



SUMMA GLOBAL ADVISORS, LLC

*Investing in a changing world*

UPDATED: MARCH 2015



SUMMA GLOBAL ADVISORS, LLC

*Investing in a changing world*

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Date: March 31, 2015

This brochure provides information about the qualifications and business practices of Summa Global Advisors, LLC (“Summa”). If you have any questions about the contents of this brochure, please contact us at (503) 636.2022 and/or [info@summaglobal.com](mailto:info@summaglobal.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Summa is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Brochure Topics**

<b>Section</b>	<b>Description</b>
<b>SUMMARY OF MATERIAL CHANGES</b>	Changes that happened to Summa Global Advisors and its services.
<b>ADV IIA</b>	Details on Summa Global Advisors and the services it offers.
<b>MEMBER BIOS (ADV IIB)</b>	Information on the members of the Summa Global team.
<b>NEWSLETTERS</b>	Quarterly newsletters.

## SUMMARY OF MATERIAL CHANGES

March 31, 2015

### *Other Business Activities*

Roger Johnson began volunteering on the board of directors for the Waverley Historic Foundation. He is also on the board of Northwood Manufacturing, a privately held company in La Grande, Oregon. Roger Johnson may receive compensation for serving on these boards.

### *Separate Account Managers*

**ClearBridge Investments, LLC** (“ClearBridge,” a Legg Mason Company) is one of the money managers Summa utilizes. Their strategy is an all-capitalization portfolio that seeks a low turnover approach to portfolio construction, allowing earnings and/or cash flow to compound. ClearBridge’s intensive bottom-up investment process seeks inefficiently priced companies with strong fundamentals, incentive-driven management teams, dominant positions in niche markets and/or goods or services customers are practically compelled to use.

**Performance Trust Analytics Group** (“PTAG”) designs custom bond portfolios of individual securities for clients, populating client portfolios with specific, individual bonds. This allows fiduciaries to create tailored, client-centric solutions that mutual funds simply cannot match. Considerations include cash flow requirements, state of residence, tax bracket, tax-event timing, etc.

To request the latest brochure (ADV II), please give us a call at (503) 636.2022  
or email [info@summaglobal.com](mailto:info@summaglobal.com).

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## **ADVISORY BUSINESS**

### *Firm Description*

Summa Global Advisors, LLC (“Summa”) was founded by Roger L. Johnson in November of 2008 to provide customized portfolio management for individuals and families. Summa is structured to provide *continuous* service and advice to its clients concerning the investments under its supervision. Based in the Portland metropolitan area, Summa brings Pacific Northwest perspectives to investing.

Summa adopts portfolio management processes that are consistent with the objectives and guidelines established within each client relationship. When providing individual financial advice Summa considers the client’s net worth, asset holdings, risk tolerance, time horizon, liquidity requirements, estate plan, tax liabilities, and any other relevant issues. In addition, investment advice may be provided regarding asset allocation as well as income requirements and other related matters. These services (which usually take the form of placing trades in client accounts) are rendered upon client request or at such times as Summa determines that the investment, or reinvestment, of assets is appropriate.

The firm’s members are Roger Johnson, Rachel Wakefield,<sup>1</sup> and Henry Yu.<sup>2</sup> Roger Johnson is the Managing Member, sole voting member, and owns 65% of Summa. Rachel Wakefield and Henry Yu are limited members owning 25% and 10% of Summa respectively.

### *Portfolios*

Summa selects securities for each client individually to create a portfolio that meets their individual investing needs and preferences. As a result, no two accounts are exactly the same.

These securities may include, but are not limited to the following: stocks, no-load open-end mutual funds or closed-end funds, exchange traded funds, master limited partnerships, bonds, and cash equivalents.

The client may, if they wish, impose reasonable restrictions regarding investing in certain geographical locations, companies, or industries. The client may also request that Summa buy certain securities, or look into the value of investing in a particular company, on their behalf.

On occasion Summa may suggest utilizing one of a select group of other Separate Account Managers to direct the investments in a client account in order to diversify the investment strategy of a portfolio.<sup>3</sup>

### *Assets Under Management*

As of December 31, 2014, Summa managed \$99,940,221 in discretionary accounts and \$6,704,870 in non-discretionary accounts. Discretionary assets include accounts managed by Summa internally as well as assets managed by Summa-designated Separate Account Managers.

### *Financial Planning*

Summa also offers fee-based financial planning services for those clients who desire it. These services are offered under a separate contract in a Financial Planning Services Agreement. Depending on billable total assets under management, these services will be either included in the normal fee schedule or billed separately.

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<sup>1</sup> Rachel is sole member of Wakefield Investments, LLC

<sup>2</sup> Henry’s legal name is Wai Ngan Yu; sole member of The LP LG, LLC

<sup>3</sup> For more information, please see *Separate Account Managers*, page 5



## OUR PEOPLE

All of our client portfolios are managed on a team basis. The members of Summa (listed below) serve as the members of our Investment Strategy Committee. The committee reviews, analyzes, and discusses the various forces and factors that affect the financial markets and, by extension, the portfolios under our management. The Committee's review parameters include, but are not limited to, macroeconomic trends, valuation, and risk profiles for various markets and market sectors.

### **Roger Johnson** - *Managing Member*

Roger Johnson is the founder of our firm, the principal owner, and the Managing Member. With over forty years of experience in the world of investing, he brings a wealth of wisdom and inspiration to the investment process. Born in 1943, he graduated with a B.A. in Psychology from Gonzaga University in 1966. Prior to founding Summa Global he was employed at Coldstream Capital Management, Inc. and president at Western Pacific Investment Advisers, Inc.

### **Rachel Wakefield, CFA** - *Member and Portfolio Manager*

With more than twenty years of experience in the business, Rachel brings fundamental analysis and unflappable reason to the investment process. Born in 1969, she graduated *summa cum laude* from Christian Heritage College (new San Diego Christian College) with a B.A. in International Business in 1990. She became a Chartered Financial Analyst (CFA) Charterholder in 2002. Prior to joining Summa Global she was employed at Coldstream Capital Management, Inc. and Western Pacific Investment Advisers, Inc.

### **Henry Yu, CFP®** - *Member and Portfolio Manager*

Henry Yu brings international perspectives and insights to the investment management and planning process and a wry wit to the office. Born in 1980 in Shanghai, China, and raised in Hong Kong, Henry graduated *cum laude* from Portland State University with a B.A. in Finance and Marketing in 2003. In addition, Henry obtained the CERTIFIED FINANCIAL PLANNER™ (CFP®) designation in 2011. Prior to joining Summa Global, he was employed at Coldstream Capital Management, Inc. and Western Pacific Investment Advisers, Inc.

## FEES AND COMPENSATION

Summa encourages clients to allow direct fee deduction from their accounts. This helps streamline the billing process and, ultimately, minimize the cost to the client. If there are extenuating circumstances, Summa can make an exception to these procedures and bill the client in another manner.

Our invoices are included as part of the quarterly Portfolio Reports delivered to clients. Separate invoices can be provided upon request.

In order to give the client time to review their reports, verify the fee amount, and contact Summa with questions, Summa withdraws fees at least five business days after mailing the invoices. All invoices include the fee rate, the market value on which it is computed, and the amount of the fee to be deducted.

### *Summa Fee Schedule*

Summa charges an annual fee based on a percentage of the client's assets. The client is billed *quarterly*, and *in advance*, based upon the market value of their account at the end of the previous quarter.

#### Standard Fee Schedule

- 1.00% of market value up to \$5,000,000
- 0.75% of market value from \$5,000,000 to \$10,000,000
- Negotiable over \$10,000,000

The actual percentage charged to each client is negotiable and depends on several factors. Summa will not change fees without sixty days advanced written notice.

### *Separate Account Manager Fees*

Summa charges an annual fee of 0.50% on separately managed accounts under its care. The outside manager will also charge their own fees on these accounts. These fee schedules can be provided upon request and will also be provided by the outside manager as part of their management agreement with the client.

### *Other Fees*

In addition to the stated management fees that Summa charges, the client may incur additional, trading-related expenses charged to their accounts by the brokerage firm at which their account is held. These will be reported on their monthly broker account statements, and trade confirmations, and may include the following:

- commissions for equity trades (charged by the broker executing the trades);
- transaction fees on certain mutual funds that are not on the broker's no-transaction-fee fund list. These funds are usually of institutional class with the lowest expense ratio compared with other classes of the same fund, if available;
- prime brokerage fee on trades done through a third party broker (primarily used for bonds).

Other administrative fees such as wire fees, check re-order fees, debit card fees, and margin interest expenses are non-investment related and are usually incurred while executing a client request. Summa will keep these expenses to a minimum by letting the client know when a request has a custodian-related processing fee and advising them on any alternatives that may be less expensive.

These additional fees are not received by, or paid to, Summa but to the custodian and are deducted directly from the client account in which the transaction occurs.

### *Termination of Service*

Summa bills quarterly and in advance. Upon termination, a refund will be issued to the client for any unearned fees. The refund will be calculated on a pro-rata basis. If terminated within 5 business days of the signing of the contract, or the beginning of a quarter, no fees will be charged.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Summa does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).





## TYPES OF CLIENTS

Summa Global Advisors' clients are primarily high net worth individuals and families. We also advise a few of the following: small business retirement/profit-sharing plans, personal and family trusts and family foundations.

Summa has a minimum client portfolio value of \$1,000,000, and reserves the right to waive the minimum.

## INVESTING

### *Analysis*

Summa focuses on fundamentals for our individual security holdings. The process starts at determining which industries and regions have the strongest fundamentals for stable growth and building of shareholder equity in the current environment. Summa searches for the best managed companies in the industry. If the stock of a company of interest is trading at a reasonable valuation, Summa will buy it with the intention of continuing to hold it until one of the fundamental factors changes in an unfavorable manner, or the valuation becomes unattractive.

### *Strategies*

SUMMA'S GOAL IS TO TAILOR INVESTMENT STRATEGIES TO MEET THE *INDIVIDUAL* NEEDS OF EACH CLIENT. To accomplish this goal, Summa begins by meeting with clients regularly to talk to them directly about their personal and financial goals, gifting desires, and charitable interests. This information, along with financial information such as income needs, risk tolerance, time horizon to invest, the size and arrangement of estate, and tax minimization strategies, allows Summa to build an investing framework upon which to structure the client's portfolio.

Summa builds client portfolios with securities that have appreciation potential and diversification value. The attractiveness of a security is based upon the quality of its fundamentals. In all cases, quality, sustainable, well-run businesses are what Summa seeks to choose for clients.

**For smaller accounts**, Summa normally utilizes mutual funds and ETFs to build the asset allocation necessary for the specific client's need.

**For larger accounts**, asset allocation can be built using separate equities and bonds as well as separate account managers with specific mandates.

Since Summa believes in the benefits of long-term investing, all purchases are made with the intention of holding the security long-term. There may be instances, however, when a change in the client's situation, the valuation of the security, a fundamental shift in the business or industry, or change of expectation returns of a security or the whole asset class, would cause Summa to hold a particular security for only a short time.

Summa also uses passive investments and/or active managers to add specific exposure to a client's portfolio. The passive investments are index-based while the active investments may include mutual funds, ETFs, and other money managers.

## FIXED INCOME

Summa varies the duration—length/maturity dates—of its fixed income holdings according to market forecast in an effort to increase returns and limit potential losses.

When selecting strategies for a client's fixed income allocation, Summa considers whether 1) the strategy is appropriate for the clients' goal, 2) the investment philosophy is similar to Summa's and, 3) there is a proven track record or performance data. Summa also considers the quality of holdings, and the cost to clients



(management fees and/or expense ratios). Summa only utilizes no-load or load-waived mutual funds.

## **EQUITES**

Summa's equity selection process consists of two aspects: fundamental and technical. The fundamental aspect focuses on evaluating the economic and business environment and the quality of a company, i.e. is the company fundamentally sound, is there consistent growth, and are the valuations reasonable? The technical approach looks at the overall market trends, price movements, trading volume, various technical indicators, and charts.

When selecting strategies for a client's equity allocation, Summa considers the following: whether 1) the strategy is appropriate for clients' goals, 2) the investment philosophy is similar or complementary to Summa's as well as client's and, 3) there is a proven track record or performance data. Summa also considers the costs to clients (such as management fees and/or expense ratios). S u m m a o n l y utilizes no-load or load-waived mutual funds.

## **OTHER SECURITIES**

Summa does not limit investments to merely common stocks or equity mutual funds. Exchange-traded funds (ETFs), master limited partnerships (MLPs), and real estate investment trusts (REITs), to name a few, are other equity securities that will be utilized if they meet certain selection criteria.

Summa strives to remain objective and unemotional in the decision-making process through independent thinking and synthesizing comments and opinions by analysts, industry experts and economists.

## *Risk of Loss*

ALL INVESTMENTS INVOLVE RISK. While Summa seeks to protect its clients from loss, it is inevitable that, at some point, portfolio holdings will lose value.

## **NO DISCIPLINARY HISTORY**

Summa and its employees have no reportable disciplinary history.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### *Separate Account Managers*

Summa may, at times, suggest the use of separate account managers (SAMs) to further diversify investments, enhance portfolio objectives, and/or reduce tax liability. Summa's goal is to utilize managers who have a history of applying strict buy and sell disciplines within their asset class and strategy. Summa provides ongoing monitoring of these managers to verify that they are achieving portfolio objectives. Fees for separate account managers are paid in addition to the fees paid to Summa. Summa reduces the fees it charges on separately managed accounts (SMAs) in order to reduce the total expense to the client.

Not all Summa clients will be able to utilize separate account managers. Separate account managers generally have their own minimum account size requirements.

Summa currently monitors, and/or makes use of, the following SAMs:

**Brandes Investment Partners, LP** ("Brandes") is a money manager located in San Diego, specializing in international equities. Brandes has a long track record of successful team-oriented stock picking strategies. Their style is often a contrarian one, choosing to buy stocks when they are trading at a perceived discount to their intrinsic value. This style is complementary to Summa's growth at a reasonable price (GARP) strategy.

**Breckinridge Capital Advisors, Inc.** ("Breckinridge") is a Boston-based investment advisor specializing in the management of high-grade fixed-income portfolios for institutions and private clients. Working through a



network of investment consultants and advisors, Breckinridge offers municipal, corporate, government and sustainable bond strategies in customized separate accounts.

**ClearBridge Investments, LLC** (“ClearBridge,” a Legg Mason Company) is another money manager Summa utilizes. Their strategy is an all-capitalization portfolio that seeks a low turnover approach to portfolio construction, allowing earnings and/or cash flow to compound. ClearBridge’s intensive bottom-up investment process seeks inefficiently priced companies with strong fundamentals, incentive-driven management teams, dominant positions in niche markets and/or goods or services customers are practically compelled to use.

**Performance Trust Analytics Group** (“PTAG”) designs custom bond portfolios of individual securities for clients, populating client portfolios with specific, individual bonds. This allows fiduciaries to create tailored, client-centric solutions that mutual funds simply cannot match. Considerations include cash flow requirements, state of residence, tax bracket, tax-event timing, etc.

**Ranger International** (“Ranger”) is based in Dallas, Texas. Its Income and Growth strategy utilizes higher-yielding securities to create a portfolio that generates a higher income stream as well as appreciation potential for clients, considering the low payout now available to bondholders.

**WHV Investment Management** (“WHV” formerly Wentworth, Hauser & Violich) is an equity manager headquartered in San Francisco who specializes in international large-cap growth companies, aiming to take advantage of the growth in energy and capital goods spending by riding the wave of increasing investment by the emerging markets.

\*Brochures for these managers are available upon request.

### *Economic Benefits Received*

SAMs, mutual fund managers, ETF sponsors and the like at times offer to fund travel expenses for due diligence trips. Infrequently, Summa employees take advantage of these offers in order to facilitate further educational opportunities.

## **CODE OF ETHICS**

Summa adopts a code of ethics that establishes rules of conduct for all employees. Summa and its employees are prohibited from engaging in fraudulent, deceptive or manipulative conduct. Compliance involves more than acting with honesty and good faith alone. It means that Summa has a duty to ***act solely in the best interest of its clients***.

Summa and its employees are subject to the following specific fiduciary obligations when dealing with clients:

- The duty to have a reasonable, independent basis for the investment advice provided;
- The duty to obtain best execution for a client’s transactions where the firm is in a position to direct brokerage transactions for the client;
- The duty to ensure that investment advice is suitable to meeting the client’s individual objectives, needs and circumstances; and
- A duty to be loyal to clients.

\*A copy of our code of ethics is available upon request.

### *Participation or Interest in Client Transactions*

Summa employees and their related persons may buy or sell for themselves securities that Summa recommends for clients as long as the securities are not "restricted." It is Summa's policy to restrict all securities in which Summa, its employees or any related persons, have a material financial interest for a period of five business days after a widespread buy or sell of the security.

All employees must always put the interests of the client ahead of their own interests. Client accounts shall be given priority in the transaction of securities. Summa employees are restricted from any new purchases and sales until all client trades have been executed.

Summa and its employees are required to pre-clear securities trades in order to avoid conflicts between individual and client interests. Various exceptions exist for personal securities trades that do not involve potential conflicts, such as Treasury bonds, open-end mutual funds, and certificates of deposit (CDs).

Summa and its employees are prohibited from trading on any non-public (insider) information.

The compliance officer reviews trades on a quarterly basis.

### *Possible Conflicts of Interests*

Roger Johnson serves on the Board of Directors for Barrett Business Service, Inc. (symbol: BBSI) and also on their Audit Committee. Summa does not recommend this stock for discretionary client accounts. In addition, he is a board member on Northwood Manufacturing, a private company in La Grande, Oregon. Roger volunteers on the board for the Waverley Historic Foundation.

Roger receives compensation for serving as a board member. These activities require approximately eight to ten hours per month of his time.

#### **CHINUS ASSET MANAGEMENT\***

Outside of his employment at Summa, Roger Johnson also maintains an investor referral agreement with Chinus Asset Management. According to this agreement, Roger receives an ongoing fee for each referred account which invests with Chinus Asset Management.

**\*SUMMA DOES NOT ENDORSE, NOR IS SUMMA AFFILIATED WITH CHINUS ASSET MANAGEMENT AND ITS FUNDS.**

## **BROKERAGE PRACTICES**

### *Broker Selection*

Currently Summa works primarily with two brokerage firms: Charles Schwab and Fidelity Investments. This decision was made upon consideration of several factors including the following: service quality, trade execution capability, electronic account data access, pricing, research reports, and the overall expense to clients. Both firms also, on occasion, provide Summa with discounts on various practice management tools, including seminars and software. These services listed above are provided to Summa, by the broker, at no extra cost to the client.

**\*A comparison chart between Charles Schwab and Fidelity is available upon request.**

## **TECHNOLOGY AND ACCESS**

Summa receives technological support from Schwab, Fidelity, and Merrill Lynch, in the form of daily data downloads. Schwab and Fidelity also provide electronic access to client accounts.



All three broker/dealers provide individual clients online access to their accounts. Summa can help clients set up online access to their accounts.

#### BEST EXECUTION

It is Summa's policy to deal fairly and honestly with clients and to use best efforts to obtain the most favorable execution. Summa has adopted standards to help ensure that it is providing the best service it can to clients. These standards address the monitoring of trades, compliance with federal mandates, and our fiduciary obligation with respect to executing discretionary trades on behalf of clients.

Summa also monitors broker-dealers' institutional platforms and custodial services in order to provide its clients with the best set of capabilities and services available.

#### DIRECTED BROKERAGE

Summa may recommend that clients establish brokerage accounts with the Schwab or Fidelity, to maintain custody of clients' assets and to effect trades for their accounts. Although Summa may recommend that clients establish accounts at Schwab or Fidelity, it is the client's decision with whom to custody assets. Summa is independently owned and operated and not affiliated with either Schwab or Fidelity.

Clients may, if they choose, direct us to use a different brokerage firm but should understand that their decision may result in certain costs or disadvantages. These costs/disadvantages may include: higher commissions and account maintenance fees and increased difficulty in trading and reporting. Other negative effects could include reduced ability to negotiate volume discounts, or provide best execution, and the inability to aggregate trades with those of other clients.

#### *Trading Practices*

##### COMMON STOCKS AND EXCHANGE-TRADED FUNDS

When Summa decides to purchase, or sell, securities for a particular strategy, the trading often involves multiple accounts. In these circumstances, aggregation of trades is used to help ensure fairness in terms of execution and pricing across client accounts.

When trades result from individual reviews of client accounts, then aggregation of trades will be less likely as the timing of review, investment strategy, and securities involved may not coincide with other planned trades for the day.

Summa neither benefits nor receives any incentives whether trades are aggregated or not. Clients pay the broker standard commissions for executing the trades.

#### BONDS

Summa's purchase and sale of bonds is different from the process of buying and selling equities. While fixed income mutual funds, ETFs, and closed-end funds are listed and traded on the major exchanges, individual fixed-income issues are purchased from or sold to brokers or dealers. Each broker/dealer maintains an inventory of bonds (bond positions) that it owns as a principal and holds for resale to its customers. The number and value of bonds that each broker holds varies, depending on the brokerage firm's size, financial strength and involvement in the bond market.

For Summa's clients, it will first search the broker's inventory where client assets are custodied for lower costs and simplicity. If an appropriate issue (quality, quantity, and price) cannot be obtained, Summa will then contact a third party broker who is not affiliated with any custodian to see if comparable bonds can be found.

Bonds are purchased after determining the desired type of issuer, sector, maturity, coupon and yield objectives. The broker is asked to offer all such issues available, noting the required block size for all clients using that broker and/or custodian.

Sometimes it will be in clients' best interest for Summa to trade with an outside broker because it can give clients access to the better-priced, more attractive securities from a number of dealers. By aggregating the purchases or sales of a broader base of clients, including those who use other brokers and/or custodians, Summa may be able to find additional bonds available in larger blocks, resulting in better overall prices.

#### PRIME BROKERAGE

When appropriate, Summa will ask permission from clients to add prime brokerage to their brokerage accounts. This will allow Summa to place trades with brokers other than the account custodian.

Prime brokerage is subject to minimum account value and carries a small processing fee assessed by the custodian. It is primarily used for fixed income transactions.

#### REVIEW OF ACCOUNTS

Summa begins each client relationship with a full account review. This review is an integral part of understanding what must be done to implement the client-specific investment strategy. Summa maintains close contact with the client throughout this process.

All of the accounts under management are monitored continually, by Summa's portfolio managers, to watch for changes happening in the holdings or in the market or, most importantly, in the client's financial situation.

Summa communicates and/or meets with clients on an ongoing basis to discuss their current financial needs and any alterations that should be made to their investment objectives. Should the communications reveal a change in the client's circumstances, interests, or objectives, their accounts will be reviewed as part of the process of adjusting their individual investment strategy.

Summa will perform a complete, in depth, review of a client's accounts, and investment strategy, upon notification of life changing events such as marriage, divorce, birth of a child, and death of spouse or joint account holder.

#### Reporting

Summa mails full reports of the client's accounts at the end of each quarter. These reports include, but are not limited to the following:

Total portfolio overview:

- Consolidated Portfolio Allocations Chart, by asset class
- Consolidated Portfolio Summary, by asset class

For each account individually:

- Individual Account Performance Reviews
- Individual Account Holdings Statement

**\*An example copy of our reports is available upon request.**

#### CLIENT REFERRALS AND OTHER COMPENSATION

Summa is not currently compensating anyone for client referrals.

#### CUSTODY

All Summa directed accounts are custodied at an unaffiliated broker-dealer. Summa does not have hands on access to client assets. All instructions regarding assets go directly to the custodian. Monthly or quarterly,



depending on client preference, account statements are provided by the custodian broker. Clients should carefully review these statements and compare them to Summa's quarterly reports.

## INVESTMENT DISCRETION

In most cases, Summa has the full discretionary authority on the accounts it advises. A "discretionary" account is one in which Summa will determine which securities are to be bought or sold, as well as the size and timing of these transactions.

Clients may, if they wish, impose reasonable restrictions regarding investing in certain geographical locations, companies, or industries. The client may also request that Summa buy certain securities, or look into the value of investing in a particular company, on their behalf.

## VOTING CLIENT SECURITIES

If a client wishes, Summa can vote on the shares owned by clients. Summa participates in voting on issues that directly impact shareholder value. It is Summa's intention to vote positions that, in its best judgment, will enhance the value of shareholders. In the case of social and environmental proxy issues, most of which do not directly impact shareholder value, Summa will generally vote with management, abstain, or vote what Summa deems to be ethically correct.

Summa *does not* vote on the following proxies:

1. proxies that do not arrive via USPS mail before the meeting date;
2. proxies for securities held in a self-directed and/or unsupervised portion of a client's account (unless client directs otherwise);
3. proxies that are voted by a Separate Account Manager (SAM).

In the event that there is a conflict of interest with respect to the outcome of certain proxy proposals, Summa will resolve the conflict by asking the client to vote the proxy.

### **The following are available, to clients, upon request:**

- Information on how their proxies were voted
- Summa's proxy voting policies and procedures

## FINANCIAL INFORMATION

Registered investment advisers (RIAs) such as Summa are required in this section to provide certain financial information or disclosures about their financial condition.

Summa has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.





## NOTICE OF PRIVACY PRACTICES

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Summa Global Advisors, LLC, an investment advisory firm, is committed to safeguarding the confidential information of its clients. We do collect nonpublic personal information to provide you with accurate and pertinent financial and tax advice. We hold all nonpublic personal information you provide to us in the strictest confidence. If we were to change our firm policy, we would be prohibited under the law from doing so without advising you first.

You may direct us not to make disclosures (other than disclosures required by law) regarding nonpublic personal information to nonaffiliated third parties. If you wish to opt out of disclosures to non-affiliated third parties please contact us at (503) 636-2022.

Summa Global Advisors, LLC collects personal information about you from the following sources:

- Applications or other forms.
- Discussions with nonaffiliated third parties.
- Information about your transactions with us or others.
- Questionnaires.
- Tax Returns.
- Estate Planning Documents.
- Insurance Policies.

Summa Global Advisors, LLC uses your personal information in the following manner:

- We do not sell your personal information to anyone.
- We limit employee and agent access to information only to those who have a business or professional reason for knowing, and only to nonaffiliated parties as permitted by law. (For example, federal regulations permit us to share a limited amount of information about you with a brokerage firm in order to execute securities transactions on your behalf, or so

that our firm can discuss your financial situation with your accountant or lawyer.)

- We will provide notice of changes in our information sharing practices. If, at any time in the future, it is necessary to disclose any of your personal information in a way that is inconsistent with this policy, we will give you advance notice of the proposed change so you will have the opportunity to opt out of such disclosure.
- We maintain a secure office and computer environment to ensure that your information is not placed at unreasonable risk.
- For nonaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors, we also require strict confidentiality in our agreements with them and expect them to keep this information private. Federal and state regulators also may review firm records as permitted under law.
- We do not provide your personally identifiable information to mailing list vendors or solicitors for any purpose.
- Personally identifiable information about you will be maintained during the time you are a client, and for the required time thereafter that such records are required to be maintained by federal and state securities laws. After this required period of record retention, all such information will be destroyed.





## **Roger L. Johnson**

*Managing Partner*

Year of Birth: 1943

Roger Johnson is the founder of Summa, the principal owner, and the Managing Member. With over forty years of experience in the world of investing, he brings a wealth of wisdom and inspiration to the investment process.

### **EDUCATION BACKGROUND**

Distinguished Military Graduate, Gonzaga University 1966

B.A. in Psychology, Gonzaga University 1966

### **PRIOR WORK EXPERIENCE**

Wealth Advisor, Coldstream Capital Management, Inc. 2005 to 2008

President and Portfolio Manager, Western Pacific Investment Advisers, Inc. 1992 to 2005

### **DISCIPLINARY INFORMATION**

Roger Johnson does not have any legal or disciplinary events to disclose.

### **OTHER BUSINESS ACTIVITIES**

Roger Johnson serves on the Board of Directors for Barrett Business Service, Inc. (BBSI) and also on their Audit Committee. Roger also serves on the boards of directors for the Waverley Historic Foundation and for Northwood Manufacturing, a privately-held company in La Grande, Oregon.

These activities require approximately eight to ten hours per month of his time.

### **ADDITIONAL COMPENSATION**

Roger Johnson receives compensation for serving as a board member. Roger Johnson also maintains an investor referral agreement with Chinus Asset Management. According to this agreement, Roger receives an ongoing fee for each referred account which invests with Chinus Asset Management.

**SUMMA DOES NOT ENDORSE, NOR IS SUMMA AFFILIATED WITH CHINUS ASSET MANAGEMENT AND ITS FUNDS.**

### **SUPERVISION**

Roger, Rachel and Henry coordinate investment advice provided to clients. Ultimately, Roger is responsible for the advice given to his clients as well as the suitability of investments chosen for their accounts. This is done on an individual client basis according to the client's financial objectives.

### **RESPONSIBLE PERSON**

Rachel Wakefield

Partner



## **Rachel J. Wakefield, CFA**

*Partner, Portfolio Manager*

Year of Birth: 1969

Rachel Wakefield is a partner and portfolio manager at Summa Global Advisors, LLC. She and Roger have been working together since they met at A.G. Edwards in 1991. Her experience in the financial advisor business over the years has included: research, portfolio strategy, compliance, and business and database management. As a key team member, she is able to utilize her broad investment expertise daily.

### **EDUCATION BACKGROUND**

B.A. in International Business, summa cum laude, Christian Heritage College	1990
Chartered Financial Analyst® (CFA) designation	2002

### **PRIOR WORK EXPERIENCE**

Research Analyst, Coldstream Capital Management, Inc.	2005 to 2008
Principal, Western Pacific Investment Advisers, Inc.	1995 to 2005

### **DISCIPLINARY INFORMATION**

Rachel Wakefield does not have any legal or disciplinary events to disclose.

### **OTHER BUSINESS ACTIVITIES**

Rachel is a current member of the Portland Society of Financial Analysts and the CFA Institute. She volunteers on the board for the Damascus Christian Education Foundation.

Rachel is not engaged in any investment-related businesses outside of Summa, nor does she have any applications pending to register with a broker-dealer or other investment firm.

### **ADDITIONAL COMPENSATION**

Rachel does not receive any commissions, bonuses or other compensation based on the sale of securities or other investment products. Rachel does not engage in any other business that provides a substantial source of her income or consumes a substantial portion of her time.

### **SUPERVISION**

Roger, Rachel and Henry coordinate investment advice provided to clients. Ultimately, Rachel is responsible for the advice given to her clients as well as the suitability of investments chosen for their accounts. This is done on an individual client basis according to the client's financial objectives.

### **RESPONSIBLE PERSON**

Roger L. Johnson  
Managing Partner



## **Charter Financial Analysis<sup>®</sup> (CFA)**

### **Statement for SEC Form ADV**

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The Chartered Financial Analyst<sup>®</sup> (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals.

There are currently more than 90,000 CFA charter-holders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

#### **HIGH ETHICAL STANDARDS**

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charter-holders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

#### **GLOBAL RECOGNITION**

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charter-holders—often making the charter a prerequisite for employment.

Additionally, regulatory bodies in 19 countries recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

#### **COMPREHENSIVE AND CURRENT KNOWLEDGE**

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning.

The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.

**To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).**



## **Wai Ngan (Henry) Yu CFP®**

*Partner, Portfolio Manager*

Year of Birth: 1980

Henry Yu is a partner and portfolio manager at Summa Global Advisors, LLC. His duties include portfolio management, research, financial planning, trading, and client services. Henry brings international perspectives and insights to the investment management process and a wry wit to our office. He was born in Shanghai, China and grew up in the wonderful metropolitan of Hong Kong.

### **EDUCATION BACKGROUND**

B.A. in Finance and Marketing, <i>cum laude</i> , Portland State University	2003
Executive Certificate in Financial Planning, University of Portland	2010
CERTIFIED FINANCIAL PLANNER™ designation	2010

### **PRIOR WORK EXPERIENCE**

Private Client Associate, Coldstream Capital Management, Inc.	2005 to 2009
Portfolio Administrator, Western Pacific Investment Advisers, Inc.	2004 to 2005

### **DISCIPLINARY INFORMATION**

Henry does not have any legal or disciplinary events to disclose.

### **OTHER BUSINESS ACTIVITIES**

Henry is a current member of the Financial Planning Association of Oregon & S.W. Washington and the CFP Board.

Henry is not engaged in any investment-related businesses outside of Summa, nor does he have any applications pending to register with a broker-dealer or other investment firm.

### **ADDITIONAL COMPENSATION**

Henry does not receive any commissions, bonuses or other compensation based on the sale of securities or other investment products. Henry does not engage in any other business that provides a substantial source of his income or consumes a substantial portion of his time.

### **SUPERVISION**

Roger, Rachel and Henry coordinate investment advice provided to clients. Ultimately, Henry is responsible for the advice given to his clients as well as the suitability of investments chosen for their accounts. This is done on an individual client basis according to the client's financial objectives.

### **RESPONSIBLE PERSON**

Rachel Wakefield  
Partner



## **Certified Financial Planner™ (CFP®)**

### **Statement for SEC Form ADV**

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The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its 1) high standard of professional education; 2) stringent code of conduct and standards of practice; and 3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- **Education** – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- **Examination** – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- **Experience** – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year);
- **Ethics** – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- **Continuing Education** – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- **Ethics** – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board’s enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

**To learn more about the CFP® designation, visit [www.cfp.net](http://www.cfp.net).**



SUMMA GLOBAL ADVISORS, LLC

*Investing in a changing world*

## Quarterly Newsletter January, 2015



### In this issue:

- ◆ What's causing this amazing rise of the U.S. dollar?
- ◆ Who are the winners and losers of falling oil price?
- ◆ How to incorporate Social Security in a retirement plan?

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January 1, 2015

## The Herculean U.S. Dollar

The U.S. dollar (USD) has been strong during the second half of 2014, rising from 80 to over 92 (Chart 1). What events caused this remarkable strength in the dollar and what might the economic consequences be?



Chart 1. US dollar index (DXY)

Source: barchart.com

First, the **bold and decisive actions** of the U.S. Federal Reserve Chairman and the U.S. Secretary of the Treasury during the 2008-09 “Great Recession” provided a positive basis for the U.S. economic recovery. The U.S. has consistently achieved GDP growth in the 2-3% range 2009 (Chart 2). The Fed’s fiscal policy of maintaining low interest rates and massive quantitative easing allowed for economic stability, permitting many marginal businesses to survive and regain fiscal strength.

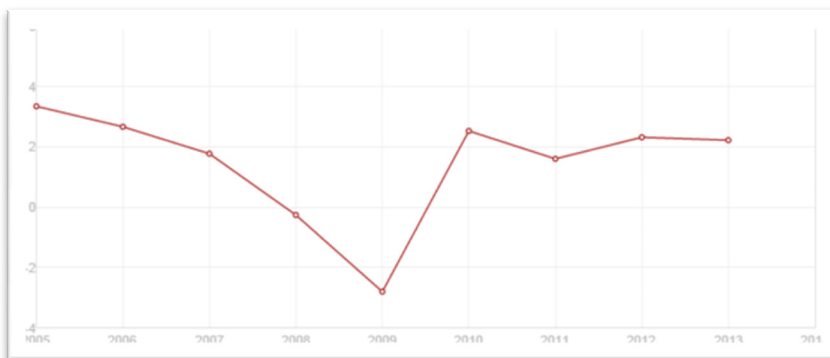


Chart 2. US GDP growth.

Source: The World Bank

Second, U.S. business leaders and workers maintained **fiscal discipline** and **strong productivity** throughout the crisis. Corporate balance sheets, in the aggregate, have strengthened. Record amounts of cash (\$1.64 trillion) have







been reserved by corporate America,<sup>1</sup> and productivity has reached new levels in recent years.<sup>2</sup>

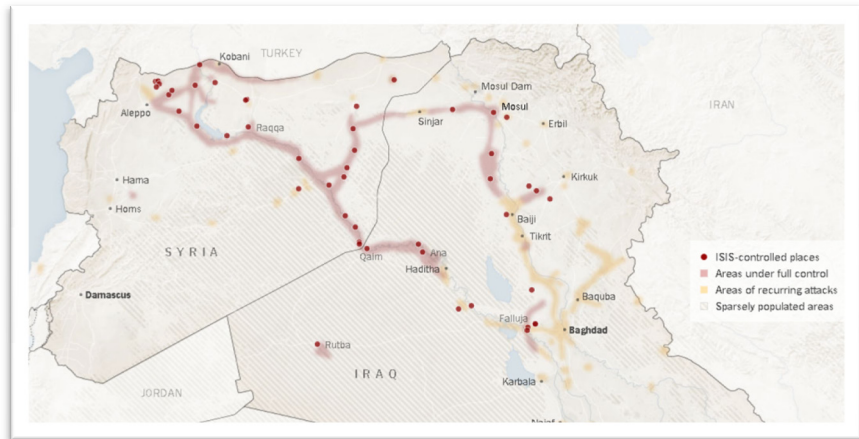
A third factor in the ascent of the dollar is the **economic fear** developing in Europe and Asia. In the autumn of 2009, acclaimed hedge fund manager, Kyle Bass, warned, "...the global debt drama would end with an epic U.S. dollar rally, a dramatic reversal in capital flows, and an absolute bloodbath for emerging markets."<sup>3</sup> It remains to be seen if Bass' predictions will be correct, but the dramatic rise in the dollar and higher capital flows into Treasury bonds suggest these events may be starting to unfold. German, Japanese and U.S. bond prices have rallied, as cautious money flows into the larger, more stable economies. Meanwhile, yields on German, Finnish and Swiss debt turned negative on January 14, 2015, according to the Wall Street Journal.<sup>4</sup> Another article stated that economists and investors are increasingly concerned that the stagnant economies of the euro zone may be headed for a prolonged bout of deflation—"a damaging spiral of falling prices and reduced spending and investment."<sup>5</sup>

Due to the increased tension with other nations, the strength of the dollar will evoke political and fiscal concerns. Earlier this month, former Soviet leader Mikhail Gorbachev warned that the Ukraine crisis could make a war unavoidable,<sup>6</sup> and additionally, that Vladimir Putin may launch a nuclear war.<sup>7</sup> These words are not to be taken lightly because Gorbachev is not considered to be an alarmist.

The declining price of oil and the drastic fall in the Russian ruble from economic sanctions imposed over the invasions of Crimea and Ukraine will cause a severe recession in Russia in 2015. Backed into a political corner, Putin may lash out military advances. Recent aggressive Russian military flyovers, increased Russian submarine patrols, and bellicose rhetoric from Putin are causing great anxiety in Europe and elsewhere. Not only do Putin's military actions cause political turmoil, but economic distress as well.

In addition to political concern with regard to Russia, investors should also be aware of the potential economic ramifications of the radical Islamic movement. ISIS continues to be a significant regional military threat and is now impacting the economic vitality of the oil exporting nations in the Middle East (Figure 1). The West cannot

allow ISIS to gain control of significant oil production. Should the ISIS military advances become a crisis, another costly military incursion into the region will be required. Such actions are incredibly expensive, and will put additional strain on the exiting massive debt burden of the Western economies.<sup>8</sup>



**Figure 1. Areas controlled by ISIS**

**Source: The Wall Street Journal**

<sup>1</sup> <http://bloom.bg/1fGwTXU>

<sup>2</sup> <http://usat.ly/1qrl2mg>

<sup>3</sup> <http://onforb.es/10v5MOY>

<sup>4</sup> <http://on.wsj.com/1DZEfmK>

<sup>5</sup> <http://on.wsj.com/1AAeJ7R>

<sup>6</sup> <http://fw.to/yNMWe8F>

<sup>7</sup> <http://bit.ly/1unKeMe>

<sup>8</sup> <http://on.wsj.com/1C2b4zT>





**SUMMA GLOBAL ADVISORS, LLC**

*Investing in a changing world*

The Herculean U.S. Dollar  
Roger Johnson, 1/1/2015

As global economic and political events unfold in 2015, markets will be climbing the proverbial “wall of worry.” American industrial might, consisting of our outstanding business workers and leaders, continue to be the backbone of the global economy. The global economy will likely face greater challenges with respect to currency wars, commodity volatility, radicalism, and actions of leading central banks’ interest rate policies. Bond and equity prices will likely be volatile.

Tighten your seat belt. As the U.S. dollar heads for the stratosphere, investors may be in for an exciting year!

*- Roger L. Johnson*





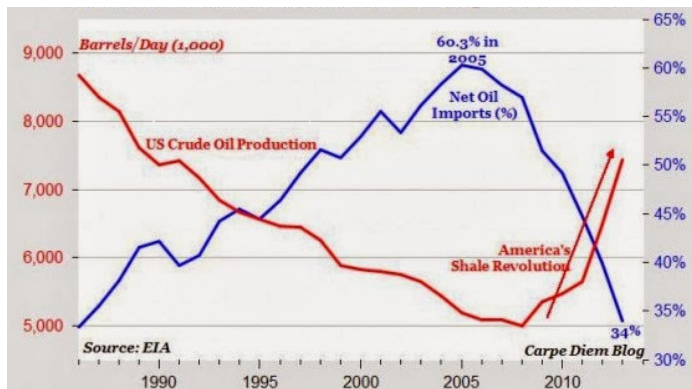
January 1, 2015

## Navigating the Slippery Slope of Volatile Oil Prices

No one saw it coming! In hindsight, a simple review of the supply/demand equation clearly foreshadowed a crisis in the making. The quiet advance of the U.S. as a top global producer of oil surprised the markets as well as economists (Chart 1).

Oil is a commodity and, by very nature, cyclical. The theory that shale discoveries and fracking could cause an energy renaissance in the U.S. has finally been realized (Chart 2). How is this boom different and who will eventually emerge as the winners and losers?

Time to market is a marked difference of this cycle. Oil discoveries in the Gulf back in the 1980's took 20 years from discovery until production. Oil in Alaska took 9 years to produce. Current oil discoveries are being turned into production in only 5 years. And even over the last five years, each subsequent well has been increasingly productive. However, if the price of oil remains below \$50 per barrel, one half of all oil projects will become unprofitable.



**Chart 2. U.S. crude oil production vs. net oil imports (1986-2013).**  
Source: EIA

### Top Players: Then and Now

When Saudi Arabia cut back on pumping oil in 1985, it lost ground to the U.S. and Soviet Union. New U.S. shale fields have made it the top producer.

1985	TOP OIL PRODUCERS (million barrels per day)		2014
Former U.S.S.R.	11.9	U.S.	12.4
U.S.	11.2	Russia	11.0
Saudi Arabia	3.8	Saudi Arabia	9.5
Mexico	3.0	Canada	4.2
U.K.	2.7	China	4.1
China	2.5	Iraq	3.4
Iran	2.3	Iran	2.8
Canada	1.8	U.A.E.	2.7
Venezuela	1.8	Kuwait	2.7
Nigeria	1.5	Mexico	2.6

### THEN (1985)

### NOW (2014)

U.S. imports, in millions of barrels per day

3.2



7.4

Percentage of U.S. oil production from shale

0%



49%

December gas price per gallon, adjusted for inflation

\$2.55



\$2.54

Average new U.S. passenger vehicle MPG

27.6



36\*

OPEC share of global production

30%



39%

\*For 2013 cars

Source: Energy Information Administration (fuel data);  
Department of Transportation (MPG)

The Wall Street Journal

### Chart 1. Top oil producers.

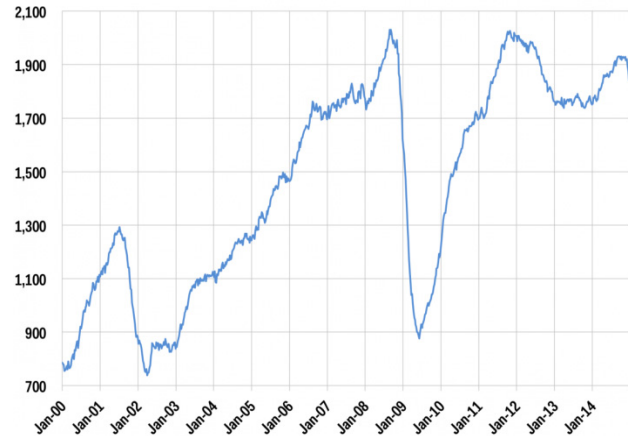
Source: The Wall Street Journal



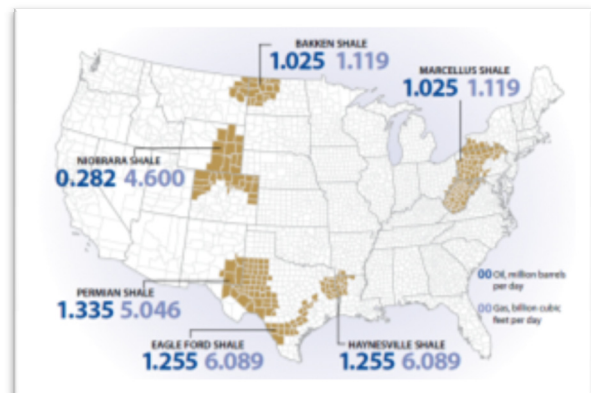


Because of these changing economics, some participants will be at risk.

- Employees in the energy field
  - Oil field workers (Chart 3)
  - Transportation workers
  - Large energy companies will downsize
- Regions that specialize in oil exploration and production (Chart 4)
  - Jobs and real estate will be under pressure
    - Texas
    - North Dakota
    - Montana and others
- Fixed income issuers
  - Oil exporting countries
  - Exploration and drilling businesses
  - Financial institutions providing business loans
- Fiscal stress for countries reliant on oil
  - Russia
  - Venezuela
  - Nigeria
  - Libya and others
- Environmentally friendly substitutes
  - Become uneconomical and unaffordable
  - Lose capital expenditures and governmental subsidies



**Chart 3. Total U.S. oil and gas rigs.**  
Source: FRED



**Chart 4. Major U.S. shale oil and gas production areas.**  
Source: CNAS Report

However, on the bright side, winners abound when energy is cheap!

- Consumers (who are 2/3rds of GDP in the U.S.) have more discretionary income as gasoline prices fall and the cost of goods gets more affordable.
  - Larger automobiles
  - Trips, vacations, and recreation
  - Purchase of luxury, non-essential items
  - Cheaper imported goods
- Energy bills are lower for businesses and households
- Producer input prices are lower, spurring manufacturing growth



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The Slippery Slope of Oil Prices  
Rachel Wakefield, 1/1/2015

Prognosticators say that cheaper oil is a net positive for the global economy, but the risk-reward equation has a very slim margin of error. The fairly short lead time for oil exploration and production in the U.S. oil fields should serve to make the supply equation quicker to adjust to weak or strong oil prices. Oil will seek an equilibrium price as a balance is sought between supply and demand. It is in the global best interest to maintain a fair market price for oil. The U.S. wishes to be energy independent, so let us take advantage of this opportunity and build on our expertise in order to increase our country's influence around the globe.

- Rachel Wakefield, CFA





January 1, 2015

## **Social Security Benefits: How to Maximize Them and How to Plan with Them**

Ever since the Social Security Act was signed into law in August of 1935, the federal insurance program has grown leaps and bounds in terms of the number of beneficiaries and coverage. According to data from the Social Security Administration, a little over 53,000 people received a total of \$1.3 million dollars of benefits in 1937. By 2008, the number of recipients was almost 51 million while aggregate benefits paid totaled over \$615 billion. Several amendments throughout the decades have added significant changes, such as disability (1954), medical coverage for seniors through the Medicare bill (1965), and automatic cost-of-living-adjustments or COLAs (1972).<sup>1</sup>

Did you know Social Security tax has two parts, OASDI (Old-Age, Survivors, Disability Insurance) and Medicare?

In this quarterly letter, we will be looking at the factors determining Social Security (SS) benefits and how to incorporate them into a retirement plan.

### **Social Security Credits**

In order to be eligible for SS benefits, a U.S. worker aged at least 18 has to accumulate credits. For 2015, it takes \$1,220 of covered earnings to earn one credit. Up to four credits can be earned throughout each calendar year and no more than 40 credits can be accumulated (10 years of earnings record). To properly receive the credits, make sure SS (FICA or OASDI) taxes are being deducted from payroll.

### **Earnings Record and Retirement Benefits**

So how are SS benefits determined? Two factors: earnings (dollar) and work history (years). SS looks at a worker's highest 35 years of earnings and computes what is known as the "primary insurance amount," or PIA, which is the benefit a person would receive at full retirement age (FRA). When clients are contemplating retirement, one of the questions we ask them is how many years of SS earnings do you have in the system? Sometimes it makes sense to stay in the workforce for a few more years.

### **Retirement Age and Benefits**

In addition to earnings history, deciding when to retire has perhaps an even bigger impact on benefits. FRA for baby boomers (born in 1943 to 1954) is 66, and that increases to 70 for those born in 1960 and later.

Workers can opt to claim SS retirement benefits as soon as they turn 62, with a reduction up to 25%. There is a

#### **Rising Retirement Ages**

Year of Birth	Full Retirement Age
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

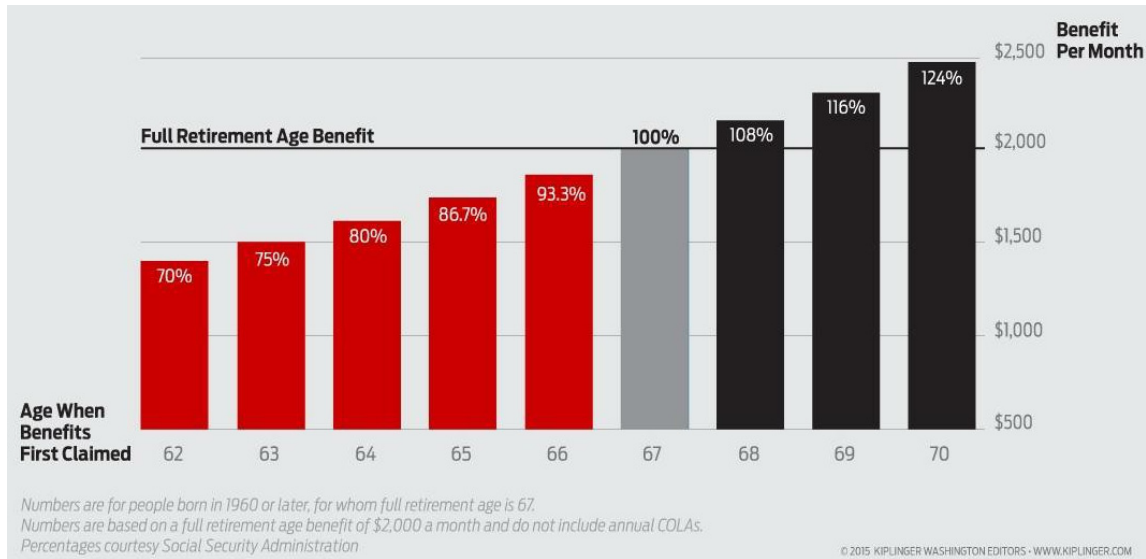
<sup>1</sup> <http://www.ssa.gov/history/briefhistory3.html>





handy calculator online that compares benefit decrease (and increase) at different retirement date.<sup>2</sup>

While claiming SS benefits early results in benefits reduction, delaying them, on the other hand, comes with a bonus. For every year of not claiming SS benefits once FRA is reached, a worker will receive a bump of 8% in benefit, up to age 70 (Figure 1).



**Figure 1. Social Security retirement benefits when claimed at different ages**

Source: Kiplinger, Social Security

## Work, Taxation and Social Security

There are some special rules regarding working and claiming SS benefits before FRA. In a nutshell, SS benefits are reduced if a worker/recipient makes over \$15,480 in 2015.

For people younger than FRA during the whole year			
If your monthly SS benefit is	And you earn	Your annual SS benefits is	Reduction is
\$700	\$15,480 or less	\$8,400	\$0
	\$16,000	\$8,140	\$260
	\$20,000	\$6,140	\$2,260
\$900	\$15,480 or less	\$10,800	\$0
	\$16,000	\$10,540	\$260
	\$20,000	\$8,540	\$2,260
\$1,100	\$15,480 or less	\$13,200	\$0
	\$16,000	\$12,940	\$260
	\$20,000	\$10,940	\$2,260

**Table 1. SS benefits comparison for workers claiming benefits before FRA.**  
 Source: Social Security Administration

<sup>2</sup> [http://www.socialsecurity.gov/OACT/quickcalc/early\\_late.html](http://www.socialsecurity.gov/OACT/quickcalc/early_late.html)



The above rules do not apply anymore once a worker reaches FRA; however, SS benefits become taxable once household income goes over certain threshold.

Taxable portion of SS benefits is	Combined income* is	
	Single filers	Joint filers
50%	\$25,000 - \$34,000	\$32,000 - \$44,000
85%	\$34,000 and above	\$44,000 and above
*Combined income =	Adjusted gross income (AGI) + Non-taxable interest + ½ of your SS benefits	

**Table 2. SS benefits and taxation.**  
**Source: Social Security**

This creates a dilemma to retirees and advisers alike. SS counts non-taxable interest income when figuring out how much of the benefits are subject to income tax. Retirees who count on municipal bond interests as one of the funding sources often have a hard time understanding this “taxable” concept. Having a sizable municipal bond portfolio during retirement, therefore, may not be as “tax-friendly” as one believes.

### Smart and Thoughtful Planning

How do we incorporate SS into a retirement planning scenario? Or better yet, how do we know which SS withdrawal strategy is the most beneficial? We can solve that puzzle! By looking at all the factors that go into creating a retirement plan, our plan can quantify 1) the maximum SS benefits throughout retirement and 2) the strategy with the best probability of success.

Social Security Strategy	Strategy Used in Current Scenario ?	At retirement ?	At FRA ?	At age 70 ?	Jack begins at age 70 and Jill begins at FRA ?	Jack files/suspends, Jill restricted application ?	Jill files/suspends, Jack restricted application ?
Start age							
Jack	66	63	66	70	70	70	66
Jill	66	64	66	70	66	67	70
First year benefit in current dollars							
Jack	\$32,626	\$25,285	\$32,626	\$41,761	\$41,761	\$41,761	\$13,797
Jill	\$27,594	\$23,301	\$27,594	\$35,688	\$27,594	\$16,313	\$35,688

#### Maximization Based on Cash Received

Total lifetime benefit in current dollars	\$1,663,596	<b>\$1,461,568</b>	\$1,663,596	\$1,829,171	\$1,761,474	\$1,878,110	<b>\$1,884,359</b>
Break Even Point							
Jack		N/A	76	80	79	78	78
Jill		N/A	77	81	80	79	79

[Details](#) [Details](#) [Details](#) [Details](#) [Details](#) [Details](#) [Details](#)

#### Maximization Based on Overall Plan Result

Probability of success	92%	91%	92%	<b>93%</b>	92%	<b>93%</b>	<b>93%</b>
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For instance, in the above plan for Jack and Jill, the difference of benefits between the circled choices is over \$400,000. Delaying SS may not always yield top dollar. Also, after considering other factors such





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Social Security Benefits  
Henry Yu, 1/1/2015

as investments, retirement lifestyle, goals, etc., we arrive at a strategy that would achieve two things—maximizing SS and maximizing plan probability (yellow highlights).

- Henry Yu, CFP®

