



# Financial Freedom Associates

a fee only financial planning firm

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## The Inside Story



### First Quarter Meeting

The First Quarter of 2006 meeting will focus on review of your goals, objectives, risk tolerance, and time frame. We will also review your estate plan and decisions on taking mandatory IRA distributions (if applicable). We will examine portfolio updates and reinvestments if securities were sold for tax benefits at year end.

At this meeting we will also discuss information you would like us to have in case of an emergency. Please fill out the enclosed form and bring it to our meeting or fax, email, or regular mail it to us.

For those on Medicare, we will discuss Medicare D and help you with this new decision.

If you have a taxable account at Schwab, we have included your capital gain/capital loss statement for your accountant for tax preparation.

## Community Investing

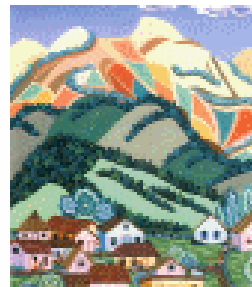
*What is it? How does it work?*

In September, I attended the annual meeting of SRI in the Rockies (Socially Responsible Investing). One of the main areas of discussion was Community Investing. I had first become aware of and started being involved about three years ago when I attended this same conference and since then there are many more options and opportunities. It reminds me of how in the early 80's there were very few options for Socially Responsible Mutual Funds and the screening was no alcohol, no tobacco, and no weapons and now there are hundreds of funds and there is screening for environmental issues, labor issues, pro-life, pro-choice, supporting women in leadership, etc.

Community Investing is providing financial resources for people who are not able to presently get loans at a fair rate. It is micro-credit lending.

This was first started in 1974 by Mohammad Yunus, an economics professor in Bangladesh, who wanted to find ways to help the poorest of the poor in his country. He visited a village near Dacca and talked to a 21 year old woman named Sufia Degum, who was making bamboo stools. Her story was the story of thousands of woman like her. She bought the bamboo for the

equivalent of 22 US cents that she borrowed from a *paikarw* (or middleman). To repay her loan, she had to sell him the stools at the end of each day. Her profit was the equivalent of 2 cents—on a good day. She could not borrow from a moneylender (or loan-shark) because the interest rate was far too high. There was no way that she could ever break the vicious cycle of poverty; she had no way of getting hold of the 22 cents that could start her on her way to independence.



Mohammad Yunus found 42 people in the village who were in the same position as Sufia. The total amount of money they needed to borrow to start their businesses was less than US\$27.

Mohammad made those loans, with the money from his pocket. He tried to persuade Bangladeshi banks to start a program of providing credit to people living in poverty. But he found that there response was typically that the poor were not creditworthy—even when it was shown that they did pay back their tiny loans.

Mohammad Yunus started a bank that would provide unsecured small loans to the poorest of the poor. Out of this, in 1983, the Grameen Bank, officially launched and expanded to other countries. Over the next 15 years they made loans (all very small) in excess of \$2 billion.

Today, there are micro-lending organizations that lend within areas of the US, in Latin America, Africa, Asia, etc. There are groups that specifically lend to women, to artisans, to renewable energy projects, to farmers, etc.

Many micro-lending organizations work in combination with other community development projects, such as medical care, business classes, and water treatment.

Many organizations offer you the opportunity to visit their lending communities.

Currently, there are many opportunities and many levels of involvement. The simplest is to invest in CD's with an organization where all of the money is for micro-lending in both the US and throughout parts of the world. The CD's are FDIC insured and have competitive rates with other CD's for the same duration. They can be purchased with a \$2,000 initial investment and then additional \$1,000 units.

They become part of the fixed income portfolio.

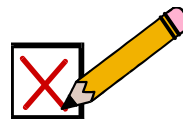
Another vehicle is a bond mutual fund. There are a few available at this time and the return is comparable to other funds in that category. Again, all of the money goes directly to community investing.

A third way to invest is through a community investment portfolio (such as Calvert Foundation or Accion). Your money goes towards their portfolio of hundreds of micro-credit organizations.

Another option is to donate directly or set up a charitable annuity. A charitable annuity allows you to take a charitable deduction during the year the annuity is set up. You receive a fixed rate for life depending on your age and, upon death, the remaining funds belong to the charitable organization.

The opportunities are many.

### Proxy Voting



Financial Freedom Associates does not exercise voting authority for Proxy Voting on any client account. Please contact us for details on our policy.

## Sixty-Five

As many of you know, I celebrated a 'big' birthday in October and with that I have been continuing to celebrate and to continue to 'check off' some of the things I want to do before I die.



November 28, I left for a trip to France and Italy, visiting some of the places I have never been before. I met a close friend from London in Paris and started the trip. We did Paris and Venice and then I went on alone to Florence and Siena and then an overnight in Nice and back to Paris.

In traveling alone I had wonderful exchanges with many people. Every time there was something I needed or some decisions to make—like dealing with a train strike—someone showed up to help. I'm planning to get some photos of my trip on our website in the next few weeks ([www.ffafeeonly.com](http://www.ffafeeonly.com), click on 'Staff—Bio' then on 'Sylvia L Matteson'). I am really into noticing how much that also happens in my daily life.

**Announcement**—Over the holidays, Bill asked his girlfriend, Lupita, to marry him (and she accepted). They are getting married at the end of March in Tucson and in Mexico. Lupita is from the town of Caborca, Sonora, Mexico but teaches special education in Hermosillo. You can see some photos at—[www.ffafeeonly.com/photos/photos.html](http://www.ffafeeonly.com/photos/photos.html)

Sylvia