

# Investor's Business Daily

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## News Digest

### Clinton Seeks Overhaul Of Banking Regulation

The Clinton administration proposed a sweeping overhaul of the government's bank regulatory agencies that would fold the supervisory functions of four agencies into a single Federal Banking Commission. But it immediately was met with skepticism by the Federal Reserve Board and a bankers' group. — See story / this page

### Bonds Advance Sharply, Reversing Long Slide

Bonds rallied strongly as the Treasury successfully sold \$11 billion of new five-year 5 7/8% notes yielding 5.20%. The key 30-year U.S. issue rebounded one point, reducing its yield to 6.31%. T-bill rates eased to 3.12% for three months and 3.27% for six months. — See story / page 34

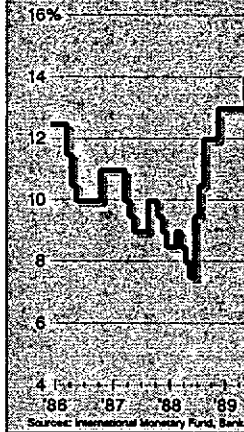
### U.S., EC Cite Progress In Round Of Trade Talks

The U.S. and the 12-nation European Community reported progress as they struggled to resolve sharp differences blocking a global free-trade agreement. Both U.S. Trade Representative Mickey Kantor and Sir Leon Brittan, his European counterpart, expressed optimism the talks would resolve a number of outstanding issues.

### Japanese Jobless Rate

### U.K. Base Lending Rate

Interest rate on short-term loans to commercial banks



### American Gets AirBOR United Slowdown Loo

Thousands of holiday travelers returned to American Airlines President Clinton helped end a piling strike in time for Thanksgiving. But troubles hit UAL Corp.'s UAL Airlines as the unions for that cargo ground crews and pilots ordered factio slowdown by irvine memb

## How Heirs Can Avoid Errors With Windfalls

*From page 1*  
(the tax taken out of the estate) is correct.

Months after receiving an inheritance, heirs can find the IRS at their door calling for additional taxes. This has become a more common occurrence with the growth in popularity of the living trust, in which a trustee rather than a court distributes the estate. Allmon says.

Trustees are not subject to supervision by experts and sometimes make distributions prematurely.

"The good news (with regard to one's own taxes) is that the amount that will be used to determine the gain or loss from the sale of inherited assets is the value of the asset as of the date of death," Allmon said.

"This gives you somewhat of a free rein to sell without creating tax liabilities," said Irwin Rothenberg, a CPA financial planner with Pisenit & Brinker in Santa Rosa, Calif. "But there could

be some hidden tax liabilities," particularly with real estate inheritances.

Also, remember that pension plan distributions are subject to taxation.

Another consideration is the tax implications of an enlarged estate, financial planners say. An inheritance can push an estate to a size that would make it subject to federal taxes, which range from 37% to as much as 60%.

Some heirs may want to talk with their lawyers about the possibility of "disclaiming" all or part of an inheritance if they already have substantial estates and want to keep Uncle Sam out of the picture, according to Allmon.

After addressing tax issues and before spending the dough on a new Jaguar, consider paying off any existing debt. Be sure at least to get rid of any consumer debt, since the interest on it is not tax deductible, Allmon says.

Make a checklist of obligations that now can be fulfilled such as funding a

## How Heirs Can Avoid Errors With Windfalls

By Lisa Lee Freeman  
In New York

Substantial inheritances await an increasing number of Americans, namely baby boomers whose thrifty parents represent the wealthiest segment of the U.S. population.

For the past 100 years, a fairly consistent statistic has been that 20% of affluent households receive an important source of their wealth through inheritances. But, according to Thomas Stanley, president of the Atlanta-based Affluent Market Institute, in the coming decade that's expected to go higher as the nation's millionaires march on in age and leave their fortunes behind.

The average millionaire is nearly 60 years old, with at least a third of those in the over 65 crowd, says Stanley. Just

six years ago, the average age was 57.

Overall, it is estimated that in the next 20 years, \$4 trillion will flow to baby boomers through their parents, according to Robert B. Avery, professor of consumer economics and housing at Cornell University, who has done extensive research on the subject. It will be the largest intergenerational transfer of wealth in U.S. history.

What are people going to do with all this money?

Some will spend their share. Like any recipient of a windfall, a common urge is to go on the ultimate shopping spree, which can substantially reduce or even wipe out an inheritance. Sometimes the first urge is to invest the money immediately. Both responses are generally wrong, say financial planners who specialize in sudden wealth.

Instead, new heirs should take a deep breath and set the assets aside in a safe place while the initial shock wears off.

investment portfolio. "Investment planning should take a couple of years to complete," said Allmon. "There are too many uncertainties in the beginning to invest the assets right off the bat. Usually clients aren't sure of what their expenses will be."

That's where budget and cash-flow planning become important.

Before investments are chosen, heirs need to determine how much income will be necessary to support their lifestyle, which is likely to change after an inheritance, especially if the money is used for a down payment on an expensive house or if the heir decides to quit working.

A common mistake is underestimating the costs associated with a large house or a luxury car, says Gamel. Heirs often forget about the recurring maintenance costs that can dramatically boost the expense of these luxury items.

"A million dollars sounds like a vast amount of money," said Gamel. "But in terms of additional monthly income, it doesn't mean as much as one might think."

The key with investment planning is

NATIONAL ISSUE

## THE SINGLE-PAYER TROJAN HORSE

### Clinton Health Plan Could End Up Like Canada's

INVESTOR'S CORNER

Any cash should go directly into a money market account or other cash equivalent instrument.

Although it might get a paltry return, "you have the peace of mind, and it gives you time to devise a financial plan," said Beth Gamel, a CPA certified financial planner in Lexington, Mass., with Tax & Financial Advisors.

Next, "find out about the estate administration," said Michael B. Allmon, a Marina Del Rey, Calif.-based CPA financial planner. "And make sure

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to be realistic. Gamel said one client who inherited \$1 million assumed it would give him an annual income of \$100,000 for life. That's fine, she says, if you don't mind taking the risk of losing principal in a junk bond portfolio.

Finally, carefully examine the professionals with which one chooses to work. The trusty family accountant may not have the experience to handle large estates. It may be best to hire a professional money manager. Also, get second opinions and watch for swindlers.

"Clients who receive large amounts are bombarded with people who want to invest it," said Allmon. "If one chooses to work with new advisers, make sure they're legitimate. Get references and do background checks."

Rothenberg says the three worst traps he sees with big inheritances are: borrowing money to pay estate taxes without evaluating whether it would be best to sell existing assets; buying lots of expensive toys without considering the cost of their ongoing maintenance; and investing in a business about which one knows little and which may require additional capital.

"I'll say, 'We tried to let the sector do it, and they blew it, so we have to have a single-payer,'" Scandlen said.

For a single-payer system, the government would pay for all health-care needs of the country in tax dollars, eliminating the insurance industry.

Very popular with some law-Clinton administration officials at getting a single-payer bill Congress would be impossible, early because it would involve in the order of \$400 billion in costs.

"I wanted a single-payer system, but I didn't get it politically, the plan is exactly what I'd proposed," said Mark Litow, an actuary with J.P. Morgan & Co., a based actuarial company.

Litow and others point out that the Clinton reform would significantly boost the providing health-care coverage. For example, under the Clinton plan, newly formed regional health plans would pick which plans will be in each area.

One of the criteria used in making the decision would be financial sol-

ver, if an approved plan fails, the plan would be assessed up-

studies, templates for greeting cards and an interactive multimedia encyclopedia, over the next 18 months.

Under the umbrella logo of Microsoft Home, the products are mostly on CD-ROM — compact discs with read-only memory.

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