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WOMEN—
AND THEIR MONEY

BY MAXWELL S. STEWART



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WOMEN— AND THEIR MONEY

By MAXWELL S. STEWART

MRS. SMITH had always prided herself on being a "good manager." For more than forty years of her married life she had done nearly all of the family buying. She watched her pennies carefully: she scanned the newspapers for bargains and bought much of the family's clothing at sales; she went from store to store testing qualities and comparing prices before making a major purchase; when meat was high she bought cheaper cuts; she occasionally made a few dollars on the side by doing a bit of extra work at home. Sam Smith, her husband, made a good living, but she liked to realize that she helped by making his salary stretch as far as possible. But while she did most of the family's buying, Sam always supervised the larger aspects of the family's finances. She had not paid much attention when he arranged the mortgage on their home, or when he bought the

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family car on the instalment plan. She did not even know how much life insurance he carried. Somehow it seemed a bit improper to talk about life insurance. She found it easier not even to think of what might happen in the event of Sam's death or disability.

One day she was left alone—alone, that is, except for a 15-year-old granddaughter whom they had taken into their home ten years earlier. Sam left her well provided for. Besides the house, which was about half paid for, she found that he had left her four $5,000 life insurance policies, some U. S. savings bonds, and a few thousand more in assorted stocks and bonds.

Unprepared for Vital Decisions

Suddenly she found that she had to make a number of important decisions—decisions which her experience had not qualified her to make. And she knew no one to whom she could turn for advice.

The insurance company wanted to know how she wanted the insurance paid—in one cash payment, in instalments, or as a life income. She decided that her husband must have wanted her to get it all at once, so she chose cash.

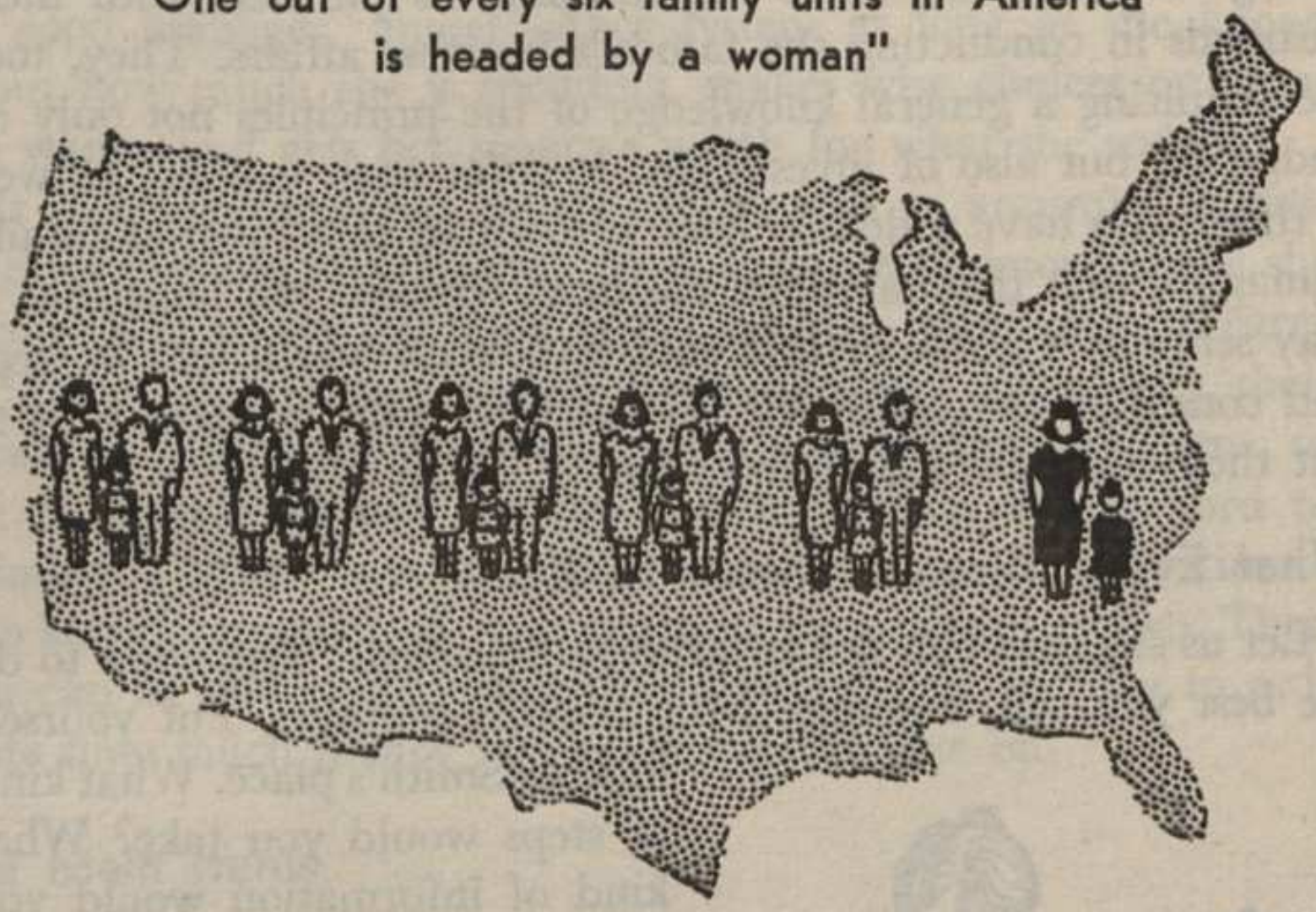
But then she found that her troubles had just begun. If she put the money in the bank and used it for living expenses and her granddaughter's education, she knew it would last only a few years and then she would be penniless. She knew she ought to invest it so as to get some income from her money. But how? Everyone she asked had different advice to offer. Some of her husband's "friends" told her of get-rich-quick schemes whereby she could double or triple her money in a few years. Others insisted that she should be careful and put it all into a savings bank or a postal savings account.

You know the end of the story. You have heard it dozens of times. Mrs. Smith—like tens of thousands of other women in similar situations—became confused and took the wrong advice. Within a very few years she had lost or spent all of the tidy sum her husband had left her.

Millions of American women are like Mrs. Smith in her younger days. They handle the family pursestrings for most day-to-day expenditures. But they leave such matters as life insurance

and investment largely, if not wholly, to their husbands, fathers, or brothers. Millions of other women find themselves in the position that Mrs. Smith does today—where they are solely responsible for the family's money—and many, if not most of them, are carrying this responsibility successfully. Fully half of all the country's investments in stocks and bonds are owned by women. They are also the beneficiaries of millions of life insurance policies.

"One out of every six family units in America is headed by a woman"



Many Women Are Heads of Families

Women are frequently put in a position where they have to assume the responsibility of head of the household. The 1940 Census lists 5,300,000 women as heads of their households. One out of every six family units in America is headed by a woman. Included are widows and divorced women with dependent children; unmarried women with brothers, sisters, parents, or other relatives dependent upon them; and a number of women who have been forced to take over financial responsibility for disabled or aged husbands.

The large number of widows in the country may be explained by two important facts: (1) most wives are younger than their

husbands; and (2) women live, on the average, about five years longer than men. In all, there are nearly six million widows in the United States—nearly three times as many widows as there are widowers.

The Young Women of Today

But these days a woman needs a working knowledge of money management before she is left a widow or is put in the position of being head of a household. The young women of today are taking on more and more responsibility as partners with their husbands in conducting the family's business affairs. They, too, are acquiring a general knowledge of the principles not only of budgeting but also of investment. It is for such women, as well as those who have suddenly been thrown on their own as family managers, that this pamphlet has been written. We hope that it may serve as a guide or reference handbook which will be kept and consulted frequently by women who want to learn how to put their financial affairs in order.

What Every Woman Needs to Know

Let us say that you are an average housewife. You want to do the best you can, avoiding Mrs. Smith's mistakes. Put yourself in Mrs. Smith's place. What kind of steps would you take? What kind of information would you seek if you wanted to avoid her mistakes? In thinking through Mrs. Smith's problem, you will be taking the first step in preparing yourself for the responsibility of money management. It is like digging out the recipe and checking the ingredients before baking a cake. You will doubtless find that money management has a surprising number of ingredients: your day-to-day expenses; housing; provision for such emergencies as sickness, old age, and death; the handling of life insurance payments; and investments in bonds, stocks, and other securities.



YOUR LIVING EXPENSES

"IF I were in Mrs. Smith's place," you will probably say, "the first thing I would do would be to find out how much it costs me to live." Some families keep careful budgets throughout their lives, and regulate their spending by these budgets. But many others find it irksome to keep within set limits in their expenditures for food, clothing, and the many "extras" that are constantly cropping up. It is largely a matter of taste. A wife can be a "good manager" under either system as long as she knows about how much she is spending, makes wise choices on what she wants, and gets her money's worth for what she spends.

It is important for a housewife to make as accurate an estimate as possible of her living costs, so she may know where she stands. This is essential if she is left, as Mrs. Smith was, to carry on alone. But many women have difficulty estimating their expenses. Inexperienced persons often forget important items, or fail to include enough for the "extras" which are so hard to estimate. The best way to get started in making such an estimate is to keep a record of *all* your expenses for a month or two. Then you can sit down with your record before you and try to estimate how much money you really need to live on.

The Main Items

It is best to begin with the big items, especially with food costs. Find what you are now spending for foods of all kinds for a month by writing down the quantities and costs for each food group—cereals and bread stuffs; fruits and vegetables; meats, poultry, fish, and eggs; milk; fats, butter, margarine, salad oils; miscellaneous, condiments, etc.; meals out. Figure out the cost of food per month and per day and per person per day. Figure also the per cent of the monthly total going to each food group mentioned. You can then get facts from the Home Economics Department of your State College which will show whether your diet is a well-balanced one, whether your table is being managed with economy, and whether you are living on a liberal or an extravagant scale. If you must cut down on living costs, food as your largest outlay merits such an analysis. In some communi-



ties, a local home economist or dietitian will help you on your food planning.

Fixed Costs

Having made sure that you have allowed enough to give your family good, healthy meals you should figure out the unavoidable items you will meet over the year. These are fixed costs you can do nothing about. You will find that they are comparatively few. They include housing costs —discussed below—taxes, life insurance, and any debts or instalment payments you must meet. Add all of these up on a yearly basis, then divide by 12 for a monthly figure.

Planned Spending

Having taken care of most of the inescapable items, it is up to you and the members of your family to decide how you want to spend the money that is left. No chart or prepared table will help you much. No two families are the same. However, you will spend your money more wisely if you plan your spending according to what you really want than if you simply spend your money until it is all gone—as too many of us tend to do.

Except for food and housing, your chief out-of-pocket expense will probably be for clothing.

This should include allowances for laundry, dry cleaning, and shoe repairing. Slightly more than one dollar out of every ten is spent for clothing by the average American family. It doesn't make much difference whether you live in the North or the South, in a large city or a small town. There will be some variation, however, depending on the ages of the members of your family.

Other items that you should take into account include automobile expenses, transportation costs, medical care, haircuts and beauty parlors, education, recreation, tobacco, telephone, church, and other gifts and taxes. No one can be completely accurate in estimating these varied expenses. But come as close as you can. You will be fooling no one but yourself if you underestimate your real requirements.

Next to food, housing is probably the largest of your budget items. If you rent an apartment or a house, it is not difficult to figure just what your housing costs you. But if, like Mrs. Smith, you own your own house, it is somewhat more difficult. You will have many different items to consider and you may miss some of them if you aren't careful. For example, if you plan to move, the moving expenses must be included as one of the costs of your housing.

BUY OR RENT A HOUSE?

WHERE you live is largely a matter of personal taste. But whether to buy or rent a house or keep your present one is perhaps the most important financial decision you will have to make. It is often a difficult decision because other than financial matters are at stake. You may want to live in a particular neighborhood to be near your family, friends, or job. If you have children, you must be near good schools. And possibly the only house you can find in the kind of neighborhood that satisfies you is up for sale and cannot be rented. Or perhaps you are so attached to the house you already own that you cannot bear to sell it even though you should. And finally, if you don't expect to live in a community very long, you will not want to buy even though you may not be able to find a satisfactory house for rent.

Many people assume that in the long run it is cheaper to buy a house than to rent one. Sometimes it is; but often it is cheaper

to rent. One reason why many people think that owning a house is cheaper is because they don't count all of the costs. It is easy to figure rent. In an apartment, the rent covers everything—heat, water, and often electricity and gas. When you own your own house you must add in a number of items before you have your true cost. They include taxes, carrying charges on your mortgage, fire insurance, repairs, painting and upkeep (including lawn mowing and removal of ashes if you cannot do these jobs yourself), heat, water, light, and gas, together with—and this is the item that most people forget—the interest on what you have paid for the house.

Let us say you pay $2,000 down on a $10,000 house. In figuring what the house is costing you from month to month, you must consider not only the interest on the $8,000 which you borrowed, plus payments on the principal, but you must remember that if you had not bought the house you could have invested the $2,000 and used the return on that investment to help pay your rent. On a $10,000 house the yearly cost (not counting depreciation) would look something like this:

Taxes	$250.00
Carrying charges @ 4½%	607.58
Insurance	25.00
Repairs and Upkeep	150.00
Water	12.00
Heat	175.00
Interest on down payment @ 2½%	50.00
	$1,269.58

Thus, ownership of the house may be costing more than $105 a month. You will have to ask yourself whether you could not rent a house or an apartment for $105 a month and save all the trouble of home ownership. Of course part of the carrying charges goes to reducing the mortgage and can be considered savings rather than an expense. And renting a house, in contrast to an apartment, involves added cost for heat, gas, light, and water.

For a woman who is head of a family there are other points which must be considered besides cash outlay. Many women find

it profitable to use their houses as places of business. This usually requires more or less remodeling. Obviously this is impossible in a rented house.

Even if you do not want to remodel your house, you will find that being a tenant has certain disadvantages. A tenant can never be sure that the landlord will make the necessary repairs and improvements. He never knows, when his lease expires, whether the landlord will renew the lease or ask for the house for his own use. Nor can he be sure that his rent will not be raised, perhaps unfairly.

Owning your own house provides a security that is possible with no other investment. Depressions or inflations may wipe out your investments, but if you own your own home, you are sure at least of a roof over your head. In fact, home ownership is an excellent protection against inflation. For as prices rise, so does the value of your property. People who bought their homes in the 1930's regard their purchase as the best investment they ever made. A house bought at the peak of prices, on the other hand, may turn out to be a bad buy.

Points to Watch in House Buying

Because the buying of a house is such an important financial transaction, there are many things which must be watched. You should be careful, first of all, not to buy a house that is beyond your means. Many a family bought a home in high hopes, only to lose both it and the money they put into it a few years later because they were unable to keep up their payments. Most authorities insist that a family should rarely, if ever, buy a house that costs more than two or two and a half times their annual income. Thus, a woman with an income of only $3,000 a year should never pay more than $7,500 for a house, and preferably not more than $6,000. Good houses at such a price are not easy to find these days.

Another thing that is important to watch is the neighborhood in which you buy. Is it a developing neighborhood, or one that is slowly going to seed? If it is rundown at the heel, the house is almost certain to decline substantially in value in a few years. Much the same will be true if you buy a house during peak prices such as have prevailed in recent years. Of course, all

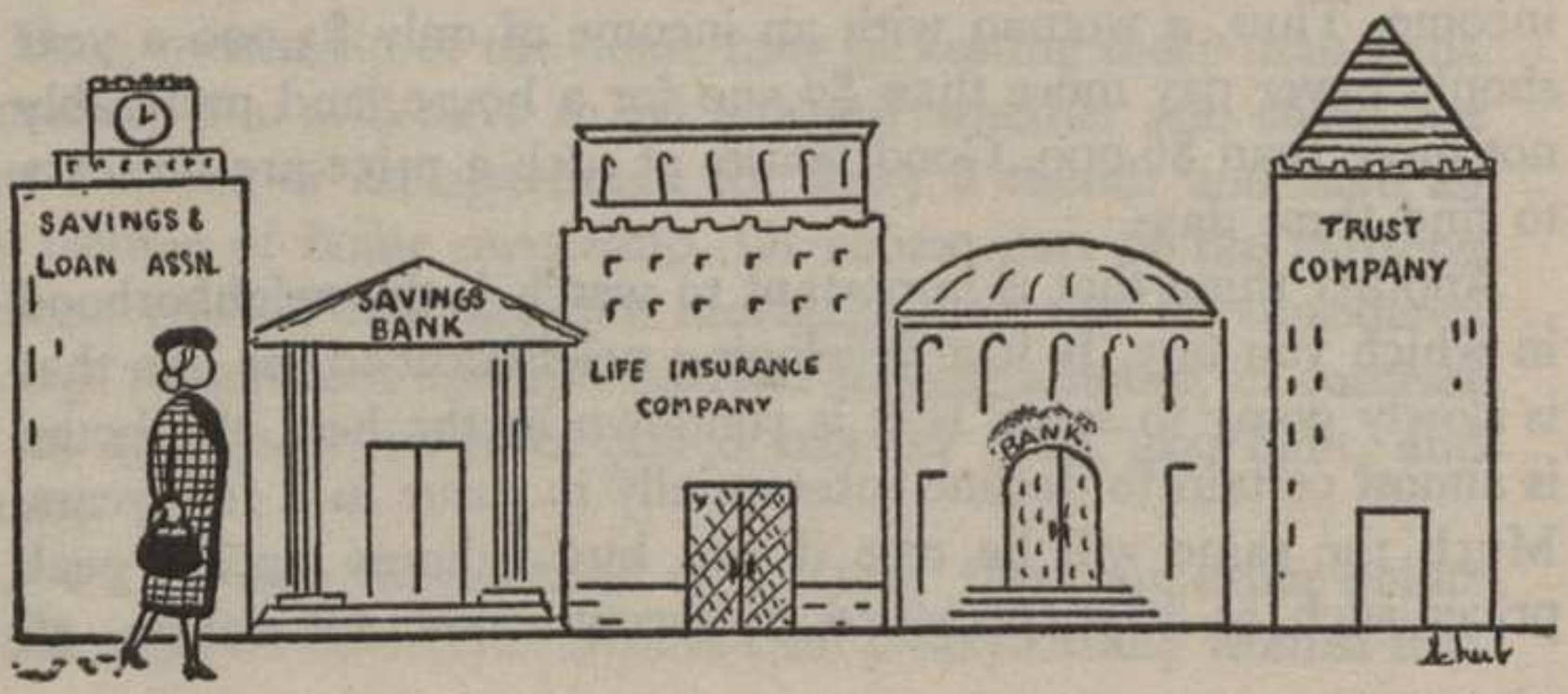
houses depreciate in value as they get older. You have to count that as one of the costs of home ownership. But much depends on where and when you buy.

Since you are probably not an expert in real estate, you should seek competent advice before buying. By paying a small fee, you can probably arrange through your bank to get a professional appraisal of any property in which you are interested.

Shop Around Before Taking Out a Mortgage

It will pay you to spend a little time shopping around before you arrange your mortgage. A number of different kinds of institutions make mortgage loans. They include savings banks, savings and loan associations, trust companies, regular banks, and life insurance companies. Interest rates range from 4 to 5 per cent. There are two kinds of loans. The "straight" or old-fashioned variety—such as Mrs. Smith had—calls for repayment after a given number of years but makes no provision for systematic reduction of the debt. Most loans today, however, call for a monthly payment which will provide for the repayment of the debt in a period of from five to twenty-five years.

You will want, of course, to get as low a rate of interest as possible. On an $8,000 mortgage, a difference of only ¼ of 1 per cent amounts to $20 a year, or $400 in twenty years. A longer mortgage cuts down the amount of carrying charges that must be paid each month, but, of course, it means that you pay out more money as interest because you have to pay over a longer period. It is usually wise to get as long-term a mortgage as possible and then pay it off as rapidly as you can. Be sure



that your mortgage agreement provides full credit for advance payments so that you may reduce your interest charges as well as the principal by this method. Also, be sure to find out whether you or the lender is expected to pay for the title search, the title policy, and the costs of recording. You may find it worth while to pay a slightly higher interest rate if the lender will absorb these charges.

PROVIDING FOR SPECIAL NEEDS

IN addition to the costs of a roof over your head, food, and other regular needs which you have estimated, there may be special costs which cannot be provided for out of one's day-to-day income. Some of these are special goals which can be looked forward to and prepared for. Mrs. Smith knew, for example, that her granddaughter would be ready for college in about three years. Since she could not hope to pay her college expenses out of her regular income, she had to consider setting aside a special fund for this purpose. In some families there are wedding expenses which must be anticipated. Mrs. Smith also knew that the mortgage—which was the old-fashioned kind—had to be paid off within eight years; otherwise she stood in danger of losing her home. Then there were possible emergency needs which could not be foretold—unemployment, sickness, accidents, a death in the family. You pray that you will escape these misfortunes altogether; but if they strike, you may need funds badly.



How large should your emergency fund be? It is difficult to

say. But you can figure how much must be set aside each year to meet such needs as the mortgage and college expenses. Above this you ought to have a nest-egg amounting to two or three months' income, if that is at all possible.

Our great-grandparents used to keep money hidden under the mattress for a "rainy day." Most modern families regard this as both dangerous and foolish—dangerous because of possible fire or theft, and foolish because their money might be earning interest for them. The best place for a small emergency fund is in a savings bank or in U. S. savings bonds. But if you put your nest-egg in a bank, beware of a joint account except with some member of the family with whom you would normally pool your resources.

Social Security

Of course, it isn't necessary to accumulate money to cover everything that might happen. You can insure your house against fire for but a fraction of 1 per cent of the money you would need to rebuild it. Similarly, your husband may be protected by social security against some of the risks of modern life. The federal government's social security program is designed to cushion families against the financial disasters often associated with unemployment, old age, and death. Women as well as men workers are eligible for this protection if they work in one of the jobs specified by the social security law. The government collects a tax on payrolls to cover the costs of this protection. For unemployment insurance the tax is paid, in most states, by the employer. For old-age and survivor's insurance, payments are collected from both the employer and the employee.

Old-Age Benefit

Workers who are covered by the Social Security Act and who have made the required number of payments are eligible to old-age benefits when they reach the age of sixty-five, providing they retire and apply for the benefit. A type of insurance protection is also provided the families since their wives are also entitled to benefits at sixty-five, regardless of whether or not their husbands are still alive, while widows with young children are also entitled to benefits.

Widows' and Children's Benefits

The survivor's insurance provisions for widows and orphans are a little more complicated. If an insured worker dies, each of his children under age 18 is entitled to a regular monthly benefit half as large as that to which he would have been entitled. His widow receives three-fourths of his benefit as long as any of her children are under age 18 and in school. After the eighteenth birthday of her youngest child, she is entitled to nothing further until she reaches her 65th birthday when her benefits are reinstated.



To obtain these benefits the widow must apply to her local social security office. Consult the telephone book of your nearest large city for the address or write to the Social Security Board at Baltimore, Maryland.

Life Insurance

A much more substantial protection against the financial hazards associated with the death of the family breadwinner is provided by life insurance. Life insurance has a two-fold purpose: (1) an immediate one of meeting the expenses growing out of the death of the family breadwinner—the costs of the funeral and living costs until the widow can get a job; and (2) a long-range one of providing money to support the family throughout the years—either by leaving the proceeds with the company or by investing them in some other way such as is discussed later in the pamphlet.

Kinds of Policies

There are certain facts about the different kinds of policies which everyone should know. In the first place there are three main kinds of life insurance. Small policies—under $1,000—on

individuals are called *industrial* life insurance and are sold mostly to modest-income families. Because the policies are small and the premiums are collected weekly or monthly by the agent at considerable expense to the companies, industrial insurance is more expensive for the amount of protection it provides than other kinds of insurance. *Ordinary* life insurance is available only in policies of $1,000 or more. Premiums are usually paid annually, semi-annually, or quarterly. *Group* insurance, as the name suggests, covers a group of persons, usually employees of the same firm. Because the risks are spread and the employer pays the premium in one payment, it is the cheapest of all forms of insurance. Generally, no medical examination is required for group insurance. Protection usually lasts 30 days after employment ceases, but some provision is made for changing the policy into other kinds of insurance within that period, without a medical examination.

If you buy ordinary insurance, you may buy any one of four different kinds of policies:

1. *Term Policy.* The greatest amount of protection at the lowest cost for a brief period is provided by a term life insurance policy. It works much the same way as a fire insurance policy on your home. The policyholder is insured for a period of years —usually five or ten—and protection ceases after that period unless the policy is renewed at the end of the period for a higher rate. Some term policies are renewable without a medical examination; some are not. One should make sure of its provisions in this respect before purchasing a policy.

2. *Straight or Whole Life Policies.* A whole or straight life policy provides a lifetime of protection. The life insurance company agrees to pay the full value of the policy upon the death of the insured person no matter when it occurs—provided premium payments have been maintained. The premiums remain the same throughout life, unless the policyholder desires to change the terms of his policy. After a period he can, however, cease paying and either (1) continue the insurance protection on a modified basis, or (2) terminate the policy and receive a cash settlement.

3. *Limited Payment Policies.* In limited payment policies, the policyholder pays premiums for a limited period, usually twenty

or thirty years. He remains insured, however, for life and the company will pay the full insurance whenever he dies. Because the premiums are paid for fewer years, this kind of insurance naturally calls for larger premiums than are called for by straight life policies.

4. *Endowment Policies.* Endowment policies combine life insurance with a systematic plan for savings. The policyholder pays a fixed premium for a specified period, such as fifteen, twenty, twenty-five, or thirty years, or until he has reached a certain age. If he dies during the period, the company will pay the beneficiary the full amount of the policy. If he lives to the end of the period, he may receive the entire amount of the policy in cash, or he may choose to receive payments at regular intervals as specified in the policy. After the policy has matured, it provides no further life insurance protection.

INVESTING WISELY AND SAFELY

IF you ask the average woman what part of money management frightens her the most, she would undoubtedly reply, "Investments." Investing is a problem that is of special concern to widows. But all women—married or single—should know something of investment, if only to share responsibility with their menfolk. Here is the point at which Mrs. Smith—and many hundreds of thousands of other women before and since—failed in their responsibility. Such failures may be disastrous. You have all probably heard of sad cases such as that of Mrs. Brown who turned over her $15,000 estate to help her ex-GI son, Bill, set himself up in business. Bill, unfortunately, was completely lacking in sound business judgment, and it took only a few months to run through the entire $15,000. In contrast, tens of thousands of women are managing their investments successfully. Where they have been able to get information and experience, they have done fully as well as men.

In one sense, no one can tell you just how you should invest your money. Everyone has special needs and special problems. Your investment program must be tailored to fit your special requirements. Much will depend on your age. If you are up in

years, you will want to think chiefly about a safe dependable income. A woman under fifty—or even under sixty—on the other hand, may want to use some of the money left her to fit her for a job so that she can earn some more money and have something interesting to do. Some women have gone to college in their fifties and prepared themselves for an interesting and worthwhile professional career. Don't let your natural desire for security stand in the way of a useful life.

Income vs. Security

There are certain basic rules for investment that apply to everyone. These rules are really very simple. Where funds are limited, the first consideration is security for the initial investment. You want to be sure that if you need your money for some emergency, it will all be there when you need it. A certain amount of risk is necessary if a person expects a high return on her investments. But it should be taken only by a person who can afford to lose.

You may be sure that any investment which promises to "double your money" or yield returns far above current interest rates is extremely risky if it is not an outright fraud. It is true that occasionally a sound business venture may earn relatively high profits in a short time. But such ventures are few and far between. And even the soundest of them are usually too risky for people of moderate means. The more dependent you are on your investment, the greater should be your emphasis on safety and security.

The second important consideration to be kept in mind for persons who must depend on their investments for a living is certainty and regularity of income. During the depression many perfectly sound firms were compelled to suspend dividend and interest payments. Investments in such firms may have proved profitable in the long run, but they were not satisfactory for persons who needed a regular income from their investments to meet current expenses.

Everyone naturally wants to earn as much money as possible on his or her investment. But since the promise of a high income is an indication of a high risk, women who have only a limited amount of money to invest and no means or desire to earn more

should think of the return on their investment only after being dead sure about its safety and the regularity of payment. You will usually find very little difference in the income to be obtained from two investments of equal security. If, for example, anyone promises you an assured return of more than 3 to 3½ per cent a year, you should regard the proposal with great suspicion. This does not mean that you may not obtain more than this from many kinds of investments. But they are invariably investments which carry more risk.

Changes in the Purchasing Power of the Dollar

There is a special kind of risk which the experiences of the past few years have brought home to many people who had never before thought much about it. That is the risk that the dollar may shrink in value as a result of rising prices. Many people who had their money invested in securities that were eminently "safe" in the ordinary sense of the word have nevertheless seen the value of their investments shrink in recent years as the dollar lost its value. Even though the securities have unfailingly paid the number of dollars called for, the investor's ability to buy goods with these dollars may be much less than she expected at the time that the investment was made.



Two Classes of Investments

Investments in general may be divided into two classes, which for convenience may be termed "Money Investments," which call for the payment of stated amounts of money, and "Property Investments," which represent ownership of properties or busi-

nesses. Government bonds, annuities, and savings accounts are typical forms of "Money Investments"; the ownership of real estate or of common stock in a business enterprise are forms of "Property Investment."

Effect of Inflation or Depression

During periods when the cost of living is rising, the prices of real estate and of common stocks also tend to go up, and therefore a woman having "Property Investments" would not suffer in the same way as a woman who had only investments calling for a fixed number of dollars. On the other hand, the income on most forms of property investment is likely to rise and fall along with changes in the rate of business activity or the level of business profits. Such investments are likely to be unstable, even during periods when the cost of living is relatively constant. Therefore, in order to have some investments that can be depended on to produce a given number of dollars regardless of economic conditions, a woman needs to have a substantial part of her funds in "Money Investments."

Making an Investment Plan

In planning a woman's investment program, the first problem is to determine how her total funds should be divided between money investments and property investments. She will want to have a sufficient amount in an emergency fund that she can depend on to produce cash in a hurry if she should need it. This calls for a savings account or U. S. Government bonds. If her total investments are small, it may be wise for her to invest all of her funds in money investments of this type.

The proportions of money and property investments to be held will depend upon the particular circumstances. If a woman has an occupation, such as school teaching or other government work, that gives her a relatively fixed annual income, then it may be wise for her to place a relatively larger proportion in property investments as a protection against possible rises in the cost of living. On the other hand, if she makes a livelihood from her own small business or the like, a larger proportion of money investments would give her protection against periods of business depression when her other income is likely to suffer.

MONEY INVESTMENTS

AS we have pointed out before, a woman wanting to put her funds into "Money Investments" may buy an annuity, deposit her money in a savings account, or buy government bonds. She might also invest them in high-grade corporate bonds or preferred stock, or in real-estate mortgages, or in shares in savings and loan associations. Or, if the funds are coming to her from a life insurance company, a very satisfactory form of investment is often to leave the funds on deposit with the company.

Therefore, after she has determined what portion of her total resources she wants to place in money investments, she must consider which of these kinds will meet her particular requirements.

Choices of Life Insurance Payments

You will recall that Mrs. Smith decided to have the entire insurance paid in cash because she thought—without her husband having said anything—that this was probably what he intended. Before acting, she should have studied carefully, in the light of her particular situation, the four choices or options offered in most ordinary insurance contracts. Mr. Smith could have made the choice and thus saved Mrs. Smith from the responsibility. But since he did not, she had to make the decision.

Ideally, Mr. and Mrs. Smith should have discussed his life insurance program thoroughly while he was still alive. Life insurance is so important to the security of the family that husband and wife should share in the planning and should discuss all phases of the program, including the choices as to distribution.

The four choices offered in most insurance policies are:

1. *Cash.* Nearly all insurance policies state that the beneficiary may receive all or part of the policy in one cash payment. This payment is usually made within a few days after the death claim has been filed.

2. *Interest Payments.* The policyholder or, if he does not specify a choice, the beneficiary can arrange to have the life insurance company retain all or part of the money due under the policy. Interest will be paid on this sum at a rate guaranteed

in the policy, plus such additional interest as may be earned, until a specified date when the principal may be paid in cash or used to provide a monthly income for the family. For many persons this may turn out to be a very favorable arrangement. On many older policies the interest rate which is guaranteed is higher than can be obtained with comparable safety on new investments which you might make today.

3. *Instalment Payments.* Another possibility is the payment of the policy in regular instalments until the full amount, plus interest, has been paid. This can be done in either one of two ways: (1) You can choose how much is to be paid monthly, or quarterly, or annually. The number of instalments would then depend on the size of the policy. Or (2) you can arrange to have the proceeds paid in equal instalments over a specified number of years. In that case, the size of the instalments would depend on the size of the policy.

These arrangements are particularly useful if you know that you will need additional funds during a limited period—for example, when your children are growing up.

4. *Life Income.* Still another possibility is an arrangement under which the life insurance company will pay a specified amount a month for the entire lifetime of the beneficiary. This is equivalent to an annuity. Older persons naturally receive larger payments under this arrangement since their life expectancy is shorter. Older persons particularly should think several times before turning down this choice, for—on early policies especially—the payments are often much larger than those provided by the life settlements contained in present-day policies.

It is important to remember that you do not have to choose any one of these arrangements for the whole amount. You may want a small amount of cash to cover immediate expenses and, perhaps, to set up an emergency fund, and then have part of the insurance paid in instalments and the rest used for a life income. You can work out a combination that fits your special needs. Most persons would be wise, however, to avoid too complicated a settlement.

If there are several policies, you should study each one carefully to find out which ones offer the most favorable instalment and life income arrangements. If you draw immediate cash, do

so from the one offering the least favorable options. Since interest rates were higher many years ago, the older policies often provide the most favorable terms.

These various choices for the payment of life insurance benefits should be compared carefully with other kinds of investments. If you choose any of the deferred payment plans, you are really asking the life insurance company to do your investing for you. Any company will be glad to advise you according to your circumstances. Seek out a good agent, one in whom you have confidence, and see what kind of plan is best suited to your situation.

If you decide to request that the insurance be paid in cash, you will then have to take on the responsibility of finding ways to invest the money. The advantages in leaving the money with the company are two: (1) You can be certain that your money is safe and that your payments will be made regularly; (2) you avoid the headaches of investment. You may not, however, get as much income in periods of prosperity as if you invested wisely on your own. Life insurance companies are limited by law in the kind of investments they can make, and because they must pay the costs of managing the investments, you will probably get a smaller return than in some other forms of investment.

U. S. Bonds

The safest and most certain of all possible investments are, of course, the bonds of the United States Government. Such a bond is as safe as the currency in your pocketbook. Both represent a promise to pay on the part of the U. S. Government. No U. S. bonds have ever been repudiated in our history.

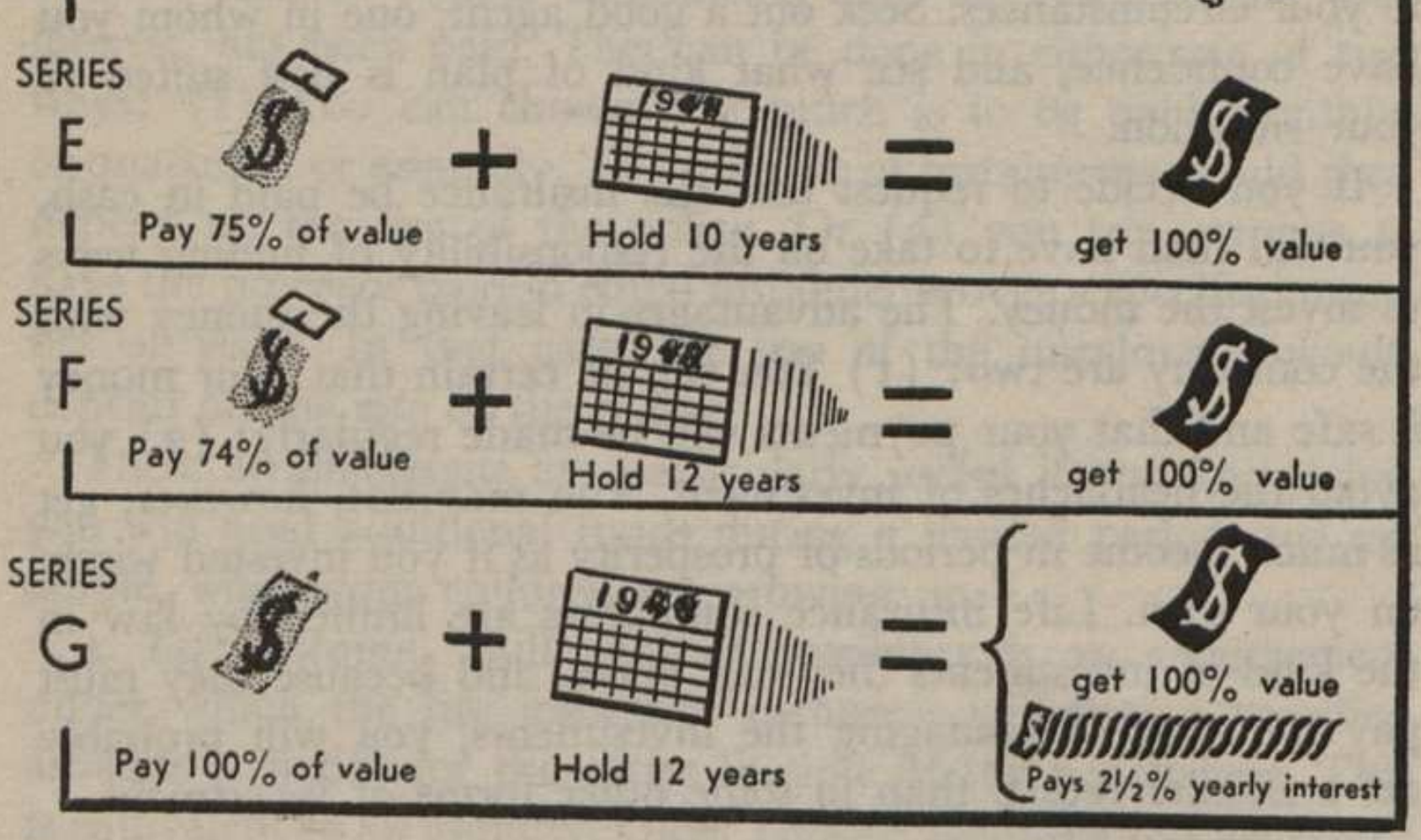
SAVINGS BONDS—SERIES "E," "F," AND "G"

Most convenient of the bonds for the small investor who does not need an immediate regular income are the Series "E" savings bonds which were sold in such large quantities during the war as "war bonds." These bonds are sold in denominations of $25, $50, $100, and $1,000, and cost 75 per cent of their maturity value. A $100 bond, for example, costs $75 and is redeemable in ten years for its full value. Series "E" bonds may be cashed in at any time after sixty days, but if cashed in before

ten years, the rate of interest paid on them is much less than if held the full ten years. Not more than $10,000 in Series "E" bonds may be bought by one person in any one calendar year.

WHAT KIND OF U.S. BONDS SHALL I BUY?





The U. S. Government also sells Series "F" and Series "G" bonds to individuals. The Series "F" bonds are similar to the Series "E" except that they sell for 74 per cent of their face value and pay off in twelve instead of ten years.

The Series "G" bonds are adapted for those who need a regular income. Like the "F" bonds, they also mature in twelve years, but instead of being sold at less than their face value, a $100 bond costs $100 and pays interest twice a year at the rate of 2½ per cent annually. Sales of "F" and "G" bonds are limited to $100,000 in any one year to one person.

U. S. Savings Bonds have many advantages for small investors. The following will appeal particularly to women investors:

1. They are the safest security in the world.

2. They provide a reserve that can quickly be turned into cash. You may cash them in at any time after sixty days and receive your principal and—after a time—some interest.

3. If held for the full ten years, Series "E" bonds pay about 2.9 per cent interest, which is more than can be obtained elsewhere with comparable safety.

4. They are easy to get. No broker or agent is necessary. Simply go to the nearest post office or bank. If you have a bank account, the bank will, at your request, deduct the cost of a bond each month from your account without the need for further instructions from you. Or, if you are employed, your employer will probably agree to take a certain amount from your weekly pay check and purchase the bonds for you.

5. Savings bonds are protected against loss or theft. If your bonds are lost, stolen, or destroyed, the Treasury will replace them for you.

OTHER GOVERNMENT BONDS

It is also possible for a person to purchase, through her bank or broker, any amount of other government bonds that have already been issued and now belong to someone else. These bonds pay interest twice a year. The price of such bonds changes slightly from day to day depending on market conditions, but these price changes are so slight that you should not hesitate to buy these bonds at any time. Usually they cost somewhat more than their face value—which means that the return to the investor is slightly less than the interest rate stated on the bond. In order to be sure that your income will last, you will want to choose long-term bonds—that is, bonds that cannot be called in for some years. From such bonds a return of nearly 2½ per cent may be expected. You will also want to distribute your investment among several different issues so that too much of your investment will not be paid off at one time. Most responsible investment counselors urge small and medium investors, as protection against depressions and other financial hazards, to put a fairly large part of their money into long-term, high-grade bonds, of which the government bonds are the most secure. The return may not be large, but it is far better to have your capital and a small return than to risk the loss of both.

Other Fixed-Income Securities

So far we have been discussing what might be described as Grade AAA investments. People who have their money in government bonds or invested with good life insurance companies need not worry much about "bad" times. They can be sure that their income will continue unless the country faces something much worse than it has to date.

ANNUITIES

But women who are in Mrs. Smith's position—with total funds of $25,000 or less—will find that they get very little income if they depend solely on Grade AAA securities. At 2½ per cent, the income from $25,000—which is about what Mrs. Smith had—would amount to only $625 a year, or a little more than $50 a month. Obviously a family cannot be expected to live on that. Some other source of income must be found. If Mrs. Smith, who was 65, had invested only half of her funds in a life income or annuity from her life insurance company, she would have done much better. She would have obtained approximately $60 a month from this source alone, together with whatever she could get from her other investments. If she has a choice between taking a life income from her husband's life insurance policy or taking the same money and buying an annuity, she would ordinarily do better in taking the life income. For older persons especially, an annuity is an excellent investment. An annuity or life income has only one disadvantage. The principal may become exhausted, and little or nothing is left over for heirs. But if this is not an important consideration—and it often is not—a widow or older person cannot get greater security in any other way.

CORPORATE AND OTHER BONDS

Persons who are looking for "safe" investments that pay a somewhat higher interest rate than government bonds will find that the bonds of some of our larger corporations and the securities issued by cities and local governments may yield from 2½ to 3½ per cent. "Yield" is not the same as the interest rate. Many good bonds carry an interest rate of 4 or 5 per cent. But

if they are sound, they cannot be bought for less than from $130 to $170 for a $100 bond. Thus the return on a good 5 per cent bond may not be more than 3 per cent. The sounder the bond, the less, in most instances, will be the yield.

Most advisory services classify bonds into three groups:

1. *High-grade bonds.* In most cases these bonds have been issued by local governments or corporations whose financial standing is beyond question. They usually have a long record of meeting their obligations in full on the dates set.

2. *Medium-grade bonds.* These, too, are usually issued by responsible firms or local governments, but without so impressive or long a record.

3. *Low-grade bonds.* These are bonds issued by new borrowers or by borrowers whose financial stability is in doubt.

Small investors should investigate very carefully before buying any but high-grade bonds or any bond that yields more than 3 or 3¼ per cent. The others will pay more but the degree of risk is likely to be high.

SAVINGS AND LOAN SHARES

It is also possible to invest in real-estate mortgages, either directly or through the medium of a savings and loan association. A savings and loan association is an institution that raises money by selling its shares to investors and uses the funds to make mortgage loans to property owners. Many of these associations are members of the Federal Savings and Loan Insurance Corporation, which guarantees their shareholders against loss up to $5,000 for each shareholder. This guaranty, however, does not assure the investor of the right to cash in her shares on demand. Should her particular association suffer too many defaults on the mortgages that it holds, shareholders may have to wait for their money. Thus, investments in savings and loan associations do not have the assured liquidity that savings deposits in banks have.

PREFERRED STOCKS

Many corporations have two kinds of stock—preferred and common stock. Preferred stock, as the name indicates, ranks above common stock. It is like a bond in that provision is made for

regular dividends at a specified rate. The interest on bonds is the first call on a company. It is regarded as a debt and is paid, if possible, whether the company earns a profit or not. Dividends on preferred stock have the next call. Only if funds remain are the owners of common stock entitled to dividends. Firms do not guarantee that they will pay dividends on the preferred stock in good times or bad. They simply guarantee that they will pay on their preferred stock before anything is paid on the common stock. Since there is more risk, preferred stock dividends are much higher than the interest rates on first-class bonds. You can buy preferred stock that pays 4, 5, or even 6 per cent on your investment. If the stock is in a well-established company that has no bonds and has never failed to pay its dividend, even in the dark years of 1930–34, it may be a reasonably safe investment. Because there is risk, however, small investors should be careful not to put too much money in any one stock or in preferred stocks as a whole.

COMMON STOCK

COMMON stocks represent part ownership in business enterprises. For a woman who wants to put part of her money into what we have called "Property Investments," common stocks usually represent the most satisfactory way of doing so.

Our great corporations are owned and controlled primarily by their common stockholders. If the companies earn profits, they pay out all or part of these profits in dividends. This dividend is not guaranteed but may change from year to year. Since the price of a stock is determined largely by its dividend prospects, it may vary sharply, not only from year to year, but from day to day in the stock market.

Investment in common stock necessarily involves risk. But since stocks may rise as well as fall in value, the purchase of a good common stock when prices are low may turn out to be a very profitable investment. Great care is needed, however, not only in selecting sound stocks with an established record of dividend payments but in choosing the time to buy common stocks. The best time to buy, obviously, is when stock prices are relatively low but may be expected to improve—as at the end

of a long depression. The worst time is at the end of a protracted period of prosperity when a business recession may be expected. Actually, however, no one can foretell with any certainty when prices are going up or down. Although some people try to make money by guessing whether stocks will rise or fall in price, it would be foolish for the average woman investor, with what limited knowledge is at her disposal, to try to outguess professional speculators. She would probably be in a safer position if she ignored day-to-day and month-to-month changes in stock prices.

Common stocks are a risky investment. For this reason they should be avoided by persons with little money or who are without experience. Nor should they be bought until you have built up a reserve in first-class investments—life insurance, government bonds, or savings accounts. You should never invest your reserve funds in stocks. For if you do, you may lose heavily if you need funds when stocks are low.

What Kind of Stock Should You Buy?

Let us say that after safeguarding yourself with bonds, life insurance, and a savings account, and after heeding all the above warnings, you decide to put some money in common stock. What kind of stock shall you buy? No one can tell you what stock will bring you the most profits. If they try, they are merely guessing. There are, however, certain points which may help you.

1. Buy stock only in well-established firms.

2. If you are cautious, it is wise to invest only in companies which have paid dividends regularly for many years.

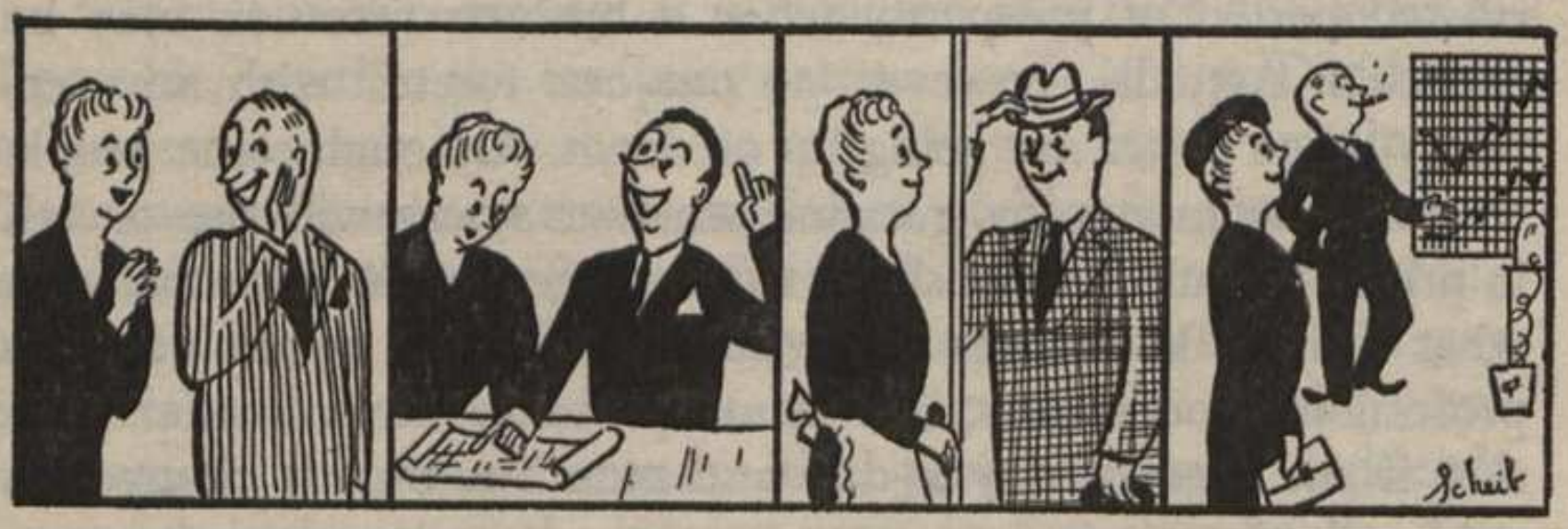
3. Do not put all of your eggs in one basket. If you do, you may lose everything. Scatter your investments in several different kinds of companies, and try to choose the best company in each field.

4. Never buy a stock simply because you think it is going up in price. If you don't want to hold on to it, don't buy it.

5. Before making any investment in stocks, consult two or three persons about it—your banker, your broker, a personal friend whose judgment and knowledge you trust. If they disagree, it would be a safe rule not to buy.

6. Check the stock by finding out whether the bank will ac-

WHAT TO AVOID . . .



Don't Buy Stocks on "Tips" | Beware of Untried and Unproved Schemes | Have No Financial Dealings with Strangers | Do Not Be Taken in by "Scientific" Forecasts

cept it as collateral for a loan. The fact that it will does not necessarily mean that it is a good investment. But if it will not, you can be sure that it is no good. Don't buy that stock.

What to Avoid

In buying stock of any kind, there are certain things to avoid:

(1) Do not buy on a "tip" from someone who claims to be on the "inside." Such information often means that someone has some poor stock that he is trying to unload on a gullible public.

(2) Do not buy on hunches. Investors who make the most careful investigations often make mistakes. A hunch is usually a bad guess.

(3) Be particularly careful if anyone tries to sell you some stock "that will make huge profits." Good stock does not require any special salesmanship. It is always in great demand.

(4) Beware particularly of untried and unproved schemes. The chances are that they are worthless or fraudulent. Remember, too, that millions of dollars have been lost on good ideas which were not soundly administered.

(5) Do not rely too much on so-called "scientific" forecasts or the suggestions of brokers and other stock traders. No one can successfully forecast the ups and downs of the stock market regularly.

(6) Have no financial dealings with strangers unless you can check up on them satisfactorily. In case of doubt, consult your bank or Better Business Bureau.

When to Buy and When to Sell

Although most people find that it is unwise to shift their investments very frequently, there are certain points which may prove helpful when you do have to buy or sell stock. It is a good idea, for example, to buy stock only when prices are sufficiently low in relation to dividends to guarantee a fairly high rate of return. The time to sell is when the return on a stock is low over a period of time in relation to its price. Even these rules have their exceptions. No one should delude himself into thinking that he can guess the ups and downs of stock prices.

Diversification

The risks of investments in common stock are obviously much less if you are able to spread your investments over a large number of stocks in many fields of business. Even with the greatest of caution, some of the businesses in which you invest are likely to fail or to encounter bad years. But year in and year out, most businesses make money. So if you spread out, you stand a good chance of getting a regular return on your investment.

Investment Trusts

Few people, however, have enough money to spread their investments very far. Spreading is made difficult, moreover, by the fact that it costs more to buy stocks in small lots. To make it possible for the small investor to enjoy the advantages of diversification, special investing corporations have been set up called *investment trusts*. You may buy the stock of an investment trust just as you buy any other stock. The investment trust, in turn, invests the money of its stockholders in many different stocks and bonds in accordance with a carefully planned investment program.

Some of the investment trusts have an enviable record of sound, intelligent investment planning. Others have been mismanaged and have brought losses to their shareholders. A careful investigation should be made before purchasing a share in any trust, and investment should be made only in those trusts which concentrate on common stock, have management expenses of

not more than 5 or 10 per cent of their income, and whose shares can be bought on the recognized stock exchanges.

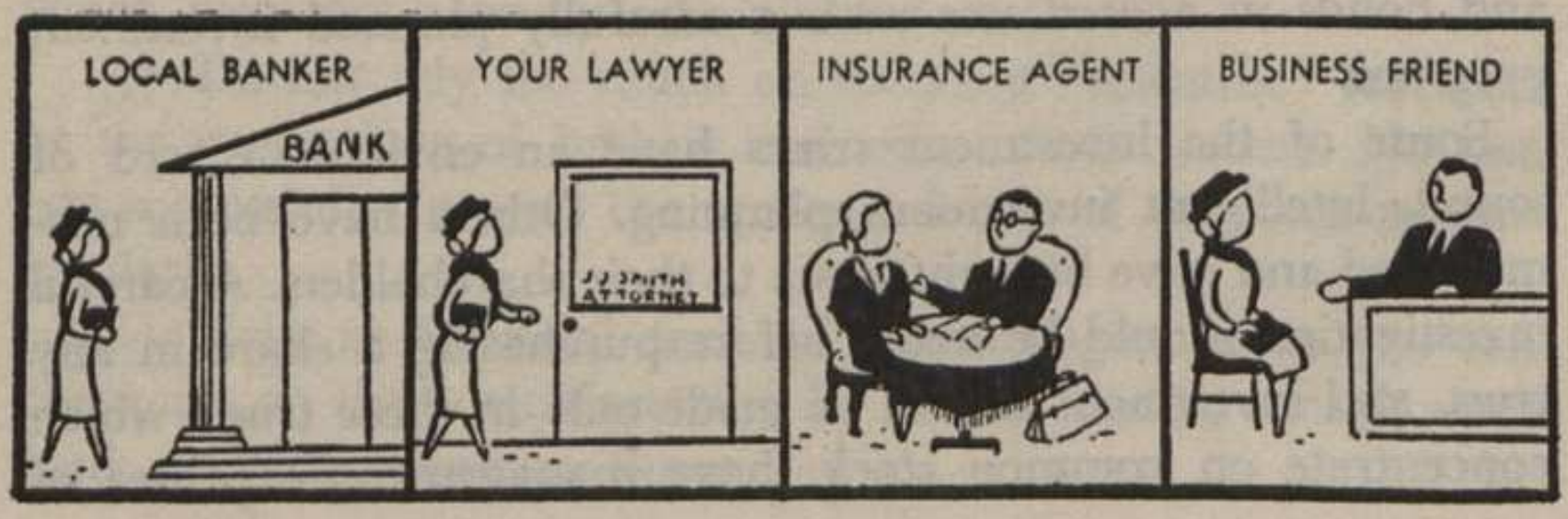
Trust Companies

Many banks and other financial institutions have set up trust companies which will manage or supervise your investments for you if you wish. The kinds of investments which trust companies may make on your behalf are regulated by law, and thus are somewhat conservative. Yet trust companies, like other human institutions, vary tremendously in judgment and dependability. Some made an excellent record during the depression; others had a poor record. No one should set up a trust fund without the most careful investigation.

WHERE TO TURN FOR ADVICE

MOST of the errors which women have made in the field of investment could have been avoided if they knew where to turn for reliable advice. Faced with the need for help, many women have turned to male members of their family and to friends whose judgment they trusted. Unfortunately, few men, regardless of their other merits, have sufficient knowledge or experience to be able to offer sound advice on investments. The kind of person you would turn to for other advice—ministers and social workers—are rarely equipped to provide sound financial guidance.

Where, then, should you turn? It is difficult to give advice that fits every situation. Your first job is to fortify yourself with as much reliable information as you can gather about financial matters in general, about business prospects, and about the particular investments in which you are interested. You might start



by forming the habit of reading the financial sections of the better newspapers. They may seem dull and remote at first, but the information you find in them is fair and impartial. A great deal of helpful information is also provided in weekly or monthly newsletters issued by investment advisory services. These various letters, however, are not only fairly expensive but usually disagree violently among each other in the kind of advice they offer.

Get All the Facts You Can

Brokers are also equipped to give you both information and advice. Get all the information you can, but consult others before accepting anyone's advice. The officers of your local bank may also be able to help you. In small towns your neighborhood banker may be the only person with sufficient experience to give you sound advice. But though bankers are better informed than the average person, they are not necessarily equipped by temperament or background for counseling. On money matters, particularly where contracts or other legal documents are involved, it is wise to consult your lawyer. But most lawyers are not financial experts. Your life insurance agent will be able to provide you with all the essential facts about life insurance and annuities. And you may find among your friends or relations a business man or a professional man who can help you.

Take No Chances

But if you are wise, you will not let any one person tell you what to do. Seek information and understanding rather than specific advice. In case of doubt, take no chances. If a mistake is made, it is your money that is lost. Don't make any investment which your banker or lawyer advises against unless you know exactly what you are doing. Until you are sure of yourself, it would be best to keep your funds in government bonds, life insurance, annuities, or the savings bank. You may never get rich with such investments; but you can be sure that when you need your money it will be there for your use.

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