

BUSINESS & FINANCE

EDITOR MARGARET O'BRIEN • 901-2568

THURSDAY, OCTOBER 10, 1996 • PAGE 1 SECTION D

Second-to-die insurance has many benefits

Editor's note: This is the fifth article in a nine-part series on risk management. Next week's column will discuss first-to-die life insurance.

Want to buy \$2 million in life insurance at bargain prices and solve your estate tax problems at the same time? If that appeals to you, then you should be interested in learning more about survivorship — or second-to-die — insurance.

Policy provisions

Here's how it works. Rather than just insuring one person, second-to-die insurance covers two lives — typically a husband and wife — paying a benefit only after the second death. The policies take advantage of the fact that a life insurance policy placed in an irrevocable trust is allowed to transfer the proceeds to the beneficiaries without paying a penny of estate tax.

When the last survivor dies, the policy's death benefit can be used to cover estate taxes, which range up to 55 percent at the federal level. That can keep the estate itself intact for the heirs — an important consideration if a big chunk of the estate is illiquid — say a family business, real estate holding or an art collection. Estate taxes are due nine months after death. If you have something you can't dispose of easily, you will probably have to sell the assets at a bargain price.

Choosing the policy's owner

Death benefits and cash values belong to the policy's owner. Therefore, if the policy is owned by a couple, then the proceeds will be taxed upon the second death. However, this can be avoided if the couple makes the heirs the owners. The popular ownership options for second-to-die policies are presented in the accompanying box.

The bargain price issue

A buyer also needs to think through how a policy would work under a variety of circumstances. If you have an estate-tax problem big enough to merit a second-to-die policy, don't skimp when it comes to using an estate planning attorney, accountant or fee-only insurance advisor who can point out a policy's pros and cons.

Price is a big advantage of a survivor life insurance policy. Because payment of death benefit is delayed until after the second person dies, the annual cost of a policy actually becomes much less than insuring either of the individuals separately.

Series on Risk Management

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Indeed, if it cost \$10,000 a year to insure the husband and \$7,500 to insure his wife, it might cost only \$5,000 to insure them both. But there is good reason for the savings. Just as a 40-year mortgage may look cheaper than a 20-year mortgage, in this case the annual premiums are smaller but they go on for a much longer time.

Over the years, insurance companies have introduced several enhancements to the survivorship policies. Here are the key enhancements:

- Term insurance riders. To broaden the potential market for second-to-die policies, lots of payment options are available to reduce cost. The most popular way to lower the premium is to issue a base who life or universal life policy and attach a lower cost term insurance rider.
- Graduated premiums. Some policies provide lower premiums initially which increase over time.

See MITTRA, D3

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County small business center expands



The Small Business Development Center has helped 2,500 county businesses get started by finding funding and developing business plans. It is opening a regional center to help more.

The Oakland County branch of the Michigan Small Business Development Center, which has helped many small businesses get off the ground, closed last week.

But a regional center will re-open soon with expanded services and new cooperative initiatives.

In the meantime, inquiries of the Small Business Development Center

in Oakland County should be directed to Bob Stevens at the SBDC State Office at (313) 954-1798.

Ronald Hall, state director of the Michigan Small Business Development Center, extended his appreciation to Walsh College in Troy and Oakland Community College for helping to fund and house the Michigan SBDC program for the

past six years.

"Their leadership and support has helped to build the Michigan SBDC program into an award-winning business assistance center in Oakland County," said Hall, referring to the "Outstanding SBDC of the Year" award that the center received in 1994.

Since 1990, the SBDC has helped 2,500 Oakland County businesses get started or continue growing by locating funding sources, developing business plans and counseling management issues at little or no cost.

The center will introduce a mentoring program in addition to its

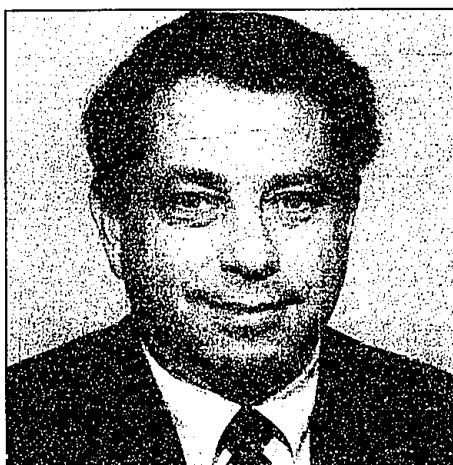
other innovative service delivery programs.

These activities are designed to identify and address the unmet needs within the business community.

"Oakland County is one of the state's leaders in business and economic development and a vital component in the strategic plans for the Michigan SBDC Network," said Hall.

According to Dwight Reynolds, district director of the U.S. Small

See SBDC, D3



On Board: Steven Schwartz is bringing his experience in law and business to Orchards Children's Services.

Volunteering

Business, law background brings Schwartz on board

BY BARB PERT TEMPLETON
SPECIAL WRITER

When Steven J. Schwartz decided to volunteer his time as a board member for Orchards Children's Services he particularly liked the idea of helping children in need.

Schwartz' recent election to the board of directors top spot seemed like a natural transition for the

dynamic attorney.

Moving up to the office of president in August, Schwartz, a managing partner for the Southfield law firm Sommers, Schwartz, Silver and Schwartz, P.C., was ready to accept the added challenge.

"Steve became very involved very quickly when he came to Orchards

and he became a great help to me," said Orchards past president Barbara Goldberg, of Franklin. "And he gets along really well with the staff and that can be very important because they have to keep in close contact."

Orchards Children's Services was established as a program of the National Council of Jewish Women nearly 30 years ago.

A non-profit, non-sectarian child welfare agency, Orchards broke away from the National Council and went independent more than a decade ago.

"There were many years when it was primarily residential care but adoption and foster care are more popular now," explained Schwartz.

The 18 member board of directors includes volunteers from across the community with various professions and ethnic back-

See SCHWARTZ, D2

Changes made in county staff dealing with local business

Opting to draw from within county government, Oakland County Executive L. Brooks Patterson has filled two key posts in his administration.

OAKLAND

John Mahoney, 55, has been named director of information technology, succeeding Paul Funk who resigned last spring to return to the private sector. Robert Dardow had been managing the day-to-day operations of information technology on a temporary basis while continuing to serve as director management and budget.

Daniel Hunter, 40, formerly the supervisor of business development, has been promoted to manager of the Development and Planning Division.

Hunter succeeds Jeff Kaczmarek who became director of community and economic development when Ken Rogers was picked to

See OAKLAND, D3

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 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.

BUSINESS MILESTONES

tooling functions for May & Scofield's U.S. plants. He's a registered professional engineer and licensed building contractor.

Mary DiTommaso Courage of Birmingham was named manager of business development at Southfield-based Netrex, Inc. Her responsibilities include managing the sales staff, maintaining client contact and determining prospective clients.

Michael Stuart of Troy was

named inside sales representative for Southfield-based Ultracom. He will be responsible for contacting new clients.



Hirm

W. Bryan Hirm of West Bloomfield was appointed area president of Troy-based Gallagher ABOW, Inc. He formerly served as area vice president and director of the group benefit planning department.

Farmington Hills-based Follmer, Rudzewicz & Co., P.C. promoted Dewey Krentz-Trotto of Warren from senior staff accountant to senior accountant at the firm's Sterling Heights office.

See MILESTONES, D4

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