This new one attracts even the casual eye

auto talk

Dan McCosh

When a guy rolls his window down to talk to you about your car, you ought to be flattered. But this guy was driving on the expressway and seemed to have forgotten the basics, such as looking ahead or steering. He was on my left, stretched across the passenger seat when he rolled down the passenger window and yelled something like, "What kind of car is that?"

It was the second time it had happened in two days: along with another guy driving an armored car, yelling through the wire mesh; an industrial design student on foot; and innumerable carloads of kids giving me the thumbs up as they passed.

Head-turning is one of those significant features of a new car that is difficult to quantify. But as Sean Fitzpatrick, the advertising guru who brought us the "heartbeat of America" theme says, "Image isn't the main thing. It's the only thing."

In the course of my work, I end up driving about 50 different cars a year on the street as well as the test track — an enterprise that on occasion has the neighbors muttering about the drug business. Regardless, the experience can sensitize you to which cars draw glances and which don't.

BMWs, for example, aren't a sure thing, even when they hit $70,000 a copy. Money sort of blends in when it is black and German. Without a star on the hood, any BMW is less recognized than the Real German Car.

IRONICALLY, PICKUP truck owners tend to gather around anything recognizably new from GM or Ford. If you have a truck, it's sort of like having an old cat. Since the manufacturers only change the things every 20 years, you've got to amble over and look at the latest.

Corvettes always get looks from single-looking blondes. I think this is because so many guys who just got divorced run out and buy a Corvette. It's something like wearing those gold chains even if you aren't Catholic or in the Army. Women with dark hair carrying books seem to notice Volvos.

A few muscle cars have this effect — something like a 350 Camaro. This is because driving one of these things is like being a bull elk in spring. If somebody looks at you, you've got to race. So if you don't want to look like you want to race, you look away.

In fact, depending on your car to leave a favorable impression is a dangerous game. I still remember a friend in college who spent his tuition money on the down payment on a Porsche — selling at the time for nearly four grand — and hastened over to give his lady friend a ride.

She like it all right, and all was right with the world until he pulled up next to a battered MG. Whereupon his friend began bouncing up and down on his new seat, pointing out the window and yelling, "Look, it's a sports car."

Remember what I said about German cars.

But status-hardened as I've become over the years, this latest commotion came as a big surprise to me, conditioned as I was to more recognizable symbols of automotive prestige.

In fact, what I was driving was barely a car at all, more like a demented baby buggy. Chevy is selling the thing as the Tracker, under its new GEO franchise, while Suzuki, who designed it and will soon begin manufacturing in Canada, calls it the Sidekick.

It's a miniature four-wheel-drive utility vehicle that somehow conjures up memories of the African Veldt and the beach at Santa Monica at the same time.

It gives my wife a headache and barely keeps up with traffic. Top flapping, it would feel at home with Roger Rabbit. But it is leading-edge image, probably the first time in 20 years or so GM has put a genuine innovation on the market.

Not that it reflects some advanced wisdom or newfound sense of popular trends on GM's part. Driving this self-made trendmobile, you can almost hear some young person leaning out the window of an advanced planning session and yelling, "Look, a real sports car."

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Tax changes may hamper life-insurance investments

Part I

finances and you

Sid Mittra

"I am totally confused about investment products marketed by insurance companies," lamented John Jones, one of my prospective clients.

Jones is not alone. Although single-premium whole life (SPWL), single-premium universal life (SPUL), single-premium deferred annuity (SPDA), and single-premium immediate annuity (SPIA) are buzz words, the similarities and differences among them are not always understood. In a three-part article, we will discuss these investments.

Single-premium whole life

As its name clearly suggests SPWL is an insurance policy that is guaranteed to be paid up for life if no withdrawals are made.

The single premium, or lump sum, is paid in the beginning, and no further premiums are paid during the life of the contract. The single premium buys life insurance that remains in force until the insured reaches the age of 95, at which time the policy matures and the money is distributed.

The investment features of the SPWL are interesting. The single premium earns an attractive rate of interest (say 8 percent), which is usually guaranteed for one or three years.

AFTER THAT, the interest rate is declared annually. The interest grows tax-deferred and can be withdrawn as a loan, usually around every anniversary date.

Another feature of this policy is that usually there are no specific charges for mortality; the cost of life insurance is absorbed into the next interest credited to the account. Thus, SPWL is an interest-sensitive policy.

The most attractive feature of an SPWL is that loans can be obtained from the policy, *tax free* and at *zero interest cost.*

Taken as a whole, the investor not only receives an attractive interest rate completely tax free but also has no obligation or need to repay the loan.

ANOTHER advantage is that this interest is not included in the Social Security tax calculation, as would be the case with municipal bond interest.

In addition to taking out accumulated interest as a loan, the insured can withdraw a part of the principal as well without disturbing the life insurance coverage. In this case, however, the insured would have to pay an interest cost that may run anywhere from 2-3 percent.

An important caveat: Recently the House Ways and Means Committee has adopted a proposal to change the taxation of loans. The proposed change would apply to all policies issued on or after June 21, 1988.

If this proposed change is enacted into law — and there is a good possibility that it will — then loans would be taxed as ordinary income, although interest will continue to accumulate tax deferred. Incidentally, what the *final* grandfathering date will be is not yet known.

Single-premium universal life

Defined by Congress as "flexible premium life," SPUL *appears* to be a mirror reflection of SPWL, but it is not.

Universal life is interest sensitive, and, within limitations, premiums can vary as to the amount and timing. Some universal policies have minimum "target" or initial premiums, but no specific requirements for subsequent premiums.

In most instances, universal life policies are sold to people who intend to make periodic premium payments. When the premium paid is one lump sum, the policy is called SPUL.

SPULS ARE interest-sensitive products. At present, a typical UL policy earns 9 percent, although some policies may offer higher rates. *However, mortality costs are* deducted from these gross rates, so the net rate may be 8 percent, which is comparable to the SPWL rate.

SPULs have several attractive investment features:

- Interest grows tax-deferred.
- Interest can be taken out as a loan, which escapes taxes.
- Future premium payments are totally eliminated.
- Withdrawal of principal is permitted at zero cost.

On the negative side, however, is the fact that interest of around 1 percent is charged on all loans, *whereas loans from a SPWL are generally free of interest charges.*

As in the case of SPWL, the Congress is likely to make loans from SPUL taxable, although that is by no means certain. If it does, both SPWL and SPUL will lose much of their attractiveness as investment vehicles.

Next week: More on insurance-related investment products.

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