



TRUXTON TRUST  
A PRIVATE BANK

# Truxton Times

VOLUME 13, NO.1  
WINTER 2015

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## DOES IT STILL MAKE SENSE TO DIVERSIFY?

By Miles Kirkland

The performance of the S&P 500 index is among Conference Board's predictors of future economic growth. It did its job in 2014, another good year for U.S. large company stocks. Other size firms and world regions did not fare as well. European growth has slowed to a crawl. Many countries face a serious risk of deflation. Emerging markets are suffering from declining commodity prices, Chinese growth concerns, currency volatility and the fallout of geopolitical tensions in Russia. Meanwhile, the United States economy is accelerating. After a slow start to the year due to weather, U.S. GDP grew at a 4% pace for the rest of the year, and should expand by 3% in 2015.

		Returns as of December 31, 2014			
		2014	Latest 3 years	Latest 5 years	Latest 10 years
Large Cap U.S.	S&P 500 Index	13.70%	20.42%	15.46%	7.67%
	Russell 1000 Large Growth Index	13.06%	20.27%	15.82%	8.50%
	Russell 1000 Large Value Index	13.46%	20.90%	15.43%	7.30%
	DJ US Select Dividend	15.35%	18.17%	17.02%	7.08%
Mid Cap U.S.	S&P 400 Mid Cap Index	9.79%	19.99%	16.55%	9.71%
Small Cap U.S.	S&P 600 Small Cap Index	5.76%	20.24%	17.28%	9.02%
Developed International	MSCI EAFE Index	-7.34%	7.91%	2.34%	1.59%
Emerging Markets	MSCI Emerging Market Index	-1.82%	4.41%	2.11%	8.78%
Commodities	Bloomberg Commodity Index TR	-17.01%	-9.43%	-5.53%	-1.86%
Real Estate	NAREIT Equity Index	30.11%	16.32%	16.87%	8.29%
Global Market Cap Weighted	MSCI World Index	4.94%	15.48%	10.21%	6.03%

\*The United States represents about 51% of the MSCI World Index.

So, why don't we just put all of our clients' money in an S&P 500 index fund? The reason is simple: we don't know where good or bad performance is going to come from in any given year. We do know that markets look forward, not backward, so what happened last year is not a basis for sound decisions. Europe's markets will "predict the future" just as ours have apparently done over the past few years. Future stock performance could be good or bad as is always the case, but there is a discount for these stocks to compensate for the greater uncertainty. Emerging markets tend to respond to trends in developed markets, which are major trading partners.

Developed International markets have underperformed the U.S. in recent years. The European "stakeholder model" creates a less dynamic environment than the "shareholder model" in the U.S. and European consumers don't tend to exhibit American confidence.

Despite these fundamental headwinds, there are many strong European companies and they serve a very large market of relatively prosperous people. Developed International indices have often outperformed in the past with consistent outperformance in the years between 2001 and 2007 despite Japan's volatile stock performance.

We believe that diversified portfolios improve total performance and risk profile over time and reduce the tendencies of our animal spirits to "respond to old news." Therefore, we recommend rebalancing portfolios to long term targets and hoping for peace and prosperity around the world.

We hope you have a happy and prosperous 2015. ■

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## CHAIRMAN'S CORNER

### JANUARY 2015

By Charlie Cook

As noted elsewhere, management and our entire team produced another successful year in 2014 with improvement by all measures over 2013. Net income rose 18 percent, return on equity was above 12% for another year, return on assets rose from 1.17% to 1.24%, and we increased our dividend by one hundred percent from twenty cents a share to forty cents a share. We enter 2015 with good momentum and are encouraged that both the national and local economies are continuing to show growth.

We owe a deep debt of gratitude to our customers for the performance we have generated over the first ten years. Their confidence in our bank has been magnificent and has fueled our growth in both banking and wealth management.

In observing the characteristics of our company in comparison to other large financial institutions, I am struck by the stability of our work force and the professionalism it shows in every category. Our lenders are creative in structuring transactions that meet our borrowers' needs, our deposit operations staff routinely "make house calls" to assist our commercial depositors when needed, and our wealth management group provides outstanding financial counseling and plain old hand holding for families with issues ranging from money management to health care.

This latter point is one of the major reasons I feel Truxton Trust is different from all the other wealth managers around, and there are lots of them, both big and small. Members of our staff have all the letters after their names that others promote. Several have law degrees. The differentiating qualities, however,

are that we have virtually no turnover and all of us are dedicated to being individually responsive to our clients and customers.

I have never worked in an environment in my over fifty years in banking in which I have seen such care given to the specific needs of customers. I feel that I can say this with confidence as I get really strong feedback from so many people when I run into them at social events, church, or wherever. It is very gratifying to say the least.

Many people with money to be managed worry more about the returns they will get rather than the way in which they are counseled about their assets, their estate planning, and their personal needs and the needs of their families. Certainly, returns are important, and our staff of financial advisors continue to be very competitive in producing good performance for our clients, but they take a much more holistic approach in looking after our clients' concerns and needs well beyond financial performance. Big banks and brokerage firms, on the whole, do not consistently provide this level of personal attention, which is one major reason why we have been able to move business from over 70 financial institutions over the past decade.

Think about your concerns and what we can do to help you address them. We thank those of you who have experienced our approach and invite those of you who have yet to try us to give us that opportunity. ■



# TAXES ARE COMPLICATED...BUT NOT TO BRAD

By Brad Dunlavy

Two years have passed since many Bush-era income tax cuts faced expiration and threats of reducing the higher estate tax exclusion loomed. Congress eventually made adjustments to income and investment related taxes by raising the top marginal tax rate from 35% to 39.6% and raising the top tax rate on long-term capital gains and qualified dividends from 15% to 20% for taxpayers in the highest tax bracket (plus a new 3.6% Medicare surtax). For estates, the higher exemption and portability of exemptions were made permanent. However, as we all have learned, in Washington D.C. the word permanent takes on a different meaning than it does in the rest of the country.

This past December, Congress approved the annual tax extenders for 2014, which included the deduction for sales tax as well as the IRA charitable deduction for taxpayers 70 ½ or older and a few others. Similar to past years' brackets, the 2015 tax brackets are adjusted for inflation with some exceptions.

## IRA AND 401(K) CONTRIBUTIONS

For eligible taxpayers, 2015 IRA contributions for traditional and Roth IRAs remain the same as in 2014: \$5,500 for taxpayers under 50 and \$6,500 for taxpayers 50 and older. For 401(k), 403(b) and 457 plan deferrals, the limit has gone up to \$18,000 for those under 50 and \$24,000 for 50 and over.

## ESTATE AND GIFT

At \$14,000 per recipient, the 2015 annual gift tax

exclusion remains unchanged from 2014. The lifetime exclusion amount increased from \$5.34 million per person in 2014 to \$5.43 million per person in 2015. The portability of exemptions between spouses remains in effect, thus allowing for a combined exclusion of \$10.86 million for married couples. For many these large exemptions changed the way traditional estate planning is viewed, causing some to shift more emphasis to income tax planning. Given the ever evolving tax landscape, there is no better time than the present for Truxton Wealth Management to review your wills and estate planning documents. We will assess whether the recent tax law changes adversely affect the benefits bestowed upon you and your heirs under your current estate plan.

## TRUXTON HAS THE EXPERTISE

The ability to make informed investment decisions regarding your after-tax returns is an increasingly complex task. Your Truxton Wealth Management team is fully equipped to work with you and your tax professional to help empower you take make well-educated financial decisions. ■



## TRUXTON IN HAITI

In January, team Truxton ventured to Thomazeau, Haiti to work with David and Laurie Vanderpool, founders of Live Beyond ([www.livebeyond.org](http://www.livebeyond.org)).

Brooke Rice, Rod Spann, Derrick Jones, and Tom Stumb with the support of colleagues and friends, spent a week serving some of the poorest people on our planet. Hundreds of patients were served in the Live Beyond clinic; at-risk individuals were visited in their homes; orphans were loved; and the hungry were fed both physically and spiritually. Rod Spann, Senior VP and Private Banker described the week as “life-changing”. Tremendous progress has been made since the Vanderpools sold their Brentwood home and medical practice just under two years ago to live in Haiti full-time. Our peoples’ “hands and feet” directly serve the neediest among us. All Truxton is honored and humbled. Thanks to all who helped make this happen. ■





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## TRUXTON CORPORATION REPORTS FOURTH QUARTER AND FULL YEAR 2014 RESULTS

NASHVILLE, Tenn., January 29, 2015 –Truxton Corporation (OTCQB: TRUX), a bank holding company and the parent of Truxton Trust Company, reported consolidated net income of \$4,202,000 for the year 2014, an 18 percent increase compared with \$3,573,000 for 2013. Earnings per fully diluted share for the year ended December 31, 2014 totaled \$1.66 versus \$1.48 for the same period in 2013.

At December 31, 2014, the company reported total assets of \$345.2 million, a 5 percent increase from December 31, 2013. Over the same period, deposits increased 1 percent to \$282.1 million, while total loans grew 10 percent to \$229.3 million. At December 31, 2014, the Bank's estimated Tier 1 leverage ratio was 10.11%.

Non-interest income for the fourth quarter of 2014 was \$1,796,000, compared to \$1,556,000 for the same period in 2013, an increase of 16 percent. For 2014, non-interest income totaled \$6,887,000 compared to \$5,695,000 for 2013, representing a 21 percent increase.

Tangible Book Value per share at December 31, 2014 was \$14.85 compared to \$13.34 at the same time a year ago. "Our performance in 2014 was very strong," said CEO Tom Stumb. "We saw double-digit growth in loans. Non-interest income, mostly from wealth management, rose by more than 20% again. We delivered return on average equity (ROAE) above 12%, doubled our dividend; opened a new Wealth Management office in Georgia; and increased our staff by 25% to prepare for further growth ahead. We thank our employees for their hard work and clients for their loyalty and patronage" ■

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