

OAKLAND BUSINESS & Finance

Seize success criteria for investment

MORE THAN MONEY

Second of two parts. Part 1 of this article was published last week.

In the investment world, it's the slow and steady investor who wins the race, while investors who always go for the home run are often forced to settle for mediocre results.

Here's an example. Two investors, Cindy and Paula, have \$100,000 each to invest for a period of five years. Cindy is a risk-averse person and settles for a five-year CD yielding 8 percent a year. Since the CD rate is guaranteed, in five years (ignoring taxes), Cindy will have \$147,000 (Table 1). Paula, on the other hand, goes for the home run. As revealed by Table 3, in four out of five years, her investment returns exceeded the CD rate, and in two of those years, the returns reached or exceeded 20 percent. Finally, she had only one bad year, in which her investment declined by 16 percent. And yet, surprising though it may seem, Paula's investment rose to only \$147,000—the same end result achieved by Cindy. Take risks.

Avoiding the temptation of hitting the home run every time does not imply that you should avoid taking risks altogether. Remember: You can't successfully steal the second base by keeping your foot on first base. Here is an example of how you can succeed by carefully managing your risks, as long as time is on your side.


Assume you wish to invest \$100,000 for 20 years. If you invest in a CD paying 5 percent, by ignoring taxes, in 20 years, it will grow to \$265,330. Now suppose you invest an equal share of \$20,000 each in five different investments bearing various degrees of risk.

Here is how your investment fared at the end of the 20-year period. The first investment was totally lost, the second investment didn't earn a penny, the third investment grew by only 5 percent a year, the fourth investment increased by 10 percent a year, the fifth investment grew at 15 percent a year. And yet, in this case, your investment grew to \$534,947—102 percent higher than the first investment (Figure 1). Let taxes work for you.

In many instances, it is advisable to elude the tax man by investing in tax-deferred invest-

Promoted

At Madonna University: Dr. Miriam Fabian, a Farmington Hills resident, was promoted to professor of English and communication arts at Madonna University in Livonia. Fabian, who has been at Madonna for eight years, earned a Ph.D. from the University of Michigan, an undergraduate degree from Marina College in Indiana and a master's from John Carroll University in Ohio.



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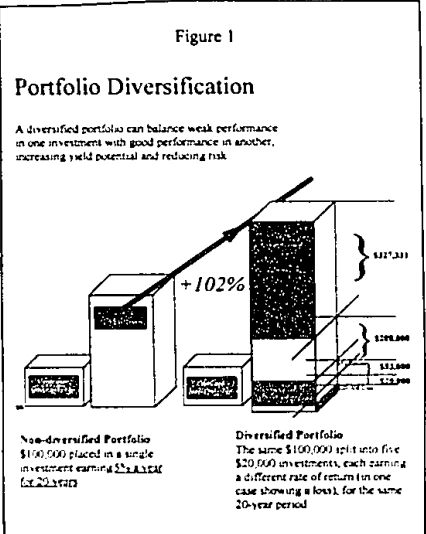
Table 1

\$100,000 Deposit

Year	XYZ Fund	Fixed Annuity
1	+20%	+8%
2	+21%	+8%
3	+10%	+8%
4	-16%	+8%
5	+10%*	+8%
	\$147,000	\$147,000

Both have equal results, but one was guaranteed!

*To be precise, this return should be 9.567%.



Commissioner re-elected to board of association

Donn Wolf, Oakland County commissioner who represents Farmington, Farmington Hills and Southfield, has been re-elected to the board of directors of the National Association of Counties (NACo).

The National Association of Counties is the only national association representing county government in the country. Its goal is to improve county government, act as a liaison between the nation's counties and other levels of government and serve as a national spokesman for county government.

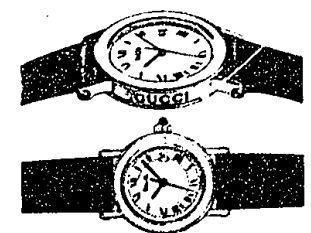
As a director, Wolf automatically sits on the Board's Resolution Committee which has overall jurisdiction over all steering committee policies and resolutions.

Wolf, who was also named chair of NACo's Energy Committee, serves on the By-Laws and Finance Committee. He has been an active member of NACo for the past seven years.

Upon his re-election to the National Office, Wolf said, "I am honored to have been elected to NACo's board and to be able to continue a leadership role in such a prestigious organization. I will do all I can to strengthen county government in Michigan and throughout the country."

NACo was founded in 1935.

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&
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4:30 P.M. Stagecrafters Presents:
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Sunday, August 12
1:30 P.M. Stagecrafters Presents:
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