

Business

Barry Jensen editor/591-2300

Thursday, May 10, 1984 O&E



Tax shelters can help you keep your money

Part I

The term tax shelter now commonly means a limited partnership. General partners organize and run it; limited partners put up most of the money and enjoy tax and economic benefits. Their liability for debts and expenses is limited to their investments. Similarly, gains or losses flow directly to the investors' personal tax returns.

Shelters range from risky to relatively safe. Partners in oil and gas exploration, cattle breeding and motion pictures, for example, could lose their entire investment. In fact, if the IRS decides that a tax shelter has no purpose other than generating tax benefits, investors could lose the entire tax advantage.

Well-managed real estate partnerships are less risky, less likely to audit, and are likely to pass the "small test" than other types of partnerships.



finances and you

Sid Mittra

A real estate partnership can generate deductible losses early in its life — say \$2 to \$4 for each \$1 invested — through depreciation plus other expenses and credits. When the deal begins to show taxable income, the general partners will try to sell the property at a capital gain — taxed at a maximum rate of 20 percent.

Eventually, investors may have to pay back to the IRS most of the early tax deductions. But because of inflation, these payments will be in cheaper dollars, and ordinary income often will have been converted to capital gains.

A publicly offered partnership is

sold by brokers and financial planners to hundreds or thousands of investors. It must be registered for the Securities and Exchange Commission or a state regulatory agency, and each prospective buyer must be given a complete prospectus. Units generally cost \$5,000 to \$10,000.

A private placement does not have to be registered and is sold to fewer than 35 investors, usually but not always wealthy, in units of \$20,000-\$100,000. Payments may be in installments.

SEVERAL MONTHLY newsletters evaluate public tax

shelters and sponsors. Though expensive, they are tax deductible and probably will pay for themselves if you plan to invest \$10,000 or more annually into limited partnerships.

Both Brennan Reports and Limited Partners Letter are written by CPAs and assess specific deals of all types as well as tax-planning strategies.

Brennan Reports (Suite 215, P.O. Box 922, Valley Forge, PA 14982), costs \$145 a year. Limited Partners Letter (P.O. Box 1146, Menlo Park, CA, 94025) charges \$197.

Investor's Tax Shelter Reports, at \$95, emphasizes oil and gas shelters (Investment Search Inc., 223 Duke of Gloucester St., Annapolis, MD 21401) and sends subscribers detailed investment briefs on particular sponsors for \$5 each.

The Stanger Report is a newsletter best suited for financial professionals, but a \$14.95 special

issue called "Evaluating Tax Shelters" is useful to all investors (622 River Road, Fairhaven, N.J. 07701).

You can ask brokers or financial planners for prospectuses, but many sell partnerships only from concerns they know well. If you contact the general partners directly, they will sell you a shelter or they will direct you to a broker or planner.

Either way, you'll pay a commission of 8 percent or so on top of other fees.

EDUCATIONAL SEMINAR: The Observer & Eccentric Newspapers and the Coordinated Financial Planning staff will conduct a semi-

nar from 8-9:30 p.m. Tuesday, June 5, at Kingsley Inn, 1475 N. Woodward, Bloomfield Hills. This seminar will address the following questions: *How to select or eliminate investments — how to invest in stocks for growth, income or stability. Real estate — how to find partnerships with excellent prospects. IRAs — where to invest now. Financial plan — for whom and what it offers. The seminar is free; but registration is required. For more details, call 645-8888.*

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

MAKE YOUR MONEY WORK FOR YOU
Find Out How...

Listen To:
"YOUR MONEY MATTERS"
Hosted by: Mike Ceasar
(Certified Financial Planner)
Mondays - 11 A.M. to 12 Noon

WCAR TALK
1090 A.M. INFORMATIVE LISTENING
Call 421-0707 for
Helpful Investment Advice

marketplace

Robert Solomon & Associates of Bloomfield Hills has been named the advertising agency for the newly formed Kentucky Fried Chicken dealers organization in New York City.

Udine's beauty salon, 29833 Franklin Road in Southfield, has retained PRMI

for advertising and public relations.

The Overbeke Co. Inc., 7001 Orchard Lake Road, West Bloomfield, Mich. has been named advertising and public relations counsel for Diffraction Ltd., Windsor, Ontario-headquartered leader in electro-

optical laser measurement. The booklet, "Doing Business with the Federal Government," is available for \$4.50 from the Consumer Information Center, Dept. 132L, Pueblo, Colo. 81009. The booklet offers guidance on how to get on bidders lists, where to find out about federal

agencies' needs, which agencies have procurement programs and where you can go for help.

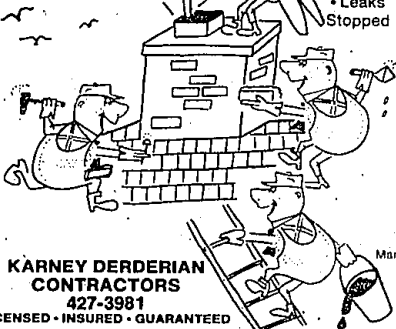
Information for this column should be sent to the business editor, Observer & Eccentric Newspapers, 36251 Schoolcraft, Livonia 48150.

CHIMNEYS

Roofs

- Cleaned
- Screened
- Repaired
- Built New

- Repaired
- Re-Roofed
- New
- Leaks Stopped



KARNEY DERDERIAN CONTRACTORS
427-3981
LICENSED - INSURED - GUARANTEED

Mari

WE SUPPORT BETTER HOUSING.

We know how tough it is to jump on the home improvement bandwagon with traditional loans. Especially if you don't like applying over and over, then waiting for approval.

That's why we think you'll like The Home Improvement Loan Account from your First of America bank. Because you apply just once, then use it as often as you like up to your credit limit, just like a charge.

What's more, you don't have to stop with fixed improvements like remodeling and room additions. You can also enjoy on-the-

spot financing for items like appliances and furnishings. Better yet, you'll pay interest only on the balance you owe with no prepayment penalty, at an interest rate lower than both VISA and MasterCard. So you can save even more in finance charges when you pay above your monthly minimum.

So drop into your First of America bank or call its toll-free, 1-800-222-1983. We'll give you an application and list of participating stores.

The Home Improvement Loan Account. When we work together, we think it's a better way to pay for a better home.

The Home Improvement Loan Account



FIRST OF AMERICA

FIRST OF AMERICA
WORKING TOGETHER TO BE FIRST.

You're never far from an Authorized IBM Typewriter Dealer.

As your local Authorized IBM Typewriter Dealer, we've been handpicked by IBM to make sure of it.

Our sales and service people have been trained by IBM. And we stock a full line of IBM typewriters and supplies.

So if you want IBM typewriters and individual attention, call or stop by. We're in the neighborhood.



Business Products, Inc.

2490 Industrial Row • Bldg. 14 & 15 Mile Rd. E. off of Coalinga
Troy, MI 48064
288-6768