



Marilyn Fitchett editor/591-2300

(F1C)

# Common threads unite those building wealth

## Wealth accumulation methods

### Systematic savings and investments

- Automatic payroll deduction
- 401(k) or tax-sheltered annuity
- Dollar cost averaging
- Income tax refunds

### Building long-term equity

- Business ownership
- Real estate accumulation

### Managing the windfall

- Inheritance
- One-time large capital gain
- Large gift, lottery, etc.

By Dan Boyce  
and Alan Ferrara  
special writers

#### First of two parts.

This month's Family Finances column focuses on some common characteristics of those who are successful financially. In analyzing the financial situations of the many respondents to our column, some common threads emerge in those who have been able to build their personal wealth. Through the sharing of these observations, we are hopeful that our readership will gain some insight that will be of assistance in accomplishing their financial goals.

"To get money is difficult, but to keep it is even more difficult." All of us have money that we receive either through wages, investment income or other sources. It is how we manage this inflow that determines long-term financial success.

Generally, most people who have been able to accumulate significant assets fall into one of three categories. We will call these three types the savers, the achievers and the investors.

The savers remember the story of the tortoise and the hare. They believe that slow but steady financial progress will ultimately win the race.

Establishing the habit of savings for the long term is the single most common attribute to financially successful people. Initially, it seems as if the amount saved does not matter — establishing the habit is the important factor.

The savers have discovered that even modest amounts saved regularly over a long period of time will grow into significant sums. For example, \$150 per month invested at 8 percent over 35 years would grow to more than \$240,000. If an average rate of 12 percent can be achieved, the monthly investment of \$150 would grow to almost \$1 million.

THE SAVERS realize the magic of compounding. Over time, money grows exponentially when the interest is reinvested and compounded.

For many people, the forced discipline of an automatic savings plan is helpful. Several strategies can be adopted by those who want to begin a regular savings or investment program. Three methods will be discussed here.

Many employers will, upon request, automatically transfer a portion of their employees' paychecks into a credit union account or other savings vehicle. If used solely for investments and long-term growth, this money can form the foundation of future financial security. We typically recommend that this account be completely separate from your general checking account and any savings account used for periodic major purchases. This account should be used solely for long-term investments. Don't use the money for expendi-



**FAMILY FINANCES**

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Guy Flannery



Scott Eisenberg



Dan Beardslee

## Venture group provides investor, inventor forum

By Doug Funko  
staff writer

Matchmaking, expediting, networking.

It might not sound fancy, but that essentially is what the Southeastern Michigan Venture Group is all about.

"Basically, it's to provide a forum for investors, entrepreneurs and service providers," said Scott Eisenberg, president of the non-profit organization.

"We're a network," said Carl Meyering, a founder of the venture group four years ago and a former president. "The group itself doesn't lend money. It brings people together."

The Southeastern Michigan Venture Group, one of at least six in the state, meet at monthly breakfasts at Walsh College in Troy. They generally draw upward of 50.

finance group for Deloitte, Haskins & Sells.

The rest of the participants are service professionals like accountants and lawyers and investors such as banks and other private capital groups.

After a featured speaker, everyone has the opportunity to take a minute to tell the gathering about his idea, business or service provided.

Informal connections are made before, during and after the light meal.

"Entrepreneurs, per se, are not members," Eisenberg said. "Most come to one meeting and don't come back. We don't have any idea of followup, what luck they've had."

"I think they shortchange themselves by not coming back," he added. "You hear all those presentations in one day, you can't remember them all."

"It's just kind of exciting working with people at that level," said Guy Flannery, vice president of the venture group and finance director for MIDA Dental Plans.

"SOME PEOPLE will have one piece missing, some might have all the pieces missing," Flannery added.

Daniel Beardslee, vice president of the Demery Seed Capital Fund and a venture group board member, said his company has invested with a business that floated an idea to the group.

That company, Rollofforge of Benton Harbor, is involved with a high-speed forging process.

"This is one of the best ways we can see a lot of potential investments quickly and meet people," Beardslee said. "It's a lot different to read a business plan and see the person who wrote it."

Meyering, president of the Meyering Group, said his private investing group is involved with several companies with which contact was made through the venture group.

"If you're a new business, you don't have any assets, you don't have collateral," he said. "Where are you going to go? The private community."

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Dan Boyce



Alan Ferrara



## K mart to merge with PACE

K mart Corp., based in Troy, announced an agreement Monday that says the world's second-largest retailer will purchase PACE Membership Warehouse for \$23 a share, or about \$223 million.

The board of the Colorado company, which has membership warehouses in Michigan and 10 other states, has approved the agreement and recommended that stockholders tender their shares, the companies said.

Under the terms of the merger agreement, a wholly owned subsidiary of K mart will begin a tender offer to purchase all outstanding PACE shares at a price of \$23 per share in cash. Any shares not purchased in the tender offer will be acquired by K mart in a subsequent merger at the same \$23 cash price.

"The combination of K mart and PACE Membership Warehouse represents a partnership of two fine organizations. The membership warehouse club concept has great potential, and the long-term prospects for PACE Membership Warehouse and its employees will be enhanced by the affiliation with K mart," a joint release issued by the two companies said.

"PACE Membership Warehouse will continue to operate under its present management, as will K mart's Makro Inc."

Makro is a six-unit membership warehouse club chain with units located in the Cincinnati, Washington, D.C., Philadelphia, Baltimore and Cleveland markets.

K mart Corp., the world's second-largest retailer, posted sales of \$27.3 billion in 1988. As of Sept. 27, 1989, the corporation operated 4,150 stores in all 50 states and in Puerto Rico and Canada, including 2,383 K mart discount stores, 1,247 Waldbaums, 141 Builders Square, 279 Pay Less Drug and six Makro stores.

PACE Membership Warehouse operated 41 membership warehouses in California, Colorado, Florida, Georgia, Iowa, Kentucky, Maryland, Michigan, Nebraska, North Carolina and Pennsylvania. Its 1988 sales were \$1.3 billion.

Morgan Stanley & Co. and James D. Wolfensohn Inc. will serve as co-lead managers of the tender offer. Goldman, Sachs & Co. acted as financial adviser to PACE in connection with the transaction.

In other news, the K mart board approved a cash dividend to be paid on Dec. 4, 1989, on the outstanding shares of the corporation's common stock to holders of record on Nov. 16, 1989, in the amount of 41 cents per share. K mart Corp. is the second-largest retailer in the world, with 1988 sales of \$27.3 billion.

The Associated Press contributed to this story.

## Home sales up, prices down

Sales of existing homes continue to outpace 1988 sales by 4.3 percent through the third quarter of the year in this area, METRO MLS, the state's largest multiple listing service reported.

"Sale of 1,508 single-family homes and condominiums in September brought the third quarter total to 5,098, a 5.6-percent improvement over last year," said Eric J. Hunt, Metro MLS president.

"After a very strong August which saw 1,930 units change hands, the market softened somewhat in September, but still is continuing on a near-record track."

Median prices dropped to \$76,000 in September down from the \$80,500 in August. The year-to-date median price, \$77,000, remained 6.9 percent above the \$72,000 median price at this time a year ago. Median price marks the point where half of the

homes sold for more and half for less.

"While listings throughout the area are still 7 percent above last year, they took a decided drop in September and were down 20 percent above the \$72,000 at this time a year ago," Hunt said. "The combination of lower prices and fewer homes should be encouraging signs for the market during the remainder of the year."

STILL, HOME ownership declined nationally in the 1980s for the first time since World War II.

According to a study by a senior economist for the Joint Economic Committee of Congress, home ownership peaked at 65.6 percent of the population in 1969 and then began falling, hitting 63.9 percent last year.

The study found home ownership

had fallen dramatically in the youngest age groups. In 1973 nearly one-fourth or 23.4 percent of people under age 25 — owned a home. In 1988 the rate was 15.5 percent.

In other younger age groups, the situation is similar: 4.6 percent of 25-to-29-year-olds were homeowners in 1973, falling to 3.2 percent in 1988. For the 30-to-34-year-old group, 60.2 percent owned homes in 1973, dropping to 52.6 percent in 1988. And in the 35-to-39 bracket, the rate fell from 68.5 percent in 1973 to 63.2 percent in 1988.

The average age of first-time homebuyers has jumped to 32 now, up from 28 years old in 1980. Housing affordability is determined by several factors including tax policy, income growth and housing prices, the study said.

The Associated Press contributed to this report.

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