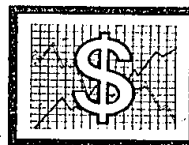


Business

Barry Jensen editor/591-2300



(D17C)

Thursday, February 9, 1984 O&E



finances and you

**Sid
Mittra**

Pros and cons on zero coupons

A novel way to invest your money is to put it in zero-coupon bonds. The idea behind this kind of investment actually is old, but in recent years it has become extremely popular with investors.

With a conventional bond you clip a coupon and receive an interest payment, typically every six months. "Zeros," on the other hand, eliminate both the coupon and the interest. Instead, they operate like a U.S. Savings Bond: You buy the bond at a substantial discount from its face value, then collect the full value when it matures years later.

The idea sounds simple enough to attract lots of investors, but there is a catch. Even though you receive no annual interest, the IRS requires that you report it as if you had. The difference between what you paid for the bond and what you will receive when it matures is taxable annually on a pro-rated basis.

That rule put a damper on this type of investment until the emergence of the IRAs. You can buy a zero-coupon bond, put it into an IRA and ignore taxes until you actually withdraw the money. Zeros are also an attractive way to give financial gifts to minors, who are likely to be taxed at a low rate.

THE BONDS have proven popular for a couple of other reasons as well. For one thing, you don't have to worry about how to reinvest your interest payments because you don't receive any. For another, you don't need a lot of cash to buy zero-coupon bonds. They usually come in denominations as low as \$1,000 and are sold at discounts from face value of 50 percent to 75 percent, depending on the maturity.

The Disadvantages. All is not well

with zero-coupon bonds, however. One of the main risks associated with zeros is that because they carry a fixed yield, the value of your holdings would decline if interest rates rose. And you wouldn't be receiving any interest payments that you could reinvest at the new, higher rates, as you would with conventional bonds. If rates rise, conventional bonds lose less of their value than zeros. If, on the other hand, you expect rates to fall, you can lock in a fixed return with the zero. A conventional bond serves the same purpose, but there is a catch.

Take the case of a 10-year conventional bond and a zero, each paying 15 percent. At a lower rate you would earn less than with the zero.

Suppose the zero were priced instead to yield at 13.5 percent (zeros often carry a lower rate than comparable coupon bonds). It is estimated that you would have to reinvest at between 11 percent and 12 percent to earn a comparable return on a 15 percent conventional bond. If you are deciding between a zero and a traditional bond, your broker can quote you a "break-even" reinvestment rate.

So whether you buy a zero or a conventional bond depends to a great extent on whether you think interest rates will fall and how far. Spreading the risk. The company issuing your zero-coupon bond could default without having paid you any interest. But there are ways to hedge your bets. A number of brokers have zero-coupon "unit trusts" that invest in a portfolio of bonds.

Sid Mittra is president of Coordinated Financial Planning Inc. in Troy and a professor of economics and management at Oakland University in Rochester.

datebook

TAX-FIGHTING INVESTMENTS

Thursday, Feb. 9 — Free seminar "Investments to Fight Taxes & Inflation" begins at 7 p.m. in Rochester. Sponsor: E.F. Hutton. Reservations: Bob Sheppard, 656-0800.

WOMEN'S NETWORK

Friday, Feb. 10 — Professional Women's Network meets 7:30-9:30 p.m. in Farmington Hills. Information: 477-8404.

INSURANCE SEMINAR

Saturday, Feb. 11 — Computer Spreadsheets as a Sales Tool one-day and 19-day seminars for beginners and advanced in Southfield. Reservations: 557-78767. Sponsor: The Word Pros Inc.

GMAT PREPARATION WORKSHOP

Saturday, Feb. 11 to March 10 — GMAT Preparation Workshop from 9 a.m. to 12:30 p.m. in Rochester. Fee: \$115. Sponsor: Oakland University. Information: 377-3120.

GOVERNMENT ACCOUNTANTS

Monday, Feb. 13 — Association of Government Accountants meeting. Information: Yonna Ware, 226-2919.

RUNNING A SMALL BUSINESS

Monday, Feb. 13 — "How to Run a Successful Small Business," 18-hour, six-meeting course, offered beginning at 7 p.m. in Southfield. Fee: \$225. Registration: 577-4665. Sponsor: Wayne State University.

INTERVIEW TECHNIQUES

Thursday, Feb. 14 — "Interviewing Techniques: Getting the Best" seminar presented for small business owners 9:30-11:30 a.m. in Detroit. Free after-noon counseling. Registration: \$20. Information: 577-4665. Sponsor: Wayne State University.

noon counseling. Registration: \$20. Information: 577-4665. Sponsor: Wayne State University.

STARTING SMALL BUSINESS

Tuesday, Feb. 14 — "How to Start a Successful Small Business," 18-hour, six-meeting course, offered beginning at 7 p.m. in Southfield. Tuition: \$225. Registration: 577-4665. Sponsor: Wayne State University.

JAPANESE MANAGEMENT

Tuesday-Thursday, Feb. 14-16 — "Participatory Management: Techniques from Japan's Best Firms" will be presented in Dearborn. Information: Lisa Springer, 271-1500, Ext. 387. Sponsor: Society of Manufacturing Engineers.

ENROLLED AGENTS

Wednesday, Feb. 15 — National Association of Enrolled Agents meeting. Information: Gino Pallaroli, 977-6950.

INTERNAL AUDITORS

Wednesday, Feb. 15 — The Institute of Internal Auditors meeting. Reservations: Sherman Parker 557-2128. Deadline noon Monday.

SOLE PROPRIETORSHIP

Thursday, Feb. 16 — "Tax Benefits of Sole Proprietorship" seminar presented for small business owners 9:30-11:30 a.m. in Detroit. Free afternoon counseling. Registration: \$20. Information: 577-4665. Sponsor: Wayne State University.

INDUSTRIAL MARKETERS

Thursday, Feb. 16 — Meeting. Information: Allan G. Hall, 649-0070.

ACCOUNTANTS ASSOCIATION

Thursday, Feb. 16 — National Association of Accountants meeting. Information: Steve Drexel, 362-4444, Ext. 545.

MATH SKILLS WORKSHOP

Saturday, Feb. 18 — Mathematics skills workshop for students preparing for GMAT, GRE and SAT from 9 a.m. to 4 p.m. in Southfield. Registration: 540-5988. Sponsor: University Testing Service.

STRESS MANAGEMENT

Tuesday, Feb. 21 — "Stress Management for Health and Wellness" will be presented 9-10 a.m. in Bloomfield Township. Fee: \$5 for members, \$10 for non-members. Sponsor: Council on Small Enterprises of Oakland County Chamber of Commerce. Reservations: 644-3683.

WOMEN IN REAL ESTATE

Tuesday, Feb. 21 — Women's Commercial Real Estate Association meeting. Information: Rusty Roeman, 365-1595.

GROUP TECHNOLOGY

Tuesday-Thursday, Feb. 21-23 — "How to Apply & Implement Group Technology" clinic will be held in Dearborn. Certified Manufacturing Engineers and Technologists attending will earn 13 Professional Certification Credits from the Manufacturing Engineering Certification Institute. Registration fee: \$340 for SME members, \$400 for non-members. Information: 271-1500. Sponsor: Society of Manufacturing Engineers.

TAX-FIGHTING INVESTMENTS

Wednesday, Feb. 22 — Free seminar "Investments to Fight Taxes & Inflation" begins at 7 p.m. in Rochester. Sponsor: E.F. Hutton. Reservations: Bob Sheppard, 656-0800.

GMAT PREPARATION

Wednesday, Feb. 22 — Extended program for Graduate Management Admission Test will be offered in six sessions 6-10 p.m. in Southfield. Registration: 540-5988. Sponsor: University Testing Service.

INTRO TO COMPUTERS

Wednesdays and Saturdays, Feb. 22

to March 3 — Four-session "Easy Introduction to Computers" course offered in Rochester. Tuition: \$70. No background required. Information: 377-3120 during normal business hours. Sponsor: Oakland University.

INTEGRATING CAD/CAM

Wednesday-Thursday, Feb. 22-23 — "Integrating CAD/CAM into the Organization: The Critical Issues" clinic will be held in Dearborn. Certified Manufacturing Engineers and Technologists attending will earn 18 Professional Recertification Credits from the Manufacturing Engineering Certification Institute. Registration fee: \$340 for SME members, \$400 for non-members. Information: 271-1500. Sponsor: Society of Manufacturing Engineers.

LSAT PREPARATION

Friday, Feb. 24 — Weekend seminar in preparation for Law School Admission Test will be offered in six sessions 6-10 p.m. in Southfield. Registration: 540-5988. Sponsor: University Testing Service.

INTERNAL AUDITOR EXAM

Saturday, Feb. 25 to May 5 — Certified Internal Auditor Examination Review offered in the mornings in Rochester. Tuition per class: \$30-\$45. Information: 377-3120. Sponsor: Oakland University.

SAE CONGRESS

Monday-Friday, Feb. 27 to March 2 — Society of Automotive Engineers International Congress and Exposition will be held in Cobo Hall in Detroit. Information: Dave Mitchell, 400 Commonwealth Drive, Warrendale, Penn. 15096.

LOTUS LITERACY

Monday, Feb. 27 to Saturday, March 3 — Two- or four-day course offered mornings and evenings in Troy. Use Lotus 1-2-3 on the IBM PC. Tuition charged. Information: 689-8282. Sponsor: Wabash College of Accountancy and Business Administration.

YOU ARE INVITED TO AN IMPORTANT FREE SEMINAR.

You may think of an Individual Retirement Account (IRA) primarily as an excellent way to obtain a \$2,000 deduction on your income tax every year.

Almost everyone with earned income now has that opportunity. But it is also much more than that. It's an opportunity to add substantially to your retirement funds. What you may not know — and will discover at this special seminar — is that some IRAs do more for your money than others.

You'll learn how some lock you in to one type of investment. How others limit you to a fixed rate of return. While a Merrill Lynch IRA opens up virtually the entire range of investment opportunities to your money

during the important accumulation years.

The reason, of course, is to give you more choices to grow faster. You'll learn how you can choose from over 50 different investments. How you can switch from one to another any time your goals change or new opportunities arise. And why you, like more than 750,000 Merrill Lynch IRA customers, who have invested over five billion dollars to date, can have confidence in our world financial leadership and IRA experience.

Before you make a decision as important as a retirement investment, you should know all your choices. We'll explain them to you. The seminar is free, but reservations are essential. To make yours, please call or mail the coupon today.

ALL IRA'S ARE NOT CREATED EQUAL.

DATE: Thursday, February 23rd TIME: 7:30 p.m.
PLACE: Merrill Lynch Office, 26250 Northwestern Highway, Southfield

Mail to: Merrill Lynch, Pitt, David & Co., 26250 Northwestern Hwy, Southfield, MI 48037

For research, direct call: David R. Berger at (313) 354-7394 or 354-7410

Please reserve a seat for you and your partner. Please send me literature on an IRA Plan that can truly reflect my individual needs and goals.

Name _____

Address _____

City _____ State _____ Zip _____

Home Phone _____ Business Phone _____

Merrill Lynch customers, please write name and office address of Account Executive



Merrill Lynch

A breed apart.



ALL EYES ON YOU!

...with a little help from Personal Dynamics professional make-up experts.

Call 552-7308, ext. 1111 for an appointment today!

DON'T TAKE A NEEDLESS LOSS

Now is the time to update your insurance appraisal. Written appraisals may be made on works of art, collections, contents of homes and all types of personal property for insurance, estate, family division or other purposes in our gallery or in your own home.

Call for an appointment (313) 338-9203 and ask for Victoria Parisi.

PRICED HOME SALE SPECIALISTS - fast, efficient, knowledgeable, best prices realized. Call for an appointment (313) 338-9203 and ask for Victoria Parisi.

C.B. CHARLES GALLERIES, INC. SINCE 1959

AUTHORIZED & APPROVED BY FRATERNITY SPECIALISTS
Phone Office: 422 Woodward Avenue • Detroit, Michigan 48226 • (313) 338-9203

BROKERAGE OPERATIONS PERSONNEL

Because of dramatic expansion, Michigan's largest stock broker age firm is actively seeking experienced people (minimum 3 years in operations with a N.Y.S.E. firm) for its back-office operations staff. Some of our benefits are:

- Liberal salary commensurate with background and experience.
- Bonus Programs
- Major Medical Insurance
- Paid life and disability insurance
- Profit Sharing Plan
- Employee Stock Ownership Plan
- Employee Stock Purchase Plan
- Pleasant surroundings in the Renaissance Center.

To further explore this opportunity in complete confidence, call or send your resume and salary history to:

First of Michigan Corporation **FOM**

Attn: General W. Knott or Jack Carley
P.O. Box 180
Detroit, Michigan 48243
(313) 259-2600

Equal Opportunity Employer M/F/H

THE CORN POPPER

32 Flavors
of the "Best Popcorn you will ever taste!"

Great Valentine's Day Gift Idea!

MUNCH IT • CAN IT MAIL IT ANYWHERE

EVERGREEN PLAZA
12 Mile & Evergreen
Southfield
559-0466



SPECIALS
GOOD THRU 2/28/84
WITH THIS AD ONLY

DETROIT AUTO SHOW SALE

Slightly used carpet from the Detroit Auto Show now available in a wide variety of colors and styles.

GOING ON NOW!

\$1.00 to \$4.50
to **\$4.50** SQ. YD.

Come In Now For Best Selection

DONALD E. McNABB CO.

22150 W. 8 Mile (W. of Lahser) • 357-2826

HOURS: Mon.-Thurs. 9-5/Fri. 9-5/Sat. 9-1