

Retiree can combine lump sum with annuity

My client, John Smith, had a special need: He wanted to use part of his retirement money for buying a new condominium and a trip around the world. He also wanted to receive the balance as monthly income.

Neither the 10-year forward averaging rule nor the IRA rollover would satisfy his needs.

I solved his problem by recommending that he receive part of his qualified money as lump sum and part in monthly annuity payments, and still retain his tax breaks.

How It Works

Retirees like John Smith can take part of the distribution in cash and part as an annuity, and still qualify

for the 10-year forward averaging rule. The reason is that the IRS treats the annuity contract as lump sum distribution even though you would receive the payments in future years.

More importantly, even though the annuity is considered as part of your lump sum distribution, you won't be taxed on the annuity portion until you receive the payments.

The actual calculation of the tax you would owe is a bit complicated. The tax on the ordinary portion of the distribution is computed on the cash plus the current actuarial value of the annuity period. The amount of tax is then reduced by the portion of the tax attributable to the value of the annuity.

The result is that, as mentioned, while the annuity is considered as



finances and you

Sid Mittra

part of the lump sum distribution, it does not get taxed until the payments are actually received by you. Another important break: The annuity contract is completely disregarded for purposes of computing the tax on any contributions made by you prior to 1974.

Annuity only is viable choice

Not everyone wants to buy a condo with profit-sharing money. In-

stead of receiving cash plus annuity, you may choose to receive the entire amount in the form of an annuity.

If the trustee of your profit-sharing plan buys the annuity for you, the IRS assumes that no distribution was made, and you don't owe any taxes at this time.

A word of caution: Even though the annuity distribution looks like an IRA rollover, there are major differences between them.

In an annuity contract, you monthly payments are fixed, and upon your death (or deaths of both spouses in the case of a joint and survivor annuity), the payments will stop and nothing will be left for your beneficiaries.

In contrast, the law allows you a wide variety of choices when it comes to investing your IRA money. Of course, if your IRA investments sour, you could lose your investments, thereby risking your financial life after retirement.

Lump sum and IRA rollover

Receiving part of the money as lump sum and rolling over the balance into an IRA generally constitutes a poor choice. This is because this combination disallows the ten-year forward averaging rule and

your lump sum distribution becomes fully taxable.

The qualified plan distribution rules are complex. Consult your financial planner before making a move.

Educational seminar: Main Topic "Impact of proposed legislation on your 1986 investment, tax and retirement planning." The seminar, sponsored by Observer & Eccentric Newspapers and Coordinated Financial Planning Inc., will be held 7-9:30 p.m. Thursday, Sept. 11, at the Bloomfield Township Library, 1099 Lone Pine, 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.

business people

Continued from Preceding Page
gineering Manager-Machinists at the Cross Co.

Dr. Ronald E. Goldsberry of Birmingham, president and chief operating officer of Parker Chemical Company, a wholly-owned subsidiary

of Ford, was elected a member of the board of directors of American Can Co.

Colleen A. Hull of Farmington Hills has joined Aerquip Corp.'s corporate advertising department as sales promotion administrator.

Patrick Heffernan of Southfield was promoted to account executive at Kolon, Bittker & Desmond Inc. Heffernan joined the agency's traffic department in 1984.

Cynthia M. Manikas of Eric Vale Lutz & Associates was promoted to director of sales for the soon-to-open Berkshire Hotel in Southfield. Manikas will be responsible for all business and group accommodations, promotional activities and community relations for the hotel.

Sandra L. Leweke of Bloomfield Hills has joined the Birmingham office of E.F. Hutton & Co. Inc. as a vice president and account executive.

Charles Balestrino of Birmingham was named senior vice president and



Goldsberry



Hull



Heffernan



Manikas



Leweke



Balestrino

management director of the Ford Division account at J. Walter Thompson-U.S.A./Detroit. Balestrino has been with JWT since 1968.

Dr. Robert M. Nelson of Farmington Hills was elected president of the medical staff at Detroit Receiving Hospital and University Health Center. He is an assistant professor of

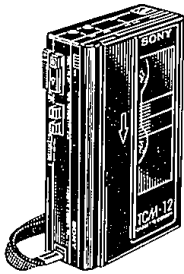
surgery and coordinator of the surgical residency program at Wayne State.

Ronald F. Miller of Troy was named marketing and sales manager North America for the Selective Electronic, Inc. (Selcom) Foundry Division. Miller joined Selcom in 1985 as a sales engineer.

Michele Mitchell has been appointed media coordinator for Thompson Advertising Productions Inc. in Farmington Hills.

Submit information on new employees, promotions and retirements to Business Editor, Observer & Eccentric Newspapers, 36251 Schoolcraft, Livonia 48150. Please include city of residence.

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Mannesmann Demag

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Mannesmann Demag, a West German material handling firm, looked elsewhere to base its North American product development center, but saw its best opportunity in Michigan. William Stubbs, Vice President of Mannesmann Demag, explains: "We chose Michigan because it is where our customers are. Advanced manufacturers. And just as important, because of its stable, highly qualified work force. As a development company, it's important for us to be in a state with top-notch colleges and training programs that supply workers who can master today's advanced manufacturing."

In Michigan, research and devel-

opment and advanced manufacturing aren't happening independently of one another. They're put in motion by companies like Mannesmann Demag. Companies that can take good ideas and make them better ideas. One good idea after another. It's why more and more companies are following Mannesmann Demag to make Michigan where the action is.

For more information write:
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