

Business

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O&E Thursday, January 30, 1988

Invest early in IRA to save more

It's that time of year again. For the next several weeks you will be inundated with commercials urging you to invest in an IRA (Individual Retirement Account). That's good advice.

As the "net gain" column in the accompanying table shows, the difference between investing in an IRA on Jan. 1 versus Dec. 31 can be substantial, especially if you are relatively young.

Notice that if you are 25 and can earn 12 percent on your investment, by investing in January (instead of December) every year, you will save \$186,103 during your working years.

The rules of the game

Here are some basic rules to remember when investing in an IRA:

- IRAs are open to anyone under age 70½ who earns income from a job — either as an employee or self-employed — or alimony.
- You can contribute up to \$2,000 a year of that income to an IRA and deduct the amount of the deposit on your tax return. You have until April 15 to make IRA contributions that can be deducted on your 1985 tax return.



finances and you

Sid Mittra

- If you and your spouse both work, you may each have an IRA and each contribute \$2,000 to it. If your spouse does not have a job, you can open a special spousal account for him or her. In that case the annual contribution limit is \$2,250, split between the accounts however you like as long as neither gets more than \$2,000.
- The money has to be invested through an IRS-approved custodian or trustee, such as a bank, savings and loan association, insurance company, broker or mutual fund.
- You can have an IRA in addition to your pension plan at work, a Keogh plan, and a 401k salary-reduction plan.
- You can have as many IRA accounts as you wish, using a different sponsor each year, or dividing your

money among several investments.

- IRS will impose a penalty if you tap the account before you are 59½ years old. The early-withdrawal penalty is currently 10 percent.
- All money withdrawn from an IRA is taxed as ordinary income. If you withdraw from an IRA before age 59½ you owe the tax as well as the penalty.
- The IRA tax shelter does not last forever. You have to start withdrawing money — and paying taxes on your nest egg — by April 1 following the year in which you reach 70½. If you don't withdraw at least a minimum amount each year, the IRA can hit you with a stiff penalty.
- If you switch

When you want to move your IRA,

you have two ways to do it.

Direct transfer involves telling your current IRA sponsor to transfer the money to a new account. The sponsor you are switching to should be able and willing to offer tips on how to expedite the move. You may have to stay on top of the transfer because sponsors giving up IRAs are sometimes less than speedy. Be sure you are clear on how long it is likely to take and understand any exit or set-up fees before you initiate the transfer.

Another way of switching is to use a rollover. In a rollover, you actually cash in one account and personally serve as the middleman, directing the money to the new IRA. Within 60 days of the date you withdraw the money, it has to be reinvested in an IRA.

Miss the 60-day deadline and you forfeit the right to a rollover and are considered to have cashed in the IRA. That means the full amount is taxable, and if you are under 59½, a 10-percent penalty is imposed.

Investing the IRA money is not as easy as it may seem. Consult your financial planner before you make your final decision.

age now	Invest: Jan. 1	Invest: Dec. 31	net gain
55	39,309	\$ 35,098	\$ 4,211
50	85,507	74,560	8,947
45	161,398	142,106	19,292
40	298,669	262,870	33,999
35	540,588	480,668	59,920
30	968,930	861,331	105,599
25	1,718,282	1,532,189	186,103

This assumes a contribution of \$2,000 each year until age 65; a rate of return of 12 percent.

SEMINAR: Tax, investment and financial planning seminar sponsored by Observer & Eccentric Newspapers and Coordinated Financial Planning begins at 7 p.m. Thursday, Feb. 13, at the Kingsley Inn on Woodward in Bloomfield Hills.

EDUCATIONAL WORKSHOP: 6:30-10 p.m. Thursdays March 6, 13, and 20,

at the MSU Management Center in Troy.

To register for either seminar, or for further information, please call Elise at 643-8888.

Sid Mittra is director of the certificate program in personal finance at Oakland University and president of Coordinated Financial Planning Inc. in Troy.

datebook

PEOPLE SKILLS

Friday, Jan. 31 — "Working with People" course 8:30 a.m. to 4:30 p.m. in Southfield. Fee: \$175. Information: Claudia, 577-4449. Sponsor: Wayne State University management center.

INVESTMENT SEMINAR

Saturday, Feb. 1 — "Investment Overview," first of five investment seminars, offered from 9 a.m. to 4 p.m. in Rochester. Fee: \$35. Information: 370-3120. Sponsor: Oakland University division of continuing education.

SPEAKING WELL

Monday, Feb. 3-March 10 — "Power Speaking" begins at 7:30 p.m. in Bloomfield Hills. Course also covers difference between male and female speaking styles. Fee: \$40. Information: 645-3635. Sponsor: Cranbrook Schools.

COMPUTERS AND REPORTS

Monday-Tuesday, Feb. 3-4 — "How to Use a Personal Computer to Write Better Technical Reports, Proposals and Papers" offered from 8 a.m. to 4:30 p.m. in Troy. Information: 1 (800) 422-4284. Fee: \$545. Sponsor: Michigan State University.

STEEL STRUCTURES

Tuesday, Feb. 4 — Great Lakes Fabricators & Erectors Association meets at 8 a.m. in Southfield. Registration: 358-2620.

PURCHASING

Tuesday, Feb. 4-April 8 — "Purchasing II" offered 7:30 p.m. in Beverly Hills. Fee: \$100. Information: 577-4665. Sponsor: Wayne State University.

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

MANAGE FOR RESULTS

Wednesday-Thursday, Feb. 5-6 — "Management for Results: Where the Action Is" 7-10 p.m. in Troy. Information: 858-0895. Sponsor: MSU Cooperative Extension Service of Oakland County.



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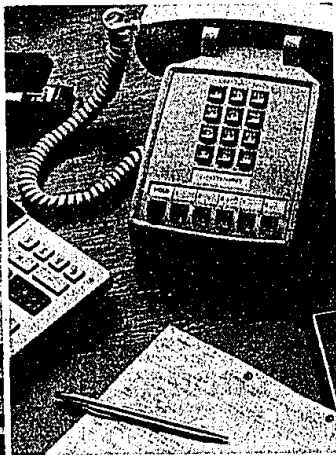
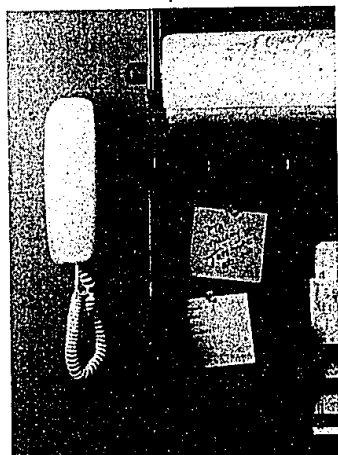
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