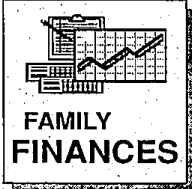


Diligent saver hears options

By Dan Boyce and Alan Ferrara special writers

Local financial planning experts reviewed the data of the family profiled here and made general recommendations based on the participants' 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. 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, 2221 Central Park Blvd., Suite 604, Southfield 48076, or call 948-7900.

"Well begun... is half done." This month's subject, Judy Tippit of Plymouth, is making a new beginning and wants to make sure she goes about it the right way. Tippit lives in a mobile home with her 7-year-old daughter. She earns \$35,000 per year working as a programmer in a small, family-run business in Northville. Her ex-husband contributes child support of \$400 per month. She has both short-term and long-term goals. She would like to buy a new car next year at an estimated cost of \$10,000 and a house within the next two to three years with an expected cost of \$100,000. From a long-term standpoint, she would like to prepare for the expense of her daughter's college education and



her potential problems as an absentee landlord, Tippit may want to consider selling the property. IF SHE DOES sell, there will be some taxes to pay. She has a tax basis in the property of about \$48,000, and if she sells it for \$70,000, she will have to pay income tax on \$22,000 of capital gain. The capital gain would result in additional income taxes of about \$6,000. Because she turned a townhouse into investment property, she could not defer the gain by buying a new residence. She may want to structure the sale on an installment basis or land contract to spread the taxable gain over several years. Tippit is currently saving about \$200 per month, which is an outstanding savings rate. Part of this savings is being put into savings bonds and part into her passbook savings account. She is planning on using the passbook savings account to buy the car next year, and subsequently the savings will be used for the house she hopes to buy. She views the savings bonds as retirement savings. We agree that it is a good idea for Tippit to keep savings for short-term goals in a liquid, stable account, but we would suggest that she consider switching her savings account to a money market account/fund for her short-term goals to get a greater return than passbook savings provide. The money continues to be immediately accessible whenever she needs it. As for her long-term goal of retirement, Tippit might better be

served by setting up a deductible Individual Retirement Account (IRA) and placing \$2,000 every year into the account (her employer has no retirement plan). In this way the principal and income are tax-deferred until withdrawn from the IRA. BETWEEN THE IRA and her "untouchable" retirement savings account, we would suggest that \$300 be allocated from the total savings. She might want to consider investing at least the IRA portion in a quality growth mutual fund, which should provide better long-term returns than the savings bonds and which would build a better balance into her portfolio over time. If Tippit is careful she should be able to meet her next targeted goal of buying a home within the next two to three years. She currently has \$30,000 equity in her mobile home, which could be used to help buy the new home. In addition, if the townhouse is sold, this will provide additional money for the new home payment. Tippit should determine how the new mortgage payment will impact on her monthly budget and cash flow, especially on her ability to save for other goals. When determining the total amount she wants to spend for the new house, she should look at what effect it will have on her total cash savings and on her cash-flow needs. We note with some concern that Tippit has no estate plan. Her assets are not so significant that she would consider a revocable living trust for tax avoidance purposes, but she may want to at least consider executing a will to provide for her daughter. It is likely that her daughter's father would be the named guardian under the law, but if he is unavailable or dies before her mother, successor guardians should be named. As some point, Tippit may want to consider setting up a living trust for the benefit of her daughter. Under Michigan law, any assets left to her daughter would be payable to her daughter at age 18. With the use of a trust, Tippit could spread out the distribution of assets to a later date while providing flexibility for the use of the funds for her daughter for whatever is needed.

Financial Position		The Bottom Line	
INVESTED ASSETS		Financial Strengths:	
Cash and Checking	\$600.00	✓ Steady income and employment	
Passbook Savings	\$6,500	✓ Good emergency reserves	
U. S. Savings Bonds	\$14,000	✓ Excellent savings rate	
Stock	\$3,200	✓ Adequate homeowners and life insurance	
Townhouse (out of state)	\$70,000		
NON-INVESTMENT ASSETS		Financial Weaknesses:	
Mobile Home	\$30,000	✓ No disability insurance coverage	
Auto	\$1,200	✓ No estate plan	
Personal Possessions	\$10,000	✓ Out-of-state townhouse has negative cash flow	
TOTAL ASSETS	\$135,300	✓ Payroll withholding is too high	
LIABILITIES		✓ Employer has no pension plan	
Townhouse Mortgage	\$52,300		
Credit Cards	\$1,000		
NET WORTH	\$82,200		

Sound designs abound

By Gerald Frawley staff writer

Imagine a world without sound. There may be some positives. No advertising. No blaring announcements. No sound bites. But think again. Not only would we eliminate the sounds we bring into our world by choice, but we also would lose the background sounds that are part of everyday life. The soft music that plays while we eat dinner. The musical scores in movies and plays that excite and calm. The radio station that quiets the nerves, thus preventing you from driving that bleepily-bleep in the car in front of you off the road. ONE LIVONIA firm, Multi Communication Systems, has been making its business by providing sound in all its myriad commercial applications for more than a decade. Multi Communication Systems, with sales of more than \$4 million last fiscal year, has built a reputation for itself as a leader in the in-

dustry that has led to a number of prominent jobs. The University of Michigan Hospital, Detroit Metropolitan Airport, the Mazda Automotive Assembly Plant, the Pontiac School District, Oakwood, Henry Ford and Harper Grace hospitals — the list of big name clients goes on and on. BUT THE job Multi Communication Systems president Lonnie Ervin is most proud of is the Cobo Hall expansion. The configuration of Cobo Conference/Exhibition Center, with its four contiguous meeting halls that can be transformed into one giant 600,000-square-foot assembly hall, posed several logistic and cost problems, general sales manager Dave Hill said. Multi Communication had to develop a system that could serve each of the four main halls separately and also serve the one large hall created when the partitions between them are removed, Hill said. The system also had to service the

"Value engineering is looking at new ways of solving old problems; sometimes using old technology in new ways."

— Lonnie Ervin

numerous meeting rooms used for the various breakout needs of conventions. The overall cost of the system came in at about \$1.4 million, Hill said. Now completed, the system requires nearly 64,000 watts of power, a 600-square-foot control room with 14 bays of 72-inch tall racks crammed with amplifiers, 1 million feet of wire connecting the whole thing, and a 20-ton air conditioner just to keep the system cool, Hill said.

BUT SOUND isn't all that Multi Communication Systems does. By definition, the company is a low-voltage communications contractor that specializes in institutional applications for the health, educational and corrections industries, Ervin said.

To accommodate this market, his company has had to expand its services to the design, installation and maintenance of security, paging, life safety, closed circuit television and computer data networking applications.

"What we really do is integrate these systems," Ervin said. Similar systems require similar installation and maintenance skills, he said, but contractors also have to be mindful of how systems affect one another.

TWO OF THE GREATEST growth areas for low-voltage communication contractors, Ervin said, are in computer networking, in which independent personal computers are linked together, and in security, both for private security needs and the construction of prisons and jail facilities.

Multi Communication Systems' success, Ervin said, can be attributed to value engineering.

"Value engineering is looking at new ways of solving old problems; sometimes using old technology in new ways."

Value engineering probably wouldn't mean anything to the layman, Ervin said.

"All he's interested in is that if he speaks into a microphone, he wants

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JIM JAGODFEL/staff photographer

In the increasingly complicated sound design industry, competitors dealing in similar products have to find a way to make themselves stand out. Front-end engineering, before electricians ever solder the first connection, ensures more flexibility at less cost, according to Lonnie Ervin, president of Multi Communication Systems of Livonia.

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