! You'll be getting invested, and you'll still get a full night's sleep.

Let's face it – having a sizeable sum of money to invest is a good thing. Don't let the anxiety about how to do it derail you from the long term goals of growing your wealth. Talk with your advisor, make your plan and take action. To be an investor, you have to be invested!

Past performance is not indicative of future results. No investment strategy can guarantee success. Investments will fluctuate and when redeemed may be worth more or less than when originally invested.

*Since dollar cost averaging involves regular investment purchases regardless of fluctuating price levels of the investment, consider your financial ability to continue purchases through periods of low price levels.

Source: Broadridge Investor Communication Solutions, Inc.

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