

Top-rated bonds have pitfalls

At a recent seminar I asked the following question: "Besides CD, what's the safest, guaranteed investment available today?" The answer came from a 62-year-old millionaire, Mrs. Betty Client: "The safest investment is AAA-rated bonds." This answer typifies the confusion which exists in investors' minds about the safety of high-grade bonds.

THE TRUTH: Assume you purchase a 8 percent, 30-year, AAA-rated bond for \$1,000. Because of its high rating, you can expect to receive \$40 every six months for 30 years. Also, upon maturity in 30 years, you will receive the maturity price of \$1,000. The potential for default in this case is practically non-existent. This is why most bond investors consider high-grade bonds as both guaranteed and safe.



finances and you

Sld
Milttra

AND THE MYTH:

While the coupon payments and the maturity price are never at risk, this bond, like all of market interest rate risk. The accompanying chart articulates this risk. If, subsequent to your purchase of this bond the market interest rate rises to, say, 12 percent, the market price of this bond will drop to \$677, a drop of 32.3 percent. Furthermore, the argument that you

have no intentions of selling this bond is also not valid, since you would suffer the loss whether you sell it or not. In technical jargon, this is known as an opportunity cost.

In addition to the drop in the bond's market price, the higher inflation rate, which is generally associated with higher interest rate, also reduces your real return. This means that even though you continue to receive \$40 every six months, because of inflation the real value of

the coupon payments is less than \$40.

NEXT WEEK: More on bonds. Educational seminar: Main Topics: 1. Refinancing: What are your best financial choices? 2. Avoiding Medicare tax - Is it always desirable? 3. Stock market - Is it time to get in or out? 4. How risky are safe investments?

The seminar, sponsored by the Observer and Eccentric Newspapers and Coordinated Financial Planning will be held from 7-9 p.m. on Tuesday, July 19, in the offices of Coordinated Financial Planning, Sheffield Office Park, 3250 West Big Beaver, Suite 540, Troy. For reservations call 443-8888.

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

Limit claims before you hire a worker

Continued from Page 1

sulting, he has never met an employer who has read the pertinent laws. If a claim is successful, the former employee can collect approximately 70 percent of his or her net earnings for up to 26 weeks (less if he or she gets another job). And it is the employer — not the federal or state government — who must bear 100 percent of the cost of the claim.

The good news for employers, Bruner said, is that they have some control over their unemployment tax rate.

"It's the only controllable payroll tax that employers have," Bruner said. "It's reducible."

An employer's unemployment tax can range from 1 to 10 percent of

their taxable payroll. In other words, a company with a taxable payroll of \$1 million could pay from \$10,000 to \$100,000. Part of the tax goes into a reserve fund, which could be used, for example, to cover an unexpectedly large number of successful claims.

The percentage charged a company in a given year depends on several variables, including changes in payroll, the number of successful claims against it and the amount it has in its reserve. But in general the fewer claims for which the company is held responsible, the lower its unemployment tax bill will be.

Many firms have in-house industrial relations or human resources personnel who handle unemployment tax matters.

Studio has big ambitions

Continued from Page 1

place, the company has been successful with more contemporary design. Ford Motor Co. selected IAD to restyle the 1990 Lincoln Town Car, set to be introduced formally during the first week of October, according to Tom Rhoades, public affairs manager for Ford's Lincoln-Mercury Division.

Most recently, IAD was involved in the design of the Volvo 460/480.

BUT IF BOGDAN could put a handle on the 15-year-old company's success, he said recognizing the automotive market as a worldwide entity is paramount to survival. "The industry is very competitive, and it's getting more competitive all the time. The company which is strong on each of the continents will be major players in the 21st century."

IAD opened its Livonia office in April 1988, and it contributed more than \$10 million to the company's total revenues last year. It has similar studios in Huntington Beach, Calif. Other offices are scattered through Europe, with another each in Tokyo

and Moscow. The company employs 550 employees worldwide, 70 in Livonia.

Leading the way on a tour of fabrication and computer rooms, Bogdan said a credit card security system will soon be in place to ensure that clients' designs will be secure.

IAD now has contracts with Ford, General Motors, Mazda, Nissan, Volvo, Opel, Rolls Royce, Renault and others. In the next 18 months, the company plans to break ground on three new buildings to be added on land at the rear of the present facility at 12743 Meridian.

The buildings will house facilities for a spray booth and fiber glassing, another 40,000 square feet for styling studios, and an outside court area for clients to view cars in direct sunlight.

Bogdan announced his company has signed a contract with the Soviet Union, valued initially at \$49.3 million, to design and develop a series of Soviet-produced commercial vehicles.

Perhaps glasnost will come to mean more than openness, but an open-road vehicle as well.

datebook

DRUG ABUSE

Thursday, July 13 — "Getting Help with Drugs and Alcohol" workshop offered noon to 1 p.m. in the third-floor auditorium of Comprehensive Health Services' main building, 2875 W. Grand Blvd., Detroit. Information: Comprehensive Health Services, 875-4200 Ext. 2887.

PHOTOGRAPHY SEMINAR

Saturday-Sunday, July 15-16 — Photography seminar with Monte Nagler offered 12:30-5 p.m. at Cranbrook Schools, 550 Lone Pine, Bloomfield Hills. Fee: \$40. Information: 645-3635. Sponsored by Cranbrook P.M.

MARKETING ASSOCIATION

Tuesday, July 18 — American Marketing Association meets in Southfield. Information: Kay Bonnici, 969-7095.

RECORDS MANAGERS

Wednesday, July 19 — Association of Records Managers and Administrators hear program on "How to Make Effective Presentations" at 5:30 p.m. at the Skyline Club in Southfield. Information: Marilyn Brozovic, 244-1002.

REAL ESTATE MANAGERS

Wednesday, July 19 — Michigan Chapter No. 5 of Institute of Real Estate Management hears a program in Southfield by Vann Fleming on

personal finances; forms for determining your net worth will be used. Information: Margaret Davy, 558-0360.

INTERNATIONAL BUSINESS

Wednesday, July 19 — International Business Forum meets at 11 a.m. at the University Club, 1411 E. Jefferson, Detroit. Topic: "International Students: An Asset to American Business." Fee: \$15. Reservations: Don Keesee, 540-2815.

GIVEN ORGANIZATION

Wednesday, July 19 — Detroit Delta Chapter of Charles J. Given Organization meets at 6 p.m. at the Harbana Inn, one-half mile south of 12 Mile on Telegraph. Southfield. Topic: "How to Buy Diamond." Free. Information: Greg Adair (after 6 p.m.), 421-7493.

BEING A PARENT

Thursday, July 20 — "Effective Parenting" workshop offered noon to 1 p.m. in the third-floor auditorium of Comprehensive Health Services' main building, 2875 W. Grand Blvd., Detroit. Information: Comprehensive Health Services, 875-4200 Ext. 2887.

FINANCIAL INFORMATION

Friday, July 21 — "Financial Information for Business Owners" offered 8:30 a.m. to noon at Wayne State University, 6001 Cass, Detroit.

Fee: \$45. Information: Jim Couto, College of Lifelong Learning, 577-4665.

HOME-BASED BUSINESSES

Wednesday, July 26 — "How to Start and Manage Your Own Home-Based Business" offered 8-9 p.m. at Detroit College of Business, Calumet Boulevard south of Michigan Avenue in Dearborn. Fee: \$28. Information: 581-4400, Ext. 249.

NETWORKING

Thursday, July 27 — "Networking" workshop offered noon to 1 p.m. in the third-floor auditorium of Comprehensive Health Services' main building, 2875 W. Grand Blvd., Detroit. Information: Comprehensive Health Services, 875-4200 Ext. 2887.

CUSTOMER SERVICE

Monday, July 31 — Author/businesman Tim Connor of Training Associates International will discuss "Customer Service Attitudes and

Your Bottom Line" at a meeting of the Builders Association of Southeastern Michigan at 5:30 p.m. at Roma's of West Bloomfield, 2101 S. Telegraph. Registration is \$15 for members, \$20 for non-members, and includes dinner. To register or for information, call 737-4477.

FRIDAY STRATEGY

Friday, Aug. 18 — "Planning Your Market Strategy" offered 8:30 a.m. to noon at Wayne State University, 6001 Cass, Detroit. Fee: \$45. Information: Jim Couto, College of Lifelong Learning, 577-4665.

Information for this column should be sent to the business editor, Observer & Eccentric Newspapers, 36221 Schoolcraft, Livonia 48150. Information must be received by Monday to be published in the Thursday issue. Publication cannot be guaranteed. Information should contain a daytime telephone number where information can be verified.

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ANDRE WATTS

Dr. Mouchelles
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