

WISE WOMEN INVESTOR



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Are You in Danger of Becoming a Middle Class Bag Lady?

You see them everywhere. Maybe your aunt or even your mother is one. Women with middle and even upper bracket financial backgrounds are pinching pennies and depriving themselves in their golden years. Sometimes we find it comical, as when 78-year-old cousin Bessie brings a plastic bag to the buffet and stuffs food into her Chanel handbag. Other times we find it tragic, as when our best friend's Mom passes away,

history two thirds are alive today! That is because we are the healthiest and wealthiest of societies. But we are not yet financially prepared to live three decades past retirement. The good news is we are going to live longer. And the bad news is that we can't afford it.

The danger of outliving your money

When exactly does the fulcrum shift so that women with nice homes, good money habits and steady jobs find that they can't make ends meet and are forced to choose between a gift for their grandchild and an outing to a Broadway

“The reality for the middle class bag lady is fewer meals out, reliance on senior discounts, reverse mortgages, and the dangerous skipping of medication to keep prescription costs down.”

never having taken that trip to Italy she always wanted.

Financial commentators have a name for the tendency of current seniors toward parsimony. They call it “the depression mentality,” and write it off to the tough money times our parents and grandparents experienced during their formative years. But don't be fooled—seniors are not just reacting to the past. Many of them are simply running out of money as they enter their seventies, eighties and nineties.

The great jazz pianist Eubie Blake said, “If I knew I would live this long, I would have taken better care of myself.” We can all say the same about our finances. Longevity (our increased life expectancy) is a big reason. Of all humans that survived past the age of 65 throughout recorded

show? The choices are private and the wear and tear is subtle. No food stamps or public assistance, no shelters or Medicaid. The reality for the middle class bag lady is fewer meals out, reliance on senior discounts, reverse mortgages, and the dangerous skipping of medication to keep prescription costs down.

For some, the penny pinching begins very close after retirement; others don't feel the change until their early eighties. Researchers, like those at the International Longevity Center in New York City, are just now beginning to calculate the right time to buy an annuity to prevent financial burnout in advanced years. And the field of financial gerontology is just now emerging from the broader background of general financial planning.

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From the Editor

Lisa Moren Bromma, Editor

School's out for summer! Remember that song? As we gear up for barbecues, sun and fun, we need to remember to take the time to enjoy our families. I love that summer forces me to slow down a bit.

In this action packed issue of *Wise Women*, Adriane Berg discusses a fear that has crossed all of our minds at one time or another in her article, “Are You in Danger of Becoming a Middle Class Bag Lady?”; Erika Nolan, a new contributor, shares strategies on offshore investing; Suzanne Morris explains how you can acquire vacation property through an exchange; Jaime Raskulincz shows us how to tap into your retirement plan to achieve financial success; Anna Mills gives real estate investors a “heads up” on what's happening to her market in Toledo, Ohio; and I share some tips for charitable giving.

Enjoy our third quarter issue, under the sun or the stars! Lisa

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As far as I can tell from observation, interviews and experience with my older clients, the road to middle class bag lady status is traversed in three steps.

1. First, we are the caretakers and that costs money and benefits. Throughout our lives, we earn less and give up more because of the longevity of others. We are still paid less for doing the same work as men. And we start working later and end sooner to care for children and then spouses or older parents.
2. Second, we live longer. Living well into our 80s is not uncommon. The fastest growing demography in our country is those over the age 100. There are 75,000 centenarians alive today, slated to grow to 3 million in 30 years.
3. Third, the cost of chronic or long-term care needs is almost incalculable. Aside from the loss of time at work to care for spouses, parents, and sometimes children, our own chronic conditions begin to kick in our late 70s. More than anything, we want to prepare for financial independence so as not to impose a burden on those we love.

Many boomers are frustrated by their parents' refusal to spend on enjoyable things and experiences. But they don't realize the motivator is to remain independent in the face of a possible stroke, fall, or chronic condition.

Can it happen to you?

It certainly can if you deny the possibility of your own long life and refuse to handle the risk. In fact, today's seniors had some advantages over baby boomers and those younger. One of them was the baby boom generation itself. There were fourteen workers paying into the system of Social Security for every retiree. Today, there are less than three to one; in a decade, there will be less than one worker supporting the program for every worker receiving benefits. But far and away the greatest financial benefit shared by seniors and gone from the future of almost all boomers and Gen Xers is the pension. Anyone with a 401(k) or 403(b) or IRA as their sole retirement nest egg, has only their personal investing know how between themselves and their long future. And with the terrible recent dips in the stock market, we have good reason to fear bag lady status.

Take appropriate action now

Today's seniors are the pioneers of longevity. When Social Security was enacted, the average 65-year-old retiree lived only three more years after retirement, not thirty. Fortunately,



today's boomers and those younger have the time to prepare for a grand longevity. It is never too early or too late for that special brand of financial planning—the longevity outlook. And as you might expect the financial industry is marching along, creating and adding to existing products to make our money line as long as our life line. Here are just a few:

1. **The long term care policy.** Much has been written about these insurance policies that pay up to \$350 day if you are in need of caregivers to help with personal hygiene, mobility, eating, or have a dementia or Alzheimer's. Coverage usually includes the cost of assisted living or continuing care facilities to keep you out of a nursing home.
2. **Annuities.** Annuities that create an income stream that last as long as you live and beyond have been taken off the shelf and given new life. In exchange for a lump sum or a roll over from an IRA, other pension plan, variable annuity or cash value of an insurance policy, you can contract with an annuity /insurance company to transfer the risk of your long life. You can choose to "annuitize" the money so that each month you get a check that is partly a tax-free return of your principle and partly taxable income. Even if you live well past the value of the lump sum, you receive your check. You can opt to have the income extend through the life of your spouse, or for at least ten years, so that an heir receives money even if you die within the ten-year term.

Read Lisa's blog with new posts every Monday, Wednesday & Friday

www.wisewomeninvestor.com/blog

Actuary and researcher, Anthony Web of the International Longevity Center in New York City concludes that annuitization at the age of 64 to 74 may be the optimum time for many, especially those that have no pension.

3. Charitable annuities. Much like the insurance contract variety, an annuity issued by a charity assures life long income. The difference is that appreciated property is usually transferred to the charity—stocks bonds or real estate—to get income tax deductions. The extra relationship created through charitable giving also creates a feeling of relevance and contribution especially stimulating at a time in life when our society marginalizes us because of age.

4. The reverse mortgage. When surveyed, a majority of us still opt to live out our years at home. Often, it is the cost of upkeep, coupled with mortgage payments, that forces us out, not ill health. The reverse mortgage is actually another type of annuity. The lender supplies you with a lump sum or a periodic check, instead of you paying the freight. The result is that the home is less valuable or may provide no inheritance for your heirs, but you have its use for as long as you wish to live there.

5. The second to die policy. You will notice that a main objection to any annuity or reverse mortgage is that your heirs suffer. The legacies many of us want to leave are evaporating in a puff of longevity smoke. Those who want to leave a legacy and still have money to spend for their personal satisfaction and independence may consider the most cost effective of all life insurance policies—"the second to die." The policy pays off at the demise of both spouses (insureds may also be partners, and in some states, same sex couples and siblings).

Those ready to consider longevity planning for himself or herself or a parent should contact a longevity specialist or financial gerontologist. Resources are available at www.50yearoldchild.com.

Adriane G. Berg is an international speaker on longevity, an original founder of Generation Bold, a marketing and branding company, and the author of "How Not To Go Broke At 102: Achieving Everlasting Wealth," John Wiley & Sons, 2008. Order the book at www.HowNotToGoBrokeAt102.com and receive free tutorials and audio courses on life long wealth. And visit The Society of Wealthy Aging at www.LongevityClubOnline.Com, "Fun Friendship and Finances, For the Fabulous Decades Ahead." Join free.

ATTENTION WOMEN IN REAL ESTATE!

Read this and check out the legislation in your own back yard. City and county governments are trying to make money off of investor vacant property. Be aware!

EVERY vacant house in Toledo, OH (more than 90 days) needs to get permission (180 day waiver) from the government to leave your home empty. Then your VACANT home will go on a public list for all criminals, area gangs, strippers, drug dealers, hoodlums and bored neighborhood kids.

This includes ALL :

- Snowbirds (those spending months elsewhere)
- Vacationers (who travel for the summer 90+ days)
- Buyers/sellers who don't use signs (a red light for thieves)
- Landlords who don't use signs (a red light for copper/furnace/siding thieves)
- Patients in rehab (90+ days)
- Seniors temporarily in assistant living, who have bills going to relatives
- Victims of stalking, child abuse, sex offenders, who are in protective mode or secret move
- Foreclosure/Bankruptcy victims who lose homes but still on title 2-4yrs
- Housing providers without legal permission to enter till eviction court catches up
- Rehabbers/Remodelers/Builders not wanting signs declaring new mechanicals inside (please steal)
- Real Estate Businessmen repairing from the last tenant
- Homeowners with insurance claims waiting for Insurance checks

AND if this many exclusions have to be added on top of the dozens already there.....what is wrong with this law? Why don't we just go after the few problem properties (as in the current laws) instead of taxing and red taping all the homes that are not breaking the law in any way. WHY is the city taxing and red taping and listing all the houses that are following the law INSTEAD of enforcing the current laws and going after the copper/siding strippers, the drug dealers, the graffiti sprayers, the garbage dumpers. Is it just More Money or EASIER to collect taxes from all instead of going after the ones breaking the law?

Insanity! *Compliments of Anna Mills, Toledo Real Estate Investors Association*

The ABCs of Fees

How to Choose the Right Asset Manager and Fee Structure for Your Offshore Money

Over the past 20 years, capital markets outside the U.S. have grown rapidly in size and importance. In 1970, non-U.S. stocks accounted for 34% of the world's US\$935 billion total market capitalization.

Today, international trading accounts for a full 57% of the world's total stock market capitalization, with the U.S. commanding just 43%. The sad part of this story is that many U.S. investors aren't taking full advantage of the rich profit potential in offshore markets. According to a recent survey, just 13% of Americans currently invest internationally, and only 19% plan to do so over the next five years.

I find that incredible considering international stocks have outperformed the S&P 500 Index by nearly 3-to-1 since 2003. Emerging markets returns have been nearly six times higher than the S&P 500 over the same period!

Make Your Money Last...for Decades

When it comes to international investing, you have more than your fair share of choices. Yes, most of us don't have the time or the inclination to manage our own portfolios. But, we do have a clear idea of what we expect from our money — we want it to last. That's why the best solution is often to hire an investment manager who can navigate the markets for you.

But before you sign the management agreement, it's important you understand how your potential manager will charge for performance. You also need to know about additional offshore bank fees that might come into play.

There are multiple ways that independent asset managers structure their fees. At first blush, the fee structures may look similar. But there are actually subtle, yet important, differences. Let's take a closer look.



Why Fees are Nothing to Sneeze at

A Flat 1% Fee: An annual management fee of 1% of the managed assets is the most common fee structure. Managers take this fee directly from your account on a monthly or quarterly basis. Of course, if your account is in the seven figures, you have some room to negotiate. Most asset managers will lower their annual fee by 0.20% to 0.25% for accounts over US\$3 million. Other managers will start to decrease their fees with accounts worth US\$1 million or more.

A flat fee is one of the most common fee structures because your manager is rewarded when you make money. Your manager's income also goes down when you lose money. Many people in the business feel this is one of the fairest ways to work with clients.

A Flat Annual Fee with an Incentive Bonus:

The idea behind this type of arrangement is that your manager is rewarded for exceeding your expected profit target. If you work with a more aggressive money manager—namely one who uses al-

ternative investments such as hedge funds—to produce their annual returns, your fee schedule may be enhanced. If you choose this arrangement, your investment manager takes a flat fee between 0.75-1%.

Plus, your manager also takes an incentive fee of 15-20% the minute he or she earns a net profit after deducting all the other fees. Keep in mind that if your incentive fee-based advisor suffers a drawdown, your manager can only collect incentive fees again after reaching a new all-time high for your portfolio.

Some incentive managers take a flat fee plus an incentive fee that kicks in when the investment gains reach a pre-determined level. This is also known as a "hurdle level." For example, your asset manager could take an incentive fee of 15-20% over a pre-determined hurdle such as LIBOR (London Interbank Offered Rate) or the S&P 500.

A Higher Flat Fee with Commission Rebates: Reporting requirements around the globe are becoming more and



more transparent. Now, some international money managers are charging a slightly higher flat fee of 1.25% to 1.5%. They're offsetting this higher fee by crediting bank fees directly back to the client.

For example, the average offshore investment account holder pays about 0.75% to 1% in bank fees for custodian services and sales commissions when the account buys or sells stocks. These are additional fees on top of the fees already paid to the asset manager. Some banks offer fee rebates to the asset managers. The rebates are anywhere between 25-50% of the fees charged.

While some asset managers take the fees to help offset their direct costs and to keep their management fees low, other managers give those rebates directly to the client.

Truth be told, it's almost a wash. You can pay a higher management fee and recoup some of the expense by receiving the bank rebates. Or, you can pay a lower management fee and give up any possible rebate that might be offered.

A Few Extra Bonuses

In addition to managing your wealth, there are few extras that asset managers can offer. Regardless of which asset manager you choose, you must hold your money in a bank account. In some cases, your manager can negotiate a lower custodian fee on your behalf if he or she works exclusively with only one or two offshore banks. For example, if the bank charges an annual custodian fee of 0.5%, your money manager might be able to negotiate to reduce the fee by 50%.

In addition to lower custodian fees, some managers receive a discount on trade commissions. This means it's cheaper for the manager to buy and sell stocks than if you bought or sold them yourself. Again, the fee reduction is about 0.2- 0.3% but it can add up.

Be Comfortable with Your Choice

Some members have told me they don't want to hire an offshore asset manager because they aren't comfortable handing over control of their money to a third party. In

Five Reasons Why You Should Consider Investing Offshore

1. Great choice

The U.S. has the world's largest security market, but if you are interested in other nations' currencies, stocks, bonds, etc., there is a much greater selection of investments offshore.

2. Higher returns

Many of those staid Wall Street investments simply don't produce the double- and triple-digit profits that can be found in non-U.S. markets.

3. Healthier Global Economies Abroad

Emerging markets like India, Turkey and Brazil are leading the pack of these healthy global performers (which also offer the best returns), while larger nations are slowing down.

4. Stronger privacy

Investing offshore helps secure your privacy by making it much more difficult for professional asset trackers, information brokers and corporate espionage specialists to track your wealth.

5. Extra currency profits

Any time you purchase an offshore investment that's denominated in a foreign currency, like the euro or Japanese yen, you have the potential to earn additional profits if that currency rises against the U.S. dollar.

my opinion, you should never give control of your money to someone you don't feel 100% comfortable with.

Invest time so you can properly interview money managers about their investment philosophies. Find out what type of average returns they shoot for and if they use traditional investments or alternative ones. Will they call you or email you quarterly? And, of course, inquire about their annual fee structure as well as any banking fees associated with the account. Being an educated client isn't difficult and it's in your best interest as well as theirs.

*Erika Nolan has over 15 years of marketing, public relations and international business experience. For the past 10 years, she has been the Managing Director of The Sovereign Society, an offshore, asset protection and international finance organization. In 2007, Erika co-founded N&C International Wealth Consultants (www.nolan-crouch.com) with a partner. N&C specializes in researching and developing a comprehensive, worry-free strategy that will ensure that your wealth is properly protected and diversified. Erika is also the co-author of *The Offshore Advantage – The Beginner's Guide to Going Offshore*. You can contact her via email at erika@nolan-crouch.com or by phone 561-809-4380.*

Tapping Your Retirement Assets to Achieve Real Estate Dreams

How many times have you run into eager real estate investors who had the bulk of their money tied up in retirement plan assets—and believed they had no way to tap those assets? Now you can help those clients and yourself utilize retirement assets to the fullest. How? By accessing a third-party administrator dedicated to the creation and administration of self-directed IRAs. These administrators are able to help real estate agents and individual investors transform their IRAs, SEPs, 401(k) plans and even defined benefit plans into self-directed investments with about as much paperwork as it took to establish their retirement plan in the first place.

Self-directed IRAs make real estate investing a simple and valuable option for both you and your clients. That's critical as real estate and related investment prices are starting to make investing very attractive. Not only can you use self-directed IRAs to build your own real estate portfolio, you can help clients unleash their retirement plan assets as well to help achieve their real estate dreams.

Simply put, self-directed IRAs and plans allow for the full range of investments that the IRS allows including real estate, notes, options, leveraged property and much more. The only investments not allowed are life insurance, collectibles and shares in sub chapter S corporations. You can transfer any IRA to a self-directed IRA, amend and restate an existing 401(k) plan or, if you're self-employed,

even create a new plan that permits self-direction. You may also transfer a 401(k) plan from a previous employer to a self-directed IRA. The process is as easy as finding a local third party administrator or a trustee who will guide you through the simple process of transferring the accounts.

There are many ways you can harness your expertise to tap the power of self-directed IRAs. You can use the funds to buy investment real estate directly, including leveraged property, you can be a lender, you can finance construction loans, which allows you to be a builder, and you can even finance other people's commissions. The IRS also allows you to work with investment partners and allows you to combine your funds with other people's IRAs or taxable funds to acquire the investment property you want.

The best part of the investment flexibility that a self-directed IRA provides? It helps you build your business. By helping clients achieve their real estate investing dreams through the simplicity of a self-directed IRA, you create lasting customer relationships, repeat business and valuable referrals, not to mention giving yourself a valuable tool for building your own real estate portfolio.

Jaime Raskulinec is CEO of Entrust Northeast, LLC. For over 23 years, Entrust has worked with thousands of individuals who elect to self-direct their IRA or 401(k) to acquire alternative investments such as real estate and other related assets. For more information on how self-directing your retirement plan works log onto our web site at www.entrustnortheast.com or call 888-857-8058.

IRS Approves 1031 Exchange of Vacation Homes

What this means to the savvy investor looking to buy into or trade out of a vacation home

In 2007, 16 million Americans rented vacation homes. No doubt renting a vacation home can be a great bargain with the average square foot costing a lot less than a hotel room. Plus, there is the added convenience of a full kitchen, dining area and extra bedrooms or bathrooms for those traveling with family. As any parent of small children can attest, there is an undeniable benefit to not having to eat out for every meal or having to share a space that doesn't allow the parents and children a quiet and private space to relax.

As the stock of vacation rentals grow — according to research from the National Association of Realtors, 25 percent of those who bought a vacation home last year with the intention of renting it out — the choices for vacationers continue to grow. And online resources, like VRBO.com or CyberRentals.

com, allow vacationers to find and communicate directly with vacation home owners.

But what does this mean to an investor? Right now there are fire sales going on in perfect vacation destinations like Florida. According to the Wall Street Journal, "The market is in chaos. Some owners are still trying to sell homes for near peak prices. Others have slashed them by 50 percent or more. There are some amazing discounts around. You can find properties selling for prices last seen in the late 1990s."

While you are not seeing this sort of "chaos" in other



vacation markets, there are certainly a lot of bargains to be had.

IRS Rules on 1031 Exchanges and Vacation Homes

One of the best tools an investor has is the ability to defer capital gains taxes using a 1031 exchange. However, you can only exchange property held for investment or used in a trade or business. And up until last year, there was no guidance from the Internal Revenue Service that indicated whether vacation homes were an investment or personal use property.

To clarify this, the IRS recently issued a new ruling laying out some guidelines for individuals wanting to use



a 1031 Exchange for their vacation homes. The ruling was released as a Revenue Procedure (2008-16), meaning it describes what steps the taxpayer must take in order for the IRS not to contest the investment standing of their vacation homes.

So what do you have to do to achieve this result? First, the ruling imposes a

24 month holding period for the old property if that is your vacation home, or the new property if you intend to buy a vacation home, or for both if you're moving from one vacation home to another. For vacation property owners who have never rented their units or used them personally for extended periods of time, the new ruling will likely wipe out your chances for doing a 1031 Exchange. But it is important for you to check with your accountant and/or tax attorney before making any buying or selling decisions in which you plan to utilize a 1031 Exchange.

Here are some of the guidelines issued by the IRS at a glance:

- You must own the vacation home for a minimum of 24 months.
- The 24 month holding period applies to the old property (if it is your vacation home), the new property (if you are buying it as a vacation home) and two both properties if you are moving from one vacation home to another.
- For every 12 month block of the 24 month holding period, you must rent the property for a minimum of 14 days at the prevailing fair market rent.
- For every 12 month block of the 24 month holding period, the owner is only allowed to use the property for the "greater" of 14 days or 10 percent of the total days rented.
- Owners are allowed a reasonable number of "maintenance days" to care for their units.

If you plan on taking advantage of this incredible buyer's market, and if you plan on purchasing a home for vacation purposes, it is essential that you keep accurate records of the rental history and the days you occupied the unit for maintenance purposes and your personal use days. If you allow friends or relatives to use your property without paying rent, it will count against your personal use days.

If you stay within the guidelines the IRS has issued and you confirm with your tax professional and attorney, you can pick up a great property at a great price, defer taxes and build a lifetime of memories for your family!

Suzanne Morris is president of Ideal 4 Investors Online Creative Investors Association and the host of the Ideal Investment Radio Show on BlogTalkRadio. You can contact Suzanne at info@ideal4investors.com or (760) 494-7887 and subscribe to her blog: idealinvestment.blogspot.com.

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Charitable Giving in Today's World

I recently met an interesting man who works with the World Wide Wildlife Fund. We had a fascinating conversation about charitable giving. There are so many organizations that need our time, as well as financial resources. Much of the world survives off of donations and without us, the world would be worse off than it already is, and for some parts of the world they really suffer. Just read your local newspaper. Articles about food shortages, natural disasters, cancer, and other diseases are in the news. Everyday, the issues are getting closer to home. We all are facing potential inflation and a host of other problems such as oil shortages, climate change...and the list goes on and on.

Remember the days of the UNICEF boxes we use to get in school and fill with change. The change we brought to school made a difference to children around the world.

Have you ever heard the saying "the more you give, the more you get back?" I firmly believe this. Giving back does not necessarily mean donating money. The world also needs our time, talents and our voice.

If you want to give financial resources to a charity, here are a few suggestions to make sure your money is going to the right places.

1. Research the charity before you give. Find a cause that you are passionate about. One of my causes impact women just starting out in the business world. I am passionate about helping women succeed. What's your passion?
2. Realize charities are also businesses. A percentage of the donation goes towards administrative costs. Log onto www.CharityNavigator.com to help you research the business end of the charities you are interested in.
3. Find out if your donations to the charity in question are tax deductible. Visit the IRS web site at www.irs.gov. Many organizations are recognized by the IRS as a bona fide tax-exempt charity under section 501c(3) of the tax code. This will help you to deduct those dollars donated to the charity of your choice.
4. Finally, be a wise women investor and watch out for scams. Stay away from the Internet messages seeking money. Make sure the charity is legitimate.

Finances are tight for all of us whether on an individual or a business level. If you don't have the money, look at what other things you can do to help your favorite cause. After all, it is not just our world, we must leave a legacy for the future! Every little bit helps.

Happy Investing...and Giving!



About the Editor:

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Lisa has been a real estate investor since 1978, a note investor since 1988, and a well-known marketing expert. She has consulted for some of the nation's top financial services industries in the private mortgage, business loans, and Individual Retirement Plans. Lisa has taught over 1,000 workshops and seminars devoted to real estate investing, marketing and business forums.

She is a professional member of the National Speaker's Association and sits on the board of the National Real Estate Investor's Association. She is an advisor to The Entrust Group, the nation's largest network of third party administrators. Entrust provides record keeping services for individuals who wish to truly self-direct their retirement plans to buy real estate or any alternative investment allowable by the IRS.

Lisa recently published two books by McGraw-Hill. *Real Estate Investing for The Utterly Confused* has motivated new investors with factual information told in her humorous and easy going manner. *Wise Women Invest in Real Estate* is a must read for 2008! Pick up your copy today! Both titles are available at www.amazon.com.

Places you can help in your own backyard!

Support Services for Shut-Ins are being affected by the high cost of gas. These organizations reach out to those who cannot drive, primarily senior citizens.

Meals on Wheels - delivers hot meals daily to shut-ins. Letters are going out to people in some parts of the country saying service will be discontinued due to higher fuel costs and lack of drivers.

Road to Recovery – an American cancer society program that coordinates rides to and from radiation and chemotherapy treatment and doctor appointments. They are losing volunteer drivers who cannot afford to transport patients on the low reimbursement rate of 15 cents per mile.

Sun Home Health Services – provides personal and health care to people in their homes. Personal-care aides, often on the lower end of a pay scale, are leaving because they cannot afford the longer drives to people's home.