

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 funds 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 fund which they currently own, the risk exposure is 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 Birmingham. Alan Ferrara is a partner in the Farmington Hills law firm of Couzens, Lansky, Feak, 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

Few investors can explain in detail the workings of a closed-end fund. And yet, last year 41 funds were launched, raising more than \$14 billion, which is more than the record \$11 billion for all of 1987.

Nature of closed-end funds

The name derives from the fact that these funds issue a fixed number of shares, then close the share-issuing process. The shares trade like stocks on the NYSE or other exchanges. These funds differ from mutual funds in that mutual funds are not traded as stocks and they are open-ended. Mutual funds continually issue or redeem shares according to the needs of investors. The value of an open-end fund share is determined solely by the portfolio's value.

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

lysts cover the industry.

An interesting phenomenon of these funds is that closed-end stock funds 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

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. This 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

Jeffrey Hausman of Beverly Hills, Borsam Boksal of West Bloomfield and Roger Yamamoto of Bloomfield Hills were named associates of Smith, Hinchman & Grylls Associates Inc. Hausman is an architect for the company. Boksal 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 Lin-Tas-Ceco Communications as executive vice president and director of editorial services of the company's Regis Publishing Group.

Anne Taros was named a manager of the client accounting department at Doeren Mayhew & Co. of Troy.

Gary R. Bohas of West Bloomfield was named executive vice president of Contract Purchasing Services Inc.

Donna J. Economu, Cynthia H. Gaffey, Paul E. Hoppe, Barbara N. Howard and James A. Kammerer were newly hired at Meadowbrook Insurance Group in Southfield. Economu was named personnel director/office manager. Gaffey was appointed corporate controller. Hoppe was named risk management advisor. Howard was named director of state filings. Kammerer was appointed president, self insured risk services.

Toni D'Eranno, David Leider, Sharon Peters of Bloomfield Hills and Kristine Shier of Farmington Hills were promoted to account executives.

Nearby B. 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 of Miller, Canfield, Paddock and Stone as senior partner and chairman.

Barbara L. Niemi, Paul R. Steger, Marguerite H. Smith, Elaine F. Edwards and Linda A. Libby were appointed to new positions at America Inc. Niemi of Farmington Hills was appointed human resources officer, corporate human resources. Steger of Birmingham joined the company

as vice president of electronic banking. Smith of Farmington Hills was appointed to assistant vice president, specialized industries department. Edwards was appointed information systems planning officer, Information Systems Department. Libby of Troy was named vice president, corporate human resources.

John Scaccia, Rex Rosenhaus, Frank Dunford and Herbert Lawry were honored recently by their associates during the annual awards program for the Builders Association of Southeastern Michigan (BASM). Scaccia of Oakland Township, president of Polanski-Scaccia Building Co. in Rochester Hills, was selected by BASM members as Builder of the Year. Rosenhaus of West Bloomfield, corporate secretary of Uniland

Construction in Farmington Hills, was selected as Young Builder of the Year. Dunford of Birmingham, contract sales manager for Whirlpool 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 Hoss of Birmingham was appointed account coordinator at Stone, August, Baker Communications Co. of Troy.

Pietro Sarcina 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 Corp. in Plymouth.

Byrne Benson, Melvin Rosenhaus, Bernard Glickerman, Robert Halperin, Scott Jacobson, Abe Rax 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. Marcantette, 464-7291.
- WOMEN ENTREPRENEURS Saturday, Jan. 21 — "Getting a Head Start" 9 a.m. to noon in Southfield. Fee: \$30. Information: Jodi Kramer, 398-3472.
- 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, 569-1068.
- SMALL BUSINESSES Saturday, Jan. 21 — Free small business management seminar begins at 7 p.m. in Troy. Information: 683-2100.
- 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 Saturdays, Jan. 21 through Feb. 12 — "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 courses in the personal financial planning certificate program begin at Adams High School, Adams and Tienken roads, Rochester Hills. Fee: \$245. Information: 370-3120.
- EXECUTIVE LEADERS Tuesday, Jan. 24 through Feb. 28 — Leadership Skills for Executives course 6:30-9:30 p.m. in Southfield. Fee: \$175. Information: 552-2600.
- DIRECT MARKETERS Wednesday, Jan. 25 — Direct

- Marketing Association meets in Troy. Information: 455-8911.
- MARKETING ASSOCIATION Wednesday, Jan. 25 — American Marketing Association meets in Southfield. Information: Kay Bonnick, 569-7095.
- ACCOUNTANTS ASSOCIATION Thursday, Jan. 26 — National Association of Accountants meets in Bloomfield Hills. Information: 652-8797.
- WOMEN AND MONEY Thursday, Jan. 26 — "A Financial Survival Plan for Wives" 10 a.m. to noon in Birmingham. Fee: \$12. Information: 644-5832.
- 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, 335-1200. Sponsor: University of Detroit Center for Entrepreneurial Enterprise.



Gold Medal Insurance

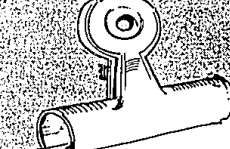
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