Recyclable plastic car may finally be built

auto talk

Dan McCosh

Can a former GM engineer, a company abandoned by an ex-gubernatorial candidate, a hot name in the bumper business, one equally big in faucet fixtures, and one of the country's leading junkyards find true happiness in the auto business?

The formation of Auto Polymer Design Inc. weaves together enough seemingly disparate elements to make it seem as if just a couple of bat wings are missing to complete the stew.

The joint venture, announced this week by GE Plastics, based in Southfield, and Masco Industries, is one of those intriguing business deals that could, if it is pulled off, revolutionize the way cars are built today and possibly recapture some of the auto manufacturing that continues to shift overseas.

MASCO INDUSTRIES, a splinter of the household hardware company that built the Manooglan family fortune, today is controlling stockholder of Creative Industries Group. Creative Industries Group is the contract engineering company that recently lured Ted Louckes away from GM, where he was chief engineer at Oldsmobile.

Another Masco holding is Cars and Concepts, the Brighton-based specialty car manufacturer, formerly headed by Dick Chrysler. Chrysler sold out to partner David Draper after Chrysler lost his bid for the governor's seat.

Although Masco is hardly an automotive household name, its holdings already represent a depth of automotive talent to have attracted projects such as Chrysler's Liberty Project — an effort to build a low-cost car competitive with GM's Saturn Project, and even some cars sold to the public such as early Chrysler convertibles.

NOW COMES GE Plastics, which has been promoting a series of tough synthetics that have replaced steel in applications such as the Ford Taurus bumpers. The tieup with Masco puts together the capability of molding entire car bodies — something GE and others have been angling toward for decades.

It's an appealing idea that would produce an inexpensive, extremely durable car. Maybe too durable, say ecologists with nightmares of non-rusting hulks haunting the nation's junkyards forever.

GE's answer to this is the deposit-bottle car. In another deal with Luria Brothers, a Cleveland-based industrial scrap recycler, Luria will be reclaiming used components made of GE thermoplastics, grinding them up and allowing GE to repackage them for use in less strenuous applications than car components, such as household storm window frames.

SOME DAY, GE hopes, you may find the bumper off your old car coming back in the form of a coffee maker.

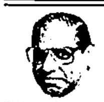
The likely outcome of this complete mix is a contract to design and manufacture a specialty car for one of the Big Three automakers. If it seems like a replay of the DeLorean scenario of a few years ago, it is.

But this time it appears the participants have the depth of resources to make success far more probable.

In the long run, we may be witnessing the startup of a new phase of the auto industry, likely to be followed by others — a technological alternative to low-cost assembly labor overseas.

Dan McCosh is the automotive editor of Popular Science.

Using a trust, you may pay little or no federal tax



finances and you

Sid Mittra

First of two parts

Skillful financial planners can use several sophisticated tools to avoid federal estate and gift taxes. Among these are the many types of non-revocable trusts. The accompanying table presents a summary of these tools. In this two-part article we will briefly discuss some of these tools.

The key issues

The avoidance of federal estate tax issue revolves around two key factors: the estate tax exemption limit of $600,000 and unlimited marital deduction. The law offers a credit that allows every person to give away during lifetime or leave after death up to $600,000 free of federal gift or estate taxes.

The second feature is even more generous. It states that a person can leave an unlimited amount of assets to the surviving spouse free of federal estate taxes.

These two provisions of the law allow parents to pass an estate up to $1.5 million without federal estate taxes via the use of a testamentary trust known as a bypass or family trust.

Bypass trust

A bypass or family trust is created as a testamentary trust (one that goes into effect upon someone's death). Upon death, the assets are reallocated in such a way that no estate taxes would be due either upon the first or the second death. An illustration should make this clear.

Suppose John and Betty Jones own $1.5 million, $800,000 of which is in John's name and the balance is owned by Betty. If John's assets are transferred to Betty upon John's death, no estate taxes would be due because of unlimited marital deduction. However, upon Betty's death, only $600,000 would pass estate-tax free, thereby subjecting the balance to estate taxes.

The Joneses adopt an alternative strategy to avoid estate taxes. John modifies his will to create a bypass trust. Upon John's death, $600,000 worth of assets will be transferred into the bypass trust, while the remaining $200,000 would be directly received by Betty.

The situation would now be as follows. Assets received by Betty would qualify for marital deduction and would escape estate tazes. Assts transferred into the bypass trust would not qualify for marital deduction; still they would escape estate taxes because John was entitled to a $600,000 estate tax exemption.

John could arrange for Betty to receive part (up to 5 percent or $5,000) of the trust's principal. In short, upon John's death, the entire $800,000 would pass free of federal estate taxes.

type of trust	nature of trust	advantages	disadvantages	included in estate?	qualifies for marital deducation?	recipient of income	recipient of asset
marital trust	Property not allocated *to marital trust is* included here	bypasses the *survivor's taxable* estate	surviving *spouse does* not have ownership of trust property	yes, *subject to* $600,000 exclusion	no	personal *choice*	personal *choice*
QTIP trust	Surviving spouse receives all income and the right to designate the beneficiary	All income goes to spouse. This trust, plus the pour-over trust, can eliminate estate tax.	spouse does not receive property outright	no	yes	spouse	spouse's choice
life insurance trust	Trust controls the distribution of property upon death of second spouse	property owner can direct distribution of property after death of surviving spouse	surviving spouse has no control over property	no	yes	spouse	personal choice
charitable trust	irrevocable inter vivos trust financed by life insurance policy	proceeds bypass estates of both spouses	loss of control over policy	no (except when death occurs in three years	no	personal choice	personal choice
*charitable remainder trust	Trust allows annual payment of fixed income to beneficiaries. Ultimately, assets pass to charity.			yes, but donations are deductible	no	personal/ charity*	charity/ personal†

*charitable remainder anuity trust: Donor receives income; ultimately, assets pass to charity
†charitable lead trust: Income is distributed to charity; ultimately assets pass to donor's beneficiary

The story would be repeated upon Betty's death. Betty would not have a marital deduction but would be entitled to the $600,000 estate tax credit. Assuming that Betty's estate was still at $600,000 ($400,000 of her own assets plus $200,000 received from John), the entire asset would pass to her beneficiaries tax free.

The tax code excludes the assets in the bypass trust from Betty's estate because she does not have control of the property in the trust. In addition,the bypass trust would remain tax exempt no matter how large the assets grow, as long as the initial size of the trust was limited to $600,000.

Next week: more on trusts.

SEMINAR: "Prevailing Economic Climate; What Investments Make Sense Now; How to Invest Home Equity — Safely." The seminar, sponsored by the Observer & Eccentric Newspapers and Coordinated Financial Planning, will be 7-9:30 p.m. Tuesday, April 12, at the Kingsley Inn, 1475 N. Woodward, Bloomfield Hills. Admission: Tax-deductible contribution payable to Oakland University.

For reservations, call 643-8888.

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