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finances and you

Sid Mittra

Here's how to compute your own inflation rate

It seems the economic news from Washington becomes more disheartening every day. As the weeks advance, so does the inflation rate.

A 15-percent inflation rate is unbearable by any standard. But what does it mean to you? Let's find out.

Few people can deal with record high inflation. But actually, it's possible that your personal expense inflation rate is far lower than 15 percent.

The inflation rate is an average of price increases for a variety of things you might buy. Chances are some of those prices won't affect you — at least not immediately.

For instance, if you've already bought the house you live in, higher prices will have little direct effect on your personal budget.

If you are paying off a mortgage with a fixed rate of interest, skyrocketing mortgage interest rates won't bother you either.

One method to use in determining your own personal expense inflation rate is that developed by H.T. Seager, president of the Financial Planning Center of Greater Washington, D.C.

It requires simple math and works like this:

● Add all your usual monthly expenses that get hit by inflation. Such items might include food, gasoline, clothing, house repairs, utilities and federal, state and local taxes. These will establish your inflationary expenses.

● Next, total up all fixed expenses. Some examples here include mortgage payments, Social Security tax and life insurance.

● Add your inflationary expenses and your fixed expenses to get your monthly expenses.

● Then divide the total of inflationary expenses by your total expenses. This gives you a factor (a fraction or percentage) which shows how much of the total inflation rate applies to your own budget.

If your factor is .7, for example, your personal expense inflation rate will be 10.5 percent when the national rate is 15 percent. This is figured by multiplying your personal factor by the national rate.

Although this method is far from perfect, it gives you a handle on the actual effect of inflation on your finances.

By examining your inflationary expenses, you might determine ways to convert them into non-inflationary expenses such as buying a house instead of renting.

Anything you convert into a fixed expense will lower your inflation factor.

NEXT: Individual retirement accounts.

Sid Mittra of Rochester is president of Coordinated Financial Planning Inc. and a professor of economics and management at Oakland University.

datebook

THE NATIONAL Association of Accountants, Detroit Chapter, will feature Howard Christensen, vice president of corporate planning and investor relations for the American Natural Resources Co., speaking on investors and financial statements Thursday, Feb. 18 at its 6:30 p.m. dinner meeting at Carl's Chop House. Guest are welcome. Reservations required by calling William Sheehan at 594-1952.

LEE MORGAN, chairman and chief executive officer, and Frank Grimsley, vice president of financial and data processing, both of the Caterpillar Tractor Co., will speak at the noon Wednesday, Feb. 17 luncheon of the Financial Analysts Society of Detroit. Place is the Veterans Memorial Building, Room 814. Reservations required by calling Kenneth Janke at 543-0612 before Monday. Cost is \$7 for members and \$9 for guests.

THE OAKLAND County Chamber of Commerce hosts a member mixer Wednesday, Feb. 17 at 30700 Telegraph Road, Suite 1475, in the Bingham Center. The 5:30-7:30 p.m. mixer is compliments of Bache Halsey Stuart Shields. Reservations required by calling the chamber at 335-6148 or 644-3683.

TIME MANAGEMENT is the focus of a Oakland County Chamber of Commerce seminar Tuesday, Feb. 16 at Roma's of Bloomfield, 101 S. Telegraph north of Square Lake Road. Diana Castle, personnel consultant with DLC Associates, will conduct the 8-10 a.m. seminar. Fee is \$4 for members and \$5 for guests. Call 335-6148 for reservations.

RANDY SHER of West Bloomfield is one of the guest speakers at the Friday and Saturday Career Convention for Women at the Detroit Westin Hotel. Sher, president and founder of A Better Way Inc., a career development and job placement firm in the Detroit area, will offer advice on changing jobs, identifying skills and relocating. The convention will introduce as many as 12,000 attendees to corporate recruiters, teach them where the jobs will be in the next 10 years and sharpen their job hunting skills.

AN IRISH event, presented by Regent Time Share International, 4200 Orchard Lake Road in West Bloomfield, is on tap for 7 p.m. Wednesday, Feb. 17. The speaker is Paddy Fitzpatrick, owner of Fitzpatrick Castle and Holiday Homes in Ireland. An Irish dinner is provided at no charge. Reservations required by calling Lois Howell or Kathy Dawson at 591-4690.

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In house survey

Agency predicts more retail sales

Four million dollars in new retail sales for Birmingham? That's what a study by a Birmingham advertising agency predicts when the 300,000 square feet of new office space now nearing completion in town is fully occupied.

The retail volume projection is based on the addition of 1,000 workers expected to staff the new businesses renting space in Birmingham, according to Ernest Baker, of Baker, Abbs, Cunningham & Kleipinger (BAC&K).

BAC&K made the prediction after asking its own staff how much the members spent with retailers and other businesses in Birmingham during 1981.

According to the in-house survey taken in December, 29 of 35 BAC&K employees spent \$114,405 in Birmingham

last year. That averaged \$3,945 per employee.

Then the BAC&K brains went to work. Figuring 300 square feet per employee, based on the new 300,000 square feet available, that could result in 1,000 additional workers for the Birmingham marketplace.

Carried one step further, the average BAC&K expenditure of \$3,945 times the 1,000 new employees could mean a potential \$4 million in new business.

IN THE BAC&K survey, clothing topped the spending list at \$40,048 followed by restaurants and food at \$38,305.

Baker said the survey turned up several surprises. Medical expenditures constituted a larger share than expected, \$9,300, while books and greeting cards accounted for \$1,500.

All of the men participating reported using barber shops in Birmingham, but only one female said she visited a local beauty shop.

Employees who live in or near Birmingham spent a much greater proportion of their incomes in Birmingham. All those reporting said they do all their savings and banking in Birmingham.

Categories covered by the survey included automotive (gas and service only), hardware, artwork and antiques, jewelry, photography, optical and miscellaneous purchases.

The survey didn't include shoe repair, dry cleaning, records and appliances. All these would have increased the total, added Baker, a director of the Birmingham-Bloomfield Chamber of Commerce.

"One of the amenities of being located in or adjacent to a good retail community is the opportunity for staff members to shop for themselves or their families during their lunch period or after work," Baker said.

ACCOUNT COORDINATOR Nancy Rice agreed.

"Being located in an office building some distance from shopping, restaurants and personal service businesses means getting into one's car and traveling some distance to and from these facilities or services.

"The tendency then is to either stay put or brown bag it and do your shopping on weekends in the area where you live. I really appreciate having such a large variety of businesses so near where I work," Rice concluded.

business people

MARCELLUS ALEXANDER JR. of Southfield was appointed general sales manager for WRIF's sales staff. He was appointed national sales manager in June 1980 after spending three years as an account executive. He will be responsible for the overall strategy and direction of WRIF's six-member sales department. Alexander joined WRIF in 1977 from the American Heart Association.

Congratulations and gifts were bestowed upon employees of Cunningham Drug Stores for 25 years of service. Among the honorees at a special luncheon at the Hyatt Regency were: JERRY MOTL of Birmingham, JAMES DEVINE of Southfield and LEONARD BAKST of West Bloomfield.

G. Temple Associates, a Southfield based advertising agency, named BARBARA KESTEGIAN of Birmingham to an administrative post and DAVE ARNOLD of Birmingham as editorial director. Kestegian, formerly production manager, will direct all production, media and administrative functions for the agency. She has been with the agency since its inception in 1978. Arnsen, new to the agency, formerly held an account position with French & Rogers. He served as regional

editor for Iron Age Magazine and was on the editorial staff for Production Magazine.

BETH A. KOEHN of Farmington Hills joined the staff of J.G. Lowery Associates as a speech therapist.

RICHARD J. HOLCOMB of Troy was appointed trust investment officer at Detroitbank Corp. He joined the bank in 1978 as an investment analyst and has held positions of increasing responsibility since then.

STUART GOLDSMITH, CLU, of Bloomfield Hills, was elected president of the Michigan Association of Life Insurance Counselors. Formerly Goldsmith was the manager of Mutual Life Insurance of New York.

RICHARD A. VINING has joined Energy Conversion Devices of Troy as vice president — Thermoelectric Division. He was former executive vice president of manufacturing, engineering, product development and purchasing of the Chrysler Corp. and a former member of Chrysler's board of directors.

Olivet College elected the following officers to the college's board of trustees for 1981-82: vice chairman, DR. GEORGE GULLEN JR. of Rochester; assistant secretary, JOSEPH RANDO of Bloomfield Hills; assistant treasurer, THOMAS RICKETTS; and RICHARD MONLEY of Birmingham.

SANDRA LYONS was named Real Estate One's sales associate specializing in office sales and leasing in the Livonia area. Ms. Lyons most recently served as administrative officer for Real Estate One Commercial Inc., and was formerly with Schostak Bros.

ROGER PEAKE of Southfield was named chief consultant and liaison for all 300 local offices of the Southfield-based Century 21 of Michigan. He served in a variety of roles on the regional staff in previous years and is a partner in a local franchise.

DR. MARK F. ROTTENBERG of Southfield was named to the medical staff of Rehabilitation Institute. He also is director of Rehabilitation Medicine and Neuromuscular Electrodagnosis at the Arthritis Center of Southfield.

THOMAS E. PROFIT of Southfield was appointed director of student affairs at the Specs Howard School of Broadcast Arts, Southfield. In the newly created position, he will be responsible for counseling and student-school relations.

ILLANA PANUSH of Southfield joined Stone, August and Co. as an account executive. Prior to joining the Birmingham firm, she was an advertising representative for the Observer & Eccentric Newspapers.

MARTIN BADER of Southfield, president and chief executive officer of the Bader Bag Co., Madison Heights, was elevated to the position of chairman of the board. HOWARD STONE of Southfield, formerly executive vice president and chief operating officer, was named to the position of president of the flexible packaging materials firm.

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