

The IRA crystal ball is cloudy, but this seems clear

Part II

Are you or aren't you? That is the question.

The new tax law is quite clear on one point: If you make more than \$35,000/\$50,000 and are covered by a pension plan, you can't make a tax-deductible IRA contribution.

However, it's not clear just when you are covered on a new job or when your company starts a new plan. Its plan year may differ from the calendar year, and contributions may have been deemed to have been made on the last day of the plan year.

So, if your plan begins on Aug. 1, 1987, and ends July 30, 1988, and if you joined the plan on Aug. 1 or later, then you can still take an IRA deduction for 1987. This presumes,

of course, that you do not participate in another pension plan earlier in the year.

Incidentally, if you decide not to join a pension plan in which you are eligible to participate, that does not always get the IRS off your back. If the company has a defined benefit plan, then for tax purposes you are a participant in it even if you do not contribute to it, so your IRA deduction is denied.

However, if the company has a defined contribution plan and you don't join it, you may qualify for the IRA deduction.

Comingling of IRA contributions

Just because an IRA contribution is not deductible does not mean that there is no value to making this contribution with after-tax dollars.



finances and you

Sld Mittra

Suppose you invest \$2,000 of your 1987 IRA into a growth mutual fund and it grows at 12 percent a year. Your money will then grow to \$4,000 in nine years.

However, if you are in a 33-percent tax bracket and invest in the same mutual fund outside of an IRA, your investment will grow to \$4,000 in nine years. By that time, your IRA money would have grown to \$5,400.

While the argument for investing non-deductible money into an IRA is powerful, the bookkeeping can be onerous.

For one thing, you can't comele your regular IRA account with the special IRA account opened with after-tax dollars.

For another, you must not only report to the IRS the non-deductible amount each year but also the cumulative non-deductible contributions and the balance of each IRA investment at the end of the year.

HERE IS an illustration developed by one of the big eight CPA firms. Suppose you have made \$5,400 in

deductible IRA contributions over the years, and you make non-deductible contributions of \$2,400 in 1987 and in 1988. In 1989, with a total of \$9,000 in the account (including earnings), you want to take out \$3,000.

Can you withdraw all of your \$2,400 of non-deductible contributions and owe taxes on \$600? At first glance, it seems to be the plausible way to approach the problem. However, that is not the way the IRS looks at it.

Your \$2,400 in non-deductible contributions are just 16.7 percent of your IRA total. Thus just 28.7 percent of your \$3,000 withdrawal, or \$860, is a return of your non-deductible contributions. The remaining \$2,140 is fully taxable.

So, the key question is: If your 1987 IRA contribution is not deduct-

ible, should you still make it? The answer is: By all means, provided you have a stomach for tedious accounting and good record keeping.

Educational seminar: "New Solutions to Old Financial Problems Under the New Tax Law." The seminar, sponsored by the Observer & Economic Newspapers and Coordinated Financial Planning Inc., will be 7-9:30 p.m. Tuesday, April 14, at the Baldwin Public Library, 300 W. Merrill, Birmingham.

For more information or reservations, call 643-8888.

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

datebook

• SUPERVISORY SEMINAR

Friday, March 27 — "How to Supervise People" offered from 9 a.m. to 4 p.m. in Southfield. Fee: \$59. Information: 1-800-258-7246. Sponsor: National Seminars Inc.

• BUSINESS IN ISRAEL

Monday, March 30 — "How to Profit in a Small Country" on business and investment opportunities in Israel offered from noon to 5 p.m. in Southfield. Fee: \$45. Information: Shelly Romer Jackler, 661-1948. Sponsor: American-Israel Chamber of Commerce of Michigan.

• PARALEGAL PERSONAL ASSESSMENT

Monday, March 30 — Personal Assessment Inventory required for entry into the legal assistant diploma program 7:30-9:30 p.m. in Rochester. Information: 370-3120. Sponsor: Oakland University.

• ACCOUNTING ASSISTANT WAIVER

Tuesday, March 31 — Examinations to waive introductory accounting courses in accounting assistant diploma program begin at 8:30 a.m. in Rochester. Information: 370-3120. Fee: \$10 per exam. Sponsor: Oakland University.

• IMAGE FOR WOMEN

Tuesday, March 31 — "Image and Communication Skills for Women" offered from 9 a.m. to 4 p.m. in Southfield. Fee: \$39. Information: 1-800-258-7246. Sponsor: National Seminars Inc.

• LOTUS ONE SOURCE

Tuesday, March 31 — Presentation and product overview of portfolio analysis, investment research and screening on computer 3-5 p.m. in Detroit. Information: 353-9600. Sponsor: Lotus Development Corp.

marketplace

McWilliams Machinery Sales is marketing the full line of vertical electrical discharge machines manufactured by ONA Elect-Erosion of Durango, Spain. The Farmington Hills company, a division of Bridgeport Machines Inc., will be the exclusive U.S. distributor of Japex EDM systems and related equipment.

Sarris & Associates, a Bloomfield Hills advertising agency, recently announced the opening of an office in Orlando, Fla. The new office will enable the company to deal with their clients in that area more easily.

Women hindered by backgrounds

Continued from Page 1

WOMEN ALSO suffer from the lack of exposure many men earn when they follow their father's footsteps into the family business, earning "seat-of-the-pants" experience.

"Women don't know how to play the business game because they are not brought up on seat-of-the-pants experience," she said.

"When men start a business they have an extensive system of support. Men know to go to the chamber and build a network of support."

"Women don't know what they don't know."

Even though women own 35 percent of the businesses in the state, they maintain a low profile.

"When you look at the leadership of organizations, it's always men. Why is it women aren't there? Less than 3 percent of the state chambers have women on their boards. These numbers should drastically change."

To help women get into the mainstream of the business community, OWBO offers the following program:

- Two in-house financial consultants to aid women in the expansion of their businesses.
- Two private financial consulting companies who will develop costs for business expansion and match the business owner with a lending institution.
- A media campaign starting next month focusing on the role women play in the Michigan economy.
- A directory to be published in June of women business owners to be used by purchasing agents.
- A procurement employee who will match women-owned businesses with bids let by the state.
- Technical seminars (2 1/2-day courses) to teach women the financial language of assets, profits and losses and spreadsheets.
- Leadership training.
- A loan review board that will either get a bank to take a loan or explain why a loan was rejected and how to remedy the application.
- A minority/women business hot line, 1-800-831-9090.

CONTROLLERS

Monday-Thursday, April 6-9 — Programmable controllers conference and computer graphics conference begins at 4 p.m. Monday and runs until 4 p.m. Thursday in Detroit.

• COMPUTER GRAPHICS

Tuesday-Thursday, April 7-9 — International Computer Graphics conference and exposition held in Detroit. Information: Rebecca Evans, 632-5400.

• PROPERTY DEVELOPMENT

Tuesday, April 7 — Industrial Development will be topic of first lecture in series 6-8 p.m. in Detroit. Fee: \$40. Information: Lynne E. Fuller, 577-4710. Sponsor: Wayne State University's college of lifelong learning.

• PROFESSIONAL SERVICES

Wednesday, April 8 — Professional Services Management Association meets 7:30-10:30 a.m. in Southfield. Information: Trish Langston, 553-6300.

• CAREERS

Wednesday, April 8 — "The Future Job Direction of Michigan Workers: the Union Perspective" offered at 5:30 p.m. in Detroit. Non-member fee: \$22. Information: Fred DeRoche, 455-4421. Sponsor: Careers Michigan.

• TRAINING AND DEVELOPMENT

Wednesday, April 8 — American Society for Training and Development meets at 5:30 p.m. in Troy. Information: Neta Ann Livingston, 984-5900 Ext. 311.

• BARTER EXPO

Wednesday, April 8 — Detroit Barter Expo open 4-9:30 p.m. in

Southfield. Free. Information: 544-1350. Sponsor: Michigan Trade Exchange.

• HEALTHCARE PERSONNEL

Friday, April 10 — Healthcare Personnel Administration Association holds annual employee relations/labor symposium in Troy. Information: Dan Zuhlik, 745-5135.

• TECH COMMUNICATION

Saturday, April 11 — "The Four-Dimensional Page" seminar offered in Southfield. Non-member fee: \$65. Information: Beth Sonnenberg, 789-3800 Ext. 2307. Sponsor: Society for Technical Communication.

• SMALL BUSINESS MEETING

Wednesday, April 15 — After Business, Ours meets monthly in Detroit to expand private economic development in southeast Michigan. Non-member fee: \$10. Information: John Sherry, 964-4000.

• FULL GOSPEL BUSINESSMEN

Friday, April 17 — Full Gospel Business Men's Christian Fellowship meets at 6 p.m. in Farmington. Information: Stanley C. Marenette, 464-7251.

• PREBUSINESS WORKSHOP

Tuesday, April 21 — Workshop for prospective business owners and

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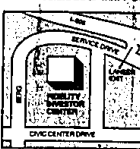
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