

How to Invest on a Budget

Through the unique Monthly Investment Plan, you can buy shares of American industry for as little as 45 cents a day.



Philadelphia family studies stock certificate bought under MIP—a hedge against inflation and a step toward future financial security.

NOT TOO LONG AGO, a couple from upstate New York were browsing through their local supermarket with their 15-year-old daughter. When the father reached into a frozen-food compartment for a package of string beans, his daughter called out sharply.

"No, not that one," she said. "Take this kind. I own part of this company."

That youngster was one of tens of thousands of Americans who own small parts of companies thanks to an ingenious program developed by the New York Stock Exchange and its member firms—the Monthly Investment Plan. The MIP has put investing in the stock market within the range of everybody—from housewives to accountants to bankers, from teen-agers to young married couples to retired folks. No longer do you have to save up hundreds or thousands of dollars to invest in stock; through MIP you can invest as little as \$40 every three months—or 45 cents a day.

"Actually, it's no different than going to a grocery store," says a Los Angeles housewife who invests through MIP. "You budget stock-buying just as you budget food-buying."

The MIP is quite frankly designed to take some of the mystery out of buying stock—and to enable more Americans to invest in the stock market on a sound basis. Nowadays, some 8,630,000 persons own stock. They are not all rich. In fact, two out of every three come from families whose household income is less than \$7,500 a year. Nor are they all big executives. The occupation which appears most frequently on the list of stockholders is "housewife."

Why do people buy stock?

Mostly to save—and to build on their savings. Take the case of the commercial artist in Barrington, Ill. He was spending money as fast as he earned it. One year he bought three automobiles. Another time he bought six bowling balls because he didn't like the "feel" of the first five. Every time he had any extra money, he spent it.

Then, several years ago, he decided to try saving through MIP. He put in \$100 a month until now he has invested more than \$4,000 in stock. But that stock has increased in value so that his savings now exceed \$6,000—enough to allow him to buy a partnership in the firm he's working for.

For this man, MIP was an "enforced savings" plan. It allowed him to buy stock without trying to save up huge amounts. And it taught him to save regularly, to budget \$100 a month for stock just as he'd set aside money for food and rent and his auto. That's the advantage of MIP: it helps you save regularly—and build on your savings.

But what is the Monthly Investment Plan?

It's a pay-as-you-go plan developed by members of the New York Stock Exchange about five years

ago. Through it, you can spend as little as \$40 a month on stock. If that's too much, you can invest as little as \$40 every three months—or \$13.25 a month. For each payment, you get enough stock in the company of your choice to match the money invested, less commissions. If the stock you're buying costs \$20 a share, you get two shares for each \$40 investment. If it costs \$30 a share, you get one and one-third shares for \$40.

"It's just like buying gasoline," says one stock broker. "When you go into a gas station, you often ask for so many dollars' worth of gasoline. You get as many gallons—even a fraction of a gallon—as you pay for. The same way with MIP. You get as many shares, or fractions, as you pay for."

YOU CAN INVEST anywhere from \$40 to \$1,000 in MIP on each payment. If you wish, you can start several MIP's at one time. One millionaire, intrigued by the idea of MIP, started 25 plans at one time so he could buy 25 different stocks. Whenever things get tight financially, you can miss a payment or two without worrying; nobody will come to get your stock back—it's all yours. Whenever you feel like it, you can sell your stock and get whatever it's worth that day.

Take Henry and Mildred Petersen of Ridgewood, N. J., once selected as representative new MIP investors by the New York Stock Exchange. They got into MIP on January 25, 1954—the day the plan started. They started with a monthly investment of \$45 in a railroad. They purchased 15 shares over the next few years but cashed in 12 shares to help pay for their new home. They even missed a few months to make some house payments.

"There are three reasons why we buy stocks through MIP," says Petersen. "First, it's inexpensive. Second, it's flexible—you can get in or out whenever you want. Third, it makes you save—you can invest in amounts easy to put aside."

Through MIP, you can learn that the stock market isn't so mysterious and that stock brokers aren't remote figures with a secret knowledge of high finance. They are businessmen whose profits depend on giving sound advice to as many investors as they can serve. It's good business for them when their customers are satisfied.

Last year, an elderly woman got into a \$40 Monthly Investment Plan with a broker in Washington, D. C. She gave the impression of one who was in extremely modest circumstances. On her second visit, to the astonishment of her stock broker, she gave him a check for \$250,000 to invest. "I just wanted to see if you'd treat me nicely no matter how little I had to invest," she said.

Any reputable broker will tell you two things about buying stock: (1) that buying stock, just like buying any property, has its risks, and (2) you should have insurance and a cash reserve in the bank before starting to buy stock.

Why buy stock then? Because it helps you to hedge against inflation. The dollar today buys less



Busy trading floor of the N.Y. Stock Exchange.

than half of what it did in 1939 because of inflation (which is another name for the rising cost of living). So if you had \$1,000 in cash back in 1939 and saved it all these years, you really would have lost money because that \$1,000 will buy less than half of what it could in 1939. But stocks usually go up in a period of inflation, thus protecting the purchasing power of your investment. For instance, if you had \$1,000 in cash in 1939, you'd need \$2,037 today to buy as much as \$1,000 did then. But if you put your \$1,000 into stock in 1939, and if those stocks showed only average gain over the last 19 years, you'd have stocks worth \$3,623 today.

If an investor can afford to take the risks, stocks can reward him in two ways. First, they can grow in value; this is usually the most dramatic source of profit. Second, they can pay dividends. Not all stocks do both—or either—but your broker can help you find those best suited to your needs. He'll have at his fingertips a list of the 325 companies which have paid dividends for 25 to 110 years. (Nine out of every 10 companies listed on the New York Stock Exchange paid dividends last year.) Another 531 companies have paid dividends for the last 10 to 24 years. Your broker will also know how much these companies have been paying in dividends. In 1957, half of them paid more than 6.1 percent—roughly double what most savings accounts earn in interest.

How do you select stocks? Your broker will help you but, as Henry Petersen says, "I think you must have a definite plan in mind." Most young people in MIP buy "growth stocks"—that is, stocks whose value seems likely to increase in the coming years because the companies are plowing back a lot of the profits into research and new product development. Older persons tend to buy "income stocks"—those paying a high dividend now even though they may not grow as much in value in the future.

Of course, there are other methods of selecting

by William Barry Furlong

stock. Richard and Barbara Noack of Webster Groves, Mo., who are investing \$40 a month through MIP in a publishing house, say, "We selected the company largely on the basis of information we saw in the financial press." But a 17-year-old boy in Greencastle, Ind., whose father gave him an MIP plan, picked his company because he liked its television commercials.

The people who buy stocks through MIP are not much different from you and your neighbors. Their interests and occupations range over the whole horizon of human activity.

Once people get interested in MIP, their interest usually grows swiftly. One stock broker says that his "most interesting and difficult sale" was to a foreman in the Delco-Remy plant in Anderson, Ind. The foreman was a skeptic who believed that the stock market was just another scheme to "rook the little guy."

After a long conversation, the skeptical foreman decided to experiment by investing a few of his surplus dollars through MIP. He started with a \$40-a-month program. Soon he raised it to \$60 a month. Within a few months, 11 of his co-workers also opened MIP accounts. Others followed when General Motors—of which Delco-Remy is a division—split its stock. "The foreman was a most satisfied customer," says the stock broker.

HERE ARE the questions which most people ask about getting into MIP:

Where can you find a stock broker?

Look first in your own home town for a member firm of the New York Stock Exchange. There are 2,500 such offices in 600 American cities. Under "stock brokers" in your classified telephone directory, you can quickly find the names of those in your town. If there is none, you'll likely find one listed in the phone book of the nearest large city.

How do you do business with a stock broker?

When you start investing in MIP, you'll probably want to drop into his office to size him up, get his advice. After that, you can make all of your payments by mail, if you wish.

How much does it cost?

You can invest anywhere from \$40 to \$1,000 a month or, if you prefer, \$40 to \$1,000 a quarter (every three months). There are no membership fees, starting fees, dues, assessments, or fines. The only charge is the broker's commission for buying and selling your stock. The commission on transactions involving \$100 or less is 6 percent. On transactions between \$100 and \$399, the commission is 2 percent plus \$2 (with minimum charge of \$6). On transactions between \$400 and \$1,000, the commission is 1 percent plus \$6. These are the standard commissions for all member firms of the New York Stock Exchange.

However, you can reduce the commission cost by investing on a quarterly basis instead of monthly. Let's say you have your choice of investing \$100 a month or \$300 a quarter. The actual invest-