SUMMIT PERSPECTIVE

NAVIGATING THE EMOTIONAL ROLLERCOASTER OF ELECTION YEARS: A FINANCIAL PERSPECTIVE

By Aaron Peabody

Elections can evoke a whirlwind of emotions — excitement, fear, hope for change, or a desire for stability. As we gear up for the 2024 election, the atmosphere is charged with political rhetoric, campaign ads, and the unpredictability of key events, like Kamala Harris stepping in for President Biden and the assassination attempts on Trump. Amidst this chaos, one might expect significant turmoil in the financial markets. Surprisingly, however, the stock market has remained relatively stable.

The Emotional Landscape of Election Years

The excitement and anxiety surrounding elections are palpable. With every news alert, it can feel like the world is hanging in the balance, waiting to see who will emerge victorious. As voters, we are bombarded with messages urging us to consider the dire consequences of our choices. Yet, while emotions run high, it's essential to take a step back and analyze the historical trends that often go overlooked.

Historical Market Trends During Elections

Historically, the stock market has shown resilience during election years. With only three instances of economic recession coinciding with election cycles, data suggests that there is no significant statistical difference between market performance in election years and non-election years. While volatility tends to increase as Election Day approaches, the overall returns have been fairly consistent.

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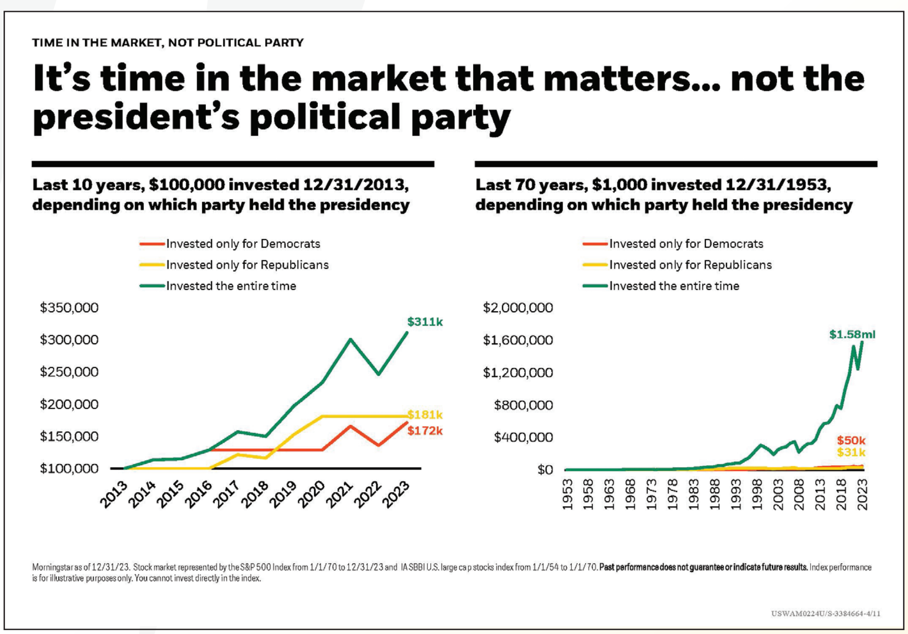

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INSIDE THIS EDITION

> *Life has its ups and downs, but you can only look forward.*
>
> ***– Frank Lowy***

KUDOS!

Summit Spirit Award:

Neil Hunter-Smith & Collin Sapp

Each quarter, Summit recognizes one team member who receives kudos from their peers and managers for going the extra mile. The winner receives $1,000 to donate to the charity of his or her choice. This quarter we had a tie! Congratulations to Associate Advisor Neil Hunter-Smith and Client Services Coordinator Collin Sapp!

Neil will support The Aneurysm and AVM Foundation (TAAF) in San Francisco, which is committed to improving the lives of individuals affected by aneurysms and vascular malformations of the brain.

Neil's father tragically passed away from an aneurysm on Christmas Eve in 2011. "My dad was a healthy 54-year-old who enjoyed hiking, biking, and golfing every weekend," said Neil, who is proud to donate to a cause that raises awareness about life-threatening conditions, supports families of survivors, and funds essential research.

For more information, visit taafonline.org

Collin will donate his award to St. Jude Children's Hospital, which focuses on advancing cures and prevention for pediatric diseases through research and treatment. St. Jude enhances the lives of children nation-wide through its comprehensive approach to research, patient care, education, and community support.

This donation will honor Collin's grand-mother, who recently passed away. "I remember visiting her as a child and seeing the St. Jude donation envelope on her dining room table. Each holiday season, she proudly displayed the thank-you card she received from the charity."

To learn more, visit stjude.org

EMOTIONAL ROLLERCOASTER

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Investors often experience heightened emotions due to daily market movements. However, these fluctuations have minimal impact on long-term financial plans provided one avoids the temptation to overreact. The value of your investments truly matters only on the days you choose to buy or sell.

Key Financial Principles to Remember

In times of uncertainty, it's crucial to ground ourselves in fundamental financial principles:

Profit Motive of Businesses: Remember that for-profit entities are designed to generate revenue. They adapt to changing regulations and market conditions, continuously seeking opportunities to thrive.

The Importance of Time Horizon: Your investment timeline is your greatest ally against volatility. Daily price changes are less significant than the price at which you enter and exit an investment.

A Strategic Approach

As we navigate this emotionally charged election year, let's focus on a few key strategies:

- **Have a Plan:** Establish clear financial goals and stick to your investment strategy, regardless of political fluctuations.
- **Use Volatility to Your Advantage:** Market dips can provide opportunities to buy undervalued stocks, benefiting your portfolio in the long run.
- **Diversification is Key:** A well-diversified portfolio can mitigate risks associated with political uncertainty and market volatility.
- **Remember, Politics Aren't Everything:** No single politician will make or break the economy. Trust in the resilience of businesses and the economy as a whole.

Conclusion

Election years will always bring a mix of emotions and uncertainty. However, by adhering to sound financial principles and maintaining a long-term perspective, investors can navigate these turbulent times with confidence. As we approach the 2024 election, let's commit to staying informed and focused on our financial goals, no matter the political climate.

SAVE THE DATE!

Join us for our 13th Annual Summit Symposium.
Prepare to be educated, entertained, and inspired!

When: Saturday, February 22, 2025

Where: Casa Real at Ruby Hill Winery

COUNTDOWN TO CHANGE: PREPARING FOR THE ESTATE PLANNING EXEMPTION SUNSET

As the end of the year approaches, a significant estate planning change looms on the horizon: the reduction of the federal estate tax exemption. Under the Tax Cuts and Jobs Act (TCJA) of 2017, this exemption was temporarily increased, enabling individuals to pass on more wealth with fewer tax consequences. However, this provision is set to expire on December 31, 2025, reverting the exemption to pre-2017 levels. It's crucial for those with substantial estates to understand the implications of this change for effective long-term financial planning.

What is the Estate Planning Exemption?

The estate planning exemption refers to the amount of wealth that can be transferred to heirs without incurring federal estate taxes. As of 2024, the exemption stands at approximately $13.61 million per individual, allowing married couples to transfer up to $27.22 million without facing federal estate tax. This high exemption has enabled families to preserve wealth for future generations by reducing tax liabilities on transferred assets.

What Will Happen in 2026?

In 2026, the estate tax exemption is expected to drop to around $7 million per individual (or $14 million for couples), with adjustments for inflation. This reduction will likely expose more estates to federal estate taxes, resulting in increased tax liabilities for those whose wealth exceeds the new thresholds.

The Impact of the Sunset

The impending reduction in the estate tax exemption could have profound implications for families and individuals with substantial estates. Here are the key considerations:

Increased Tax Exposure: Once the exemption reverts, more estates will become liable for federal estate taxes. For example, an estate worth $12 million in 2023 would owe no estate taxes. But in 2026, the same estate could incur taxes on roughly $6 million, resulting in an estimated $2.4 million tax bill.

Generation-Skipping Transfer (GST) Tax: The GST tax, which applies to assets transferred to grandchildren or other "skip" generations, is also linked to the estate tax exemption. A decrease in the estate tax exemption will likely correspond with a reduction in the GST tax exemption, complicating strategies for multigenerational wealth transfer.

State-Level Estate Taxes: Several states impose their own estate or inheritance taxes, often with lower exemption thresholds. The combined federal and state tax liabilities could significantly reduce a substantial estate's value if comprehensive planning isn't undertaken.

What Next?

The future of the estate tax exemption will hinge on political developments. Congress may choose to extend the current exemption levels, modify tax rates, adjust the exemption amount, or allow the TCJA to expire as scheduled. Staying informed about potential changes is essential.

Given the uncertainty surrounding future estate tax laws, individuals with substantial estates should stay informed and proactively explore strategies that can enhance their financial legacy.

Review Your Existing Estate Plan

Even if there's no immediate need to implement new strategies, it's essential to regularly review existing estate documents. Many estate plans use formula-based provisions to allocate assets based on the current estate tax exemption, which could lead to unintended consequences as the exemption decreases. A thorough review helps ensure your estate plan remains aligned with future tax realities and your intentions for asset distribution. Effective planning might include solutions like purchasing life insurance and funding Irrevocable Life Insurance Trusts (ILITs) to provide liquidity for estate taxes and protect assets, along with making lifetime gifts to lock in higher exemption levels and reduce tax liabilities on future appreciation.

Consider the Role of Charitable Giving

For those with charitable intentions, the impending sunset of the exemption provides a unique opportunity. Charitable contributions made during one's lifetime or at death can significantly reduce the size of a taxable estate while fulfilling philanthropic objectives. By incorporating charitable trusts or Donor Advised Funds (DAFs), individuals can enjoy tax benefits now while leaving a legacy for future generations.

Prepare for Uncertainty

While the estate tax exemption is slated to sunset in 2026, it's important to acknowledge that future legislative changes could extend the current levels or alter them further. Political shifts and changes in tax policy may introduce new opportunities or challenges, emphasizing the need for flexibility and ongoing review in estate planning.

The key takeaway is that those with sizable estates shouldn't delay action. By leveraging today's higher exemption and regularly reviewing estate plans, you can avoid unnecessary tax exposure and ensure your legacy is protected for generations to come.

It's crucial to explore these strategies with a financial professional and estate attorney to determine the most suitable approach tailored to your individual circumstances.

Conclusion

With the 2026 sunset on the horizon, now is the time to start these important conversations and update estate plans accordingly. The impending reduction in the estate tax exemption could significantly raise tax liabilities. Therefore, proactive planning is vital to mitigate risks. Whether through lifetime gifts, trusts, or other planning strategies, acting now can help safeguard your estate and ensure a smoother transfer of assets to heirs. Thoughtful planning today can make a meaningful difference in securing a lasting legacy.

SUMMIT SPOTLIGHT Welcome Our New Team Members!

Kristin Sullivan, CWS®, MBA
Financial Advisor

We are excited to introduce Kristin Sullivan, who joins Summit Financial Group with over 30 years of experience in financial planning and investment management. As a Certified Wealth Strategist (CWS®), Kristin is dedicated to helping clients achieve their financial goals through personalized, comprehensive wealth management strategies. Kristin's expertise spans portfolio management, retirement and estate planning, tax-efficient investing, and more. A long-time Pleasanton resident, she is eager to bring her knowledge to our team and continue delivering exceptional service.

Collin Sapp
Client Services Coordinator

Collin joined Summit as a Client Services Coordinator in August, bringing with him three years of industry experience. He supports clients under the guidance of Steven Wilcox and Connor Merrigan, providing exceptional, white-glove service. Originally from the Bay Area, Collin earned his bachelor's degree from California State University, Sacramento. During college, he honed his customer service skills through an internship with the Walt Disney Company in Orlando, Florida. Outside of work, Collin and his wife enjoy traveling and exploring global cuisines and cultures.

SUMMIT TRIVIA CHALLENGE

The answer to this quarter's question can be found on the Summit Facebook page facebook.com/summitfinancialgroup/. Each person submitting the correct response will be entered to win a $25 Starbucks gift card.

Congratulations to last quarter's winner, Ray O'Connor!

Ready? Here it is ...

What type of animal was rescued in our building's courtyard in July?

Know the answer?
Email it to angela@summitadvisors.com by November 11.
The Trivia Challenge winner will be notified via email.

INTRODUCING BABY BRYSON!

We're thrilled to welcome the newest addition to the Summit family, Bryson Thomas Cech!

Proud parents, Summit advisor Kim Damiani, her husband Tommy, and big sister Addison, celebrated Bryson's arrival on August 20th.

He made his debut at a healthy 7 lbs., 12 oz. Congratulations to the entire family!

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