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# Alcalá View

VOLUME 1  
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## You and Your Finances

by Don Mann

Associate Professor, School of Business  
School of Business

Basic financial decisions made by individual households are not very different from those made by executive vice-presidents of large corporations. Except for the method of income generation and the balance between investment and consumption (and, of course, the magnitude of the transaction), the basic principles of finance are the same for households and business firms.

The individual, like the corporation, must make financial decisions concerning sources of income, uses of income, capital accumulation, borrowing, taxation and insurance.

**Sources of household income** can include salaries or wages, dividends from savings and investment, pensions, annuities and, if we are fortunate, capital gains from investments. Like the corporation, the individual's income is usually taxed. Exceptions include dividends from tax exempt securities, interest payments from insurance benefits, part of capital gains, certain kinds of federal transfer payments and various special tax concessions granted by federal law.

**Insuring income** is possibly more applicable to the individual than to the

corporation. Ill-named "life insurance", "disability insurance", even "hospitalization insurance", are truly schemes to insure the individual's income stream or, at least, part thereof.

Financial decisions concerning income sources, insurance and taxation are not separate considerations. They are interdependent and intertemporal: time dynamics and income are irreversibly intertwined.

**Income is used** either for consumption or for the generation of capital. (Capital is defined as that part of production that is not consumed). Capital may be invested (the sharing of ownership risk and return), loaned in the money market at a predetermined interest rate (or variable schedule), or stuffed into the mattress (technically, saving at a zero interest rate). Capital accumulation not only provides for that "rainy-day," but, with ordinary good fortune, can augment future income as well.

Considerations regarding taxes and insurance also apply to income-use decisions. Again, these are interdependent factors, and time dependent as well. A seemingly simple decision, such as to how much income should be periodically invested in order to meet some specified objective—say, to put a son or daughter through university ten years hence—is, realistically, as complex as many corporate financial decisions.

**Borrowing** is the decision to use some of **your** future income **now**, at a discounted rate, of course. One **uses** someone else's **capital** for a specified time, at a specified fee (the interest rate). Borrowing in personal finance can be used to consume or to invest. Corporate borrowing is (or should be)

limited to investing. In a world of stable prices, one's rational for consumptive borrowing—consuming **less now** rather than **more later**—is personal. Of course, if prices increase more than the interest rate, over the same period, you will have consumed more now rather than less later. The person or institution whose capital was used **loses** this difference. Inflation makes lending a risky business.

Borrowing for investment purposes is the classical "leverage" decision. When the investment return is greater than the borrowing rate, wealth is increased. If your "levered" investment returns less than the borrowing rate, your wealth decreases. Again, the personal leverage decision is dependent on taxation, risk and individual preferences, and can become very complex.

Further complicating the personal financial decision are the many "consumptive-investments" available such as homes, valuable art pieces, certain automobiles, boats, stamp collections, etc. With such assets, investment and consumptive benefits are difficult to separate. It is difficult to make a decision proportioning income between investment and consumptive segments when even deciding which is which is a challenge.

Personal financial decisions, like those of the corporation, must deal with sources and uses of income, taxation and insurance, and the concomitant accumulation or loss of wealth. Basic principles of accounting, finance and economic theory apply to the individual concerned with his or her own financial well being just as they do to the large corporation.

# PROFILE

## High Flyin' Canadian

by Dan Trigoboff

Seeing her seated in her office—outside that of University Relations Vice-President William Pickett—one would hardly suspect that the interests of Maureen Herrill bring her into the heart and soul of the university's public service, into decisions of alumni groups that take special pride in the university's routes, and even into imaginary skies—with a slight taste of international commerce.

For most, any one of these activities would be enough, especially when combined with the roles of working wife and mother. But Maureen manages to keep things going in all of her pursuits—which include the chairing of the USD Blood Bank, a leadership role in the local chapter of the Sacred Heart Alumni, the vice-presidency of the Staff Employees Association, her job as Dr. Pickett's secretary, and the sharing—with her husband—of model airplane business which markets internationally.

Originally born and raised in Canada,

Maureen first came to San Diego in 1952. She has been at USD for five years. She first worked for the Public Relations office, and then moved across the hall to Dr. Pickett's office.

"I really like the academic world," says Maureen, who has worked in schools for about 16 years. "I like the atmosphere, and the young people here are not only fun to be around, but I've learned a lot from them."

Mrs. Herrill does not limit her community service to the university. She is also president of her parish council at the Church of the Immaculate Conception in Old Town.

One of the key interests in her life, though, is the growth of a business she shares with her husband. Michael is a designer of model airplanes, and he has begun marketing his work over the last few years through their business—Execuform, Inc. Maureen has helped out with her skills in organizing and accounting. She also supplements Execuform's business with a typing and editing service.

Photo by Bill Ritter



MAUREEN HERRILL

"It's interesting to watch something like this grow," she says. "For years, this has been a part of Michael's life, and now it's a business. We've even got the kids involved. We both feel it's a good experience for them."

Daughter Madeleine is a freshman at USD and a member of the women's basketball team. Son Matthew is a junior at Francis Parker High School.

## "We'll Never Replace Him"

### Switzer Leaves After 25 Years

by Dan Trigoboff

Ralph Switzer, whose experience at the university has included everything from splicing wires to fixing leaky faucets, retired last month, after twenty-five years with USD's maintenance department.

When Ralph began here, he was the only member of the maintenance staff, which, at the time, served only the College for Women. Today, the staff has grown to 14, and includes painters, electricians, plumbers, and general maintenance workers—all jobs formerly handled solely by Switzer.

"The school will never replace the

knowledge that's leaving campus," said Gerald Webb, who has worked alongside Switzer as his assistant for several years, and who will move up to replace Ralph as building maintenance manager. "I'll probably be on the phone to Ralph all the time, asking him to come on back down here and help us out. I hope Ralph will have some sympathy for me, and help keep us out of trouble," he said, half-jokingly.

Another who would like to see Switzer keep a hand in Physical Plant maintenance is John Zeterberg, who runs the entire physical plant department for USD.

"We're hoping we can keep Ralph available," said Zeterberg. "Ralph's experience and knowledge has been invaluable to us. He's been here since the beginning, he was in on the development of most of these buildings, and he knows them like the

back of his hand. It's certainly made my job easier. You come to depend on someone like Ralph. We'll get along here, he's trained a good staff. But Ralph is not only a good worker, he's a fine person, a good man. I've never known him to say an unkind word about anyone. We're going to miss him."

Ralph had only kind things to say about the people he's worked with. "I've been very lucky to have good people to work for, and good people to be working for me," he said.

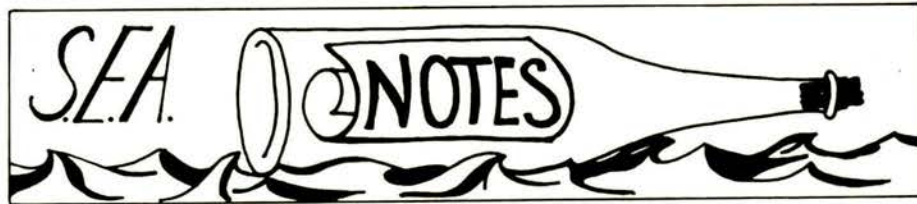
Switzer is unsure of his immediate plans. He was planning to stay on as an advisor to the plant staff, but he's now unsure. There may be some travelling for him and his wife of 38 years, Muriel.

But the Switzer legacy will live on in the department: Ralph's son Wayne will continue on as a maintenance worker.

# Holiday Happenings at USD

Candid Shots by Bill Ritter of Christmas and Halloween Employee Parties





**S.E.A. PLANS FOR 1980**

The Staff Employees Association hopes to plan a productive year in the areas that will best suit the needs of the staff.

We asked a sampling of the staff to help direct S.E.A. in the areas in which they are most interested.

Following are some of the comments:

**Millie Gunther (Law School Finance Office):** The staff should be accorded the same consideration as is given to the faculty and administration.

**Dorothy Thomas (Accounting Office):** Consideration for better lounge facilities throughout the University; pursuing tuition remission; and continuing with the newsletter as a means of getting to know others around the University and what they do.

**Sue Rine (Law School Records):** Designated parking areas for the staff.

**Liz Aleman (Physical Plant):** Improvements in the dental and eye care plans; there are not enough lounge facilities on campus; and more and improved communication throughout the campus.

**Bev O'Brian (Law Review):** Improvement in the equipment is needed, such as proper secretarial chairs and additional filing and storage space.

**Sue Howell (Physical Plant):** Would like to see improvements made each year in the dental plan.

**SUCCESSFUL LUNCHEON**

The December 19th Staff Christmas luncheon was very successful.

Dr. Author Hughes and Mr. Jack Boyce were guests of S.E.A., joining over 90 staff members for 2 hours of socializing and an enjoyable, well-prepared meal.

**GOODBYE AND GOOD LUCK**

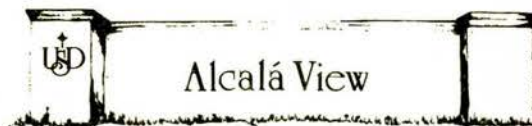
Lin Judah of the Law School Financial Aid Office is leaving USD soon to move to Colorado. Previously Lin had worked in the Law School Admissions Office. Last year Lin was S.E.A. Vice President and this year has been the Law School's representative.

Lin says she is not planning on going back to work when they settle in Colorado but will be going to school full time.

Thank you for all the time and work you have contributed to S.E.A. We wish you good times Lin.

**REMINDER**

S.E.A. meetings are held on the third Wednesday of every month from 2:00 to 3:00 p.m. in the Serra Conference Room 304. The meetings are open to all staff members.



The Alcalá View is published eight times per year by the Personnel Department of USD. Editor: Lorraine Watson. Assistant Editor: Bill Ritter. Editorial Board: Sara Finn, Sue Howell, Lin Judah, DeForest Strunk. Production: Linda Ash and Michael Denaco.

Overall content of the newsletter is determined by the Editorial Board, which holds open meetings each month. Articles written express the opinions of the author. We welcome contributions. The Editorial Board reserves the right to edit copy for space and content.

**HOLIDAY HAPPENINGS . . .**

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Photos by Bill Ritter

