Know Your Investments

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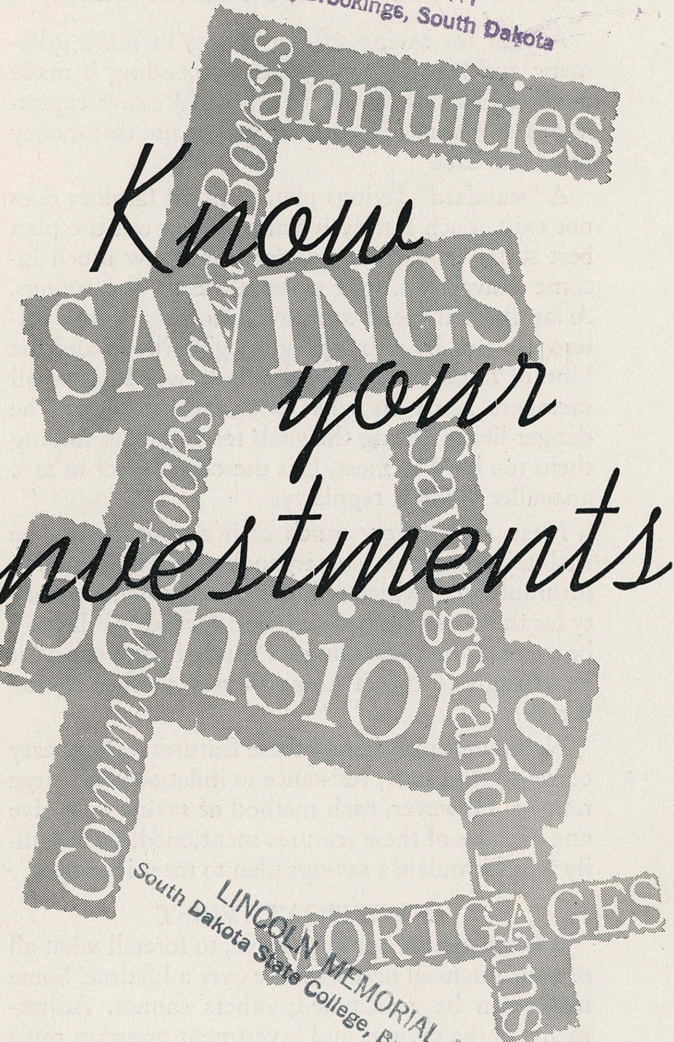

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Know Your Investments

A plan for saving money results in more systematic and larger savings, just as spending is made more efficient by the use of a plan. We save expecting to have financial security and to use this money at a later date.

A "standard" savings plan to fit all families does not exist. Each family when working out the plan best suited to it will consider, first, how much income is available, over essential needs, for savings. A family will spend and save according to the pattern dictated by upbringing, neighborhood and the kind of family it is. A wise family will see that all members agree on what is enough to save. The danger lies in setting the goals too high and finding them too hard to meet. It is therefore better to save a smaller amount regularly.

Next, decide how much cash reserve should be maintained to meet emergencies. Then, learn the insurance plan which will provide reasonable security for the dependents. Can it be afforded? Will there be surplus after providing for this? If there is, will it be enough to buy a home or make other investments?

No savings plan has **all** these features: safety; easy conversion to cash; resistance to inflation; and large returns. However, each method of saving will give one or more of these features mentioned. Each family will formulate a savings plan to meet its needs.

INVESTIGATE FIRST

It is difficult, if not impossible, to foretell what all of your financial needs will be over a lifetime. Some needs can be anticipated; others cannot. Adjustments in the savings and investment program must be made from time to time. The assistance of qualified persons can be helpful.

This phase of planning is so tied up with estate planning it would be wise to enlist the help of your lawyer, banker, insurance and/or investment agent. A meeting with these people should result in a workable plan to meet your needs. Review the plan frequently and keep it up to date.

For most families, safety with a reasonable rate of interest or income is better than a higher return with greater risks.

Some of the problems you face when planning for financial security are:

Dying too soon—before an adequate accumulation of money and property.

Living too long—living beyond your earning power.

Being disabled—being unable to earn an income.

Clearing up any debts, mortgages, last expenses, etc.

Caring for dependents, college educations, etc.

Here are some common ways of meeting these problems.

GOVERNMENT BONDS are the safest bonds for investment. They are as safe as the government itself. The interest rate is not high and varies according to the issue. The Series E bond is the most advantageous to the average investor. These bonds give an annual compound interest return of 3 percent, if held to maturity. They are non-transferable and are payable to the registered owner, to his beneficiary or to his estate. The holder of the bond may redeem it any time after 60 days and before maturity date. The amount the holder receives will be the original cost plus interest earned up to the time of redemption. The interest schedule is printed on the back of the bond.

POSTAL SAVINGS ACCOUNTS can be opened at any United States Post Office. Accounts may vary from one dollar to $2,500 per person. Amounts of less than a dollar may be saved through the purchase of postal savings stamps at 10 cents each. The interest rate is 2 percent a year. After an account has been opened deposits may be made in person, by a representative, by money order, or by registered mail. Deposits are acknowledged by postal savings certificates made out in the name of the depositor. They serve as receipts, are valid until paid, and are backed by the government. They are neither negotiable nor transferable. If the certificates are lost, stolen, or destroyed, new ones will be issued.

A depositor may withdraw any part or all of the amount deposited with interest at any time. He may do this in person, by a representative or by mail.

No information about the depositor or the account can be given to any person without the Postmaster General's consent. The account of a married

person is free from any control or interference by the other partner.

SAVINGS ACCOUNTS can be opened in all state or national banks. They pay a small rate of interest but the deposits can be withdrawn on short notice. Most banks carry insurance protecting these accounts.

SAVINGS AND LOAN ASSOCIATIONS are sometimes known as building and loan associations because they exist primarily for the purpose of helping people to build or buy their homes. These associations are privately managed mutual thrift institutions, organized and directed by local businessmen and owned by shareholders. They are designed to offer long-term savings. Individuals purchase shares in the association. Different types of shares are available. Some can be purchased outright, others on the installment plan. The interest rate is usually a little higher than that of commercial banks.

STOCK AND BOND investments need careful consideration. Bonds are issued by a government, municipality, public utility, railroad, or industrial corporation which has agreed to pay a specified sum of money on a certain date. Stocks or bonds pay interest or have coupons attached which represent interest and can be collected at specified times. They may be registered, thus making them safer in case of loss or theft.

Industrial bonds are issued by corporations. They are sometimes secured by mortgage on all or a portion of the property of the corporation.

Stocks represent money in a company or business and are evidence of ownership.

Common stock represents ownership and control of the business. Part of the net earnings are paid as "dividends" to the owners of the stock.

Preferred stock is given prior claim to the earnings of the corporation over common stock.

REAL ESTATE AND MORTGAGE LOANS. The outright purchase of rentable property (farm, house, land, or business building) may be a good investment. These investments will often give a good return after taxes and upkeep.

A first mortgage is the safest investment since the first mortgage must be paid before any others.

The danger in mortgages on real estate is that the property may depreciate until it is not worth the value of the various mortgages.

PENSION PLANS. A formal pension plan is available to all employees on a uniform basis of eligibility and retirement allowances. Pension plans differ with respect to eligibility requirements, amount of benefits, and source of pension funds. Eligibility requirements are usually based on (1) length of service, (2) age, (3) compensation, (4) class of employee, (5) union membership.

Pension plans provide at least partial economic protection for workers. They can be used to supplement Social Security benefits. If used this way they will provide a greater retirement allowance. This type of plan enables a worker to build up a reserve for old age during his productive years. Pension plans in the form of insured contracts or secured by funded reserves carry a high degree of safety.

SOCIAL SECURITY. The Social Security Act became law in 1935. It contains three main provisions: (1) It provides a system of contributing old age and survivor's insurance, (2) provides non-contributory aid to certain classes of needy persons, and (3) it provides for unemployment insurance.

Benefits to workers and their families include: monthly payments when they reach age 65 and retire; supplementary monthly payments for wives when they reach 65 and their dependent children under 18; monthly survivor benefits for widows and dependent children until the last child is 18, and aged dependent parents; and lump sum payments when the insured worker dies leaving no survivors entitled to monthly benefits.

INSURANCE. Life insurance is an investment in protection and security for the family. It is also a plan for saving.

Before buying, decide the type of insurance of most value to you. A reliable insurance agent should be consulted.

Regardless of insurance type, many variations exist in each, and such information should be thoroughly understood before completing an application.

Health and accident insurance usually provides two different kinds of protection. They are: (1) health or medical, including cost of hospitalization,

surgical, limited medical, and major medical catastrophes; (2) disability insurance for loss of limb or for the loss of income through disability.

Medical care insurance is of three types: (1) payment of hospital charges for room, board, and miscellaneous services; (2) surgical payments in accordance with a schedule of fees fixed for each type of operation; (3) medical payments of benefits toward expenses of in-hospital calls by doctors or other surgical treatment. Home, hospital and office treatment and examinations are also included.

Major-medical expense coverage is designed to help meet catastrophic costs resulting from a long, serious illness or disability. This type of coverage is written with a deductible feature.

Bargains in health and accident insurance do not exist. You get what you pay for: if your premium is small you will have little protection. Life insurance is regulated by state laws. But as yet, health and accident insurance does not have that type of regulation. Again, buy through a reliable agent. Read the policy carefully, giving careful attention to the exceptions, reductions and limitations.

PROPERTY INSURANCE. Since property owned by the family represents the largest and most important investment, it should be adequately covered against common risks such as fire and public liability. Public-liability insurance offers protection against the risk of someone being injured on, or by, your property. Property owners find it desirable to carry some liability insurance.

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