

WITH MICHAEL D. EVANS, CPA, CFP

Money Talk

Computing Yield

Determining the actual amount you earn on your savings and investments is not always readily understood. Many compare alternative investments based upon the rate stated by the investment sponsor. This rate does not tell the whole story. Typically, these stated rates fail to take taxation into account.

There are three types of yields:

- .. Nominal Yield
- .. Current Yield
- .. Yield to Maturity

The nominal or stated yield is that quoted by the fund sponsor based on the issuing



Michael

price of the investment. Nominal yields are closely associated with bonds and preferred stock. It is important to recognize that you will not receive the nominal yield if you pay anything other than the face value of the security. The current yield is determined by dividing the amount of interest or dividend that is currently being paid by the current price for that investment. Thus, the current yield is more important than the nominal yield because it reflects what an investor will receive on his money today. The yield to maturity is the rate that the investor will receive if he holds the investment until its maturity date. In calculating the yield to maturity, one not only takes into account the interest or dividends paid, but also the difference between what the investor paid for the investment and its maturity value. Thus, if an investor paid less than the face value for an investment, his yield to maturity would be greater than the nominal yield. If he paid more than the face value for the investment, the yield to maturity would be less than the nominal yield.

When comparing alternative investments, it is important to compare the after-tax of return. This is determined by adjusting the current yield for the taxes you will have to pay on those earnings. For example, let's assume that a taxpayer in the 30 percent marginal tax bracket invests \$10,000 in a certificate of deposit which pays 10 percent. Because this individual's in the 30 percent tax bracket, \$30 of every \$100 of income goes to pay federal taxes. Thus, we can compute the after-tax rate of return for this investor.

Most investors focus on the pre-tax yield. This is clearly the wrong number to base investment decisions on. Remember, it's what you get to keep after taxes that counts!

"The Fourth Wise Man" To Air

Convinced that the Messiah has come, Artaban, a "magi" (wise man) and doctor, sets off in search of Christ, but every adventure that brings him closer spiritually means another delay in reaching his goal, in a special one-hour dramatic presentation of "The Fourth Wise Man," airing Saturday, March 30, at 8 p.m. on WSOC-TV, Channel 9.

The special has an all-star cast headed by Martin Sheen and Alan Arkin in the leading roles. Also

starring are Eileen Brennan, Ralph Bellamy, Richard Libertini, Lance Kerwin and Harold Gould.

Artaban, a prosperous doctor, sees a star in the skies that he interprets to mean a new king is coming to govern the world. He sells all his possessions and buys three precious stones, a ruby, a sapphire and a pearl, hoping to present these gems to the king when he finds Him. His first step is to reach an oasis in Persia, where three other magi

wait for him to begin the trip to Jerusalem. But Artaban, accompanied only by his servant, Orontes, stops to help a dying exile who tells them that Messiah will be found in Bethlehem, not Jerusalem. Orontes, a rascal used to the soft life of a domestic service, questions his master's sanity and continually moans that Artaban spends too much time ministering to the poor. As a result, Orontes' promised day of freedom - the end of the trip - is even

further away. Indeed, Artaban and Orontes get to the oasis too late - his friends have left without him. Artaban orders the unbelieving Orontes to sell one of the gems to outfit a caravan of their own and they head for Bethlehem, where he gives up the ruby to save the life of a baby and also learns that the Messiah has gone on to Egypt. There, thieves take the pearl.

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