

Auto shows — what builders think we want

Roy Chaplin drove an Olds from Detroit to the New York Auto Show in 1901, suffering numerous breakdowns and taking an illicit side trip along the mule path of the Erie Barge Canal. When he got to the Waldorf Astoria hotel, he was turned away because he forgot to wear a tux.

Which may have been the earliest evidence that auto show madness was here to stay. Chaplin carried another theme to New York — the entrepreneur on the make: He took the jaunt to attract investors for his boss' new buggy.

Shortly after, the first young lady who thought you could get to Hollywood by holding a car door open came on the scene, there were a couple of good parties, and the basics of

a good auto show were set for all time.

SO FAR, we've seen Frankfurt where BMW held court with its new V-12, seen a replay of Star Trek at Tokyo, and the guys from Chrysler headed off to Brussels to keep the Italian flag waving.

Then there was Los Angeles, which is sort of like Tokyo in English, and now Detroit.

While I may be prejudiced, I think Detroit puts on the best auto show in the world, if only because it manages to maintain the traditions of hoopla that Msrs. Chaplin et al began.

Penguin night, the black-tie charity event that precedes the opening, is the best part of the show, if only to



auto talk

Dan McCosh

see the engineering crowd just without those plastic pen-holders. We also got a chance to see them wiring up Miss Piggy, practicing the dance routine at the Chevrolet exhibit and a couple of magic acts.

Oh, yes, the cars.

IT'S THE LARGEST display of advanced concept cars in a number of years, including three cars that haven't been seen before publicly.

totypes, along with the Chrysler Slingshot. In any case, it's fun to watch them try to get the doors open.

Chrysler's Maserati convertible surfaced again, lending some substance it will finally get to market. Other concept cars likely to be on sale soon include two convertibles: one an Olds convertible and the other a Dodge pickup truck.

DETROIT'S SHOW is a salesman's show and a shopper's show where a lot of the attendees are serious about a new car. For this reason it's something of an economic barometer, and with attendance strong again this year, it's at least as good as a groundhog in predicting a reasonable year in 1988.

But the biggest shifts in popular taste that affect the industry from the rise in imports to the short-lived van fad, through the coming of the pickup as a family car, never saw an auto show.

In fact, the major trends are rarely noticed until they happen. Which is why I liked John Rock, general manager of GM's GMC truck division, when he answered a question about why the big GMC and Chevrolet Suburban are now used by the Connecticut estate set, rather than the construction crews they were designed for.

"We just woke up one day, and there was the market," Rock said.

Dan McCosh is the automotive editor of Popular Science.

Some interest is still deductible, but some is not

Confusion abounds in the area of deductibility of interests. There is a good reason for it. All interest deductions are not equal.

Home mortgage interest

Interest on mortgages on a principal residence and one other house is 100-percent deductible. However, two important caveats must be added.

First, only the interest on the mortgages representing the best basis (and not the market value) of your house is deductible. For example: You buy a house for \$30,000 and spend \$20,000 making improvements. Your cost basis is \$50,000.

If the current market value of your house is \$100,000 and you are able to borrow \$80,000 on it, only interest associated with the loan covering \$50,000 (cost basis) is deductible. Put differently, if your interest on \$80,000 is \$8,000, only \$5,000 (50% of \$8,000) would be deductible.

Second, interest on the second house is deductible only if you use your second house as a home. Rent it out beyond the specified period and you may lose the deductibility of interest.

Personal interest

Deductions for interest payments on consumer debt are on the way out. This year you can deduct just 40 percent. Next year just 20 percent is deductible, just 10 percent in 1990, zip after that.

This change will prompt you to consider several choices in order to determine which alternative is best for you.

Some choices are easy to figure. Because credit card interests are exorbitant, it makes sense to pay off credit card balances. Other choices are more complicated.

For instance, if you are buying a car, you may still finance it and come out ahead, despite the loss of deductibility of interest. This would be the case if you invest a loan wisely and earn more than what you lose by paying the non-deductible portion of the interest.

Investment interest

If you borrow on margin from your broker or use a brokerage-house line of credit to make an investment, the interest you pay will be fully deductible, but only if you get that much or more investment income from such sources as dividends, capital gains, and limited partnerships.

For example: This year you pay \$500 in investment interest and receive \$300 of investment income. You deduct \$200, plus 40-percent of the excess \$200 or \$80.

But you can't deduct more than \$4,000 in excess interest this year, \$2,000 next year, and \$1,000 in 1990. Fortunately, you do get to carry the \$100 (\$200 minus \$80) over to next year.

Interest on passive investment

Interest related to passive investments generated by rental real estate and limited partnerships is deductible as an offset to income from these sources. However, the IRS gives you a break here.

If you invested in a deal before Oct. 22, 1986, even if you don't have passive income this year, you can deduct 40 percent of your interest against regular income. Future deductions decline as follows: 20 percent in 1989, 10 percent in 1990 and nothing thereafter.

Rules are complicated

The new math of borrowing is complicated, as the following example clearly demonstrates. Say you borrowed \$20,000 to buy a computer and ancillary equipment to improve your part-time business.

The IRS says that if you spend the money in two weeks it is considered a business loan and the interest is fully deductible. However, if it takes longer, and in the meantime your family spends \$5,000 by vacationing in Palm Springs, Calif., the IRS will consider \$5,000 as a personal loan, and just 40 percent of the interest on this loan would be deductible.



finances and you

Sid Mittra

The verdict is clear: Borrowers beware. Better still, ask your financial planner to provide you with

clear guidelines so you don't have to become amateur accountants.

Special note: There is a way to

safely replace expensive consumer loans with home mortgages (not equity loans). For more information, send a self-addressed stamped (44 cents) envelope with your telephone to Sid Mittra, Oakland University, Rochester, Mich. 48309-4401.

Seminar: "The Market Crash — Five Ways to Protect Your Money" and "How to Invest Home Equity — Safely." The seminar, sponsored by the Observer & Eccentric Newspa-

pers and Coordinated Financial Planning, will be 7-9:30 p.m. Tuesday, Feb. 2, at the Kingsley Inn, 1475 N. Woodward, Bloomfield Hills. Admission: Contribution of your choice (tax-deductible), check payable to Oakland University. For reservations, call 643-8888.

Sid Mittra is a professor of management at Oakland University and president of Coordinated Financial Planning.

A Big E 9-Month Certificate of Deposit

7.50% 7.23%

annual percentage yield*

annual percentage rate

Minimum deposit \$500. Your interest is earned and compounded daily. Limited time offer. Act now.

To open your account, visit your nearest Big E office or call SMARTLINE* at 1-800-THE BIG E (1-800-843-2443), seven days a week from 9 a.m. to 9 p.m.

*This yield available only if you keep your money on deposit for one year at current rates. Substantial penalty for early withdrawal.

We'll help you live your dreams

the Big E Empire of America

Federal Savings Bank Member FSILC

Twenty-one offices throughout the metropolitan Detroit area:
DETROIT: 2000 Van Dyke, 893-7180 / 7719 West Vernor Highway, 841-8442 / 19830 West 7 Mile, 537-3400. EAST DETROIT: 19080 East 10 Mile, 771-8840. SOUTHFIELDE: 24700 Northwestern Highway, 827-6593 / 20400 West 12 Mile, 358-2017 / 25177 Greenfield, 557-7840 / Tel-Tech Mail, 28658 Telegraph, 358-4511. BIRMINGHAM: 4140 West Maple, 626-2546 / 32800 Southfield, 644-0440. GAN PARK: 13700 West 9 Mile, 547-7330 / 25555 Coolidge, 547-6100. CLAWSON: 1305 West 14 Mile, 435-4430. FARMINGTON HILLS: 31300 Orchard Lake, 851-7222. WARREN: 13710 East 14 Mile, 294-6350. STERLING HEIGHTS: 3747 East 15 Mile, 977-0957. UTICA: 45676 Van Dyke, 731-4500. DEARBORN: 13007 West Warren, 554-7550. ROCHESTER HILLS: Great Oaks Mall, 1256 Walton Boulevard, 656-1040. GROSSE POINTE WOODS: 2096 Mack Avenue, 884-0161. LIVONIA: 33897 Five Mile Road, 425-8333.

marketplace

Raymond Bologna Co. opened an office specializing in the appraisal of commercial and income-producing real estate. It is in the Eastover Professional Center in Ann Arbor.

Orthogonality has re-opened in newly renovated quarters at 205 N. Woodward Ave., Birmingham.

Fairman, Stein and Co. announced plans for "Detroit Center," a \$170 million hotel-office complex in downtown Detroit's Greentown.

Damone/Andrew Associates Inc. completed Rochester Hills Executive Park, the \$20 million research,

light manufacturing and high technology park.

Home Planners Inc. of Farmington Hills announced that it has acquired the assets of Heritage Homes Plan Service Inc., Atlanta, Ga.

Hermanoff & Associates of Farmington Hills was chosen to be public relations agency for McDonald's Operators' Association, Southfield.

DMR Financial Services Inc. of Southfield received a \$4.5 million allocation on the Michigan State Housing Development Authority's \$25 million bond issue.

Find out why companies and individuals lease from the lease professionals:

- Personalized Service
- Free Loaners
- Free Pickup and Delivery
- All Makes and Models • Vehicles and Equipment
- Open and Closed End Leases
- Commercial or Individual
- Fleet Management



WE WOULD LIKE THE OPPORTUNITY TO QUOTE ON YOUR NEXT LEASE
569-3570



George Ballas

LEASING, INC.

REGIONAL OFFICES: DETROIT, MI; GRAND RAPIDS, MI; KANSAS CITY, KS; MAUMEE, OH; RICHMOND, VA; TOLEDO, OH; CHICAGO, ILL.; WASHINGTON, DC
© 1987, 1988 George Ballas Leasing, Inc. / 80827