Small dividends build big nest egg

I am in my mid-forties and have figst come into \$100,000. I have a bouse and other savings, and we are getting along well.
Would you suggest how I could increase this money so that in 10 to 12 years it might be a major asset and able to greatly emblace our standard of living?

able to greatly enhance our standard of living?

"You are in a very nice position. A person in a similar altuation recently wrote a letter to Raiph I. Seger Jr. who writes a column for "Better in-who writes a column for "Better In-wester gas and sugarino, and the answer Seger goal and support of the seguration of seguration of the seguration of seguration of the segurat

THIS MEANS your income will tend more to be in capital gains where the tax is on 40 percent of

gains rather than on fully taxable dividends.

The kind of company you want to look for is one that is earning 15 percent or better per year on invested capital and paying out 30 percent or less of its earnings in dividends. If the company is growing at a good rate, it will be earning you more profit on the retained earnings, and this should cause the price of the stock to advance, and the company is great the stock to advance, and the stock

each year.
This means there is a good chance

company	recent price	return on equity	percent growth	percent yield	percent payout
AMP Inc.	361/2	22.8%	15	1.7	34
Hospital Corp. Am	451/4	15.7%	21	1.0	16
Pfizer	351/4	19.9%	13	3.2	46
Longs Drug Stores	391/2	15.7%	13	2.8	37
Andrew Corp.	381/4	18.5%	20	0	0
IBM .	123%	23.7%	11	3.0	39
Lawson Products .	22%	15.1%	11	1.0	17
Loctite	381/4	17.2%	17	1.7	25
Abbott Labs	46	24.1%	16	2.6	39
Average		19,2%	16.0	1.9	28.1

the value of these securities would atmost double in five years. In five years, your 100,000 would be worth \$200,000.

Thomas E. O'Hara of Bloomfield Hills is chairman of the board of trustees of the National Associa-tion of Investors Corp. and editor of Better Investing magazine. O'Hara welcomes questions and comments but will answer them

only through this column. Readers who send in questions on a general investment subject or on a corpo-ration with broad investor interest ration with broad investor interest and whose questions are used will receive a free, one-year-subscription to Better Investing, O'Hara will send a free copy of Better Investing magaine or information about investment clubs to any reader requesting it. Send 50 cents for postage and write Today's Investor, P.O. Box 220, Royal Oak 48068.

retained earnings, and this account cause the price of the stock to advance, and the price of the stock to advance, and the see that th

Realtor foresees good house market

Outpacing national growth through the past two years, the local residential real estate market should see another 20-percent increase in 1983. This was the prediction offered at a news conference by Robert F. Craver, president of the Metro MLS and West-ern Wayne Oakland County Board of Realtors.

Realtors.

He said 1984 house resales by members of the allied organizations will end the year above 14,000, reflecting a 13-percent increase from the previous year and the best sales year since 1979. Only 4-percent national growth is anticipated.

Only special nations, pro-ticipated.

In 1983, the 3,100-member real es-tate group reported a 45-percent in-crease of sales compared with 1992 and a nationwide increase of 36 percent. Continuing growth in house sales is resulting from the rehiring of tho-usands of workers and the winning of ad-ditional jobs, restoring consumer confi-dence in this area, Craver said.

..."IN THE depths of the recession, critics appeared ready to write southeastern Michigan off with the suggestion that our population was fleeing to the Sun Belt. They have only to look at our housing market to realize this area is alive and well and growing stronger."

stronger."
Southeast Michigan continues to of-

fer some of the most affordable housing in the nation, he said.
"Transferees from other parts of the country are elated by the quality of communities available for the price they can afford Many times, this is the key in helping employers secure top job candidates."

candidates."
Buyers are recognizing that we may never again see a 10-percent mortgage interest rate and are now budgeting for higher levels, he said.

higher levels, he said.

"WE ARE happy to see the fixed rate declining to near 13 percent but feel rates are still too high. Much depends on government's handling of the huge budget deficits, and we don't see a drop of more than one-quarter to one-half percent in the next six months. Then rates may begin climbing again."

An ample supply of houses in all price ranges remains, Craver said. Local average prices, among the lowest in the nation, will begin moving up slightly faster than the rate of inflation, he said.

Conventional (inaccing methods are continuing to increases so-called crecontinuing to increase so-called crecontinuing, in saids exceeded creamortizing, in saids continuing actions are so called creamortizing, or quick-pay, mortgages, he said.
"These require a higher monthly."

"These require a higher monthly payment but offer a number of advan-

tages. They are offered at a slightly lower interest rate and, with the shorter term, there is a sharp drop in interest costs over the life of the loan."

CITING A \$48,000 home loan, he said principal and interest payments on a 30-year mortgage with a 13.5-percent fixed rate would total \$197,928.

"The same loan on a 15-year mort-gage at 12.75 percent would require monthly payments about \$50 higher," he said. "But the total payout would be

only \$107,901 for an interest saving of some \$90,000.
"Buyers will find these faster-pay instruments build equity at a faster rate, and sollers will find it easier to trade up to better housing because they will get more cash back when they sell."

Real estate agents are continuing to track proposed national tax-reform measures and will fight any reduction of credit for mortgage interest and property taxes, he said.

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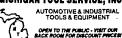
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marketplace

The Phoenix Group of Farmington Hills has formed Phoenix Data Re-sources to handle data management and in-bound 800 number telemarking.

Art Brooks Communications Southfield has been appointed to hand co-op advertising and public relatio with Custom Distributors Inc.

Computer Horizons of Southfield was selected by Computer Merchandising Magazine as one of the "Top 100 Com-puter Retailers in the United States." In addition, it was selected as a "Super Dealer" by Micro Market World.

Hurwitz Enterprises Inc. of South-field is the new advertising agency for the House of Denmark furniture stores.

Dennis R. Green & Associates Inc. of Southfield has been appointed the ad-vertising agency for the Redwood Den-tal Group in Southfield.

WRB Associates of Troy has hired Brewer Associates Advertising in Dearborn to handle its marketing com-

Maccabees Insurance of Southfield has started construction on a 12-story addition to its current building. The ad-dition will contain 263,500 square feet of office space.

Thompson Advertising Productions Inc. of Farmington Hills will handle the advertising for Thunderline Corp.

A loan to Picano Restaurant Inc. of Troy was approved by the Small Busi-dness Administration. Picano's plans to build a 6,600-square-foot facility and create 34 jobs.

United Savings & Loan of Farming ton Hills acquired Mortgage One Inc., which will become part of United Sav., lings wholly owned subsidiary, USL., Mortgage Co.

PRMi of Southfield is the public rela-tions agency for the Hotel Pontchar-train hotel and its restaurants.

Information for this column should be sent to the business editor, Observer & Eccentric Newspapers, 36251 Schoolcraft, Livonia 48150.



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