

Timing service can help long-term investor

Part III

Some of our clients are pros when it comes to managing their own investment portfolios. Most people, however, have neither the expertise nor the patience to handle their own investments.

For them, I strongly recommend the use of a professional timing service. Today, I will reproduce an earlier column on the concept of timing services.

Possible results

It is a commonplace that growth mutual funds, like the stock market, fluctuate on a day-to-day basis. Upon closer analysis we find that, over the long haul, a growth mutual fund can behave in one of the four ways demonstrated.

Obviously, a timing service is helpful in Cases 3 and 4.

Furthermore, you would not want Case 2 timed, because it would serve no useful purpose to go in and out of an upward-bound mutual fund. Only Case 1 lends itself to timing service treatment.

An illustration

It should now be clear that use of a timing service constitutes a long-

term strategy. For a timing service to produce results superior to that which would be expected under Case 2, the market must experience several wide gyrations, so the timing service can get in and out of the market to take advantage of low prices prevailing at the respective market troughs.

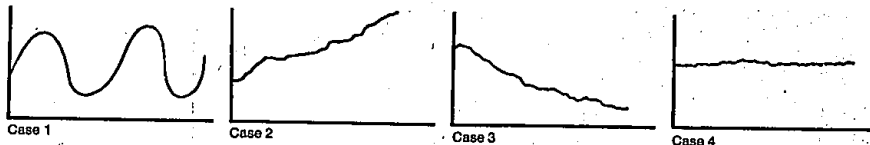
Here is how it works. When the market approaches the peak, the timing service liquidates your mutual fund investment and parks it temporarily in a money market fund. While your money does earn short-term interest, the objective is to keep the money there only until the market has reached a trough.

The timing service then withdraws the money from the money market fund and fully invests in the mutual fund. This step can result in a sizeable improvement in investment returns, as is demonstrated in the following hypothetical illustration.

In this case, the results are phenomenal. Over a two-year period, ABC mutual fund has stagnated, since the beginning and the ending price is exactly the same (\$10). A buy-and-hold strategy would, therefore, be a complete failure.

Handsome payoff

A timing strategy, however, has



finances and you

Sid Mittra

paid off handsomely: You have quadrupled the value of your investment.

Although the numbers are purely hypothetical — and rarely does timing service ever produce such dramatic results — this example does represent the concept of timing.

Next Week: If you must be your own investment adviser.

Educational seminar: Effect of proposed tax legislation on your 1986 investment, tax and retirement

planning will be the topic of the seminar sponsored by Observer & Eccentric Newspapers and Coordinated Financial Planning Inc. 7-9:30 p.m. Tuesday, June 18. The seminar will be held at the Kingsley Inn, 1475 N. Woodward, Bloomfield Hills. To register, call 643-8888.

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

April 1, 1984

Share price: \$10/share.

Shares acquired: 1,000

Amount Invested: \$10,000

\$10,000 invested in ABC

Sept. 10, 1984

Share price: \$20/share

market reaches a peak

Liquidation value: \$20,000 (\$20 x 1,000 shares)

\$20,000 in money market fund

July 5, 1985

Share price: \$5/share

market reaches a trough

Shares acquired: 4,000 shares

\$20,000 invested in ABC

April 6, 1986

Share price: \$10/share

market reaches a peak

Liquidation value: \$40,000 (\$10 x 4,000 shares)

\$40,000 in money market fund

Deadbeats can relieve taxing situation

Continued from Page 1

any deficiencies discovered by the treasury department after amnesty ends.

The council reports that amnesty programs have worked well in states with large populations and diverse economies. Massachusetts recovered \$85 million and almost \$500 million more in unanticipated

returns during the two years following the amnesty. California recovered \$447 million, and New York more than \$300 million in a three-month program that ended earlier this year.

MICHIGAN BECOMES the 18th state to offer a tax amnesty program. Not all have been successful.

Michigan is modeling its program after the successful programs in Illinois, California and Massachusetts. Imitating Illinois, Michigan has earmarked \$2 million for a media blitz.

The treasury department hopes to beef up its investigation and collection unit with 20 additional people and a computerized collection system. The 10 investigators on staff

are able to collect \$4 to \$5 million annually, far below what Bowman expects to recover in 1986 and beyond. Michigan is the first state to use a fully automated collection system operated by a private collections agency. Michigan's new \$7.9 million equipment can contact 2,000 to 3,000 delinquent taxpayers per day by telephone.

Booklet helps women with federal contracts

Although the number of businesses owned by women are increasing, they lag behind male-owned businesses in the amount of revenue they take in.

The Consumer Information Center of the U.S. General Services Administration reports that while women own 28 percent of sole proprietorships, they received only 12 percent of annual receipts and less than 1 percent of all federal contracts.

But help is available from the federal government. A 66-page booklet

form the U.S. Small Business Administration and the Interagency Committee on Women's Business Enterprise tells women business owners how they can compete for federal contracts.

It also includes government forms, sources of assistance and addresses and phone numbers of government offices.

For a copy of "Women Business

Owners: Selling to the Federal Government," send \$2.75 to S. Woods, Dept. 161P, Consumer Information Center, Pueblo, Colo. 81009.

Although the bulk of the federal budget is spent on military hardware, it also buys supplies, equipment and services that other businesses buy. If your company provides something you believe the government can use, you should apply

for placement on the Bidders List of qualified suppliers maintained by the government.

The federal government announces what it needs to buy in the Commerce Business Daily, a Monday-Friday newsletter available by subscription from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

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