

# Decide your risk tolerance before investing

By Jay L. Smith

Part I

Thanks to the volatile stock market, the latest technical correction bill making some of the hottest investments obsolete, and the ingenuity of the financial services sector in introducing new products, even the professionals are having a difficult time coping with this confusing situation. However, there is still good news.

By taking an especially designed exam, you can determine your risk profile and identify the types of products which should be included in your investment portfolio. Good luck with your exams.

Next week: Investments that fit your risk profile.

## PROFILE ANALYSIS: WHAT IS YOUR MAXIMUM-RISK INVESTMENT CATEGORY?

Directions: Circle the answer that most nearly applies to you. Write the number in the space at right. Then add up the numbers and divide by 9 to get a median score. (the average)

- I. Age - My age is closest to:  
(1) 45-or less (7) 50 (5) 55 (3) 60 (1) 70
- II. Income - My annual income from all sources is nearest to (in thousands):  
(2) 15 (4) 25 (5) 35 (6) 45 (8) 80-or more



## finances and you

Sid Mittra

- III. Annual Expenses - My annual expenses in relation to my annual income approximate: (Not counting Income Tax):  
(1) 85% (3) 70% (5) 60% (7) 50% (9) 40%-or less
- IV. Number of Dependents - I presently have these dependents:  
(9) 0 (8) 1 (6) 2-3 (4) 4-5 (1) 6 or more

- V. Estimated value of assets - My house, insurance, savings and investments total: (in thousands):  
(1) 50 (3) 100 (5) 250 (7) 250 (9) 500 or more
- VI. Liabilities - My bills, mortgages, installment payments, and

- debts if all paid off, in relation to assets approximate:  
(9) 10% (7) 30% (5) 40% (3) 50% (1) 75%-or more
- VII. Savings - I have cash on hand, in savings accounts or other liquid assets that could pay my living expenses for:  
(1) 2 mo. (3) 3 mo. (5) 4 mo. (7) 5 mo. (9) 6 mo.-or more
- VIII. Life Insurance - My life insurance coverage equals: (in thousands):  
(9) 250 or more (7) 150 (5) 100 (3) 50 (1) 25-or less
- IX. Health Insurance - My health insurance coverage (including Medicare) includes:  
(1) Basic (5) Maj Med plus Basic (9) Basic, Maj Med, and Disability

SEMINAR: "Seven Ways to Fight Back at the IRS and Lower Taxes." "Creative Uses of Single Premium Whole Life." "Making Money in a Down Market." "A CD That is Completely Liquid." and "Trading in Limited Partnerships." The seminar, sponsored by the Observer & Eccentric Newspapers and Coordinated Financial Planning, will be 7-9:30 p.m. Tuesday, Oct. 4, at the Kingsley Inn, 1475 N. Woodward, Bloomfield Hills.

For reservations, call 643-8888.

Sid Mittra is a professor of management at Oakland University and proprietor of Coordinated Financial Planning.

# Supply-and-demand charts can guide price setting

Economics was probably one of my least favorite subjects in school, especially when it came to discussing the "laws" governing supply and demand. It wasn't until years later that I began to understand how demand and supply analysis actually works.

This week's column explains how changes in price and quantity demanded assists business owners in identifying how target customers view a company's product or service. This information may then be used to help set the price customers are willing to pay, where it should be made available, and how enthusiastic

customers are to obtain it - if at all.

Economists believe that customers cannot buy everything they want. Because most customers have a set income, they are forced to choose among alternatives in meeting their specific product or service needs. Customers are assumed to analyze how each choice will make them feel (better or worse) or how each will in some way improve (or change) their buying situation.

One relationship between price and quantity is known as the "law of diminishing demand," which says that if the price of a product goes up, a smaller quantity will be demanded.



## focus: small business

Mary DiPaolo

If the price of the product is lowered, a greater quantity will be demanded.

A "demand curve" graphs the relationship between price and quantity for a given product market, assuming that all other things stay the same. Most demand curves are downward-sloping because they

show how a drop in price correlates with the associated increase in customer demand.

Business owners are interested in how the price set influence total revenue for the product or service. Their goal is to find a price that encourages customers to buy enough

products to increase total revenue. A company's demand curve will typically show how a drop in price means an increase in demand.

But it may also show an associated decrease in total revenue as prices go down. As a result, the curve may be quite steep. A steep demand curve means that customer demand is not "stretching" enough to avoid a decrease in total revenue for the product. This phenomenon suggests that the product has an "inelastic demand." In contrast, "elastic demand" means that if prices dropped, the quantity demanded would

stretch enough to increase total revenue.

Elasticity of demand can then be defined in terms of changes in total revenue. If total revenue would increase as the price is lowered, then demand is elastic; if total revenue would decrease as the price is lowered, then demand is inelastic.

Mary DiPaolo is the owner of MarkeTrends, a Farmington Hills-based business consulting firm. She is also producer and host of the cable television series, "Chamber Perspectives."

# Business thank-you notes pay long-term dividends

Dear Joan:

A friend recently did a favor for me by giving me some information I needed to proceed on a project. It involved his contacting someone he knew and that person talking to me at length and even writing up some instructive materials. What is a proper way to say thank you?

E.L., Beverly Hills



## business etiquette

Joan K. Detch

Just announced an urgent call from a member of senior management.

Prepare the person for your finishing the call by saying something like "Jane, before I have to hang up, I wanted to mention that..."

Suddenly remember your next meeting: "George, I see by my watch that I'm due in the conference room in one and a half minutes. I'm afraid we'll have to continue this another time."

Interrupt the other person's ramblings by sounding very pressured: "Look, Paul, I have to finish the chairman's speech, and a press release in addition, this afternoon. I'm afraid I have to go. Forgive me."

"Look, Debbie, we have a lot to talk about. Let's wait until we can talk it over face to face some time." There should be good lines among these for you to make a fast exit from the phone next time you need to.

Joan K. Detch of Rochester Hills is a sales and marketing consultant who lectures on business etiquette and has written a business dress book. Address questions to her at 38251 Schoolcraft, Livonia 48150.

Dear Joan:

Sometimes it seems I spend my life on the phone. I have a problem with cutting people off and not sounding rude. What are some simple cut-off lines?

E.L., Royal Oak

When you want to cut a person short on an undesired conversation, there are ways of doing it that are more kind than blunt.

Explain that your secretary has

ject on business when the person I'm speaking with gets that deep-intomy-eyes look? B.R., Troy

There was an article in the Wall Street Journal not too long ago about a young professional wearing glasses with plain lens in order to be taken more seriously. I suggest you try that for starters.

Looks can be a problem in some professions, there is no doubt of that. If the person coming on to you is getting off the focus of your business, mention your spouse or significant other in some casual way. "We saw the movie so and so the other night and we both agreed it was great" or "This happens to be the restaurant where we had our first date" those romantic remarks made referring to your significant other stop dead turn-offs.

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Yours truly,

*David T. Arnold*

David T. Arnold  
Vice President

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