



January 2024 – Time-Tested Principles

“Expedients are for an hour, but principles are for the ages. Just because the rains descend, and the winds blow, we cannot afford to build on the shifting sands.”

– Henry Ward Beecher

Silver Anniversary

It seems hard for us to believe, but Callahan Advisors just celebrated our twenty-fifth anniversary. During that time, we grew from managing no assets to managing over \$900 million. We started our firm at the end of 1998. Right off the bat, we experienced the bursting of the dot-com bubble, followed by the Great Recession of 2008. We weathered the Covid crisis of 2020 and beyond. However, much like the stock market itself, the bad times were surpassed by the good times. We have been blessed to participate in strong market growth behind some truly phenomenal companies. Our firm has grown from two people to a team of twelve. And, most importantly, we have had the privilege of working with over four hundred families across the country.

Everything we have accomplished is because you, our clients, trust us to manage your investments according to our mutual goals of diversification, recognition of your risk tolerances, frequent communication, tax awareness, and avoidance of excessive turnover. All while maintaining low fees compared to many other investment advisors.

In the twenty-five years of our history, we have never increased the rates we charge, nor do we intend to do so. We do not charge for consultation. We encourage it. We think of you, your tax advisor, your estate planner, and ourselves as a team. What really matters is how your assets grow after taking into consideration the effects of taxes and all fees.

Every client is unique but all of our investing falls into one of two general categories – wealth creation and wealth preservation which require a different mix of investments to achieve. Everyone has their own specific goals, risk appetite, dreams, and fears. Some are trying to save for retirement, buy a second home, make sure a family member will be well cared for, support a charitable cause, among other objectives. It is our job as your financial advisor to help you sort through all of this to build the right plan and portfolio to help you achieve these goals.

Our firm philosophy, based on the following fundamental principles, guides us in making these decisions:

- Customization - Portfolios must be customized to include the client’s financial goals and resources, risk tolerance, cash flow requirements, tax situation, and estate planning needs.
- Diversification - The risks in equity investing can be reduced through diversification.
- Equity-Focus - Diversified equity investments have yielded higher real returns (adjusting for inflation) compared to most other investments when measured over a reasonably long period of time.



- Cost Minimization - Low portfolio turnover minimizes taxes and transaction costs.
- Long-Term Horizon - Investment performance should be measured over a reasonably long period of time.
- Fee-Based Structure - Compensation for investment advisory services should be fee-based so as not to reward trading and to lessen any inherent conflicts between us and our clients.
- Communication - Regular communication between clients and advisors is critically important to maintain investments consistent with risk tolerance.

Like all principles they should not change according to the whims of the day or macroeconomic events. These principles were valid during the Great Depression, during wars and during whomever happens to be President.

The one principle above that could be elaborated on is Long-Term Horizon. A client once told us that he was so old he doesn't buy green bananas. Obviously, as noted under Customization, we all have to take into consideration the need for liquidity. However, after people believe that they are not going to die broke, they begin to think more long-term again as they are really thinking about building generational wealth for their children and grandchildren.

The past twenty-five years have been a journey. Many have experienced additions to our families, the loss of loved ones, and illnesses. There have been many pleasant surprises as well as unexpected losses. All such events affect our investment portfolios, and we must be proactive with such investments.

We are grateful to you for granting us the privilege to invest for you and to share this journey with you.

Please call if you have any comments, concerns, or questions.