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FINANCIAL PLAYBOOK

magazine

WINTER/SPRING 2006

WILLIAM RICHARDSON
***"The Money Doctor"* Talks about wisely using your home equity!**
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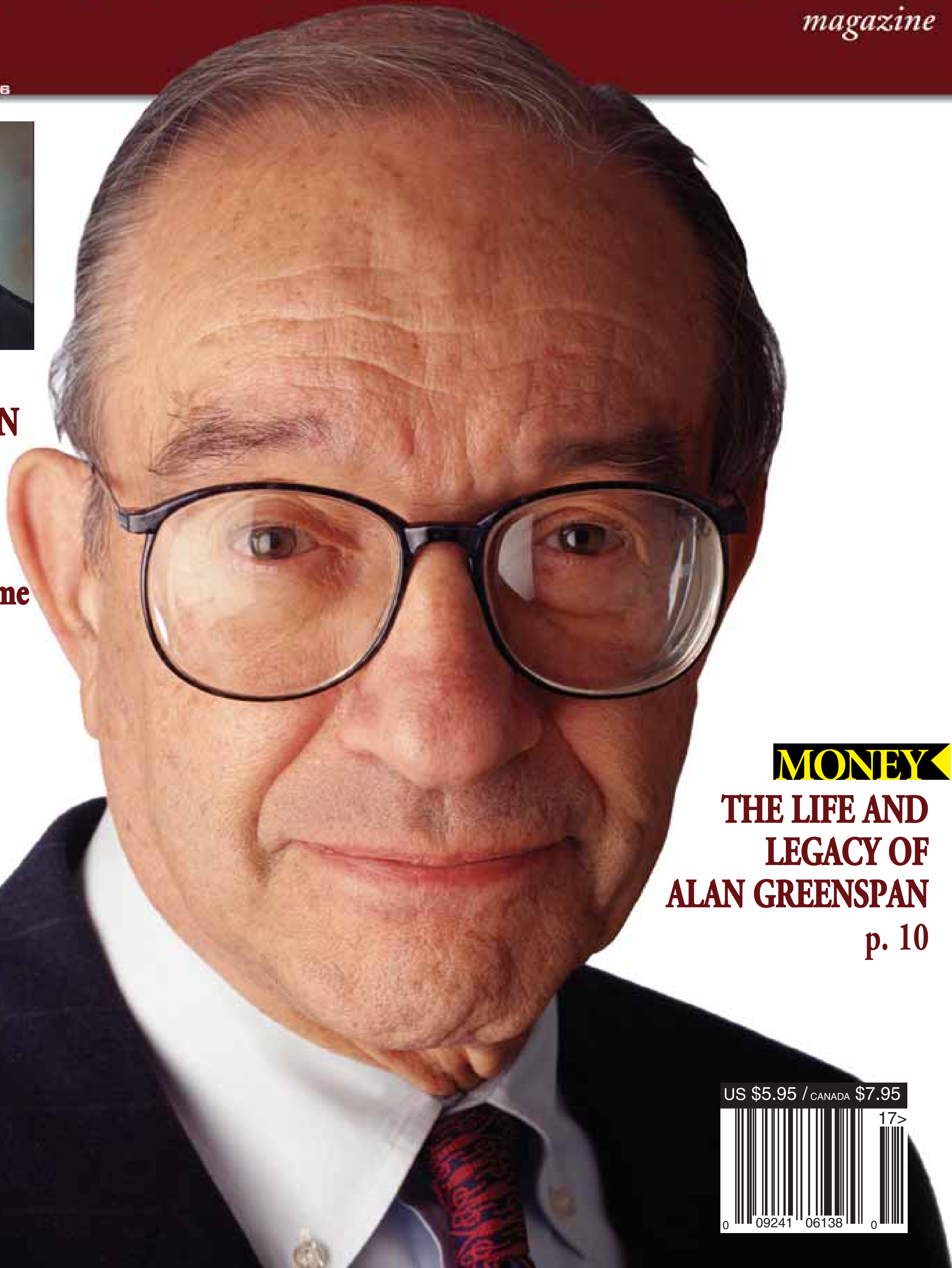

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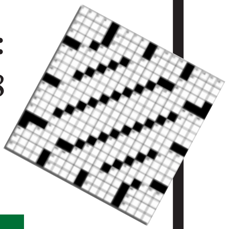


your Comments

Thanks for the informative article on Small Business Retirement Plans. As a small business owner, I am often confused with all of the retirement choices out there. I learned a lot and figured out which option was best for me.

Shawn Sterling
Rochester, MN

As a business partner I appreciated the article on the "buy-sell agreement." I had been meaning to put one together but kept putting it off. After reading through the article I finally got together with my partner and got a buy-sell agreement in order. My wife feels safe knowing that she will be taken care of if anything should happen to me, and I feel assured as to what would happen if something were to happen to my partner. It gives me peace of mind.

Kevin Campbell
Jonesburough, TN

Loved, loved, loved the Touring Tuscany On Two Wheels article! My husband and I were in Tuscany last October and took the magazine with us. Though we didn't take the tour we did rent bikes and visited several stops recommended from the article. Our favorite was the seaside village of Talamore, savory food, poetic views and very romantic.

Jacqueline Baldwin
Scottsdale, AZ

Great article on contemporary artists. I visited my daughter, who is an art major in Paris, last fall and we were able to visit Francoise Nielly's gallery. Extraordinary paintings throughout and I was thrilled to be the one to introduce my daughter, (the artist), to an up and coming contemporary artist.

Celine Geddes
Cranford, NJ

I had never even heard you could gift your IRA until the last issue of Financial Playbook. What a remarkable idea. I have since had an appointment with my financial advisor and set up my IRA to be given to the charities I have chosen. Being a widow and childless I would so much rather know my hard earned money will be used for good rather than a huge portion of it going to the government. Thanks for steering me in the right direction.

Alvin Baird
Centre, NY

Financial Playbook welcomes your comments.
E-mail us: comments@financialplaybook.com
Be sure to include your name and address.

From the Editor

This issue we reflect on the career of a man admired and respected by *almost* everyone—Alan Greenspan. Most of us have played 18 holes of golf, but only Greenspan and William McChesney Martin have each served (at least) 18 years as chairman of the Federal Reserve. Many would agree that if Greenspan's "economic policy" instincts were converted into a golf swing, he would consistently tee off for 600 yards. Read about the man behind the money (page 22) and what it will take to replace him (page 25). Sedona, Arizona turns up the heat as our golf HOT spot (page 41) and *The History of Golf* is a must read (page 38).

We have packed this issue with as much tantalizing content as humanly possible. In addition to our regular departments, be sure to take a look at our new features. As always, send your questions or comments to comments@financialplaybook.com. Enjoy strategizing with your *Financial Playbook*!

Editor

P.S.
Send up to three friends or relatives copies of this issue of *Financial Playbook*. Just complete a courtesy reply card *(between pages 14 and 15)*, affix postage, and drop it in the mail—it's that easy!

Our objective is to provide you with an insightful assortment of financial articles and interviews written by industry professionals. This publication is marketed to those who own sufficient assets and have sought out professional advice in designing and implementing their financial and estate plans. We hope you will find this to be a beneficial and informative tool to assist you in navigating the course of your financial future.

Commentary

2006 OUTLOOK

By Martin Cosgrove, CFA, Director of Investment Research
Research Department/ING Advisors Network

With Greenspan's successful reign as a backdrop, Mr. Bernanke's Fed chairmanship is being launched at an increasingly tricky time for interpreting economic developments. Greenspan's steady and well-broadcast glide path to higher rates was interrupted by the weather. The maturing economic growth cycle was given an unexpected stimulus in the form of government hurricane recovery relief. Offsetting the inflationary jolt of that spending produces new challenges in trying to keep the economy in the air, or at least positioned for an eventual "soft landing." As with any fiscal stimulus, the spending could allow the economy to extend its growth period, but it also puts more pressure on the Fed to manage economic excesses that normally develop at this stage of the cycle. For 2006, the capital markets will be particularly focused on the Fed's efforts in getting the correct balance.

Even without the spending for disaster relief, next year's economic landscape was already more complicated than what forecasters faced last year. Several 2005 developments were expected to be important ongoing factors, including growing global economic influences, increasing deflationary events, and an aging economy. The developments in the emerging markets, particularly Asia, stand out as central to many of the suggestions for portfolio management in 2006:

- Continued emphasis on international exposure, including emerging markets
- Greater percentage shift to larger growth names in the domestic allocation
- Reinforcement of core defensive positions and diversification tools
- Gradual migration to a longer-duration bond strategy

Asian Influences to Continue

For the last two years, the emerging markets in Asia have had increasing influence on almost every facet of the developed world's economies. Among the most evident: the demand and prices of raw materials, especially oil; the pressure on employment and wages because of outsourcing of jobs; interest rate levels due to the large amount of global currency recycling.

The economic growth agenda of China, and increasingly of India as well, has focused on export growth, particularly of manufactured goods. When combined with low Asian labor costs, that has created increasing pressure on the competitiveness of US, European, and Japanese goods. But it has also reduced inflationary pressures for the developed world's consumers. The raw materials behind this aggressive export agenda reside largely in other emerging countries. Therefore, China's growth has also helped other under developed regions such as Latin America and Russia. Chinese stocks are not the primary reason for the strong emerging market's equity indexes performance gains the past two years. Rather, the benefits of Asia's emergence have actually been spread globally.

Nor is this beneficial export-driven development cycle expected to end in the short term. The need to modernize those economies remains large, and the next phase could be more favorable to the US and other developed economies: consumerism. As in the development of other Asian countries, Chinese workers are likely to increase personal consumption. The Chinese save up to 50% of their incomes; Indian workers save close to 20%.[1] Credit is still new to most of the region. Converting a small part of that savings to spending could be the next stimulus to world growth and international investing. More importantly, the likely increase in Asian imports of consumer goods would reduce the tension of trading partners related to overvalued currencies and large trade surpluses.

The continued development of the region and transition from the manufacturing-export model is anything but assured, and the effects are likely to be erratic and unanticipated. Chinese and Indian appetites for raw materials, particularly oil, will continue while deflationary impacts on world economies will continue due to the region's low labor costs. One example of the many contradictory developments: at the same time that raw material demand has helped Latin American export growth, lower-priced Chinese textiles have undercut the market for South American-produced clothes exported to the US. The huge growth in Mexican auto parts manufacturing brought about by NAFTA in the last ten years is being cut dramatically by Chinese substitutes. These new global interactions will only bring new volatility and risk of surprises to the global financial markets.

Inflation Versus Deflation

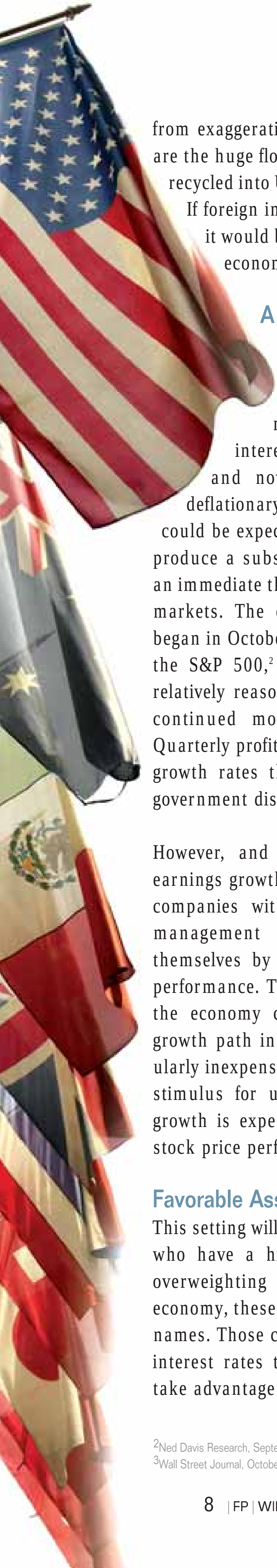
While a headline worry for most of 2005, the spikes in energy prices proved to be less of a problem than expected for either consumer spending or general inflation. The Federal Reserve did a good job of not overreacting, but communicating their concern with a steady schedule of gradual rate hikes. Here again the Asian economies played a key role. Competitive pricing pressures from imports were a major reason domestic companies could not pass on higher energy costs. At the same time, the consumer continued to benefit from relatively low interest rates as Asian countries, particularly China, recycled their trade surpluses through purchase of US Treasury bonds, keeping all interest rates lower than expected.

This was most visible in the growth in the housing market and the wealth and consumption effects created from it. But the Fed will face much trickier decisions in 2006 as energy prices and global raw material costs may finally show signs of seeping into the prices of general merchandise. At this stage of the cycle, businesses also have less ability to resist price increases and risk profits. Capacity utilization is being used up, skilled labor shortages are appearing, and wages are rising.

Offsetting these upward price pressures will be the continuing competition from foreign goods, relatively low borrowing costs, and the steady improvements in US productivity gains. On the other hand, policy makers also have to guard against these disinflationary effects quickly becoming part of a larger problem: deflation. The US economy continues in transition. Global competition has forced the reshaping of the US manufacturing base, most recently in autos. Pending layoffs and the downsizing of corporate pension and healthcare plans in the auto and airline industries this year are likely to hit other industries over the next few years.

Bernanke has acknowledged his concerns about this trend and the need to react quickly to prevent unforeseen events

[1] BusinessWeek, October 3, 2005



from exaggerating it. Further complicating his new job are the huge flows of foreign earnings and savings being recycled into US assets, including the housing market. If foreign investors found other uses for the money, it would be a large jolt to US interest rates and the economy.

A Mature Economy and Lengthy Bull Market

The current economic upturn that began in 2001 has lasted longer than most, helped by the 2003 tax cuts, low interest rates, global economic expansion, and now hurricane relief. Thanks again to deflationary global influences, most excesses that could be expected to occur at this stage—and possibly produce a subsequent downturn—do not appear to be an immediate threat. The same is reflected in the capital markets. The cyclical bull market in equities which began in October 2002 is the sixth longest in history for the S&P 500,[2] but the general market maintains a relatively reasonable valuation level based on signs of continued moderate 2006 corporate profit gains. Quarterly profits for the index continued at double-digit growth rates through most of 2005. The infusion of government disaster relief monies will be added help.

However, and not unexpectedly for this stage, the earnings growth picture is becoming more uneven. The companies with the better product, strategies, and management teams have been differentiating themselves by their earnings performance and stock performance. This is expected to continue, especially if the economy continues along a steady but slowing growth path in 2006. With reasonable, but not particularly inexpensive market valuations, and no particular stimulus for upward revaluations of P/Es, earnings growth is expected to continue as the main driver to stock price performance.

Favorable Asset Classes

This setting will likely favor growth stocks and managers who have a history of sorting out the winners and overweighting them. Given the later stage of the economy, these are more likely to be larger capitalization names. Those companies are more likely to offset rising interest rates through better cash positions and also take advantage of global markets and foreign trade.

International funds should therefore also continue to receive emphasis in 2006. Foreign economies, particularly emerging markets, had more impact and contributed more to global growth in 2005 than any of the big three developed regions.[3] This influence will continue to increase, but will also bring a greater chance for volatility and negative surprises for domestic stock and bond markets. The largest risks can be expected from the energy and financial sectors and could be a source for unexpected impacts for the next few years. Even without the higher risk of volatility inherent in global events, the later stages of any prolonged market upturn are subject to negative surprises. A reevaluation of portfolio cores and defensive positions, including dividend plays, should be another important part of portfolio reviews for the new year.

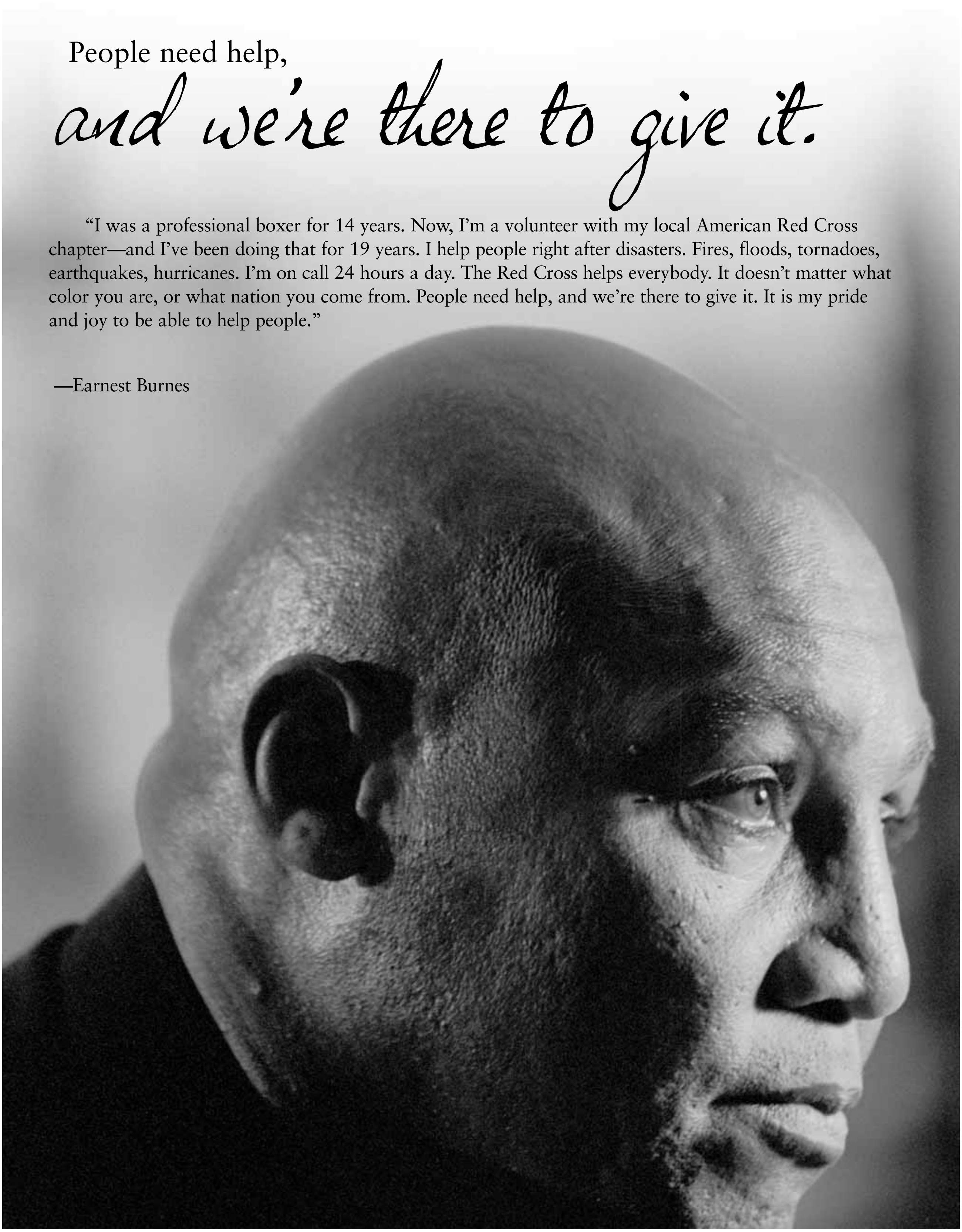
This would include core bond holdings. After a long period of investors anticipating higher interest rates, the Fed's steady rate increases, combined with energy-related inflation concerns, finally began pushing long rates upward at year-end. However, inflation worries are likely again to be passing. Continued global pricing pressures and global money flows into the US are anticipated to continue as offsets to rising prices as the year progresses. Interest rate increases could plateau by the middle of the year, finally supporting the shift to longer-duration corporate bonds and bond funds.

The US economy begins 2006 on reasonably steady footing, but it shapes up as a more volatile year. Greenspan was very successful reading and adjusting to the crosscurrents affecting the economy, but Bernanke takes over as global factors more diverse and less controllable rise in importance. Global capital markets had come to rely heavily on the reliability of Greenspan's careful guidance. The largest unknown next year could be the effect of his absence. FP

The views are those of Martin Cosgrove, Director of Investment Research, Research Department, ING Advisors Network, and should not be construed as investment advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. All economic and performance information is historical and not indicative of future results. Investors cannot invest directly in indices. Please consult your financial advisor for more information.

Martin earned a Masters of Science in Finance from the University of California, Los Angeles after his undergraduate business degree from California State University at Fullerton. He is a CFA charterholder and a member of the Los Angeles Society of Financial Analysts.

[2] Ned Davis Research, September 2005
[3] Wall Street Journal, October 24, 2005



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Wine

The Vineyard Story

By Winemaker Don Baumhefner

Let's say you wanted to grow grapes to create a great Pinot Noir. First of all, your friends and most people in the business would tell you that you are crazy. They are right. They will tell you Pinot Noir is the most difficult grape to grow successfully. They are right. They will tell you that you will get less tonnage than with any other grape variety. They are right. They will tell you that Pinot Noir vines need more care and present more problems than any other variety. They are right. So, why do you want to grow Pinot Noir? Simply because it is the single grape that can yield the most desirable wine in the world and no other grape would do? If you answer yes to this question, please continue.

The Vineyard Site

There are many things you will need to consider to achieve your goal. Since proper vineyard location is one of the most important factors in making any fine wine, you will need to look long and hard before you plant. In evaluating a vineyard site, many different factors must be considered.

The climate of each site dictates what can best be planted there. Your Pinot Noir vineyard site must be located in a very cool growing region. We know from experience that it is possible to grow world-class Pinot Noir grapes in Burgundy, along the Pacific Coast, and in the cooler regions of Southern Australia and New Zealand. I am sure other appropriate areas will eventually be found. After all, just thirty years ago, everybody in the wine world agreed that Burgundy was the only place to grow Pinot Noir.

Looking at the land itself, is the soil composition suitable for vines? A certain balance of chemical elements is needed in a good vineyard. A variety of different organic soil amendments can be added before planting so that the right environment is created for the vines. Unfortunately, some soil compositions are simply incompatible with grapevines, no matter what you add to the soil.

Another important element to consider in choosing a vineyard site is how the vines will see the sun. Vines need a certain amount of sunlight to properly ripen the grapes, but too much sun can burn off the delicate flavors. This is especially true of delicate Pinot Noir. It is possible for the vines to look at the sun all day long if the daily temperature is moderate.

But if the maximum temperature is higher, then a natural way to cool the grapes must be available. This could be a fog or a breeze coming in off the ocean. But this breeze cannot be too strong, because an overly strong wind will cause the vines to shut down the ripening process prematurely each day. Another cooling factor could be conveniently located hills that shield the vines from the harsh rays of the afternoon sun.

Grapes will be grown most successfully in an area where the vines have to struggle through a long growing period and ripen only at the very end of the season. The number of days a grape is able to hang on the vine before it reaches maturity is one of the most important factors in determining the overall quality of the harvest.

The slope of the land is also an important factor to consider. It cannot be so steep that soil erosion threatens your vineyard, but it must be steep enough to provide good drainage. Premium grapes cannot be grown in ground where the vines' roots are always wet. You will need water available to nurture the young vines, but it is equally essential that this water be able to flow away from the vines' root zones so that they do not remain waterlogged. The old saying, "The happiest vines are those that look down on the river below," will always ring true.

But, no matter how good the view is, the vines will not grow if they are not protected from deer, who love to munch on young grape leaves. Whole vineyards have been consumed by hungry deer. A sturdy fence at least seven feet high must be constructed around the perimeter of your site. Unfortunately, birds also love to eat the seeds out of the ripening grapes. This makes the grapes shrivel, and then the bees and the ants finish them off. Some degree of netting or other type of bird control may be needed to protect the grapes from this problem. Raccoons may be an issue as well. They love to eat ripe bunches of grapes.

Planting the Vines

Once a suitable vineyard site is found, the correct combination of rootstock and clonal material must be chosen. An American rootstock is a necessary choice, as they are resistant to the root louse phylloxera that ate almost all the grapevines in Europe in the late 1800s. Grapes grow there now only because they are almost all grafted onto American rootstocks. Grapevines are no

different from fruit trees or roses. You need the right combination of fruitwood grafted onto the appropriate rootstock.

A vigorous rootstock would be required in a site with thin soil. A less vigorous rootstock would be needed in a site with a thick, fertile soil, since you want to create a vine that will grow only about two to three tons per acre. In order to protect the reputation of the wines of Burgundy, it is against the law to grow more than three tons per acre of Pinot Noir. An overly vigorous vine produces too many grapes, diluting their flavor and making a thin, dull wine.

Since you will be growing Pinot Noir, there are literally hundreds of different clones available. Choosing the correct clone or mix of clones is of tantamount importance. (Refer to the Winter/Spring 2004 *Financial Playbook* or go to www.copelandcreekvineyards.com for a full explanation of these clones.)

I would recommend a mixture of the new clones available from the University of Dijon. These would include 114, 115, 667, 777, 828, and the newly certified 943. Their program started 25 years ago to find the best Pinot Noir clones in Europe. Of the over 200 clones they have investigated, they have certified only a handful.

This means you can order these official French Burgundian clones to plant in your vineyard. Of course, you will need to pay a small royalty to the French government for this privilege, but it is well worth it.

Each clone has its particular strengths, so planting a number of them will result in a more complex and ultimately more satisfying wine. I have done several tastings featuring wines made from different clones from the same vineyard. While it is possible to select a favorite clone from each group, the best wine is always a blend of them all. The choices faced in combining these clones to create a successful Pinot parallels the process in Bordeaux. There, they use different grape varieties (Cabernet Franc, Merlot, Cabernet Sauvignon, Petit Verdot, Malbec, and Carmenere) to create the best wine each year, but with Pinot Noir, we blend different clones of the same grape. The process and the goals are the same in both cases.

Growing the Vines

After you have planted the correct match of rootstock and clonal material, the training of the young vines starts as soon as they grow up the stakes. Once they have attained sufficient growth (usually after two years), you must choose a trellising system that will optimize the grape quality. Enough sun must be allowed to reach the grape clusters so that they will ripen. Not enough sun results in nasty, unripe "green" flavors (think canned asparagus). Too much sun on the clusters results in sunburn, raisining of the grapes, and the loss of the delicate fruit flavor we require in Pinot Noir. Either way, the grapes are rendered useless for our purposes. (This is not a problem for Zinfandel or Cabernet, because they are thicker-skinned. In fact, they require a great deal of hot sun exposure.) The row direction and trellising system must be matched exactly to the path of the sun so that the grapes will ripen sufficiently but not become overripe or sunburned.

Training and pruning of the vines each year is done with an eye to creating a vine that can give you a healthy but select crop of grapes. The winter pruning limits the crop level. The right number and correct placing of the fruiting stations on the vines must be achieved. The stations need to be a few inches apart so that air can circulate around the grape clusters and prevent any mold in the bunches. Two fruiting buds are left at each of about ten fruiting stations on the vine for a total of about 20 buds per vine.

But grapevines always want to produce more fruit than is desired. As the new shoots start out in the spring, some buds will push out two shoots. Shoot thinning is done so that only one shoot is allowed to grow out of each bud. After the clusters have formed, the first cluster thinning takes place so that only a couple of clusters are left on each shoot. As the ripening continues throughout the summer, the vines will continually sprout more clusters (second crop). These clusters need to be eliminated so that all the vine's energy will be focused on the primary crop. At "veraison," when the grapes turn from green to red, some clusters will be behind the others in their level of ripeness. These

clusters must be removed to further reduce the crop level and to assure that the more advanced clusters will receive all the energy they need to ripen. All this is done so that the grapes can be harvested at the perfect level of ripeness, with all the flavors concentrated in the few bunches left to ripen on the vine.

The grapes start out as small, hard, green spheres that are all acid and no sugar. As the ripening continues throughout the summer, the sugar level goes up and the acid level goes down. The optimum ripeness level is reached when all the flavor factors (acid, fruit, flavor) are in balance. (There is quite a battle going on in the wine industry right now as to what “optimum” means. See the Winter/Spring 2005 *Financial Playbook* or go to www.copelandcreekvineyards.com to read “Under the Influence” and find out why, over the last 25 years, the average alcohol of California wines has risen from twelve to fifteen percent.)

Once the grapes are at the desired level of ripeness, we can proceed with harvest. Careful harvesting is needed to bring the grapes to the winery in peak condition. Harvesting by hand is preferred because the grapes, like any fruit, are easily bruised. All grapes, but especially Pinot Noir, must be cold when they are put into the fermentation vats at the winery so that the transformation from juice to wine can start slowly and proceed peacefully.

So this is all you need to do to grow good Pinot Noir grapes: select a site that is just warm enough to ripen the grapes during a long cool growing season (without too much wind); make sure it has a good soil profile on a plot of land that has available water, the right slope for drainage, and proper sun exposure; choose the appropriate trellising system for your site; prune the vines so that your crop level is at the maximum of three tons per acre; thin the double shoots in the spring, the excess clusters as they form, and the slower-ripening clusters at veraison; protect the ripening grapes from birds, deer, and other predators; and harvest the grapes carefully (by hand) in the cool of the morning. That’s all, folks!

Why would anyone in their right mind want to go to all this trouble when they could much more easily grow

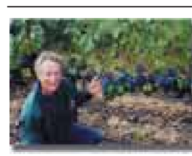
Chardonnay or Cabernet? Why do almost all winemakers long to make the perfect Pinot Noir when they know that it is by far the most difficult wine to make successfully? Simply because, while Cabernet can impress you and Chardonnay can please you, only Pinot Noir can give you the most subtle, delicate, complex, sexy, seductive wine in the world!

In order for you to experience what a good Pinot Noir can be, here are a couple of recommendations, both of which won gold medals at this year’s Sonoma County Harvest Fair:

- 2004 Sebastiani Sonoma Coast Pinot Noir—$19.00
- 2002 Copeland Creek Vineyards Sonoma Coast Pinot Noir—$30.00

The Sebastiani should be available in many markets nationwide. The Copeland Creek is easily available through the website.

For more details on what is needed to make a great wine out of these great grapes, see “Terroir and Traditional Winemaking Practices” in the Summer/Fall 2004 edition of *Financial Playbook* and “The Winemakers’ Art” in the Summer/Fall 2005 issue, or go to www.copelandcreekvineyards.com.



Don Baumhefner has spent the last thirty years working his way through literally every aspect of the wine industry. He consults with restaurants, auction houses, and private investors as an expert in cellar evaluation. He is also the vineyard manager and winemaker for a new Sonoma Coast winery, Pfendler Vineyards, which produces Pinot Noir, Chardonnay, and Meritage. www.Pfendlervineyards.com

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Client/You: *No, it doesn't. I never thought about it like that.*

William: Let's think for a minute. If you borrow the $100,000 and invest it at 7 percent, that means the $100,000 would grow to $196,715 in 10 years, $386,968 in 20 years and $761,226 in 30 years. How much better off are you then?

Client/You: *A lot better off.*

William: Let's take it one step further. Do you have any credit card debt?

Client/You: *Yes.*

William: And what interest rate are you paying on those credit cards?

Client/You: *About 18 percent.*

William: If you can borrow money at 3.5 percent, does it make sense to pay 18 percent?

Client/You: *No, it doesn't.*

William: Do you have any other loans?

Client/You: *Yes, a car loan.*

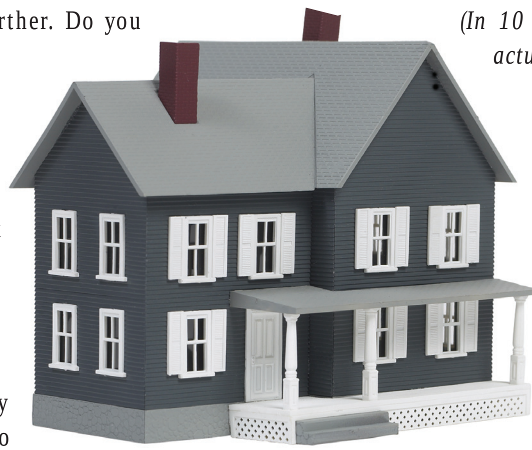
William: What's the interest on that?

Client/You: *I think it's about 8 percent.*

William: Again, if you can borrow money at 3.5 percent, does it make any sense to pay 8 percent?

Client/You: *No, it doesn't.*

William: If we borrowed the $100,000 in equity from your home and paid off all your loans, what would that save you per month?



Client/You: *About $500 a month.*

William: If you invested the $500 per month for the next 10 years, wouldn't you have $500 times 12 months, which is $6,000? Multiply that times 10 years, which is over $60,000, and that doesn't count the interest on that money. How much better off would you be?

Client/You: *Much better off.*

(In 10 years at 7 percent, the client would actually have $87,000.)

William: Imagine for a moment that you have $60,000 sitting in an investment and you want to buy a car. Now, instead of borrowing from the bank, you borrow the money from yourself and you pay yourself back the same interest you would have paid the bank. How much better off would you be?

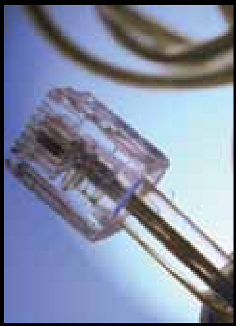
Client/You: *A lot better off.*

William: Does this make sense to you? Would you like me to work out the actual numbers for your situation?

Client/You: *Yes, please!*

For additional information on these topics, visit our corporate sponsor of The Money Doctor column, Citizens Financial Security of Modesto, CitizensFinancialSecurity.com, (800) 862-5330.

You are invited to contact "The Money Doctor," Mr. William F. Richardson, author, speaker, financial strategist and retirement specialist for Citizens Financial Security and its affiliates. He is also the founder and director of The California Educational Institute of Wealth Enhancement and creator of The Equity Max Program. To learn more, please call (209) 543-8666 or send email to William@WilliamFRichardson.com.



Information + Speed = Broadband

In the world of technology, broadband is certainly one of the hottest things out there. In fact, broadband is more than just a buzzword these days. It is one of the strongest catalysts fueling change for more rapid delivery of information in today's society.

What exactly is broadband? Generally speaking, we can categorize access to the Internet into two areas: dial-up and broadband. If your computer has to get a dial tone from your phone line and dial in to access the Internet, then you are considered a dial-up customer. The awful screeching sound you hear when you pick up a phone while dialed up to the Internet is, in fact, computers talking to each other over the phone line.

Dial-up is an older technology, and now there are faster methods of information delivery available. Broadband encompasses many alternative methods to accessing the Internet, such as DSL (which, incidentally, also uses a phone line, but is not audible) and cable. Satellite dishes, though generally more expensive, are available for those without the appropriate cable or phone line capabilities, and wireless connections are becoming more and more popular, especially in urban and trendy locales.

What are the benefits of getting broadband? Broadband's most important feature is that it is faster, in many cases much faster, than dial-up. In addition, dial-up uses the older and less reliable technology of analog phone lines, and switching to broadband can free up your phone line. With broadband, you can more easily enjoy streaming videos and music, send and receive larger files (e.g., digital pictures and music), and even participate in newer Internet communications, such as web conferencing and voice calls.

You may have heard some of the phrases that define Internet communications: Voice over Internet Protocol (VoIP), Internet telephony, and PC-calling. For example, companies like Yahoo! and Skype allow you to call someone over the computer, anywhere in the world, for free. All you need to do is download the free software and get a set of speakers or headphones and a microphone. These companies also offer the ability to call any regular land-line phone or cell phone at a reasonable cost.

Skype is easy to use. It has a wizard for first-time users, which allows you to set it up, ensure your voice quality is good enough for the service to work, and find other Skype users to call. Another great aspect of Skype is that they do not ask for personal information. All you need to provide is a username and password. In addition, Skype is not just for Windows users. It is also available for Mac OS X, Linux, and interestingly enough, for Windows PocketPC.

Yahoo! is another company that has tapped into this VoIP market by incorporating it into their Yahoo Messenger product. You may be familiar with Yahoo Messenger, as it has been around for several years and has many useful features, such as instant messaging and personalized information delivery. With version 7, released this past summer, Yahoo Messenger now has PC-to-PC calling and is similar to Skype in many ways. It is free to download and to use, requires a log-in with a username and password, and is relatively easy to use.

However, Yahoo! differs from Skype in many ways as well. If you don't already have a username with Yahoo!, the process of getting one is a little more complicated than simply choosing a name and password. You are required to give several pieces of information, including your name, gender, ZIP code, and birthday. Of course, you get more than just Internet telephony with Yahoo. You get an e-mail address; personalized news, weather, and local TV listings; instant notification of new e-mail; and much more. If you have a web cam, you can share your image with others while talking. It's not exactly an excellent quality picture, but it is an early version of the futuristic videophone for the masses you may have seen in sci-fi movies and TV shows.

Skype and Yahoo! are two of the better-known pioneers in this emerging Internet telephony market, but there are several others competing as well. Although this appears to be a technology that may replace the telephone, it is important to note that calls from your PC are less regulated than their land-line and cell phone counterparts, and there is no way to dial emergency services such as 911. Therefore, it is highly recommended that you keep your land-line or cell phone so that you still have ways to reach emergency numbers. This new market arguably increases competition for the telecommunications companies of the world, and hopefully will result in lower prices for global communications.

Of course, VoIP is only one of many benefits available with a broadband connection. Broadband does cost more than dial-up; however, this incremental cost may be easily reduced if you can eliminate an extra phone line dedicated to your dial-up connection. In addition, you will likely need to buy or rent additional equipment. If you are an infrequent user of the Internet, you might opt to stick with dial-up. But if you plan to use the Internet on a regular basis, it may be worth your while to investigate broadband options available to you. It is a very competitive marketplace, so be sure to shop around for the best deal. FP

Feature

"We find no real satisfaction or happiness in life without obstacles to conquer and goals to achieve."
—Maxwell Maltz

By James E. McWhinney

Dividends Are Back

Prior to 2003, the number of companies paying dividends to their shareholders had been in a general decline for a quarter of a century, according to the American Shareholders Association. That trend was dramatically reversed with the passage of the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA). Among a host of other tax law changes designed to jumpstart the economy, this piece of legislation temporarily reduced the top individual income tax rate on corporate dividends to 15%. It also reduced the top individual income tax rate on long-term capital gains to 15%. The impact of these changes was immediate—and ongoing.

By year-end 2003, more than 242 companies had increased the amount of their dividend payments. Payments increased again in 2004. The first six months of 2005 saw 1,055 stock dividend increases—a 17% rise from the same period in 2004, according to data provided by Standard & Poor's.

Stipulations in the Legislation

The rate change implemented by the JGTRRA applies to dividends from domestic corporations and "qualifying foreign corporations," a designation which includes any foreign company trading on an established U.S. securities exchange, incorporated in a U.S. possession, or incorporated in a country where certain treaties with the U.S. are in effect. It does not apply to dividends paid by:

- Credit unions, mutual insurance companies, mutual savings banks, farmer's cooperatives, or tax-exempt cemetery companies
- Any corporation that is exempt from federal income tax
- Securities owned by an employee stock ownership plan
- Stocks owned for less than 60 days during the 120 days before and after the stock's announced ex-dividend date (usually 2 days prior to the dividend payment date)—a condition designed to stop investors from buying a security, holding it until the dividend is paid and then selling it
- Real estate investment trusts
- Investments, such as short-sales, that require a related payment in substantially similar or related property »

History of Dividend Taxation

To fully understand the impact of the JGTRRA, a brief overview of the state of taxation prior to its passage is in order. The initial taxation began with a corporate income tax, generally at a rate of 35%, which was levied against each dollar of profit a corporation earned. Once that tax was paid, the remaining money was used to pay dividends to investors. At that point, the dividend payment was classified as income (for the investors) and taxed again. For taxpayers in the highest tax bracket, income tax took 38.6% of each dollar of profit they received in dividend payments.

Corporate CEOs have long been plagued by this double taxation. Keep in mind that corporations exist to serve their shareholders. When corporations generate profits, there are only a limited number of ways for those profits to be put to work or distributed to investors. Citing dividend payments as an inefficient use of capital, corporations have historically preferred to invest in activities that generate capital gains—which investors also paid tax on, albeit at the significantly reduced rate of 20%. This encouraged companies to spend their earnings on research and development, new equipment, stock buy-back plans, and other efforts to build and strengthen the businesses. Ideally, these efforts boost the firm's stock price and ultimately result in a larger return on investment when investors sell their shares.

The JGTRRA dramatically changed this situation. The reduction of the tax on dividends was one major development. The reduction in the tax on long-term capital gains from 20% to 15% for taxpayers in the highest tax brackets was another. This equalization helped to level the playing field between the various methods of profit distribution available to publicly traded corporations.

Good for Investors

Relying on steady dividend payments from industry stalwarts such as General Electric, Johnson & Johnson, and Coca-Cola (to name just a few) is not a new strategy for income-seeking investors. Since Wall Street analysts view steady dividend payments as a sign of strength, and cutting dividends as a sign of weakness, firms with a strong history of dividend payments tend to maintain those payments over time. The reliability of the income stream provided by these established, slower-growing blue firms earned them the nickname "widows and orphans" stocks.

With the passage of the JGTRRA, dividend-paying stocks have become even more attractive—particularly for investors in the highest tax brackets. While income produced by bonds and other fixed-income investments is taxed as ordinary income, at rates up to 28% for taxpayers in the highest bracket (tax bracket reduction was another benefit of the JGTRRA), the 15% tax rate on dividend payments is a bargain. Investors in lower tax brackets also benefit from lower tax rates on dividends, with the tax on dividends dropping to 5% for investors in the 10% or 15% income tax brackets.

While lower taxes are an immediate and direct benefit, they aren't the only benefit investors receive from the JGTRRA. Consider the impact on stock prices when a firm announces a new dividend payment or increases the amount of an existing one. When such announcements are made, the firm's stock generally becomes more attractive to investors and, as a result, the firm's stock price tends to increase. This increase results in greater capital gains for investors when the shares are sold.

In addition to the financial benefits of dividend payments, there is a less tangible but considerable psychological benefit. While this benefit can't be measured in dollars and cents, the increase in the number of companies paying dividends serves to soothe investors' nerves in a scandal-plagued era. The generation of paper profits via shenanigans of the Enron variety is much more difficult to pull off when large amounts of cash are required to meet dividend payment obligations.

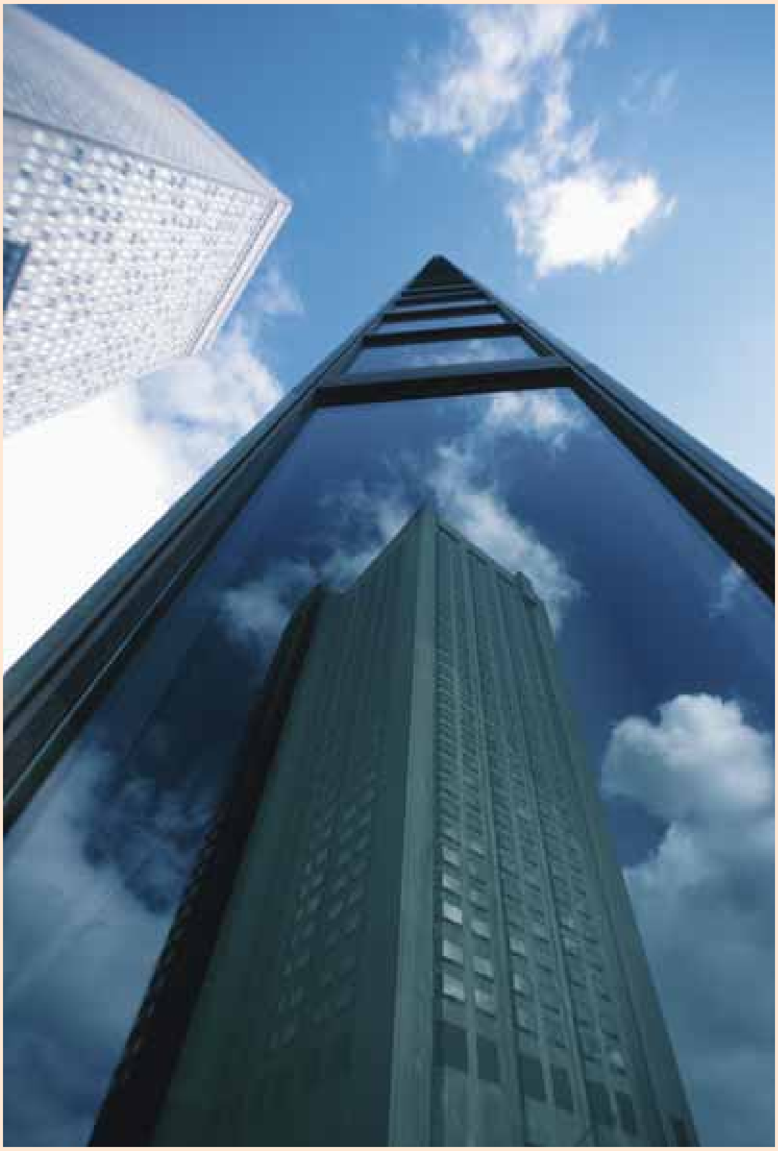
Good for Corporations

From a corporate perspective, dividends are part of a company's cost of capital. Reducing the tax on dividends made it less expensive for companies to do business by making it cheaper for them to return money to investors. It also encouraged them to invest corporate earnings more efficiently, choosing the most profitable business opportunities as opposed to seeking any opportunity that enabled them to avoid making a dividend payment.

Corporate executives received substantial benefits too, since they generally rank among the largest shareholders in the firms they run. While you won't hear them tout it, Microsoft, Goldman Sachs, Citigroup, and dozens of other major corporations made massive dividend payments that resulted in a virtual goldmine for senior executives.[1] These executives received millions of dollars worth of dividend payments that were taxed at 15% as opposed to the 28% tax rate that would have applied to ordinary income. Despite arguments to the contrary, the self-serving nature of these dividend payments is supported by *Dividend Taxes and Corporate Behavior: Evidence from the 2003 Dividend Tax Cut*, a study released in September 2004 by Raj Chetty and Emmanuel Saez of the University of California Department of Economics. Chetty and Saez note that firms where the senior executives have extensive stock holdings and few unexercised stock options "were much more likely to initiate dividend payments."

A Limited Time Offer?

Without an act of Congress, the rising tide of dividend payments is likely to reverse itself in 2009, when the JGTRRA's sunset provision kicks in. If this occurs, the top tax rate on dividends will more than double when the pre-2003 tax rates are reinstated. On the other hand, a permanent reduction in the tax on dividends is likely to result in further increases in the number of companies paying dividends and the amount of dividends they pay.



In the face of the uncertainty surrounding the future status of the tax on dividends, investors need to enjoy this opportunity while it lasts—keeping a careful eye on the political developments that will either extend or eliminate the tax cuts. While it is far too early to tell which way the political winds will blow, savvy investors should tread carefully when putting themselves in a position of relying on an income stream that could be dramatically reduced should the benefits provided by JGTRRA be rescinded. FP

[1] http://www.nysscpa.org/cpajournal/2004/1004/essentials/p40.htm

Art

"Art is the desire of a man to express himself, to record the reactions of his personality to the world he lives in."
— Amy Lowell (1874–1925)

Artist: Robert Chapla Title: Brightlit Blossoming
Images courtesy of Art Concepts Gallery, Walnut Creek, CA.

By Melinda Moshuk

What's It Worth?

Picture it: a gentleman with a British accent, bugging eyes, and flushed cheeks, nearly drooling over a bucolic landscape painting that was once a fixture in your grandma's living room. His voice goes up two octaves as he describes the oil-on-canvas as an original Monet, of French Impressionist fame. Though the painting is one of Monet's lesser-known *plein-air* compositions, the British appraiser tells you that he thinks it could fetch up to $2 million at auction!

This is a typical "Antiques Roadshow" fantasy we've all had, but particularly those of us who have been put in charge of caring for family possessions. However, unless they've scored a ticket to the popular public television show, few people know the importance of up-to-date appraisals. In fact, even fewer know that having appraisals performed on their objects can avert family feuds, help lawyers and insurance professionals determine the value of lost, stolen, or disaster-affected pieces, and, in the end, make life easier.

The first step in the appraisal process is recognizing and assessing the need and working from that point. For instance, the estate planning process, planning a trust, or sorting out probate brings many people to appraisers. New homeowners with collections of any kind should have appraisals done to satisfy their homeowner's policies. Perhaps you plan to add to, donate, or sell parts of your art (or other valuables) collection. Each of these cases presents a different set of appraisal needs which calls for its own particular course of action.

In the case of selling or buying art and collectible objects, art consultant Deborah Paine of Deborah Paine Fine Art Services in Seattle says to start at the source. "If possible, go back to the source, whether it's the artist themselves or the dealer." Why? "They're your most reliable way to find the true value of the artwork, present-day value [because they'll usually continue to represent or work with that artist], and they know what that artist can command in price. That's often based on the longevity of their career, how often they show, and how much their work has increased in value because they've been present throughout the course of the artist's career. Especially with older artists, go to one of the auction houses to see what they've sold for in recent auctions."

But the estimates given by auction houses and galleries aren't true appraisals. In order to get an authentic appraisal, one must hire a certified appraiser. According to Ed Okil, executive director of the National Institute of Appraisers in Los Angeles, it is a conflict of interest to appraise what you sell. Also, in the case of filing a claim or pursuing a lawsuit, insurance companies and courts don't recognize sale estimates given by auction houses and gallery owners as proper appraisals. Okil performs more and more appraisals for insurance purposes because, he says, insurance companies will throw out claims if a current appraisal is not on file. A current appraisal is one performed in the last two to three years.

It is a good idea to have an appraisal performed after contacting your estate planning attorney to plan your trust or make a donation. Appraisals are an important part of the estate planning process and should only be done by an expert in the area of the object you're having appraised. "You want someone who will be able to defend how he or she arrived at their number in case of a gift or estate tax audit. It's really a matter of credibility," says Seattle attorney Ann Wilson of the Law Offices of Ann T. Wilson. If you're going to the effort of having an appraisal performed, you might as well do it right the first time. Firms like the National Institute of Appraisers will update their first formal appraisal for a small administrative fee every few years, or as necessary.

So, what are the priorities on your checklist for an appraiser? Out of brand-name familiarity, many people think of auction houses first. Here again, Mr. Okil advises against getting an appraisal from anyone who has an interest in the item being appraised. "You don't want an appraiser who charges a percentage of the sale price," says Okil. The appraiser could charge on a per item basis or on an hourly basis.

And of course, the appraiser should specialize in the kind of item you're having appraised. The appraiser's experience is crucial to getting an accurate appraisal. Okil has been in the art business for 40 years and appraising for 20 years. The more items an appraiser has come across, the better your chances for getting to know the true worth of your object. Look for members of appraisal societies, which have certification programs for their members, and ensure that their certificates are up to date.

Artist: Robert Chapla Title: Family Group
Images courtesy of Art Concepts Gallery, Walnut Creek, CA.

Jacque Smith, owner and president of Art Concepts in Walnut Creek, California, tells her clients making investments in art: "To ensure that art and collectibles are fully protected from loss or damage and adequately evaluated for business and estate purposes, up-to-date appraisals are essential. Value can change over time, and having a current, qualified appraisal will make the process of replacement, gifting, donating, and transfer of property go smoothly."

If you or your family members have spent the money and considerable effort collecting art or other objects, isn't it in your best interest to keep their value current? Sometimes protecting financial value is the only way to protect the sentimental value we treasure. FP

Melinda Moshuk is an independent curator and art researcher based in Oakland, CA.

Artist: Robert Chapla Title: Benecia Station
Images courtesy of Art Concepts Gallery, Walnut Creek, CA.

Feature

Alan Greenspan—The Man and His Legacy

By Janet Arrowood

A modern American legend, Alan Greenspan, is about to leave his position as the chairman of the Board of Governors of the Federal Reserve System (the Fed). For almost all of the past 18 years, Greenspan has been the chairman of the Fed. Under his guidance and leadership, the U.S. economy weathered recessions, booms, stagnation, terrorist attacks, and wars. But his leadership comes to an end on January 31, 2006, unless the Senate fails to confirm a successor by then.

A lifelong New Yorker, Greenspan attended New York University, earning a B.S. in Economics in 1948, an M.A. in 1950, and a Ph.D. in 1977. Prior to taking the appointment with the Fed, he was chairman of the National Commission on Social Security Reform, director of policy research for Richard M. Nixon's presidential campaign in 1968, chairman of President Gerald Ford's Council of Economic Advisers, and chairman and president of the economic consulting firm Townsend, Greenspan & Company.

While normally Greenspan is remembered as being a low-key, almost toneless speaker, his actions on interest rates and his statements about "irrational exuberance" will remain embedded in the minds of many investors.

It was Alan Greenspan who first warned, at the beginning of the "dot-com" boom in 1996, that investors are subject to bouts of "irrational exuberance on asset prices." But his impact on our economy was felt long before the stock market gyrations that followed that infamous statement.

When Greenspan was appointed to the Fed in 1987 (to fill an unexpired term), Ronald Reagan was president and the country was mired in a recession. House prices were stagnant or falling, interest rates were high, and jobs were scarce. Just six months after taking over at the Fed, Greenspan presided over the biggest stock market crash in our history. How was this crash different from the crash of 1929? First of all, the Federal Reserve banking system was created in 1915. But the monetary theories that Greenspan applied to pull the country out of the 1987 recession were far different from those used in 1929 and into the 1930s. The reaction of the central banking system to the crash in 1929 was to raise interest rates and effectively choke off access to money for people in desperate need of it. In 1987 the opposite tactic was used: interest rates were lowered to get people borrowing and spending again—a major component of the Greenspan legacy.

What Is the Role of the Fed?

The Fed has two major goals:

- Keep inflation low.
- Keep interest rates low.

Greenspan's legacy is probably clearest in the way the Federal Reserve Board of Governors' monetary policy managed to achieve both goals while keeping the economy on track and growing for most of the past 18 years. As the chairman of the Fed, his role includes determining whether and when to raise or lower short-term interest rates. Along with his fellow Fed governors, he sets and directs our monetary policy. One of Greenspan's most influential roles has been his semi-annual address to Congress, assessing and evaluating the country's economic situation. This assessment is closely watched by investors and financial professionals, and has the power to move domestic and global markets, interest rates, and currencies.

Prior to the Greenspan years, the workings of the Fed were murky at best, and inscrutable at worst. Investors and markets were often surprised or even shocked by decisions made by the Board of Governors. Under Greenspan, the workings of the Fed gradually became far more transparent. Upcoming policy and interest rate changes were announced, or at least strongly hinted at, well in advance of being implemented. This has greatly

Alan Greenspan (left), chairman of the Council of Economic Advisors, listens while President Gerald Ford speaks at Ford's economic summit at the White House.

reduced many areas of market volatility, since markets hate change, surprise, and bad news.

The Upside

The inauspicious start to Greenspan's tenure at the Fed—the crash of 1987—was followed by two of the longest U.S. economic expansions and two mild, short recessions. To speed recovery from the 1987 recession, Greenspan began a series of interest rate cuts. The effect on the stock market and the housing market, as well as the job market, was steady and dramatic. In retrospect, he has indicated that maybe the stimulus approach continued too long. That may be reflected in the way interest rates were raised, perhaps too much, at the end of the 1990s and up to the events of 9/11.

One of the most important steps taken by Greenspan and the Fed was in reaction to the events of 9/11. According to a recent *Business Week* article[1]:

> Fearful that the U.S. would suffer the same fate as post-bubble Japan and sink into a deflationary abyss, Greenspan cut short-term interest rates to a 45-year low of 1% in the summer of 2003 and kept them there for a year before gradually starting to raise them back up. The cheap credit

[1] http://www.businessweek.com/bwdaily/dnflash/aug2005/nf20050825_9546_db035.htm

did the trick in helping to revive the economy following the shock of the September 11 terrorist attacks.

But in the process, the easy money helped pump up house prices to levels that even Greenspan now admits look frothy in some parts of the country.

The Other Side

Not everyone sees the Greenspan legacy as positive. A Google search for "Alan Greenspan legacy" brings up as many negative as positive views. For example, Southern Methodist University economist Ravi Batra considers the Greenspan approach of "aggressive moves to preempt" domestic and international monetary (and other) crises to have had "devastating effects on ordinary Americans." He argues that by increasing the money supply in times of crisis and tightening the supply afterward, Greenspan's Fed has precluded booms from lasting long enough to benefit workers through wage increases that reflect increased productivity. "CEOs have gained . . . and workers have suffered sharply," he says. "Real wages have fallen. More Americans have slipped into poverty."[2]

What will be the effect on his legacy if today's massive U.S. trade deficit causes an international financial crisis, or if housing prices plummet in the next year or two? Since these potential crises, along with a booming deficit and huge rebuilding costs at home and in Iraq, came about under Greenspan's watch, history may take a second, far less flattering look at his policies.

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The dramatically lower interest rates of the first part of this decade may result in a crashing of home prices across the country, and particularly in skyrocketing East and West Coast markets. Many people paid inflated prices for homes and planned to cover their costs with rock-bottom adjustable rate mortgages. Now those rates are starting to adjust, and short-term interest rates have been raised several percentage points (almost three percent), so many homeowners are about to see their mortgage payments rise 15 to 30 percent or more for the next several years. If home prices plummet because people find they must sell (in the face of rising payments), the Greenspan legacy may not be such a positive one after all.

A recent *Business Week* article[3] (Rich Miller, "Totting Up the Greenspan Legacy," August 25, 2005) summed it up this way:

> Greenspan's legacy will at least be partly determined by how the economy holds up as the housing market cools down and the trade deficit crests and heads lower. If the expansion stays on track, then Greenspan's reputation as one of America's better central bankers—if not the best one—seems assured. But if a steep decline in house prices or a dollar nosedive cripples the economy in the coming months, then history won't judge him so kindly.

Greenspan could end up being viewed as one of the top Fed leaders of all time, or one of the worst. Much depends on the events of the next few years, and even more may depend on who is appointed as his successor. After all, it was Greenspan's success in handling the recession of 1987 that resulted in economists and others considering Paul Volcker, his predecessor, one of the best Fed chairmen ever.

Janet Arrowood is the Managing Director of The Write Source

[2]http://www.csmonitor.com/2005/0815/p17s01-cogn.html
[3]http://www.businessweek.com/bwdaily/dnflash/aug2005/nf20050825_9546_db035.htm

Greenspan—What Will It Take to Replace Him?

By Miles Gordon

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Alan Greenspan, who is widely expected to resign as chairman of the Fed on January 31, 2006, has received well-deserved accolades for his work over the past 18 years. Will his successor be able to extend Greenspan's remarkable success, and if so, how?

Alan Greenspan is widely known as an inflation hawk, but he is pragmatic rather than dogmatic about his beliefs. That is to say, while ever-vigilant about inflation, he will take a practical approach to an issue if he believes the facts and circumstances dictate it. He is known to consume incredible amounts of data, but at the same time makes many decisions on his instincts.

Purportedly a Republican, Greenspan is a consummate politician who has been appointed by four presidents—three Republicans and one Democrat (who appointed him three times). While in office he has dealt with numerous foreign counterparts and has generally received their accolades as well. It may be due to the spread of information and the rise of true globalization in our times as well as to his own achievements, but no other Fed chairman has received as much fame and respect as Greenspan. He will be a tough act to follow.

Greenspan's Legacy

Since Greenspan took office in 1987, the U.S. has experienced two relatively mild recessions, each far shorter than the recessions that preceded his tenure. The Gross Domestic Product has nearly tripled during his reign.

Unemployment is now down to just under 5%. When Greenspan took over, 6% was considered normal and as about as low as we could expect. At that point, inflation had averaged over 5% for 15 years, and had been in double digits within the previous few years. Since Greenspan took over, inflation has been on a downward trend, and over the last seven or eight years has averaged 3% or less.

From a purely statistical point of view, Greenspan must be viewed as a tremendous success. However, what he may be most remembered for is guiding the U.S. economy through very treacherous waters.

Two months after Greenspan took office in August 1987, the stock market crashed. In 1990 he had to fight off a potential nasty recession. In 1991 a war broke out—which always makes the job of the Fed even more difficult, as the federal government has to spend much more money than has been budgeted.

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In 1994 Greenspan had to raise short-term interest rates to fight off a nascent rise in inflation. In 1998 he was faced with the collapse of several foreign currencies and the potential resulting failures of several major institutions (the Long Term Capital debacle). In the late 1990s, he had to deal with "Y2K" and the resultant boom in technology spending to handle that potential crisis.

In 2000 the Internet stock bubble burst, and Greenspan had to face the potential crash of all stock markets. In 2001 he had to handle the recession resulting from overspending on Y2K, the Internet bubble, and 9/11. In 2002 and 2003 he had to deal with the potential of global deflation as a result of the rapid rise of globalization, especially in China and the Far East. Also in 2003 came the Iraq war and the extra demands for money that it brought.

Now in 2005, he has had to deal with the horrific devastation brought on by Hurricane Katrina and the need for more dollars to be spent than ever imagined. All this was done in a time of record deficits and a ping-ponging dollar.

Greenspan's Mandate

Greenspan knows his mandate: Make sure people are working, the economy grows at a measured pace, inflation does not get out of hand, and the financial markets not only respect and trust him and his judgment, but also believe that he is going to do what he says he will do. This last point may be the most important and difficult one for his successor.

Several cases in point show how necessary this last point is. In the market crash of 1987, only two months on the job, Greenspan did not stick to the dogma of fighting inflation, which had been the mantra for over eight years running at the time. This dogma would have dictated, "Do not flood the market with dollars," as that would fuel inflation and only lead to worse problems down the road. Instead, Greenspan quickly and persuasively assured the financial markets he would provide as much money as was necessary to make sure the markets stayed liquid. This was a big gamble, but it paid off as the crash went out with a whimper, as opposed to the prolonged recession/depression many had predicted.

In 1998 the Long Term Capital crisis hit. This stood to rock the financial markets as over one trillion dollars were leveraged. The collapse threatened the viability of numerous financial institutions that allow our markets to function smoothly and without interruption. Greenspan told the players-to-be that they had to solve their own problems; the Fed would not bail them out. They did this, because they believed him. Again, he took a calculated gamble that paid off.

Lastly, Greenspan told the world markets in late 1999 that if Y2K turned out to be a real problem, the Fed stood ready to make sure ample liquidity would be available if needed. His statements went a long way toward calming the nervous markets.

Lessons for Greenspan's Successor

In order to succeed, Greenspan's successor will need to be very smart and more than just an economist. He or she must be able to take dramatic and decisive action, especially when all the facts are not readily apparent; by the time the facts are in, it may be too late. He will need to take prophylactic measures before a problem arises. He must be able to grasp the big picture and synthesize the available information quickly.

Examples of this kind of quick thinking are the dramatic reduction in interest rates in 1990–92 and again in 2001–04. In both these situations, Greenspan lowered rates before the onset of the coming recession and thus was able to lessen the severity of the recession that followed. This is especially true of the 2001 rate reductions, as the recession was still months away, and the potential deflation that became apparent in 2003 was not even on the horizon.

Next, Greenspan's successor must be politically astute. During his term, he will have to deal with the other twelve Fed governors, one or more presidents, numerous congresses, countless world leaders, and the most difficult of all, Wall Street. Inability to do so will lead to a lack of confidence and maybe even paralysis at the wrong time.

The new chairperson will have to be someone whom the financial markets respect, but who is not in their hip pocket. He or she cannot be perceived as being a tool of Wall Street, as the rest of the world would then be wary of the decisions made. The Fed chairman has become a world leader and must act as such.

Lastly, the new chairperson must not have too big an ego—he must be an excellent listener. Too large an ego may lead to irrational or poor decisions at times when advice and counsel are called for. Greenspan, while very smart, always sought the advice of many others—his fellow Fed governors, presidents, world leaders, and Wall Street. He always made them feel they were listened to, and while he may not have followed their advice precisely, they felt he made the decision based on the advice of many as opposed to relying solely on his own opinion. This is absolutely critical.

Candidates for the Succession

Chances are the next Fed chairperson will not be a sitting Fed governor, as no chairman has come from that position in modern history. He or she might be a current or past chairman or member of the Council of Economic Advisers, as was Greenspan. The president (and the Senate, which must confirm the nomination) would thus have a good look at the nominee. One leading candidate from this group is Ben Bernanke.

In late October, President Bush nominated Ben Bernanke to be Alan Greenspan's successor. By all accounts, this nomination was very favorably reviewed by almost everyone. Stocks went up sharply the day after nomination, and most reviewers gave him a "thumbs-up" nod. I agree with this view, as Mr. Bernanke is viewed as non-partisan—which is very important. He is an academic with outstanding credentials—he has degrees from Harvard and MIT and has taught at Stanford and Princeton. He is a former Fed governor and current head of the President's Council of Economic Advisers.

In mid-November, the U.S. Senate Banking Committee approved the nomination of Mr. Bernanke to be the next chairman of the Federal Reserve. The full Senate must grant approval for final confirmation.

From what I have read, Mr. Bernanke apparently gets along well with others and does not appear to have the ego that many in his position might have. This also is very important, as the Fed chairman has to get along with his fellow Fed governors, the administration, Congress, and other world economic leaders. Someone with too large an ego, or who seeks confrontation rather than consensus, will not succeed in today's environment of openness, instant communication, and constant scrutiny.

Mr. Bernanke says that he likes openness and clarity, traits that Mr. Greenspan did not excel at or cherish. Whether Mr. Bernanke is too open remains to be seen, but the markets have responded well to Mr. Greenspan's recent attempts (although belated and not very successful) at being more open. Mr. Bernanke appears to be not only interested in being more open, but able to do so in a way that almost everyone who might be interested can understand. Here his academic background should be of significant value.

It remains to be seen whether Bernanke is the politician that Mr. Greenspan was and whether the markets will trust him as they have Mr. Greenspan. I am sure he will be tested soon after he assumes the chairmanship early next year. I am confident that Mr. Bernanke will respond well due to his experience, knowledge, and years watching how Greenspan has worked. All in all, he is an excellent choice and he appears to be the right man at the right time. FP

Miles Gordon, chief executive officer of Gordon Group Associates, has been an industry leader in the financial services industry for more than 25 years.

TEA SCONES WITH GOLDEN RAISINS

By Karol Redfern

Scone Ingredients:
Yield: 10 to 12 scones

4 cups flour
3 tablespoons baking powder
1 teaspoon salt
5 tablespoons sugar
1 cup (2 sticks) cold butter
1½ cups golden raisins
4 eggs
⅔ cup cold buttermilk

Egg Wash:
1 egg white, beaten
2 tablespoons cold water
Sugar for sprinkling

Preheat the oven to 350 degrees

To Prepare the Dough:

Into a large mixing bowl, lightly sift together the flour, baking powder, salt and sugar. Cut the cold butter into small pieces and add it to the flour mixture. Using a pastry cutter, cut the butter into the flour mixture until it resembles coarse meal. Toss in the golden raisins.

Beat together the eggs and the buttermilk and pour this mixture into the flour mixture. Mix gently, scraping the bottom of the bowl until the mixture begins to follow the spoon around the bowl. Scrape the dough out of the bowl onto a lightly floured board and knead very briefly, only enough to bind.

To Pan:

Pat the scone dough into a square 1 inch high. Cut the dough into 2-inch diamonds, or cut it with a decorative cutter and place the scones onto a half sheet pan lined with parchment paper or onto an ungreased cookie sheet.

To Prepare the Egg Wash and Bake:

Beat the egg white with the cold water and brush the scones lightly. Sprinkle them with sugar and bake in the fully preheated oven for 12 minutes, or until they start to turn golden.

For more of Karol Redfern's recipes, preview her book ***A Romance with Baking*** available online at Amazon.com.

Cookie Dough Ingredients:
⅔ cup butter
1½ cups sugar
2 eggs
1 teaspoon finely grated lemon zest
Juice of one lemon
3 cups all-purpose flour
2 teaspoons baking powder
1 teaspoon salt
Powdered sugar for dusting

KID GLOVE COOKIES

To Prepare the Dough:
Cream together the butter and the sugar. Add the eggs, the finely grated lemon zest and the lemon juice.

Sift together the flour, baking powder and the salt. Mix the flour mixture with the creamed mixture only enough to blend. Wrap the dough in plastic wrap and chill thoroughly.

Preheat the oven to 350 degrees.

Roll the dough out onto a lightly floured board to ¼ inch thickness. Cut with a hand-shaped cookie cutter or any other decoratively shaped cutter. Carefully place on a sheet pan that has been lined with parchment paper or a very lightly greased cookie sheet.

To Bake:
Bake for 5 to 8 minutes or until lightly golden. Carefully remove to a cooling rack. Allow to cool completely. Using a sifter, dust with powdered sugar.

Insuring Your Home-Based Business

By Amy Loftsgordon

Many people dream of working from home, and it is true that starting a business from your home can be one of the most exciting endeavors for any aspiring entrepreneur. It is abundantly clear that establishing a home-based business will affect your everyday lifestyle, but it is also important to remember to cover all your bases. Maintaining proper insurance coverage for a home-based business is often an overlooked expense. It is extremely important to remember that launching a home-based business will more than likely increase your insurance needs. Even a small home business must be fully protected against the risks of doing business.

Many home-based entrepreneurs mistakenly believe they are covered by their homeowner's insurance. In actuality, most homeowner's insurance policies limit loss of business property, do not cover losses away from the home, and exclude liability coverage for business-related activities. Consequently, you should never rely entirely on your basic personal homeowner's policy to cover your home-based business. If you do, you may make some startling discoveries when you try to file a claim. For example, if your computer is destroyed in a fire, you might be surprised to find out that it is not covered by your homeowner's insurance because business property is excluded by the policy. Even worse, if your home burns to the ground, it is possible that your fire coverage could be null since you forgot to mention to the insurance agent that you used your residence for business purposes.

For situations such as a common slip-and-fall type of accident, your homeowner's policy will most likely cover you if you are sued by a social guest or someone who is at your home for a non-business purpose, such as the UPS driver delivering a birthday present from your Aunt Flora. However, your homeowner's policy might not cover a business colleague, client, employee, or delivery person bringing work-related items who slips on the ice on your driveway and is injured. In order to provide protection against these risks, you might need to purchase a rider to your homeowner's policy or a commercial general liability policy. Also, if your business has employees, you will need to obtain worker's compensation insurance, which covers any employee injuries sustained on the job.

When starting a home-based business, it is good to know that the same general principles of insuring a small business also apply to home-based businesses. There are two principal types of insurance to be concerned about—liability and property damage. Liability insurance will protect you in the event someone gets injured on your property or by one of your products. Property insurance will cover the company's belongings, such as computers, copiers, desks, and other business items.

The best way to avoid an unpleasant situation is to schedule an appointment with your insurance representative and discuss what riders you will need to add to your homeowner's policy to cover basic business risks. This will allow you to determine how much it would cost to replace items after a fire, burglary, natural disaster, or other loss. Moreover, you need to remember to include items such as particular business software installed on your

computer. A graphic artist or web designer could have $15,000 in computer equipment and software on hand for a home-based business, and these should be insured. When meeting with your insurance representative, be certain to inquire as to what it will take to insure your business property, including equipment and furniture, for the total replacement cost—not merely the depreciated value. Choosing a relatively large deductible can help keep costs down.

Additionally, some home-based businesses, such as an attorney's office or accounting business, need unique kinds of insurance, such as professional liability insurance. Or if you manufacture, distribute, or sell products that could cause injury, it would be wise to obtain product liability insurance coverage. If you need to drive to meet customers or conduct business errands, make sure that your car insurance covers injuries that might occur while you are driving for business purposes.

If you have employees who use their own cars for work errands or deliveries, you should consider obtaining special insurance referred to as "employer's non-owned automobile liability insurance." In general, a business auto policy will only protect against losses that involve company-owned vehicles. Consequently, depending on your situation, it may be necessary to add "non-owned" coverage to your policy. Consult your insurance professional to determine what insurance will suit your particular home-based business.

Furthermore, businesses that operate as a corporation or an LLC may need different insurance coverage. The benefit of being organized as a corporation or LLC is protection from personal liability, but it is imperative that you remember that a homeowner's policy (even one that has riders to insure you personally) may not insure a separate business entity. Consult with your insurance agent to ensure that your corporation or LLC is covered in whatever insurance policy you purchase.

Make a list of questions to address with your agent in determining the amount and type of insurance coverage you need. Some of these questions might be:

- How much business equipment do you have at home?
- Do you have any inventory?
- What would it cost to replace your equipment/inventory?
- Are there employees?
- Is business conducted away from the premises? »

After discussing these and many other issues with your insurance professional, you may decide to go with a business owner's policy (BOP). A BOP includes both liability and property damage coverage and is intended to cover a wide range of low-hazard businesses, such as offices or stores. This type of policy will cover theft, loss of income, and general business liability, as well as specialty coverage depending on the business. In addition, a BOP will typically provide certain off-premises coverage, such as product liability coverage for products sold. The building structure of your business is also covered, so this could potentially duplicate your homeowner's coverage. Be sure to discuss all options with your insurance representative.

A home office policy combines homeowner's and business insurance, so it will cover both a home-based business and the home itself. Typically, these policies cover business property, in addition to providing protection from business liability lawsuits and loss of earnings. It is possible that purchasing one of these policies could prove to be less expensive than adding riders to your homeowner's insurance or buying individual policies for both home and business. This sort of policy is typically a good selection for a company with minimal business visitors each week and some computer equipment. It will cover loss of income and continuing expenses such as employee payroll for up to one year if the business cannot function due to damage to the home. Also covered are business liability, theft, and personal liability. These home/business policies may be less expensive than either adding riders to your home insurance or purchasing separate policies for both home and business. However, you should examine the coverage thoroughly, because home/business policies are usually restricted to covering home offices and may not sufficiently insure you if, for example, you run a small manufacturing shop or are a wholesaler who stores inventory in your home or garage.

Another option is adding a "business pursuits" endorsement to your homeowner's policy. This endorsement provides coverage for certain business-related pursuits listed on the endorsement. However, this provides very little protection, especially if you have customers on the premises or expensive equipment. Additionally, some insurers are reluctant to extend a business pursuits endorsement to a full-time bona fide business.

Whatever insurance policy you choose, it is essential to read the small print in order to determine the restrictions and exclusions on business property and activities in your home.

It's good to insure your business against loss, but it's even better to prevent losses from occurring in the first place. Install smoke detectors and have fire extinguishers available. Also, use deadbolt locks and motion-detecting lights around the property. Keep stairs and walkways free of ice, snow, and debris. It is also a good idea to create a disaster recovery plan to minimize losses in the case of a natural disaster, including regular file back-up and off-premises storage of paper and electronic files. Remember to place cash, valuables, and important documents in a fireproof safe. FP

Amy Loftsgordon works as an attorney and freelance writer. She has worked in the areas of estate planning foreclosure and civil matters.

"By working faithfully eight hours a day you may eventually get to be boss and work twelve hours a day."
—Robert Frost

Business Succession Planning

By Amy Loftsgordon

Managing and maintaining your own business is already a daunting project, without having to think about what would happen to the business in the event of your death or inability to continue managing it. Yet the risk of catastrophe remains, and many private business owners do not plan appropriately for who will take over the business or how to maximize its value after their death.

In simple terms, business succession planning is the subset of estate planning that deals with self-owned and family businesses. Though everyone should consider planning for their estate, only those who own or have part ownership in a business need to be concerned with preparing a business succession plan. It is important to do so because the consequences of not planning appropriately can be problematic for the business, as well as for your heirs.

For example, let's say you and a partner own a business. If you plan ahead, there are several options for what can happen to your ownership in the business if you die. However, if no preparations have been made with respect to your business succession, in all likelihood your part ownership in the company will be distributed through your estate. Suppose your spouse predeceases you, and you have two children as your survivors. Each child gets a 50% share of your part of the business. In a perfect world, our children would get along and manage the business together, but that doesn't always work out so nicely. They may have different ideas on how to run a business, they may not make good business partners, or their ideas may clash harshly with those of the surviving business partner. Maybe your children do not want to participate in the business and would rather receive a cash buyout, but the business cannot afford it.

This brings up another concern in succession planning—ensuring liquidity. Many businesses lose value at the death of an owner, and need cash to keep going until a sale can be effected or the new owners get their feet on the ground. Proper business succession planning can alleviate these difficulties.

Planning Strategies

What types of business succession planning strategies are out there? Here are a few ideas:

If you want to keep ownership within a select group of people (e.g., with a partner or within the family), then having a buy/sell agreement in place is essential. In a buy/sell agreement, the owners of a business decide beforehand what is to happen when one of them dies, retires, becomes disabled, divorces, or wishes to sell his interest in the business. Such an agreement usually dictates that the remaining owner(s) of the business will purchase the deceased or withdrawing owner's share.

Perhaps the most important part of a buy/sell agreement is the determination of a selling price, as valuing the business up front is necessary to manage the agreement properly. Unfortunately, if the owner's interest is valued at say, $200,000, the other owner(s) may not have the available funds for the purchase. Thus, the agreement should have a mechanism in place for providing the funds necessary to fund the purchase.

One way to do this is to purchase a life insurance policy for each of the owners which will pay a death benefit upon the passing of the first owner. This will ensure that funds are on hand for the buy-out, no matter which owner dies first. Due to the tax consequences and the complexity of buy/sell agreements, you should work with your financial professional, an insurance specialist, and an attorney, all of whom need to have experience with such agreements.

However, this is not the only way to transfer business ownership. In fact, there are many ways to sell a business. If you feel your employees deserve it, or if your family members are employees, you might want to consider an Employee Stock Ownership Plan (ESOP). An ESOP is a particular kind of qualified plan under the Internal Revenue Code designed to give employees an ownership stake in their company. By giving shares of your company to employees, you have effectively begun distributing your ownership to others before you depart from the business, whatever the reason (retirement, death, disability, change in career, etc.). One of the many benefits to implementing an ESOP is that it is a great way to provide additional compensation to your employees. The downside is that you are actually relinquishing part of your ownership in the company to the employees. Of course you can still retain control by limiting the number of shares you award. Ultimately, if it is right for your situation, an ESOP can be a valuable business succession planning tool.

Another matter to consider is whether or not to purchase key person insurance. Key person insurance is a life insurance policy that is owned and paid for by the company, to cover expenses and possibly lost revenue in the event of the death of one of the company's essential employees. Generally, key person coverage is for individuals who are difficult to replace or for those whom the company would incur vast expenses to replace.

Benefits derived from key person insurance can be used for a variety of purposes, such as shutting down the business for a grieving period or hiring a headhunter to replace the deceased. Often times the insured plays many roles in the company, and finding a replacement may take two or three people. The proceeds from a key person insurance policy can help defray those extra costs.

Another situation to plan for is disability. The loss of an active partner to a long-term disability could lead to total devastation for a business. Some companies attempt to finance a continuing salary as well as a buyout with current cash flow, profits, and dividends, but this option is too expensive for most businesses. Disability buyout insurance, which is designed to buy out the ownership interests of the disabled partner at a predetermined price, is usually the best way to cope with such a possibility. In general, these policies require a 12- to 24-month waiting period to determine definitely that the disabled person cannot return to the business. Choosing a longer waiting period will lower premium costs. As with a buy/sell agreement, proper business valuation will play a key role in determining the amount of insurance needed.

Valuing the Business

As noted earlier, a crucial element of business succession planning is accurate business valuation. Disputes over business value are the main reason for tax challenges between the IRS and business owners. Determining the value of a business involves taking into account assets such as real estate, equipment, and structures, as well as intangibles such as manufacturing processes, customer lists, and reputation. The issues surrounding value become more complex when trying to fix a precise price for a business, as this can fluctuate depending on the various circumstances. For example, you may want to sell the business to your children for less than you would to a big corporation.

The standard methods for determining value are:

- Book value, which is shown in the business's financial statements
- Adjusted book value, which reflects the current value of the assets of the business
- Capitalization of earnings methods, which are used by the IRS to value businesses for gift and estate tax purposes
- Standard valuation methods, which are used by regional and national acquisition companies to set a value for businesses they plan to take over

No matter what method you choose, you must set a fair value in order to withstand an IRS inquiry. Professional valuation companies can assist you in this process, and there are many resources on the Internet available to help you get started. It may also be wise to include the input of your accountant and the business's financial officer.

Business owners work hard to build and manage a business that provides income and wealth for their family. Without proper planning, it is possible for the business owner and the business to die on the same day, as the surviving family members are faced with many obstacles regarding what to do with the business and how to continue to operate it. Proper business succession planning can ensure that the business, and the family's means of support, will continue after the death, disability, or retirement of the business owner.

In conclusion, if you are a business owner, it is important that you consult your professional financial, tax, and legal advisors to effectively and properly create an appropriate business succession plan.

Feature

"I contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle."
—Winston Churchill

How to Trim Your Taxes

By Susanna M. Zysk

If you're like many people, you want to keep most of your hard-earned money rather than hand it over to Uncle Sam. In order to do so, you must plan ahead to take advantage of important tax deductions. Here are a few tax-trimming tips that may help reduce your tax bill.

Build Your Nest Egg

Max out retirement plan contributions—If you aren't contributing the maximum amount to your employer's retirement plan, consider increasing your contribution to the annual limit, which is increased each year ($14,000 in 2005, $15,000 in 2006). If you weren't eligible to make additional catch-up contributions in 2005 ($4,000 in 2005, $5,000 in 2006, in $500 increments for inflation in 2007 and beyond), check your eligibility in 2006. All pre-tax contributions will reduce your taxable income.

Contribute to your Roth or traditional IRA early—Make your IRA contributions as early as possible so that you can take advantage of tax-deferred compounding in your traditional IRA and tax-free growth in your Roth IRA. Your money will grow faster!

Make rollovers within the time limit—Be sure to roll over any lump-sum retirement distributions directly into an IRA or other qualified plan within the time restrictions (usually 60 days) to avoid paying an additional 20% federal withholding tax.

Exercise Investment Sense

Use your capital losses to offset gains—You are allowed to use capital losses to offset an equal amount of capital gain. In addition, you are allowed a $3,000 net capital loss against your regular income. You may also carry over a net capital loss to offset subsequent years' losses. For example, if you have a $9,000 carryover loss, you can use $3,000 of the loss each year for the next three years.

Know your tax basis when selling stocks—When selling shares of stock, it is important to know your tax basis—the price paid for the shares or the price at the time you acquired the shares. This will help you determine your capital gains and/or losses at tax time. If you did not acquire your shares by purchasing them (e.g., they were a gift), consult your tax advisor to determine your tax basis.

Watch your alternative minimum tax (AMT) limits—This separate tax is calculated by comparing your normal tax to your AMT. You could be subject to AMT if you:

- have several personal exemptions,
- pay high state and local taxes,
- have many itemized deductions, or
- have large deductible medical expenses and/or large capital gains.

Control your tax liability—Generally, you may be able to control tax liability by delaying or accelerating an anticipated stock sale, selecting stocks that don't pay dividends, or trading stocks through a tax-advantaged account. Interest paid for bonds is taxed as ordinary income unless the interest comes from U.S. Treasury bonds, bills, or notes, which are exempt from state and local taxes. Interest paid from some municipal bonds is exempt from federal taxes, and from state and local taxes for residents of the issuing state.

Contribute to Your Favorite Cause(s)

Make charitable contributions—Be sure to get receipts if you've donated cash, goods, or shares of stock to charity (donating stock will prevent your paying capital gains taxes on that stock). If you gave cash or property to a child or grandchild, and did not exceed the 2005 limit of $11,000 in cash or property ($22,000 if your spouse also gave a gift), you will not be subject to a federal gift tax. If you are considering a gift for next year, the limit will increase to $12,000 (individual) or $24,000 (couple).

Consider Sickness and Health

Medical and dental expenses can make a difference—Any expenses not covered by insurance or a reimbursement plan (i.e. flexible spending account) can be used as itemized deductions, provided they exceed 7.5% of your adjusted gross income. For example, if you earn $60,000 annually, your medical costs must exceed $4,500; then the balance will be deductible.

Use your flexible spending account or lose it—If you contribute to a flexible spending account, try to spend the money before the end of the calendar year, since you can't carry over your balance into the next year. Don't forget, certain over-the-counter medications are reimbursed through this account.

Take Advantage of Home Ownership

Make an extra mortgage payment—Take full advantage of the deduction provided by mortgage interest paid on your home. Since your January mortgage payment represents interest for December, try to make that payment by December 31 to get an additional tax deduction for the interest paid.

Replace personal loans with a mortgage or home-equity loan—Mortgage and home-equity loan interest is tax-deductible provided the mortgage doesn't exceed $1,000,000 and the home-equity loan doesn't exceed $100,000 (may be subject to AMT rules).

Get a tax break when you pay mortgage or refinancing points—If you paid points up front when you took out or refinanced your mortgage, you may take a tax deduction all at once in the year paid, or spread them out over the life of the mortgage (i.e. 15 or 30 years). This deduction does not apply to origination fees.

Count on Your Family

Don't forget to claim your kids—The child tax credit is $1,000 per dependent child. Married couples filing jointly can benefit from this, but keep in mind that the credit phases out if your modified adjusted gross income (AGI) is above $110,000.

Make sure your tax withholding is adequate—Be sure you have enough taxes taken out of your paycheck, or you will owe penalties and interest to the IRS. If you had a life event such as a marriage, birth of a child, or death of a dependent, you should change your withholding amount.

Changes to tax laws can be complicated and difficult to keep up with, so you may want to consider seeking the assistance of your financial professional. Your financial professional can help to determine what you'll need to do to trim your taxes. You may also want to check out the IRS website at www.irs.gov. FP

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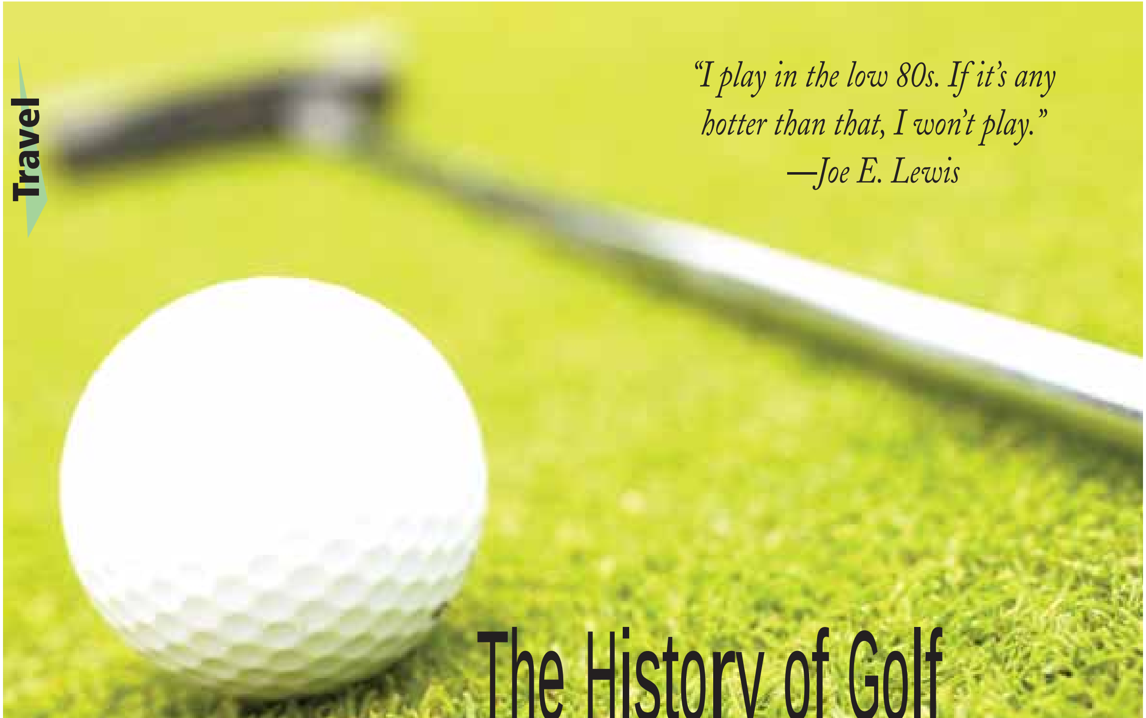


The History of Golf

By Andrew Penner

With millions of people smitten with the idea of swatting sadistically at a stupid little ball until it comes to rest at the bottom of a way-too-small hole, it's only fitting that we should gain some basic understanding of how this ridiculously juvenile pastime came to be. If nothing else, the newfound knowledge might be fun to share (while waiting for the morons in front of you to get out of the bush and back onto the fairway?) with the fellow hackers in your foursome.

There's actually nothing new about games played with sticks and balls. In fact, there is plenty of evidence to prove that the Dutch, Chinese, Egyptians, and many more all played ancient games in which the basic premise was to get blotto and blast around some type of ball with a shrewd club that could easily double as a lobotomizer. The key difference—and this is where the Scots come in—is that tiny void at the base of the flagstick: the hole.

The game as we know it today was first played on the east coast of Scotland in the Kingdom of Fife. And, contrary to popular belief, the Old Course at St. Andrews is not the oldest golf course in the world. Although plenty of bad words and petrified sheep testicles were flying around the Old Course as early as the 1500s, the first real course was most likely the Old Musselburgh Links near Edinburgh. Another early course, Leith, also in the Edinburgh area, was home to the first golf club—the Royal Company of Edinburgh Golfers. And these stuffy, know-it-all stiffs wrote the first 13 rules of golf in 1745.

As high and holy as this club was—and still is—in these early years the game was crude and rude. An unadulterated free-for-all, really. There were no tee times, no pro shops, and, certainly, no old, cranky marshals bouncing around the course in a buggy yelling at you to speed up or get your bush-league butt booted off the course. Basically, the courses were public territory where anything went. That's one of the reasons why, in those days, they chose the sandy, wind-tormented land close to the sea to lay out their courses. This infertile land wasn't really good for anything except walking your dog and, yes, getting blasted (by both the wind and the homemade Scotch) while flailing at a little ball—which, in those early days, was made by stuffing boiled goose feathers into a hardened leather sack.

Interestingly, there is still evidence of this "free for all" philosophy today. The Old Course at St. Andrews still closes its gates on Sundays to allow all the old folk of the land (and others) to come out and walk their fuzzy little French poodles around the course without fear of being tattooed with a Titleist.

Not surprisingly, as the game began to flourish in the mid-to-late 1800s, it soon produced its first superstars. The heroics of father-and-son duo Old Tom Morris and Young Tom Morris were legendary. Basically, whenever they played, they made their opponents look like they were playing a totally different game, such as tiddlywinks—which, interestingly, is also a game that's much more enjoyable after pouring a fifth of Scotch into the gullet. Together Old and Young Tom won eight of the first twelve British Open Championships, the first of which was played in 1860 at Prestwick on the Ayrshire coast. Old Tom was actually the first pro and "custodian of the links" at St. Andrews. A ball maker, a club maker, an architect, and an accomplished player and teacher, Old Tom is often considered the grandfather of golf. Sadly, he died shortly after sustaining a concussion in falling down the stone steps of the St. Andrews clubhouse. (Could it have been the Scotch? Me, I think so.)

After America had finished killing itself in the Civil War, it didn't take long for golf to be brought across "the pond" by transplanted Scots. The Apple Tree Gang in Yonkers, New York, who initially played over a rudimentary three-hole course, is the oldest surviving golf club in the United States. In Canada, too, groups sprang up here and there who figured they'd "enlighten" the barbarians with the pastime. The Royal Montreal Golf Club, founded in 1873, is said to be the first official club in North America. But shortly after, especially in the 1890s, hundreds of courses sprang up, many of them on the Eastern Seaboard.

Before WWI, golf was exceedingly popular in North America and abroad. But it wasn't until the 1920s that golf, and way-too-frilly clothing, really flourished. During

this time—golf's "Golden Age"—most of the world's best golf courses were built. Cypress Point, Augusta National, Banff Springs, Pebble Beach, and Royal Melbourne are just a few. The momentum carried on into the '30s, too, when Bobby Jones, the greatest amateur player of all time, won all four major championships in the same year (1930).

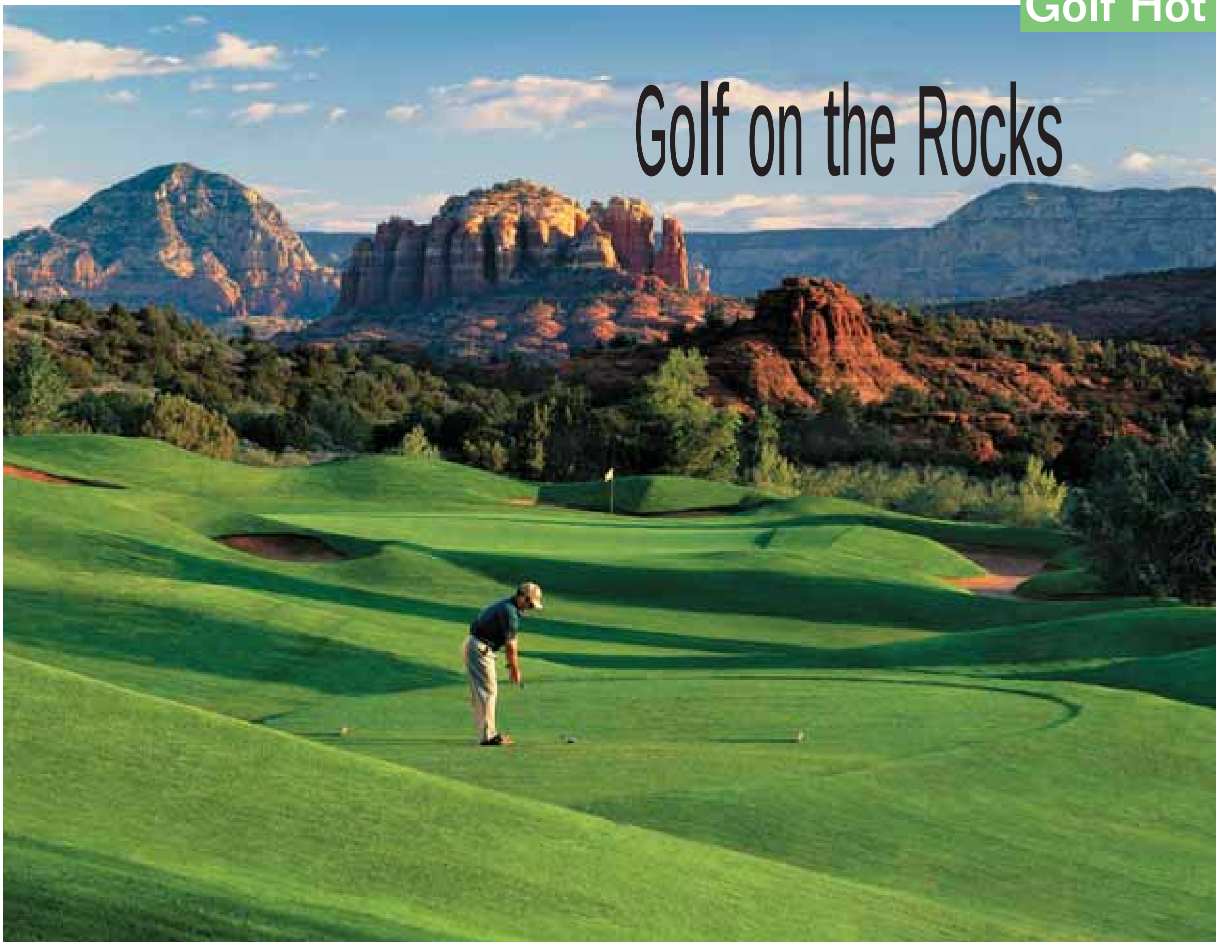
From the 1940s to the 1960s, golf didn't really melt people's butter. There were way too many distractions. Things like WWII, sock hops, nuclear chemistry, Elvis, and smoking grass at Woodstock were priorities. But then, out of nowhere, a brash good-looking kid from Pennsylvania and an overweight Ohioan put golf back on the map. Arnold Palmer and Jack Nicklaus did for golf what Nixon and "Deep Throat" did for presidential scandals. Thanks to their fierce rivalries and courageous play, both Arnie and Jack developed huge throngs of followers. After many epic battles between the two, as well as regular contributions from players such as Lee Trevino, Gary Player, and Johnny Miller, golf soared.

Starting in the 1970s—when if you didn't own a pair of plaid polyester pants that could blind people, you were nothing—golf began to globalize. Overseas players like Seve Ballesteros, Nick Faldo, and Greg Norman added a foreign flair and bolstered the game even more. The major championships produced many thrilling moments, too, including the historic 1986 Masters Tournament, in which a 46-year-old Nicklaus defeated all the young guns of the day (his pants single-handedly maimed a few contenders, too). This is often considered the most popular major championship victory of all time.

In the '90s, thanks to a strong economy and a heightened interest in the game on the part of celebrities such as Kevin Costner, Bill Murray, Sean Connery, and many others, golf again rose to new heights. Well, okay, a freakishly talented golfer by the name of Eldrick "Tiger" Woods helped a bit, too. The potty-mouthed Tiger (he's been fined numerous times for saying bad words while the cameras are on) obliterated the field in his runaway 1997 Masters victory—and has won many more tournaments since. When it's all said and done, he'll likely be the best player who has ever walked on the earth.

As golf entered the new millennium, there were some obvious setbacks, such as Jesper Parnevik's wardrobe and John Daly's self-produced music CD. While the post 9/11 golf world is still feeling some heat, there are many positive signs, too. For example, a classical renaissance in golf course architecture is underway, and the game is booming in Asia and other far-flung places. And, oddly, every now and then the world pretends to be rather peaceful, which, not surprisingly, means more and more people will run rampant on the fairways, chasing around their stupid little balls. FP

Andrew Penner has written for GOLF Magazine, *Golf Canada*, *Travel Golf*, and many other leading golf publications.

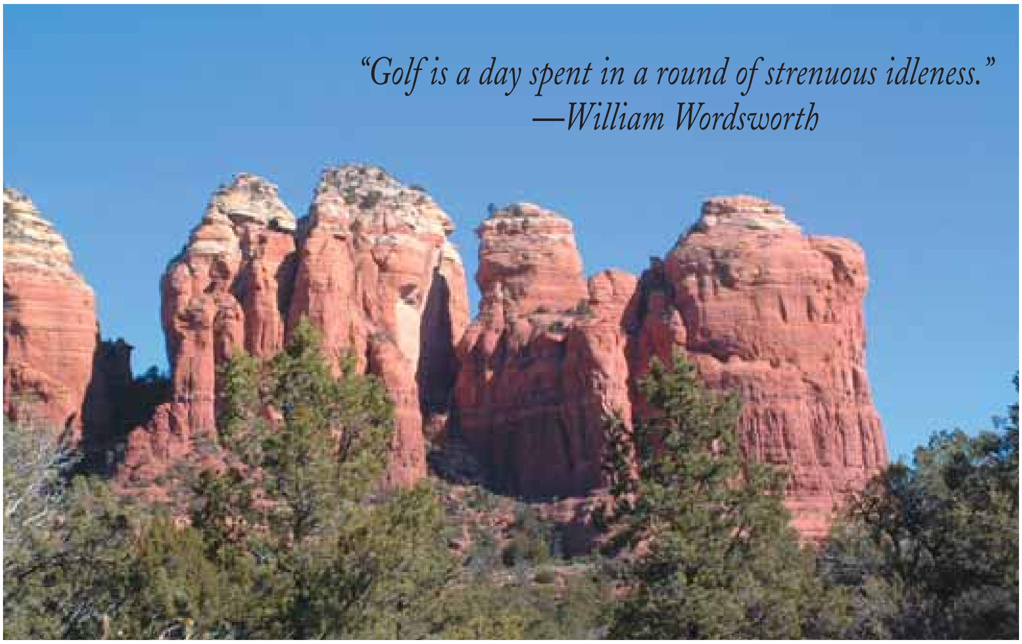


Golf on the Rocks

By Andrew Penner

In Sedona, Arizona, fiery fingers of red-tinted rock shoot into the sky in every direction. These stunning columns and spires appear so striking on the landscape you cannot help but be mesmerized by them. Mesas, buttes, and rolling, sun-scorched hills, peppered with prickly pear cacti, juniper, mesquite, yucca, and hundreds of other species common to the high desert, hide ancient secrets: native cliff dwellings, grown-over trade routes, ruins, Indian pictographs, and so much more. Idyllic creekside spots—like the famous Red Rock Crossing, seen in numerous movies and postcards—are powerful, meditative locations that pull in painters and poets in droves. The golf here, too—although overpowered by the awe of simply standing, hiking, feeling your way among the rocks—has a magnetic quality that will definitely tug at you in all the right ways.

Sedona is located about 90 miles north of Phoenix, Arizona. It's actually separated into three distinct sites—Uptown, Oak Creek, and West Sedona—and does require some effort to get around in. It's a spicy little resort destination that's home to just 17,000 year-round citizens. But, when the long weekends come and when the heat in Phoenix gets silly (basically all summer long), beware. Sedona teems. Artists, honeymooners,



hikers, mountain bikers, and, yes, golfers rev their engines and make a beeline for this land of red rock splendor. Consider Sedona to Phoenix what Banff is to Calgary. What Park City is to Salt Lake. What Whistler is to Vancouver. At any given time, it's where you want to be.

At nearly 5,000 feet above sea level, Sedona is a lofty place (but you have to go even higher to nearby Flagstaff to ski). Head-swelling summertime heat is, for the most part, nonexistent. When Phoenix is on fire at 110, it's barely 90 in Sedona. While winters can see some snow, it's guaranteed not to last long. Frosty mornings, though, are fairly common. But the golf, you'll want to know, is played year-round in lush, green, blue-sky conditions. In fact, on a recent five-day late-November foray into this region, I never saw a cloud. Not one. Zero. High pressure and daytime warmth is the wintertime norm. Can you say retirement paradise? (One word of caution, though, if you're interested in finding that "golden years" home: real estate prices in Sedona, thanks to the majority of the land being occupied federally by the Coconino National Forest and a number of state parks, are spinning off the charts. Ninety-five percent of the land that's available has been developed.)

If this isn't enough to wet your whistle, try this on: Sedona is home to three 18-hole golf courses. All of them excellent. One of them out of this world. That's the real good news. The semi-bad news, at least for normal Joe-public types, is that the "out of this world" course, Seven Canyons, is private. Located in an ultra-exclusive residential community (homes and memberships are still available!), Seven Canyons has a mind-blowing effect on anyone who is fortunate enough to see it—and play it. Socked into a remote setting and framed with towering red rock formations, this is a membership that, if you're willing to pay ($175,000 to join, $415,000 for a villa, or considerably more for an estate home), will richly reward you. The divine day I played it I counted just three, out of a total of 14 billion, blades of grass out of position. Tom Weiskopf, the course designer, was flabbergasted with the location. You will be too.

The place most people will want to stay and play is the Hilton Sedona Resort & Spa. This is the undisputed golfing stronghold in the area. And, unquestionably, the course here—a 6,650-yard Gary Panks design—is the epitome of what resort golf should be. Not brutally long, narrow, or tricked up, the Sedona Golf Resort offers a fun, playable, highly scenic romp up the hill and back (the tenth tee is the furthest and highest point from the clubhouse). With great views, speedy greens, and five super-sweet par-threes, all of which feature elevated tees, this really is all a resort player could ever hope for

in a course. Even the 250 feet of elevation gain is masked exceptionally well by Panks, a prominent Arizona-based architect with many top-rank credits. The one exception, the 623-yard uphill fifth—hey, you've got to have one "humbler" thrown in, don't you?—requires just a wee bit of work.

The "postcard" hole is certainly the tenth. A medium-length par-three set high on the hill, its backdrop is so impressive you'll want to do a backflip. But don't, you'll break your neck if you fall off the tee. No doubt, the series of blood-red cliff walls and sawed-off spires, including a stirring profile of Cathedral Mountain, are things you could never tire of looking at.

The experience at the Hilton, too, is memorable. Although not as charming as some of the one-off and elegant boutique hotels in the area—L'Auberge, hidden beside the chattering waters of Oak Creek, and the new, chic Sedona Rouge immediately spring to mind—the Hilton is, nonetheless, a luxurious, well-run property that won't disappoint. The Hilton Spa, a busy little oasis behind the hotel, offers plenty of treatments (try the "Full Circle Experience" if you seek the ultimate "pamper") within a full-service recreation center. The Grille at ShadowRock, too, is solid, upscale, Southwest-themed dining with some exciting entrées. The succulent elk chops are easily the most popular dish—best enjoyed with one of the many outstanding California wines offered.

While some people—especially the golfers!—rarely stray far from the Hilton (even the other 18-hole club in town, the Robert Trent Jones-designed Oakcreek Country Club, is just three minutes away), if you *really* want to experience Sedona, you need to get out and about. When you trek through the majestic Westfork area, which careens through a high, pine-streaked gorge; clamber on top of Sugarloaf Summit to catch the sunrise; sit on a water-smoothed rock and set your feet in the bubbly waters of Oak Creek to watch the sun's last rays ignite Cathedral Mountain; saunter over the cobblestones and visit the charming Spanish shops and artisan galleries at Tlaquepaque; bounce around on a wild Pink Jeep Tour through some of the region's most stunning rock formations; ride a horse down a dusty trail along a cacti-riddled ridgeline; soar overtop the mighty columns in a morning balloon ride; climb high on Bell Mountain to take a picture and sit on a cactus (yes, I did all this); then, and probably *only* then, will you capture the essence of Sedona.

Now, don't get me wrong. The golf in Sedona is good to very good (especially if you obtain a golden ticket to Seven Canyons), but it's in the discoveries, the hikes, the quaint shops of Uptown Sedona that the character of this diverse, historic, and infinitely beautiful area is revealed. After such a trip, the intense, mysterious power—the magic!—of these rocks will be seared on your mind for years. And, trust me, you will start planning a time to go back. FP

Feature

Real Estate—A Bubble about to Burst?

By Janet Arrowood

For the past decade, real estate prices have been going up, up, up as mortgage interest rates went down, down, down. Many major metropolitan areas saw year upon year of double-digit price increases. Even the "slow" markets saw five percent or better each year. Home inventories reached historic lows. Houses sold within minutes of being placed on the market, often with multiple offers at prices five to ten percent (or more) above the asking price. New homes were "pre-sold" before the foundations were even started.

Not every part of the country has seen the dramatic run-up in prices, as the following table shows, so it is possible any price drops will be less dramatic in those areas, too.

Most new boom markets in 2004 were located in the West and East.
2004 net change in boom markets

West	+8	East	+15
California	+3	Florida	+6
Nevada	+3	Northeast*	+9
Oregon	+1		
Hawaii	+1		

*10 new markets were added to the boom list, but Manchester, NH fell off for a net change of +9.

For comparison of individual markets, refer to Table 1 in FDIC's *FYI* "U.S. Home Prices: Does Bust Always Follow Boom?" February 10, 2005 and Table 1 in this *FYI*.

Source: FDIC *FYI* Revisited "U.S. Home Prices: Does Bust Always Follow Boom?" May 2, 2005.

"You can never go broke by taking a profit."
—Meyer Rothschild

Now things seem to be changing, and the outlook for real estate prices is no longer so rosy. According to U.S. government statistics, U.S. average home prices rose by almost 11 percent in 2004, up from 7 percent in 2002 and 2003. So far this year, the average price has continued to rise, although not as fast as in 2004. The biggest difference is in the way people are financing their home purchases.

Market and Price Indicators

A very good indicator of the state of your area housing market is called the average "days on market." This number varies widely by region, state, and metro area, so the best source of information is your local Board of Realtors® or your real estate professional. Ask what the trend has been in the past two or three years, month over month. If the current number is more than five to ten percent higher than at this time last year, and the average for last year is lower than this year, that is a good indicator supply is creeping up and prices may be poised to dip, fall, or even plummet (depending on the amount of the change). Very few areas have experienced a decrease in the "days on market" this year as compared to last year. If your area has, and you are a seller, you are in a good spot.

Another factor that can indicate a coming bursting of the bubble is the inventory—how many homes (and in what price bands) are available for sale. If this number is rising, even with no increase in days on market—beware. Prices may be too high and headed for a fall. Again, this is a simple case of increasing supply that may not be matched by increased demand.

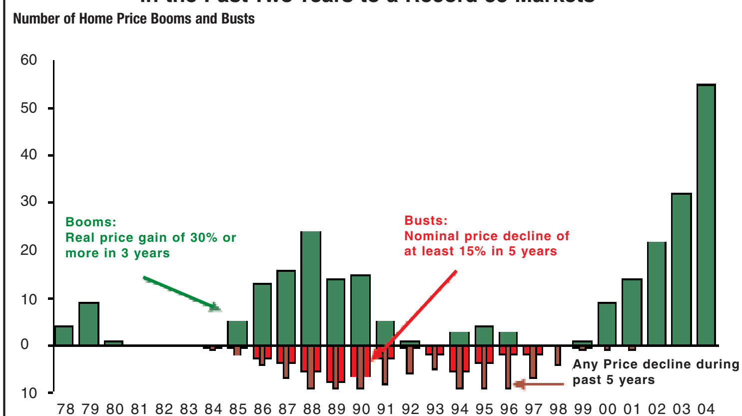
The housing affordability index for first-time homebuyers takes into account home prices, personal incomes, and mortgage interest rates. According to the National Association of Realtors, this index slipped 3.8 points in 2004, to 77.7.

Does this mean the bubble is about to burst, or the balloon is about to pop? Depends who you ask and what statistics and trends you look at. The chart below shows the average price increases in recent "booms" and price decreases during subsequent "falls."

Booms and Busts

What happens when a boom ends? Take a look at the next chart.

The Number of Home Price Booms Has More Than Doubled in the Past Two Years to a Record 55 Markets



Source: FDIC (OFHEO House Price Index, nominal, and real, using Bureau of Labor Statistics *CPIless shelter* inflation index)

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Right now 55 markets (cities, metro areas, or similar) are at the rising end of a long period of price increases. But it is easy to see that there have been significant price decreases not so many years back. Even more interesting is that in the 1980s and '90s, while some markets experienced significant price drops, others still saw significant price increases. Only in the early '80s, when interest rates approached 18–20 percent, and during the early and late '90s (when interest rates were also relatively high), did the housing market stay flat or decline significantly.

So What's Different about Today?

Although interest rates have been rising, the Fed's target has been short-term rates, and that is not the rate that drives 15- to 30-year fixed rates. The end result of all the recent Fed rate hikes has been to send car loan, home equity, and credit card rates climbing, and to cause significant hikes in the rates for new and existing adjustable rate mortgages. But longer-term mortgage rates are still at near historic lows.

But There Could Be Trouble in Paradise . . .

Incomes are rising, but not as fast as mortgage payments are. This is a strain on the budgets of many households. One mini-disaster, such as an unexpected medical bill, a car accident, a larger-than-expected increase in tuition, or a lay-off, could push many homeowners over the edge. Why? Because either they have no equity in their homes, or they have borrowed up to or over the amount their home would sell for.

Beware the 100-, 110-, or even 125-percent mortgage and home equity loan trap. If prices fall, and you have little or no equity, you will lose money on the sale of your house. Why? Because real estate fees, closing costs, and other expenses take a bite of about six to eight percent out of the selling price of your home.

The Bubble that Bursts Could Be Yours!

How are people paying for expensive (and not-so-expensive) homes? Even though people are generally buying houses at rapidly rising prices, the means they have used to do so are risky. Here are some potential trouble areas—one glitch in the family income stream and the house may have to be sold at a loss—starting the downward spiral or bursting bubble:

- **Interest-only mortgages:** These mortgages work on the assumption home values will continue to rise. You pay, and pay, and pay, yet the mortgage balance stays the same. If the house does not go up in value, you will lose money in closing/selling costs. If the house's value drops, you lose even more money.
- **Negative amortization mortgages:** These are the "super-low" mortgage rates (less than five percent, normally). You are actually paying less than the interest on the mortgage and doing nothing to reduce the loan balance, so the amount you owe actually goes UP! If your house doesn't go up rapidly in value, you are in an even worse position than with an interest-only mortgage.
- **Adjustable rate mortgages:** These mortgages start with a low rate, but are tied to shorter-term interest rates. As short-term rates rise, so will your mortgage payment on an adjustable rate mortgage. Of course, if the interest rate behind the index used to price your loan drops, your payment may drop, too. Most of these loans can rise one to two percent per year (effectively raising your payment by 15–30 percent or so!) and up to six percent over the life of the loan. Ouch. But at least you are paying both principal (loaned amount) and interest.
- **Balloon mortgages:** These are usually lower-rate mortgages that are set at a certain payment for five to ten years. The payments include principal and interest. Then either the full loan balance is due, or the rate begins to adjust as with an adjustable rate mortgage. Again, you are paying principal and interest.
- **90/10, 80/10/10, 80/20 mortgages:** There are many exotic ways to get out of putting much (if any) money down when you buy a house. You can get a first mortgage for 80 or 90 percent of the purchase price and a second mortgage for the balance (90/10 or 80/20); or put 10 percent down, then get an 80 percent mortgage and a 10 percent second mortgage (80/10/10), and so on. Once you have no more than an 80 percent first mortgage, you don't have to pay for private mortgage insurance. That makes this approach attractive to cash-poor buyers. But if prices fall, you can get burned, because all the loaned amount must be paid off at time of sale.

So, is the bubble about to pop? History says maybe, but your personal actions say a lot more. FP

Preventative Health Care For Adults

By Dr. Kevin Hwang, M.D.

"An ounce of prevention is worth a pound of cure."
—Benjamin Franklin (1706–1790)

The forward-thinking Benjamin Franklin hit the nail on the head. While it's unclear what preventive health measures he undertook (there were no colonoscopies in his day), he must have done something right. He outlived most of his contemporaries and even surpassed the average life expectancy of today. How can we, despite any genetic monsters lurking beneath, hope to emulate Mr. Franklin's longevity? Most people know that proper nutrition, regular exercise, and avoiding smoking are all helpful. But there are other proactive steps you can take to prevent little problems from growing into big problems. The purpose of this article is to outline the major screening tests to detect diseases in adults.

Screening tests are designed to detect diseases in the early stages, before they cause symptoms. It is hoped that early diagnosis and subsequent treatment will produce a better health outcome than one could expect if the condition became symptomatic. The table below highlights the major screening tests recommended by the 2005 United States Preventive Services Task Force. For example, the first row indicates that screening for breast cancer consists of a mammogram performed every one to two years for women 40 years of age or older.

Disease	Screening test	Population	Frequency
Breast cancer	Mammogram, with or without breast exam	Women, 40+ years	Every 1–2 years
Cervical cancer	Pap smear	Women, sexually active until 65 years	Initially every year
Osteoporosis	Bone density test	Women, 65+ years	Every 2 years
Colorectal cancer	Colonoscopy	Men & women, 50+ years	Every 10 years
High blood pressure	Blood pressure measurement	Men & women, 18+ years	Every 2 years
High cholesterol	Cholesterol measurement	Men, 35+ years Women, 45+ years	Every 5 years
Diabetes	Blood sugar test	Anyone with high blood pressure or high cholesterol	Every 3 years

Note that the above are general recommendations aimed to improve the health of the public at large. As always, there are exceptions to the rule. There are special situations in which screening tests should be performed earlier. For instance, individuals with first-degree relatives diagnosed with colorectal cancer at a young age should be screened for colorectal cancer earlier than age 50. Other tests are controversial, but may be appropriate in certain situations. For example, experts have varying opinions on the usefulness of screening for prostate cancer with a rectal exam and prostate-specific antigen test. The decision to undergo this testing, as with any screening procedure, should arise out of a discussion between the patient and physician. FP

For more information on preventive care and the United States Preventive Services Task Force, go to http://www.ahrq.gov/clinic/uspstfix.htm

Dr. Kevin Hwang is an internal medicine resident in New Jersey who loves to take care of patients and write about medical issues.

Choosing the Right Home Care for Your Loved Ones

By Susanna M. Zysk

As our loved ones age, we must consider all types of potential care for them. In many situations, receiving care in the home and remaining within a familiar environment is the ideal arrangement. Before you choose a provider, though, it is important to understand as much as possible about home care services to ensure the best situation for yourself and your loved ones.

What Is Home Care?

Home care covers a wide range of services to individuals who are recovering from illness, disabled, chronically or terminally ill, or in need of medical, nursing, social, or therapeutic treatment. These individuals may also need assistance with activities associated with daily living. Home care may be appropriate when a person prefers to stay at home, but requires ongoing care that cannot be easily provided by family members.

Who Provides Home Care?

Generally, home care organizations provide home care services, but these services can also be obtained from registries and independent providers. Home care services are typically available round-the-clock (24 hours a day, seven days a week), depending on the patient's needs. Care may be provided by an individual specialist or a team of specialists, and administered on varying work schedules (part-time, intermittent, etc.).

Home health agencies—Generally, home care providers, called "home health agencies," are Medicare certified, meaning they meet federal minimum requirements for care and management of patients. Medicare and Medicaid home care services are highly supervised and controlled, and are provided through physicians, nurses, therapists, social workers, homemakers and home care aides, durable medical equipment and supply dealers, and volunteers. Certain home health agencies provide only specialty services such as nursing care. These agencies can also set up a team of caregivers to administer services to a patient who requires care from more than one specialist, and will assign personnel according to the needs of each patient.

Homemaker and home care aide agencies support individuals with meal preparation, bathing, dressing, and housekeeping, through the help of homemakers or chore workers, home care aides, and companions. Personnel are assigned according to the needs and wishes of each patient. Typically, homemaker and home care aide agencies will recruit, train, and supervise their personnel. Certain states require these agencies to be licensed and meet minimum standards established by the state.

Hospices provide comprehensive medical, psychological, and spiritual care for the terminally ill and their families. They also provide medications, medical supplies, and equipment. Care is provided primarily in the home, by a team of skilled professionals and volunteers. Trained hospice professionals are available round-the-clock to assist in patient care, ensure that the patient's wishes are honored, and keep the patient comfortable and free from pain. Most hospices are Medicare certified and licensed according to state requirements.

Independent providers are typically nurses, therapists, aides, homemakers and chore workers, and companions who are privately employed by individuals who need such services. Aides, homemakers, chore workers, and companions are not required to be licensed or meet government standards, except in cases where they receive state funding. This means you are responsible for recruiting, hiring, and supervising the providers. You must find back-up care in the event that the provider fails to report to work or fulfill job requirements. You must also pay the provider directly, and comply with all applicable state and federal labor, health, and safety requirements.

Staffing and private-duty agencies are generally nursing agencies that provide patients with nursing, home care, homemaker, and companion services. Most states do not require these agencies to be licensed or meet regulatory requirements. Some staffing and private-duty agencies do patient assessments to ensure that personnel are properly assigned and provide ongoing supervision. These agencies recruit their own personnel and are responsible for patient care.

Pharmaceutical and infusion therapy companies specialize in the delivery of drugs, equipment, and professional services for patients receiving intravenous drugs or nutritional therapies through special tubes. The companies assume responsibility for personnel and services provided. Typically, the companies employ pharmacists who prepare solutions and arrange for delivery to patients, and nurses who teach self administration in patients' homes. In some cases, pharmaceutical and infusion therapy companies are actually home health agencies, certified by Medicare. Certain states require these organizations to be licensed.

Durable medical equipment and supply dealers provide home care patients with products such as respirators, wheelchairs and walkers, and catheter and wound care supplies. They employ staff to deliver and install these products and instruct patients on their proper in-home use, and may offer pharmacy and infusion services. This means a nurse would administer medication and teach patients how to self-administer. Respiratory therapy services may also be provided to patients who use breathing equipment. Dealers are required to meet federal minimum standards if they bill the Medicare program, and are liable for the personnel and service provided. Certain states require that these organizations be licensed.

Registries are basically employment agencies for home care nurses and aides. They match providers with patients, for a fee. Registries are not licensed or regulated by government, nor are they required to screen or background-check the caregivers. You are responsible for selection and supervision of the work of a registry-referred provider. You will also pay the provider directly, and must comply with all applicable state and federal labor, health, and safety laws and regulations, including payroll tax and Social Security withholding requirements.

Home Care Providers and How They Can Help

Home care providers deliver health care and supportive services prescribed by a patient's doctor, including professional nursing; physical and occupational therapies; social work and nutritional care; and laboratory, dental, optical, and pharmacy services. Depending on the complexity of a patient's needs, a single type of care or a combination of services will be provided. Home care providers can be the following professionals, paraprofessionals, and volunteers:

- *Physicians* will make house calls to patients to diagnose and treat illnesses, and work with home care providers to determine appropriate services.
- *Registered nurses (RNs)* and licensed practical nurses (LPNs) provide skilled services that nonprofessionals are unable to safely and effectively perform, including injections and intravenous therapy, wound care, education on disease treatment and prevention, and patient assessments.
- *Physical therapists (PTs)* work with patients who are limited or disabled by physical injuries to restore their mobility and strength through the use of exercise, massage, and other methods.
- *Social workers* evaluate social and emotional factors affecting ill and disabled individuals, and provide appropriate counseling.
- *Speech language pathologists* work with patients who have communication disorders brought on by traumas such as surgery or stroke.
- *Occupational therapists (OTs)* help individuals who cannot perform the general activities of daily living (ADLs) due to physical, developmental, social, or emotional problems.
- *Dietitians* provide professional dietary assessment and guidance to properly manage an illness or disability.»

- *Home health aides (HCAs)* assist patients with ADLs such as getting into and out of bed, walking, bathing, toileting, and dressing.
- *Homemaker* and chore workers provide services to maintain a patient's household, such as laundry and light housekeeping.
- *Companions* provide companionship and comfort to individuals who, for medical and/or safety reasons, may not be left at home alone.
- *Volunteers* can provide companionship, emotional support, and counseling as well as help with personal care, paperwork, and transportation.

Paying for Home Care Services

Depending on your financial situation and the availability of third-party coverage, home care services can be paid for by you or through public and private payment sources. Hospice care is always provided regardless of a patient's ability to pay.

Self-payment—Patients and/or their families are required to pay for home care services if they fail to meet the criteria of private or public third-party payment sources. The home care provider and patient and/or patient's family negotiate fees.

Private third-party payment sources

- *Commercial health insurance companies*—Generally, insurance policies cover short-term home care services, but long-term coverage varies. It may be necessary for individuals to purchase Medigap or long-term care insurance.
  - *Medigap* insurance helps cover long-term extended care not covered by Medicare.
  - *Long-term care insurance* was originally meant to protect individuals from the high costs associated with a lengthy nursing home stay, but coverage has been expanded.
- *Managed care organizations (MCOs)* and other group health plans sometimes include coverage for home care services. Medicare-contracted MCOs must provide the full range of Medicare-covered home health services and hospice available in a particular geographic area.
- *Civilian Health and Medical Program of the Uniformed Services (CHAMPUS)* is a cost-share program covering skilled nursing care and other home care and hospice services for dependents of active military personnel, and for military retirees and their dependents and survivors.

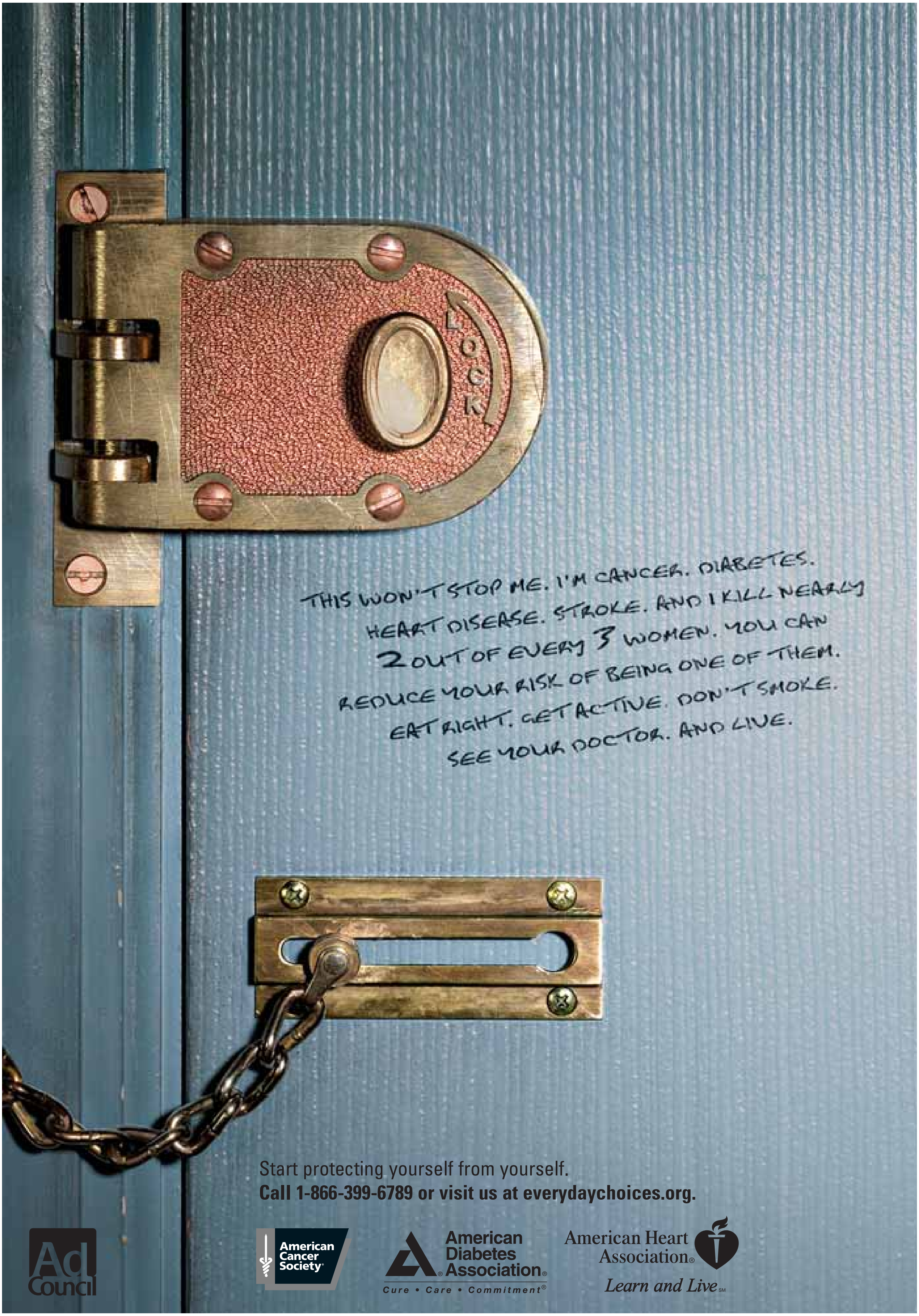
Public third-party payment sources

- Medicare—Most Americans older than age 65 are eligible for Medicare. If eligible, individuals may receive services provided by a Medicare-certified home health agency for intermittent skilled nursing; physical, occupational, and speech therapies; medical social work; home care aide services; and medical equipment and supplies. Find out if you are eligible by calling Medicare toll-free at 1-800-MEDICARE or visiting their website at http://www.medicare.gov/.
- Hospice services are available to physician-certified terminally ill patients whose life expectancy is six months or less.
- Medicaid is a joint federal-state medical assistance program for low-income individuals covering part-time nursing, home care aide services, and medical supplies and equipment. Each state has its own set of eligibility requirements, so you may want to contact Medicaid (call toll-free at 877-267-2323 or visit the website at http://www.cms.hhs.gov/medicaid/) to see if you qualify. Additionally, hospice is a Medicaid-covered benefit in 38 states.
- The Older Americans Act (OAA) has provided federal funds for state and local social service programs since 1965. It enables frail and disabled older individuals to remain independent in their communities. OAA covers home care aides, personal care, chore, escort, meal delivery, and shopping services for individuals with the greatest social and financial need who are 60 years of age and older.
- The Veterans Administration (VA) provides physician-authorized home health care coverage to veterans who are at least 50% disabled due to a service-related condition. Services must be delivered through the VA's network of hospital-based home care units. The VA does not cover non-medical services provided by home care aides.

You want the best care for your loved ones, so take the time to research the best home care services available in your area. Knowing you've done your homework will help make this transition easier for you and your entire family. FP

For Additional Information:

• Accreditation Commission for Health Care, Inc. 919-872-8609 • Community Health Accreditation Program 212-363-5555 or 800-669-1656, ext. 242 • Joint Commission on Accreditation of Healthcare Organizations 630-792-5000 • Homecare University 202-547-3576 / • State Resources—Area Office on Aging, local chapter of United Way • National Association for Home Care website—Log onto http://www.nahc.org/Consumer/resources.html to view a listing of home health care resources by state.


THIS WON'T STOP ME. I'M CANCER. DIABETES.
HEART DISEASE. STROKE. AND I KILL NEARLY
2 OUT OF EVERY 3 WOMEN. YOU CAN
REDUCE YOUR RISK OF BEING ONE OF THEM.
EAT RIGHT. GET ACTIVE. DON'T SMOKE.
SEE YOUR DOCTOR. AND LIVE.
LOCK
Start protecting yourself from yourself.
Call 1-866-399-6789 or visit us at everydaychoices.org.
Ad Council
American Cancer Society
American Diabetes Association
Cure • Care • Commitment
American Heart Association
Learn and Live

Feature

Get More out of Giving

By Amy Loftsgordon

Developing a planned giving strategy is a great way to give a significant sum of money to your chosen charity while reaping tax benefits at the same time. Two instruments you can use to accomplish this are a charitable remainder trust and a charitable lead trust. Both options provide ways to reduce your tax liability, both during your lifetime and after death.

Charitable Remainder Trusts

A charitable remainder trust (CRT) is an irrevocable trust that provides for and maintains two separate sets of beneficiaries. The first set is the income beneficiaries—for example, yourself and, if married, a spouse. The second set of beneficiaries is the charity or charities you choose. Upon the death of the last income beneficiary or after a set period of time (depending on how you set up the trust), the remaining assets are transferred to a charity.

This type of trust allows the person setting it up (the grantor) to maintain quite a bit of control. Though a CRT is an irrevocable trust, the grantor can change the charitable beneficiaries at any time. In fact, under certain circumstances, the grantor is allowed to serve as the administrator (the trustee) of the CRT. This makes it possible for the grantor to retain full investment control over the assets of the CRT.

Additionally, a CRT can be structured to fit your particular needs. For example, the grantor will decide how much to put into the trust, as well as the amount of income to receive from the assets. The appropriate amount to put into the trust, as well as how much income to receive, will depend on your personal circumstances. There are several different types of CRTs, so be sure to discuss all options with qualified legal and financial professionals before selecting a particular type.

One advantage of creating a CRT is reducing capital gains tax. CRTs have a charitable intent, and as such, do not have to pay capital gains. Taking this into account, a CRT is ideal for assets such as stocks or real estate that have a low cost basis, but

"Make all you can, save all you can, give all you can."
— John Wesley (1703–1791)

extraordinary appreciated value. Using assets that have appreciated immensely to fund a CRT will allow you to sell those particular assets without paying any capital gains taxes. The full value of the assets will be transferred to the trust, and subsequently to the beneficiaries and the charity you choose.

Another advantage of a CRT is in regards to income and estate taxes. A CRT is not considered by the IRS to be part of your estate, and as such, is not subject to estate tax. Additionally, since a CRT benefits a charity, you are also qualified for an income tax deduction.

Charitable remainder trusts are used to develop a vehicle for donations to a favorite charity, which also allows for the avoidance of taxes and capital gains and may provide income.

Charitable Lead Trusts

Another type of trust to consider is a charitable lead trust (CLT). A CLT is very similar to a CRT, only the parties' positions are reversed. With a CLT, a charity is the income beneficiary that receives a steady stream of income during the grantor's lifetime. At the grantor's death, the named beneficiaries receive the CLT's remaining assets.

CLTs are commonly used to reduce estate tax liability. This is accomplished by setting up the trust, which donates to a charity (or charities) from the estate, reducing the estate value so that the estate will incur a lower tax liability. Consequently, a CLT can be a great tool to use to minimize estate taxes while eventually passing ownership of certain assets to designated beneficiaries, such as family members.

While the main advantage of a CLT is that you are able to donate to your favorite charity and retain the assets for future generations while obtaining estate tax benefits, this type of trust has other tax advantages as well. With a CLT, you can receive an income and gift tax deduction by establishing the trust during your lifetime. As with a CRT, a CLT may be claimed as an income tax charitable deduction. The donor receives this deduction at the time the trust is created. However, the donor remains liable for taxes on all trust income.

In the end, CLTs can be a useful tool to benefit your favorite charity and simultaneously transfer the trust's assets to your family or beneficiaries while reducing tax liability. However, just as with CRTs, there are many different types and variations. You should talk to qualified legal and financial professionals before establishing such a trust.

This article has provided a very simplified overview of CRTs and CLTs, but please remember that they are in actuality quite complicated. Moreover, these types of trusts are not for everyone. As with any trust, CRTs and CLTs should be drafted by an experienced estate-planning attorney, as they have many aspects and intricacies, as well as risks in certain situations. If you feel that establishing a charitable remainder trust or charitable lead trust may be right for your situation, please be sure to talk to qualified legal, tax, and financial professionals to discuss the various options and consequences of doing so.

By James E. McWhinney

Mortgage Points, Basis, and Tax Deductions

Some of the greatest challenges of owning a home come in the form of the tax regulations that relate to points and cost basis. Fortunately, a little knowledge goes a long way toward clearing up the mysteries.

A Primer on Points

Points—also known by a variety of other names, including maximum loan charges, loan discount, discount points, and premium charges—are simply prepaid interest. One point is equal to 1% of the cost of the home you are purchasing. On a $100,000 home, two points are equal to $2,000. On a $200,000 home, two points are equal to $4,000.

Homebuyers purchase points in order to get lower interest rates on their mortgages, which result in lower monthly payments. Since points qualify as home-mortgage interest, they can be deducted, in full, on an itemized tax return in the year the points were paid, provided that the following requirements are met:

- The loan is secured by your primary residence (the one you live in most of the time).
- Paying points is an established practice in your area.
- The points paid were not more than the amount generally charged in your geographical area.
- You use the cash method of accounting—which means that you report income in the year you receive it and deduct expenses in the year you pay them.
- The points were not paid for items that usually are separately stated on the settlement sheet, such as appraisal fees, inspection fees, title fees, attorney fees, or property taxes.
- You provided funds at or before closing that were at least as much as the points charged, not counting points paid by the seller, and you did not borrow the funds from your lender or mortgage broker in order to pay the points.
- You use your loan to buy or build your primary residence.
- The points were computed as a percentage of the principal of the mortgage, and the amount is clearly shown on your settlement statement.

In some circumstances, the points must be deducted over the lifetime of the loan. For a 30-year loan, these points would be deducted at a rate of 1/30 per year. Points that fall into this category include those paid:

- On a mortgage for a second home
- To refinance a loan (unless the loan is used to improve your primary residence), which includes points paid when refinancing to obtain a lower interest rate
- On a home equity loan that is not used to buy, build, or improve your primary residence. (If a portion of the loan is used to buy, build, or improve your primary residence, the corresponding amount of points may be deducted in the year paid.)

Of course, if the loan is repaid early, the value of the remaining points may be deducted at that time. Also, you need to keep in mind that the Form 1098—Mortgage Interest Statement that you will receive in January lists the amount of deductible interest you have paid on your mortgage, but does not keep track of amortized points. Be sure to include an appropriate explanation of any deduction for amortized points when you file your tax return. The buyer may deduct points paid by the seller, provided the buyer subtracts the amount from the basis, or cost, of the residence.
(http://www.irs.gov/taxtopics/tc504.html)

Buying and Selling—A Closer Look at Basis

Cost basis is often the last thing on most buyers' minds when they purchase a new home. Coming up with the money for the down payment, working out an affordable mortgage payment, and moving all their worldly possessions are far more immediate concerns than what the basis of the property will be when they someday sell the house. Even though you may not be thinking about it, the method by which you acquired the property, and what you do with it after the acquisition, will affect the determination of basis and, ultimately, the "gain" on which any tax must eventually be paid.

Understanding the Tax

If you owned and lived in your home (primary residence) for at least two of the five years prior to selling it, you may not need to pay any tax at all, courtesy of the Taxpayer Relief Act of 1997. Prior to May 7, 1997, homeowners were required to pay capital gains tax on profits from the sale of a home unless the proceeds were used to purchase

a more expensive primary residence within two years, or the homeowner was age 55 or older and claimed a once-in-a-lifetime tax exemption on up to $125,000 in profits from the sale.

Now, a single person pays no tax on up to $250,000 in capital gains generated by the sale of a primary residence, and married couples pay no tax on up to $500,000, provided you lived in your home for no fewer than two years in the five-year period prior to the sale. (If you sold a home prior to 1997 and rolled the profit into your new primary residence, you must include the amount of rollover profit when calculating your tax basis.) Under special circumstances, such as declining health, a change in employment, or divorce, the two-year requirement is waived and the tax exemption is prorated on the number of months lived in the home. For example, if the seller lived in the home for 12 months, the number of months lived in the home is divided by 24 (the number of months in two years). The result is 0.5, which entitles the homeowner to a 50% exemption on any capital gains generated by the sale of the property. Military personnel who move due to a mandatory redeployment are exempt from the two-year rule.

While $250,000 worth of capital gains ($500,000 for married couples) may seem like a significant exemption, skyrocketing housing markets in many areas of the country have caused even modest homes to appreciate significantly over time. Since you never know what the future will bring in your local real-estate market, it is important to keep track of your cost basis and understand what, if any, tax liability will be generated when you sell.

Calculating Basis

To determine the cost basis on your home, you need to add the cost of any capital improvements you've made to the home to the price you paid for the home. Capital improvements are generally defined as anything that increases your property's value and its life expectancy. Such improvements could include enlarging a kitchen, installing a swimming pool, or adding an extra bedroom. Next, you need to subtract the amount of any seller-paid points, depreciation, and losses. For example:

Home Purchase Price:	$300,000
Seller Paid Points:	–$6,000
Swimming Pool:	$20,000
Adjusted Cost Basis:	$314,000

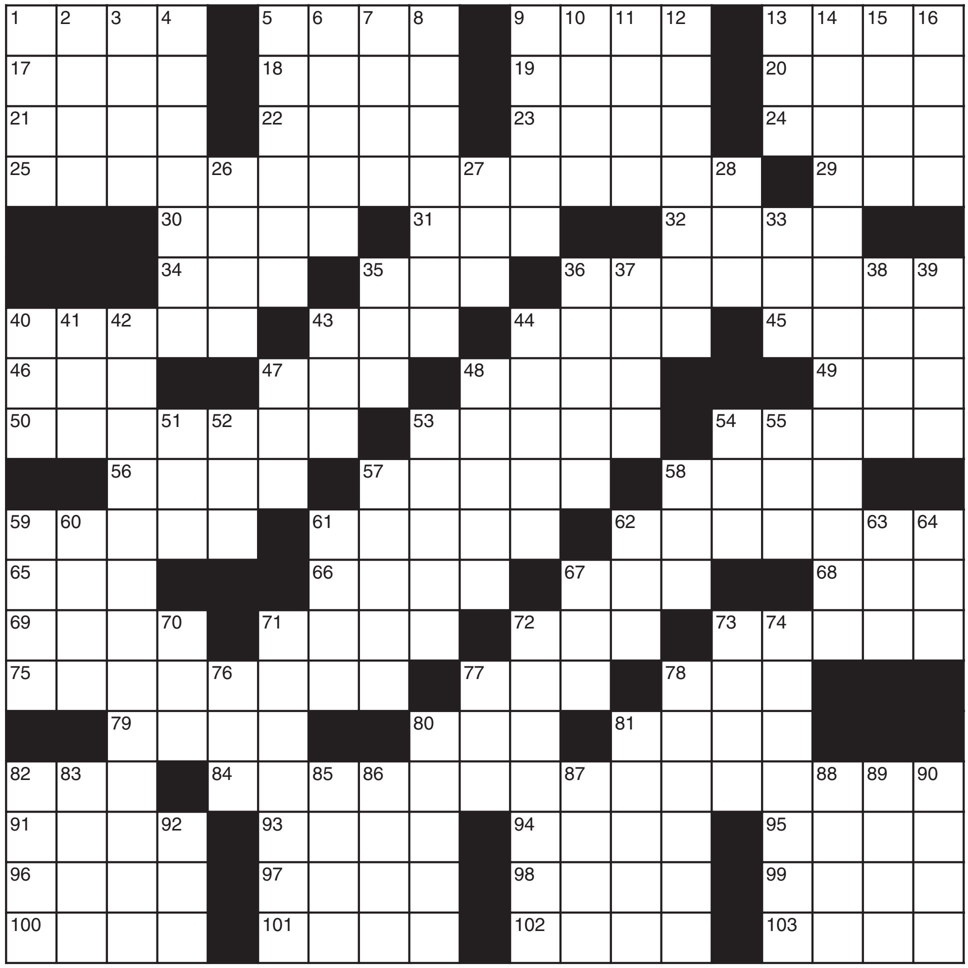
Inherited Property

Under the current laws, the cost basis of an inherited property is based on the market value as of the date of death of the prior owner. So, for example, if your parents purchased a home 30 years ago for $25,000, and that home is worth $100,000 upon their deaths, your cost basis in the home is $100,000. This step-up in basis provides a significant tax break because, should you sell the property immediately for its full market value, you will owe no tax on the proceeds. This provision of the law is currently slated to expire in 2010, at which point there will be no tax on inherited property. Unless Congress acts, the tax will return in 2011, and individuals inheriting property will be able to take a stepped-up basis on up to $1.3 million in inherited assets.
(http://www.nolo.com/article.cfm/objectID/671FF532-Cee7-49A2-9DFAFAOBBCBEBF2/309/126/ART/)

A Look at the Future

From Philadelphia's Main Line neighborhoods to the San Francisco Bay Area, housing prices across the country have been rising at an astounding pace. While some experts claim the trend can't continue, others suggest that our inability to build more land and strong desire to live near where we work will continue to fuel the boom. If history repeats itself, most homeowners will see the value of their homes appreciate over the long term. Likewise, the odds are good that the capital gains tax laws will change yet again. Since nobody can tell for sure what the future will bring, it is best to have a full understanding of your home's value, basis, and tax liability at all times. Someday, when you need the information, you'll be glad you have it close at hand. FP

BY THE NUMBERS



Answers on page 63.

ACROSS

1. Church service
5. Worn out
9. Hair divider
13. Mix
17. Part of a Latin word group
18. Coax
19. Sixth Jewish month
20. Actress Russo
21. Uncommon
22. Bleakly pessimistic
23. Rant's partner
24. Story starter
25. Yuppie TV drama
29. Indian dish
30. Of wrath: Lat.
31. Climbing vine
32. Londoner's farewell
34. Sportscaster Berman
35. Had a bite
36. Beginner
40. Coffee shops
43. "_____ Got a Secret"
44. Slender
45. Belgian river
46. Commotion
47. Exist
48. Milwaukee brew
49. Used to be
50. Actress Dietrich
53. Diploma receivers
54. Got up
56. Group of three
57. Prepared
58. Gusto
59. City official
61. Bobby Fischer's game
62. Pancake cooker
65. Prehistoric
66. "Bonanza" brother
67. Red or Adriatic
68. Electric fish
69. Venetian-blind unit
71. Hand over
72. Actor Gibson
73. Footballer Hank _____
75. So long
77. Baseball stick
78. "The Winds of _____"
79. Prophet
80. Boat paddle
81. Actor Lugosi
82. Klutz
84. Grilling game?
91. White House office shape
93. Mine entrance
94. Russian river
95. The Kingston _____
96. Sniffer
97. Trigonometry term
98. Slave of yore
99. Earthen pot
100. Chip in chips
101. Listen to
102. Simple
103. Smell strongly

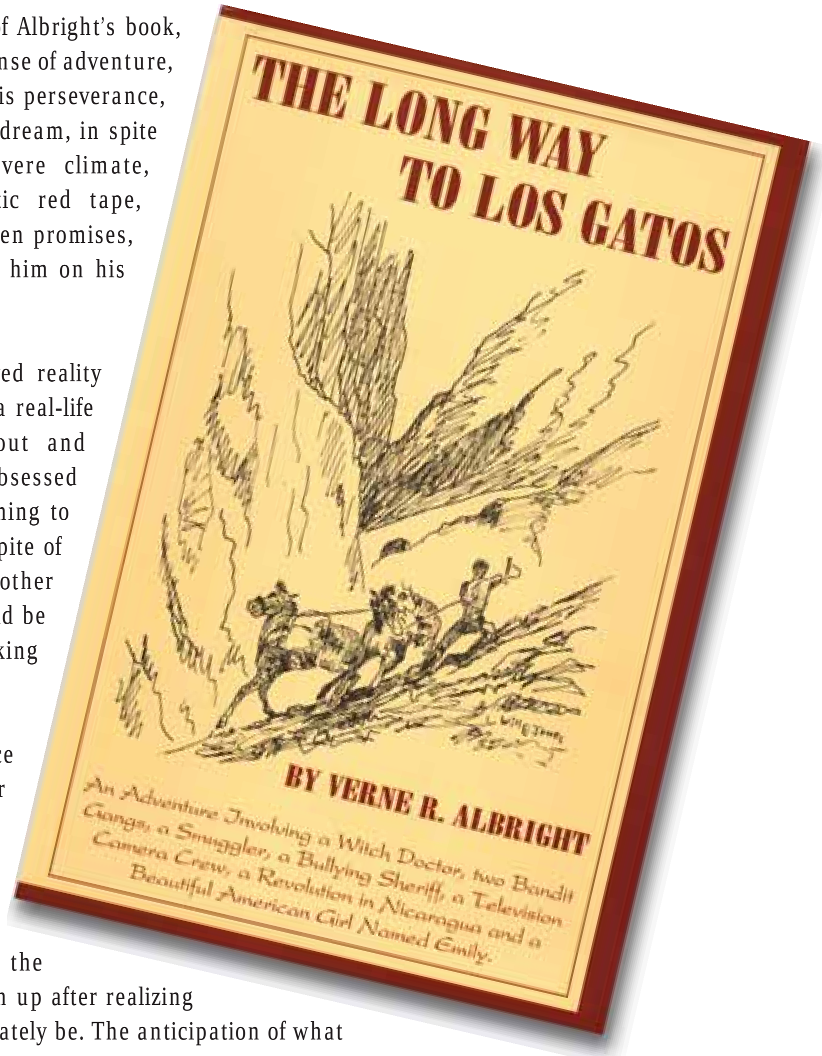
DOWN

1. Store
2. Far Eastern nursemaid
3. Garment of India
4. Germ-free
5. Giant lumberjack Paul _____
6. Uneven
7. Exchange premium
8. White ant
9. Celebration
10. Esau's wife
11. Sitarist Shankar
12. New Jersey's capital
13. Theater sellout sign
14. 1972 Orson Welles film
15. Early Peruvian native
16. Movie spool
26. Three, to Juan
27. Adam's woman
28. Opening
33. Biblical pronoun
35. "_____ Maria"
36. Impoverished
37. Dumbo's "wings"
38. Nautical wood
39. Scottish Gaelic
40. Gear part
41. Tooth doctor's org.
42. Lent
43. Ill temper
44. Shows the way
47. Dear Abby's sister
48. Tuba metal
51. August zodiac sign
52. Prove human
53. Honking birds
54. Actress MacGraw
55. Roll of cash
57. Valerie Harper role
58. Pitcher's stat
59. Model Kate _____
60. _____ breve
61. Sonny's ex
62. Solidify
63. Grassy area
64. New Haven tree
67. Complete assortment
70. From head to _____
71. Automobile cleaner
72. Outdoor-party canopy
73. Pepper's mate
74. Benedict Arnold, e.g.
76. Butterfly catcher's tool
77. Green _____ Packers
78. Actor Snipes
80. River creature
81. Lima and pinto
82. Mrs. Chaplin
83. English river
85. Singer Brickell
86. 1492 vessel
87. Heavenly Bear
88. Border, in heraldry
89. Cairo's river
90. Drench
92. F. _____ Bailey

THE LONG WAY TO LOS GATOS

Review by Janet Maxwell

The Long Way to Los Gatos, though not a new release, is an undiscovered gem. Having consumed Verne Albright's book of very well-written and compelling history, savoring his descriptions of unusual and intriguing characters and vicariously experiencing his amazing will, persistent courage, and unfailing dedication, I felt uplifted by what one individual is capable of when he sets his mind to it. With this "American spirit," in this country—the land of the free, the home of the brave—where we are encouraged to live our dreams, how many of us actually do?

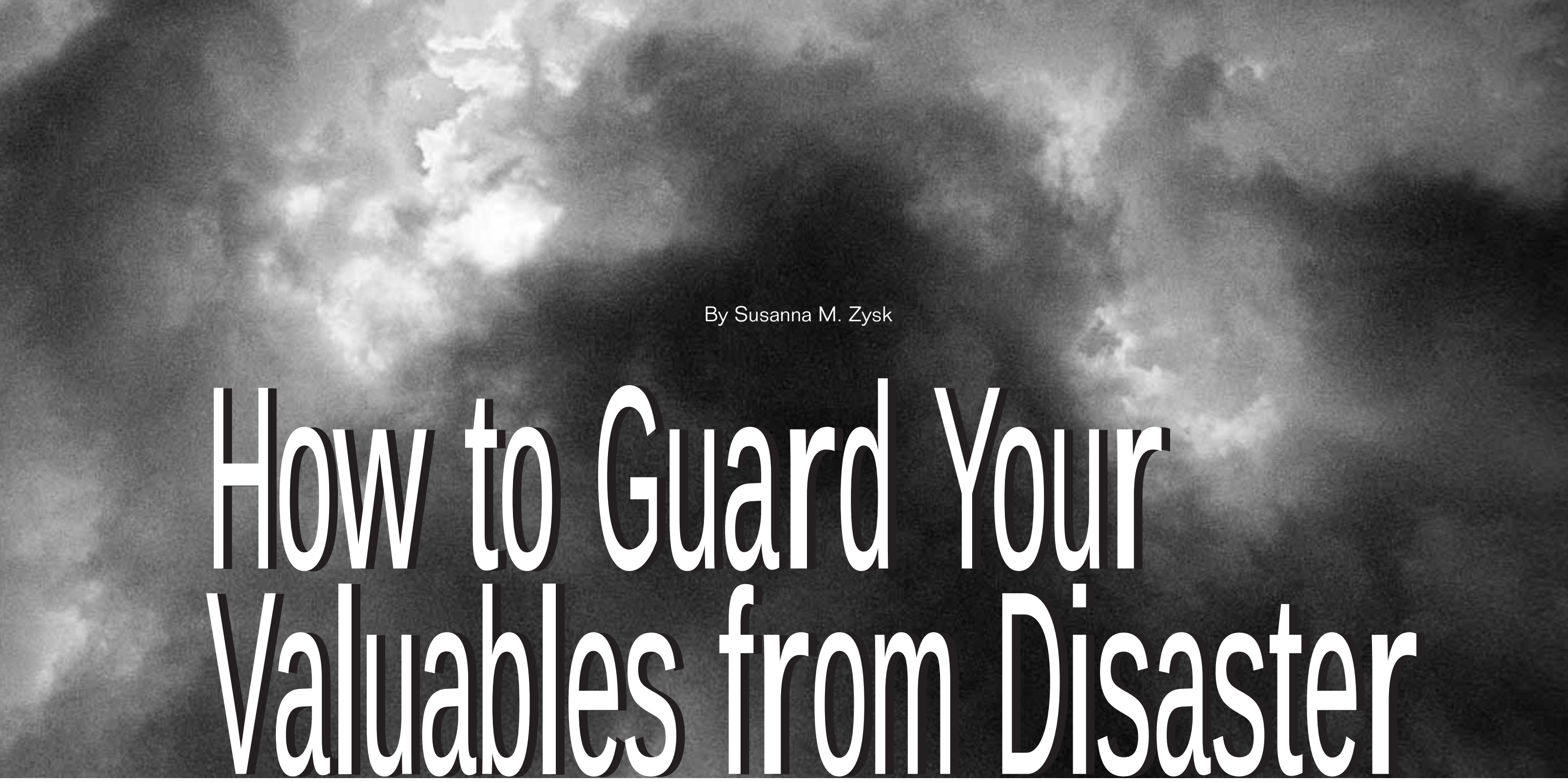


As you journey from one paragraph to the next of Albright's book, you cannot help but be inspired by the author's sense of adventure, his desire to do something completely different, his perseverance, ingenuity, creativity, and commitment to live his dream, in spite of innumerable road blocks. Overcoming severe climate, treacherous terrain, unimaginable bureaucratic red tape, scarcity of needed provisions along the way, broken promises, cultural and political mayhem—nothing daunted him on his perilous journey.

In the era of television's obsession with contrived reality shows, it is an unexpected pleasure to discover a real-life adventure in which someone actually went out and survived on his own. When the daily news seems obsessed with reporting only failure or horror, it is refreshing to read how someone overcame great obstacles in spite of adversity. When reading has taken a backseat to other media, I hesitate to say this compelling saga would be a fantastic movie; and yet, that is what I kept thinking the whole time I was reading it.

The main goal of Albright's journey was to introduce and promote Peruvian Paso horses, known for their amazing endurance, agility, and smooth-gaited rideability, into America. He also dreamed of bringing this magnificent and little-known breed to Los Gatos for the 100-mile endurance race, the Tevis Cup, in the summer of 1967. Granted, the journey was voluntary, but most would have given up after realizing just how arduous a task this "dream" would ultimately be. The anticipation of what obstacle Verne was going to overcome next compelled me to read this book avidly until I reached its conclusion.

When you are about to turn on that reality show, resist the temptation! Pick up and read firsthand of Verne Albright's inspiring undertaking: bringing two Peruvian Paso horses from Lima, Peru, over the Andes Mountains, through the Panama Canal, into Mexico and all the way to Los Gatos, California. Whether you have ever had an interest in horses or not, I think you will find yourself personally captivated by this enthralling ride. It will embolden you to step out of yourself and pursue a dream you never thought you were capable of achieving. FP



By Susanna M. Zysk

How to Guard Your Valuables from Disaster

In the last year, we've seen one natural disaster after another—a tsunami, blizzards, earthquakes, and hurricanes—affect different areas around the globe. From the millions affected to those who were spared, these horrific events make us think about how we can disaster-proof our valuables and finances.

Conduct a Home Inventory

Make a detailed list of personal property in your home, including furniture and appliances; jewelry, artwork, and antiques; musical instruments; televisions, computers, and other electronic equipment; lawn care and snow equipment; tools and sports equipment. You may want to photograph or videotape your valuables, so that if they are stolen or lost in a natural disaster, you'll have visual proof that the items existed when making an insurance claim. Keep your documentation in a safe location.

Rent a Safe-Deposit Box

Anything of great value that you don't keep with you every day, such as an expensive piece of jewelry, should be locked in a safe-deposit box in a bank. Be sure to have the item appraised, keeping the appraisal document with your other important papers. It might also be wise to keep a copy of the appraisal document along with other important papers and home inventory in the safe-deposit box. This could protect your valuables from theft and disaster.

Keep Good Records

Keep thorough records of your key financial documents in a safe place. Include insurance policies, birth certificates, marriage license, your will, and financial accounts (including credit cards). Make duplicate copies of anything sensitive or essential. This can include an electronic file that you send to a relative or close friend in a different geographic area. Remember to back up your computer files.

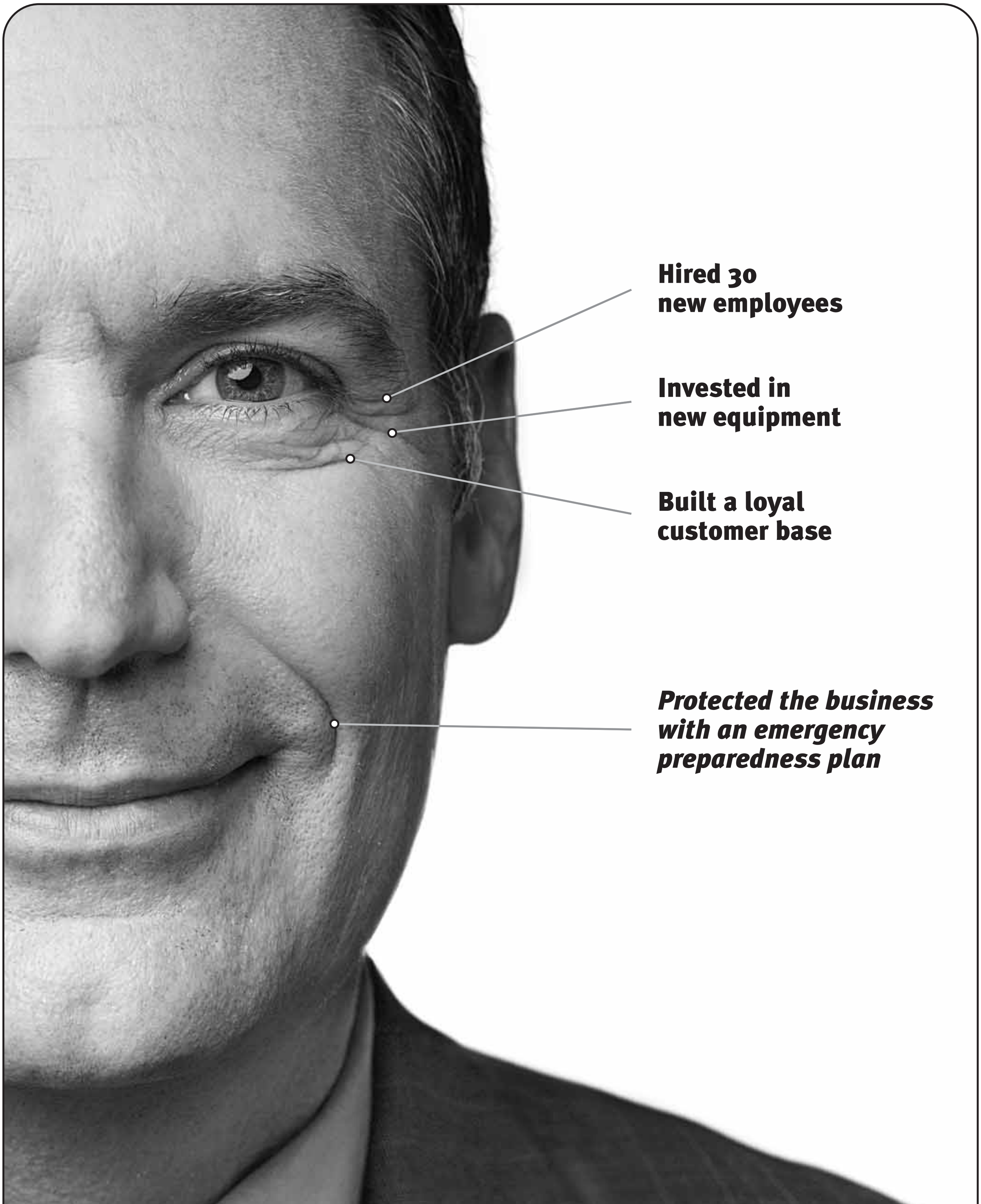
Maintain Adequate Insurance

Thorough and adequate insurance for yourself and your belongings is imperative. Be sure you have home insurance, car insurance, life insurance, and health insurance. You may also consider disability insurance so you'll have a source of income if you're unable to work. Your homeowners' insurance should include coverage for specific events such as flooding.

Create a "Rainy Day" Fund

Protect yourself from a disaster that wipes out your ability to earn a living by starting a "rainy day" fund. In addition to having actual cash for a few days' worth of essentials, a three- to six-month cash reserve is generally recommended. If you live in an area prone to disasters, a six-month reserve may be a more realistic minimum amount. You may also want to consider establishing a line of credit before you need it to avoid tapping into your retirement accounts.

Disasters happen, but preparing a disaster-proof plan could make the difference in your family's ability to weather the storm.



With ready.gov, the business you've worked so hard to build can be as prepared as possible should a disaster strike. Download free, easy-to-use checklists, templates and other resources to help you develop an affordable plan. Protect your life's work—start or update your plan today.

Becoming a success is hard work. Protecting it isn't. ***www.ready.gov***

The Generosity of Americans

By Susanna M. Zysk

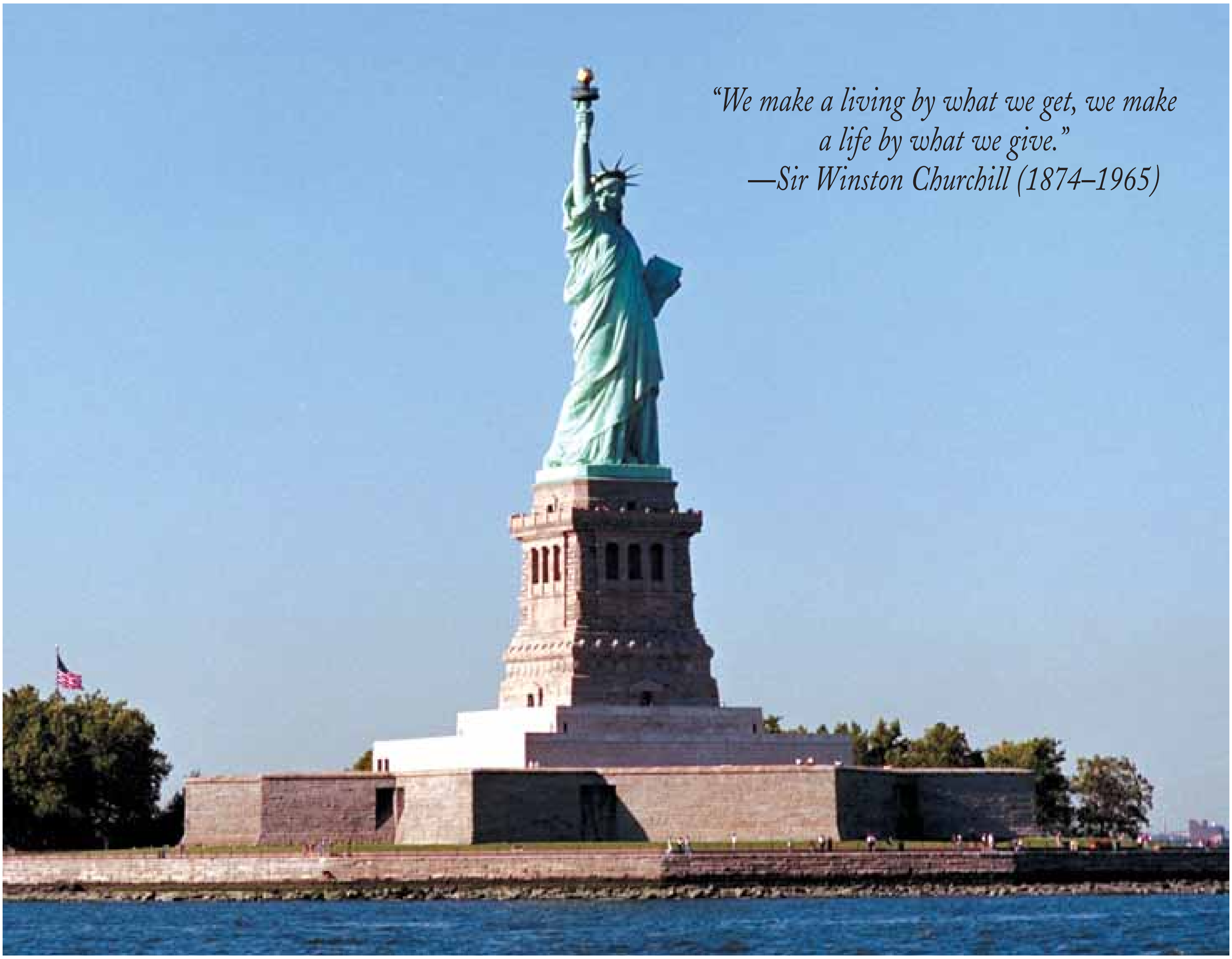
In the wake of recent natural disasters, Americans have generously donated to relief efforts. In fact, according to a recent study conducted by *The Chronicle of Philanthropy*,[1] there was nearly a 12 percent increase in donations to charitable organizations in 2004. Additionally, contributions saw an additional increase of more than 7 percent by the third quarter of 2005. Americans make charitable donations to their favorite causes no matter what the state of the economy. Many of the nation's most successful charities are raising as much or more money than they did in the late 1990s when the economy was booming. Overall, nationwide, charities raised nearly $248 billion in donations in 2004, with the United Way reportedly receiving the most—nearly $4 billion—during the same time period.[2]

Giving Year-Round[3]

Americans not only make donations in times of disaster, they also contribute regularly to organizations dedicated to raising money for specific causes. The American Cancer Society raised nearly $870 million—a nine percent increase from prior years. Feed The Children, a charity that provides food, medicine, clothing, and other items to children in need, raised nearly $890 million—a 53 percent increase. Additionally, nearly 25 percent of colleges and universities surveyed raised about $1 billion each.

Americans are also investing in donor-advised funds. Through donor-advised funds, individual donors can earmark their money for specific causes. Many of these funds, offered by investment companies such as Fidelity, Vanguard, and Schwab, have seen double-digit percentage increases in contributions.

1 "The Philanthropy 400 Fifteenth Annual Survey," *The Chronicle of Philanthropy*, 2005.
2 "Annual Yearbook of Philanthropy," *Giving US*, American Association of Fundraising Council, 2004.
3 "Giving Bounces Back," Holly Hall, Leah Kerkman and Cassie J. Moore, *The Chronicle of Philanthropy*, October, 2005.



More Than Monetary Donations[4]

After Hurricane Katrina devastated the Gulf Coast, no matter what their own personal financial situation, Americans outside of that area opened their homes and offered their skills to help evacuees. According to an article posted on Human Events Online, after learning about the number of people left homeless, a family of five with limited space and limited income offered a spare room "to anyone in need." A licensed bus driver offered to "haul those folks out of the South." House painters, electricians, building and roofing contractors, pest-control specialists, orthopedic surgeons, and nurses all offered to help in any capacity for any length of time.

American Corporations Give, Too[5]

U.S. companies have made donations toward relief efforts, particularly after Hurricane Katrina. Oil companies ($15.5 million), drug companies (more than $25 million), and Wal-Mart ($32 million) were among the most generous contributors. Wal-Mart donated $17 million and the Walton Family Foundation donated an additional $15 million.

Americans believe in charitable organizations and are extremely compassionate toward their fellowman. Americans are generous with time and money, whenever or wherever help is needed. No matter what the economic circumstances and their own personal situation, Americans will always give to those in need. FP

Puzzle on page 58

M	A	S	S		B	E	A	T		P	A	R	T		S	T	I	R
A	M	A	T		U	R	G	E		A	D	A	R		R	E	N	E
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A	N	T	E		H	E	A	R		E	A	S	Y		R	E	E	K

[4] "Katrina and American Generosity," Human Events Online, September 8, 2005, http://www.humaneventsonline.com.
[5] "The Understatement of American Generosity," Amy Menefee, Free Market Project, September 7, 2005, http://www.freemarketproject.org.

PERFORMING THEIR
SMASH HITS
ON THE BIGGEST STAGE
THE LPGA TOUR
CRISTIE KERR GRACE PARK ANNIKA SORENSTAM LORENA OCHOA KARRIE WEBB
LPGA
THESE GIRLS ROCK


50
40
30
20
10
SUBMARINER
SWISS MADE
28