

BUSINESS

The great IRA debate: Roth or Traditional?

Special to Sentinel-Voice

In 1998, the new year will bring new opportunities, new resolutions and a new retirement savings vehicle you can consider — the Roth IRA. But before you sprint to open one of these new accounts, you may want to compare your IRA choices to see which vehicles best suit your needs.

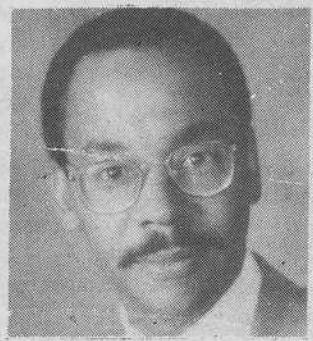
Amidst their differences, two key similarities remain — 1) You or your spouse must have earned income to make a contribution, and 2) The maximum annual contribution, assuming you qualify, you can contribute up to \$2,000 annually for IRA purposes, regardless of whether you invest in a traditional IRA, Roth IRA or a combination of IRAs. Beyond these points, the distinctions between the two IRA types begin:

• **Eligibility for contributions.** Traditional: Any eligible participant for the traditional IRA may contribute up to the \$2,000 annual maximum contribution. Roth: Contribution amounts to a Roth IRA are limited if an individual's adjusted gross income (AGI) is between \$95,000-\$110,000. Those limits are adjusted to \$150,000-\$160,000 for joint returns. If your individual or joint income exceeds these limits, you would not be eligible to contribute to a Roth IRA.

• **Tax deductibility.** Traditional: Depending on your income level and whether you're covered by an employer-sponsored retirement plan, you may be able to deduct all or part of your annual contributions to a Traditional IRA. Roth: Because

Financial Report

By Fred T. Snyder



contributions to a Roth IRA are made with after-tax money, they are not tax deductible.

• **Tax-deferred vs. tax-free growth.** Traditional: Any interest, dividends or capital gains in your Traditional IRA grow tax-deferred until you start making withdrawals. Roth: The Roth IRA's investments grow tax-free as long as you abide by the withdrawal rules.

• **Withdrawals.** Traditional: The Traditional IRA allows penalty-free withdrawals after you reach age 59-1/2, and withdrawals are taxed as ordinary income. Roth: The Roth IRA allows you to withdrawal your original contribution amount at any time (this provision does not apply to account balances

converted from a Traditional IRA to a Roth IRA). In addition, Roth IRA withdrawals after age 59-1/2 are tax-free as long as investments have been in the account for five consecutive years. Remember, any withdrawals made before either IRA's minimum holding period are subject to a 10% IRS penalty and ordinary income tax rates.

A similarity in both IRA types' withdrawal provisions is the "special purpose" distribution created under the new tax laws. You are allowed to make penalty-free withdrawals from either IRA type for a first-time home purchase (up to \$10,000) and/or qualified higher education expenses, in addition to the existing pre-59-1/2 distribution exceptions.

• **Mandatory distributions.** Traditional: You are required to take minimum withdrawals from a Traditional IRA once you reach age 70-1/2. Roth: There is no requirement to receive minimum payments from your Roth IRA at any time.

If you plan to convert your Traditional IRA assets into a Roth IRA, those assets will be subject to ordinary income taxes. These taxes may be spread over the four subsequent tax years if you convert in 1998. You must also have AGI or less than \$20,000 to be eligible.

So, which IRA type do you choose? It still depends on your personal needs. Make sure you carefully evaluate each IRA choice to see how it meets your investment objectives, tax consequences and, most importantly, your comfort level.

Capitalize on the merits of home-based businesses

Regina Lynch-Hudson
Special to Sentinel-Voice

Q: I own an accounting firm, which I've recently moved from prime commercial space into a home-based office to offset rising costs during a relatively slow year. After 10 years in business, how do we make the change appear as a positive to our customer base, rather than a negative sign?

A: The Chinese say that there is an opportunity inherent in every crisis. Overall, position the move as a "move up," rather than a "move backwards."

Aggressively spotlight the positive aspects of the move,

and don't dwell on the personal embarrassment that only you are associating with the change of address. Seize this brief window of opportunity to step out proudly with zany and sophisticated advertising! The core message in all of your new communications to clients should be, "To better serve you," implying that you're saving your customers money by forfeiting the high overhead — which is a reality!

Send out zany change of address cards. A caricature featuring you as you whittle away at expenses that benefit your clients will be viewed as lighthearted and whimsical.

Distribute press releases to

business editors of various industry trade publications that cite your expert advice on the percentage of profits incurred from operating a home-based enterprise.

After all, today, many varieties of businesses, from advertising specialty companies to travel agencies are home-based. Because African-Americans' economic foundation is not as firm as that of our White competitors, frugal and wise business practices are even more necessary to building solid futures.

Q: I have a fascinating new product I want to market and I would like to start a

publicity campaign to stake claim to the idea before someone else does. What should I do first?

A: Have you obtained a patent or copyright on the product, created a name for the product and trademarked that name? Furthermore, have you developed a prototype of the product and acquired the necessary start-up funds to manufacture the product?

Many enthusiastic entrepreneurs place the cart before the horse. "Bringing Your Product To Market," by Don Debelak (John Wiley & Sons) tells you everything you need to know about launching a product. This resourceful

book leads you through the four key phases of product production: idea, finance, manufacturing and marketing. Advertising and marketing begins after your idea has become a reality.

Q: I've recently opened a lab that administers batteries of tests, many which detect diseases which are prevalent among African-Americans, such as hypertension and diabetes. How might I and my staff reach out to the community we are in, one which is saturated with other physicians?

A: A generous strategy such as rendering ongoing seminars on preventive measures that

aid African-Americans in combating and controlling disease can be offered, through your lab site, local churches, or community centers.

As a community-anchored business, you must stay abreast of expos, events and exhibitions where you may conduct free health screenings. Send your bio to medical reporters at local television stations who oftentimes highlight segments on new research, findings, and technology and you may be called.

Send questions to: Regina Lynch-Hudson, The Write Publicist, c/o Regina's PR Remedies, 6129 Queen Anne Court, Norcross, GA 30093.

COPING

Completing a successful job interview

By Dr. Charles W. Faulkner
Special to Sentinel-Voice

Once your resume has gotten you a job interview, you are half-way to your goal.

Although the interview does not guarantee you a job, it enables you to use your personal charm to impress the employer and convince him that you are the special person that his company needs.

How should you prepare for the interview?

Find out as much as you can about the company so that you can intelligently answer the question, "How can you help our company attain its objectives?" To do so effectively, you must know the company's objectives and be able to relate your capabilities to them.

Appearance makes a big impression, too. Remember, a good hair cut, conventional hair style, conservative white shirt,

matching necktie and a shoe shine will be far more effective than long or braided hair, a sports coat, a colored shirt, loud necktie and unshined shoes.

A secretary can often influence the interviewer's opinion of you by introducing

you in a positive or negative manner. Many jobs have been won simply because the secretary was impressed by the applicant's hunger and conveyed this feeling to the interviewer.

(See Interview, Page 14)

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