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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING IN 1965

Individuals' saving in financial form 1/ amounted to \$34 billion in 1965, \$2 1/2 billion more than in 1964, according to estimates made public today by the Securities and Exchange Commission. This was the highest total in the postwar period and reflected the continued strong growth in the economy. At the end of 1965 the value of individuals' equity in financial assets, net of liabilities, totaled \$1,100 billion, an increase of 8 percent from the previous year-end.

Time deposits at banks and private insurance and pension reserves were the most important forms of individuals' financial saving in 1965 but their ownership of currency and demand deposits also increased significantly. Investment in savings and loan association shares did not show as large a growth as in recent years, reflecting competition from rising rates of return available at commercial banks and from corporate and government bonds. Although strong buying of mutual fund shares continued, individuals were net sellers of other preferred and common stock issues in 1965, as in the preceding seven years. Partly offsetting the record growth in individuals' financial assets was a record increase in their indebtedness; mortgage debt rose almost as much as in the record year 1964, while the gain in consumer credit set a new high.

Currency and deposits

Attracted by higher interest rates, individuals' savings accounts at banks expanded by a record \$15.2 billion. Saving in currency and demand deposits rose \$8.8 billion, \$1.8 billion more than the 1964 increase. The growth in savings shares at savings and loan associations and credit unions was \$9.2 billion, \$2 billion less than in the preceding year.

Net purchases of securities

As in 1964, individuals made substantial investments in marketable U.S. Government issues, the yields on which rose sharply during the course of the year. Holdings of U.S. Savings Bonds, Series E and H, rose by \$900 million as compared with \$1.2 billion during 1964; the lower rate of growth prompted the recent decision to increase interest rates on these issues. With new financing by state and local governments setting a new high in 1965, individuals' ownership of state and local government securities was increased by \$2.7 billion, \$300 million more than in 1964.

1/ Individuals' financial saving, in addition to personal holdings, covers saving of unincorporated business, trust funds, and nonprofit institutions, and includes saving in the form of securities, currency and bank deposits, saving and loan association and credit union shares, and insurance and pension reserves, net of the increase in individuals' debt.

Individuals added \$2.1 billion of corporate and other bonds to their investment portfolios in 1965, compared with \$900 million in the preceding year. In 1965 a record volume of new corporate debt issues was marketed, including a substantial amount of convertible issues. While financial institutions bought the major part of the increased supply, individuals' acquisitions were greater than in any other year.

Ownership of investment company shares of all types increased by \$2.1 billion, approximately the same as in 1964. Net acquisitions of mutual fund shares reached record totals in 1965, but several large transactions involving closed-end companies had an offsetting effect. Liquidation of other preferred and common stock issues by individuals continued in 1965 as net new stock financing was limited and stock purchases by institutional investors increased sharply.

Insurance and pension reserves

Equity in private insurance and pension reserves increased more than \$13.0 billion, \$1 1/2 billion more than the previous record growth in 1964. Private insurance reserves rose \$5.4 billion, as compared to a \$4.8 billion growth in the preceding year, while insured pension reserves were estimated to have increased by \$2.0 billion, the same as 1964. Preliminary estimates indicate that saving in private noninsured pension funds rose \$5.6 billion, \$700 million more than in 1964. Government insurance and pension reserves increased by \$5.0 billion as compared to \$4.6 billion the preceding year.

Individuals' debt

Individuals' indebtedness grew by \$23.4 billion during 1965, 5 percent more than in the two preceding years. Despite some slackening in residential construction activity, mortgage debt advanced \$15.0 billion, only slightly less than in 1964. Consumer debt on the other hand rose \$8.7 billion, \$2.2 billion more than in the preceding year. The latter increase primarily reflected the sharp rise in automobile sales. Borrowings on securities declined \$300 million over the year.

Quarterly trends

Net financial saving during the fourth quarter of 1965 totaled \$10.4 billion, \$900 million less than the preceding quarter and \$400 million lower than the fourth quarter of 1964. Individuals increased their financial assets by \$19.2 billion, but their indebtedness rose \$8.8 billion, including the usual seasonal growth. The category of saving with the largest increase was currency and demand deposits, reflecting the high level of business activity as well as seasonal pressures.

Ownership of financial assets

The estimates of financial saving discussed previously and shown in Table 1 do not reflect changes in market values as this series excludes capital gains and losses. In Table 2, however, market values of accumulated financial assets and liabilities at the end of the years 1961-1965 are presented. At the end of 1965, individuals' financial assets totaled \$1,397 billion, almost 50 percent higher than five years earlier. Securities holdings comprised 53 percent of the total including common and preferred stock

estimated at approximately \$550 billion. Other securities held included \$50 billion of savings bonds, \$32 billion of U. S. government marketable obligations, \$38 billion of tax-exempt securities, and \$23 billion of corporate and other debt and \$46 billion of investment company shares. Insurance and pension reserves totaled over \$270 billion, while currency, deposits and savings shares comprised over \$385 billion at year-end. Individuals' liabilities totaled \$284 billion, comprised of \$198 billion of mortgage debt, \$79 billion of consumer debt and \$8 billion of loans for purchasing or carrying securities.

Revisions

In addition to the usual revisions to incorporate new and revised source data, a number of changes in concept and form of presentation have been made in the series. The estimates of "gross saving", which have appeared for a number of years in the accompanying Table 1 and which covered individuals' purchases of homes and consumer durable goods as well as their saving in financial form, have been discontinued. Annual figures on individuals' investment in nonfarm homes and other tangible assets are included in the table comparing saving estimates of the SEC with the personal saving estimates of the Department of Commerce (see "Other concepts of saving" below), and it is planned that eventually quarterly comparisons, seasonally adjusted at annual rates, will be prepared.

Among the more important conceptual revisions in the series on net financial saving is a change in life insurance saving of individuals. Formerly, profits of stock life insurance companies were credited to individuals but now are treated as business saving. This is consistent with treatment given such profits in the National Income Accounts. Also excluded from the revised series are changes in unemployment and social security funds on the basis that they primarily are transfer payments. Revised quarterly figures for the postwar years are being prepared and will be available for distribution in July.

Other concepts of saving

There are other concepts of individuals' saving with different degrees of coverage currently in use. The personal saving estimate of the Department of Commerce is derived as the difference between personal income (after taxes) and expenditures. The Federal Reserve Board's flow-of-funds system of accounts includes estimates of gross saving and net financial investment of households. A comparison of the Securities and Exchange Commission estimates and the Department of Commerce series will appear in the July Survey of Current Business and the Commission's Statistical Bulletin.

TABLE 1
SAVING BY INDIVIDUALS IN THE UNITED STATES 1/
1962 - 1965
(Billions of dollars)

	1962	1963	1964	1965	1964 Oct.- Dec.	1965			
						Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.
<u>Type of Saving</u>									
1. Currency and demand deposits.....	2.8	6.8	7.0	8.8	4.9	-2.7	1.9	3.8	5.9
2. Time and saving deposits.....	14.9	11.6	12.3	15.2	3.2	4.6	3.1	4.2	3.2
3. Savings shares 2/.....	9.9	11.7	11.3	9.2	3.5	2.1	2.5	1.4	3.3
4. Securities.....	-.4	1.6	7.0	6.3	1.4	1.4	1.9	1.2	1.8
a. U.S. savings bonds									
(1) Series E&H.....	.9	1.6	1.2	.9	.3	.3	.2	.1	.3
(2) Other.....	-.5	-.4	-.3	-.2	-.1	-.1	-.1	-.1	*
b. Other U.S. Government 3/.....	.3	.7	3.3	3.1	.3	1.0	.3	.9	.9
c. State and local government.....	.3	1.8	2.4	2.7	.4	-.1	.9	.5	1.4
d. Corporate and other.....	-1.5	-2.1	.4	-.1	.3	.2	.6	-.3	-.7
(1) Bonds and notes.....	-.1	.5	.9	2.1	.8	.3	1.2	.6	*
(2) Investment company shares 4/.....	2.0	1.6	2.0	2.1	.9	.1	.7	.7	.6
(3) Other preferred and common stock.....	-3.4	-4.3	-2.5	-4.3	-1.4	-.2	-1.2	-1.5	-1.3
5. Private insurance and pension reserves.....	9.9	10.7	11.7	13.1	3.5	3.1	2.8	3.3	3.9
a. Insurance reserves.....	4.3	4.5	4.8	5.4	1.6	1.2	1.1	1.4	1.7
b. Insured pension reserves 5/.....	1.4	1.7	2.0	2.0	.5	.5	.5	.5	.5
c. Noninsured pension reserves.....	4.2	4.5	4.9	5.6	1.4	1.4	1.3	1.3	1.7
6. Government insurance and pension reserves 6/...	3.7	4.0	4.6	5.0	1.3	1.1	1.3	1.3	1.3
7. Increase in debt (8+9+10).....	18.6	22.1	22.2	23.4	6.8	3.2	7.5	3.9	8.8
8. Mortgage debt 7/.....	12.5	14.9	15.6	15.0	4.1	3.7	3.3	3.5	4.4
9. Consumer debt 8/.....	5.0	6.3	6.5	8.7	3.0	-.4	3.4	2.3	3.3
10. Securities loans 9/.....	1.1	.9	.1	-.3	-.3	-.1	.7	-2.0	1.1
11. Net financial saving (1+2+3+4+5+6-7)	22.1	24.3	31.7	34.1	10.8	6.2	6.1	11.3	10.4

* Indicates less than \$50 million.

1/ Includes unincorporated business saving of the types specified. Figures are rounded and will not necessarily add to totals. The foregoing data have been compiled by the Commission from many different sources. Because of the nature of the figures, current data are necessarily estimates, and, therefore are subject to revision.

2/ Includes shares in savings and loan associations and shares and deposits in credit unions.

3/ Includes nonguaranteed Federal agency securities.

4/ Includes closed-end investment companies as well as mutual funds.

5/ In addition to corporate funds, includes reserves of nonprofit organization and multi-employer plans.

6/ Includes civil service, railroad retirement and state and local retirement funds.

7/ Mortgage debt to institutions on one-to-four-family nonfarm dwellings.

8/ Consumer debt owed to corporations, largely attributable to purchase of automobiles and other durable consumer goods, although including some debt arising from purchases of consumption goods. Policy loans on government and private life insurance have been deducted from those items of saving.

9/ Change in bank loans to brokers and dealers and others made for the purpose of purchasing or carrying securities.

TABLE 2

FINANCIAL ASSETS AND LIABILITIES OF INDIVIDUALS IN THE UNITED STATES

Year-end 1961-1965

(Billions of dollars)

<u>Financial Assets</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
1. Currency and demand deposits.....	80.0	82.8	89.6	96.6	105.4
2. Time and saving deposits.....	109.7	124.6	136.2	148.6	163.7
3. Savings shares.....	75.7	85.6	97.3	108.6	117.9
4. Securities.....	593.2	538.1	617.7	685.7	739.1
a. U.S. savings bonds.....	46.4	46.9	48.0	49.0	49.6
b. Other U.S. Government <u>1/</u>	26.7	27.8	28.4	30.2	32.3
c. State and local government.....	30.8	31.1	32.9	35.3	38.0
d. Corporate and other <u>1/</u>	489.3	432.3	508.3	571.3	619.2
(1) Bonds and notes.....	20.9	21.4	21.5	22.4	23.3
(2) Investment company shares.	32.6	30.1	34.8	39.8	46.3
(3) Other preferred and common stock.....	435.8	380.8	452.0	509.1	549.6
5. Private insurance and pension reserves.....	156.8	164.0	178.2	193.7	208.7
a. Insurance reserves.....	91.3	95.6	100.2	105.1	110.6
b. Insured pension reserves.....	20.2	21.6	23.3	25.2	27.2
c. Noninsured pension reserves...	45.3	46.7	54.6	63.4	70.9
6. Government insurance and pension reserves.....	44.5	48.3	52.3	56.8	61.8
7. Total financial assets..... (1 through 6)	1,060.0	1,043.3	1,171.2	1,290.0	1,396.5
<u>Liabilities</u>					
8. Mortgage debt.....	139.9	152.4	167.3	182.8	197.9
9. Consumer debt.....	52.0	57.0	63.3	69.8	78.5
10. Securities loans.....	6.1	7.2	8.1	8.2	7.9
11. Total liabilities (8+9+10).....	198.0	216.6	238.7	260.8	284.3
Total individuals' net equity <u>2/</u> (7-11) ..	862.0	826.7	932.4	1,029.3	1,112.3

1/ Estimated market value. Nonguaranteed Federal agency issues are included with U.S. Government issues.

2/ The year to year changes in the above data are not equivalent to individuals' saving which does not reflect revaluations in certain of the components.