

Taxing times

Strategies for surviving the new tax laws

IF YOU'RE like most adult Americans, you dread paying income tax. And with the new tax law, you're not sure where you stand.

You know you've lost some privileges and gained others. You wonder if tax shelters still exist. And if you've always flown solo on tax preparation, now you're thinking about consulting an expert.

Cheer up. Remember what Oliver Wendell Holmes said: "Taxes are the price we pay for a civilized society." And many experts are saying that, overall, the new tax law is a positive step.

Bill Pomeroy, a certified financial planner with Shobe 7 Associates in Baton Rouge, La., believes one of the real pluses of the new law is the increase in personal exemptions and standard deductions.

Prior to 1987, you could deduct \$1,080 from your income just for existing. The new law allows you to deduct \$1,950 in 1988 and \$2,000 in 1989. For 1987, the personal exemption is \$1,900, which means a family of five can reduce its taxable income by \$9,500.

For married people, this deduction

will be \$3,760 in 1987, but it jumps to \$5,000 in 1988. As a result many low-income families will be taken off the tax rolls completely, or their tax liabilities will be reduced tremendously.

THE STANDARD deduction has increased, too, which means you may no longer need to itemize. According to the IRS 1986 Tax Reform Act Clipsheet, Number 1, "Taxpayers may itemize only if the total of their deductions exceeds the standard deduction to which they are entitled."

If you're single or a head of household, your 1987 standard deduction is \$2,540; if you're married filing jointly, it's \$3,760.

Of course, not all is rosy with the new tax law. Income averaging has been repealed. If you've received Unemployment Compensation since 1986, it's taxable.

You can no longer deduct the interest you pay on car loans and credit cards. Your business can deduct only 80 percent of business-related meals and entertainment, compared with the old law's 100 percent.

Tax shelters have been hard hit. Paper losses from investments in real es-

tate, farm livestock, windmill farms and the like generally will no longer be allowed against income from other sources.

THERE IS A RAY of hope, however, for small investors. Ask your accountant or financial consultant about the tax advantages of raw land, agricultural property and life insurance.

And according to Mark Mokhtarian, a CFA with Roth, Brookstein & Zaslow in Los Angeles, investing in limited partnership tax shelters is OK.

"But only if they are expected to have profits. The answer is no if they are expected to have losses."

Sound confusing? It is. "The phrase 'tax simplification' is still an oxymoron, like jumbo shrimp and postal service," says investment guru William E. Donoghue. His book, "Lifetime Financial Planner" sheds light on how to plan investment strategies in the shadow of the new tax law.

Books that clarify the murky and uncharted waters of new-style taxation are in high demand. Before you head for your local bookstore, see what your accounting firm offers. Laventhol & Horwath has an excellent booklet

entitled "Winning Tax Strategies."

Another accounting firm, Pannel Kerr Forster, offers an easy-to-read "Special Edition Tax Planner."

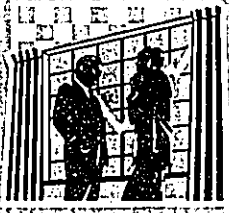
AND DESPITE ITS reputation for gobbledygook, the IRS itself may be the source of all the help you need. According to the IRS, every taxpayer should have its Publication 910, a "Guide to Free Tax Services."

This revised booklet is a consumer's road map to free tax help. It includes a list of the most popular IRS publications and an order blank. And it provides the telephone numbers for IRS toll-free information lines and "Tele-Tax."

Tele-Tax is a source of recorded tax information. Through the mysterious powers of automation, it can also tell you the status of your tax refund. If you want to talk to a human, the IRS has a toll-free information line. IRS employees will answer the questions you have about your return, IRS procedures, and technical tax-related matters.

What about your IRA? Has it sur-


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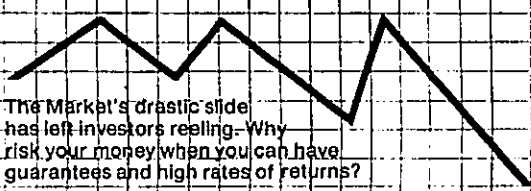
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