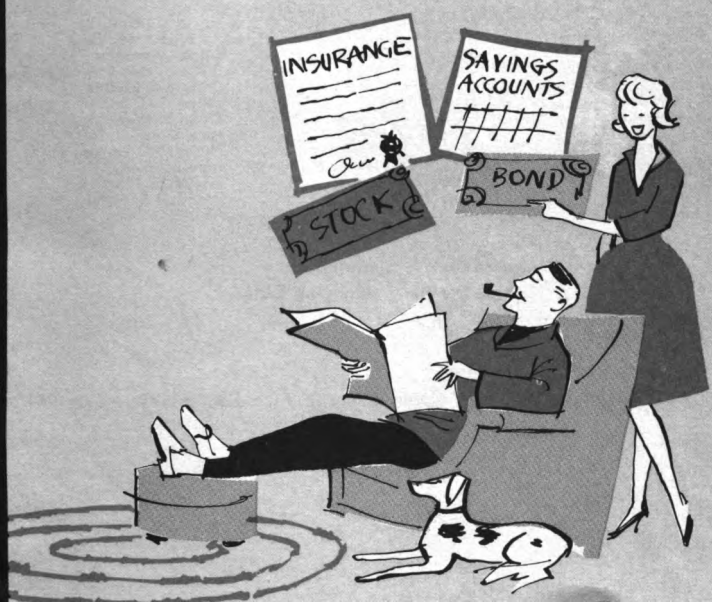
25¢

INVESTING FOR INCOME AND SECURITY

BY MAXWELL S. STEWART

PUBLIC AFFAIRS PAMPHLET No. 317



Generated on 2021-05-11 01:35 GMT / https://hdl.handle.net/2027/uiug.30112062735227
Public Domain in the United States, Google-digitized / http://www.hathitrust.org/access_use#pd-us-google
Digitized by Google
Original from UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

the public affairs committee

This pamphlet is one of a series published by the Public Affairs Committee, a nonprofit educational organization founded in 1935 "to develop new techniques to educate the American public on vital economic and social problems and to issue concise and interesting pamphlets dealing with such problems."

Erling M. Hunt, Chairman
Telford Taylor, Vice Chairman
Maxwell S. Stewart, Secretary
Howard Henderson, Treasurer
Theodore Abel
Eleanor C. Anderson
William H. Baldwin
Erik Barnouw
Edward W. Barrett
Leona Baumgartner, M.D.
Stuart W. Cook
Hubert T. Delany
Kurt F. Flexner
Roma Gans
Ira Glick
Sidonie M. Gruenberg
Oscar Handlin
Freda S. Kehm
John P. Keith
Hillier Krieghbaum
Harry W. Laidler
Benson Y. Landis
Granville Larimore, M.D.
Alfred McClung Lee
Edward S. Lewis
Edwin J. Lukas
Robert M. MacIver
Sidney Margolius
Emily H. Mudd
Clifford C. Nelson
Ernest G. Osborne
Philip E. Ryan
Mark Starr
Murray S. Stedman, Jr.
Harold Taylor
Adolph S. Tomars
Wellman J. Warner
Anne Winslow

Maxwell S. Stewart, Editor
Mabel C. Mount, Managing Editor

Copyright 1961 *by Public Affairs Committee, Inc. First Edition September* 1961

Generated on 2021-05-11 01:35 GMT / https://hdl.handle.net/2027/uiug.30112062735227
Public Domain in the United States, Google-digitized / http://www.hathitrust.org/access_use#pd-us-google
Digitized by Google
Original from UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

INVESTING FOR INCOME AND SECURITY

332.67
St4i

BY MAXWELL S. STEWART

As editor of the Public Affairs Pamphlets, Mr. Stewart has written on many of the economic problems facing the average individual, including social security, life insurance, credit unions, and budgeting . . . Illustrations are by Visual Services.

LET US SAY that you have saved some money. It wasn't easy, but you know that you will need money for a new home, for your children's college, for a trip to Europe, and, ultimately, for retirement. So you've worked hard, denied yourself small luxuries, and saved a nest egg of a few hundred or a few thousand dollars.

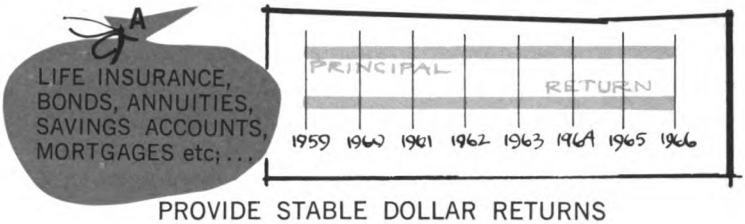
What do you do next? Put it in a cookie jar, a savings bank, or buy stock?

There is no simple answer. But it may make a great deal of difference to your whole future. No matter how hard you work, no matter how much you sacrifice in order to put away a few dollars, you cannot hope to enjoy the fruit of your saving unless you know how to safeguard your money and how to put it to work to bring you a fair income.

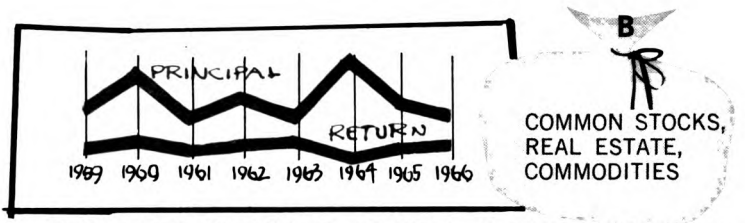
Many are the pitfalls. Tens of thousands of families have lost their lifetime savings by putting their money in ill-advised or speculative ventures and get-rich-quick schemes. And hundreds of thousands of others, fearing such a disaster, have seen the purchasing power of their savings dwindle by more than half since 1940 by keeping *all* of their savings in such conservative investments as life insurance, U. S. Savings Bonds, or savings accounts.

Generated on 2021-05-11 01:36 GMT / https://hdl.handle.net/2027/uiug.30112062735227
Public Domain in the United States, Google-digitized / http://www.hathitrust.org/access_use#pd-us-google
Digitized by Google
Original from UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

TWO BASIC KINDS OF INVESTMENT...



PROVIDE STABLE DOLLAR RETURNS



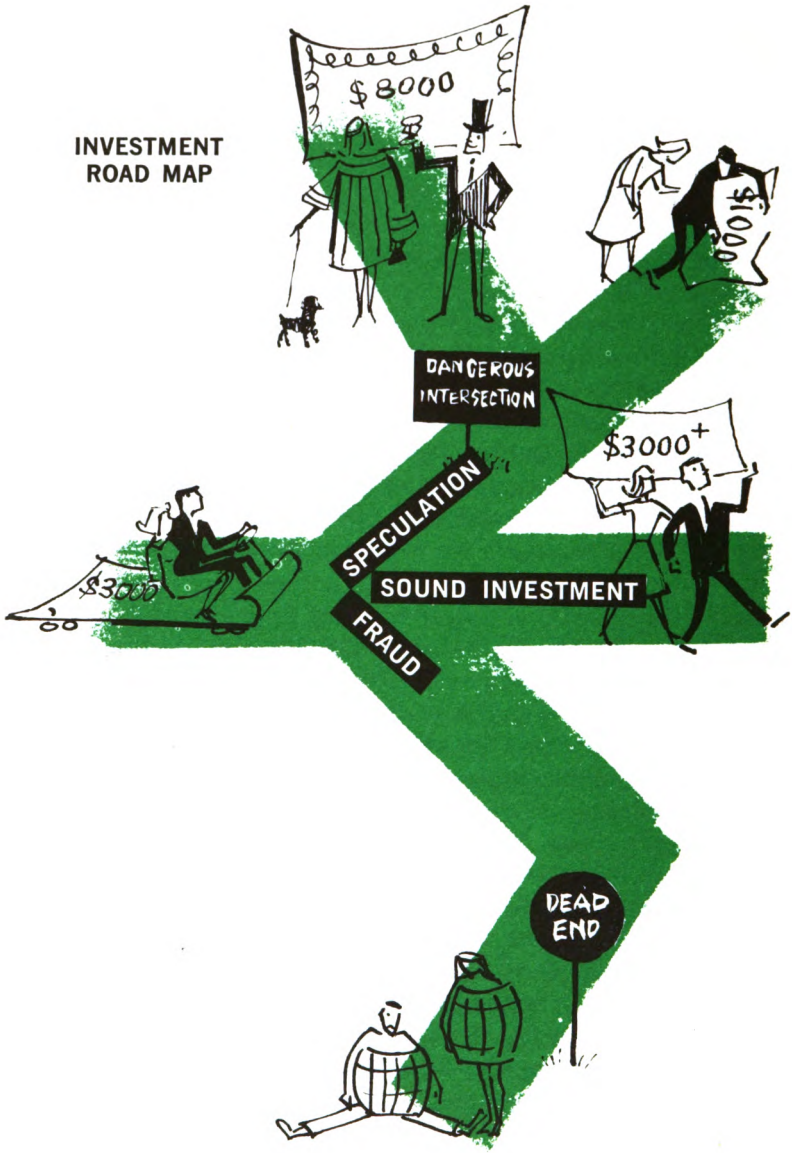
...IN **B** THE BASIC VALUE, AS WELL AS THE DIVIDEND, IS SUBJECT TO UPS AND DOWNS

when the entire investment might be lost. In the case of bonds or preferred stock, the value may fluctuate but your income is fixed in dollars.

In contrast, common stocks, real estate, and commodities are "property" or "variable" investments. Both the value of such investments and the income derived from them are likely to rise and fall with changes in the rate of business activity or business profits. Because they fluctuate, these investments are risky. Although the long-term trend of real estate and common stocks is upward, such investments are subject to periodic and frequently severe declines. As an individual investor you may find that when you need money most, you cannot sell except at a severe loss.

You will want to keep the distinction between these two basic types of investment in mind as you consider your own situation. There is, as we have said, no ideal investment that

Generated on 2021-05-11 01:56 GMT / https://hdl.handle.net/2027/uiug.30112062735227
Public Domain in the United States, Google-digitized / http://www.hathitrust.org/access_use#pd-us-google
Digitized by Google
Original from UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN



Generated on 2021-05-11 01:56 GMT / https://hdl.handle.net/2027/uiug.30112062735227
Public Domain in the United States, Google-digitized / http://www.hathitrust.org/access_use#pd-us-google
Digitized by Google
Original from
UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN



Both views are, of course, extreme. Common stocks represent a legitimate investment for anyone who has an adequate reserve in dollar securities. In fact, they constitute about the only satisfactory means of safeguarding one's savings against erosion by inflation. But they necessarily involve considerable risk and offer no sure path to riches.

When you buy common stocks you receive no guarantee of how much the securities will be worth when you sell them. Neither are you assured any fixed rate of dividends, nor, for that matter, any dividends at all.

Instead, you assume the responsibilities and privileges of ownership. Our great corporations are owned and, in theory, controlled by their common stockholders. If the companies earn profits, they may pay out all or part of these profits in dividends. Most but not all of the stocks listed on the New York Stock Exchange pay dividends. Of the 1,092 listed on the Exchange in 1959, some 953 paid dividends and 139 did not. About half of them have paid dividends for at least 20 consecutive years.

Generated on 2021-05-11 01:56 GMT / https://hdl.handle.net/2027/uiug.30112062735227
Public Domain in the United States, Google-digitized / http://www.hathitrust.org/access_use#pd-us-google
Digitized by Google
Original from UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN



kinds of stock

While the size of the dividends is one of the ways by which to judge a stock, it is by no means the only or the most satisfactory one. The stocks you select should be those best fitted to your special goals. And your goals will be affected by a number of factors that make your situation somewhat different from that of anyone else. Some families with heavy responsibilities purchase stocks chiefly with income in mind; others are content with a more modest current return and are interested chiefly in future growth in stock value and dividends. Much depends on your age, your family responsibilities, the amount you have, and your temperament.

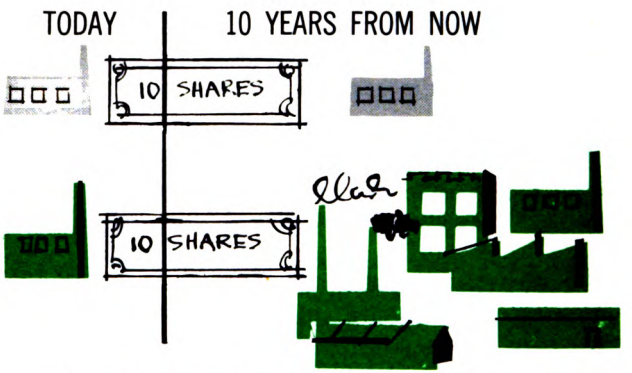
In view of the differing requirements of potential stock purchasers, you will frequently find common stocks classified into three groups:

1. *Income stocks.* These are stocks that can be reasonably counted on to yield a good income year after year.
2. *Growth stocks.* These are securities of industries that may be expected to grow more rapidly than the average.

Generated on 2021-05-11 01:56 GMT / https://hdl.handle.net/2027/uiug.30112062735227
Public Domain in the United States, Google-digitized / http://www.hathitrust.org/access_use#pd-us-google
Digitized by Google
Original from UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN

"blue-chip" investments — the largest and most prosperous companies — are so popular that they tend to be overpriced. Nevertheless, they represent a sound, though conservative, investment.

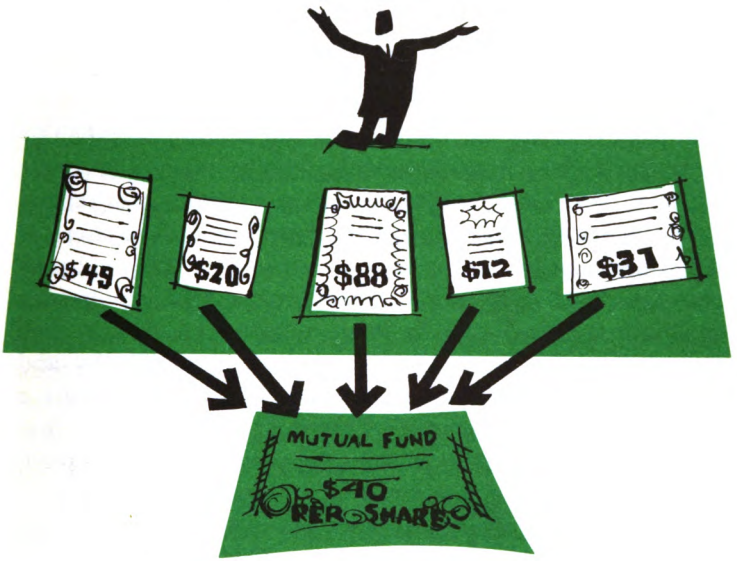
If you are an inexperienced investor, there are certain principles that will help you choose a stock that will make a better-than-average investment. It is obviously wise, for example, to choose stock in an industry that provides products or services which are widely used and for which there seems



...AIM TO SELECT A SOUND FIRM WITHIN A GROWING INDUSTRY

to be a growing demand. It may also be wise to choose an industry that is relatively stable and not likely to be greatly affected by depressions or recessions. And within any given industry you may want to choose a company with a strong competitive position, one that appears to be growing faster than the other companies making the same products. Then consult the financial records of the company over the past ten or fifteen years. Almost any broker and many financial magazines provide such information. You will probably want to choose a company that has consistently earned profits over that period, and one that has paid regular dividends. You can readily determine whether its earnings and dividends

Generated on 2021-05-11 01:57 GMT / https://hdl.handle.net/2027/uiug.30112062735227
Public Domain in the United States, Google-digitized / http://www.hathitrust.org/access_use#pd-us-google
Digitized by Google
Original from UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN



MUTUAL FUNDS **MAY** BE YOUR ANSWER...

depends on the size and investment objective of the funds. There is no reason to assume that the companies with the highest management charges are the best managed. Another factor that often discourages investment in mutual funds is the relatively high sales charge — which ranges up to 9 per cent. One charge covers both the purchase and the sale of mutual fund shares. Prospective mutual fund purchasers are given a prospectus which describes the various sales charges and gives other information about the fund. There is one important warning: Because of the service charge, anyone who invests in a mutual fund under a monthly payment plan may lose heavily if he discontinues his payments during the first year or two.

Generated on 2021-05-11 01:57 GMT / https://hdl.handle.net/2027/uiug.30112062735227
Public Domain in the United States, Google-digitized / http://www.hathitrust.org/access_use#pd-us-google
Digitized by Google
Original from
UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN

25 years

For more than 25 years, the Public Affairs Pamphlets have developed a unique reputation for accuracy, timeliness, and readability. They present in convenient, compact form the latest findings of research and scholarship on the most important issues of our times: social, economic, psychological, and scientific.

Subscribe to the next fifteen pamphlets for $3.00 (30 issues for $5.00; 45 issues for $7.00) so as not to miss the important new titles coming up. Use them for your group study and public information programs. Twenty-five cents a copy; special quantity rates as low as 10c apiece on large orders. See inside of cover for some of the current titles. Catalog on request.

QUANTITY RATES

1	to	9	copies Public Affairs Pamphlets,	each	25c
10	to	99	copies any one pamphlet 20c	mixed titles	21c
100	to	249	copies any one pamphlet 18c	" "	19c
250	to	499	copies any one pamphlet 17c	" "	18c
500	to	1000	copies any one pamphlet 15c	" "	16c

Rates on larger quantities available on request.
We pay postage when payment accompanies order.

PUBLIC AFFAIRS PAMPHLETS, 22 E. 38th ST., NEW YORK 16

Generated on 2021-05-11 01:57 GMT / https://hdl.handle.net/2027/uiug.30112062735227
Public Domain in the United States, Google-digitized / http://www.hathitrust.org/access_use#pd-us-google
Digitized by Google
Original from UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN