

Fall Newsletter



Fall 2016

Firm Update

By Dan T. Culliton

Let's be honest, it's not easy being a Cleveland Browns fan, but Cleveland football fans continue to remain loyal. The hope is one day they will get it right --remember there is always next year. Surely, we don't want you to think that Caritas Financial is on the same level as the Browns, but there are some similarities.



In football, before every play there is a huddle with the quarterback barking out the play to his teammates. If everybody's not on the same page, a penalty, or some other form of failure will likely ensue. What for the most part goes unnoticed, is that every play the quarterback calls is a group decision. There is the coach upstairs in the booth with a birds eye view, down on the field you have the offensive coordinator and the head coach -- each individual helping to make a collective decision with the objective to offer the best chance of success.

The Caritas Financial team, like a football team, uses all the collective expertise and experience of the team members to make the right call for our client. The Caritas Financial team like a football team has a huddle with their team of specialists each bringing their personal skill set to the process.

You may recall in the spring newsletter we stressed the significance of the CERTIFIED FINANCIAL PLANNER™ designation. We have three CFPs® on our team, and like the quarterback, they are key in executing the collective decision. As the financial quarterback, they value and utilize the input of the other Caritas Financial team members. For example, on the Caritas Financial team we have a Certified Financial Analyst® or CFA®. A CFA® is required to have at least 4 years of experience and pass a series of three 6 hour exams. While a CFP® is trained to offer advice on all the clients' financial matters, a CFA's® training is more focused on portfolio design and investment management. In addition to the CFPs® and our CFA®, our Chief Financial Strategist has over 30 years of experience in financial services and has managed the State of Ohio's multi-billion dollar pension fund.

So what does all this mean to the Caritas Financial client? We believe it means that our collaborative approach provides our clients with an extremely high level of service. The Caritas Financial team consistently looks for methods to improve the quality of our service. Similar to a football team, the Caritas Financial team seeks to execute our plan in a way that produces a winner.

"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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Nonprofit Spotlight: Benjamin Rose Institute on Aging

Provided by Jeanne Hoban of Benjamin Rose



**BENJAMIN ROSE
INSTITUTE ON AGING**
SERVICE • RESEARCH • ADVOCACY

Since its beginnings 108 years ago, the Benjamin Rose Institute on Aging has built a Cleveland-based nonprofit into a nationally recognized research organization, a highly regarded service provider known for caring for people with complex, long-term needs, and a policy-driven advocate bringing information from around the country to the larger network of agencies serving older adults in the Greater Cleveland community. In 2014, the Rose Centers for Aging Well joined the Benjamin Rose family to provide resources for healthy living, including home-delivered meals as well as hot lunches, social and recreational activities, and wellness programs in seven senior center locations.

The programs of Benjamin Rose operate together to fulfill our mission to advance support for older adults and caregivers. Through home- and community-based services, applied research, elder advocacy and education and training, the organization works to help older adults remain independent in the community and transition to appropriate levels of care as their needs change.

Through its Eldercare Services Institute, Benjamin Rose provides a variety of services and programs to support senior independence in the community. These include: adult day services, skilled home care, personal care, mental health case management, partial hospitalization services, and social work. Whether an individual needs temporary assistance following a hospitalization or requires longer term services to manage a chronic condition, Benjamin Rose works with the older adult, their caregivers and other providers to ensure their needs and preferences are met.

In addition, Benjamin Rose conducts research to improve the quality of care and quality of life of older adults and caregivers and has developed evidence-based programs that are used by organizations nationwide.

Benjamin Rose translates its expertise into educational programming that is offered throughout the year for older adults and caregivers, including professionals in the field of aging.

To learn about the programs and services of the Benjamin Rose Institute on Aging, visit www.benrose.org or call 216-791-8000.

Investment Commentary

Is it Time for a Federal Reserve Interest Rate Hike?

The global economy, including the US, continues to grow at a slow pace, causing interest rates to remain low. That rates have remained so low for so long has permitted intermediate- and long-term fixed income (bond) investments to continue to have positive returns this year. That would not be the case if interest rates were to rise.



It is important to emphasize that if US short-term interest rates are increased by the Federal Reserve's governing Board, there are usually at least three immediate reactions:

1. the price of fixed income securities (bonds) should go down;
2. the US dollar should strengthen relative to other currencies; and
3. the stock market will react strongly. Sometimes it goes up, if the interest rate hike is interpreted as a strengthening economy. Sometimes it goes down, if the hike is viewed as a sign that inflation is increasing.

As we have been writing for some time, one consequence of a strengthening US dollar is that our exports are disadvantaged, as the price of our goods become more expensive to foreign buyers, who generally operate in their own currencies. This could place a strain on US multinationals.

Because this economic recovery continues its sluggish pace, we do not expect investors to demand higher interest rates soon. **However, it might behoove the Federal Reserve to increase its discount rate by 0.25% before year-end 2016.** Investors should consider keeping a slightly higher than normal amount of short-term fixed income investments, also known as "cash-equivalents". This should also mitigate portfolio balances when stock and/or bond markets waffle.

In the equity (stock) market we continue to see the value in a tilt toward value stocks—those that tend to have higher than average dividend yields. We feel that this way investors may benefit from the relatively higher stream of current income. For the same reason, if there is a market correction (which by definition inevitably occurs in every market cycle) portfolios should exhibit mitigated volatility. In addition, we deemphasize emerging stock markets, whose economies we believe are more subject to the vagaries of global volatility. We maintain a position in smaller US companies, as they tend to benefit disproportionately from economic recovery. For clients who have the appropriate requisites (level of assets and/or income), we are finding several alternative investments that provide either increased current income or the potential for longer term capital appreciation.

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.

At Caritas, our core discipline is to help grow our clients' assets, while also monitoring volatility in the markets, given each client's return/risk profile. For those who have retired and accumulated their wealth, we help counsel how not to overspend. For those who are still in the accumulating stages, the adage that "It isn't what you earn, it's what you save" is more true than usual in this environment of miniscule interest rates. Commitment to a consistent savings and investment regimen is the prevailing way for the majority of people to accumulate wealth. Other legitimate ways aren't attained by most of us: through inheritance, entrepreneurship, marriage or lottery. Even a high *salary* doesn't necessarily mean that retirement money will be there when we need it; you have to *save* it.

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1st Annual Pet Photo Contest

Thank you all for your submissions! It was a real treat to see all of your lovely pets. We had a hard time picking a winner out of all of your submissions! This year's winners are two kittens named Spice and Steak! Congrats!

Winner!



Runner Ups!



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