Diversification can help couple reduce risk

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plan with his employer, using after-tax dollars. The contributions are not tax-deductible, but the money is not taxed unless it is withdrawn.

Because their effective marginal tax bracket (the tax they pay on the last dollar they earn) is 37½ percent, including state income tax, the Bells could save significant taxes if Bob elects to participate in his company 401(k) plan instead. Bob could defer $7,627 in 1989 from his salary on a tax-deductible basis.

There is almost no advantage to the regular (after-tax) stock savings plan over the 401(k) because of the changes brought about by recent tax legislation. Prior to 1987, any withdrawals made were first considered a return of the employee's after-tax contributions and thus it was often possible to withdraw significant amounts from the plan without any current taxation.

Withdrawal of contributions made after 1986, however, will likely result in taxation of at least a portion of the withdrawal, as well as an excise tax penalty of 10 percent if Bob makes his withdrawal prior to age 59½. The 401(k) is a good vehicle for Bob to save for retirement, especially because his employer matches a percentage of his elective contributions.

THE BELLS inherited $30,000 in shares of the Dreyfus Fund, a diversified stock mutual fund. Currently the dividends are reinvested automatically.

"Would it be wiser to take the dividends in cash and invest them elsewhere?" Bob asked.

For growth-oriented investors, we believe it is usually best to reinvest dividends so that the growth can be compounded automatically. The only exception to this rule would be an instance where it was felt that too much was invested in that particular investment fund already.

Bob and Sharon are concerned about the policies of companies whose stock is bought by their mutual fund.

"We do not wish to make any investments in companies doing business in South Africa or in any companies known to be adversely affecting the environment or animal lives."

They are looking for what is commonly referred to as "socially responsible investments."

Dreyfus has a fund specifically oriented toward such investing — the Dreyfus Third Century Fund. It is a growth fund that evaluates companies in areas of environmental protection, proper use of natural resources, occupational health and safety standards, consumer protection and equal employment opportunity.

After they have reviewed this portfolio to determine the reasonableness of such an investment, they could transfer their money currently with Dreyfus into this fund. The transfer would be a taxable transaction, and any gain on the Dreyfus Fund would be taxed in 1989.

A CAUTIONARY NOTE: The Bells' portfolio is heavily weighted toward the stock market. Not only is the mutual fund fully invested in stocks, but Bob's stock savings plan and some of their IRAs are invested in the stock market as well. This adds up to approximately 70 percent of their portfolio and leaves them exposed to significant losses in the case of a major downward movement in the stock market.

We believe they should cushion this risk by reallocating Bob's stock savings plan. He has five investment options from which to choose, including a guaranteed interest option. A portion of his plan should be directed into this fixed income option to provide an anchor for their portfolio.

The Bells appear to have sufficient life, disability, health and auto insurance coverage. But they own approximately $20,000 in collectibles (art, antiques, coins) for which they have not bought special insurance coverage. Each of these items should be separately appraised and covered under their homeowners policy as "listed property" on a rider attached to their policy.

Should a loss occur without obtaining the separate "listed property" coverage, the normal insurance policy would cover only a small portion of the value of these collectibles. Purchase of the rider to their homeowners policy can add full coverage for these valuable items.

BOB AND Sharon have recently updated their wills but are concerned they may not have done enough.

"Should we have executed a trust as well?" they asked. Under Michigan law, a properly executed will is sufficient to state to whom property of the decedent is to be distributed at death.

The will is part of the probate process. Probate involves the winding up of the decedent's affairs by inventorying the assets, filing documents with the probate court in the county where the decedent lived, and eventually distributing the assets pursuant to a probate court order.

To the extent that Bob and Sharon want to avoid probate, a revocable or living trust can do this, while still offering total control and flexibility for both of them during their respective lifetimes. Any assets transferred to the trust prior to death avoid probate because they are titled in the name of the trust and not in the decedent's name.

The trust can also be used to declare "final takers," those parties or entities to whom Bob and Sharon want their property to go upon their joint deaths. Depending upon the size of their gross estate, a trust also might be useful in reducing or eliminating federal estate taxes.

BOB AND Sharon plan to buy a new car within the next two to three years. Bob is considering borrowing against his stock savings at an interest rate of 2 percent below prime instead of taking a conventional car loan.

We would suggest that he start saving now for this major purchase by setting up an "escrow" account — a separate account at a bank or money market fund into which monthly contributions are made.

In this manner, the Bells can accumulate the bulk of the money needed to buy the car, and any borrowing should be minimal. Even if the money from his stock savings plan can be borrowed at below market rates, Bob is losing the earnings that money could be generating within the plan.

Many of the pieces of the strategy required to meet Bob and Sharon's financial goals are in place. With some modifications to their portfolio and investment vehicles, their goals are easily reachable.

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 Couzens, Lansky, Fealk, Ellis, Roeder & Lazar. He is immediate past president and current board member of the southeast Michigan chapter of the International Association for Financial Planning. Family Finances appears the third Thursday of each month.

Alex J. Etkin marks 50 years as general contractor

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tion pegs Etkin as the fifth leading general contractor in southeast Michigan, a listing Etkin doesn't dispute.

A second office was established in Denver almost a decade ago. A current project, Cherry Creek, will be the largest shopping center in Denver when completed. Local projects under way include a 300,000-square-foot office research facility in Auburn Hills and Harbortown Phase II in Detroit.

Etkin expanded operations west when his son, Bruce, was an engineering student at the University of Colorado.

Bruce and Etkin's other son, Douglas, an attorney, are partners in Etkin Equities, a major real estate development firm concentrated in the Farmington Hills, Southfield and Troy area.

"They like developing better than construction. I prefer construction," he said.

A massive color glossy panoramic view of the Detroit skyline from Windsor hangs over Etkin's desk in his plush Farmington Hills office, accented with black leather furniture. Another smaller print, a watercolor of downtown Detroit by a Wayne State art department chairman, is also displayed. Near the van der Rohe sketches, there's a caricature of the 70-year-old Etkin, huge Havana cigar in hand, dressed in a suit topped with a white hard hat. The cigar is a trademark, although he admits he has cut down from four to one a day.

JUST A FEW weeks ago, Etkin Construction hosted an open house at the new headquarters on Northwestern Highway near Middlebelt to celebrate the beginning of its 50th year of operation.

"We are extremely proud that many clients call on us repeatedly for their construction needs," he said.

Etkin said his firm has been successful because of high professional standards, workmanship and outstanding people. The willingness to take risks also played a big part.

"Nothing scared me. I thought I knew what I was doing. At Lafayette Towers, we brought in the first Swedish equipment — elevators and new types of cranes. I was never afraid to take a chance. My theory was, as long as I had good health, I could do anything. I was also always fortunate to have good people."

There are more than 100 permanent workers employed by the firm today.

Etkin also prides himself in a continuing good relationship with the labor force. "We've always cooperated with labor," he said.

Etkin is a past president of the Associated General Contractors local and a life director of the national association, which has more than 8,000 contractor members.

He is also on the board of governors of Technion-Israel Institute of Technology in Haifa.

business people


Hawkins


Provost


Giannotti


Kerzic


Durham


Carson


Schroeder


Frey


Peard


Ludwig

Cheryl Hawkins and **Ray Carson** of Southfield were promoted from account representatives to account executives at Casey Communications Management Inc. in Southfield.

David T. Provost joined Bloomfield Hills Bancorp Inc. as president.

William F. Schroeder of Troy was named partner-in-charge of Coopers & Lybrand.

Geni M. Giannotti joined Jay Alix & Associates of Southfield as an associate.

David A. Frey of Rochester Hills was appointed regional manager for the Bostik Division of Emhart.

Richard C. Kerzic was named director of the Design/Build Group of William Beaumont Hospital.

James R. Peard of Troy was named associate hospital director at William Beaumont Hospital, Royal Oak.

Karen Ayala, Lynne Dorando and **Linda Froeschke**, all of Farmington Hills, received Outstanding Performance awards from D'Arcy Masius Benton & Bowles/Bloomfield Hills. Ayala is an account executive on the Whirlpool Corp. account. Dorando is an art supervisor on the Whirlpool Corp. account. Froeschke is a media supervisor on the Pontiac Motor Division account.

John V. Olsen was appointed president of the building products division at Diversified Group, Abitibi-Price Inc. of Troy.

Judith L. Morgan of Farmington Hills was named second vice president of the Orchard Lake Branch of Manufacturers Bank.

Robert T. Barnard of Bloomfield Hills joined the Southfield office of Grant Thornton.

William Ludwig of Bloomfield Hills was named executive vice president and creative director of the Chevrolet account with Lintas:USA in Warren.

Michael G. Wega of Birmingham joined the Detroit office of Monumental Life Insurance Co. in Southfield as an agent.

Frank A. Houbanisin Jr. was admitted to the partnership of Grant Thornton of Southfield.

Pamela Johns joined Trowbridge House Communications Corp. of Troy as creative director.

Denise Souligney was named account supervisor with Associates Creative Inc. in Southfield.

Dawn Durham of Farmington Hills was appointed media manager of Brewer Associates Inc.

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