

McDaniel-Knutson

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Philanthropy—India Project

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A few weeks ago, Wayne, Jude, Vickie, Keith, Bev, two clients and I set out for a 10 day trip to South India; we're back in the states and have taken a few days to reflect on what we experienced and learned while there.

Four years ago, McDaniel Knutson Financial Partners teamed with India

Kanavaipudhur to great fanfare. The village people greeted our bus with leis and flower petals; it was a little overwhelming - these people with so little doing so much for us. While in Kanavaipudhur we dedicated a borewell so the village could receive clean drinking water. Jude was awestruck



Gospel League (IGL) and adopted a village in rural India named Kanavaipudhur. We are entering our fifth and final year of financial support of Kanavaipudhur and wanted to take the opportunity to see the village and meet the people. IGL works hard to provide health care services to rural Indian villages to reduce preventable diseases. IGL educates people about healthy eating habits, sanitation and STDs as well as empowering women through micro-loans and skill training.

After 48 hours of travel, we arrived in

by the simplicity of our water in America, blown over by our ability to drink water from the tap, from a water fountain or even a garden hose without worrying about deadly diseases. The well dedication was incredibly special to us, knowing that with the opening of a spigot these people can now share in what we have taken for granted for so many years.

IGL does a phenomenal job in teaching life skills to the villagers. Teachers will come to the village and train peo-

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ple that will allow them to gain employment, start their own business and financially support their families breaking the cycle of poverty.

Common trades are sewing, tailoring, dairy farming and construction. Kanavaipudhur has several success stories of their own, but my favorite is a beautiful young woman who went through the skills training and became a seamstress for the village. She now earns a great income and supports her husband, son and daughter.

During our visit we had the pleasure of going to another village, Chettichavadi, which was adopted 10 years ago and has been self-sustaining for the past 5 years. We dedicated a production center there, where several of the women of the village will be



making baskets to be sold at market. The women were so excited and proud to be a part of this. We also learned that the literacy rate in the village, which began at 10%, is now 100%. The children are taught not only to speak, but to read English, one of 20 recognized official languages of India.

The most astounding moment of our trip was handing out micro-loans to the women in Kanavaipudhur. The

only requirement of receiving a loan is belonging to a Women's Transformational Group for a year, where they learn about good business practices, saving money and writing a simple business plan (*nothing* like a business plan in the USA). Last year, 84 micro-loans were handed out to the women of Kanavaipudhur in the amount of 55 USD, about 2,500 rupees, each. There was *one hundred percent pay-back* of those loans. This year, 78 of those women returned for another loan of about 110 USD, about 5,000 rupees. The women pay back the loans in 10 monthly installments, and then pay one additional month as interest. This money is generally used to buy cows, goats, vegetable carts or anything that will assist them in developing their own business and earning an income.

I believe we all went to India with the expectation that we were going to experience a life-altering event. I know India will forever be a part of each of us. Each of us walked away with a lesson about the people of India. I was terrified I wouldn't be able to come back, that my soft-heart couldn't handle the devastation and poverty we would see. Instead, I came home energized and committed to continuing my support there. The people of India are some of the happiest people I've met in my life. They are truly grateful for what they have and do not yearn for what they do not have. Keith said it best in debrief: "There was not a single event that changed my life, but several that will stay in my heart forever."

-Tammy Barnes

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United States Trying Too Hard and Europe Trying Too Little?

Last year the economic recovery was looking promising, with employment ticking down and consumer spending on the rise. Washington was turning its focus to deficit reduction. In the short and intermediate terms, the consequence of deficit reduction and cutting back on normal spending is anti-jobs. The agreement to raise the debt ceiling earlier this year calls for over two trillion dollars in spending cuts, over half of which will probably come from defense spending, which hurts certain industries in the US. Thus, it's not surprising that with the end of stimulus and the focus on cuts, unemployment has crept back up to over 9%.

To combat a slowing economy and unemployment, President Obama announced his jobs creation plan and the Federal Reserve decided to implement "Operation Twist." This involves selling \$400 billion in short term Treasuries and using the proceeds to buy long term Treasuries. So what's the advantage of doing this?

Low yields are good for the government and those looking for a mortgage, but have unfortunate side effects on bonds, pension plans and those seeking fixed income. Low yields are good for borrowers but not for lenders, and anyone that owns a bond or invests in fixed securities like CDs are lenders. Interest rates were already at historical lows so pushing those rates down a bit further isn't going to entice more people to obtain mortgages especially with higher down payment requirements. Those trying to live off of their savings are forced to find higher returns in less safe places, putting retirees at higher risk in a time of great market uncertainty. All in all, most economists agree that this move by the Fed will have more negative consequences than positive outcomes.

I recently heard Kansas City Fed President Tom Hoenig speak. One of his opening comments was that "your first loss is your least loss," saying that the United States should have dealt with the market meltdown in 2008 with less subsidies for large banks. He stated that we should have begun proactive measures to allow some of those ripple effects to play out in the markets. Now that the Fed's balance sheet has ballooned to over \$1.7 trillion the pain we may experience in the next few years will be worse than what we would have gone through without huge stimulus. More bailouts and spending delay the loss, but they also increase the loss when it finally comes due.

Europe's debt crisis still has no resolution. Last month, US Treasury Secretary Timothy Geithner attended the Eurozone meeting urging them to act with more force and implement a TARP-like program similar to what was done in the US. His ideas were shunned, feathers were ruffled and no progress was made at the meeting.

The most likely resolution to be agreed upon is to have Greece implement a partial, orderly default and recapitalize banks. The problem is that countries of the EU are arguing over how much of the loss the private sector should have to swallow. There are 17 separate countries needing to agree on a plan, you can imagine how difficult it can be to come to a consensus.

We will most likely see a resolution in this sideways market in the next month or so, either to the upside if the EU comes out with a united front and a plan, or to the downside if they don't have some kind of plan in place by the G20 meeting in November. The risk of more decline is sizable. If indices in the US break below previous lows, we could see another 10% drop. If the market remains above previous lows, it will still have a tough time moving significantly higher without improving economic data. What the market really needs to recover is action from the Eurozone. Even if it's not exactly what the market wants, any action at this point would be considered positive, in my opinion.

For our management strategies, we are still invested in bonds and a few conservative, high dividend stocks. We have a large portion in money market that we are waiting to invest at a better time. That better time may be at higher prices if the Eurozone announces a decision, or it may be at lower prices if markets have a steeper correction. But because of the risks, we're willing to forgo some potential gains to protect against steep loss.

-Victoria Bogner, CFP®

[1] "Legislative Update: Lower deficits or more jobs?" The Washington Update. Friedman, Andrew. 2011 September 13.

[2] "Fed Inflation Hawks Downplay Need for Easing." Reuters.com. 12 September 2011.

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