# **Business**



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# Annuity may be a better place for a lump sum

Last week, we discussed the distribu-tion of lump sum amount upon retire-ment. An alternative to receiving a lump sum distribution is called the guaranteed life annuity income.

Under certain circumstances, this provides an attractive alternative. Here is an example.

John Doe and his spouse are both age 65. John has \$175,000 coming to him from a non-contributory pension plan.

THE ANNUAL taxable income from other assets, in addition to his taxable income from Social Security, will exactly equal his annual exemptions and itemized deductions in excess of the zero bracket amount.

If the trust distributes his full \$175,000 in a lump sum, John will pay \$30,720 in taxes immediately, leaving him with \$144,280 to invest.

The gross income from the \$144,280 will be \$144,280 will be \$144,280 ach year, assuming John can safely earn 10 percent on investments for the rest of his life. But income taxes of \$1,457 each year will reduce John's after-lax spendable income to \$12,971.

Will John be better off having the trustee buy an installment refund life annuity for him? The answer in this case is — yes.

HERE IS WHY.

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• An annuity lets John live on the principal as well as interest — giving him much more retirement income than he can safely count on from other

finances and you

Sid Mittra

investments.

• No matter how long John lives, he can never outlive his annuity income.

• Even if John should die prematurely, identical annuity income will continue each year to his beneficiary until the full 3 175,000 is paid back by the insurance company.

• John pays no immediate tax on an annuity distribution (as be would on a lump-sum distribution).

John pays tax totals much less than the immediate tax on the lumpsum piles tax on the income from the invested lump-sum balance.

THE RESULT of this option is phenomenal. The trustee can invest the full \$175,000 in the installment refund life annuity. So no matter how long John lives, he will receive \$23,720 of gross annuity income each year.

gross annuity income each year.

And — even though income tax of

\$3,190 per year will reduce this to \$20,530, John will still have \$7,559 more spendable income per year.
Another possible arrangement is a rollover of \$175,000 into an IFA when John reaches age 65. An IHA carning 10 percent would accumulate \$17,500 per year, tax deferred.

per year, tax deferred.

And John does not have to withdraw anything for six or seven years. If John makes no withdrawals until the required distribution date (April 1 of the year he reaches age 70%) his \$175,000 rollover will grow, tax deferred, to \$309,925 at the end of seven years.

Jof course, John will have to pay income tax on the money when they are distributed, but he will, presumably, be in a lower bracket at that time since he

will be retired and earning less income

will be retired and earning tess income.

"WHAT CAN you do now to benefit
from the proposed tax changes?" Is the
main topic for a seminar to be conducted by the Observer & Eccentric Newspapers and the Coordinated Pinancin;
Planning Staff. The seminar will be 79:30 pm. Tuesday, Sept. 10, at the
Baldwin Public Library in Birmingham. An out-of-town speaker will present a tax shelter suited for 1985 tax
planning. The seminar is free, but registration is required. Call 643-8888 for
registration

Sid Mittra is director, personal fi-nancial planning program at Oak-land University and president of Coordinated Financial Planning Inc. in Troy.

#### marketplace

Yaffe Berline Inc., Southfield, has changed its name to Yaffe & Company, it was announced by Fred Yaffe, chair-man/CEO of the Southfield-based adsing-marketing-public relations

Trentacosta-Hamilton Advertising, Birmingham, has been named agency of record for Ideal Mower Sales Inc., Ferndale. The agency will be responsi-ble for broadcast and print ad develop-ment, public relations, internal promo-tions and trade show coordination.

Overbeke Company, West Bloom-field, has been named advertising and public relations agency for WRB Asso-ciates Inc. of Troy.

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CROWN CONTRACTING, INC.

Kuhiman Corporation, Birmingham, has signed a definitive agreement for the sale of its substidiary Meier Metal Servicecenters Inc. to the management of the substidiary. The company plans to concentrate on more technologically oriented lines of business in the future.

Thompson Advertising Productions, Farmington Hills, has been appointed advertising agency for Tractoch Inc., a manufacturer of positive traction dif-ferentials for the off highway, industri-al and off road markets.

Heddee Marketing Services of Troy
Haddee Marketing Services of Troy
leas been selected as the agency of

Roots

Stopped

record by Hoffman Filter Corp. of lent for customers. Renovation is part of a company-wide program to improve store interfors.

DA. Peash

JB Communications, Farmington Hills, has been chosen as the advertis-ing and public relations agency for Hy-dronic Corporation of Livonia.

French & Rogers Inc., Troy, has been named advertising agency for Helden-hain Corporation of Illinois.

G.Temple Associates Ltd., Southfield, has been named as advertising
and public relations agency for Samson
Roll Formed Products Company of

D.A. Peash Enterprises, Birming-ham, has been named by Selbert Oxi-dermo, an automotive and industrial paint manufacturer, to represent all General Motors facilities in the U.S. and Canada.

Leichtung Inc., Southfield, has been

the U.S. by the Trade Show Week, an authorative industry newsletter. Business-Expo is produced by international Business Expositions Inc. in Southfield. Information for this column should be sent to the business editor, Observer & Eccentric Newspapers,



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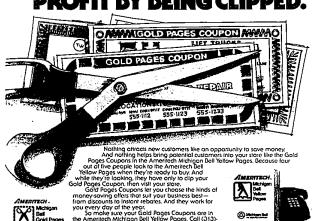
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