



McDaniel Knutson

FINANCIAL PARTNERS

Using our **KNOWLEDGE, SKILLS and RESOURCES**
to help people increase their capacity to **LIVE and to GIVE**

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Happy Long Term Care Awareness Month



Fire Extinguishers, Airbags, And...Long Term Care Insurance?

What do all these things have in common? They are all complete wastes of money and serve no purpose whatsoever—unless you need them. And/But if you need them, they are the best things you'll ever buy. Even better than Chiefs Super Bowl tickets or a drone.

We are living longer than ever. It's not uncommon to see people in their 90s and older. As we get older, routine daily activities become more difficult. In the past, we've shared information with you regarding the need for a Long Term Care **plan**. That plan may involve insurance, or moving elderly parents to a nursing home, or moving them in with a family member, or hiring professionals to come into the home to take care of the parents. It may involve a combination of these, too. Interlaced into all these possibilities is the financial component of who is going to pay for what.

Often times, the "plan" is to ignore it and deal with it later. Don't do that. Like fire extinguishers, custodial/skilled care is needed immediately. You'll get a call from someone saying, "your Dad slipped in the bathtub and should be ok in a couple days. When do you want to come get him?" Waiting for the house to catch fire is not the time to call your brother and come up with a plan. The time to run the fire drill is now.

Consult with your spouse, parents, and siblings now about what to do when mom needs care. The holidays are fast-approaching and nothing kills a Thanksgiving buzz like what to do about mom's Alzheimer's, but this is grown up stuff. Adults need to have conversations like these. Not

because they love talking about assisted living; but because they love each other and don't want to put unnecessary strain on an already stressful situation. It gets more complicated when you have parents and siblings in different cities.

All family dynamics are different, but try to imagine how your evening would go if it started something like this: "Hi Honey! Do you want the good news or the great news?!" At Casa Knutson, that line alone would generate a basket of mixed spousal emotions and forced, but sincere laughter, but I digress. "Give me the good news first!" said the unsuspecting wife/daughter-in-law—perhaps a bit hopefully. She's thinking Hawaii or maybe Paris is in our future. "The good news is, Dad's going to be ok and should be out of the hospital this week. The great news is he's going to be staying with us indefinitely." And that's when there is an awkward pause. Most husbands know that pause.

LONG TERM CARE IS NOT ABOUT BALANCING CHECKBOOKS AND TAKING MOM TO THE EYE DOCTOR. It can be real live 24 hour a day, seven days a week care for eating, bathing and other personal needs. Most of us are under a lot of stress already. Adding the care of an aging parent is not like your daughter wanting to go to lacrosse camp. It's much closer to starting a business AND having a baby AND having twin teenagers learning to drive all at the same time.

You have spent a life time accumulating wealth. It would be a shame for the nursing home to be the primary beneficiary
(Long Term Care Insurance, cont. to page 3)

Market Commentary: Cutting Through The Noise

Written September 22, 2019

The S&P 500 is within spitting distance of new highs but hasn't been able to cross that resistance line yet. In the short term, there seem to be two things moving the market: trade war news and Federal Reserve statements. If you pay attention to the headlines, then you probably feel the ongoing tension and uncertainty:

CNBC.com headlines

Investors wonder whether this calm march back to near record highs can be trusted

US stock futures point to slightly lower open amid global growth worries

As stocks struggle to break to new highs, markets could be swayed by Fed speakers, trade

But those headlines aren't meant to give you true information. They're meant to entertain you. To get back to a rational, objective frame of mind, it's important to look at the facts. How is the economy really doing and how high is recession risk right now?

The short answer is that both the US and global economies are in flux. Month to month, various indicators are flipping from weakening to strengthening. And meanwhile, central banks around the world are cutting interest rates (some into negative territory) and loosening monetary policy to try to keep those indicators on the growth side of the knife's edge.

Allow me to outline some of the positives and negatives for the economy and then tell you my own conclusions about how high recession risk stands currently.

Some of the positives:

- Unemployment is the lowest it's been since the 1960s and isn't showing signs of increasing yet. In the past, there hasn't been a recession without



S&P 500 15-month chart

seeing an uptick in the unemployment rate first.

- Share buybacks are still strong. This is a huge driver of market performance and as long as companies continue to buy back their own shares, this will provide demand for stocks.

- In anticipation of a recession or deep correction, investors and money managers are holding a large amount of cash. Investor psychology suggests that on market dips, this cash will likely be put to work because investors fear missing out on future gains. This puts a cap on how far the market would fall and/or suggests a swift recovery in the case of a correction.

- The Federal Reserve has flipped to a more accommodative stance. There have been two rate cuts this year and may be a third before the year is through. If the Fed allows their balance sheet to begin expanding again, this would be viewed as a positive for markets.

- Stock prices aren't in a bubble. P/E ratios are only slightly above the 20-year average and when factoring in how low interest rates are, some economists suggest stocks are undervalued as a whole.

Some of the negatives:

- The yield curve remains inverted, which isn't natural. This is a warning sign that there are imbalances in the bond market.

- Last week, the Federal Reserve had to initiate an emergency injection of \$53B into the overnight short-term lending (repo) market for the first time since the global financial crisis ten years ago. The Fed claims this isn't an indication of a deeper problem and that they can continue injections to stabilize any cash shortages, but I doubt they would tell the investing public they see a liquidity crisis in repo markets.

- Increased tariffs have placed an additional burden on the manufacturing sector. The New Export Orders index contracted for the second month in a row and is at its lowest reading since April 2009. At this point, it is not clear if resolving tariff issues will prod manufacturing back into expansion, as the global slowdown had already begun prior to the current trade war. Global manufacturing continues to decline across the board.

- World trade volume now has a slightly negative year-over-year change. The last time this happened was just prior to the 2002 and 2008 recessions.

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Long Term Care Insurance

(continued from page 1)

of your estate. Nursing home and other Long Term Care expenses can cost thousands (even tens of thousands) of dollars per month. Assume your parents need 12 hours per day of care. Pick an hourly rate (and you don't want to go minimum wage on this one). If you assume a modest rate of \$20 per hour and assuming 12 hours per day (and both these assumptions are on the low side), that's \$240 per day times 30 days per month that comes to \$7200 per month. It's not uncommon to need this type of care for 3-4 years, so that comes to about \$350,000. Medicare doesn't pay for this type of care and Medicaid kicks in after your assets are depleted. Having a Long Term Care plan is not terribly sexy, but it can be a real lifesaver. Ask anyone that has had to deal with Alzheimer's, Parkinson's, dementia, or a stroke in the family.

Please carve time out of your schedule to develop a plan to handle your and your parents' Long Term Care ex-

Market Commentary

(continued from page 2)

There are many more indicators we look at but that's the highlight reel. My opinion on recession risk is that it continues to rise as long as we don't have a trade deal with China. Without a resolution, I suspect world trade volume will continue to decline, which could cause a ripple effect through manufacturing and unemployment, and tip the meaningful recession indicators into decisively negative territory. While the Federal Reserve and central banks around the world could try to prevent this from happening, their ammo is largely spent already. With negative interest rates and balance sheets that are already bloated, there's only so much monetary policy can accomplish at this point. We'll continue to keep a very close eye on how economic indicators fare for the remainder of the year.**

- Victoria Bogner, CFP®, CFA, AIF®

penses. These expenses are the next financial tsunami for Americans to deal with. We can help you develop a plan and show you how to address what can be one of the biggest obstacles to your family's financial independence.

We are big believers in Long Term Care planning and using insurance to cover Long Term Care expenses. There are also some relatively new life insurance and annuity products out there that offer a combination approach, which we really like. Said another way, you buy a life insurance policy (or annuity contract) that barks, quacks, walks, and talks just like any other life insurance policy (or annuity contract). If you need the life insurance death benefit (or the annuity contract income benefit), then it is there for you. However, you can also use these two products to help with Long Term Care expenses. In the case of life insurance, you can access most of the death benefit. In the case of the annuity strategy, they apply a multiplier as much as triple the amount you've contributed. There is also straight Long Term Care Insurance you can buy.

Bottom line: don't say we didn't warn you. There are 10,000 Americans turning 70 every day until 2034 and they are living longer than ever. Longevity is blessing and a curse. From a financial planning perspective, caring for the elderly is a flashing red light on the dashboard. Please come up with a plan. We can help.

- Peter Knutson CFP®, CLTC, AIF®

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Investors cannot invest directly in indexes. The performance of any index is not indicative of the performance of any investment and does not take in accounts the effects of inflation and the fees and expenses associated with investing.

Some IRAs have contribution limitations and tax consequences for early withdrawals. Distributions from traditional IRAs and employer sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59½, may be subject to an additional 10% IRS tax penalty. For complete details, consult your tax advisor or attorney. Converting from a traditional IRA to a Roth IRA is a taxable event. A Roth IRA offers tax free withdrawals on taxable contributions. To qualify for the tax-free and penalty-free withdrawal of earnings, a Roth IRA must be in place for at least five tax years, and the distribution must take place after age 59½ or due to death, disability, or a first time home purchase (up to a \$10,000 lifetime maximum). Depending on state law, Roth IRA distributions may be subject to state taxes.

The S&P 500 Index is a capitalization-weighted index made up of 500 widely held large-cap U.S. stocks in the Industrials, Transportation, Utilities and Financials sectors.

A diversified portfolio does not assure a profit or protect against loss in a declining market.

Additional risks are associated with international investing, such as currency fluctuations, political and economic stability, and differences in accounting standards."

For a comprehensive review of your personal situation, always consult with a tax or legal advisor. Neither Cetera Advisor Networks LLC nor any of its representatives may give legal or tax advice.

Fun Facts

Lenders repossessed 11,493 homes in August 2019, down 47% from 21,640 repossessions in August 2018. The all-time record for bank repossessions in a single month in US history: 102,134 in September 2010 (source: Attom Data Solutions).

In an effort to "lock-in" historically low interest rates, the Treasury Department stated on 9/12/19 that they are considering issuing a 50-year Treasury bond in 2020 (source: Steven Mnuchin, Treasury Secretary).

The "cost of living adjustment" (COLA) made to Social Security benefits is calculated based upon the year-over-year increase in prices from the 3rd quarter of subsequent years. E.g., the COLA that will be applied to benefits paid in January 2020 will be based on the change of prices from the end of the 3rd quarter 2018 to the end of the 3rd quarter 2019. The COLA increase was +2.8% last year (source: Social Security).

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September Happenings

It's been a busy month here at MK. Office Manager/OSJ Supervisor/Benevolent-but-often-fair Warden, Karey Chester, got to attend two conferences. She was invited to Omaha by the Securities and Exchange Commission (don't freak out, this is a good thing) to learn about the upcoming regulatory and legislative climate for the financial planning profession. Then she hit the powerball lotto when she got to spend a few days in Denver with a company called Orion Advisor Services. Orion aggregates and makes pretty all the statements we send out to our clients. Needless to say, Karey is a pretty big deal.

Victoria spent an evening with Youthrive. They help empower kids in the Lawrence/Kansas City area after they "age out" of foster care. They are a great great great organization. Check them out at www.youthrive.org.



Pete furthered his golf addiction by traveling to his old stomping grounds in St. Louis. One of his friends from high school founded LoveU2Pieces, an organization helping kids and their parents navigate autism and autism spectrum disorders. Another great great great organization MKFP has supported for years. Check them out at www.loveu2pieces.org.



Annual Christmas Party

Save the Date!

Thursday
December 5th, 2019
5 pm until 8 pm
Arterra Event Gallery

The graphic features a dark blue background with a white rectangular frame. Inside the frame, the text 'Annual Christmas Party' is written in a red, cursive font. Above the frame, there are three gold Christmas ornaments hanging from thin lines. The background also shows some green pine branches in the top left corner. Below the frame, the text 'Save the Date!' is written in a large, red, cursive font. At the bottom, the event details are listed in a white, bold, sans-serif font.