



FORTUNE TOBSED AWAY — Mrs. June Masters is consoled by her husband, Herbert, after she discovered that she had thrown away a ticket to the Irish Hospital Sweepstakes which won her \$140,000. At right, Mrs. Masters is shown looking through the garbage can for the ticket. She says she remembers the number, hopes she'll be able to collect her winnings without the actual ticket. —(UPI Telephoto)

Bonds Found To Fit in Pension Fund Plans Better Than Stocks

By ELMER C. WALZER
UPI Financial Editor

New York (UPI) — Two investment experts have explored the field of pension funds and arrived at a conclusion that bonds fit into those funds better than common stocks.

This is a blow to what has become a general belief in Wall Street.

The caliber of the experts lends weight to their statement that "a deeper analysis of the surface record of common stocks shows they do not meet the day-to-day living requirements of the pension fund without possible liquidation at unfavorable times."

They cite a study by the Cowles commission covering all stocks listed on the New York Stock Exchange.

Results of that study showed an average dividend yield of 5 per cent and an average price increase of 1.8 per cent or a total trend of 6.8 per cent annually for the period 1871 to 1937.

Study Extended Through 1949

The Life Insurance Association of America extended the study through 1949. The actuaries estimated the 6.8 per cent figure, unchanged in the extension, probably would be increased if carried to the present date because of the market rise to a new high.

A comparable study on bonds showed an average yield of 5.6 per cent. The experts held that this was in favor of common stocks but

they carried on their thesis by citing the spending on consumer credit and other items, including mortgage debt to what may be an artificial high and perhaps unsupportable in the future.

It is obvious that the increase in borrowing cannot continue indefinitely since eventually charges on debt would exceed available income," says the actuaries.

"It is almost inconceivable that total consumer credit can increase at the rate of the past years as this would bring such debt to about 55 per cent of consumer disposable income.

"Thus we have to question whether business activity can duplicate the rate of increase of recent years with a commensurate effect on the common stock market."

Dennis N. Warters, president, and William M. Rae, second vice president and secretary of the Bankers Life Company of Des Moines, Iowa, arrived at these conclusions in a joint paper released to membership of the Society of Actuaries for discussion at its annual meeting Nov. 9.

High Westerlies Mixed Up; Severe Winter Seen Ahead

The study shows that since Congress enacted legislation in 1942 encouraging establishment of pension plans, more than 50,000 qualified plans have come into being. Total funds in these plans at the end of 1958 are estimated at \$37 billion against \$13 billion in 1941.

Washington (UPI) — The high westerlies have got their directions mixed up, and if something doesn't put them back on normal course we're in for a rough, tough, stormy winter.

the western and central parts of the country.

When the high westerlies get mixed up this way, north-south channels are opened which, Namias said, cause "stronger injection of polar air southward and stronger injection of tropical air northward."

About \$15 billion of this total is in the hands of life insurance companies covering benefits promised under insured plans and about \$22 billion represents assets of self-insured pension plans administered by trusts.

Dr. Jerome Namias, chief of the Weather Bureau's extended forecasts section, refused to predict whether these winds will or won't straighten up and blow right before winter comes.

But he did offer this possibly reassuring bit of weather lore gleaned from experience: Weather patterns often change between October and November. In fact, changes in "weather regimes" occur more often in that period than any other, so it does not pay to predict what the winter will be like until you see what the November pattern is.

Active Winter Unless . . .

A situation like that, with strong temperature contrasts, breeds storms, and if nothing happens to correct it, we're going to have "a very active winter with a lot of storminess and vigorous weather changes," he added.

The disordered westerlies produced some intense storms on the Pacific Coast a week or so ago. They were responsible for heavy rains from New England southward just last week end. The pattern may change come November, but it looks pretty set in its ways right now.

Hedging Changed Picture

For a long time pension funds were almost entirely in fixed income securities. But since the war an attempt to hedge against inflation has changed the picture, the experts assert.

The experts' paper asked what will happen if employment declines instead of rising, if the business falls to prosper. Automation may bring the former and merger or termination, the latter.

"No business can be assumed to have perpetual life let alone perpetual growth," say the actuaries.

They conclude that a fixed income security such as a bond fits into the cash requirement of a pension and promising benefits in fixed dollar amounts more easily than a common stock.

"The bond," the experts assert, "guarantees the payment of interest and principal on specified dates and the guaranteed amounts can be programmed to cash needs."

Any Change for Better

As things stand, any change probably would be for the better. The northern half of the country from the Rockies eastward was too hot for comfort during the summer. It also was hot in California and the southern plateau states. It was comparatively cool only in the far Pacific Northwest and the southern plains states such as Texas, Louisiana, and Arkansas.

Then the current pattern began to emerge in the fall. The high westerlies, great rivers of air which normally flow mainly west to east, developed a north-south tendency. Successive shafts of cold polar air began invading

Namias reviewed his data for a moment. The latest storm bred by the pattern, he said, should be afflicting Great Britain "with strong winds off the Atlantic."

"Have you looked at your wire recently?" he asked. "I'd be surprised if there wasn't an item about it."

The reporter looked. He found a dispatch from London. It said "a stiff gale-battered Britain during the night . . ."

Gales in the Antarctic have been known to reach a force of more than 100 miles an hour.



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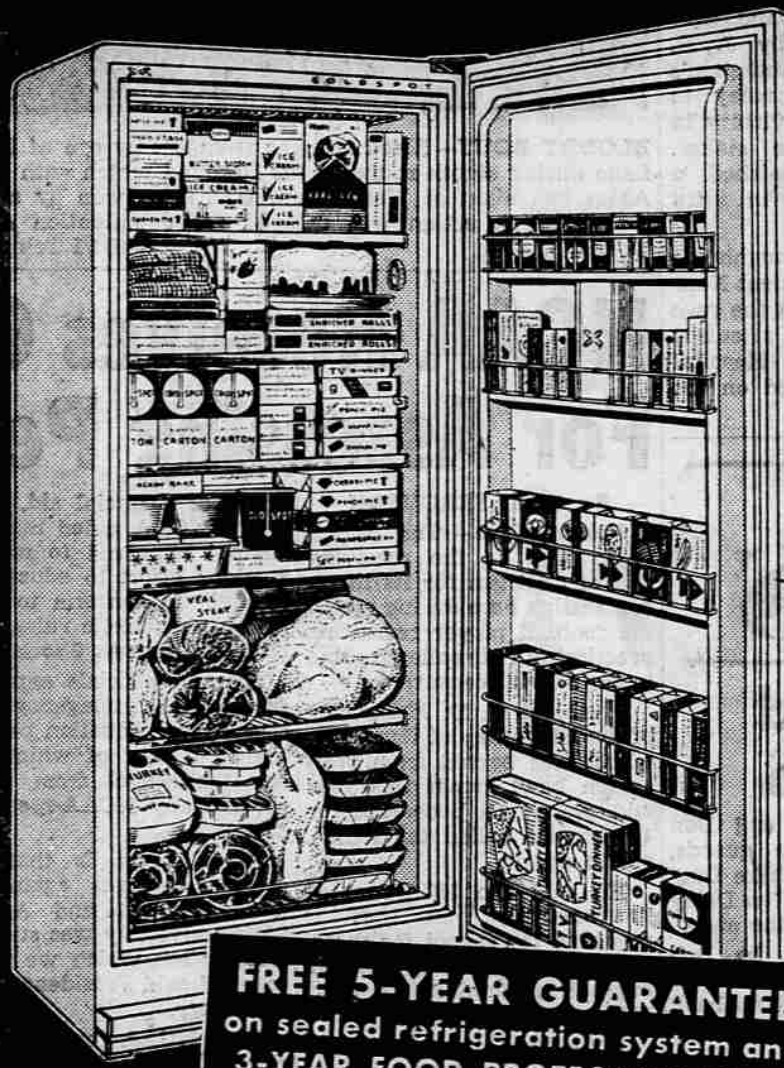
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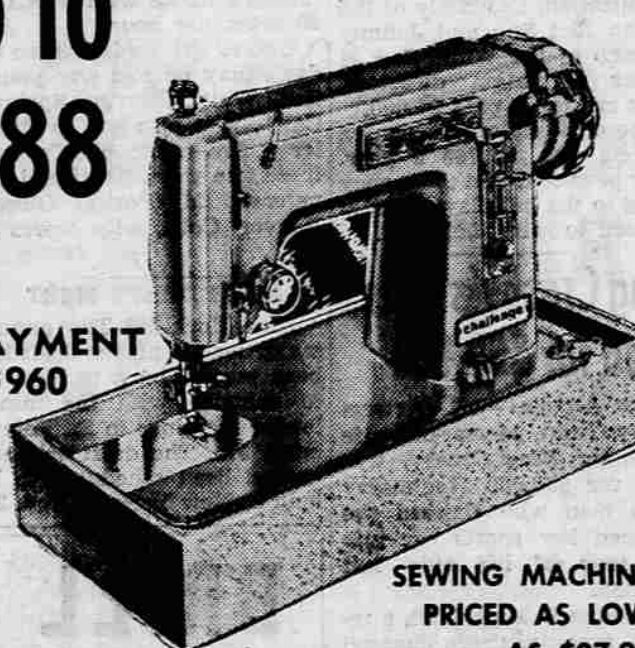
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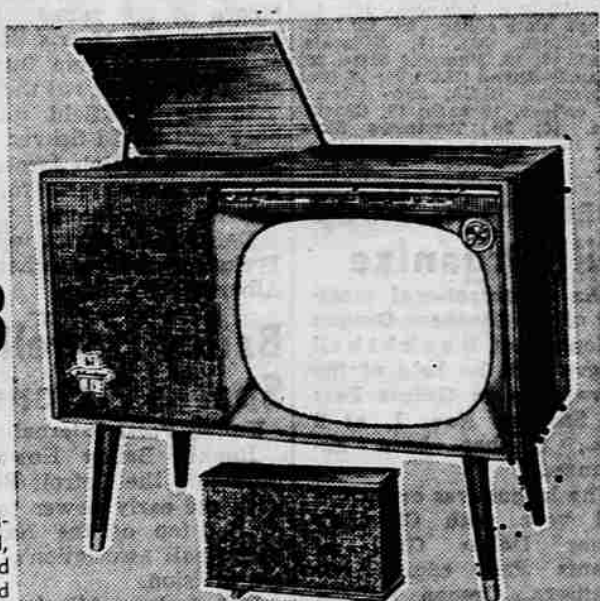
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