

# Portfolio lacks balance

By Alan Ferrara  
and Den Boyce  
special writers

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

To receive a free financial planning brochure or to obtain a questionnaire to have your finances reviewed in this monthly column, contact the Center for Financial Planning, Dept. 100, 877 S. Adams, Suite 202, Birmingham 48011 or call 642-4000.

"By the yard, it's very hard, inch by inch makes it a cinch," this might be the motto of this month's profiled couple, Joan and John Mears of Canton Township. At 29, both already realize the need to plan and prepare for the future. Their questions and our analysis revolves around the best strategies for them to ensure their future financial security.

## FAMILY FINANCES



**'I was lucky and made some good stock investments in my early 20s, so I thought it was the way to go. But I have to admit that Oct. 19 was a sobering experience.'**

— John Mears

With two incomes, they have been able to build a nest egg and buy a modest house. John is a truck mechanic earning \$24,000 per year. Joan is in the data processing department of one of the auto companies and earns \$34,000. Both feel secure in their positions and expect regular raises in income.

"WE'D LIKE to buy a larger home within two-three years and begin a family at that time," Joan said. Will she continue working after the birth of a child?

"Yes. My mother lives nearby and has indicated a willingness to help out with child care. Since I have the larger income, we realize it is needed if we're to reach our financial goals."

Their employers provide good medical benefits and adequate protection against income loss due to disability. A review of their auto and homeowners coverage shows no problems except that they might want to increase their deductibles to lower their premiums.

A MAJOR PLUS for them is their saving habits. Though they don't feel they are denying themselves, they understand the value of saving a part of each of their paychecks. Ever since they were married three years ago, they have been putting \$250 per month into a stock mutual fund account. The account has grown well during that time despite the Oct. 19 stock market crash. Joan has been putting 3 percent of her income into an employer-sponsored 401(k) savings plan, and her employer makes a contribution of 50 cents for each dollar she puts into the plan.

Most of their cash reserves were used when they bought their house last fall and appliances for it. Some purchases for the house were charged on credit cards, and they are still paying off these bills.

They are somewhat confused as to the next steps to take.

"WE HAD BEEN saving for the house for so long as our primary goal. Now that we've settled in, we wonder whether we should pay down the mortgage as fast as possible, pay off other debts or try to invest more each month."

Attorney Alan Ferrara, a partner in the firm of Couzens, Lansky, Feak, Ellis, Roeder & Lazer in Southfield, covers some of the basics.

"Joan's only life insurance is through her employer where she has a benefit of twice her annual income. If she died, this amount would not enable John to maintain his standard of living for very long," Ferrara said.

"For a nominal cost, she can buy additional coverage of three times her income from her employer. She should do this immediately. She can also place \$50,000 coverage on John at the same time, and she should take advantage of this opportunity. When they start a family, their entire insurance program should be reviewed once again."

Ferrara also notes the lack of wills. "Though the probability of death at their age is remote, this is nevertheless an important gap to close. Should the unlikely occur, wills would help ensure that their final wishes would be fulfilled."

DAN BOYCE, a certified financial planner with the Center for Financial Planning in Birmingham, reviewed their investment plans. "First of all, they need to increase their cash reserves to approximately \$5,000. A good rule of thumb is to have at least two months of expenses available in banks or money market funds for emergencies."

The next step is to pay off the charge accounts. "The interest rates typically range from 14 to 21 percent, which is expensive money," he said. "Paying them off is equivalent to finding an investment that has a yield of 14 to 21 percent — guaranteed. Also, with the phasing out of deductions on consumer interest, Uncle Sam won't be sharing in the cost of this interest much longer."

THEY NEED to review the balance of their portfolio. Since most of their money is going into the stock market, they are exposed to substantial loss if the market tumbles again.

John agrees. "I was lucky and made some good stock investments in my early 20s, so I thought it was the way to go. But I have to admit that Oct. 19 was a sobering experience." Boyce suggests diversifying assets into less volatile areas for better balance, especially if some of this money is earmarked for the future move into a larger house.

BOYCE AND FERRARA agree that Joan should consider increasing

## Financial Position

INVESTED ASSETS		
Fixed Interest Assets		
Savings		\$2,000
Growth Assets		
Mutual Funds		\$12,100
Company Retirement Plan		\$2,900
IRA-Real Estate		\$2,000
Total		\$19,000
NON-INVESTMENT ASSETS		
Residence		\$40,000
Automobiles		\$12,600
Personal possessions		\$5,000
Total		\$57,600
Total Assets		\$76,600
LIABILITIES		
Mortgage		\$31,000
Auto loan		\$6,500
Student loans		\$4,000
Charge Accounts		\$2,400
Total Liabilities		\$43,900
Net Worth		\$32,700

## The Bottom Line

### Financial strengths

- Two wage earners with steady employment.
- Good benefits at work.
- Retirement savings started at young age.
- Adequate auto, homeowners, and disability insurance.
- Spending patterns have built-in monthly savings.

### Financial weaknesses

- No clear idea of how to proceed financially.
- No wills are in place.
- Joan's life insurance may be inadequate.
- Emergency reserve needs supplementing.
- Too high a percentage of investments in stock.



DAN DEAN/staff photographer

Frank L. Chartier, executive vice president of Encore International, and Dennis Grice (right), chief financial officer, got ready to ring up another account.

## Ousted execs battle for leasing business

By Janice Brunson  
staff writer

When a deal is concluded at Encore International Inc. in Bloomfield Hills, a bell rings to mark the event. If anticipated profits on the deal are high, the bell rings repeatedly, meaning lunch usually is a bit longer than normal.

Of late, there's been lots of bell ringing and many extended lunch hours, according to vice president Frank Chartier who, with Lloyd Marks, Dennis Grice and Gary Smith, founded Encore last August.

**'We determine what is needed tomorrow, anticipate those needs and respond quickly. But what made money yesterday does not necessarily make money today.'**

— Frank Chartier

Recently, Chartier, Marks, Grice and Smith were praised as "a team with unparalleled experience in the acquisition, resale, leasing, financing and remarketing of new and used capital equipment" in a business column in the Wall Street Journal.

THE FOUR men gained this "unparalleled experience" from years of employment with CMI Corp., where each was in a management position. CMI is one of the nation's largest computer leasers, and when

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## Taxes prompt planning

By Marilyn Fitchett  
staff writer

Now that you've made amends with Uncle Sam by mailing him his due, financial counselors are urging taxpayers to hold those thoughts and determine their net worth.

As sponsors of Financial Affairs Month, area bankers, lawyers, insurance representatives and certified public accountants are attempting to alert the public

to review their financial objectives. Financial Affairs Month general chairman Donald E. Schmaltz of Schmaltz & Co., Southfield, sees the need for financial planning as growing dramatically.

"Life is more complex, financial affairs are more complex now," Schmaltz, a CPA, said. "If, for instance, you want to provide an education for your children, the cost is far greater than it was 20 years ago."

Schmaltz of Bloomfield Township sees Financial Affairs Month as dovetailing with the tax season.

"We encourage people to find out what their net worth is now because they have most recently completed their taxes, so compiling the information is an easier step at this point. You can compare where you are now to where you were a year ago and deter-

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