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classifieds inside

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Early start bodes well

But plastic debt is high

By Alan Ferrera 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 resources 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.

To receive a free financial planning brochure or to obtain a questionnaire to have your finances reviewed in this column, contact the Center for Financial Planning, Dept. 100, 877 S. Adams, Suite 202, Birmingham 48009 or call 642-4000.

FAMILY FINANCES

Financial Position

INVESTED ASSETS

Fixed interest assets

Checking/Savings	$1,300
Money Market	$1,500
Savings Bonds	$1,300
Stocks	$13,400
Mutual Fund	$12,000
IRAs	$10,000
Real Estate Interest	$8,500
Total Invested Assets	$48,000

NON-INVESTMENT ASSETS

Home	$90,000
Other (including auto)	$12,000
Total	$102,000
Total Assets	$150,000

LIABILITIES

Home Mortgage	$29,500
Credit Cards	$3,000
Net Worth	$117,500

It has been said that proper preparation prevents poor performance. This month's situation centers on Sheri Woods, who is trying to prepare for a solid financial future.

Woods, a single parent living in Farmington Hills, earns $24,500 as a legal secretary. Her income is supplemented by child support payments of $300 per month.

His short-term goals are modest — she would like to buy a new car this fall and do some home remodeling at a cost of approximately $3,500. Her long-term goals include preparing for her son's college tuition costs and beginning a program of retirement savings.

WOODS, 36, has been frugal with her money. Her only "extravagance" is sending her son to a private school at an annual cost of $1,000. Her son's education will continue to be a high priority for her.

Although she would like to be able to send her son to the college of his choice, she realizes that money constraints may require that he attend a college near home or perhaps a community college for two years to reduce costs.

Woods and her son should plan for this early. We suggest that when her son, who's age 10, enters high school, Woods should familiarize herself with college financial aid programs, talk with financial aid counselors and make use of the many excellent resources available at local libraries.

WE WOULD also strongly suggest that she involve her son in the process of selecting a college and financing his education. If possible, it may be a good idea to allocate a majority of the child support payments (beyond that being used currently for private school expenses) to a college fund.

In general, Woods' estate planning is in reasonably good shape. She has established a testamentary trust within her will. The trust takes effect on death and acts and part of her will.

Presumably the needs of her son and the eventual distribution of assets to him is taken care of under the terms of the testamentary trust. One concern to note here is that because the trust is established within the will, it will remain a part of the probate process under Michigan law until all of the assets have been distributed.

THIS MAY create additional cost and delay under the probate process.

At some point Woods may want to consider modifying her estate plan by executing a revokable or "living" trust to replace the testamentary trust. The living trust, because it is a separate document from her will, will not be a part of the probate process and therefore will not delay the closing of the probate.

TO THE extent assets are funded into the living trust prior to death, they can be controlled for the benefit of Woods and her son if Woods becomes incapacitated.

Except for disability insurance coverage, Woods' insurance picture is in good order. She currently has $50,000 of life insurance coverage that, with other assets, is sufficient to provide for her son's needs should anything happen to her.

She also has full coverage for her home and automobile, including at least $300,000 of liability coverage in each policy. She may want to review the collision coverage presently carried on her car.

BECAUSE IT is an older model (1983) with a value of just $1,500, she might find it advantageous to drop the collision and comprehensive coverage on this auto. After paying the $200 deductible on any claim, the maximum she could collect from the insurance company on this policy is $1,300.

The significant premium cost of this coverage may not warrant the limited potential benefit. Once she buys a new car, she should add collision and comprehensive coverage for that car.

As the sole wage earner of the household, Woods realizes the need to protect her income stream in the event of her disability or illness. If she has no disability coverage available through her new employer, she should consider buying a personal policy covering their income needs until age 65. At her age, the premium should be affordable, and this would fill a major gap in her insurance picture.

ONE FINANCIAL weakness we see is the credit card debts that Woods maintains, and the high interest cost associated with the debt. Woods may want to consider establishing a home equity loan to repay all the credit card debt.

The interest rate on the loan would be lower and would be fully deductible for tax purposes. Care should be given with this strategy, and she should pay off this home equity loan in a two- or a three-year time frame if at all possible. She should resist the urge to extend the period for repaying this loan.

ANOTHER OF Woods' concerns is planning for retirement because she alone is responsible for her long-term financial security. She should be commended for thinking about this so early.

She is fundamentally in good financial shape and because she has the desire to begin providing for long-term financial security now, with proper planning she has a good chance of meeting her goals.

Her most consistent method of saving over the most recent years has been to over withhold taxes from her wages. She then receives a lump sum tax refund and invests it.

THOUGH SHE knows that this is not the most advantageous way to save, it is a forced discipline that puts money aside that might otherwise be spent. Her refunds have been about $2,000 per year.

If Woods believes that this is the only way she can set aside money for the future, she should continue this practice. But there may be other ways to reach the same objective, such as direct deposit of a portion of her income into a separate savings account.

Another plus for Woods is the profit sharing plan that her new employer maintains. Over time this

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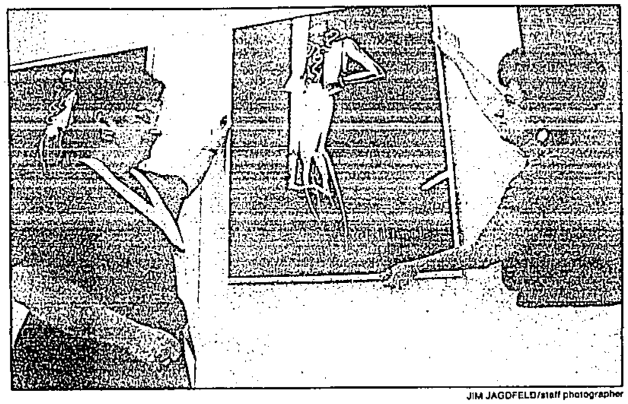
The Bottom Line

Financial strengths

- Owns own home with $60,000 equity.
- Modest debt load.
- Good estate plan.
- Solid auto, home, medical insurance.
- New employer provides retirement plan.

Financial weaknesses

- Cash reserves are too low.
- Limited income, sole wage earner.
- No disability insurance.
- College expences upcoming.
- Retirement savings are uncertain.



JIM JAGDFELD/staff photographer

Chris Malinowski (left), owner of the Avon store in Livonia, with Jan Allen of Farmington. This is the first Avon products outlet store in the country.

Avon opens outlet store

Avon calling.

Glamour and Gifts To Go, a modest shop off Middlebelt near Five Mile in Livonia, is the nation's first Avon outlet store, dubbed the "Avon warehouse" by founder and owner Chris Malinowski, 36. An Avon dealer, she conceived the retail shop idea after deciding the extensive traveling required of her as a door-to-door Avon saleswoman had to go.

"Every so often I come up with something innovative," she said of the idea that Avon corporate executives have called "ingenious."

Receiving Avon legal approval earlier this year, Malinowski launched the shop in April, slowly building a clientele of Avon aficionados who live in areas where there are no sales representatives.

Collectibles, limited editions of Avon ceramics, and a wide array of Avon-manufactured jewelry, cosmetics, scents and lotions are all available at Glamour and Gifts. "Wanted" boards assist in matching customers with coveted hard-to-find merchandise.

Malinowski also sells Avon's current items, including videos on such topics as successful fishing and Mary Hart's Shape Up to an new line of MTV paraphernalia.

"HAVING BEEN in the business (Avon door-to-door sales) for five years, I knew quite a few of the girls (other saleswomen), and I knew they each had quite a lot of extra stock," Malinowski said.

For many, disposing of old stock was arduous and financially unsound.

The idea of an outlet sprang to life at a party of Avon reps last Christmas in the home of Jan Allen of Farmington. Allen, who took over her daughter's Avon route four years ago, now works hand in hand with Malinowski.

Originally, Malinowski wanted to name the shop Chris' Avon To Go, but the idea was quashed by corporate officials. Now she has been given the green light to include "featuring Avon products" in all advertising.

"BUSINESS HAS been a little slow," Malinowski admits, but she expects things to pick up next month when Avon sales traditionally rev up in anticipation of the Christmas season.

Glamour and Gifts occupies 1,100 square feet of space in a storefront set back off Rayburn Street. The front of the shop features display cases full of such products as miniature Avon ceramics of Scarlet O'Hara or Elvis and bottles of Colla-

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