

July 8, 1942

Mr. M. S. Eccles, Chairman
Board of Governors
Federal Reserve System
Washington, D. C.

Dear Mr. Eccles:

I have read with a great deal of interest, a copy of your letter of May 4 addressed to Honorable John A. Danaher with reference to inflation and investment in Government Savings and War Bonds.

I was particularly interested in the third paragraph of your letter with reference to what you had to say about investment in life insurance. My program in life insurance is not as complete as I would like it for the protection of my family, or myself when I grow too old to work.

I want to be patriotic and I want to do everything that will help to win the war, but I would like to buy more life insurance. I am now buying Bonds to the extent of 10 per cent of my salary. This amount invested in insurance would give me about the amount of additional protection I feel that I need. I cannot buy both Bonds and insurance as I have other obligations to meet.

The question is, will I be unpatriotic or in any way derelict in my duty to the winning of the war if I invest in insurance instead of Government Savings and War Bonds?

The life insurance company with which I am figuring has given me assurance that for the duration all premiums for new insurance will be invested in Government Bonds, and at the present time they are buying Bonds that yield $2\frac{1}{2}$ per cent, which is a savings to the Government over the Bonds that I am now buying of $\frac{4}{10}$ of 1 per cent. If I invest my money in Government Bonds I will have an assured income for 10 years certain and no more, but if I invest my money in life insurance I may take a life income from the cash proceeds of the policy.

From figures I have collected where men have an assured income for life they reflect the following:

100 men at age 60					
75	are	still	living	at	age 70
58	"	"	"	"	" 75
41	"	"	"	"	" 80
24	"	"	"	"	" 85
11	"	"	"	"	" 90

Mr. M. S. Eccles

- 2 -

July 8, 1942

From this table it clearly shows that the average age, after reaching 60, is a great deal longer than 10 years. Should I continue the Bond purchase plan my income would last for only 10 years unless I continued reinvesting the excess over the amount necessary for my living. This you know is something that ordinarily will not be done by older people.

If I take the insurance route in addition to the protection of my wife and child, I will have an income at age 60 of \$52.08 for Life and if I live to that ripe old age of 90 I will still have an income.

In addition to the benefits to the Government in a savings in interest, there would be that elimination of a possibility of having to refinance War Savings Bonds that are sure to be cashed by a great number of people after the war. It would help prevent inflation and encourage savings as well as under the Bond plan. There are thousands of men in the same position I am in and if this point could be clarified, then I feel our manager would have no hesitancy in asking us to do the thing that would benefit us the most.

I would like to have a reply from you stating your candid opinion as to what you think about my going the insurance route.

Yours very truly

G. W. Stiles
1614 So. Hampton Rd.
Dallas, Texas

July 15, 1942.

Mr. G. W. Stiles,
1611 1/2 South Hampton Road,
Dallas, Texas.

Dear Mr. Stiles:

Your letter of July 8 appealed to me particularly because of the interesting and logical way in which you have analyzed your own problem. It seems to me that it is a question of whether you and your family would be better protected by insurance or by investment in War Bonds. In view of your obligations and family dependency, it would appear to be more appropriate for you to invest in life insurance. On the other hand, if you had been able to build up an estate for your family, then looking at your situation from an investment viewpoint, the purchase of War Bonds would be preferable and would give you a much better yield on an annuity basis. Certainly no one could say that you were not doing your part since you are already devoting ten per cent of your salary to the purchase of War Bonds. As you rightly point out, the premiums you pay on insurance will go toward the purchase of Government bonds.

In my letter to Senator Danaher I was trying to state briefly a general proposition and I wished to be careful to avoid giving the insurance companies an opportunity to use my statement for promotional purposes.

Sincerely yours,

M. S. Eccles,
Chairman.

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