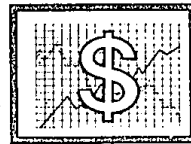


Business

Marilyn Fitchett editor/591-2300



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Alternatives to MET

Invest on your own

By Doug Funke
staff writer

This is the week for parents to sign up children for the Michigan Education Trust, a state-sponsored financial program that purports to guarantee college tuition in the future for an investment now.

Parents can "buy" four years of college for a lump-sum payment ranging from about \$7,800 for a newborn to about \$14,700 for a high school senior.

Last year, some 40,000 children were enrolled.

MET's big advantages, proponents say, are guaranteed tuition, a wide-ranging choice of which college to attend and state tax deductions now for parental purchasers.

But some financial advisers who recommend that parents save for their children's college education don't believe that the MET is the best investment vehicle.

They point out that MET advertises that it will guarantee only tuition, and full tuition, at that, only at public universities and colleges in Michigan.

PARENTS COULD come up short if their children chose a private college, an out-of-state university or elected not to pursue college at all. Richard Ferri, a stockbroker, pointed out that four years of college at the University of Michigan would cost nearly \$41,000 in 22 years from now based on current rates and annual inflation increases of 7 percent.

He has developed a plan using mutual funds, which he believes offers a better financial return than MET.

"Forget the MET," Ferri said. "I figured at best MET would give a 7 percent return."

Cynthia Boesler, a certified financial planner, doesn't like the idea that parents give up decision-making power and access to their money for a tuition guarantee.

"Everything I've come up with (investment alternatives) keeps parents in control," she said.

"I think people would be well-served not to put all their eggs into that one (MET) basket," said Gary Morrison, a bank trust officer.

"TO PUT everything you've got into that and say the state of Michigan will take care of my child's educational needs in 2020, I'm not comfortable with that," he said.

Peter Smith, a banker and certified financial planner, suggested that if parents go it alone, "they should go in as early as they can with as much as they can" to take advantage of compounding interest.

"People should keep it as simple as they can," Smith said, the better to track the investment.

Ferri, Boesler, Morrison and Smith all agreed to put together two sample college fund portfolios for parental investors.

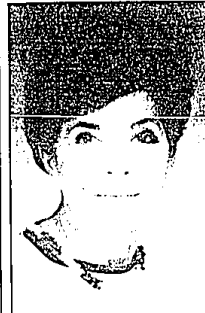
One assumes a lump-sum investment of \$7,800 — about what the parents of newborns this year would have to pay into MET to guarantee four years of college tuition beginning 18 years from now.

The other portfolio assumes a monthly investment of \$26 over 18 years without any kind of lump-sum investment.

Their plans follow.



Susan E. Funk
'opportunities in manufacturing'



Irma B. Elder
'another world to conquer'

Women told: Help others tap potential

By Susan McCoy
special writer

Women need to develop their own mentor network if they want to continue to move ahead in the business world.

That's the consensus of business owners Susan E. Funk and Irma B. Elder who addressed a Birmingham Community House audience for the benefit of the Michigan Women's Hall of Fame last week.

Promoting women has become one of Funk's priorities.

"Women are sometimes our own worst enemy," she said. "We are insecure when we do achieve success and don't reach out to help each other. We need to develop these helping networks."

Funk of Livonia has signed on as a mentor in a new program developed by the U.S. Small Business Association to help women starting out in business.

The president and principal stockholder of Detroit Bandag, a tire retread company, Funk has experience in a field traditionally run by men.

"Women tend to own service businesses. I think manufacturing offers more opportunities. Opportunities for profits are tremendous. Men have been capitalizing on manufacturing for years and women need to get into it.

"AT FIRST MY youth as well as the fact that I was a woman was a drawback, especially in the tire business. I learned that older men have to get to know you to accept you. I had typical problems dealing in a male-dominated field, but as my attitude mellowed and I gained more knowledge I became more assertive and confident."

Elder, a Bloomfield Hills resident, is president and owner of Troy Ford in Troy and a dealership in Owosso. But in 1983 she was a homemaker who faced the decision of running a business or selling it after the death of her husband.

It was something her daughter said that helped her make the decision.

"All my life you said I can do anything I wanted to as a woman," her daughter said. "If you don't do this then you really did not believe what you were saying."

"I represent that it can be done," Elder said. "We have many more skills as women that we realize. Never underestimate yourself and your abilities. I've learned that tragedy does not keep you down. There is another chapter in life and another world to conquer if you let yourself be

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Look at money market, mutuals



Richard A. Ferri
'dollar-cost averaging'

Richard A. Ferri, a 31-year-old account executive with Kidder, Peabody & Co. in Troy, would set up a college fund in a child's name in a Uniform Gift to Minor Account.

That allows for parental control of the investments until the child reaches 18 years of age. But remember — the money legally belongs to the child.

Ferri likes the Massachusetts Financial Services family of mutual funds.

"They have more experience than anyone in the country investing money in mutual funds," he said. "They are absolutely the oldest mutual fund company in the country."

Ferri would immediately place the entire \$7,800 into the MFS Lifetime Money Market Fund.

Every month thereafter, a specific amount, \$300 in this theoretical exercise, would be transferred from the money market to the MFS Capital Growth Fund, a growth-income fund, until all the money is there.

"Over the long run, you're going to get the best average market price,"

Richard A. Ferri
'dollar-cost averaging'

Ferri said of the dollar-cost-averaging strategy.

The Capital Growth Fund, in existence only 2 1/2 years, is a mirror of the MFS Capital Development Fund, which has had an annual average return of 17.6 percent over the last 10 years, Ferri said.

Current major holdings of both funds are Ford Motor Co., ITT and Apple Computer, Ferri said.

"We think the market is going to grow an average of 12 1/2 percent a year. If the market grows at 12 1/2 percent, a good, quality mutual fund also should grow at 12 1/2 percent," he said.

The initial \$7,800 investment would grow to about \$65,000 less

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Keep accounts in names of parents

Cynthia Boesler, a certified financial planner and president of Boesler & Co. of Rochester Hills, believes that education funds should be set up in parents' names.

More control over the money — it's available for other uses in the event of a family emergency — compensates for extra taxes that will result from keeping such accounts in the names of mom and dad, Boesler said.

She has two options for investing the \$7,800 lump sum.

For moderate to aggressive risk takers, Boesler would put the entire amount in a combination growth-income, no-load mutual fund like the Fidelity Fund.

It has returned about 17 percent annually over the last 10 years, she said, adding that major holdings as of the end of July were GTE, General Electric, ATT and Mobil.

Boesler would move the funds into the Fidelity money market for the

last four years of the savings plan for safety.

BOESLER PROJECTED that the education fund would be worth about \$64,000 after taxes for parents in the 15 percent tax bracket, \$50,000 after taxes for parents in the 28 percent bracket.

That assumes a 17-percent annual return over the first 14 years and 7 percent a year for the last four. For low to moderate risk takers, Boesler would place \$3,900 into the Fidelity Fund and \$3,900 in Series EE U.S. Bonds.

The current guaranteed rate on savings bonds is 7.81 percent if held at least five years. Starting next year, the interest is tax free if used for education.

Under that option, Boesler projected an after-tax education account worth about \$55,000 for parents in the 15 percent tax bracket and about \$45,000 in the 28 percent



Cynthia Boesler

bracket.

That assumes the bond rate holds at 7.81 percent and the mutual returns 17 percent over all 18 years.

On the periodic payment side, Boesler would put \$25 per month into a passbook savings account until \$1,000 had accumulated, then transfer the money into the Fidelity Fund. Estimated money available after

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Mix of stock, bond funds a good hedge

Gary Morrison, a trust officer with First of America Bank in Ann Arbor, recommends a multi-track approach to allocating the \$7,800 through a Uniform Gift to Minor Account.

He touted the Parkstone family of mutual funds since his bank serves as financial adviser to the group. There is no sales charge to invest with Parkstone if a client has a trust relationship with the bank, a 1/2 percent charge if a client has an account with the bank and 4/2 percent if there is no relationship, Morrison said.

He would place 20 percent, or

\$1,560, into the Parkstone Prime Obligation Fund, a money market with no initial sales charge, currently paying 6.35 percent.

Bonds got the nod for a full third of the \$7,800 investment.

Fifteen percent, or \$1,170, should go into the Intermediate Government Bond Fund currently returning about 8.1 percent, and 20 percent, or \$1,560, would go into the Bond Fund now paying 8 1/2 percent, Morrison said.

"We're taking a very conservative viewpoint on the market," he said. "We just feel there's a lot of question

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Gary Morrison