

Changes in divorce law can affect finances

Getting a divorce is always traumatic psychologically. It also can be traumatic financially, if you do not receive good advice.

Here is a case in point. As divorce settlement, Mrs. Z will receive \$100,000 in June, \$150,000 in August, and the last payment of \$75,000 in June of 1988. She will also receive a significant amount of child support.

Her legal bill is \$17,000, and she is still not sure if the settlement is equitable. Here are some facts that might clarify what's behind this mess of confusion.

In 1986, the law stated that to deduct more than \$10,000 a year in alimony, the payer had to continue al-

imony payments for at least six years. The recipient usually insisted in receiving the entire settlement in one lump sum, while the payer sought to stretch the payments to six years in order to make the payments tax deductible.

The new tax law provides a relief: Alimony payments of more than \$15,000 are deductible if they are made for at least three years. There is no charge, however, in the four related claims concerning the deductibility claim.

• Whoever pays the alimony gets to deduct it.

• Alimony payments up to the specified limit (now \$15,000) are always deductible, no matter how soon



finances and you

Sid Mitra

the payments stop.

• A lump sum payment is not deductible.

• Alimony payments are taxable, whereas lump-sum settlement payments are not.

AND HEREIN lies the basic difficulty in striking an attractive settlement acceptable to both spouses. The recipient usually prefers a lump

sum payment. The payer insists on making periodic installment payments.

Another complication arises when a settlement is front-loaded. For instance, if the plan calls for a payment of \$200,000 by the husband, and he pays \$125,000 up front, the IRS might treat it as a property settlement and deny him a deduction.

One final comment: the current three-year alimony plan is a big improvement over the six-year plan that ended in 1986. However, it is still too long a period for some couples.

THE THREE-YEAR period, however, can be reduced to 14 months if the husband makes the first payment in the following December and a final payment in January. This arrangement satisfies the three-year rule although the alimony plan is completed in just 14 months.

Incidentally, only a financial planner can advise on how best to make alimony payments as well as to invest these payments. Whether you are a payer or a payee,

it is best to consult a financial planner in a divorce settlement case.

Educational Seminar: "Your Investments, Your Taxes and Tax Reform." The seminar, sponsored by the Observer & Eccentric Newspapers and Coordinated Financial Planning Inc., will be 7-9:30 p.m. Tuesday, May 19, at the Kingley Inn, 1475 N. Woodward, Bloomfield Hills.

For more information or reservations, call 643-8888.

Sid Mitra is professor of finance at Oakland University and president of Coordinated Financial Planning Inc.

Imagination can produce free publicity for business

Promotion is a key activity for any small business venture. The unfortunate reality is that many entrepreneurs are unclear as to what promotional activities are available to them as small business owners/operators.

One major misconception is that promotion primarily involves advertising. As a result, many entrepreneurs spend large sums to advertise with few or no results.

On the other hand, there are those business owners who do little or nothing to promote their firm because they can't "afford" advertising.

This week's column discusses publicity, an alternative form of promotion available to the entrepreneur interested in getting the most out of his or her promotional dollar. Publicity is one of the most under-utilized forms of promotion among the small business community.

Publicity is the means of drawing attention to your business through media sources that reach current or potential customers. And perhaps best of all, it's free. Here are a few examples of how publicity works.

SWEET MEMORIES, a California candy store, hosted a "Sweet Memories Pig Out," which involved 20 peo-



focus: small business

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ple selected to "pig out" during the shop's grand opening.

Each guest paid \$15; nearly 500 people signed up even though the owner's total prepromotional activity consisted of a small ad in the Los Angeles Times and a sign in the store.

The list was pared to 20 with a drawing because that's as many as would fit inside the 1,000-square-foot store.

"It generated tremendous publicity for the store," the owner said. "After all the press coverage I got, I had people coming in from all over

the country. In fact, it went so well I'm definitely planning on having another one."

Another publicity gimmick involved the "Edible Chair" contest. It was sponsored by the Pacific Science Center in Seattle to highlight an exhibition of international award-winning chair designs during the 1992 World's Fair. Prizes were awarded for the most unusual, most nutritious and most realistic chairs.

THE RULES were simple: 90 percent of an entry had to be edible and could be made of any food except meat or ice. The publicity afforded

this type of contest would be phenomenal for the savvy furniture or bakery retailer interested in sponsoring this type of event.

Next week we will continue the discussion on publicity as a powerful promotional tool available to small business.

Mary DiPaolo is the owner of MarkeTrends, a Farmington Hills-based business consulting firm. She is also producer and host of the cable television series, "Focus: The Small Business Environment."

marketplace

Greener Pastures Advertising has moved to larger offices at 1520 N. Woodward, Suite 215, Bloomfield Hills 48013.

Papillon, a full-service salon at 6357 Orchard Lake Road in West Bloomfield, recently opened.

Mars Advertising expanded into the 24175 Northwestern Highway, Southfield, next to its current building. It also moved its Los Angeles office to 7710 Sunset Blvd., Los Angeles.

The Inmost Division of BASF Corp. received an Addy Award for the finest outdoor advertising campaign.

Computer Education and Consulting Services Inc. opened a software training center in Troy.

President Tuxedo opened a store at 205 S. Main and Second Street in Rochester.

Newman Communications and City Animation Co. have merged and will have their headquarters in Troy.

Casey Communications Management Inc., a Southfield public relations firm, has been ranked as 18th on a list of the nation's largest independent firms.

Perry Drug Stores Inc. opened a new store in Farmington at 37037-41 Grand River, with a ribbon-cutting ceremony on April 15. This opening brings to 216 the number of drug stores Perry operates.

Midwest Communications Corp., supplier of professional video equipment and manufacturer of mobile/

portable satellite transmission equipment, has moved its Michigan office in the Southfield Techno-Center, 21683 Melrose Ave. The new

telephone number is 350-3038. Michael Flora & Associates, Troy, has been retained as the advertising agency for United Cable Television

of Oakland County. Greg Strope, Flora vice president of accounting services, will serve as account supervisor.

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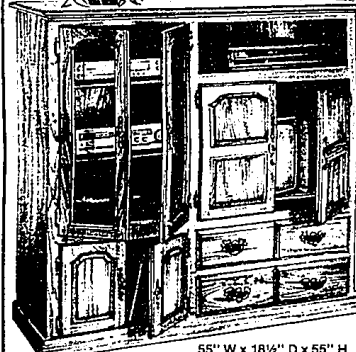
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