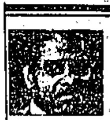
The Observer & Eccentric Newspapers

Business

Barry Jensen editor/591-2300

Thursday, October 13, 1983 O&E

finances and you



Sid Mittra

Why mortgage life?

If you are like most homeowners, you probably have yielded to market pressures and have bought mortgage insurance. This article may help you re-examine your decision.

Mortgage life insurance is simply decreasing term insurance, the most inexpensive type there is. With decreasing term, the face-value — or benefit that would be paid at death — diminishes over the years but premium payments stay the same.

This decreasing face-value feature is appropriate because the balance owed on the loan steadily drops.

THE PREMIUMS are, as a rule, added to the monthly mortgage payments. Medical examinations usually are not required. Policies that cover both spouses are sold.

These are some of the advantages of mortgage life insurance. However, there are several disadvantages as well, as detailed below:

- Your family might have no control over the proceeds. Under the typical policy, the money would go directly to the mortgage lender for retiring the debt.
- Paying off the mortgage might not be in your survivors' best interest. It could be advantageous to invest any discretionary money and keep paying on the loan — especially if the interest rate is low.

A loan that is assumable could increase the property's value and make it easier to sell. Also, paying the balance would wipe out the federal income tax deduction for interest.

- The insurance would not pay for taxes, upkeep and other costs of maintaining the home.

IF YOU WANT additional insurance, you could probably get a better deal by buying decreasing term directly from an insurance company of your choice. The cost could be lower, and you would choose the terms and be able to choose who you want to be the beneficiary.

Most mortgage life sold through lenders is group insurance. A group policy may be cheaper than some individual policies, but people who are low risks because of good health or living habits are lumped together with everybody else.

With an individual policy, by contrast, you may get a substantial discount if you are a non-smoker and are in good health.

So the moral is clear: On balance, you are much better off acquiring life insurance as part of an overall plan, rather than buying mortgage life insurance merely to take care of your mortgage loan.

Put differently, you should look at your entire financial requirements and figure total life insurance needs. That is by far a much better alternative than merely to take care of your mortgage loan.

EDUCATIONAL SEMINAR: The Observer & Eccentric newspapers and I will sponsor a financial planning seminar 8-9:30 p.m. Wednesday, Nov. 2, at the Michigan State University Management Education Center in Troy. The seminar is free but registration is required. Topics for the evening will be tax-sheltered investments and finanical planning. For more details, call 643-8888.

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

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- **INTERNAL AUDITORS**
  Thursday, Oct. 13 — Detroit Chapter of Institute of Internal Auditors meet with Western Wayne Chapter of National Association of Accountants at 5 p.m. in Farmington Hills. Information: Mary at 643-1629 or Jack Heitchue at 237-8158.

- **FINANCING GROWTH**
  Thursday, Oct. 13 — "Financing Business Growth and Your Company's Survival — How to" from 8:45 a.m. to 4:30 p.m. in Troy. Sponsor: Walsh College. Information: 689-8282.

- **GRAND OPENING**
  Thursday-Friday, Oct. 13-14 — AMG *Computer Systems new offices at 3000* Prudential Town Center in Southfield will be open noon to 8 p.m. Software demonstrations, refreshments, prizes.

- **CHEMICAL ENGINEERS**
  Friday, Oct. 14 — The American Institute of Chemical Engineers will mark diamond jubilee of the American Institute of Chemical Engineers in Detroit. Symposiums will be held in morning and afternoon. Information: Bob MacDonald at 577-2150.

- **CRITICAL PATH PLANNING**
  Saturday, Oct. 15 — Critical Path Planning will be offered by the Institute for Construction Management, the educational arm of the Construction Association of Michigan. The course will be given at the Builders Exchange Building and be taught by Ralph Stephenson. Information: write the Institute for Construction Management, 1351 E. Jefferson, Detroit 48207.

- **INDEPENDENT ACCOUNTANTS**
  Monday, Oct. 17 — The independent accountants Association of Michigan will meet for dinner at 6:30 p.m. in Warren. Information: Gerald R. Johnson at 882-3560.

- **YEAR-END TAX TIPS**
  Tuesday, Oct. 18 — Tips will be offered at a breakfast seminar offered by the Council on Small Enterprises. The seminar will be 8-10 a.m. at Roma's of Bloomfield. Registration is $10 for nonmembers of the Oakland County Chamber of Commerce, $5 for members. Information: write the chamber at 10 W. Huron, Suite 315, Pontiac 48058.

- **REAL ESTATE COMPUTING**
  Tuesday, Oct. 18 — One-day seminar on "Computer Applications in the '80s" offered 8:30 a.m. to 5 p.m. in Farmington Hills. Price: $90. Sponsor: American Institute of Real Estate Appraisers. Information: 573-6987.

- **MARKETING WORKSHOP**
  Tuesday, Oct. 18 — "Marketing, What Is It? How Do You Do It?" from 1-4:30 p.m. in Troy. Sponsor: Walsh College. Information: 689-2828 Ext. 253.

- **IMPROVE PROFITABILITY**
  Tuesday-Wednesday, Oct. 18-19 — "How to Improve the Profitability of Your Closely Held Business" financial management seminar in Troy. Sponsor: National Bank of Detroit. Given by Management Advisory Services Inc. Fee: $350, including materials, two luncheons. Information: Betty Chapman at 225-3577.

- **ASKING FOR ACTION**
  Tuesday-Thursday, Oct. 18-20 — Ensuring success though a systematic method of attitude, skill and knowledge development conference in Birmingham. Sponsor: Executive Consulting Services Inc. of Farmington Hills. Information: Carol Thomas at 851-4300.

- **CONSTRUCTION LAW**
  Wednesday, Oct. 19 — Construction Law will be offered by the Institute for Construction Management, the educational arm of the Construction Association of Michigan. Given at Southfield High School. Teacher: Marv Kramer. Information: write Institute for Construction Management, 1351 E. Jefferson, Detroit 48207.

- **WATER TREATMENT**
  Wednesday, Oct. 19 — Water Supply and Wastewater Treatment offered by the Institute for Construction Management, the educational arm of the Construction Association of Michigan. Given at Builders Exchange Building. Teacher: A.C. Davanzo. Information, write the Institute for Construction Management, 1351 E. Jefferson, Detroit 48207.

- **FINANCIAL PLANNING**
  Wednesday, Oct. 19 — Tips on keeping inflation and taxes from eroding buying power will be the subject of a personal financial planning seminar 7:30-9:30 p.m. in Farmington Hills. Free. Sponsor: Investors Diversified Services. Registration: Michael Morger at 827-1230.

- **TAX, BUSINESS SEMINAR**
  Wednesday, Oct. 19 — "The Computer Spread Sheet — Wonder Tool for the Small Business," "Pension and Profit-sharing Plans — Update '83" and "White-Collar Crime — the Newest Growth Industry" will be presented 4-6 p.m. in Southfield by Fox and Co. Free and open to the public. RSVP by Oct. 12 to Patty at 3000 Town Center Suite 1600, Southfield 48075.

- **REAL ESTATE APPRAISERS**
  Wednesday, Oct. 19 — Michigan Chapter No. 10 of the American Institute of Real Estate Appraisers will meet at 12:30 p.m. in Farmington Hills. Information: 573-6987.

- **OPTIONS SEMINAR**
  Wednesday, Oct. 19 — Options seminar begins at 7:30 p.m. in Bloomfield Hills. Free. Sponsor: A.G. Edwards & Sons Inc. Reservations: 334-2411.

- **FRINGE BENEFIT PLANS**
  Wednesday, Oct. 19 — "Fringe Benefits for the Professional Corporation or Closely Held Business" held 7:30-9:30 p.m. in Bloomfield Hills. Fee: $7.50, $3.50 for second family member. Sponsor: Robert L. Caswell. Information: 644-0000.

- **FINANCIAL PLANNING**
  Wednesday, Oct. 19 — Financial planning and oil and gas income investment opportunities begins at 7:30 p.m. in Bloomfield Hills. Free. Sponsor: Mariner Financial Services Inc. Information: 424-8990.

- **ARCHITECTURAL ESTIMATING**
  Thursday, Oct. 20 — Architectural Estimating III will be offered by the Institute for Construction Management, the educational arm of the Construction Association of Michigan. The course will be given at Lawrence Institute of Technology in Southfield and taught by Garfield Laity. Information: write the Institute for Construction Management, 1351 E. Jefferson, Detroit 48207.

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