Life insurance may be best investment choice

A decade ago, in my book, "Personal Finance: Lifetime Management by Objectives." I vigorously argued that "buy term and invest that difference" constitutes a sound investment policy. Now, under the Tax Reform Act of 1886, that strategy is no longer universally applicable.

The reason are the emergence of universal life and the special treatment of life insurance under the TRA.

The Traditional Role

Traditionally, life insurance poli-cies have been marketed under two names: term and whole life. The for-mer provides pure life insurance and

comparable to buying casualty/ property insurance. Since the proba-bility of death increases with age, the term insurance premium goes up each year and at age 60 or 62, the cost of term insurance becomes prohibitive.

There is no investment value asso-clated with term insurance, and the policy lapses as soon as the payment is terminated. Term insurance is a relatively inexpensive way of buying life insurance coverage.

life insurance coverage.

By contrast, whole life provides both life insurance and investment. Permiums are much higher for comparable amounts of insurance than would be associated with a term pol-

icy. Excess premiums over the cost of



finances and you Mittra

pure life insurance, however, earn interest, and at some point the owner can borrow or surrender a whole-life policy for its cash value. Even more important, cash value inside a whole life policy always grows tax-deferred.

All this sounds good, but there is a catch. The traditional whole life policies paid an actremely low interest rate, frequently as low as 4 percent.

It is this fact that led many investors to develop an alternative strategy, popularly known as "buy term and invest the difference."

Birth of Universal Life

The high interest rates of the 1970s combined with the creativity of the insurance industry gave birth to universal life policy.

An UL policy may look like a whole life, but it is significantly different. In an UL, a small portion of each premium is used to pay for life insurance; the remainder is invested at competitive market rates, which currently range from 7 to 8.5 percent.

currently range from 7 to 8.5 per-cent.

But that's only part of the story.

UL policies provide a high degree of safety, tax-free compounding of earnings inside a policy, tax-free loans from policy earnings, and tax-free transfer of policy proceeds to beneficiaries at death.

Education seminar: "1987 — A Year of Unprecedented Opportuni-

tics." The seminar, sponsored by Ob-server & Eccentric Newspapers and Coordinated Financial Planning Inc. will be held 7-9:30 p.m. Tuesday, Jan. 13, at the Kingstey inn, 1475 N. Woodward, Bloomfield Hills. For more information or reservations, call 643-8888.

Oakland University Seminar: Sid Mittra of Oakland University will discuss the Personal Finance Plan-ning Program at 7:30 p.m. Thursday, Jan. 8. Admission is free.

For details, call 370-3120.

Sid Mittra is director of certifi-cate program in personal finance at Oakland University and presi-dent of Coordinated Financial Planning Inc.

datebook

DIRECT MARKETING
 Thursday, Jan. 8 — Direct Marketing Association of Detroit meets. information: 721-0990.

FINANCIAL PLANNING

PHANCIAL PLANNING
Thursday, Jan. 8 - Free Informational seminar on personal financial
planning certificate program begins
at 7:30 p.m. in Rochester. Information: 370-3120. Sponsor: Oakland
linterstire.

● LEGAL ASSISTANTS

Thursday, Jan. 8 — Free informational panel on legal assistant careers 7:30-9 p.m. in Rochester. Information: 370-3120. Sponsor: Oakland University.

MONEY MANAGEMENT Thursday Jan 9 """

Thursday, Jan. 8 — "Making Your Money Work Harder — While Stay-ing Liquid" free seminar starts at 4 p.m. and 5:30 p.m. in Franklin. Information: Julie Sacks, 851-1114. Sponsor: Asset Advisory Services Inc

• FULL GOSPEL
BUSINESSMEN
Thursday, Jan. 8 — The Full Gos-

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● INVESTMENT FAIR
Saturday-Sunday, Jan. 10-11 — Investment and tax fair at Lawrence
Institute of Technology in Southfield.
35 classes will be taught. Tickets: \$5.
Information: Monte Kork, 558-1181.
Sponsor: WTVS-TV.

GRE PREPARATION



Saturdays, Jan. 10-31 — Graduate Record 'Examination preparation workshops offered in four sessions from 9 a.m. to 3 p.m. in Rochester. Information: 370-3120. Sponsor: Oak-land University. land University.

PERSONAL ASSESSMENT
 Monday, Jan. 12 — Personal Assessment Inventory required for en-

try into OU's legal assistant diploma program offered 7:30-9:30 p.m. in Rochester. Application: \$25. Infor-mation: 370-3120. Sponsor: Oakland University.

ACCOUNTING WAIVER
 Tuesday, Jan. 13 — Waiver examinations for OU's accounting assistant diploma program begin at 6:30

p.m. in Rochester, Fee: \$10 per exam. Information: 370-3120. Spon-sor: Oakland University,

● PROFESSIONAL SERVICES

Tuesday, Jan. 13 — Michigan Chapter of the Society for Marketing Professional Services meets at 10 a.m. in Southfield Information: Dawn Black, 354-0300.

• PREBUSINESS WORKSHOP
Theeday, Jan. 20 — Workshop for
prospective business owners and
those who have recently started a
venture from 8:30 am. to 4 pm. in
betroit. Fee: 410. Information: 2257547. Spensors: U.S. Small Business
Administration, Service Corps of Retired Executives.



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