

A MEMORANDUM ON ANNUITIES:

People of small means, and especially wage earners, are more concerned as to what will happen to them when they can no longer earn good wages than over any other single fact.

The great difficulty of saving enough and investing it safely and wisely to provide an income adequate to the needs of old age, looms up very big before them. Safe investment brings in such small returns (for example, a one thousand dollar bond brings an annual income of only \$40. to \$50.), whereas investments which offer good returns are so hazardous that the feeling is common among working people that there is no adequate way for them to provide against their declining years.

Under these conditions we find:

- (a) Some people hoarding money because they will not even trust savings banks;
- (b) Some people making savings deposits, the principal of which will be used in case of old age or sickness;
- (c) Some people making "wildcat" investments because they have been tempted by some alluring prospectus.

To sum up the situation there is a very great and general demand for annuities. This demand has been recognized by the Nations of Europe and by our Canadian neighbor.

The cash requirements of the Government at this time seem to suggest the possibility of utilizing the war savings campaign as a method of meeting the situation adequately and completely, and providing an annuity, which will begin say, at the age of 55, 60, 65, or 70, and which may be secured say, on January 1st, 1919, based upon the age of the applicant at his last birthday and in exchange for completed war savings certificates, maturing January 1st, 1923, at \$100. each. In event of death at any time before the first payment of annuity falls due all payments made, with 4% compound interest, might properly be refunded to

the heirs, and in the event of death within the first ten years after annuity becomes payable the payments would be continued for the full ten years as the purchaser might direct.

The plan should provide that if the annuitant survived the ten years, the annuity would be continued so long as the annuitant lives, and be paid in quarterly instalments, i. e., every three months.

As an example, and to illustrate what this plan would provide, let us take the case of an applicant for annuity, aged at the present time, 20 years, and having purchased one completed war savings certificate costing, say, \$83, and maturing at \$100. January 1st, 1923. Instead of taking the cash on the first of January 1923 for his completed war savings certificate, he should have the option of taking an annuity bond of the United States Government, paying him a life annuity, if beginning at the age of:

| | |
|------|---------|
| 55 - | \$26.54 |
| 60 - | 35.81 |
| 65 - | 48.16 |
| 70 - | 64.16 |

with the privilege, that if he should die before the annuity fell due, all that he had paid to the Government, with 4% compound interest would be returned to his heirs or beneficiaries.

If he should die before the annuity fell due his heirs would receive, in lieu of the annuity, beginning when he would have reached the age of:

| | | |
|------|-----------------|--------|
| 55 - | the lump sum of | \$375. |
| 60 - | " " " " | 410. |
| 65 - | " " " " | 499. |
| 70 - | " " " " | 607. |

If this annuitant should die after only one payment of annuity the Government would continue the payments to his wife or heirs, in quarterly instalments, until either; \$266.40; \$358.10; \$481.60; or \$641.60, guaranteed under the Annuity Bond which may have been chosen, had been paid.

If on the other hand, this annuitant should survive ten years, he would receive \$26.40; \$35.81; \$48.16 or \$64.16 per year in quarterly payments so long as he lives.

An approximate table prepared for males, which would be substantially the same for females, showing the age of the applicant for annuity on January 1st, 1919, and the amount of annuity which he would receive beginning with the age of 55 and advancing five years up to 70, illustrates clearly the general plan:

| | | <u>M A L E S.</u> | | | |
|-----------------|-------------------|--------------------------------|-----------|-----------|-----------|
| | | <u>Age when annuity begins</u> | | | |
| <u>Age Jan.</u> | <u>1st, 1919.</u> | <u>55</u> | <u>60</u> | <u>65</u> | <u>70</u> |
| 1 | Year | \$56.20 | \$74.58 | \$100.58 | \$134.46 |
| 5 | Years | 47.98 | 62.10 | 82.43 | 110.16 |
| 10 | " | 39.45 | 53.01 | 68.43 | 90.27 |
| 15 | " | 32.41 | 43.58 | 58.59 | 75.16 |
| 20 | " | 26.64 | 35.81 | 48.16 | 64.16 |
| 25 | " | 21.90 | 29.33 | 39.53 | 52.75 |
| 30 | " | 18.02 | 24.19 | 32.53 | 43.34 |
| 35 | " | 14.78 | 19.90 | 26.72 | 35.62 |
| 40 | " | 12.17 | 16.33 | 22.01 | 29.17 |
| 45 | " | 10.04 | 13.45 | 18.05 | 24.10 |
| 50 | " | 8.22 | 11.09 | 14.86 | 19.77 |
| 55 | " | 6.69 | 9.08 | 12.26 | 16.28 |
| 60 | " | . . . | 7.39 | 10.04 | 13.42 |
| 65 | " | . . . | . . . | 8.17 | 10.94 |
| 70 | " | . . . | . . . | . . . | 8.94 |

The law under which the war savings plan was put into operation, provides that no one holder of war savings certificates can invest to an amount exceeding \$1,000 maturity value, but this is sufficient to allow any wage earner to provide amply against old age or sickness, and would yield ten times the sums indicated in the above table prepared

for \$100. certificates.

The whole plan presupposes that the campaign of thrift already begun, shall be carried forward so as to effect a great economic benefit to the people of our country. It is safe to assume from most recent figures that 25 to 30 millions of people, or say, 25% of our population, are wage earners and dependent largely, if not wholly, on the wages they earn.

The plan proposed and explained in the above outline, places self insurance, or protection against old age and sickness, on a squarely business basis. It avails itself of facilities the Government has already provided, and makes the Government of the United States the custodian of people's savings which are repaid in the form of annuities. It furnishes a form of protection quite as important and desirable to the rank and file of wage earners as war risk insurance is to the sailors and soldiers.

April 24, 1918.