

Competition will be stiff for new U.S. small cars

You don't hear much talk about pushing imports to the shores these days, at least partly because today the shore in question is the west bank of the Ohio River.

Regardless, this year there is the strongest effort in history to recapture some of the ground lost in the small car market to imports, with the upcoming launch of the new Ford Escort and the new Saturn car line.

Ford has hardly licked them, and barely joined them, having developed the Escort off the new Mazda 323 platform, and turned over most of the manufacturing engineering at the newly refurbished Wayne assembly plant to Mazda as well.

THE RESULT is an operation that

more closely resembles a Japanese transplant than a domestic small car, with the shift in strategy particularly beneficial to the Japanese machine tool industry, which supplied nearly all the big-ticket machinery to build the new Escort.

The result is a lot of American assembly line jobs more or less secured by a domestic assembly operation, although American college grad types, particularly engineers, don't fare so well.

Aside from the obvious development from the Japanese engineering staff, which made most of the critical decisions that directly affect ride, handling and the overall feel of the car, most of the engineering work that goes into development of modern production equipment like-



auto talk
Dan McCosh

wise was done in Japan.

In some ways, this could be even more critical than the car program itself. Contracts for production equipment on the scale of a Wayne assembly plant are largely an act of faith in the abilities of the company that gets the contract since they are engineered and built on a custom basis.

Roughly \$50 billion stamping

press orders from GM, Ford and Chrysler have gone to Japan in the past decade or so, nearly bankrupting the U.S. industry, which likely will never recover since such orders only come every 25 years or so.

The result, in the early appraisals, is a fine small car. Ford has proved to be the only company that seems to be able to embark on a hybrid development and produce a product argu-

ably superior than either parent could do alone.

NOW COMES GM's Saturn plant, which also is heavily reliant on Japanese machine tools but which is based on an indigenous effort at re-creating the capability of a domestic car company to develop a new car from the ground up.

Without any great sense of irony, GM types point to the Corvair as the last such all-encompassing effort, which involved developing a new engine, transmission, chassis and body.

Early appraisals of the Saturn also indicate it is a fine small car, at least competitive, if not superior, to the best from overseas.

The two products ultimately will have a tough go in the marketplace,

not because they are not competitive, but because they will have to displace something else — most likely the recent Korean efforts, a weaker Japanese company, Volkswagen or Chevrolet's GEO division, just getting on its feet.

PERHAPS MORE important is the residual fallout that will make the ground rules for such programs in the future.

In Ford's case, even better cooperation with the Japanese. In GM's case, the ability could be gained if not to push them to the shores, then at least to gain some practice in giving them an elbow in the ribs.

Dan McCosh is the automotive editor of Popular Science.

Life insurance can be a good tool for people in business

First of 3 parts

In recent weeks I have seen national network commercials in which the viewers are asked to "keep New York Life." This is done primarily to earn respect of the general public for the insurance industry.

The ubiquitous apathy of the general public toward life insurance is most regrettable. I believe that life insurance is an extremely valuable financial planning tool.

In a three-part article I will discuss some of the time-tested uses of life insurance.

Buy-sell agreement

The death of a principal owner of

a business can create serious financial problems for the business and for the estate and survivors of the deceased individual.

Usually, the deceased's interest in the business is a dominant portion of the total estate. The estate tax payable can place a substantial burden on the estate and the business.

To meet expenses, the estate may be forced to liquidate the interest in the business. And, if it is sold under adverse conditions, substantial losses may be suffered as a result of a forced sale.

Even more important, if corporate stock is sold to outsiders, the surviving shareholders' interests may be jeopardized.

All of these problems can be handled with buy-sell agreements,



finances and you
Sid Mittra

which provide for the orderly transfer of the deceased's business interest to surviving partners, stockholders or key employees at fair values determined in advance.

Life insurance is used to assure that the money will be available either to the business or to an individual when the business interests are to be transferred.

The death of the owner whose in-

terest is to be bought triggers the mechanism that produces the necessary money — the life insurance policies on the owner's life. The proceeds from these policies give the buyers the needed money to pay the estate the agreed price.

Key man insurance

No one would try to run a business

without adequate insurance to cover possible loss of assets, operating facilities and profits in the event of fire, theft or other disaster.

Similarly, businesses frequently protect themselves against the loss of a partner, executive or other key employee. This is accomplished by means of life insurance.

More specifically, the company owns the insurance policy, is the sole beneficiary and receives the full proceeds in the event of the death of the insured.

In addition, by using the cash value, the company can provide a cash reserve to finance additional retirement benefits for the executive in the event that he or she does not die prematurely.

Next week: More on insurance.

Seminars 7-8:30 p.m. at the offices of Coordinated Financial Planning, Sheffield Office Park, 3250 W. Big Beaver, Suite 540, Troy, the following Tuesdays:

May 15: Tax-free (82 percent) annuity income without losing the principal; May 29: How to choose the best mutual fund; June 12: What to do with lump sum distribution in retirement; June 26: Reducing retirement worries.

For reservations, call 643-8888.

Sid Mittra is a professor of finance, school of business at Oakland University and owner of Coordinated Financial Planning.

Weekly cash flow system helps small businessman act in time

You see the bills and know what your obligations are. There's some money in the account and, of course, there are the accounts receivable.

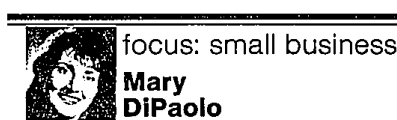
Just then, your accountant delivers the company's monthly financial statement. Although it indicates that your business has been profitable, you find yourself still wondering where your company stands.

If this sounds all too familiar, you may want to consider starting a workable weekly cash flow management system for your business. For those interested in seeking a better way to handle their money and plan for its use, such a system has proven very successful for companies of all sizes.

WEEKLY CASH flow management systems often are confused with accounting and, as a result, usually are ignored as a management tool, said Ron LeTourneau, principle with the Southfield-based management consulting firm of LeTourneau, Loh & Associates.

"Accounting basically serves to identify and ultimately summarize the financial aspects of past business transactions for a firm," LeTourneau said. "The main audiences for the financial statements include bankers and tax authorities."

Business owners often don't understand them or find them to be irrelevant. When compared to a weekly cash flow management system, accounting merely tells firm manage-



focus: small business
Mary DiPaolo

ment "what happened" as opposed to what will happen in the future.

"ANYBODY CAN make money. The trick is being able to keep it."

As such, a weekly cash flow management system gives the decision makers the ability to predict the company's cash needs before they occur — and could potentially harm

its financial position.

Such systems are not meant to replace a firm's current accounting procedures, he said.

"The right system is simply a process that assembles the firm's financial information in such a way that it becomes understandable to company management and, as a result, truly useful for short-term business plan-

ning purposes."

As a management consultant working with small- to medium-sized companies, LeTourneau has found that cash flow-related problems prevent a majority of firms from dealing with issues requiring attention and action before they occur.

"NO MATTER what a company's specific problems or opportunities might be, nothing can happen without first being able to accurately forecast the level of funds that are available to work with."

Described as a firm's "financial road map," cash flow management

systems will present relevant financial information on a weekly basis.

In two weeks, we will present how weekly cash flow management systems are designed to "remove the mystery" of the disappearing dollars.

For additional information about this type of system, readers may call LeTourneau at 351-2444.

Mary DiPaolo is the owner of MarkeTrends, a Farmington Hills-based business consulting firm. She also is producer and host of the cable television series "Chamber Perspectives."

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Liberty State Bank & Trust
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Consolidated Report of Condition of Liberty State Bank & Trust of Troy, Michigan and Foreign and Domestic Subsidiaries, at the close of business March 31, 1990, a state banking institution organized and operating under the banking laws of this state and a member of the Federal Reserve System, published in accordance with a call made by the State Banking Authority and by the Federal Reserve Bank of the District.

ASSETS

	Dollar Amounts in Thousands	Mill	Thou
1. Cash and balances due from depository institutions (from Schedule RC-A)			
a. Noninterest-bearing balances and currency and coin		\$32,500	
b. Interest-bearing balances		9,900	
2. Securities (from Schedule RC-B)		82,816	
3. Federal funds sold and securities purchased under agreement to resell:			
a. Federal funds sold			
b. Securities purchased under agreement to resell		236,574	
4. Loans and lease financing receivables:			
a. Loans and leases net of unearned income (from Schedule RC-C)		326,574	
b. LESS: Allowance for loan and lease losses		4,146	
c. LESS: Allocated transfer risk reserve		0	
d. Loans and leases, net of unearned income, allowance, and reserve (item 4 a minus 4 b and 4 c)		332,428	
5. Assets held in trading accounts (from Schedule RC-D)		0	
6. Premises and fixed assets (including capitalized leases)		2,248	
7. Other real estate owned		1,896	
8. Investment in unconsolidated subsidiaries and associated companies		0	
9. Customer's liability to this bank on acceptances outstanding		0	
10. Intangible assets (from Schedule RC-M)		18	
11. Other assets (from Schedule RC-F)		6,351	
12. Total assets (sum of items 1 through 11)		\$473,259	

LIABILITIES

13. Deposits:			
a. In domestic offices (sum of totals of columns A and C from Schedule RC-E)		\$5,656	\$422,786
(1) Noninterest-bearing			
(2) Interest-bearing		337,130	
b. In foreign offices, Edge and Agreement Deposits and IBFT			
(1) Noninterest-bearing			
(2) Interest-bearing			
14. Federal funds purchased and securities sold under agreement to repurchase:			
a. Federal funds purchased		0	
b. Securities sold under agreement to repurchase		1,628	
15. Demand notes issued to the U.S. Treasury		3,184	
16. Other borrowed money		0	
17. Mortgage indebtedness and obligations under capitalized leases		0	
18. Bank's liability on acceptances executed and outstanding		0	
19. Subordinated notes and debentures		1,600	
20. Other liabilities (from Schedule RC-G)		3,846	
21. Total liabilities (sum of items 13 through 20)		432,644	
22. Limited-life preferred stock and related surplus		0	
EQUITY CAPITAL			
23. Perpetual preferred stock and related surplus		0	
24. Common stock		2,312	
25. Surplus (Exclude all surplus related to preferred stock)		23,293	
26. a. Undivided profits and capital reserves		13,968	
b. LESS: Net unrealized loss on available-for-sale securities		0	
27. Cumulative foreign currency translation adjustments		0	
28. Total equity capital (sum of items 23 through 27)		40,573	
29. Total liabilities, limited-life preferred stock, and equity capital (sum of items 21, 22 and 28)		\$473,259	
Memoranda - Deposits of State Money - Michigan \$198,623			

I, Robert L. Dopke, Senior Vice President, Controller & Cashier of the above-named bank do hereby certify that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and the State Banking Authority and is true to the best of my knowledge and belief. We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and the State Banking Authority and is true and correct.

Robert L. Dopke
Robert L. Dopke
Cashier

Carolyn L. Spivey
Carolyn L. Spivey
Director

Michael J. Currier
Michael J. Currier
Director

William L. Liberman
William L. Liberman
Director