

Stock yield without capital gain can mislead you

Part III

Stock Yield

The current yield on a stock is the latest dividend divided by the current price of that stock. Thus, a stock paying \$2 dividend and selling for \$20 has a current yield of 10 percent ($2/20 \times 100$).

However, this presents a distorted view for two reasons.

First, stocks which don't pay any dividends — and therefore have zero current yield — may appear to be worthless which is hardly the case.

Second, most people buy stock for capital gains.

So the total return (dividends plus capital gains) on a stock is a better measure than the current yield.

Mortgage-backed securities

The most popular mortgage-

backed securities are those insured by GNMA. GNMA protects investors only when homeowners default on the mortgages that back the securities, commonly known as Ginnie Maes.

However, no one protects the investor when the yield drops as a result of a decline in interest rates inducing homeowners to refinance their mortgages. Herein lies the fallacy of high-yield GNMA's.

Here is an example to illustrate the point. Consider the excerpt from the annual report of ABC GNMA fund dated Dec. 31, 1986, shown in the accompanying table.

The same fund claims to have a yield of 10.3 percent and a latest twelve-month total return of 4.1 percent. This seeming contradiction results from the fact that the ABC fund purchased high coupon GNMA's at a premium price. Later, because of a significant drop in interest rates,

many of these GNMA's were paid off, resulting in a distribution of the principal.

Since investors were forced to invest these proceeds at lower interest rates, their annual yield significantly dropped. In fact, the annual yield was only 5.8 percent as shown below:

ending NAV + distributions	beginning NAV
— \$15.15 + \$1.72	— \$15.94
— 5.8 percent	

If you are interested in mortgage-backed securities, make sure to ask your financial planner about the speed at which mortgages are being prepaid above standard amortization.

In a three-part article, I have barely exposed you to the many faces of yields. Topics not covered

include internal rate of return, net present value concept, and a host of other yield-related topics.

Before you are lured into investing in a high-yielding security, be sure to ask the questions: Will the real yield please stand up? Better still, let your planner ask that question and watch the real yield stand up and take a bow.

Educational seminar: Main Topic "1987 — A year of unprecedented opportunities." The seminar, sponsored by Observer & Eccentric Newspapers and Coordinated Financial Planning, Inc. will be held 7-9:30 p.m. Tuesday, March 17, at the Kingsley Inn, 1475 N. Woodward, Bloomfield Hills. For more information or reservations, call 643-8888.

Sid Mittra is director of certificate program in personal finance at Oakland University and president of Coordinated Financial Planning Inc.



finances and you

Sid Mittra

	year ended 12/31/86
Income	\$1.90
expenses	(0.20)
net income	1.70
distributions	(1.72)
net realized and unrealized gain (loss) on investments	(0.77)
net loss	(2.70)
net asset value beginning of period	15.94
net asset value end of period	\$15.15

business people

Denise Gray of Southfield was named public relations field operations director at AT&T, Chicago. Gray formerly was a district manager with AT&T in Detroit.

William R. Halling of Bloomfield Hills and managing partner of Peat, Marwick, Mitchell & Co., and Horace E. Sheldon of Birmingham have been elected to the board of directors of the Central Business District Association of Detroit.

Gregory Kosmowski was named vice president, market development for Lucas Industries Inc. in Troy. Kosmowski has been director of market development for Lucas since January 1986. Prior to joining the company, he was an account manager for Robert Bosch Corp.

Kyle S. Davison of Bloomfield Hills was named assistant vice president of National Bank of Detroit's eastern metropolitan regional banking division.

Gae Ellery Desal of Orchard Lake was promoted to marketing manager with SelectCare and Group Health Plan in Troy.

Susan B. Budorick of Birmingham was promoted to loan officer at the National Bank of Detroit in its western metropolitan regional banking division. Budorick has been an NBD employee for 2 1/2 years.

Renee M. Porter of Southfield was



Gray

Halling

Sheldon

Kosmowski

Davison

Desal

Budorick

Porter

Inquinta

Allen

promoted to assistant trust officer for the National Bank of Detroit. Porter is new business representative in the business and product development department.

Sam Inquinta of Rochester Hills was named district manager-advertising for Ameritech Publishing Inc.

William L. Allen of West Bloomfield was appointed senior acquisitions officer at Kircio Management Inc. of Bloomfield Hills. The company also has named Cynthia M. McDonnell of West Bloomfield and Chris G. Driscoll of Troy as property managers.

Sherry Hinsperger was named state sales manager at Lawyers Title Insurance Corp. in Troy. Hinsperger began her career with the company in 1971 and was made a member of the sales department in 1977.

Barbara A. Pionaki, senior engi-

neer, Advanced Robot System, GMF Robotics Corp., Troy was named to receive the 1987 Outstanding Young Manufacturing Engineer Award by the Society of Manufacturing Engineers.

Brian T. New of Auburn Hills and Claire M. Fay of Southfield joined Ross Roy Inc. as merchandising account administrators. In their new positions, they coordinate the internal activities for various merchandising programs on the Chrysler/Plymouth/Dodge account.

Michael S. Baskin of West Bloomfield was named account executive for W.B. Doner and Co. in Southfield. Baskin will work on the U.S. Hispanic Business Unit and gravies and sauces accounts of Viasic Foods Inc. and Campbell Soup Co. Baskin joined Doner in July 1986 as assistant account executive on the Viasic Foods account.

Harold M. Keller of Burton-Shore and Katzman Properties in Bingham

Farms was named vice president of property and construction management.

Ted S. Daly of Bloomfield Hills was named president of GMARA Industrial Cleaning. GMARA is a joint venture company formed by General Motors and ARA Services. Daly's career with GM began in 1948 as a co-student with Cadillac Motor Car Division.

Henry Lock of Bloomfield Hills was named vice president in charge of finance and administration for GMARA Industrial Cleaning. GMARA is a joint venture company formed by General Motors and ARA Services. Lock was a 17-year veteran of GM.

Juliet C. Jakobowski was promoted to senior designer with Catalo Associates Inc. of Birmingham.

Anna M. Donovan of West Bloom-

field was named director of research for Hermanoff & Associates in Farmington Hills. Donovan joined the agency in July 1986.

Beth A. Crumbaker of Birmingham joined Ross Roy Inc. advertising agency as an assistant media buyer. In this position she will assist the media buyers in purchasing broadcast time.

Susan Spear Bates joined September Moon Production Network Inc. in Southfield. Her primary responsibilities will be new business development and expanded client needs specific to instructional design training, curriculum development and delivery.

Tina Malozec was named the number 72 manager of Tupperware Home Parties, nationwide, for the fourth quarter of 1986. She is a manager with Action Party Sales Inc. in Farmington Hills.

Lorraine Decker, branch manager of the Southfield office of Medical Personnel Pool, attended international headquarters in Fort Lauderdale, Fla.

Martha Cross Neumann of Birmingham joined JB Communications Inc. in Bingham Farms as an account executive.

Nancy Ankerman-Shapiro was promoted to personnel manager at the Liberty State Bank & Trust in Troy.

Kathy M. Morey was appointed bank officer at the Liberty State Bank & Trust in Troy. Morey has been with the bank since 1983.

Carl F. Hamilton joined the Transition Team of Troy as a human resources consultant in career transition services.

marketplace

Scholastic Resources of America, a computerized research and matching service, has opened to help students find sources of financial aid in order to pursue higher education. The center is at 35552 Grand River in Farmington Hills. The new telephone number is 553-9260.

R.E. Dalley & Co. construction company signed a lease to occupy space in 2000 Town Center at the Prudential Town Center in Southfield.

DeLecue-Ferguson-Bashaw, a Southfield ad agency, has added the Amoco Oil Co. commercial and industrial sales division to its list of clients.

Kolon, Blitker & Desmond Inc. of Troy has been appointed advertising agency of record to the Automotive Thunderbolt Association.

2000 Town Center is the newest addition to Prudential Town Center, a 28-story, multi-tenant office building of Northwestern Highway in Southfield.

Phoenix Group Inc., a direct-marketing agency, has moved its offices to 33117 Hamilton Court, Suite 200, Farmington Hills. The telephone number is 553-8355.

The W.T. Andrew Co. of Detroit opened showroom, Classic Baths, at 1137 S. Adams in Birmingham.

Lotz Associates Inc., formerly of Detroit, has moved to its expanded headquarters at 31000 Northwestern Highway in Farmington Hills.

Bascem's International, recently opened three new restaurants including one in West Bloomfield.

50th Anniversary Sale
Smiley Brothers
 "A TRUSTED NAME IN MUSIC"
Kimball Grand \$2995 new, made in USA
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 5510 Woodward 1010 N. Hunter
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FLUORESCENTS ARE GREAT IN WORK AREAS AND UNDER CABINETS WHERE YOU NEED LOTS OF LIGHT WITHOUT LOTS OF EXPENSE AND LOTS OF GENERATED HEAT.

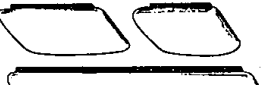
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