

MORE THAN MONEY



SID MITTRA, PH.D.

Do mutual fund expenses matter?

Ever since the S&P 500 entered the stratosphere some three years ago and still refuses to come down to earth, millions of mutual fund investors have been asking the obvious question: If Vanguard expenses are only 0.3 percent but can match the S&P 500's return, why should we buy higher expense mutual funds?

This is not a simple question to answer, as we shall shortly observe.

Bigger is not better

As the fund industry has expanded in the past decade from \$770 billion in assets to more than \$4 trillion, average expenses charged to stock fund investors have actually risen from 1.25 percent to 1.49 percent. The same applies to bond funds, whose average expense ratio is 1.05 percent today, versus 0.89 percent a decade ago.

In fact, a study done by Jack Aber, professor of Finance at Boston University, shows that as fund size increases, fund expenses tend to rise rather than fall.

How expenses affect returns

To calculate the expense ratio a mutual fund starts with its total operating expenses. These include salaries, research expenses, telecommunication, shareholders statements, check processing, tax reporting and other costs of keeping the fund running.

The fund then divides these expenses by the total number of dollars under management. For example, a fund with \$10 million in assets and \$120,000 in operating expenses will have a 1.2 percent expense ratio (\$120,000/\$10 million). These expenses reduce your net return.

At a 1.2 percent expense ratio good? It all depends on how well the fund does. To deliver a 10 percent return to you, the fund manager would have to earn 11.2 percent before expenses. A lower cost fund with expenses of 0.3 percent would only have to earn 10.3 percent to generate the same 10 percent return.

Typically, this means that the manager of the fund with higher expense has to work harder to deliver the same performance as a fund with lower expenses.

"OK," you say, "So, can I conclude that my best bet is to buy the inexpensive Vanguard Index 500 with an

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

Small firm's service getting big business

BY DARR PERT TEMPLETON  
SPECIAL WRITER

When Gary and Suzanne Lichtman recently completed a successful promotion that brought their client national exposure, they weren't insulted when the company president didn't wish to share their name with others in the industry.

What higher a compliment could the young public relations firm get than the idea that their expertise was too valuable to share?

The Farmington Hills couple own Lichtman & Associates, a company specializing in media and public relations. The husband and wife duo operate their 18-month-old business from their home.

■ 'They have done a great job for me and I, definitely, highly recommend them.'

Ryan McNeil  
St. Louis Rams  
cornerback

The set-up allows them addressing their clients needs plus an opportunity to be close by for their 7-year-old daughter Natalie.

"Late night phone calls are a common occurrence here at our home office and that's fine because we know that's the way it is and that's the kind of service we want to offer our clients," Gary Lichtman said.

A former media relations director for the University of Detroit Mercy, he has more than a dozen years experience in public relations. In fact, today his new firm counts the University of Detroit Mercy among its growing client list.

Suzanne Lichtman spent a decade as a project manager at AAA of Michigan before joining Gary full-time in the business last fall. So far business activities have been split between the couple. Suzanne handles the contracts, invoicing and office work while Gary deals with the outside appointments with clients.

"It's wonderful if you think about it because I'm not only working with my wife, but also someone with abilities and talents that are not at all my strong suits," Gary Lichtman said.

"We know each other and so we know each other's strengths and weaknesses," Suzanne Lichtman said. "I have experience developing budgets and now I'm dealing with the insurance and working with attorneys and that's where I feel comfortable. Gary is more the creative side of things. He likes to get out there and schmooze the clients."

At this point the firm's client list is quite varied. Clients include ZenaComp Inc., a technology service firm in Livonia, Hristian Trinity Lutheran Church in Detroit, Michigan Ballet Company and Farmington Philharmonic. The latter two organizations received public relations services from the Lichtmans on a pro bono basis.

"Our client base is very diverse. Trinity Lutheran is one of the largest churches in Detroit, it's a Gothic Cathedral," Gary Lichtman said. "And each client that we have worked with so far has been referred to us. That's the fun and exciting part of this business."

"It has all really been word of mouth," added Suzanne Lichtman.

The firm's most recent client additions, Detroit Lion Robert Porcher and former Lion and current St. Louis Rams player Ryan McNeil are a good example of that.

The Lichtmans quickly discovered that servicing sports clients isn't a whole lot different because athletes want community involvement and positive media exposure too.

"Our job is to get TV and radio spots and attention from the print media for our clients. We cover the full spectrum of the media," Gary Lichtman said. "And sports isn't just a game these days it's a



Partners: Gary Lichtman, left, and Suzanne Lichtman, right, recently started their own public relations firm out of their Farmington Hills home and are already representing big names like Detroit Lion Robert Porcher, center.

business," said Suzanne Lichtman.

"It is actually big business because the clients want to be the best that they can be and we help with that aspect of their career," Gary Lichtman added.

The Lichtmans don't work directly with negotiating player contracts, but do serve as publicists hired to work with the athletes and their agents. Their job revolves around garnering positive publicity for the athletes while keeping a close eye on the player's status and following in the public eye.

Robert Porcher, Lions defensive lineman and leader of Porcher and Friends Charities, hired Lichtman & Associates as coordinators for a recent camp he hosted for area teenagers. Porcher received a grant from the NFL to host a football camp for high school kids.

The event, held at Martin Luther King High School in Detroit, welcomed 100 athletes and was a

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County supports Deneb Robotics programs

AUTOMATION ALLEY

Oakland County Executive L. Brooks Patterson has given his unqualified support to an initiative being spearheaded by Deneb Robotics of Troy to establish educational and training programs which will prepare today's students for jobs in the new and rapidly growing fields of virtual design and manufacturing.

This concept was originally discussed at an education/training forum held at the Information Technology Auditorium on the Oakland County government campus. A follow-up meeting is

planned for the end of August.

Deneb Robotics, which produces three dimensional physics-based computer simulation software for industry including the Big Three automakers, has launched a collaborative effort with education and business to find ways to meet the unparalleled demand for skilled technicians who have a mastery of this new cutting-edge technology.

Patterson says what Deneb is trying to accomplish fits in with his plan to market the I-75 and I-696 corridors in Oakland County as Automation Alley. One of Patterson's goals is to promote Automation Alley nationally as a high-tech corridor which offers state-of-the-art technology.

"It would add dramatically to our ability to attract high-tech firms to Automation Alley if we could offer

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Troy speaker to teach ways to improve performance

The Detroit Chapter of the Association for Corporate Growth will host nationally known writer, speaker, and consultant William W. Armstrong, at its July Breakfast Meeting at 7:45 a.m., Tuesday, July 14.

The meeting will be held at the Skyline Club, located at 2090 Town Center, on the 28th floor, Southfield (off John Lodge Expressway).

The meeting will focus on issues raised in Armstrong's book: "Catalytic Management: Success by Design." It is Armstrong's belief that company-wide performance can be improved by

following some contemporary techniques which he will present at the meeting.

His diverse clientele includes small family-owned businesses, as well as, Fortune 500 companies.

Armstrong's 25 years experience with management consulting, makes him an expert on finding solutions to problems such as, poor productivity, high costs, labor unrest and inadequate market share.

The cost of the meeting is \$20 for members and \$30 for non-members. Members and guests may deduct \$10 if preregistering.

Reservations and payment can be made by calling the ACG office at 248/643-9313, or reservations and checks can be sent to: ACG Detroit, 3331 E. Big Beaver-Suite 104, Troy, MI 48064.

The ACG is a non-profit organization that acts as a forum for ideas related to both external and internal growth-acquisitions and divestitures, joint ventures, and new or expanded products and services.

The ACG Detroit Chapter was formed in 1984 and currently has approximately 170 members.

Comerica Index: Michigan stocks outpace S&P 500

Michigan-based stocks surged 21.5 percent in the first six months of this year, outpacing the broader S&P 500 and the Dow Jones Industrial Average market indices, according to the Michigan All-shares Index compiled by Comerica Bank.

The S&P 500 rose 17.3 percent and the Dow Jones was up 13.8 percent for the first six months of the year.

"Despite labor problems that started late in the second quarter, Michigan stocks rose handsomely during the first half of 1998," said Comerica economist William T. Wilson, Ph.D.

"The continued robust market for motor vehicles has been the major factor propelling Michigan stocks."

The Michigan Allshares Index is a market-weighted average of every publicly-traded company whose primary business activity is in Michigan.

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, *Observer & Eccentric* Newspapers, 805 E. Maple, Birmingham, MI 48009. Our fax number is (248) 644-1314.



Lisa Shier Bennett of Troy has been named director of operation at Services Marketing Specialists in Detroit. She is responsible for service quality on all client

James Alsapach of Farmington Hills has been named sales and

marketing manager at DCT Packaging Systems in Warren. He was previously vice president of L&W Products in Beaverton before joining DCT.



William Conway, Jr., of Birmingham has been elected president of the American Medical Group Association. He is a medical doctor, as vice chair of the Henry Ford Health System.

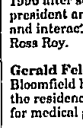


Ron Crabtree of Dearborn joined the office of Grant Thornton LLP in Southfield as a new manager on the strategic consulting team where he will spe-

BUSINESS MILESTONES



Dennis Donlin of Birmingham has been promoted from director of media services to executive vice president at DMB&B Public Relations. He joined the firm in 1996 after serving as senior vice president and director of media and interactive technology at Ross Roy.

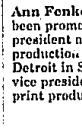


Gerald Feldman of West Bloomfield has been named to the residency review committee for medical genetics in the

cialize in enterprise resource planning implementation. He previously worked at Newcor, Inc.



Henry Ford Health System. A medical doctor and Ph.D., Feldman is director of the DNA Diagnostic Laboratory at Henry Ford Hospital. The committee is responsible for evaluating and accrediting medical genetics residency programs in the United States.



Ann Finkell of Plymouth has been promoted to senior vice president and director of print production, services at BBDO Detroit in Southfield. As senior vice president, she oversees the print production department.

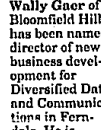


Wally Gaer of Bloomfield Hills has been named director of new business development for Diversified Data and Communications in Farmington Hills. He is responsible for creating business opportunities in new industry categories.

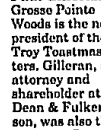


Paul Gilleran of Grosse Pointe Woods is the new president of the Troy Toastmasters, an attorney and shareholder at Denn & Fulker, was also the 1998 Troy Toastmasters Speaker of the Year.

L. Jay Hansen has been pro-

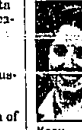


Christine Kacy of Troy has joined Richbrenner Public Relations in Troy as an assistant account executive. She will implement various day-to-day account activities for several of the firm's automotive and service clients. She previously worked for the Gable Group.

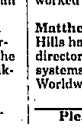


Matthew Karmel of Bloomfield Hills has been named managing director of vapor management systems for Sieba Automotive Worldwide in Southfield. He

moted to senior underwriter in the special risk division of Burns & Wilcox in Farmington Hills. He joined the firm in 1996 as an special risk underwriter.



L. Jay Hansen has been pro-



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