

# Winston-Salem Chronicle Minority Business Development Report

## NEW MINORITY MEMBERS SECTION

Highlighting the new members of Minority Businesses in Winston-Salem

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## ECONOMIC VIEWS

### HOW SHOULD YOU INVEST YOUR LUMP-SUM DISTRIBUTION

(Michael J. Robinson, associate vice president, Investments Dean Witter Reynolds, Inc.)

Are you about to retire or change jobs? Is your employer terminating a retirement plan? If the answer is "yes" to either of these questions, you may soon be receiving a "lump-sum distribution," as defined by the internal revenue code.

"Lump-sums" are often substantial and may serve as one of the cornerstones of your retirement's financial security. That's why it's recommended that you plan ahead now and develop a lump-sum "plan of attack" that is appropriate to your individual financial situation.

#### Two Main Options Need to Be Addressed

The first step in this vital process is to meet with your tax adviser and come to an informed decision about the following lump-sum distribution options:

- \* Taking the distribution and paying taxes now or
- \* Rolling the distribution over into an IRA rollover account.

#### Why You Should Consider Paying Taxes Now?

If you decide not to roll your distribution over into an IRA rollover account, you will pay taxes in the year you receive the distribution and have the remainder to invest as you please, without further regard to IRS rules and regulations governing retirement plans.

The main benefit of paying taxes on the distribution now is that you may be eligible for a special tax treatment of five- or ten-year forward tax averaging or capital gains treatment. If that is the case, you may pay a lower tax rate than usual on the distribution. Otherwise, the distribution will be taxed at your ordinary income tax rate.

However, if you are under the age of 59 1/2, you may be subject to a 10 percent premature withdrawal penalty on your distribution should you decide not to roll it over into an IRA. An exception to this 10 percent penalty tax is if you are 55 or older when you receive the distribution and you have separated from your employer's service.

Effective January 1, 1993, an employee receiving an eligible rollover distribution from a qualified trust must be given the opportunity to have his employer's plan administrator directly roll over all or a portion of the distribution to an eligible retirement plan. If the employee chooses to receive all or part of the distribution, the plan administrator must withhold 20 percent of the value of the distribution paid to the employee for federal income taxes. The mandatory withholding rules do not apply to employer securities and less than \$200 of cash in lieu of a fractional share.

#### Why you should consider rolling over distributions?

Your second option is to roll your distribution over into an IRA rollover account. This alternative ensures that your assets will continue working to provide for your retirement. The main benefit of rolling over a distribution is that you will continue to defer taxes on these assets until they are withdrawn from the IRA rollover account. Your distribution will also not be subjected to the mandatory 20 percent withholding for federal income taxes.

The advantages of tax-deferred growth are considerable. All assets in your IRA, including the earnings on your rollover, will continue to grow free from current taxes until you begin to take distributions from the account. Under current IRS regulations, you need not be receiving distributions from your IRA until you reach age 70 1/2.

#### Choose Your Investment Options Carefully

Whatever your ultimate decision in these matters, a variety of retirement investment options will be open to you — chief among them being the selection of either a bank or a brokerage firm as the main repository for your lump-sum funds.

Most investment experts agree on two points. First, they believe that diversification is key to financial success. Second, their view is that no one investment plan will be appropriate for every individual. That is why most sophisticated investors tend to shy away from banks' generally limited product line in favor of the typically broader selection of financial choices that are offered by Wall Street firms.

#### Get The Answers To Your Tough Questions

Here are two questions that every investor needs to answer: \* Will my current investments be able to meet my short- and long-term financial objectives? \* Is my current investment mix correctly geared to my individual level of risk tolerance? One way to achieve a "yes" answer to these questions is by meeting with a financial service professional and adopting an "asset allocation" model — a disciplined, objective investment game plan that will help you meet your financial goals.



Mike Robinson

## BUSINESS PROFILE

### Local Entrepreneur Grooms Son to Own Business

By DAVID L. DILLARD  
Chronicle Staff Writer

Ray Jones thought his path to success would start in corporate America. While studying business at the University of Michigan and working at a bank, his father, Fred Jones, was planning another course for Ray Jones to take.

"I was set to go into the corporate world," said Jones, remembering advice from his father. "He said 'If you look down the road 10 years from now you will still be in banking, but you won't own the bank.'"

Fred Jones, owner of the McDonald's restaurants on Waughtown Street, Martin Luther King Jr. Drive and Jonestown Road, retired from a state job in Michigan and acquired his first franchise in October 1987.

"I figured they would pay me enough money to live off of without working, but there was something else that I wanted to do," he said. "There is a certain drive that entrepreneurs have that won't let them sit down and relax. . . . (McDonald's) looked exciting and I decided to try it."

Jones started with the store at Jonestown Road.



Fred Jones

After six years, he had earned enough money to buy the other two stores. He said his major desire was to provide for his family, but he always had plans of expanding.

That he is doing while turning the business over to his son.

Ray, 29, graduated from college in 1988 and immediately started working with his father.

"Ray was like the vice president for me in running the company," said the elder Jones. "He's dealt with the whole aspects and now just fine tuning his skills. The (Jonestown Road) store has been more profitable than one ran by a typical manager."

Jones said he freed his father up to concentrate on getting other stores while he ran the day-to-day operations at the Jonestown Road store.

Ray Jones is currently manager of all three stores and in the next 12 to 18 months plans to receive his license from the McDonald's Corp. Currently, he is under negotiations to buy 49 percent of the Jonestown Store he manages everyday.

Ray Jones doesn't let his age or race hinder his efforts from going into business. Instead he uses it as a symbol for others.

"I think it's important to keep the family business to give your kids a foundation," he said. "Many people are running from being a role model, but I want to be a role model so other kids can see that a young black man can do something positive."

## CHAMBER NEWS

### East Area Council Strives to Help the Community

PART 2 of 2 PARTS

#### New Chamber Program to Help Local Business Get 'A Piece of the Pie'

"Providing this type of information is anything but easy," explained Robyn Mixon: "Only a few companies have these details available, and some are unwilling to share data. And in most cases, spending with minority businesses can't be tracked."

"But the interest is there," she emphasized. "Companies want to find local vendors wherever possible, and these businesses are willing to be part of the effort."

Next, the Chamber contacted 40 local purchasing agents - the people who could make Buy Local happen. Many of these people were on hand in May at Business Expo '94, the Chamber's business-to-business tradeshow, to talk with business owners about how to get their foot in the door.

"We had a purchasing area in which eight major employers were represented including both Baptist and Forsyth hospitals, Bowman Gray, Sara Lee, RJR, the City of Winston-Salem, Wake Forest University and Southern National Bank," Mixon explained. "These agents met business representatives interested in selling to

them. In each case, these employers established connections, and we're very excited about these new business relationships."

"We hope we can count on the support of both businesses and individuals so that Buy Local will directly impact our economy," added Mixon. "We want everyone to remember that buying local is money-back guarantee."

The program is open to all businesses and individuals in the Piedmont Triad area. For more information or to receive a pledge form, contact Tracy Meroney at 777-3787, ext. 1209.

The Greater Winston-Salem Chamber of Commerce is the community's umbrella organization for economic development. The Chamber is a leading business organization in Winston-Salem and Forsyth County, representing more than 1,700 area businesses which are committed to increased economic development in the region. It works to promote a better business environment and offers services to strengthen existing businesses, to encourage small business creation and growth and to promote the area as a destination for conventions and visitors.

### Common Mistakes Made During Personal Financial Planning

Personal financial planning is one of the most important elements of an individual's life. However, many individuals fail to take time out to plan their finances. They continue to make mistakes that are often costly and affect the financial security. For example here are some common mistakes made:

\* Cloudy Goals: Dealing with money is a lot like going on a trip. You rarely get to your destination unless you have a map, a plan of action. And yet, most people spend more time planning their vacation than they do their financial lives. Simply put, if you never

\* Procrastination: Are you waiting for "just the right time" to make an investment? Forget it. The time will never come. While you are waiting, you'll miss valuable learning opportunities.

\* Ignorance of Legal Methods to Avoid Taxes: Tax shelter annuities, Keoghs, trusts, and other tax shelters offer excellent ways to reduce income tax.

\* Jeckyl and Hyde-Risk-Taking: Some people try to win a high return on their investments quickly and run the risk of sudden dramatic losses. Others

risk?" What step can you take to diffuse the power your emotions have over your financial life?

\* Discounting Professional Guidance: Most people have been sold insurance by an insurance agent, stocks by a stockbroker, and CDs by a banker, but they have no consultant to coordinate all of their financial objectives. Like a baseball team without a manager, this "strategy" creates confusion. Who can you consult with to help you

coordinate your overall financial future?

\* Spending Too Much on Life Insurance: There are better ways to save money than borrowing against death benefits. Protecting your loved ones is one thing, putting all your protection in one place in another. Have you considered shopping for the most practical and lucrative return on your investment?

## MONEY WATCH

By THEODORE R. DANIELS



decide what you want to achieve with your money, you will never achieve it. What can you do today to clarify your financial goals and objectives?

\* Poor Planning: If you want to build a house, you need a set of blueprints. If you want to create your financial future, you need a plan. Money doesn't fall from the sky, nor does it invest itself. It's up to you. What steps can you take to begin planning your financial future?

\* Forgetting Inflation: "What goes up, must come down" warns the old adage. A physical law seldom true of inflation. Inflation reflects the constant increase in the cost of living. Yet, even the most clear-headed individuals forget to factor in inflation when investing for education and/or retirement.

go the opposite extreme by investment only in "safe" programs that provide little growth.

\* False Sense of Security: At least one-third of today's 35-years-olds will suffer some form of disability before they turn 65. At least half of these disabilities will last two years or more. Social Security and workmen's compensation are not enough. What plan do you have to protect yourself against a sudden loss of earning power.

\* Gambling with Emotions: The money game is mostly a game of logic. Though there are times for "gut feelings," it is unwise to let your emotional life rule your financial life. Instead, ask yourself the following questions when considering an investment. "What is the potential reward?" "What is the



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