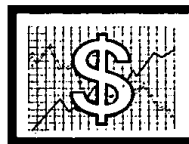


Business

Marilyn Fitchett editor/591-2300

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(F11C)

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The 'right' mix of investments

By Alan Ferrara
and Dan Boyce
special writers

Local financial planning experts reviewed the data of the family profiled here and made general recommendations based on the participant's needs 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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Someone once said that "retirement is the time when you never do all the things you intended to do when you'd have the time." We may not be able to find all the time or energy to do all of the things we had planned for our retirement years, but with proper planning we can provide the financial wherewithal.

This month's family profile centers on Dave and Jane Prescott. Dave, 62, has retired from one of the auto companies and has accepted a position with another employer at a

FAMILY FINANCES



salary of \$38,000 per year. Jane, 49, is not employed. With earnings from rental property and Dave's pension from his former employer they are able to live comfortably and set aside \$1,500-\$2,000 each month for savings.

Dave and Jane are in good financial shape in planning for their retirement, but they still have some questions and concerns.

"Do we have the right mix of investments for our current and future needs? Should we sell our rental property and invest the proceeds elsewhere? Is there any aspect of planning that we have overlooked?"

Dave and Jane are in an enviable position. The combination of pension benefits from both of Dave's employers and Social Security will provide them with their desired amount of retirement income of \$40,000 per year, allowing them the luxury of reinvesting their entire investment income. We think it is generally desirable to have some growth of assets early in retirement, and the

Prescotts should achieve substantial growth.

BECAUSE THEY are in good financial shape, they should remain with investments that are primarily conservative. Dave and Jane do not need to take risks in order to achieve extraordinary returns, nor is it an appropriate strategy at this time in their lives.

Almost half of the Prescotts' portfolio is invested in long-term municipal bonds. Because they do not need to maximize their current income at retirement, we would suggest that they just rest their portfolio so that the bonds are shorter term (generally under 10 years), of high quality, and have staggered maturities. This will provide greater stability of principal and, if interest rates rise, their income should increase when matured bonds are reinvested. With the exception of an oil and gas investment that has not performed well, the remaining investments are of a high quality and no changes would be recommended at this time.

The Prescotts are sufficiently invested in tax-exempt bonds, so no additional investment in that area is suggested. They own a rental property in Florida, which was bought primarily as an income tax shelter. We think it may be advisable to sell it. Being an absentee landlord is difficult under the best of circumstances, and income tax losses alone are not a sufficient reason to retain property. Unless there are other considerations for holding the property, such as significant opportunity for appreciation, Dave and Jane may want to sell the Florida real estate and use the proceeds to buy the retirement home in Arizona they have been contemplating.

IN GENERAL, Dave and Jane are covered under a good benefit package. One problem is that they have

substantial assets to protect; the modest cost of an umbrella liability policy would be well worth the piece of mind it can create. An umbrella liability policy is designed to cover the insured against catastrophic liabilities that exceed coverage provided by a homeowners or auto policy. Without the coverage provided by an umbrella policy, a judgment against the Prescotts as a result of some accident could wipe out years of hard work.

Dave and Jane may also want to consider the purchase of one of the long-term convalescent care policies now available. At their current ages, the cost of such care is not overly expensive. These policies pay a certain dollar amount for each day the insured is in a facility, regardless of whether skilled or custodial care is needed.

Finally, the Prescotts have indicated that they are in the process of updating their estate planning. Serious consideration should be given to the use of a living or revocable trust in addition to wills for Dave and Jane. Proper planning and asset allocation can minimize or eliminate probate and estate taxes on the first to die and possibly do the same on the second death. More assets would then be available for distribution to their heirs.

Proper positioning and periodic review of their assets will provide Dave and Jane with sufficient income to enjoy their retirement years. We leave it to them to find the time to do all these things they have been promising themselves.

Dan Boyce, a certified financial planner, is a past president of the Metropolitan Detroit Society of the Institute for Certified Financial Planners whose practice is in Birmingham. Alan Ferrara is a partner in the Farmington Hills law firm of Cousins, Lonsky, Feak, Ellis, Roder & Lazar. He is immediate past president and current board member of the southeast Michigan chapter of the International Association for Financial Planning.

Financial Position

INVESTED ASSETS

Fixed interest assets

Savings	\$2,000
Money Markets	\$52,000
Municipal Bonds	\$200,000
401(k) Savings	\$30,000

Growth assets

Stocks	\$17,500
Mutual Funds	\$30,000
IRA-Mutual Funds	\$20,000
Investment property	\$110,000
Oil & Gas Partnership	\$15,000

Total Invested Assets \$476,500

NON-INVESTMENT ASSETS

Residence	\$75,000
Automobiles	\$15,000
Other personal assets	\$15,000
Total	\$105,000

Total Assets \$581,500

LIABILITIES

Home Mortgage	\$20,000
Investment Property	\$30,000
Auto	\$1,600
Credit Cards	\$700
Total Liabilities	\$52,300

Net Worth \$529,200

The Bottom Line

Financial strengths

- Several sources of income
- Considerable savings accumulation
- Good retirement pensions
- They are updating their estate plan.
- Good benefits package at work.

Financial weaknesses

- Heavy concentration of assets in long-term bonds.
- Florida investment property not performing well.
- No umbrella liability insurance.

Illegal immigrants tracked at local businesses

By Janice Brunson
staff writer

For the first time, U.S. Immigration and Naturalization Service is striking at the "magnet" credited with attracting the most illegal aliens to this area — employment.

An estimated 12 million people currently live illegally in the United States, and employers who hire them are now subject to stiff fines. Since June, four area companies have been fined for hiring illegal workers; others have been cited for improper recordkeeping.

The Immigration Reform and Control Act passed by the U.S. Congress in 1986 holds employers re-

sponsible for verifying the employment eligibility of employees and maintaining those records.

On June 1, a new phase of the law kicked into action. This permits immigration agents to levy fines for the first time against employers who hire people living illegally and who are not in possession of proper employment visas.

"The U.S. is an economic magnet to most people of the world. They come here hoping to become a part of it. If their incentive for coming — employment — is removed, they're apt to think twice about it," said James Montgomery, district director of Immigration in Detroit.

'The more that is done to circumvent the law, the stiffer the penalty.'

—James Montgomery

NATIONWIDE, 3,000 immigration agents and border patrol officers attempt to combat illegal immigration with limited success. The new law "is a tool to help them perform their jobs more effectively," Montgomery said.

Recently, a garden nursery in southwestern Wayne County within the Observer & Eccentric circulation

area was charged with employing seven illegal workers from Poland who now face deportation hearings.

The nursery owner will be fined but the amount remains uncertain, according to Frank Falkowski, who directs immigration investigations in Detroit. It will be reviewed later this year at a hearing by an administrative law judge from Chicago who

also conducts deportation hearings for the Immigration Service.

INVESTIGATING AGENTS recommend imposing fines and the amount. The recommendations are then approved by the regional immigration director in Minnesota. Since the process is new and precedents are few, the amount is nearly always reviewed, according to Falkowski.

Two of three remaining cases are also under review, including a fine in the amount of \$3,900 that has been levied against an Ann Arbor firm charged with employing a British citizen.

To date, only Oaza Bakery in Hamtramck has paid a fine, \$750,

for employing two illegal workers from Poland who have since been scheduled for deportation hearings.

"THE MORE that is done to circumvent the law, the stiffer the penalty," Montgomery said.

The fines follow an 18-month grace period during which employers were supplied with information about the new law. Those found violating it during the grace period were cited but not fined, providing they were first-time offenders.

The Szechuan Canton Restaurant in Canton was cited during the grace period for employing two illegal

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An underground existence

By Janice Brunson
staff writer

Without the "Irish connection" in metropolitan Detroit, life for one young man from Ireland would be difficult.

But because the connection here is relatively small compared to Irish enclaves in New York, Boston, Chicago and San Francisco, life is considerably easier.

A resident of Westland, he is an illegal alien who came to the United States several years ago. For purposes of this interview, he called himself Sean O'Brien, "a good Irish name," he said, in a lilting brogue.

Life is easier here for O'Brien because "Irish people came before me," forming the connection.

And because the number of newly arrived Irish choosing to settle here remains low, friends and employers seldom think to ask O'Brien if he is "legal."

"Ninety-nine percent of the people I meet don't know I'm illegal. And I don't go around broadcasting it," he said.

O'BRIEN is ONE of an estimated 100,000 young people who in recent years have fled southern Ireland because of desperate economic conditions. They enter the United States

on tourist visas. Once the visa expires, they stay on illegally.

Dan O'Kennedy of Livonia, a naturalized U.S. citizen who is active in immigration reform, calls the exodus of youth from Ireland a "youth brain drain" but a potential "talent bonanza" for U.S. business.

Many of the illegals are well educated. "As soon as they come out of college (in Ireland), they can't get jobs so they go back to school. They not only have B.A. (bachelor's) degrees. They have M.A. (master's) degrees," O'Kennedy said.

If granted U.S. citizenship, they could fill jobs in medicine, law and computer analysis that the U.S. Department of Labor predicts will go unfilled in the next decade because of a lack of skill help, according to O'Kennedy.

"These kids could be a real talent asset for the U.S. economy," he said. O'Brien headed for work in the U.S. shortly after completing university studies in laboratory science. Unable to find work in his major area of study, he took the best available job at the best rate with a local construction firm for \$9 an hour.

In his experience, most U.S. employers "don't mind paying full rates" to illegal employees.

O'BRIEN SAID illegals who are working in construction are more

vulnerable during winter months when jobs are scarce.

But "where we're totally vulnerable is if we get sick or injured. That's our biggest fear," he said. O'Brien would not receive worker's compensation and other benefits normally enjoyed by legal workers.

His employer is also vulnerable, subject to fines imposed since June under the 1986 Immigration Reform and Control Act. The penalties are expected to make it increasingly difficult for illegal aliens to work (See accompanying story.)

Obtaining legal residency is also difficult. Last year, 1,800 Irish were granted visas.

O'Brien's chances are better than most because a brother in Westland is a naturalized citizen, qualifying O'Brien for consideration under family unification provisions. Still, the process is slow.

"Day to day, it's OK (living here illegally). But in the long term, it isn't very promising," O'Brien said.


O'Kennedy and others who are legal are organizing a Livonia chapter of the Irish Immigration Reform movement because "we are very concerned about those who are illegal."

In the meantime, their number increases. Since O'Brien settled in Westland, others from home have joined him.

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