

## Ensuring Your Assets Are Safe

One of the results of the 2008 financial crisis has been the increased scrutiny of financial products and investment advisors. We have seen an increase in the number of advisors being charged with fraudulent activities, from the Madoff scandal that impacted investors worldwide, to actions involving local advisors. When markets are doing well and account balances are steadily increasing, many investors pay less attention to their accounts, and it can be easier to hide unauthorized withdrawals or transactions.

We take our clients' asset security and privacy very seriously and would like to share with you how we, and your account custodians, are keeping your investment assets safe. Addressing the increasing complexity of regulatory requirements is time consuming, but Summit's overarching business philosophy helps us make sound decisions and keeps us centered on our fiduciary responsibility to act in your best interest.

The associates of Summit and your account custodians work as a team to employ redundant checks and balances to verify your account and transaction information is accurate. Following is an overview of the different roles and responsibilities of Summit associates and account custodians to illustrate how your assets remain safe. In addition to our primary responsibilities, all Summit associates participate in compliance activities to ensure policies and procedures benefit from a wide perspective.

### **Advisors**

- Leads client meetings and communication.
- Reviews and finalizes all client reports prepared by Staff Financial Advisors and Paraplanners.
- Authors meeting memos outlining discussion items and detailing actions to be taken.
- Circulates meeting memos to the client's service team for review and comment.
- Approves trades. Advisors are the only associates at Summit who have the authority to approve a trade for a client.
- Submits approved trades to the Database Administrator for implementation.
- Reviews daily transaction ledger of all trades, deposits, and withdrawals within client accounts.

### **Staff Financial Advisors and Paraplanners**

- Prepares and reviews investment portfolio reports (Current Position Reports, Performance Reports, and Gain/Loss Reports) from our asset management and portfolio reporting software (PortfolioCenter).
- Uses data to compile clients' Financial Statements.
- Authors meeting memos outlining discussion items and detailing actions to be taken.
- Reviews previous client meeting memos to confirm that all follow up items have been completed and to note any outstanding items on the Agenda.
- Reports any continuing items for action, discrepancies, or oversights to the Advisor.
- Reviews daily transaction ledger of all trades, deposits, and withdrawals within client accounts.

### **Chief Compliance Officer**

- Serves as Summit's contact with the Securities and Exchange Commission (SEC).
- The SEC periodically examines our company records, compliance procedures, and client files. Our most recent examination was conducted in July 2018.
- Reviews quarterly transaction reports and annual holding reports for all Summit associates and their immediate family members.
- Participates in continuing education sessions to stay current with compliance regulations and best-in-class practices.
- Performs monthly reviews and audits of Summit's policies and procedures.
- Maintains the Summit Policies and Procedures Manual and Business Continuity Plan. Communicates changes to all Summit associates.
- Engages an independent public accountant and provides information for them to conduct a surprise examination of accounts for which Summit has been deemed to have custody.
- Reviews and updates annual *Form ADV* amendments filed with the SEC and offered to Summit clients.

### **Operations**

- Performs monthly audit of records for a client chosen randomly and reports findings to the Chief Compliance Officer.
- Reviews periodic background and credit checks of all Summit associates.
- Launches process to notify all associates of clients' change of mail and email address in Summit's companywide contact management software.
- Prepares annual contracts and calculates fees using information provided by Advisors and reconciled data in PortfolioCenter and from outside websites.
- Reviews annual contracts and fee calculations.
- Prepares and emails quarterly fee invoices and monthly statements of outstanding fees.
- Provides invoices for fee withdrawals to the Portfolio Administrator.

### **Database Administrator and Portfolio Administrator**

- Perform daily download of transaction and pricing information from custodians (Schwab, Fidelity, and other custodians holding our clients' employer retirement assets) into Summit's asset management and portfolio reporting software (PortfolioCenter).
- Perform daily reconciliations to ensure account information from the custodians and the data in PortfolioCenter are identical. If there is a discrepancy, they investigate its origin with the custodian.
- Prepare and circulate the daily transaction ledger to the Advisors, Staff Financial Advisors, and Paraplanners, which documents trades, deposits, withdrawals, and transfers within all client accounts the previous day.
- Place daily trades and confirm the trades were implemented on the following business day.
- Initiate and track transfers of funds and/or securities
- Electronically submit fee withdrawal instructions to custodians for clients who have chosen to pay their advisory fees directly from their investment portfolio.

- As the interface with our custodians, complete new account applications and account maintenance paperwork (for example, address change forms). Communicate status of paperwork with Advisors through completion.
- Track and confirm transactions made in accounts held outside of our custodians for which we are providing investment management services (for example, transactions made in client 401(k) accounts and wire transfers).

#### **Administrator**

- Opens all incoming mail. Scans client-specific reports and correspondence into Summit's document archiving system.
- Receives and distributes all incoming faxes.

## Examples of Fraudulent Activities Reported in the News And How Summit's Policies Prevent Them

### **Example #1**

**Madoff served as both his clients' custodian/broker and investment advisor and was able to control and manipulate all information relating to his clients' investment accounts.**

#### **Summit's Procedures**

Our clients maintain their investment accounts with outside *independent* custodians. Brokerage firms Charles Schwab & Co, Inc. and Fidelity Investments hold our clients' assets and report daily transactions and asset values to Summit. These firms are members of the Securities Investor Protection Corporation (SIPC), which provides protection if a brokerage firm goes out of business or becomes insolvent (losses resulting from a decline in the market value of the assets are not covered by SIPC). Each of these firms also provides an asset protection guarantee in the event of unauthorized activity in an account.

In addition to receiving Summit's performance and tax reports generated from PortfolioCenter, clients receive monthly statements detailing transactions and account balances *directly* from their custodian either via mail or electronically.

### **Example #2**

**An advisor provided their clients with false reports on their investment portfolios to hide unauthorized withdrawals by the advisor.**

#### **Summit's Procedures**

Summit compares the data in our asset management and portfolio reporting software with that of the custodians *daily*. Withdrawals appear on the daily Transaction Ledger for all associates to see, and any discrepancy would be detected during the daily reconciliation.

When clients review their statements provided directly from their custodian or login to their custodians' websites available 24 hours a day, they see all activity in their accounts.

We strongly encourage clients who do not have a clear understanding of their investment reports or monthly statements to ask for clarification and/or bring a trusted advocate to their Summit meetings. In some cases, this is a family member or a trusted advisor, such as an accountant.

### **Example #3**

**An advisor enticed clients to write checks to a third party to be invested on the client's behalf. The third party ended up being another company owned by the Advisor and the funds were used by the advisor for their personal expenses.**

## Summit's Procedures

All checks for deposit in our clients' investment portfolios are written directly to the custodian (Schwab or Fidelity). We do not take physical custody of any client assets. Clients only write checks payable directly to Summit to pay their advisory fees.

## Be an Informed Investor

- Review your trade confirmations and account statements promptly. They are available online 24 hours a day, seven days a week.
- Never write a check for deposit to your investment accounts to any party other than your account custodian (Schwab or Fidelity).
- Notify us when you move so we can ensure we have a current address of record to which we send your statements and important client communication.
- Monitor your credit report for potential unauthorized activity.
- Never sign any blank or incomplete documents.

## In Conclusion

One of the advantages of working with a firm like Summit is we have a team of people employing redundant checks and balances to verify the information on our clients' accounts and transactions is not only accurate, but aligns with our fiduciary responsibilities. No individual at Summit has total control over the information flow on our client accounts, and all transactions are made transparently. Our policies and procedures reinforce principles that guide our daily actions and support a long-term vision that includes a clear succession strategy so you can rest assured that Summit will continue to be there for you and your family in the future. A full list of our current employees is available at [www.summitfin.com](http://www.summitfin.com).

Please do not hesitate to share any questions you may have with your Summit Advisor or our Chief Compliance Officer.