

# BUSINESS & FINANCE

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SID MITTRA, Ph.D., CFP

## Figuring out insurance plan not mysterious

**Editor's note:** This is the last article in a nine-part series on risk management. Next week's column will begin a series on tax planning.

**R**egardless of how old you are and comfortable you are with your current financial situation, any discussion of life insurance is bound to elicit emotional responses ranging from sheer exasperation to great relief. The reason is not hard to find. Life insurance is used as a tool for risk control, long-term investment, college education funding, estate planning, and a host of other objectives. It's little wonder that the topic of life insurance is frequently surrounded by myths, partial truths, and, most frequently, distrust for the agents who market them.

In this article we will explore the topic of computing your insurance needs.

### Computing insurance needs

There is no mystery to determining how much life insurance you really need. Although the typical life insurance consumer thinks of purchasing life insurance only to cover a major catastrophe, the real solution boils down to a simple question: How large a lump sum is required today to provide the needed lifetime income for the surviving family in the event of the untimely death of the breadwinner. The best way to illustrate this point is to determine the life insurance need of a hypothetical family. Bob, 40, and Sue, 38, Hohnsauer have two children, Rita, 13, and Robert, 11. Sue is a homemaker. It is assumed that if Bob were to die today Sue will not start working and the surviving family will need a monthly income of \$2,000 in today's dollars until Sue reaches the ripe old age of 100 (100 - 38 = 62 years).

At one extreme is the possibility that if Bob dies today, and Sue stashes away available cash under the mattress, then she will need \$1,488,000 (\$2,000 x 12 months x 62 years) to reach her goal. At the other extreme is the possibility that if she manages to earn a whopping 16 percent return on her investment, she would need only \$181,992 to reach her goal. However, these examples are too simplistic to be of much use, because they take into account neither the impact of inflation nor the sources from which these incomes could be derived. For instance, we know that if Sue doesn't invest the money then she will need \$1,488,000 to generate a monthly income of \$2,000 until she is 100-years-old. However, if she could invest the money at, say, 8 percent, then it would take only \$299,847 to reach her goal. That is, at 8 percent, a lump sum of \$299,847 will earn interest of \$1,188,153 (\$299,847 x \$1,188,153 = \$1,488,000) — truly an amazing story revealed by Table 1.

A matter of even greater surprise is that Sue needs \$291,392 to receive \$2,000 a month until age 80, which is only \$8,455 less than the \$299,847 which she would need to receive that income until age 100. That is, it would cost only \$8,455 to receive a monthly income for an additional 20 years, or a total of \$480,000 (\$2,000 x 12 months x 20 years). Interestingly, at 16 percent this difference virtually

**Table 1: Investment Returns**

Interest	70/32	80/42	90/52	100/62
0%	\$168,000	\$1,038,000	\$1,248,000	\$1,488,000
4%	434,265	489,489	526,531	551,378
6%	342,781	369,452	384,110	392,167
8%	274,451	291,392	291,221	292,447
10%	232,004	238,307	240,636	241,496
12%	197,575	202,659	201,594	201,877
14%	171,411	172,927	173,304	173,398
16%	151,660	151,803	151,961	151,992

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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.



**John Bascom** of Rochester Hills, president and chief executive officer of Dearborn-based Magic Line Inc., will address Paulkner & Gray's 1996 "Advanced ATM Conference: The Next ATM

Revolution" in New Orleans for a panel presentation entitled "Advanced Applications: What's New From The Networks." Bloomfield Hills-based Wesley Industries, Inc. named Iris Truitt as human resource manager of its Universal Appliance plant and Flint Coasting operation. Truitt, who is relocating to the area, will be responsible for staffing issues and achieving short- and long-term business growth goals of both operations.



**Dr. David Victor** of Bloomfield Hills, an Eastern Michigan University management professor, was named president of the Association for Business Communication, an international organi-

## Local chambers join forces for benefits



**Instead of repenting their efforts in every city, local chamber of commerce members have decided to join forces. The new alliance is expected to improve chamber effectiveness and cut costs.**

BY ROBERT SNELL  
SPECIAL WRITER

Local chambers of commerce have formed a new alliance that pools member resources, eliminates redundant programs and efforts and provides group health insurance, members of the new Southeast

Michigan Chamber Alliance announced last week.

Up until the Oct. 21 announcement, Kathleen C. Pecard, marketing director of Troy-based Pecard Electronics, lived one big instant replay during her tenure on six different chamber committees. With

six branch offices spanning three counties, Pecard repeated the same planning pitch during weekly committee meetings.

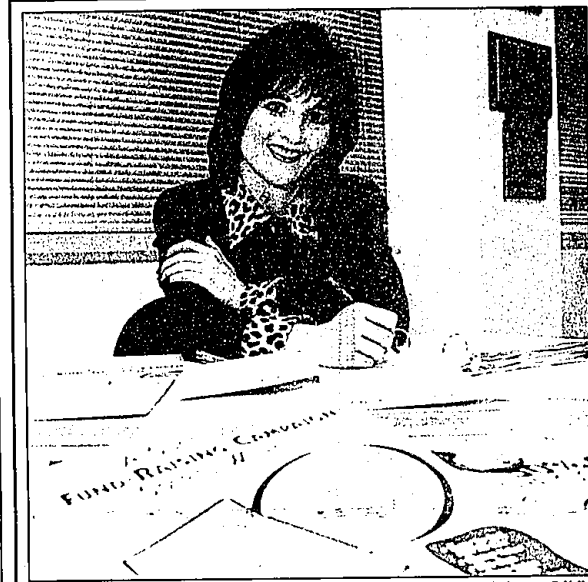
The Southeast Michigan Chamber Alliance, that will eventually link 27,000 member companies, tackles legislative issues, shares products and services like Blue Cross and Blue Shield group and health insurance and, most importantly, stretches the client base for members like Pecard.

"On the six committees I sit on, I

spearhead the same discussions in each meeting," said Pecard, who turns 30 today. "Everyone is trying to get on-line, but some might not have the best idea of how to do it, so sharing resources will eliminate duplication."

"And it was important for us as a benefit president because we want to reach as many customers as possible," she added. "We have six locations so our chamber involvement is very important for us, and when you

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**Fund raiser:** Kelly Scheffler of Entertainment Publications helps groups use the book to raise money.

## Entertainment

### Troy company a leader in coupon publishing

BY HARB PERT TEMPLETON  
SPECIAL WRITER

Everybody likes a bargain.

It could be a pair of evening show tickets for the price of a matinee or enjoying dinner for two while actually paying for just one entree.

Offering consumers the chance to save a buck while helping a good cause is the cornerstone of Entertainment Publications, Inc.

The company, headquartered in Troy, recently introduced the 1997 edition of their Entertainment publication.

As in years past the current edition is packed with coupon savings for dining, travel shopping and leisure activities. All are presented at either two for one or 50 percent off on a purchase.

Sales of the books are conducted almost exclusively by non-profit organizations across metro-Detroit. Some 700 groups with thousands of volunteers are expected to receive plenty of fund-raising dollars from Entertainment books this year.

Having the local community reap benefits from book sales is just what Hughes and Sheila Potiker had in mind when they founded Entertainment Publications in 1962. The husband and wife team originally created the publication as a sports discount coupon book for Detroit con-

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## Seminar to combat fraud, shrinkage

### ENTREPRENEURS

#### SCORE Seminars

- Nov. 12: Fraud, Shrinkage, Security
- Jan. 16: Business Plans
- Feb. 11: Keeping Customers
- March 27: Marketing
- April 15: Employee Retention

consultant to a variety of businesses.

Also scheduled is Charles Viers, operations manager for Birmingham's Jacobson's store.

The workshop will run from 9 a.m. until noon Nov. 12 at The Community House of Birmingham at 380 South Bates. Registration

begins at 8:30 a.m.

City parking structures offer the first two hours of parking free.

The fee for the seminar is \$15.

SCORE is a volunteer organization of retired executives from all fields in the business world, that counsels and assists small start-up or existing businesses.

SCORE is sponsored by the U.S. Small Business Administration and offers consulting on finance, retail, real estate, graphics and printing, manufacturing, accounting, marketing, export, sales training, restaurant management, food service and others.

Other seminars planned through 1997 include: SCORE Business Plan Seminar, Greeting and Keeping Customers, Marketing and Employee Retention.

For registration or further information, call SCORE at (313) 226-7947 and refer to the small business fraud, shrinkage and security seminar in Birmingham.

## ODD JOBS



**Ready:** Derek Schepplmann, founder of Fatality Clean-Up, attired for his unusual job.

### 'Fatality' owner cleans up after death, tragedy

BY HARB PERT TEMPLETON  
SPECIAL WRITER

It's not a job for the squeamish, but somebody's got to do it. And "Fatality Clean-Up" owner Derek Schepplmann found no shame in being that "somebody."

Schepplmann, of Auburn Hills, travels across Oakland County in a customized van fully equipped to clean-up homicide and suicide scenes. An answering service and personal besper field calls from funeral directors and police agencies that request Schepplmann's services at all hours of the day and night.

The 29-year-old father of two spent months researching the legalities and licensing involved before he opened his unique business last year. He said his company is the only one of its kind in the state of Michigan.

Q: The name of your business is somewhat self explanatory but what exactly is "Fatality Clean-Up" all about?

A: "Well, we offer the service of going in and cleaning-up after a

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## BUSINESS MILESTONES

zation with 2,100 members. Victor's term is for one year.



**Melissa Lindroth** of Madison Heights and Taylor Banks of Rochester Hills joined Spalding, DeDecker & Associates, Inc. in Madison Heights as engineers. Lindroth specializes in land development and is responsible for design and modification of underground utilities in proposed residential subdivisions. Banks specializes in municipal engineering and assists with

the design and review of water and sewer projects.



Warren-based Big Boy Restaurants International announced the following promotions: Camillo Cleveland of Bloomfield Hills was promoted from assistant general counsel to vice president, general counsel; Jean Marie Smith of Rochester Hills was promoted from director of human resources to vice president of human resources; and Rhonda Ardagna of Sterling Heights was promoted from director of corporate accounting to corporate controller.

Laura Griffith of Beverly Hills was appointed national

sales manager at Southfield-based WKBD UPN 60. Previously, Griffith served as national sales manager at WCSN/WRIF radio in Detroit before joining WKBD.



**Dave Marrocco** of St. Clair Shores was recently promoted from senior account executive to account supervisor on the Lowe's Home Improvement Warehouse account at Detroit-based W. B. Dener & Co. Katie Hietak, King of Birmingham rejoined the company as a senior account executive, and will oversee the day to day activities of the agency's Fays Drug Stores and Hills Department Stores accounts.