

# Now's the time to assess your business

## datebook

**ROBERT LaBLANC** will discuss the current state of telecommunications and information technology at a noon luncheon Wednesday of the Financial Analysts Society of Detroit at the Veterans Memorial Building in Detroit. He is president of LaBlanc Associates Inc., an information technologies consulting firm. For reservations, call Ann Simmonds at 225-3046. Cost is \$7 for members and \$9 for guests.

**HOWARD MOORE** and Lun Kuttinauer, staff psychologists at Mt. Carmel Mercy Hospital's Department of Child Psychiatry, will speak on internal and external pressures upon women entering the marketplace at the 11:30 a.m. luncheon of the Women's Commercial-Industrial Brokerage Association on Tuesday at Jacques Restaurant on Telegraph. For reservations, call Rusty Roman at 363-1595.

**MARC GOLOVEN**, vice president and financial analyst for New York's Manufacturers Hanover Trust Co., will speak on the economic outlook for 1982 at the Jan. 21 meeting of the Mortgage Bankers Association of Michigan. The meeting starts with social hour at 11:30 a.m. at the Michigan Inn on J.L. Hudson Drive near Northland in Southfield. Reservations are \$12 by calling 661-7521.

**THE MICHIGAN** Department of Labor, Safety Education and Training Division and the New Center Co. of Southfield will conduct a loss control program for nursing home administrators, directors and supervisors 8:30 a.m. to 4:30 p.m. Jan. 26 at Northland Shopping Center. Advanced registration required before Jan. 18 by calling 476-0946.

**A FREE SEMINAR** on financial planning for business owners and professional practitioners is 7 p.m. Monday at the Bloomfield Hills Public Library, Lone Pine Road at Telegraph. Tax saving ideas, business continuity and planning will be discussed. The program is sponsored by Investors Diversified Services. Call 968-1000 for reservations and more details.

**A WORKSHOP** "Women... Leaders," is designed to help women with career advancement. It's slated for 8:30 a.m. to 5 p.m. Jan. 30 at the Hyatt Regency in Dearborn. The workshop is presented by Performance Training Associates. Call Joan Peterson Tester at 261-0410 for more details. Fee is \$85 including materials.

**DETROIT'S GRAPHIC** arts firms are gearing up for International Printing Week, Jan. 17-24. A banquet at The Detroit Yacht Club, with Detroit Free Press Managing Editor Neal Shine as guest speaker, will kick off the week. For more information about the dinner and other activities, call Bill Baird at 982-5170.

**CORPORATE** personnel needs of Michigan firms is the theme of the Career Convention for Women Feb. 12 and 13 at the Westin Hotel. As many as 12,000 people are expected, and up to 70 firms will discuss job opportunities and training programs for women and men. The convention will feature 50 seminars, panel discussions and clinics concentrating on where jobs will be in the future, how women can improve themselves and how to develop job hunting skills. NBC newswoman Jessica Savitch will keynote the convention. Tickets are \$15 per day, available by mail from 4000 Town Center, Suite 1030, Southfield 48075. Call 352-4320 for more details.

If you operate your own small business, or earn a second income from freelance activities, now is the time to assess your business.

The benefits available to you through a sole proprietorship, partnership or corporation have changed because of the tax-law changes under the Economic Recovery Act.

So before deciding what form your activity should take, evaluate your business and personal income needs first.

If you are a photographer, for example, who earns income from your work or if you run a small but income-bearing editorial service, you may wish to be recognized as a sole proprietor.

This business entity is unincorporated but allows the net profit or loss of your business to be figured separately from your other income.

Therefore, business expenses such as film or advertising costs, which would otherwise not be deductible, are accounted for in the business income. You also could depreciate the cost of camera equipment more readily with the new tax law.

**SETTING YOURSELF** up as a sole proprietor may not change your tax



tax tips  
**Kenneth Rem**

status, and it does not separate your business liabilities from your own.

Deductions for business expenses can lower your personal income now taxed at lower rates. While you can declare your hobby a business, if you show losses repeatedly you will lose your business status.

A partnership is similar to a proprietorship with two or more people contributing capital or labor. The individuals share the net profit and business deductions as well as responsibility for the business debts.

If your activity requires high overhead for store space, or large borrowings for equipment, a partnership might not offer you sufficient protection. Caution should be exercised in a partnership since one partner can be held for the entire business debt, such as a lawsuit.

To avoid this, look into limited partnerships where liabilities are legal-

ly defined and often correspond with contributions.

If a family forms a partnership, profits can be divided among parents and children, who are generally taxed at a lower rate. Such an arrangement can reduce the parents' incomes and provide for the children's future.

**CO-OWNERSHIP** does not constitute a partnership, but any family member can become a partner by gift or contribution, as long as he or she is active in the business. There are rules preventing the formation of a partnership simply to distribute income and avoid taxes.

To avoid business risk, you may wish to incorporate. This way, your personal property is protected unless you intentionally misuse the corporation for income purposes.

The net income of the business is taxed at corporate rates, but the dividends from the business activity are taxed again when they are distributed to the shareholders.

As a corporate owner, you can distribute net income through salaries, organizing pension and profit-sharing plans, and making tax-deductible contributions in 1982. Keogh plans for the self-employed can receive annual tax-deductible contributions of \$15,000 or 15 percent of income, whichever is low-

er. This is an increase from 1981.

If you meet certain requirements, you can form a Subchapter S corporation, which can be held by no more than 25 people — this is up from 15 persons in 1981.

In this situation you will be taxed similar to a partnership.

**UNDER THE NEW TAX** law, the benefits of incorporating may not be as large. Corporate rates for the first \$50,000 of income have also decreased. Personal tax rates have decreased more dramatically than corporate rates and the maximum tax to individuals is set at 50 percent beginning in 1982. This is reduced from 70 percent in 1981.

To decide which business entity is right for you, review your business finances.

- How large is the legal risk in your activity?
- Should you share it with one person, carry it by yourself, or assign it to a corporation?
- How much income do you expect to receive?
- Would you benefit by receiving it as income or deferring it in a corporation?

In addition, the new tax law offers several benefits. For example, working married couples can subtract 5 percent of the income of the lower paid spouse (10 percent in 1982), and child-care credits are available. The law also exempts children who work for their parents or a family business from Social Security tax.

Liberalized rules for forming individual Retirement Accounts (IRA) also are available under 1982 tax laws.

## marketplace

**DETROITBANK** Corp. will seek approval of a name change at its April shareholders meeting. If approved, the new name would be Comerica Inc. It's being done as part of the corporation's positioning plans for statewide banking as well as interstate expansion when legally feasible, says bank chairman Donat Mandich.

**MORTGAGE RECORDINGS** for homes number only 2,545 for \$83,722,320 in November in Oakland, Wayne, Washtenaw and Macomb counties, according to the Lawyers Title Insurance Corp. The number of new first mortgages closed in November close to the level of the 2,451 closed in February, 1975, at the bottom of the 1974-76 recession. The total then was only \$52,576,029.

**CREATIVE Universal Inc.** of Southfield, a training and sales merchandising company, has established a marketing communications group to provide planning, development and implementation services

in advertising, marketing, merchandising, sales promotion and public relations.

**DESPITE HIGH** unemployment in metropolitan Detroit, blue-collar workers are resisting relocation, according to United Community Services of Metropolitan Detroit. An analysis of out-migration trends since 1979 shows people who are relocating seem to be mostly professional and skilled workers as well as young adults who are seeking careers and lifestyles in other parts of the country. The findings indicate that the majority of those leaving or planning to move are suburban residents. Relocation is expected to continue but has not yet peaked.

**ST. JOSEPH MERCY** Mercy Hospital was awarded a \$50,600 grant from the Skillman Foundation for the purchase of an environmental control system to help paralyzed individuals and a special laboratory chemical analyzer capable of quick and accurate analysis of body fluids.

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**CONFUSED ABOUT INDIVIDUAL RETIREMENT ACCOUNTS?**

Many people are already aware that changes have been made, in 1982, regarding individual retirement accounts. Bits and pieces of information have been given to consumers, but there are still several very important questions that may remain unanswered.

- What is an IRA?
- Who can open an IRA?
- How much money can I invest and do I get a tax break?
- What if I can only invest small amounts?
- How do I open an IRA?
- Where can I invest my IRA money?
- Should I invest early in the year or later?
- Can I direct the investments in my IRA?
- When can I start to withdraw from my IRA?

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