

# Boost 401(k) to cut taxes

Continued from Page 1

worth. He has the time and has demonstrated the temperament to be a successful landlord. He is also experienced in many types of home repairs.

"SHOULD I use a home equity loan for a down payment on other investment properties?" he asked. "This seems to me an excellent use of some of my equity."

If he were an aggressive investor, this might be appropriate strategy especially if he finds the right property. Using a modest home equity loan of \$5,000 to \$10,000 would allow him to buy a second property.

We'd strongly suggest he seek a property in a desirable location with positive, or at least break-even, cash flow after expenses. Any profits from his two properties should then be recycled into additional future investments.

PORTER SHOULD be careful not to extend himself too far in taking on additional debt. There is an

old saying about debt: "He who wants Lent to seem short should contract debt to be repaid at Easter." His monthly mortgage payments must be made regardless of whether the rental property has tenants.

The diligence and effort Porter is willing to put into building his financial future bodes well for his probable success. He should periodically track his progress toward financial independence and adjust his strategies as circumstances change.

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 Ferrara, Foulk, Ellis, Roeder & Lazar. He is immediate past president and current board member of the southeast Michigan chapter of the International Association for Financial Planning.

# Would-be entrepreneurs savor experts' pointers

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"Have a legal plan. Two critical areas to consider are employment issues and environmental issues. Wrongful termination is the biggest area of litigation today. How did we hire someone, how do we evaluate job performance, how to fire — there are no clear-cut standards, it turns on common sense."

REGARDING ENVIRONMENTAL issues: "There are no defenses if you violate the law. There is strict and retroactive liability. Know the law."

Pesses told the story of one of his clients, a trucking company that hauled non-toxic materials to a dump site 10 years ago. "They are now involved in a \$50 million cleanup because the EPA found the company name on one barrel at the site. The EPA says they are a potentially liable party. Ten years ago this dumping was perfectly legal."

"Most of all, know regulatory compliance with government agencies."

SUCH WAR stories could scare potential business entrepreneurs from taking chances, but speakers expounded on the importance of risk taking.

"Decide what you want and love what you're doing," said Mark, who has kept off 50 pounds through maintenance on the Weight Watchers behavior modification program for 23 years.

She only hires people who have had a weight problem; it's one of her business philosophies.

"Set a time limit, a dollar limit. Believe in your gut feeling. Walk away from mistakes without regrets. "Whatever your service or whatever you are selling, be in love with it. If you don't smile every day and have some fun with it, then it's not worth doing."

More information on the entrepreneurship forum and other small-business seminars is available from Small Business Development, Greater Detroit Chamber of Commerce, 600 West Lafayette Blvd., Detroit 48226.

## clarification

In last week's business section, we incorrectly named the auction company that sold seized property. It is Midwest Auto Auction, 14666 Telegraph, Redford.

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# Famous before its time

## Chevy has high hopes for ZR-I Corvette

There's a used 1989 ZR-I Corvette for sale in the February issue of Road and Track, an ad that wouldn't stand out much from the "runs good" MG's and BMW's except for one thing. Chevrolet hasn't yet sold any ZR-I Corvettes, and may not until next fall.

The ZR-I is a 390 horsepower version of the stock Corvette, which Chevy hopes will be the fastest fully certified production car on sale in the United States. Chevrolet hired Lotus engineering to develop a 390 horsepower engine for the ZR-I, and advanced publicity has made it famous before its time. With the ZR-I program running a bit late, there are a lot of disappointed Corvette aficionados who need it to get from Birmingham to the foot of Woodward in six minutes. Even more disappointed in this sort of situation are the enthusiasts who gave non-refundable deposits to dealers who then put them on a list to be first to be able to pay \$50,000 or so when the ZR-I finally arrives.

Like Harold McMillan, who placed the ad in Road and Track.



auto talk

Dan McCosh

AS IT turns out, McMillan, who lives in Phoenix, liked what he had heard about the ZR-I so much that late last fall he plunked down his deposit for the car he hoped would be available in the spring.

It was then he began a fast review of his budget and got cold feet. "I thought I might have some trouble paying for it, so I decided to sell the car. But I knew it takes about 90 days for one of the car magazines to be printed, so I took out the ad, figuring it would come out about the same time as the car," he told me.

Since selling a car that you don't have makes about as much sense as paying for it in advance, it only seemed right that the car in the ad, a 1989 model, might end up never existing at all. Production has been slow getting started, and now it

looks like Chevrolet may wait until the 1990 Corvettes are introduced before it sells any ZR-I's.

WHILE I marvelled at Mr. McMillan's phantom Corvette, it turns out that this kind of thing goes on all the time when a particularly hot car is about to be introduced.

"Some people put down their deposits, then they sell their place in line," Leon Mandel, publisher of Autoweek magazine, which runs a lot of performance car classifieds, told me. The game is played something like stock options and is followed by a short speculative market after the car actually shows up, when it frequently goes up in price, unlike every car I buy.

It's not a game without risk, however. The last Eldorado convertibles

shot up, then down again. When the Pirelli ended production, a few potential collectors tried hoarding them but ended up worse off than the Hunt brothers.

When contemplating the speculative market in hot cars, it's best to remember that not every rare car is a potential GTO Ferrari. Sometimes things change, as Chevrolet announcing the end of the Corvette convertible a couple of years ago, then reviving the marque. At least one collector sued to stop production of the new softops.

Even genuine scarcity is no guarantee. My father, for instance, never did any great shakes with collectibles. Despite once having owned one of the few farga top Hillman Minxes ever seen north of Toledo.

On the other hand, I've been noting a significant rise in the price of '47 Willys pickups lately in the classifieds. I figure it's a market just waiting to be cornered.

Dan McCosh is the automotive editor of Popular Science.

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