

BUSINESS & FINANCE

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Retirement planning has many threats

Editor's note: This is the seventh installment in an 11-part series on retirement planning. Next week's column will discuss retirement plans.

In this column, we will look at the key threats – the decreased reliability on Social Security, an accelerating inflation rate, the burden of managing your own pensions and the disappearance of medical benefits – facing your retirement years.

Lower Social Security safety net

It is generally believed that Social Security can no longer be considered as a rock-solid safety net. In fact, the portion of your Social Security payments subject to federal income tax has increased from 50 percent to 85 percent if your income exceeds \$44,000 for married couples and \$34,000 for singles. Also, the retirement age at which you can collect your full Social Security benefits, now 65, is scheduled to rise to 66 in 2005 and to 67 in 2022. There is also the threat that automatic cost-of-living adjustments of Social Security payments may be scaled back or frozen for an indefinite period.

Acceleration of inflation rate

Inflation is the most insidious tax around and it is expected to torpedo even the best laid-out retirement plans.

Retirement Series

- 2/29 New Threats
- 4/1 Smart Strategies
- 4/13 Distribution
- 4/20 Lump Sums
- 4/27 Which Road to Take?

fixed annuities are not.

Also, given the massive budgetary and balance-of-payment deficits that continue to plague the American economy, there is reason to believe that the present 3 percent inflation rate might not continue forever. Even a 1 percent rise in inflation (from 3 percent to 4 percent) would mean that the value of your fixed income would be cut in only 18 years (instead of 23 years).

Added burden of income management

Up until 1995, the percentage of retirees collecting pensions had been steadily rising from only 9 percent in 1982 to around 30 percent in 1995. But this rising trend has already halted and, in fact, it is in retraction.

The two factors responsible for the reversal of this trend are the costs associated with defined benefit plans and the demands by the American public to let them manage their own retirement funds.

It is not generally recognized that defined benefit plans, that promise a fixed income upon retirement, must be managed under very strict guidelines and are therefore very expensive to maintain. By contrast, 401(k) plans and other types of defined-contribution plans are less expensive and easier to administer.

Consequently, the number of defined-benefit plans dropped 25 percent from 1983 to 1993, while the defined-contribution plans climbed 40 percent. In addition, large corporations are increasingly providing 401(k)s in addition to traditional pensions. The percentage of private-sector workers covered by two or more retirement plans has doubled from 9 percent in 1975 to 18 percent in 1987.

The ramifications of these trends are enormous. Under a pension plan, you can sit back and collect your fixed monthly income for life without ever engaging in any management responsibilities. In a

See MITTRA, F8

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Home brewed King beers being served all over the county

BY BARD PERT TEMPLTON
SPECIAL WRITER

A beer isn't just a beer anymore.

At least not if it's one of the half-dozen ales brewed at the King Brewing Co. The 2-year-old firm is Oakland County's first and only brewery to be licensed since prohibition. The brewing house, in Pontiac, was opened by long-time friends, Scott King and Jeff Gibbs.

The pair grew up in Rochester Hills, graduating from Rochester Adams High School and then the University of Michigan.

"We're really not trying to make beer a complex thing where we expect people to start smelling the beer caps," said King. "What we're saying is, Hey, you want something dark? Here's a cup, try this. We're just giving people a choice."

Judging by the young brewery's growing success, reflected in sales to consumers in stores and restaurants across Oakland and Macomb counties, variety seems to be the key.

"They have really good beer and we definitely get a lot of requests for their beers," said Michelle Hedrick, manager of Kruse & Muer On Main in Rochester. "We recently had their King's Cherry Ale and it was very popular."

Kruse & Muer is a family-style restaurant serving up burgers and pizza and weekly specials on beer. A King Brewery product makes that "specials" list for at least one week out of each month, said Hedrick.

"They have just been really great to work with and we buy a lot of our beer from them," said Hedrick. "They even invited our entire wait staff to tour their brewery and sample the beer and that was a lot of fun."

Starting their own business in the brewing industry wasn't some-

thing King and Gibbs planned on as they completed school. King learned the finer points of creating great ale while employed in several breweries out West. Gibbs was selling real estate in Rochester when their decision to brew came about in 1994.

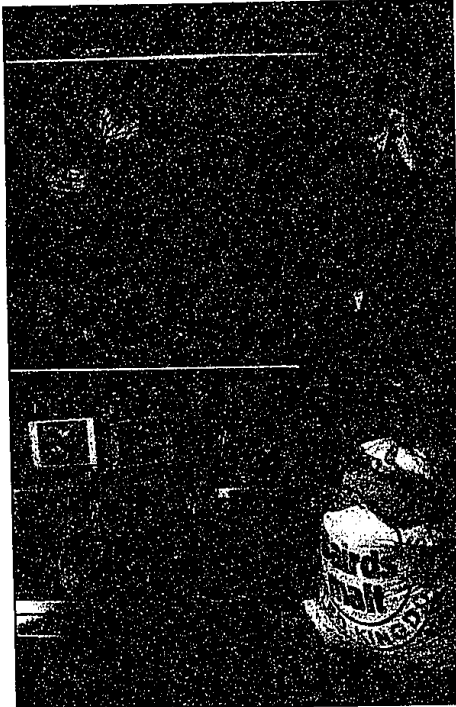
"Every time I'd come home for a visit, I'd miss having the beer they have for beer in Colorado, there are hundreds of breweries just in the Boulder area," said King. "One day I just started talking to my partner about the void in this market for freshly brewed beer. After that, I moved back and we started researching it."

When that search revealed that Pontiac already had an established brewery designation with the state, King and Gibbs turned an existing 6,500-square-foot facility into their business headquarters. Start-up capital for the brewing business is anywhere from \$400,000 to several million dollars. The King Brewery kicked things off at the lower end of the investment scale.

"We started off relatively small because there are some breweries that spend \$12 million. It just depends what you want to do," said King. "If we did things over now, we would want to raise more money to start out just for the advertising. But it's going okay. We're just building it a little bit at a time."

A crew of just four makes up the company staff so far. King takes part in the actual day to day task of brewing the beer and oversees the bottling operation. All of the King brews are ales made from their own original recipes. It takes 15 to 20 days to process their product from grain to beer.

"There are only four ingredients in beer – water, malt, hops and yeast," said King, who used experience and experiments to create each



Brewmasters: All of King Brewery's seven ales are made by this staff of four – (from left) Paul Van Gamper, Scott Forbes, Scott King and Jeff Gibbs.

new brew. "All the individual amounts of each ingredient is what influences the certain taste you will get like sweet or dry."

King's has about seven different ales on the market so far. A six-pack retails for between \$6.50 and \$7.50.

In comparison, major brewers like Miller or Budweiser sell for \$4.50 a six pack, said King.

"All of those brands are really just one style of beer but there are 45 different types that are made

See BREWERY, F8

Patterson pitches for better bond rating

Oakland County Executive L. Brooks Patterson led a delegation of county officials to New York March 24 to lobby Wall Street's two most prestigious investment houses for an upgrade in the county's bond rating.

Patterson and the delegation, which included County Board chairman John McCulloch, county

treasurer C. Hugh Dohany, drain commissioner George Kuhn, Management and Budget director Robert Daddow, and Community and Economic Development director Jeff Kaspermark, tried to convince Standard and Poor's and Moody's Investors Service to give Oakland County the highest rating possible, "AAA."

Moody's currently rates Oakland County "A1" while Standard and Poor's gives it an "AA," which is one notch below the top

rating. "Such an impressive rating ('AAA'), if granted, translates into millions of dollars in savings through reduced borrowing costs for the county, local municipalities, and ultimately the citizens of Oakland County," Patterson said.

In his recent State of the County address, Patterson pointed to the county's strong financial situation as a major reason why an upgrade in the bond rating is justified. He pointed out, for example, the county's funded

See BOND, F8

FAXBACK to link Oakland chambers of commerce

The Troy-based Oakland Leadership Council, which represents 22 chambers of commerce, announced plans to enhance countywide business communications with a new FAXBACK system made possible by a contribution from AT&T Wireless.

A check for \$6,000 to underwrite the FAXBACK system was presented at a recent joint board of directors meeting.

"We welcome the opportunity to

invest in the growth of the dynamic business community in Oakland County," said Lorraine Burger, director of external affairs for AT&T Wireless.

The FAXBACK system will provide 24-hour-a-day, seven-day-a-week access to community, chamber business and other economic resources for the more than 10,000 business members of chambers of commerce in Oakland County. The

system will also allow individual chambers to expand their individual communications networks.

"The geography and diversity of Oakland County's business community demand a comprehensive communications strategy," said Gayla Houser, president of the Troy Chamber of Commerce.

The OLC and AT&T Wireless Services plan to have the FAXBACK system in place by June 1.

GM to sponsor Southfield Star

General Motors Corp. has agreed to be exclusive automotive promotional partner in the Star Southfield Entertainment Center, announced Jim and Barrie Locks, chairman and president, respectively, of Looks-Star Theatres and co-chairman of Sony/Locks Theatres.

Matt Mazer, senior vice president of Sony Corp. of America's Gateway Group, which brought GM and the theater group together, said the sponsorship "represents the initial phase of an evolving strategic marketing relationship between General Motors and Star Theatres."

Star Southfield, scheduled to open in May, is a 200,000-square-foot themed entertainment complex, featuring a 20-screen movie theater megaplex, several themed restaurants and entertainment.

See STAR, F8

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 Tremonti of Lathrup Village was elected president of the Michigan Carwash Association, in partnership with his brother, Mike, owns and operates

Classic Touch Auto Wash with locations in Southfield, Clinton Township and Oak Park.

James McDonald of Farmington Hills was named senior associate in the technology solutions group of BDO Seidman, LLP's business and technology solutions practice in Troy. Renée Scharffe of Redford joined the firm as sales account manager in the financial solutions group.

Jeff Murri of Shelby Township was named general sales manager at WJBK FOX 2 in Southfield, which is owned and operated by FOX Television Stations, Inc., a subsidiary of New York-based News Corp., Limited.

Jane Klaus of Novi joined W. B. Doner & Co. in Southfield as an account executive work-

BUSINESS MILESTONES

ing on the agency's U.S. Cellular account. Prior to joining Doner, Klaus was a junior account executive with the Hopkins Group in Farmington Hills.



Mason Franklin of Bloomfield Hills rejoined D'Arcy Masius Benton & Bowles/Detroit as vice president, brand marketing partner on the Pontiac Sunfire business. Franklin returns to the Detroit office from DMB&B/New York, where he was vice president, account director on the Corning and

CPC Bakery Products account.



Dean Stelmazek of Rochester was named art director for Southfield-based R. E. Launs, Inc. Stelmazek is responsible for concept, design, layout, art direction and production for print media, outdoor and television advertising. He also works on electronic photo enhancement and retouching and oversees photo shoots and press checks.

Gloria Dopp of Northville was named accounting officer at The Bank of Bloomfield

Hills. Dopp has worked as an accounting manager since joining Bloomfield Hills-based BBH in 1995.



Charles Hooper of Farmington Hills was one of 17 AAA Michigan agents named to the auto club's 1997 President's Council, which represents the company's top sales agents.

Kenneth Petterson, formerly of Birmingham, became a partner in the Traverse city law firm of Cunningham, Davison, Rogers & Petterson. His practice is concentrated in the areas of business law, litigation, bankruptcy and creditor's rights.

William James of Bloomfield Hills, an AAA Michigan board member since 1985, was elected to a second one-year term as chairman of the 2.1-million member organization. James is managing partner of James Communications partners, which operates cable television systems in 10 states. Re-elected as AAA vice chairman was Richard Kughn of Dearborn, chairman and president of Kughn Enterprises, an asset management company. Also re-elected for a three-year term were Rick Inatome of Bloomfield Hills, chairman of Troy-based Inacom Corp. and co-chairman of American Speedy Printing Centers, Inc., and Dean Richardson of Grosse Pointe Farms, director of Detroit Edison Co. and Tecumseh Products Co.