

# BUSINESS & FINANCE

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## Insurance, CD options open for planning

**Editor's note:** This is the fourth article in a seven-part series on educational planning.

**L**ast week several investment options appropriate for funding educational costs were discussed. In this column, two additional investment options will be discussed.

### Low-load insurance

An important choice available, especially to older parents who also need insurance, is the low-load universal life policy. While there are drawbacks to cash value policies, the following illustration demonstrates how it might be used in financing education.

Assume that John Jones is a healthy 40-year-old man and he needs \$600,000 in life insurance. John buys a low-load universal life policy with \$500,000 in death benefits.

Next, he puts as much cash into the policy as the federal law allows without it becoming a "modified endowment contract."

That means that John would have to follow a complicated payment schedule: \$19,277 per year for the first four years; \$3,275 the fifth year; nothing for six years; \$1,921 the 12th year; then \$6,859 for the remaining eight years. John can borrow against his appreciated value - or withdraw it - tax free, which should help pay the college costs. And at the end of 10 years, the cash value should approximate \$130,000; after 20 years, it should be \$310,000.

A "buy term and invest the difference" strategy would provide John with the same amount if he earned for 20 years a fairly low (say, less than 5%) after-tax annual return. However, in that case, at age 60, his term insurance would start costing him \$4,550 a year and, at age 65, it would become prohibitively expensive.

So, as can be clearly seen, in John's case a low-load insurance policy that provides him the desired protection can also be used as a vehicle for funding college costs.

### CollegeSure CD

Another novel idea relates to the purchase of CollegeSure CDs, marketed by the New Jersey-based College Savings Bank. CollegeSure CDs are sold in "units" and "fractional units."

One unit pays for one year of tuition, fees, room and board at an average private college; 0.40 units pays approximately one year at an average in-state public college; and 1.42 units prepaies approximately one year at an Ivy League school.

The cost of a unit or fractional unit is based on when the parents want the CD to mature. Parents can buy CollegeSure CDs (available in maturities of one to 25 years) that will mature to meet their needs.

Parents do not have to buy CollegeSure CDs in one lump sum. People can simply invest as much as they wish, when they can, and they get a confirmation telling them what fraction of the unit they own, and how much college cost it will cover by maturity.

The minimum to open an account is \$1,000, but that is waived for persons who sign up for an automatic deposit program.

College Savings Bank calculates the annual interest rate the CD will earn based on the Independent College 500 Index.

The index measures the average total charge and annual rate of change for tuition, fees, room and board paid by full-time freshman students at 500 widely attended private colleges in the U.S.

The real comfort in buying CollegeSure CDs is that there is no limit to how much investors can earn. Even if college costs hit double-digit increases, the deposit is guaranteed to keep up. And if

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## Make financial resolutions for 1997



The beginning of a new year is a good time to wipe the slate clean, according to the Credit Counseling Centers in Farmington Hills. Here are some tips to help you avoid or fix credit problems in 1997.

During January, you will be bombarded with information from financial advisors and tax experts about what you need to do to plan your finances for the New Year. You'll also hear or read about what to get in order for your 1996 income tax preparation and how to

plan for 1997 taxes.

Carol Kurth, education coordinator for Credit Counseling Centers, Inc., a non-profit financial counseling agency headquartered in Farmington Hills, notes that those working with the credit industry also have wise suggestions for families to

get their financial house in order at this time of year. Try these resolutions for 1997:

- Resolve to save more this year. Find reasons to inspire you to save ... it's not easy but so important. The secret to making savings fun and easy is to find an exciting purpose for your cash ... perhaps a summer vacation? Or, pay off a major debt this year?
- Cut major expenses. How much money would you save this year if you eliminated unplanned credit

card purchases? How about if you cut grocery and utility bills by 10 percent?

- Shop for better interest rates. During recent years, the credit card market has become more and more competitive and you can now shop around for a good rate to help you pay less interest on your credit card balances. If your own bank cannot offer you a lower interest rate, find a bank that will. Sometimes your credit union or your alumni association

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## IRA changes Spouse can now contribute full \$2,000

BY MARGARET O'BRIEN  
BUSINESS EDITOR

Married couples in America continue to save too little for retirement, and at least 60 percent of those couples are unaware of the new expanded Spousal Individual Retirement Account (IRA) that may help them put away additional money for their golden years, according to a recent survey by Fidelity Investments.

The survey also found that only one in three married couples with one wage earner - those who stand to benefit most from the expanded spousal IRA - plan to make any IRA contribution at all in 1997.

The expanded Spousal IRA, which became effective Jan. 1, allows a husband and wife with a single income to save a combined total of up to \$4,000 a year - or \$2,000 each - in their IRAs. Previously, the combined limit was \$2,250.

"The expanded spousal individual retirement account is one of the most important developments for retirement savers since the IRA was created," said Joe Maffessoli, Fidelity Investments vice president and Southfield branch manager. "The new spousal IRA limit will allow Americans to save significantly more for retirement, but the key issue is that many don't realize that this benefit now exists."

Contributions to an IRA, a tax-deferred savings account that allows people to put away money for retirement, are generally fully tax deductible if a couple's joint income is less than \$40,000 annually. The same applies to a single individual who earns less than \$25,000 a year.

Additionally, IRA contributions are fully tax deductible for single individuals who do not participate in an employer-sponsored retirement plan, or for married couples in which neither spouse is eligible to participate in such a plan, regardless of income level.

Efforts to expand the Spousal IRA, which finally succeeded with its passage in August 1996, were led by U.S. Senators Kay Bailey Hutchison (R-Texas) and Barbara Mikulski (D-Maryland) and began with the "IRA Equality Act," introduced in February 1994.

"What we explicitly say are our values should be implicitly reflected in our public policy," Mikulski said. "The expanded Spousal IRA goes a long way toward helping married couples achieve the American dream of living a comfortable, secure retirement. It reflects the values of our nation, it rewards good parenting and families, and it recognizes that not all work is done in the marketplace. It is a real way for government to show we are pro-family and pro-community."

Hutchinson agreed.

"This is a solution that targets one of the greatest

See IRA, D3



Authentic: There are no fake Kona beans at Coffee Beanery.

## Beanery cracks down on fake Kona

Local Coffee Beanery, Ltd. stores, are bringing a new shipment of 100 percent authentic Kona coffee beans.

The announcement comes on the heels of last month's news that the specialty coffee industry was rocked by federal charges against a California coffee distributor who allegedly sold fraudulent Kona to retailers nationwide.

The Coffee Beanery's new shipment contained 2,300 pounds of Kona beans flown in directly from Kona Kai Farms in Kealahou, Hawaii, and other farms in Kona, Hawaii, including Lehua Gardens and E.Q. Enterprises/Tanaka.

The Coffee Beanery president, JoAnne Shaw, and her husband Julius, co-founders

of The Coffee Beanery, and board chairman, were in Hawaii in early November to inspect the recent Kona crop and meet with farmers.

"Over the past 20 years, we have nurtured a special relationship with the farmers. There are 570 Kona coffee farmers in Hawaii who have dedicated their lives to devel-

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## MESC closes registration for auto jobs

Response to the state's centralized application process for auto plant jobs has been overwhelming - so much so that the Michigan Employment Security Commission has decided not to reopen the process.

"We have such a huge number of applications on hand that we can easily fill any request from the auto industry for workers," director F. Robert Edwards said. "To reopen the process now

might only create false expectations among job seekers."

Since establishing its Centralized Auto Plant File earlier this year, MESC has received about 210,000 applications from workers interested in jobs at Michigan auto plants, approximately 168,000 are currently active.

When MESC had its first application period in March-April, the agency took in more than 51,700 applications. Another

42,900 came during the July 1-15 period, while local MESC offices submitted 115,000.

The auto file was created to help meet the expected need for workers in the state's auto plants. More than 129,000 auto plant openings are expected in the state between now and 2003. MESC expects to use its centralized file system to funnel applications to the auto industry as openings become available.

## BUSINESS MILESTONES

supplier of OEM electric-sliding sunroofs to the worldwide automotive industry. Christensen is responsible for quote development, program initiation and execution, coordinating and developing team members in their individual positions and maintaining customer relationships.

Grosse Pointe Farms resident Justia Klimko, shareholder and chair of Butzel Long's Transaction and Finance Group in Detroit, was included in "The Best Lawyers in America," one of the legal profession's premier referral guides. Klimko practices in the areas of business and corporate law, and has extensive experience in securities regulation and

mergers and acquisitions.



Shawn Merritt of Pleasant Ridge was named project manager at Farmington Hills-based Triad Performance Technologies, Inc. Merritt

was formerly project manager at Warren-based MaseTech Training & Visual Services.

Elizabeth Barnes of Troy was appointed by the Troy-based Walsh College Board of Trustees as vice president, chief human resources officer.



Barnes joined Walsh college in 1985 as the manager of personnel and placement services, and in 1990 became the director of college relations.

Earnestine Perry of Southfield was named vice president/account supervisor at Hermanoff & Associates in Farmington Hills. Perry manages the agency's McDonald's Corp., Road Commission for

Oakland County and Prim Performance Systems accounts. She also participates in the agency's strategic planning and new business acquisition.



Stephen Tuohy of Bloomfield Hills was named administrative coordinator for diagnostic services at St. Mary's Hospital in Livonia. He will oversee outpatient services. Tuohy formerly held positions at the hospital as operations analyst in administration and financial analyst in financial services.

John Sych of Utica was promoted to senior vice president/service line manager and Steve Tihanyi of Plymouth to senior vice president/group supervisor

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This column highlights promotions, transfers, hirings and other key personnel moves within the Oakland County business community. Send a brief biographical summary - including the towns of residency and employment and a photo, if desired, to: Business Milestones, c/o Business Editor, Observer & Eccentric Newspapers, 805 E. Maple, Birmingham, MI 48009. Our fax number is (810) 644-1314.

David Bowers of Rochester Hills was promoted from first vice president to senior vice president, national sales at Flagstar Bank in Bloomfield Hills. Bowers is responsible for wholesale lending and national accounts including banks, credit unions

and affinity marketing groups. In addition, he will supervise 140 sales and support staff in ten regional offices.

Grosse Pointe Park resident Charles Rutherford, a member Dymeka Gossett PLLC in Bloomfield Hills, was elected chairman of the Senior Lawyers Section of the State Bar of Michigan. Rutherford is a member of the firm's intellectual property practice group, specializing in patent, trademark, copyright and trade secret law, and related litigation.

Donald Christensen of Rochester Hills was named program manager at Farmington Hills-based Infa Hollandia, Inc., a leading



Christensen