

# BUSINESS THIS WEEK

## Elderly To Pay For Medicare's Extras

On July 1, 1988 the Medicare Catastrophic Loss Protection Act was signed into law. This act expands the Medicare catastrophic coverage and prescription drug benefits. This law is designed to provide Medicare benefits for the elderly who face long-term medical care such as nursing homes, larger prescription costs. That's the good news.

How they decided to pay for it is the bad news. Part of the cost of these benefits will be paid for by an increase in the premiums charged to the participants. A large part of the funding, however, will be paid for by a premium that will be charged to all persons over the age of 65 in 1989.

An income tax surcharge will be collected annually starting next year and will increase for the next five years. This premium will be based on income tax bills exceeding \$150.00.

For each \$150 of income tax paid the premium level is as follows:

Year	Premium	Max. Prem. Pymt.
1989	\$22.50	\$ 800
1990	\$37.50	850
1991	\$39.00	900
1992	\$40.50	950
1993	\$42.00	1,050

The maximum premium is double for couples filing jointly, or \$1,600 for 1989. After 1993 the premium will be determined according to increases in program costs.

**Example:** Let's say that you or your spouse are eligible to receive Medicare in 1989, and you generate \$40,000 of taxable income for that year. Your income tax on that amount is \$7,333 and your supplemental premium would be \$1,080!

$$\$7,333 - 150 = 48.89 \quad 48.89 \times \$22.50 = \$1,080$$

If figuring your premium seems too complicated, look at it this way. If you make up to \$17,850 and you file single, or if you make up to \$29,750 and you file jointly then you are in the 15 percent tax bracket. The Medicare surcharge will raise this rate to 17.25 percent in 1989. For most investors in this bracket investment changes may not be warranted.

However, if you make up to \$22,000 filing single or up to \$40,000 filing jointly you are in the 28 percent tax bracket. Here the effects of the Medicare surcharge are more extreme. In 1989 your effective federal tax rate will rise to 32.20 percent!

Even more poignant are the effects of this premium on the investor who is in the 35 percent tax bracket. Their tax responsibilities will increase to 37 percent or 42 percent.

Because of this legislation many investments that previously made sense should now be re-evaluated. Bank CDs, government and corporate funds may no longer have a better tax benefit than some tax free municipal bonds, tax exempt bond funds or annuities.

### AS A POINT OF REFERENCE...

...for 28 percent bracket Medicare enrollee investors who may be contemplating the purchase of municipal bonds for the first time, here is a *taxable equivalent yield table* showing the taxable yield investors in various incremental tax brackets would need to earn to match a like investment in municipal bonds. The brackets shown are:

(i) 28 percent for Medicare enrollees whose taxable income is higher than the sums shown on but less than \$43,150 (single) or \$71,900 (joint).

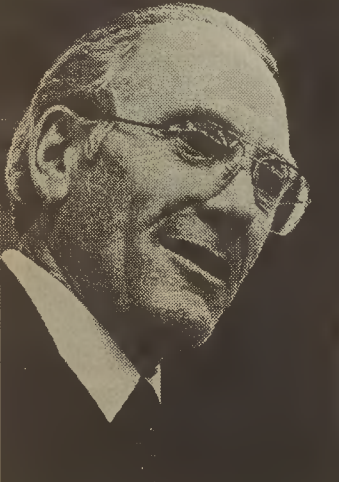
### Local Stocks Of Interest

Sym	Stock Name	Exc	10/26		10/19		52 week		Volumes			Dividends	
			Close	Chg	Close	Chg	High	Low	Close	AVG	PE	Amt\$	Yld%
BLS	Bell South	NY	42.13	-0.10	42.13	-0.10	49.63	35.75	3739	6263	12.17	2.36	5.50
CCBF	COB Financial	OTC	34.75	0.34	34.88	0.34	35.50	32.00	3	30	9.27	1.36	3.91
CAO	Carolina Freight	NY	27.25	0.12	27.13	0.12	20.63	18.00	284	431	29.72	.54	1.98
COKE	Coca Cola Bottl'g	OTC	28.00	-2.00	30.00	-2.00	34.00	20.25	331	63	-0.	.88	3.14
DUK	Duke Power	NY	47.38	0.13	47.25	0.13	49.00	42.25	398	1383	10.72	2.96	6.25
FDO	Family Dollar	NY	14.25	-1.25	15.50	-1.25	16.00	8.50	722	738	14.54	.32	2.25
FLD	Feldcrest Can	NY	22.88	-0.12	23.00	-0.12	24.75	14.25	679	500	-0.	.68	2.97
FTU	First Union	OTC	21.25	-0.13	21.38	-0.13	23.63	20.75	1685	1255	7.70	---	---
FW	First Wachovia	NY	39.50	-0.	39.50	-0.	40.75	33.38	458	487	9.87	1.36	3.44
FDDLNB	Food Lion	OTC	10.13	-0.12	10.25	-0.12	13.50	10.00	538	737	31.06	.06	.50
IBM	IBM	NY	122.88	-1.50	124.38	-1.50	129.50	103.25	1,021	1503	14.04	4.40	3.58
JP	Jefferson Pilot	NY	34.13	-1.37	35.50	-1.37	37.50	25.75	158	474	14.51	1.28	3.75
LNCE	Lance, Inc	OTC	21.00	2.50	18.50	2.50	21.75	16.75	162	260	16.47	.68	3.24
NCB	NCNB	NY	28.50	-0.38	28.88	-0.38	29.13	17.50	492	2276	11.97	.92	3.23
NUE	Nucor	NY	45.00	2.87	42.13	2.87	47.00	36.50	522	314	15.45	.40	.89
PNY	Piedmont Gas	NY	24.38	0.75	23.63	0.75	24.50	19.13	92	52	8.09	1.48	6.07
RJR	RJR Nabisco	NY	85.00	28.25	56.75	28.25	87.63	84.50	5,699	1777	15.00	2.20	2.59
RSTO	Roses Stores	OTC	7.50	-0.75	8.25	-0.75	12.25	7.50	60	37	12.50	.16	2.13
RDK	Ruddick Corp	AM	22.13	-0.	22.13	-0.	22.88	15.75	5	66	12.16	.57	2.58
S	Sears	NY	43.75	3.50	40.25	3.50	44.00	32.25	1,071	1315	10.60	2.00	4.57
SONO	Sonoco	OTC	29.88	0.13	29.75	0.13	33.50	19.50	314	398	15.58	.18	.60
SMI	Springs Ind	NY	35.25	-0.25	35.50	-0.25	38.75	27.50	157	215	10.40	1.00	2.84
SNW	Stanwood	AM	8.00	-0.	8.00	-0.	9.13	6.13	5	18	-0.	---	---
U	US Air	NY	37.13	-0.37	37.50	-0.37	40.00	6.13	833	2286	9.73	.12	.32

The Charlotte Post's	Interest Rate Trends					Financial Updates
	Type Rate	Term	10/19/88	10/12/88	9/21/88	
Prime Rate			10.00	10.00	10.00	9.5
Dean Witter CD	1 yr		8.3	8.3	8.5	8.0
Dean Witter CD	5 yr		8.7	8.65	9.10	9.00
T-Bills	3 mo		7.43	7.27	7.19	6.9
T-Bills	1 yr		7.58	7.50	7.49	7.71
T-Bonds	30 yr		8.91	8.94	9.02	9.23
GNMA (10 yr Avg life)			10.20	9.98	10.08	10.23

# Thornburg

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- paid for by the Thornburg Campaign Committee -

(ii) 33 percent for all taxpayers (including Medicare enrollees) whose taxable income is between \$43,150-\$89,560 (single) or \$71,900-\$149,250 (joint).

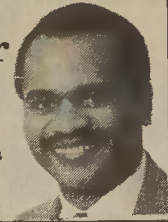
(iii) 35 percent as an appropriate rate for Medicare enrollees

(iv) 37 percent as an appropriate rate for Medicare enrollees investing in Federal/state exempt municipal bonds in a low tax state.

(v) 42 percent as appropriate rate for Medicare enrollees investing in Federal/state exempt bonds in a high tax state.

### The Financial Corner

With Marcus Butts



(1) To Match a tax-exempt yield of:	(2) in a tax bracket of:				
	28%	33%	35%	37%	42%
5%	6.94	7.46	7.69	7.94	8.62
5-1/2	7.64	8.21	8.46	8.73	9.48
6	8.33	8.96	9.23	9.52	10.34
6-1/2	9.03	9.70	10.00	10.32	11.21
7	9.72	10.45	10.77	11.11	12.07
7-1/2	10.42	11.19	11.54	11.90	12.93
8	11.11	11.94	12.37	12.70	13.79
8-1/2	11.81	12.69	13.08	13.49	14.66

Note that the equivalent taxable yield you would need to produce an after-tax equal to that of a municipal investment is normally much higher than the taxable bond yield which is actually available in the market.

If you have any questions about this very important legislation or if you would like more information on this act, please direct your request to Marcus Butts, c/o The Charlotte Post, P. O. Box 30144, Charlotte, NC 28230.

## Black Bank One Of Safest

**Money Magazine** recently named Mechanics and Farmers Bank one of the safest banks in the nation.

Mechanics and Farmers Bank, headquartered in Durham, NC, was one of four North Carolina Banks and the only black-owned bank recognized.


Fourteen thousand banks nationwide were measured according to very stringent financial criteria by Veribanc, a Massachusetts research firm. The top 175 banks from this study were

identified by **Money Magazine** as "superstar" banks for safety.

Mechanics and Farmers Bank, headed by Mrs. Julia Taylor, was last year's recipient of the U.S. Department of Commerce's Minority Advocate Award and was 1987 **Black Enterprise** Bank of the Year. The bank has offices in Durham, Raleigh, Winston-Salem and Charlotte.


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