



finances and you

Sid Mittra

IT SEEMS almost everyone knows something about individual retirement accounts. They've been the talk of the financial world since provisions of the new tax laws provided for greater flexibility in retirement planning.

In a two-part series, we'll discuss key elements of IRAs and suggest the best alternatives for your money.

Any wage earner can contribute up to \$2,000 per year, or \$2,250 to cover a non-working spouse, into an IRA. These annual contributions accumulate tax deferred until they are withdrawn. But there's a catch — you face stiff penalties imposed by the Internal Revenue Service if you withdraw the funds prior to age 59½.

Savings generated by IRAs are substantial. A person earning \$30,000 this year and contributing \$2,000 into an IRA will save \$638 in taxes. These tax savings can grow into significant sums over the years.

You may open as many IRAs as you please as long as your annual contribution does not exceed \$2,000. And you may switch from one IRA to another at will, subject only to the switching limitations imposed by the IRA investment itself.

A person may open an IRA even if he or she is covered under another employer pension plan. If a person is self-employed, he or she may open both an IRA and a Keogh Plan, which is available only to the self-employed.

THERE ARE TWO ways to start your IRA. One is to invest money in your company if it offers IRAs on a payroll deduction plan. A company plan could allow you to diversify your contributions in a family of mutual funds.

In order to drum up large business support, many mutual funds lower the minimum requirements and cut their management fees. The other way is to choose an outside investment. IRA plans are currently marketed by banks, credit unions, insurance companies, mutual funds and brokerage houses.

Let's explore some of the tax angles of establishing an IRA.

- It is a tax-deferred investment plan. That means the amount representing interest and dividends accumulated in an IRA is taxed as ordinary income when you begin to withdraw it from the IRA.

Since you are likely to withdraw from an IRA when you retire, you will be at a much lower tax bracket and, hopefully, you will pay taxes on these savings at a much lower rate.

- If you withdraw from an IRA before age 59½, you pay a 10-percent penalty on funds withdrawn early, plus income taxes, plus the penalties for early withdrawal imposed by the IRA investment package.

- If you quit working at some future date, no tax penalties would be imposed on the money accumulated in the IRA.

- If you die before age 59½, your named beneficiary will receive your IRA money estate tax free provided that person withdraws the proceeds in installments over three years.

It would be wise to investigate thoroughly any IRA plan you are considering. And temper your dreams — most IRAs advertise that you'll be a millionaire by the time you retire if you start investing at age 30. But remember, in the year 2022 a loaf of bread will cost \$115, based on the current rate of inflation.

The are good and bad points to all IRAs. We'll examine those next week.

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

marketplace

LEXITEL CORP. of Birmingham has reached an agreement with Tower Communications System Corp., a subsidiary of the Times-Mirror Corp., to lease voice-grade microwave facilities along the Tower System in Ohio. Lexitel provides low-cost long distance telephone services under the name MAX which allows calls to be made throughout the United States.

A **BIRMINGHAM**-based Americana Film House crew began work on filming footage for two films for the Metal Treating Institute, an international association of heat treaters. President Ralph Graham of Bloomfield Hills said the crews will visit eight states to film the heat treating processes in those states. Rick Bots of Birmingham, Peter Klein and Chuck Cigarski are crew members.

THE NATIONAL Satellite Cable Association was formed recently to further the interests of the private cable industry. It is headquartered in Chicago and is conducting a membership drive among operators of private cable systems, owners of multiplexing complexes and condos and industry suppliers.

MARKETING Strategies Co. is a newly formed affiliate of Ruben Advertising of Southfield. The new consulting firm specializes in sales promotion, product development and positioning, packaging, marketing, incentive programming, media appraisal and merchandising planning.

ARCHITECT ROBERT Isler is now located at 23100 Providence Drive, Suite 450, in the Clausen Building, North Unit in Southfield. The firm, established in 1959, offers architectural services and is active in 11 states.

SHERWOOD AND Associates recently was formed by Asa Sherwood to serve as a condominium management and consulting firm. The company, which also offers facilities for accounting and maintenance, is located at 330 Hamilton Road in Birmingham. Sherwood was director of property management for Michigan Condominium Management Co.

SIMONS MICHELSON Zieve Inc. of Troy was presented a national award for best television advertising in the 1981 Council of Jewish Federation's competition, large cities advertising category. "Answer the Call" was the theme of the award-winning service announcement created to promote Detroit's Super-Sunday Telethon, conducted annually on behalf of the Allied Jewish Campaign.

MICHIGAN NATIONAL Corp. of Bloomfield Hills will offer the nation's largest automated consumer-oriented electronic funds transfer system when its Michigan Money FastFiler system is completed this year. The corporation is expanding its Michigan Money System to include 500 new electronic teller assistants inside all 365 branch offices across the state. The corporation expects

these tellers to handle 50 percent of the transactions volume in the branch offices.

TELEVISION commercials for the 1981 Michigan State Fair won a first-place award for outstanding television campaign at the International Association of Fairs and Expositions' annual convention. The 30- and 10-second spots were produced by MG and Casey Inc. Steve Raddock of Rochester was the account executive. Vic Hurwitz of Hurwitz Productions in Southfield directed the spots.

MEDICAL PERSONNEL Pool of Michigan, a Southfield-based home health care and supplemental nursing service with seven offices in Michigan, was awarded accreditation by the National HomeCare Council of New York, a nonprofit organization that sets standards of quality for agencies involved in home health care.

DR. K. TRACY Grindling and Dr. Robert Hubbard have opened a new dental office at 3278 South Boulevard in Bloomfield Hills. New patients are being accepted for all phases of general dentistry with evening and Saturday visits available by appointment.

DR. JOHN Sushko of Troy purchased Dr. Edwin Deen's dental practice with offices located above the Claymore Shop, 720 N. Woodward in Birmingham. He also is a part-time faculty member at the University of Detroit Dental School in the restorative dentistry department.

real estate

THE BIRMINGHAM-Bloomfield Board of Realtors listed 313 homes during January compared to 353 for the same month a year earlier. Eighty-one homes were sold for a volume of \$5.6 million and an average January sale price of \$118,919. January 1981 figures were 74 homes sold for a \$9.4 million dollar volume and average price of \$109,312. About 39 percent of last month's sales in the Birmingham-Bloomfield jurisdiction were on land-contract terms, 37 percent were mortgage assumptions, 19 percent were new mortgages and 2 percent were cash.

ERA of Southeastern Michigan has introduced Econloan, a plan which allows a home buyer to purchase a house with monthly payments that are up to 3 percent less than prevailing interest rates. "The lower rate is made possible through monthly subsidy payments made by the seller or a third party for a period of up to five years. In most cases, this results in monthly payments that are \$200 to \$300 a month less than they would be under prevailing interest rates," says Michael Gallagher, director of ERA's broker services.

NEW FIRST mortgages for homes dropped

during January in Wayne, Oakland, Macomb and Washtenaw counties, according to the Lawyers Title Insurance Corp. Only 2,047 mortgages totaling \$27.25 million were recorded in the under-\$200,000 home-buying category. Those numbers were down from 2,388 for \$83.72 million in December and from 3,393 for \$120.72 million in January a year ago. Observers note a high percentage, almost 80 percent, of home sales currently involve financing other than new first mortgages and would not be reflected in the mortgage recordings.

EARL KEIM Realty of Southfield reports 1981 home sales exceeded \$302 million based on 5,879 homes sold. A record number of listings, 12,005, were recorded in 1981 with Keim's 77 statewide offices.

REALTORS HAVE launched a nationwide campaign urging the public to seek congressional action to reduce projected federal budget deficits and bring down the home mortgage interest rates. Full-page newspaper ads launching the campaign said, "Federal deficits and credit policies are causing high interest rates — which are taking up to one-fourth of the value of your home." The ads are

geared to alert homeowners to current and future government policies adversely affecting home investments," says Lloyd Mason, president of the Western Wayne Oakland County Board of Realtors. The ad contains a coupon readers are asked to sign and send to the National Association of Realtors in Washington for distribution to elected representatives.

A **FEDERAL INCOME** tax and real estate seminar sponsored by the American Institute of Real Estate Appraisers, Michigan Chapter, is Friday, March 19, at the Michigan State University Management Education Center in Troy. It is for real estate personnel involved in appraising, consulting, financing and investing. Fee is \$80. For registration, call 572-5987.

SOUTHFIELD'S PUBLIC School's Community Education Department offers a free seminar on obtaining a residential builders license Thursday, March 18, at Birney Middle School, 27225 Evergreen. Time is 6-10 p.m. The program is an introduction to the course, "Residential Builders Fundamentals" and is designed for the general public or skilled trades. For registration, call 772-8390.

datebook

PROFESSOR Patrick Horsburgh of the University of Notre Dame will speak on geology, the study of building under ground, at 7:30 p.m. Thursday, March 11, in the architecture auditorium on the Lawrence Institute of Technology campus, 21000 10 Mile Road in Southfield. The talk is part of the LIT Architecture series and is open to the public free.

A **CONFERENCE** entitled

"Defining Corporate Lifestyles: Finding Your Way in Organizations" is March 12-13 at the Fair Lane Conference Center at the University of Michigan Dearborn campus. The conference will inform and clarify for participants questions about career skills, paths and changes. Corporate representatives, consultants and career counselors will participate. Fee is \$75 for both days or \$45 for either day. For more details, call 593-5120.

WALSH COLLEGE in Troy sponsors an Intermediate Basic Programming seminar 7-9 p.m. March 10 for five weeks. Cost is \$125. For registration, call 689-8282.

A **FREE FILM** on "Long-range Planning For Small Business Owners" is 7:30 p.m. March 24 at the Michigan State University Management Education Center in Troy. The program is sponsored by the Calvin Shannon Co. For reservations,

call Lynn at 886-7740.

THE MARYGROVE College Alumni Association, in cooperation with the Continuing Education Division of the college, presents a one-day workshop on "Shifting Career Gears" Saturday at the Madame Cadillac Building on campus, West McNichols at Wyoming, Detroit. Time is 9 a.m. to 3:30 p.m. Fee is \$30. For registration, call 862-8014.

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