

# Learn to find out what your mutual fund is earning

It is not always easy to find out how much you are really earning on your mutual fund investment, especially if you reinvest your gains and liquidate partial shares during the year. Here is a quick lesson on how you can calculate this return.

### Compound annual return: simple illustration

Assume you had an investment worth \$10,000 at the beginning of the quarter and added a net \$1,500 during the quarter. At the end of the quarter the value of your investment was \$12,000. Capital gains and dividends were reinvested. How much did you really earn?

Step 1. Rate of return during the quarter

1. Value of investment at the beginning of quarter	\$10,000
2. Value of investment at the end of quarter	\$12,000
3. Net addition or withdrawal during the quarter (Note that withdrawal will be a negative number)	\$1,500
4. Multiply Line 3 by 0.5	\$750
5. Subtract Line 4 from Line 2	\$11,250
6. Add Line 4 to Line 1	\$10,750
7. Divide Line 5 by Line 6	1.046



finances and you

**Sid Mittra**

8. Subtract 1 from Line 7	.046	12. Multiply Line 11 by	19.7
9. Multiply Line 8 by 100	4.6%	100	
Step 2. Annualized quarterly return		Step 3. Compounded annual rate of return	
10. Multiply Line 7 by itself three times (e.g. in sample case, it is 1.046 x 1.046 x 1.046)	1.197	Assume your four quarterly re-	
11. Subtract 1 from Line 10	.197		

turns during the year were as specified on Lines 13 through 18:

13. Return during first quarter	4.6%
14. Return during second quarter	-2.5%
15. Return during the third quarter	3.5%
16. Return during the fourth quarter	4.0%
17. Divide Line 13 by 100	1.046
18. Divide Line 14 by 100	.975

19. Divide Line 15 by 100	1.035
Add 1 to the amount	
20. Divide Line 16 by 100	1.040
Add 1 to the amount	
21. Multiply Line 17 by Lines 18, 19, and 20	1.097
22. Subtract 1 from Line 21	.097
23. Multiply Line 22 by 100	9.7%

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

## datebook

- Building seminar**  
Thursday, March 15 — Workshop for people planning to build or remodel begins at 7:30 p.m. in Farmington Hills. Fee: \$30. Information: 851-7540. Sponsor: Colorworks Studio.
- Human resources**  
Thursday, March 15 — Human Resources Association of Greater Detroit meets at 6:30 p.m. in Southfield. Information: 528-8108.
- WordPerfect graphics**  
Thursdays, March 15 through April 15 — WordPerfect Graphics offered 6:30-8:30 p.m. near Rochester. Fee: \$125. Information: 370-3120. Sponsor: Oakland University.
- supervising construction**  
Friday, March 16 — "Basic Construction Management, the Superintendent's Job," seminar 8 a.m. to 5 p.m. in Farmington Hills. Fee: \$145. Information: Builders Association of Southeastern Michigan, 368-5242 Ext. 347.
- Dependency seminar**  
Friday, March 16 — Seminar on people looking to others at their work place to establish their identity 8:45 a.m. to 4:30 p.m. in Troy. Fee: \$139. Information: 689-8282 Ext. 260. Sponsor: Walsh College.
- Growth financing**  
Friday, March 16 — "Financing for Growth" 9 a.m. to noon in Southfield. Fee: \$45. Information: Lisa Pajot, 769-6200. Sponsor: Deloitte & Touche.
- Black MBAs**  
Saturday, March 17 — Dance and

- celebrity auction for National Black MBA Association Inc. begins at 8 p.m. in Detroit. Fee: \$15 per person. Information: 559-7319.
- Media strategy**  
Sunday, March 18, Wednesday, March 22 — A seminar for business people on how to develop strategy for positive media relationships will be presented by Berl Falbaum, president of Falbaum & Associates Inc., a Birmingham public relations agency. At Berkshire Hotel on Telegraph in Southfield. From 9 a.m. to noon each day. Information: 258-2744.
- Effective supervisors**  
Monday-Tuesday, March 19-20 — "Becoming an Effective Supervisor" 8:45 a.m. to 4:30 p.m. in Troy. Fee: \$275. Information: 689-8282 Ext. 260. Sponsor: Walsh College.
- Non-profit leaders**  
Tuesday, March 20 — Non-profit Leadership Forum meets for breakfast in Southfield. Information: Accounting Aid Society, 961-1840.
- commercial Realtors**  
Wednesday, March 21 — Commercial Investment Division of the Detroit Board of Realtors meets at 8:30 a.m. in Southfield. Information: 585-1283.
- Business plans**  
Friday, March 21 — "Writing a Business Plan: The Parts and the Process" 6-9 p.m. in Southfield. Fee: \$40. Information: Lisa Pajot, 769-6200. Sponsor: Deloitte & Touche.
- Non-financial folks**  
Wednesdays, March 21, 28 — "Ac-

- counting and Finance for Non-Financial People" 6-9:30 p.m. in Troy. Fee: \$149. Information: 689-8282 Ext. 260. Sponsor: Walsh College.
- Women business owners**  
Thursday, March 22 — National Association of Women Business Owners meets in Detroit. Non-member fee: \$25. Information: Martha Kummer, 851-8270.
- Accountants association**  
Thursday, March 22 — National Association of Accountants meets at 6 p.m. in Bloomfield Hills. Information: 927-1172.
- Women's advertising club**  
Monday, March 26 — Women's Advertising Club meets at 5:30 p.m. in Troy. Tickets: \$25. Information: Michelle Beaupre, 352-1630.
- Accounting assistants**  
Tuesday, March 27 — Free job opportunity seminar to learn about accountant assistant career 6:30-7:30 p.m. near Rochester. Information: 370-3120. Sponsor: Oakland University.
- Investing tax free**  
Wednesday, March 28 — Investment seminar on tax-free, tax-advantaged and high-yield investments begins at 7 p.m. near Rochester. Free. Information: Bob Sheppard, 358-0003. Sponsor: Shearson Lehman Hutton.
- Wharton association**  
Thursday, March 29 — Wharton Alumni Association of Michigan meets at 5:30 p.m. in Birmingham. Non-member fee: \$18. Information: Larry Lloyd, 556-4768.

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