

Hold fewer high-yield bonds in retirement

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Such joint and survivor pensions are normally set up in the form of a specific dollar payment for the life of the employee. At the death of the pensioner, the surviving spouse receives a reduced benefit of 50 percent of perhaps two-thirds of the previous benefit. This reduced benefit is payable to the surviving spouse until his or her death.

Because Clara is younger than Joe and because she will be dependent to a significant degree on that pension

income for her financial security, we would suggest they consider a joint and survivor option. If possible, a joint and two-thirds survivor option would be preferable to a joint and 50 percent survivor option.

One note of concern that we have is that Joe and Clara have half of their investment assets in long-term bond funds. This is much too heavy a concentration of assets in one area and subjects the portfolio to a substantial risk exposure if interest rates rise over the long term. It appears that Joe is attracted to the

high yield (over 12 percent) in these funds.

But there is no free lunch — this high yield comes at a cost. There is potential principal erosion from two factors. First of all, default on some of the lower quality bonds may be a problem. Second, there is a tendency for bond values to fall when interest rates rise.

JOE SPECIFICALLY asks whether the high yield bond fund "is a safe haven for the bulk of our money at retirement" and "should we

double our investment in the high-yield fund?" The answer is an emphatic no. They are already too heavily invested in that particular fund.

Our preference would be to see a balance of assets in other more stable tax-favored vehicles. Examples of this would include deferred annuities that are appropriate for money which they intend to keep compounding over the next several years or short-to-intermediate-term high quality municipal bonds (either

individual bonds or unit trusts). Although the after-tax yield on these bonds is only slightly lower than the high-yield fund, they are currently less risk exposure and substantially less. We have no problem with the growth assets currently in their portfolio.

All in all, only minor modifications to their portfolio are necessary for Joe and Clara. They should continue the investment strategy that has gotten them this far and can look forward to a healthy financial future.

Dan Boyce, a certified financial planner, is a past president of the Metropolitan Detroit Society of the Institute for Certified Financial Planners whose practice is in Bloomfield Hills. **Terrell** is a partner in the Farmington Hills law firm of Coughenour, Lansky, Feakle, Ellis, Roeder & Lazar. He is immediate past president and current board member of the southeast Michigan chapter of the International Association for Financial Planning.

A few alternatives to stocks, stock mutual funds

Closed-end fund advantages

Closed-end funds can operate efficiently, because portfolio managers don't have to constantly deal with inflow and outflow of funds resulting from investors pouring in cash or pulling it out. In addition, many investors prefer to deal with those funds that trade like a stock.

The discount factor

Demand for closed-end fund shares could dwindle over time. Underwriters often buy shares to help increase the price initially. Later, when they sell shares, the price can fall. In addition, closed-end funds are rarely promoted after their initial offering. Little information is distributed about them, and few ana-



finances and you

Sid Mittra

lysis cover the industry.

The interesting phenomenon of these funds is that closed-end stocks tend to trade at larger discounts than bond funds. In the 10-year period through 1987, for instance, the average discount for stock closed-end funds was nearly 12 percent, compared with about 4 percent for bond funds.

The timing issue

Investors need to watch trends in

two things: Net asset value — what the fund's securities are worth — and the share price, which is determined by the usual market forces. It is important to recognize that the share price and the net asset value don't always move in the same direction. And if such a thing happens, it is quite possible that new investors are positioning themselves for a double gain or a double loss. Consequently, care should be exercised in

determining when to buy a closed-end fund.

Unit investment Trust

For those who wish to have both current income and capital appreciation, an alternative strategy is to invest in a UIT specializing in utility stocks. Such a company would hold a fixed portfolio of 20 to 30 utility stocks that are expected to grow after completing construction projects. The UIT would not only distribute current income but would also distribute capital gains upon maturity.

Zeros with gold

Finally, if you are unsure of where

inflation and interest rates are headed, you may wish to choose a UIT that invests both in U.S. zero-coupon bonds and gold. If interest rates rise, prices of zero-coupon bonds will fall, but gold prices will rise, thereby limiting or erasing portfolio losses. The reverse situation will prevail if interest rates fall. And upon termination of the UIT, you will receive your principal plus a larger quantity of gold.

The novel strategies discussed here are complex. Consult your financial planner who knows what is best for you.

Sid Mittra is a professor of finance, school of business at Oakland University and owner of Coordinated Financial Planning.

business people



Hausman Boswell



Taros Bak D'Eramo



Leifer Peters Shier Russo



Howitt Swift Hampton Taro

Jeffrey Hausman of Beverly Hills, **Boswell** of West Bloomfield and **Roger Yamamoto** of Bloomfield Hills were named associates of Smith, Hinckman & Grylics Associates Inc. **Hausman** is an architect for the company. **Boswell** is a mechanical engineer. **Yamamoto** is also a mechanical engineer.

George S. Bak joined McCann-Erickson Detroit as vice president, group supervisor on the Buick Motor Division account.

Marie A. Russo was named a manager in the auditing and accounting department at Doeren Mayhew & Co.

James A. Hewitt of Birmingham was named employee relations manager, Truck Operations at Ford Motor Co.

William A. Swift was appointed controller, Truck Operations at Ford Motor Co.

William J. Hampton joined LinetaxCoco Communications as executive vice president and director of editorial services of the company's Aegis Publishing Group.

Toni D'Eramo, **David Leifer**, **Sharon Peters** of Bloomfield Hills and **Kristin Shier** of Farmington Hills were promoted to account executives.

Henry R. Nolte Jr. of Bloomfield Hills, vice president and general counsel of Ford Motor Co., will retire on March 31 to join the Detroit law firm Miller, Canfield, Paddock and Stone as senior partner and chairman.

Barbara L. Niemi, **Paul R. Steger**, **Marguerite H. Smith**, **Elsie F. Edmonson** and **Judith A. Libby** were appointed corporate controller. **Hoppe** was named risk management advisor. **Howard** was named director of state filing. **Kammerer** was appointed president, self insured risk services. **Steger** of Birmingham joined the company as vice president of electronic banking. **Smith** of Farmington Hills was appointed to assistant vice president of specialized industrial department. **Edwards** was appointed information systems planning officer, Information Systems Department. **Libby** of Troy was named vice president, corporate human resources.

Construction in Farmington Hills was selected as Young Builder of the Year. **Dunford** of Bloomfield Hills, contractor, sales manager for Whittle Corp. was selected Associate Member of the Year. **Lawson** of Birmingham, president of Herbert Lawson Inc. of Southfield received a special award for his service as BASM president during 1988.

John Scaccia, **René Rosenhaus**, **Frank Dunford** and **Herbert Lawson** were honored recently by their associates during the annual awards program of the Builders Association of Southeastern Michigan. **Bonadeo** was selected as Young Builder of the Year. **Dunford** of Bloomfield Hills, contractor, sales manager for Whittle Corp. was selected Associate Member of the Year. **Lawson** of Birmingham, president of Herbert Lawson Inc. of Southfield received a special award for his service as BASM president during 1988.

Richard Ross of Birmingham was appointed account coordinator at Stone, August, Baker Communications Co. of Troy.

Pietro Sardina of Troy was promoted to second vice president and international banking officer of Manufacturers Bank.

James S. Bonadeo was selected as

president of the Builders Association of Southeastern Michigan. **Bonadeo** is the owner of Bonadeo Builders Co. in Plymouth. **Byrne Benson**, **Melvin Rosenhaus**, **Bernard Gliberman**, **Robert Halperin**, **Scott Jacobson**, **Abe Han** and **G. Silverman** were also appointed as officers for the Builders Association of Southeastern Michigan.

R. Brooks Stover was appointed executive director of engineering and design services for the General Motors Design Staff. **Stover** will succeed **Kenneth A. Pickering** who is retiring after 40 years of service with General Motors.

David M. Kuzlenko the son of Troy residents **Frank** and **Anna Kuzlenko** was appointed vice president, loan control for Manufacturers Bank.

datebook

CHRISTIAN FELLOWSHIP

Friday, Jan. 20 — Full Gospel Business Men's Christian Fellowship meets in Farmington. Information: Stanley C. Maretic, 464-7291.

WOMEN ENTREPRENEURS

Saturday, Jan. 21 — "Getting a Head Start" 9 a.m. to noon in Southfield. Fee: \$30. Information: Jodi Kramer, 356-3472.

NEW AGE MARKETING

Saturday, Jan. 21 — "How to Market Your Services to the New Age Community" 8:30 a.m. to 6 p.m. in Troy. Fee: \$69. Information: Jackie Meyer, 569-1066.

SMALL BUSINESSES

Saturday, Jan. 21 — Free small business management seminar begins at 7 p.m. in Troy. Information: 683-2160.

REAL ESTATE RECORDS

Saturday, Jan. 21 — "Record

Keeping and Tax Saving for the Real Estate Salesperson" begins at 9:30 a.m. Fee: \$10. Information: 259-0400.

IBM PC

Saturday, Jan. 21 through Feb. 11 — "For Beginners: the IBM PC" 9 a.m. to noon in Rochester. Fee: \$115. Information: 370-3120.

FINANCIAL PLANNING COURSE

Monday, Jan. 23 — Evening non-credit course in the personal financial planning certificate program begins at Adams High School, Adams Road and Adams roads, Rochester Hills. Fee: \$45. Information: 370-3120.

EXECUTIVE LEADERS

Tuesdays, Jan. 24 through Feb. 28 — Leadership Skills for Executives course 8:30-9:30 p.m. in Southfield. Fee: \$175. Information: 552-2600.

DIRECT MARKETERS

Wednesday, Jan. 25 — Direct Marketing Association meets in Bloomfield Hills. Information: 652-8797.

WOMEN AND MONEY

Thursday, Jan. 26 — "A Financial Survival Plan for Women" 10 a.m. to noon in Birmingham. Fee: \$12. Information: 646-5832.

STARTING A BUSINESS

Saturday, Jan. 28 — "The Nuts and Bolts of Beginning Your Own Independent Business" offered 10:30 a.m. to 4:30 p.m. in Bloomfield Township. Fee: \$195. Information: John Feeney, 335-2001. Sponsor: University of Detroit Center for Entrepreneurial Enterprise.

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