Farmington Observer

Business

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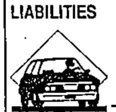
Woman's pension inadequate for a comfortable retirement

Financial Position

INVESTED ASSETS	
Checking and Savings	$4,900
Life insurance cash value	$1,500
Deferred compensation	$2,200
Supplemental retirement fund	$3,900
Total	$12,500

USE ASSETS	
Residence	$80,000
Automobile	$10,000
Furnishings	$5,000
Total	$95,000
Total Assets	$107,500



LIABILITIES	
Mortgage	$41,000
Auto loan	$7,700
Total Liabilities	$48,700
Net Worth	$58,800

By Alan Ferrara and Dan Boyce
special writers

Local financial planning experts reviewed the data of the person profiled here and made general recommendations based on the participant's resources and goals. The information is for educational purposes only; references are not intended as discrimination or endorsements by Observer & Eccentric Newspapers or the advisers interviewed.

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Tomorrow always comes sooner than we expect. The way to prepare for a secure future is to make plans and take specific actions today. March's profile spotlights Linda Spring, a single woman living in Plymouth. Spring, 37, is a college administrator earning $34,000 per year.

Spring's net worth (assets minus liabilities) is about $58,000, the bulk of which is in the form of home equity ($38,000) and her automobile ($10,000). Cash savings amount to only $4,500. While Spring would like to buy a new automobile in 1989 and buy a new home or a vacation home up north during the next eight years, her most important goals are to reduce tax liability and provide for a comfortable retirement by the year 2017.

Because of her desire to live comfortably in retirement, the focus of Spring's planning should be saving for future financial security.

The substantial home equity and minimal debt beyond her home mortgage and auto loan are strengths, but the small amount of available cash for emergencies are a potential problem. Spring should put a priority on building a greater reserve for emergencies. Certified financial planner Daniel Boyce believes that "an amount equal to a minimum of four to six months of expenses in liquid (accessible) savings and investments is desirable.

"These funds need not all be kept in the bank," Boyce says. "Some of it can be invested in conservative mutual funds, savings bonds and even individual stocks and bonds, all of which are readily converted into cash."

SPRING'S PENSION benefits are projected to provide only 20 percent of her current income. Therefore she will have to rely on personal savings and investments for a majority of her retirement income. Boyce thinks one of the weaknesses in Spring's situation is the need to build an asset base more rapidly. She realizes her shortcoming and wants to "begin a modest long-term investment program." She feels comfortable with conservative investments but is willing to look at some investments with moderate risk. Boyce suggests that Spring "should consider a combination of money market funds, balanced or conservative mutual funds, and certificates of deposit." Some of this saving should be done in qualified retirement plans using before-tax dollars.

Alan Ferrara, a partner in the Southfield law firm of Couzens, Lansky, Fealk, Ellis, Roeder and Lazar, concurs.

"While Spring is currently adding $130 per month into these plans through payroll deductions, she should consider increasing the amount. She should ultimately aim to save 10 percent of her income for retirement. This may be too large an adjustment all at once, so she should start at a more modest level and gradually increase up to the 10 percent target."

BOYCE SUGGESTS that Spring consider increasing her automobile insurance comprehensive and collision deductibles in order to decrease her auto insurance premium. "She may find that the cost savings of increasing the policy deductibles may more than offset the increased deductibles themselves in the event of an accident. But she should check her liability coverage. It is important to have substantial liability coverage in the case of an accident."

He also cautions that she may have insufficient home owner's insurance coverage. Her home is covered only for $62,500 despite the fact that she believes the home has a fair market value of $80,000. While some of the home value can be attributed to the cost of the land, Spring should consider increasing her coverage to provide adequate funds in the event of any catastrophe.

Last year Spring had federal and state tax refunds of $2,513 and $460 respectively. "She is overwithholding on her taxes," Ferrara says. "She is providing the government with an interest-free loan. It would be much better for her to withhold less throughout the year, receive more take-home pay, and enjoy the interest on the additional funds. She should recalculate her withholding obligations and have her employer adjust the amount accordingly."

Ferrara also notes that she does not have a will. Although various assets are jointly held or have been designated through beneficiary designations, a will is still important in specifying to whom items of personal or other property are to be given.

"Without a will, the state intestacy statute requires property to be distributed to strictly specified beneficiaries. Only Spring knows her preferences for beneficiaries (such as persons, charities, churches or educational institutions). These decisions are too important to leave to chance."

Through planning and implementation, Spring can help assure herself a comfortable pre- and post-retirement. She needs to remember that planning should be reviewed at least annually and modified periodically as circumstances change.

The Bottom Line

Financial strengths

- No debt beyond home mortgage and auto loan.
- Owns home with substantial equity.
- Retirement savings accounts added to regularly.
- Good health and disability benefits at work.
- Adequate life, health, and auto insurance.

Financial weaknesses

- No will is in place.
- Need to build asset base more rapidly.
- Minimal employer provided pension.
- Irregular retirement planning.
- Overwithholding on income tax.

Shopping center success based on team approach

By Mary Rodrique
staff writer

A proliferation of retail construction in the metro Detroit area has resulted in consumers demanding more from shopping centers, and tenants opting for the best possible space in a saturated market.

"To satisfy this scenario we must create an environment that would respond to and better serve the needs of today's consumer," said Jerry Beale, founder of the Beale Group, which has been instrumental in the sale or lease of more than 200 shopping centers in southeastern Michigan.

"Consumers are demanding more character and more personalization from a shopping center now than at any other time in the 30-year history of our industry."

Beale made his remarks Tuesday before a meeting of the Womens Commercial Real Estate Association in Southfield's Radisson Plaza Hotel. About 40 Realtors, certified public accountants and attorneys were in attendance.

They heard Beale, whose business is based in Southfield, describe his success in renovating existing strip shopping centers from Dearborn to Southfield.

"Renovating these centers has proven to be a very challenging, educational and extremely profitable business," he said.

"I'm sure you have heard the cry 'Where are all the tenants to fill all of the available spaces on the market today?' What is being created is a situation controlled by the tenant. A tenant can usually be expected to opt for the best available space within a given trade area, especially if locations are more or less comparable."

BEALE FINDS today's centers have changed dramatically from what they were just a few years ago.

"The size, layout, tenant mix and design have changed dramatically," he said. "We must look for ways to increase the stores' productivity if our centers will generate the cash flow that we would like to project."

A few years ago, stores were considered profitable if they generated $1 to $1.25 per square foot. Because of the competitive nature of the retail industry today, the number must be in the $2.50 to $3 range to be in the black, Beale said.

> ***'Consumers are demanding more character and more personalization from a shopping center now than at any other time in the 30-year history of our industry . . .***

"To realize these sales projections, the developer and store owner must work in tandem. The ultimate success is tied to the success of the designer, the marketing team, the leasing and managing agents and everybody else. It is a total team effort," he said.

Beale has found a proliferation of new developers "who want to make a killing in real estate with nothing more than a modest piece of land." As a result, quality tenants are becoming increasingly difficult to secure.

The competition has resulted in strip centers taking on many features once found only in regional malls such as greater attention to design, layout, landscaping and planning, Beale said.

"More emphasis is on style and quality, with a significant amount of money being spent on design. As shopping centers begin to upscale their appearance, the consumer continues to search for the most exciting center," he said.

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> — *Jerry Beale*

EXISTING CENTERS can get a fresh look with new signs, adequate parking layout, attractive landscaping, proper lighting, a new roof and fresh coat of paint. Desirable tenants include video stores, beauty salons, pizzerias and high-calibre restaurants, he said. Population density and consumer spending habits are most important in terms of location.

Beale cited as example a strip center he purchased in Dearborn a few years ago for $400,000 (with $50,000 down on a long-term land contract). Although the profit margin fell short of its potential, the 15,000-square-foot building was attractive because all leases were short term, parking problems could be alleviated and the building easily could be renovated.

"It appeared on the surface like a can of worms, but in reality it was a worthy challenge."

Beale hired an architect who created a new look for $40,000. As leases expired, Beale created a complementary mix of businesses. He cited printing companies, florists and dry cleaners as desirable tenants because customers are short term and business stays strong when the economy softens. He established conforming signs, painted the 18-year-old colonial-style building, landscaped around the parking lot, added lighting, and purchased a large sign for the street to list each business and its logo.

"One would have assumed it was a new center," Beale said. "We won a city beautification award. Tenants actively promoted their business with new vigor. All rents come in regularly and we now have a waiting list of prospective tenants."

"The important thing to remember is that prior to any renovation, a game plan must be ascertained, feasibility studies must be reviewed and try to be as objective as possible," he said.

"The risk of rehabilitating once properly analyzed is substantially less risky than any form of development and is a far better alternative than attempting to make money in the stock and bond market."