

The Yugo stumbled, but others might not

If you are one of those people who believes that what this country needs is a good \$5,000 car, the trials of Global Motors aren't encouraging. Global Motors imports Yugos. Branchchild of promoter Malcomb Bricklin, Global is in the midst of what is politely referred to as "reorganization," the aftermath of Bricklin selling it to a group of investors represented by Mabon Nugent and Co. for \$20 million.

Almost from the start, the Yugo was not a well-loved automobile, whether it was voiced in spray paint on expressway overpasses by irate Albanians or in frequent consumer studies that indicated it had the worst quality record of any car sold in the United States. Regardless, it

had one ingratiating quality: the \$3,995 advertised price tag. On the surface, there should have been a strong market for such a car, whether as a second-car commuter, a first-car buy, or even an act of desperation. Along with being one of the few Western nations without a national health insurance program, the United States and Sweden are among the few car-making nations without cheap cars.

One reason cited is that domestic manufacturers chronically complain there is no profit in cheap cars.

BRICKLIN TRIED to sidestep the manufacturing cost problem by importing cars from underdeveloped nations. First the Yugoslavian-built



auto talk
Dan McCosh

Yugo, and later the plan was to include a Japanese-designed car built in Malaysia.

The idea wasn't as crazy as it seemed on the surface because established manufacturers were supplying the expertise for the projects, and the lure of export earnings prompted the local governments to bend over backwards to supply the

cars if Bricklin could sell them.

As it turned out, he couldn't. Yugo sales are about a 30,000 annual rate — about a third of the volume a reasonable import franchise network needs to be profitable. Comprehensive warranties, easy, if expensive, financing and even a couple of sport models did little to change the picture for Yugo, with the main hope

left for Global the yet-to-be-delivered Proton Saga.

Global's troubles can be quickly traced to product quality, consumer mistrust or problems with setting up the dealer organization.

On the other hand, I suspect the most significant factor in the Yugo saga may have been the nature of the cheap car market in the United States.

ONE OF THE problems Yugo ran into was qualifying credit for first-time buyers. Loosening credit requirements translated into credit-card-like interest rates — terms that offset the initial low price of the car.

In the same market, U.S. urban

car insurance rates quickly equal a monthly car payment, and the total of the two monthly installments on a \$5,000 car lands in the neighborhood of \$350. In other words, the paper costs of car ownership — mainly interest and insurance, is such a big portion of the total, the low cost of the car becomes almost incidental.

Regardless, the Yugo enterprise is being closely watched by others interested in similar imports, including the Romanian Dacia, the Indian Mahindra and the Grecian Datsun — all built in countries poor enough that a Yugo seems like a luxury beyond their wildest dreams.

Dan McCosh is the automotive editor of Popular Science.

annual Social Security income

1987 earnings		\$20,000	\$25,000	\$30,000	\$35,000	\$45,000+
age in 1988						
25	Individual	11,796	13,548	14,568	15,600	17,625
	couple	17,688	20,316	21,852	23,400	26,472
35	Individual	10,896	12,540	13,476	14,436	16,296
	couple	16,344	18,804	20,208	21,648	24,444
45	Individual	9,972	11,496	12,260	13,104	14,412
	couple	14,952	17,244	18,540	19,656	21,612
55	Individual	9,048	10,334	10,920	11,352	12,036
	couple	13,572	15,516	16,380	17,028	18,048
65	Individual	8,100	9,216	9,564	9,792	10,056
	couple	12,144	13,824	15,340	16,688	18,084

Don't overlook Social Security when figuring retirement income

By Sid Mitter
special writer

More than 90 percent of our financial planning clients do not have complete information on their Social Security income. This is not surprising, considering that many don't believe they can count on Social Security being there when they retire.

What can you expect?

The accompanying chart (Money, August 1988) presents a summary of your expected Social Security earnings in 1988 dollars. For instance, if you are 55, have a non-working spouse and earned more than \$45,000 in 1987, you may expect to receive \$18,048 a year from Social Security when you reach 65. In preparing this table, the Social Security Administration assumed that your annual income, adjusted for inflation, will rise by 1 percent per year.

The key provisions

1. The earliest you can claim Social Security benefits is at age 62. However, at that age you can get just 80 percent of your full benefits. You will receive your full benefits if you wait until age 65.

2. If you continue to work until you are 70 and then claim Social Security income, your benefits will increase by 33 percent.

3. Upon your death, your children will receive Social Security benefits until they reach 18 or 19, depending upon when they finish high school.

Also, a non-working spouse can collect Social Security until the youngest child is 18. However, if the single spouse starts working, he or she will lose \$1 for every \$2 earned in excess of \$4,000 a year that those recipients between 65 and 70.

4. In addition to retirement benefits, Social Security pays disability benefits. However, you receive these benefits only if you are unable to work for a year or if you are terminally ill. Also, disability benefits include income for dependent children.

Time for action

In order to get your Social Security

benefits in the form of an eight-page document, "Personal Earnings and Benefit Estimate Statement," call 1-800-937-2000 and request form SSA-7004. Six to eight weeks after you mail this form, you will receive your personal earnings statement.

Seminar: "New President in 1989 — Good or Bad?" "Making Money in a Sideways Market," "Annuity — A Booming Market," "CD: No Penalty For Early Withdrawal" and "Trading in Limited Partnerships."

The seminar, sponsored by the Observer & Eccentric Newspapers and Coordinated Financial Planning, will be 7-9 p.m. Tuesday, Dec. 6, in the offices of Coordinated Financial Planning, Sheffield Office Park, 3250 W. Big Beaver, Suite 540, Troy. For reservations, call 643-8888.

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