

# CALDWELL TRUST COMPANY

VOLUME XXXVII

PERSONAL • TRADITIONAL • INDEPENDENT

SEPTEMBER 2011

## Investment letter

### Now that the debt-ceiling debacle is over, what's next?

The debt/deficit nonsense we've just suffered through was all about politics over substance and nothing more. The scare tactics the partisans and media employed were scandalous. What should be clear by now to any thoughtful person is that the whole matter was posturing of the worst kind. Now, let's allow rational heads to prevail and try to clear the air on several fronts.

#### A U.S. Default

First and foremost, the United States was never going to default on its debt or social benefit obligations. Period. Investors and the rest of the world can now stop worrying and concentrate on what to do with their own investment portfolios.

#### Federal Debt and Deficits

Yes, our national debt is too large and our annual budget deficits are at historically high levels. Politicians pontificate on it, promise to fix it and then vote for business as usual. But by any measure, the U.S. isn't any worse off financially than any other major industrial nation: almost all nations are also simply printing money with no metallic backing now. It would take a country with a larger economy than ours, making a radical change, to cause a return to classic money and financial policies. So, some unknown world power deciding to call the U.S. on its awful fiscal mismanagement isn't going to happen.

Today's reality in the U.S., just like most other mature economies around the world, is that debt and deficits are likely to continue as a way of life. As for those in the media and elsewhere who tell us we should worry about China taking over the world (à la Japan in the '80s), please stand back and take a deep breath. China is big and growing fast, but it's also a very, very long way from being in any position to assume the responsibilities of a world financial, economic or military leader.

#### The Stock Market

The first and most reliable indicator of coming monetary or economic problems has always been the stock market. Share prices always move up or down well in advance of the fact, not after it. Based on sales, profit on returns and earnings potential, U.S. equity prices on average remain below warranted levels by almost any reasonable criteria, notwithstanding the dire warnings that this or that is going to cause unspeakable harm to America and its leading businesses.

Stocks trade daily in massive amounts at prices that draw attention from all major investor groups, most importantly the large pensions and other funds, which pretty much determine prices for all of us—that is if we can peer through the fog of constant manipulations by short term traders to see the true prices.

If, when and until major stock owners decide to jump ship and can find a better investment alternative for all those trillions of dollars, individual investors should hang on and stay invested in quality holdings. The most dangerous thing for investors today is Washington, D.C. But even there, despite all the hand-wringing, there's little chance that Congress will do anything any time soon that might adversely impact stock values, at least not until after November 2012.

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#### Euro-Zone Problems

It's highly unlikely there will be an end anytime soon to the financial problems in countries that have ignored their own domestic fiscal responsibilities for as far back as memory can recall. Before the European Union was formed, some countries repeatedly suffered falling currencies, high interest rates and limited access to world financial markets to sell their bonds. Italy and Greece are prime examples. Once admitted to the Union they agreed, as required under threat of clear default penalties, to adhere to strict monetary limitations, curbing excesses to a reasonable annual amount.

Now they have violated those limits to continue profligate social benefit programs. How the EU decides to handle these countries is primarily its own problem. According to Federal Reserve chairman Mr. Ben Bernanke himself, the U.S. has little if any financial risks in those countries, barring an outright sovereign bankruptcy—which, by the way, the U.S. has implied it is willing to prevent if forced to do so.

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## Caldwell family's second generation works with CTC's family at retreat to plan for company's future

When Roland G. Caldwell and his founding team established Caldwell Trust Company in 1993, Roland G. "Kelly" Caldwell, Jr. was there. Kelly succeeded Roland as CEO and president of the company. Kelly's sister Molly—Dr. Mary Ann C. Kraut—also carries on the family tradition through her service on the board of directors.

They joined with the Caldwell Trust Company family—its directors and staff—for a retreat at the Naples Bay Resort and Marina in May. Their goal was to plan for the company's continuing growth without diminishing Caldwell's unique identity and core values.



*Dr. Molly Caldwell Kraut and her husband Jim Kraut flank Kelly Caldwell at Caldwell Trust Company's corporate retreat.*

## Promotions for Caldwell's third generation

Brooks Caldwell, right, graced the September 2010 issue of this newsletter as he headed off to start kindergarten. Now the six-year-old has been promoted to first grade at Garden Elementary School in Venice. The Caldwell family succession plan has four-year-old Zachary, left, stepping into Brooks's vacated kindergarten slot. Proud parents Melissa and R. G. "Kelly" Caldwell, Jr., CEO and president of Caldwell Trust Company, are preparing Chase, nearly 3, for his academic debut next year—and also probably grooming all three boys for future careers with Caldwell Trust Company.



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## Political debates stay focused on election with little 'give' from either side

### Political Wars

Most of the debates underway are about political issues that are key for both major parties in the coming election campaigns, with little give coming from either side. The best advice is to ignore what they say, watch what they do and vote for candidates you think have the will to place the needs of the nation above politics. The two most powerful areas of impact on investments are: 1) higher tax rates and 2) dollar devaluation.

With the Fed chairman's move to take printing-press dollars off the table for politicians to play with, the loss of dollar purchasing power as a key negative for stock investors to worry about is behind us for now. As for taxes, here's a useful insight to keep in mind to better understand what's really going on in the current standoff: In the early '90s, under considerable Congressional pressure, President George H. W. Bush broke his famous campaign pledge stating "Read my lips: no new taxes." As a result he lost his re-election bid and his party lost the White House for eight years. That single act handed his opponents the political initiative that his party rues to this day. It is the real reason they're so determined not to fall into the same trap.

Democrats, on the other hand, are pushing hard to fulfill their "tax-the-rich" campaign promise while forcing the opposition to once again break its pledge, this time to a powerful tea party movement. This is the core issue inside today's political battles, with both sides having much to gain or lose depending on the final outcome.

### CONCLUSION

Caldwell Trust Company is telling its clients to concentrate on two realities in this hostile political environment: 1) World markets tell us loud and clear that there is no fear that the U.S. is going to default on its obligations; and 2) These same markets also accept something many of us are still reluctant to accept, that is, we seem likely to continue to vote for, and so must accommodate, ongoing high deficits/debt. America, now a highly regulated social democracy, displays little indication of a willingness to reverse course. Thus it becomes fruitless to believe it will do so anytime soon, regardless of which political party prevails in the current debates or in future elections. Stay the course with your quality stocks, especially your dividend-paying stocks. Where you have fixed-income securities, continue to stay shorter-term.

## John Tufaro, retirement specialist, oversees 401(k), 403(b) plans

John Tufaro, retirement plan specialist, has two questions for employers: “While you are watching the performance of your employees, who is watching out for them? And who is watching out for you?” During his 40-plus years of banking, John has found that although employers often provide 401(k) and 403(b) plans, few realize that they are legally responsible for monitoring the performance of these plans.

That’s where John steps in. Under his direction, Caldwell Trust Company provides unique, discretionary management services for employer-sponsored plans. “If an employer is interested, we provide a complimentary plan review. This will help the employer understand any potential liability, plan costs and investment performance/quality,” Tufaro says.

“If they sign on, Caldwell takes over much of the liability,” he says. “We also conduct employee group and individual meetings to provide investment counseling. In addition, we coordinate all transitions from an employer’s prior provider. Once the plan is in place, we conduct annual reviews with our client and provide additional investment advice,” Tufaro says.

“Caldwell began providing retirement plan services in January 2001 as an accommodation for a trust client who requested help,” Tufaro says. “Gradually the list of clients began to grow.

Caldwell brought me on board in 2007 to focus on this aspect of our client needs.”

Today Caldwell Trust Company oversees retirement services for a number of clients ranging in size from five through 70 employees and in geography from Manatee County through North Port. The list includes for-profit and not-for-profit clients across a variety of industries including retail, manufacturing, social services, legal and medical practices and other professional services.

Ladd Waldo, president and CEO of Easter Seals Southwest Florida, is one of John’s satisfied clients. “John Tufaro provides us personal attention to meet the needs and concerns of our staff. He engages the Easter Seals mission. Caldwell Trust Company offers a competitive range of investment options to meet the needs of a diverse investing public.”

For more information about Caldwell’s retirement plan services, contact John Tufaro at [john@ctrust.com](mailto:john@ctrust.com) or 941.493.3600.



## Caldwell in the Community

### Caldwell sponsors the Meadows Cup, annual fundraiser for Easter Seals

“Easter Seals Southwest Florida is the area’s leading provider of services for people with disabilities,” says Caroline Tanner, Community Relations Director. “We provide programs and services to individuals of all ages, starting at birth and continuing throughout their lives.”



*“Exceptional People. Exceptional Lives,” the slogan for Easter Seals, describes its many clients including those pictured at the Meadows Cup with ABC 7’s Scott Dennis, honorary chair for the annual event.*

For the past three years, Caldwell Trust Company has been a sponsor of the Meadows Cup, annual fundraiser for Easter Seals. “We’re gratified to help an organization that in turn helps so many,” says R. G. “Kelly” Caldwell, Jr., CEO and president.

The Meadows Cup raised \$50,000 on April 16, 2011, its

fifteenth year, according to Tanner. The Meadows Cup committee—Easter Seals staff and board of directors, Meadows Country Club staff and long-time Easter Seals supporters—is already working on the 2012 event, set for April 14. Scott Dennis, ABC 7 news anchor, continues as the Meadows Cup honorary chair.

Founded in 1946, Easter Seals operates from its headquarters at 350 Braden Avenue, Sarasota. Their services include children’s therapy (speech and occupational), Project Rainbow (respite care for families), high-school programs (vocational training, job placement, life skills), adult programs (art, music, horticulture, cooking and nutrition) and giving back to the community through programs such as Meals on Wheels.

Dennis says, “We may not see the work they do every day, but the impact made by Easter Seals Southwest Florida in the lives of hundreds of children and adults on the Suncoast with developmental disabilities can’t be accurately measured. It is life-changing for both the Easter Seals clients and their caretakers. This valuable program would not be what it is today without events like the Meadows Cup and its incredible sponsors like Caldwell Trust Company!”

# Caldwell establishes board-staff committees to sustain growth, culture

Caldwell Trust Company's corporate retreat in May provided a comfortable, congenial setting for introspection and productive planning. "Caldwell has established and nurtured its core values—personal, traditional and independent—from the very beginning," said R. G. "Kelly" Caldwell, Jr., CEO and president. "We cherish these values and our clients expect them. Our challenge as we grow is to be sure we remain true to our culture."

Charged to accommodate growth while holding values intact, Caldwell's staff and board members held a series of meetings from May 20-22. They reviewed existing procedures and brainstormed to find more efficient methods of operation. To continue their

work, they formed four committees, each comprising a mix of staff and board members. The committees report to the board every second month, two committees per month.

The committees are **Resources**: to develop processes for acquiring resources to sustain corporate growth; **Outsource**: to develop a model for Caldwell to replicate its operations/technology to serve other trust companies and trust departments; **Streamlining**: to develop more efficient ways for trust officers and operations personnel to perform; and **Redundancy**: to ensure that backup systems and personnel are always in place so that no losses will result in the event of natural disasters, key employee changes or rapid growth/immediate influx in productions.



*Members of the Caldwell Trust Company family take a break from work sessions during Caldwell's corporate retreat in May. At the front table, from left, are Lori Gabbert, Jim Gabbert, Wendy Fishman, C. J. Fishman, Edrise Sievers and Howard Sievers. Behind them are Esti Blue (spouse of guest speaker Dr. Richard Blue, not pictured), Lee Thacker, Jim Woods and Karen Woods. Alan H. Blair and Cynthia Olcott are at the table to the right.*

## 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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