

## OAKLAND BUSINESS Finance

## Stocks: The undisputed king of financial world

MORE THAN MONEY

SID MITTRA  
PH.D.

**Editor's note:** This column is being run once again, in its entirety, because a production error caused a misprint in the accompanying chart. Our apologies to our readers and to Mr. Mittra.

Buy stocks. Buy stocks. It's like a drumbeat, this unrelenting message from brokers, financial planners and fund companies. We couldn't agree more. If you're satisfied to let your money work for years undisturbed through up markets and down markets, by all means you should be buying stocks and stock funds. The market may not give you an annual return of 15 percent year after year, as it has done since the early '80s, but even if it cools off a bit in the next millennium, history suggests that no other asset type will do better in the long run.

The fascination of the American investor with stocks is fully justified. Numerous studies — both academic and financial — have clearly demonstrated that, in the long run, stocks handily outperform bonds, Treasury bills, and other cash equivalents. For instance, \$1 invested in stocks in 1800 was valued at \$3.05 million in 1992.

Over the same period, \$1 invested in long-term bonds grew only to \$6.620.

The story is repeated when we analyze a 70-year period, 1925-1995. During this period, \$100,000 invested in stocks in 1925 has grown to \$11.4 million by 1995, whereas \$100,000 invested in bonds was valued at only \$3.4 million by 1995.

These figures clearly suggest that in the long run the best place to invest is the equity market.

Statistics show that during the period 1800-1992, on an initial investment of \$100,000, the average 30-year real return for stocks was \$799,000, whereas over the same time period bonds returned only \$307,000 and Treasury bills returned

\$286,000.

The superior performance of stocks over all the sub periods is also quite evident. One can compare investment returns over any 30-year period in stocks to those in bonds and Treasury bills and discover that stocks always come out on top.

The superiority of stocks over bonds and cash is confirmed when we analyze the modern history of the market.

The accompanying table documents the annual returns of S&P 500 over a 21-year period. Eighteen of these 21 years (or 86 percent) have been "up" years, and only three were down years. This table underscores two other interesting points. First, during 12 of these 20 years, S&P 500 returns have exceeded 15 percent.

Second, declines in the S&P 500 have ranged only between 3 percent and 7 percent, whereas many of the advances have been between 30 and 37 percent.

So the unequivocal conclusion is that stocks are the undisputed king. Having stated the obvious, the real question is: Where are the stocks headed, and how can the market outdo itself in 1996? Sixty-nine new highs for the DJIA — the largest number ever in a single year — and a 500 stock index gaining 37 percent — it would be awful hard to beat this record.

Moreover, such success inevitably leads to doubts: Is it time to leave the market? Can one safely add more investing dollars to such a high-priced affair? Are there any values left? When will the bottom fall out?

Funny how so many people only begin to think of where when things appear to be overpriced.

And everybody thinks they can time significant drops, but no one ever comes forward to accept the prize.

Well, as Shakespeare said, "our reasons are not prophets." They can be compelling analogies, come with great evidence, but simply not predict the future. If that's the case, then what should John Investor do?

Sid Mittra, Ph.D., CFP, is professor of finance, Oakland University, Rochester, and owner, Mittra & Associates, a Troy financial consulting firm. You can e-mail questions or comments to Sid Mittra at smittra@oakline.com.

S&P 1975-95 RATE OF RETURN	
1975	+37%
1976	+24%
1977	-7%
1978	+7%
1979	+15%
1980	+32%
1981	-5%
1982	+22%
1983	+23%
1984	+8%
1985	+32%
1986	+18%
1987	+5%
1988	+17%
1989	+32%
1990	-3%
1991	+30%
1992	+8%
1993	+10%
1994	+1%
1995	+37%

## Avoid negative talk in interview



GEORGE HAYES

**Q** To fully explain why I left my last job, I need to talk about some personal problems. How should I handle this in an interview?

**A** If you really anticipate questions about sensitive subjects, practice giving answers that are impersonal and generic in flavor.

Most people overestimate how much detail is required to give satisfactory explanations. Keep your responses brief. Talking too much about a negative or personal issue can make you sound defensive. State your case clearly, then move on to another subject.

It's easy to fall into the trap of revealing too much, particularly when an interview seems to be going well. In fact, some people can't wait to unload information that has little job relevance and is embarrassing to hear. Last week, one candidate couldn't resist describing various marital problems at length. I felt like sticking my fingers in my ears and making shrill noises as a signal to stop.

Note that a little "apple pie" thrown into an interview can

actually score points. For example, a brief anecdote about coaching a kids' soccer team or restoring antique furniture can suggest an interesting, well-rounded person. This is distinct from a cathartic rambling about parents, divorces, addictions and financial woes.

Discuss these problems with counselors, friends or relatives. Employers will back away from candidates who don't know the conversational limits of good taste.

**Q** What's new in resumes?

**A** More people seem to be writing resumes without an Objective, opting instead for a Background Summary. I like it. While the theory behind having an objective seems to make sense clarifying the writer's intent and giving purpose to what follows, it's a boring way to begin a sales document.

Unless you are entry level, changing careers, or have a motley background, most employers can figure out possible matches by looking at your work history and skills. An objective that is too tightly worded can restrict consideration for a wider range of opportunities. An objective that is too loosely worded, such as "Seeking a challenging position with a progressive company offering long term growth" is just a waste of ink. There's more

potential harm than good in an objective.

A less positive trend in resumes is the omission of employment dates. Older workers want to hide their ages, younger workers want to appear more experienced, and job hoppers want to convey stability. It doesn't work.

Those of us in the employment business who are ordinarily delighted to work with these candidates just won't call people who have left off dates. These resumes seem to scream out that something is wrong or that the applicant is probably hiding something. It's hard to pursue a relationship with this uncomfortable feeling.

**Q** I hate my job. How can I start to explore some career alternatives?

**A** Go visiting! The best way to learn about different jobs and lifestyles is to talk with those who are in them. People are usually happy to share information about their own careers and can offer some good stuff/bad stuff perspectives that you'll never find in a book.

One of our first outplacement

candidates was sick of being an accountant and took an early retirement from Ford. The first time we heard from Joe K., he was a motivational speaker for a well-known San Diego consulting firm — a job he found through meeting people at industry seminars.

More recently, a senior-level plant manager wanted to explore the real estate industry. After meeting several brokers and practitioners in the field, the person returned to manufacturing — a comfortable, well-informed decision.

Assume nothing about a job until you ask questions. Most people will be helpful and add conversation has the potential for being life changing. There are a million ways of making a buck out there. You've got the raw talent to be successful at most of them.

Send questions to George Hayes, Job Search, P.O. Box 2497, Southfield, MI 48037. Mr. Hayes is president of Emplex Corp., an outplacement, recruiting and pre-employment testing firm located in Southfield.

## BUSINESS MILESTONES

This column highlights promotions, transfers, hirings and other key personnel moves within the Oakland County business community. Send a brief biographical summary — including the towns of residency and employment and a photo, if desired, to: Business Milestones, c/o Business Editor, Observer & Eccentric Newspapers, 805 E. Maple, Birmingham, MI 48009. Our fax number is (810) 644-1314.



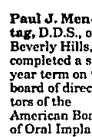
Harris

**Jerry Harris** of Troy was named senior vice president of Southfield-based Lear Corporation. He will also continue his responsibilities as president of the GM division. Harris has held many managerial positions since joining Lear in 1962.



Phillippi

**Lisa C. Phillippi** of Birmingham was hired as client service supervisor at Quell Communications Group. She will serve the firm's healthcare and high-tech clients, securing new business and monitoring client service quality. Phillippi has 10 years experience in sales and public relations.



Mentag

**Paul J. Mentag**, D.D.S., of Beverly Hills, completed a six-year term on the board of directors of the American Board of Oral Implantology/Implant Dentistry, serving as president his last year.

Mentag maintains a private dental practice in Bloomfield Hills, and was one of the first dentists in the country certified as a diplomate in implant dentistry. He is a member of the American Academy of Implant Dentistry.

**Christopher A. Chekan** of Troy has joined Howard & Howard Attorneys, P.C. in Bloomfield Hills. Chekan specializes in commercial litigation and Canada-United States commercial transactions. He is a member of the Law Society of Upper Canada and a member of the International Law Section of the American Bar Association. Caryn Gray of Southfield joined

The Berline Group as senior media negotiator, and will evaluate and negotiate all media opportunities for the agency's clients. Gray formerly served as senior media negotiator for Yaffo and Company.

**Jeffrey Serman**, of Serman and Lech, P.C. in Southfield, has been selected to serve on the 1996-97 executive board of the Michigan Trial Lawyers Association, a statewide organization of attorneys who represent people injured by the actions of others.

Serman is the co-founder of the firm and has been a member of the Michigan Trial Lawyers Association for several years.

MTLA is a statewide organization of attorneys who represent injured consumers in no-fault auto insurance, medical malpractice, product defect, workers comp, discrimination, employment and other areas of civil law.

**Esther Perman**, The first three flavors are Orange Vanilla. Very Very Strawberry and Raspberry Jazz.

## Michigan company hopes new fruity milk drink will make a splash

A dairy executive is hoping his non-fat, fruit-flavored milk will make a big splash in the market.

SMILK, packaged in wild purple, pink and orange containers, is produced and distributed exclusively in the Midwest by Michigan-based Country Fresh Inc. It has been in dairy cases in more than 100 stores in the Lower Peninsula for the past month.

The dairy hopes to start sales across Michigan and in other Midwest states later this summer, said Country Fresh President Delton Parks.

The Wyoming, MI company has exclusive SMILK rights in the Midwest and is a partner in SMILK Inc., created by the product's developer. Parks recently secured a contract with Wal-Mart to supply SMILK to more than 200 of its super stores.

"In time, this could be a \$20 million market for us," Parks said. "We're dropping more than \$500,000 into advertising. We are making a commitment to this. It will be a major product."

SMILK competes against soft drinks, said dairy spokeswoman

Esther Perman. The first three flavors are Orange Vanilla. Very

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