



Q2 2017

Quarterly Newsletter

Bench Strength - Firm Update

By Dan T. Culliton, Director, New Business Development

No matter what team sport you follow, it seems that injuries have a way of throwing a wrench in the works. If you're an Indians fan I'm sure you would have preferred the tribe playing in the World Series with a healthy Michael Brantley. So, with arguably their best player out, the Tribe still made it to game 7 of the World Series. Why, because they had bench strength!

Like the Indians, the Caritas team recognizes the value of bench strength. Bench strength in the financial services business is the key to maintaining excellent customer service. In addition, bench strength helps ensure the firm's longevity. You may recall stories in previous newsletters when we explained the concept of the ensemble practice, and how Caritas is an ensemble practice. The key ingredient of an ensemble practice is teamwork, and taking full advantage of each team member's skill set. By improving our bench strength we also add to the depth of our ensemble practice.

OK enough with the preliminaries -- you may have already come to the conclusion that we have added some bench strength to the Caritas team. Your conclusion is accurate. Let me introduce the new member of the Caritas team.

Chris Puhlasky began his financial services career in 1994. He recently left First Merit Bank (has a relationship with LPL Financial) to join the Caritas team. In addition to all the required securities licenses to offer securities and advisory services , Chris has a Bachelor's Degree in Business Administration from Bowling Green University. Chris is currently a CERTIFIED FINANCIAL PLANNER™ candidate. Chris summed up his reason for joining the Caritas team this way, "Although I found my tenure working for a big bank as valuable experience, joining Caritas afforded me the opportunity to become a member of a close knit group which better fits my approach"

So, the next time you're in the office please take the time to meet Chris.

*"And so with the sunshine and
the great bursts of leaves
growing on the trees, just as
things grow in fast movies, I had
that familiar conviction that life
was beginning over again with
the summer."*
—F. Scott Fitzgerald, *The Great
Gatsby*

Brain Teaser

Can you name three consecutive days without using the words Monday, Tuesday, Wednesday, Thursday, Friday, Saturday, or Sunday?

Last Newsletter's Brain Teaser:

I am the beginning of sorrow and sadness. You will find me in happiness also. You will find me in sun and stars but not in moon. I am in summer and spring but not in fall or winter. Who am I?

The letter "S".

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Investment Commentary: May 2017

By Conrad Metz

Investment Notes:

- We have made several portfolio adjustments to implement our investment outlook. Amongst other changes, these reflect our conviction that the Federal Reserve will increase interest rates at least twice this year. The first of these rate increases came in March. We have shortened the effective duration (weighted-average maturity) of our bond funds.
- In addition, we have tilted some of our US stock holdings to medium-sized companies from smaller-sized companies. As of this writing (early May), small capitalization stocks (Russell 2000) have outperformed mid-cap stocks (Russell Mid Cap) by over ten percentage points over the past twelve months. We feel that mid-cap stocks could outperform small-cap stocks over the next year.
- We have shifted our exposure in foreign funds to those that hedge away non-US currency exposure, as we believe that the US dollar will continue to stay strong. This is a consequence of the US raising interest rates, while the rest of the world keeps their rates steady. In addition, a stronger US dollar could hurt US exports. Our intention is to reap the benefits of being invested in foreign stocks, while not taking on the risk of a country's currency.

Economy Notes:

- The US economy could be one of the strongest of the developed countries. While our economy grows, Europe appears to have bottomed.
- Commodities have been in a deflationary mode for a long while. We believe that a slow-but-steady global recovery will fuel inflation in an ever-increasing circle of economic growth.
- The ten-year US Treasury bond is yielding 2.3% as of this writing. Germany's "Bund" is yielding 0.3%. The French ten-year "OAT" is yielding around 0.8%. There are two things that the reader can glean from these figures: 1) with the US yielding the most, the US dollar should stay strong relative to the Euro, and 2) even though France and Germany share the Euro as their currency, the spread between their governments' bonds implies that the French political and economic situations are more volatile than those in Germany.
- Because stocks have performed well since the US election, it would not be surprising to see a temporary pullback in the market.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. The economic forecasts set forth in the presentation may not develop as predicted. All investing involves risk including loss of principal. No strategy assures success or protects against loss. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price. The prices of small and mid-cap stocks are generally more volatile than large cap stocks. International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

Is Social Security Coming Up Short for Retirees?

The non-partisan Senior Citizens League (SCL) says yes, charging that the wrong metric is being used to determine cost of living adjustments (COLAs) to retiree benefits. The federal government uses the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) to figure various COLAs. Younger, employed people usually have lower medical expenses than older people; they also spend more money on gasoline and transportation than retirees do. Senior advocates argue that the Consumer Price Index for the Elderly (CPI-E) should be used instead of the CPI-W, especially since medical costs have risen quickly in recent years, while gasoline prices and transportation costs have fallen.

An SCL analysis estimates that if the CPI-E was the COLA yardstick, Social Security recipients would have had COLAs of 0.6% and 1.5% in 2016 and 2017 rather than 0% and 0.3%. Since 2014, the SCL has surveyed retirees annually; in each survey, about 90% of respondents said that their monthly household budgets grew by at least \$39 year-over-year. In SCL's 2017 survey, 37% of those polled said that their monthly expenses were more than \$119 above where they had been a year ago. What expenses had jumped the most from last year? Medical costs and food.¹

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CITATIONS.

1 - foxbusiness.com/features/2017/05/07/social-security-not-keeping-up-with-seniors-rising-costs.html [5/7/17]

Looking Ahead: Upcoming Events Summer of 2017

Save these Dates for your reference!

Thursday, June 8th, 2017

Antique Roadshow

Wednesday, June 21st, 2017

Healthcare in Retirement

Tuesday, June 27th, 2017

Estate Planning

Thursday, July 13th, 2017

Affordable Care Act Healthcare in Retirement

Tuesday, July 25th, 2017

Affordable Care Act Healthcare in Retirement

Keep an eye out for future invitations with more details on these events! Dates are subject to change. If you are interested in attending any of these events, please contact us @ 440-729-0036.

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