Business

Barry Jensen editor/591-2300

Plan for taxes before you invest a lump sum

finances and you

Sid Mittra

Frequently our clients run into the following problem: They leave their jobs and receive a large lump-sum payout from a profit-sharing or a pension plan. However, they are not yet ready to retire. The question they ask is, "What should we do with the money?"

It is not easy to answer that question, because there are many tax and other considerations that must be taken into account. If you face such a situation, by all means seek advice from your financial planner.

In this article, we would only discuss how much the IRS will get from the money you just received. That, incidentally, will depend on what you do.

When you decide to spend the money, say, on a new business or a home, you can get a big tax break under the IRS' "Ten-year Averaging Rule." To qualify, you have to meet these four conditions:

- You receive the money from a qualified pension or profit-sharing plan.
- The entire balance in your retirement plan account must be paid out in one year.
- You must have been covered by the plan for at least five years.
- You receive the money because you have left your job, reached age 59-½, or become disabled.

HOW IT WORKS. The tax you pay under the 10-year averaging rule depends on the amount you receive — not your current income or tax bracket. When you follow the special IRS formula, you will end up paying about a 14.73 percent tax on a $100,000 distribution and 27 percent on a $400,000 distribution.

If any money in your plan account began accumulating before 1974, that part of the distribution qualifies for capital gain treatment.

TO SPEND or not to spend. When you receive a large distribution and you do not expect to retire for many years, it would be prudent for you to defer tax on the whole amount with a rollover.

You have 60 days to put the money into an IRA account — if you miss the limit, you are out of luck. So when you are not sure, go for the IRA. You can take the money out before the end of the year — you will pay tax, but you will not have to pay any penalties.

HALF-AND-HALF. Can you use the 10-year averaging rule to figure the tax on part of the money and roll over the balance into an IRA? No. When you take part in cash, that amount is taxed at ordinary income rates. But the amount placed in the IRA is sheltered from current tax.

ROLLING OVER. When you decide to go the rollover route, you must keep the following facts in mine:

- Your non-deductible contributions cannot be rolled over, since they have already been taxed. But the earnings on your contributions can be rolled over.
- Rolled-over distributions can be put into more than one account. You can put some money into a bank IRA and direct that the cash be used to buy a certificate of deposit. You can put the balance into your money-market IRA.
- When you receive a distribution because your company has terminated its pension plan, you are not eligible for *the 10-year averaging rule — you* have to roll the money over to pay an ordinary income tax.
- You cannot borrow against the money in your IRA account. But the money can be claimed as part of a divorce settlement, and the IRS can take it for non-payment of taxes.

"WHAT CAN YOU Do Now To Benefit From The Proposed Tax Changes?" is the main topic for a seminar to be conducted by the Observer & Eccentric newspapers and the Coordinated Financial Planning staff. The seminar will be 7-9:30 p.m. Tuesday, Sept. 10, at the Baldwin Library in Birmingham. An out-of-town speaker will present a tax shelter suited for 1985 tax planning. The seminar is free but registration is required. Call 643-8388 for registration.

Sid Mittra is director, personal financial planning program at Oakland University and president of Coordinated Financial Planning Inc. in Troy.

datebook

● ACCOUNTANTS MEET
Thursday, Aug. 29 — Oakland County Chapter of the National Association of Accountants meets in Birmingham. Information: Connie Haworth, 644-2345.

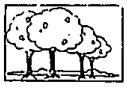
● CPA REVIEW
Tuesday, Sept. 3 — Mid-Michigan CPA Review course in preparation for November CPA examination in Southfield. Fee: $650. Information: 649-1588. Sponsor: Michigan CPA Review.

● START SMALL BUSINESS WORKSHOPS
Tuesdays, Sept. 3-Oct. 5 — "How to Start a Successful Small Business" offered 7-10 p.m. in Troy. Fee: $265. Information: 542-4220. Sponsors: Michigan State University graduate school of business, Small Business Management Schools Inc.

● MANAGE SMALL BUSINESS
Thursdays, Sept. 5-Oct. 7 — "Managing for Profit" offered 7-10 p.m. in Troy. Fee: $295. Information: 542-4220. Sponsors: Michigan State University graduate school of business, Small Business Management Schools Inc.

● INTO TO COMPUTERS
Thursday, Sept. 5 — "Easy Introduction to Computers non-credit course offered 7-9:30 p.m. Thursday, Sept. 5 and 12, with labs 9:30 a.m. to noon Saturdays, Sept. 7 and 14. Fee: $80. Information: 370-3120. Sponsor: Oakland University division of continuing education.

● RUN A SMALL BUSINESS
Thursdays, Sept. 5-Oct. 7 — "How to Run a Successful Small Business" offered 7-10 p.m. in Troy. Fee: $265. Information: 542-4220. Sponsors: Michigan State University graduate school of business, Small Business Management Schools Inc.



● GRE PREPARATION
Saturdays, Sept. 7-Oct. 5 — GRE preparation workshops offered from 9 a.m. to 12:30 p.m. in Rochester. Fee: $95. Information: 370-3120. Sponsor: Oakland University division of continuing education.

● FINANCIAL PLANNING
Mondays, Sept. 9, 16 — Free two-session financial planning seminar offered 7:30-9:30 p.m. in Troy. Information: Mary Anne Parks, 567-2300. Sponsor: R.O. Davies & Associates.

● INCOME TAX PREPARERS
Monday, Sept. 9 — National Association of Income Tax preparers meets. Information: Dee Rankin, 534-3789.

● FINANCIAL CONFERENCE
Tuesday, Sept. 10 — Martha Seger, a member of the board of governers of the Federal Reserve System will speak at the Personal Financial Planning Conference, which will begin at 8 a.m. in Bloomfield Hills. Fee: $75. Information: 855-2288. Sponsor: Michigan Association of Certified Public Accountants.

● BUSINESS LOANS
Tuesday, Sept. 10 — "Business Loan Applications" clinic will be offered 9:30-11:30 a.m. in Southfield. Fee: $25. Information: 577-4850. Sponsor: Wayne State University Small Business Development Center.

WRITER WANTED
Writer with good knowledge European--Jewish Culture to adapt auto-biographical novel to a movie screenplay about the Holocaust. Respond with full vitae. L. Bellinson, c/o Medco, 30555 Congress Bldg., Southfield, MI 48076, 644-8580

BIRMINGHAM
FOR LEASE 11,081 Sq. Ft.
DOWNTOWN WOODWARD AVE. LOCATION
IDEAL FOR
AUTOMOBILE DEALERSHIP
OCCUPANCY OCT. '85
541-9090
EVENINGS 646-6686

AFRAID TO FLY?
Join with other fearful flyers and learn to relax and enjoy flying. Program includes relaxation training, aviation education, tours of planes and control tower, and a graduation flight. The seven-week course begins Sept. 10.
For information, call 356-4525
or write
US Air Fearful Flyers
Box 100
Glenshaw, PA 15116

Have A Good Day!

Business Card Directory

custom beveled glass windows & doors
stained glass work
personalized sandblasted designs in mirror or glass
WILLIAMS ART GLASS STUDIOS, INC.
SUNSET ANTIQUES, INC.
antique stained and beveled glass windows
antique fireplace mantels
French doors, sidelights, entry doors
Mon.-Fri. 10-6 p.m., Sat. 10-3 p.m.
22 N. Washington (M-24), Oxford, MI. 628-1111

FOUR SEASONS
HOME REPAIR SERVICE
Call Anytime
781-4334
24 Hour Service
24 Hour Service
Rochester
656-2535
- INTERIOR & EXTERIOR RENOVATIONS
- PLUMBING & ELECTRICAL
- SEWER & DRAINS CLEANED
- ALL PUMPS (SERVICE & REPLACEMENT)
- CERAMIC TILE WORK
- WINDOW REPLACEMENTS
- INSURANCE REPAIRS
- FREE ESTIMATES WITHIN 20 MILE RADIUS
FULLY INSURED

bob stern
BUILDING COMPANY
RESIDENTIAL & COMMERCIAL REMODELING
ADDITIONS • KITCHENS
BATHS
6190 Dunmore Dr.
West Bloomfield, MI 48033
855-3880

SERVING GREATER OAKLAND COUNTY AREA
DAWSON TREE SERVICE
TRIMMED - TOPPED - REMOVED
FREE ESTIMATES
LICENSED AND INSURED
DEEP ROOT FERTILIZING
FIREWOOD (Seasoned Hardwood delivery available)
CLIFFORD DAWSON 373-5264

SO YOU ARE THINKING OF BECOMING AN

ACCOUNTANT	OFFICE ADMINISTRATOR
COMPUTER PROGRAMMER	MANAGER
MARKETING EXPERT	SECRETARY (EXEC., LEGAL, MEDICAL OR TECHNICAL)
WORD PROCESSOR	
SYSTEMS ANALYST	CLERK TYPIST

MEDICAL MACHINE TRANSCRIBER

Do you know if the job prospects are good?
Do you know how much this position pays?
Do you know how to prepare for it?
Do you know how much it will cost to learn?
Do you know if you can receive financial aid?

HERE ARE THE STEPS YOU SHOULD TAKE!!

1. Call our Placement Director.
2. Talk to our Admissions Counselors.
3. Talk to our Financial Aids Director.

DETROIT COLLEGE OF BUSINESS
Main Campus
4801 Oakman Blvd.
582-6983
Madison Hts. Campus
1431 East 12 Mile
542-7225

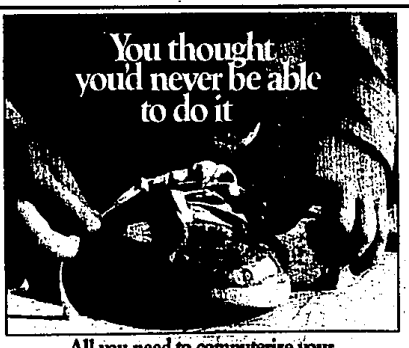
SPECIALS
Labor Day Photofinishing
- Free 5x7" enlargement coupon for all rolls brought in for processing through September 8.
- Introducing custom 4" prints for 35mm prints.
  - 37½% larger picture area.
  - Professionally packaged negatives.
  - Custom 4" processing at special introductory prices on all 35mm print rolls through September 8.

	Single Prints	Twin Prints
Up to: 12 Exposures	1.99	3.99
24 Exposures	2.99	5.99
36 Exposures	4.99	8.99

Processing by Fotomat Labs for Service Merchandise. Offer applies to C-41 color print processing only.

Help Support MDA
For every roll of film you bring in, Service Merchandise will donate 20¢ to the Muscular Dystrophy Association now through September 30.

Service MERCHANDISE
Your store.
SHOWROOM ADDRESSES
SOUTHGATE, MI — Southgate Shopping Center, 13841 S. Dix Rd. at Eureka, Phone (313) 281-0100
STERLING HEIGHTS, MI — Lakeside Mall, Across from Lord & Taylor Mall, Phone (313) 254-2300
WESTLAND, MI — Across from Westland Mall, 7300 Nankin Boulevard, Phone (313) 525-9000
SOUTHFIELD — 26726 Northwestern Hwy., Phone (313) 569-9000
NOVI, MI — 43636 W. Oaks Drive, Across from 12 Oaks Mall, Phone (313) 348-9575
ROSEVILLE — 30754 Gratiot Ave., Phone (313) 778-9000
ANN ARBOR — Arborland Consumer Mall, 3521 Washtenaw Avenue, Phone (313) 973-9022
LANSING — Meridian Mall, 1982 E. Grand River Ave., Phone (517) 349-9000
SHOWROOM HOURS: Mon.-Sat. 10 a.m. to 9 p.m.; Sun. 11 a.m. to 6 p.m.
ANN ARBOR & LANSING — Sunday Hours 12:00 p.m. to 5:00 p.m.
Open 10 a.m. - 6 p.m. Labor Day
Prices effective until September 8, 1985. Serving America in 36 states. For the location of the store nearest you call toll-free 1-800-SMC-INFO (or 1-800-762-4636). *SMC Inc., 1985 N352



All you need to computerize your accounting is someone to show you the ropes-someone like us.

We're your local Great Plains Software dealer and we have total accounting solutions for small businesses. Come in and tell us your accounting problems. We can help determine what your specific computer needs are, and how we can help you meet those needs.

So if you're considering automating your accounting system you don't have to put it off any longer. With our help you'll soon have your system all laced up.

GREAT PLAINS ACCOUNTING SOFTWARE
SOFTWARE TRENDS
230 S. Main
• Just S. of 14 Mile
Clawson • 280-
Keeping Pace with Your Educational, Business, Personal and Recreational Software Needs