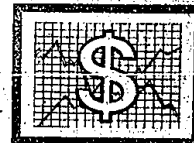


Business

Barry Jensen editor/591-2300



Thursday, April 12, 1984 O&E

(C7C)

Bonds are for more than widows, orphans

Frequently I hear that stocks are for the fun-lovers, whereas bonds are for the old and the retired. This view is incredibly naive at best and totally misleading at worst.

Bonds, like other investment products, serve a valuable function. But you cannot take advantage of investing in them unless you understand their basic characteristics.

• SAFETY

Safety refers to either the creditworthiness of a bond or the risk of a bond's sinking in price because of a rise in interest rates. Two credit-rating agencies (Standard & Poor's and Moody's) rate most bonds, the ratings ranging from AAA for the safest bonds to D for bonds in default.

U.S. Government issues are deemed of the highest quality, and all other fixed-income issues are priced in relation to government bonds. Many issues

are constantly moving up and down the ratings ladder. This provides investment opportunities galore but also the possibility for many pitfalls.

Issuers of bonds must constantly be scrutinized to assess their ability to pay both interest and principal on their obligations.

• VOLATILITY

Bonds are essentially volatile. The loss of the purchasing power of the dollar and the Federal Reserve's attack on inflation pushed short-term interest rates to record highs in September, 1981. Interest rates then plummeted to their recent lows in May 1983. For a 30-year Treasury bond, this represented a decline of 4.78 percent in interest yield and a price increase of 40 1/2 percent, a jump equal to \$405 per \$1,000 bond.

In every business cycle, this rise and fall of interest rates repeats itself. In



finances and you

Sid Mittra

1981 and 1982, in fact, the bond market was more volatile than was the stock market. Huge federal deficits promise to preserve this price volatility over the next several years.

• HOLDING

Bonds should not necessarily be held until maturity. Prices on long-term bonds with 5-7-percent coupons purchased in the 1960s were half in value in the early 1980s. Proper investment planning based on timely selling and

buying would have avoided much of this decline and would have helped to preserve the principal value of a bond portfolio.

• AFFORDABILITY

Bonds are not only for the very rich individuals and for institutions but also are for average investors. Double-digit interest rates have made bonds attractive for many investors with modest amounts to invest. The prime reason for this change is that bonds offer

the advantage of the principle of compounding. For example, if the 10-percent return on a bond is reinvested at 10 percent and therefore compounded, the value of the investment will double itself in 7.2 years.

• OPPORTUNITY

Investors should look into what can be accomplished by buying low-grade "junk bonds" on margin, using credit from brokerage houses. All types of bonds may be bought on margin. Even more important, options are now being written on Treasury bonds.

The bottom line: There are fixed-income securities for almost everyone. Also, a market strategy should be developed and followed.

Timing is crucial. As long as we have economic cycles, we will have interest-rate cycles that will let investors take advantage of rising and falling interest rates.

This year is going to present investors with good opportunities to make money in bonds. But don't jump into it without proper planning.

If possible, consult your financial planner, who should help you structure your total investment portfolio.

FINANCIAL PLANNING SEMINAR: The Observer & Eccentric Newspapers and the Coordinated Financial Planning staff will conduct a financial planning seminar 8-9:30 p.m., Tuesday, May 1, at the Bloomfield Township Library, 1099 Lone Pine, Bloomfield Hills. Admission is free, but registration is required. For more details, call 845-8888.

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

marketplace

If you still haven't opened an Individual Retirement Account, Empire of America has a deal for you. You can call toll-free 1 (800) THE-BIG-E from 9 a.m. to 9 p.m. Friday-Monday, April 13-18. So long as Empire of America (based in Southfield) receives your money by Wednesday, April 18, it will open an IRA. This can cut your taxable income up to \$2,250 for 1983.

Willoway Computer Learning Center is forming classes for the next six-week session of computer classes for children at Willoway Day Camp. The camp is designed to introduce children 6-15 to the fundamentals of the microcomputer and teaches the program by using microcomputers. Telephone number is 355-8123.

Cambo Inc. of Birmingham was appointed automotive-industry sales representative for Montedison's line of Tecnoflon fluorocarbon and Dutral ethylene-propylene elastomers.

Three area companies won Michigan Defense Contractors Excellence Awards. Williams International of Walled Lake won both the innovation award for large companies in southeast Michigan as well as the top award for all of Michigan. General Dynamics, Land Systems Division of Troy received the quality award for large companies in southeastern Michigan. Rockwell International (Heavy Vehicle Component Operation) of Troy received the attitude award for large businesses in southeastern Michigan. The awards were presented by the Metropolitan Detroit Council of the Navy League of the United States.

Southfield-based Michigan Business, a monthly magazine aimed at top corporate management, has issued Vol. 1, No. 1. The 64-page publication carries Michigan news, executive moves and high-tech, made-in-Michigan and real-estate sections.

National Bank of Detroit is offering automatic tellers affiliated with the national CIRRUS system. Participating savings institutions in Michigan include Dearborn Federal Credit Union, Old Kent Financial Corp., NBD and its affiliate banks. The system includes a toll-free telephone number through which customers may pay utility bills, loan installments and some charge accounts.

Ross Roy Inc. has been named the advertising agency for Magic Line Inc., the nation's largest statewide electronic funds transfer network of automatic teller machines.

College Funding Sources Inc., a computerized financial-aid search service, has opened an office in Troy. The company offers sources of financial aid matched to a student's goals, interests and background. The mailing address is PO Box 6, Troy 48069.

The Polo Ralph Lauren Shop has opened in Birmingham. The shop, which sells clothing for men, women and children as well as Polo accessories, is at 255 S. Woodward. The telephone number is 647-POLO.

Newton & Associates Inc. financial consultants has been formed in Orchard Lake. The address is 3225 Walma Drive. The telephone number is 681-0983.

The Phoenix Group Inc. of Farmington Hills, a full-service advertising and direct-marketing agency, won four gold, three silver, two bronze and four honorable-mention awards at the annual Michigan Advertising Agency Council awards competition.

Maslinick & Oberlin Advertising Inc. recently opened a full-service advertising agency at 31800 Northwestern Highway, Suite 140, Farmington Hills. The telephone number is 855-8475.

Information for this column should be sent to the business editor, Observer & Eccentric Newspapers, 36251 Schoolcraft, Livonia 48150.

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