

# CALDWELL TRUST COMPANY

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PERSONAL • TRADITIONAL • INDEPENDENT

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## Investment letter

# The discretionary dollar: save it, spend it or invest it?

Economics has been best defined as “the study of man’s activities attempting to satisfy insatiable wants.” Economists have long tried to make this study seem more scientific and predictable than it really is, and in the process often developed arcane terms. Lord Keynes coined one of them, “marginal propensity.” Simply put, this means establishing a formula to measure how an individual will allocate one additional dollar of discretionary income—whether to spend, save or invest it. The assumptions underlying this formula are that individuals are free to act and that on average, most will act rationally and in their own best interest when deciding how to handle that discretionary dollar.

Expressed as a percentage, marginal propensity can be used to compute the dollar amount that would likely be spent or saved nationwide, based on the aggregate reported change in consumer income for a given period.

Cultural changes seem to be impacting this and other older predictive formulas. In Japan, for example, the propensity to save a larger percentage of income seems to be built into its society. In the U.S., however, inclinations have long been moving toward less saving and more consuming—perhaps based on consumer overconfidence about past successes while overlooking the relationship between those successes and the kind of policies that created them.

As a result of cultural changes, some nations are in stronger positions than others based on the size of their savings pools. In the U.S., an under-saving nation, political decisions must and are being made to support our increased deficit spending by tapping into the savings of those nations with more abundant pools. We are in the midst of a giant political shift toward growing dependence on other nations to help fund our federal debt and deficits.

Our new political leaders seem willing to challenge long-held conventions regarding dependency and the need to restrain federal spending to protect our currency. It almost appears that they have made a conscious decision to test the fact that America, the

most powerful and wealthiest nation on the planet, can continue doing as it wishes. This may be based on their assumption that even under economic and fiscal policies that are radical and unorthodox by past standards, the U.S. is still better off financially and economically than our partner trading nations.

Regardless of the political success or failure ultimately flowing from the adoption of these new policies, it is a near certainty that human propensities won’t change much. People who are free to decide what is best for themselves—whether to spend, save, or invest—will base their decisions now more than ever on expectations of perceived financial strength in each category. These expectations will always remain dependent on important basics, among them:

- Higher tax rates always have and always will produce less of the thing being taxed.
- Money always has been and always will be trusted or not trusted, depending on the outlook for its purchasing power value.
- Investment decisions by any free market enterprise always have and always will depend on a rate of return that seems plausible, versus the degree of risk involved for each and every investment made.

Political decisions and political leaders, no matter how popular, cannot change these fundamentals. Much as the laws of the physical world are beyond mankind’s ability to change them, “Mother Economics” likewise remains a very tough taskmaster.

## CONCLUSION

**The essence of managing money is to manage risk. Each investor needs to balance the prospects and probability of an investment’s potential gain against his or her appetite AND ability to afford a loss if the investment does not turn out as planned. Today, with the markets testing levels not seen in over a decade—and doing so in such a short period of time and with the immediate future of our economy clouded—most investors have been re-evaluating their tolerance for risk and are moving their comfort level down a bit. Any changes to your own internal risk barometer will serve you best if you have a thorough discussion with your financial advisor to ensure that your portfolio stays consistent with your new goals.**

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# How Caldwell protects your assets against fraud

by R. G. "Kelly" Caldwell, Jr., CEO & President

As the nation reeled over news of Bernard Madoff and his multi-billion dollar investment fraud, Sarasota sadly discovered that it had its own "mini-Madoff" in the person of local money manager Arthur Nadel. Worried investors are understandably concerned about the safety of their money. At Caldwell Trust Company, we are well aware of investor unease. In September, we distributed a special report to reassure our clients, explaining the difference between institutional risk and investor risk.

Now we want to discuss those headline-grabbing investment frauds and the measures Caldwell takes that others did not. The biggest single factor in the frauds was secrecy—a tight control by the person at the top of the funds, with no oversight, audits or accountability. At Caldwell Trust Company, we welcome oversight and invite audits. We have always followed stringent procedures to protect your investments, including the following:

**Regulatory Audits.** We have been regulated since inception by the State of Florida, Office of Financial Regulation, with rigorous examinations at least every 18 months—most recently in February 2009.

**External Audits.** We engage one of the largest public accounting firms in the Tampa Bay area, one whose financial strength and depth of resources equal that of many national accounting firms. Established in 1984, this company has 20 shareholders and more than 50 employees.

**Audit Committee of Independent Directors.** Our independent directors meet periodically to verify that we are following all procedures necessary to protect our client's investments. They hire an internal auditor who reports directly to them.

**Internal Audits.** Our auditor, Al Thomae of AKT Financial Resources, performs independent reviews of client accounts at least quarterly and reports results directly to the audit committee.

**Operations Audits.** Approximately 40 percent of our staff has hands-on involvement in our operations. Our chief financial

officer oversees the balancing of all trust company activities daily. She answers to the independent audit committee.

**Financials.** We have full transparency. We file our audited financial statements with the State of Florida and provide copies to all shareholders, directors and clients or prospects who request them. We also file quarterly financial reports with the State.

**Operations.** Caldwell Trust Company operates just one business, and we conduct it in open communication at all times. Our 15 employees service nearly one-half billion dollars in assets

**Trade Execution and Reconciliation.** We trade solely through large, established U.S. national service providers and receive trade tickets from institutional brokers for all trades, which settle through third-party institutions. The trades are independently cleared on national exchanges and balanced daily to holdings at the Depository Trust Company (DTC), Federal Reserve (FED) and client accounts.

**Custody.** We hold client investments externally at the DTC and FED in our nominee name for the benefit of each client. We hold client assets separately from corporate assets and have all accounts verified externally.

**Custody Reconciliation and External Verification.** Every day, we internally balance client holdings to client statements. Externally, our accounting firm performs random verifications, matching internal records of client holdings to DTC and FED records.

## CONCLUSION

**These procedures, which clearly were not followed in the Madoff and Nadel cases, are just a few of the steps we take at Caldwell to ensure the safety of our clients' funds. It's one of the most important things we do. While nothing is bullet-proof, there is no better place to safeguard client assets from this type of investment fraud than with a trust company. Investment fraud will not happen here.**

## Caldwell opens new Sarasota office

Caldwell Trust Company is moving its Sarasota office to 1561 Main Street in downtown Sarasota in May according to Jan Miller, vice president and trust officer. "We have been working from our present location on Potter Park Drive since 1998 and it has served us well," she says, "but we have outgrown this office. In our search for larger quarters, we were pleased to find a perfect space in the heart of the downtown area."

The move involves Miller, vice president and trust officer Alan H. Blair, and trust associate Sonya Kristie. Except for the new address, all other contact information remains as before, including the telephone number: 941.926.9336.

## In Memoriam

Caldwell Trust Company mourns the loss of two of its founders, who both passed away in January. Samuel Booth and Herbert S. Howes had worked with Roland and Kelly Caldwell and the other founders from the early 1990s, helping to acquire a charter for the new trust company in 1993.

"It is impossible to overstate their contributions to Caldwell Trust Company," says R.G. "Kelly" Caldwell, Jr., CEO and president. "We miss them not only for their keen business acumen, but also because they were true members of our extended family."

# For Marcia DeVries, it's all about doing the right thing

You never know what's going to happen when you play softball. Ask Marcia DeVries. She met Kelly Caldwell on the diamond in Venice one day in 1999. As they became acquainted, Kelly said, "You have to come and work for us." He explained that he was the CEO and president of Caldwell Trust Company, and that Marcia seemed to be a good fit for their needs.



Marcia DeVries

Marcia joined the Caldwell family as business manager and internal auditor in July 2000. Today she is chief financial officer and treasurer. What's more, that softball team eventually led to the hiring of Marcia's brother-in-law, Andy DeVries, who is now one of Caldwell's trust officers. You might call it a double-header.

"From our first meeting, I thought Marcia would be an asset to Caldwell, and she has exceeded my expectations," Kelly says.

At the time of that fateful game, Marcia was teaching at Venice Area Middle School. She had previously been a classroom teacher, hospital homebound instructor and contract curriculum writer in Manatee County for five years.

As Caldwell's CFO and treasurer, Marcia oversees the company's operations. She is responsible for reconciliations, audit work, client tax reporting, corporate financials, human resources, compliance with the Bank Secrecy Act, operations oversight and other activities. For example, see "Operations Audits" in the page 2 article on investment fraud.

A true Floridian, Marcia was born in Tampa, earned a B.S. from the University of Florida in Gainesville and settled in Venice with her husband, Jon, a Venice resident since the age of two.

After an 18-year career with the New York Times Company, 14 of them at the *Sarasota Herald-Tribune*, Jon now works with the Collins Center for Public Policy, based out of Miami and Tallahassee. "He travels quite a bit," Marcia says.

Marcia and Jon have three daughters, Naomi, 16; Chloe, 11; and Gabriella, 8. All three are gymnasts who started out at the South County Family YMCA. Now Naomi is in training with the Tampa Bay Turners, based in St. Petersburg and competing all over the country—and beyond. "Naomi's first meet this season was in Cancun," Marcia says. Next year, Chloe will begin training with the St. Pete program while Gabriella trains at the Y.

The girls plan to continue their gymnastics in college. Naomi competed in the Junior Olympic National Championships in Kissimmee and started receiving collegiate gymnastic program information this past summer. Her schedule has Jon, Marcia and other carpooling parents on the road to St. Pete five afternoons a week.

Marcia was treasurer (2002-2004) and speech clinic co-chair (2005-2006) of the Sertoma Club of Venice. She also served on the advisory board of the South County Family YMCA. She is currently treasurer of the Purple Pride Booster Club, a support organization for Naomi's team.

Marcia has a busy life at work and at home, but she finds time for everything. "The beauty of working here is the flexibility of the job," she says. "You get to be a person with a family because Caldwell puts family first." That approach fits perfectly with her personal philosophy: "It's all about doing the right thing for the right reason, always. Every day," she says.

To contact Marcia, please call 941.493.3600 or write [marcia@ctrust.com](mailto:marcia@ctrust.com).

## Caldwell in the Community

### Caldwell supports Venice Theatre's 'Tuna,' YMCA's 'Havana Nights'

In keeping with its unwavering commitment to community service, Caldwell Trust Company was a sponsor of two recent events. The first was a performance of *A Tuna Christmas*, a two-man comedy presented by Venice Theatre in December.

Wendy Fishman, vice president and trust officer, co-chaired the second event, the elegant "Havana Nights," which was held at the South County YMCA on February 7 to benefit that organization. Both Wendy and R. G. "Kelly" Caldwell, Jr., CEO and president, serve on the YMCA's board of directors.



Actors Allan Kollar and Murray Chase flank Betty Scott, a member of Venice Theatre's play selection committee, at a Venice Theatre performance of *A Tuna Christmas*.



Wendy Fishman welcomes guests at "Havana Nights," the fundraising gala she co-chaired for the South County YMCA.

## Profile

# Director Mary Ann Kraut grew up with the trust business

“Kelly and I were always close,” says director Mary Ann “Molly” Caldwell Kraut, D.V.M., of her one-year-younger brother, R. G. “Kelly” Caldwell, Jr., CEO and president of Caldwell Trust Company. They are two of the three children of Annette and Roland Caldwell, founder of the trust company. Their other sibling, Debbie, lives in Houston.



Mary Ann “Molly” Kraut

“We grew up with economic lectures at the dinner table,” Molly says, “so I had my own business from the beginning of my career. I grew up with the knowledge of taking care of families in the trust business. That was always important to us. We learned a strong work ethic, and service has always been very important.”

The Caldwell kids traveled with their father and his investment business. Molly was born in Muncie, Indiana, then lived in the Bahamas from ages 3 to 7. “We moved around a lot,” she says. “We were in Fort Lauderdale for two years and Sarasota for three. Then Dad connected with the First National Bank of Venice. Mom was in real estate and they saw Venice as a growing area, so we moved to Venice when I was in the seventh grade.”

Molly graduated from Venice High, then earned an undergraduate degree in agriculture with a major in animal science from the University of Florida. She deferred vet school for four years, choosing instead to work on horse farms in Gainesville and, for six months, in Australia. “I came back to Venice and met Jim Kraut, a

property manager and broker with deep Venice roots,” she says.

Molly and Jim dated while she attended the University of Florida’s veterinary program and married after her graduation in 1995. She then worked at “quite a big practice” in Brandon, where she learned the business side of running a clinic.

“After a year in Brandon, I ended up back here in Venice,” she says. She bought Venice Pines Veterinary Clinic, now located at 1168 Indian Hills Boulevard. The clinic, which has a dozen associates, focuses on small animals.

Jim and Molly have two children, seven-year-old Will and his nine-year-old sister Jamie. Jim now owns Keys-Caldwell, Inc., a property management business founded by Annette Caldwell.

In addition to her practice, Dr. Kraut completed a seven-year term on the board of the Suncoast Humane Society. She joined Caldwell’s board of directors in 2001.

“I’m so grateful that Molly’s come aboard,” says Kelly. “She provides a lot of family continuity, and she’s vibrant and smart. We appreciate having a business person with her qualities.”

“I certainly never thought I’d be back in Venice but it’s a nice place to be. I’m a strong supporter of Venice, family and the community,” Molly says. “I see the growth and am very proud of Caldwell Trust Company.”

To reach Molly, write [drmolly@gatorvet.com](mailto:drmolly@gatorvet.com) or call 941.492.9692.

## CALDWELL TRUST COMPANY

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### FOUNDING PRINCIPLES

- Provide our clients with highly personalized, one-on-one attention and care.
- Satisfy and retain clients, building loyalties and gaining word-of-mouth referrals that attract new clients.
- Provide better service by using the latest electronic technology to implement our functions internally.
- Hire skilled, experienced trust professionals and help them to become part-owners, thus nurturing loyalty and eagerness to serve.

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