

MORE THAN MONEY



SID MITTRA, Ph.D.

IRA vs. Roth: Who wins the savings race?

Editor's note: This is the last article in a five-part series on retirement planning.

If you are a saver, you will do best with a Roth because you can effectively save more each year that way. When you put \$2,000 in a deductible IRA, that amount starts incurring tax liabilities as it compounds. As deposits and investment earnings grow, so does the future tax bill.

In a Roth, your deposits are taxed up front, but since you pay the tax out of other funds, the full \$2,000 a year gets to grow along with investment income as tax-free savings. You will be out of pocket more each year by contributing fully to a Roth, but the future payoff is greater.

According to T. Rowe Price, the mutual-fund company, a husband and wife, both 30, who each contribute \$2,000 yearly to an IRA would end up with \$215,000 more in after-tax income in retirement by using a Roth plan than by investing in a deductible IRA.

That comparison assumes that if the pair had deductible IRAs they would invest their deductions; not counting invested deductions, the Roth advantage would be \$415,000.

Because the Roth thrives on long-term compounding, it can give a young saver a huge bonus. Take a teenager who earns \$2,000 and a parent puts \$2,000 into a Roth for the child. If the account's return averages 8 percent a year, the tax-free balance from that one deposit 50 years later would be \$93,800.

Roths can also be an estate-planning tool. Withdrawals from regular IRAs must begin no later than age 70½ — at a minimum pace to empty the account over your life expectancy. Roths don't have a mandatory withdrawal age, so the funds can compound for an heir. A bonus: Beneficiaries of old-style IRAs face income tax on the proceeds; Roth payouts aren't taxed.

People who do take money out of a Roth face complicated rules. For withdrawals to be free of tax and penalties you must be over age 59½ and the account must have been in existence for five years. The five-year holding period, for example, may be made to apply separately to each deposit. A special penalty is likely to be enacted on withdrawals made within five

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Sid Mittra, Ph.D., CFP, is professor emeritus of finance, at Oakland University, and owner of Mittra, Finnegan & Associates, a Rochester Hills financial consulting firm. This column was critically reviewed by Professor Jerold Grossman of OU. You can e-mail questions or comments to Sid Mittra at smittra@econline.com.

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.

Gary Dabkowski has been appointed executive vice president and COO of Consumer One Financial in Birmingham. A CPA, he was recently director of finance at the Phoenix Group in Farmington Hills and vice president and

chief financial officer at Arcadia Services.

Eric Kuahner of Bloomfield Hills has been promoted to assistant executive at the Farmington Hills based Marx Layne public relations agency. He will design and implement public relations programs for several of the agency's clients in retail, food services, publishing, real estate and technology.

George Leyh will retire in July of 1998 after more than 22 years with American Concrete Institute in Farmington Hills. He is an executive vice

president and chief staff officer for body where he also serves as president of its research and education foundation, ConREF. He will be honored March 22 during the spring conference.

Ted Mabley of Birmingham has been named business development manager at Solvay Automotive in Troy. He is responsible for marketing activities and new business development including the company's Integrated Air-Fuel Module business.

Robert Perry of Livonia has

been elected a shareholder in the Birmingham law firm of Butzel Long. He practices in the areas of probate, estate planning and trust administration. He is a 1988 graduate of the University of Michigan's law school.

Janice Simmons of Rochester Hills has been appointed clinical services administrator for women's services at The Detroit Medical Center. She will

be responsible for the direction of personnel, operations and financial activities for Women's Services throughout the DMC. She was previously director of ambulatory services for Affiliated Internists.

Attarah Snapp of Southfield joined Stratford Business Corporation as a leasing consultant for the Penobscot Building and the First National Building in Detroit. She will be responsible for 1.78 million square feet of commercial office space in Detroit's Central Business District.

William Stephenson of Beverly Hills has been promoted to senior vice president and director of print production at Ross

Employment levels set state record

Michigan's labor force and employment levels reached new highs in January. The state's total labor force was up 36,000, to 5,048,000. The number of people employed in Michigan was up 32,000, to 4,848,000.

While total employment in Michigan increased, the job market grew slightly faster, causing a small increase in the number of people unemployed in January. Unemployment was up 3,000, to 200,000. This resulted in a tenth of a percentage point rise in the state's unemployment rate for January, to 4.0 percent, up from a final rate for December of 3.9 percent.

"The state's overall employment patterns were typical for the month of January," noted Doug Rothwell, CEO and Department Director of the Michigan Jobs Commission,

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Roy Communications in Bloomfield Hills. He was previously vice president. He will continue to oversee all phases of print production and the management of the department. He joined Ross Roy in 1987.

Logan Summers of Birmingham has been named art director at Moffat McGuire in Detroit. He is responsible for taking projects from concept to completion, managing multiple design projects and interacting with clients. He was previously associate art director.

Take stock Use tips to make '98 a good financial year

At this time of year, many families and individuals are taking an inventory of their financial assets and setting up plans for the coming year.

Gathering information for income tax preparation and attempting to do a better job keeping financial resolutions brings all of this to mind, according to Carol Kurth, Education Coordinator for the nonprofit family financial counseling agency, Credit Counseling Centers, Inc.

Media and consumer requests for information about staying out of debt and repairing debt problems after the holidays proliferate and such calls are received at this time of year at the CCC office.

Here are some tips or new resolutions for consumers to consider as the year progresses.

• **First of all, keep good records.**

Keep tax receipts for deduction verification for at least three years, preferably six, along with capital assets documentation for as long as you own them. Home financial files and off-site storage are important factors of good money management and records' safety, says Kurth.

• **Pay yourself first.**

Savings is an item that many families consider after bills are paid rather than as a top priority expenditure. Americans are saving just under five percent of their gross income as compared to other developed nations whose savings rate averages between 11 percent and 17 percent. With

new savings, many families and individuals should have a cushion on which to count when times get tough.

Direct deposits from pay checks if working is the easiest way to

save what you don't see, you don't spend! Rolling over dividend payments into a fund account also brings a better gain.

• **Check your credit report.** Good credit is a prerequisite for many things: personal loans, mortgages, life insurance, car purchases, a new credit or bank card. Errors on your report need to be investigated and cleared up if possible.

Negative information can be removed through proper procedures if it is false information. If, in fact, it is true negative data, it will stay on your credit history for seven years from the date of the last transaction.

Credit Counseling Centers offers a handout form, free of charge, with steps to procuring a copy of your credit history.

This will cost you \$8.00 in most states. Request "How To Get a Copy of Your Credit Report" by writing the Education Department, Credit Counseling Centers, Inc., 38505 Country Club Drive, Suite 210, Farmington Hills, MI 48331 or call (248) 563-5400, Extension 418.

• **Repay debt quickly and on time.**

Pay more than the minimum amount requested so you are not paying interest on the interest charged and therefore, not on the principal amount. Move unpaid balances to a less costly bank card and lower interest rate.

Most issuers allow you to transfer your unpaid balance from your old card to a new one with a lower rate.

Once you have the new card, make sure you destroy the old one and make sure that the account has been closed.

New laws require that a credit

Please see TIPS, B5

Farmington's Nailco makes new 'Friends'

Farmington Hills-based Nailco Salon Marketplace, the nation's largest distributor of professional beauty products, made some important new "Friends" in Hollywood.

On the NBC-comedy "Friends" Thursday at 8 p.m. on WDIV-TV 4 Detroit, Nailco provided products from For Professional Use Only™, Marketware™, Tableware™ and Wallware™, all Michigan-based producers of professional salon products, for a key scene that takes place in a beauty salon.

During the scene, Rachel (Jennifer Aniston) drags Chandler (Matthew Perry) to a beauty salon for a spa experience, where they run into Chandler's old flame (oh my word!).

Nailco was thrilled to fulfill the request for nail technician supplies when "Friends" called.

"It was fun to provide these professional supplies to help authenticate the beauty salon set," Larry Gaynor said, Nailco's president and CEO. "Since the folks at 'Friends' were looking for real-

ism, they felt comfortable turning to Nailco as the industry leader."

The products featured include: For Professional Use Only™ big foot file and acrylic brushes; PINNACLE™ World-Class Starter Kit, Hand Sanitizer and Hand Lotion; the Lightbox™ Gel System, and the Whistler™ triangular nail file, all produced by Michigan-based For Professional Use Only.

Also featured in the scene are salon fixtures provided by Michigan-based Marketware, Tableware and Wallware.

Troy-based Arbor Drugs marks record earnings

Arbor Drugs, Inc. recently reported record sales and earnings for the second quarter of fiscal 1998.

Net income for the quarter ended Jan. 31, 1998 advanced 31.6 percent to \$14,121,000 compared to \$10,728,000, last year.

Company executives like Arbor chairman, president and chief executive officer Eugene Applebaum said they were happy with the results.

"We are very pleased with Arbor's excellent performance for the first six months of fiscal 1998, which included our best Christmas season in our Company's history," he said. "Our results

reflect the commitment of our management team to focusing on the priorities of our health-conscious and time-conscious customers: including convenient neighborhood pharmacies, high service standards and excellent, instock product assortments."

Sales for Arbor's fiscal 1998 second quarter were \$282,405,000, up 12.8 percent from \$250,315,000 in the prior year, with comparable store sales (stores open for one year or more) rising 8.1 percent in the period.

Pharmacy sales accounted for 62.9 percent of total sales in the quarter, with comparable store pharmacy sales

increasing 13.3 percent.

Applebaum said the surge in sales is accelerating Arbor's growth plan.

"To date, we have added nine new drugstores, which are surpassing our sales plans. Our growth strategy of opening 20 new stores this fiscal year remains on schedule," Applebaum said.

"Also, continuing Arbor's trend of introducing industry-leading technology, in December, we successfully launched our automated interactive prescription refill ordering system. Arbor customers now can order pre-

Please see ARBOR, B5

BUSINESS MILESTONES

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