

Act now to get ready for changes in the tax law

(Part I)

Your responses to our recent poll on the new tax law have been overwhelming. As expected, there is an insatiable desire to learn everything about the new tax law in a hurry. I have therefore, decided to devote all of my columns for the rest of this year on the smart moves you can make to beat the clock.

a word of caution

Even though the new tax law has been signed by the President and it will be in effect on Jan. 1, the debate is far from over. In fact, experts are still puzzling over many of its implications.

The situation is aggravated because not all provisions become effective on Jan. 1. Some come into effect on July 1 while a few others have been made retroactive.

The best way to describe the confusion is to reiterate George Bernard Shaw: "For every difficult problem there is at least one easy solution. Unfortunately, it is always wrong."

Confusion notwithstanding, you shouldn't wait for a moment longer. There is a lot you can do right away to help yourself.

In addition, much can be done in the months ahead to improve your financial situation in the long run.

short-term moves

The following are the steps you can take this year to improve your situation:



finances and you

Sid Mittra

- Defer your income into subsequent tax years.
- Accelerate deductions into the current tax year.
- Pay off personal loans to reduce interest expenses.
- Consider high-yield investments rather than growth investments.
- Make political contributions in 1986.
- Use income averaging in 1986.
- Consider adjusting income to take full advantage of IRA contribution limits for active participants.
- Use specific income shifting techniques that will still be legal under the new law.
- Realize long-term capital gains on properties that are either fully priced or overpriced.
- Adjust investments in passive activities so the passive income would offset passive losses.
- Maximize contributions in qualified plans, which would be affected under the new law.
- Intermediate-term moves

You can take additional steps to improve your situation in 1987 and beyond. Here are some suggestions:

- Re-evaluate your investment strategy. Since long-term capital gain tax rates will no longer be available, there won't be a need for holding assets for six months or longer merely to reduce taxes.
- Concentrate on income-producing assets.
- Generate additional passive income to offset passive losses you are incurring.
- Pay attention to the investments that will still shelter your income. For example, continue investing in IRAs (which will still accumulate tax-deferred), single-premium whole life, EE bonds, qualified plans, and so on.
- Pay special attention to limited partnerships, which will have important economic benefits.

Next week: More on tax saving ideas.

Educational seminar: "Impact of New Tax Law on Your 1986 Investment, Tax and Retirement Planning." The seminar, sponsored by Observer & Eccentric Newspapers and Coordinated Financial Planning Inc., will be 7-9:30 p.m. Tuesday, Dec. 9, at the Kingsley Inn, 1475 N. Woodward, Bloomfield Hills. For more information or reservations, call 643-8888.

Supermarket sweeps

Continued from Previous Page

spilled over into the supermarket industry. They have become the "listening" devices responsible for our abundance of choice.

"Pricing in the Detroit marketplace is the most competitive in the United States," Borman said. "We have five chains here, and a market that suffered considerable losses in past recessions. Identifying the customer is the competitive edge; family income, lifestyle, number of children, ethnic background." The melting pot has been segmented into a layered Jell-O salad.

Great Scott! offers what the surveys say people are looking for. Like Farmer Jack, they have a checkout lane that is candy free—a service likely to be valued by some family members more than others. Great Scott! will be segregating cereals—sectioning off those that have sugar and additives from those that are natural and more appealing to the health-conscious shopper.

But supermarkets are also non-

judgmental. Several have begun to carry Jolt for those who like a hefty cola, loaded with sugar and caffeine.

Ethnic foods are also the result of demographic studies. Kosher foods, Italian, Polish, Mexican and black food items are being carried in stores tailored to reflect the ethnic mold of their neighborhood.

Demographics also measure incomes. Yvonne's To Go gourmet center at the Southfield Farmer Jack is an example of upscale targeting. Not all areas would support fresh fruit sales at \$11.95.

But it's no matter if your taste buds and your pocketbook favor Twinkies. According to Tom Montgomerie, vice president of merchandising for A&P, higher incomes link into trends faster, but eventually it trickles down to middle-income customers.

So if it has not already arrived at your market, chutney canapes and starfruit may be on their way.

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