

# McDaniel-Knutson

## FINANCIAL PARTNERS

### Foundations for the Middle Class

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Foundations have gone mainstream in recent years. Anyone with as little as \$250 can open a “Donor Advised Fund” (DAF) at a community or national foundation. A DAF is like having your own foundation under the umbrella of a larger one.



In simple terms, here is how it works. You complete the paperwork to open an account and make a deposit. The foundation you open the account with is a charitable entity; therefore, your deposit (contribution) is tax-deductible. Depending upon the foundation and account size, you may have investment options, and the umbrella organization will invest those funds. At your direction, the foundation makes contributions to charitable organizations in the name of your DAF, which you may

name whatever you like. For example, our corporate DAF is “McDaniel Knutson Charitable Giving Fund.”

There are several reasons you might want to have a DAF. One of the advantages is to streamline and simplify your giving. This came home to us this past year. The IRS audited us for our contributions in 2008. We gave to over 30 organizations from a total of five checking and credit card accounts. The IRS wanted both the charitable receipts and a copy of each cancelled check. What a hassle! Had we been using a DAF at the time, we would have made all our contributions to the DAF and only had to prove gifts to one organization. We would have directed the DAF to make all of the contributions to the various organizations, instead of us doing it directly.

Another advantage is you can make your contributions to your DAF prior to year’s end but decide where you want the funds to go next year or at your leisure.

Your DAF can also be used as an estate- and legacy-planning tool. If you have multiple charities you would like to benefit, using a DAF streamlines the process. You name the DAF as the beneficiary of accounts or your trust. If you later want to change how much goes to what charity, you contact only

## Foundations for the Middle Class

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the DAF to make your changes. You can also stagger gifts, so an organization you care about does not receive too much at one time, thereby building longer-term stability for the organization.

Perhaps most valuably, you can engage your children, grandchildren and future generations in philanthropy. You may establish a portion of your DAF to be directed by your heirs within whatever restrictions, time frame and terms you choose. This builds family cohesiveness, character and values.

The right foundation to use depends upon your objectives and amount of money involved. We can help you decide whether or not a DAF (or your own private foundation) is right for you and guide you through the choices.

~Wayne McDaniel, CFP®, CLU, ChFC

## Coming Soon to your Smartphone: McDaniel Knutson Mobile

You're out and about when you hear news that makes you want to check your investments. But you don't have access to a computer so you can login to your accounts at [mcdanielfinancial.com](http://mcdanielfinancial.com).



Soon, that won't be a problem! McDaniel Knutson is partnering with Orion Advisor Services to develop a Smartphone app you can use to check your accounts from anywhere. The app will be available in both the Android and iPhone platforms. Best of all it's free!

We're testing it now and will make an announcement as soon as it's ready. It's just another way we're striving to give you the best service possible.

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## A Personal Walk: Staff Spotlight on Kara Gourley

Some causes are personal. Everyone at McDaniel Knutson Financial Partners is involved with charities that are near to their heart, but, for Ed Zeller's assistant Kara Gourley, the cause is a little nearer.

Kara is involved with Relay for Life – the annual walking event that raises money for cancer research. Occurring annually in June, the Douglas County relay features teams walking or running the track at Free State High School. The event lasts 24 hours, and teams are encouraged to have someone on the track at all times to symbolize the fact that cancer never sleeps. Team members solicit donations from family, friends, and businesses to support their walk/run, with the proceeds benefitting cancer research.

In addition to the regular laps taken by participating teams, Relay for Life also features celebrations of survivors and remembrances of those lost to the disease. Those whose lives have been affected by cancer (whether from having the disease themselves or from knowing a friend or family member who survived, succumbed to, or is fighting it) gather together for support.

Like many of the people participating, Kara is a cancer survivor herself. She was only 30 years old when she

received her diagnosis. Fortunately, she caught it early and moved quickly to treat it. She's been cancer-free for four years now.



About the time she first got a clean bill of health, her husband's firehouse (he is a firefighter for Lawrence Douglas County Fire Medical) approached her about being a member of their Relay for Life team. She agreed and found the experience to be exhilarating. She has since formed her own team and is passionate

about both raising money for the cause and building awareness of the disease.

This year's Relay for Life is scheduled for June 10-11. We at McDaniel Knutson wish her great success in her efforts.

For more information on Relay for Life or to get involved contact Barb Gorman at 785-841-7723 or at [gormbarb@yahoo.com](mailto:gormbarb@yahoo.com).

# US Debt under Fire

US Treasury debt is coming under fire from noteworthy places. On April 18<sup>th</sup>, Standard & Poor's downgraded the outlook for the United States from stable to negative, stating that it believes there is a risk US policy-makers may not reach agreement on how to address the country's long-term fiscal pressures.

"Because the U.S. has, relative to its 'AAA' peers, what we consider to be very large budget deficits and rising government indebtedness and the path to addressing these is not clear to us, we have revised our outlook on the long-term rating to negative from stable," the agency said in a statement.<sup>1</sup> While the US has never been downgraded, the last time the United States was placed on a negative watch was in January, 1996. Moody's was responsible for that downgrade after Congress refused to vote on the U.S. debt ceiling — a topic that is once again at the center of debate in Washington.

The current debt ceiling is placed at \$14.29 trillion, a number that will be reached in mid-May. Without an increase, the US will fail to meet its debt obligations.

"The cornerstone of the global financial system is that the United States will make good on its debt payments," says Mark Zandi, chief economist at Moody's Analytics. "If we don't, we've just knocked out the cornerstone, and the system will collapse into turmoil."

Throughout the financial crisis, America's great advantage was its status as the single safest investment in the world. Borrowing money is easy for the United States, and it makes our interest rates on those borrowings low. But all of that is based on the market's perception that our debt is, indeed, a safe investment, that we will pay it back, that we won't inflate our way out of the fiscal holes we dig, that our political system will make tough decisions when necessary.<sup>2</sup>

Confidence, once lost, is hard to regain. "It's like a cat

who jumps on a hot stove," says Bill Gross, co-founder of PIMCO, the biggest bond fund in the world. "Burn it once, and it doesn't jump back on there."

In March, Gross announced he was selling Treasury bonds due to their risk of default. How would the US default? According to Gross, through inflation and further devaluation of the dollar by printing more money to meet debt obligations.



My opinion is that, possibly at the dramatic last moment, the debt ceiling will be raised and the focus will be on the increasing deficit. Since the United States is the generator of the US dollar, we will be able to print more money to meet our obligations. Along with it will come more questions of how to begin a feasible plan to curb spending and bring our debt down to sustainable levels. In the best-case scenario, Congress will create a viable

plan to cut the deficit, which will show the rest of the world that we are still a safe and reliable investment. Hopefully, this is a task that can be accomplished before the elections in 2012. I think 2011 is still a year focused on quantitative easing and fueling a strengthening recovery.

Speaking of recovery, the private sector has still been showing signs of strength, which should help stocks move higher throughout the year. Jobless claims are falling, most earnings reports are positive, and consumer spending has increased. If private companies can overcome the headwinds of global economic turmoil, 2011 can still be a good year for stocks.

~Victoria Bogner, CFP®

<sup>1</sup> "S&P Affirms US AAA Rating, Cuts Outlook to Negative." Reuters.com. 18 April 2011.

<sup>2</sup> "Thought the financial crisis was bad? Wait till the debt ceiling caves in." Klein, Ezra. *The Washington Post*. 19 April 2011.

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## Join us for *Chicago*!

“Give ‘em the old razzle dazzle / Razzle dazzle ‘em.”



On **Friday, June 24**, McDaniel Knutson Financial Partners will be getting the old razzle dazzle from Theatre Lawrence (formerly Lawrence Community Theatre) as they present the Tony Award-winning musical, *Chicago*. The show tells the story of Roxy Hart, a chorus girl who murders her faithless lover and then needs the help of superstar lawyer Billy Flynn to keep her off death row and maybe even secure her an acquittal. Featuring songs like “Razzle Dazzle,” “All that Jazz,” and “Mr. Cellophane,” *Chicago* tells the story of sensation and corruption in the

### Event Details:

- **Date:** June 24, 2011
- **Time:** 7:30pm, SHARP!
- **RSVP:**  
[events@mcdanielfinancial.com](mailto:events@mcdanielfinancial.com)  
785-841-4664
- **Deadline:** June 20, 2011

Windy City of the 1920's.

McDaniel Knutson has “bought the house” for this performance, and we’re inviting you to join us. No business will be discussed; this is a night of fun we’re presenting as a thank you for being our client. We’ve bought all the seats, but they will go fast. **Please RSVP** to [events@mcdanielfinancial.com](mailto:events@mcdanielfinancial.com) or give us a call at 785-841-4664 as soon as possible. Please feel free to bring a guest to this event.



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