

# Business

Barry Jensen editor/591-2300



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(C78)

## Look for more than just a high interest rate

One of our clients, Betty D. Smith, just heard of a jumbo certificate of deposit (CD) currently being offered in Phoenix. She wondered if the one-half-percent difference in interest rate warranted further consideration.

Another client, John Jones was petrified by the Continental Illinois fiasco, he wondered if he should withdraw all his CD money, pay substantial penalties, and put it into savings account for safety.

Because we are inundated by the media with wild interest rate stories as well as with stories of doom and gloom in the financial markets, everyone is wondering about what to do with their liquid funds.

### Predicting Interest Rate is Risky

No one has a crystal ball for predicting interest rates. The reason is that there are too many imponderables, chief among them being the national elections, the budget deficit, war in the

Middle East, the resolve of the Federal Reserve to keep inflation down, and the performance of the economy.

Such uncertainties lead to the development of two opposite scenarios. If one believes that interest rates have peaked and are likely to drop in the near future, then it would be wise to lock in high, long-term interest rates.

If, on the other hand, you believe that interest rates are about to start on their long upward climb, then for maximum safety you would prefer short-term, money-market investments so you would be able to capitalize on higher interest rates at a future date.

The accompanying table presents a sample of short- and long-term yields on different types of investment.

### THE CURRENT YIELDS:

Money-market deposit accounts 8.9 %  
Money-market mutual funds 9.6 %  
Tax-exempt money funds 5.3 %



## finances and you

### Sid Mittra

#### Certificates of Deposit:

6 months 10.1 percent  
2 1/2 years 10.9 percent  
1 year 10.6 percent  
5 years 11.3 percent

#### Treasuries:

6 months 11.1 percent  
2 years 12.7 percent  
1 year 11.7 percent  
10 years 13.2 percent

#### Bonds:

AAA utilities, 4-10 years 13.9 %

GNMA est. 12 years 14.0 %  
AAA tax-exempt, 5 years 7.7 %  
AAA tax-exempt, 10 years 8.9 %

#### Money Market Mutual Funds

Most money-market mutual funds now pay more for your cash than you would get from the average money-market deposit account at banks and S&L's. If you are a cautious investor, you might prefer money funds that invest only in securities guaranteed by the U.S. Government. These funds pay about the same as you would get at banks and S&L's.

### Certificates of Deposit

Some big banks are starting to advertise for depositors from out of state. They do it by offering higher interest rates than you can get from your local bank.

It is fairly simple to buy CDs from an out-of-state bank. It is done by mail or, until Oct. 1, through stock brokers. But you need a sizable deposit, or a sizable difference in interest rates to make it worthwhile.

If you do invest your money in an out-of-state CD you may wish to leave at least some savings in your home bank to qualify yourself for a free checking account or lower interest rates on loans.

### Treasury Securities

You pay federal income tax on interest from treasuries but no state or local taxes, which means they can net you more than meets the eye. But they net you less if you buy through most banks or brokers, because of their fees. Discount brokers may charge \$25 to \$35; full-service brokers, \$25 to \$50; banks, \$35 to \$60. A \$50 fee on a two-year, 12.7 percent, \$10,000 treasury could drop the yield to roughly 12.4 percent.

### Zero Coupon Bonds

Stock brokers frequently suggest investing in zero-coupon bonds (corporate, municipals and a form of treasury) as a way of guaranteeing yields. They work very much like savings bonds.

You put up a fraction of the face value and receive the full face value at maturity. An investment of \$2,299 for example, can get you \$10,000 after 11 years. That is a yield-to-maturity of

13.3 percent with your reinvested interest payments built right in.

There are three drawbacks to zero-coupon bonds.

First, you have to report the interest earned each year as taxable income, even though you do not get it until the bond matures. Consequently, zeroes are best for tax-deferred investments like IRAs or as gifts to children who pay low or no taxes.

Second, zero-coupon bonds fluctuate widely in price, so you risk larger losses if you have to sell before maturity.

Third, the treasury zero isn't a true treasury. It is a broker-created hybrid, one step away from a treasury guarantee.

### Samming up:

If you have liquid funds to invest, shop around for the best deal. Remember: High interest rate is not all that counts.

**Educational seminar:** The Observer & Eccentric Newspapers and the Coordinated Financial Planning staff will conduct a seminar 8-10 p.m. Wednesday, July 11, at the Baldwin Public Library, 300 Merrill, Birmingham. This seminar will address the following questions: Taxes — how to defer or eliminate them. 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 643-3888.

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

## business people

Empire of America, Southfield, announced the following new assignments and promotions: Mattie Logan as branch manager of the Livorno office to divisional banking officer; Iris Lopen has joined the company as staff attorney, previously with the U.S. Department of Housing and Urban Development; Bonnie Perugino promoted from branch manager of the Farmington office to district manager of the west district and Althea Thomas as branch manager from assistant branch manager of the main office.

K mart Corp., Troy, shareholders elected Larry M. Parkin and Frederick M. Stevens to the board of directors. Robert W. Farrell has retired from the board after 15 years of service.

Betty Clark of West Bloomfield has been appointed manager of the Real Estate One Group's Union Lake office.

D'Arcy MacManus Masius/Bloomfield Hills has named John Krausmann DMM vice president and account supervisor on the Cadillac Motor Car Division, responsible for all print, radio and television advertising; Mark Meyer is Cadillac account supervisor and Melissa Effer was named account executive on the Cadillac and Michigan Consolidated Gas Co. accounts.

Five members of the technical management staff at Computer Dynamics Inc., Southfield, have been promoted: John Boyle to senior technical manager, Stanley Bochniak Jr. to senior technical manager for the Los Angeles branch office, Dan Sims to technical manager, Charles Northam to technical supervisor and Lydia McCarthy to supervisor of personnel administration.

Joe Martelle of Southfield has joined WDIV-TV in Detroit as manager of sports operations.

Randy Stevens of Lee Stevens Machinery Inc., Farmington, was elected to the Machinery Dealers National Association's board of directors.

Charles H. Mayne has been appointed North Central Regional manager for the Sikkens Division of Akzo Coatings America Inc., Troy.

Tom S. Fitzgibbons has been named general manager of the Michigan Inc., Southfield.

George J. Schuster of Birmingham has been appointed president of The Bugé Company's Wheel and Brake Division.

Greg R. Thom of Troy became first vice president of the Society of Plastics Engineers.

Steven W. Fetterman has joined Berkfield & Co. Ltd. as vice president.

Kolon, Blittler & Desmond Inc., Troy, has appointed Colette Bakowicz as copywriter-producer, Leslie M. Humphrey as production assistant and Edward J. Pappas has been promoted to copywriter.

Gus A. Froumlich achieved the honor of participating in the Farmers Insurance Group of Companies' Presidents Council. Froumlich has operated the Rochester agency for 18 years.

Victor L. Kochajda, president of Teal Electric Co., Troy, was named vice president of the central region of the National Association of Electrical Distributors.

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## datebook

● **LSAT PREPARATION**  
Tuesday, July 10 — Six-session preparation for Law School Admission Test offered 6-10 p.m. in Southfield. Information: 540-5988. Sponsor: University Test Preparation Service Inc.

● **GMAT PREPARATION**  
Thursday, July 12 — Six-session preparation for Graduate Management Admission Test offered 6-10 p.m. in Southfield. Information: 540-5988. Sponsor: University Test Preparation Service Inc.

● **ARTFUL NEGOTIATION**  
Thursday, July 17 — Council on Small Enterprise seminar 8-10 a.m. in Southfield Township. Fee: \$5 for members, \$10 for non-members, including continental breakfast. Reservations: 333-6118. Sponsor: Oakland County Chamber of Commerce.

● **BIRMINGHAM SHOPPING**  
Friday, July 28 — "Shopping in the Town" shopping spree offered 6-10 p.m. in Birmingham.

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**teen/men**