The MANAGEMENT of MONEY

CURRENT DEVELOPMENTS IN TAXATION & FINANCE

SELECTIVE GROUP INVESTING

ISSUE NO. 52 October 1950

These comments are published in the interest of its associated investment dealers by Distributors Group, Incorporated, 63 Wall Street, New York, national sponsor of the shares of Group Securities, Inc. Reference to the authorities on which tax or legal comments are based will be supplied on request.

LOOK WHO'S TALKING

"An investment of $10,000 a year in each of fourteen selected stocks over the last twenty-three years would have called for an investment of $3,200,000 and the market value at the end of 1949 would have been $6,200,000, Mr. Montgomery noted. In that period, the average rate of return would have been 7.36 per cent while savings bank earnings, within existing legal limits, were less than half of that and, of course, there was no capital appreciation, he said."

Mr. Montgomery is a member of the *Investment Committee of the New York Savings Bank Association.* (The italics are ours.)

"The Investment Committee specifically recommended that sub-division 21 of section 235 of the state banking law should be amended to permit savings banks to invest in equities, common trust funds or shares in a mutual investment trust." - *(From the New York Times, October 6, 1950)*

FOR THE TAX-CONSCIOUS

Higher personal income tax rates for 1951 are as certain as anything can be. Some of the inferences for taxpayers on a cash basis: -

> Other things being equal, anticipate, wherever possible, 1951 income by taking it in 1950. Conversely, defer tax-deductible expenditures to 1951. Professional men - speed up collections before the year-end.

Higher gift taxes are possible - certainly there is no hope either for lower rates or higher exemptions. The inference: - if gifts are planned, proceed with them *now*.

Not especially topical - but worth a reminder - donations to charity in the form of securities in which the donor has a paper profit are more advantageous to the donor than a gift of cash. The contribution is figured at market on the date of gift, yet the donor realizes no taxable profit. This is one of the few ways of avoiding a capital gains tax (another is to die and pay inheritance tax on the basis of the then market value).

RESTRICTING PARTICIPATION IN PROFIT-SHARING TRUSTS

Frequently corporation executives considering a Retirement Trust will express first a desire to limit participation to as *small* a group as possible - then, as they perceive the favorable effects of personnel turnover upon their own participations, will about-face and want *everybody* in. In general, it is best - for everybody - to have everybody in. But sometimes there are special considerations which call for special treatment.

(Over)

For example, under certain circumstances, participation in Employees' Profit-Sharing and Retirement Trusts can be confined to *administrative and clerical* personnel. No clear-cut line can be drawn as to when this will, or will not, meet with Internal Revenue Department approval, but in general the burden of proof is on the applicant to show that such a division does not constitute discrimination in favor of (1) higher-paid employees, (2) executives, or (3) owners.

Our "Standard Plan" is purposely not comprehensive; the limits of choice that it defines can sometimes be exceeded in this and other kinds of special cases - but only where no discrimination results. The value of the "Standard Plan" is precisely because any plan within its limits is virtually certain to be approved. And, in our experience, it covers what employers want in 95 cases out of 100. Let the lawyers worry about the other 5!

Remember - corporate action *before* the end of a fiscal year is required!

WE ARE ALL INVESTORS

Whether or not you own securities you are an investor. Cash is a form of investment and the decision to hold cash is an *investment decision.* Your life insurance is an investment, so is your real estate.

Are you aware of the fact that over the past ten years the most "conservative" investors - the holders of cash and gilt-edge bonds - have taken a terrible beating? That today they are reduced to *less than half* their former purchasing power. Their income *in dollars* has been preserved intact, but it will buy less than one-half as much goods and services as it did 10 years ago.

INSURANCE - AT NO COST IN PERFORMANCE

As of the moment of writing (at the market close on Tuesday, October 10, 1950) the stock market, as measured by the Dow Jones Industrial Stock Index is almost exactly at its pre-Korea high point of June 12 (227.60 today, 228.38 on June 12). In the meantime it has been as low as 197.46, as high as 231.87.

THE FULLY ADMINISTERED FUND of Group Securities, Inc. is likewise close to its June 12 price ($8.38 today, $8.35 on June 12). Extraordinary? Not until you realize that throughout the interim the Fund has had between 25% and 43% of its assets in cash, Governments and highest-grade bonds - insurance in the form of reserve buying power in the event of market decline.

Here is another illustration of successful functioning of money management.

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There is a sales charge to the investor included in the offering price of the shares of Group Securities, Inc. For details thereof and other material information, see the prospectus.