



finances and you

Sid Mittra

Partnerships are way to cut taxes

The new tax law is ruthless on gains and losses generated by investments.

Until now, your regular income — known as active income — could be reduced by tax-shelter write-offs — known as passive losses. Under the new tax law, passive losses would be allowed to reduce only passive income, generated by limited partnerships.

It's this change in the tax law that is making master limited partnerships popular.

The units of MLPs are traded publicly just like common stocks, but by investing them gives you a piece of direct ownership in the business. Right now, oil and gas exploration deals are the most common, but partnerships devoted to real estate are proliferating, and the future may find various corporations reorganizing as MLPs.

Priced usually between \$15 and \$30, oil and gas MLPs can offer an attractive plan of high yield, speculative upside potential, and a modest amount of tax-deferral. However, MLPs by nature are subject to all the inherent speculative risks and are more volatile than most stocks.

Passive losses versus passive gains

MLPs help you offset passive losses against passive income. Here is how.

Say you pay \$20 a unit for an oil and gas MLP that pays \$2 a year in distributions. If you collect tax-free payments for 10 years, your cost is reduced to 0.

This income is a return of your capital and hence is tax-free. Future distributions are taxed as regular income, but, at that point, you could sell your unit. The proceeds are a passive gain.

which you could offset with passive losses in other partnerships. Then you buy a little back and start the process all over again.

The accompanying table gives you a sample of MLPs currently available. Note that several of these partnerships offer attractive yields. It should be noted, however, that the "yield" on MLPs is really a return of capital. Technically, most MLPs (oil and gas) are liquidating themselves by pumping more oil and gas than they find or acquire.

Nevertheless, if you choose carefully, MLPs could significantly improve your overall investment portfolio.

As always, in selecting an MLP, stick to the investment basics. Look for the ones that have a strong general partner committed to maintaining distributions.

Better still, consult your financial planner, who would advise you on which MLP is appropriate for you.

Oakland University special seminar, Sid Mittra of Oakland University will discuss the Personal Finance Planning Program at 7:30 p.m., Thursday, Jan. 8. Admission is free. For details, call 370-3120.

"1987 — A Year of Unprecedented Opportunities" seminar, sponsored by Observer & Eccentric Newspapers and Coordinated Financial Planning Inc., will be held from 7-9:30 p.m. Tuesday, Jan. 13, at the Kingsley Inn, 1475 N. Woodward, Bloomfield Hills, Michigan.

For more information or reservations, call 643-8888. Sid Mittra is director of certificate program in personal finance at Oakland University and president of Coordinated Financial Planning Inc.

master limited partnerships

partnership	year formed	amount available (in thous)	price	annual cash yield
BPI	1981	35.0	\$1,185.49	8.69%
BPI	1983	119.1	1,059.08	9.88
BPI	1985	11.0	952.88	0.00
CREF	1979	10.0	891.48	3.14
CREF	1985	47.0	801.46	1.25
CREF	1986	5.0	757.61	0.00
CREF	1974	175.0	1,141.66	3.50
CPF	1979	92.0	568.15	0.00
CPF	1981	35.0	475.81	0.00
CPF	1982	24.0	354.58	0.00
CPF	1984	10.0	851.56	1.53
CP/PP	1985	2.0	870.52	3.03
CCP	1979	23.0	673.84	2.11
CCP	1980	15.0	848.10	4.25
FCI	1980	5.0	416.89	9.71
FCI	1984	6.0	802.53	7.48
HOIF	1981	25.0	129.93	57.28
IMC	1981	3.0	456.52	13.14
MREF	1980	10.0	387.74	0.00
MREF	1982	89.0	364.30	0.00

datebook

- ACCOUNTING JOBS**
Tuesday, Jan. 6 — Free job opportunities seminar on accounting assistant field begins at 7:30 p.m. in Rochester. Information: 370-3120. Sponsor: Oakland University.
- DIRECT MARKETING**
Thursday, Jan. 8 — Direct Marketing Association of Detroit meets. Information: 721-0990.
- FINANCIAL PLANNING**
Thursday, Jan. 8 — Free informational seminar on personal financial planning certificate program begins at 7:30 p.m. in Rochester. Information: 370-3120. Sponsor: Oakland University.
- LEGAL ASSISTANTS**
Thursday, Jan. 8 — Free informational panel on legal assistant careers 7:30-9 p.m. in Rochester. Information: 370-3120. Sponsor: Oakland University.
- FINANCIAL PLANNING**
Thursday, Jan. 8 — Free seminar on financial planning field begins at 7:30 p.m. in Rochester. Followed by question-and-answer period. Information: 370-3120. Sponsor: Oakland University.
- PROFESSIONAL SERVICES**
Tuesday, Jan. 13 — Michigan Chapter of the Society for Marketing Professional Services meets at 10 a.m. in Southfield. Information: Dawn Black, 354-0300.

Information for this column should be sent to the business editor, Observer & Eccentric Newspapers, 36251 Schoolcraft Road, Livonia 48150. Information must be received by Monday to be published in the following Thursday issue. Publication cannot be guaranteed. Information should contain a daytime telephone number where information can be verified.

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