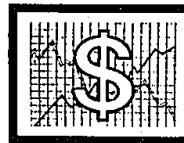


Business

Barry Jensen editor/591-2300



Thursday, February 6, 1986 O&E

(F-15C/O)7B

You can save a lot by prepaying your mortgage

partial amortization schedule

loan amount: \$30,000
interest rate: 14%
term: 20 years
monthly payment: \$373.06

payment	date paid	interest	interest saved	principal paid	balance
1	--	350.00	--	23.06	29,976.94
2	--	349.73	--	23.33	29,953.61
3	--	349.46	--	23.60	29,930.01
4	--	349.18	--	23.88	29,906.13
5	--	348.90	--	24.16	29,881.97
236	--	20.97	--	352.09	1,444.95
237	--	16.86	--	356.20	1,088.74
238	--	12.70	--	360.36	728.38
239	--	8.50	--	364.56	363.82
240	--	4.24	--	368.82	0

marketplace

Colt Automotive Products Division of Troy received Ford Motor Co.'s Q1 Preferred Quality Award.

Trentacosta-Hamilton Advertising Inc. in Birmingham will handle advertising for Westland Dog Food Co., Wayne, Mich.

Michigan Business of Southfield has hired Lovio-George Inc. to handle its public relations.

A MainStreet department store is planned for a fall opening in Troy. MainStreet is a division of Federated Department Stores Inc.

Deans R. Green & Associates Inc. of Southfield has been named advertising agency for Northland Family Planning Clinics Inc.

Schmaltz & Co. in Southfield has af-

iliated with Associated Regional Advertising Firms.

G. Temple Associates Ltd. in Southfield will handle advertising and public relations for ITW Woodworth in Detroit, a division of Illinois Tool Works Inc.

Leeco Diagnostics Inc. of Southfield has taken on a partnership to manufacture and distribute its products in the Peoples' Republic of China.

Marketing Services Bureau, Southfield, has been appointed to handle advertising and publicity for Chudik's of Birmingham, a retailer of fire furs and ladies apparel.

Retelch Corp. of Farmington Hills is opening a studio equipped with 24- and 8-track audio and full television capabilities under one roof. The studio will open in February.

In this column we have discussed many novel ways of saving money. However, we have never discussed the use of prepayment of mortgage as a way of saving money.

No matter what type of mortgage you have, you will need an amortization schedule in order to keep track of your prepayments. This computer print-out simply lists the interest and principal components of each monthly payment, along with the balance remaining after each payment has been made.

THE FIRST and last five payments for a \$30,000, 20-year mortgage with a fixed interest rate of 14 percent are shown in the accompanying table. You will notice that while each monthly payment (except the last) remains constant at \$373.06 (interest + principal = \$373.06), each successive interest payment gets slightly smaller while its affiliated principal payment increases by that same small amount.

As each payment is made, the balance of the loan gets reduced by the amount of the principal portion only — not by the amount of the total monthly payment.

IF **THE** example shown in this table were your mortgage, you would be expected to mail a \$373.06 check to your bank every month for 20 years. You could not mail less, or skip any payments without risking a foreclosure.

But you could pay extra. Making extra principal payments — prepayments — in the amounts shown on the amortization schedule under the principal column will save you the corresponding interest payments.

While prepayments can begin any time during the life of your loan, not just its inception or during the early

finances and you



Sid Mitra

years, for illustrative purposes let's assume that you are about to mail in your first mortgage payment.

IN **THIS** example, you would owe \$373.06. If you add \$23.33 to that amount (principal payment No. 2), and mail a check to your bank for \$396.39 (\$373.06 + \$23.33). Instead of the \$373.06 which is due, you will save interest payment No. 2, \$349.73.

You never pay that \$349.73. Next month when you mail in your check for \$373.06, your bank will credit it as payment No. 3, since payment No. 2 will have already been credited.

Let us assume that you recently bought your house, paid the closing expenses, had the \$373.06 now due for payment No. 1, and could afford to send in an extra \$70.81. That would be enough to prepay No. 2, No. 3, and No. 4 (\$23.33 + \$23.60 + \$23.88), which would save you \$1,048.37 (\$349.73 + \$349.46 + \$349.18), and make the house yours five months sooner.

WHERE ELSE can you find a \$70.81 investment that is guaranteed to return more than \$1,000?

However, check with your lender before beginning prepayments. And if you have a old low-interest loan, you may be ahead to invest the money, rather than pay off a 5% mortgage early.

Tax, investment and financial planning seminar sponsored by Observer & Eccentric Newspapers and Coordinat-

EDUCATIONAL WORKSHOP: 6:30-10 p.m., Thursday, March 6, 13, and 20 at MSU Management Center in Troy, \$39/workbook. Registration is necessary.

Call Elise at 643-8888 for registration and further information.

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

Coming In...
February

All Children's Books 15% OFF all month

Saturday, Feb. 8, 10:30 am-Noon
Autographing by John Magel & Claudia Del Col of "Dr. Moggie's Alphabet Challenge" FREE POSTERS to the first 50 who purchase book.

Saturday, Feb. 15, 10:30 am-Noon
Our own Gere Freedman-Children's story time with stuffed animals.

Saturday, Feb. 22, 10:30 am-Noon
Librarian Caroline Ngangast - Children's Storytime with puppets.

FOR THE PARENTS... Feb. 22-4 pm
Richard Werry autographing, "Caskets for a Living Lady."

the BIRMINGHAM BOOKSTORE (BOOKS) 243 Pierce 647-7653

L.G.B. AND MARKLIN
Quality Trains for Kids of ALL AGES

The Doll Hospital & Toy Soldier Shop

3895 W. 12 Mile • Berkley (3 Bks. East of Grand) MON.-SAT. 10-5 P.M. TEL. 9-543-3115

Bavarian Village
SKI SHOPS

End of the Season PRICES STARTS THIS WEEK

SHOP TODAY FOR BEST SELECTION

- BLOOMFIELD HILLS 338-0803 • ANN ARBOR 973-9340
- 2540 WOODWARD at Square Lake Rd. 3336 WASHTEENAW west of U.S.23
- BIRMINGHAM 644-9590 • FLYNT 313-722-5590
- 101 TOWNSEND corner of Pierce 4251 MILLER across from Genesee Mall
- LIVONIA/REDFORD 534-8200 • ALPINE VALLEY 887-1970
- 14211 TELEGRAPH at the Junction Hwy. ALPINE VALLEY SKI AREA 84-5040/600
- MT. CLEMENS 463-2920 • SUGAR LOAF 616-228-6700
- 1216 S. GRATIOT 1/2 mile north of 18 Mile SKI AREA 18 miles NW of Traverse City
- EAST DETROIT 778-7020 • FARMINGTON HILLS 553-8555
- 2201 KELLY between 8 & 9 Mile Rd. 27847 ORCHARD LAKE RD. at 12 Mile
- WEST-MASTERCARD • DINERS • AM EXPRESS OPEN EVENING 10:30, SAT. 10-12:30, SUN. 12-5 SALE THROUGH FEBRUARY 24, 1986

Capri IMPORTS & DOMESTIC all makes

LEASING

Announcing NEW LOCATION

19670 W. 11 Mile Rd. Lathrup Village 569-6900

GREG DUFF General Manager 26431 Southfield • Lathrup Village • 569-6900

WANTED: HIGH QUALITY PREVIOUSLY OWNED FURNITURE & ACCESSORIES

RE-SELL-IT ESTATE SALES

• Uniquely Different • We Sell It For You

- SAVE yourself the cost of advertising!
- SAVE yourself the tiresome job of garage sales!
- SAVE yourself the danger of admitting strangers into your home!
- SAVE yourself the hassle!

WANTED

- FURNITURE ALL TYPES
- ANTIQUE FURNITURE
- WALL HANGINGS
- ART WORK
- LIGHT FIXTURES
- LAMPS
- BRASS ACCESSORIES
- CHINA
- INFANT FURNITURE
- SILVER
- CRYSTAL
- AND MORE

WE DISPLAY YOUR FURNITURE PROFESSIONALLY IN OUR SHOWROOM

WE SELL IT FOR YOU AND TAKE A COMMISSION WHEN THE SALE IS COMPLETED. CALL US FOR DETAILS.

Pick-Up and Delivery Available

RE-SELL-IT ESTATE SALES
34769 GRAND RIVER, FARMINGTON
In the Worldwide Center (1/4 MI. West of Farmington Rd.)
THURS., FRI. 10-9, MON., TUES., WED., SAT. 10-8
OPEN SUNDAYS 12-4 **478-7355**

Alger's FURS IN WINDSOR

51st Annual January Fur Sale Held Over!

Many items reduced as much as 50%.

Top quality skins have just arrived. Order your custom-made jacket or coat now at factory to wearer prices.

- 41% Premium on U.S. Funds
- Duty & Sales Tax Refunded
- Interest Free Layaway

Manufacturing Makes the Big Difference

762 OUELLETTE AVE. WINDSOR, 519-253-2111
(2 Blocks from the Tunnel)
Hours: Monday-Saturday 9-8 Friday 9-8

Sale! LAST 3 DAYS

OUR WINTER CLEARANCE ENDS SAT., FEB. 8
DON'T MISS OUT ON SUCH FINAL BARGAINS AS:

ALL OXFORD SUITS & SPORT COATS (plus alterations)
1/2 Off

WOOL BLEND TWEED SPORT COATS
Reg. \$125 NOW \$35

ALL-WEATHER COATS (by Oleg Cassini) with zip-out pile liners.
Reg. \$125 NOW \$40

SLACKS Dacron/Wool Gabardine
Reg. \$35 NOW \$10
Cash & Carry

SWEATERS 100% Merino Wool Leprechaun Sweaters (Medium & Large only)
Reg. \$55 NOW \$15

Plus fantastic bargains in all other departments.

VISA MASTERCARD AMERICAN EXPRESS DINER'S CLUB

Gwyn's
112 S. Woodward • Birmingham • 644-7000
Mon., Tues., Wed., Sat. 9:30-5:30 • Thurs., Fri. 9:30-8:00